THE PROGRESSIVE CORPORATION 2021 ANNUAL REPORT

About Progressive

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

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

flexibility

About the Art

During 2021, we faced many of the same, yet very different, challenges in dealing with the twists and turns, ups and downs, brought on by the continuing COVID-19 pandemic. Through it all, our nearly 50,000 employees found ways to stay connected with each other while working from home, and continued to meet the needs of our customers, communities, and agent partners, as well as their loved ones. As a reminder of how we all adapted and remained agile during these unprecedented times, we chose "flexibility" as the theme for this year's annual report. We commissioned artist Katy Fischer—best known for her colorful ceramic sculptures, mosaics, and elaborate puzzle-like works on paper—to create *Multiplied Together,* a 557-piece artwork comprised of distinctively shaped ceramic tiles. In conjunction with the delivery of this report, and based on heartwarming essays related to flexibility, the artwork will be disassembled and 557 deserving Progressive people will each receive a one-of-a-kind ceramic piece to cherish in their homes. In addition, a selection of Fischer's other artworks will be presented throughout this report, and some of these pieces will join Progressive's growing collection of contemporary art.

agility

opposite page: *Script,* glazed ceramics, wood

adaptability

Five-Year Financial Highlights

(billions – except per share amounts)

	2021	2020	2019	2018	2017
For the Year					
Net premiums written	$ 46.4	$ 40.6	$ 37.6	$ 32.6	$ 27.1
Growth over prior year	14%	8%	15%	20%	16%
Net premiums earned	$ 44.4	$ 39.3	$ 36.2	$ 30.9	$ 25.7
Growth over prior year	13%	8%	17%	20%	14%
Total revenues	$ 47.7	$ 42.7	$ 39.0	$ 32.0	$ 26.8
Net income	$ 3.35	$ 5.70	$ 3.97	$ 2.62	$ 1.59
Per common share	$ 5.66	$ 9.66	$ 6.72	$ 4.42	$ 2.72
Underwriting margin	4.7%	12.3%	9.1%	9.4%	6.6%

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

	2021	2020	2019	2018	2017
At Year-End					
Common shares outstanding (millions)	584.4	585.2	584.6	583.2	581.7
Book value per common share	$ 30.35	$ 28.27	$ 22.54	$ 17.71	$ 15.96
Consolidated shareholders' equity	$ 18.2	$ 17.0	$ 13.7	$ 10.8	$ 9.3
Common share close price	$ 102.65	$ 98.88	$ 72.39	$ 60.33	$ 56.32
Market capitalization	$ 60.0	$ 57.9	$ 42.3	$ 35.2	$ 32.8
Return on average common shareholders' equity					
Net income	18.6%	35.6%	31.3%	24.7%	17.8%
Comprehensive income	13.6%	39.3%	35.0%	23.8%	21.7%
Policies in force (thousands)					
Personal Lines					
Agency – auto	7,879.0	7,617.0	6,994.3	6,358.3	5,670.7
Direct – auto	9,568.2	8,881.4	7,866.5	7,018.5	6,039.1
Special lines	5,288.5	4,915.1	4,547.8	4,382.2	4,365.7
Total Personal Lines	22,735.7	21,413.5	19,408.6	17,759.0	16,075.5
Growth over prior year	6%	10%	9%	10%	10%
Commercial Lines	971.2	822.0	751.4	696.9	646.8
Growth over prior year	18%	9%	8%	8%	6%
Property	2,776.2	2,484.4	2,202.1	1,936.5	1,461.7
Growth over prior year	12%	13%	14%	32%	22%
Companywide total	26,483.1	24,719.9	22,362.1	20,392.4	18,184.0
Growth over prior year	7%	11%	10%	12%	10%
Private passenger auto insurance market[1]	NA	$ 242.8	$ 247.7	$ 240.9	$ 222.3
Market share[2]	NA	13.5%	12.4%	11.1%	10.1%

	1-Year	3-Year	5-Year
Stock Price Appreciation[3]			
Progressive	10.8%	25.1%	28.2%
S&P 500	28.7%	26.0%	18.4%

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

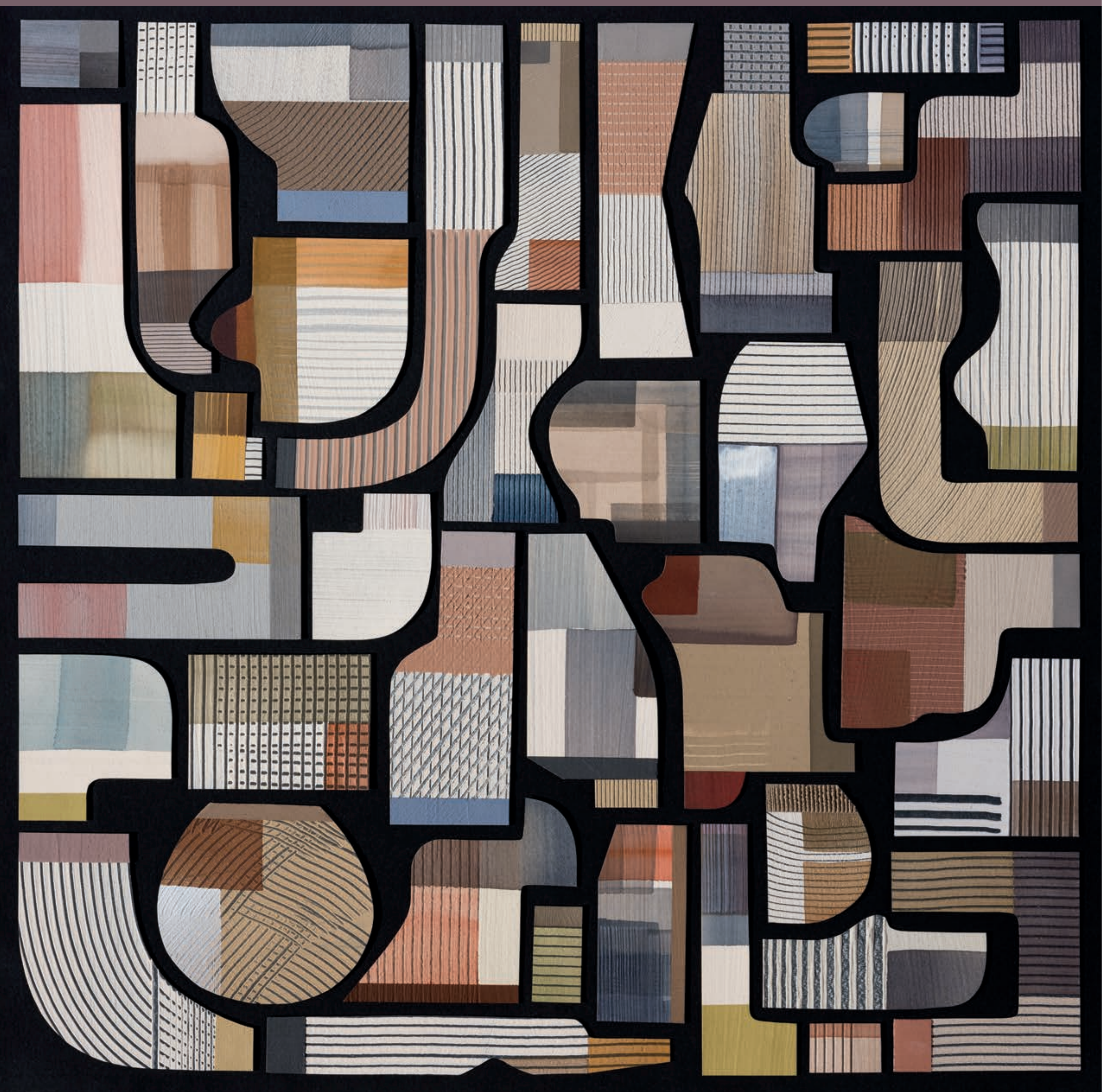
[1] Represents net premiums written as reported by A.M. Best Company, Inc.

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

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

Collection 24, gouache and cut paper on paper

Four Cornerstones



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

Core Values > Who we are

Progressive's Core Values serve as the foundation for our culture. They represent our values, guide our decisions, and define how we conduct our business and interact with others. It's essential that they're understood and embraced by all Progressive people.

Integrity We revere honesty and adhere to high ethical standards to gain the trust and confidence of our customers. We value transparency, encourage disclosing bad news, and welcome disagreement.

Golden Rule We value and respect our differences, act with kindness and caring, and treat others as they want to be treated.

Objectives We set ambitious goals and evaluate our performance by measuring what we achieve and how we achieve it. We're committed to an inclusive and equitable workplace where rewards and promotion are based on results and ability.

Excellence We strive to meet or exceed the expectations of our teammates, customers, partners, and investors by continuously improving and finding new ways to meet their needs.

Profit We have a responsibility to ourselves, our customers, agents, and investors to be a profitable and enduring company by offering products and services consumers value.

Combed Study, cut paper, acrylic, and watercolor on paper

Purpose > Why we're here

True to our name. Progressive.

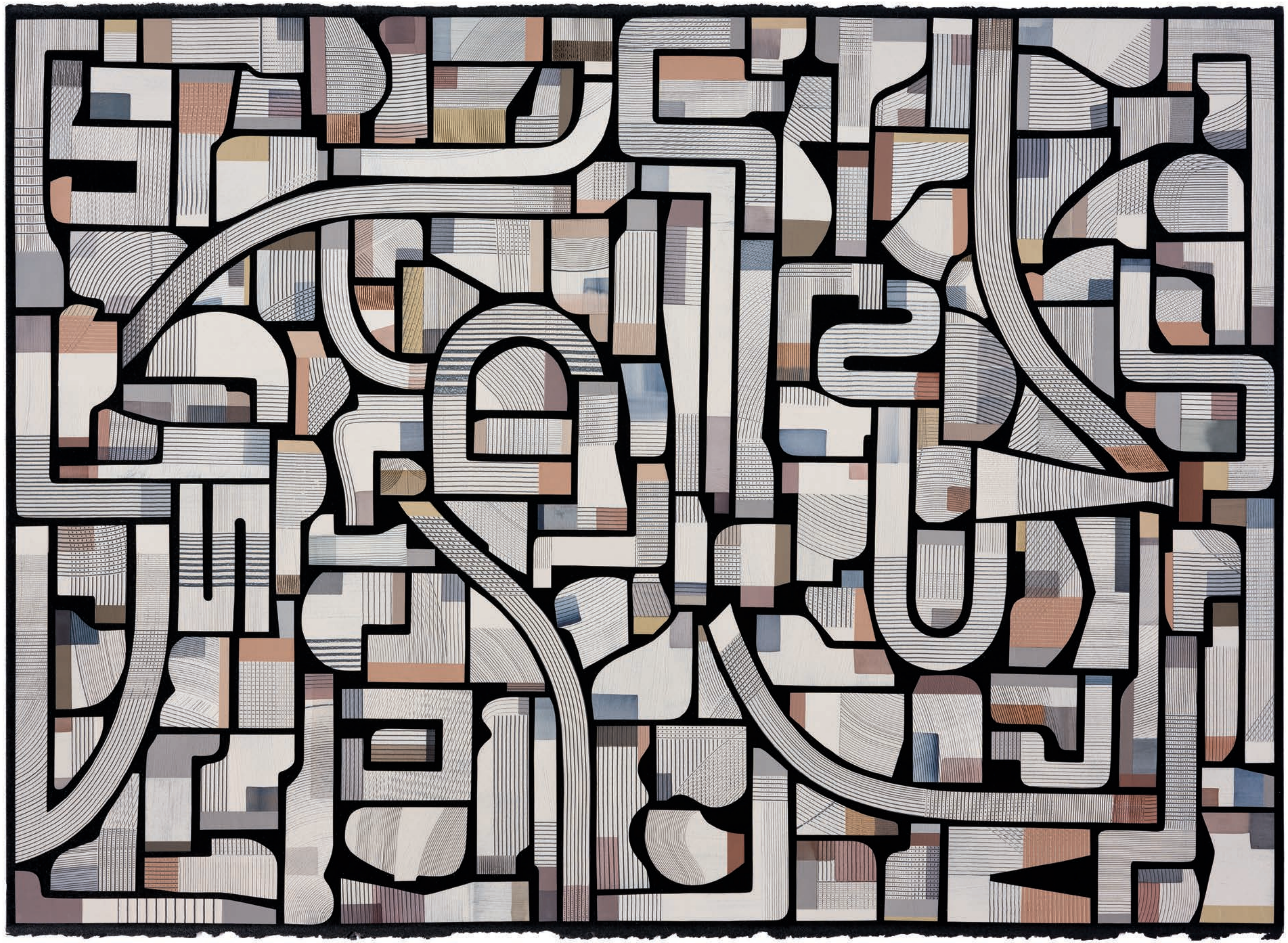
Vision > Where we're headed

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

Strategy > How we'll get there

We will achieve our Vision through four Strategic Pillars:

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



Combed Monochrome, cut paper, acrylic and watercolor on paper

Letter to Shareholders

If anyone would have signaled that 2021 would be even more challenging than 2020, we would not have believed it, but alas it was, however in a much different way. Driving returned to near pre-pandemic levels and severity outpaced our sophisticated models, especially during the latter half of the year. Whilst these trends reversed themselves from what we experienced during the heart of the pandemic, we reacted quickly to these fluctuations, knowing that our actions in the form of rate increases, would take time to earn in. We have a history of being a "first-mover" when we see trends change, and this time appears to be no different.

In light of all the reversions, we had the opportunity at every turn to show how flexible we were as a company. In fact, choosing the theme of flexibility for this year's annual report aptly reflected 2021 and all of the twists and turns we navigated during the year. Peter Lewis, our longest running CEO, and the son of one of our founders, started using artwork and themes for our annual reports back in 1988, which was also the year I started with the company as a claim rep. That year, Peter chose seven artists to visually represent seven themes, of which flexibility was one of those themes. I always review the past annual reports to avoid duplication of themes, but I am quite certain that the flexibility that Peter wrote about versus the prodigious amount of what we had to adapt to this year do not compare 34 years later.

Aside from attempting to not duplicate a theme, I also only share the theme with a few select individuals involved in the process of selecting the artist and artwork that will be presented in the report. This year, we decided to approach things a little differently in our quest to be increasingly flexible. The artist we commissioned, Katy Fischer, created a nearly 560-piece mosaic made from colorful ceramic tiles to represent the theme in the report. The massive piece is magnificent and will be captured in photos to memorialize the artwork in its entirety and, of course, you can see it as part of the main fold-out in this report. That said, we determined that given the theme, as well as how incredibly flexible Progressive employees have been facing so many headwinds last year, we would share the art, piece by piece, with 560 deserving employees. To select the recipients, we invited employees to submit a story of how they, or a co-worker, exhibited flexibility in their interactions with our customers, each other, and/or those they care about. We had over 700 participants and the stories were so heartwarming that I wanted to share a few with you in my letter to our shareholders.

page 8–18: details from *Multiplied Together*, glazed ceramics

“Michelle is such a shining light and positive addition to this organization. I can't think of anyone more deserving of this artwork than her, given her adaptability and her true nature.

Michelle has continued to be an example of flexibility while dealing with her own personal challenges. She was directly impacted by Hurricane Laura in 2020, like so many others in the region, but continued to be a supportive leader that was always available and encouraging to others. She was also the person who cooked and served meals to the linemen in the region during the early recovery efforts as she knew these workers were away from their families for extended periods of time to aid our local communities. In addition, Michelle's sense of humor has helped our team to stay connected and laugh with each other during the pandemic.

It is difficult to describe Michelle, but she is a cross between a well-oiled machine, a cheerleader, and the Energizer bunny—dedicated and full of energy! She is a fantastic supervisor who has a drive and a desire to connect with people, bring them together, inspire them, and push them towards their goals. She is a wonderful asset to our Progressive culture.”

“Charley brings out the best of everyone she interacts with. She has maintained check ins with me even after I moved to another team. For our customers, she taught me how to not just say empathy but demonstrate empathy. She came up with creative ways to still follow our process but be empathetic with our customers when they were having a difficult time with the claim. She has also reached out to me and other co-workers when we were going through difficult times and sent us flowers or cards to show that she cares. In addition, Charley created an Employee Appreciation Day where the leaders highlighted what was special about their organization. Charley is a leader who is not afraid to be vulnerable and reach out to others. She has always been a strong ally and always encouraging Employee Resource Group involvement and participating in events. Her passion for Diversity & Inclusion initiatives is so evident. Charley displays care with every interaction she has with people. That care creates trust and allows us to be our true selves.”

I will share several more of these amazing stories of flexibility, throughout this letter and within the report, so that you can really get a sense of how we confront adversity by embracing each challenge directly and adapt as we need to along the way. I won't predict what we might face in 2022, but I guarantee you we will face it with energy, optimism, and nimbleness.

The Year of Adapting to Volatile Trends

The first quarter of 2021 was relatively calm as we were still enjoying strong margins reporting a combined ratio (CR) of 89.3, even given the fact that during 2020 we had lowered our personal auto rates in 40 states producing estimated average savings for our customers of $800 million. April 2021 was the first month where we posted a 96 CR, and we were beginning to see developments that turned out not to be temporary. Fast forward to the end of the quarter where we reported a 100.5 CR for the month of June and 96.5 for the second quarter 2021, versus an 87.7 in the same period the prior year. For the year, we reported a 95.3 CR and fulfilled our publicly stated financial goal of making at least 4 cents of aggregate underwriting profit in any given calendar year. Hitting our goal did not come without some challenges (reducing our marketing spend) and hard work on the part of many within the company.

We never like to find ourselves in this position, but we do whatever we can to try to live up to our commitment to our shareholders. The severity trends changed in more of a step function, rather than gradually over time, and we reacted in kind. We have stated many times over the years that our preference is to take “small bites of the apple” as it pertains to rate increases. We know consumers appreciate stable rates and we aim to provide that for them and to retain our current customer base. That said, given what we were seeing during the year, specifically in our severity trends, we knew we needed to take “larger bites” to get ahead of this fast-moving train. Profit and growth are inextricably connected yet occasionally we need to pull back on one to focus on the other and in the second half of 2021 our focus was on profit. We are swift in our decision making, and in getting the right rates on the street quickly, to put ourselves in the best position to grow when the opportunity arises.

You will see more details of results, across each functional area, in our Operations Summary section. I do want to share a few highlights that we would be proud of in any business environment let alone the current situation.

Across our Personal Lines organization, we added more than 1.3 million policies, ending 2021 with 22.7 million Personal Lines policies in force. We grew our Personal Lines net premiums written (NPW) and net premiums earned by nearly $3 billion, crossing the $36 billion NPW milestone to end the year at a stunning $36.2 billion. While new applications will likely be more of a challenge as we increase rates, we believe we will be well positioned when the industry catches up with trends.

A big congratulations goes to the entire Commercial Lines organization for a terrific year. The Commercial Lines business reached $8.0 billion in NPW, achieving 51% growth at an 88.9 CR in 2021, in large part due to growth in our commercial auto business. Not only have we achieved profitable double-digit premium growth for the 7th consecutive year, but our 2021 premium growth alone equates to almost the size of the #2 commercial auto insurer based on 2020 statutory results.

Our Commercial Lines business provides one of our greatest opportunities to expand our addressable market and grow. We expanded our business owners policy (BOP) product to 17 additional states in 2021, bringing our footprint to 34 states that represent more than 60% of the commercial multi-peril market based on 2020 industry statutory results.

We are excited to also expand our core commercial auto capabilities with the acquisition of Protective Insurance Corporation in 2021. Protective offers expertise in larger fleet and affinity programs and brings additional product lines for us to add to our portfolio.

Our Property business continued to help us attract more Robinson customers (i.e., people who want to bundle their home and auto insurance). While we met our growth goals in Property, we were again disappointed by underwriting losses in this business. Underwriting expenses and non-weather losses were both below our forecasts for the year, but weather-related catastrophe losses were substantially higher than we expected.

Improving profitability is our top priority for the Property business. In addition to disciplined underwriting and accurate pricing at the individual risk level, we have decided to take action to shift the overall mix of our Property business away from coastal and hail prone states to reduce volatility. We began implementing underwriting changes during the second half of 2021 and will continue to make changes in 2022 where we believe it is necessary to accomplish this goal.

Our operating growth and positive investment returns, along with the acquisition and integration of Protective, drove our investment portfolio above $50 billion at year-end 2021. Our investment portfolio achieved a total return of 2.6% for the year. Our returns decelerated from the previous two years as higher interest rates drove down results in our fixed-income portfolio. While fixed-income results were slightly negative, our equity index replication strategy saw 27% returns due to expansion in both corporate profits and equity multiples. Overall, returns were much less volatile than during 2020. While interest rates moved higher, they traded in a fairly narrow range and equities moved higher with only a few minor downturns throughout the year.

We exited the year as we had started it, with our capital in a strong position. The capital strength allowed us to opportunistically repurchase our shares throughout the year when we believed they were trading below our determination of long-term fair value. In August 2021, we paid off $500 million of 3.75% Senior Notes at maturity with cash on hand. Lastly, we declared and paid a $1.50 per share variable dividend in December on top of the $0.40 per share aggregate quarterly dividends that we paid throughout the year. We feel good about our ability to maintain a strong capital position and still be able to deliver these actions even in a year when we saw margins compress in our operating business.

Our Strategic Pillars

We continue to use our four cornerstones as the construct that guides us as we think about our future and continuing to become a destination for our customers and consumers (or as we like to call them future customers). We start with "who we are" and that is clearly outlined in our five Core Values. Next is "why we're here," which is our Purpose. The third cornerstone is "where we're headed," which we've outlined in our Vision. Lastly, and the more tactical of all of the cornerstones, is "how we'll get there," which falls under four strategic pillars that have been our steadfast approach to making sure we invest in the most critical elements of People and Culture, Broad Needs of our Customers, our Leading Brand, and having Competitive Prices.

Even as we endured challenges from COVID-19 and then the subsequent variants of Delta and Omicron, we never took our eye off the long-term vision we laid out many years ago, and we face these ongoing hurdles unflinchingly. It's just who we are and how we perform. In fact, even though much of what we have focused on in 2021 had been due to the pandemic, we have a very clear 5-year plan and don't intend to miss a beat, and rather confront any roadblocks, known and unknown, that will come our way.

People and Culture When I think of a group that has adapted to so many changes and with such a positive approach, I think of all of the nearly 50 thousand dedicated and hard-working Progressive employees. We've communicated our desire to open our offices many times only to retract that directive based on a new COVID variant. We knew our top priority was to continue to protect the health and welfare of our people, while still serving our customers the way in which they deserve to be treated. I'm proud of our flexibility and we know that we will need to continue to be flexible as we watch the remainder of this pandemic unfold.

As we reacted to all of the external forces, we didn't lose momentum on other very critical initiatives that we believe are imperative to the success of our business. We feel very strongly that in order to be consumers' and agents' number one choice and destination for auto, home, and other insurance, we need to understand and anticipate the needs of our customers and, in order to really understand our customers, we need to reflect them. For us, diversity, equity, and inclusion are business imperatives required to sustain our incredible growth and it's our growth that generates additional career opportunities for all of us.

As I have said before, we've been at our Diversity and Inclusion efforts for nearly 15 years. Like every other part of our business, we have objectives, which have largely remained unchanged for over a decade, although we now represent our efforts as Diversity, Equity, and Inclusion (DE&I). Each year we measure our performance against these objectives and reassess our initiatives.

Our four Diversity, Equity, and Inclusion Objectives are as follows:

1 > **Reflect the customers we serve:** After almost a decade of efforts, we are close to achieving our workforce goal to have a gender and racial composition that's representative of the United States adult population—our proxy for the demographics of our current and potential customers. Our hiring volume over the past five years has given us significant opportunity to add diverse talent, particularly at the entry level, which accounts for much of our hiring. We will continue with the recruiting and development efforts that have proven to be most successful over the past few years.

2 > **Leadership to reflect the people they lead:** Our ability to lead and motivate a diverse workforce requires an engaged team of diverse managers and senior leaders. Our efforts continue to increase the representation of women and people of color in these leadership ranks. To focus our efforts, we set a goal in late 2020 to double representation of people of color in senior leadership. A concerted effort to increase the diversity of our candidate pools has proven effective. We have increased representation from 10%—where we had been for almost a decade—to 16%, more than halfway to our goal. We will maintain our momentum largely by maintaining our discipline in developing deep, diverse candidate pools through new and existing recruiting networks.

3 > **Maintain a fair and inclusive work environment:** We're committed to creating an environment where our people feel welcomed, valued, and respected. One key measure of success is participation in our Employee Resource Groups (ERGs). We believe our ERGs, and our outsized participation rates compared to benchmarks (Diversity Inc's Top 50), are a significant contributing factor to several people metrics at Progressive. Our ERG members are more engaged and more likely to both stay at Progressive and apply for promotions. This will fuel even more momentum as we think about our future leaders and DE&I initiatives.

In addition to our ERG participation, we use our annual Engagement and Culture survey as one measure of inclusion. Engagement at Progressive remains extremely high, placing us in the 97th percentile of all companies that use the Gallup survey. Comparing the results by gender and race, we see slight, non-meaningful gaps in scores for men and women. The scores for Black and Asian employees lag behind their white coworkers but were relatively consistent with the prior year.

4 > **Contribute to our communities:** With a few exceptions, we've narrowed the focus of our community support to causes that align with our business, simply put, cars and homes. We provide vehicles to veterans with our Keys to Progress® initiative and help furnish homes for the homeless. For the first time in 2020, we asked each of our ERGs to identify a national charitable organization that supports the communities they represent. During 2021, we continued that funding, further linking our community and DE&I efforts.

We've gained considerable ground on our DE&I objectives over the past few years, and we're encouraged by the momentum, particularly in diversifying our senior leadership ranks. We will continue to focus on diversity, equity, and inclusion to measure our culture and achieve our shared vision for the future.

Another important part of our culture is to work toward creating a better future for not only our employees but also for our agent partners, communities, shareholders, and the millions of customers who trust us to protect what's most important to them. We produce a sustainability report to allow investors and these key stakeholders to review financial and nonfinancial information about our environmental, social, and governance activities. One highlight during 2021, was the addition of a large solar array at one of our main campus locations, which we expect will ultimately reduce that location's carbon emissions by 1,500 metric tons per year. This is just one part of our growing renewable power program that will help us toward our goal of being carbon neutral (for scope 1 and 2 emissions) by 2025 and we are working to chart a course with the goal of being net-zero the following decade. For further information on our progress, check out our complete report at *progressive.com/sustainability*.

I'll close this section with another story from an artwork recipient.

"Eileen has epitomized flexibility in the workplace and has found numerous ways to ensure that everyone remains engaged and productive, and has fostered a healthy work/life balance for our team. She always finds ways to make herself available and is willing to change her plans to match the reality of the situation. As a result of her incredible flexibility, she is able to ensure that we maintain productivity during transitions. She embraces change and encourages the team to provide their thoughts and ideas, which has led to changes in processes that work for everyone. I can't think of anyone more deserving of this unique honor than Eileen."

Broad Needs of our Customers We strive to be where, when, and how customers want to purchase and service their policies. We follow the customers' desires and attempt to make everything easy for them to obtain protection as they go through their insurance journeys. We want to be an insured's destination company and will continue to invest in making that happen.

We can meet the needs of consumers through both HomeQuote Explorer® (HQX), our online Property offering, and our in-house agency with about a dozen carriers covering property, renters, and umbrella insurance.

We offer products from Progressive Home, along with several unaffiliated partners, through HQX in order to give our customers the choice that best fits their needs. The ability to buy online is now available through at least one carrier in 48 states making it available to over 90% of consumers quoted.

We ended 2021 with growth of nearly 13% of our bundled auto and home customers we refer to as Robinsons. Currently, 21% of our customers are either Robinsons or have more than one product with Progressive (e.g., car and motorcycle).

On the direct Commercial Lines side of the house, we work with a number of carriers to offer business insurance products (including our Progressive BOP) on BusinessQuote Explorer® (BQX). As we and our carrier partners continued product rollouts and state expansion, we were able to increase our reach and meet the insurance needs of more customers. In 2021, over 90 carrier/product/state expansions took place across BQX. Furthermore, in collaboration with these carriers, we were able to expand their acceptability of additional risk types by over 175 small business classes. With our rebuild and refresh of our consumer BQX website, we've adopted state-of-the-art accessibility capabilities and are extremely mobile-friendly.

Leading Brand Amid the ever-changing business climate, our Marketing team flexed to deliver meaningful content to our target audiences. Thoughtfully, we adjusted our media spend when necessary to ensure our expenses and growth aligned with our profitability goals. Reducing our advertising spend is not something we like to do but was necessary under the circumstances. The great news is that our Progressive Brand is one that consumers readily recognize and respect. Our data-based approach to media provided us flexibility to alter our spend while minimizing long-term impact and it also gave us the opportunity to better understand what was and was not working. The learnings we've gained will make us more agile and even more precise when we return to growing our advertising.

Progressive is one of the country's most advertised brands, and we continually challenge ourselves to create marketing rooted in real human insights that resonate with our targeted audience. We leverage our network of well-known and well-loved characters to deliver against that goal. Our campaigns delight consumers and drive our business, and the proof is in our ability to grow specifically in the number of preferred drivers we insure. Our commitment to marketing that drives business growth is unwavering.

In the spirit of relevance, in just two years' time, Dr. Rick has risen through industry and consumer ranks to become one of Progressive's most well-liked and lauded characters. In fact, the relative newcomer's likeability and cross-generational appeal earned him a spot-on *Ad Age*'s most popular insurance ad characters list, taking up residency alongside our Flo and Jamie characters. More broadly, the Parentamorphosis campaign has amassed multiple awards for creative excellence, including two Effies in the insurance category. Pushing reach and relevance even further, Dr. Rick recently published *Dr. Rick Will See You Now*, a book to help young homeowners keep from turning into their parents. The limited-edition hardbound book sold out and the e-book earned a 4.5 of 5 rating on Amazon. This campaign extension *literally* brought our advertising character to real life and gave fans a tangible way to experience our brand.

In a space defined by many intangibles, how, when, and where we intersect with people has profound importance. To that end, we never rest and will propel forward with data driven, insightful, and innovative marketing that comes alive in both advertising and branded experiences that delight consumers and customers.

Competitive Prices A key component of our strategy pillar around competitive prices is operational efficiency. As well recognized, the environment we've operated in during the past two years has been quite dynamic, especially around the frequency of claims. This has necessitated balancing operational efficiency in the near-term with our longer-term growth prospects and our desired work environment. I'm proud of our entire team's flexibility and creativity as we've adjusted claims hiring and staffing levels more so perhaps in 2021, than we have in our entire history. Our loss adjustment expense (LAE) ratio for the year was 0.3 points higher than 2020, and approximately equal to 2019 when claims frequency was running more similarly to 2021.

Our key measure of operational efficiency outside of claims is what we call our non-acquisition expense ratio (NAER). This is the typical industry definition of underwriting expense ratio excluding agent commission and advertising expenses. Our growth aspirations require competitive agent commissions, as well as robust, and most likely growing, advertising spend. Consequently, we exclude these costs from our key efficiency metric. In 2020, we recognized over $1 billion of policyholder credits in our NAER as well as substantially higher estimates of bad debt expense. As such, it is more appropriate to compare our 2021 efficiency metrics to 2019. For 2021 relative to 2019, our Personal Lines NAER was down 0.7 points and our Commercial Lines NAER was down 0.9 points.

Of course, our aggregate cost structure including commissions and advertising must also be competitive and we are pleased to report a Personal Lines expense ratio for 2021 of 19.0 versus 19.9 in 2019. However, some of this improvement is due to spending less on advertising than we would have otherwise preferred, in light of the sudden and dramatic rise in average loss costs that started during the second quarter 2021. Our advertising spend is derived by what we calculate to be allowable given the lifetime profitability of new customers, as well as our aggregate calendar year profitability. In times when we need to raise prices to ensure those profit objectives are met, we reduce advertising spend to reduce expenses until we are once again adequately priced to cover our loss costs.

Profitability in our Commercial Lines business has not been a constraint and we increased advertising spend significantly during 2020 and maintained that level of spend during 2021 in Commercial Lines. Our aggregate expense ratio in this business was 19.6 versus 21.1 in 2019.

The combinations of our Personal and Commercial Lines loss adjustment and underwriting expense ratios are amongst the lowest in the industry and are significant in supporting our strategy of providing competitive prices. Our plan is to balance continually to seek improvements to operational efficiency while making investments that help us to maintain or improve this advantage going forward. Said another way, we sometimes need to spend on investments, like technology, in order to increase efficiency.

In addition to efficiency, accuracy is one of our Claims Guiding Principles, which has a profound impact on competitive prices and customer satisfaction. An audit function, independent from the Claims organization, regularly evaluates our work to ensure we are resolving claims quickly, efficiently, and accurately. I'm pleased to say that our accuracy results have been resilient to the many challenges we faced this past year.

I also want to extend kudos to our actuarial group. Although we experienced fluctuations in the amount of prior year development recognized during 2021, I am pleased to report that we ended the year with 0% prior accident year development on our outstanding loss reserves. While we have had a great track record over the years, given all the uncertainty brought about by the pandemic, achieving the goal to establish loss and LAE reserves as accurate and timely as possible when we set our reserves was not an easy objective to meet. This accuracy in reserving contributes to more accurate pricing.

Another important aspect of having competitive prices is being able to segment rate to risk. Having industry leading segmentation has been critical to our success and allows us to price each customer based on their expected loss experience.

Along with adjusting rates to match increasing loss costs, during 2021 we continued to deploy enhanced segmentation through product model upgrades that help us accurately match rate to risk, a core element of ensuring we can deliver both competitive prices and solid underwriting profit margins.

Within our auto product, during the year, we completed 24 auto model upgrades across channels and our latest product design, 8.7, at year end was deployed in 22 states that represented more than half of our countrywide premium. We believe this model improves segmentation and pricing accuracy and is improving quote conversion of more preferred risks which is helping to reduce the growth headwinds we'd typically face when raising rates to deliver target profitability.

In Commercial Lines, product segmentation improvements, along with growing use of our predictive usage-based programs, have improved our competitiveness and helped us be considered more often amongst the most preferred truckers shopping for insurance. The combination of our deep focus on commercial auto, strength in the for-hire transportation business segment, and the shape of the economic recovery enabled us to extend our leadership position in the commercial auto market.

In our Property business, the story is similar. As we increase rates to match rising overall costs, we're also simultaneously improving the precision with which we match our prices to individual risks through deployment of our 4.0/4.1 product to 16 states in 2021.

Flexing into the New Year

The work we do and the culture we nurture are inseparable. We strive to take care of our customers when they need us most and we believe that is a noble calling. Our collective groups in Claims and our Sales and Service organizations in both Personal and Commercial Lines have truly risen to the occasion whether it was during the many catastrophic events or just to lend an ear as people shopped and had questions on their policies.

Another group that has really risen to the occasion has been our recruiting team. During 2021, the team helped us hire over 13,000 people to support our growth and to make sure we were able to meet customers' needs. The team worked hard to ensure that they were sourcing diverse candidates, and their efforts have been critical in helping us meet our DE&I objectives, as discussed above. A big thank you to the team.

Regardless of what comes our way, our culture is stronger than ever, and we are more motivated than ever to lean into our values and vision.

A great example of our culture, in action, comes from Arlo, a process specialist out of Nashville. His story is the epitome of how we think about the Golden Rule.

> "My mom, stepdad, and younger sibling's home burned to the ground on Sunday Jan 9th. It was traumatic and surreal to stand with them as everything they owned burned before our eyes. Thankfully, everyone was okay, and they do have insurance to get them back on their feet. After sharing the tragedy with my leader, I had immediate support on taking time off to help my mom/family. In addition, my leader reached out and said that he's been working within our group, and they've raised nearly $1,500 for my family! I was overwhelmed with emotion. I joined the group a little over a year ago and haven't met my team in-person. For this team to come together and raise money for my family—confirms my beliefs that we have remarkable and caring people working here. Truly a family, the Progressive family."

I also want to welcome the Protective family into the Progressive fold. We are excited to get to know the Protective employees better and devise creative ways to profitably grow their existing business. We truly appreciate the knowledge the Protective team brings to the business and look forward to working collaboratively with them.

I started this letter by saying the flexibility we need now is somewhat different than what was needed 34 years ago. That said, the cover of the 1988 annual report read, "We don't try to mold our people, we try to develop them, using their individual strengths as a pivot point." That's very consistent with how we feel over three decades later. We continue to truly care about each and every Progressive person having the opportunity to bring the best version of themselves to their teams and our customers. That won't change and we have shown that it works.

In 1988, we ranked 37th when we compared ourselves against the entire property-casualty market and, relative to the $199 billion personal auto insurance market at that time, our market share was 0.6%. Today, we are ranked third in personal auto, with an estimated market share of 14%, not to mention ranking #1 in commercial auto and in the top 15 homeowners carriers. With our new and expanded lines of products, we believe that the opportunity for growth remains solid.

To everyone at Progressive that makes this place so special, thank you. I'm more dedicated than ever to lead us successfully into this next chapter and truly can't wait to see many of you walking the halls of our many locations. For now, stay safe and healthy.

Thanks for all that you do.

Tricia Griffith

Tricia Griffith
President and Chief Executive Officer

foldout: *Multiplied Together*, glazed ceramics

details from *Multiplied Together*

flexib

diversity

I bet you'd find a picture of Jeremy in the dictionary as an example of what it truly means to be flexible. We threw so many curve balls at him over the past year, and his team hit each one out of the park. To get the full appreciation of his leadership by example, listen to the words to the famous Friends' song, "I'll be there for you." Whether it was when you needed advice, or when COVID turned our world upside down, or when we acquired a new company, or any one of the other new projects that came about, Jeremy was there for you, to support you, work with you, and to laugh with you.

Michael exemplifies flexibility and routinely made changes and adapted to the needs of our business and people throughout the year. Our tremendous growth and rapidly changing claim environment created instances when other organizations were in need of assistance. Mike proactively identified the need within the business and with Progressive people and offered to provide assistance to multiple individual employees as well as other organizations. Mike is selfless in his willingness to adapt and change to the many hurdles that were encountered in 2021 to ensure we can provide the best experience to our customers consistently.

Patti is an accountant and a fellow Progressive employee, but she is also my mother, so I'll just call her "Mom." Mom has always been a big part of our family but with the flexibility during the past year, she has developed relationships with her grandchildren that will last for lifetimes. COVID has taken so much from so many, but it also introduced an opportunity for one grand-mother to establish an incredible bond with her four grandchildren, and as a parent it is something I am incredibly grateful for.

Asia is the gold star of supervisors. I have never had a supervisor that adjusted their schedule to work early in the day or into the night to schedule meetings and coaching sessions, so team members were available. Asia not only encourages participation in company-sponsored events she is willing to rearrange her schedule to allow it to happen. I could write a novel on how special she is.

individuality

generosity

Not only is Nida adaptable, flexible, and creative in engineering solutions to problems inside the four walls of the Progressive community and out, but she also takes the time to help me foster those skills too and is a wonderful mentor and friend. When I was dealing with a personal issue, Nida was the first person to offer to take over my coaching, so my people didn't miss a beat. She also partners with me on important projects that have allowed me to keep my part-time schedule so I can stay home during the day with my daughter. Her flexibility has allowed me the most precious gift—time with my family. She's the definition of flexible and a fantastic mother, daughter, sister, coach, and friend.

Bridget is PROGRESSIVE. She worked on-site during the pandemic and was quick to adapt as the team went paperless in what felt like a matter of days. Bridget held down the fort and took it all in stride. She is Present – Resilient – Organized – Gifted – Respected – Efficient – Selfless – Sincere – Ideal – Valuable – Exceptional. She always wears a smile and will go out of her way to accommodate everyone's "rush" requests. She has helped so many of us adapt and succeed in our own jobs during this unprecedented time. We could not have done it without her!

I am nominating Stephanie based on how she has handled every single obstacle with aplomb and taken due care of her entire organization with a 'people first' mindset. Despite the demands of her organization, Stephanie shows adaptability by ensuring that the LGBTQ+ Employee Resource Group offerings were well promoted in our area during the last couple of years since this is a critical area of support for our Diversity, Equity & Inclusion efforts.

ility

Carlos's ability to adapt to ever changing dynamics is beautifully fluid. He's been there for our team members and always advocates for our customers and fellow employees. He has managed everything all while going to school, being married, a cat dad and exercising. Carlos exemplifies flexibility by being able to relate on a personal level with his coworkers, customers, and those in his life. Carlos has taught me how to show up in my life for myself, my family, my relationship and so many other aspects. He has helped me and others to make it through this year, and that in itself is flexibility.

We are nominating Scott on behalf of his entire team. In the weeks following Hurricane Ida, the claims workload dictated a new process to handle increased shop capacity demands and our normal process was changed within a matter of days, with additional changes being made along the way as needed. All of this while we were also working to put our own lives and homes back together. Our ability to remain flexible and adapt to these unprecedented times is what ultimately saw us through some of the most challenging months many of us have experienced.

Flexibility is the name of the game as a supervisor in our Commercial Lines services organization. Each day I work with my team to help ensure everyone has the support they need in our constantly changing virtual work environment. We hold each other up through encouragement in our daily team chat and I recognize individual successes. I strive to live our core values and support our service strategies on every team, customer, and agent interaction. I keep open to change and embrace the benefits of being flexible and engaged. I love being the proud voice of Progressive.

responsibility

Working for such an amazing, supportive, and flexible Company motivated me to become part of "Productive You," a program to help support new hires joining the claims department. It has been such an amazing experience building new relationships with mentees, mentors, and supervisors. Being able to offer support, knowledge, and guidance to others is my way to say thank you to what the Progressive Family has provided me and how they lead by example and were so flexible during this pandemic. I would be honored to have a piece of artwork in my home to remind me how many relationships I gained from being inspired by a flexible Company that truly knows how to adapt.

versatility

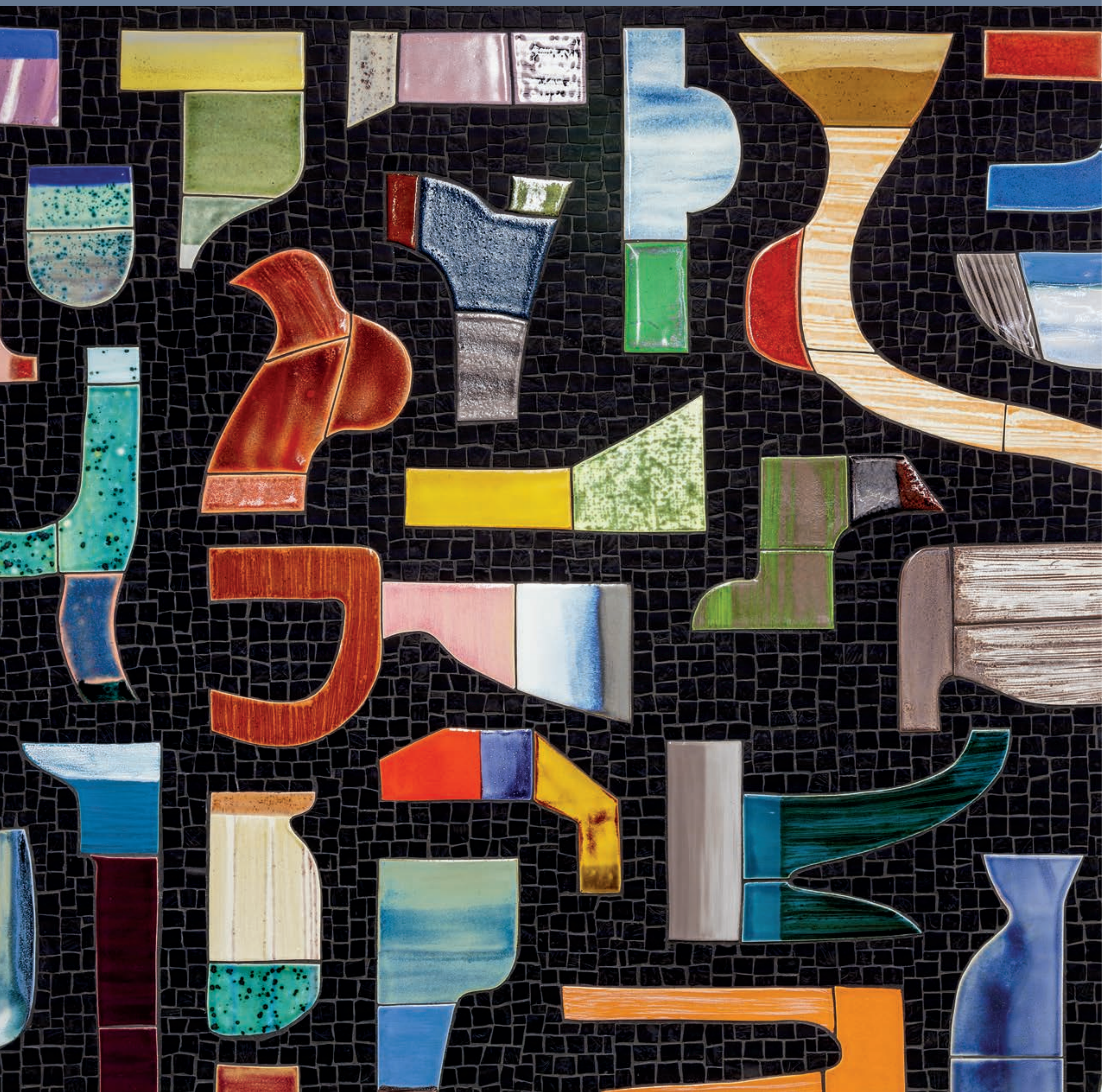
I became a first-time mom in late 2020. Being a "pandemic parent" has brought out strengths that I never knew I was capable of. I used technology so that my family could watch my son grow. The skills and resources I used over the past year to make our family life better have also been utilized at work. I have used Yammer and Teams to stay connected to my teammates. Every day, I show up to work and my goal is to make things better for Progressive, our customers and my co-workers.

I want to nominate Kayla for this because she is far and away the most flexible representative I have worked with. Whether it is moving her schedule around to assist with peers or consistently volunteering to work overtime, Kayla has shown the ability to adapt to changing workload demands. Kayla is the embodiment of our mission as a company, and is true to our company name, Progressive. I am excited to see her young career continue to grow.

Jolane is exceptional. She has flexed and buoyed us all to do the same. Pivoting every day. She does a remarkable job of listening, in giving sound guidance, and in inspiring us to grow. She is available, always, flexing her time to support her team and our people. It's challenging to find the words to describe who she is and what she has always exhibited, but the last 20 months, Jolane shined brighter and lit the way for all of us to flex, and to pivot all the while she kept us afloat, every day, regardless of what she was feeling or experiencing. She is remarkable.

sustainability

Operations
Summary



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

Personal Lines

Our Personal Lines business ended 2021 with both solid growth and profitability but during the year, market conditions, weather, and other external forces affected our performance. Throughout the year we responded quickly to rapid changes in the business environment to ensure we first delivered excellent customer service for our policyholders while taking deliberate actions to protect profitability as we executed our operating model to grow as fast as we can at a 96 combined ratio.

Our Personal Lines segment, comprised of our personal auto and special lines products, produced a 95.4 combined ratio (CR), grew net premiums written 8%, and increased policies in force (PIF) 6% for 2021. Profitability decreased by 8.6 points versus 2020, driven primarily by increased loss frequency related to elevated driving levels as the country "reopened" mid-year, high inflation, and claim severity, as evidenced by used car prices, and Hurricane Ida, which resulted in nearly $220 million of catastrophe losses, or 0.6 points on our CR. Personal Lines net premiums written grew $2.8 billion, to end the year at over $36 billion. Premium growth was primarily driven by unit growth through adding over 1.3 million policies and crossing the 22 million PIF milestone.

During 2021, both vehicle miles traveled and claims frequency per mile traveled increased relative to 2020 but they remained below pre-COVID levels. Early in 2021, most jurisdictions had differing levels of restrictions in place to address the risk of COVID, such as limiting group activity, but in the second quarter, states lifted restrictions to varying degrees and people returned to many pre-COVID activities. As the country reopened, we saw an uptick in vehicle miles traveled, which we believe was mostly related to more miles driven over longer distances from the home. Since this initial uptick, vehicle miles traveled have remained relatively consistent and at a level we estimate was still below pre-COVID metrics. Like vehicle miles traveled, claims frequency trends increased compared to 2020, but at year-end 2021 were still below 2019 levels.

pages 20–29: details from *Strata*, MTA commission, ceramic and glass mosaic

While frequency was rising compared to 2020, used car values also increased materially, putting significant upward pressure on our average claim cost. With loss costs on the rise, our loss ratio increased rapidly throughout the summer, putting our 96 calendar-year combined ratio at risk. Towards the end of the summer, additional challenges to profitability emerged, in both Hurricane Ida, one of the costliest hurricanes in U.S. history, and inflation rates hitting levels the country has not experienced in nearly forty years.

In response to rising loss costs, our product management teams took aggressive actions to navigate this period of driving recovery and inflation and manage rate level to achieve our stated 96 combined ratio goal. We responded to the changing conditions by increasing auto rates, decreasing our media spend, and other underwriting restrictions. During 2021, we filed personal auto rate changes that averaged an increase of approximately 8% countrywide and worked with various states' departments of insurance to ensure our rates were adequate, not excessive, and not unfairly discriminatory. With these actions in place, Personal Lines ended the year just under our 96 CR goal.

Growth and profitability in the highly competitive auto insurance market are inextricably linked and, similar to our combined ratio experience, growth in 2021 can be defined in two discrete periods. In the first half of the year, new business applications increased over 10% year over year, but this growth slowed materially in the second half of 2021. Our operational goal prioritizes profit first then growth and, as such, the increase in loss costs that emerged during the second quarter 2021 led us to take swift actions to raise rates and thus slow new business growth to protect underwriting profitability. In certain situations when it can take several months to revise our rates in market, either by approval process or the amount of time until they are effective, we will take non-rate actions to slow new business growth in order to help meet our profitability goal. During 2021, in addition to these non-rate actions, we also reduced our advertising spend to help lower our expense ratio. In combination, these actions significantly slowed our new business growth rate during the second half of the year, and for the full year 2021, our new auto business application volume dropped over 3%, compared to 2020.

In our personal auto products, we experienced gains in our policy life expectancy (PLE) during 2021 and we believe we are seeing the benefits of product design changes that continue to offer stable and competitive rates. In addition to these changes, we also saw an improved auto PLE from continued growth in our Robinson consumer segment that represents those customers that bundle their auto and home policies with Progressive. We experienced double digit growth in auto PIFs where auto is bundled with a home policy. To round out our Personal Lines products, we are pleased to note that our special lines PLE also increased during the year. With our growth in PIFs and lengthening PLE, we continue to grow our penetration in U.S. households with at least one Personal Lines product insured with us.

Following 2020's racial and social justice movement, regulatory and legislative bodies questioned the use of other select variables, such as credit-based insurance scores, occupation, education, territory, marital status, homeownership, etc. These rating factors are highly predictive of insurance loss costs and actuarially sound in ensuring auto insurance rates comply with statutes that require rates to be adequate, not excessive, and not unfairly discriminatory (meaning they accurately correlate with loss costs).

We continue to work with regulators and legislators to help them better understand the predictive power and consumer benefits these rating factors bring through increased availability and affordability. While our efforts during the past year were successful in preserving risk-based pricing in multiple state jurisdictions, resolving this issue countrywide continues to be a key strategic initiative.

Despite the significant changing environment in 2021, we continued to deploy enhanced segmentation through product model upgrades, which helped ensure we continued to accurately match rate to risk and offer agents and consumers highly competitive rates. During the year, we completed 24 auto model upgrades in each of our distribution channels and our latest product design, 8.7, ended the year deployed in 22 states that represented more than half of our personal auto countrywide premium. This model improves segmentation and pricing accuracy and reduces overall complexity.

Another key element in improving the accuracy of our rating is Snapshot®, our usage-based insurance offering. In 2021, we rolled out our latest model and it is available in states that represented about 70% of our countrywide personal auto premium. To make the product easy for consumers, we continue to invest in our mobile app and have seen most new enrollees choose to use their mobile device for Snapshot monitoring.

Our special lines products (e.g., motorcycles, boats, and RVs), delivered another year of excellent growth and profitability on top of record growth in 2020. As a leader in protecting recreational vehicles, our new business applications were once again positive year over year, and we finished the year with special lines PIF growth of 8% while meeting internal profit targets.

We look forward to 2022 and the experiences and challenges that it may bring to our Personal Lines business and believe that we are well positioned to continue to focus on growing the business profitably.

Commercial Lines

The Commercial Lines business delivered another year of excellent operating results. This marks the seventh consecutive year of profitable double-digit net premiums written (NPW) growth. We finished the year with 51% NPW growth, 18% policy in force growth, and an 88.9 combined ratio. The business, including the acquisition of Protective Insurance, reached $8.0 billion NPW in 2021.

We enjoyed profitable growth in both quotes and sales during 2021, reflecting economic conditions that drove the industry to take rate increases and impose underwriting restrictions. For the last decade, the commercial auto industry has been unprofitable, and 2021 was no exception, despite COVID-aided lower frequency tailwinds. Across the industry for most of 2020, lower accident frequency was offsetting elevated severity and adverse loss development trends. During 2021, the gap closed, and we saw vehicle miles traveled recover toward pre-pandemic levels, increasing frequency of accidents, and elevated loss severities. These trends put continued pressure on the industry to respond to poor underwriting results with rate increases and underwriting restrictions, especially in market segments like for-hire transportation.

While we saw strong growth across our business segments, our for-hire transportation business segment led the way. This segment continued to benefit from exceptional freight market conditions attributed to strong demand, intermodal bottlenecks, and supply constraints. This environment drove the freight market to a part of the supply chain dominated by owner operators and new trucking ventures. We are a leading provider of insurance for this market segment, which explains our for-hire transportation business growth. This business is not new to us. We have been growing this market segment profitably for a number of years. The additional product segmentation we introduced over the last five years has proven effective and driven better-than-industry underwriting results and growth.

From a channel perspective, we're seeing healthy growth in both the agency and direct distribution channels. We have observed a notable increase in direct channel shopping and believe COVID-19 has further accelerated a customer preference shift to the direct channel. Our investments in building our Commercial Lines brand to drive demand and meet that demand with product supply and great experiences have allowed us to capitalize on that shift and the performance of our direct business this year has been strong. Overall, direct growth is driving more favorable economics that enabled us to further invest in our capabilities in this channel. We have made significant progress increasing the efficiency of our marketing spend and using more targeted advertising mediums, and we are operating within our allowable costs.

The transportation network company (TNC) business is continuing its recovery from the pandemic lows in early spring of 2020. Ridesharing miles are generally still depressed, compared to pre-COVID levels; however, increasing mileage recovery is progressing well. We provided insurance coverage for Uber's rideshare and food delivery business in 13 states and

Lyft's rideshare business in 8 markets at the end of 2021. We have been insuring TNC platforms for over five years and have gained valuable information and insights in this segment. As the largest commercial auto insurer in the U.S., this insight, and our lengthy history of experience with high-limit commercial auto policies, has us well positioned for this line of business.

We completed the acquisition of Protective Insurance Corporation and subsidiaries on June 1 and are thrilled to be adding Protective's products, capabilities, and employees to our Commercial Lines business. Protective brings expertise in the medium and large fleet market segment and in workers' compensation coverage primarily for the transportation industry. Our goal is to further complement each other's product offering enabling us to grow market share collectively. We remain focused on providing our customers, partners, and clients with the exceptional service they expect and deserve, as we work towards delivering greater opportunities for growth.

Advancements in our commercial auto product continued on several fronts. We rolled out our 8.0 commercial auto product along with our new policy administration system in 12 additional states. At year-end 2021, we had a total of 20 states, representing 63% of all non-TNC commercial auto written premium, successfully operating on our new system. The next generation 8.0 product model includes a number of expanded coverage features and new rating variables to improve pricing segmentation. More notably, we introduced a tiering structure that improves the accuracy and stability of our rates, while lowering rates significantly for customers with preferred driving characteristics. This advancement in our model serves to extend our segmentation advantage and deliver the best rates possible to more customers.

Our two usage-based programs continue to build and drive our competitive position. Our truck-focused telematics program, Smart Haul®, grew policies in force 21% over 2020, and our newer program, Snapshot ProView®, is offered in 45 states and grew policies in force 193% over 2020, albeit from a smaller base. Investments in telematics and product enhancements to improve our competitiveness have helped us improve consideration amongst the most preferred truckers shopping for insurance. Based on our analysis, we grew our estimated share of non-fleet preferred truck to 17% as of November 2021. We've seen similar success in our small fleet program, targeted at businesses with 10 to 40 vehicles. In addition to product investments, we introduced automation, technology, and workflow changes to the quoting and submission process, helping us increase efficiency. The impact of improvements this year enabled significant profitable growth in quotes and sales. We've been able to more than triple our fleet book over the last five years, with a meaningful acceleration this year.

Our expansion into the business owners policy (BOP) product line continues. We added 17 states in 2021, bringing our footprint to 34 states that represent more than 60% of the commercial multi-peril market based on 2020 industry statutory results. In addition to state expansion, we updated our product with new segmentation and expanded our risk appetite for select business segments. Feedback we receive from agents supports our assessment that we have an easy-to-use quoting and underwriting experience and a competitive product.

Our Progressive BOP product is also available, along with other carrier business insurance products, to small business owners shopping directly via our digital BusinessQuote Explorer® (BQX) platform. Offering additional protection options gives us more opportunity to extend relationships with our customers. We are pleased with our momentum and early results support our ability to retain customers longer by providing additional products to protect their businesses.

We have made calculated investments in recent years to fuel future growth. Those investments have positioned us well for the favorable market conditions we saw in 2021 and as a result, we enjoyed tremendous profitable growth. The growth at the scale we have experienced brings increased customer support needs. To support our growth and anticipated increases in sales, service, and claims volume, we have increased staff in both our Commercial Lines claims and customer and agent servicing organizations. Both groups have grown significantly this year, and we applaud the phenomenal efforts that have taken place to hire, onboard, and train that volume of new Progressive colleagues. We have a remarkable team of Commercial Lines professionals and it's their passion for helping our customers, never stop improving philosophy, and teamwork that has been instrumental to our continued success.

We are going into 2022 with positive momentum and we remain excited about the opportunities that lie ahead. We have considerable underpenetrated addressable market in front of us and we believe we have the people, skills, and assets to succeed.

Property

Our Property business recognized solid growth in 2021, but profitability fell well short of our expectations with a combined ratio of 115.3 for the year. While we continue to distribute property policies from other carriers in addition to the Progressive Home offerings, this discussion focuses solely on our indemnity Property business.

We ended 2021 with $2.2 billion of net premiums written, a 16% increase over 2020, with nearly 2.8 million policies in force. Underwriting expenses and non-weather losses were both below our forecasts for the year, but significant catastrophe losses during 2021 added 31.0 points, net of reinsurance, to our combined ratio. The largest contributors to our catastrophe losses were Hurricane Ida, which alone accounted for almost one-third of our total catastrophe losses, a winter freeze and spring hailstorms in Texas, and wild December weather with tornadoes and hail in Kentucky and Tennessee and wildfires in Colorado. We purchase substantial levels of reinsurance to both protect our capital against severe catastrophic events and to reduce volatility in our combined ratio. As a result of our per-event catastrophe reinsurance, our losses and allocated loss adjustment expenses from Hurricane Ida were capped at $200 million.

Our Property strategy is meant to complement our multi-channel auto offerings with leading property products in order to increase our share of the bundled home and auto (i.e., Robinsons) market. We offer residential property insurance for homeowners, other property owners, and renters through both the agency and direct distribution channels. We now offer our Property products in 48 jurisdictions in the United States. Florida and Texas accounted for 50% of the business we acquired in 2015. Those two states accounted for only 35% of our Property business in 2021, but we still write more than half of our business in states with significant exposure to hurricanes and hailstorms.

Improving profitability continues to be our top priority for the Property business. While we expect good results in years with average or better weather, catastrophe losses during 2021 were unusually numerous and severe and with our concentration of policies in catastrophe-exposed states, the 2021 storms created more volatility and had a greater impact on our results during the year. In order to reduce this volatility, we plan to focus our growth efforts in states with traditionally less catastrophe exposure and limit growth in the coastal and hail prone states. We began implementing underwriting changes during the second half of 2021 to accomplish these goals. We will continue to take the necessary steps during 2022 to reduce our concentration exposure.

We are also adjusting rates to address profitability concerns. We increased rates an average of 7% across Progressive Home's product portfolio in 2021, with larger increases in Florida and in states exposed to substantial modeled hail risk, such as Arkansas and Missouri. We evaluate each home's insured value at every policy renewal to ensure that our customers have adequate coverage in the event of a total loss. During the second half of 2021, as costs of building materials and labor increased, these inflation adjustments drove up both the insured values and rates for our Property insurance risks. Through this automatic process, we will continue to adjust both insured home values and prices to offset inflationary repair and replacement cost increases.

In addition to focusing on returning to profitability, we continue to make it easier for agents to sell, and consumers to buy our products. During the year, we added more than 100 Platinum agencies, ending 2021 at just over 4,100 in total. In the direct channel, we rolled out online buying functionality for homeowner shoppers in 11 more states, bringing the year-end total to 34 active states. We plan to continue to expand this capability during 2022. This allows users of our HomeQuote Explorer® shopping service to complete their policy purchase online, often without needing to talk with one of our in-house agents. Direct channel sales now account for 26% of home and condo policies and 59% of new renters policies sold.

As we enter 2022, we are excited about the plans we have in place to improve profitability, reduce our state concentration risk, and work with our Personal Lines business to grow our Robinsons consumer segment.

Operating Results

($ in billions)

	2021	2020	Change
Personal Lines			
Net premiums written	$ 36.2	$ 33.3	8%
Net premiums earned	$ 35.4	$ 32.6	8%
Loss and loss adjustment expense ratio	76.4	63.2	13.2 pts.
Underwriting expense ratio[1]	19.0	23.6	(4.6) pts.
Combined ratio[1]	95.4	86.8	8.6 pts.
Policies in force (thousands)	22,735.7	21,413.5	6%
Commercial Lines			
Net premiums written	$ 8.0	$ 5.3	51%
Net premiums earned	$ 6.9	$ 4.9	42%
Loss and loss adjustment expense ratio	69.3	64.5	4.8 pts.
Underwriting expense ratio[1]	19.6	22.5	(2.9) pts.
Combined ratio[1]	88.9	87.0	1.9 pts.
Policies in force (thousands)	971.2	822.0	18%
Property			
Net premiums written	$ 2.2	$ 1.9	16%
Net premiums earned	$ 2.0	$ 1.8	16%
Loss and loss adjustment expense ratio[2]	86.4	77.3	9.1 pts.
Underwriting expense ratio[3]	28.9	29.8	(0.9) pts.
Combined ratio[2,3]	115.3	107.1	8.2 pts.
Policies in force (thousands)	2,776.2	2,484.4	12%

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

[2]For 2021 and 2020, includes 31.0 points and 24.0 points, respectively, from catastrophe losses, net of reinsurance.

[3]For 2021 and 2020, includes 2.8 points and 3.2 points, respectively, of amortization expense associated with intangible assets acquired in an acquisition.

Objectives & Policies

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

Objectives

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

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

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

Shards 11, glazed ceramics on panel

Financial Policies

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

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

Operating Maintain pricing and reserving discipline

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

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

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

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

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

Financing Maintain sufficient capital to support our business

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

opposite: *Shards 10*, glazed porcelain, glazed ceramics in wood vitrine; detail above

Our Business Model

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

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

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

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

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

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

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

Objectives & Policy Scorecard

<table>
<tr><th></th><th></th><th>Target</th><th>2021</th><th>2020</th><th>2019</th><th>5 Years[1]</th><th>10 Years[1]</th></tr>
<tr><td>Underwriting margin:</td><td>- Progressive[2]</td><td>4%</td><td>4.7%</td><td>12.3%</td><td>9.1%</td><td>8.4%</td><td>7.6%</td></tr>
<tr><td></td><td>- Industry[3]</td><td>na</td><td>||||||||</td><td>9.5%</td><td>1.8%</td><td>1.5%</td><td>(0.1)%</td></tr>
<tr><td>Net premiums written growth:</td><td>- Progressive</td><td>(a)</td><td>14%</td><td>8%</td><td>15%</td><td>15%</td><td>12%</td></tr>
<tr><td></td><td>- Industry[3]</td><td>na</td><td>||||||||</td><td>(2)%</td><td>3%</td><td>5%</td><td>4%</td></tr>
<tr><td>Policies in force growth:</td><td>- Personal auto</td><td>(a)</td><td>6%</td><td>11%</td><td>11%</td><td>11%</td><td>7%</td></tr>
<tr><td></td><td>- Special lines</td><td>(a)</td><td>8%</td><td>8%</td><td>4%</td><td>4%</td><td>3%</td></tr>
<tr><td></td><td>- Commercial Lines</td><td>(a)</td><td>18%</td><td>9%</td><td>8%</td><td>10%</td><td>7%</td></tr>
<tr><td></td><td>- Property</td><td>(a)</td><td>12%</td><td>13%</td><td>14%</td><td>18%</td><td>nm</td></tr>
<tr><td>Companywide premiums-to-surplus ratio</td><td></td><td>(b)</td><td>2.8</td><td>2.7</td><td>2.7</td><td>na</td><td>na</td></tr>
<tr><td>Investment allocation:</td><td>- Group I</td><td>≤ 25%</td><td>17%</td><td>14%</td><td>12%</td><td>na</td><td>na</td></tr>
<tr><td></td><td>- Group II</td><td>≥ 75%</td><td>83%</td><td>86%</td><td>88%</td><td>na</td><td>na</td></tr>
<tr><td>Debt-to-total capital ratio</td><td></td><td>< 30%</td><td>21.2%</td><td>24.1%</td><td>24.4%</td><td>na</td><td>na</td></tr>
<tr><td>Return on average common shareholders' equity:</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>- Net income</td><td></td><td>(c)</td><td>18.6%</td><td>35.6%</td><td>31.3%</td><td>26.0%</td><td>22.7%</td></tr>
<tr><td>- Comprehensive income</td><td></td><td>(c)</td><td>13.6%</td><td>39.3%</td><td>35.0%</td><td>26.6%</td><td>23.3%</td></tr>
</table>

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

(b) Determined separately for each insurance subsidiary.

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

na = not applicable.

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

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

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

[3]Industry results represent private passenger auto insurance market data as reported by A.M. Best Company, Inc. The industry underwriting margin excludes the effect of policyholder dividends. Final comparable industry data for 2021 will not be available until our third quarter report. The 5- and 10-year growth rates are presented on a one-year lag basis for the industry.

Achievements

We are convinced that the best way to maximize shareholder value is to achieve our financial objectives and policies consistently. A shareholder who purchased 100 shares of Progressive for $1,800 in our first public stock offering on April 15, 1971, would have owned 206,010 shares, including dividend reinvestment, on December 31, 2021, with a market value of $21,146,927, for a 20.3% compounded annual return, compared to the 10.2% return achieved by investors in the S&P 500 during the same period. In the one, five, and ten years ending December 31, 2021, Progressive shareholders have realized compounded annual returns, including dividend reinvestment, of 10.8%, 28.2%, and 22.6%, respectively, compared to 28.7%, 18.4%, and 16.5% for the S&P 500.

We have consistently paid dividends since we went public in 1971. Assuming dividends were not reinvested, a shareholder who bought 100 shares at the initial public offering would now hold 92,264 shares and would have received cumulative dividends of $2,079,443 including $590,490 in 2021. In addition to paying dividends, over the years when we have had adequate capital and believed it to be appropriate, we have repurchased our shares. As our Financial Policies state, we will repurchase shares to neutralize the dilution from equity-based compensation programs and return any underleveraged capital to investors. During 2021, we repurchased 2,436,527 common shares. The total cost to repurchase these shares was $223 million, with an average cost of $91.52 per share. Since 1971, we have spent $9.5 billion repurchasing our shares, at an average cost of $7.80 per share.

Financial
Review

Basis of Presentation The accompanying consolidated financial statements include the accounts of The Progressive Corporation, its subsidiaries, and affiliates. These financial statements should be read in conjunction with the complete Consolidated Financial Statements, including the complete Notes to the Consolidated Financial Statements, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and Supplemental Information, which are included in Progressive's 2021 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2022 Proxy Statement.

CEO and CFO Certifications

Susan Patricia Griffith, President and Chief Executive Officer of The Progressive Corporation, and John P. Sauerland, Vice President and Chief Financial Officer of The Progressive Corporation, have issued the certifications required by Sections 302 and 906 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations with respect to Progressive's 2021 Annual Report on Form 10-K, including the financial statements provided in this Report and in the 2021 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2022 Proxy Statement. Among other matters required to be included in those certifications, Mrs. Griffith and Mr. Sauerland have each certified that, to the best of their knowledge, the financial statements, and other financial information included in the 2021 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 2021 Annual Report on Form 10-K for the complete Section 302 and 906 Certifications, respectively.

Internal Control Over Financial Reporting

Progressive's management is responsible for establishing and maintaining adequate internal control over financial reporting. Based on Progressive's evaluation under the framework in *Internal Control–Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management concluded that Progressive's internal control over financial reporting was effective as of December 31, 2021. The complete "Management's Report on Internal Control over Financial Reporting," as required by Section 404 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations, along with the related report of PricewaterhouseCoopers LLP, is presented in the 2021 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2022 Proxy Statement.

detail from *Collection 38*

Consolidated Statements of Comprehensive Income

(millions – except per share amounts)

For the years ended December 31,	2021	2020	2019
Revenues			
Net premiums earned	$ 44,368.7	$ 39,261.6	$ 36,192.4
Investment income	860.9	936.6	1,042.0
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	614.3	914.7	334.6
Net holding period gains (losses) on securities	899.9	715.3	757.9
Net impairment losses recognized in earnings	(5.0)	0	(63.3)
Total net realized gains (losses) on securities	1,509.2	1,630.0	1,029.2
Fees and other revenues	691.8	603.5	563.7
Service revenues	271.4	226.4	195.0
Total revenues	47,702.0	42,658.1	39,022.3
Expenses			
Losses and loss adjustment expenses	33,627.6	25,121.8	25,470.5
Policy acquisition costs	3,712.8	3,273.2	3,023.2
Other underwriting expenses	5,654.7	5,570.0	4,975.1
Policyholder credit expense	0	1,077.4	0
Investment expenses	25.5	20.0	24.6
Service expenses	252.8	205.5	178.9
Interest expense	218.6	217.0	189.7
Total expenses	43,492.0	35,484.9	33,862.0
Net Income			
Income before income taxes	4,210.0	7,173.2	5,160.3
Provision for income taxes	859.1	1,468.6	1,180.3
Net income	3,350.9	5,704.6	3,980.0
Net income loss attributable to noncontrolling interest (NCI)	0	0	(9.7)
Net income attributable to Progressive	3,350.9	5,704.6	3,970.3
Other Comprehensive Income (Loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	(891.1)	586.5	466.4
Net unrealized losses on forecasted transactions	0.7	0.8	0.8
Foreign currency translation adjustment	(0.6)	0	0
Other comprehensive income (loss)	(891.0)	587.3	467.2
Other comprehensive (income) loss attributable to NCI	0	0	(4.6)
Comprehensive income attributable to Progressive	$ 2,459.9	$ 6,291.9	$ 4,432.9
Computation of Earnings Per Common Share			
Net income attributable to Progressive	$ 3,350.9	$ 5,704.6	$ 3,970.3
Less: Preferred share dividends	26.9	26.9	26.9
Net income available to common shareholders	$ 3,324.0	$ 5,677.7	$ 3,943.4
Average common shares outstanding – Basic	584.5	584.9	583.8
Net effect of dilutive stock-based compensation	2.6	2.7	3.4
Total average equivalent common shares – Diluted	587.1	587.6	587.2
Basic: Earnings per common share	$ 5.69	$ 9.71	$ 6.75
Diluted: Earnings per common share	$ 5.66	$ 9.66	$ 6.72

Notes to the Consolidated Financial Statements are included in Progressive's 2021 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2022 Proxy Statement.

Collection 38, acrylic and cut paper on paper

Consolidated Balance Sheets

(millions – except per share amounts)

December 31,	2021	2020
Assets		
Available-for-sale securities, at fair value:		
Fixed maturities (amortized cost: $43,794.2 and $35,589.1)	$ 43,873.1	$ 36,810.9
Short-term investments (amortized cost: $942.6 and $5,218.5)	942.6	5,218.5
Total available-for-sale securities	44,815.7	42,029.4
Equity securities, at fair value:		
Nonredeemable preferred stocks (cost: $1,571.8 and $1,333.7)	1,639.9	1,422.9
Common equities (cost: $1,264.1 and $1,212.3)	5,058.5	4,078.0
Total equity securities	6,698.4	5,500.9
Total investments	51,514.1	47,530.3
Cash and cash equivalents	187.1	76.5
Restricted cash and cash equivalents	15.0	0
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	202.1	76.5
Accrued investment income	181.7	176.4
Premiums receivable, net of allowance for credit losses of $280.4 and $356.2	9,399.5	8,160.1
Reinsurance recoverables	4,980.5	4,019.4
Prepaid reinsurance premiums	457.6	368.1
Deferred acquisition costs	1,355.6	1,237.2
Property and equipment, net of accumulated depreciation of $1,407.4 and $1,291.4	1,137.3	1,106.0
Goodwill	452.7	452.7
Intangible assets, net of accumulated amortization of $383.8 and $326.1	117.3	171.4
Other assets	1,333.9	800.2
Total assets	$ 71,132.3	$ 64,098.3
Liabilities and Shareholders' Equity		
Unearned premiums	$ 15,615.8	$ 13,437.5
Loss and loss adjustment expense reserves	26,164.1	20,265.8
Net federal deferred income taxes	152.9	310.0
Dividends payable on common shares	58.5	2,694.5
Accounts payable, accrued expenses, and other liabilities[1]	6,010.6	4,955.8
Debt[2]	4,898.8	5,396.1
Total liabilities	52,900.7	47,059.7
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 797.6 and 797.5, including treasury shares of 213.2 and 212.3)	584.4	585.2
Paid-in capital	1,772.9	1,672.9
Retained earnings	15,339.7	13,354.9
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on fixed-maturity securities	56.2	947.3
Net unrealized losses on forecasted transactions	(14.9)	(15.6)
Foreign currency translation adjustment	(0.6)	0
Total accumulated other comprehensive income (loss)	40.7	931.7
Total shareholders' equity	18,231.6	17,038.6
Total liabilities and shareholders' equity	$ 71,132.3	$ 64,098.3

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

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

Notes to the Consolidated Financial Statements are included in Progressive's 2021 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2022 Proxy Statement.

Consolidated Statements of Changes in Shareholders' Equity

(millions – except per share amounts)

For the years ended December 31,	2021	2020	2019
Serial Preferred Shares, No Par Value			
Balance, beginning of year	$ 493.9	$ 493.9	$ 493.9
Balance, end of year	493.9	493.9	493.9
Common Shares, $1.00 par value			
Balance, beginning of year	585.2	584.6	583.2
Treasury shares purchased	(2.4)	(1.3)	(1.3)
Net restricted equity awards issued/vested	1.6	1.9	2.7
Balance, end of year	584.4	585.2	584.6
Paid-In Capital			
Balance, beginning of year	1,672.9	1,573.4	1,479.0
Amortization of equity-based compensation	100.7	89.4	90.1
Treasury shares purchased	(7.1)	(3.6)	(3.2)
Net restricted equity awards issued/vested	(1.6)	(1.9)	(2.7)
Reinvested dividends on restricted stock units	8.0	18.2	10.6
Adjustment to carrying amount of redeemable noncontrolling interest	0	(2.6)	(0.4)
Balance, end of year	1,772.9	1,672.9	1,573.4
Retained Earnings			
Balance, beginning of year	13,354.9	10,679.6	8,386.6
Net income attributable to Progressive	3,350.9	5,704.6	3,970.3
Treasury shares purchased	(213.5)	(106.7)	(86.8)
Cash dividends declared on common shares ($1.90, $4.90, and $2.65 per share)[1]	(1,109.0)	(2,865.9)	(1,548.4)
Cash dividends declared on Serial Preferred Shares, Series B ($53.75, $80.625, and $53.75 per share)[1]	(26.8)	(40.2)	(26.8)
Reinvested dividends on restricted stock units	(8.0)	(18.2)	(10.6)
Other, net	(8.8)	1.7	(4.7)
Balance, end of year	15,339.7	13,354.9	10,679.6
Accumulated Other Comprehensive Income (Loss) Attributable to Progressive			
Balance, beginning of year	931.7	341.7	(120.9)
Attributable to noncontrolling interest	0	2.7	(4.6)
Other comprehensive income (loss)	(891.0)	587.3	467.2
Balance, end of year	40.7	931.7	341.7
Total shareholders' equity	$ 18,231.6	$ 17,038.6	$ 13,673.2

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

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

Notes to the Consolidated Financial Statements are included in Progressive's 2021 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2022 Proxy Statement.

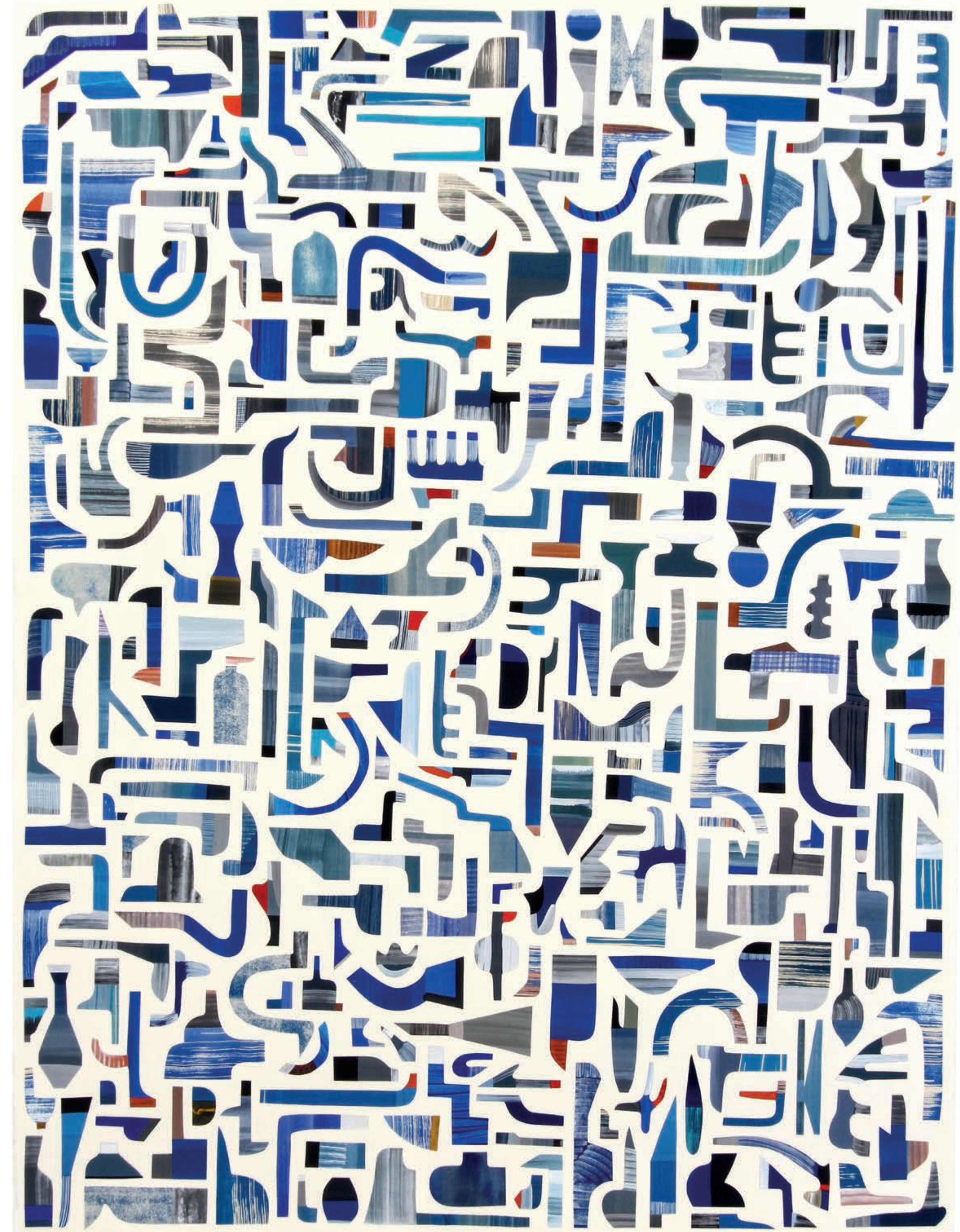
Consolidated Statements of Cash Flows

(millions)

For the years ended December 31,	2021	2020	2019
Cash Flows from Operating Activities			
Net income	$ 3,350.9	$ 5,704.6	$ 3,980.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	279.7	274.9	239.8
Amortization of intangible assets	57.7	56.9	66.3
Net amortization of fixed-income securities	130.3	100.9	33.3
Amortization of equity-based compensation	100.7	89.4	90.2
Net realized (gains) losses on securities	(1,509.2)	(1,630.0)	(1,029.2)
Net (gains) losses on disposition of property and equipment	(3.6)	12.5	11.0
Changes in:			
Premiums receivable	(1,146.8)	(652.8)	(1,010.2)
Reinsurance recoverables	(508.7)	(640.5)	(682.8)
Prepaid reinsurance premiums	(74.9)	258.4	(316.8)
Deferred acquisition costs	(118.4)	(180.7)	(104.9)
Income taxes	(86.0)	(23.1)	227.2
Unearned premiums	2,111.4	1,048.7	1,702.3
Loss and loss adjustment expense reserves	4,752.8	2,160.4	2,704.6
Accounts payable, accrued expenses, and other liabilities	399.7	328.9	611.6
Other, net	26.1	(2.9)	(260.8)
Net cash provided by operating activities	7,761.7	6,905.6	6,261.6
Cash Flows from Investing Activities			
Purchases:			
Fixed maturities	(33,177.5)	(32,037.5)	(28,765.2)
Equity securities	(838.1)	(951.2)	(379.9)
Sales:			
Fixed maturities	18,965.2	22,727.2	18,412.7
Equity securities	780.6	431.8	471.4
Maturities, paydowns, calls, and other:			
Fixed maturities	7,013.8	7,109.4	6,145.5
Equity securities	223.1	113.8	49.9
Net (purchases) sales of short-term investments	4,355.7	(3,393.2)	31.5
Net unsettled security transactions	47.9	83.6	6.0
Acquisition of Protective Insurance Corporation, net of cash, cash equivalents, and restricted cash acquired[1]	(313.2)	0	0
Purchases of property and equipment	(243.5)	(223.5)	(363.5)
Sales of property and equipment	66.2	21.9	53.3
Net cash used in investing activities	(3,119.8)	(6,117.7)	(4,338.3)
Cash Flows from Financing Activities			
Dividends paid to common shareholders	(3,746.5)	(1,551.0)	(1,643.2)
Dividends paid to preferred shareholders	(26.8)	(26.8)	(26.8)
Acquisition of treasury shares for restricted stock tax liabilities	(67.2)	(68.7)	(84.4)
Acquisition of treasury shares acquired in open market	(155.8)	(42.9)	(6.9)
Payment of acquired company debt[1]	(20.0)	0	0
Payments of debt	(500.0)	0	0
Acquisition of additional shares of ARX Holding Corp.	0	(243.0)	(11.2)
Net proceeds from debt issuance	0	986.3	0
Proceeds from exercise of equity options	0	7.3	1.6
Net cash used in financing activities	(4,516.3)	(938.8)	(1,770.9)
Increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	125.6	(150.9)	152.4
Cash, cash equivalents, restricted cash, and restricted cash equivalents – beginning of year	76.5	227.4	75.0
Cash, cash equivalents, restricted cash, and restricted cash equivalents – end of year	$ 202.1	$ 76.5	$ 227.4

[1] See *Note 17 – Acquisition* for further discussion.

Notes to the Consolidated Financial Statements are included in Progressive's 2021 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2022 Proxy Statement.



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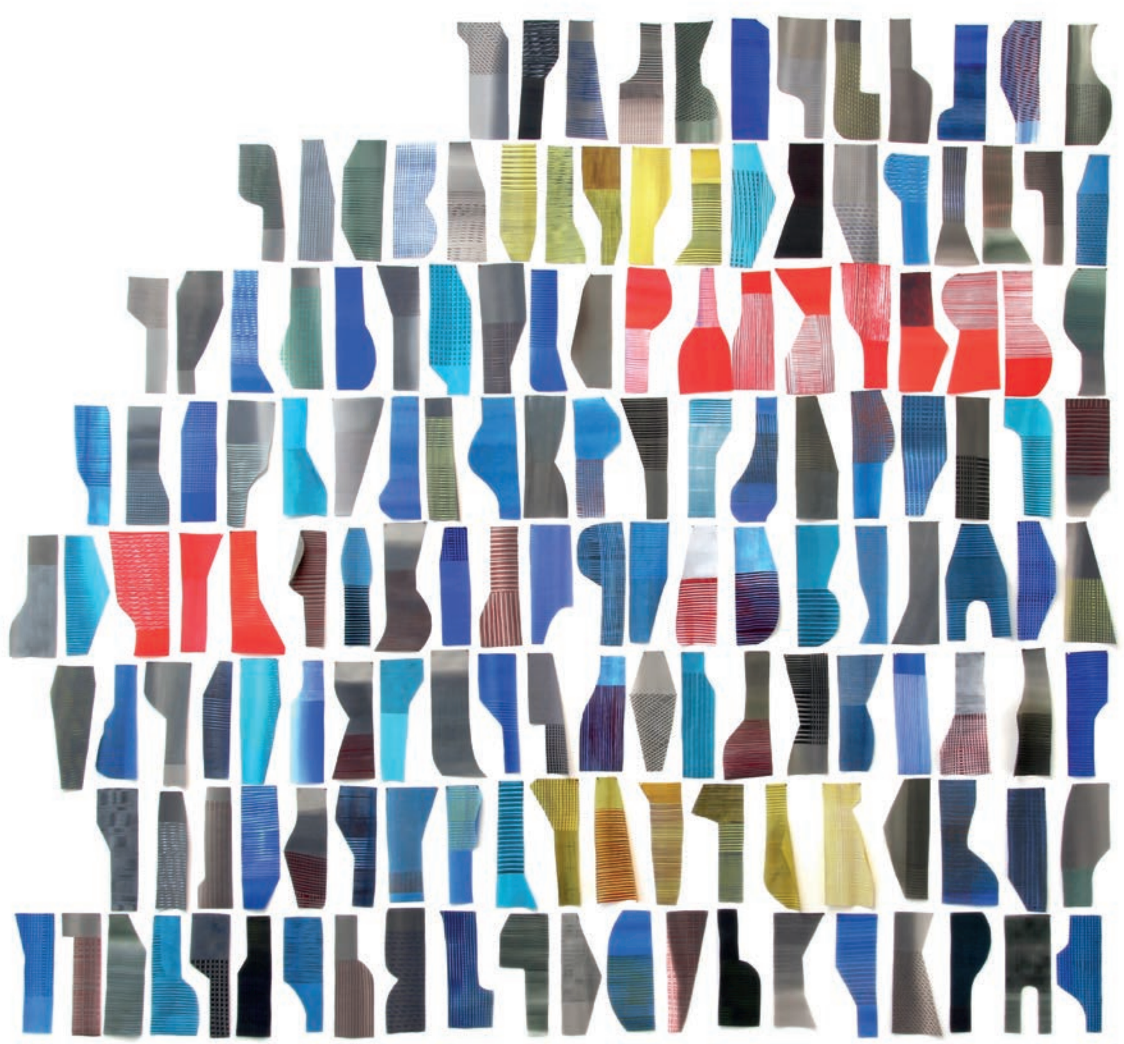
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Progressive Corporation

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Progressive Corporation and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021 (not presented herein) appearing in the 2021 Annual Report to Shareholders of The Progressive Corporation, which is attached as an Appendix to The Progressive Corporation's 2022 Proxy Statement and have issued our report thereon dated February 28, 2022, which included an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Cleveland, Ohio
February 28, 2022



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Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995:

Investors are cautioned that certain statements in this report not based upon historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements often use words such as "estimate," "expect," "intend," "plan," "believe," and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. Forward-looking statements are based on current expectations and projections about future events, and are subject to certain risks, assumptions and uncertainties that could cause actual events and results to differ materially from those discussed herein. These risks and uncertainties include, without limitation, uncertainties related to:

- our ability to underwrite and price risks accurately and to charge adequate rates to policyholders;
- our ability to establish accurate loss reserves;
- the impact of severe weather, other catastrophe events and climate change;
- the effectiveness of our reinsurance programs and the continued availability of reinsurance and performance by reinsurers;
- the highly competitive nature of property-casualty insurance markets;
- whether we innovate effectively and respond to our competitors' initiatives;
- whether we effectively manage complexity as we develop and deliver products and customer experiences;
- how intellectual property rights affect our competitiveness and our business operations;
- whether we adjust claims accurately;
- our ability to maintain a recognized and trusted brand;
- our ability to attract, develop and retain talent and maintain appropriate staffing levels;
- compliance with complex and changing laws and regulations;
- litigation challenging our business practices, and those of our competitors and other companies;
- the impacts of a security breach or other attack involving our computer systems or the systems of one or more of our vendors;
- the secure and uninterrupted operation of the facilities, systems, and business functions that are critical to our business;
- the success of our efforts to acquire or develop new products or enter into new areas of business and navigate related risks;
- our continued ability to send and accept electronic payments;
- the possible impairment of our goodwill or intangible assets;
- the performance of our fixed-income and equity investment portfolios;
- the impact on our investment returns and strategies from regulations and societal pressures relating to environmental, social, and other public policy matters;
- the elimination of the London Interbank Offered Rate;
- our continued ability to access our cash accounts and/or convert securities into cash on favorable terms;
- the impact if one or more parties with which we enter into significant contracts or transact business fail to perform;
- legal restrictions on our insurance subsidiaries' ability to pay dividends to The Progressive Corporation;
- limitations on our ability to pay dividends on our common shares under the terms of our outstanding preferred shares;
- our ability to obtain capital when necessary to support our business and potential growth;
- evaluations by credit rating and other rating agencies;
- the variable nature of our common share dividend policy;
- whether our investments in certain tax-advantaged projects generate the anticipated returns;
- the impact from not managing to short-term earnings expectations in light of our goal to maximize the long-term value of the enterprise;
- the impacts of the COVID-19 pandemic and measures taken in response; and
- other matters described from time to time in our releases and publications, and in our periodic reports and other documents filed with the United States Securities and Exchange Commission, including, without limitation, the Risk Factors section of our Annual Report on Form 10-K for the year ending December 31, 2021.

In addition, investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when we establish reserves for one or more contingencies. Also, our regular reserve reviews may result in adjustments of varying magnitude as additional information regarding claims activity becomes known. Reported results, therefore, may be volatile in certain accounting periods.

Principal Office

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

Annual Meeting

The Annual Meeting of Shareholders will be held at the offices of The Progressive Corporation, Studio 96, 6671 Beta Drive, Mayfield Village, Ohio 44143 on May 13, 2022, at 10 a.m. eastern time.

Online Annual Report and Proxy Statement

Our 2021 Annual Report to Shareholders can be found at: progressive.com/annualreport.

Our 2022 Proxy Statement and 2021 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: help@astfinancial.com; or visit their website at: www.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, Holders, and Dividends

The Progressive Corporation's common shares are traded on the New York Stock Exchange (symbol PGR). There were 1,856 shareholders of record on December 31, 2021. 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: Stuart B. Burgdoerfer, Chair of the Audit Committee, auditchair@progressive.com. Any such complaint or concern also may be reported anonymously over the following toll-free Alertline: 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.

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.

Charitable Contributions

We contribute 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. To more broadly represent our employees and their communities, The Progressive Insurance Foundation provides funds to national charitable organizations identified by our Employee Resource Groups and, beginning mid-2022, will contribute a fixed amount to eligible 501(c)(3) charitable organizations of each participating employee's choosing without requiring the employee to contribute. Over the last five years, the funds provided by The Progressive Insurance Foundation, which included an employee matching program, averaged approximately $5 million per year.

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) progressivecommercial.com
For Customer Service If you bought your policy directly through Progressive online or by phone	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-PROGRESSIVE (1-800-776-4737) progressivecommercial.com
If you bought your policy through an independent agent or broker	1-800-925-2886 (1-800-300-3693 in California) progressive.com/agent	1-800-895-2886 progressivecommercial.com
If you bought your policy through an independent agent or broker for the state of California	1-800-300-3693 driveinsurance.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.

Directors & Officers

Directors

Philip Bleser [1,5,7]
Retired Chairman of Global Corporate Banking,
J.P. Morgan Chase & Co.
(financial services)

Stuart B. Burgdoerfer [1,6,7]
Retired Executive Vice President and Chief Financial Officer,
L Brands, Inc.
(retailing)

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

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

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

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

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

Devin C. Johnson [6,7]
Chief Operating Officer,
The SpringHill Company
(global consumer and entertainment)

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

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

Jan E. Tighe [3,6,7]
United States Navy,
Vice Admiral, Retired
(military)

Kahina Van Dyke [4,6,7]
Global Head, Digital Channels and Client Data Analytics,
Standard Chartered PLC
(international banking)

[1] Audit Committee Member
[2] Executive Committee Member
[3] Compensation Committee Member
[4] Investment & Capital Committee Member
[5] Nominating & 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

Artwork: Katy Fischer
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