UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2020

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __________to__________

Commission file number 001-09518

THE PROGRESSIVE CORPORATION

(Exact name of registrant as specified in its charter)

Ohio	**34-0963169**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6300 Wilson Mills Road, Mayfield Village, Ohio	**44143**
(Address of principal executive offices)	**(Zip Code)**

(440) 461-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $1.00 Par Value	PGR	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the voting common shares held by non-affiliates of the registrant at June 30, 2020: $46,424,173,990

The number of the registrant's Common Shares, $1.00 par value, outstanding as of January 31, 2021: 585,747,728

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2021, and the Annual Report to Shareholders of The Progressive Corporation and subsidiaries for the year ended December 31, 2020, included as Exhibit 13 to this Form 10-K, are incorporated by reference in Parts I, II, III, and IV hereof.

PART I

ITEM 1. BUSINESS

General Development of Business

The Progressive Corporation, an insurance holding company, has insurance and non-insurance subsidiaries and affiliates (reference in this Item to subsidiaries includes affiliates as well). Our insurance subsidiaries provide personal and commercial auto insurance, personal residential and commercial property insurance, general liability insurance, and other specialty property-casualty insurance and related services. Our non-insurance subsidiaries generally support our insurance and investment operations. We operate throughout the United States.

Description of Business

Organization

Our executive group oversees the business and corporate groups that support all areas of our organization and consists of the following:

Chief Executive Officer

- Chief Financial Officer
  - Chief Investment Officer
- Chief Human Resource Officer
- Chief Information Officer
- Chief Legal Officer
- Chief Marketing Officer
- Chief Strategy Officer
- Personal Lines President
  - Property General Manager
- Commercial Lines President
- Claims President
- Customer Relationship Management President

Our insurance and claims organizations are generally managed on a state-by-state basis due to the nature of insurance, legal and regulatory requirements, and other local factors, and are supplemented by national operations and supported by our corporate functions. State-specific organizations typically report to a regional general manager, who then reports to the applicable group president. In California, we operate a separate agency auto organization with its own management.

Personal Lines

Our Personal Lines segment writes insurance for personal autos and recreational vehicles, which we refer to as our special lines products. This business generally offers more than one program in a single state, with each program targeted to a specific distribution channel, market, or customer group. As of December 31, 2020, we wrote personal auto insurance in all 50 states and the District of Columbia, and we wrote the majority of our special lines products in all 50 states. The Personal Lines business accounted for 82% of our total net premiums written in 2020, and 83% in both 2019 and 2018.

The Personal Lines segment consists of personal auto and special lines products.

- Personal auto insurance represented approximately 94% of our total Personal Lines net premiums written in 2020, 2019, and 2018. We ranked third in market share in the U.S. private passenger auto market for 2019, based on premiums written, and we believe we continued to hold that position for 2020. There are approximately 290 competitors in this market. Progressive and the other leading 16 private passenger auto insurers, each of which writes over $2.5 billion of premiums annually, comprise about 80% of this market. All industry data, including ranking and market share, based on premiums written, has been obtained directly from data reported by either SNL Financial or A.M. Best Company, Inc. ("A.M. Best"), or was estimated using A.M. Best data as the primary source.
- Special lines products, which include insurance for motorcycles, ATVs, RVs, watercraft, snowmobiles, and similar items, represented the remaining Personal Lines net premiums written for the years mentioned above. Due to the seasonal nature of these products, we typically experience higher losses during the warmer weather months. Our competitors are specialty companies and large multi-line insurance carriers. Although industry figures are not available, based on our analysis of this market, we believe that we have been the market share leader for the motorcycle product since 1998 and that we are one of the largest providers of specialty RV and boat insurance.

Our Personal Lines products are sold through both the Agency and Direct channels.

- The Agency business includes business written by our network of more than 40,000 independent insurance agencies located throughout the United States, including brokerages in New York and California. These independent insurance agents and brokers have the ability to place business with Progressive for specified insurance coverages within prescribed underwriting guidelines, subject to compliance with our mandated procedures. The agents and brokers do not have authority to establish underwriting guidelines, develop rates, settle or adjust claims, or enter into other transactions or commitments. The Agency business also writes insurance through strategic alliance business relationships with other insurance companies, financial institutions, and national agencies. The total net premiums written through the Agency channel represented 48% of our Personal Lines volume in 2020, 49% in 2019, and 50% in 2018.
- The Direct business includes business written directly by us on the Internet, through mobile devices, and over the phone. The total net premiums written by the Direct business represented 52% of our Personal Lines volume in 2020, 51% in 2019, and 50% in 2018.

Our Personal Lines strategy is to be a competitively priced provider of a broad range of personal auto and special lines insurance products with distinctive service, distributed through whichever channel the customer prefers, and combined with property insurance and other products when appropriate to match our customers' needs. Volume potential is driven by our price competitiveness, brand recognition, quality service, and the actions of our competitors, among other factors. See "Competitive Factors" below for further discussion.

We seek to refine our personal auto segmentation, underwriting models, and pricing over time, and we regularly elevate new product models. At any one time, we could have multiple product models in the marketplace as new versions are being rolled out from state to state. Such new product models generally introduce new risk variables intended to improve the accuracy of matching rate to risk, increase our competitiveness, or make our products more attractive to specific market segments, among other enhancements.

We continue to provide customers in both the Agency and Direct channels the opportunity to improve their auto insurance rates based on their personal driving behavior through Snapshot®, our usage-based insurance program. We offer Snapshot through our hardware-based version, which is available nationwide except for California, North Carolina, and Virginia due to the regulatory environment, as well as through our mobile-app version, which is available in 44 states and the District of Columbia. This mobile app is intended to improve the user experience while also reducing our monitoring costs. In addition to the personal benefits for our customers, the data collected via the mobile app affords us a unique perspective on mobile device usage, vehicle operations, and accidents. Our updated auto product models, discussed above, often also include Snapshot enhancements to improve its competitiveness and broaden its applicability.

Our Personal Lines business is focused on efforts to form deeper and longer-term relationships with our customers through our Destination Era strategy. Through this strategy, we seek to leverage Progressive Home, our Property business, as well as insurance and non-insurance products offered by unaffiliated third parties, to provide our customers access to a range of products addressing their diverse needs and, if the customer chooses, to "bundle" certain of the products together. Bundled products are an integral part of our consumer offerings and an important part of our strategic agenda. Customers who prefer to bundle represent a sizable segment of the insurance market, and our experience is that they tend to stay with us longer and generally have lower claims costs. Our Destination Era strategy involves a number of initiatives, including:

- In our Agency channel, we offer customers the opportunity to bundle our auto and Progressive Home offerings.
- To further drive bundling in the Agency channel, we offer the Platinum program to those select agents who have the appropriate customers for our bundled offering. This program combines our auto and home insurance with compensation, coordinated policy periods, single event deductible, and other features that meet the needs and desires that our agents have expressed. As of December 31, 2020, we had 3,976 Platinum agents.
- We offer independent agents an agency quoting system that makes it easier for them to bundle multiple policies with us. Our "Portfolio" quoting system reduces data entry, displays all available products eligible for bundled quotes, simplifies the comparative rater experience, and provides agents and their customers an overview of premium, bundle savings, and applied discounts to allow them to add or remove products with one click. Portfolio is available for all agents appointed to write new business in the 46 states and the District of Columbia where we offer Progressive Home products.
- In the Direct channel, we bundle Progressive auto with Progressive Home products in 45 states and the District of Columbia, as well as with homeowners and renters products provided by unaffiliated insurance carriers nationwide. We offer these bundles by providing a single destination to which consumers may come for both their auto and property insurance needs. In many cases, we may offer discounts to incentivize or reward this bundling.

- HomeQuote Explorer® (HQX) is our multi-carrier, direct-to-consumers online property offering. Through HQX, consumers are able to quickly and easily quote and compare homeowners insurance online from Progressive and other carriers. During 2020, we continued to expand the availability of the online buy button via HQX for Progressive Home shoppers, which was active in 23 states at year end, with plans to continue to expand over time.
- As we increase our penetration of the more complex, multi-product customers who are critical to our Destination Era success, we are further expanding the roster of products provided by unaffiliated companies that we make available through online and telephonic referrals and for which we receive commission or other compensation that are reported as service revenues. Our list of unaffiliated company products includes home security, home warranty, personal loans, and health, life, pet, and travel insurance.
- Our special lines products and umbrella insurance can be combined with any of the auto, home, or renters coverages that we offer, in either the Direct or Agency channel.

Commercial Lines

The Commercial Lines segment writes auto-related primary liability and physical damage insurance, and business-related general liability and property insurance, each predominately for small businesses. This business represented 13% of our total net premiums written in both 2020 and 2019, and 12% in 2018. The following discussion excludes transportation network company (TNC) business, unless otherwise noted.

We offer our auto products in 50 states and do not currently write our auto products in the District of Columbia. Our Commercial Lines auto customers insure approximately two vehicles on average. We continue to write about 90% of our Commercial Lines business through the agency channel.

There are approximately 335 competitors in the total U.S. commercial auto market. We primarily compete with about 50 other large companies/groups, each with over $200 million of commercial auto premiums written annually. These leading commercial auto insurers comprise about 80% of this market. Our Commercial Lines business ranked number one in the commercial auto insurance market for 2019 based on premiums written, and we believe that we continued to hold that position for 2020.

The Commercial Lines business operates in the following commercial auto business market targets:

- *Business auto* – autos, vans, pick-up trucks used by small businesses, such as retailing, farming, services, and private trucking, and for-hire livery (non-fleet (i.e., five or fewer vehicles) taxis, black-car services, and airport taxis),
- *For-hire transportation* – tractors, trailers, and straight trucks primarily used by regional general freight and expeditor-type businesses and long-haul operators,
- *Contractor* – vans, pick-up trucks, and dump trucks used by small businesses, such as artisans, heavy construction, and landscapers/snowplowers,
- *For-hire specialty* – dump trucks, log trucks, and garbage trucks used by dirt, sand and gravel, logging, and coal-type businesses, and
- *Tow* – tow trucks and wreckers used in towing services and gas/service station businesses.

As with our personal auto products, we regularly introduce new commercial auto product models designed to improve our pricing accuracy and competitiveness through improved segmentation, the use of additional risk variables, and other enhancements. New models are typically rolled out on a state-by-state basis and, as a result, we often have more than one product version in the marketplace at a time.

Similar to Snapshot in the personal auto business, the Commercial Lines business offers its customers usage-based insurance (UBI) options. Smart Haul®, is the UBI program that uses driving data from a motor carriers' existing electronic logging device. Smart Haul allows owner operators and small fleets to earn discounts for agreeing to share their electronic logging device generated data with us. Snapshot ProView®, which was launched in 2020, is the UBI program for commercial auto customers without their own electronic logging device. Snapshot ProView allows customers to earn upfront discounts and provides value-add services, like fleet management and personalized tips to encourage safe driving. At year-end 2020, both programs were available in 45 states and we plan to expand to more states in 2021.

We offer general liability and property insurance through our business owners policy (BOP) insurance. This product is geared specifically to small businesses and is currently available to agents in 17 states, with plans to expand to additional states during 2021. We also continue to act as an agent for business customers to place BOP, general liability, professional liability, and workers' compensation coverage through unaffiliated insurance carriers and are compensated through commissions, which are reported as service revenues. To further help our direct customers, we offer BusinessQuote Explorer® (BQX), a digital application that allows small business owners to obtain quotes for our BOP product and the products offered from a select group of unaffiliated carriers.

In addition, we provide commercial auto coverage in the TNC business to Uber Technologies subsidiaries in 13 states and to Lyft's rideshare operations in 7 states and in the District of Columbia. TNC represented about 4% of our Commercial Lines net premiums written for 2020 and 7% for 2019. Premiums written in our TNC business are determined in part by estimating the number of miles to be driven over the life of the policy term (six or twelve months), on a policy-by-policy basis. These premium estimates are adjusted monthly based both on actual miles driven and an estimate of miles to be driven during the remaining policy term. During 2020, due to social distancing and other restrictions put in place to help stop the spread of the novel coronavirus, actual miles driven and new mileage forecasts decreased significantly from 2019 levels, resulting in the decrease in net premiums written in our TNC business.

Property

Our Property segment writes residential property insurance in 45 states and the District of Columbia, and renters insurance in 46 states and the District of Columbia, primarily in the independent agency channel and through select agents under our Platinum program to drive home and auto bundling. We also act as a participant in the "Write Your Own" program for the National Flood Insurance Program under which we write flood insurance in 45 states and the District of Columbia; 100% of this business is reinsured.

Our Property business represented about 5% of our total net premiums written in both 2020 and 2018, and 4% in 2019. We tend to see more business written during the second and third quarters of the year based on the cyclical nature of property sales. Losses also tend to be higher during the warmer weather months when storms are more prevalent. As a property insurer, we have exposure to losses from catastrophes, including hurricanes, and other severe storms. To help mitigate these risks, we enter into reinsurance arrangements. See the "Reinsurance" section below for further discussion of our reinsurance programs.

As one of the 15 largest homeowners carriers in the United States, we specialize in property insurance for homes, condos, manufactured homes, and renters, as well as personal umbrella insurance and primary and excess flood insurance. There are approximately 380 competitors in the homeowners insurance market nationwide and we compete with many of these companies. The top 15 carriers, each with over $1 billion of premiums written annually, comprise about 70% of the market.

As discussed above, our Property business is an important component of our Destination Era strategy.

Reinsurance

We cede a portion of our direct premiums written to regulated reinsurance plans. We participate in several mandatory state pools, including the Michigan Catastrophic Claims Association, Florida Hurricane Catastrophe Fund, and North Carolina Reinsurance Facility. We also act as servicing agent for state-mandated involuntary plans for commercial vehicles (CAIP plans) and as a participant in the "Write Your Own" program for federally regulated plans for flood (National Flood Insurance Program). All of these programs are governed by insurance regulations.

We also have voluntary contractual arrangements that primarily relate to the Property business and to our TNC and BOP products written by our Commercial Lines business. The reinsurance program in our Property business is designed to reduce overall risk while, to the extent of coverage purchased, protecting capital from the costs associated with catastrophes and severe storms.

For the TNC business we have quota share reinsurance agreements and for our BOP products we have excess of loss reinsurance agreements (with certain BOP coverages having quota share agreements). Under each agreement, we cede a portion of premiums, losses, and loss adjustment expenses. Cession rates for our TNC business vary by state. A portion of the reinsurance is written through reinsurers that are owned by the TNC companies, and these recoverables are collateralized at a target of over 100%. The remaining portion of reinsurance for the TNC business is written by a panel of third-party reinsurers, which are rated "A" or better by A.M. Best.

Our Property business has occurrence excess of loss reinsurance and, new for 2020, an aggregate excess of loss program. The occurrence excess of loss program supports the goal of maintaining adequate capital while sustaining at least two one-in-one hundred year events in a single contract period. It contains several layers: privately-placed reinsurance, a catastrophe bond, and coverage obtained through the Florida Hurricane Catastrophe Fund, among other arrangements. The program includes layers that are purchased for multi-year periods, and layers as to which we have prepaid premiums for reinstatement of coverage after the first covered event to ensure coverage for the second event. Under the current program, we are responsible for the first $80 million of losses and allocated loss adjustment expenses (ALAE) from each event. We may be responsible for additional losses if we experience more than two such events or if claims incurred exceed the maximum limits of the reinsurance coverage that is then in place. Coverage limits for a first event in Florida would be $1.95 billion, while coverage for a first event outside of Florida would be $1.55 billion; coverage for a second event (and, potentially, for subsequent covered events) would depend on a number of factors, including the severity and location of the earlier events in the contract period. We expect that in mid-2021 our retention threshold for this program will increase to at least $100 million and that the maximum coverage limits may also be increased, subject to our ongoing negotiations with reinsurers.

Included in the 2020 occurrence excess of loss program is $200 million of reinsurance coverage provided through a catastrophe bond transaction that replaced a similar bond that expired on December 31, 2019. The bond provides reinsurance coverage in the event that a single catastrophe event in Florida exceeds the $1.55 billion in coverage, while coverage for a single catastrophe event outside of Florida would be $1.15 billion, provided by our occurrence catastrophe reinsurance program. Effective June 1, 2021, we have an additional $200 million catastrophe bond that expands our coverage.

In addition, during 2020, we had a property catastrophe aggregate excess of loss program. This agreement contains two layers, each with a retention threshold of $375 million. The first layer provides $130 million of coverage for catastrophe losses and ALAE, except those from named storms (both hurricanes and tropical storms). The second layer provides $70 million for our retained losses and ALAE from both named and non-named storms. The first layer does not have to be exhausted before the second layer can be applied.

On January 1, 2021, we entered into a new aggregate excess of loss program with three layers. The first layer has a retention threshold of $475 million and provides $75 million of coverage for catastrophe losses and ALAE, except those from named storms (both hurricanes and tropical storms). The second layer has a retention threshold of $550 million and provides $50 million of coverage on losses and ALAE from both named and non-named storms. The third layer has a retention threshold of $600 million and provides $100 million of coverage, which includes $95 million under the catastrophe bond, on losses and ALAE from both named and non-named storms to the extent losses are in excess of the coverages provided under the first two layers. Each layer is subject to a per occurrence $2 million deductible before each loss could be considered for aggregate retention, and each event is subject to a $98 million coverage cap. The first layer does not have to be exhausted before the second or third layer can be applied; however, the second layer must be exhausted before the third layer can be applied.

For example, under the 2021 aggregate excess of loss program, if we incurred aggregate non-named catastrophe losses and ALAE (in excess of the $2 million deductible on each loss) of $450 million and named storm losses of $150 million, we would have no reinsurance coverage under the first layer since the non-named catastrophe losses did not exceed the retention threshold; however, we would recognize a reinsurance recoverable of $50 million under the second layer, representing the amount our total losses of $600 million ($450 million of non-named and $150 million of named catastrophe losses) exceeded the $550 million retention threshold.

For accident years 2017 to 2019, we have aggregate stop-loss reinsurance agreements (ASL), with substantially the same terms from year to year. These agreements cover accident year Property losses and certain ALAE except those from named storms (both hurricanes and tropical storms) and liability claims, for business written by ARX subsidiaries that write Property business. As such, these agreements provide protection for losses and ALAE incurred by our Property business in the ordinary course, including those resulting from other significant severe weather events, such as hail, tornadoes, etc. These agreements provide $200 million of coverage to the extent that the net loss and ALAE ratio for the full accident year exceeds 63%. The ASL reduced the likelihood that we would experience a net underwriting loss for reasons other than named storms and liability claims. The ASL agreement for 2019 accident year losses has substantially the same terms as those discussed above for the 2017 and 2018 agreements with the exception that the 2019 ASL also covers an additional $100 million of retained losses and ALAE from named storms.

The reinsurance programs in our Property business are with unaffiliated reinsurance companies, most of which are rated “A” or better by A.M. Best.

Claims

Our employees handle our Personal and Commercial Lines claims from claims offices located throughout the United States, supported by centralized functions at our corporate offices and a nationwide network of just over 2,500 third-party repair shops. For our Property business, we manage a majority of our claims through a network of independent claims field adjusters with internal claims representatives managing the overall claims process. As of December 31, 2020, we employed about 550 internal Property claim representatives and about 140 staff field adjusters; we plan to continue to increase our internal claims staff in 2021.

Competitive Factors

The insurance markets in which we operate are highly competitive. Property-casualty insurers generally compete on the basis of price, agent commission rates, consumer recognition and confidence, coverages offered and other product features, claims handling, financial stability, customer service, and geographic coverage. Vigorous competition is provided by large, well-capitalized national companies in both the agency and direct channels, and by smaller regional insurers. In the agency channel, some of our competitors have broad distribution networks of employed or captive agents. With widely available comparative rating services, consumers can easily compare prices among competitors. Many competitors invest heavily in advertising and marketing efforts and/or expanding their online or mobile service offerings. Over the past decade, these changes have further intensified the competitive nature of the property-casualty insurance markets in which we operate.

We rely heavily on technology to operate our business and on extensive data gathering and analysis to segment markets and price accurately according to risk. We have remained competitive by refining our risk measurement and price segmentation skills, closely managing expenses, and achieving operating efficiencies. High-quality customer service, fair and accurate claims adjusting, and strong brand recognition are also important factors in our competitive strategy. Competition in our insurance markets is also affected by the pace of technological developments. An insurer's ability to adapt to change, innovate, develop, and implement new applications and other technologies can affect its competitive position. In addition, our competitive position could be adversely impacted if we sustain security breaches or other "cyber attacks" on our systems or are unable to maintain uninterrupted access to our systems, business functions, and the systems of certain third-party providers. See *Item 1A, Risk Factors*, for more information.

In addition, there has been a proliferation of patents related to new ways in which technologies can affect competitive positions in the insurance industry. Some of our competitors have many more patents than we do. Some of the patents we currently hold include a usage-based insurance patent (expiring in 2024 or after), two patents for the system we use for securing e-signature transactions (expiring in 2025 or after), two U.S. patents on the Name Your Price® functionality on our website (expiring in 2028 or after), three multi-product quoting patents (expiring in 2032 or after), two patents for our implementation of a mobile insurance platform and architecture (expiring in 2032 or after), a patent on our system of providing customized insurance quotes based on a user's price and/or coverage preferences (expiring in 2033 or after), two patents for our loyalty call routing system (expiring in 2033 or after), a patent for a multivariate predictive system that processes usage-based data (expiring in 2035 or after), and three patents for the implementation of chatbots in online quoting and servicing (expiring in 2038 and 2039 or after).

We have a substantial amount of "know-how" developed from years of experience with usage-based insurance, and from analyzing the data from over 35 billion driving miles derived from our usage-based devices and our mobile app. We believe this intellectual property provides us with a competitive advantage in the usage-based insurance market.

State Insurance Licenses

Our insurance subsidiaries operate under licenses issued by various state insurance authorities. These licenses may be of perpetual duration or renewable periodically, provided the holder continues to meet applicable regulatory requirements. Our licenses govern the kinds of insurance coverages that may be written by our insurance subsidiaries in the issuing state. Such licenses are normally issued only after the filing of an appropriate application and the satisfaction of prescribed criteria. All licenses that are material to our subsidiaries' businesses are in good standing.

Insurance Regulation

Our insurance subsidiaries are generally subject to regulation and supervision by insurance departments of the jurisdictions in which they are domiciled or licensed to transact business. At least one of our insurance subsidiaries is licensed and subject to regulation in each of the 50 states and the District of Columbia. The nature and extent of such regulation and supervision varies from jurisdiction to jurisdiction. Generally, an insurance company is subject to a higher degree of regulation and supervision in its state of domicile. Our insurance subsidiaries are domiciled in the states of California, Delaware, Florida, Illinois, Indiana, Louisiana, Michigan, New Jersey, New York, Ohio, Texas, and Wisconsin. In addition, California and Florida treat certain of our subsidiaries as domestic insurers for certain purposes under their "commercial domicile" laws. We also have a subsidiary that writes excess and surplus lines; these activities do not require a license but are regulated.

State insurance laws impose numerous requirements, conditions, and limitations on the operations of insurance companies. Insurance departments have broad regulatory powers relating to those operations. Regulated areas include, among others:

- Licensing of insurers and agents
- Capital and surplus requirements
- Statutory accounting principles specific to insurance companies and the content of required financial and other reports
- Requirements for establishing insurance reserves
- Investments
- Acquisitions of insurers and transactions between insurers and their affiliates
- Limitations on rates of return or profitability
- Rating criteria, rate levels, and rate changes
- Insolvencies of insurance companies
- Assigned risk programs
- Authority to exit a business, and
- Numerous requirements relating to other areas of insurance operations, including: required coverages, policy forms, underwriting standards, and claims handling.

Insurance departments are authorized to conduct periodic and other examinations of regulated insurers' financial condition and operations to monitor the financial stability of the insurers and to ensure adherence to statutory accounting principles and compliance with state insurance laws and regulations. In addition, in some states, the attorney general's office may exercise certain supervisory authority over insurance companies and, from time to time, may investigate certain insurance company practices.

Insurance departments establish and monitor compliance with capital and surplus requirements. Although the ratio of written premiums to surplus that the regulators will allow is a function of a number of factors (including applicable law, the type of business being written, the adequacy of the insurer's reserves, and the quality of the insurer's assets), the annual net premiums that an insurer may write historically have been perceived to be limited to a specified multiple of the insurer's total surplus, generally 3 to 1 for property and casualty insurance, which is the target for our vehicle businesses; our Property business maintains a lower premiums-to-surplus ratio. Thus, the amount of an insurer's statutory surplus, in certain cases, may limit its ability to grow its business. At year-end 2020, we had net premiums written of $40.6 billion and statutory surplus of $15.2 billion. The combined premiums-to-surplus ratio for all of our insurance companies was 2.7 to 1. In addition, as of December 31, 2020, we had access to $6.2 billion of securities held in a non-insurance subsidiary, portions of which could be contributed to the capital of our insurance subsidiaries to support growth or for other purposes. In January 2021, we used the proceeds from the sale of $2.7 billion of these securities to pay our common share dividends.

The National Association of Insurance Commissioners (NAIC) also has developed a risk-based capital (RBC) program to enable regulators to identify and take appropriate and timely regulatory actions relating to insurers that show signs of weak or deteriorating financial condition. RBC is determined by a series of dynamic surplus-related formulas that contain a variety of factors that are applied to financial balances based on the degree of certain risks, such as asset, credit, and underwriting risks. At December 31, 2020, our RBC ratios were in excess of minimum requirements.

Insurance companies are generally required to file detailed annual and other reports with the insurance department of each jurisdiction in which they conduct business. These reports include:

- the insurer's financial statements under statutory accounting principles,
- details concerning claims reserves held by the insurer,
- specific investments held by the insurer, and

- numerous other disclosures about the insurer’s financial condition and operations.

State insurance laws and insurance departments also regulate investments that insurers are permitted to make. Limitations are placed on the amounts an insurer may invest in a particular issuer, as well as the aggregate amount an insurer may invest in certain types of investments. Certain investments are prohibited.

Insurance holding company laws enacted in many jurisdictions authorize insurance departments to regulate acquisitions of insurers and certain other transactions and to require periodic disclosure of specified information. These laws impose prior approval requirements for certain transactions between insurers and their affiliates and generally regulate dividend and other distributions, including loans and cash advances, between insurers and their affiliates. See *Note 8 – Statutory Financial Information* in our Annual Report for further discussion.

Under state insolvency and guaranty laws, insurers can be assessed or required to contribute to state guaranty funds to cover policyholder losses resulting from the insolvency of other insurers. Insurers are also required by many states, as a condition of doing business in the state, to provide coverage to certain risks that cannot find coverage in the voluntary market. These “assigned risk” plans generally specify the types of insurance and the level of coverage that must be offered to such involuntary risks, as well as the allowable premium. Many states also have involuntary market plans, which hire a limited number of servicing carriers to provide insurance to involuntary risks. These plans, through assessments, pass underwriting and administrative expenses on to insurers that write voluntary coverages in those states.

Many states have laws and regulations that limit an insurer’s ability to exit a market. For example, certain states limit an insurer’s ability to cancel or non-renew policies. Certain states also prohibit an insurer from withdrawing one or more lines of business from the state, except pursuant to a plan that is approved by the state insurance department. The state insurance department may disapprove a plan that may lead to market disruption. Laws and regulations that limit the cancellation or non-renewal of policies, or that subject program withdrawals to prior approval requirements, may restrict an insurer’s ability to exit unprofitable markets or businesses.

As mentioned above, insurance departments have regulatory authority over many other aspects of an insurer’s insurance operations, including coverages, forms, rating criteria, and rate levels. The ability to implement changes to these items on a timely basis is critical to our ability to compete effectively in the marketplace. Rate regulation varies from “use and file,” to “file and use,” to prior approval.

Regulation of insurance constantly changes as real or perceived issues and developments arise. Some changes may be due to economic developments, such as changes in investment laws made to recognize new investment products or to respond to perceived investment risks, while others reflect concerns about consumer privacy, insurance availability, prices, allegations of unfair-discriminatory pricing, underwriting practices, and solvency. In recent years, legislation, regulatory measures, and voter initiatives have been introduced, and in some cases adopted, which deal with use of non-public consumer information, cybersecurity, use of credit and other information in underwriting and rating, insurance rate development, rate of return limitations, and the ability of insurers to cancel or non-renew insurance policies. In addition, from time to time, the United States Congress and certain federal agencies investigate the current condition of the insurance industry to determine whether federal regulation is necessary. The Federal Insurance Office is required to collect information about the insurance industry and monitor the industry for systemic risk.

Investments

Our investment portfolio, which had a fair value of $47.5 billion at December 31, 2020, compared to $39.3 billion at December 31, 2019, consists of fixed-maturity securities, short-term investments, and equity securities (nonredeemable preferred stocks and common equity securities). Our fixed-maturity securities, short-term investments, and nonredeemable preferred stocks are collectively referred to as fixed-income securities. Our principal investment goals are to manage our portfolio on a total return basis to support all of the insurance premiums that we can profitably write and contribute to our comprehensive income. Our portfolio is invested primarily in short-term and intermediate-term, investment-grade fixed-income securities.

Investment income is affected by the variability of cash flows to or from the portfolio, shifts in the type and quality of investments in the portfolio, changes in yield, and other factors. For securities related to our investment portfolios, total investment income includes interest and dividends, net realized gains (losses) on securities sold, and net holding period gains (losses) on securities, which for 2020 and 2019 was composed primarily of valuation changes on equity securities. Total investment income, before expenses and taxes, was $2,566.6 million in 2020, compared to $2,134.5 million in 2019, and $483.3 million in 2018. For our investment portfolio, on a pretax total return basis (i.e., total investment income plus changes in net unrealized gains (losses)), investment income was $3,313.8 million, $2,728.1 million, and $357.5 million for the years ended December 31, 2020, 2019, and 2018, respectively. Outside of our investment portfolio, but reported in impairment losses in the consolidated statements of comprehensive income, were $63.3 million and $68.3 million of other-than-temporary impairment losses resulting from renewable energy tax credit investments during 2019 and 2018, respectively; no other-than-temporary impairment losses were recognized in 2020. For more detailed discussion of our investment portfolio, see *Note 2 – Investments, Note 3 – Fair Value,* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the Annual Report.

Service Businesses

Our service businesses, which represent less than 1% of our total revenues and do not have a material effect on our overall operations, primarily include:

- *Commercial Automobile Insurance Procedures/Plans (CAIP)* – We are the only servicing carrier on a nationwide basis for CAIP plans, which are state-supervised plans servicing the involuntary market in 43 states and the District of Columbia. As a service provider, we provide policy issuance and claims adjusting services and collect fee revenue. Reimbursements to us from the CAIP plans are required by state laws and regulations, subject to contractual service standards. Our current CAIP service contract, administered through the Automobile Insurance Plan Services Office, will expire in 2022. We currently do not intend to renew this contract. Any changes in our participation as a CAIP service provider would not materially affect our financial condition, results of operations, or cash flows.
- *Commission-based businesses* – We act as an agent for other insurance companies. We offer home, condominium, and renters insurance, among other products, written by unaffiliated insurance companies in the continental United States in the direct channel. We also offer our customers the ability to package their commercial auto coverage with other commercial coverages that are written by unaffiliated insurance companies. We receive commissions for the policies written under this program, all of which are used to offset the expenses associated with maintaining this program.

Liability for Property-Casualty Losses and Loss Adjustment Expenses

The consolidated financial statements include the estimated liability for unpaid losses and loss adjustment expenses (LAE), which include ALAE and defense and cost containment expenses, of our insurance subsidiaries. Our objective is to ensure that total reserves (i.e., case reserves and incurred but not recorded reserves, or IBNR) are adequate to cover all loss costs, while sustaining minimal variation from the time reserves are initially established until losses are fully developed. The liabilities for losses and LAE are determined using actuarial and statistical procedures and represent undiscounted estimates of the ultimate net cost of all unpaid losses and LAE incurred through December 31 of each year. These estimates are subject to the effect of future trends on claims settlement, among other factors.

These estimates are continually reviewed and adjusted as experience develops and new information becomes known. Adjustments, if any, relating to accidents that occurred in prior years are reflected in the current year results of operations and are referred to as "development" of the prior year estimates. In establishing loss reserves, we take into account projected changes in claim severity caused by anticipated inflation and a number of factors that vary with the individual type of policy written. These severities are projected based on historical trends, adjusted for anticipated changes in underwriting standards, inflation, policy provisions, claims resolution practices, and general economic trends. These anticipated trends are reconsidered periodically based on actual development and are modified if necessary.

See *Note 6 – Loss and Loss Adjustment Expense Reserves* in the Annual Report for a detailed discussion of our loss reserving practices and a reconciliation of our loss and LAE reserve activity, along with incurred and paid claims development by accident year for our segments, based on definitions pursuant to statutory accounting principles.

Human Capital

We believe that our people and our culture are our greatest competitive advantage, and that having the right people working together in the right way is critical to driving our results, building our enduring business, and creating long-term shareholder value. Our culture is deeply rooted in our Core Values (Integrity, Golden Rule, Excellence, Objectives, and Profit) and is the foundation upon which we have designed our strategies to attract, retain, and motivate highly qualified employees. These include talent acquisition, diversity and inclusion, employee engagement, development and retention, competitive pay and benefits, and for 2020, our pandemic response. As of December 31, 2020, we had 43,326 employees.

Diversity and Inclusion (D&I)

Diversity and inclusion are fundamental to our success. Our commitment to diversity starts at the top with our highly skilled and diverse Board of Directors. We are one of the few large public companies with both a female CEO and a female independent Board Chairperson. Our D&I efforts are overseen by our Board's Compensation Committee, and those efforts are implemented at all levels of the organization.

We seek to maintain a fair and inclusive work environment to have our employees reflect the customers we serve and our leaders reflect the people they lead. We publish employee and manager demographic information on our website and update this on an annual basis. We support D&I awareness among our employees through formal training sessions and workshops focused on building our cultural competency and addressing difficult topics such as racial inequality, microinequities, and privilege. We also have nine employee resource groups (African American Network, Asian American Network, Disabilities Awareness Network, Latin American Networking Association, LGBTQ+ Network, Military Network, Network of Empowered Women, Parent Connection and Young Professionals Network) intended to build a community for our employees with common backgrounds, life experiences, and professional challenges. We leverage our extensive contemporary art collection to spark conversations about our culture, innovation, ethical obligations, and respecting our differences.

Employee Acquisition, Retention, Engagement and Development

Our culture and success have enabled us to attract and retain highly talented people from a diverse marketplace. We employ expansive recruiting practices to ensure we have qualified and deep candidate pools and are attracting candidates from both established and new sources. We hired more than 5,500 new employees in 2020, representing about 3.5% of the total applicants for a job at Progressive.

We understand that engaged employees are more productive, provide better service to our customers and are more likely to stay with Progressive. Each year, we survey our people to measure their engagement. We use the results along with other feedback to evaluate our human capital strategies and the health of our culture.

Our formal performance evaluation process is focused on coaching and development, which we believe encourages greater engagement in our business and improved individual performance. Moreover, we actively foster a learning culture and offer several leadership development programs, including our Multicultural Leadership Development Program. Formal training, which covers a broad swath of competencies and skills, is available for both new and tenured employees, and for both individual contributors and leaders.

Promoting from within is a key part of our strategy. Many of our leaders, including current executive team members, joined Progressive in a junior position and advanced to significant leadership positions within the organization. In 2020, we filled approximately 78% of our open jobs above the entry level by promoting our own talent, including just under 900 manager positions.

Our annualized employee retention rate for 2020 was 91% and, as of December 31, 2020, just under 15,000 of our employees had more than 10 years of tenure at the company.

Ethics and Compliance

Our Core Values are the foundation for our Code of Business Conduct and Ethics, which provides clear expectations for all our people and confirms our commitment to high ethical standards and compliance with legal requirements. We provide ethics training, as well as regular communications, video series, and outside speakers presenting themes such as Courage at our Core and Dare to Disagree, to emphasize our commitment to our ethical and legal responsibilities. Additionally, we have an “open door” policy that empowers every employee to reach out to any manager or any HR representative when they have a question or a concern or they want to share an idea. We also provide a confidential Alertline that is available for employees and others who want to raise a concern anonymously. We encourage our people to speak up, and when they do, we review their concerns, take remedial action where appropriate and do not discriminate or retaliate against them for reporting any concern to us in good faith.

Competitive Pay and Benefits

We seek to provide competitive pay through a combination of fixed and variable compensation. We publish internally the salary range and annual cash incentive target for each of our positions, as well as our assessment of the median pay in the market for comparable jobs. All Progressive people participate in our annual Gainshare bonus program, which measures the growth and profitability of our insurance businesses. We believe Gainshare contributes to the cooperative and collaborative way we work together and, in part, defines our culture. Our executives and other senior leaders also receive compensation in the form of equity awards, which we believe supports a strong pay-for-performance linkage and further aligns their interests with those of our shareholders. We monitor pay equity among employees with similar performance, experience, and job responsibilities, and publish the results annually on our website.

Our employee benefits are intended to be competitive and to support the needs of our people and their families. We invest in the physical, emotional and financial health of Progressive people by providing a broad range of benefits, including: medical, prescription drug, dental, and vison benefits; a 401(k) plan with up to a 6% company match; life insurance; long- and short-term disability insurance; and paid parental leave. We also support flexible work arrangements and paid time off to help our people balance their work and personal lives.

COVID Responses

We took a number of steps during 2020 to support our people during the pandemic. For the health and safety of our employees, we quickly moved as many employees as possible to work from home and implemented additional cleaning and physical distancing protocols at our offices. Recognizing the economic challenges faced by some of our people, we also made advances on Gainshare bonus payments to most of our employees (but not our executives or other senior leaders). We established an employee relief fund to help our people dealing with financial difficulties and provided additional paid time off to employees who needed to care for themselves or family members. We also used various health and wellness communications, events, and activities to address the related anxiety and mental health stress our people may have experienced as a result of the pandemic.

Available Information

Our website is located at progressive.com. As soon as reasonably practicable, we make all documents that we file with, or furnish to, the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, available free of charge via our website at progressive.com/investors. These reports are also available on the SEC's website: http://www.sec.gov. Information on our website does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Progressive filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate such information by reference in such a filing.

ITEM 1A. RISK FACTORS

I. Summary

Our business involves various risks and uncertainties, certain of which are discussed in this section. Management divides these risks into five broad categories in assessing how they may affect our financial condition, cash flows, and results of operations, as well as our ability to achieve our business objectives. Our risk categories include:

- **Insurance Risks -** risks associated with assuming, or indemnifying for, the losses or liabilities incurred by policyholders
- **Operating Risks -** risks stemming from external or internal events or circumstances that directly or indirectly may affect our insurance operations
- **Market Risks -** risks that may cause changes in the value of assets held in our investment portfolios
- **Liquidity Risk -** risk that our financial condition will be adversely affected by the inability to meet our short-term cash, collateral, or other financial obligations, and
- **Credit and Other Financial Risks** - risks that the other party to a transaction will fail to perform according to the terms of a contract, or that we will be unable to satisfy our obligations when due or obtain capital when necessary.

We have also included a “General” section in the discussion below.

Although we have organized risks generally according to these categories in the discussion below, many of the risks may have ramifications in more than one category. For example, although presented as an Operating Risk below, governmental regulation of insurance companies also affects our underwriting, investing, and financing activities, which are addressed separately under Insurance Risks, Market Risks, and Credit and Other Financial Risks below. These categories, therefore, should be viewed as a starting point for understanding the significant risks facing us and not as a limitation on the potential impact of the matters discussed.

It also should be noted that our business and that of other insurers may be adversely affected by a downturn in general economic conditions and other forces beyond our control. Issues such as unemployment rates, the number of vehicles sold, technological advances, home ownership trends, inflation or deflation, consumer confidence, and construction spending, among a host of other factors, will have a bearing on the amount of insurance that is purchased by consumers and small businesses and the costs that we incur. Also, to the extent that we have a concentration of business in one or more states or regions of the country, general economic conditions in those states or regions may have a greater impact on our business.

We cannot predict whether the risks and uncertainties discussed in this section, or other risks not presently known to us or that we currently believe to be immaterial, may develop into actual events and impact our businesses. If any one or more of them does so, the events could materially adversely affect our financial condition, cash flows, or results of operations, and the market prices of our equity or debt securities could decline.

This information should be considered carefully together with the other information contained in this report and in the other reports and materials filed by us with the SEC, as well as news releases and other information we publicly disseminate from time to time.

II. Insurance Risks

Our success depends on our ability to underwrite and price risks accurately and to charge adequate rates to policyholders.

Our financial condition, cash flows, and results of operations depend on our ability to underwrite and set rates accurately for a full spectrum of risks. A primary role of the pricing function is to ensure that rates are adequate to generate sufficient premiums to pay losses, loss adjustment expenses, and underwriting expenses, and to earn a profit.

Pricing involves the acquisition and analysis of historical data regarding vehicle accidents, other insured events, and associated losses, and the projection of future trends for such accidents and events, loss costs, expenses, and inflation, among other factors, for each of our products in multiple risk tiers and many different markets. Our ability to price accurately is subject to a number of risks and uncertainties, including, without limitation:

- the availability of sufficient, reliable data
- our ability to conduct a complete and accurate analysis of available data
- uncertainties inherent in estimates and assumptions, generally
- our ability to timely recognize changes in trends and to predict both the severity and frequency of future losses with reasonable accuracy
- our ability to predict changes in operating expenses with reasonable accuracy
- our ability to reflect changes in reinsurance costs in a timely manner
- the development, selection, and application of appropriate rating formulae or other pricing methodologies
- our ability to innovate with new pricing strategies and the success of those strategies
- our ability to implement rate changes and obtain any required regulatory approvals on a timely basis
- our ability to predict policyholder retention accurately
- unanticipated court decisions, legislation, or regulatory actions
- the frequency, severity, duration, and geographic location and scope of catastrophe events
- our ability to understand the impact of ongoing changes in our claim settlement practices
- changing vehicle usage and driving patterns, which may be influenced by oil and gas prices among other factors, changes in residential occupancy patterns, and the emerging sharing economy
- advancements in vehicle or home technology or safety features, such as accident and loss prevention technologies or the development of autonomous or partially autonomous vehicles
- unexpected changes in the medical sector of the economy, including medical costs and systemic changes resulting from national or state health care laws or regulations
- unforeseen disruptive technologies and events
- the ability to understand the risk profile of significant customers, such as transportation network companies, and
- unanticipated changes in auto repair costs, auto parts prices, used car prices, or construction requirements or labor and materials costs, or the imposition and impacts of tariffs.

We are seeing various legislative and regulatory challenges, political initiatives, and other societal pressures that seek to limit or prohibit the use of specific rating factors in insurance policy pricing. In our view, such efforts may undermine the effectiveness of risk-based pricing. If we are unable to use rating factors that we believe are highly predictive of risk, we may not be able to as accurately match insurance rates to the applicable risks, which may significantly adversely impact our insurance operating results.

The realization of one or more of these risks may result in our pricing being based on inadequate or inaccurate data or inappropriate analyses, assumptions, or methodologies, and may cause us to estimate incorrectly future changes in the frequency or severity of claims. As a result, we could underprice risks, which would negatively affect our underwriting profit margins, or we could overprice risks, which could reduce our competitiveness and growth prospects. In either event, our financial condition, cash flows, and results of operations could be materially adversely affected. In addition, underpricing insurance policies over time could erode the capital position of one or more of our insurance subsidiaries, thereby constraining our ability to write new business.

Our success depends on our ability to establish accurate loss reserves.

Our financial statements include loss reserves, which represent our best estimate as of the date of the financial statements of the amounts that our insurance subsidiaries ultimately will pay on claims that have been incurred, and the related costs of adjusting those claims. There is inherent uncertainty in the process of establishing property and casualty insurance loss reserves, which can arise from a number of factors, including:

- the availability of sufficient, reliable data
- the difficulty in predicting the rate and direction of changes in frequency and severity trends, including the effects of future inflation rates, for multiple products in multiple markets
- unexpected changes in medical costs, auto repair costs, or the costs of construction labor and materials, and the imposition and impacts of tariffs
- unanticipated changes in governing statutes and regulations
- new or changing interpretations of insurance policy provisions and coverage-related issues by courts
- the effects of changes in our claims settlement practices
- our ability to recognize fraudulent or inflated claims
- the accuracy of our estimates regarding claims that have been incurred but not recorded as of the date of the financial statements
- the accuracy and adequacy of actuarial techniques and databases used in estimating loss reserves, and
- the accuracy and timeliness of our estimates of loss and loss adjustment expenses as determined for different categories of claims.

The ultimate paid losses and loss adjustment expenses may deviate, perhaps substantially, from point-in-time estimates of such losses and expenses, as reflected in the loss reserves included in our financial statements. Consequently, ultimate losses paid could materially exceed reported loss reserves and have a material adverse effect on our financial condition, cash flows, or results of operations.

Our insurance operating results may be materially adversely affected by severe weather or other catastrophe events, and changing climate conditions may be exacerbating these impacts.

Our insurance operating results have periodically been, and in the future could be, materially adversely affected by natural events, such as hurricanes, tornadoes, windstorms, floods, earthquakes, hailstorms, severe winter weather, and fires, or by other events, such as explosions, terrorist attacks, cyber attacks, epidemics, pandemics, riots, and hazardous material releases. The frequency, severity, duration, and geographic location and scope of such events are inherently unpredictable. Moreover, changing climate conditions, whether due to global climate change or other causes, may increase how often severe weather events and other natural disasters occur, how long they last, and how much insured damage they cause, and may change where the events occur. Catastrophe losses have in the past, and may in the future, adversely affect the results of our Property segment more than they affect the results of our other businesses.

The extent of insured losses from a catastrophe event is a function of our total insured exposure in the area affected by the event, the nature, severity, and duration of the event, and the extent of reinsurance that we have obtained with respect to such an event. We use catastrophe modeling tools to help estimate our exposure to such events. Those tools are based on historical data and other assumptions that limit their reliability and predictive value, and they may become even less reliable as climatic conditions change. As a result, our forecasting efforts may generate projections that prove to be materially inaccurate. An increase in the frequency, severity or duration, or unanticipated changes in geographic location or scope, of catastrophes could materially adversely affect our financial condition, cash flows, and results of operations.

Our success will depend on our ability to continue to accurately predict our reinsurance needs, obtain sufficient reinsurance coverage for our Property and other businesses at reasonable cost, and collect under our reinsurance contracts.

Our Property business relies on reinsurance contracts, state reinsurance funding, and catastrophe bonds (collectively, “reinsurance arrangements”) to reduce its exposure to certain catastrophe events. We also use reinsurance contracts to reinsure portions of our Commercial Lines businesses, including our business owners’ policies and the transportation network company business, and our umbrella insurance business. Reinsurance arrangements are often subject to a threshold below which reinsurance does not apply, so that we are responsible for all losses below the threshold from a covered event, and to an aggregate dollar coverage limit, so that our claims liabilities arising from a covered event may exceed our reinsurance coverage. In addition, although the reinsurer is liable to us to the extent of the reinsurance coverage, we remain liable under our policies to the insured as the direct insurer on all risks reinsured. As a result, we are subject to the risk that reinsurers will be unable to pay, or will dispute, our reinsurance claims. Further, the availability and cost of reinsurance are subject to prevailing reinsurance market conditions, which have been and in the future could be impacted by the occurrence of significant reinsured events, such as catastrophes. We may not be able to obtain reinsurance coverage in the future at commercially reasonable rates or at all. The unavailability and/or cost of reinsurance could adversely affect our business volume, profitability, or financial condition.

III. Operating Risks

We compete in property and casualty insurance markets that are highly competitive.

The markets in which we sell insurance are highly competitive. We face vigorous competition from large, well-capitalized national and international companies, as well as smaller regional insurers. Other companies, potentially including existing insurance companies, vehicle manufacturing companies, other well-financed companies seeking new opportunities, or new competitors with technological or other innovations, also have entered these markets and may continue to do so in the future. Many of our competitors have substantial resources, experienced management, and strong marketing, underwriting, and pricing capabilities. The property and casualty insurance industry is a relatively mature industry, in which brand recognition, marketing skills, innovation, operational effectiveness, pricing, scale, and cost control are major competitive factors. If our competitors offer similar insurance products at lower prices, offer such insurance products bundled with other products or services that we do not offer, are permitted to offer their products under different legal and regulatory constraints than those that apply to us, or engage in other successful competitive initiatives, our ability to generate new business or to retain a sufficient number of our existing customers could be compromised. In addition, because auto insurance constitutes a significant portion of our overall business, we may be more sensitive than other insurers to, and more adversely affected by, trends that could decrease auto insurance rates or reduce demand for auto insurance over time, such as advances in vehicle technology, autonomous or semi-autonomous vehicles, or vehicle sharing arrangements.

We expect similar, and perhaps greater, competitive pressures with respect to any new insurance or non-insurance businesses that we decide to enter in the future. In such cases, we would be selling products or services that are new to us, while our competitors could include large, well-financed companies with significant product and marketing experience in such businesses.

Historically, the auto and property insurance markets have been described as cyclical, with periods of relatively strong profitability being followed by increased pricing competition among insurers. This price competition, which is sometimes referred to as a “soft market,” can adversely affect revenue and profitability levels. As insurers recognize this situation (which can occur at different times for different companies), the historical reaction has been for insurers to raise their rates (sometimes referred to as a “hard market”) in an attempt to restore profitability to acceptable levels. As more insurers react in this way, profit levels in the industry may increase to a point where some insurers begin to lower their rates, starting the cycle over again. The ability to discern at any point in time whether we are in a “hard” or “soft” market is often difficult, as such a conclusion represents an assessment of innumerable data points including, among others, the operating results of, and the dynamic competitive actions taken by, us and many competitors in multiple markets involving a variety of products. Often detailed information on our competitors becomes available on a delayed basis, and the nature of the market becomes apparent only in retrospect. Our ability to predict future competitive conditions is also constrained as a result.

The highly competitive nature of the insurance marketplace could result in consolidation within the industry, or in the failure of one or more competitors. The concentration of insurance business in a reduced number of major competitors could significantly increase the level of competition in a manner that is not favorable to us. In addition, in the event of a failure of a major insurer or a state-sponsored catastrophe fund, our company and other insurance companies may be required by law to absorb the losses of the failed insurer or fund, resulting in a potentially significant increase in our costs. We might also be faced with an unexpected surge in new business from a failed insurer’s former policyholders. Such events could materially adversely affect our financial results, brand, and future business prospects.

Our success depends on our ability to innovate effectively and respond to our competitors’ initiatives.

Our ability to develop and implement innovative products and services that are accepted and valued by our customers and independent agents is critical to maintaining and enhancing our competitive position. Innovations must be implemented in compliance with applicable insurance regulations and may require extensive modifications to our systems and processes and extensive coordination with and reliance on the systems of third parties. As a result, if we do not handle these transitions effectively and bring such innovations to market with the requisite speed and agility, the quality of our products, our relationships with our customers and agents, and our business prospects, may be materially adversely affected. In addition, innovations by competitors or other market participants may increase the level of competition in the industry. If we fail to respond appropriately to those innovations on a timely basis, our competitive position and results may be materially adversely affected.

We must effectively manage complexity as we develop and deliver high-quality products and customer experiences.

Ongoing competitive, technological, regulatory, informational, and other developments result in significant levels of complexity in our products and in the systems and processes we use to run our businesses. These risks include our increasing reliance on third-party systems including "cloud computing" environments and applications, the development of new modes of communication, changing insurance shopping trends, our understanding of the operations and needs of significant customers, and the availability of very large volumes of data (i.e., Big Data) and the challenges relating to analyzing those data sets. Complexity may, among other potential difficulties: create barriers to innovation or the provision of high-quality products and customer and agent experiences with the speed and agility that may be required; require us to modify our business practices, adopt new systems, or upgrade or replace outdated systems, each at significant expense; and lead to increased difficulty in
executing our business strategies.

Intellectual property rights could affect our competitiveness and our business operations.

There has been a proliferation of patents, both inside and outside the insurance industry, that significantly impacts our businesses. The existence of such patents, and other claimed intellectual property rights, from time to time has resulted in legal challenges to certain of our business practices by other insurance companies and non-insurance entities alleging that we are violating their rights. Such legal challenges could result in costly legal proceedings, substantial monetary damages, or expensive changes in our business processes and practices. Similarly, we may seek or obtain patent protection for innovations developed by us. However, we may not be able to obtain patents on these processes and practices, and defending our patents and other intellectual property rights against challenges, and enforcing and defending our rights, including if necessary through litigation, can be time consuming and expensive, and the results are inherently uncertain, which can further complicate business plans.

Our success depends on our ability to adjust claims accurately.

We must accurately evaluate and pay claims that are made under our insurance policies. Our failure to pay claims fairly, accurately, and in a timely manner, or to deploy claims resources appropriately and in a cost-effective manner, could result in unanticipated costs to us, lead to material litigation, undermine customer goodwill and our reputation in the marketplace, and impair our brand and, as a result, materially adversely affect our competitiveness, customer retention, financial results, prospects, and liquidity.

We must maintain a brand that is recognized and trusted by consumers.

We have made significant investments in our brand over many years, and we believe it is critical to our business that consumers recognize and trust the Progressive brand. We undertake distinctive advertising and marketing campaigns and other efforts to maintain and improve brand recognition, enhance perceptions of us, generate new business, and increase the retention of our current customers. We believe that maintaining and improving the effectiveness of our advertising and marketing campaigns relative to those of our competitors is particularly important given the significance of brand and reputation in the marketplace and the continuing high level of advertising and marketing efforts and related expenditures within the insurance market. If our marketing campaigns are unsuccessful or are less effective than those of competitors, or if our reliance on a particular spokesperson or character is compromised, our business could be materially adversely affected.

Our brand also could be adversely affected by situations that reflect negatively on us, whether due to our business practices, adverse financial developments, perceptions of our corporate governance or how we address environmental or social responsibility initiatives, the conduct of our officers, directors, or employees, the actions of a significant customer or other businesses with which we do business, including unaffiliated insurers whose products we offer or make available to our customers, or other causes. The negative impacts of these or other events may be aggravated as consumers and other stakeholders increase or change their expectations regarding the conduct of large public companies, sustainability efforts, and corporate responsibility. These impacts may be further complicated such that perceptions are formed through rapid and broad interactions using modern communication and social media tools over which we have no control. Any such event could decrease demand for our products, reduce our ability to recruit and retain employees, and lead to greater regulatory scrutiny of our businesses.

Our ability to attract, develop, and retain talent, including employees, managers, and executives, and to maintain appropriate staffing levels, is critical to our success.

Our success depends on our ability to attract, develop, compensate, motivate, and retain talented employees, including executives, other key managers, and employees with strong technological, analytical, and other skills and know-how necessary for us to run our vehicle and property insurance businesses and assess potential expansion into new products and business areas. Our loss of certain officers and key employees, or the failure to attract or retain talented executives, managers, and employees with diverse backgrounds and experiences, could have a material adverse effect on our business. To the extent other U.S. companies are or become more willing to allow job functions to be performed remotely, it could undermine our ability to attract and retain talent with needed skills and experiences.

In addition, we must forecast sales and claims volume and other factors in changing business environments (for multiple products and business units and in many geographic markets) with reasonable accuracy, and we must adapt to increases in business due to additions of or expansions with significant customers, such as transportation network companies. In any such case, we must adjust our hiring and training programs and staffing levels appropriately. Our failure to recognize the need for such adjustments, or our failure or inability to react on a timely basis, could lead either to over-staffing or under-staffing in one or more business units or locations. In either such event, our financial results, customer relationships, employee morale, and brand could be materially adversely affected.

We use third-party labor to meet a portion of our staffing needs. Any significant loss in access to qualified external talent on a cost-effective basis could have an adverse effect on our business.

Our success also depends, in large part, on our ability to maintain and improve the staffing effectiveness and culture that we have developed over the years. Our ability to do so may be impaired as a result of litigation against us, other judicial decisions, legislation or regulations, or other factors in the employment marketplace, as well as our failure to recognize and respond to changing trends and other circumstances that affect our employees. In such events, the productivity of our workers and the efficiency of our operations could be adversely affected, which could lead to an erosion of our operating performance and margins.

We are subject to a variety of complex laws and regulations.

Our insurance businesses operate in highly regulated environments. Our insurance subsidiaries are subject to regulation and supervision by state insurance departments in all 50 states and the District of Columbia, each of which has a unique and complex set of laws and regulations. In addition, certain federal laws impose additional requirements on businesses, including insurers, in a wide range of areas, such as the use of credit information, methods of customer communications, employment practices, and the reimbursement of certain medical costs incurred by the government. Our insurance subsidiaries' ability to implement business plans and remain competitive while complying with these laws and regulations, and to obtain necessary regulatory action in a timely manner, is and will continue to be critical to our success.

Most jurisdictions impose restrictions on, or require prior regulatory approval of, various actions by regulated insurers, which may adversely affect our insurance subsidiaries' ability to operate, innovate, and obtain necessary rate adjustments in a timely manner. Our compliance efforts are further complicated by changes in laws or regulations applicable to insurance companies, or by judicial interpretations of those laws or regulations. Insurance laws and regulations may limit, among other things, an insurer's ability to underwrite and price risks accurately, prevent the insurer from obtaining timely rate changes to respond to increased or decreased costs, restrict the ability to discontinue unprofitable businesses or exit unprofitable businesses, prevent insurers from terminating policies under certain circumstances, dictate or limit the types of investments that an insurance company may hold, and impose specific requirements relating to information technology systems and related cybersecurity risks. Moreover, inconsistencies between requirements at the state and federal level may further complicate our compliance efforts, potentially resulting in additional costs for us. In addition, laws in certain jurisdictions mandate that insurance companies pay assessments in a number of circumstances, including potentially material assessments to pay claims upon the insolvency of other insurance companies or to cover losses in government-provided insurance programs for high risk auto and homeowners coverages. Compliance with laws and regulations often results in increased costs, which can be substantial, to our insurance subsidiaries. These costs, in turn, may adversely affect our profitability or our ability or desire to grow or operate our business in the applicable jurisdictions.

In addition, data privacy and security regulations impose complex compliance and reporting requirements and challenges. For example, the California Consumer Privacy Act, which was passed by a consumer initiative in 2018, was amended in 2020 to afford California residents additional rights. Compliance with this new legislation will be challenging and is expected to require further modifications to our business systems and operations, with a January 1, 2023 effective date. Other states have enacted or are considering privacy and security legislation or regulations. Each state's unique requirements, and the variations across the states, present further ongoing compliance challenges. Compliance with these laws and regulations will result in increased costs, which may be substantial and may adversely affect our profitability or our ability or desire to grow or operate our business in certain jurisdictions.

The actual or alleged failure to comply with this complex variety of laws and regulations by us or other companies in the insurance, financial services, or related industries, also could result in actions or investigations by regulators, state attorneys general, federal officials, or other law enforcement officials. Such actions and investigations, and any determination that we have not complied with an applicable law or regulation, could potentially lead to significant monetary payments, fines and penalties, adverse publicity and damage to our reputation in the marketplace, and in certain cases, revocation of a subsidiary's authority to do business in one or more jurisdictions. In addition, The Progressive Corporation and its subsidiaries could face individual and class action lawsuits by insureds and other parties for alleged violations of certain of these laws or regulations.

New federal or state legislation or regulations may be adopted in the future that could materially adversely affect our operations or ability to write business profitably in one or more jurisdictions.

Lawsuits challenging our business practices, and those of our competitors and other companies, are pending and more may be filed in the future.

The Progressive Corporation and/or its subsidiaries are named as defendants in class/collective/representative actions and other lawsuits challenging various aspects of the subsidiaries' business operations. These lawsuits have included cases alleging damages as a result of, among other things, our subsidiaries' methods used for evaluating and paying medical or injury claims or benefits, including, but not limited to, certain bodily injury, personal injury protection, uninsured motorist/underinsured motorist (UM/UIM), and medical payment claims and for reimbursing medical costs incurred by Medicare/Medicaid beneficiaries; other claims handling procedures, including, but not limited to, challenges relating to our network of repair facilities, our methods used for estimating physical damage to vehicles for repair purposes and for evaluating the actual cash value of total loss vehicles, our payment of fees and taxes, our subrogation practices, and our handling of diminution of value claims; our assessment of fees related to insufficient funds or reversed payments; interpretations of the provisions of our insurance policies; rating practices; certain policy marketing, sales, services, implementation and renewal practices and procedures, including with respect to accessibility; our Snapshot program; certain relationships with independent insurance agents; patent matters, and certain employment practices, including claims relating to pay practices and fair employment practices, among other matters. Additional litigation may be filed against us in the future challenging similar or other of our business practices. In addition, lawsuits have been filed, and other lawsuits may be filed in the future, against our competitors and other businesses, and although we are not a party to such litigation, the results of those cases may create additional risks for, and/or impose additional costs and/or limitations on, our subsidiaries' business operations.

Lawsuits against us often seek significant monetary damages and injunctive relief. The potential for injunctive relief can threaten our use of important business practices. In addition, the resolution of individual or class action litigation in insurance or related fields may lead to a new layer of judicial regulation, resulting in material increases in our costs of doing business.

Litigation is inherently unpredictable. Adverse court decisions or significant settlements of pending or future cases could have a material adverse effect on our financial condition, cash flows, and results of operations. For further information on the risks of pending litigation, see *Note 12 – Litigation* in the Annual Report.

Our business could be materially adversely affected by a security breach or other attack involving our computer systems or the systems of one or more of our vendors.

Our business requires that we develop and maintain large and complex computer systems, and that we rely on third-party systems and applications, to run our operations and to store the significant volume of data that we acquire, including the personal confidential information of our customers and employees and our intellectual property, trade secrets, and other sensitive business and financial information. All of these systems are subject to "cyber attacks" by sophisticated third parties with substantial computing resources and capabilities, and to unauthorized or illegitimate actions by employees, consultants, agents, and other persons with legitimate access to our systems. Such attacks or actions may include attempts to:

- steal, corrupt, or destroy data, including our intellectual property, financial data, or the personal information of our customers or employees
- misappropriate funds or extract ransom payments
- disrupt or shut down our systems
- deny customers, agents, brokers, or others access to our systems, or
- infect our systems with viruses or malware.

Some of our systems rely on third-party vendors, through either a connection to, or an integration with, those third-parties' systems. This approach may increase the risk of loss, corruption, or unauthorized publication of our information or the confidential information of our customers and employees or other cyber attack, and although we may review and assess third-party vendor cyber security controls, our efforts may not be successful in preventing or mitigating the effects of such events. Third-party risks may include, among other factors, the vendor's lax security measures, data location uncertainty, and the possibility of data storage in inappropriate jurisdictions where laws or security measures may be inadequate.

We undertake substantial efforts to protect our systems and sensitive or confidential information. These efforts include internal processes and technological defenses that are preventative or detective, and other controls designed to provide multiple layers of security protection. In addition, we seek to protect the security and confidentiality of information provided to our vendors under cloud computing or other arrangements through appropriate risk evaluation, security and financial due diligence, contracts designed to require high security and confidentiality standards, and review of third-party compliance with the required standards. While we expend significant resources on these defensive measures, our systems are being threatened on a regular basis. We have experienced minor incidents in the past, and there can be no assurance that we will be successful in preventing future attacks or detecting and stopping them once they have begun.

Our business could be significantly damaged by a security breach, data loss or corruption, or cyber attack. In addition to the potentially high costs of investigating and stopping such an event and implementing necessary fixes, we could incur substantial liability if confidential customer or employee information is stolen. In addition, such an event could cause a significant disruption of our ability to conduct our insurance operations, adversely affect our competitive position if material trade secrets or other confidential information are stolen, and have severe ramifications on our reputation and brand, potentially causing customers to refrain from buying insurance from us or other businesses to refrain from doing business with us. Therefore, the occurrence of a security breach, data loss or corruption, or cyber attack, if sufficiently severe, could have a material adverse effect on our business results, prospects, and liquidity.

Our business depends on the secure and uninterrupted operation of our facilities, systems, and business functions and the operation of various third-party systems.

Our business is highly dependent upon our ability to perform, in an efficient and uninterrupted manner, necessary business functions. The shut-down or unavailability of one or more of our systems or facilities, or the inability of large numbers of our employees to communicate in our current work-from-home environment, for any reason could significantly impair our ability to perform critical business functions on a timely basis. In addition, many of our critical business systems interface with and depend on third-party systems; an interruption of service from a third-party system for any reason could significantly impair our ability to perform critical business functions. If sustained or repeated, and if an alternate system, process, or vendor is not immediately available to us, such events could result in a deterioration of our ability to write and process policies, provide customer service, resolve claims in a timely manner, make payments when required, or perform other necessary business functions. Any such event could have a material adverse effect on our financial results and business prospects, as well as cause damage to our brand and customer goodwill.

Efforts to develop new products or enter new areas of business may not be successful and may create enhanced risks.

We are developing, and may develop or acquire in the future, new insurance products, including those that insure risks that we have not previously insured, contain new coverages, or change coverage terms, as well as new non-insurance products and services. These new products and services may not be as profitable as our existing products and may not perform as well as we expect. In addition, new insurance products may entail new risks for us, including, without limitation, higher coverage limits and unfamiliar pricing, claims resolution, and loss reserving practices. Other new products and services may likewise change our risk exposures. The business systems, data, and models we use to manage those exposures may be less accurate or less effective than those we use with existing products.

We are evaluating other business models, both insurance and non-insurance related, and we have made, and are considering making additional investments, in different business areas. These activities may take the form of internal development, equity investments, targeted mergers or acquisitions, joint ventures, or strategic partnerships. These new ventures may require us to make significant expenditures, which may negatively impact our results in the near term, and if not successful, could materially and adversely affect our results of operations. While at the onset of the venture we would expect these projects to provide long-term value, there can be no assurance that our expectations will be realized.

If we were not able to send or accept electronic payments, our business and financial results could be adversely affected.

We rely on access to various financial networks to process payments received from our customers. These include credit card and debit card networks and the Automated Clearing House (ACH) network. Our ability to participate in these networks depends on our compliance with applicable laws and regulations and with the complex rules of each network and any related industry supervisory groups. If we fail to comply with legal requirements or rules and best practices established by a network or industry group, including those related to data security, we could be assessed significant monetary fines and other penalties, including, in certain cases, the termination of our right to use the applicable network or system. Such fines and penalties, and any disruption in or termination of our ability to process customer payments electronically, could materially adversely affect our business and our brand.

We may be required to recognize impairments in the value of the goodwill or intangible assets recorded in our financial statements.

As a result of business acquisitions, we have recorded goodwill (generally representing the amount paid in excess of the fair value of the assets acquired) and certain intangible assets (at fair value at the time of acquisition) and we may record additional goodwill and intangible assets in the future. We review goodwill and intangible assets for impairment at least annually. Valuing these assets, and evaluating their recoverability, requires us to make estimates and assumptions related to future returns on equity, margins, growth rates, discount rates, and other matters, and our estimates may change over time, potentially resulting in asset write-downs. Goodwill and intangible assets impairment charges could result from declines in operating results, divestitures or sustained market declines, among other factors, and could materially affect our financial condition and results of operations in the period in which they are recognized.

IV. Market Risks

The performance of our fixed-income and equity investment portfolios is subject to a variety of investment risks.

Our investment portfolio consists principally of fixed-income securities and common equities. General economic conditions and other factors beyond our control can adversely affect the value of our investments and the amount and realization of investment income, or result in realized or unrealized investment losses. Our fixed-income portfolio is actively managed by our investment group and includes short-term investments, fixed-maturity securities, and preferred stocks. The performance of the fixed-income portfolio is subject to a number of risks, including:

- *Interest rate risk* - the risk of adverse changes in the value of fixed-income securities as a result of increases in market interest rates.
- *Investment credit risk* - the risk that the value of certain investments may decrease due to a deterioration in the financial condition, operating performance or business prospects of, or the liquidity available to, one or more issuers of those securities or, in the case of asset-backed securities, due to the deterioration of the loans or other assets that underlie the securities.
- *Concentration risk* - the risk that the portfolio may be too heavily concentrated in the securities of one or more issuers, sectors, or industries, which could result in a significant decrease in the value of the portfolio in the event of a deterioration of the financial condition or performance of, or outlook for, those issuers, sectors, or industries.

- *Prepayment or extension risk* - applicable to certain securities in the portfolio, such as residential mortgage-backed securities and other bonds with call provisions, prepayment risk is the risk that, as interest rates change, the principal of such securities may be repaid earlier than anticipated, requiring that we reinvest the proceeds at less attractive rates. Extension risk is the risk that a security may not be redeemed when anticipated, adversely affecting the value of the security and preventing the reinvestment of the principal at higher market rates.
- *Liquidity risk* - discussed separately below.

In addition, the success of our investment strategies and asset allocations in the fixed-income portfolio may vary depending on the market environment. The fixed-income portfolio's performance also may be adversely impacted if, among other factors: credit ratings assigned to such securities by nationally recognized statistical rating organizations are based on incomplete or inaccurate information or otherwise prove unwarranted; or our risk mitigation strategies are ineffective for the applicable market conditions.

Our common equity portfolio is primarily managed externally to track the Russell 1000 Index, although from time to time we may choose to add exchange traded funds or similar securities designed to track the Russell 1000 or the Standard & Poor's 500 ("S&P 500") Index. Our equity investment strategies may not successfully replicate the performance of the Indexes that they seek to track. Our equity investments are also subject to general movements in the values of equity markets and to the changes in the prices of the securities we hold. An investment portfolio or exchange traded fund that is designed to track an index, such as the Russell 1000 or S&P 500, is not necessarily less risky than other equity investment strategies. Equity markets, sectors, industries, and individual securities may be subject to high volatility and to long periods of depressed or declining valuations, and they are also subject to most of the same risks that affect our fixed-income portfolio, as discussed above. In addition, even though the Russell 1000 and S&P 500 Indexes are generally considered to be broadly diversified, significant portions of each index may be concentrated in one or more sectors, reducing our ability to manage our concentration risk through sector diversification.

If the fixed-income or equity portfolios, or both, were to suffer a substantial decrease in value, our financial position, and financial results could be materially adversely affected. Under these circumstances, our income from these investments could be materially reduced, and declines in the value of our securities could further reduce our reported earnings and capital levels. A decrease in value of an insurance subsidiary's investment portfolio could also put the subsidiary at risk of failing to satisfy regulatory minimum capital requirements and could limit the subsidiary's ability to write new business. In any such event, our business could be materially adversely affected and our financial flexibility could be substantially constrained.

Certain investors and activists have increasingly pressured companies to invest only in companies or industries that they believe to be acceptable or socially responsible, as determined by them or third-party ratings or reviews, and some insurance regulatory authorities have indicated an interest in limiting insurance company investments in generally similar ways. It is possible that such investment limitations, if required or selected by us, will result in investment returns that could be lower than returns from other available investment opportunities.

See *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the Annual Report for additional discussion of the composition of our investment portfolio as of December 31, 2020, and of the market risks associated with our investment portfolio.

The elimination of or change in the London Interbank Offered Rate (LIBOR) may adversely affect the interest rates on and value of certain floating rate securities and other instruments that we hold.

LIBOR is a common benchmark interest rate (or reference rate) used to set and make adjustments to interest rates for certain floating rate securities and other financial instruments. Published reports have indicated that regulatory authorities and/or financial institutions may change how LIBOR is calculated or discontinue its calculation and publication after 2021. Alternative reference rates have been developed, including The Federal Reserve Bank of New York's Secured Overnight Financing Rate (SOFR), but the acceptance of such alternative rates and their applicability to existing instruments is uncertain. If LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reason, outstanding securities with interest rates tied to LIBOR may be adversely affected if those securities either do not provide for the automatic substitution of another reference rate or convert to another reference rate or a fixed rate that could be less favorable to us. Outstanding securities and contracts that could be affected include certain preferred stocks and other floating rate securities, fixed rate securities that may convert to LIBOR-based floating rate instruments in the future, certain derivatives, and any other assets or liabilities whose value is tied to LIBOR. Any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could also adversely affect the value of those instruments.

V. Liquidity Risk

The inability to access our cash accounts or to convert investments into cash on favorable terms when we desire to do so may materially and adversely affect our business.

We rely on our ability to access our cash accounts at banks and other financial institutions to operate our business. If we are unable to access the cash in those accounts as needed, whether due to our own systems difficulties, an institution-specific issue at the bank or financial institution (such as a cybersecurity breach), a broader disruption in banking, financial or wire transfer systems, or otherwise, our ability to pay insurance claims and other financial obligations when due and otherwise operate our business could be materially adversely affected. Likewise, our investment portfolios are subject to risks inherent in the nation's and world's capital markets. Any disruption in the functioning of those markets or in our ability to liquidate investments or specific categories of investments on favorable terms when desired, could impair our ability to pay claims or other financial obligations when due. Any such event or series of such events could result in significant operational difficulties, reputational harm and adverse actions by regulators and have a material adverse effect on our financial condition, cash flows, and results of operations.

VI. Credit and Other Financial Risks

Our financial condition may be adversely affected if one or more parties with which we enter into significant contracts or transact business (including under certain government programs) become insolvent, experience other financial difficulties, or default in the performance of contractual or reimbursement obligations.

Our business is dependent on the performance by third parties of their responsibilities under various contractual or service arrangements and government programs. These include, for example, agreements with other insurance carriers to sell their products to our customers in bundled packages or otherwise, arrangements for transferring certain of our risks (including reinsurance arrangements used by us, our corporate insurance policies, and the performance of state reinsurance facilities/associations), and reimbursement obligations under various state or federal programs, such as the Michigan Catastrophic Claims Association or the National Flood Insurance Program. In addition, from time to time, we enter into significant financial transactions, such as derivative instruments, with major banks, other financial institutions, or security clearinghouses. If one or more of these parties were to default in the performance of their obligations under their respective contracts or programs or determine to abandon or terminate support for a system, product, obligation, or service that is significant to our business, we could suffer significant financial losses or other problems, which in turn could materially adversely affect our financial condition, cash flows, or results of operations and cause damage to our brand and reputation.

Our insurance subsidiaries may be limited in the amount of dividends that they can pay, which in turn may limit our ability to repay indebtedness, make capital contributions to other subsidiaries or affiliates, pay dividends to shareholders, repurchase securities, or meet other obligations.

The Progressive Corporation is a holding company with no business operations of its own. Consequently, if its subsidiaries are unable to pay dividends or make other distributions, or are able to pay only limited amounts, The Progressive Corporation may be unable to make payments on its indebtedness, make capital contributions to or otherwise fund its subsidiaries or affiliates, pay dividends to its shareholders, or meet its other obligations. Each insurance subsidiary's ability to pay dividends may be limited by one or more of the following factors:

- insurance regulatory authorities require insurance companies to maintain specified minimum levels of statutory capital and surplus
- insurance regulations restrict the amounts available for distribution based on either net income or surplus of the insurance company
- competitive pressures require our insurance subsidiaries to maintain high financial strength ratings, and
- in certain jurisdictions, prior approval must be obtained from regulatory authorities for the insurance subsidiaries to pay dividends or make other distributions to affiliated entities, including the parent holding company.

The terms of our outstanding preferred shares prohibit us from paying a dividend on our common shares in certain circumstances.

The terms of our outstanding preferred shares prohibit us from declaring or paying dividends or distributions on our common shares while our preferred shares are outstanding, unless all accrued and unpaid dividends on the preferred shares, including the full dividends for all current dividend periods, have been declared and paid or a sum sufficient for payment thereof set apart, subject to certain exceptions.

If we are unable to obtain capital when necessary to support our business, our financial condition and our ability to grow could be materially adversely affected.

We may need to acquire additional capital from time to time as a result of many factors. These could include increased regulatory requirements, losses in our insurance or investment operations, or significant growth in the insurance premiums that we write, among others. If we are unable to obtain capital at favorable rates when needed, whether due to our results, volatility or disruptions in debt and equity markets beyond our control, or other reasons, our financial condition could be materially adversely affected. In such an event, unless and until additional sources of capital are secured, we may be limited in our ability, or unable, to service our debt obligations, pay dividends, grow our business, pay our other obligations when due or engage in other corporate transactions. Such a deterioration of our financial condition could adversely affect the perception of our company by insurance regulators, potentially resulting in regulatory actions, and the price of our equity or debt securities could fall significantly.

Our access to capital markets, ability to obtain or renew financing arrangements, obligations to post collateral under certain derivative contracts, and business operations are dependent on favorable evaluations and ratings by credit and other rating agencies.

Our credit and financial strength are evaluated and rated by various rating agencies, such as Standard & Poor's, Moody's Investors Service, Fitch Ratings, and A.M. Best. Downgrades in our credit ratings could adversely affect our ability to access the capital markets and/or lead to increased borrowing costs in the future (although the interest rates we pay on our current indebtedness would not be affected), as would adverse recommendations by equity analysts at the various brokerage houses and investment firms. Perceptions of our company by other businesses and consumers could also be significantly impaired. In addition, from time to time we may enter into certain derivative transactions providing that a downgrade could trigger contractual obligations requiring us to post substantial amounts of additional collateral or allow a third party to liquidate the derivative transaction. Downgrades in the ratings of our insurance subsidiaries could likewise negatively impact our operations, potentially resulting in lower or negative premium growth. In any such event, our financial performance could be materially adversely affected.

Our dividend policy may result in varying amounts being paid to our common shareholders, or no payment in some periods, and the dividend policy ultimately may be changed in the discretion of the Board of Directors.

We have announced our intention to pay a dividend on our common shares on a quarterly basis and to consider paying a variable dividend on at least an annual basis. The frequency and amount of dividends, if any, may vary, perhaps significantly, from the amounts paid in preceding periods. In addition, the Board retains the discretion to alter our policy or not to pay such dividends at any time. Such an action by the Board could result from, among other reasons, changes in the insurance marketplace, changes in our performance or capital needs, changes in U.S. federal income tax laws, disruptions of national or international capital markets, or other events affecting our liquidity, financial position or prospects, as described above. Any such change could adversely affect investors' perceptions of the company and the value of, or the total return of an investment in, our common shares.

Our investments in certain tax-advantaged projects may not generate the anticipated tax benefits and related returns.

We may invest in certain projects that we believe are entitled to tax-advantaged treatment under applicable federal or state law, including renewable energy development, historic property rehabilitation, and affordable housing, and we may make other tax-advantaged investments from time to time. Our investments in these projects are designed to generate a return through the realization of tax credits and, in some cases, through other tax benefits and cash flows from the project. These investments are subject to the risk that the underlying tax credits and related benefits may not be valid, and in some cases previously recorded tax credits can be challenged or are subject to recapture by the applicable taxing authorities if specific requirements are not satisfied. Many of the factors that could lead to the invalidity, challenge, or recapture of tax credits are beyond our control. The inability to realize these tax credits and other tax benefits could have a material adverse impact on our financial condition.

VII. General

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, could materially adversely affect our business and results of operations.

The spread of COVID-19 throughout the United States and the international community has had, and could continue to have, a negative impact on financial markets, general economic conditions, and certain of our businesses. Depending on the duration and severity of the coronavirus pandemic, our businesses, our operations and our financial results could be negatively impacted in a number of ways, including, but not limited to, the following:

- Demand for our insurance products and our premium revenue could be reduced, perhaps significantly, if customers drive less or are unable to afford insurance, insurance shopping patterns are disrupted, vehicle and home purchases are curtailed, small businesses suspend or discontinue operations, the usage of transportation network company businesses continues to be below historic levels, insurance agencies are unable or unwilling to write business, or our competitors offer products or benefits more appealing to customers or agents or more responsive to their needs, among other factors
- Our ability to price our products accurately for new and renewal policies could be negatively impacted, as could our ability to respond effectively to the initiatives of our competitors
- Claims trends could become more volatile, inflation rates could diverge significantly from our expectations, vehicle and home repair industries could be significantly disrupted, and the availability of medical resources could be limited, potentially resulting in higher claims severity and increased costs to resolve claims
- Our ability to resolve claims accurately and efficiently and establish accurate loss reserves could be impaired if we are unable to staff our Claims group appropriately
- Legislative or regulatory actions, or court decisions, could impact our business in unexpected ways, including, without limitation, by: requiring us to change the way we price, segment, underwrite, or select risks to insure; altering our rights and obligations under our issued policies; or imposing payment obligations on us and other insurers in our industry for losses and costs that otherwise would be uninsured
- The cumulative costs required by such governmental actions, or of actions taken voluntarily by us to accommodate the needs of customers, including, but not limited to, providing credits or other payments to policyholders and billing leniency efforts, such as providing relief from policy cancellations or non-renewals, and related debt write offs, could be substantial
- Unexpected changes in consumer behavior or market conditions, as well as deteriorating economic conditions, may reduce the effectiveness of our advertising
- Illnesses suffered by key employees could prevent or delay the performance of critical business and financial reporting functions; widespread illnesses suffered by our employees may render us unable to perform normal business functions and operate our business on a day-to-day basis
- The continued functioning of our data centers and important information technology and communication systems, as well as the continued performance of and our accessibility to the systems of our various vendors, could be imperiled by widespread illnesses, illnesses suffered by key technology personnel, or work limitations or other governmental mandates
- Our business continuity plans may prove inadequate to address the business challenges that we confront as these issues develop
- Our vendors and counterparties to various contracts, including key vendors for our insurance, claims and technology operations, reinsurance arrangements and financial counterparties, may not be able to perform or pay the obligations required of them on a timely basis, or at all, due to key employee illnesses, widespread illnesses or other challenges that they face arising directly or indirectly from the coronavirus pandemic

The potential effects of COVID-19 also could exacerbate the impacts of many of the other risk factors, including, but not limited to: litigation claims being brought against the company; data security breaches and cyber attacks in the work-from-home environment; the valuation, volatility, and liquidity of our debt and equity investment portfolios; the condition of domestic and global economies and financial markets; our ability to access capital markets at favorable rates, if needed; our ability to access our cash accounts at banks and other financial institutions to operate our business; and the need to take impairments of goodwill or certain intangible assets.

Our goal is to maximize the long-term value of the enterprise and we do not manage to short-term earnings expectations, which may adversely affect short-term results.

We believe that shareholder value will be increased in the long run if we meet or exceed the financial goals and policies that we establish each year. We do not manage our business to maximize short-term stock performance or the amount of any dividend that may be paid. We report earnings and other operating results on a monthly basis. We do not provide earnings estimates to the market and do not comment on earnings estimates by analysts. As a result, our reported results for a particular period may vary, perhaps significantly, from investors' expectations, which could result in significant volatility in the price of our equity or debt securities. Our Property business may cause additional volatility in our consolidated results.

In addition, due to our focus on the long-term value of the enterprise, we may undertake business decisions and strategies and establish related financial goals that are designed to enhance our longer-term performance and value, while understanding that such decisions and strategies may not always similarly benefit short-term results, such as our annual underwriting profit, dividend payouts, or earnings per share. Similar tradeoffs may be involved in our consideration of the interests of other stakeholders, including our employees, customers, agents, suppliers, and communities, as well as whether and how we respond to or address corporate environmental and social responsibility initiatives and other public policy matters that impact us. Also, social responsibility and public policy considerations are a fast-evolving area and determining appropriate responses and actions can be uncertain. Depending on how observers view our responses or our commitment to addressing such matters, we could be subject to criticism, adverse publicity, or campaigns by investors, activists, or others. Consequently, such factors and the related tradeoffs may adversely affect our financial performance or the market prices of our equity or debt securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We currently do not have any unresolved comments from the SEC staff.

ITEM 2. PROPERTIES

All of our properties are owned or leased by subsidiaries of The Progressive Corporation and are used for office functions (corporate, claims, and business unit), as call centers, as data centers, for training, or for warehouse space.

We own 82 buildings located throughout the United States. About 60% of these buildings are claims offices. Our owned facilities, which contain approximately 4.9 million square feet of space, are generally not segregated by segment. We own significant locations in Mayfield Village, Ohio and surrounding suburbs (including our corporate headquarters); Colorado Springs, Colorado; St. Petersburg, Florida; and Tampa, Florida.

We lease approximately 2.3 million square feet of space throughout the United States. These leases are generally short-term to medium-term leases of commercial space.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Incorporated by reference from information with respect to executive officers of The Progressive Corporation and its subsidiaries set forth in Item 10 in Part III of this Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Progressive's Common Shares, $1.00 par value, are traded on the New York Stock Exchange (NYSE) under the symbol PGR.

Holders

We had 1,896 shareholders of record on December 31, 2020.

Dividends

See *Note 14 – Dividends* in our Annual Report.

Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," for information about securities authorized for issuance under our equity compensation plans.

Performance Graph

See the *Performance Graph* section in our Annual Report.

Recent Sales of Unregistered Securities

None.

Purchase of Equity Securities

ISSUER PURCHASES OF EQUITY SECURITIES

2020 Calendar Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October	156,072	$ 94.13	1,839,591	23,160,409
November	155,296	91.62	1,994,887	23,005,113
December	92,637	89.01	2,087,524	22,912,476
Total	404,005	$ 91.99		

In May 2019, the Board of Directors approved an authorization for the Company to repurchase up to 25 million of its common shares. This authorization does not have an expiration date. Share repurchases under this authorization may be accomplished through open market purchases, through privately negotiated transactions, pursuant to our equity incentive awards, or otherwise, and may include trading plans entered into with one or more brokerage firms in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. During the fourth quarter 2020, all repurchases were accomplished in conjunction with our equity incentive awards or through the open market at the then-current market prices.

Progressive's financial policies state that we will repurchase shares to neutralize dilution from equity-based compensation in the year of issuance and as an option to effectively use underleveraged capital. See *Note 9 – Employee Benefit Plans*, "Incentive Compensation Plans" in our Annual Report, for a summary of our restricted equity grants.

ITEM 6. SELECTED FINANCIAL DATA

(millions - except per share amounts)

	For the years ended December 31,				
	2020	2019	2018	2017	2016
Total revenues	$ 42,658.1	$ 39,022.3	$ 31,979.0	$ 26,839.0	$ 23,441.4
Net income attributable to Progressive	5,704.6	3,970.3	2,615.3	1,592.2	1,031.0
Per common share:					
Net income attributable to Progressive - diluted	9.66	6.72	4.42	2.72	1.76
Dividends declared per common share	4.90	2.65	2.5140	1.1247	0.6808
Comprehensive income attributable to Progressive	6,291.9	4,432.9	2,520.1	1,941.0	1,164.0
Total assets	64,098.3	54,895.3	46,575.0	38,701.2	33,427.5
Debt outstanding	5,396.1	4,407.1	4,404.9	3,306.3	3,148.2
Total shareholders' equity	17,038.6	13,673.2	10,821.8	9,284.8	7,957.1
Redeemable noncontrolling interest[1]	0	225.6	214.5	503.7	483.7

[1]See *Note 15 – Redeemable Noncontrolling Interest* in the Annual Report for additional discussion.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated by reference from *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The quantitative and qualitative disclosures about market risk are incorporated by reference from section "IV. Results of Operations – Investments" in our *Management's Discussion and Analysis of Financial Condition and Results of Operations,* and the *Quantitative Market Risk Disclosures* section in our Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of Progressive, along with the related Notes, Supplemental Information, and Report of the Independent Registered Public Accounting Firm, are incorporated by reference from our Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Under the direction of our Chief Executive Officer and our Chief Financial Officer, we have established disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our Chief Executive Officer and our Chief Financial Officer reviewed and evaluated Progressive's disclosure controls and procedures as of the end of the period covered by this report. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Progressive's disclosure controls and procedures are effectively serving the stated purposes as of the end of the period covered by this report, including consideration of the impact of COVID-19 restrictions and the company's current work-from-home environment on the execution of our disclosure controls and procedures and our internal controls over financial reporting.

Management's Report on Internal Control over Financial Reporting and the attestation of the independent registered public accounting firm are incorporated by reference from our Annual Report.

During our most recent fiscal quarter, we implemented a new financial management system, by transitioning certain of our operations, including the general ledger, to the new system. We have modified our existing controls infrastructure, as well as added other processes and internal controls, to adapt to our new general ledger. There are no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our directors is incorporated herein by reference from the section entitled "Item 1: Election of Directors" in The Progressive Corporation's Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2021 (the "Proxy Statement").

Information relating to executive officers of Progressive follows. Unless otherwise indicated, the executive officer has held the position(s) indicated for at least the last five years.

Name	Age	Offices Held and Last Five Years' Business Experience
Susan Patricia Griffith	56	President and Chief Executive Officer since July 2016; Personal Lines Chief Operating Officer prior to July 2016; Vice President prior to June 2016
John P. Sauerland	56	Vice President and Chief Financial Officer
Karen B. Bailo	53	Commercial Lines President since October 2020; Commercial Lines Acquisition and Small Business General Manager from January 2020 to September 2020; Commercial Lines Controller from August 2018 to December 2019; Agency Distribution Business Leader prior to August 2018
Jonathan S. Bauer	43	Chief Investment Officer since January 2020; Portfolio Manager prior to January 2020
Steven A. Broz	50	Chief Information Officer
Patrick K. Callahan	50	Personal Lines President
M. Jeffrey Charney	61	Chief Marketing Officer
Mariann Wojtkun Marshall	58	Vice President and Chief Accounting Officer since March 2019; Director of Financial Reporting - GAAP prior to March 2019; Assistant Secretary
Daniel P. Mascaro	57	Vice President, Secretary, and Chief Legal Officer since March 2017; Claims Legal Business Leader prior to March 2017
John Murphy	51	Customer Relationship Management President
Lori Niederst	47	Chief Human Resource Officer since November 2016; Senior Human Resource Business Leader prior to November 2016
Andrew J. Quigg	41	Chief Strategy Officer since July 2018; Customer Experience General Manager prior to July 2018
Michael D. Sieger	59	Claims President

Delinquent Section 16(a) Reports. Delinquent filings will be incorporated by reference from the "Delinquent Section 16(a) Reports" section of the Proxy Statement, if applicable.

Code of Ethics. Progressive has a Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and other senior financial officers. This Code of Ethics is available at: progressive.com/governance. We intend to continue to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, and waivers from, the provisions of the foregoing Code of Ethics by posting such information on our Internet website at: progressive.com/ethics.

Shareholder-Proposed Candidate Procedures. There were no material changes during 2020 to Progressive's procedures by which a shareholder can recommend a director candidate. The description of those procedures is incorporated by reference from the "Other Matters - Procedures for Recommendations and Nominations of Directors and Shareholder Proposals - To Recommend a Candidate for our Board of Directors" section of the Proxy Statement.

Audit Committee. Incorporated by reference from the "Other Board of Directors Information - Board Committees - Audit Committee" section of the Proxy Statement.

Financial Expert. Incorporated by reference from the "Other Board of Directors Information - Board Committees - Audit Committee" section of the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the sections of the Proxy Statement entitled “Compensation Discussion and Analysis,” “Executive Compensation,” “Other Board of Directors Information - Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report,” and “Compensation Programs and Risk Management.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding ownership of Common Shares by certain beneficial owners and management is incorporated by reference from the section of the Proxy Statement entitled “Security Ownership of Certain Beneficial Owners and Management.”

The following information is set forth with respect to our equity compensation plans at December 31, 2020.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders:			
Employee Plans:			
2015 Equity Incentive Plan	3,570,271 [1]	NA	8,463,865 [2]
Director Plans:			
2017 Directors Equity Incentive Plan	39,403	NA	327,156
Equity compensation plans not approved by security holders:			
None			
Total	3,609,674	NA	8,791,021

NA = Not applicable because restricted stock unit awards do not have an exercise price.

[1] Reflects restricted stock unit awards, including reinvested dividend equivalents, under which, upon vesting, the holder has the right to receive common shares on a one-to-one basis. Performance-based restricted stock unit awards, including dividend equivalents, of 707,293 units are included under the 2015 Equity Incentive Plan at their target value. Maximum potential payout for the performance awards outstanding under the 2015 Equity Incentive Plan was 1,735,494. For a description of the performance-based awards, including the performance measurement and vesting ranges, see *Note 9 — Employee Benefit Plans* in our Annual Report.

[2] Gives effect to reservation of common shares subject to performance-based awards at maximum potential payout.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the section of the Proxy Statement entitled “Other Board of Directors Information - Board of Directors Independence Determinations,” and “Other Board of Directors Information - Transactions with Related Persons.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the section of the Proxy Statement entitled “Other Independent Registered Public Accounting Firm Information.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Listing of Financial Statements

The following consolidated financial statements are included in our Annual Report and are incorporated by reference in Item 8:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Comprehensive Income - For the Years Ended December 31, 2020, 2019, and 2018
- Consolidated Balance Sheets - December 31, 2020 and 2019
- Consolidated Statements of Changes in Shareholders’ Equity - For the Years Ended December 31, 2020, 2019, and 2018
- Consolidated Statements of Cash Flows - For the Years Ended December 31, 2020, 2019, and 2018
- Notes to Consolidated Financial Statements
- Supplemental Information (Unaudited)

(a)(2) Listing of Financial Statement Schedules

The following financial statement schedules, Report of Independent Registered Public Accounting Firm and Consent of Independent Registered Public Accounting Firm are included in Item 15(c):

- Schedule I - Summary of Investments - Other than Investments in Related Parties
- Schedule II - Condensed Financial Information of Registrant
- Schedule III - Supplementary Insurance Information
- Schedule IV - Reinsurance
- Report of Independent Registered Public Accounting Firm on Financial Statement Schedules
- No other schedules are required to be filed herewith pursuant to Article 7 of Regulation S-X.

(a)(3) Listing of Exhibits

See exhibit index contained herein beginning at page 43. Management contracts and compensatory plans and arrangements are identified in the Exhibit Index as Exhibit Nos. 10.1 through 10.49.

(b) Exhibits

The exhibits in response to this portion of Item 15 are submitted concurrently with this report.

(c) Financial Statement Schedules

SCHEDULE I — SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
(millions)

	December 31, 2020		
Type of Investment	**Cost**	**Fair Value**	**Amount At Which Shown In The Balance Sheet**
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 12,437.9	$ 12,740.0	$ 12,740.0
States, municipalities, and political subdivisions	3,099.4	3,221.8	3,221.8
Public utilities	577.8	619.9	619.9
Corporate and other debt securities	9,001.9	9,565.3	9,565.3
Asset-backed securities	10,290.9	10,469.2	10,469.2
Redeemable preferred stocks	181.2	194.7	194.7
Total fixed maturities	35,589.1	36,810.9	36,810.9
Equity securities:			
Common stocks:			
Public utilities	73.5	164.0	164.0
Banks, trusts, and insurance companies	220.1	658.3	658.3
Industrial, miscellaneous, and all other	893.7	3,230.7	3,230.7
Nonredeemable preferred stocks	1,358.7	1,447.9	1,447.9
Total equity securities	2,546.0	5,500.9	5,500.9
Short-term investments	5,218.5	5,218.5	5,218.5
Total investments	$ 43,353.6	$ 47,530.3	$ 47,530.3

Progressive did not have any securities of any one issuer, excluding U.S. government obligations, with an aggregate cost or fair value exceeding 10% of total shareholders’ equity at December 31, 2020.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

THE PROGRESSIVE CORPORATION (PARENT COMPANY)
(millions)

	Years Ended December 31,		
	2020	**2019**	**2018**
Revenues			
Dividends from subsidiaries	$ 4,096.5	$ 2,277.9	$ 939.1
Undistributed income from subsidiaries	1,774.4	1,821.3	1,770.7
Equity in net income of subsidiaries	5,870.9	4,099.2	2,709.8
Intercompany investment income	16.5	31.1	39.4
Total revenues	5,887.4	4,130.3	2,749.2
Expenses			
Interest expense	218.1	190.4	166.8
Deferred compensation[1]	33.9	16.6	7.5
Other operating costs and expenses	7.2	5.5	5.1
Total expenses	259.2	212.5	179.4
Income before income taxes	5,628.2	3,917.8	2,569.8
Benefit for income taxes	76.4	52.5	45.5
Net income attributable to Progressive	5,704.6	3,970.3	2,615.3
Other comprehensive income (loss)	587.3	462.6	(95.2)
Comprehensive income attributable to Progressive	$ 6,291.9	$ 4,432.9	$ 2,520.1

[1] See *Note 4 – Employee Benefit Plans* in these condensed financial statements.

See notes to condensed financial statements.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

CONDENSED BALANCE SHEETS

THE PROGRESSIVE CORPORATION (PARENT COMPANY)
(millions)

	December 31, 2020	2019
Assets		
Investment in affiliate	$ 5.0	$ 5.0
Investment in subsidiaries	18,895.9	16,186.8
Receivable from investment subsidiary	5,901.7	2,912.0
Intercompany receivable	473.8	678.6
Net federal deferred income taxes	86.9	70.3
Other assets	270.9	303.8
Total assets	$ 25,634.2	$ 20,156.5
Liabilities		
Accounts payable, accrued expenses, and other liabilities	$ 505.0	$ 475.2
Dividends payable on common shares	2,694.5	1,375.4
Debt[1]	5,396.1	4,407.1
Total liabilities	8,595.6	6,257.7
Redeemable noncontrolling interest (NCI)	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
Total accumulated other comprehensive income attributable to Progressive	931.7	341.7
Total shareholders' equity	17,038.6	13,673.2
Total liabilities, redeemable NCI, and shareholders' equity	$ 25,634.2	$ 20,156.5

[1] Consists of both short-term and long-term debt. See *Note 4 – Debt* in our Annual Report for further discussion.

See notes to condensed financial statements.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

THE PROGRESSIVE CORPORATION (PARENT COMPANY)
(millions)

	Years Ended December 31,		
	2020	2019	2018
Cash Flows From Operating Activities:			
Net income attributable to Progressive	$ 5,704.6	$ 3,970.3	$ 2,615.3
Adjustments to reconcile net income attributable to Progressive to net cash provided by operating activities:			
Undistributed income from subsidiaries	(1,774.4)	(1,821.3)	(1,770.7)
Amortization of equity-based compensation	2.9	2.9	2.4
Changes in:			
Intercompany receivable	(20.2)	(14.1)	77.5
Accounts payable, accrued expenses, and other liabilities	52.0	47.1	(29.6)
Income taxes	(52.2)	175.5	(14.2)
Other, net	40.4	(179.8)	47.8
Net cash provided by operating activities	3,953.1	2,180.6	928.5
Cash Flows From Investing Activities:			
Additional investments in equity securities of consolidated subsidiaries	(27.1)	(152.8)	(178.3)
Acquisition of additional shares - ARX	(233.2)	(5.4)	(287.9)
(Paid to) received from investment subsidiary	(2,989.7)	(253.1)	(1,192.8)
Net cash used in investing activities	(3,250.0)	(411.3)	(1,659.0)
Cash Flows From Financing Activities:			
Net proceeds from debt issuance	986.3	0	1,134.0
Net proceeds from preferred stock issuance	0	0	493.9
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)
Loan to ARX Holding Corp.	0	(8.0)	(150.0)
Net cash provided by (used in) financing activities	(703.1)	(1,769.3)	730.5
Change in cash, cash equivalents, and restricted cash	0	0	0
Cash, cash equivalents, restricted cash - beginning of year	0	0	0
Cash, cash equivalents, restricted cash - end of year	$ 0	$ 0	$ 0

See notes to condensed financial statements.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

NOTES TO CONDENSED FINANCIAL STATEMENTS

The accompanying condensed financial statements of The Progressive Corporation (parent company) should be read in conjunction with the consolidated financial statements and notes thereto in the Annual Report to Shareholders of The Progressive Corporation and its subsidiaries, which is included as Exhibit 13 to this Form 10-K.

Note 1. Statements of Cash Flows — For the purpose of the Statements of Cash Flows, cash includes only bank demand deposits. The Progressive Corporation does not hold any cash but has unrestricted access to funds maintained in a non-insurance investment subsidiary to meet its holding company obligations; at December 31, 2020, 2019, and 2018, $6.2 billion, $3.2 billion, and $2.9 billion, respectively, of marketable securities were available in this subsidiary.

For the year ended December 31, 2020, non-cash activity includes declared but unpaid common share dividends of $2,694.5 million and preferred share dividends of $13.4 million, and $225.0 million of loans made by The Progressive Corporation to ARX Holding Corp.(ARX) that were converted to a capital contribution upon acquisition of the remaining outstanding stock of ARX; see *Note 14 – Dividends* and *Note 15 – Redeemable Noncontrolling Interest* in the Annual Report for further discussion.

For the years ended December 31, The Progressive Corporation paid the following:

(millions)	2020	2019	2018
Income taxes	$ 1,411.0	$ 925.0	$ 679.2
Interest	206.0	184.9	153.6

Note 2. Income Taxes — The Progressive Corporation files a consolidated federal income tax return with its subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service. The Progressive Corporation consolidated group’s net income taxes currently payable/recoverable are included in other liabilities/assets, respectively, in the accompanying Condensed Balance Sheets based on the balance at the end of the year. The Progressive Corporation and its eligible subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated federal income taxes. Amounts allocated to the eligible subsidiaries under the written agreement are included in “Intercompany Receivable” in the accompanying Condensed Balance Sheets.

Note 3. Debt — The information relating to debt is incorporated by reference from *Note 4 – Debt* in our Annual Report.

Note 4. Employee Benefit Plans — The information relating to incentive compensation and deferred compensation plans is incorporated by reference from *Note 9 – Employee Benefit Plans* in our Annual Report.

Note 5. Other Comprehensive Income — On the condensed Statements of Comprehensive Income, other comprehensive income represents activity of the subsidiaries of The Progressive Corporation and includes net unrealized gains (losses) on securities and net unrealized gains on forecasted transactions.

Note 6. Dividends — The information relating to our dividend policy is incorporated by reference from *Note 14 – Dividends* in our Annual Report.

SCHEDULE III — SUPPLEMENTARY INSURANCE INFORMATION

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES

(millions)

Segment	Deferred policy acquisition costs[1]	Future policy benefits, losses, claims, and loss expenses[1]	Unearned premiums[1]	Other policy claims and benefits payable[1]	Premium revenue	Net investment income[1,2]	Benefits, claims, losses, and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses[1]	Net premiums written
Year ended December 31, 2020:										
Personal Lines[3]					$ 32,620.1		$ 20,611.7	$ 2,437.3	$ 5,762.0	$ 33,342.6
Commercial Lines					4,875.8		3,146.0	525.7	647.5	5,315.3
Property					1,765.7		1,364.1	310.2	237.9	1,910.8
Other indemnity					0		0	0	0	0
Total	$ 1,237.2	$ 20,265.8	$ 13,437.5	$ 0	$ 39,261.6	$ 916.6	$ 25,121.8	$ 3,273.2	$ 6,647.4	$ 40,568.7
Year ended December 31, 2019:										
Personal Lines					$ 30,210.0		$ 21,329.7	$ 2,273.6	$ 4,227.6	$ 31,102.2
Commercial Lines					4,427.6		3,034.8	481.2	523.5	4,791.8
Property					1,554.8		1,106.0	268.4	224.0	1,683.9
Other indemnity					0		0	0	0	0
Total	$ 1,056.5	$ 18,105.4	$ 12,388.8	$ 0	$ 36,192.4	$ 1,017.4	$ 25,470.5	$ 3,023.2	$ 4,975.1	$ 37,577.9
Year ended December 31, 2018:										
Personal Lines					$ 26,034.7		$ 18,389.8	$ 1,964.4	$ 3,563.3	$ 27,157.6
Commercial Lines					3,610.9		2,394.0	396.0	396.0	3,996.4
Property					1,287.7		937.0	213.3	237.2	1,455.9
Other indemnity					0		0.2	0	(0.7)	0
Total	$ 951.6	$ 15,400.8	$ 10,686.5	$ 0	$ 30,933.3	$ 796.2	$ 21,721.0	$ 2,573.7	$ 4,195.8	$ 32,609.9

[1] Progressive does not allocate assets, liabilities, or investment income to operating segments. Expense allocations are based on certain assumptions and estimates primarily related to revenue and volume; stated segment operating results would change if different methods were applied.
[2] Excludes total net realized gains (losses) on securities.
[3] Other operating expenses includes $1,077.4 million of policyholder credits issued to personal auto customers.

SCHEDULE IV — REINSURANCE

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
(millions)

Year Ended:	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
December 31, 2020					
Premiums earned:					
Property and liability insurance	$ 40,687.7	$ 1,426.1	$ 0	$ 39,261.6	0 %
December 31, 2019					
Premiums earned:					
Property and liability insurance	$ 37,519.7	$ 1,327.3	$ 0	$ 36,192.4	0 %
December 31, 2018					
Premiums earned:					
Property and liability insurance	$ 31,970.2	$ 1,036.9	$ 0	$ 30,933.3	0 %

Report of Independent Registered Public Accounting Firm on Financial Statement Schedules

To the Board of Directors and Shareholders of The Progressive Corporation

Our audits of the consolidated financial statements referred to in our report dated March 1, 2021 appearing in the 2020 Annual Report to Shareholders of The Progressive Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the schedule of summary of investments – other than investments in related parties as of December 31, 2020, the schedule of condensed financial information of registrant, which includes the condensed balance sheets as of December 31, 2020 and 2019 and the condensed statements of comprehensive income and of cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the condensed financial statements, the schedule of supplementary insurance information for each of the three years in the period ended December 31, 2020, and the schedule of reinsurance for each of the three years in the period ended December 31, 2020 (collectively "the financial statement schedules") appearing under Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
March 1, 2021

ITEM 16. FORM 10-K SUMMARY

We have elected not to include a summary of information as permitted under this item.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		THE PROGRESSIVE CORPORATION
March 1, 2021	By:	/s/ Susan Patricia Griffith
		Susan Patricia Griffith
		President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Susan Patricia Griffith	Director, President and Chief Executive Officer	March 1, 2021
Susan Patricia Griffith		
/s/ John P. Sauerland	Vice President and Chief Financial Officer	March 1, 2021
John P. Sauerland		
/s/ Mariann Wojtkun Marshall	Vice President and Chief Accounting Officer	March 1, 2021
Mariann Wojtkun Marshall		
/s/ Lawton W. Fitt	Chairperson of the Board	March 1, 2021
Lawton W. Fitt		
/s/ Philip Bleser	Director	March 1, 2021
Philip Bleser		
/s/ Stuart B. Burgdoerfer	Director	March 1, 2021
Stuart B. Burgdoerfer		
/s/ Pamela J. Craig	Director	March 1, 2021
Pamela J. Craig		
/s/ Charles A. Davis	Director	March 1, 2021
Charles A. Davis		
/s/ Roger N. Farah	Director	March 1, 2021
Roger N. Farah		
/s/ Devin C. Johnson	Director	March 1, 2021
Devin C. Johnson		
/s/ Jeffrey D. Kelly	Director	March 1, 2021
Jeffrey D. Kelly		
/s/ Patrick H. Nettles, Ph.D.	Director	March 1, 2021
Patrick H. Nettles, Ph.D.		
/s/ Barbara R. Snyder	Director	March 1, 2021
Barbara R. Snyder		
/s/ Jan E. Tighe	Director	March 1, 2021
Jan E. Tighe		
/s/ Kahina Van Dyke	Director	March 1, 2021
Kahina Van Dyke		

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
3(i)	3.1	Amended Articles of Incorporation of The Progressive Corporation (as amended March 13, 2018)	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 3.1 therein)
3(ii)	3.2	Code of Regulations of The Progressive Corporation (as amended November 9, 2020)	Filed herewith
4	4.1	Form of 3.75% Senior Notes due 2021, issued in the aggregate principal amount of $500,000,000 under the 1993 Senior Indenture (see exhibit 4.16 below), as amended and supplemented	Annual Report on Form 10-K (filed on March 1, 2017; Exhibit 4.1 therein)
4	4.2	Form of 6 5/8% Senior Notes due 2029, issued in the aggregate principal amount of $300,000,000 under the 1993 Senior Indenture, as amended and supplemented	Annual Report on Form 10-K (filed on March 2, 2015; Exhibit 4.2 therein)
4	4.3	Form of 6.25% Senior Notes due 2032, issued in the aggregate principal amount of $400,000,000 under the 1993 Senior Indenture, as amended and supplemented	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 4.3 therein)
4	4.4	Form of 4.35% Senior Notes due 2044, issued in the aggregate principal amount of $350,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on April 25, 2014; Exhibit 4.2 therein)
4	4.5	Form of 3.70% Senior Notes due 2045, issued in the aggregate principal amount of $400,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on January 26, 2015; Exhibit 4.2 therein)
4	4.6	Form of 2.45% Senior Notes due 2027, issued in the aggregate principal amount of $500,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on August 25, 2016; Exhibit 4.2 therein)
4	4.7	Form 4.125% Senior Note Due 2047, issued in the aggregate principal amount of $850,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on April 6, 2017; Exhibit 4.2 therein)
4	4.8	Form 4.20% Senior Note Due 2048, issued in the aggregate principal amount of $600,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.2 therein)
4	4.9	Form 4.00% Senior Note Due 2029, issued in the aggregate principal amount of $550,000,000	Current Report on Form 8-K (filed on October 23, 2018; Exhibit 4.2 therein)
4	4.10	Form of certificate representing Series B Fixed-to-Floating Rate Cumulative Perpetual Serial Preferred Shares	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.3 therein)
4	4.11	Indenture dated as of September 12, 2018 between The Progressive Corporation and U.S. Bank National Association, Trustee (including table of contents and cross-reference sheet)	Registration Statement No. 333-227315 (filed on September 13, 2018; exhibit 4.2 therein)
4	4.12	First Supplemental Indenture dated October 23, 2018 between The Progressive Corporation and U.S. Bank National	Current Report on Form 8-K (filed on October 23, 2018; Exhibit 4.1 therein)

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
4	4.13	Second Supplemental Indenture dated March 26, 2020 between The Progressive Corporation and U.S. Bank National Association, as trustee and U.S. Bank National Association, as trustee	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 4.1 therein)
4	4.14	Form of 3.20% Senior Note due 2030, issued in the aggregate principal amount of $500,000,000	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 4.2 therein)
4	4.15	Form of 3.95% Senior Note due 2050, issued in the aggregate principal amount of $500,000,000	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 4.3 therein)
4	4.16	Indenture dated as of September 15, 1993 between The Progressive Corporation and State Street Bank and Trust Company (successor in interest to The First National Bank of Boston), as Trustee ("1993 Senior Indenture") (including table of contents and cross-reference sheet)	Registration Statement No. 333-48935 (filed on March 31, 1998; Exhibit 4.1 therein)
4	4.17	First Supplemental Indenture dated March 15, 1996 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company	Registration Statement No. 333-01745 (filed on March 15, 1996; Exhibit 4.2 therein)
4	4.18	Second Supplemental Indenture dated February 26, 1999 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company, as Trustee	Registration Statement No. 333-100674 (filed on October 22, 2002; Exhibit 4.3 therein)
4	4.19	Fourth Supplemental Indenture dated November 21, 2002 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company, as Trustee	Registration Statement No. 333-143824 (filed on June 18, 2007; Exhibit 4.5 therein)
4	4.20	Fifth Supplemental Indenture dated June 13, 2007 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, evidencing the designation of U.S. Bank National Association as successor Trustee under the 1993 Senior Indenture.	Registration Statement No. 333-143824 (filed on June 18, 2007; Exhibit 4.6 therein)
4	4.21	Sixth Supplemental Indenture dated August 22, 2011 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee	Annual Report on Form 10-K (filed on March 1, 2017; Exhibit 4.13 therein)
4	4.22	Seventh Supplemental Indenture dated April 25, 2014 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee	Current Report on Form 8-K (filed on April 25, 2014; Exhibit 4.1 therein)
4	4.23	Eighth Supplemental Indenture dated January 26, 2015 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee	Current Report on Form 8-K (filed on January 26, 2015; Exhibit 4.1 therein)

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Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
4	4.24	Ninth Supplemental Indenture dated August 25, 2016 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee	Current Report on Form 8-K (filed on August 25, 2016; Exhibit 4.1 therein)
4	4.25	Tenth Supplemental Indenture dated April 6, 2017 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee	Current Report on Form 8-K (filed on April 6, 2017; Exhibit 4.1 therein)
4	4.26	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Annual Report on Form 10-K (filed on March 2, 2020; Exhibit 4.23 therein)
4	4.27	Eleventh Supplemental Indenture dated March 14, 2018 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.1 therein)
4	4.28	Form of Confirmation Letter-Discretionary Line of Credit from PNC Bank, National Association to The Progressive Corporation	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 4.1 therein)
4	4.29	Amendment to Discretionary Line Documents - Discretionary Line of Credit from PNC Bank, National Association, to The Progressive Corporation	Quarterly Report on Form 10-Q (filed on August 4, 2020; Exhibit 5.1 therein)
4	4.30	Form of Discretionary Line of Credit Note from The Progressive Corporation to PNC Bank, National Association	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 4.2 therein)
10(iii)	10.1	The Progressive Corporation 2021 Gainshare Plan	Filed herewith
10(iii)	10.2	The Progressive Corporation 2015 Equity Incentive Plan	Current Report on Form 8-K (filed on February 4, 2015; Exhibit 10.1 therein)
10(iii)	10.3	Form of Restricted Stock Unit Award Agreement for 2020 Time-Based Awards (Executive Officers) under the Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.1 therein)
10(iii)	10.4	Form of Restricted Stock Unit Award Agreement for 2020 Time-Based Awards under the Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.2 therein)
10(iii)	10.5	Form of Restricted Stock Unit Award Agreement for Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan (for 2019)	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 10.1 therein)
10(iii)	10.6	Form of Restricted Stock Unit Award Agreement for 2018 Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan	Current Report on Form 8-K (filed on March 21, 2018; Exhibit 10.1 therein)
10(iii)	10.7	Form of Restricted Stock Unit Award Agreement (2018 Special Time-Based Award) under The Progressive Corporation 2015 Equity Incentive Plan	Current Report on Form 8-K (filed on August 23, 2018; Exhibit 10 therein)
10(iii)	10.8	Form of Restricted Stock Unit Award Agreement for 2017 Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan	Current Report on Form 8-K (filed on March 27, 2017; Exhibit 10.1 therein)

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Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.9	Form of Restricted Stock Unit Award Agreement for 2020 Performance-Based Awards (Performance Versus Market) under The Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.3 therein)
10(iii)	10.10	Form of Restricted Stock Unit Award Agreement for Performance-Based Awards (Performance versus Market) under The Progressive Corporation 2015 Equity Incentive Plan (for 2019)	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 10.3 therein)
10(iii)	10.11	Form of Restricted Stock Unit Award Agreement for 2018 Performance-Based Awards (Performance Versus Market) under The Progressive Corporation 2015 Equity Incentive Plan	Current Report on Form 8-K (filed on March 21, 2018; Exhibit 10.2 therein)
10(iii)	10.12	Form of Restricted Stock Unit Award Agreement for 2020 Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.4 therein)
10(iii)	10.13	Form of Restricted Stock Unit Award Agreement for Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan (for 2019)	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 10.2 therein)
10(iii)	10.14	Form of Restricted Stock Unit Award Agreement for 2020 Special Time/Performance-Based Award under The Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Filed herewith
10(iii)	10.15	The Progressive Corporation 2017 Directors Equity Incentive Plan	Current Report on Form 8-K (filed on February 21, 2017; Exhibit 10.1 therein)
10(iii)	10.16	Form of Restricted Stock Award Agreement under The Progressive Corporation 2017 Directors Equity Incentive Plan (for 2020)	Quarterly Report on Form 10-Q (filed on August 4, 2020; Exhibit 10.1 therein)
10(iii)	10.17	The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.3 therein)
10(iii)	10.18	First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.4 therein)
10(iii)	10.19	Second Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.5 therein)
10(iii)	10.20	Third Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.6 therein)
10(iii)	10.21	Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.7 therein)
10(iii)	10.22	The Progressive Corporation Executive Deferred Compensation Plan (2008 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.8 therein)

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Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.23	First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2008 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.9 therein)
10(iii)	10.24	The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.10 therein)
10(iii)	10.25	First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.11 therein)
10(iii)	10.26	Second Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)	Current Report on Form 8-K (filed on October 14, 2014; Exhibit 10 therein)
10(iii)	10.27	Third Amendment to the Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 29, 2016; Exhibit 10.53 therein)
10(iii)	10.28	Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on November 2, 2017; Exhibit 10 therein)
10(iii)	10.29	The Progressive Corporation Executive Deferred Compensation Plan (2018 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on July 31, 2018; Exhibit 10 therein)
10(iii)	10.30	The Progressive Corporation Executive Deferred Compensation Trust (November 8, 2002 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.23 therein)
10(iii)	10.31	First Amendment to Trust Agreement between Fidelity Management Trust Company and Progressive	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.24 therein)
10(iii)	10.32	Second Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.25 therein)
10(iii)	10.33	Third Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.26 therein)
10(iii)	10.34	Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.27 therein)
10(iii)	10.35	Fifth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.28 therein)
10(iii)	10.36	Sixth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.29 therein)
10(iii)	10.37	Seventh Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.30 therein)
10(iii)	10.38	Eighth Amendment to The Progressive Corporation Executive Deferred Compensation Trust (2002 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 27, 2019; Exhibit 10.49 therein)
10(iii)	10.39	Ninth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 10.5 therein)

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Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.40	Tenth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 10.6 therein)
10(iii)	10.41	The Progressive Corporation Directors Deferral Plan (2008 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.91 therein)
10(iii)	10.42	The Progressive Corporation Directors Deferral Plan (2015 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 29, 2016; Exhibit 10.77 therein)
10(iii)	10.43	The Progressive Corporation Directors Restricted Stock Deferral Plan (2008 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 10.4 therein)
10(iii)	10.44	First Amendment to The Progressive Corporation Directors Restricted Stock Deferral Plan (2008 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 27, 2019; Exhibit 10.56 therein)
10(iii)	10.45	Director Compensation Schedule for 2020-2021 Term	Filed herewith
10(iii)	10.46	The Progressive Corporation Executive Separation Allowance Plan (2017 Amendment and Restatement)	Current Report on Form 8-K (filed on May 16, 2017; Exhibit 10 therein)
10(iii)	10.47	First Amendment to The Progressive Corporation Executive Separation Allowance Plan (2017 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 27, 2019; Exhibit 10.60 therein)
10(iii)	10.48	Second Amendment to The Progressive Corporation Executive Separation Allowance Plan (2017 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on October 31, 2018; Exhibit 10.1 therein)
10(iii)	10.49	2021 Progressive Capital Management Annual Incentive Plan	Filed herewith
13	13	The Progressive Corporation 2020 Annual Report to Shareholders	Filed herewith
21	21	Subsidiaries of The Progressive Corporation	Filed herewith
23	23	Consent of Independent Registered Public Accounting Firm	Filed herewith
31	31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer, Susan Patricia Griffith	Filed herewith
31	31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer, John P. Sauerland	Filed herewith
32	32.1	Section 1350 Certification of the Principal Executive Officer, Susan Patricia Griffith	Filed herewith
32	32.2	Section 1350 Certification of the Principal Financial Officer, John P. Sauerland	Filed herewith
99	99	Letter to Shareholders from Susan Patricia Griffith, President and Chief Executive Officer	Filed herewith
101	101.INS	XBRL Instance Document	Filed herewith
101	101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith

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Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
101	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101	101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	104	Cover Page Interactive Data File (the cover page tags are embedded within the Inline XBRL document).	Filed herewith

Exhibit 3.2

CODE OF REGULATIONS

OF
THE PROGRESSIVE CORPORATION

(as amended on November 9, 2020)

ARTICLE I

Meetings of Shareholders

Section 1. Annual Meetings. The annual meeting of shareholders shall be held at such time and on such date on or before June 30th of each year as may be fixed by the board of directors and stated in the notice of the meeting, for the election of directors, the consideration of reports to be laid before such meeting and the transaction of such other business as may properly come before the meeting.

Section 2. Special Meetings. Special meetings of the shareholders shall be called upon the written request of the president, the directors by action at a meeting, a majority of the directors acting without a meeting, or of the holders of shares entitling them to exercise twenty-five percent (25%) of the voting power of the corporation entitled to vote thereat. Calls for such meetings shall specify the purposes thereof. No business other than that specified in the call shall be considered at any special meeting. Special meetings so called shall be held on such date and at such time as may be fixed by the board of directors and stated in the notice of the meeting; provided, however, that in the case of a special meeting called by shareholders in accordance herewith, the date of such special meeting shall not be more than ninety (90) days after the date the president or secretary of the corporation receives the call for such meeting.

Section 3. Notices of Meetings. Unless waived, written notice of each annual or special meeting stating the time, place, and the purposes thereof, and the means, if any, by which shareholders can be present and vote at the meeting through the use of communications equipment, shall be given by the president or the secretary of the corporation, by personal delivery, by mail, by overnight delivery service or by any other means of communication authorized by the shareholder to whom the notice is given, to each shareholder of record entitled to vote at or entitled to notice of the meeting, not more than sixty (60) days nor less than seven (7) days before any such meeting. If mailed or sent by overnight delivery service, such notice shall be directed to the shareholder at his address as the same appears upon the records of the corporation. If sent by any other means of communication authorized by the shareholder, the notice shall be sent to the address furnished by the shareholder for those transmissions. Any shareholder, either before or after any meeting, may waive any notice required to be given by law or under these Regulations.

Section 4. Place of Meetings. Meetings of shareholders shall be held at the principal office of the corporation unless the board of directors determines that a meeting shall be held at some other place within or without the State of Ohio and causes the notice thereof to so state. Notwithstanding the foregoing, the board of directors may determine that a meeting of shareholders shall not be held at any physical place, but instead may be held solely by means of communications equipment as authorized in the following paragraph.

If authorized by the board of directors, the shareholders and proxyholders who are not physically present at a meeting of shareholders may attend a meeting of shareholders by use of communications equipment that enables the shareholder or proxyholder an opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting and to speak or otherwise participate in the proceedings contemporaneously with those physically present. Any shareholder using communications equipment will be deemed present in person at the meeting, whether the meeting is to be held at a designated place or solely by means of communications equipment. The directors may adopt guidelines and procedures for the use of communications equipment in connection with a meeting of shareholders to permit the corporation to verify that a person is a shareholder or proxyholder and to maintain a record of any vote or other action.

Section 5. Quorum. The holders of shares entitling them to exercise a majority of the voting power of the corporation entitled to vote at any meeting, present in person or by proxy, shall constitute a quorum for the transaction of business to be considered at such meeting; provided, however, that no action required by law or by the Articles of Incorporation or these Regulations to be authorized or taken by the holders of a designated proportion of the shares of any particular class or of each class may be authorized or taken by a lesser proportion. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time, until a quorum shall be present.

Section 6. Record Date. The board of directors may fix a record date for any lawful purpose, including, without limiting the generality of the foregoing, the determination of shareholders entitled to (i) receive notice of or to vote at any meeting, (ii) receive payment of any dividend or distribution, (iii) receive or exercise rights of purchase of or subscription for, or exchange or conversion of, shares or other securities, subject to any contract right with respect thereto, or (iv) participate in the execution of written consents, waivers or releases. Said record date, which shall not be a date earlier than the date on which the record date is fixed, shall not be more than sixty (60) days preceding the date of such meeting, the date fixed for the payment of any dividend or distribution or the date fixed for the receipt or the exercise of rights, as the case may be.

If a record date shall not be fixed, the record date for the determination of shareholders who are entitled to notice of, or who are entitled to vote at, a meeting of shareholders, shall be the close of business on the date next preceding the day on which notice is given, or the close of business on the date next preceding the day on which the meeting is held, as the case may be.

Section 7. Proxies. A person who is entitled to attend a shareholders' meeting, to vote thereat, or to execute consents, waivers or releases, may be represented at such meeting or vote thereat, and execute consents, waivers and releases, and exercise any of his other rights, by proxy or proxies appointed by a writing signed by such person or appointed by a verifiable communication authorized by the person.

Section 8. Procedures for Shareholder Proposals. A shareholder (or a legal representative of the shareholder) must be present at the meeting of shareholders in order to make a proposal at such meeting and must also comply with the appropriate section of these Regulations related to such proposal (or Rule 14a-8 under the Securities Exchange Act of 1934). This Section 8 sets forth certain procedures required for shareholders to make proposals at the corporation's meetings of shareholders (other than nominations for the election of directors, the means for which are set forth in Sections 13 and 14 of Article II), including, without limitation, the exclusive means by which a shareholder may make a proposal for business to be considered at an annual meeting of shareholders, if the proposal is not made pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

A shareholder may submit a proposal for consideration at an annual meeting of shareholders only if: (i) the shareholder is a Record Shareholder or Beneficial Owner (as those terms are defined below) (x) at the time of giving of the notice as described in this Section 8, (y) as of the record date for such meeting of shareholders, and (z) as of the date of such meeting; (ii) the business is a proper matter for shareholder action; (iii) written notice of such shareholder's intent to propose such business complying with the requirements of this Section 8 has been given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation, and has been received by the secretary of the corporation, not less than ninety (90) days, nor more than one hundred twenty (120) days, in advance of the first anniversary of the immediately preceding year's annual meeting of shareholders (provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so given and received, not later than the ninetieth (90^{th}) day prior to the current year's annual meeting or, if later, the tenth (10^{th}) day following the day on which public disclosure of the date of the current year's annual meeting is first given to shareholders); and (iv) updates and supplements by such shareholder as required in this Section 8 have been delivered to the secretary of the corporation in the forms and within the time frames set forth in this Section. For purposes of this Section 8, public disclosure of a meeting date shall be deemed to be first given to shareholders when disclosure of the applicable meeting date is first made in a press release reported by the Dow Jones News Services, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

Each such notice shall set forth the following information, together with a representation as to the accuracy of the information, as to (i) each shareholder making the proposal that holds of record shares of the corporation (a "Record Shareholder") ,and (ii) each shareholder making the proposal that holds shares of the corporation through a bank, brokerage or other financial institution (a “Beneficial Owner”) (Record Shareholders and Beneficial Owners are hereinafter referred to as “Holders”):

(a) the name (as it appears on the corporation’s stock records, if applicable) and current address of each Record Shareholder and each Beneficial Owner that is making the proposal;

(b) a representation that each proposing shareholder is a holder of record of shares of the corporation, or holds shares of the corporation through a bank, brokerage or other financial institution, and is entitled to vote at such meeting, and that such proposing shareholder intends to (i) appear in person or by proxy at the meeting, and (ii) submit the proposal specified in the notice at the meeting in person or through a representative;

(c) a description of all types of each such Holder’s economic and voting interests in the corporation, including a description of:

(i)the class or series and number of shares of the corporation that, directly or indirectly, are owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) by such Holder, together with, in the case of any shares that are not owned of record, proof of such Holder’s beneficial ownership of such shares in one of the ways permitted by Rule 14a-8(b)(2)(i) or (ii) under the Securities Exchange Act of 1934; and, in addition thereto, the number of shares (if any) of any class or series of the corporation as to which such Holder has a right, at that time or at any time in the future, to own or acquire record or beneficial ownership;

(ii)any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to give such Holder, at that time or at any time in the future, economic risk corresponding or similar to ownership of, or voting power with respect to, any class or series of shares of the corporation, and any other security with a value derived from or related to the value of any class or series of shares of the corporation;

(iii)any proxy, agreement, arrangement, understanding or relationship pursuant to which such Holder has or shares a right to vote any shares of any class or series of the corporation;

(iv)any agreement, arrangement, understanding or relationship, including without limitation any repurchase or similar so-called “stock borrowing” agreement or arrangement, engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation to, manage the risk of share price changes for, or increase or decrease the voting power of, such Holder with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation;

(v)any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Holder that are separated or separable from the underlying shares of the corporation;

(vi)any performance-related fees (other than an asset-based fee) to which such Holder, or any such Holder's immediate family member or affiliate, is or would be entitled, based on any increase or decrease in the price or value of shares of any class or series of the corporation or any interest described in subsections (ii) and (iv) of this Section 8(c); and

(vii)the aggregate number of voting shares of the corporation held or beneficially owned by all Holders that are subject to or referred to in this Section 8;

(d) a description of all arrangements or understandings between each Holder and any other person(s) or entity(ies) (naming each such person or entity) pursuant to which the proposal or proposals are to be made or pursuant to which any shares of the corporation are to be voted on such proposal or proposals;

(e) any proportionate interest in shares of the corporation or any interest described in subsection (ii) of Section 8(c) that is held, directly or indirectly, by a general or limited partnership, limited liability company or other entity in, or with respect to, which any Holder: is a general or limited partner; beneficially owns, directly or indirectly, an interest in a general or any limited partner of such general or limited partnership; or is a member or manager of, or beneficially owns, directly or indirectly, an interest in a member or manager of, such limited liability company or other entity;

(f) any shares of the corporation, and any arrangements, rights or other interests described in Sections 8(c) through 8(e), held by each Holder's immediate family members or affiliates;

(g) a representation regarding whether each Holder intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to one or more other holders of the corporation's outstanding capital stock, and/or to solicit proxies from other shareholders, in support of such proposal;

(h) any other information relating to each Holder that would be required to be disclosed by such Holder in a proxy statement or other filings required to be made in connection with solicitations by such Holder of proxies for such proposal pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder;

(i) any other information reasonably requested by the corporation; and

(j) a reasonably brief statement of the course of action proposed for the corporation, its management or its board of directors to follow, stated as clearly and specifically as possible; the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the Articles of Incorporation or Code of Regulations of the corporation, the language of the proposed amendment); the reasons for making such proposal; and any material interest in such business of each Holder (including any anticipated benefit to each Holder, or any of such Holder's affiliates or immediate family members, therefrom);

provided, however, that no information with respect to the ordinary course business activities of a Holder need be given under paragraphs (c)(ii) through (c)(vii), (d), (e) or (f) with respect to any Record Shareholder that is a broker, dealer, commercial bank, trust company or other nominee holding shares on behalf of a Beneficial Owner submitting a proposal under this Section 8.

The foregoing information shall be provided initially as of the date of the notice and, thereafter, shall be updated and supplemented by the shareholder making the proposal (i) as of the record date for the meeting and (ii) as of each date that is ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof. Each such update and supplement shall be given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation, and shall be received by the secretary of the corporation, as follows: as to the update and supplement required as of the record date for the meeting, not later than five (5) business days after such record date; and as to each update or supplement required as of ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof, not later than five (5) business days prior to the date of the meeting and, if applicable and if practicable, any adjournment or postponement thereof (and if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed).

The presiding officer at the meeting may refuse to acknowledge the submission of any proposal not made in accordance with the provisions hereof and may declare at such meeting that any such proposal was not properly brought before the meeting and shall not be considered.

This Section 8 shall constitute an "advance notice provision" for annual meetings of shareholders for the purposes of Rule 14a-4(c)(1) under the Securities Exchange Act of 1934.

If any shareholder includes, or a group of shareholders include, a shareholder proposal in the call for a special meeting given pursuant to Section 2 of this Article I, the corporation shall have the right to request that such shareholder(s) provide to the corporation some or all of the information set forth in this Section 8. In such event, each such shareholder shall provide the requested information by the date specified by the corporation in such request and, if so requested by the corporation, shall provide updated information in advance of the special meeting on or before a date specified by the corporation in such request.

For the purpose of this Section 8, “immediate family members” shall include a person’s spouse, parents, stepparents, children, stepchildren, grandchildren, siblings, stepsiblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, anyone (other than domestic employees) who shares such person’s home, and shall include adoptive relationships; and “affiliates” shall include any corporation or organization of which such person is an officer, director, partner, manager or member or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities or other equity interest, any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and any other entity that controls, is controlled by, or is under common control with, the Holder or any of the Holder’s immediate family members. For the purposes hereof, “control” shall mean the right or power, alone or with others, to direct the management or policies of such other entity.

ARTICLE II

Directors

Section 1. Number of Directors. The number of directors of the corporation, none of whom need to be a shareholder or resident of the State of Ohio, shall be thirteen. All of the directors shall comprise a single class, although the terms of individual directors may vary on an interim basis as provided at Section 3 hereof. The shareholders, acting by the affirmative vote of the holders of record of shares representing a majority of the voting power of the corporation on such proposal, or a majority of the board of directors, may, from time to time, increase or decrease the number of directors, but in no case shall the number of directors be fewer than five or more than thirteen, nor shall any decrease in the number of directors shorten the term of any director then in office.

Section 2. Election of Directors. Directors shall be elected at the annual meeting of shareholders, but when the annual meeting is not held or directors are not elected thereat, they may be elected at a special meeting called and held for that purpose. Such election shall be by ballot whenever requested by any shareholder entitled to vote at such election; but, unless such request is made, the election may be conducted in any manner approved at such meeting.

Article TENTH of the corporation's Amended Articles of Incorporation, as amended, sets forth voting standards applicable in the election of directors at each meeting of shareholders to elect directors.

Section 3. Term of Office. Subject to the following sentences, the term of office for each director elected or re-elected at or any time after the corporation's 2013 Annual Meeting of Shareholders shall be one year. Directors elected for multi-year terms prior to the corporation's 2013 Annual Meeting of Shareholders shall serve for the terms for which they were previously elected. Any director elected to fill a vacancy pursuant to Section 5 of this Article shall serve for the term specified therein. Each director shall hold office until the date of the annual meeting of shareholders coinciding with the termination of the term for which he or she was elected, or until the termination of the period specified in Section 5 of this Article (if applicable), ("End-of-Term Date") and until his or her successor shall be elected or until his or her earlier resignation, removal from office or death; provided that:

(a) a director that has not been nominated by the board of directors for re-election in an election of directors at an annual meeting of shareholders coinciding with his or her End-of-Term Date ("End-of-Term Election") shall hold office only until such End-of-Term Date; and

(b) a director that has been nominated for re-election by the board of directors in an End-of-Term Election in which a majority vote is required for his or her re-election by the Amended Articles of Incorporation, as amended, but such director fails to achieve a majority of votes cast with respect to his or her nomination and fails to tender his or her resignation to the board of directors or an appropriate committee thereof, in accordance with applicable procedures adopted by the board of directors or a committee thereof, within 10 days after the results of the vote have been certified, shall hold office only until the earlier of (i) the date that his or her successor shall be elected or (ii) the expiration of such 10 day period.

Section 4. Removal. All directors, or any individual director, may be removed from office, without assigning any cause, by the affirmative vote of the holders of record of shares representing a majority of the voting power of the corporation with respect to the election of directors, provided that unless all the directors are removed, no individual director shall be removed if the votes of a sufficient number of shares are cast against his or her removal which, if cumulatively voted at an election of all the directors would be sufficient to elect at least one director. In case of any such removal, a new director may be elected at the same meeting for the unexpired term of each director removed.

Section 5. Vacancies. Vacancies in the board of directors may be filled by a majority vote of the remaining directors. Any director so elected by the remaining directors to fill a vacancy shall have a term of office ending on the earlier of the next annual meeting of shareholders or the next special meeting of shareholders held to elect directors. At the expiration of such term, each such director shall then be subject to election by shareholders in accordance with this Article.

Section 6. Quorum and Transaction of Business. A majority of the whole authorized number of directors shall constitute a quorum for the transaction of business, except that a majority of the directors in office shall constitute a quorum for filling a vacancy on the board. Whenever less than a quorum is present at the time and place appointed for any meeting of the board, a majority of those present may adjourn the meeting from time to time, until a quorum shall be present. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board.

Section 7. Annual Meeting. Annual meetings of the board of directors shall be held immediately following annual meetings of the shareholders, or as soon thereafter as is practicable. If no annual meeting of the shareholders is held, or if directors are not elected thereat, then the annual meeting of the board of directors shall be held immediately following any special meeting of the shareholders at which directors are elected, or as soon thereafter as is practicable. If such annual meeting of directors is held immediately following a meeting of the shareholders, it shall be held at the same place at which such meeting of shareholders was held.

Section 8. Regular Meetings. Regular meetings of the board of directors shall be held at such times and places, within or without the State of Ohio, as the board of directors may, by resolution or by-law, from time to time, determine. The secretary shall give notice of each such resolution or bylaw to any director who was not present at the time the same was adopted, but no further notice of such regular meeting need be given.

Section 9. Special Meetings. Special meetings of the board of directors may be called by the chairman of the board, the lead independent director (if one is designated by the independent directors), or the president to be held at such times and places within or without the State of Ohio as the person calling such meeting shall specify. In addition, any two members of the board of directors may call special meetings of the board of directors to be held at the principal office of the corporation at such times as they may specify.

Section 10. Notice of Annual or Special Meetings. Notice of the time and place of each annual or special meeting of the board of directors shall be given to each director by the secretary or by the person or persons calling such meeting. Such notice need not specify the purpose or purposes of the meeting and may be given in any manner or method and at such time so that the director receiving it may have reasonable opportunity to attend the meeting. Such notice shall, in all events, be deemed to have been properly and duly given to a director (i) if delivered personally or by phone, or if sent by fax, e-mail or other electronic communication to the contact number or other address of such director as then shown upon the secretary's records, at least twenty-four (24) hours prior to the meeting, or (ii) if sent by U.S. mail or overnight courier to the address of such director as shown upon the secretary's records, at least forty-eight (48) hours prior to the meeting. The giving of notice shall be deemed to have been waived by any director who shall attend and participate in such meeting and may be waived, in a writing or by electronic communication, by any director either before or after such meeting.

Section 11. Compensation. The directors, as such, shall be entitled to receive such reasonable compensation for their services as may be fixed from time to time by resolution of the board, and expenses of attendance, if any, may be allowed for attendance of each annual, regular or special meeting of the board. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of the executive committee or of any standing or special committee may by resolution of the board be allowed such compensation for their services as the board may deem reasonable, and additional compensation may be allowed to directors for special services rendered.

Section 12. By-laws. For the government of its actions, the board of directors may adopt by-laws consistent with the Articles of Incorporation and these Regulations.

Section 13. Procedures for Shareholder Nominations. Subject to the rights of the holders of any class or series of stock of the corporation having a preference over the Common Shares as to dividends or upon liquidation to elect directors under specified circumstances, nominations for the election of directors may be made only by the board of directors or a committee of the board of directors or, subject to this Section 13 and Section 14, by any shareholder entitled to vote in the election of directors generally. A shareholder (or a legal representative of the shareholder) must be present at the meeting of shareholders in order to nominate an individual for election at a meeting of shareholders and must also comply with the appropriate section of these Regulations related to such nomination. This Section 13 sets forth certain procedures required for shareholders to nominate directors if the shareholder does not wish the nomination to be included in the corporation's proxy statement for the annual meeting of shareholders. Section 14 sets forth certain procedures required for shareholders to nominate directors and to have the nomination included in the corporation's proxy statement for the annual meeting of shareholders.

A shareholder may nominate one or more persons for election as directors at a meeting of shareholders only if: (i) the shareholder is a Record Shareholder or Beneficial Owner (x) at the time of giving of the notice as described in this Section 13, (y) as of the record date for such meeting of shareholders, and (z) as of the date of such meeting; (ii) if the nomination relates to a special meeting of shareholders called in accordance with Section 2 of Article I hereof, the election of directors is a matter specified in such call and in the corporation's notice of such meeting; (iii) written notice of such shareholder's intent to make such nomination(s) has been given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation and has been received by the secretary of the corporation as follows: (A) with respect to an election to be held at an annual meeting of shareholders, the notice required by this Section 13 shall be received not less than ninety (90) days, nor more than one hundred twenty (120) days, in advance of the first anniversary of the immediately preceding year's annual meeting (provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so given and received not later than the ninetieth (90^{th}) day prior to the current year's annual meeting or, if later, the tenth (10^{th}) day following the day on which public disclosure of the date of the current year's annual meeting is first given to shareholders), or (B) with respect to a special meeting as to which the election of directors is included in the corporation's notice of such meeting, the notice required by this Section 13 shall be received on or before the tenth (10^{th}) day following the date on which public disclosure of the date of such meeting is first given to shareholders; and (iv) updates and supplements by such shareholder as required in this Section 13 have been delivered to the secretary of the corporation in the forms and within the time frames set forth in this Section. For purposes of this Section 13, public disclosure of a meeting date shall be deemed to be first given to shareholders when disclosure of the applicable meeting date is first made in a press release reported by the Dow Jones News Services, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

Each such notice shall set forth the following information, together with a representation as to the accuracy of the information, as to each Holder who is making the nomination(s):

(a) the name (as it appears on the corporation's stock records, if applicable) and current address of each Record Shareholder and each Beneficial Owner that is making the nomination(s);

(b) a representation that each proposing shareholder is a holder of record of shares of the corporation, or holds shares of the corporation through a bank, brokerage or other financial institution, and is entitled to vote at such meeting, and that such proposing shareholder intends to (i) appear in person or by proxy at the meeting, and (ii) submit the nomination(s) specified in the notice at the meeting in person or through a representative;

(c) the name, address and principal occupation or employment of each person to be so nominated;

(d) a description of all arrangements or understandings between the nominating shareholder and each nominee and any other person(s) or entity(ies) (naming each such person or entity) pursuant to which the nomination(s) are to be made by the shareholder or pursuant to which any shares of the corporation are to be voted on such nomination(s);

(e) such other information regarding each nominee proposed by such nominating shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, as then in effect, had the nominee been nominated, or intended to be nominated, by the board of directors;

(f) a description of all types of each such Holder's economic and voting interests in the corporation, including a description of:

(i) the class or series and number of shares of the corporation that, directly or indirectly, are owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) by such Holder, together with, in the case of any shares that are not owned of record, proof of such Holder's beneficial ownership of such shares in one of the ways permitted by Rule 14a-8(b)(2)(i) or (ii) under the Securities Exchange Act of 1934; and, in addition thereto, the number of shares (if any) of any class or series of the corporation as to which such Holder has a right, at that time or at any time in the future, to own or acquire record or beneficial ownership;

(ii) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to give such Holder, at that time or at any time in the future, economic risk corresponding or similar to ownership of, or voting power with respect to, any class or series of shares of the corporation, and any other security with a value derived from or related to the value of any class or series of shares of the corporation;

(iii) any proxy, agreement, arrangement, understanding or relationship pursuant to which such Holder has or shares a right to vote any shares of any class or series of the corporation;

(iv) any agreement, arrangement, understanding or relationship, including without limitation any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation to, manage the risk of share price changes for, or increase or decrease the voting power of, such Holder with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation;

(v) any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Holder that are separated or separable from the underlying shares of the corporation;

(vi) any performance-related fees (other than an asset-based fee) to which such Holder, or any such Holder's immediate family member or affiliate, is or would be entitled, based on any increase or decrease in the price or value of shares of any class or series of the corporation or any interest described in subsections (ii) and (iv) of this Section 13(f);

(vii) the aggregate number of voting shares of the corporation held or beneficially owned by all Holders that are subject to or referred to in this Section 13;

(viii) any proportionate interest in shares of the corporation or any interest described in subsection (ii) of this Section 13(f) that is held, directly or indirectly, by a general or limited partnership, limited liability company or other entity in, or with respect to, which any Holder: is a general or limited partner; beneficially owns, directly or indirectly, an interest in a general or any limited partner of such general or limited partnership; or is a member or manager of, or beneficially owns, directly or indirectly, an interest in a member or manager of, such limited liability company or other entity; and

(ix) any shares of the corporation, and any arrangements, rights or other interests described in Sections 13(f)(i) through 13(f)(viii) held by each Holder's immediate family members or affiliates;

(g) a representation regarding whether each Holder intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to one or more other holders of the corporation's outstanding capital stock, and/or to solicit proxies from other shareholders, in support of such nomination(s);

(h) any other information relating to each Holder that would be required to be disclosed by such Holder in a proxy statement or other filings required to be made in connection with solicitations by such Holder of proxies for such nomination(s) pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder; and

(i) any other information reasonably requested by the corporation;

provided, however, that no information with respect to the ordinary course business activities of a Holder need be given under paragraphs (c)(ii) through (c)(vii), (d), (e) or (f) with respect to any Record Shareholder that is a broker, dealer, commercial bank, trust company or other nominee holding shares on behalf of a Beneficial Owner submitting a proposal under this Section 13.

The foregoing information shall be provided initially as of the date of the notice and, thereafter, shall be updated and supplemented by each shareholder making the nomination(s) (i) as of the record date for the meeting and (ii) as of each date that is ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof. Each such update and supplement shall be given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation, and shall be received by the secretary of the corporation, as follows: as to the update and supplement required as of the record date for the meeting, not later than five (5) business days after such record date; and as to each update or supplement required as of ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof, not later than five (5) business days prior to the date of the meeting and, if applicable and if practicable, any adjournment or postponement thereof (and if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed).

For the purpose of this Section 13, the terms "immediate family members," "affiliates" and "control" shall be the same as set forth in Section 8 of Article I hereof.

To be effective, each notice of intent to make a nomination given hereunder must be accompanied by the written consent of each such nominee to serve as a director of the corporation if elected.

The presiding officer at the meeting may refuse to acknowledge the nomination of any person or persons not made in compliance with the provisions hereof and may declare at such meeting that any such nomination was not properly brought before the meeting and shall not be considered.

This Section 13 shall constitute an "advance notice provision" for annual meetings of shareholders for the purposes of Rule 14a-4(c)(1) under the Securities Exchange Act of 1934.

Section 14. Inclusion of Shareholder Director Nominations in the Corporation's Proxy Materials.

(A) Subject to the terms and conditions set forth in this Section 14, the corporation shall include in its proxy statement for an annual meeting of shareholders the name, together with the Required Information (defined below), of any person nominated for election (the "Shareholder Nominee") to the board of directors by one or more Holders that satisfy the requirements of this Section 14 (such person or group, the "Eligible Shareholder"), and that expressly elects at the time of providing the written notice required by this Section 14 (a "Proxy Access Notice") to have its Shareholder Nominee included in the corporation's proxy materials pursuant to this Section 14. For the purposes of this Section 14:

(1) "Voting Shares" shall mean outstanding shares of capital stock of the corporation entitled to vote generally for the election of directors;

(2) The terms affiliates" and "control" shall be the same as set forth in Section 8 of Article I hereofand

(3) a Record Shareholder or Beneficial Owner shall be deemed to "own" only those outstanding shares of Voting Shares of the Corporation as to which the Holder (or any shareholder, fund comprising a Qualifying Fund (as defined below) or beneficial owner whose share ownership is counted for the purposes of qualifying as being an Eligible Shareholder (in Section 14(E)) and possesses both (a) the full voting and investment rights pertaining to the shares and (b) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (a) and (b) shall not include any shares (x) sold by such Holder or any of its affiliates in any transaction that has not been settled or closed, including any short sale, (y) borrowed by such Holder or any of its affiliates for any purposes or purchased by such Holder or any of its affiliates pursuant to an agreement to resell, or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Holder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding capital stock of the corporation, in any such case which instrument or agreement has, or is intended to have, or if exercised by either party thereto would have, the purpose or effect of (i) reducing in any manner, to any extent or at any time in the future, such Holder's or affiliates' full right to vote or direct the voting of any such shares, and/or (ii) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such Holder or affiliate, other than any such arrangements solely involving a national or multi-national multi-industry market index. A Holder shall "own" shares held in the name of a nominee or other intermediary so long as the Holder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A Holder's ownership of shares shall be deemed to continue during any period in which the Holder has loaned such shares or delegated any voting power over such shares by means of a proxy, power of attorney or other instrument or arrangement which in either case is revocable at any time by the Shareholder; provided, however, in the event of a loan, such shares are actually recalled prior to the end of the period in question. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings.

(B) For purposes of this Section 14, the "Required Information" that the corporation will include in its proxy statement is (1) the information concerning the Shareholder Nominee and the Eligible Shareholder that the corporation determines is required to be disclosed in the corporation's proxy statement by the regulations promulgated under the Securities Exchange Act of 1934; and (2) if the Eligible Shareholder so elects, a Statement (defined below). Nothing in these Regulations shall limit the corporation's ability to solicit against and include in the proxy statement its own statement relating to any Shareholder Nominee.

(C)To be timely, a Shareholder's Proxy Access Notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice must be given and received not later than the 120th day prior to the current year's annual meeting or, if later, the tenth (10th) day following the day on which public disclosure of the date of the current year's annual meeting is first given to shareholders. In no event shall any adjournment or postponement of an annual meeting, the date of which has been announced by the corporation, commence a new time period for the giving of a Proxy Access Notice.

(D) The number of Shareholder Nominees (including Shareholder Nominees that were submitted by an Eligible Shareholder for inclusion in the corporation's proxy materials pursuant to this Section 14 but either are subsequently withdrawn or that the board of directors decides to nominate as board of director nominees) appearing in the corporation's proxy materials with respect to an annual meeting of shareholders shall be the greater of (x) one and (y) a number that does not exceed 20% of the number of directors in office as of the last day on which a Proxy Access Notice may be delivered in accordance with the procedures set forth in this Section 14, or if such amount is not a whole number, the closest whole number below 20% (such number that is the greater of that set forth in clause (x) or (y), the "Permitted Number"); provided, however, that the Permitted Number shall be reduced, but not below zero, by (1) the number of such director candidates for which the corporation shall have received one or more valid shareholder notices nominating director candidates pursuant to Section 13 of Article II of these Regulations, (2) the number of directors in office or director candidates that in either case will be included in the corporation's proxy materials with respect to such annual meeting as an unopposed (by the corporation) nominee pursuant to any agreement, arrangement or other understanding with any shareholder or group of shareholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of capital stock, by such shareholder or group of shareholders, from the corporation) and (3) the number of directors in office that will be included in the corporation's proxy materials with respect to such annual meeting for whom access to the corporation's proxy materials was previously provided pursuant to this Section 14, other than any such director referred to in clause (2) or this clause (3) who at the time of such annual meeting will have served as a director continuously, as a nominee of the board, for at least two annual terms; provided, further, that in the event that one or more vacancies for any reason occurs on the board of directors at any time before the date of the annual meeting and the board of directors resolves to reduce the size of the board of directors in connection therewith, the Permitted Number shall be calculated based on the number of directors in office as so reduced. In the event that the number of Shareholder Nominees submitted by Eligible Shareholders pursuant to this Section 14 exceeds the Permitted Number, each Eligible Shareholder will select one Shareholder Nominee for inclusion in the Corporation's proxy materials until the Permitted Number is reached, going in order of the amount (largest to smallest) of common shares of the corporation each Eligible Shareholder disclosed as owned in its Proxy Access Notice submitted to the corporation. If the Permitted Number is not reached after each Eligible Shareholder has selected one Shareholder Nominee, this selection process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached.

(E) An “Eligible Shareholder” is one or more Record Shareholders who owns and has owned, or is acting on behalf of one or more Beneficial Owners who own and have owned (in each case as defined above), continuously for at least three years as of both the date that the Proxy Access Notice is received by the Corporation pursuant to this Section 14, and the record date for determining shareholders eligible to vote at the annual meeting, capital stock of the Corporation representing at least 3% of the Voting Shares (the “Proxy Access Request Required Shares”), and who continue to own the Proxy Access Request Required Shares at all times between the date such Proxy Access Notice is received by the corporation and the date of the applicable annual meeting of shareholders, provided that the aggregate number of Record Shareholders, and, if and to the extent that a Record Shareholder is acting on behalf of one or more Beneficial Owners, of such Beneficial Owners, whose share ownership is counted for the purpose of satisfying the foregoing ownership requirement shall not exceed twenty. Two or more funds that are part of the same family of funds or sponsored by the same employer (a “Qualifying Fund”) shall be treated as one Holder for the purpose of determining the aggregate number of Holders in this Section 14, provided that each fund comprising a Qualifying Fund otherwise meets the requirements set forth in this Section 14. No Holder may be a member of more than one group constituting an Eligible Shareholder under this Section 14 for purposes of any applicable annual meeting of shareholders. A Record Shareholder acting on behalf of a Beneficial Owner will be counted as a Holder only with respect to the shares owned by Beneficial Owners on whose behalf such Record Shareholder has been directed in writing to act, and, with respect to the shares covered by such directions, will be deemed to be the same shareholder as the Beneficial Owner for purposes of determining the number of shareholders whose holdings may be considered as part of an Eligible Shareholder’s holdings.

(F) No later than the final date when a nomination pursuant to this Section 14 may be delivered to the Corporation, an Eligible Shareholder (including each Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) must provide the following information in writing to the secretary of the corporation: (1) the name and address of, and number of shares of capital stock of the Corporation owned by such person; (2) one or more written statements from the Record Shareholder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within seven calendar days prior to the date the Proxy Access Notice is delivered to or mailed to and received by the Corporation, such person owns, and has owned continuously for the preceding three years, the Proxy Access Request Required Shares, and such person’s agreement to provide, (a) within ten (10) days after the record date for the annual meeting, written statements from the Record Shareholder and intermediaries verifying such person’s continuous ownership of the Proxy Access Request Required Shares through the record date, together with any additional information reasonably requested to verify such person’s ownership of the Proxy Access Request Required Shares, and (b) immediate notice if the Eligible Shareholder ceases to own any of the Proxy Access Request Required Shares prior to the date of the applicable annual meeting of shareholders; (3) any information relating to such Eligible Shareholder (including any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose Share ownership is counted for the purposes of qualifying as an Eligible Shareholder) and their respective affiliates or associates or others acting in concert therewith, and any information relating to such Eligible Shareholder's Shareholder Nominee(s), in each case that would be required to be disclosed in a proxy statement and form of proxy or other filings required to be made in connection with solicitations of proxies for the election of such Shareholder Nominee(s) in a contested election pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder; (4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the Eligible Shareholder (including any Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) and its or their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each of such Eligible Shareholder's Shareholder Nominees, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Eligible Shareholder (including any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder), or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the Shareholder Nominee were a director or executive officer of such registrant; (5) the written consent of each Shareholder Nominee to being named in the corporation's proxy statement and form of proxy card as a nominee and to serving as a director if elected; (6) the written agreement of the Shareholder Nominee that (a) the Shareholder Nominee agrees, if elected, to adhere to the corporation's Corporate Governance Guidelines and Code of Conduct and any other publicly available corporation policies and guidelines applicable to directors, and (b) that the Shareholder Nominee is not and will not become a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with his or her nomination, service or action as a director of the corporation, or any agreement, arrangement or understanding with any person or entity as to how the Shareholder Nominee would vote or act on any issue or question as a director, in each case that has not been disclosed to the corporation on the Proxy Access Notice; (7) a representation that such Holder (a) acquired the Proxy Access Request Required Shares in the ordinary course of business and not with the intent to change or influence control of the corporation, and does not presently have such intent, (b) has not nominated and will not nominate for election to the board of directors at the annual meeting any person other than the Shareholder Nominee(s) being nominated pursuant to this Section 14, (c) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Securities Exchange Act of 1934 in support of the election of any individual as a director at the annual meeting of shareholders, other than its Shareholder Nominee(s) or a nominee of the board of directors; (d) will not distribute to any shareholder of the corporation any form of proxy for the annual meeting other than the form distributed by the corporation and (e) will provide facts, statements and other information in all communications with the corporation and its shareholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and otherwise comply with all applicable laws, rules and regulations in connection with any actions taken pursuant to this Section 14; (8) in the case of a nomination by a group of shareholders that together is such an Eligible Shareholder, the designation by all group members of one group member that is authorized to act on behalf of all members of the nominating shareholder group with respect to the nomination and matters related thereto, including withdrawal of the nomination; and (9) an undertaking that such person agrees to (a) assume all liability stemming from, and indemnify and hold harmless the corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the corporation or any of its directors, officers or employees arising out of any legal or regulatory violation arising out of the Eligible Shareholder's communications with the shareholders of the corporation or out of the information that the Eligible Shareholder provided to the corporation, and (b) file with the Securities and Exchange Commission any solicitation of the corporation's shareholders by the Eligible Shareholder relating to the annual meeting at which the Shareholder Nominee will be nominated. In addition, no later than the final date on which a Proxy Access Notice may be submitted under this Section 14, a Qualifying Fund whose Share ownership is counted for purposes of qualifying as an Eligible Shareholder must provide to the secretary of the corporation documentation reasonably satisfactory to the board of directors that demonstrates that the funds comprising the Qualifying Fund are either part of the same family of funds or sponsored by the same employer. In order to be considered timely, any information required by this Section 14 to be provided to the Corporation must be supplemented (by delivery to the secretary of the corporation) (1) no later than five (5) days following the record date for the applicable annual meeting, to disclose the foregoing information as of such record date, and (2) no later than five (5) days before the annual meeting to disclose the foregoing information as of the date that is ten days prior to such annual meeting. For the avoidance of doubt, the requirement to update and supplement such information shall not permit any Eligible Shareholder or other person to change or add any proposed Shareholder Nominee or to change the identity of any member of a group that together is an Eligible Shareholder.

(G) The Eligible Shareholder may provide to the secretary of the corporation, at the time the information required by this Section 14 is originally provided, a written statement for inclusion in the corporation's proxy statement for the annual meeting, not to exceed 500 words, in support of the Eligible Shareholder's Shareholder Nominee's candidacy (the "Statement"). Notwithstanding anything to the contrary contained in this Section 14, the corporation may omit from its proxy materials any information or Statement that it, in good faith, believes is materially false or misleading, omits to state any material fact, or would violate any applicable law or regulation.

(H) At the request of the corporation, each Shareholder Nominee must (1) tender to the corporation an irrevocable resignation, in a form to be provided by the corporation, which resignation shall become effective upon a determination by the board of directors or any committee thereof that (x) the Proxy Access Notice pursuant to which the Shareholder Nominee's information was included in the corporation's proxy statement was not filed by shareholders constituting an Eligible Shareholder (or was filed by shareholders that prior to the applicable meeting ceased to be an Eligible Shareholder), or (y) that the Shareholder Nominee breached or failed to comply with the provisions of this Section 14, (2) submit to any background check (including fingerprint analysis) that may be required by any federal or state statute or regulations applicable to, or by any insurance regulatory authority having jurisdiction over, the operations of the corporation or its subsidiaries or affiliates, (3) complete, sign and submit all questionnaires required of the corporation's directors; and (4) provide such additional information as necessary or appropriate to permit the board of directors to determine (a) if such Shareholder Nominee is independent under the listing standards of each principle U.S. exchange upon which the common shares of the corporation are listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the board of directors in determining and disclosing the independence of the corporation's directors, (b) if such Shareholder Nominee has any direct or indirect relationship with the corporation other than those relationships that have been deemed categorically immaterial pursuant to the corporation's Corporate Governance Guidelines, if applicable, and (c) if such Shareholder Nominee is not and has not been subject to any event specified in Item 401(f) of Regulation S-K (or successor rule) of the Securities and Exchange Commission. In the event that any information or communications provided by the Eligible Shareholder (or any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) or the Shareholder Nominee to the corporation or its shareholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Shareholder or Shareholder Nominee, as the case may be, shall promptly notify the secretary of the corporation of any defect in such previously provided information and of the information that is required to correct any such defect.

(I) Any Shareholder Nominee who is included in the Corporation's proxy materials for a particular annual meeting of shareholders but either (1) withdraws from or becomes ineligible or unavailable for election at that annual meeting, or (2) does not receive at least 25% of the votes cast in favor of the Shareholder Nominee's election, will be ineligible to be a Shareholder Nominee pursuant to this Section 14 for the next two annual meetings. Any Shareholder Nominee who is included in the corporation's proxy statement for a particular annual meeting of shareholders, but subsequently is determined not to satisfy the eligibility requirements of this Section 14 or any other provision of the Corporation's Articles of Incorporation, Code of Regulations or other applicable regulation any time before the annual meeting of shareholders, will not be eligible for election at the relevant annual meeting of shareholders and may not be substituted by the Eligible Shareholder that nominated such Shareholder Nominee. Any Eligible Shareholder (including each Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose Share ownership is counted for the purposes of qualifying as an Eligible Shareholder) whose Shareholder Nominee is elected as a director at the annual meeting of Shareholder will not be eligible to nominate or participate in the nomination of a Shareholder Nominee for the following two (2) annual meetings of shareholders other than the nomination of such previously elected Shareholder Nominee.

(J) The corporation shall not be required to include, pursuant to this Section 14, a Shareholder Nominee in its proxy materials for any meeting of shareholders, or, if the proxy statement already has been filed, to allow the nomination of a Shareholder Nominee, notwithstanding that proxies in respect of such vote may have been received by the Corporation: (1) if the Shareholder Nominee or the Eligible Shareholder (or any Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) who has nominated such Shareholder Nominee has engaged in or is currently engaged in, or has been or is a “participant” in another person’s, “solicitation” within the meaning of Rule 14a-1(l) under the Securities Exchange Act of 1934 in support of the election of any individual as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the board of directors; (2) who is not independent under the listing standards of each principle U.S. exchange upon which the common shares of the corporation are listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the board of directors in determining and disclosing independence of the corporation’s directors, in each case as determined by the board of directors, (3) whose service as a member of the board of directors would violate or cause the corporation to be in violation of these Regulations, the Articles of Incorporation, the rules and listing standards of the principle U.S. exchanges upon which the common shares of the corporation are traded, or any applicable law, rule or regulation, including those related to the regulation of insurance and insurance holding companies, (4) who is, at the time of the Proxy Access Notice or at the time of the annual shareholders meeting an officer or director of a competitor of the corporation of one of its subsidiaries or affiliates; (5) if the Eligible Shareholder (or any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) or applicable Shareholder Nominee otherwise breaches or fails to comply with its obligations pursuant to this Section 14, or (6) if the Eligible Shareholder ceases to be an Eligible Shareholder for any reason, including but not limited to not owning the Proxy Access Request Required Shares through the date of the applicable annual meeting. For the purposes of this paragraph, clauses (2), (3) and (4) and, to the extent related to a breach or failure by the Shareholder Nominee, clauses (1) and (5) will result in the exclusion from the proxy materials pursuant to this Section 14 of the specific Shareholder Nominee to whom the ineligibility applies, or, if the proxy statement already has been filed, the ineligibility of the Shareholder Nominees to be nominated; however, clauses (6) and, to the extent related to a breach or failure by an Eligible Shareholder (or any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is intended to be counted for the purposes of qualifying as an Eligible Shareholder), clauses (1) and (5) will result in the Voting Shares owned by such Eligible Shareholder (or Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose Share ownership had intended to be counted for the purposes of qualifying as an Eligible Shareholder) being excluded from the Proxy Access Request Required Shares (and, if as a result the Proxy Access Notice shall no longer have been filed by an Eligible Shareholder the exclusion from the proxy materials pursuant to this Section 14 of all of the applicable shareholder’s Shareholder Nominees from the applicable annual meeting of shareholders or, if the proxy statement has already been filed, the ineligibility of all of such shareholder’s Shareholders Nominees).

ARTICLE III

Committees

Section 1. Executive Committee. The board of directors may from time to time, by resolution passed by a majority of the whole board, create an executive committee of three or more directors, the members of which shall be elected by the board of directors to serve during the pleasure of the board. If the board of directors does not designate a chairman of the executive committee, the executive committee shall elect a chairman from its own number. Except as otherwise provided herein and in the resolution creating an executive committee, such committee shall, during the intervals between the meetings of the board of directors, possess and may exercise all of the powers of the board of directors in the management of the business and affairs of the corporation, other than that of filling vacancies among the directors or in any committee of the directors. The executive committee shall keep full records and accounts of its proceedings and transactions. All action by the executive committee shall be reported to the board of directors at its meeting next succeeding such action and shall be subject to control, revision and alteration by the board of directors, provided that no rights of third persons shall be prejudicially affected thereby. Vacancies in the executive committee shall be filled by the directors, and the directors may appoint one or more directors as alternate members of the committee who may take the place of any absent member or members at any meeting.

Section 2. Meetings of Executive Committee. Subject to the provisions of these Regulations, the executive committee shall fix its own rules of procedure and shall meet as provided by such rules or by resolutions of the board of directors, and it shall also meet at the call of the president, the chairman of the executive committee or any two members of the committee. Unless otherwise provided by such rules or by such resolutions, the provisions of Section 10 of Article II relating to the notice required to be given of meetings of the board of directors shall also apply to meetings of the executive committee. A majority of the executive committee shall be necessary to constitute a quorum. The executive committee may act in a writing, or by telephone with written confirmation, without a meeting, but no such action of the executive committee shall be effective unless concurred in by all members of the committee.

Section 3. Other Committees. The board of directors may by resolution provide for such other standing or special committees as it deems desirable, and discontinue the same at pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be delegated to it by the board of directors. The provisions of Section 1 and Section 2 of this Article shall govern the appointment and action of such committees so far as consistent, unless otherwise provided by the board of directors. Vacancies in such committees shall be filled by the board of directors or as the board of directors may provide.

ARTICLE IV

Officers

Section 1. General Provisions. The board of directors shall elect a president, such number of vice presidents as the board may from time to time determine, a secretary and a treasurer and, in its discretion, a chairman of the board of directors. The board of directors may from time to time create such offices and appoint such other officers, subordinate officers and assistant officers as it may determine. The chairman of the board shall be, but the other officers need not be, chosen from among the members of the board of directors. Any two of such offices may be held by the same person, but (i) one person may not hold the offices of both president and vice president, and (ii) no officer shall execute, acknowledge or verify any instrument in more than one capacity.

Section 2. Term of Office. The officers of the corporation shall hold office during the pleasure of the board of directors, and, unless sooner removed by the board of directors, until the organization meeting of the board of directors following the date of their election and until their successors are chosen and qualified. The board of directors may remove any officer at any time, with or without cause. A vacancy in any office, however created, shall be filled by the board of directors.

ARTICLE V

Duties of Officers

Section 1. Chairman of the Board. The chairman of the board, if one be elected, shall preside at all meetings of the board of directors and shall have such other powers and duties as may be prescribed by the board of directors. The chairman of the board, if one be elected, or the president, shall preside at all meetings of shareholders.

Section 2. President. The president shall be the chief executive officer of the corporation and shall exercise supervision over the business of the corporation and over its several officers, subject, however, to the control of the board of directors. The president, or the chairman of the board, if one be elected, shall preside at all meetings of shareholders. If the president is a director, the president shall also preside at any meeting of the board of directors at which the chairman of the board and the lead independent director, if either or both has been elected by the Board, are not present. The president shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments requiring the president's signature; and shall have all the powers and duties prescribed by Chapter 1701 of the Revised Code of Ohio and such others as the board of directors may from time to time assign to the president.

Section 3. Vice Presidents. The vice presidents shall have such powers and duties as may from time to time be assigned to them by the board of directors or the president. At the request of the president, or in the case of his absence or disability, the vice president designated by the president (or in the absence of such designation, the vice president designated by the board) shall perform all the duties of the president and, when so acting, shall have all the powers of the president. The authority of vice presidents to sign in the name of the corporation certificates for shares and deeds, mortgages, bonds, agreements, notes and other instruments shall be coordinate with like authority of the president.

Section 4. Secretary. The secretary shall keep minutes of all the proceedings of the shareholders and board of directors and shall make proper record of the same, which shall be attested by him; shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments executed by the corporation requiring his signature; shall give notice of meetings of shareholders and directors; shall produce on request at each meeting of shareholders a certified list of shareholders arranged in alphabetical order; shall keep such books as may be required by the board of directors; and shall have such other powers and duties as may from time to time be assigned to him by the board of directors or the president.

Section 5. Treasurer. The treasurer shall have such powers and duties as are customarily incident to the office and as may from time to time be assigned to him by the board of directors, the president or any vice president. The authority of the Treasurer to sign in the name of the corporation certificates for shares and deeds, mortgages, bonds, agreements, notes and other instruments shall be coordinate with like authority of the president.

Section 6. Assistant and Subordinate Officers. The board of directors may appoint such assistant and subordinate officers as it may deem desirable. Each such officer shall hold office during the pleasure of the board of directors, and perform such duties as the board of directors or the president may prescribe.

The board of directors may, from time to time, authorize any officer to appoint and remove subordinate officers, to prescribe their authority and duties, and to fix their compensation.

Section 7. Duties of Officers May be Delegated. In the absence of any officer of the corporation, or for any other reason the board of directors may deem sufficient, the board of directors may delegate, for the time being, the powers or duties, or any of them, of such officers to any other officer or to any director.

ARTICLE VI

Indemnification and Insurance

Section 1. Indemnification. The corporation shall indemnify each director, officer and employee and each former director, officer and employee of the corporation, and each person who is serving or has served at its request as a director, officer or employee of another corporation, against expenses, judgments, decrees, fines, penalties or amounts paid in settlement in connection with the defense of any past, pending or threatened action, suit or proceeding, criminal or civil, to which he was, is or may be made a party by reason of being or having been such director, officer or employee, provided a determination is made (i) by the directors of the corporation acting at a meeting at which a quorum consisting of directors who neither were nor are parties to or threatened with any such action, suit or proceeding is present, or (ii) by the shareholders of the corporation at a meeting held for such purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the corporation on such proposal or without a meeting by the written consent of the holders of shares entitling them to exercise two-thirds of the voting power on such proposal, that (a) such director, officer or employee was not, and has not been adjudicated to have been, negligent or guilty of misconduct in the performance of his duty to the corporation of which he is or was a director, officer or employee, (b) he acted in good faith in what he reasonably believed to be the best interest of such corporation, and (c) in any matter the subject of a criminal action, suit or proceeding, he had no reasonable cause to believe that his conduct was unlawful.

Expenses of each person indemnified hereunder incurred in defending a civil, criminal, administrative or investigative action, suit or proceeding (including all appeals) or threat thereof, may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors, whether a disinterested quorum exists or not, upon receipt of an undertaking by or on behalf of the director, officer or employee to repay such expenses unless it shall ultimately be determined that he is entitled to be indemnified by the corporation.

The foregoing rights of indemnification shall not be deemed exclusive of, or in any way to limit, any other rights to which any person indemnified may be, or may become, entitled apart from the provisions of this Article VI.

Section 2. Liability Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or designated agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or designated agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article or of Chapter 1701 of the Ohio Revised Code.

ARTICLE VII

Certificates for Shares; Uncertificated Shares

Section 1. Form and Execution. Except as provided in Section 2 hereof, certificates for shares, certifying the number of full-paid shares owned, shall be issued to each shareholder in such form as shall be approved by the board of directors. Such certificates shall be signed by the president or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer; provided however, that if such certificates are countersigned by a transfer agent and/or registrar the signatures of any of said officers and the seal of the corporation upon such certificates may be facsimiles, which are engraved, stamped or printed thereon. If any officer or officers, who shall have signed, or whose facsimile signature shall have been used, printed, engraved or stamped on any certificate or certificates for shares, shall cease to be such officer or officers, because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the corporation, such certificate or certificates, if authenticated by the endorsement thereon of the signature of a transfer agent or registrar, shall nevertheless be conclusively deemed to have been adopted by the corporation by the use and delivery thereof and shall be as effective in all respects as though signed by a duly elected, qualified and authorized officer or officers, and as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be an officer or officers of the corporation.

Section 2. Uncertificated Shares. The board of directors, subject to the immediately succeeding paragraph, may provide by resolution that some or all of any or all classes and series of shares of the corporation shall be uncertificated shares, provided that the resolution shall not apply to shares represented by a certificate until the certificate is surrendered to the corporation and the resolution shall not apply to a certificated security issued in exchange for an uncertificated security. Within a reasonable time after the issuance or transfer of uncertificated shares, the corporation shall send to the registered owner of the shares a written notice containing the information required to be set forth or stated on share certificates in accordance with all applicable laws. Except as expressly provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Notwithstanding the foregoing provisions of this Section 2, a shareholder of record shall at all times have the right to receive one or more certificates for some or all of the shares held of record by such shareholder in accordance with Section 1 hereof by making a written request therefor to the corporation or any transfer agent for the applicable class of shares, accompanied by such assurances as the corporation or such transfer agent may require as to the genuineness of such request; provided, however, that shareholders holding shares of the corporation under one or more of the corporation's benefit plans for officers, directors and/or employees shall have no such right to have certificates issued unless such a right is provided for under the applicable benefit plan or otherwise ordered by the board of directors or a committee thereof.

Section 3. Registration of Transfer. Any certificate for shares of the corporation shall be transferable in person or by attorney upon the surrender thereof to the corporation or any transfer agent for the class of shares represented by the certificate surrendered of a certificate, properly endorsed for transfer or accompanied by a duly endorsed stock power, together with such assurances as the corporation or such transfer agent may require as to the genuineness and effectiveness of each necessary endorsement or executed stock power. Any uncertificated shares of the corporation shall be transferable in person or by attorney upon written request in form and substance acceptable to the corporation or any transfer agent for the applicable class of shares, accompanied by a duly endorsed stock power and/or such other assurances as the corporation or such transfer agent may require as to the genuineness and effectiveness thereof.

Section 4. Lost, Destroyed or Stolen Certificates. Subject to the provisions of Section 2 hereof, a new share certificate or certificates may be issued in place of any certificate theretofore issued by the corporation which is alleged to have been lost, destroyed or wrongfully taken upon (i) the execution and delivery to the corporation by the person claiming the certificate to have been lost, destroyed or wrongfully taken of an affidavit of that fact, specifying whether or not, at the time of such alleged loss, destruction or taking, the certificate was endorsed, and (ii) the furnishing to the corporation of indemnity and other assurances satisfactory to the corporation and to all transfer agents and registrars of the class of shares represented by the certificate against any and all losses, damages, costs, expenses or liabilities to which they or any of them may be subjected by reason of the issue and delivery of such new certificate or certificates or in respect of the original certificate.

Section 5. Registered Shareholders. A person in whose name shares are of record on the books of the corporation, whether such shares are evidenced by a certificate or are uncertificated, shall conclusively be deemed the unqualified owner and holder thereof for all purposes and to have capacity to exercise all rights of ownership. Neither the corporation nor any transfer agent of the corporation shall be bound to recognize any equitable interest in or claim to such shares on the part of any other person, whether disclosed upon any such certificate or otherwise, nor shall they be obliged to see to the execution of any trust or obligation.

ARTICLE VIII

Fiscal Year

The fiscal year of the corporation shall end on the 31st day of December in each year, or on such other date as may be fixed from time to time by the board of directors.

ARTICLE IX

Seal

The board of directors may provide a suitable seal containing the name of the corporation. If deemed advisable by the board of directors, duplicate seals may be provided and kept for the purposes of the corporation.

ARTICLE X

Amendments

These Regulations may be amended or repealed: (a) at any meeting of shareholders called for that purpose by the affirmative vote of the holders of record of shares entitling them to exercise a majority of the voting power of the corporation with respect to such proposal; or (b) by the board of directors (to the extent permitted by Ohio law).

Exhibit 10.1

THE PROGRESSIVE CORPORATION
2021 GAINSHARE PLAN

1. **The Plan**. The Progressive Corporation and its wholly-owned and majority-owned subsidiaries and down-stream affiliates (collectively, "Progressive" or the "Company") have adopted The Progressive Corporation 2021 Gainshare Plan (the "Plan") as part of their overall compensation program. The Plan is performance-based, is not a form of commission compensation, and is administered under the direction of the Compensation Committee of the Board of Directors of The Progressive Corporation (the "Committee"). Payment under the Plan, if any, is based on Company performance as defined by the Plan, not individual employee performance. Plan years will coincides with Progressive's fiscal years.

2. **Participants**. Plan participants for each Plan year shall include all officers and regular employees of Progressive, unless determined otherwise by the Committee. Temporary employees are not eligible to participate in the Plan. Throughout this Plan, references to "executive officers" refer to executive officers of The Progressive Corporation within the meaning of any Securities and Exchange Commission ("SEC") or New York Stock Exchange rule applicable to the Company.

3. **Gainshare Formula**. Subject to the terms of the Plan, Annual Gainshare Payments will be determined by application of the following formula:

Annual Gainshare = Paid Eligible Earnings x Target Percentage x Performance Factor
Payment

4. **Paid Eligible Earnings**. Paid Eligible Earnings for any Plan year shall mean and include the following: regular, Earned Time Benefit pay (including Protected ETB-PSL but excluding the payout of unused Earned Time Benefit pay at termination), sick pay, holiday pay, funeral pay, overtime pay, military make-up pay, shift differential, and retroactive payments of any of the foregoing items, in each case received by the participant during the Plan year for work or services performed as an officer or employee of Progressive.

For purposes of the Plan, and notwithstanding the foregoing, Paid Eligible Earnings shall exclude all other types of compensation, including, without limitation: any short-term or long-term disability payments made to the participant; the earnings replacement component of any workers' compensation benefit or award; any amounts paid pursuant to a judgment in, or settlement related to, any action, suit or proceeding, whether in law or equity, to any extent arising from or relating to a participant's employment with the Company, or work or services performed for or on behalf of the Company; any amount paid under a separation allowance (or severance) plan; any bonus, Gainshare or other incentive compensation award (whether denominated, or payable, in cash or equity), including, without limitation, payments from any discretionary cash fund; any dividend payments or dividend equivalent amounts; any unused Earned Time Benefit; and any other payment required by applicable law to be paid to a participant by the Company and intended to replace all or any portion of wages or earnings during a period of unemployment, whether due to illness, disability or otherwise (including, but not limited to, payments made pursuant to any statute, rule or regulation of a governmental authority relating to leave on account of maternity, paternity, parental status or responsibility, or sickness).

5. **Target Percentages**. Target Percentages vary by position. Target Percentages for Plan participants typically are as follows:

POSITION	TARGET %
Chief Executive Officer and Other Executive Officers	Determined by the Compensation Committee
Other Senior Executives and Executive Level Managers	60 - 150%
Business Leaders	35 - 60%
Directors and Senior Directors	20 - 35%
Middle Managers and Senior Managers	15 - 20%
Senior Professionals and Entry Level Managers	8 - 20%
Administrative Support and Entry Level Professionals	0 - 8%

Target Percentages will be established within the above ranges by, and may be changed with the approval of, the Chief Human Resource Officer; provided that the Chief Human Resource Officer may establish appropriate procedures to evaluate the need for, and if appropriate, implement individual exceptions to, the foregoing ranges. Target Percentages may be changed from year to year by the Chief Human Resource Officer. The Chief Human Resource Officer may consult with the Chief Executive Officer on any of the foregoing decisions. Notwithstanding anything herein to the contrary, only the Committee may establish or modify the Target Percentages for the Company's executive officers.

If a participant's Target Percentage changes during a Plan year, the Target Percentages used to calculate such participant's Annual Gainshare Payment hereunder shall be weighted appropriately to reflect such participant's tenure in each such position during the Plan year.

6. **The Performance Factor**.

A. *Core Business Defined*.

The Performance Factor shall be determined by the performance of the Core Business during the Plan year, pursuant to the procedures and calculations described below. The "Core Business" shall be comprised of the following:

- The Agency Auto business unit, consisting of the auto business produced by independent agents or brokers, including Strategic Alliances Agency auto, but excluding all Agency special lines businesses;
- The Direct Auto business unit, consisting of the personal auto business produced by phone, over the Internet, or via a mobile device, but excluding all Direct special lines businesses;
- The special lines business unit, which shall consist of special lines businesses generated by agents and brokers or directly by phone, over the Internet, or via a mobile device;
- The Commercial Lines business unit; and
- The Property business unit.

Each of the Agency Auto, Direct Auto, special lines, Commercial Lines and Property business units is referred to herein as a "Business Unit" or "Unit." Notwithstanding the foregoing descriptions, for all purposes under this Plan, the following are excluded from the Core Business results (both growth and profitability): results of the Professional Liability business, the Midland Financial Group, Inc. and other businesses in run-off; results of the CAIP Servicing Group; flood insurance policies, renters insurance policies, umbrella policies and related expenses; business owners' policies and related expenses; and any results of any Commercial Lines product or program pursuant to which the Company insures any transportation network company or other entity engaged in a ride, cartage, or vehicle sharing business, operation, platform, or program or in a business based on matching and/or sharing time, use and/or assets by and among people and/or businesses. For purposes of this Plan, any business or entity acquired during the Plan year will be excluded to the extent determinable.

B. *Matrices*.

For purposes of computing a performance score for the Core Business, operating performance results for each Business Unit are evaluated using a performance matrix for the Plan year. Each matrix assigns performance scores to various combinations of profitability and growth outcomes for the applicable Business Unit. Those scores are then weighted and combined to produce a Performance Factor as described in 6.D. below.

For 2021, and for each Plan year thereafter until otherwise determined by the Committee, each Business Unit will be evaluated, and separate Gainshare matrices will be established by the Committee for the following:

- Agency Auto;
- Direct Auto;
- Special lines;
- Commercial Lines; and
- Property.

C. *Performance Measures*.

Growth. The growth measure for the Plan year under all matrices will be based on policies in force ("PIFs").

For all matrices, growth will be measured by the percentage change in average PIFs for the Plan year compared to the average PIFs of the immediately preceding fiscal year. Average PIFs for the Plan year and for the immediately preceding fiscal year will be determined by adding the fiscal-month-end number of PIFs for each month during such year and dividing the total by twelve.

Assigned risk business will not be included in determining the growth of any Business Unit.

Profitability. For all Business Unit matrices, the measurement of profitability will be the combined ratio (calculated in accordance with U.S. generally accepted accounting principles) (the "GAAP Combined Ratio") for the Plan year for the applicable Unit.

Assigned risk business will be included in determining the GAAP Combined Ratio for the applicable Business Unit. The net operating expense of Corporate Products (e.g., selfinsurance) shall be apportioned among the appropriate Business Units in accordance with the respective amount(s) of net earned premiums generated by each such Business Unit and will be reflected in the calculation of the GAAP Combined Ratio for such Business Units.

D. *Calculation of Performance Factor*.

Performance Scores

Using the actual performance results and the Gainshare matrix for each Business Unit, the GAAP Combined Ratio for each such Unit will be matched with the growth levels achieved by such Unit, to determine the performance score for each such Unit. The performance score for each Business Unit, which will be used to calculate the Performance Factor as described further below, can vary from 0 to 2.00.

Performance Factor

The resulting performance scores for each of the Agency Auto, Direct Auto, special lines, Commercial Lines and Property Business Units will then be multiplied by a weighting factor, which shall be a fraction or decimal equivalent, determined by dividing the net earned premiums generated by such Business Unit during the Plan year by the net earned premiums generated by all of the Business Units comprising the Core Business in the aggregate. The sum of these weighted performance scores will be the Performance Factor for the Plan year.

E. *Limitations*.

The final Performance Factor cannot exceed 2.00.

7. **Payment Procedures; Deferral**.

A. *Executive Team*.

In the case of a participant who is the Chief Executive Officer or any other executive officer (other than the Chief Accounting Officer) within the meaning of Rule 16a-1(f) or otherwise for purposes of Section 16 of the Securities Exchange Act of 1934 as of February 16, 2021 (collectively, the "Executive Team"), subject to Paragraphs 9 and 16 below, Annual Gainshare Payments shall be paid after the Committee determines the Performance Factor but in any event prior to March 15th of the year immediately following the Plan year; provided, however, that the Committee may, in its sole discretion, reduce the amount of, or eliminate in full, any Annual Gainshare Payment to a member of the Executive Team at any time before payment, for any or no reason. The Committee may, in its sole discretion, treat individual members of the Executive Team differently for these purposes. Any such determination by the Committee shall be final and binding on each participant whose Annual Gainshare Payment is affected thereby and on such participant's estate and beneficiaries.

B. *Other Participants*.

In the case of participants who are not members of the Executive Team, subject to Paragraphs 9 and 16 below, no later than December 31 of each Plan year, each participant will receive an initial payment in respect of his or her Annual Gainshare Payment for that Plan year, if any, equal to 75% of an amount calculated on the basis of Paid Eligible Earnings for the first 24 pay periods of the Plan year, estimated earnings for the remainder of the Plan year, and an estimated performance factor determined using the performance data for each Business Unit through the first 11 months of the Plan year (estimated, if necessary), the applicable Gainshare matrix and the calculations described above. Subject to Paragraphs 9 and 16 below, no later than February 28 of the following year, each participant will receive the amount equal to (x) his or her Annual Gainshare Payment, if any, for such Plan year, based on his or her Paid Eligible Earnings and performance data for the entire Plan year, minus (y) the amount of the initial payment received by such participant pursuant to the immediately preceding sentence.

C. *Deferral*.

Any Plan participant who is then eligible to participate in The Progressive Corporation Executive Deferred Compensation Plan ("Deferral Plan") may elect to defer all or a portion of the Annual Gainshare Payment otherwise payable to him/her under this Plan, subject to and in accordance with the terms of the Deferral Plan. If a Plan participant has made such an election under the Deferral Plan, then to the extent of such election, the Annual Gainshare Payment will, instead of being paid to such participant as described in the immediately preceding paragraphs, be credited to such participant's account under the Deferral Plan in accordance with the terms of the Deferral Plan.

8. **Other Plans**. If, for any Plan year, an employee has been selected to participate in both this Plan and another cash incentive plan offered by the Company, then with respect to such employee, the Gainshare formula set forth in Paragraph 3 hereof shall be appropriately adjusted by applying a weighting factor to reflect the proportion of the employee's total annual incentive opportunity that is being provided by this Plan. The Committee shall have full authority to determine the incentive plan or plans in which any employee will participate during any Plan year and, if an employee is selected to participate in more than one plan, the weighting factor that will apply to each such plan.

9. **Qualification Date; Leave of Absence; Withholding**. Unless otherwise determined by the Committee, and except as expressly provided herein, in order to be entitled to receive an Annual Gainshare Payment for any Plan year, the participant must be an active officer or regular employee of the Company on November 30 of the Plan year ("Qualification Date"). An individual (i) who is hired on or after December 1 of any Plan year or (ii) whose employment terminates for any reason prior to the Qualification Date is not entitled to an Annual Gainshare Payment for that Plan year. Annual Gainshare Payments are not earned until paid.

Any participant who is on a leave of absence covered by the Family and Medical Leave Act of 1993, as amended (or equivalent state or local law), the Americans with Disabilities Act of 1991, as amended (or equivalent state or local law), personal leave of absence with the approval of the Company, military leave or short- or long-term disability (provided that, in the case of a long-term disability, the participant is still an employee of the Company) on the Qualification Date with respect to any Plan year will be entitled to receive an Annual Gainshare Payment for such Plan year, calculated as provided in Paragraphs 3 through 6 above, based on the amount of Paid Eligible Earnings received by such participant during the Plan year and paid in the manner and at the times as are described in Paragraph 7 above but subject to Paragraph 16 below.

Progressive shall have the right to deduct from any Annual Gainshare Payment, prior to payment, the amount of any taxes required to be withheld by any federal, state, local or foreign government with respect to such payments.

10. **Non-Transferability**. Annual Gainshare Payments shall be payable only to the participant or, in the event of the participant's death, to the participant's estate. The right to any Annual Gainshare Payment hereunder may not be sold, transferred, assigned or encumbered, voluntarily or involuntarily, other than by will or the laws of descent or distribution. Nothing herein shall prevent any participant's interest hereunder from being subject to involuntary attachment, levy or other legal process.

11. **Administration**. The Plan shall be administered by or under the direction of the Committee. The Committee shall have the authority to adopt, alter, amend, modify, revise and repeal such rules, guidelines, procedures and practices governing the Plan as it shall, from time to time, in its sole discretion, deem advisable.

The Committee shall have full authority to determine the manner in which the Plan will operate, to interpret the provisions of the Plan and to make all determinations hereunder. All such interpretations and determinations shall be final and binding on Progressive, all Plan participants, their estates and beneficiaries and all other parties. No such interpretation or determination shall be relied on as a precedent for any similar action or decision. No member of the Committee shall incur any liability for any action taken or omitted, or any determination made, in good faith with respect to the Plan.

Unless otherwise determined by the Committee, all of the authority of the Committee hereunder (including, without limitation, the authority to administer the Plan, select the persons entitled to participate herein, interpret the provisions thereof, waive any of the requirements specified herein and make determinations hereunder and to select, approve, establish, change or modify the Business Units and the Gainshare formulae, weighting factors, performance targets and Target Percentages) may be exercised by the Chief Executive Officer and/or the Chief Human Resource Officer; provided, however, that only the Committee may take such actions or make such determinations with respect to the Company's executive officers. In the event of a dispute or conflict, the determination of the Committee will govern.

12. **Miscellaneous**.

A. *Recoupment.* Progressive shall have the right to recoup any Annual Gainshare Payment (or an appropriate portion thereof, as hereinafter provided) with respect to any Plan year paid to a participant hereunder who was an executive officer of Progressive at any time during such Plan year, if: (i) the Annual Gainshare Payment was calculated by reference to the achievement during such Plan year of certain financial or operating results (which includes, for purposes hereof, the Performance Factor described in Section 6); (ii) such financial or operating results were incorrect and were subsequently the subject of a restatement by Progressive within three (3) years after the date on which such Annual Gainshare Payment was paid to the participant; and (iii) the Annual Gainshare Payment would not have been paid, in whole or in part, to the participant if the restated financial or operating results had been known at the time the payment was made. Such recoupment right shall be available to

Progressive whether or not the participant in question was at fault or responsible in any way in causing such restatement. In such circumstances, Progressive will have the right to recover from each such participant for such Plan year, and each such participant will refund to Progressive promptly upon demand, the amount by which the Annual Gainshare Payment paid to such participant for the Plan year in question exceeded the payment that would have been made if the Annual Gainshare Payment had been calculated by reference to the restated results, without interest; provided, however, that Progressive will not seek to recover such amounts from any participant who is not a member of the Executive Team unless the amount due would exceed the lesser of five percent (5%) of the Annual Gainshare Payment previously paid or twenty-thousand dollars ($20,000). Such recovery, at the Committee's discretion, may be made by lump sum payment, installment payments, credits against future Annual Gainshare Payments or other bonus payments, credits against any other compensation or other appropriate mechanism. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.

B. *Further Rights*. Notwithstanding the foregoing subsection A., if any participant that was an executive officer at any time during such Plan year engaged in fraud or other misconduct (as determined by the Committee or the Board, in their respective sole discretion) resulting, in whole or in part, in a restatement of the financial or operating results used hereunder to determine the Annual Gainshare Payments for a specific Plan year, Progressive will further have the right to recover from such participant, and the participant will refund to Progressive upon demand, an amount equal to the entire Annual Gainshare Payment paid to such participant for such Plan year plus interest at the rate of eight percent (8%) per annum or, if lower, the highest rate permitted by law, calculated from the date that such bonus was paid to the participant. Progressive shall further have the right to recover from such participant Progressive's costs and expenses incurred in connection with recovering such Annual Gainshare Payment from the participant and enforcing its rights under this subsection B., including, without limitation, reasonable attorneys' fees. There shall be no time limit on the Company's right to recover such amounts under this subsection B., except as otherwise provided by applicable law. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.

C. *Compliance with Law and Exchange Requirements*. The Annual Gainshare Payments determined and paid pursuant to the Plan shall be subject to all applicable laws and regulations. Without limiting the foregoing, and notwithstanding anything to the contrary contained in this Plan, if the SEC adopts final rules under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that require, as a condition to the Company's continued listing on a national securities exchange ("Exchange"), that the Company develop and implement a policy requiring the recovery of erroneously awarded compensation, and such regulations are applicable to a participant awarded Annual Gainshare Payments pursuant to the Plan, then the Annual Gainshare Payment paid to such participant (and any payment made to a participant pursuant to a similar plan or an award under The Progressive Corporation 2017 Executive Annual Incentive Plan) shall be subject to recoupment by the Company pursuant to the terms of the rules of the SEC and any applicable Exchange and any policy of the Company adopted in response to such rules. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.

D. *Rights Not Exclusive*. The rights contained in the foregoing subsections A. through C. shall be in addition to, and shall not limit, any other rights or remedies that the Company may have under any applicable law or regulation. Nothing contained in subsections A. through C. shall be deemed to limit any additional legal or equitable rights or remedies the Company may have under applicable law with respect to any participant who may have caused or contributed to the Company's need to restate its financial results. If any of the provisions of subsections A. through C., or any part thereof, are held to be unenforceable, the court making such determination shall have the power to revise or modify such provision to make it enforceable to the maximum extent permitted by applicable law and, in its revised or modified form, said provision shall then be enforceable.

13. **Termination; Amendment**. The Plan may be suspended, terminated, amended or revised, in whole or in part, at any time and from time to time by the Committee, in its sole discretion.

14. **Unfunded Obligations**. The Plan will be unfunded and all payments due under the Plan shall be made from Progressive's general assets.

15. **No Employment Rights**. Nothing in the Plan, and no action hereunder, shall be construed as conferring upon any person the right to remain a participant in the Plan or to remain employed by Progressive, nor shall the Plan limit Progressive's right to discipline or discharge any of its officers or employees or change any of their job titles, duties, authority or compensation, at any time and without assigning a reason therefor.

16. **Set-Off Rights**. Progressive shall have the unrestricted right to set off against or recover out of any Annual Gainshare Payment or other sums owed to any participant under the Plan any amounts owed by such participant (including pursuant to Section 12) to Progressive.

17. **Misconduct**. No Participant shall have the right to receive any portion of any Annual Gainshare Payment if, prior to such payment being made, Participant’s employment is terminated as a result of any action or inaction that, under Progressive’s employment practices or policies as then in effect, constitutes grounds for immediate termination of employment, as determined by Progressive (or, in the case of an executive officer, the Committee) in its sole discretion. In addition, no participant who is a member of the Executive Team shall have the right to receive any Annual Gainshare Payment if, prior to such payment being made, participant’s employment is terminated by Progressive for Cause, or if there occurs any action or inaction that constitutes grounds for termination for Cause or otherwise constitutes grounds for immediate termination of employment under the Company’s employment practices or policies as then in effect, as determined by the Committee in its sole discretion. For purposes of this Section 17, “Cause” shall mean a felony conviction of a participant or the failure of a participant to contest prosecution for a felony; a participant’s willful misconduct or dishonesty, any of which, in the judgment of the Committee, is harmful to the business or reputation of Progressive; or any material violation (in the judgment of the Committee (with respect to the Executive Team) or the Chief Executive Officer and/or Chief Human Resources Officer (with respect to other participants)) of any of the provisions of the Company’s Code of Business Conduct and Ethics or the Chief Executive Officer/Senior Financial Officer’s Code of Ethics (if applicable to the participant), or any confidentiality agreement, non-solicitation agreement, non-competition agreement or other agreement between the participant and Progressive.

18. **Employees Subject to Foreign Jurisdictions**. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice or taxation and to further the purposes of the Plan, the Committee may, without amending the Plan, exclude any employee not temporarily or permanently residing in the United States from participating in the Plan or establish rules applicable to Annual Gainshare Payments to participants who are foreign nationals or foreign residents, are employed outside the United States, or both, including rules that differ from those set forth in this Plan.

19. **Section 409A**. Payments under the Plan are intended to be exempt from Section 409A because no legally binding right to any Annual Gainshare Payment arises until the payment date, and, in the alternative, because any payment is a short term deferral under Section 409A; the Plan shall be administered and interpreted accordingly. Notwithstanding any provision of the Plan to the contrary, if the Committee determines that any payment under the Plan may constitute deferred compensation subject to Section 409A, the Committee may take any actions necessary to preserve the intended tax treatment of the benefits provided with respect to such payment. Any benefit under the Plan that is subject to Section 409A because deferred pursuant to the terms of the Deferral Plan shall be paid according to the terms of such plan.

20. **Prior Plans**. This Plan supersedes all prior plans, agreements, understandings and arrangements regarding bonuses or other cash incentive compensation payable to participants by, or due from, Progressive with respect to the 2021 and future Plan years (other than “stand-up” bonuses provided to employees of ARX Holding Corp. and its downstream subsidiaries and affiliates (“ARX”) and commissions provided to ARX employees involved in agency operations). Without limiting the generality of the foregoing, this Plan supersedes and replaces The Progressive Corporation 2020 Gainsharing Plan (the "Prior Plan”), which is and shall be deemed to have terminated on the last day of the Company’s 2020 fiscal year (the "Prior Plan Termination Date"); provided, however, that (i) any bonuses or other sums earned and payable under the Prior Plan with respect to the 2020 Plan year shall be unaffected by such termination and shall be paid to the appropriate participants when and as provided thereunder, and (ii) any provisions regarding recoupment of payments from executive officers and the administrative and interpretive authority of the Committee, the Chief Executive Officer and/or the Chief Human Resource Officer under the Prior Plan shall survive such termination.

21. **Effective Date**. This Plan is adopted, and is to be effective, as of the first day of Progressive’s 2021 fiscal year. This Plan shall be effective for the 2021 Plan year and for each Plan year thereafter unless and until terminated by the Committee.

22. **Governing Law**. This Plan shall be governed by, and interpreted and construed in accordance with, the laws of the State of Ohio applicable to contracts made and performed wholly within such state by residents thereof.

Exhibit 10.14

Restricted Stock UNIT Award Agreement
(2020 Special [Time/Performance]-Based Award)

This Agreement (“Agreement”) is made this <Grant Date> (“Grant Date”) by and between <Participant Name> (“Participant”) and The Progressive Corporation (the “Company”).

1. Definitions. Unless otherwise defined or expressly given a different meaning in this Agreement, each capitalized term in this Agreement shall have the meaning given to it in The Progressive Corporation 2015 Equity Incentive Plan (the “Plan”). [INCLUDE IF AWARD IS PERFORMANCE-BASED AND THE FOLLOWING IS APPLICABLE: Financial and operational terms used in this Agreement (e.g., references to business lines, units or segments) are used consistently with the use of those terms in the Company’s Form 10-K (including exhibits and other documents incorporated therein) for the fiscal year ended December 31, 2019 (the “Form 10-K”). It is understood that references herein to any performance results of the Company mean the applicable operating results of the Company and its Subsidiaries and Affiliates.]

2. Award of Restricted Stock Units. The Company grants to Participant an award (the “Award”) consisting of <# of Units> restricted stock units (the “Restricted Stock Units” or “Units”), pursuant to, and subject to, the terms of the Plan. [INCLUDE IF AWARD IS PERFORMANCE-BASED AND THE FOLLOWING IS APPLICABLE: The Award is based on a target award value of <# of Units> Units (the “Target Award Units”). The number of Restricted Stock Units that are ultimately earned pursuant to the Award (if any) will be determined based on the Target Award Units and the procedures and calculations set forth in this Agreement. Under the calculations set forth below, the maximum potential Award is a number of Units equal to ________ (___) times the sum of Target Award Units plus any related Dividend Equivalent Units (the “Maximum Award Units”).] [INCLUDE IF AWARD IS PERFORMANCE-BASED: The Award is not intended to qualify as “performance-based compensation” under Section 162(m)(4)(C) of the Code as was in effect during November 2017.]

3. Condition to Participant’s Rights under this Agreement. This Agreement shall not become effective, and Participant shall have no rights with respect to the Award or any Restricted Stock Units, unless and until Participant has fully executed this Agreement and delivered it to the Company. In the Company’s sole discretion, such execution and delivery may be accomplished through electronic means.

4. Restrictions; Vesting.

(a) Subject to the terms and conditions of the Plan and this Agreement, including the provisions of Paragraph __ below [SECTION REGARDING TERMINATION OF EMPLOYMENT], Participant’s rights in and to the Units shall vest, if at all, [on ____________/according to the following schedule]:

[IF AWARD IS TIME-BASED, INCLUDE VESTING SCHEDULE, INCLUDING ANY VESTING UPON SATISFACTION OF QUALIFIED RETIREMENT ELIGIBILITY REQUIREMENTS, ALSO NOTE THE SCHEDULE MAY BE MODIFIED AS NECESSARY OR APPROPRIATE IN THE COMPANY’S SOLE DISCRETION TO ELIMINATE OR MINIMIZE FRACTIONAL UNITS FROM THE VESTING SCHEDULE]

[IF AWARD IS PERFORMANCE-BASED, INCLUDE PERFORMANCE OBJECTIVES THAT ARE PERMITTED BY THE PLAN, PROVISIONS PROVIDING FOR VESTING UPON CERTIFICATION BY THE COMPENSATION COMMITTEE THAT THE OBJECTIVES HAVE BEEN ACHIEVED, PROVISIONS FOR NEGATIVE COMMITTEE DISCRETION, AND RELEVANT CALCULATIONS (AND EXCLUSIONS PERMITTED BY THE PLAN) TO DETERMINE PERFORMANCE AND RELATED FACTORS, IF APPLICABLE]

The Restricted Stock Units awarded under this Agreement shall vest in accordance with the provisions set forth above unless, prior to the vesting date set forth or determined in the manner described above, the Award and the applicable Units are forfeited under the terms and conditions of the Plan or this Agreement.

__. [INCLUDE IF AWARD IS PERFORMANCE-BASED AND THE LANGUAGE IS APPLICABLE: Expiration of Award. Notwithstanding anything to the contrary in this Agreement, if Participant's rights in and to the Award have not vested in accordance with Paragraph 4 of this Agreement on or before __________________ (the "Expiration Date"), this Award shall expire at 11:59 p.m. on the Expiration Date. Upon such expiration, the Award shall terminate automatically, and Participant shall have no further rights with respect to the Award.]

__. [INCLUDE IF AWARD IS TIME-BASED AND DIVIDEND EQUIVALENTS ARE INCLUDED. Dividend Equivalents. Subject to this Paragraph __, with respect to dividends for which a record date occurs during the Restriction Period applicable to any Units, Participant shall be credited with a Dividend Equivalent with respect to each outstanding Restricted Stock Unit, and with respect to any Dividend Equivalent Unit (defined below) resulting from prior reinvestments of Dividend Equivalents as provided in this Paragraph. All Dividend Equivalents so credited will be deemed to be reinvested in Restricted Stock Units on the date that the applicable dividend or distribution is made to the Company's shareholders, in the number of Dividend Equivalent Units determined by dividing the aggregate value of the Dividend Equivalents by the Fair Market Value of the Stock on such date (rounded to the nearest thousandth of a whole Unit or as otherwise reasonably determined by the Company); provided, however, that if Dividend Equivalents cannot be reinvested in Units due to the operation of Section 3(a) of the Plan, such Dividend Equivalents will be credited to Participant as a cash value, which cash value shall be held by the Company (without interest) subject to this Agreement. Any Units resulting from the deemed reinvestment of dividends in accordance with this Paragraph __ are referred to herein as "Dividend Equivalent Units." Dividend Equivalents shall be subject to the same terms and conditions, and shall vest or be forfeited (as applicable) at the same time, as the Restricted Stock Units to which they relate; provided, however, that if the Restriction Period for any Restricted Stock Unit ends after the record date for, but before the payment date of, a dividend, then any Dividend Equivalents related to such dividend and to Units for which the Restriction Period is ending will be paid in cash or in Stock, in the sole discretion of the Company, as soon as practicable following the payment date for such dividend.]

__. [INCLUDE IF AWARD IS PERFORMANCE-BASED AND DIVIDEND EQUIVALENTS ARE INCLUDED. Dividend Equivalents. Subject to this Paragraph __, with respect to dividends for which a record date occurs during the Restriction Period, Participant shall be credited with a Dividend Equivalent with respect to each outstanding Restricted Stock Unit, and with respect to any related Dividend Equivalent Unit (defined below) resulting from prior reinvestments of Dividend Equivalents as provided in this Paragraph. All Dividend Equivalents so credited will be deemed to be reinvested in Restricted Stock Units on the date that the applicable dividend or distribution is made to the Company's shareholders, based on the Target Award Units and any Dividend Equivalent Units resulting from prior reinvestments of Dividend Equivalents, in the number of Units determined by dividing the aggregate value of the Dividend Equivalents by the Fair Market Value of the Stock on such date (rounded to the nearest thousandth of a whole Unit or as otherwise reasonably determined by the Company); provided, however, that if Dividend Equivalents cannot be reinvested in Units due to the operation of Section 3(a) of the Plan, such Dividend Equivalents will be credited to Participant as a cash value based on the Target Award Units and any Dividend Equivalent Units resulting from prior reinvestments of Dividend Equivalents, which cash value shall be held by the Company (without interest) subject to this Agreement. Any Units resulting from the deemed reinvestment of dividends in accordance with this Paragraph __ are referred to herein as "Dividend Equivalent Units." Dividend Equivalents shall be subject to the same terms and conditions, and shall vest or be forfeited (as applicable) at the same time, upon the same conditions, and in the same proportion, as the Target Award Units set forth in this Award; provided, however, that if the Award vests after the record date for, but before the payment date of, a dividend, then the Dividend Equivalents related to such dividend and to Units vesting on the vesting date will be paid in cash or in Stock, in the sole discretion of the Company, as soon as practicable following the payment date for such dividend.]

__. Units Non-Transferable. No Restricted Stock Units (and no Dividend Equivalents) shall be transferable by Participant other than by will or by the laws of descent and distribution. In the event all or any portion of the Award is transferred or assigned pursuant to a court order, such transfer or assignment shall be without liability to the Company, and the Company shall have the right to offset against the Award any expenses (including attorneys' fees) incurred by the Company, or any of its Subsidiaries or Affiliates, in connection with such attempted transfer or assignment.

__. Termination of Employment. Except as otherwise provided in the Plan, , or in this Paragraph __, or as otherwise determined by the Committee, if Participant's employment with the Company or any Subsidiary or Affiliate terminates for any reason, the Award and all Restricted Stock Units (and any related Dividend Equivalents) held by Participant that are unvested or subject to restriction at the time of such termination shall be forfeited automatically immediately after such termination. [DESCRIBE ANY EXCEPTIONS, INCLUDING THOSE RESULTING FROM DEATH, DISABILITY OR RETIREMENT.] Nothing in this Paragraph __ will be interpreted as altering in any way the provisions of Section 11 of the Plan.

__. Delivery at Vesting. Subject to the provisions of the Plan and this Agreement, upon vesting of all or part of the Award, the Company shall deliver to Participant one share of Stock in exchange for each such vested Restricted Stock Unit and for each Dividend Equivalent Unit related thereto and cash in the amount of any other related Dividend Equivalents, and the applicable Restricted Stock Units (and any related Dividend Equivalents) shall be cancelled. Unless determined otherwise by the Company at any time prior to the applicable delivery, each fractional Restricted Stock Unit (and related Dividend Equivalent Unit) shall vest and be settled in an equal fraction of a share of Stock. [INCLUDE THE FOLLOWING SENTENCE IF THE AWARD IS TIME-BASED: Notwithstanding the foregoing, as to any Participant who is a "specified employee" as defined in Section 409A of the Code, any delivery of Common Shares will be delayed for six (6) months plus one (1) day after the vesting date if, and to the extent, that such delay is required by Section 409A.] [INCLUDE THE FOLLOWING SENTENCE IF THE AWARD IS PERFORMANCE-BASED: The delivery of such shares of Stock shall be on or as soon as practicable following the Certification Date, but in no event later than March 15 of the calendar year following the year in which the Certification Date occurred.]

__. Disqualifying Activity. Notwithstanding any other provision of this Agreement, if the Committee determines that Participant is engaging in, or has engaged in, a Disqualifying Activity, the provisions of Section 10(b) of the Plan will apply. A violation of Paragraph __ [of this Agreement/below], and any violation of any non-competition agreement between Participant and the Company or any of its subsidiaries or Affiliates, by Participant shall constitute a "material violation" of an "agreement between the Participant and the Company" within the meaning of clause (iii) of the definition of Disqualifying Activity.

__. Taxes. No later than the date as of which an amount relating to any Award Installment first becomes taxable, Participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any Taxes and other items of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan and this Agreement shall be conditioned on such payment or arrangements and the Company and its Subsidiaries and Affiliates, to the extent permitted by law, shall have the right to deduct any such Taxes from any payment of any kind otherwise due to Participant. At vesting of any Award Installment, Restricted Stock Units and any related Dividend Equivalent Units vesting on such vesting date will be valued at the Fair Market Value of the Company's Stock on such date.

[INCLUDE IF THE AWARD IS PERFORMANCE-BASED: Unless otherwise determined by the Committee, Participant must satisfy the minimum statutory tax withholding obligations resulting from the vesting of Restricted Stock Units and related Dividend Equivalents ("Minimum Withholding Obligations") by surrendering to the Company Restricted Stock Units and/or Dividend Equivalents that are then vesting (or shares of Stock issuable as a result of the vesting) with a value sufficient to satisfy the Minimum Withholding Obligations.]

[INCLUDE IF THE AWARD IS TIME-BASED: Unless otherwise determined by the Committee, Participant must satisfy the minimum statutory tax withholding obligations resulting from the vesting of Restricted Stock Units and related Dividend Equivalents ("Minimum Withholding Obligations") either (a) by surrendering to the Company Restricted Stock Units that are then vesting (or shares of Stock issuable upon vesting) with a value sufficient to satisfy the Minimum Withholding Obligations, or (b) by paying to the Company the appropriate amount in cash or, if acceptable to the Company, by check or other instrument. Unless Participant advises the Company of his or her election to use an alternative payment method, Participant shall be deemed to have elected to surrender to the Company Restricted Stock Units that are then vesting (or shares of Stock issuable upon vesting) with a value sufficient to satisfy the Minimum Withholding Obligations.]

Under no circumstances will Participant be entitled to satisfy any Minimum Withholding Obligations by surrendering Restricted Stock Units that are not then vesting. Any request by Participant to satisfy Minimum Withholding Obligations by surrendering shares of Stock owned by Participant prior to the date of such satisfaction must be specifically approved in advance by the Committee. All payments and surrenders of Units or shares of Stock and any requests for approval of alternative payment arrangements must be made by Participant in accordance with such procedures as may be adopted by the Company in connection therewith, and subject to such rules as have been or may be adopted by the Committee.

__. Non-Solicitation. In consideration of the Award made to Participant under this Agreement, starting on the Grant Date and ending on the date that is exactly twelve (12) months after

Participant's “Separation Date” (defined below), Participant shall not directly or indirectly recruit or solicit for hire, or hire, or assist in any manner in the recruitment, solicitation for hire or hiring, of any employee or officer of the Company or any of its Subsidiaries or Affiliates in each case involving employment by any individual, business or entity other than the Company or one of its Subsidiaries or Affiliates, or in any way induce any such employee or officer to terminate his or her employment with the Company or any of its Subsidiaries or Affiliates. For purposes of this Paragraph, "Separation Date" means the date on which Participant's employment with the Company or one of its Subsidiaries or Affiliates terminates for any reason. The provisions of this Paragraph __ shall be in addition to, and shall not supersede or replace, the provisions of any employment or other agreement between Participant and the Company or any of its Subsidiaries or Affiliates that contains similar or additional restrictions on Participant.

__. [INCLUDE THE FOLLOWING IF AWARD IS PERFORMANCE-BASED: Recoupment. If the Securities and Exchange Commission adopts final rules under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that require, as a condition to the Company’s continued listing on a national securities exchange (“Exchange”), that the Company develop and implement a policy requiring the recovery of erroneously awarded compensation, and such regulations are applicable to Participant and the Award granted pursuant to this Agreement, then the Award shall be subject to recoupment pursuant to the terms of the rules of the Securities and Exchange Commission and any applicable Exchange, and any policy of the Company adopted in response to such rules. The provisions of this Paragraph __ are in addition to the rights of the Company as set forth in Section 14(h) of the Plan.]

[ADDITIONAL OR MODIFIED TERMS NOT INCONSISTENT WITH THE PLAN]

__. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the Award, and, except as provided in Paragraph __ [SECTION REGARDING NON-SOLICITATION], supersedes and cancels any other agreement, representation or communication, whether oral or in writing, between the parties relating to the Award, provided that the Agreement shall be at all times subject to the Plan. [NOTE: Alter as necessary to exclude other awards.]

__. Amendment. The Committee may amend the terms of this Award to the fullest extent permitted by Section 12 of the Plan.

__. Acknowledgments. Participant: (i) acknowledges receiving a copy of the Plan Description relating to the Plan, and represents that he or she is familiar with all of the material provisions of the Plan, as set forth in such Plan Description; (ii) accepts this Agreement and the Award subject to all provisions of the Plan and this Agreement; and (iii) agrees to accept as binding, conclusive and final all decisions and interpretations of the Committee relating to the Plan, this Agreement or the Award.

Participant evidences his or her agreement with the terms and conditions of this Agreement, and his or her intention to be bound by this Agreement, by electronically accepting the Award pursuant to the procedures adopted by the Company. **Upon such acceptance by Participant, this Agreement will be immediately binding and enforceable against Participant and the Company.**

THE PROGRESSIVE CORPORATION

By: /s/ Daniel P. Mascaro
Vice President & Secretary

Exhibit 10.45

Board of Directors' Compensation

Board of Directors for the 2020-2021 term:

Chairperson of the Board	$450,000
Audit Committee Chair	300,000
Audit Committee Member	275,000
Compensation Committee Chair	290,000
Compensation Committee Member	265,000
Investment and Capital Committee Chair	290,000
Investment and Capital Committee Member	265,000
New Director without a committee assignment	265,000
Technology Committee Chair[1]	290,000
Technology Committee Member[1]	265,000
Nominating and Governance Committee Chair[2]	20,000
Nominating and Governance Committee Member[2]	15,000

Compensation for an assignment solely to the Technology Committee as the chairperson or member is $290,000 and $265,000, respectively. Compensation for a secondary assignment to the Technology Committee as the chairperson or member is $25,000 and $15,000, respectively.

Each member of the Nominating and Governance Committee has a primary assignment on one of the other committees and receives additional compensation for service in these positions.

Exhibit 10.49

2021 PROGRESSIVE CAPITAL MANAGEMENT ANNUAL INCENTIVE PLAN

1. **The Plan.** The Progressive Corporation and its subsidiaries (collectively "Progressive" or the "Company") have adopted the 2021 Progressive Capital Management Annual Incentive Plan (the "Plan") as part of their compensation program for the Company's investment professionals for the Company's 2021 fiscal year (the "Plan year"). The Plan is performance-based, is not a form of commission compensation, and is administered under the direction of the Compensation Committee of the Board of Directors of The Progressive Corporation (the "Compensation Committee" or "Committee"). Payment under the Plan, if any, is based on Company performance as defined by the Plan, not individual employee performance. References in this Plan to the Company's portfolio mean the respective portfolios of the Company's subsidiaries and affiliates that are actively managed by Progressive Capital Management Corp. ("PCM") and references in this Plan to the Company's investment results mean the investment results of those portfolios only.

The Company's investment professionals invest the funds of the Company in accordance with investment guidelines approved from time to time by the Investment and Capital Committee of the Board of Directors. Those guidelines address such matters as minimum average credit quality and the duration of the portfolio, as well as limitations on the extent to which the portfolio can be concentrated in individual issuers. Compliance with the guidelines is routinely monitored and variations therefrom must be reported to, and approved by, the Investment and Capital Committee.

2. **Participants.** Progressive employees who are assigned primarily to the Company's capital management function, including the Company's Chief Investment Officer ("CIO"), are eligible to be selected for participation in the Plan. Eligible employees in addition to the CIO will be selected by the CIO in consultation with the Chief Executive Officer ("CEO") or Chief Human Resource Officer ("CHRO") (the "Designated Executives") to participate in the Plan. Participants may also participate in other gainsharing, bonus or incentive compensation plans maintained by Progressive, if so determined by the Designated Executives (or in the case of the CIO or any other executive officer, by the Compensation Committee). Other eligible employees of the Company may be selected for participation in the Plan for or at any time during the Plan year by the Designated Executives. In such cases, the Designated Executives will determine the new participant's Target Percentage (described below) and other terms of participation (except with respect to the CIO or any other executive officer, as to whom all determinations must be made by the Committee). Throughout this Plan, references to "executive officers" refer to executive officers of The Progressive Corporation within the meaning of any Securities and Exchange Commission ("SEC") or New York Stock Exchange rule applicable to the Company.

3. **Annual Incentive Payment Determination.**

   A. *Annual Incentive Payment*. Each participant may earn an annual cash bonus (the "Annual Incentive Payment"), subject to the terms of this Plan. The amount of the Annual Incentive Payment earned by any participant will be determined by application of the following formula:

Annual Incentive = Paid Eligible Earnings x Target Percentage x Performance Factor
Payment

B. *Paid Eligible Earnings*. Paid Eligible Earnings for the Plan year shall mean and include the following: regular, Earned Time Benefit pay (including Protected ETB-PSL but excluding the payout of unused Earned Time Benefit pay at termination), sick pay, holiday pay, funeral pay, military make-up pay, overtime pay, shift differential, and retroactive payments of any of the foregoing items, in each case received by the participant during the Plan year for work or services performed as an officer or employee of Progressive.

For purposes of the Plan, and notwithstanding the foregoing, Paid Eligible Earnings shall exclude all other types of compensation, including, without limitation: any short-term or long-term disability payments made to the participant; the earnings replacement component of any workers' compensation benefit or award; any amounts paid pursuant to a judgment in, or settlement related to, any action, suit or proceeding, whether in law or equity, to any extent arising from or relating to a participant's employment with the Company, or work or services performed for or on behalf of the Company; any amount paid under a separation allowance (or severance) plan; any bonus (including PCM Bonus Plan bonus or PCM Annual Incentive Plan payment), gainsharing or other incentive compensation award (whether denominated, or payable, in cash or equity), including, without limitation, payments from any discretionary cash fund; any dividend payments or dividend equivalent amounts; any unused Earned Time Benefit; and any other payment required by applicable law to be paid to a participant by the Company and intended to replace all or any portion of wages or earnings during a period of unemployment, whether due to illness, disability or otherwise (including, but not limited to, payments made pursuant to any statute, rule or regulation of a governmental authority relating to leave on account of maternity, paternity, parental status or responsibility, or sickness).

C. *Target Percentage*. The Target Percentages for participants in the Plan shall be determined by or under the direction of the Committee, but will not exceed 125% for any participant. Target Percentages may vary among Plan participants and may be changed from year to year by or under the direction of the Designated Executives (or in the case of the CIO or any other executive officer, by the Compensation Committee).

D. *Performance Factor*. The Performance Factor will be determined by the Committee after the expiration of the Plan year based on the performance of the Company's fixed-income investment portfolio (the "Fixed-Income Portfolio" or "Portfolio"), and such other factors and information relating to the performance of the Company's investment professionals as the Committee shall determine.

First, an indicated performance factor will be determined based on the fully taxable equivalent total return of the Fixed-Income Portfolio, in comparison to the total returns of the group of comparable investment firms identified by the Independent Data Source (the "Investment Benchmark"), over the one- and three-year periods ending on December 31 of the Plan year, as described below. For purposes of this Agreement, the "Independent Data Source" shall be a third party independent data source determined by the Committee. After the end of the Plan year, the Independent Data Source will determine the firms that are included in the Investment Benchmark in accordance with the criteria specified on Exhibit I hereto. The Independent Data Source will also provide to the Company the monthly total return data for each of the Investment Benchmark firms for the three-year period ending on December 31 of the Plan year.

Investment results for the Fixed-Income Portfolio will be marked to market, including 50% of the benefit of any state premium tax abatements for municipal securities held in the Portfolio that are realized by the Company during the Plan year, in order to calculate the Portfolio's fully taxable equivalent total return for the one-year (2021) and three-year period (2019-2021) periods, in each case compounded on a monthly basis. The investment performance achieved by the Fixed-Income Portfolio for the one- and three-year periods (each, a "comparison period") will then be compared against the total returns of the firms included in the Investment Benchmark for the same periods, also compounded on a monthly basis, as determined by the Company from the monthly performance data supplied by the Independent Data Source for each firm in the Investment Benchmark, to determine, for each comparison period, where the Fixed Income Portfolio's performance falls on a percentile basis when compared to the firms in the Investment Benchmark, as further described on Exhibit II ("Performance Ranking").

The Portfolio's Performance Ranking will be used to determine a performance score of between 0 and 2.0 for each comparison period, based on the following schedule:

Comparison Period	**Score = 0** **Rank at or below**	**Score = 1.0** **Rank equal to**	**Score = 2.0** **Rank at or above**
One year	15th Percentile	50th Percentile	85th Percentile
Three year	25th Percentile	50th Percentile	75th Percentile

A Performance Ranking between the values identified in the schedule will be interpolated on a straight-line basis to generate the applicable performance score, as further described on Exhibit II. Once these performance scores are determined, an overall indicated performance factor will be determined by averaging the performance scores for the one- and three-year comparison periods.

The overall indicated performance factor will be reported to the Committee after the expiration of the Plan year, together with such supporting documentation as the Committee may require. The Committee may consider such additional information as it deems necessary or appropriate in its discretion. Such information may include, without limitation:

- the primary investment factors that are responsible for favorable or unfavorable results relative to the peer group, such as the Company's duration and yield curve position and the extent of its exposure to sectors of the fixed-income markets, including corporate bonds, residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities, government bonds, preferred stocks and non-investment-grade bonds;
- the Company's holdings within each sector relative to the general market composition of each sector;
- the extent to which material investment decisions may have been driven by Company strategic or capital considerations; and
- the impact on investment results of significant portfolio cash flows driven by Company operations, strategic decisions or capital transactions.

In addition, the Committee may choose to consult with others, including, without limitation, management, the Board's Investment and Capital Committee, other Board members, and outside compensation and investment professionals, in evaluating the performance of the Company's investment professionals for the year. The Committee will then determine the Performance Factor, which may vary among participants; provided that under no circumstances may the Performance Factor for any participant exceed 2.0 for the year.

E. In the event that the Independent Data Source (or its successor or assigns) discontinues providing the data that is necessary to make the calculations required by this Plan, or modifies the information in such a way as to render the comparisons required by this Plan to be not meaningful, in the Committee's sole judgment, the determinations required above shall be made using investment return data for comparable firms satisfying the criteria set forth on Exhibit I as may be available from another recognized provider of investment industry data as the Committee may approve in its sole discretion.

F. Notwithstanding any other provision of this Plan, the Fixed Income Portfolio shall not include any portfolio managed by, or any investment made at the direction of, any business unit or area other than PCM.

4. **Payment Procedures; Deferral.** The Annual Incentive Payments will be determined and paid to Plan participants as soon as practicable after the Performance Factor has been determined by the Committee, but no later than March 15th of the year immediately following the Plan year.

   Any Plan participant who is then eligible to participate in The Progressive Corporation Executive Deferred Compensation Plan ("Deferral Plan") may elect to defer all or any portion of his or her Annual Incentive Payment otherwise payable to him/her under this Plan, subject to and in accordance with the terms of the Deferral Plan. If a Plan participant has made such an election under the Deferral Plan, then to the extent of such election, the Annual Incentive Payment will, instead of being paid to such participant as described in the immediately preceding paragraph, be credited to such participant's account under the Deferral Plan in accordance with the terms of the Deferral Plan.

5. **Qualification Date; Leave of Absence; Withholding.** Unless otherwise determined by the Committee, and except as otherwise expressly provided herein, in order to be entitled to receive an Annual Incentive Payment for the Plan year, the participant must be an active officer or regular employee of the Company on November 30 of the Plan year ("Qualification Date"). An individual who (i) is hired on or after December 1 of any Plan year, or (ii) whose employment terminates for any reason prior to the Qualification Date is not entitled to an Annual Incentive Payment for that Plan year. Annual Incentive Payments are not earned until paid.

   Any participant who is on a leave of absence covered by the Family and Medical Leave Act of 1993, as amended (or equivalent state or local law), the American with Disabilities Act of 1991, as amended (or equivalent state or local law), personal leave of absence with the approval of the Company, military leave or short- or long-term disability (provided that, in the case of a long-term disability, the participant is still an employee of the Company) on the Qualification Date relating to the Plan year will be entitled to receive an Annual Incentive Payment for the Plan year based on the Paid Eligible Earnings received by the participant during the Plan year.

Progressive shall have the right to deduct from any Annual Incentive Payment, prior to payment, the amount of any taxes required to be withheld by any federal, state, local or foreign government with respect to such payments.

6. **<u>Other Plans</u>.** Participants may be selected to participate in this Plan and in one or more other incentive plans offered by the Company. In the case of the CIO or any other executive officer, all determinations with respect to such incentive plans and the executive’s participation therein shall be made by the Compensation Committee. In all other cases, the Designated Executives shall have full authority to determine the incentive plan or plans in which any employee shall participate during the Plan year and the weighting factor (if any) that will apply to each such plan.

7. **<u>Non-Transferability</u>.** Annual Incentive Payments shall be payable only to the participant or, in the event of the participant’s death, to the participant’s estate. The right to any Annual Incentive Payment hereunder may not be sold, transferred, assigned or encumbered, voluntarily or involuntarily, other than by will or the laws of descent or distribution. Nothing herein shall prevent any participant's interest hereunder from being subject to involuntary attachment, levy or other legal process.

8. **<u>Administration</u>.** The Plan will be administered by or under the direction of the Committee. The Committee will have the authority to adopt, alter, amend, modify, revise and repeal such rules, guidelines, procedures and practices governing the Plan as it, from time to time, in its sole discretion deem advisable.

   The Committee will have full authority to determine the manner in which the Plan will operate, to interpret the provisions of the Plan and to make all determinations hereunder. All such interpretations and determinations shall be final and binding on Progressive, all Plan participants, their estates and beneficiaries and all other parties. No such interpretation or determination shall be relied on as a precedent for any similar action or decision. No member of the Committee shall incur any liability for any action taken or omitted, or any determination made, in good faith with respect to the Plan.

   Unless otherwise determined by the Committee, all of the authority of the Committee hereunder (including, without limitation, the authority to administer the Plan, select the persons entitled to participate herein, interpret the provisions hereof, waive any of the requirements specified herein and make determinations hereunder and to select, approve, establish, , change or modify the Investment Benchmarks, Performance Targets and Target Percentages) may be exercised by the Designated Officers. If one or more of the Designated Officers is unavailable or unable to participate, or if such position is vacant, the Chief Financial Officer may act instead of such officer.

Notwithstanding anything in this Plan to the contrary: (a) all determinations made under this Plan with respect to the CIO or any other individual deemed to be an executive officer of the Company must be made only by the Compensation Committee; and (b) only the Committee may make the determination of the Performance Factor required by Section 3.D. above.

9. **Miscellaneous.**

A. *Recoupment*. Progressive shall have the right to recoup any Annual Incentive Payment (or an appropriate portion thereof, as hereinafter provided) with respect to any Plan year paid to a participant hereunder who was an executive officer of Progressive at any time during such Plan year, if: (i) the Annual Incentive Payment was calculated by reference to the achievement during such Plan year of certain financial or operating results (which includes, for purposes hereof, the performance of the Fixed-Income Portfolio); (ii) such financial or operating results were incorrect and were subsequently the subject of a restatement by Progressive within three (3) years after the date on which such Annual Incentive Payment was paid to the participant; and (iii) the Annual Incentive Payment would have been paid, in whole or in part, to the participant if the restated financial or operating results had been known at the time the payment was made. Such recoupment right shall be available to Progressive whether or not the participant in question was at fault or responsible in any way in causing such restatement. In such circumstances, Progressive will have the right to recover from each such participant for such Plan year, and each such participant will refund to Progressive promptly upon demand, the amount by which the Annual Incentive Payment paid to such participant for the Plan year in question exceeded the payment that would have been made if the Annual Incentive Payment had been calculated by reference to the restated results, without interest; provided, however, that Progressive will not seek to recover such amounts from any participant who was not an executive officer at any time during the Plan year unless the amount due would exceed the lesser of five percent (5%) of the Annual Incentive Payment previously paid or twenty-thousand dollars ($20,000). Such recovery, at the Committee's discretion, may be made by lump sum payment, installment payments, credits against future Annual Incentive Payments, annual gainsharing payments or other bonus payments, credits against any other compensation, or other appropriate mechanism. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited in the Deferral Plan as a result of an election by the participant.

B. *Further Rights*. Notwithstanding the foregoing subsection A., if any participant that was an executive officer at any time during such Plan year engaged in fraud or other misconduct (as determined by the Committee or the Board, in their respective sole discretion) resulting, in whole or in part, in a restatement of the financial or operating results used hereunder to determine the Annual Incentive Payments for a specific Plan year, Progressive will further have the right to recover from such participant, and the participant will refund to Progressive upon demand, an amount equal to the entire Annual Incentive Payment paid to such participant for such Plan year plus interest at the rate of eight percent (8%) per annum or, if lower, the highest rate permitted by law, calculated from the date that such bonus was paid to the participant. Progressive shall further have the right to recover from such participant Progressive's costs and expenses incurred in connection with recovering such Annual Incentive Payment from the participant and enforcing its rights under this subsection B., including, without limitation, reasonable attorneys' fees. There shall be no time limit on the Company's right to recover such amounts under this subsection B., except as otherwise provided by applicable law. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.

C. *Compliance with Law and Exchange Requirements*. The Annual Incentive Payments determined and paid pursuant to the Plan shall be subject to all applicable laws and regulations. Without limiting the foregoing, and notwithstanding anything to the contrary contained in this Plan, if the SEC adopts final rules under Section 954 of the Dodd-Frank Wall Street Reform and Consumer

Protection Act that require, as a condition to the Company's continued listing on a national securities exchange ("Exchange"), that the Company develop and implement a policy requiring the recovery of erroneously awarded compensation, and such regulations are applicable to a participant awarded an Annual Incentive Payment pursuant to the Plan, then the Annual Incentive Payment paid to such participant (and any payment made to such participant pursuant to a similar plan) shall be subject to recoupment by the Company pursuant to the terms of the rules of the SEC and any applicable Exchange and any policy of the Company adopted in response to such rules. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.

D. *Rights Not Exclusive*. The rights contained in the foregoing subsections A. through C. shall be in addition to, and shall not limit, any other rights or remedies that the Company may have under any applicable law or regulation. Nothing contained in subsections A. through C. shall be deemed to limit any additional legal or equitable rights or remedies the Company may have under applicable law with respect to any participant who may have caused or contributed to the Company's need to restate its financial results. If any of the provisions of subsections A. through C., or any part thereof, are held to be unenforceable, the court making such determination shall have the power to revise or modify such provision to make it enforceable to the maximum extent permitted by applicable law and, in its revised or modified form, said provision shall then be enforceable.

10. **Termination; Amendments.** The Plan may be suspended, terminated, amended or revised, in whole or in part, at any time and from time to time by the Committee, in its sole discretion.

11. **Unfunded Obligations.** The Plan will be unfunded and all payments due under the Plan will be made from Progressive's general assets.

12. **No Employment Rights.** Nothing in the Plan, and no action hereunder, shall be construed as conferring upon any person the right to remain a participant in the Plan or to remain employed by Progressive, nor shall the Plan limit Progressive's right to discipline or discharge any of its officers or employees or change any of their job titles, duties, authority or compensation, at any time and without assigning a reason therefor.

13. **Set-off Rights.** Progressive shall have the unrestricted right to set off against or recover out of any Annual Incentive Payment or other sums owed to any participant under the Plan any amounts owed by such participant (including pursuant to Section 9) to Progressive.

14. **Misconduct.** No participant shall have the right to receive any Annual Incentive Payment if, prior to such payment being made, participant's employment is terminated as a result of any action or inaction that, under Progressive's employment practices or policies as then in effect, constitutes grounds for immediate termination of employment, as determined by Progressive (or, in the case of an executive officer, the Committee) in its sole discretion. In addition, no participant who is an executive officer shall have the right to receive any Annual Incentive Payment if, prior to such payment being made, participant's employment is terminated by Progressive for Cause, or if there occurs any action or inaction that constitutes grounds for termination for Cause or otherwise constitutes grounds for immediate termination of employment under the Company's employment practices or policies as then in effect, as determined by the Committee in its sole discretion. For

purposes of this Section 14, “Cause” shall mean a felony conviction of a participant or the failure of a participant to contest prosecution for a felony; a participant’s willful misconduct or dishonesty, any of which, in the judgment of the Committee, is harmful to the business or reputation of Progressive; or any material violation (in the judgment of the Committee) of any of the provisions of the Company’s Code of Business Conduct and Ethics or the Chief Executive Officer/Senior Financial Officer’s Code of Ethics (if applicable to the participant), or any confidentiality agreement, non-solicitation agreement, non-competition agreement or other agreement between the participant and Progressive.

15. **Employees Subject to Foreign Jurisdictions.** To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice or taxation and to further the purposes of the Plan, the Committee may, without amending the Plan, exclude any employee not temporarily or permanently residing in the United States from participating in the Plan or establish rules applicable to Annual Incentive Payments to participants who are foreign nationals or foreign residents, are employed outside the United States, or both, including rules that differ from those set forth in this Plan.

16. **Section 409A.** Payments under the Plan are intended to be exempt from Section 409A because no legally binding right to any Annual Incentive Payment arises until the payment date, and, in the alternative, because any payment is a short term deferral under Section 409A; the Plan shall be administered and interpreted accordingly. Notwithstanding any provision of the Plan to the contrary, if the Committee determines that any payment under the Plan may constitute deferred compensation subject to Section 409A, the Committee may take any actions necessary to preserve the intended tax treatment of the benefits provided with respect to such payment. Any benefit under the Plan that is subject to Section 409A because deferred pursuant to the terms of the Deferral Plan shall be paid according to the terms of such plan.

17. **Prior Plans.** This Plan supersedes all prior plans, agreements, understandings and arrangements regarding bonuses or other cash incentive compensation payable or due to any participant from Progressive with respect to the performance of Progressive’s investment portfolio. Without limiting the generality of the foregoing, this Plan supersedes and replaces the 2020 Progressive Capital Management Annual Incentive Plan (the "Prior Plan”), which is and shall be deemed to have terminated on the last day of the Company’s 2020 fiscal year (the "Prior Plan Termination Date"); provided, however, that (a) any bonuses or other sums earned and payable under the Prior Plan with respect to any Plan year ended on or prior to the Prior Plan Termination Date shall be unaffected by such termination and shall be paid to the appropriate participants when and as provided thereunder, and (b) any provisions regarding recoupment of payments from executive officers and the administrative and interpretive authority of the Committee and/or the Designated Officers under the Prior Plan shall survive.

18. **Effective Date.** This Plan is adopted, and is effective, as of the first day of the Company’s 2021 fiscal year and will be effective for the 2021 Plan year (which coincides with Progressive’s 2021 fiscal year, except that investment returns are calculated on a calendar year basis).

19. **Governing Law.** This Plan shall be governed by, and interpreted and construed in accordance with, the laws of the State of Ohio applicable to contracts made and performed wholly within such state by residents thereof.

EXHIBIT I

INVESTMENT BENCHMARK CRITERIA

After the end of the Plan year, the Independent Data Source will determine the firms comprising the Investment Benchmark for the Plan year from its records and will supply to the Company the monthly total returns and any other relevant data for each of those firms for the three-year period ending on December 31 of the Plan year.

A firm will be included in the Investment Benchmark if the Independent Data Source is able to determine from its records that:

1. The firm has provided monthly data regarding its holdings and investment return, as necessary to determine or calculate such firm's monthly total return, and to evaluate such firm's compliance with each of the criteria set forth below, for the entire three-year period ending on December 31 of the Plan year; and

2. At all times during the three-year period ending on December 31 of the Plan year, the information provided by the firm shows, or the Independent Data Source is able to calculate, that such firm's investment portfolio satisfies each of the following criteria:

Duration:	Effective Duration between 1.5 years and 5.0 years
Credit Quality Average	= A, or = AA, or = AAA, or = AAA+
Convexity (%)	>= -1
Sector Allocation:	U.S. High Yield Corporate Debt <= 10%
Sector Allocation:	Mortgages <= 60%
Sector Allocation:	U.S. Investment Grade Corporate Debt <= 60%
Sector Allocation:	CMBS <= 60%
Sector Allocation:	ABS <= 60%
Sector Allocation:	Emerging Markets Debt <= 5%

3. The Company will have no discretion to alter the Investment Benchmark list after it is finalized by the Independent Data Source.

EXHIBIT II

DETERMINATION OF PERFORMANCE RANKING AND PERFORMANCE SCORES

Once all the total returns are calculated, the data is sorted in descending order from highest to lowest total return. From here, the process to compute the Performance Factor is as follows (this Exhibit shows the procedures and related calculations for the 1-year comparison period required by the Plan; the calculations for the 3-year comparison period would follow the same procedures, except that necessary adjustments would be made to determine the top and bottom 25% levels and the performance score variances between those levels):

INTERPOLATED VALUES FOR SETTING TOP AND BOTTOM 15% LEVELS
The top 15% and bottom 15% total return rankings are computed based on the total number of firms in the Investment Benchmark, excluding the PCM Fixed-Income Portfolio return. For example, if there were 279 participants, the return required to earn a 2.0 portfolio performance factor would be determined by interpolating between the forty-first and forty-second firm's returns, since 15% of 279 = 41.85. The same procedure would be used to determine the 0.0 portfolio performance factor.

The total returns, computed by Investment Accounting, for the interpolated positions are calculated as follows (continuing to use an example of 279 survey firms):

Interpolated Value = Firm 41 return – ((Firm 41 Return - Firm 42 Return)*0.85)
Firm 41 = 18.35%
Firm 42 = 18.23%

Firm 41.85 (Interpolated Value) = 18.35% - ((18.35%-18.23%)*0.85) = 18.25%.

In this case, the PCM Performance Factor will equal 2.0 if its total return equals the interpolated value for Firm 41.85 of 18.25%. A similar calculation is then used to determine the bottom 15% group and interpolated value for a 0.0 performance score.

Once the two groups are computed, top and bottom 15%, the remainder of the performance scores are calculated as follows:

Performance score variance = (2.00) / Number of positions from first participant after the top 15% ranking to the 1st participant in the bottom 15% ranking. In the case of 279 participants, the number of positions to divide the 2.00 performance factors by would be 198.

The calculation for the performance score variance from 2.00 – 0.00 would be:

2.00 / 198 = .010101 per position for 279 firms

In the case of a tie in total returns between firms, each firm will have the same performance score, one step under the next higher position. The next lowest position would then be stepped down by a factor based on the number of participants who tie. In the case of a tie between two firms, the step down will be twice the performance score variance to maintain the proper stepping to the 0.00 performance score level.

Example: If firms 42 and 43 each had the same total return in the 279 firm example, then firms 42 and 43 would each have a Performance Factor of 1.989899, which is 2.00 - .0010101. The number 44 position in this example would have a performance score of 1.969697, which is the required step down from 42 to 44.

In addition, if the returns are tied between the interpolated value set for the 2.00 performance score and any position below the 2.00 level, those lower positions will also be set to a 2.00 performance score. The step down factor in the performance score will work similarly as noted in the example above. For the last 15% group, all firms with total returns equaling the last interpolated total return value would have the same performance score as the last interpolated value (.0101012), and all others in the last 15% group would have a 0.00 Portfolio Performance Factor.

Once all the performance scores have been created, from 2.00 to 0.00, PCM's return is compared to the rankings to determine its Performance Factor. If the PCM return is not in the top or bottom 15% and does not match the return of any participant, then PCM's Performance Factor is an interpolated value between the firms with the next highest and next lowest returns.

The interpolation computation for the Performance Factor based on PCM's return is as follows:

Performance score of firm below PCM return + (PCM's Return – Return below PCM) / (Return above PCM – Return below PCM) * (Performance score of firm above PCM –Performance score of firm below PCM)

Assuming the following data, using the 279 firm example:

Firm	Performance score	Total return
Firm above PCM	.90	13.61
PCM		13.39
Firm below PCM	.89	13.34

The calculation of PCM's Performance Factor is:

0.89 + (13.39-13.34) / (13.61-13.34) * (0.90-0.89) = 0.89

The final performance score is rounded to the nearest one-hundredth, if necessary.

Exhibit 13

THE PROGRESSIVE CORPORATION

2020 ANNUAL REPORT TO SHAREHOLDERS

The Progressive Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31,

(millions - except per share amounts)	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 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

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries

Consolidated Balance Sheets

December 31,

(millions - except per share amount)	**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.
See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31,

(millions - except per share amounts)	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.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31,

(millions)	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

See notes to consolidated financial statements.

1. REPORTING AND ACCOUNTING POLICIES

Nature of Operations The Progressive insurance organization began business in 1937. The financial results of The Progressive Corporation include its subsidiaries and affiliates (references to "subsidiaries" in these notes include affiliates as well). Our insurance subsidiaries provide personal and commercial auto insurance, personal residential and commercial property insurance, general liability insurance, and other specialty property-casualty insurance and related services. Our Personal Lines segment writes insurance for personal autos and recreational vehicles, which we refer to as our special lines products. Our Commercial Lines segment writes auto-related primary liability and physical damage insurance, and general liability and property insurance, predominately for small businesses. Our Property segment writes residential property insurance for homeowners, other property owners, and renters. We operate our businesses throughout the United States through both the independent agency and direct channels.

Basis of Consolidation and Reporting The accompanying consolidated financial statements include the accounts of The Progressive Corporation, our wholly owned insurance and non-insurance subsidiaries, and affiliates, in which we have a controlling financial interest. All intercompany accounts and transactions are eliminated in consolidation. All revenues are generated from external customers and we do not have a reliance on any major customer.

Estimates We are required to make estimates and assumptions when preparing our financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America (GAAP). As estimates develop into fact, results may, and will likely, differ from those estimates.

Investments Our fixed-maturity securities and short-term investments are accounted for on an available-for-sale basis. Fixed-maturity securities include debt securities and redeemable preferred stocks, which may have fixed or variable principal payment schedules, may be held for indefinite periods of time, and may be used as a part of our asset/liability strategy or sold in response to changes in interest rates, anticipated prepayments, risk/reward characteristics, liquidity needs, or other economic factors. These securities are carried at fair value with the corresponding unrealized gains (losses), net of deferred income taxes, reported in accumulated other comprehensive income.

Short-term investments may include Eurodollar deposits, commercial paper, repurchase transactions, and other securities expected to mature within one year. From time to time, we may also invest in municipal bonds that have maturity dates that are longer than one year but have either liquidity facilities or mandatory put features within one year.

Equity securities include common stocks, nonredeemable preferred stocks, and other risk investments. These securities are carried at fair value, with the changes in fair value reported as a component of net holding period gains (losses) on securities reported in net income.

Derivative instruments may include futures, options, forward positions, interest rate swap agreements, and credit default swaps and may be used in the portfolio for general investment purposes or to hedge the exposure to variable cash flows of a forecasted transaction (cash flow hedge).

We did not have any derivatives outstanding at December 31, 2020 or 2019. To the extent we have derivatives held for general investment purposes, these derivative instruments would be recognized as either assets or liabilities and measured at fair value, with changes in fair value recognized in net income as a component of net holding period gains (losses) on securities.

Derivatives designated as hedges are required to be evaluated on established criteria to determine the effectiveness of their correlation to, and ability to reduce the designated risk of, specific securities or transactions. Effectiveness is required to be reassessed regularly. For cash flow hedges that are deemed to be effective, the changes in fair value of the hedge would be reported as a component of accumulated other comprehensive income and subsequently amortized into earnings over the life of the hedged transaction. If a hedge is deemed to become ineffective or discontinued, changes in fair value of the derivative instrument would be reported in income for the current period.

For derivatives settled through a clearinghouse, collateral is required to post initial margin and is subject to increases in margin beyond changes in fair value. Exposure to credit risk is limited to the carrying value; collateral may be required to limit credit risk. For bi-lateral derivative positions, net cash requirements are limited to changes in fair values, which may vary as a result of changes in interest rates, currency exchange rates, and other factors. We have elected not to offset fair value amounts that arise from derivative positions with the same counterparty under a master netting arrangement.

Investment securities are exposed to various risks such as interest rate, market, credit, and liquidity risk. Fair values of securities fluctuate based on the nature and magnitude of changing market conditions; significant changes in market conditions could materially affect the portfolio's value in the near term. We routinely monitor our fixed-maturity portfolio for pricing changes that might indicate potential credit losses exist and perform detailed reviews of securities with unrealized losses. For an unrealized loss that we determined to be related to current market conditions, we will not record an allowance for credit losses or a write-off of the fair value for securities we do not intend to sell. We will continue to monitor these securities to determine if the unrealized loss is due to credit deterioration. If we believe that a potential credit loss exists, we will record an allowance for the credit loss and recognize the realized loss as a component of realized gains and losses in the income statement. Once a credit loss allowance has been established, we will continue to evaluate the security, at least quarterly, to determine if changes in conditions have created the need to either increase, or decrease, the allowance recorded. If we determine that a security with a credit loss allowance, previously recorded, is likely to be sold prior to the potential recovery of the credit loss or if we determine that the loss is uncollectible, we will reverse the allowance and write-off the security to its fair value.

Investment income consists of interest, dividends, and accretion (net of amortization). Interest is recognized on an accrual basis using the effective yield method, except for asset-backed securities, discussed below. Depending on the nature of the equity instruments, dividends are recorded at either the ex-dividend date or on an accrual basis.

Asset-backed securities, which are included in our fixed-maturity portfolio, are generally accounted for under the retrospective method. The retrospective method recalculates yield assumptions (based on changes in interest rates or cash flow expectations) historically to the inception of the investment holding period, and applies the required adjustment, if any, to the cost basis, with the offset recorded to investment income. The prospective method is used primarily for interest-only securities, asset-backed securities below high investment-grade status (i.e., below AA-), and certain asset-backed securities with sub-prime loan exposure or where there is a greater risk of non-performance and where it is possible the initial investment may not be substantially recovered. The prospective method requires a calculation of expected future repayments and resets the yield to allow for future period adjustments; no current period impact to investment income or the security's cost is made based on the cash flow update. Prepayment assumptions are updated quarterly.
Realized gains (losses) on securities are computed based on the first-in first-out method. Realized gains (losses) also includes holding period valuation changes on equity securities, hybrid instruments (e.g., securities with embedded options, where the option is a feature of the overall change in the value of the instrument), and derivatives, as well as initial credit allowance losses, subsequent changes in credit loss allowances, and write-offs for losses deemed uncollectible or securities in a loss position that are expected to be sold prior to the recovery of the credit loss.

Insurance Premiums and Receivables Insurance premiums written are earned into income on a pro rata basis over the period of risk, based on a daily earnings convention. Accordingly, unearned premiums represent the portion of premiums written that are applicable to the unexpired risk. We provide insurance and related services to individuals and commercial accounts and offer a variety of payment plans. Generally, premiums are collected prior to providing risk coverage, minimizing our exposure to credit risk.

For our Personal Lines and Commercial Lines businesses, we perform a policy level evaluation to determine the extent to which the premiums receivable balance exceeds the unearned premiums balance. We then age this exposure to establish an allowance for credit losses based on prior experience.

For our Property business, the risk of uncollectibility is relatively low. If premiums are unpaid by the policy due date, we provide advance notice of cancellation in accordance with each state's requirements and, if the premiums remain unpaid after receipt of notice, cancel the policy and write off any remaining balance.

To determine an allowance for credit losses, we evaluate the collectibility of premiums receivables based on historical and current collections experience using actuarial analysis. Our estimate of the future recoverability of our projected ultimate at-risk exposures also takes into consideration any unusual circumstances that we may encounter, such as moratoriums or other programs that may suspend collections. The following table summarizes changes in our allowance for credit loss exposure on our premium receivables:

(millions)	2020	2019
Balance at January 1	$ 283.2	$ 252.1
Increase in allowance[1]	472.0	433.5
Write-offs[2]	(399.0)	(402.4)
Balance at December 31	$ 356.2	$ 283.2

[1]Represents the incremental increase in other underwriting expenses.
[2]Represents the portion of allowance that is reversed when premium receivables are written off.

Premiums receivable balances are written off once we have exhausted our collection efforts. The increase in the allowance during 2020 in part reflects the greater potential for credit losses due to financial hardships of policyholders as a result of the economic impacts related to the spread of the novel coronavirus, COVID-19.

Deferred Acquisition Costs Deferred acquisition costs include commissions, premium taxes, and other variable underwriting and direct sales costs incurred in connection with the successful acquisition or renewal of insurance contracts. These acquisition costs, net of ceding allowances, are deferred and amortized over the policy period in which the related premiums are earned. We consider anticipated investment income in determining the recoverability of these costs. Management believes these costs will be fully recoverable in the near term.

We do not defer any advertising costs. Total advertising costs, which are expensed as incurred, for the years ended December 31, were:

(millions)		Advertising Costs
2020	$	2,175.7
2019		1,837.3
2018		1,422.4

Loss and Loss Adjustment Expense Reserves Loss reserves represent the estimated liability on claims reported to us, plus reserves for losses incurred but not recorded (IBNR). These estimates are reported net of amounts estimated to be recoverable from salvage and subrogation. Loss adjustment expense reserves represent the estimated expenses required to settle these claims. The methods of making estimates and establishing these reserves are reviewed regularly, and resulting adjustments are reflected in income in the current period. Such loss and loss adjustment expense reserves are susceptible to change in the near term.

Reinsurance Our reinsurance activity includes transactions which are categorized as Regulated and Non-Regulated. Regulated refers to plans in which we participate that are governed by insurance regulations and include state-provided reinsurance facilities (e.g., Michigan Catastrophic Claims Association, North Carolina Reinsurance Facility, Florida Hurricane Catastrophe Fund), as well as state-mandated involuntary plans for commercial vehicles (Commercial Automobile Insurance Procedures/Plans – CAIP) and federally regulated plans for flood (National Flood Insurance Program – NFIP); we act as a servicing agent for CAIP and as a participant in the "Write Your Own" program for the NFIP. Non-Regulated includes voluntary contractual arrangements primarily related to our Property business and to the transportation network company business written by our Commercial Lines segment. Prepaid reinsurance premiums are earned on a pro rata basis over the period of risk, based on a daily earnings convention, which is consistent with premiums earned. See *Note 7 – Reinsurance* for further discussion.

We routinely monitor changes in the credit quality and concentration risks of the reinsurers who are counter parties to our reinsurance recoverables to determine if an allowance for credit losses should be established.

Income Taxes The income tax provision is calculated under the balance sheet approach. Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The principal items giving rise to such differences are investment securities (e.g., net unrealized gains (losses), net holding period gains (losses) on securities, write-downs on securities determined to be other-than-temporarily impaired), loss and loss adjustment expense reserves, unearned premiums reserves, deferred acquisition costs, property and equipment, intangible assets, and non-deductible accruals. We review our deferred tax assets regularly for recoverability. See *Note 5 – Income Taxes* for further discussion.

Property and Equipment Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is recognized over the estimated useful lives of the assets using accelerated methods for computer equipment and the straight-line method for all other fixed assets. We evaluate impairment whenever events or circumstances warrant such a review and write-off the impaired assets if appropriate.

The cost and useful lives for property and equipment at December 31, were:

($ in millions)		2020		2019	Useful Lives
Land	$	151.6	$	161.6	NA
Buildings, improvements, and integrated components		872.7		927.1	7-40 years
Capitalized software		392.6		367.1	3-10 years
Software licenses (internal use)		335.5		286.8	1-5 years
Computer equipment		253.8		223.3	3 years
All other property and equipment		391.2		385.9	3-10 years
Total cost		2,397.4		2,351.8	
Accumulated depreciation		(1,291.4)		(1,138.1)	
Balance at end of year	$	1,106.0	$	1,213.7	

NA = Not applicable; land is not a depreciable asset.

Included in other assets in the consolidated balance sheets are "held for sale" property, which represents the fair value of these properties less the estimated costs to sell, of $56.6 million and $32.9 million at December 31, 2020 and 2019, respectively, and capitalized cloud computing arrangement implementation costs, net of amortization, of $25.3 million at December 31, 2020.

We adopted the new accounting standard for cloud computing arrangements in January 2020; see *New Accounting Standards* below in this *Note 1* for further discussion.

Goodwill and Intangible Assets Goodwill is the excess of the purchase price over the estimated fair value of the assets and liabilities acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized.

Intangible assets are non-financial assets lacking physical substance, such as customer and agency relationships and software rights, and represent the future economic benefit of those acquired assets. See *Note 16 – Goodwill and Intangible Assets* for further discussion.

We evaluate our goodwill for impairment at least annually using a qualitative approach. If events or changes in circumstances indicate that the carrying value of goodwill or intangible assets may not be recoverable, we will evaluate such items for impairment using a quantitative approach.

Guaranty Fund Assessments We are subject to state guaranty fund assessments, which provide for the payment of covered claims or other insurance obligations of insurance companies deemed insolvent. These assessments are accrued after a formal determination of insolvency has occurred, and we have written the premiums on which the assessments will be based. Assessments that are available for recoupment from policyholders are capitalized when incurred; all other assessments are expensed.

Fees and Other Revenues Fees and other revenues primarily represent fees collected from policyholders relating to installment charges in accordance with our bill plans, as well as late payment and insufficient funds fees and revenue from ceding commissions. Fees and other revenues are generally earned when invoiced, except for excess ceding commissions, which are earned over the policy period.

Service Revenues and Expenses Our service businesses provide insurance-related services. Service revenues and expenses from our commission-based businesses are recorded in the period in which they are earned or incurred. Service revenues generated from processing business for involuntary CAIP plans are earned on a pro rata basis over the term of the related policies. Service expenses related to these CAIP plans are expensed as incurred.

Equity-Based Compensation We issue time-based and performance-based restricted stock unit awards to key members of management as our form of equity compensation, and time-based restricted stock awards to non-employee directors. Collectively, we refer to these awards as "restricted equity awards." Compensation expense for time-based restricted equity awards with installment vesting is recognized over each respective vesting period. For performance-based restricted equity awards, compensation expense is recognized over the estimated vesting periods. Dividend equivalent units are credited to outstanding restricted stock unit awards, both time-based and performance-based, at the time a dividend is paid to shareholders and paid upon vesting of the underlying award. We record an estimate for expected forfeitures of restricted equity awards based on our historical forfeiture rates.

The total compensation expense recognized for equity-based compensation for the years ended December 31, was:

(millions)	2020	2019	2018
Pretax expense	$ 89.4	$ 90.2	$ 77.2
Tax benefit	18.8	18.9	16.2

Earnings Per Common Share Net income attributable to Progressive is reduced by preferred share dividends to determine net income available to common shareholders, and is used in our calculation of the per common share amounts. Basic earnings per common share is computed using the weighted average number of common shares outstanding during the reporting period, excluding unvested time-based restricted stock awards. Diluted earnings per common share includes common stock equivalents assumed outstanding during the period. Our common stock equivalents include the incremental shares assumed to be issued for:

- earned but unvested time-based restricted equity awards, and
- performance-based restricted equity awards that satisfied certain contingency conditions for unvested common stock equivalents during the period and are highly likely to continue to satisfy the conditions until the date of vesting.

Supplemental Cash Flow Information Cash and cash equivalents include bank demand deposits and daily overnight reverse repurchase commitments of funds held in bank demand deposit accounts by certain subsidiaries, and are not considered part of the investment portfolio. The amount of reverse repurchase commitments held by these subsidiaries at December 31, 2020, 2019, and 2018, were $93.5 million, $46.3 million, and $117.3 million, respectively. Restricted cash on our consolidated balance sheets represents cash that is restricted to pay flood claims under the NFIP's "Write Your Own" program, for which certain subsidiaries are administrators.

For the year ended December 31, 2020, non-cash activity includes declared but unpaid common share dividends of $2,694.5 million and preferred share dividends of $13.4 million, and operating lease liabilities arising from obtaining right-of-use assets of $60.3 million (see *Note 13 – Leases* and *Note 14 – Dividends* for further discussion).

For the years ended December 31, we paid the following:

(millions)	2020	2019	2018
Income taxes	$ 1,446.3	$ 954.3	$ 702.6
Interest	206.0	184.9	154.0
Operating lease liabilities	86.5	84.0	NA

NA = Not applicable prior to the adoption of the new accounting standard in 2019.

Commitments and Contingencies We have certain noncancelable purchase obligations for goods and services with minimum commitments of $830.4 million at December 31, 2020, primarily consisting of software licenses, maintenance on information technology equipment, and media placements. In addition, we have several multiple-layer property catastrophe reinsurance contracts with various reinsurers with terms ranging from one to three years; the minimum commitment under these agreements at December 31, 2020, was $191.1 million.

New Accounting Standards On January 1, 2020, we adopted the following new Accounting Standards Updates (ASU).

<u>Cloud Computing Arrangements</u>
This ASU, which provides guidance on the requirements for capitalizing and amortizing implementation costs incurred in a cloud computing arrangement that does not include a software license, was adopted on a prospective basis. See the *Property and Equipment* discussion above for the cloud computing arrangement implementation cost capitalized at December 31, 2020.

<u>Fair Value Measurements</u>
We early adopted a portion of this ASU in 2018 and the remaining provisions in 2020. This ASU amended the disclosure requirements for fair value measurements to require companies to disclose the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and removed current disclosure requirements for the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. The adoption of this ASU had no impact on our financial condition, cash flows, or results of operations.

<u>Goodwill Impairment Test Simplification</u>
The ASU eliminated the requirement to determine the implied fair value of goodwill in measuring an impairment loss and now requires the measurement of a goodwill impairment to represent the excess of the reporting unit's carrying value over fair value, limited to the carrying value of goodwill. The adoption of this ASU had no impact on our financial condition, cash flows, or results of operations.

<u>Measurement of Credit Losses on Financial Instruments</u>
This ASU modified the existing accounting guidance related to the impairment evaluation for our available-for-sale debt securities, reinsurance recoverables, and premiums receivable. The ASU is intended to improve the timing, and enhance the accounting and disclosure, of credit losses on financial assets. To the extent a credit loss is determined to exist, an allowance for credit losses would be required to be recorded as a contra asset, with changes to the credit loss allowance recorded prospectively. Based on our analysis for available-for-sale debt securities and reinsurance recoverables as described in *Note 2– Investments* and *Note 7– Reinsurance*, respectively, no adjustment to the beginning balance of retained earnings was required upon adoption. See the *Insurance Premiums and Receivables* discussion above for changes in the allowance for credit losses related to the premiums receivable balance.

2. INVESTMENTS

The following tables present the composition of our investment portfolio by major security type, consistent with our classification of how we manage, monitor, and measure the portfolio. Our securities are reported in our consolidated balance sheets at fair value. The changes in fair value for our fixed-maturity securities (other than hybrid securities) are reported as a component of accumulated other comprehensive income, net of deferred income taxes, in our consolidated balance sheets. The net holding period gains (losses) reported below represent the inception-to-date changes in fair value of the securities. The changes in the net holding period gains (losses) between periods for the hybrid securities and equity securities are recorded as a component of net realized gains (losses) on securities in our consolidated statements of comprehensive income.

($ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
December 31, 2020						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	$ 12,437.9	$ 305.8	$ (3.7)	$ 0	$ 12,740.0	26.8 %
State and local government obligations	3,099.4	123.1	(0.7)	0	3,221.8	6.8
Corporate debt securities	9,579.7	601.7	(0.1)	3.9	10,185.2	21.4
Residential mortgage-backed securities	503.3	7.1	(0.9)	0	509.5	1.1
Commercial mortgage-backed securities	6,042.6	142.5	(10.0)	0	6,175.1	13.0
Other asset-backed securities	3,745.0	40.1	(0.5)	0	3,784.6	7.9
Redeemable preferred stocks	181.2	3.6	(1.4)	11.3	194.7	0.4
Total fixed maturities	35,589.1	1,223.9	(17.3)	15.2	36,810.9	77.4
Short-term investments	5,218.5	0	0	0	5,218.5	11.0
Total available-for-sale securities	40,807.6	1,223.9	(17.3)	15.2	42,029.4	88.4
Equity securities:						
Nonredeemable preferred stocks	1,358.7	0	0	89.2	1,447.9	3.1
Common equities	1,187.3	0	0	2,865.7	4,053.0	8.5
Total equity securities	2,546.0	0	0	2,954.9	5,500.9	11.6
Total portfolio[1]	$ 43,353.6	$ 1,223.9	$ (17.3)	$ 2,970.1	$ 47,530.3	100.0 %

($ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
December 31, 2019						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	$ 13,100.7	$ 194.1	$ (43.7)	$ 0	$ 13,251.1	33.7 %
State and local government obligations	1,686.0	30.0	(2.7)	0	1,713.3	4.4
Corporate debt securities	6,860.3	206.6	(0.5)	1.3	7,067.7	18.0
Residential mortgage-backed securities	625.0	4.5	(2.0)	0	627.5	1.6
Commercial mortgage-backed securities	5,020.7	61.5	(6.0)	0	5,076.2	12.9
Other asset-backed securities	5,164.7	16.2	(1.4)	0	5,179.5	13.2
Redeemable preferred stocks	185.7	4.1	(1.3)	6.5	195.0	0.5
Total fixed maturities	32,643.1	517.0	(57.6)	7.8	33,110.3	84.3
Short-term investments	1,798.8	0	0	0	1,798.8	4.6
Total available-for-sale securities	34,441.9	517.0	(57.6)	7.8	34,909.1	88.9
Equity securities:						
Nonredeemable preferred stocks	971.3	0	0	67.6	1,038.9	2.7
Common equities	1,125.5	0	0	2,180.8	3,306.3	8.4
Total equity securities	2,096.8	0	0	2,248.4	4,345.2	11.1
Total portfolio[1]	$ 36,538.7	$ 517.0	$ (57.6)	$ 2,256.2	$ 39,254.3	100.0 %

[1] Our portfolio reflects the effect of net unsettled security transactions; at December 31, 2020, $95.5 million was included in "other liabilities," compared to $11.9 million at December 31, 2019. The total fair value of the portfolio at December 31, 2020 and 2019 included $6.2 billion and $3.2 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions. A portion of these investments were sold and proceeds used to pay our common share dividends; see *Note 14 – Dividends* for additional information.

At December 31, 2020, bonds and certificates of deposit in the principal amount of $298.2 million were on deposit to meet state insurance regulatory requirements. We did not hold any securities of any one issuer, excluding U.S. government obligations, with an aggregate cost or fair value exceeding 10% of total shareholders' equity at December 31, 2020 or 2019. At December 31, 2020, we did not hold any debt securities that were non-income producing during the preceding 12 months.

Short-Term Investments Our short-term investments may include commercial paper and other investments that are expected to mature or are redeemable within one year.

We invested in repurchase and reverse repurchase transactions during 2020 and 2019, but did not have any open positions at December 31, 2020 or 2019. To the extent we enter into repurchase or reverse repurchase transactions, consistent with past practice, we would elect not to offset these transactions and would report them on a gross basis on our consolidated balance sheets, despite the option to elect to offset these transactions as long as they were with the same counterparty and subject to an enforceable master netting arrangement.

Hybrid Securities Certain securities in our fixed maturities portfolio are accounted for as hybrid securities because they contain embedded derivatives that are not deemed to be clearly and closely related to the host investments. These securities are reported at fair value at December 31:

(millions)	2020	2019
Fixed Maturities:		
State and local government obligations	$ 0	$ 3.5
Corporate debt securities	188.4	91.2
Other asset-backed securities	34.8	2.6
Redeemable preferred stocks	131.4	92.1
Total hybrid securities	$ 354.6	$ 189.4

Since the embedded derivatives (e.g., change-in-control put option, debt-to-equity conversion, or any other feature unrelated to the credit quality or risk of default of the issuer that could impact the amount or timing of our expected future cash flows) do not have observable intrinsic values, we have elected to record the changes in fair value of these securities through income as a component of net realized gains or losses.

Fixed Maturities The composition of fixed maturities by maturity at December 31, 2020, was:

(millions)	Cost	Fair Value
Less than one year	$ 5,734.9	$ 5,765.4
One to five years	20,769.2	21,377.3
Five to ten years	8,939.8	9,512.2
Ten years or greater	145.2	156.0
Total	$ 35,589.1	$ 36,810.9

Asset-backed securities are classified in the maturity distribution table based upon their projected cash flows. All other securities that do not have a single maturity date are reported based upon expected average maturity. Contractual maturities may differ from expected maturities because the issuers of the securities may have the right to call or prepay obligations.

Gross Unrealized Losses The following tables show the composition of gross unrealized losses by major security type and by the length of time that individual securities have been in a continuous unrealized loss position:

				Less than 12 Months			12 Months or Greater		
($ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	No. of Sec.	Fair Value	Unrealized Losses	No. of Sec.	Fair Value	Unrealized Losses
December 31, 2020									
U.S. government obligations	9	$ 1,511.0	$ (3.7)	9	$ 1,511.0	$ (3.7)	0	$ 0	$ 0
State and local government obligations	30	208.7	(0.7)	30	208.7	(0.7)	0	0	0
Corporate debt securities	7	129.4	(0.1)	7	129.4	(0.1)	0	0	0
Residential mortgage-backed securities	21	44.4	(0.9)	0	0	0	21	44.4	(0.9)
Commercial mortgage-backed securities	43	893.3	(10.0)	9	93.6	(0.3)	34	799.7	(9.7)
Other asset-backed securities	22	183.7	(0.5)	9	74.4	(0.1)	13	109.3	(0.4)
Redeemable preferred stocks	1	11.0	(1.4)	0	0	0	1	11.0	(1.4)
Total fixed maturities	133	$ 2,981.5	$ (17.3)	64	$ 2,017.1	$ (4.9)	69	$ 964.4	$ (12.4)

				Less than 12 Months			12 Months or Greater		
($ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	No. of Sec.	Fair Value	Unrealized Losses	No. of Sec.	Fair Value	Unrealized Losses
December 31, 2019									
U.S. government obligations	23	$ 5,152.4	$ (43.7)	19	$ 5,057.2	$ (43.6)	4	$ 95.2	$ (0.1)
State and local government obligations	67	314.3	(2.7)	52	287.5	(2.6)	15	26.8	(0.1)
Corporate debt securities	16	247.6	(0.5)	12	191.4	(0.5)	4	56.2	0
Residential mortgage-backed securities	41	292.8	(2.0)	12	163.7	(0.9)	29	129.1	(1.1)
Commercial mortgage-backed securities	98	1,742.4	(6.0)	79	1,400.0	(5.3)	19	342.4	(0.7)
Other asset-backed securities	61	1,000.6	(1.4)	43	938.5	(0.9)	18	62.1	(0.5)
Redeemable preferred stocks	1	11.2	(1.3)	0	0	0	1	11.2	(1.3)
Total fixed maturities	307	$ 8,761.3	$ (57.6)	217	$ 8,038.3	$ (53.8)	90	$ 723.0	$ (3.8)

During 2020, we had seven securities that had their credit ratings downgraded, with a combined fair value of $65.0 million and an unrealized loss of $1.6 million as of December 31, 2020, comprised of residential and commercial mortgage-backed securities.

A review of the securities in an unrealized loss position indicated that the issuers were current with respect to their interest obligations and that there was no evidence of deterioration of the current cash flow projections that would indicate we would not receive the remaining principal at maturity.

Allowance For Credit and Uncollectible Losses We are required to measure the amount of potential credit losses for all fixed-maturity securities in an unrealized loss position. We did not record any allowances for credit losses or any write-offs for amounts deemed to be uncollectible during 2020 and did not have a credit loss allowance balance as of December 31, 2020. We considered several factors and inputs related to the individual securities as part of our analysis. The methodology and significant inputs used to measure the amount of credit losses in our portfolio included:

- current performance indicators on the business model or underlying assets (e.g., delinquency rates, foreclosure rates, and default rates);
- credit support (via current levels of subordination);
- historical credit ratings; and
- updated cash flow expectations based upon these performance indicators.

In order to determine the amount of credit loss, if any, we initially reviewed securities in a loss position to determine whether it was likely that we would be required, or intended, to sell any of the securities prior to the recovery of their respective cost bases (which could be maturity). If we were likely to, or intended to, sell prior to a potential recovery, we would write off the unrealized loss. For those securities that we determined we were not likely to, or did not intend to, sell prior to a potential recovery, we calculated the net present value (NPV) of the cash flows expected (i.e., expected recovery value) using the current book yield for each security. The NPV was then compared to the security’s current amortized value to determine if a credit loss existed. In the event that the NPV was below the amortized value, and the amount was determined to be material individually, or in aggregate, a credit loss would be deemed to exist, and either an allowance for credit losses would be created, or if an allowance currently existed, either a recovery of the previous allowance, or an incremental loss, would be recorded to net realized gains (losses) on securities.

As of December 31, 2020, we believe none of the unrealized losses relate to material credit losses on any specific securities, or in the aggregate, based on our review. We continue to expect all the securities in our portfolio to pay their principal and interest obligations.

In addition, we reviewed our accrued investment income outstanding on those securities in an unrealized loss position at December 31, 2020, to determine if the accrued interest amounts were determined to be uncollectible. Based on our analysis, we believe the issuers have sufficient liquidity and capital reserves to meet their current interest, and future principal, obligations and, therefore, did not write off any accrued income as uncollectible at December 31, 2020.

Realized Gains (Losses) The components of net realized gains (losses) for the years ended December 31, were:

(millions)	2020	2019	2018
Gross realized gains on security sales			
Available-for-sale securities:			
U.S. government obligations	$ 612.5	$ 164.4	$ 6.7
State and local government obligations	102.4	6.1	9.5
Corporate and other debt securities	161.9	100.1	2.4
Residential mortgage-backed securities	0	0.2	0
Commercial mortgage-backed securities	23.7	8.1	2.0
Other asset-backed securities	0.2	0.8	0.1
Redeemable preferred stocks	0	2.2	4.5
Total available-for-sale securities	900.7	281.9	25.2
Equity securities:			
Nonredeemable preferred stocks	24.4	36.2	4.1
Common equities	88.6	61.7	286.6
Total equity securities	113.0	97.9	290.7
Subtotal gross realized gains on security sales	1,013.7	379.8	315.9
Gross realized losses on security sales			
Available-for-sale securities:			
U.S. government obligations	(9.6)	(20.4)	(98.7)
State and local government obligations	(0.7)	(0.7)	(2.9)
Corporate and other debt securities	(6.5)	(7.9)	(10.4)
Residential mortgage-backed securities	0	(2.3)	(0.1)
Commercial mortgage-backed securities	(12.8)	(2.2)	(6.3)
Other asset-backed securities	0	(0.1)	(1.1)
Redeemable preferred stocks	0	(0.4)	(0.1)
Total available-for-sale securities	(29.6)	(34.0)	(119.6)
Equity securities:			
Nonredeemable preferred stocks	(8.7)	(3.2)	(3.9)
Common equities	(60.7)	(8.0)	(21.7)
Total equity securities	(69.4)	(11.2)	(25.6)
Subtotal gross realized losses on security sales	(99.0)	(45.2)	(145.2)
Net realized gains (losses) on security sales			
Available-for-sale securities:			
U.S. government obligations	602.9	144.0	(92.0)
State and local government obligations	101.7	5.4	6.6
Corporate and other debt securities	155.4	92.2	(8.0)
Residential mortgage-backed securities	0	(2.1)	(0.1)
Commercial mortgage-backed securities	10.9	5.9	(4.3)
Other asset-backed securities	0.2	0.7	(1.0)
Redeemable preferred stocks	0	1.8	4.4
Total available-for-sale securities	871.1	247.9	(94.4)
Equity securities:			
Nonredeemable preferred stocks	15.7	33.0	0.2
Common equities	27.9	53.7	264.9
Total equity securities	43.6	86.7	265.1
Subtotal net realized gains (losses) on security sales	914.7	334.6	170.7
Net holding period gains (losses)			
Hybrid securities	7.4	18.0	(10.4)
Equity securities	706.5	739.9	(497.5)
Derivatives	1.4	0	0
Subtotal net holding period gains (losses)	715.3	757.9	(507.9)
Other-than-temporary impairment losses			
Other asset impairment	0	(63.3)	(68.3)
Subtotal other-than-temporary impairment losses	0	(63.3)	(68.3)
Total net realized gains (losses) on securities	$ 1,630.0	$ 1,029.2	$ (405.5)

Realized gains (losses) on securities sold are computed using the first-in-first-out method. During 2020, we sold U.S. Treasury securities in order to selectively increase holdings across the remainder of the portfolio, predominantly in our corporate debt securities.

For 2019 and 2018, the other asset impairment losses related to federal renewable energy tax credit fund investments, which were reported in other assets on the consolidated balance sheets, and are based on an analysis that our investments in those funds will not generate the cash flows that we anticipated.

The following table reflects our holding period realized gains (losses) on equity securities recognized for the respective years ended December 31, for equity securities held at the respective year end:

(millions)	**2020**	**2019**	**2018**
Total net gains (losses) recognized during the period on equity securities	$ 750.1	$ 826.6	$ (232.4)
Less: Net gains (losses) recognized on equity securities sold during the period	43.6	86.7	265.1
Net holding period gains (losses) recognized during the period on equity securities held at period end	$ 706.5	$ 739.9	$ (497.5)

Net Investment Income The components of net investment income for the years ended December 31, were:

(millions)	**2020**	**2019**	**2018**
Available-for-sale securities:			
Fixed maturities:			
U.S. government obligations	$ 166.3	$ 268.6	$ 196.8
State and local government obligations	62.7	36.5	37.7
Corporate debt securities	284.0	268.9	217.9
Residential mortgage-backed securities	11.8	21.6	27.6
Commercial mortgage-backed securities	152.9	150.1	93.9
Other asset-backed securities	96.7	117.3	75.7
Redeemable preferred stocks	14.9	19.0	12.3
Total fixed maturities	789.3	882.0	661.9
Short-term investments	29.0	41.7	52.9
Total available-for-sale securities	818.3	923.7	714.8
Equity securities:			
Nonredeemable preferred stocks	60.6	61.8	45.9
Common equities	57.7	56.5	59.8
Total equity securities	118.3	118.3	105.7
Investment income	936.6	1,042.0	820.5
Investment expenses	(20.0)	(24.6)	(24.3)
Net investment income	$ 916.6	$ 1,017.4	$ 796.2

The amount of investment income (interest and dividends) we earn varies based on the average assets held during the year and the book yields of the securities in our portfolio. On a year-over-year basis, investment income decreased 10%, compared to last year, due to a decrease in the portfolio yield, which was partially offset by an increase in average assets. The recurring investment book yield decreased 23%, compared to 2019, as a result of investing cash from operations and reinvesting cash from sales, maturities, paydowns, and other redemptions at market yields that were significantly lower than the portfolio's overall yield. The income reduction from the negative yield change was partially offset by an increase in income earned as a result of investing the $1.0 billion of proceeds from the debt issued during March 2020, as well as strong premium growth, underwriting profitability, and strong portfolio results, net of common and preferred stock dividends. The year-over-year increase in net investment income in 2019 compared to 2018, was due to a combination of an increase in average assets and an increase in portfolio yields. The decrease in investment expenses in 2020, compared to 2019, primarily reflects lower expenses incurred due to our decision to no longer maintain an actively managed equity portfolio, and lower incentive-based compensation recognized.

Derivative Instruments During 2020, we opened and closed U.S. Treasury Note futures to manage the portfolio duration and recorded a net realized gain of $1.4 million. The maximum notional value held at one time during the year was $114.6 million. At December 31, 2020, 2019, and 2018, we had no open derivative positions.

3. FAIR VALUE

We have categorized our financial instruments, based on the degree of subjectivity inherent in the method by which they are valued, into a fair value hierarchy of three levels, as follows:

- *Level 1*: Inputs are unadjusted, quoted prices in active markets for identical instruments at the measurement date (e.g., U.S. government obligations, which are continually priced on a daily basis, active exchange-traded equity securities, and certain short-term securities).
- *Level 2*: Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly (e.g., certain corporate and municipal bonds and certain preferred stocks). This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3*: Inputs that are unobservable. Unobservable inputs reflect our subjective evaluation about the assumptions market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).

Determining the fair value of the investment portfolio is the responsibility of management. As part of the responsibility, we evaluate whether a market is distressed or inactive in determining the fair value for our portfolio. We review certain market level inputs to evaluate whether sufficient activity, volume, and new issuances exist to create an active market. Based on this evaluation, we concluded that there was sufficient activity related to the sectors and securities for which we obtained valuations.

The composition of the investment portfolio by major security type and our outstanding debt was:

(millions)	Fair Value Level 1	Level 2	Level 3	Total	Cost
December 31, 2020					
Fixed maturities:					
U.S. government obligations	$ 12,740.0	$ 0	$ 0	$ 12,740.0	$ 12,437.9
State and local government obligations	0	3,221.8	0	3,221.8	3,099.4
Corporate debt securities	0	10,185.2	0	10,185.2	9,579.7
Subtotal	12,740.0	13,407.0	0	26,147.0	25,117.0
Asset-backed securities:					
Residential mortgage-backed	0	509.5	0	509.5	503.3
Commercial mortgage-backed	0	6,175.1	0	6,175.1	6,042.6
Other asset-backed	0	3,784.6	0	3,784.6	3,745.0
Subtotal asset-backed securities	0	10,469.2	0	10,469.2	10,290.9
Redeemable preferred stocks:					
Financials	0	51.6	0	51.6	51.1
Utilities	0	11.7	0	11.7	10.0
Industrials	10.8	120.6	0	131.4	120.1
Subtotal redeemable preferred stocks	10.8	183.9	0	194.7	181.2
Total fixed maturities	12,750.8	24,060.1	0	36,810.9	35,589.1
Short-term investments	4,704.9	513.6	0	5,218.5	5,218.5
Total available-for-sale securities	17,455.7	24,573.7	0	42,029.4	40,807.6
Equity securities:					
Nonredeemable preferred stocks:					
Financials	117.7	1,212.3	35.0	1,365.0	1,278.6
Utilities	0	41.9	0	41.9	40.0
Industrials	0	24.3	16.7	41.0	40.1
Subtotal nonredeemable preferred stocks	117.7	1,278.5	51.7	1,447.9	1,358.7
Common equities:					
Common stocks	4,049.9	0	0	4,049.9	1,184.2
Other risk investments	0	0	3.1	3.1	3.1
Subtotal common equities	4,049.9	0	3.1	4,053.0	1,187.3
Total equity securities	4,167.6	1,278.5	54.8	5,500.9	2,546.0
Total portfolio	$ 21,623.3	$ 25,852.2	$ 54.8	$ 47,530.3	$ 43,353.6
Debt	$ 0	$ 6,793.5	$ 0	$ 6,793.5	$ 5,396.1

(millions)	Fair Value Level 1	Level 2	Level 3	Total	Cost
December 31, 2019					
Fixed maturities:					
U.S. government obligations	$ 13,251.1	$ 0	$ 0	$ 13,251.1	$ 13,100.7
State and local government obligations	0	1,713.3	0	1,713.3	1,686.0
Corporate debt securities	0	7,067.7	0	7,067.7	6,860.3
Subtotal	13,251.1	8,781.0	0	22,032.1	21,647.0
Asset-backed securities:					
Residential mortgage-backed	0	627.5	0	627.5	625.0
Commercial mortgage-backed	0	5,076.2	0	5,076.2	5,020.7
Other asset-backed	0	5,179.5	0	5,179.5	5,164.7
Subtotal asset-backed securities	0	10,883.2	0	10,883.2	10,810.4
Redeemable preferred stocks:					
Financials	0	51.7	0	51.7	51.5
Utilities	0	11.1	0	11.1	10.0
Industrials	11.1	121.1	0	132.2	124.2
Subtotal redeemable preferred stocks	11.1	183.9	0	195.0	185.7
Total fixed maturities	13,262.2	19,848.1	0	33,110.3	32,643.1
Short-term investments	1,797.4	1.4	0	1,798.8	1,798.8
Total fixed maturities and short-term	15,059.6	19,849.5	0	34,909.1	34,441.9
Equity securities:					
Nonredeemable preferred stocks:					
Financials	77.4	850.7	27.1	955.2	891.3
Utilities	0	42.3	0	42.3	39.9
Industrials	0	25.4	16.0	41.4	40.1
Subtotal nonredeemable preferred stocks	77.4	918.4	43.1	1,038.9	971.3
Common equities:					
Common stocks	3,306.0	0	0	3,306.0	1,125.2
Other risk investments	0	0	0.3	0.3	0.3
Subtotal common equities	3,306.0	0	0.3	3,306.3	1,125.5
Total equity securities	3,383.4	918.4	43.4	4,345.2	2,096.8
Total available-for-sale portfolio	$ 18,443.0	$ 20,767.9	$ 43.4	$ 39,254.3	$ 36,538.7
Debt	$ 0	$ 5,119.6	$ 0	$ 5,119.6	$ 4,407.1

Our portfolio valuations, excluding short-term investments, classified as either Level 1 or Level 2 in the above tables are priced exclusively by external sources, including: pricing vendors, dealers/market makers, and exchange-quoted prices.

Our short-term investments classified as Level 1 are highly liquid, actively marketed, and have a very short duration, primarily 90 days or less to redemption. These securities are held at their original cost, adjusted for any accretion of discount, since that value very closely approximates what an active market participant would be willing to pay for such securities. The remainder of our short-term investments are classified as Level 2 and are not priced externally since these securities continually trade at par value. These securities are classified as Level 2 since they are primarily longer-dated securities issued by municipalities that contain either liquidity facilities or mandatory put features within one year.

At December 31, 2020, vendor-quoted prices represented 76% of our Level 1 classifications (excluding short-term investments), compared to 80% at December 31, 2019. The securities quoted by vendors in Level 1 primarily represent our holdings in U.S. Treasury Notes, which are frequently traded and the quotes are considered similar to exchange-traded quotes. The balance of our Level 1 pricing comes from quotes obtained directly from trades made on active exchanges.

At both December 31, 2020 and 2019, vendor-quoted prices comprised 99% of our Level 2 classifications (excluding short-term investments), while dealer-quoted prices represented 1%. In our process for selecting a source (e.g., dealer or pricing service) to provide pricing for securities in our portfolio, we reviewed documentation from the sources that detailed the pricing techniques and methodologies used by these sources and determined if their policies adequately considered market activity, either based on specific transactions for the particular security type or based on modeling of securities with similar credit quality, duration, yield, and structure that were recently transacted. Once a source is chosen, we continue to monitor any changes or modifications to their processes by reviewing their documentation on internal controls for pricing and market reviews. We review quality control measures of our sources as they become available to determine if any significant changes have occurred from period to period that might indicate issues or concerns regarding their evaluation or market coverage.

As part of our pricing procedures, we obtain quotes from more than one source to help us fully evaluate the market price of securities. However, our internal pricing policy is to use a consistent source for individual securities in order to maintain the integrity of our valuation process. Quotes obtained from the sources are not considered binding offers to transact. Under our policy, when a review of the valuation received from our selected source appears to be outside of what is considered market level activity (which is defined as trading at spreads or yields significantly different than those of comparable securities or outside the general sector level movement without a reasonable explanation), we may use an alternate source's price. To the extent we determine that it may be prudent to substitute one source's price for another, we will contact the initial source to obtain an understanding of the factors that may be contributing to the significant price variance.

To allow us to determine if our initial source is providing a price that is outside of a reasonable range, we review our portfolio pricing on a weekly basis. When necessary, we challenge prices from our sources when a price provided does not match our expectations based on our evaluation of market trends and activity. Initially, we perform a review of our portfolio by sector to identify securities whose prices appear outside of a reasonable range. We then perform a more detailed review of fair values for securities disclosed as Level 2. We review dealer bids and quotes for these and/or similar securities to determine the market level context for our valuations. We then evaluate inputs relevant for each class of securities disclosed in the preceding hierarchy tables.

For our structured debt securities, including commercial, residential, and other asset-backed securities, we evaluate available market-related data for these and similar securities related to collateral, delinquencies, and defaults for historical trends and reasonably estimable projections, as well as historical prepayment rates and current prepayment assumptions and cash flow estimates. We further stratify each class of our structured debt securities into more finite sectors (e.g., planned amortization class, first pay, second pay, senior, subordinated, etc.) and use duration, credit quality, and coupon to determine if the fair value is appropriate.

For our corporate debt and preferred stock (redeemable and nonredeemable) portfolios, as well as the notes issued by The Progressive Corporation (see *Note 4 – Debt*), we review securities by duration, coupon, and credit quality, as well as changes in interest rate and credit spread movements within that stratification. The review also includes recent trades, including: volume traded at various levels that establish a market; issuer specific fundamentals; and industry specific economic news as it comes to light.

For our municipal securities (e.g., general obligations, revenue, and housing), we stratify the portfolio to evaluate securities by type, coupon, credit quality, and duration to review price changes relative to credit spread and interest rate changes. Additionally, we look to economic data as it relates to geographic location as an indication of price-to-call or maturity predictors. For municipal housing securities, we look to changes in cash flow projections, both historical and reasonably estimable projections, to understand yield changes and their effect on valuation.

Lastly, for our short-term securities, we look at acquisition price relative to the coupon or yield. Since our short-term securities are typically 90 days or less to maturity, with the majority listed in Level 2 being 30 days or less to redemption, we believe that acquisition price is the best estimate of fair value.

We also review data assumptions as supplied by our sources to determine if that data is relevant to current market conditions. In addition, we independently review each sector for transaction volumes, new issuances, and changes in spreads, as well as the overall movement of interest rates along the yield curve to determine if sufficient activity and liquidity exists to provide a credible source for our market valuations.

During each valuation period, we create internal estimations of portfolio valuation (performance returns), based on current market-related activity (i.e., interest rate and credit spread movements and other credit-related factors) within each major sector of our portfolio. We compare our internally generated portfolio results with those generated based on quotes we receive externally and research material valuation differences. We compare our results to index returns for each major sector adjusting for duration and credit quality differences to better understand our portfolio's results. Additionally, we review on a monthly basis our external sales transactions and compare the actual final market sales prices to previous market valuation prices. This review provides us further validation that our pricing sources are providing market level prices, since we are able to explain significant price changes (i.e., greater than 2%) as known events occur in the marketplace and affect a particular security's price at sale.

This analysis provides us with additional comfort regarding the source's process, the quality of its review, and its willingness to improve its analysis based on feedback from clients. We believe this effort helps ensure that we are reporting the most representative fair values for our securities.

Except as described below, our Level 3 securities are also priced externally; however, due to several factors (e.g., nature of the securities, level of activity, and lack of similar securities trading to obtain observable market level inputs), these valuations are more subjective in nature. Certain private equity investments included in the Level 3 category are valued using external pricing supplemented by internal review and analysis.

After all the valuations are received and our review is complete, if the inputs used by vendors are determined to not contain sufficient observable market information, we will reclassify the affected security valuations to Level 3. At December 31, 2020 and 2019, we did not have any securities in our fixed-maturity portfolio listed as Level 3.

At December 31, 2020, we owned four private nonredeemable preferred securities that were priced internally or by a pricing firm, and we held three private nonredeemable preferred securities at December 31, 2019. At December 31, 2020, we held two Level 3 other risk investments that were priced using the cost method, compared to one Level 3 other risk investment at December 31, 2019.

To the extent we receive prices from external sources for the Level 3 securities, we would review those prices for reasonableness using internally developed assumptions and then compare our derived prices to the prices we received. During 2020 or 2019, there were no material assets or liabilities measured at fair value on a nonrecurring basis.

Based on our review, all prices received from external sources remained unadjusted. Due to the relative size of the Level 3 securities' fair values compared to the total portfolio's fair value, any changes in pricing methodology would not have a significant change in valuation that would materially impact net or comprehensive income.

The following tables provide a summary of changes in fair value associated with Level 3 assets for the years ended December 31, 2020 and 2019:

	Level 3 Fair Value							
(millions)	Fair Value at Dec. 31, 2019	Calls/ Maturities/ Paydowns	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out)	Fair Value at Dec. 31, 2020
Equity securities:								
Nonredeemable preferred stocks:								
Financials	$ 27.1	$ (27.1)	$ 35.0	$ 0	$ 0	$ 0	$ 0	$ 35.0
Industrials	16.0	0	0	0	0	0.7	0	16.7
Common equities:								
Other risk investments	0.3	0	2.8	0	0	0	0	3.1
Total Level 3 securities	$ 43.4	$ (27.1)	$ 37.8	$ 0	$ 0	$ 0.7	$ 0	$ 54.8

	Level 3 Fair Value							
(millions)	Fair Value at Dec. 31, 2018	Calls/ Maturities/ Paydowns	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out)	Fair Value at Dec. 31, 2019
Equity securities:								
Nonredeemable preferred stocks:								
Financials	$ 25.1	$ 0	$ 2.0	$ 0	$ 0	$ 0	$ 0	$ 27.1
Industrials	5.0	0	10.0	0	0	1.0	0	16.0
Common equities:								
Other risk investments	0.3	0	0	0	0	0	0	0.3
Total Level 3 securities	$ 30.4	$ 0	$ 12.0	$ 0	$ 0	$ 1.0	$ 0	$ 43.4

The following tables provide a summary of the quantitative information about Level 3 fair value measurements for our applicable securities at December 31:

($ in millions)		Quantitative Information about Level 3 Fair Value Measurements			
		Fair Value at Dec. 31, 2020	Valuation Technique	Unobservable Input	Unobservable Input Assumption
Equity securities:					
Nonredeemable preferred stocks:					
Financials[1]	$	25.0	Internal price	Unadjusted purchase price per share	3.7
Financials[2]		10.0	Internal price	Unadjusted purchase price per share	16.9
Industrials		6.9	Pricing firm	Market Approach (Guideline Public Company Method)	5.4
Industrials		9.8	Pricing firm	Market Approach (Guideline Public Company Method)	4.8
Subtotal Level 3 securities		51.7			
Pricing exemption securities		3.1			
Total Level 3 securities	$	54.8			

[1] This security was purchased in May 2020.
[2] This security was purchased in November 2020.

($ in millions)		Quantitative Information about Level 3 Fair Value Measurements			
		Fair Value at Dec. 31, 2019	Valuation Technique	Unobservable Input	Unobservable Input Assumption
Equity securities:					
Nonredeemable preferred stocks:					
Financials	$	27.1	Pricing firm	Recent transaction price per share	9.0
Industrials		6.0	Pricing firm	Performance-based transaction price adjustment per share	4.8
Industrials[1]		10.0	Internal price	Unadjusted purchase price per share	4.9
Subtotal Level 3 securities		43.1			
Pricing exemption securities		0.3			
Total Level 3 securities	$	43.4			

[1] The security was purchased in November 2019.

4. DEBT

Debt at December 31, consisted of:

	2020		2019	
(millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
3.75% Senior Notes due 2021 (issued: $500.0, August 2011)	$ 499.8	$ 510.9	$ 499.4	$ 515.6
2.45% Senior Notes due 2027 (issued: $500.0, August 2016)	497.3	541.1	496.9	501.5
6 5/8% Senior Notes due 2029 (issued: $300.0, March 1999)	296.9	409.4	296.6	392.5
4.00% Senior Notes due 2029 (issued: $550.0, October 2018)	545.5	660.4	545.0	614.3
3.20% Senior Notes due 2030 (issued: $500.0, March 2020)	496.1	575.5	0	0
6.25% Senior Notes due 2032 (issued: $400.0, November 2002)	396.0	582.0	395.7	552.6
4.35% Senior Notes due 2044 (issued: $350.0, April 2014)	346.7	459.7	346.7	417.0
3.70% Senior Notes due 2045 (issued: $400.0, January 2015)	395.5	481.0	395.4	434.2
4.125% Senior Notes due 2047 (issued: $850.0, April 2017)	841.7	1,113.1	841.6	986.1
4.20% Senior Notes due 2048 (issued: $600.0, March 2018)	590.0	806.7	589.8	705.8
3.95% Senior Notes due 2050 (issued: $500.0, March 2020)	490.6	653.7	0	0
Total	$ 5,396.1	$ 6,793.5	$ 4,407.1	$ 5,119.6

All of the outstanding debt was issued by The Progressive Corporation and includes amounts that were borrowed and contributed to the capital of its insurance subsidiaries or used, or made available for use, for other business purposes. Fair values for these debt instruments are obtained from external sources. There are no restrictive financial covenants or credit rating triggers on the outstanding debt.

Interest on all debt is payable semiannually at the stated rates. All principal is due at the stated maturity. Each note is redeemable, in whole or in part, at any time; however, the redemption price will equal the greater of the principal amount of the note or a "make whole" amount calculated by reference to the present values of remaining scheduled principal and interest payments under the note.

We issued $500 million of 3.20% Senior Notes due 2030 and $500 million of 3.95% Senior Notes due 2050 in March 2020, in an underwritten public offering. The net proceeds from these issuances, after deducting underwriters' discounts, commissions, and other issuance costs, were approximately $986.3 million in aggregate.

Aggregate required principal payments on debt outstanding at December 31, 2020, were as follows:

(millions) Year	Payments
2021	$ 500
2022	0
2023	0
2024	0
2025	0
Thereafter	4,950
Total	$ 5,450

Prior to certain issuances of our debt securities, we entered into forecasted transactions to hedge against possible rises in interest rates. When the contracts were closed upon the issuance of the applicable debt securities, we recognized the unrealized gains (losses) on these contracts as part of accumulated other comprehensive income (see *Note 1 – Reporting and Accounting Policies* for further discussion). These unrealized gains (losses) are being amortized as adjustments to interest expense over the life of the related notes. The following table shows the original gain (loss) recognized at debt issuance and the unamortized balance at December 31, 2020, on a pretax basis:

(millions)	Unrealized Gain (Loss) at Debt Issuance	Unamortized Balance at December 31, 2020
3.75% Senior Notes	$ (5.1)	$ (0.4)
6 5/8% Senior Notes	(4.2)	(2.2)
6.25% Senior Notes	5.1	3.2
4.35% Senior Notes	(1.6)	(1.4)
3.70% Senior Notes	(12.9)	(11.4)
4.125% Senior Notes	(8.0)	(7.5)

We reclassified $1.1 million in 2020, and $1.0 million in 2019 and 2018, of net unrealized losses from accumulated other comprehensive income to interest expense on our closed debt issuance cash flow hedges.

During 2020, we renewed the line of credit with PNC Bank, National Association (PNC), in the maximum principal amount of $250 million. Subject to the terms and conditions of the line of credit documents, advances under the line of credit (if any) will bear interest at a variable rate equal to the higher of PNC's Prime Rate or the sum of the Federal Funds Open Rate plus 175 basis points. Each advance must be repaid on the 30th day after the advance or, if earlier, on April 30, 2021, the expiration date of the line of credit. Prepayments are permitted without penalty.

The line of credit is uncommitted and, as such, all advances are subject to PNC's discretion. We had no borrowings under either line of credit in 2020 or 2019.

5. INCOME TAXES

The components of our income tax provision for the years ended December 31, were as follows:

(millions)	2020	2019	2018
Current tax provision			
Federal	$ 1,395.7	$ 1,133.2	$ 673.1
State	35.6	27.3	21.5
Deferred tax expense (benefit)			
Federal	35.8	16.8	(145.9)
State	1.5	3.0	(6.1)
Total income tax provision	$ 1,468.6	$ 1,180.3	$ 542.6

The provision for income taxes in the accompanying consolidated statements of comprehensive income differed from the statutory rate for the years ended December 31, as follows:

(millions)	2020		2019		2018	
Income before income taxes	$ 7,173.2		$ 5,160.3		$ 3,163.6	
Tax at statutory federal rate	$ 1,506.4	21 %	$ 1,083.7	21 %	$ 664.4	21 %
Tax effect of:						
Reversal of prior year tax credits	0	0	163.2	3	0	0
Tax credits[1]	(5.4)	0	(43.9)	(1)	(76.3)	(2)
Stock-based compensation	(22.7)	(1)	(25.9)	(1)	(25.1)	(1)
Tax-deductible dividends	(25.1)	(1)	(14.6)	0	(14.6)	0
Tax-preferenced investment income	(15.2)	0	(14.0)	0	(15.6)	(1)
Nondeductible compensation expense	6.4	0	8.1	0	(0.2)	0
State income taxes, net of federal taxes	29.3	1	24.0	1	12.2	0
Other items, net	(5.1)	0	(0.3)	0	(2.2)	0
Total income tax provision	$ 1,468.6	20 %	$ 1,180.3	23 %	$ 542.6	17 %

[1] Includes $0, $38.1 million, and $71.0 million for 2020, 2019, and 2018, respectively, of benefits on investments in federal renewable energy tax credit funds.

In late December 2018, we learned of allegations of potential fraudulent conduct by the sponsor of three tax credit fund investments we made from 2016 through 2018, including information about ongoing federal investigations. Based on our investigations and other information that became available to us, we concluded the sponsor had committed fraud through these tax credit funds and that all the tax credits and other tax benefits related to those investments were not valid. As a result, during 2019, we increased our provision for income taxes by $163.2 million ($252.0 million current income taxes payable, offset by $88.8 million reduction of deferred tax liability), principally reflecting the total reversal of the tax credits and other tax benefits previously recognized from certain renewable energy investments, plus interest. In addition, we paid $100.0 million related to the 2018 tax year, which reduced net taxes payable, and made protective deposits of $152.1 million for tax years 2017 and 2016. During 2020, $48.8 million of this deposit was applied against our 2016 tax liability, including interest. The remaining protective deposit of $103.3 million is included in other assets on our consolidated balance sheets. The principals of the sponsor and various other individuals have pleaded guilty to federal criminal charges relating to the fraudulent tax credit funds.

Deferred income taxes reflect the effect for financial statement reporting purposes of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The following table shows the components of the net deferred tax asset (liability) at December 31, 2020 and 2019, respectively.

(millions)	**2020**	**2019**
Federal deferred income tax assets:		
Unearned premiums reserve	$ 552.5	$ 498.2
Non-deductible accruals	238.2	181.8
Loss and loss adjustment expense reserves	170.0	153.3
Operating lease liabilities	37.4	42.3
Investment basis difference	18.6	27.4
Hedges on forecasted transactions	4.1	4.4
Other	25.8	15.3
Federal deferred income tax liabilities:		
Net holding period gains on equity securities	(620.5)	(472.2)
Deferred acquisition costs	(259.8)	(221.9)
Net unrealized gains on fixed-maturity securities	(253.4)	(96.5)
Property and equipment	(105.6)	(108.6)
Loss and loss adjustment expense reserve transition adjustment	(39.3)	(47.2)
Operating lease assets	(37.4)	(42.3)
Intangible assets	(27.6)	(38.9)
Prepaid expenses	(5.5)	(4.8)
Other	(7.5)	(8.3)
Net federal deferred income taxes	(310.0)	(118.0)
State deferred income tax assets[1]	11.9	15.2
State deferred income tax liabilities[1]	(4.0)	(1.2)
Total	$ (302.1)	$ (104.0)

[1] Recorded in "other assets" and "accounts payable, accrued expenses, and other liabilities," respectively, on the consolidated balance sheets; the prior year amounts were reclassified into these line items from "net federal deferred income taxes" to conform to the current year presentation.

Although realization of the deferred tax assets is not assured, management believes that it is more likely than not that the deferred tax assets will be realized based on our expectation that we will be able to fully utilize the deductions that are ultimately recognized for tax purposes and, therefore, no valuation allowance was needed at December 31, 2020 or 2019.

At December 31, 2020 and 2019, we had $163.5 million and $224.0 million, respectively, of net taxes payable (included in other liabilities on our consolidated balance sheets). Net taxes payable included the impact from the reversal of the tax credit benefits for 2017 and 2016.

The Progressive Corporation and its subsidiaries file a consolidated federal income tax return. Effective April 2018, we acquired additional shares of ARX Holding Corp. ("ARX") to increase our ownership above 80%. As a result, ARX and its subsidiaries were first included in The Progressive Corporation consolidated federal income tax return for the period from April 2018 to December 31, 2018. ARX filed a final consolidated federal income tax return with its subsidiaries for the period from January to March 2018.

The Progressive Corporation and its eligible subsidiaries participated in the Compliance Assurance Program (CAP) from 2007 through 2018. Under CAP, the IRS begins its examination process for the tax year before the tax return is filed, by examining significant transactions and events as they occur; however, a CAP examination does not include equity investments in pass-through entities in which the taxpayer owns less than 100% (e.g., partnerships, joint
ventures, etc.). The goal of the CAP program is to expedite the exam process and to reduce the level of uncertainty regarding a taxpayer's tax filing positions.

All federal income tax years prior to 2017 are closed to examination for The Progressive Corporation. The IRS CAP exams for 2017 and 2018 for The Progressive Corporation have been completed and the returns were accepted as filed. We consider these years to be effectively settled (other than with respect to equity investments in pass-through entities). The 2019 and 2020 tax years remain open to examination.

For the tax year ended March 2018, and for 2017 and prior years, ARX and its eligible subsidiaries filed their own consolidated federal income tax returns. All tax years prior to 2017 are closed and the 2017 and short 2018 tax years remain open to examination.

The statute of limitations for state income tax purposes generally remains open for three to four years from the return filing date, depending upon the jurisdiction. There has been no significant state income tax audit activity.

We recognize interest and penalties, if any, as a component of income tax expense. For the years ended December 31, 2020, 2019, and 2018, $0, $9.9 million, and $0, respectively, of interest and penalties expense has been recorded in the tax provision. We have not recorded any unrecognized tax benefits, or any related interest and penalties, as of December 31, 2020 and 2019.

6. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

We write personal and commercial auto insurance, residential property insurance, and other specialty property-casualty insurance and related services throughout the United States. As a property-casualty insurance company, we are exposed to hurricanes or other catastrophes. We are unable to predict the frequency or severity of any such events that may occur in the near term or thereafter. To help mitigate this risk in our Property business, we currently maintain excess of loss reinsurance coverage, both on an aggregate and a per occurrence basis, and had aggregate stop-loss reinsurance coverage covering accident years 2017 to 2019.

As we are primarily an insurer of motor vehicles and residential property, we have limited exposure to environmental, asbestos, and general liability claims. We have established reserves for such exposures, which represent about 0.1% of our total loss and loss adjustment expense reserves. We believe these reserves to be adequate based on information currently known. These claims are not expected to have a material effect on our liquidity, financial condition, cash flows, or results of operations.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense (LAE) reserves represent our best estimate of our ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. For our Personal and Commercial Lines vehicle businesses, which represent about 94% of our total carried reserves, we establish loss and LAE reserves after completing reviews at a disaggregated level of grouping. Progressive's actuarial staff reviews over 400 subsets of business data, which are at a combined state, product, and line coverage level, to calculate the needed loss and LAE reserves. During a reserve review, ultimate loss amounts are estimated using several industry standard actuarial projection methods. These methods take into account historical comparable loss data at the subset level and estimate the impact of various loss development factors, such as the frequency (number of losses per earned car year), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of loss adjustment expense costs.

We begin our review of a set of data by producing multiple estimates of needed reserves, using both paid and incurred data, to determine if a reserve change is required. In the event of a wide variation among results generated by the different projections, our actuarial group will further analyze the data using additional quantitative analysis. Each review develops a point estimate for a relatively small subset of the business, which allows us to establish meaningful reserve levels for that subset. We believe our comprehensive process of reviewing at a subset level provides us more meaningful estimates of our aggregate loss reserves.

The actuarial staff completes separate projections of needed case and incurred but not recorded (IBNR) reserves. Since a large majority of the parties involved in an accident report their claims within a short time period after the occurrence, we do not carry a significant amount of IBNR reserves for older accident years. Based on the methodology we use to estimate case reserves for our vehicle businesses, we do not have expected development on reported claims included in our IBNR reserves. We do, however, include anticipated salvage and subrogation recoveries in our IBNR reserves, which could result in negative carried IBNR reserves, primarily in our physical damage reserves.

Changes from historical data may reduce the predictiveness of our projected future loss costs. Internal considerations that are process-related, which generally result from changes in our claims organization's activities, include claim closure rates, the number of claims that are closed without payment, and the level of the claims representatives' estimates of the needed case reserve for each claim. These changes and their effect on the historical data are studied at the state level versus on a larger, less indicative, countrywide basis. External items considered include the litigation atmosphere, state-by-state changes in medical costs, and the availability of services to resolve claims. These also are better understood at the state level versus at a more macro, countrywide level. The actuarial staff takes these changes into consideration when making their assumptions to determine needed reserve levels.

Similar to our vehicle businesses, our actuarial staff analyzes loss and LAE data for our Property business on an accident period basis. Many of the methodologies and key parameters reviewed are similar. In addition, for our Property business, since claims adjusters primarily establish the case reserves, the actuarial staff includes expected development on case reserves as a component of the overall IBNR reserves.

Activity in the loss and LAE reserves is summarized as follows:

(millions)	2020	2019	2018
Balance at January 1	$ 18,105.4	$ 15,400.8	$ 13,086.9
Less reinsurance recoverables on unpaid losses	3,212.2	2,572.7	2,170.1
Net balance at January 1	14,893.2	12,828.1	10,916.8
Incurred related to:			
Current year	24,926.5	25,238.2	21,632.5
Prior years	195.3	232.3	88.5
Total incurred	25,121.8	25,470.5	21,721.0
Paid related to:			
Current year	15,584.4	16,105.0	13,792.1
Prior years	7,963.0	7,300.4	6,017.6
Total paid	23,547.4	23,405.4	19,809.7
Net balance at December 31	16,467.6	14,893.2	12,828.1
Plus reinsurance recoverables on unpaid losses	3,798.2	3,212.2	2,572.7
Balance at December 31	$ 20,265.8	$ 18,105.4	$ 15,400.8

We experienced unfavorable reserve development of $195.3 million, $232.3 million, and $88.5 million in 2020, 2019, and 2018, respectively, which is reflected as "Incurred related to prior years" in the table above.

2020

- Approximately $59 million of the unfavorable prior year reserve development was attributable to accident year 2019, $107 million to accident year 2018, and the remainder to 2017 and prior accident years.
- Our personal auto products incurred about $136 million of unfavorable loss and LAE reserve development, with the Agency and Direct auto businesses each contributing about half, primarily attributable to higher than anticipated frequency of reopened personal injury protection (PIP) claims, primarily in Florida, updated estimates of our per claim settlement costs, and late reported losses occurring toward the end of 2019 but not reported until 2020, which was partially offset by higher than anticipated salvage and subrogation recoveries.
- Our Commercial Lines business experienced about $98 million of unfavorable development, primarily due to increased injury severity and the emergence of large injury claims at rates higher than originally anticipated.
- Our special lines and Property businesses experienced about $25 million and $14 million, respectively, of favorable development driven by favorable case development across all products, as severity was lower than expected.

2019

- Approximately $131 million of the unfavorable prior year reserve development was attributable to accident year 2018, $73 million to accident year 2017, and the remainder to 2016 and prior accident years.
- Our personal auto products incurred about $121 million of unfavorable loss and LAE reserve development, with the Agency and Direct auto businesses each contributing about half, primarily reflecting increased injury severity, a higher than anticipated frequency of reopened PIP claims, primarily in Florida, and late reported losses occurring late 2018 but not reported until 2019.
- Our Commercial Lines business experienced about $83 million of unfavorable development, primarily due to increased injury severity and more emergence of large injury claims than originally anticipated.
- Our special lines business experienced about $14 million of unfavorable development, primarily due to less salvage and subrogation recoveries than originally anticipated and increased severity of late reported claims.
- Our Property businesses experienced about $12 million of unfavorable development, primarily due to higher than originally anticipated homeowner and dwelling costs and fire liability costs.

2018

- Approximately $99 million of unfavorable prior year reserve development was attributable to accident years 2017 and 2016. This unfavorable development was offset by about $10 million of favorable development attributable to accident year 2015 and prior accident years.
- Our personal auto products incurred almost $85 million of unfavorable loss and LAE reserve development, with approximately 70% attributable to the Agency business and 30% attributable to the Direct business, primarily reflecting unfavorable development from reopened Florida PIP claims.

- Our special lines and Property businesses experienced about $5 million and $3 million of unfavorable development, respectively, while our commercial auto products had about $4 million of favorable reserve development.

Incurred and Paid Claims Development by Accident Year

The following tables present our incurred, net of reinsurance, and paid claims development by accident year for the last five years, which generally represents the maximum development period for claims in any of our segments. The tables below include inception-to-date information for companies acquired and wholly exclude companies disposed of, rather than including information from the date of acquisition, or until the date of disposition. We believe the most meaningful presentation of claims development is through the retrospective approach by presenting all relevant historical information for all periods presented.

We have elected to present our incurred and paid claims development consistent with our GAAP reportable segments (see *Note 10 – Segment Information* for a discussion of our segment reporting), with a further disaggregation of our Personal Lines and Commercial Lines claims development between liability and physical damage, since the loss patterns are significantly different between them. The other business primarily includes reserves for our run-off products, which are not considered material, and, therefore, we are not including separate claims development tables.

Only 2020 is audited; all prior years are considered required supplementary information and, therefore, are unaudited. Expected development on our case reserves is excluded from the IBNR reserves on our vehicle businesses, as discussed above. For the Property business, the IBNR reserves include expected case development based on the methodology used in establishing the case reserves for that segment. The cumulative number of incurred claims are based on accident coverages (e.g., bodily injury, collision, comprehensive, personal injury protection, property damage) related to opened claims. Coverage counts related to claims closed without payment are excluded from the cumulative number of incurred claims.

Personal Lines - Agency - Liability
($ in millions)

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2020	
	For the years ended December 31,						
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020	Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
2016	$ 4,082.9	$ 4,130.0	$ 4,152.0	$ 4,177.3	$ 4,137.8	$ 0	740,535
2017		4,474.8	4,485.8	4,511.1	4,546.4	72.3	779,303
2018			5,141.8	5,182.1	5,192.7	100.0	856,108
2019				5,885.0	5,886.9	264.3	913,063
2020					5,433.8	926.8	750,654
				Total	$ 25,197.6		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	For the years ended December 31,				
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020
2016	$ 1,941.6	$ 3,231.5	$ 3,723.1	$ 3,969.5	$ 4,062.5
2017		2,074.0	3,478.5	4,048.5	4,285.5
2018			2,378.0	4,028.7	4,635.0
2019				2,715.2	4,533.2
2020					2,383.0
				Total	$ 19,899.2
All outstanding liabilities before 2016, net of reinsurance[1]					80.3
Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 5,378.7

[1] Required supplementary information (unaudited)

Personal Lines - Agency - Physical Damage
($ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance												As of December 31, 2020	
	For the years ended December 31,												
Accident Year		2016[1]		2017[1]		2018[1]		2019[1]		2020		Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
2016	$	2,423.4	$	2,398.9	$	2,401.8	$	2,400.1	$	2,402.8	$	0	1,399,156
2017				2,635.5		2,638.5		2,643.5		2,640.6		(4.0)	1,514,873
2018						2,819.0		2,822.6		2,821.7		(3.4)	1,694,997
2019								3,277.9		3,254.7		(13.4)	1,876,942
2020										3,328.5		(183.4)	1,768,482
								Total	$	14,448.3			

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										
	For the years ended December 31,									
Accident Year		2016[1]		2017[1]		2018[1]		2019[1]		2020
2016	$	2,391.0	$	2,406.9	$	2,402.1	$	2,402.2	$	2,401.8
2017				2,599.8		2,643.2		2,640.9		2,640.8
2018						2,769.1		2,827.4		2,819.9
2019								3,242.5		3,259.2
2020										3,250.1
								Total	$	14,371.8
All outstanding liabilities before 2016, net of reinsurance[1]										5.9
Liabilities for claims and claim adjustment expenses, net of reinsurance									$	82.4

[1] Required supplementary information (unaudited)

Personal Lines - Direct - Liability
($ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance												As of December 31, 2020	
	For the years ended December 31,												
Accident Year		2016[1]		2017[1]		2018[1]		2019[1]		2020		Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
2016	$	3,819.0	$	3,843.9	$	3,871.2	$	3,897.8	$	3,866.1	$	0	735,791
2017				4,209.5		4,209.9		4,229.3		4,254.4		61.3	772,986
2018						4,904.8		4,980.9		5,003.2		88.0	870,978
2019								5,756.5		5,811.7		243.5	954,209
2020										5,356.9		901.1	786,809
								Total	$	24,292.3			

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										
	For the years ended December 31,									
Accident Year		2016[1]		2017[1]		2018[1]		2019[1]		2020
2016	$	1,780.6	$	2,991.1	$	3,476.9	$	3,714.6	$	3,799.1
2017				1,912.6		3,255.2		3,808.3		4,035.6
2018						2,235.1		3,863.5		4,481.7
2019								2,630.3		4,452.5
2020										2,301.3
								Total	$	19,070.2
All outstanding liabilities before 2016, net of reinsurance[1]										55.2
Liabilities for claims and claim adjustment expenses, net of reinsurance									$	5,277.3

[1] Required supplementary information (unaudited)

Personal Lines - Direct - Physical Damage
($ in millions)

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2020	
	For the years ended December 31,						
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020	Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
2016	$ 2,521.0	$ 2,475.4	$ 2,477.7	$ 2,475.6	$ 2,478.5	$ 0	1,676,396
2017		2,750.6	2,743.7	2,749.0	2,745.6	(5.1)	1,791,582
2018			3,202.3	3,181.9	3,182.0	(5.1)	2,069,684
2019				3,787.9	3,737.8	(22.7)	2,269,857
2020					3,775.6	(264.5)	2,137,810
				Total	$ 15,919.5		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	For the years ended December 31,				
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020
2016	$ 2,505.0	$ 2,485.8	$ 2,479.3	$ 2,478.5	$ 2,477.8
2017		2,742.1	2,753.5	2,748.4	2,747.6
2018			3,170.0	3,193.8	3,183.0
2019				3,782.6	3,751.3
2020					3,720.0
				Total	$ 15,879.7
				All outstanding liabilities before 2016, net of reinsurance[1]	0.8
				Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 40.6

[1] Required supplementary information (unaudited)

Commercial Lines - Liability
($ in millions)

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2020	
	For the years ended December 31,						
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020	Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
2016	$ 1,185.8	$ 1,204.8	$ 1,231.1	$ 1,238.9	$ 1,224.9	$ 0	92,688
2017		1,374.1	1,366.6	1,393.3	1,374.6	18.3	97,448
2018			1,700.8	1,736.5	1,789.7	41.5	111,767
2019				2,103.1	2,175.6	116.3	126,959
2020					2,161.8	369.8	105,900
				Total	$ 8,726.6		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	For the years ended December 31,				
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020
2016	$ 298.6	$ 639.9	$ 886.0	$ 1,073.3	$ 1,153.4
2017		325.8	712.9	1,027.3	1,183.6
2018			382.7	913.4	1,290.5
2019				455.4	1,120.1
2020					427.6
				Total	$ 5,175.2
				All outstanding liabilities before 2016, net of reinsurance[1]	34.9
				Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 3,586.3

[1] Required supplementary information (unaudited)

Commercial Lines - Physical Damage
($ in millions)

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2020	
	For the years ended December 31,						
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020	Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
2016	$ 379.6	$ 379.8	$ 378.2	$ 377.8	$ 378.1	$ 0	74,199
2017		415.4	412.1	411.0	409.9	(0.9)	77,170
2018			475.0	478.2	476.6	(1.4)	82,134
2019				577.8	574.2	(3.3)	88,897
2020					575.2	(14.1)	87,333
				Total	$ 2,414.0		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	For the years ended December 31,				
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020
2016	$ 336.7	$ 376.9	$ 376.8	$ 377.5	$ 377.6
2017		369.0	409.4	409.2	409.4
2018			426.0	475.1	475.3
2019				516.9	571.5
2020					497.9
				Total	$ 2,331.7
				All outstanding liabilities before 2016, net of reinsurance[1]	0.4
				Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 82.7

[1] Required supplementary information (unaudited)

Property Business
($ in millions)

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2020	
	For the years ended December 31,						
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020	Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
2016	$ 568.6	$ 541.2	$ 537.1	$ 536.5	$ 535.5	$ 2.4	53,693
2017		672.8	680.9	683.4	681.3	1.3	74,140
2018			839.0	845.2	845.4	18.2	63,722
2019				971.7	965.2	11.7	72,396
2020					1,223.5	252.4	80,820
				Total	$ 4,250.9		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	For the years ended December 31,				
Accident Year	2016[1]	2017[1]	2018[1]	2019[1]	2020
2016	$ 415.2	$ 498.2	$ 516.9	$ 526.4	$ 530.8
2017		506.7	647.1	670.1	675.0
2018			595.9	781.2	812.6
2019				708.0	930.4
2020					832.5
				Total	$ 3,781.3
				All outstanding liabilities before 2016, net of reinsurance[1]	5.1
				Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 474.7

[1] Required supplementary information (unaudited)

The following table reconciles the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses:

(millions)	2020	2019
Net outstanding liabilities		
Personal Lines		
Agency, Liability	$ 5,378.7	$ 5,117.4
Agency, Physical Damage	82.4	32.4
Direct, Liability	5,277.3	4,936.8
Direct, Physical Damage	40.6	(7.7)
Commercial Lines		
Liability	3,586.3	3,080.8
Physical Damage	82.7	66.6
Property	474.7	357.2
Other business	66.7	30.8
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	14,989.4	13,614.3
Reinsurance recoverable on unpaid claims		
Personal Lines		
Agency, Liability	959.6	930.7
Agency, Physical Damage	0	0
Direct, Liability	1,475.8	1,314.1
Direct, Physical Damage	0	0
Commercial Lines		
Liability	758.5	482.6
Physical Damage	(0.3)	0.5
Property	226.9	184.1
Other business	358.6	288.1
Total reinsurance recoverable on unpaid claims	3,779.1	3,200.1
Unallocated claims adjustment expense related to:		
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	1,478.2	1,278.9
Reinsurance recoverable on unpaid claims	19.1	12.1
Total gross liability for unpaid claims and claim adjustment expense	$ 20,265.8	$ 18,105.4

The following table shows the average historical claims duration as of December 31, 2020:

(Required Supplementary Information - Unaudited)

	Years				
Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance	**1**	**2**	**3**	**4**	**5**
Personal Lines					
Agency, Liability	45.6%	31.2%	12.0%	5.6%	2.2%
Agency, Physical Damage	98.6	1.2	(0.2)	0	0
Direct, Liability	44.7	31.7	12.6	5.7	2.2
Direct, Physical Damage	100.0	(0.1)	(0.3)	0	0
Commercial Lines					
Liability	21.7	29.3	21.4	13.2	6.5
Physical Damage	88.9	10.0	0	0.1	0
Property	71.9	20.8	3.5	1.2	0.8

7. REINSURANCE

The effect of reinsurance on premiums written and earned for the years ended December 31, was as follows:

		2020			2019			2018	
(millions)		Written	Earned		Written	Earned		Written	Earned
Direct premiums	$	41,736.4	$ 40,687.7	$	39,222.0	$ 37,519.7	$	33,753.1	$ 31,970.2
Ceded premiums:									
Regulated		(648.2)	(686.5)		(711.1)	(670.8)		(596.4)	(557.5)
Non-Regulated		(519.5)	(739.6)		(933.0)	(656.5)		(546.8)	(479.4)
Total ceded premiums		(1,167.7)	(1,426.1)		(1,644.1)	(1,327.3)		(1,143.2)	(1,036.9)
Net premiums	$	40,568.7	$ 39,261.6	$	37,577.9	$ 36,192.4	$	32,609.9	$ 30,933.3

Regulated refers to federal or state run plans and primarily include the following:

- Federal reinsurance plan
  - National Flood Insurance Program (NFIP)
- State-provided reinsurance facilities
  - Michigan Catastrophic Claims Association (MCCA)
  - North Carolina Reinsurance Facility (NCRF)
  - Florida Hurricane Catastrophe Fund (FHCF)
- State-mandated involuntary plans
  - Commercial Automobile Insurance Procedures/Plans (CAIP)

Non-Regulated represents voluntary external reinsurance contracts entered into by the company. These include amounts ceded on our Commercial Lines business primarily related to transportation network company (TNC) business under quota-share reinsurance agreements and amounts ceded on our Property business under catastrophic occurrence excess of loss, aggregate excess of loss, beginning January 1, 2020, and, for accident years 2017-2019, aggregate stop-loss reinsurance agreements.

At December 31, 2020, we wrote TNC business in 20 states and the District of Columbia, compared to 17 states and 4 states at year-end 2019 and 2018, respectively. While expanding our footprint in the TNC business increased our ceded written premium in 2019, during 2020 the impact of this expansion was mitigated by a significant decrease in vehicle miles driven, which was attributable to COVID-19 restrictions. Premiums written on TNC policies are estimated based on projections of miles driven during the policy term, and such estimates are revised monthly based on actual miles driven and revised estimates of miles driven for the remaining policy term. The increase in ceded earned premiums in both 2020 and 2019 reflects the growth in the TNC business.

Our reinsurance recoverables and prepaid reinsurance premiums were comprised of the following at December 31:

	Reinsurance Recoverables				Prepaid Reinsurance Premiums			
($ in millions)	2020		2019		2020		2019	
Regulated:								
MCCA	$ 2,428.8	60 %	$ 2,247.1	67 %	$ 33.3	9 %	$ 71.8	12 %
CAIP	397.8	10	332.4	10	84.7	23	93.8	15
NCRF	88.6	2	84.4	2	41.9	11	33.8	5
FHCF	54.8	1	86.0	3	0	0	0	0
NFIP	24.2	1	11.6	0	60.7	17	58.7	9
Other	3.2	0	3.1	0	1.3	0	1.0	0
Total Regulated	2,997.4	74	2,764.6	82	221.9	60	259.1	41
Non-Regulated:								
Commercial Lines	753.2	19	459.5	14	134.5	37	352.9	56
Property	261.7	7	146.8	4	11.7	3	14.5	3
Other	7.1	0	8.0	0	0	0	0	0
Total Non-Regulated	1,022.0	26	614.3	18	146.2	40	367.4	59
Total	$ 4,019.4	100 %	$ 3,378.9	100 %	$ 368.1	100 %	$ 626.5	100 %

The increase in our reinsurance recoverables on our Commercial Lines business primarily reflects the growth in the TNC business, while the decrease in the prepaid reinsurance premiums is due to the reduction of premiums written due to the COVID-19 restrictions as discussed above.

Reinsurance contracts do not relieve us from our obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to us. Our exposure to losses from the failure of Regulated plans is minimal, since these plans are funded by the federal government or by mechanisms supported by insurance companies in applicable states. We evaluate the financial condition of our other reinsurers and monitor concentrations of credit risk to minimize our exposure to significant losses from reinsurer insolvencies.

We routinely monitor changes in the credit quality and concentration risks of the reinsurers who are counter parties to our reinsurance recoverables to determine if an allowance for credit losses should be established. For at-risk uncollateralized recoverable balances, we evaluate a number of reinsurer specific factors, including reinsurer credit quality rating, credit rating outlook, historical experience, reinsurer surplus, recoverable duration, and collateralization composition in respect to our net exposure (i.e., the reinsurance recoverable amount less premiums payable to the reinsurer, where the right to offset exists). At December 31, 2020, the allowance for credit losses related to these contracts was not material to our financial condition or results of operations.

8. STATUTORY FINANCIAL INFORMATION

Consolidated statutory surplus was $15,194.6 million and $13,671.1 million at December 31, 2020 and 2019, respectively. Statutory net income was $4,911.4 million, $3,489.7 million, and $2,643.0 million for the years ended December 31, 2020, 2019, and 2018, respectively.

At December 31, 2020, $1,142.0 million of consolidated statutory surplus represented net admitted assets of our insurance subsidiaries and affiliates that are required to meet minimum statutory surplus requirements in such entities' states of domicile. The companies may be licensed in states other than their states of domicile, which may have higher minimum statutory surplus requirements. Generally, the net admitted assets of insurance companies that, subject to other applicable insurance laws and regulations, are available for transfer to the parent company cannot include the net admitted assets required to meet the minimum statutory surplus requirements of the states where the companies are licensed.

During 2020, the insurance subsidiaries paid aggregate cash dividends of $4,096.5 million to their parent company. Based on the dividend laws currently in effect, the insurance subsidiaries could pay aggregate dividends of $4,612.6 million in 2021 without prior approval from regulatory authorities, provided the dividend payments are not made within 12 months of previous dividends paid by the applicable subsidiary.

9. EMPLOYEE BENEFIT PLANS

Retirement Plans Progressive has a defined contribution pension plan (401(k) Plan) that covers employees who have been employed with the company for at least 30 days. Under Progressive's 401(k) Plan, we match up to a maximum of 6% of an employee's eligible compensation contributed to the plan. Employee and company matching contributions are invested, at the direction of the employee, in a number of investment options available under the plan, including various mutual funds, a self-directed brokerage option, and a Progressive common stock fund.

Progressive's common stock fund is an employee stock ownership program (ESOP) within the 401(k) Plan. At December 31, 2020, the ESOP held 21.5 million of our common shares, all of which are included in shares outstanding. Dividends on these shares are reinvested in common shares or paid out in cash, at the election of the participant, and the related tax benefit is recorded as part of our tax provision. Matching contributions to these plans for the years ended December 31, 2020, 2019, and 2018 were $131.2 million, $120.8 million, and $106.8 million, respectively.

Postemployment Benefits Progressive provides various postemployment benefits to former or inactive employees who meet eligibility requirements, and to their beneficiaries and covered dependents. Postemployment benefits include salary continuation and disability-related benefits, including workers' compensation and, if elected, continuation of health-care benefits for specified limited periods. The liability for these benefits was $24.1 million and $22.2 million at December 31, 2020 and 2019, respectively.

Incentive Compensation Plans – Employees Progressive's incentive compensation programs include both non-equity incentive plans (cash) and equity incentive plans. Progressive's cash incentive compensation included an annual cash incentive program (i.e., Gainsharing Program) for virtually all employees. Progressive's equity incentive compensation plans provide for the granting of restricted stock unit awards to key members of management.

The amounts charged to expense for incentive compensation plans for the years ended December 31, were:

	2020		2019		2018	
(millions)	Pretax	After Tax	Pretax	After Tax	Pretax	After Tax
Non-equity incentive plans – cash	$ 688.8	$ 544.2	$ 598.4	$ 472.7	$ 539.5	$ 426.2
Equity incentive plans:						
Equity awards	89.4	70.6	90.1	71.2	76.2	60.2
Liability awards[1]	0	0	0.1	0.1	1.0	0.8

[1]Relates to stock options granted to key employees of ARX, which were exercised in 2020. See *Note 15 – Redeemable Noncontrolling Interest* for further discussion.

Under Progressive's 2015 Equity Incentive Plan, which provides for the granting of equity-based compensation to officers and other key employees, 17.0 million shares, in the aggregate, were authorized for issuance.

The restricted equity awards are issued as either time-based or performance-based awards. Generally, equity awards are expensed pro rata over their respective vesting periods, based on the market value of the awards at the time of grant, with accelerated expense for participants who reach qualified retirement provisions. The time-based awards vest in equal installments upon the lapse of specified periods of time, typically three, four, and five years, subject to the retirement provisions of the applicable award agreements.

Performance-based awards that contain variable vesting criteria are expensed based on management's expectation of the percentage of the award, if any, that will ultimately vest. These estimates can change periodically throughout the measurement period. Vesting of performance-based awards is contingent upon the achievement of pre-determined performance goals within specified time periods.

The performance-based awards were granted to executives and other senior managers in 2020, in addition to their time-based awards, to provide additional incentive to achieve pre-established profitability and growth targets or relative investment performance. The targets for the performance-based awards, as well as the number of units that ultimately may vest, vary by grant.

The details of the performance-based equity awards that were outstanding at December 31, 2020, are as follows:

Performance Measurement	Year(s) of Grant	Vesting range (as a percentage of target)
Growth of our personal auto and commercial auto businesses and homeowners multi-peril business, each compared to its respective market	2018-2020	0-250%
Investment results relative to peer group	2018-2020	0-200%

All restricted equity awards are settled at or after vesting in Progressive common shares from existing treasury shares on a one-to-one basis.

A summary of all employee restricted equity award activity during the years ended December 31, follows:

Restricted Equity Awards	2020 Number of Shares[1]	2020 Weighted Average Grant Date Fair Value	2019 Number of Shares[1]	2019 Weighted Average Grant Date Fair Value	2018 Number of Shares[1]	2018 Weighted Average Grant Date Fair Value
Beginning of year	3,879,077	$ 48.28	4,856,356	$ 38.56	5,858,848	$ 30.47
Add (deduct):						
Granted[2]	1,629,534	55.28	1,835,145	49.61	1,876,109	45.55
Vested	(1,861,442)	36.19	(2,691,337)	31.85	(2,811,070)	26.41
Forfeited	(76,898)	52.79	(121,087)	43.98	(67,531)	36.10
End of year[3,4]	3,570,271	$ 57.68	3,879,077	$ 48.28	4,856,356	$ 38.56

[1] Includes restricted stock units. All performance-based awards are included at their target amounts.

[2] We reinvest dividend equivalents on restricted stock units. For 2020, 2019, and 2018, the number of units "granted" shown in the table above includes 144,389, 210,159, and 144,688 of dividend equivalent units, respectively, at a weighted average grant date fair value of $0, since the dividends were factored into the grant date fair value of the original grant.

[3] At December 31, 2020, the number of shares included 707,293 performance-based units at their target amounts. We expect 1,658,308 units to vest based upon our current estimates of the likelihood of achieving the pre-determined performance goals applicable to each award.

[4] At December 31, 2020, the total unrecognized compensation cost related to unvested equity awards was $102.1 million, which includes performance-based awards at their currently estimated vesting value. This compensation expense will be recognized into the consolidated statements of comprehensive income over the weighted average vesting period of 2.3 years.

The aggregate fair value of the restricted equity awards that vested during the years ended December 31, 2020, 2019, and 2018, was $148.9 million, $191.6 million, and $162.7 million, respectively, based on the actual stock price on the applicable vesting date.

Incentive Compensation Plans – Directors Progressive's 2017 Directors Equity Incentive Plan, which provides for the granting of equity-based awards, including restricted stock awards, to non-employee directors, was approved by shareholders in 2017 and originally authorized awards for up to 0.5 million shares.

The Progressive Corporation permits each non-employee director to indicate a preference to receive either 100% of their compensation in the form of a restricted stock award or 60% in the form of a restricted stock award and 40% in the form of cash. If the director does not state a preference, it is presumed that he or she preferred to receive 100% of their compensation in the form of restricted stock. After considering such preferences, the Compensation Committee of the Board of Directors determines the awards (restricted stock, or restricted stock and cash) for each non-employee director.

The restricted stock awards are issued as time-based awards. The vesting period (i.e., requisite service period) is typically 11 months from the date of each grant. To the extent a director is newly appointed during the year, or a director's committee assignments change, the vesting period may be shorter. Both the restricted stock awards and cash, if elected, are expensed pro rata over their respective vesting periods based on the market value of the awards at the time of grant.

A summary of all directors' restricted stock activity during the years ended December 31, follows:

Restricted Stock	2020 Number of Shares	2020 Weighted Average Grant Date Fair Value	2019 Number of Shares	2019 Weighted Average Grant Date Fair Value	2018 Number of Shares	2018 Weighted Average Grant Date Fair Value
Beginning of year	38,451	$ 73.43	41,706	$ 62.23	53,284	$ 40.54
Add (deduct):						
Granted	39,403	74.77	38,451	73.43	41,706	62.23
Vested	(38,451)	73.43	(41,706)	62.23	(53,284)	40.54
End of year[1]	39,403	$ 74.77	38,451	$ 73.43	41,706	$ 62.23

[1] At December 31, 2020, 2019, and 2018, the remaining unrecognized compensation cost related to restricted stock awards was $0.9 million, $0.8 million, and $0.9 million, respectively.

The aggregate fair value of the restricted stock vested during the years ended December 31, 2020, 2019, and 2018, was $3.0 million, $3.0 million, and $3.2 million, respectively, based on the actual stock price at time of vesting.

Deferred Compensation The Progressive Corporation Executive Deferred Compensation Plan (Deferral Plan) permits eligible Progressive executives to defer receipt of some or all of their annual incentive payments and all of their annual equity awards. Deferred cash compensation is deemed invested in one or more investment funds, including Progressive common shares, offered under the Deferral Plan and elected by the participant. All Deferral Plan distributions attributable to deferred cash compensation will be paid in cash.

For all equity awards granted in or after March 2005, and deferred pursuant to the Deferral Plan, the deferred amounts are deemed invested in our common shares and are ineligible for transfer to other investment funds in the Deferral Plan; distributions of these deferred awards will be made in Progressive common shares. For all restricted stock awards granted prior to that date, the deferred amounts are eligible to be transferred to any of the investment funds in the Deferral Plan; distributions of these deferred awards will be made in cash. We reserved 11.1 million of our common shares for issuance under the Deferral Plan.

An irrevocable grantor trust has been established to provide a source of funds to assist us in meeting our liabilities under the Deferral Plan. The Deferral Plan Irrevocable Grantor Trust account held the following assets at December 31:

(millions)	2020	2019
Progressive common shares[1]	$ 134.2	$ 121.6
Other investment funds[2]	167.2	151.2
Total	$ 301.4	$ 272.8

[1] Included 2.8 million and 3.2 million common shares as of December 31, 2020 and 2019, respectively, to be distributed in common shares, and are reported at grant date fair value.
[2] Amount is included in other assets on the consolidated balance sheets.

10. SEGMENT INFORMATION

We write personal and commercial auto insurance, personal residential and commercial property insurance, general liability insurance, and other specialty property-casualty insurance and related services. Our Personal Lines segment writes insurance for personal autos and recreational vehicles (our special lines products). The Personal Lines segment is comprised of both the Agency and Direct businesses. The Agency business includes business written by our network of more than 40,000 independent insurance agencies, including brokerages in New York and California, and strategic alliance business relationships (including other insurance companies, financial institutions, and national agencies). The Direct business includes business written directly by us online, by phone, or on mobile devices. We operate our Personal Lines businesses throughout the United States.

Our Commercial Lines segment writes auto-related primary liability and physical damage insurance, and general liability and property insurance, predominately for small businesses. This segment operates throughout the United States and is distributed through both the independent agency and direct channels.

Our Property segment writes residential property insurance for homeowners, other property owners, and renters through both the independent agency and direct channel, and writes flood insurance through the "Write Your Own" program for the National Flood Insurance Program, through the agency channel. Our Property segment operates throughout the majority of the United States.

Our service businesses provide insurance-related services, including processing CAIP business and serving as an agent for homeowners, general liability, and workers' compensation insurance, among other products, through programs in our direct Personal Lines and Commercial Lines businesses.

We evaluate profitability based on pretax underwriting profit (loss) for the Personal Lines, Commercial Lines, and Property segments. Pretax underwriting profit (loss) is calculated as net premiums earned plus fees and other revenues, less: (i) losses and loss adjustment expenses; (ii) policy acquisition costs; and (iii) other underwriting expenses. Service business pretax profit (loss) is the difference between service business revenues and service business expenses.

Assets and income taxes are not allocated to operating segments, as such allocation would be impractical. Expense allocations are based on certain assumptions and estimates primarily related to revenue and volume; stated segment operating results would change if different methods were applied. We do not separately identify depreciation expense by segment. Companywide depreciation expense was $274.9 million in 2020, $239.8 million in 2019, and $190.4 million in 2018. The accounting policies of the operating segments are the same as those described in *Note 1 – Reporting and Accounting Policies*.

Following are the operating results for the years ended December 31:

(millions)	2020 Revenues	2020 Pretax Profit (Loss)	2019 Revenues	2019 Pretax Profit (Loss)	2018 Revenues	2018 Pretax Profit (Loss)
Personal Lines						
Agency	$ 15,789.5	$ 2,236.5	$ 14,904.1	$ 1,673.2	$ 13,017.2	$ 1,435.7
Direct	16,830.6	2,076.5	15,305.9	1,181.4	13,017.5	1,088.5
Total Personal Lines[1]	32,620.1	4,313.0	30,210.0	2,854.6	26,034.7	2,524.2
Commercial Lines	4,875.8	634.8	4,427.6	458.8	3,610.9	478.6
Property[2]	1,765.7	(125.1)	1,554.8	(26.1)	1,287.7	(88.7)
Other indemnity	0	0	0	0	0	0.9
Total underwriting operations	39,261.6	4,822.7	36,192.4	3,287.3	30,933.3	2,915.0
Fees and other revenues[3]	603.5	NA	563.7	NA	472.2	NA
Service businesses	226.4	20.9	195.0	16.1	158.5	24.4
Investments[4]	2,566.6	2,546.6	2,071.2	2,046.6	415.0	390.7
Interest expense	NA	(217.0)	NA	(189.7)	NA	(166.5)
Consolidated total	$ 42,658.1	$ 7,173.2	$ 39,022.3	$ 5,160.3	$ 31,979.0	$ 3,163.6

NA = Not applicable

[1] Personal auto insurance accounted for 94% of the total Personal Lines segment net premiums earned in 2020, 2019, and 2018; insurance for our special lines products (e.g., motorcycles, ATVs, RVs, watercraft, and snowmobiles) accounted for the balance of the Personal Lines net premiums earned.

[2] During 2020, 2019, and 2018, pretax profit (loss) includes $56.9 million, $66.3 million, and $72.0 million, respectively, of amortization expense predominately associated with intangible assets. See *Note 16 - Goodwill and Intangible Assets* for further discussion.

[3] Pretax profit (loss) for fees and other revenues is allocated to operating segments.

[4] Revenues represent recurring investment income and total net realized gains (losses) on securities; pretax profit is net of investment expenses.

Our management uses underwriting margin and combined ratio as primary measures of underwriting profitability, as defined above. The underwriting margin is the pretax underwriting profit (loss) expressed as a percentage of net premiums earned (i.e., revenues from underwriting operations). Combined ratio is the complement of the underwriting margin. Following are the underwriting margins and combined ratios for our underwriting operations for the years ended December 31:

	2020 Underwriting Margin	2020 Combined Ratio	2019 Underwriting Margin	2019 Combined Ratio	2018 Underwriting Margin	2018 Combined Ratio
Personal Lines						
Agency	14.2 %	85.8	11.2 %	88.8	11.0 %	89.0
Direct	12.3	87.7	7.7	92.3	8.4	91.6
Total Personal Lines	13.2	86.8	9.5	90.5	9.7	90.3
Commercial Lines	13.0	87.0	10.4	89.6	13.3	86.7
Property[1]	(7.1)	107.1	(1.7)	101.7	(6.9)	106.9
Total underwriting operations	12.3	87.7	9.1	90.9	9.4	90.6

[1] Included in 2020, 2019, and 2018, are 3.2 points, 4.3 points, and 5.6 points, respectively, of amortization expense predominately associated with the acquisition of a controlling interest in ARX.

11. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss), including reclassification adjustments by income statement line item, for the years ended December 31, were as follows:

				Components of Changes in Accumulated Other Comprehensive Income (after tax)		
(millions)	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	(Income) loss attributable to NCI
Balance at December 31, 2019	$ 435.7	$ (94.0)	$ 341.7	$ 360.8	$ (16.4)	$ (2.7)
Reclassification of disproportionate amounts[1]	3.4	(0.7)	2.7	0	0	2.7
Adjusted balance at December 31, 2019	439.1	(94.7)	344.4	360.8	(16.4)	0
Other comprehensive income (loss) before reclassifications:						
Investment securities	1,557.2	(306.1)	1,251.1	1,251.1	0	0
Loss attributable to noncontrolling interest (NCI)	0	0	0	0	0	0
Total other comprehensive income (loss) before reclassifications	1,557.2	(306.1)	1,251.1	1,251.1	0	0
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	810.0	(145.4)	664.6	664.6	0	0
Interest expense	(1.1)	0.3	(0.8)	0	(0.8)	0
Total reclassification adjustment for amounts realized in net income	808.9	(145.1)	663.8	664.6	(0.8)	0
Total other comprehensive income (loss)	748.3	(161.0)	587.3	586.5	0.8	0
Balance at December 31, 2020	$ 1,187.4	$ (255.7)	$ 931.7	$ 947.3	$ (15.6)	$ 0

[1]Adjustment to reflect the change in value on (income) loss attributable to NCI in conjunction with the purchase transaction (See *Note 15 - Redeemable Noncontrolling Interest* for additional information).

				Components of Changes in Accumulated Other Comprehensive Income (after tax)		
(millions)	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	(Income) loss attributable to NCI
Balance at December 31, 2018	$ (153.0)	$ 32.1	$ (120.9)	$ (105.6)	$ (17.2)	$ 1.9
Other comprehensive income (loss) before reclassifications:						
Investment securities	825.8	(174.9)	650.9	650.9	0	0
Loss attributable to noncontrolling interest (NCI)	(5.9)	1.3	(4.6)	0	0	(4.6)
Total other comprehensive income (loss) before reclassifications	819.9	(173.6)	646.3	650.9	0	(4.6)
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	232.2	(47.7)	184.5	184.5	0	0
Interest expense	(1.0)	0.2	(0.8)	0	(0.8)	0
Total reclassification adjustment for amounts realized in net income	231.2	(47.5)	183.7	184.5	(0.8)	0
Total other comprehensive income (loss)	588.7	(126.1)	462.6	466.4	0.8	(4.6)
Balance at December 31, 2019	$ 435.7	$ (94.0)	$ 341.7	$ 360.8	$ (16.4)	$ (2.7)

(millions)	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Components of Changes in Accumulated Other Comprehensive Income (after tax): Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	(Income) loss attributable to NCI
Balance at December 31, 2017	$ 1,977.8	$ (695.6)	$ 1,282.2	$ 1,295.0	$ (14.8)	$ 2.0
Cumulative effect adjustment[1]	(2,006.0)	705.8	(1,300.2)	(1,300.2)	0	0
Reclassification of disproportionate amounts[2]	(4.3)	(3.4)	(7.7)	(1.1)	(3.2)	(3.4)
Adjusted balance at December 31, 2017	(32.5)	6.8	(25.7)	(6.3)	(18.0)	(1.4)
Other comprehensive income (loss) before reclassifications:						
Investment securities	(224.1)	47.0	(177.1)	(177.1)	0	0
Loss attributable to noncontrolling interest (NCI)	4.3	(1.0)	3.3	0	0	3.3
Total other comprehensive income (loss) before reclassifications	(219.8)	46.0	(173.8)	(177.1)	0	3.3
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	(98.3)	20.5	(77.8)	(77.8)	0	0
Interest expense	(1.0)	0.2	(0.8)	0	(0.8)	0
Total reclassification adjustment for amounts realized in net income	(99.3)	20.7	(78.6)	(77.8)	(0.8)	0
Total other comprehensive income (loss)	(120.5)	25.3	(95.2)	(99.3)	0.8	3.3
Total at December 31, 2018	$ (153.0)	$ 32.1	$ (120.9)	$ (105.6)	$ (17.2)	$ 1.9

Reflects the fair value changes on equity securities as of December 31, 2017, which are reported as realized gains (losses) under the new accounting guidance. See *Note 1 - Reporting and Accounting Policies* for additional information.

[2]Reflects the effect of the change in U.S. federal tax rate on our available-for-sale fixed-maturity securities and our hedges on forecasted transactions as of December 31, 2017 (see *Note 1 - Reporting and Accounting Policies* for additional information) and the adjustment to reflect the change in value on (income) loss attributable to NCI in conjunction with the "put" transaction (see *Note 15 - Redeemable Noncontrolling Interest* for additional information).

In an effort to manage interest rate risk, we may enter into forecasted transactions on Progressive's debt issuances. We expect to reclassify $0.9 million (pretax) into interest expense during the next 12 months, related to net unrealized losses on forecasted transactions (see *Note 4 – Debt* for further discussion).

12. LITIGATION

The Progressive Corporation and/or its insurance subsidiaries are named as defendants in various lawsuits arising out of claims made under insurance policies written by our insurance subsidiaries in the ordinary course of business. We consider all legal actions relating to such claims in establishing our loss and loss adjustment expense reserves.

In addition, The Progressive Corporation and/or its subsidiaries are named as defendants in a number of class action or individual lawsuits that challenge certain of the operations of the subsidiaries. Other insurance companies face many of these same issues.

We describe litigation contingencies for which a loss is probable. In addition, we establish accruals for these lawsuits when we can reasonably estimate potential loss exposure, which may include a range of loss, and we will disclose such amount or range of loss if material. As to lawsuits for which the loss is considered probable but not estimable, we do not establish an accrual. Nevertheless, we continue to evaluate this pending litigation to determine if any losses not deemed probable and estimable become so, at which point we would establish an accrual at our best estimate of the loss or range of loss.

We also describe litigation contingencies for which a loss is reasonably possible (but not probable). When disclosing reasonably possible litigation contingencies, we will disclose the amount or range of possible loss, if we are able to make that determination and if material. We review all reasonably possible losses on an ongoing basis to determine whether the likelihood of incurring a loss has become probable, or whether the circumstances have changed such that we may now reasonably estimate a range of loss.

We may also be exposed to litigation contingencies that are remote. Remote litigation contingencies are those for which the likelihood of a loss is slight at period end. We do not disclose, or establish accruals for, remote litigation contingencies, but we evaluate these contingencies on an ongoing basis to determine whether the likelihood of a loss has increased.

Each year, certain of our pending litigation matters are brought to conclusion. For cases that have settled, but for which settlement is not complete, an accrual is established at our best estimate of the loss exposure. We regularly review these and other accruals to ensure they are adequate.

Settlements that are complete are fully reflected in our financial statements. The amounts accrued and/or paid for settlements during the periods presented were not material to our consolidated financial condition, cash flows, or results of operations.

The pending lawsuits summarized below are in various stages of development, and the outcomes are uncertain or, if probable and estimable, are accrued and immaterial as of December 31, 2020. At period end, except to the extent an immaterial accrual has been established, we do not consider the losses from these pending cases to be both probable and estimable, and we are unable to estimate a range of loss at this time. It is not possible to determine loss exposure for a number of reasons, including, without limitation, one or more of the following: liability appears to be remote; putative class action lawsuits generally pose immaterial exposure until a class is actually certified, which, historically, has not been granted by courts in the vast majority of our cases in which class certification has been sought; even certified class action lawsuits are subject to decertification, denial of liability and/or appeal; class definitions are often indefinite and preclude detailed exposure analysis; and complaints rarely state an amount sought as relief, and when such amount is stated, it often is a function of pleading requirements and may be unrelated to the potential exposure.

We plan to contest these suits vigorously, but may pursue settlement negotiations in some cases, as we deem appropriate. In the event that any one or more of these cases results in a substantial judgment against us, or settlement by us, or if our accruals (if any) prove to be inadequate, the resulting liability could have a material adverse effect on our consolidated financial condition, cash flows, and/or results of operations. Based on information currently known, we do not believe that the outcome of any pending cases described below will have a material impact on our consolidated financial condition, cash flows, and/or results of operations.

At December 31, 2020, pending lawsuits as described above that challenge certain of the operations of our subsidiaries included:

Lawsuits seeking class/collective action status:

- alleging we sell or charge insureds for illusory coverage or coverage lower than amounts allowed by law for PIP coverage and pay related claims at levels lower than allowed by law.
- challenging how physical damage claims are handled, adjusted, and ultimately paid, including how we value total loss claims, the payment of fees and taxes associated with total losses, and the payment of diminution damages.
- challenging our practices in Florida of adjusting PIP claims.
- challenging our use of used original equipment manufacturer parts in the repair of a leased vehicle.
- challenging our adjustment of medical bills submitted by insureds or medical providers in medical claims.
- challenging our payment and reimbursement practices to Medicare Advantage Plans on first party medical, PIP, and bodily injury claims.
- challenging our acceptance of uninsured motorist rejection.
- alleging we sell illusory underinsured motorist coverage.
- alleging we wrongfully withheld payments owed to insureds under uninsured/underinsured motorist coverage.
- alleging that we wrongly pursue subrogation of medical payments paid directly to providers and not to insureds.
- alleging that we must pay an insured the pre-loss actual cash value of a totaled vehicle in addition to the value of the salvage vehicle if we take ownership of the salvage vehicle.
- alleging that we improperly calculate basic economic loss as it relates to wage loss coverage.
- alleging that we violated the Telephone Consumer Protection Act.
- alleging that we provided an insufficient amount of premium relief to Illinois insureds in response to the COVID-19 pandemic.
- challenging certain of our pay practices and overtime payment practices.
- alleging that we fail to pay overtime to certain employees who we classify as exempt from overtime pay requirements.

Lawsuits certified or conditionally certified as class/collective actions:

- alleging we improperly sell secondary PIP coverage to Medicare and Medicaid beneficiaries in New Jersey.
- challenging how we value total loss claims in Florida and Louisiana.
- challenging the payment of fees and taxes associated with total losses in Florida.

13. LEASES

Included in our consolidated balance sheets are certain operating leases for office space, computer equipment, and vehicles that are reported as a component of other assets and accounts payable, accrued expenses, and other liabilities.

The leased assets represent our right to use an underlying asset for the lease term and the lease liabilities represent our obligation to make lease payments arising from the lease. An incremental borrowing rate is used to calculate the present value of the remaining lease payments.

Each contract is reviewed at inception to determine if it contains a lease and whether the lease qualifies as an operating or financing lease. We do not have material financing leases.

Operating leases are expensed on a straight-line basis over the term of the lease. In determining the lease term, we consider the probability of exercising renewal options. We elected to account for leases with both lease and non-lease components as a single lease component and to apply a portfolio approach to account for our vehicle leases.

The following table summarizes the carrying amounts of our operating leased assets and liabilities at December 31, along with key inputs used to discount our lease liabilities:

(millions)	2020	2019
Operating lease assets	$ 165.5	$ 188.2
Operating lease liabilities	$ 179.0	$ 201.5
Weighted-average remaining term	3.0 years	3.3 years
Weighted-average discount rate	2.5 %	3.0 %

At December 31, 2020, the following table shows our operating lease liabilities, on an undiscounted basis for the periods indicated:

(millions)	Commitments
2021	$ 78.9
2022	48.7
2023	29.1
2024	18.4
2025	9.8
Thereafter	0.5
Total	185.4
Interest	(6.4)
Present value of lease liabilities	$ 179.0

The operating lease expense for the years ended December 31, was as follows:

(millions)	Expense
2020	$ 95.4
2019	102.0
2018	77.3

14. DIVIDENDS

Following is a summary of our common and preferred share dividends that were declared and/or paid in the last three years:

(millions, except per share amounts)		Amount	
Declared	Payable	Per Share	Accrued[1]
Common - Annual Variable Dividends:			
December 2020	January 2021	$ 4.50	$ 2,635.9
December 2019	January 2020	2.25	1,316.9
December 2018	February 2019	2.5140	1,467.9
December 2017	February 2018	1.1247	655.1
Common - Quarterly Dividends:			
December 2020	January 2021	0.10	58.6
August 2020	October 2020	0.10	58.6
May 2020	July 2020	0.10	58.5
February 2020	April 2020	0.10	58.5
December 2019	January 2020	0.10	58.5
August 2019	October 2019	0.10	58.5
May 2019	July 2019	0.10	58.4
February 2019	April 2019	0.10	58.4
Preferred Dividends:			
December 2020	March 2021	26.875	13.4
August 2020	September 2020	26.875	13.4
February 2020	March 2020	26.875	13.4
August 2019	September 2019	26.875	13.4
February 2019	March 2019	26.875	13.4
August 2018	September 2018	27.024	13.5

[1] The accrual is based on an estimate of shares outstanding as of the record date and the common share accrual is recorded as "dividends payable on common shares" on the Consolidated Balance Sheets; the prior year common share amount was reclassified into this line item from "accounts payable, accrued expenses, and other liabilities" to conform to the current year presentation.

Common Share Dividends

The Board of Directors adopted a policy of declaring regular quarterly common share dividends, and on at least an annual basis, to consider declaring an additional common share dividend, which was effective beginning in 2019.

Prior to 2019, we maintained a policy of paying an annual variable dividend. Under the policy, the dividend was based on a target percentage of 33-1/3%, as determined by the Board, of after-tax underwriting income multiplied by a performance factor (Gainshare factor). The Gainshare factor was 1.91 and 1.79 for the dividends declared in 2018 and 2017, respectively.

Preferred Share Dividends

In March 2018, we issued 500,000 Series B Fixed-to-Floating Rate Cumulative Perpetual Serial Preferred Shares, without par value (the "Series B Preferred Shares"), with a liquidation preference of $1,000 per share (the "stated amount"). Holders of the Series B Preferred Shares are entitled to receive cumulative cash dividends semi-annually in March and September, if and when declared by the Board of Directors. Until March 15, 2023 (the "fixed-rate period"), the annual dividend rate is fixed at 5.375% of the stated amount per share. Beginning March 15, 2023, the annual dividend rate switches to a floating rate equal to the three-month London Interbank Offered Rate (LIBOR) (or comparable successor base rate) plus a spread of 2.539% applied to the stated amount per share. After the fixed-rate period and up until redemption of the Series B Preferred Shares, the dividends would be payable quarterly, if and when declared by the Board of Directors. The Series B Preferred Shares are perpetual and have no stated maturity date. After the fixed-rate period, we may redeem the Series B Preferred Shares at the stated amount plus all accrued and unpaid dividends.

15. REDEEMABLE NONCONTROLLING INTEREST

In connection with the April 2015 acquisition of a controlling interest in ARX, The Progressive Corporation entered into a stockholders' agreement with the other ARX stockholders. During 2018, minority ARX stockholders put 204,527 shares, including 5,483 shares that were issued upon the exercise of outstanding stock options. Progressive acquired these additional shares, in a cash transaction, for a total cost of $295.9 million. On April 1, 2020, Progressive purchased all remaining outstanding stock, including shares from exercised stock options, of ARX under a separately negotiated purchase agreement at a total cost of $243.0 million.

Since these securities were redeemable upon the occurrence of an event that was not solely within the control of Progressive, we recorded the redeemable noncontrolling interest (NCI) as mezzanine equity on our consolidated balance sheets, representing the minority shares at the current estimated purchase price pursuant to the put and call provisions of the stockholders' agreement.

The changes in the components of redeemable NCI during the years ended December 31, were:

(millions)	2020	2019	2018
Balance, beginning of year	$ 225.6	$ 214.5	$ 503.7
Net income attributable to NCI	0	9.7	5.7
Other comprehensive income (loss) attributable to NCI[1]	0	4.6	(3.3)
Exercise of stock options	16.0	7.7	9.4
Purchase/change of ARX minority shares	(241.6)	(11.2)	(298.2)
Change in redemption value	0	0.3	(2.8)
Balance, end of year	$ 0	$ 225.6	$ 214.5

[1] Amount represents the other comprehensive income (loss) attributable to NCI, as reflected on the consolidated statements of comprehensive income; changes in accumulated other comprehensive income (loss) attributable to NCI due to a change in the minority ownership percentage does not impact the amount of redeemable NCI**.**

16. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill recorded at December 31, 2020, and 2019, was $452.7 million. The majority of the goodwill recorded as of December 31, 2020 and 2019, relates to the April 1, 2015, acquisition of a controlling interest in ARX. No impairment losses have been recorded on any of the outstanding goodwill.

Intangible Assets

The following table is a summary of the net carrying amount of other intangible assets as of December 31:

(millions)	2020	2019
Intangible assets subject to amortization	$ 159.0	$ 215.9
Indefinite-lived intangible assets[1]	12.4	12.4
Total	$ 171.4	$ 228.3

[1] Indefinite-lived intangible assets are comprised of state insurance and agent licenses. State insurance licenses were previously subject to amortization under superseded accounting guidance and have $0.6 million of accumulated amortization for both years presented.

Intangible assets subject to amortization for the years ended December 31, consisted of the following:

(millions)	2020			2019		
Category	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Policies in force	$ 256.2	$ 210.4	$ 45.8	$ 256.2	$ 173.9	$ 82.3
Agency relationships	159.2	65.4	93.8	159.2	54.0	105.2
Software rights	69.1	49.7	19.4	79.1	50.7	28.4
Trade name	0	0	0	34.8	34.8	0
Total	$ 484.5	$ 325.5	$ 159.0	$ 529.3	$ 313.4	$ 215.9

Amortization expense was $56.9 million, $66.3 million, and $72.0 million for the years ended December 31, 2020, 2019, and 2018, respectively. During 2020, one software rights intangible asset, with a gross carrying value of $10.0 million, was fully amortized.

The estimated aggregate amortization on these intangible assets for each of the next five years as of December 31, 2020, follows:

(millions)

Year		**Amortization Expense**
2021	$	56.6
2022		29.2
2023		13.5
2024		11.4
2025		11.4

17. SUBSEQUENT EVENT

On February 16, 2021, we announced that we have entered into a definitive agreement with Protective Insurance Corporation ("Protective") to acquire all of Protective's outstanding Class A and Class B common shares for $23.30 per share in cash, or approximately $338 million in aggregate. This transaction is expected to close prior to the end of the third quarter 2021, subject to customary closing conditions, including the receipt of certain required regulatory approvals and approval of Protective's Class A shareholders.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Progressive Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying 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, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Loss and Loss Adjustment Expense Reserves

As described in Notes 1 and 6 to the consolidated financial statements, as of December 31, 2020, the Company reported a $20.3 billion loss and loss adjustment expense ("LAE") reserve liability of which 94% relate to Personal and Commercial Lines vehicle businesses. Reserves are based on estimates of ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. Management establishes loss and LAE reserves after completing reviews at a disaggregated level of grouping. During a reserve review, ultimate loss amounts are estimated using several industry standard actuarial projection methods. These methods take into account historical comparable loss data at the subset level and estimate the impact of various loss development factors, such as the frequency (number of losses per earned car year), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of LAE costs.

The principal considerations for our determination that performing procedures relating to the valuation of loss and LAE reserves is a critical audit matter are (i) the significant judgment by management when developing their estimate of loss and LAE reserves, which in turn led to a significant degree of auditor judgment and subjectivity in performing procedures relating to the valuation; (ii) the significant audit effort and judgment in evaluating audit evidence relating to the various actuarial projection methods, historical comparable loss data and aforementioned loss development factors; and (iii) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's valuation of loss and LAE reserves, including controls over the various projection methods and development of the loss development factors. These procedures also included, among others, testing the completeness and accuracy of historical data provided by management and the involvement of professionals with specialized skill and knowledge to assist in (i) independently estimating reserves for certain lines of businesses using actual historical comparable loss data, independently derived loss development factors, and industry data and comparing this independent estimate to management's actuarial determined reserves and (ii) evaluating the appropriateness of the actuarial methods and reasonableness of the loss development factors, related to the aforementioned frequency, severity, and average premium as well as the frequency and severity of LAE costs, for determining the reserve balances for certain lines of businesses.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
March 1, 2021

We have served as the Company's auditor since 1984.

Management’s Report on Internal Control over Financial Reporting

Progressive’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control structure was designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013),* management concluded that our internal control over financial reporting was effective as of December 31, 2020.

PricewaterhouseCoopers LLP, an independent registered public accounting firm that audited the financial statements included in this Annual Report, has audited, and issued an attestation report on the effectiveness of, our internal control over financial reporting as of December 31, 2020; such report appears herein.

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. 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 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 Annual Report on Form 10-K for the complete Sections 302 and 906 certifications, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our financial condition and results of operations. MD&A should be read in conjunction with the consolidated financial statements and the related notes, and supplemental information.

I. OVERVIEW

The Progressive insurance organization has been offering insurance to consumers since 1937. The Progressive Corporation is a holding company that does not have any revenue producing operations, physical property, or employees of its own. The Progressive Corporation, together with its insurance and non-insurance subsidiaries and affiliates, comprise what we refer to as Progressive.

We report three operating segments. Our Personal Lines segment writes insurance for personal autos and recreational vehicles (referred to as our special lines products). Our Commercial Lines segment writes auto-related primary liability and physical damage insurance, general liability insurance, and property insurance, predominately for small businesses. Lastly, our Property segment writes residential property insurance for homeowners, other property owners, and renters. We operate throughout the United States through both the independent agency and direct distribution channels. We are the third largest private passenger auto insurer in the country, the number one writer of commercial auto insurance, and one of the top 15 homeowners insurance carriers, in each case, based on premiums written.

Our underwriting operations, combined with our service and investment operations, make up the consolidated group.

A. Operating Results

During 2020, policies in force grew 11% over last year and net premiums written grew 8% to end the year at $40.6 billion, $3.0 billion more premiums written than 2019. From April through December, we filed personal auto rate changes that averaged a decrease of approximately 3% and continue to monitor our driving and claims data to determine where additional actions and rate adjustments may be appropriate. During 2020, we added 2.4 million policies bringing companywide policies in force to 24.7 million at December 31, 2020.

On a year-over-year basis, net income and comprehensive income increased 44% and 42%, respectively, driven by a 47% increase in underwriting income and a 24% increase in net investment income, which includes recurring investment income (e.g., dividends and interest) plus net realized gains on securities, less investment expenses.

The increased underwriting profitability primarily reflected a decrease in the loss and loss adjustment expense ratio due to a 24% decrease in personal auto accident frequency on a year-over-year basis. Beginning in March 2020, federal, state, and local social distancing and shelter-in-place restrictions were put in place to stop or slow the spread of the novel coronavirus COVID-19 ("COVID-19 restrictions"). As a result of these restrictions, we started to experience driving patterns that differed from levels historically experienced. The decrease in frequency was partially offset by a 10% increase in personal auto severity and the policyholder credits we provided to our auto customers during the year. During 2020, we paid $1.1 billion, via credits to their policies or payments, to our personal auto policyholders to recognize the decrease in loss costs we were experiencing, especially in the first few months of the pandemic, and to help them deal with the uncertainty of the pandemic.

Recurring investment income, including interest and dividends, decreased 10% on a year-over-year basis. The portfolio yield decreased from 3.1% for 2019 to 2.4% for 2020 as we invested new cash at lower interest rates. The lower yield was partially offset by an increase in average assets during the year, reflecting cash flow from operations and our issuance of $1 billion of debt securities in March 2020. In addition, net realized gains on securities increased 58% over 2019, driven by sales in our fixed-income portfolio.

We ended 2020 with total capital (debt plus shareholders' equity) of $22.4 billion, $4.3 billion more than 2019. The year-over-year increase primarily reflects our comprehensive income and the debt issuance, in part offset by our common and preferred share dividends of $2.9 billion declared during the year.

B. Insurance Operations

For 2020, our companywide underwriting profit margin was 12.3%, compared to 9.1% in 2019. Our Personal Lines and Commercial Lines operating segments were profitable with underwriting margins of 13.2% and 13.0%, respectively, while our Property segment had an underwriting loss of 7.1% for the year, which included 24.0 points of catastrophe losses and 3.2 points of amortization expense on intangible assets.

Our overall incurred frequency in our personal auto businesses decreased about 24%, while severity increased about 10%, compared to the prior year. Vehicle accidents were significantly lower than the prior year as vehicle miles driven were down during the year, especially during the early months of the pandemic, and driving patterns have not returned to their historical levels. We incurred unfavorable prior accident year development in 2020 consistent with last year.

During the year, on a companywide basis, we recognized 2.2 loss ratio points related to catastrophe losses, compared to 1.5 points in 2019, primarily due to the increase in our catastrophe losses in our Property business, which nearly doubled year over year. Property business catastrophe losses contributed 1.1 points to our overall loss ratio in 2020, compared to 0.6 points last year. The majority of the 2020 catastrophe losses were due to hurricanes and wind, hail, and tornados throughout the United States.

On a year-over-year basis, net premiums written grew in each of our segments with Personal Lines growing 7%, Commercial Lines 11%, and Property 13%. Changes in net premiums written are a function of new business applications (i.e., policies sold), premium per policy, and retention. Policies in force grew 11% companywide, with Personal Lines, Commercial Lines, and Property growing 10%, 9%, and 13%, respectively.

During 2020, total new personal auto application growth was flat on a year-over-year basis, with our Agency auto decreasing 5% and Direct auto increasing 5%. Agency auto new applications are down compared to last year, as COVID-19 restrictions significantly impacted agents and their ability to get their operations back to pre-COVID levels. Our competitive product offerings, position in the marketplace, and our increase in advertising expense during 2020 resulted in an increase in Direct auto new applications. We will continue to invest in advertising as long as we generate sales at a cost below the maximum amount we are willing to spend to acquire a new customer. We continued to generate new business application growth in our bundled auto and home customers (i.e., Robinsons) in both the Agency and Direct channels.

The increase in net premiums written in our Commercial Lines business reflects growth in all of our business market targets, but especially in our for-hire transportation business market target, reflecting greater demand for shipping services in light of the pandemic. This growth was in part offset by a decrease in our transportation network company (TNC) business, reflecting a decrease in the miles driven, which is the basis for determining premiums written for this business. For our commercial auto business, excluding TNC, new applications increased 5% for the year, driven by both increased quote volume and rate of conversion. During 2020, while we increased rates, our commercial auto growth was driven by our competitiveness in the marketplace.

Our Property business new applications increased 12% for the year, primarily reflecting the impact of targeted underwriting changes made throughout 2019. We also continue to expand our direct Property offerings through HomeQuote Explorer®, which provides online quoting for homeowners policies issued by us and unaffiliated insurance companies on a nationwide basis, and provides some of these shoppers with the ability to also buy a policy online.

During 2020, on a year-over-year basis, written premium per policy was flat in our Agency auto and decreased 1% in our Direct personal auto businesses. Rate decreases implemented throughout the year were partially offset by shifts in the mix of business. Written premium per policy for our special lines products increased 3%, compared to the prior year.

Commercial Lines experienced a 4% increase in written premium per policy in our commercial auto products, which reflects rate increases of about 5%, on average, during the year. Written premium per policy growth for our Property business was flat in 2020.

To grow policies in force, it is critical that we retain our customers for longer periods. Consequently, increasing retention continues to be one of our most important priorities. Our efforts to increase our share of multi-product households remains a key initiative and we will continue to make investments to improve the customer experience to continue to support that goal. Policy life expectancy, which is our actuarial estimate of the average length of time that a policy will remain in force before cancellation or lapse in coverage, is our primary measure of customer retention in our Personal Lines and Commercial Lines businesses. Due to insurance market volatility brought on by the COVID-19 virus, it may be difficult to assess the progress we are making against our retention goals. We evaluate retention using a trailing 12-month total auto policy life expectancy and trailing 3-month total auto policy life expectancy, which does not address seasonality and can reflect more volatility. On a trailing 3-month basis, our personal auto policy life expectancy was up 7% year over year. Our trailing 12-month total personal auto policy life expectancy was up 10% year over year. We believe that part of this increase is attributable to suspending cancellations of policies for nonpayment as part of the billing leniency programs that were in place primarily from mid-March through mid-May 2020. Our trailing 12-month policy life expectancy increased 4% for special lines, 5% for Commercial Lines, and decreased 3% for Property.

C. Investments

The fair value of our investment portfolio was $47.5 billion at December 31, 2020, compared to $39.3 billion at December 31, 2019. The increase from year-end 2019, primarily reflected cash flows from operations of $6.9 billion and the $1.0 billion of proceeds from the debt we issued during March, partially offset by $1.6 billion related to the payment of shareholder dividends during 2020.

Our asset allocation strategy is to maintain 0%-25% of our portfolio in Group I securities, with the balance (75%-100%) of our portfolio in Group II securities (the securities allocated to Group I and II are defined below under *Results of Operations – Investments*). At December 31, 2020, 14% of our portfolio was allocated to Group I securities and 86% to Group II securities, compared to 12% and 88%, respectively, at December 31, 2019.

Our recurring investment income generated a pretax book yield of 2.4% for 2020, compared to 3.1% for 2019, primarily due to investing new cash at lower interest rates. Our investment portfolio produced a fully taxable equivalent (FTE) total return of 7.9% for both 2020 and 2019. Our fixed-income and common stock portfolios had FTE total returns of 6.7% and 24.3%, respectively, for 2020, compared to 6.0% and 30.5% for 2019. The year-over-year increase in our fixed-income FTE total return was the result of a reduction in interest rates and narrowing credit spreads in the last three quarters of the year. Our common stock portfolio's FTE total return declined early in the year in response to the economic uncertainty due to the COVID-19 restrictions and showed an improvement throughout the rest of the year as investors continued to move back into risk assets.

At December 31, 2020, the fixed-income portfolio had a weighted average credit quality of AA- and a duration of 2.9 years, compared to AA and 3.0 years at December 31, 2019. We shortened our portfolio duration over the previous twelve months and it remains slightly below the midpoint of our 1.5 year to 5 year range, which we believe provides some protection against an increase in interest rates.

Based on uncertainty of whether the London Interbank Offered Rate (LIBOR) will continue to be available after 2021, we reviewed our portfolio for securities that could be affected by the proposed LIBOR change (i.e., reset to a fixed rate from a LIBOR-based rate or change to a LIBOR-replacement rate). Based on this review, we do not expect a change from LIBOR to have a material effect on our portfolio. We continue to monitor ongoing discussions and updates to the planned migration and its potential effects on the LIBOR-linked securities in our portfolio.

II. FINANCIAL CONDITION

A. Liquidity and Capital Resources

The Progressive Corporation receives cash through subsidiary dividends, security sales, borrowings, and other transactions, and uses these funds to contribute to its subsidiaries (e.g., to support growth), to make payments to shareholders and debt holders (e.g., dividends and interest, respectively), and to repurchase its common shares and debt, as well as for acquisitions and other business purposes that may arise.

During 2020, The Progressive Corporation received cash from the following sources:

- Subsidiary dividends - received $4.1 billion of dividends, net of capital contributions, from our insurance and non-insurance subsidiaries.
- Debt issuances - issued $500 million of 3.20% Senior Notes due 2030 and $500 million of 3.95% Senior Notes due 2050 in underwritten public offerings.

The Progressive Corporation deployed capital through the following actions in 2020:

- Dividends
  - Common shares - declared aggregate dividends of $4.90 per common share, or $2.87 billion.
  - Preferred shares - declared aggregate Series B Preferred dividends of $40.2 million.
- Common Share Repurchases - acquired 1.3 million of our common shares at a total cost of $111.6 million to neutralize dilution from equity-based compensation granted during the year consistent with our financial policies. The repurchases were made in the open market or pursuant to our equity compensation plans (i.e., repurchased shares to cover tax obligations upon vesting of restricted stock units).
- Acquisitions - acquired all remaining outstanding shares of ARX Holding Corp. (ARX) at a cost of $243.0 million.

Over the last three years, The Progressive Corporation received dividends from its subsidiaries, net of capital contributions, of $6.9 billion, and issued $2.2 billion of senior notes and $500 million of our Series B Preferred Shares. Regulatory restrictions on subsidiary dividends are described in *Note 8 – Statutory Financial Information*. The covenants on The Progressive Corporation's existing debt securities do not include any rating or credit triggers that would require an adjustment of the interest rate or an acceleration of principal payments in the event that our debt securities are downgraded by a rating agency. While we have had a series of unsecured discretionary lines of credit available to us during the last three years in the aggregate amount of $250 million, we did not borrow under these arrangements, or engage in other short-term borrowings, during this period to fund our operations or for liquidity purposes.

In the aggregate for the last three years, we made the following payments:
- $3.9 billion for common and preferred share dividends;
- $0.6 billion to acquire outstanding shares of ARX;
- $0.5 billion for interest on our outstanding debt; and
- $0.3 billion to repurchase our common shares.

For the three years ended December 31, 2020, operations generated positive cash flows of about $19.5 billion, and cash flows are expected to remain positive in the reasonably foreseeable future. In 2020, operating cash flows increased $0.6 billion, compared to 2019, primarily due to an increase in premiums collected in excess of paid losses due to the growth during the year. Beginning in March, when COVID-19 restrictions were put in place, we experienced a significant decrease in accident claim frequency and, as a result, the amount of cash required to pay claims also decreased countrywide. In response to the reduction in auto accident frequency, we issued a total of $1.1 billion of credits to our personal auto policyholders in 2020. We have continued to assess miles driven, weather events and other components of expected loss costs on a state-by-state basis and, where appropriate, adjusted rates accordingly.

As of December 31, 2020, we held $18.0 billion in short-term investments and U.S. Treasury securities. Based on our portfolio allocation and investment strategies, we believe that we have sufficient readily available marketable securities to cover our claims payments in the event our cash flow from operations were to be negative. See *Item 1A,* "*Risk Factors,*" in our 2020 Form 10-K filed with the Securities and Exchange Commission for a discussion of certain matters that may affect our portfolios and capital position.

Progressive's insurance operations create liquidity by collecting and investing premiums from new and renewal business in advance of paying claims. As primarily an auto insurer, our claims liabilities are generally short in duration. Typically, at any point in time, approximately 50% of our outstanding loss and loss adjustment expense (LAE) reserves are paid within the following twelve months and less than 20% are still outstanding after three years. See *Note 6 – Loss and Loss Adjustment Expense Reserves* for further information on the timing of claims payments.

Insurance companies are required to satisfy regulatory surplus and premiums-to-surplus ratio requirements. As of December 31, 2020, our consolidated statutory surplus was $15.2 billion, compared to $13.7 billion at December 31, 2019. Our net premiums written-to-surplus ratio was 2.7 to 1 at year-end 2020 and 2019 and 2.8 to 1 at year-end 2018. At year-end 2020, we also had access to $6.2 billion of securities held in a non-insurance subsidiary, portions of which could be contributed to the capital of our insurance subsidiaries to support growth or for other purposes. In January 2021, we used proceeds from the sale of $2.7 billion of these securities to pay the common share dividends declared by the Board in December 2020. See *Note 14 – Dividends* for further discussion of our dividend policy.

Insurance companies are also required to satisfy risk-based capital ratios. These ratios are determined by a series of dynamic surplus-related calculations required by the laws of various states that contain a variety of factors that are applied to financial balances based on the degree of certain risks (e.g., asset, credit, and underwriting). Our insurance subsidiaries' risk-based capital ratios are in excess of applicable minimum regulatory requirements. Nonetheless, the payment of dividends by our insurance subsidiaries are subject to certain limitations. See *Note 8 – Statutory Financial Information* for additional information on insurance subsidiary dividends.

We seek to deploy our capital in a prudent manner and use multiple data sources and modeling tools to estimate the frequency, severity, and correlation of identified exposures, including, but not limited to, catastrophic and other insured losses, natural disasters, and other significant business interruptions, to estimate our potential capital needs. Management views our capital position as consisting of three layers, each with a specific size and purpose:

- The first layer of capital, which we refer to as "regulatory capital," is the amount of capital we need to satisfy state insurance regulatory requirements and support our objective of writing all the business we can write and service, consistent with our underwriting discipline of achieving a combined ratio of 96 or better. This capital is held by our various insurance entities.
- The second layer of capital we call "extreme contingency." While our regulatory capital is, by definition, a cushion for absorbing financial consequences of adverse events, such as loss reserve development, litigation, weather catastrophes, and investment market corrections, we view that as a base and hold additional capital for even more extreme conditions. The modeling used to quantify capital needs for these conditions is extensive, including tens of thousands of simulations, representing our best estimates of such contingencies based on historical experience. This capital is held either at a non-insurance subsidiary of the holding company or in our insurance entities, where it is potentially eligible for a dividend to the holding company.
- The third layer is capital in excess of the sum of the first two layers and provides maximum flexibility to fund other business opportunities, repurchase stock or other securities, satisfy acquisition-related commitments, and pay dividends to shareholders, among other purposes. This capital is largely held at a non-insurance subsidiary of the holding company.

At all times during the last two years, our total capital exceeded the sum of our regulatory capital layer plus our self-constructed extreme contingency layer. At December 31, 2020, we held total capital (debt plus shareholders' equity) of $22.4 billion, compared to $18.1 billion at December 31, 2019. Our debt-to-total capital (debt plus shareholders' equity, which does not include redeemable noncontrolling interest) ratios at December 31, 2020, 2019, and 2018 were 24.1%, 24.4%, and 28.9%, respectively, and were consistent with our financial policy of maintaining a ratio of less than 30%, which we target to meet annually.

Based upon our capital planning and forecasting efforts, we believe we have sufficient capital resources and cash flows from operations to support our current business, scheduled principal and interest payments on our debt, anticipated dividends on our common shares and Series B Preferred Shares, our contractual obligations, and other expected capital requirements for the foreseeable future, including the $500 million of 3.75% Senior Notes maturing in August of 2021. In addition, in February 2021, Progressive entered into a definitive agreement to acquire all of the outstanding common shares of Protective Insurance Corporation for $23.30 per share, or approximately $338 million in aggregate. This transaction is expected to close prior to the end of the third quarter 2021, subject to customary closing conditions, including the receipt of certain required regulatory approvals. We expect to fund this transaction with cash from operations or securities we currently hold. See *Note 17 – Subsequent Event* for further discussion.

Nevertheless, we may determine to raise additional capital to take advantage of attractive terms in the market and provide additional financial flexibility. We have an effective shelf registration with the U.S. Securities and Exchange Commission so that we may periodically offer and sell an indeterminate aggregate amount of senior or subordinated debt securities, preferred stock, depositary shares, common stock, purchase contracts, warrants, and units. The shelf registration enables us to raise funds from the offering of any securities covered by the shelf registration as well as any combination thereof, subject to market conditions.

B. Commitments, Contingencies, and Other Off-Balance-Sheet Arrangements

Contractual Obligations

A summary of our noncancelable contractual obligations as of December 31, 2020, follows:

	Payments due by period				
(millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Debt	$ 5,450.0	$ 500.0	$ 0	$ 0	$ 4,950.0
Interest payments on debt	3,831.2	223.9	410.3	410.3	2,786.7
Operating lease obligations	185.4	78.9	77.8	28.2	0.5
Purchase obligations	830.4	727.4	92.9	9.9	0.2
Catastrophe excess of loss reinsurance contracts[1]	191.1	140.2	38.5	12.4	0
Loss and loss adjustment expense reserves	20,265.8	9,920.4	6,888.9	1,835.9	1,620.6
Total	$ 30,753.9	$ 11,590.8	$ 7,508.4	$ 2,296.7	$ 9,358.0

[1] Our Property business has several multiple-layer property catastrophe reinsurance contracts with various reinsurers with terms ranging from one to three years.

Purchase obligations represent our noncancelable commitments for goods and services (e.g., software licenses, maintenance on information technology equipment, and media placements). Unlike many other forms of contractual obligations, loss and LAE reserves do not have definitive due dates and the ultimate payment dates are subject to a number of variables and uncertainties. As a result, the total loss and LAE reserve payments to be made by period, as shown above, are estimates based on our recent payment patterns. To further understand our claims payments, see *Note 6 – Loss and Loss Adjustment Expense Reserves*.

Off-Balance-Sheet Arrangements

During 2020, our only off-balance-sheet arrangements included purchase obligations and catastrophe excess of loss reinsurance contracts (see *Note 1 – Reporting and Accounting Policies* for further discussion). We did not have any open derivative positions at December 31, 2020 or 2019.

III. RESULTS OF OPERATIONS – UNDERWRITING

A. Segment Overview

We report our underwriting operations in three segments: Personal Lines, Commercial Lines, and Property. As a component of our Personal Lines segment, we report our Agency and Direct business results to provide further understanding of our products by distribution channel.

The following table shows the composition of our companywide net premiums written, by segment, for the years ended December 31:

	2020	2019	2018
Personal Lines			
Agency	40 %	41 %	41 %
Direct	42	42	42
Total Personal Lines	82	83	83
Commercial Lines	13	13	12
Property	5	4	5
Total underwriting operations	100 %	100 %	100 %

Our Personal Lines segment writes insurance for personal autos (which accounts for about 94% of the segment's net written premiums) and special lines products (e.g., motorcycles, watercraft, and RVs). Within Personal Lines we often refer to our four consumer segments, which include:

- Sam - inconsistently insured;
- Diane - consistently insured and maybe a renter;
- Wrights - homeowners who do not bundle auto and home; and
- Robinsons - homeowners who bundle auto and home

While our personal auto policies are primarily written for 6-month terms, we write 12-month auto policies in our Platinum agencies to promote bundled auto and home growth. At year-end 2020, 12% of our Agency auto policies in force were 12-month policies, compared to about 10% a year earlier. While the shift to 12-month policies is slow, to the extent our Agency new business application mix of annual policies grows, that shift in policy term could increase our written premium mix by channel as 12-month policies have about twice the amount of net premiums written compared to 6-month policies. The special lines products are written for 12-month terms.

Our Commercial Lines business writes auto-related primary liability and physical damage insurance, and other liability and property insurance, predominately for small businesses. The majority of our Commercial Lines business is written through the independent agency channel. The amount of commercial auto business written through the direct channel, excluding our TNC business, represented about 9% of premiums written for 2020, compared to 8% for both 2019 and 2018. To serve our direct channel customers, we continued to expand our product offerings, including adding states where we offer our business owners policy and include the product on our digital platform serving direct small business consumers (BusinessQuote Explorer®). About 90% of our Commercial Lines policies are written for 12-month terms.

Our Property business writes residential property insurance for single family homes, condominium unit owners, renters, etc. We write the majority of our Property business through the independent agency channel; however, we continue to expand the distribution of our Property product offerings in the direct channel, which represented about 18% of premiums written for 2020, compared to 16% and 13% for 2019 and 2018, respectively. Property policies are written for 12-month terms.

B. Profitability

Profitability for our underwriting operations is defined by pretax underwriting profit, which is calculated as net premiums earned plus fees and other revenues less losses and loss adjustment expenses, policy acquisition costs, other underwriting expenses, and policyholder credits. We also use underwriting margin, which is underwriting profit or loss expressed as a percentage of net premiums earned, to analyze our results. For the three years ended December 31, our underwriting profitability results were as follows:

	2020		2019		2018	
	Underwriting Profit (Loss)		Underwriting Profit (Loss)		Underwriting Profit (Loss)	
($ in millions)	$	Margin	$	Margin	$	Margin
Personal Lines						
Agency	$ 2,236.5	14.2 %	$ 1,673.2	11.2 %	$ 1,435.7	11.0 %
Direct	2,076.5	12.3	1,181.4	7.7	1,088.5	8.4
Total Personal Lines	4,313.0	13.2	2,854.6	9.5	2,524.2	9.7
Commercial Lines	634.8	13.0	458.8	10.4	478.6	13.3
Property[1]	(125.1)	(7.1)	(26.1)	(1.7)	(88.7)	(6.9)
Other indemnity[2]	0	NM	0	NM	0.9	NM
Total underwriting operations	$ 4,822.7	12.3 %	$ 3,287.3	9.1 %	$ 2,915.0	9.4 %

[1] During 2020, 2019, and 2018, pretax profit (loss) includes $56.9 million, $66.3 million, and $72.0 million, respectively, of amortization expense on intangible assets.

[2] Underwriting margins for our other indemnity businesses are not meaningful (NM) due to the low level of premiums earned by, and the variability of loss costs in, such businesses.

The increases in underwriting profit margin experienced in the Personal Lines business were driven by lower personal auto accident frequency experienced during 2020, partially offset by an increase in auto severity, policyholder credits issued to personal auto customers, and an increase in advertising spend. Our special lines products also had a profitable year, however, the underwriting profit did not have an impact on the overall total Personal Lines profit margin. The increase in underwriting profit margin of our Commercial Lines business was primarily attributable to lower accident frequency experienced during 2020, partially offset by an increase in loss severity and policyholder billing credits issued during the year. The decrease in the Property underwriting profit margin was primarily driven by a high volume of catastrophe losses during 2020.

Underwriting results for our Personal Lines business, including results by distribution channel, the Commercial Lines business, the Property business, and our underwriting operations in total, were as follows:

Underwriting Performance[1]	**2020**	**2019**	**2018**
Personal Lines – Agency			
Loss & loss adjustment expense ratio	63.5	69.8	69.8
Underwriting expense ratio	22.3	19.0	19.2
Combined ratio	85.8	88.8	89.0
Personal Lines – Direct			
Loss & loss adjustment expense ratio	62.9	71.4	71.4
Underwriting expense ratio	24.8	20.9	20.2
Combined ratio	87.7	92.3	91.6
Total Personal Lines			
Loss & loss adjustment expense ratio	63.2	70.6	70.6
Underwriting expense ratio	23.6	19.9	19.7
Combined ratio	86.8	90.5	90.3
Commercial Lines			
Loss & loss adjustment expense ratio	64.5	68.5	66.3
Underwriting expense ratio	22.5	21.1	20.4
Combined ratio	87.0	89.6	86.7
Property			
Loss & loss adjustment expense ratio	77.3	71.2	72.8
Underwriting expense ratio[2]	29.8	30.5	34.1
Combined ratio[2]	107.1	101.7	106.9
Total Underwriting Operations			
Loss & loss adjustment expense ratio	64.0	70.4	70.2
Underwriting expense ratio	23.7	20.5	20.4
Combined ratio	87.7	90.9	90.6
Accident year – Loss & loss adjustment expense ratio[3]	63.5	69.8	69.9

[1] Ratios are expressed as a percentage of net premiums earned; fees and other revenues are deducted from underwriting expenses in the ratio calculations.
[2] Included in 2020, 2019, and 2018, are 3.2 points, 4.3 points, and 5.6 points, respectively, of amortization expense on intangible assets. Excluding this expense, the Property business would have reported expense ratios of 26.6, 26.2, and 28.5, and combined ratios of 103.9, 97.4, and 101.3, for 2020, 2019, and 2018, respectively.
[3] The accident year ratios include only the losses that occurred during the period noted. As a result, accident period results will change over time, either favorably or unfavorably, as we revise our estimates of loss costs when payments are made or reserves for that accident period are reviewed.

Losses and Loss Adjustment Expenses (LAE)

(millions)		2020		2019		2018
Change in net loss and LAE reserves	$	1,574.4	$	2,065.1	$	1,911.3
Paid losses and LAE		23,547.4		23,405.4		19,809.7
Total incurred losses and LAE	$	25,121.8	$	25,470.5	$	21,721.0

Claims costs, our most significant expense, represent payments made, and estimated future payments to be made, to or on behalf of our policyholders, including expenses needed to adjust or settle claims. Claims costs are a function of loss severity and frequency and, for our vehicle businesses, are influenced by inflation and driving patterns, among other factors, some of which are discussed below. In our Property business, severity is primarily a function of construction costs and the age of the structure. Accordingly, anticipated changes in these factors are taken into account when we establish premium rates and loss reserves. Loss reserves are estimates of future costs and our reserves are adjusted as underlying assumptions change and information develops. See *Critical Accounting Policies* for a discussion of the effect of changing estimates.

Our total loss and LAE ratio decreased 6.4 points in 2020 and increased 0.2 points in 2019, each compared to the prior year. Our accident year loss and LAE ratio, which excludes the impact of prior accident year reserve development during each calendar year, decreased 6.3 points and 0.1 points in 2020 and 2019, respectively. Several factors that contributed to the year-over-year changes are discussed below and include the impact of catastrophe losses, changes in severity and frequency, and prior accident year reserve development.

We experienced severe weather conditions in several areas of the country during each of the last three years. Hurricanes, hail storms, tornadoes, and wind activity contributed to catastrophe losses each year. The following table shows catastrophe losses incurred, net of reinsurance, for the years ended December 31:

($ in millions)		2020		2019		2018
Personal Lines	$	439.4	$	323.4	$	326.2
Commercial Lines		14.8		13.6		10.9
Property		423.8		214.5		268.8
Total catastrophe losses incurred	$	878.0	$	551.5	$	605.9
Combined ratio effect		2.2 pts.		1.5 pts.		2.0 pts.

The catastrophe losses in 2020 occurred throughout the United States. We have responded, and plan to continue to respond, promptly to catastrophic events when they occur in order to provide exemplary claims service to our customers.

We do not have catastrophe-specific reinsurance for our Personal Lines or Commercial Lines businesses, but we reinsure portions of our Property business against various risks, including, but not limited to, catastrophic losses. The Property business reinsurance programs include: multi-year catastrophe excess of loss, aggregate excess of loss, a catastrophe bond, and, for accident years 2017 through 2019, aggregate stop-loss coverage. See *Item 1 – Description of Business-Reinsurance* in our Annual Report on Form 10-K for the year ended December 31, 2020 and *Note 7 – Reinsurance* for a discussion of our various reinsurance programs.

Under our various reinsurance agreements, we ceded the following losses and ALAE, including development on prior year storms, during the years ended December 31:

(in millions)		2020		2019		2018
Aggregate excess of loss	$	120.9		NA		NA
Per occurrence excess of loss:						
Current accident year		10.0	$	0	$	70.0
Prior accident years		117.5		191.4		81.0
Aggregate stop-loss[1]		12.7		57.2		7.9
Total	$	261.1	$	248.6	$	158.9

NA = Not applicable; this reinsurance coverage was entered into on January 1, 2020.
[1] The aggregate stop-loss agreements cover accident years 2017-2019; activity in 2020 represents development on the prior year losses and ALAE.

The following discussion of our severity and frequency trends in our personal auto businesses excludes comprehensive coverage because of its inherent volatility, as it is typically linked to catastrophic losses generally resulting from adverse weather. For our commercial auto products, the reported frequency and severity trends include comprehensive coverage. Comprehensive coverage insures against damage to a customer's vehicle due to various causes other than collision, such as windstorm, hail, theft, falling objects, and glass breakage.

Total personal auto incurred severity (i.e., average cost per claim, including both paid losses and the change in case reserves) on a calendar-year basis was up over the prior-year periods 10% in 2020, 7% in 2019, and 5% in 2018.

- 2020 - Severity increased about 14% for our personal injury protection (PIP) coverage, 12% for our bodily injury coverage, 9% for our property damage coverage, and 5% for our collision coverage.
- 2019 - Severity increased about 8% for our bodily injury coverage, 7% for our PIP coverage, and 6% for our collision and property damage coverages.
- 2018 - Severity increased about 8% for our collision coverage, about 4% for our property damage and bodily injury coverages, and about 2% for our PIP coverage.

On a calendar-year basis, our commercial auto products incurred severity, excluding our TNC business, increased 10% in both 2020 and 2018, compared to 19% in 2019. Since the loss patterns in the TNC business are not indicative of our other commercial auto products, disclosing severity and frequency trends excluding that business is more indicative of our overall experience for the majority of our commercial auto products. In addition to general trends in the marketplace, the increase in our commercial auto products severity reflects increased medical costs and actuarially determined reserves due to accelerating paid loss trends and shifts in the mix of business to for-hire transportation, which has higher average severity than the business auto and contractor business market targets.

It is a challenge to estimate future severity, especially for bodily injury and PIP claims, but we continue to monitor changes in the underlying costs, such as medical costs, health care reform, court decisions, and jury verdicts, along with regulatory changes and other factors that may affect severity.

Our personal auto incurred frequency, on a calendar-year basis, was down about 24% in 2020 and 3% in both 2019 and 2018.

- 2020 - Frequency decreased 28% for our PIP coverage, 27% for our property damage coverage, 25% for our bodily injury coverage, and 23% for our collision coverage.
- 2019 - Frequency decreased 5% for our PIP coverage, 4% for our collision and property damage coverages, and 3% for our bodily injury coverage.
- 2018 - Frequency decreased about 3% for all coverages (PIP, collision, property damage, and bodily injury).

We closely monitor the changes in frequency, but the degree or direction of near-term frequency change is not something that we are able to predict with any degree of confidence, given the uncertainty of the current environment. We saw the number of vehicle miles driven decrease dramatically when the COVID-19 restrictions were first put in place, especially during the early months of the pandemic, and driving patterns have not returned to their historical levels. We analyze trends to distinguish changes in our experience from other external factors, such as changes in the number of vehicles per household, miles driven, gasoline prices, advances in vehicle safety, and unemployment rates, versus those resulting from shifts in the mix of our business or changes in driving patterns, to allow us to reserve more accurately for our loss exposures.

On a year-over-year basis, incurred frequency in our Commercial Lines business saw a decrease of about 15% in 2020, 4% in 2019, and 3% in 2018. The 2020 frequency decrease was in part due to COVID-19 restrictions and continued product segmentation and underwriting, which created a mix shift toward more preferred, lower-frequency, business.

The table below presents the actuarial adjustments implemented and the loss reserve development experienced on a companywide basis in the years ended December 31:

($ in millions)	2020	2019	2018
ACTUARIAL ADJUSTMENTS			
Reserve decrease (increase)			
Prior accident years	$ (27.5)	$ (65.8)	$ (25.0)
Current accident year	68.4	(120.4)	17.0
Calendar year actuarial adjustments	$ 40.9	$ (186.2)	$ (8.0)
PRIOR ACCIDENT YEARS DEVELOPMENT			
Favorable (unfavorable)			
Actuarial adjustments	$ (27.5)	$ (65.8)	$ (25.0)
All other development	(167.8)	(166.5)	(63.5)
Total development	$ (195.3)	$ (232.3)	$ (88.5)
(Increase) decrease to calendar year combined ratio	(0.5) pts.	(0.6) pts.	(0.3) pts.

Total development consists of both actuarial adjustments and "all other development" on prior accident years. The actuarial adjustments represent the net changes made by our actuarial staff to both current and prior accident year reserves based on regularly scheduled reviews. Through these reviews, our actuaries identify and measure variances in the projected frequency and severity trends, which allow them to adjust the reserves to reflect the current cost trends. For our Property business, 100% of catastrophe losses are reviewed monthly, and any development on catastrophe reserves are included as part of the actuarial adjustments. For the Personal Lines and Commercial Lines businesses, development for catastrophe losses for the vehicle businesses would be reflected in "all other development," discussed below, to the extent they relate to prior year reserves. We report these actuarial adjustments separately for the current and prior accident years to reflect these adjustments as part of the total prior accident years development.

"All other development" represents claims settling for more or less than reserved, emergence of unrecorded claims at rates different than anticipated in our incurred but not recorded (IBNR) reserves, and changes in reserve estimates on specific claims. Although we believe the development from both the actuarial adjustments and "all other development" generally results from the same factors, we are unable to quantify the portion of the reserve development that might be applicable to any one or more of those underlying factors, excluding the unfavorable development resulting from the impact from COVID-19 restrictions.

Our objective is to establish case and IBNR reserves that are adequate to cover all loss costs, while incurring minimal variation from the date the reserves are initially established until losses are fully developed. As reflected in the table above, we experienced unfavorable prior year development during each of these years. For 2020, we incurred unfavorable reserve development primarily related to a higher than anticipated frequency of reopened PIP claims in our personal auto business and an increase in bodily injury severity and the emergence of large bodily injury claims in our Commercial Lines business. For 2019, the unfavorable reserve development was primarily attributable to higher than anticipated claims occurring in late 2018 but not reported until 2019, a higher than anticipated frequency of reopened PIP claims in our personal auto business, and increased bodily injury severity. For 2018, the unfavorable reserve development was primarily due to reopened PIP claims in our personal auto business. See *Note 6 – Loss and Loss Adjustment Expense Reserves* for a more detailed discussion of our prior accident year development. We continue to focus on our loss reserve analysis, attempting to enhance accuracy and to further our understanding of our loss costs.

Underwriting Expenses

The companywide underwriting expense ratio (i.e., policy acquisition costs, other underwriting expenses, and policyholder credits, net of fees and other revenues, expressed as a percentage of net premiums earned) increased 3.2 points. During the year, we incurred 2.7 points of policyholder credits issued to personal auto customers. In addition to the credits issued to personal auto customers, our Commercial Lines business worked directly with their policyholders and agents to provide premium and billing credits during the year, which contributed to a 0.7 point increase in the Commercial Lines expense ratio during 2020.

Progressive's other underwriting expenses, which excludes the policyholder credits, increased 12% in 2020 and 19% in 2019, in part reflecting increased advertising spend in both years. On a year-over-year basis, our advertising expenditures increased 18% and 29% in 2020 and 2019, respectively. We will continue to invest in advertising as long as we generate sales at a cost below the maximum amount we are willing to spend to acquire a new customer.

C. Growth

For our underwriting operations, we analyze growth in terms of both premiums and policies. Net premiums written represent the premiums from policies written during the period less any premiums ceded to reinsurers. Net premiums earned, which are a function of the premiums written in the current and prior periods, are earned as revenue over the life of the policy using a daily earnings convention. Policies in force, our preferred measure of growth since it removes the variability due to rate changes or mix shifts, represent all policies under which coverage was in effect as of the end of the period specified.

For the years ended December 31,	**2020**		**2019**		**2018**	
($ in millions)	**$**	**% Growth**	**$**	**% Growth**	**$**	**% Growth**
NET PREMIUMS WRITTEN						
Personal Lines						
Agency	$ 16,133.8	5 %	$ 15,336.5	13 %	$ 13,562.3	16 %
Direct	17,208.8	9	15,765.7	16	13,595.3	21
Total Personal Lines	33,342.6	7	31,102.2	15	27,157.6	18
Commercial Lines	5,315.3	11	4,791.8	20	3,996.4	28
Property	1,910.8	13	1,683.9	16	1,455.9	33
Total underwriting operations	$ 40,568.7	8 %	$ 37,577.9	15 %	$ 32,609.9	20 %
NET PREMIUMS EARNED						
Personal Lines						
Agency	$ 15,789.5	6 %	$ 14,904.1	14 %	$ 13,017.2	16 %
Direct	16,830.6	10	15,305.9	18	13,017.5	21
Total Personal Lines	32,620.1	8	30,210.0	16	26,034.7	19
Commercial Lines	4,875.8	10	4,427.6	23	3,610.9	29
Property	1,765.7	14	1,554.8	21	1,287.7	30
Total underwriting operations	$ 39,261.6	8 %	$ 36,192.4	17 %	$ 30,933.3	20 %

December 31,	**2020**		**2019**		**2018**	
(# in thousands)	**#**	**% Growth**	**#**	**% Growth**	**#**	**% Growth**
POLICIES IN FORCE						
Agency auto	7,617.0	9 %	6,994.3	10 %	6,358.3	12 %
Direct auto	8,881.4	13	7,866.5	12	7,018.5	16
Total auto	16,498.4	11	14,860.8	11	13,376.8	14
Special lines[1]	4,915.1	8	4,547.8	4	4,382.2	0
Personal Lines - total	21,413.5	10	19,408.6	9	17,759.0	10
Commercial Lines	822.0	9	751.4	8	696.9	8
Property	2,484.4	13	2,202.1	14	1,936.5	32
Companywide total	24,719.9	11 %	22,362.1	10 %	20,392.4	12 %

[1] Includes insurance for motorcycles, watercraft, RVs, and similar items.

To analyze growth, we review new policies, rate levels, and the retention characteristics of our segments. During 2020, the growth in net premiums written reflected growth in policies in force, partially offset by rate decreases taken in our Personal Lines business during the year. At year-end 2020, we had 2.4 million more policies in force than at the end of 2019, with all of our segments contributing to this unit growth. From April through December, we filed personal auto rate changes that averaged a decrease of approximately 3%, primarily in response to driving and claims data gathered during the year.

Although new policies are necessary to maintain a growing book of business, we continue to recognize the importance of retaining our current customers as a critical component of our continued growth. As shown in the tables below, we measure retention by policy life expectancy. We review our customer retention for our personal auto products using both a trailing 3-month and a trailing 12-month period. Although using a trailing 3-month measure does not address seasonality and can reflect more volatility, this measure is more responsive to current experience and generally can be an indicator of how retention rates are moving, especially given the events that occurred during 2020.

We believe the growth in our personal auto trailing 12-month policy life expectancy could be distorted due to the impact on the measure from suspending cancellations of policies for nonpayment, which impacted renewal activity during 2020. We continue to disclose our changes in policy life expectancy using both a trailing 3-month and 12-month period; however, we believe that the trailing 12-month measure will be positively impacted by the factor discussed above through mid-2021.

D. Personal Lines

The following table shows our year-over-year changes for our Personal Lines business:

	Growth Over Prior Year		
	2020	**2019**	**2018**
Applications			
New	3 %	8 %	17 %
Renewal	8	13	11
Written premium per policy - Auto	(1)	2	4
Policy life expectancy - Auto			
Trailing 3-months	7	0	(4)
Trailing 12-months	10	0	3

While new application growth in our Personal Lines products was up 3%, our personal auto new application growth was flat and our special lines products saw new applications increase 18% during the year, driven by high demand due to the overall growth in the RV and boat industries. We continued to see strong personal auto renewal application growth, which we believe was aided, in part, by our countrywide billing leniency efforts and the moratoriums that were put in place from mid-March through mid-May 2020, suspending cancellations of policies for non-payment.

During 2020, overall personal auto quote volumes and rates of conversion (i.e., converting a quote to a sale) were flat, compared to last year. In response to lower vehicle miles driven caused by COVID-19 restrictions, we decreased rates during 2020, contributing to the decrease in written premium per policy.

We report our Agency and Direct business results separately as components of our Personal Lines segment to provide further understanding of our products by distribution channel.

The Agency Business

	Growth Over Prior Year		
	2020	**2019**	**2018**
Applications - Auto			
New	(5)%	7 %	14 %
Renewal	7	12	12
Written premium per policy - Auto	0	3	5
Policy life expectancy - Auto			
Trailing 3-months	6	4	(2)
Trailing 12-months	10	3	4

The Agency business includes business written by more than 40,000 independent insurance agencies that represent Progressive, as well as brokerages in New York and California. During 2020, only 14 states generated new Agency auto application growth, including only two of our top 10 largest Agency states. While we believe we remain competitive in our product offerings and position in the marketplace, new application growth is down compared to last year, as COVID-19 restrictions significantly impacted agents and their ability to get their operations back to pre-COVID levels and we saw a temporary shift of consumer preference toward shopping in the direct channel.

We experienced a modest decrease in new auto applications in our Sam and Diane consumer segments on a year-over-year basis, while the Wrights and Robinsons experienced a slight increase.

During 2020, we experienced a 2% year-over-year decrease in Agency auto quotes and a 3% decrease in the rate of conversion. Robinsons quote volume experienced low double-digit growth, while Sams saw a low double-digit decline. The increase in Robinsons resulted from expansion of our integrated agency quoting system, which provides a faster, more intuitive system to quote multiple products.

Written premium per policy for new Agency auto business increased 1% and was flat for renewal business during 2020, compared to last year. During the year, we experienced an increase in the percentage of bundled Agency auto policies written for 12-month terms, which have higher written premiums than policies written for 6-month terms.

The Direct Business

	Growth Over Prior Year		
	2020	2019	2018
Applications - Auto			
New	5 %	9 %	25 %
Renewal	11	17	15
Written premium per policy - Auto	(1)	2	4
Policy life expectancy - Auto			
Trailing 3-months	6	(3)	(5)
Trailing 12-months	10	(3)	1

The Direct business includes business written directly by Progressive on the Internet, through mobile devices, and over the phone. During 2020, we generated new Direct auto application growth in 31 states, including eight of our top 10 largest Direct states. New and renewal applications increased on a year-over-year basis, primarily reflecting our competitiveness in the marketplace.

We continued to grow our new Direct auto applications across all consumer segments, with the largest percentage of new application growth generated from our Robinsons. As a result of increased marketing investments that targeted auto/home bundlers, we grew our Direct Robinsons applications at a rate about four times higher than the other consumer segments combined, albeit on a smaller base.

During 2020, we experienced an increase in quotes in all of our consumer segments, except Dianes, which had flat volume during the year. Our total year-over-year Direct auto quote volume increased 3%, with a conversion rate growth of 2%.

Written premium per policy for both new and renewal Direct auto business decreased 1% during 2020, compared to last year, primarily reflecting a reduction in rates in response to lower loss costs recognized during the year and our expectation of future loss costs.

E. Commercial Lines

	Growth Over Prior Year		
	2020	2019	2018
Applications - Auto			
New	5 %	11 %	12 %
Renewal	6	9	6
Written premium per policy	4	8	14
Policy life expectancy Trailing 12-months	5	(2)	1

Note: Table excludes our TNC and business owners policy businesses.

Our Commercial Lines business operates in five traditional business markets, which include business auto, for-hire transportation, contractor, for-hire specialty, and tow markets, and writes transportation network company (TNC) business and business owners policy (BOP) insurance.

Our commercial auto product experienced solid year-over-year new application growth in 2020, reflecting an increase in conversion, a generally strong economy, and our competitiveness in the marketplace. New application growth during the year was primarily driven by growth in our for-hire transportation business market target, due to greater demand for shipping services in light of the pandemic.

In addition, we continue to believe we are well positioned to offer competitive rates to the safety conscious owners/operators and small fleets through Smart Haul®, our predictive usage-based insurance program, which is predominantly used by our for-hire transportation policyholders.

We continue to monitor the growth and profitability across all of our business market targets and will impose underwriting restrictions when we believe it is necessary to meet our profitability objectives.

During the year, we expanded our footprint in the TNC business by adding a total of 3 states plus the District of Columbia to our rideshare coverage. Offsetting the impact of expansion, TNC premiums were down significantly compared to last year due to a reduction in the miles driven under these policies as a result of the COVID-19 restrictions put in place starting in mid-March 2020, and the social distancing guidelines that remain. We began to see mileage increase as rideshare usage started to recover during the second half of 2020.

We also continued to invest in our BOP product during 2020, geared specifically to small businesses typically with fewer than 20 employees, by adding our BOP product to our digital BusinessQuote Explorer® platform. In 2020, we expanded our BOP coverage to 13 new states.

F. Property

	Growth Over Prior Year		
	2020	2019	2018
Applications			
New	12 %	(1)%	53 %
Renewal	14	22	25
Written premium per policy	0	2	(3)
Policy life expectancy Trailing 12-months	(3)	(1)	(3)

Our Property business writes residential property insurance for homeowners, other property owners, and renters, in the agency and direct channels. During 2020, the Property business experienced an increase in new applications, primarily driven by growth in our direct channel and our Robinsons consumer segment, as discussed above, and a continued rebound in the housing market for new home sales.

During 2020, we made targeted rate increases in hail prone states and will continue to increase rates where needed to get us more closely in line with our profitability target. However, our Property business experienced flat written premium per policy on a year-over-year basis, primarily attributable to a shift in the mix of business to a larger share of renters policies, which have lower written premiums per policy.

Our Property segment was not significantly impacted by COVID-19 restrictions during the year.

G. Litigation

The Progressive Corporation and/or its insurance subsidiaries are named as defendants in various lawsuits arising out of claims made under insurance policies issued by its subsidiaries in the ordinary course of business. We consider all legal actions relating to such claims in establishing our loss and loss adjustment expense reserves.

In addition, various Progressive entities are named as defendants in a number of alleged class/collective/representative actions or individual lawsuits arising out of the operations of the insurance subsidiaries. These cases include those alleging damages as a result of, among other things, our practices in evaluating or paying medical or injury claims or benefits, including, but not limited to, personal injury protection, medical payments, uninsured motorist/underinsured motorist, and bodily injury benefits, and for reimbursing medical costs incurred by Medicare/Medicaid beneficiaries; our practices in evaluating or paying physical damage claims, including, but not limited to, our payment of total loss claims and labor rates paid to auto body repair shops; our insurance product design, including our response to the COVID-19 pandemic; employment matters; and cases challenging other aspects of our claims or marketing practices or other business operations. Other insurance companies and/or large employers face many of these same issues. During the last three years, we have settled several class/collective action and individual lawsuits. These settlements did not have a material effect on our financial condition, cash flows, or results of operations. See *Note 12 – Litigation* for a more detailed discussion.

H. Income Taxes

At December 31, 2020 and 2019, we had net current income taxes payable of $163.5 million and $224.0 million, respectively, which were reported as part of “other liabilities.” The decrease in 2020 primarily resulted from the application of $48.8 million of the protective deposit that we made in the prior year against additional taxes and interest owed for 2016. See *Note 5 – Income Taxes* for further information.

A deferred tax asset or liability is a tax benefit or expense that is expected to be realized in a future tax return. At December 31, 2020 and 2019, we reported net deferred tax liabilities. We determined that we did not need a valuation allowance on our gross deferred tax assets for either year. Although realization of the gross deferred tax assets is not assured, management believes it is more likely than not that the gross deferred tax assets will be realized based on our expectation we will be able to fully utilize the deductions that are ultimately recognized for tax purposes.

Our effective tax rate was 20% for 2020, compared to 23% and 17% for 2019 and 2018, respectively. The decrease in the effective tax rate during 2020, compared to 2019, was primarily attributable to the reversal of prior year tax credits in 2019 as discussed in *Note 5 – Income Taxes.* The effective tax rate in 2020, 2019, and 2018, also reflects $0, $38.1 million, and $71.0 million, respectively, of federal tax benefits resulting from our investments in renewable energy; all of the tax benefits from these investments were recorded in our income tax provision during 2019 and 2018, respectively.

Consistent with prior years, we had no uncertain tax positions. See *Note 5 – Income Taxes* for further information.

IV. RESULTS OF OPERATIONS – INVESTMENTS

A. Portfolio Summary

At year-end 2020, the fair value of our investment portfolio was $47.5 billion, compared to $39.3 billion at year-end 2019. The increase during the year primarily reflected cash flows from operations of $6.9 billion and the $1.0 billion of proceeds from the debt issued during March, partially offset by $1.6 billion related to the payment of shareholder dividends during 2020.

Our investment income (interest and dividends) decreased 10% in 2020 due to a decrease in the portfolio yield, which was partially offset by an increase in average assets. Our investment income increased 27% in 2019, as compared to the prior year, reflecting both higher average assets and yields. Our total net realized gains (losses) include gains (losses) from security sales, holding period gains (losses), and impairment losses. For 2019 and 2018, the impairment losses solely related to "other asset" impairments on renewable energy tax credit fund investments.

B. Investment Results

Our management philosophy governing the portfolio is to evaluate investment results on a total return basis. The fully taxable equivalent (FTE) total return includes recurring investment income, adjusted to a fully taxable amount for certain securities that receive preferential tax treatment (e.g., municipal securities), and total net realized, and changes in total unrealized, gains (losses) on securities.

The following summarizes investment results for the years ended December 31:

	2020	2019	2018
Pretax recurring investment book yield	2.4 %	3.1 %	2.8 %
Weighted average FTE book yield	2.4	3.1	2.9
FTE total return:			
Fixed-income securities	6.7	6.0	1.5
Common stocks	24.3	30.5	(4.4)
Total portfolio	7.9	7.9	1.2

The decrease in the book yield during 2020 reflects investing new cash from operations and portfolio turnover during the year in lower interest rate securities. The year-over-year increase in our fixed-income total return was the result of a reduction in interest rates and narrowing credit spreads in the last three quarters of the year.

A further break-down of our FTE total returns for our fixed-income portfolio for the years ended December 31, follows:

	2020	2019	2018
Fixed-income securities:			
U.S. Treasury Notes	7.4 %	4.9 %	1.3 %
Municipal bonds	9.4	5.5	2.3
Corporate bonds	8.4	8.9	1.0
Residential mortgage-backed securities	3.0	3.3	2.7
Commercial mortgage-backed securities	4.2	6.2	2.1
Other asset-backed securities	2.8	3.4	2.2
Preferred stocks	6.6	13.8	(1.9)
Short-term investments	1.0	2.4	2.0

C. Portfolio Allocation

The composition of the investment portfolio at December 31, was:

($ in millions)		Fair Value	% of Total Portfolio	Duration (years)	Rating[1]
2020					
U.S. government obligations	$	12,740.0	26.8 %	3.3	AAA
State and local government obligations		3,221.8	6.8	4.4	AA
Corporate debt securities		10,185.2	21.4	3.8	BBB
Residential mortgage-backed securities		509.5	1.1	1.0	AA
Commercial mortgage-backed securities		6,175.1	13.0	3.2	AA-
Other asset-backed securities		3,784.6	7.9	1.0	AA+
Preferred stocks		1,642.6	3.5	3.6	BBB-
Short-term investments		5,218.5	11.0	<0.1	AA
Total fixed-income securities		43,477.3	91.5	2.9	AA-
Common equities		4,053.0	8.5	na	na
Total portfolio[2]	$	47,530.3	100.0 %	2.9	AA-
2019					
U.S. government obligations	$	13,251.1	33.7 %	4.9	AAA
State and local government obligations		1,713.3	4.4	3.1	AA+
Corporate debt securities		7,067.7	18.0	2.7	BBB
Residential mortgage-backed securities		627.5	1.6	0.9	AA
Commercial mortgage-backed securities		5,076.2	12.9	2.0	AA
Other asset-backed securities		5,179.5	13.2	0.8	AAA-
Preferred stocks		1,233.9	3.2	2.6	BBB-
Short-term investments		1,798.8	4.6	0.1	AA-
Total fixed-income securities		35,948.0	91.6	3.0	AA
Common equities		3,306.3	8.4	na	na
Total portfolio[2]	$	39,254.3	100.0 %	3.0	AA

na = not applicable

[1] Represents ratings at December 31, 2020 and 2019. Credit quality ratings are assigned by nationally recognized statistical rating organizations. To calculate the weighted average credit quality ratings, we weight individual securities based on fair value and assign a numeric score of 0-5, with non-investment-grade and non-rated securities assigned a score of 0-1. To the extent the weighted average of the ratings falls between AAA and AA+, we assign an internal rating of AAA-.

[2] Our portfolio reflects the effect of net unsettled security transactions; at December 31, 2020, $95.5 million was included in "other liabilities," compared to $11.9 million at December 31, 2019.

The total fair value of the portfolio at December 31, 2020 and 2019, included $6.2 billion and $3.2 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions. A portion of these investments were sold and proceeds used to pay our common share dividends, see *Note 14 – Dividends* for additional information.

Our asset allocation strategy is to maintain 0-25% of our portfolio in Group I securities, with the balance (75%-100%) of our portfolio in Group II securities.

We define Group I securities to include:

- common equities,
- nonredeemable preferred stocks,
- redeemable preferred stocks, except for 50% of investment-grade redeemable preferred stocks with cumulative dividends, which are included in Group II, and
- all other non-investment-grade fixed-maturity securities.

Group II securities include:

- short-term securities, and
- all other fixed-maturity securities, including 50% of investment-grade redeemable preferred stocks with cumulative dividends.

We believe this asset allocation strategy allows us to appropriately assess the risks associated with these securities for capital purposes and is in line with the treatment by our regulators.

The following table shows the composition of our Group I and Group II securities at December 31:

($ in millions)	2020 Fair Value	2020 % of Total Portfolio	2019 Fair Value	2019 % of Total Portfolio
Group I securities:				
Non-investment-grade fixed maturities	$ 1,006.4	2.1 %	$ 327.2	0.8 %
Redeemable preferred stocks[1]	97.3	0.2	117.6	0.3
Nonredeemable preferred stocks	1,447.9	3.1	1,038.9	2.7
Common equities	4,053.0	8.5	3,306.3	8.4
Total Group I securities	6,604.6	13.9	4,790.0	12.2
Group II securities:				
Other fixed maturities	35,707.2	75.1	32,665.5	83.2
Short-term investments	5,218.5	11.0	1,798.8	4.6
Total Group II securities	40,925.7	86.1	34,464.3	87.8
Total portfolio	$ 47,530.3	100.0 %	$ 39,254.3	100.0 %

[1] Included non-investment-grade redeemable preferred stocks of $40.2 million at December 31, 2019; we held no non-investment-grade redeemable preferred stocks at December 31, 2020.

To determine the allocation between Group I and Group II, we use the credit ratings from models provided by the National Association of Insurance Commissioners (NAIC) for classifying our residential and commercial mortgage-backed securities, excluding interest-only securities, and the credit ratings from nationally recognized statistical rating organizations (NRSROs) for all other debt securities. NAIC ratings are based on a model that considers the book price of our securities when assessing the probability of future losses in assigning a credit rating. As a result, NAIC ratings can vary from credit ratings issued by NRSROs. Management believes NAIC ratings more accurately reflect our risk profile when determining the asset allocation between Group I and II securities.

Unrealized Gains and Losses

As of December 31, 2020, our fixed-maturity portfolio had pretax net unrealized gains, recorded as part of accumulated other comprehensive income, of $1,206.6 million, compared to $459.4 million at December 31, 2019. The change from December 2019, reflected decreasing interest rates, which resulted in valuation increases in all fixed-maturity sectors, most prominently in the U.S. government, municipal, and corporate portfolios.

See *Note 2 – Investments* for further details on our gross unrealized gains (losses).

Holding Period Gains (Losses)
The following table provides the balance and activity for both the gross and net holding period gains (losses) for 2020:

(millions)	Gross Holding Period Gains	Gross Holding Period Losses	Net Holding Period Gains (Losses)
Balance at December 31, 2019			
Hybrid fixed-maturity securities	$ 7.8	$ 0	$ 7.8
Equity securities	2,263.9	(15.5)	2,248.4
Total holding period securities	2,271.7	(15.5)	2,256.2
Current year change in holding period securities			
Hybrid fixed-maturity securities	7.4	0	7.4
Equity securities	697.6	8.9	706.5
Total changes in holding period securities	705.0	8.9	713.9
Balance at December 31, 2020			
Hybrid fixed-maturity securities	15.2	0	15.2
Equity securities	2,961.5	(6.6)	2,954.9
Total holding period securities	$ 2,976.7	$ (6.6)	$ 2,970.1

Changes in holding period gains (losses), similar to unrealized gains (losses) in our fixed-maturity portfolio, are the result of changes in market performance as well as sales of securities based on various portfolio management decisions.

Fixed-Income Securities
The fixed-income portfolio is managed internally and includes fixed-maturity securities, short-term investments, and nonredeemable preferred stocks. Following are the primary exposures for the fixed-income portfolio.

Interest Rate Risk This risk includes the change in value resulting from movements in the underlying market rates of debt securities held. We manage this risk by maintaining the portfolio's duration (a measure of the portfolio's exposure to changes in interest rates) between 1.5 and 5 years. The duration of the fixed-income portfolio was 2.9 years at December 31, 2020, compared to 3.0 years at December 31, 2019. The distribution of duration and convexity (i.e., a measure of the speed at which the duration of a security is expected to change based on a rise or fall in interest rates) is monitored on a regular basis.

The duration distribution of our fixed-income portfolio, excluding short-term investments, represented by the interest rate sensitivity of the comparable benchmark U.S. Treasury Notes, at December 31, was:

Duration Distribution	2020	2019
1 year	19.5 %	23.9 %
2 years	18.7	11.8
3 years	24.9	20.6
5 years	18.5	23.1
7 years	10.9	15.1
10 years	7.5	5.5
Total fixed-income portfolio	100.0 %	100.0 %

Credit Rate Risk This exposure is managed by maintaining an A+ minimum average portfolio credit quality rating, as defined by NRSROs. Our credit quality rating was above the minimum threshold during both 2020 and 2019.

The credit quality distribution of the fixed-income portfolio at December 31, was:

Rating	2020	2019
AAA	53.3 %	60.8 %
AA	9.8	9.9
A	11.1	7.9
BBB	22.9	19.5
Non-investment grade/non-rated:[1]		
BB	2.4	1.4
B	0.2	0.3
CCC and lower	0.1	0
Non-rated	0.2	0.2
Total fixed-income portfolio	100.0 %	100.0 %

[1] The ratings in the table above are assigned by NRSROs. The non-investment grade fixed-income securities based upon our Group I classification represented 2.9% of the total fixed-income portfolio at December 31, 2020, compared to 1.7% at December 31, 2019.

Concentration Risk Our investment constraints limit investment in a single issuer, other than U.S. Treasury Notes or a state's general obligation bonds, to 2.5% of shareholders' equity, while the single issuer guideline on preferred stocks and/or non-investment-grade debt is 1.25% of shareholders' equity. Additionally, the guideline applicable to any state's general obligation bonds is 6% of shareholders' equity. We consider concentration risk both overall and in the context of individual asset classes and sectors, including but not limited to common equities, residential and commercial mortgage-backed securities, municipal bonds, and high-yield bonds. At December 31, 2020 and 2019, we were within all of the constraints described above.

Prepayment and Extension Risk We are exposed to this risk especially in our asset-backed (i.e., structured product) and preferred stock portfolios. Prepayment risk includes the risk of early redemption of security principal that may need to be reinvested at less attractive rates. Extension risk includes the risk that a security will not be redeemed when anticipated, and that the security that is extended will have a lower yield than a security we might be able to obtain by reinvesting the expected redemption principal. Our holdings of different types of structured debt and preferred securities help manage this risk. During 2020 and 2019, we did not experience significant adverse prepayment or extension of principal relative to our cash flow expectations in the portfolio.

Liquidity Risk Our overall portfolio remains very liquid and we believe that it is sufficient to meet expected near-term liquidity requirements. The short-to-intermediate duration of our portfolio provides a source of liquidity, as we expect approximately $4.9 billion, or 19.3%, of principal repayment from our fixed-income portfolio, excluding U.S. Treasury Notes and short-term investments, during 2021. Cash from interest and dividend payments provides an additional source of recurring liquidity.

The duration of our U.S. government obligations, which are included in the fixed-income portfolio, was comprised of the following at December 31, 2020:

($ in millions)	**Fair Value**	**Duration (years)**
U.S. Treasury Notes		
Less than one year	$ 895.3	0.5
One to two years	3,377.1	1.6
Two to three years	3,208.1	2.6
Three to five years	3,428.2	4.2
Five to seven years	850.4	6.2
Seven to ten years	980.9	8.5
Total U.S. Treasury Notes	$ 12,740.0	3.3

ASSET-BACKED SECURITIES

Included in the fixed-income portfolio are asset-backed securities, which were comprised of the following at December 31:

($ in millions)	Fair Value	Net Unrealized Gains (Losses)	% of Asset-Backed Securities	Duration (years)	Rating (at period end)[1]
2020					
Residential mortgage-backed securities	$ 509.5	$ 6.2	4.9 %	1.0	AA
Commercial mortgage-backed securities	6,175.1	132.5	59.0	3.2	AA-
Other asset-backed securities	3,784.6	39.6	36.1	1.0	AA+
Total asset-backed securities	$ 10,469.2	$ 178.3	100.0 %	2.3	AA
2019					
Residential mortgage-backed securities	$ 627.5	$ 2.5	5.8 %	0.9	AA
Commercial mortgage-backed securities	5,076.2	55.5	46.6	2.0	AA
Other asset-backed securities	5,179.5	14.8	47.6	0.8	AAA-
Total asset-backed securities	$ 10,883.2	$ 72.8	100.0 %	1.4	AA+

[1] The credit quality ratings are assigned by NRSROs.

Residential Mortgage-Backed Securities (RMBS) The following table details the credit quality rating and fair value of our RMBS, along with the loan classification and a comparison of the fair value at December 31, 2020, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Residential Mortgage-Backed Securities (at December 31, 2020)

($ in millions) Rating[1]	Non-Agency	Government/GSE[2]	Total	% of Total
AAA	$ 339.6	$ 1.9	$ 341.5	67.0 %
AA	79.6	0.6	80.2	15.8
A	30.4	0	30.4	6.0
BBB	11.1	0	11.1	2.2
Non-investment grade/non-rated:				
BB	1.2	0	1.2	0.2
B	11.4	0	11.4	2.2
CCC and lower	9.7	0	9.7	1.9
Non-rated	24.0	0	24.0	4.7
Total fair value	$ 507.0	$ 2.5	$ 509.5	100.0 %
Increase (decrease) in value	1.2 %	8.3 %	1.2 %	

[1] The credit quality ratings are assigned by NRSROs; when we assign the NAIC ratings for our RMBS, $40.5 million of our non-investment-grade securities are rated investment grade and classified as Group II and $5.8 million, or 1.1% of our total RMBS, are not rated by the NAIC and are classified as Group I.

[2] The securities in this category are insured by a Government Sponsored Entity (GSE) and/or collateralized by mortgage loans insured by the Federal Housing Administration (FHA) or the U.S. Department of Veteran Affairs (VA).

In the residential mortgage-backed sector, our portfolio consists of deals that are backed by high-credit quality borrowers or have strong structural protections through underlying loan collateralization. In our view, the risk/reward potential during 2020 was lower in this portfolio relative to other comparable investments.

Commercial Mortgage-Backed Securities (CMBS) The following table details the credit quality rating and fair value of our CMBS, along with a comparison of the fair value at December 31, 2020, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Commercial Mortgage-Backed Securities (at December 31, 2020)

($ in millions) Rating[1]	Multi-Borrower	Single-Borrower	Total	% of Total
AAA	$ 456.9	$ 2,178.4	$ 2,635.3	42.7 %
AA	27.7	1,625.2	1,652.9	26.8
A	42.2	951.7	993.9	16.1
BBB	33.6	759.7	793.3	12.8
Non-investment grade/non-rated:				
BB	16.0	83.3	99.3	1.6
B	0.4	0	0.4	0
Total fair value	$ 576.8	$ 5,598.3	$ 6,175.1	100.0 %
Increase (decrease) in value	3.1 %	2.1 %	2.2 %	

[1] The credit quality ratings are assigned by NRSROs; when we assign the NAIC ratings for our CMBS, $35.3 million of our investment-grade securities are rated non-investment grade and classified as Group I, resulting in $135.0 million, or 2.2% of our total CMBS, being classified as Group I.

The CMBS portfolio experienced significant volatility in 2020. Throughout the year, our purchases and sales were contingent on overall spread levels. In the beginning of the year, spreads were reasonably tight and we selectively added securities in the new issue market while scaling back on positions that had performed well or were no longer core to our strategy. When spreads widened significantly through the second quarter, we added securities both in the new issue and secondary single-asset single-borrower (SASB) markets as well as selectively added new issue securities in other segments. As spreads tightened in the third and fourth quarters of 2020, we continued to add to the portfolio, albeit at a more measured pace. Toward the end of the year, spreads were in a more balanced range, so we adjusted our holdings based on relative value and our view of the underlying credits.

Other Asset-Backed Securities (OABS) The following table details the credit quality rating and fair value of our OABS, along with a comparison of the fair value at December 31, 2020, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Other Asset-Backed Securities (at December 31, 2020)

($ in millions) Rating	Automobile	Credit Card	Student Loan	Whole Business Securitizations	Equipment	Other	Total	% of Total
AAA	$ 1,267.6	$ 336.5	$ 206.9	$ 0	$ 752.2	$ 264.5	$ 2,827.7	74.7 %
AA	165.9	0	26.6	0	101.3	16.1	309.9	8.2
A	38.0	0	10.2	0	131.2	61.6	241.0	6.4
BBB	2.5	0	0	403.5	0	0	406.0	10.7
Total fair value	$ 1,474.0	$ 336.5	$ 243.7	$ 403.5	$ 984.7	$ 342.2	$ 3,784.6	100.0 %
Increase (decrease) in value	0.7 %	0.6 %	1.6 %	1.9 %	1.4 %	0.9 %	1.1 %	

As valuations across other asset classes were more attractive since March 2020, our OABS portfolio offered less relative value. We selectively added across the spectrum to our portfolio, mainly through the new issue market. We primarily focused on auto, equipment, credit card backed, and student loans. Due to amortization and scheduled paydowns, our portfolio decreased during the year.

MUNICIPAL SECURITIES

The following table details the credit quality rating of our municipal securities at December 31, 2020, without the benefit of credit or bond insurance:

Municipal Securities (at December 31, 2020)

(millions) Rating	General Obligations	Revenue Bonds	Total
AAA	$ 627.7	$ 328.5	$ 956.2
AA	471.3	1,029.0	1,500.3
A	0	763.7	763.7
BBB	0	1.6	1.6
Total	$ 1,099.0	$ 2,122.8	$ 3,221.8

Included in revenue bonds were $538.0 million of single-family housing revenue bonds issued by state housing finance agencies, of which $383.1 million were supported by individual mortgages held by the state housing finance agencies and $154.9 million were supported by mortgage-backed securities. Of the programs supported by mortgage-backed securities, approximately 25% were collateralized by Fannie Mae and Freddie Mac mortgages; the remaining 75% were collateralized by Ginnie Mae mortgages, which are fully guaranteed by the U.S. government.

Of the programs supported by individual mortgages held by the state housing finance agencies, the overall credit quality rating was AA+. Most of these mortgages were supported by FHA, VA, or private mortgage insurance providers. Throughout 2020, we added high-credit quality rated state general obligations, water and sewer, airport, and higher education revenue bonds. We also increased our focus on the taxable portion of the municipal market, which continued to grow and was more attractive to us on a relative basis.

CORPORATE SECURITIES

The following table details the credit quality rating of our corporate securities at December 31, 2020:

Corporate Securities (at December 31, 2020)

(millions) Rating	Consumer	Industrial	Communication	Financial Services	Technology	Basic Materials	Energy	Total
AAA	$ 0	$ 0	$ 0	$ 30.1	$ 0	$ 0	$ 0	$ 30.1
AA	152.9	0	0	144.6	26.2	0	8.1	331.8
A	579.2	101.5	233.2	1,038.6	286.1	129.5	67.3	2,435.4
BBB	2,340.8	1,580.2	172.9	1,281.8	358.2	44.0	743.9	6,521.8
Non-investment grade/non-rated:								
BB	268.6	122.4	79.5	90.7	129.8	23.1	40.1	754.2
B	77.7	2.1	0	0	0	0	0	79.8
CCC and lower	32.1	0	0	0	0	0	0	32.1
Total fair value	$ 3,451.3	$ 1,806.2	$ 485.6	$ 2,585.8	$ 800.3	$ 196.6	$ 859.4	$ 10,185.2

During the first half of 2020, we took advantage of more attractive credit spreads prevailing in the market and increased the size of our corporate portfolio and its duration. As credit spreads narrowed later in the year, we sold some positions for which we believed the risk/reward for holding the positions was no longer justified.

Overall, our corporate securities are a larger percentage of the fixed-income portfolio when compared to last year. At December 31, 2020, the portfolio was 23.4% of our fixed-income portfolio, compared to 19.7% at December 31, 2019. We increased the size of this portfolio as we felt supportive fiscal and monetary policy would create an environment that would be conducive to a further compression in credit spreads. In addition, we lengthened our duration during the year and ended 2020 at 3.8 years, compared to 2.7 years at the end of 2019.

PREFERRED STOCKS – REDEEMABLE AND NONREDEEMABLE

The table below shows the exposure break-down for our preferred stocks by sector and rating at year end:

Preferred Stocks (at December 31, 2020)

(millions)	Financial services						
Rating	U.S. Banks	Foreign Banks	Insurance	Other Financial	Industrials	Utilities	Total
A	$ 51.2	$ 0	$ 0	$ 9.6	$ 0	$ 0	$ 60.8
BBB	979.5	0	148.0	48.2	131.4	11.7	1,318.8
Non-investment grade/non-rated:							
BB	25.8	119.3	0	0	24.3	41.9	211.3
Non-rated	0	0	0	35.0	16.7	0	51.7
Total fair value	$ 1,056.5	$ 119.3	$ 148.0	$ 92.8	$ 172.4	$ 53.6	$ 1,642.6

The majority of our preferred securities have fixed-rate dividends until a call date and then, if not called, generally convert to floating-rate dividends. The interest rate duration of our preferred securities is calculated to reflect the call, floor, and floating-rate features. Although a preferred security will remain outstanding if not called, its interest rate duration will reflect the variable nature of the dividend. Our non-investment-grade preferred stocks were with issuers that maintain investment-grade senior debt ratings.

We also face the risk that dividend payments on our preferred stock holdings could be deferred for one or more periods or skipped entirely. As of December 31, 2020, all of our preferred securities continued to pay their dividends in full and on time. Approximately 79% of our preferred stock securities pay dividends that have tax preferential characteristics, while the balance pay dividends that are fully taxable.

During 2020, we added to our preferred stock portfolio, primarily purchasing nonredeemable preferred securities. The portfolio valuation improved from declines earlier in 2020, as equities increased, credit spreads narrowed, and investor sentiment improved.

Common Equities

Common equities, as reported on the consolidated balance sheets at December 31, were comprised of the following:

($ in millions)	2020		2019	
Common stocks	$ 4,049.9	99.9 %	$ 3,306.0	100.0 %
Other risk investments	3.1	0.1	0.3	0
Total common equities	$ 4,053.0	100.0 %	$ 3,306.3	100.0 %

The majority of our common stock portfolio consists of individual holdings selected based on their contribution to the correlation with the Russell 1000 Index. We held 854 out of 1,017, or 84%, of the common stocks comprising the index at December 31, 2020, which made up 96% of the total market capitalization of the index. At December 31, 2020, the year-to-date total return of the indexed portfolio, based on GAAP income, was within the designated tracking error, which is +/- 50 basis points. In addition to the indexed portfolio, our common stock portfolio includes other common stocks we may hold, including one of our preferred stock holdings that went public as a common stock toward the end of the year and recognized a significant increase in value following the public offering.

The other risk investments consist of limited partnership interests. During 2020, we funded $0.4 million on a partnership investment and have an open funding commitment of $7.2 million at December 31, 2020 on this investment.

The following is a summary of our indexed common stock portfolio holdings by sector compared to the Russell 1000 Index composition:

Sector	Equity Portfolio Allocation at December 31, 2020	Russell 1000 Allocation at December 31, 2020	Russell 1000 Sector Return in 2020
Consumer discretionary	16.9 %	18.0 %	42.9 %
Consumer staples	5.3	5.4	7.1
Financial services	10.4	9.8	7.2
Health care	12.5	12.7	17.1
Materials and processing	1.7	1.9	17.6
Other energy	2.4	2.2	(30.8)
Producer durable	14.0	13.5	11.8
Real estate	3.1	3.0	(6.5)
Technology	27.3	27.0	46.7
Telecommunications	3.7	3.7	0.7
Utilities	2.7	2.8	(0.1)
Total common stocks	100.0 %	100.0 %	21.0 %

For 2020, our common stock portfolio FTE total return was 24.3%, compared to 21.0% for the Russell 1000 Index, due to common stocks we hold outside of the index, as discussed above.

V. CRITICAL ACCOUNTING POLICIES

Progressive is required to make certain estimates and assumptions when preparing its financial statements and accompanying notes in conformity with GAAP. Actual results could differ from those estimates in a variety of areas. The two areas we view as most critical with respect to the application of estimates and assumptions is the establishment of our loss reserves and the methods for measuring expected credit losses on financial instruments.

A. Loss and LAE Reserves

Loss and loss adjustment expense (LAE) reserves represent our best estimate of our ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. At December 31, 2020, we had $16.5 billion of net loss and LAE reserves, which included $13.2 billion of case reserves and $3.3 billion of incurred but not recorded (IBNR) reserves. Personal auto liability and commercial auto liability reserves represent approximately 94% of our total carried net reserves. For this reason, the following discussion focuses on our vehicle businesses.

We do not review our loss reserves on a macro level and, therefore, do not derive a companywide range of reserves to compare to a standard deviation. Instead, we review a large majority of our reserves by product/state subset combinations on a quarterly time frame, with the remaining reserves generally reviewed on a semiannual basis. A change in our scheduled reviews of a particular subset of the business depends on the size of the subset or emerging issues relating to the product or state. By reviewing the reserves at such a detailed level, we have the ability to identify and measure variances in the trends by state, product, and line coverage that otherwise would not be seen on a consolidated basis. We believe our comprehensive process of reviewing at a subset level provides us more meaningful estimates of our aggregate loss reserves.

In analyzing the ultimate accident year loss and LAE experience, our actuarial staff reviews in detail, at the subset level, frequency (number of losses per earned car year), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of our LAE costs. The loss ratio, a primary measure of loss experience, is equal to the product of frequency times severity divided by the average premium. The average premium for personal and commercial auto businesses is not estimated. The actual frequency experienced will vary depending on the change in the mix in class of drivers we insure, but the frequency projections for these lines of business are generally stable in the short term, because a large majority of the parties involved in an accident report their claims within a short time period after the occurrence. The severity experienced by Progressive is much more difficult to estimate, especially for injury claims, since severity is affected by changes in underlying costs, such as medical costs, jury verdicts, and regulatory changes. In addition, severity will vary relative to the change in our mix of business by limit.

Assumptions regarding needed reserve levels made by the actuarial staff take into consideration influences on available historical data that reduce the predictiveness of our projected future loss costs. Internal considerations that are process-related, which generally result from changes in our claims organization’s activities, include claim closure rates, the number of claims that are closed without payment, and the level of the claims representatives’ estimates of the needed case reserve for each claim. These changes and their effect on the historical data are studied at the state level versus on a larger, less indicative, countrywide basis.

External items considered include the litigation atmosphere, changes in medical costs, and the availability of services to resolve claims. These also are better understood at the state level versus at a more macro, countrywide level. The impact COVID-19 has on the items above, as well as additional considerations such as the type of accident and change in reporting patterns, are closely monitored.

At December 31, 2020, Progressive had $20.3 billion of carried gross reserves and $16.5 billion of net reserves (net of reinsurance recoverables on unpaid losses). Our net reserve balance implicitly assumes that the loss and LAE severity for accident year 2020 over accident year 2019 would be 11.9% higher for personal auto liability and 12.3% higher for commercial auto liability. As discussed above, the severity estimates are influenced by many variables that are difficult to precisely quantify and which influence the final amount of claims settlements. That, coupled with changes in internal claims practices, the legal environment, and state regulatory requirements, requires significant judgment in the estimate of the needed reserves to be carried.

The following table highlights what the effect would be to our carried loss and LAE reserves, on a net basis, as of December 31, 2020, if during 2021 we were to experience the indicated change in our estimate of severity for the 2020 accident year (i.e., claims that occurred in 2020):

	Estimated Changes in Severity for Accident Year 2020				
(millions)	**-4%**	**-2%**	**As Reported**	**+2%**	**+4%**
Personal auto liability	$ 11,244.9	$ 11,492.1	$ 11,739.3	$ 11,986.5	$ 12,233.7
Commercial auto liability	3,675.6	3,723.2	3,770.8	3,818.4	3,866.0
Other[1]	957.5	957.5	957.5	957.5	957.5
Total	$ 15,878.0	$ 16,172.8	$ 16,467.6	$ 16,762.4	$ 17,057.2

[1] Includes reserves for personal and commercial auto physical damage claims and our non-auto lines of business; no change in estimates is presented due to the immaterial level of these reserves.

Note: Every percentage point change in our estimate of severity for the 2020 accident year would affect our personal auto liability reserves by $123.6 million and our commercial auto reserves by $23.8 million.

Our 2020 year-end loss and LAE reserve balance also includes claims from prior years. Claims that occurred in 2020, 2019, and 2018, in the aggregate, accounted for approximately 93% of our reserve balance. If during 2021 we were to experience the indicated change in our estimate of severity for the total of the prior three accident years (i.e., 2020, 2019, and 2018), the effect to our year-end 2020 reserve balances would be as follows:

	Estimated Changes in Severity for Accident Years 2020, 2019, and 2018				
(millions)	**-4%**	**-2%**	**As Reported**	**+2%**	**+4%**
Personal auto liability	$ 10,250.1	$ 10,994.7	$ 11,739.3	$ 12,483.9	$ 13,228.5
Commercial auto liability	3,501.6	3,636.2	3,770.8	3,905.4	4,040.0
Other[1]	957.5	957.5	957.5	957.5	957.5
Total	$ 14,709.2	$ 15,588.4	$ 16,467.6	$ 17,346.8	$ 18,226.0

[1] Includes reserves for personal and commercial auto physical damage claims and our non-auto lines of business; no change in estimates is presented due to the immaterial level of these reserves.

Note: Every percentage point change in our estimate of severity for the 2020, 2019, and 2018 accident years would affect our personal auto liability reserves by $372.3 million and our commercial auto reserves by $67.3 million.

Our best estimate of the appropriate amount for our reserves as of year-end 2020 is included in our financial statements for the year. Our goal is to ensure that total reserves are adequate to cover all loss costs, while sustaining minimal variation from the time reserves are initially established until losses are fully developed. At the point in time when reserves are set, we have no way of knowing whether our reserve estimates will prove to be high or low, or whether one of the alternative scenarios discussed above is “reasonably likely” to occur. The above tables show the potential favorable or unfavorable development we will realize if our estimates miss by 2% or 4%.

B. Credit Losses on Financial Instruments

An allowance for credit losses is established when the ultimate realization of a financial instrument is determined to be impaired due to a credit event. Measurement of expected credit losses is based on judgment when considering relevant information about past events, including historical loss experience, current conditions, and forecasts of the collectability of the reported financial instrument. The allowance for expected credit losses is measured and recorded at the point ultimate recoverability of the financial instrument is expected to be impaired, including upon the initial recognition of the financial instrument, where warranted. We evaluate financial instrument credit losses related to our available-for-sale securities, reinsurance recoverables, and premiums receivables.

Available-For-Sale Securities

We routinely monitor our fixed-maturity portfolio for pricing changes that might indicate potential losses exist and perform detailed reviews of securities with unrealized losses to determine if an allowance for credit losses, a change to an existing allowance (recovery or additional loss), or a write-off for an amount deemed uncollectible needs to be recorded. In such cases, changes in fair value are evaluated to determine the extent to which such changes are attributable to: (i) credit related losses, which are specific to the issuer (e.g., financial conditions, business prospects) where the present value of cash flows expected to be collected is lower than the amortized cost basis of the security or (ii) market related factors, such as interest rates or credit spreads.

If we do not expect to hold the security to allow for a potential recovery of those expected losses, we will write off the security to fair value and recognize a realized loss in the comprehensive income statement.

For securities whose losses are credit related losses, and for which we do not intend to sell in the near term, we will review the non-market components to determine if a potential future credit loss exists, based on existing financial data available related to the fixed-maturity securities. If we anticipate that a credit loss exists, we will record an allowance for the credit loss and recognize a realized loss in the comprehensive income statement. For all securities for which an allowance for credit losses has been established, we will re-evaluate the securities, at least quarterly, to determine if further deterioration has occurred or if we project a subsequent recovery in the expected losses, which would require an adjustment to the allowance for credit losses. To the extent we determine that we will likely sell a security prior to recovery of the credit loss, or if the loss is deemed uncollectible, we will write-down the security to its fair value and reverse any credit loss allowance that may have been previously recorded.

For an unrealized loss that is determined to be related to current market conditions, we will not record an allowance for credit losses or a write-off of the fair value. We will continue to monitor these securities to determine if underlying factors other than the current market conditions are contributing to the loss in value.

Based on an analysis of our fixed-maturity portfolio, we have determined our allowance for credit losses related to available-for-sale securities was not material to our financial condition or results of operations for the period ending December 31, 2020.

Reinsurance Recoverables

We routinely monitor changes in the credit quality and concentration risks of the reinsurers who are counter parties to our reinsurance recoverables. At December 31, 2020, approximately 75% of our reinsurance recoverables were held in several mandatory state pools, including the Michigan Catastrophic Claims Association, Florida Hurricane Catastrophe Fund, and North Carolina Reinsurance Facility, and in plans where we act as a servicing agent to state-mandated involuntary plans for commercial vehicles (Commercial Automobile Insurance Procedures/Plans) and as a participant in the "Write Your Own" program for federally regulated plans for flood (National Flood Insurance Program). All of these programs are governed by insurance regulations. The remaining balance of our recoverables are composed of voluntary external contractual arrangements that primarily relate to the Property business and to our transportation network company (TNC) business written by our Commercial Lines business. For these privately placed reinsurance arrangements, we regularly monitor reinsurer credit strength and analyze our reinsurance recoverable balances for expected credit losses at least quarterly, or more frequently if indicators of reinsurer credit deterioration, either individually or in aggregate, exists. For at-risk uncollateralized recoverable balances, we evaluate a number of reinsurer specific factors, including reinsurer credit quality rating, credit rating outlook, historical experience, reinsurer surplus, recoverable duration, and collateralization composition in respect to our net exposure (i.e., the reinsurance recoverable amount less premiums payable to the reinsurer, where the right to offset exists). Based on this assessment, reinsurers with credit risks will be individually subject to a credit default model, and an allowance for credit loss will be established, where warranted.

Based on the analysis of reinsurers, we have determined our allowance for credit losses related to our reinsurance recoverables was not material to our financial condition or results of operations for the period ending December 31, 2020.

Premium Receivables

We routinely monitor historical premium collections data for our premiums receivable balances, through actuarial analyses, to project the future recoverability of recorded receivables. As part of these analyses, we determine historical collectability rates and modify those rates based on current economic assumptions to establish estimates on default. These rates are applied to the stratified subsets of our consumer receivable balances, based on the age of the receivable to establish an allowance for credit losses. See *Note 1 – Reporting and Accounting Policies* for a description of our process and a rollforward of the allowance account during 2020 and 2019.

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.

Supplemental Information
The Progressive Corporation and Subsidiaries
Quarterly Financial and Common Share Data
(unaudited)

(millions – except per share amounts)					Stock Price[1]		
Quarter	Total Revenues	Net Income	Net Income Attributable to Progressive[2]	Per Common Share[3]	Close	Rate of Return[4]	Dividends Declared Per Common Share[4]
2020							
1	$ 9,323.4	$ 699.1	$ 692.7	$ 1.17	$ 73.84		$ 0.10
2	10,971.7	1,790.4	1,790.4	3.04	80.11		0.10
3	10,947.2	1,530.8	1,530.8	2.59	94.67		0.10
4	11,415.8	1,684.3	1,684.3	2.85	98.88		4.60
	$ 42,658.1	$ 5,704.6	$ 5,704.6	$ 9.66	$ 98.88	41.4%	$ 4.90
2019							
1	$ 9,300.0	$ 1,082.8	$ 1,078.4	$ 1.83	$ 72.09		$ 0.10
2	9,450.7	979.0	979.4	1.66	79.93		0.10
3	9,530.5	843.6	841.7	1.42	77.25		0.10
4	10,741.1	1,074.6	1,070.8	1.81	72.39		2.35
	$ 39,022.3	$ 3,980.0	$ 3,970.3	$ 6.72	$ 72.39	25.1%	$ 2.65
2018							
1	$ 7,430.1	$ 729.8	$ 718.0	$ 1.22	$ 60.93		$ 0
2	8,018.0	701.2	704.2	1.19	59.15		0
3	8,495.8	930.2	928.4	1.57	71.04		0
4	8,035.1	259.8	264.7	0.44	60.33		2.5140
	$ 31,979.0	$ 2,621.0	$ 2,615.3	$ 4.42	$ 60.33	9.3%	$ 2.5140

[1] Prices are as reported on the New York Stock Exchange (NYSE). Progressive's common shares are listed under the symbol PGR.

[2] The 2020 sum does not equal the total due to the reclassification of $6.4 million of income attributable to noncontrolling interest for the three months ended March 31, 2020, as a result of the purchase of all remaining outstanding stock of ARX Holding Corp. in April 2020.

[3] Represents diluted earnings per common share. Based on net income available to Progressive common shareholders, which is net of preferred share dividends. The sum may not equal the total because the average equivalent shares differ in the quarterly and annual periods.

[4] Represents annual rate of return, assuming dividend reinvestment. For a discussion of Progressive's dividend policy, see *Note 14 – Dividends* for further information.

The Progressive Corporation and Subsidiaries

Ten Year Summary – Selected Financial Information

(unaudited)

(millions – except ratios, policies in force, per share amounts, and number of people employed)	2020	2019	2018	2017	2016
Net premiums written	$ 40,568.7	$ 37,577.9	$ 32,609.9	$ 27,132.1	$ 23,353.5
Growth	8 %	15 %	20 %	16 %	14 %
Net premiums earned	$ 39,261.6	$ 36,192.4	$ 30,933.3	$ 25,729.9	$ 22,474.0
Growth	8 %	17 %	20 %	14 %	13 %
Policies in force (thousands):					
Personal Lines	21,413.5	19,408.6	17,759.0	16,075.5	14,656.8
Growth	10 %	9 %	10 %	10 %	6 %
Commercial Lines	822.0	751.4	696.9	646.8	607.9
Growth	9 %	8 %	8 %	6 %	9 %
Property[1]	2,484.4	2,202.1	1,936.5	1,461.7	1,201.9
Growth[1]	13 %	14 %	32 %	22 %	12 %
Total revenues	$ 42,658.1	$ 39,022.3	$ 31,979.0	$ 26,839.0	$ 23,441.4
Underwriting margins:[2]					
Personal Lines	13.2 %	9.5 %	9.7 %	6.9 %	4.7 %
Commercial Lines	13.0 %	10.4 %	13.3 %	7.7 %	6.4 %
Property[1]	(7.1)%	(1.7)%	(6.9)%	(5.1)%	3.8 %
Total underwriting operations	12.3 %	9.1 %	9.4 %	6.6 %	4.9 %
Net income attributable to Progressive	$ 5,704.6	$ 3,970.3	$ 2,615.3	$ 1,592.2	$ 1,031.0
Per common share - diluted	9.66	6.72	4.42	2.72	1.76
Average equivalent common shares - diluted	587.6	587.2	586.7	585.7	585.0
Comprehensive income attributable to Progressive	$ 6,291.9	$ 4,432.9	$ 2,520.1	$ 1,941.0	$ 1,164.0
Total assets	$ 64,098.3	$ 54,895.3	$ 46,575.0	$ 38,701.2	$ 33,427.5
Debt outstanding	5,396.1	4,407.1	4,404.9	3,306.3	3,148.2
Redeemable noncontrolling interest	0	225.6	214.5	503.7	483.7
Total shareholders' equity	17,038.6	13,673.2	10,821.8	9,284.8	7,957.1
Statutory surplus	15,194.6	13,671.1	11,571.8	9,664.4	8,560.0
Common shares outstanding	585.2	584.6	583.2	581.7	579.9
Common share close price (at December 31)	$ 98.88	$ 72.39	$ 60.33	$ 56.32	$ 35.50
Rate of return[3]	41.4 %	25.1 %	9.3 %	61.6 %	14.7 %
Market capitalization	$ 57,864.6	$ 42,319.2	$ 35,184.5	$ 32,761.3	$ 20,586.5
Book value per common share	28.27	22.54	17.71	15.96	13.72
Ratios:					
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 %
Debt to total capital[4]	24.1 %	24.4 %	28.9 %	26.3 %	28.3 %
Price to earnings	10.2	10.8	13.6	20.7	20.2
Price to book	3.5	3.2	3.4	3.5	2.6
Net premiums written to statutory surplus	2.7	2.7	2.8	2.8	2.7
Statutory combined ratio	87.9	90.5	89.9	92.8	94.8
Dividends declared per common share[5]	$ 4.90	$ 2.65	$ 2.5140	$ 1.1247	$ 0.6808
Number of people employed	43,326	41,571	37,346	33,656	31,721

[1] We began reporting our Property business as a segment on April 1, 2015, therefore, year-over-year growth for 2015 is not applicable (NA).
[2] Underwriting margins are calculated as pretax underwriting profit (loss), as defined in *Note 10 – Segment Information*, as a percentage of net premiums earned.
[3] Represents annual rate of return, assuming dividend reinvestment.

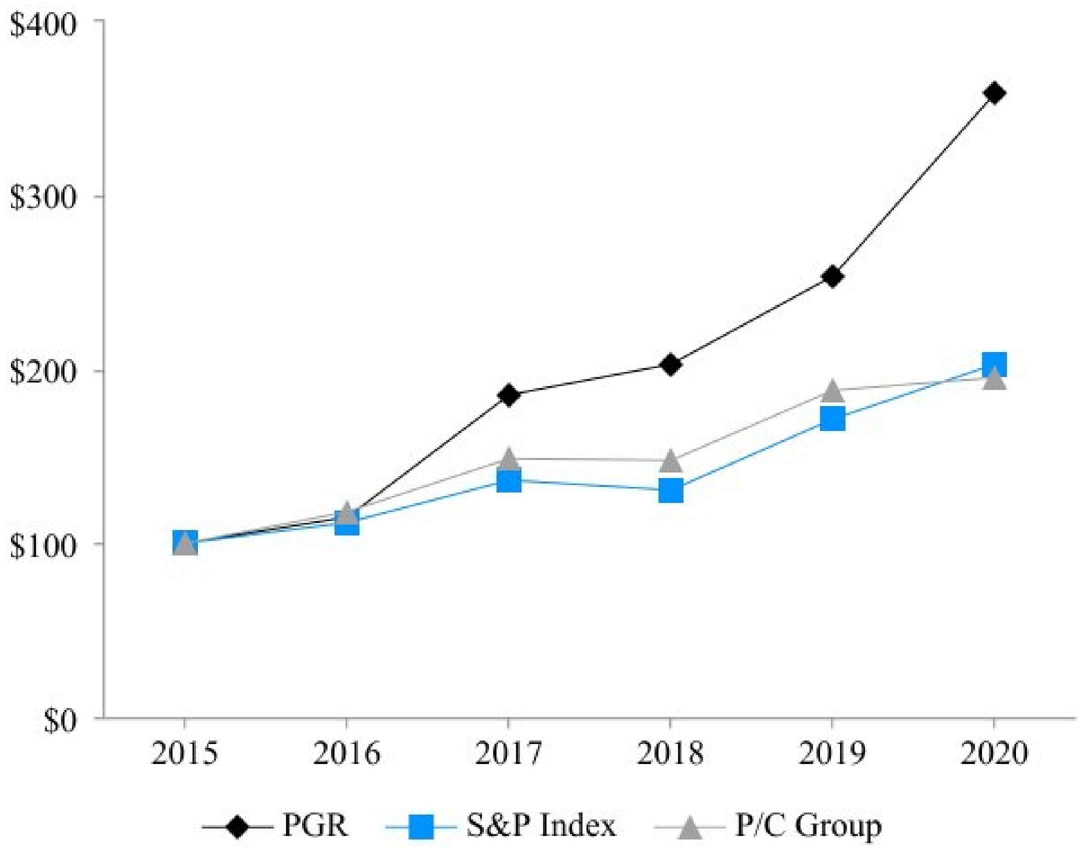
(millions – except ratios, policies in force, per share amounts, and number of people employed)	**2015**	**2014**	**2013**	**2012**	**2011**
Net premiums written	$ 20,564.0	$ 18,654.6	$ 17,339.7	$ 16,372.7	$ 15,146.6
Growth	10 %	8 %	6 %	8 %	5 %
Net premiums earned	$ 19,899.1	$ 18,398.5	$ 17,103.4	$ 16,018.0	$ 14,902.8
Growth	8 %	8 %	7 %	7 %	4 %
Policies in force (thousands):					
Personal Lines	13,764.7	13,261.9	13,056.4	12,735.3	12,283.8
Growth	4 %	2 %	3 %	4 %	5 %
Commercial Lines	555.8	514.7	514.6	519.6	509.1
Growth	8 %	0 %	(1)%	2 %	0 %
Property[1]	1,076.5	—	—	—	—
Growth[1]	NA	—	—	—	—
Total revenues	$ 20,853.8	$ 19,391.4	$ 18,170.9	$ 17,083.9	$ 15,774.6
Underwriting margins:[2]					
Personal Lines	6.5 %	6.7 %	6.6 %	4.4 %	6.8 %
Commercial Lines	15.9 %	17.2 %	6.5 %	5.2 %	9.1 %
Property[1]	10.1 %	—	—	—	—
Total underwriting operations	7.5 %	7.7 %	6.5 %	4.4 %	7.0 %
Net income attributable to Progressive	$ 1,267.6	$ 1,281.0	$ 1,165.4	$ 902.3	$ 1,015.5
Per common share - diluted	2.15	2.15	1.93	1.48	1.59
Average equivalent common shares - diluted	589.2	594.8	603.6	607.8	636.9
Comprehensive income attributable to Progressive	$ 1,044.9	$ 1,352.4	$ 1,246.1	$ 1,080.8	$ 924.3
Total assets	$ 29,819.3	$ 25,787.6	$ 24,408.2	$ 22,694.7	$ 21,844.8
Debt outstanding	2,707.9	2,164.7	1,860.9	2,063.1	2,442.1
Redeemable noncontrolling interest	464.9	—	—	—	—
Total shareholders' equity	7,289.4	6,928.6	6,189.5	6,007.0	5,806.7
Statutory surplus	7,575.5	6,442.8	5,991.0	5,605.2	5,269.2
Common shares outstanding	583.6	587.8	595.8	604.6	613.0
Common share close price (at December 31)	$ 31.80	$ 26.99	$ 27.27	$ 21.10	$ 19.51
Rate of return[3]	20.9 %	5.3 %	30.9 %	15.4 %	0.2 %
Market capitalization	$ 18,558.5	$ 15,864.7	$ 16,247.5	$ 12,757.1	$ 11,959.6
Book value per common share	12.49	11.79	10.39	9.94	9.47
Ratios:					
Return on average common shareholders' equity:					
Net income attributable to Progressive	17.2 %	19.1 %	17.7 %	14.5 %	16.5 %
Comprehensive income attributable to Progressive	14.2 %	20.1 %	19.0 %	17.4 %	15.0 %
Debt to total capital[4]	27.1 %	23.8 %	23.1 %	25.6 %	29.6 %
Price to earnings	14.8	12.6	14.1	14.3	12.3
Price to book	2.5	2.3	2.6	2.1	2.1
Net premiums written to statutory surplus	2.7	2.9	2.9	2.9	2.9
Statutory combined ratio	91.8	92.1	93.4	95.2	92.9
Dividends declared per common share[5]	$ 0.8882	$ 0.6862	$ 1.4929	$ 1.2845	$ 0.4072
Number of people employed	28,580	26,501	26,145	25,889	25,007

[4] Ratio reflects debt as a percent of debt plus shareholders' equity; redeemable noncontrolling interest is not part of this calculation.
[5] Represents dividends pursuant to the dividend policy in place for the applicable year, plus special cash dividends of $1.00 per common share in 2013 and 2012 (see *Note 14 – Dividends* for further discussion).

The Progressive Corporation and Subsidiaries
Performance Graph
(unaudited)

The following performance graph compares the performance of Progressive's Common Shares ("PGR") to the Standard & Poor's Index ("S&P Index") and the Value Line Property/Casualty Industry Group ("P/C Group") for the last five years.

Cumulative Five-Year Total Return*
PGR, S&P Index, P/C Group (Performance Results through 12/31/20)



For the years ended December 31,	(Assumes $100 was invested at the close of trading on December 31, 2015) 2016	2017	2018	2019	2020
PGR	$ 114.74	$ 185.44	$ 202.72	$ 253.51	$ 358.42
S&P Index	111.93	136.40	130.40	171.48	202.92
P/C Group[1]	118.26	148.59	147.61	187.90	195.18

*Assumes reinvestment of dividends

[1] Per Value Line Publishing LLC

The Progressive Corporation and Subsidiaries

Quantitative Market Risk Disclosures

(unaudited)

Quantitative market risk disclosures are only presented for market risk categories when risk is considered material. Materiality is determined based on the fair value of the financial instruments at December 31, 2020, and the potential for near-term losses from reasonably possible near-term changes in market rates or prices. The discussion below relates to instruments entered into for purposes other than trading; we had no trading financial instruments at December 31, 2020 and 2019. See *Management's Discussion and Analysis of Financial Condition and Results of Operations* for our discussion of the qualitative information about market risk.

Financial instruments subject to interest rate risk were:

	Fair Value				
(millions)	**-200 bps Change[1]**	**-100 bps Change[1]**	**Actual**	**+100 bps Change**	**+200 bps Change**
U.S. government obligations	$ 12,905.6	$ 12,905.6	$ 12,740.0	$ 12,326.0	$ 11,931.0
State and local government obligations	3,304.6	3,304.3	3,221.8	3,080.7	2,939.9
Asset-backed securities	10,568.4	10,568.4	10,469.2	10,231.7	9,993.1
Corporate securities	10,371.6	10,371.6	10,185.2	9,810.3	9,452.9
Preferred stocks	1,671.1	1,643.8	1,642.6	1,587.2	1,525.9
Short-term investments	5,218.5	5,218.5	5,218.5	5,214.9	5,211.2
Total at December 31, 2020	$ 44,039.8	$ 44,012.2	$ 43,477.3	$ 42,250.8	$ 41,054.0
Total at December 31, 2019	$ 37,869.2	$ 37,056.0	$ 35,948.0	$ 34,903.2	$ 33,908.6

[1] The amounts reflect an interest rate of 1 basis point (bps) when the hypothetical decline in interest rates would have pushed yields to a negative level.

Exposure to risk is represented in terms of changes in fair value due to selected hypothetical movements in market rates. Bonds and preferred stocks are individually priced to yield to the worst case scenario, which includes any issuer-specific features, such as a call option. Asset-backed securities and state and local government housing securities are priced assuming deal specific prepayment scenarios, considering the deal structure, prepayment penalties, yield maintenance agreements, and the underlying collateral.

Financial instruments subject to equity market risk were:

	Fair Value		
(millions)	**-10%**	**Actual**	**+10%**
Common equities at December 31, 2020	$ 3,612.3	$ 4,053.0	$ 4,493.7
Common equities at December 31, 2019	$ 2,975.7	$ 3,306.3	$ 3,636.9

The model represents the estimated value of our common equity portfolio given a +/-10% change in the market, based on the common stock portfolio's weighted average beta of 1.09 for 2020 and 1.00 for 2019. The beta is derived from recent historical experience, using the S&P 500 as the market surrogate. The historical relationship of the common stock portfolio's beta to the S&P 500 is not necessarily indicative of future correlation, as individual company or industry factors may affect price movements. Betas are not available for all securities. In such cases, the change in fair value reflects a direct +/-10% change; the portion of our securities without betas is 0.1%.

The Progressive Corporation and Subsidiaries

Net Premiums Written by State

(unaudited)

($ in millions)	2020		2019		2018		2017		2016	
Florida	$ 5,533.7	13.6 %	$ 5,233.4	13.9 %	$ 4,700.9	14.4 %	$ 3,808.0	14.0 %	$ 3,305.1	14.1 %
Texas	4,530.5	11.2	4,081.0	10.8	3,388.6	10.4	2,704.9	10.0	2,226.8	9.5
California	2,241.2	5.5	2,208.8	5.9	1,836.0	5.6	1,520.5	5.6	1,284.8	5.5
New York	1,932.8	4.8	1,843.2	4.9	1,699.0	5.2	1,472.8	5.4	1,279.4	5.5
Georgia	1,860.9	4.6	1,645.3	4.4	1,452.9	4.5	1,177.0	4.4	939.4	4.0
Michigan	1,797.6	4.4	1,673.5	4.4	1,423.7	4.4	1,186.8	4.4	971.3	4.2
Ohio	1,404.2	3.4	1,339.5	3.6	1,194.0	3.7	1,033.5	3.8	905.2	3.9
Pennsylvania	1,327.2	3.3	1,268.3	3.4	1,157.4	3.5	1,005.5	3.7	895.8	3.8
New Jersey	1,242.0	3.1	1,192.3	3.2	1,088.1	3.3	985.8	3.6	902.8	3.9
Louisiana	1,039.4	2.6	965.6	2.6	856.5	2.6	739.2	2.7	694.7	3.0
All other	17,659.2	43.5	16,127.0	42.9	13,812.8	42.4	11,498.1	42.4	9,948.2	42.6
Total	$ 40,568.7	100.0 %	$ 37,577.9	100.0 %	$ 32,609.9	100.0 %	$ 27,132.1	100.0 %	$ 23,353.5	100.0 %

Principal Office

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

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
In addition, iPhone® and Android® users can download the Progressive App to start a quote, report a claim, or service a policy.		

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.

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 nonprofit 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.

Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Executive Officers

Karen B. Bailo
Commercial Lines President

Jonathan S. Bauer
Chief Investment Officer

Steven A. Broz
Chief Information Officer

Patrick K. Callahan
Personal Lines President

M. Jeffrey Charney
Chief Marketing Officer

John Murphy
Customer Relationship Management
President

Lori Niederst
Chief Human Resource Officer

Andrew J. Quigg
Chief Strategy Officer

Michael D. Sieger
Claims President

Exhibit 21

SUBSIDIARIES OF THE PROGRESSIVE CORPORATION

Name of Subsidiary	Jurisdiction of Incorporation
ARX Holding Corp.	Delaware
American Strategic Insurance Corp.	Florida
Ark Royal Underwriters, LLC	Florida
ASI Assurance Corp.	Florida
ASI Home Insurance Corp.	Florida
ASI Lloyds, Inc.	Texas
ASI Preferred Insurance, Corp.*	Florida
ASI Select Auto Insurance Corp.	California
ASI Select Insurance Corp.	Delaware
ASI Services, Inc.	Florida
ASI Underwriters Corp.	Florida
ASI Underwriters of Texas, Inc.	Texas
e-Ins. LLC*	Florida
Progressive Property Insurance Company	Florida
PropertyPlus Insurance Agency, Inc.	Delaware
Sunshine Security Insurance Agency, Inc.	Florida
Drive Insurance Holdings, Inc.	Delaware
Drive New Jersey Insurance Company	New Jersey
Progressive American Insurance Company	Ohio
Progressive Bayside Insurance Company	Ohio
Progressive Casualty Insurance Company	Ohio
PC Investment Company	Delaware
Progressive Gulf Insurance Company	Ohio
Progressive Specialty Insurance Company	Ohio
Trussville/Cahaba, AL, LLC	Ohio
Progressive Classic Insurance Company	Wisconsin
Progressive Commercial Advantage Agency, Inc.	Ohio
Progressive Commercial Casualty Company	Ohio
Progressive Freedom Insurance Company	Ohio
Progressive Hawaii Insurance Corp.	Ohio
Progressive Michigan Insurance Company	Michigan
Progressive Mountain Insurance Company	Ohio
Progressive Northern Insurance Company	Wisconsin
Progressive Northwestern Insurance Company	Ohio
Progressive Preferred Insurance Company	Ohio
Progressive Security Insurance Company	Louisiana
Progressive Southeastern Insurance Company	Indiana
Progressive West Insurance Company	Ohio
Garden Sun Insurance Services, Inc.	Hawaii
Pacific Motor Club	California

*Wholly owned by ARX Holding Corp.; however, ownership is shared by one or more ARX Holding Corp. subsidiary. Subsidiary is reported under the majority owned parent.

Name of Subsidiary	Jurisdiction of Incorporation
Progny Agency, Inc.	New York
Progressive Adjusting Company, Inc.	Ohio
Progressive Capital Management Corp.	New York
Progressive Commercial Holdings, Inc.	Delaware
Artisan and Truckers Casualty Company	Wisconsin
Blue Hill Specialty Insurance Company, Inc.	Illinois
National Continental Insurance Company	New York
Progressive Express Insurance Company	Ohio
United Financial Casualty Company	Ohio
Progressive Direct Holdings, Inc.	Delaware
Mountain Laurel Assurance Company	Ohio
Progressive Advanced Insurance Company	Ohio
Progressive Advantage Agency, Inc.	Ohio
Progressive Auto Pro Insurance Agency, Inc.	Florida
Progressive Choice Insurance Company	Ohio
Progressive Direct Insurance Company	Ohio
Gadsden, AL, LLC	Ohio
Progressive Garden State Insurance Company	New Jersey
Progressive Marathon Insurance Company	Michigan
Progressive Max Insurance Company	Ohio
Progressive Paloverde Insurance Company	Indiana
Progressive Premier Insurance Company of Illinois	Ohio
Progressive Select Insurance Company	Ohio
Progressive Universal Insurance Company	Wisconsin
Progressive Investment Company, Inc.	Delaware
Progressive Life Insurance Company	Ohio
Progressive Premium Budget, Inc.	Ohio
Progressive RSC, Inc.	Ohio
Progressive Vehicle Service Company	Ohio
Village Transport Corp.	Delaware
Wilson Mills Land Co.	Ohio
358 Ventures, Inc.	Ohio

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-16509, 33-51034, 33-57121, 333-41238, 333-172663, 333-185703, 333-185704, 333-204406, and 333-217922) and Form S-3 (No. 333-227315) of The Progressive Corporation of our report dated March 1, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2020 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated March 1, 2021 relating to the financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
March 1, 2021

Exhibit 31.1

CERTIFICATION

I, Susan Patricia Griffith, certify that:

1. I have reviewed this annual report on Form 10-K of The Progressive Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ Susan Patricia Griffith
Susan Patricia Griffith
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John P. Sauerland, certify that:

1. I have reviewed this annual report on Form 10-K of The Progressive Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ John P. Sauerland
John P. Sauerland
Vice President and Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION

I, Susan Patricia Griffith, President and Chief Executive Officer of The Progressive Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the period ended December 31, 2020 (the “Report”), which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Susan Patricia Griffith

Susan Patricia Griffith
President and Chief Executive Officer
March 1, 2021

Exhibit 32.2

SECTION 1350 CERTIFICATION

I, John P. Sauerland, Vice President and Chief Financial Officer of The Progressive Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the period ended December 31, 2020 (the “Report”), which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John P. Sauerland

John P. Sauerland
Vice President and Chief Financial Officer
March 1, 2021

Exhibit 99

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 sources 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

/s/ Tricia Griffith
Tricia Griffith
President and Chief Executive Officer