THE PROGRESSIVE CORPORATION | 2018 ANNUAL REPORT

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ABOUT PROGRESSIVE

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

Progressive companies offer consumers choices in how to shop for, buy, and manage their insurance policies. Progressive offers personal and commercial auto, motorcycle, boat, recreational vehicle, and home insurance. We operate our Personal and Commercial Lines businesses through more than 35,000 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 select carriers, including ASI, throughout the United States.

FIVE-YEAR FINANCIAL HIGHLIGHTS

(billions – except per share amounts)

	2018	2017	2016	2015	2014
For the Year					
Net premiums written	$ 32.6	$ 27.1	$ 23.4	$ 20.6	$ 18.7
Growth over prior year	20%	16%	14%	10%	8%
Net premiums earned	$ 30.9	$ 25.7	$ 22.5	$ 19.9	$ 18.4
Growth over prior year	20%	14%	13%	8%	8%
Total revenues	$ 32.0	$ 26.8	$ 23.4	$ 20.9	$ 19.4
Net income attributable to Progressive	$ 2.62	$ 1.59	$ 1.03	$ 1.27	$ 1.28
Per share	$ 4.42	$ 2.72	$ 1.76	$ 2.15	$ 2.15
Underwriting margin	9.4%	6.6%	4.9%	7.5%	7.7%

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

	2018	2017	2016	2015	2014
At Year-End					
Common shares outstanding (millions)	583.2	581.7	579.9	583.6	587.8
Book value per common share	$ 17.71	$ 15.96	$ 13.72	$ 12.49	$ 11.79
Consolidated shareholders' equity	$ 10.8	$ 9.3	$ 8.0	$ 7.3	$ 6.9
Common share close price	$ 60.33	$ 56.32	$ 35.50	$ 31.80	$ 26.99
Market capitalization	$ 35.2	$ 32.8	$ 20.6	$ 18.6	$ 15.9
Return on average common shareholders' equity					
Net income attributable to Progressive	24.7%	17.8%	13.2%	17.2%	19.1%
Comprehensive income attributable to Progressive	23.8%	21.7%	14.9%	14.2%	20.1%
Policies in force (thousands)					
Vehicle businesses:					
Personal Lines					
Agency — auto	6,358.3	5,670.7	5,045.4	4,737.1	4,725.5
Direct — auto	7,018.5	6,039.1	5,348.3	4,916.2	4,505.5
Special lines	4,382.2	4,365.7	4,263.1	4,111.4	4,030.9
Total Personal Lines	17,759.0	16,075.5	14,656.8	13,764.7	13,261.9
Growth over prior year	10%	10%	6%	4%	2%
Commercial Lines	696.9	646.8	607.9	555.8	514.7
Growth over prior year	8%	6%	9%	8%	0%
Property	1,936.5	1,461.7	1,201.9	1,076.5	[illegible]
Growth over prior year	32%	22%	12%	NM	[illegible]
Private passenger auto insurance market[1]	NA	$ 222.2	$ 206.6	$ 192.8	$ 183.5
Market share[2]	NA	10.1%	9.4%	9.0%	8.9%

	1-Year	3-Year	5-Year
Stock Price Appreciation (Depreciation)[3]			
Progressive	9.3%	26.6%	20.9%
S&P 500	(4.4)%	9.2%	8.5%

NM = Not meaningful; Property business written by Progressive prior to April 2015 was negligible.

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 (decrease) and assumes dividend reinvestment.

TOGETHER

Realizing that Progressive's success has been achieved through unity and teamwork, we chose "together" as the theme of this year's annual report. But more than just succeeding, "togetherness" is also about collaboration, having great discussions and debates, challenging each other, and giving respect to each of the over 38,000 Progressive people and our valued agents, as well as forging bonds with our customers and consumers.

To illustrate what "together" means to Progressive, we commissioned artist Nathaniel Parsons to imagine *Camp Wanderfall* — a series of national park-themed sculptures created with and inspired by Progressive people. During a three-week road trip along Interstate 80, Parsons visited 27 Progressive offices and invited employees to participate in the creation of his sculptural and performance artworks. Additionally, all Progressive people were encouraged to share personal stories of "togetherness," some of which are featured throughout this annual report. Parson's *Camp Wanderfall* will become a permanent installation and collaboration space at Progressive's office complex in Mayfield Village, Ohio, as well as a compelling addition to our growing collection of contemporary art.


THANK YOU
CAMP HERE

LETTER TO SHAREHOLDERS

This year was truly one for the record books, albeit many of the records we broke were set internally. The spirit of Progressive people is to set audacious goals, and we find that doing so intensifies our collaboration and strengthens our relationships as a collective team. That may sound pedestrian, but it is fundamental to our identity and allows us to consider the enterprise in its entirety and not as siloed functional areas. This isn't something that we can visibly quantify, but it has worked for over 80 years, and we believe it allows us to balance our achievements with a strong sense of togetherness with our Core Values as the backdrop.

To that end, in 2018 we achieved the following:

– We moved up one position to become the #3 company in the private passenger auto market. As we've stated time and time again, this gets us one step closer to achieving our ultimate vision.

– We crossed the $30 billion net premiums written (NPW) threshold after celebrating $20 billion in NPW only a few years earlier.

– We surpassed 20 million total policies in force (PIF) and 13 million auto PIFs allowing us to be in more homes where we can continue to grow, especially with the Robinsons (customers with auto + home). That rate of growth is incredible and could not have been achieved had we all not been in sync on hiring and training well in advance of need in order to service these new customers.

– We have continued to mount a full court press on retention and now serve over 2 million customers who have been with us for a decade or longer. We do not take this for granted and are acutely aware that we need to earn their business each and every day.

– We now serve over a million Robinsons and see so much more opportunity to grow in this consumer segment. Having started at Progressive over 31 years ago, it's a thrill to see how we have evolved from our nonstandard roots and are able to serve every demographic.

– We concluded a multi-year investment in a new policy processing system, which now manages all auto and special lines policies.

IN A NUTSHELL

We wrapped up the year with a combined ratio (CR) of 90.6 and NPW growth of 20%. The results are extraordinary and especially solid coming off of two very successful prior years of profitable growth. We added over $5 billion in NPW in 2018 after adding $3.8 billion in 2017 and $2.8 billion in 2016.

Our Personal Lines CR was 90.3, with NPW growth of 18% and auto PIF growth of 14%. Both the Agency and Direct channels contributed to these stellar results. Our special lines products PIF growth was relatively flat year-over-year, reflecting our already significant share of this market, specifically with our motorcycle and boat products.

A significant contributor to our results came from our Commercial Lines area. We ended 2018 with a CR of 86.7 and nearly 30% NPW growth and PIF growth just shy of 8%.

While growth was also strong in Property with NPW and PIF growth of 33% and 32%, respectively, our profit results were vastly affected by weather and natural catastrophes. Our catastrophe reinsurance program limited our retained losses and loss adjustment expenses from Hurricane Michael to $60 million. Unfortunately, our retained catastrophe losses and loss adjustment expenses from hurricanes, hail, winter storms, and the California wildfires totaled $295 million, accounting for 23 points of our Property combined ratio of 106.9. We continue to take rate to get us in line with our profitability target, but this will take time to earn in, since Property policies have annual terms.

In addition to rate, we are using underwriting rules and coverage restrictions to manage our portfolio in high risk areas. We remain confident that we will course correct, that is if the elements cooperate.

On the investment side we produced a 2018 total return of 1.2%. The year was characterized by a return of volatility to the financial markets after a relatively placid period in the previous 12 months. Our fixed-income portfolio was able to earn 1.5%, as our relatively shorter interest rate exposure and conservative asset allocation allowed us to earn a positive return in a period of rising rates. Following several years of strong returns, our equity portfolio returned -4.4% in 2018, as domestic equity markets saw a steep drop in the fourth quarter.

The size of our investment portfolio has grown from $27 billion at the beginning of the year to over $33 billion at the end of 2018. Even as financial markets may offer us more attractive investment opportunities than a year ago, our focus on protecting the balance sheet has not changed. When adding risk to our investment portfolio, we will continue to pursue investments that provide a favorable risk-return profile to Progressive over the long term.

"Working with Progressive employees from around the country to help our customers recover from catastrophes has been the most meaningful experience of my time at Progressive."

– C. Grube

We accessed the capital markets twice in 2018 in order to support the company's strong operating growth and for other general corporate purposes. In March, we issued $600 million of 4.20% 30-year senior notes and $500 million of 5.375% cumulative perpetual preferred stock. We returned to the capital markets in October to issue $550 million of 4.00% 10-year senior notes. The combination of internally generated profits and these external financings will both support our future growth and allow us to maintain flexibility in our capital allocation decisions. As in previous years, we bought back enough Progressive shares to neutralize dilution from equity-based compensation. We continue to believe the most efficient use of our capital is to reinvest it into our fast-growing operating business.

We ended 2018 with a Gainshare score of 1.91. This is the best result since 2004 and the 7th year in a row that the score has increased. We declared an annual dividend of $2.514 per common share, based on 2018 results and the formula that we communicated publicly. As previously announced and effective in 2019, we have revised our dividend policy (details discussed later).

As we head into 2019, we will continue to focus on policy or unit growth, as we often refer to it, while pursuing our goal of earning at least four cents of underwriting profit. We will watch trends closely to stay ahead of them and not shock our customers with rate increases. Meanwhile, our investment team will continue to focus on their goal of protecting the balance sheet and supporting the growth of the operating side of Progressive.

LOOKING TO THE HORIZONS

You may recall that in the August 2017 Investor Relations Webcast, we outlined the three Horizons construct. We believe that investing concurrently in the near-, mid-, and long-term future of Progressive will ensure that we create and sustain an enduring business. Our stance is that when we are executing on the core business so well, it is exactly the time to devote time, energy, and dollars to advancing our future business opportunities. We internally refer to this as an "always growing" mindset.

HORIZON ONE (EXECUTE): This has been our focus since the company was founded in 1937 and, in more recent years, we have been more surgically focused on growth and gaining a larger share of both the auto and home markets, as well as creating more Robinsons. This focus has clearly paid off and we believe there is much more room for growth, so this will continue to be an area of concentration.

HORIZON TWO (EXPAND): In this horizon, we are focusing on adjacencies—building upon our existing capabilities and market position to offer more products and services to our current and potential customers. We have made large investments in developing a business owners policy product, which we expect to launch this year, as well as offering other coverages for small businesses that desire to shop directly with Progressive. We've made people, systems, and brand investments and see this as an area where we can excel and profitably grow. In another sector, we continue to deepen our relationship with Uber and have gone from 1 state in 2016 to 4 in 2018 and expect to expand to 13 states in total in early 2019.

HORIZON THREE (EXPLORE): As I communicated in last year's letter to shareholders, in December of 2017, we formed an internal eleven-person, part-time Strategy Council to take some time to understand future trends and market shaping forces. The team focused on opportunities where we can use our skills to define ideas for future business initiatives and invest in areas where we believe we can win. In July of 2018, we named Andrew Quigg our Chief Strategy Officer. He has created a new full-time strategy team that will concentrate on designing products that solve unmet consumer needs. We are excited to explore, test, and invest in this horizon to achieve our goal of always growing.

> "When we volunteer as a team in the community, this is when I feel closest to my teammates because we're working together to benefit others and learning more about each other at the same time."
>
> – W. Shippy

MANAGING CAPITAL FOR THE FUTURE

We take great pride in our transparency around communicating significant changes. Although we provided some detailed Q&A with our November earnings release, I would like to expand upon our capital management philosophy and how we plan to use that capital.

At Progressive, effective capital management is an important component of our financial brand. When considering how to deploy capital, we have consistently said that we will look first to invest to support the growth of the current and future earnings power of Progressive. If we have capital beyond what is needed to fund growth and innovation, that is, when we have "under-leveraged capital," we will return it to shareholders. We have historically used three tools to send underleveraged capital back to our shareholders: an annual dividend, share repurchases, and special dividends. We believe this approach is a strong indicator of our thoughtful stewardship of capital.

Many years ago, we articulated a formula for calculating our annual variable dividend, which considered the business and investment results. At that time, we had moderate growth expectations and attractive investment returns and routinely generated more capital than we needed. Our formulaic variable dividend, and special dividends when warranted, served us very well, returning on average about 50% of comprehensive income annually. Since the inception of the variable dividend program, we produced an annual return on shareholders' equity of 17% and grew our book value just over 100%, which is among the best in the industry, even after the significant amount of cash we returned to shareholders over that same time. We are very proud of these results.

More recently, we have been experiencing faster growth in a very low-return investment environment, creating a need for more capital to underpin growth. While our business does not consume massive capital for property, plant, or equipment, the regulatory construct and need for contingent capital, due to weather and other unforeseen circumstances, requires significant capital reserves. Given our strong growth and outlook, we decided that it was a good time to take a step back and reassess our dividend policy, especially given the fact that our business model is evolving as we think about our long-term growth potential. We are committed to investing our capital when we have compelling opportunities to do so and to being flexible and nimble to drive shareholder value and to attract a broad and diverse set of shareholders. Given the current business environment, our opportunities to grow, and our commitment to shareholder value, we decided to alter our approach to our annual dividend.

It is difficult to forecast the amount of capital that we will need to invest to pursue the opportunities that will be developed in all three Horizons and, therefore, we believe that a flexible dividend policy is appropriate for Progressive. At the same time, we recognize that many of our shareholders and prospective shareholders value a predictable cash return from their investments. Therefore, we adopted a new dividend policy that will pay a regular quarterly dividend, which we expect to be $0.10 per common share through 2019, with the potential for an annual, variable dividend at year end. The variable component of the dividend will reflect the performance of the business and the growth and investment opportunities we see and will be determined by the Board of Directors. While the old dividend formula was affected by the company's Gainshare factor, the new approach will not be so influenced. We found that the Gainshare factor reflects performance and does not capture growth and investment opportunities, which had the potential to increase dividend payouts when it could be advantageous to retain the capital in the business to support growth. While less formulaic than our previous variable dividend approach, the new variable dividend will avoid the binary nature of the current dividend's payout based on the restriction of comprehensive income necessarily exceeding after-tax underwriting income.

We have been pleased with how our variable dividend has complemented our overall capital strategy for the past decade and are equally excited about the modified dividend policy and the flexibility it affords us to pursue sustained growth for the benefit of shareholders. We remain committed to investing our assets to grow our business and maximize value and, when our growth does not require all of the capital we have available, to returning underleveraged capital to shareholders.

> "When we volunteer as a team in the community, this is when I feel closest to my teammates because we're working together to benefit others and learning more about each other at the same time."
>
> – W. Shippy

OUR FOUR CORNERSTONES

On many occasions, we've shared the construct we use to think about having a competitive advantage and we fittingly named it our four cornerstones. The first three make up the foundation and reflect who we are (Core Values), why we're here (Our Purpose), and where we're headed (Our Vision). The last, and where I will provide a few highlights of several of the investments we've made, we refer to as our four Strategic Pillars (how we'll get there).

Pillar 1: Progressive people and our culture are collectively our most powerful source of competitive advantage.

Sufficiently describing our unique and special culture continues to elude me. Maybe it's the pride of knowing that we are making a difference in each other's lives and doing our best to be there for our customers when they need us the most. It might be the small, subtle gestures that are witnessed so frequently that it would take a novel to share every kind action that takes place within and outside our walls. What we do know is that the basis of our distinct culture starts with our Core Values and we follow them diligently in order to get great results in the right way.

I often comment about there not being a spreadsheet that I can reference to prove how incredible our culture is (and you know we like our spreadsheets). That said, we did receive countless recognitions from outside sources. I won't name them all, but they came in the form of accolades like best company to work for, best workplace for diversity, best workplace for women, parents, veterans, and millennials. Lists don't define us and we wouldn't change what we do just to be put on those lists. We do strongly believe that if you treat people like they want to be treated and create a workplace where you can feel comfortable bringing your whole self to work, you tend to get noticed.

Pillar 2: Meeting the broader needs of our customers throughout their lifetime.

We continued heavy investment in our digital customer service products in 2018. We recognize that when someone decides to start a relationship with Progressive, we must support that relationship with world-class experiences and treatment in all areas, especially digital. This includes a focus and investment on a smart, simple, and satisfying digital offering that meets our customers' needs wherever, whenever, and however they choose. As such, we continued a large commitment to revamp our self-service website experience in conjunction with extending our mobile app offering. This undertaking included not just a new web interface, look, and set of features, but also a new technology stack. With these investments, going forward we'll be better positioned to continue advancing in innovative ways, across all digital touchpoints, in a way that builds stronger and longer relationships with our customers.

We also leveraged new technologies to meet the evolving expectations of customers and to drive additional expense reduction. Of note here, we launched our virtual assistant in our mobile app in November. Leveraging the star of our Superstore marketing campaign, we dubbed this virtual assistant "Ask Flo." It allows customers to get instant support by interacting with an automated bot in a chat-like interface—with the heart and personality of our brand as personified by "Flo."

To deliver our ideal customer experience, we also believe it's critical to understand and recognize that different customers have different needs and preferences. In order to personalize at scale, we have been working on a project to personalize the renewal experience and give customers a compelling reason to continue their relationship with Progressive. To that end, we're standing up a technology platform that will enable us to test personalized experiences, deployed in a coordinated fashion across all of our customer communication channels. Our vision is to create truly customized journeys, aligned with how each customer prefers to interact with us.

We understand that price is critical to insurance consumers, so we need to do all we can to lower costs to enable competitive prices. Of course, this can't be at the expense of a positive customer experience. With this in mind, we've been able to find solutions that properly balance lower costs and a great customer experience.

We're also heavily experimenting and utilizing artificial intelligence (AI). One example of this is in a new chatbot application where we use AI to interpret incoming chat requests and provide automated responses based on the perceived intent of the customer. In some cases, the response provides answers to the most commonly asked questions related to that topic, and in other cases it provides a phone number so that the customer can contact the group best positioned to address their issue. The model reduces the effort required to deliver straightforward answers on simple issues.

Another example of our use of AI is a Progressive-built application we call Docuflash. It uses artificial intelligence to discern document content to forward incoming documents without human intervention. Docuflash leverages optical character recognition (OCR) to "read" incoming documents, classify them appropriately, and forward them to the appropriate group for additional work as needed. Eliminating this more rudimentary work generates expense savings and creates the opportunity for our people to focus on the more complex tasks of acting on the incoming documents.

"For me, togetherness at Progressive means enjoying the company of my team at lunch. We share stories, laugh a lot, and bond over what we have in common and value what we have that is different."

— M. Falcone

We also introduced new technology into our voice experience by replacing our legacy touch-tone interactive voice response (IVR) system with one where our customers can speak naturally when calling Progressive. Our new experience is easier and allows more self-service options for customers to interact with us without a Progressive consultant getting involved. We believe these advancements allow us to meet customers' needs by providing a superior customer experience while giving us an expense benefit.

Pillar 3: Maintaining a leading brand recognized for innovative offerings and supported by experiences that instill confidence.

We designed and released an all-new quoting experience for and on behalf of our agents to make it easier to support quoting bundled policies for our customers. Our For Agents Only (FAO) Portfolio quoting (also referred to as Portfolio), is now live for all agents appointed to write new business in three states with plans for future state releases and expectations to share Portfolio with agents countrywide by mid-2020.

Portfolio offers the following:

– *Less data entry*: Portfolio reduces quote time by finding available customer, vehicle, and property information. In addition, Portfolio auto-fills customer information across products so agents can spend less time typing and more time forming relationships with their customers.

– *The more (products) the merrier:* Thanks to Portfolio, FAO can now support bundled quotes for the first time. When agents start a quote from the FAO homepage, Portfolio's product picker displays all available products, allowing agents to select multiple products right from the beginning. Supported products—those that agents can quote and sell within Portfolio—include auto, special lines, home, condo, and renters.

– *The power of choice:* Rather than working directly through an insurance company's quoting system, many agents use comparative rater software to shop multiple companies for their customers. Agents can easily add products to a rater quote before completing the sale in Portfolio.

– *It all comes together:* The namesake Portfolio page gives agents and their customers an overview of premium, bundle savings, and applied discounts. Agents can add or remove a product with one click, speeding up the sales process.

Our highly recognized brand grants us a venue to clearly communicate our innovative offerings to our customers and consumers alike. Few brands have sustained a single icon for over a decade. Flo is one of the longest-running brand characters, appearing in over 150 ads that take place in our alternate-reality "Superstore." To keep our flagship show fresh, this year we

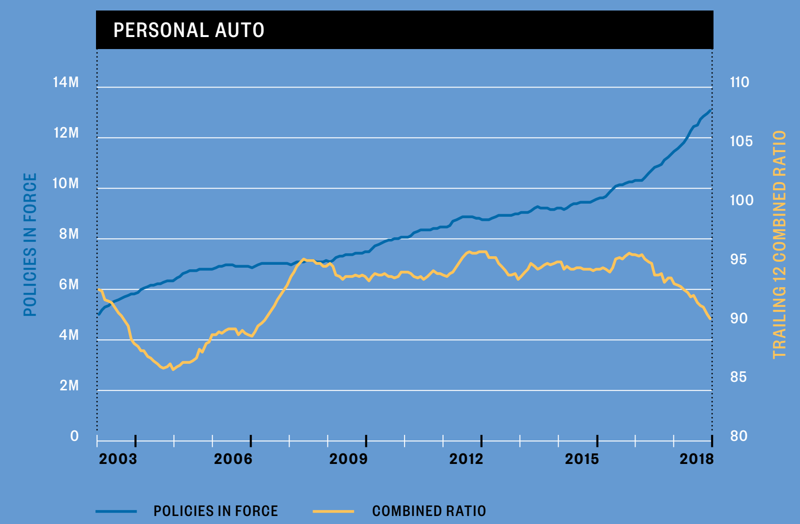
introduced Flo's Squad, her ever-expanding crew of colleagues who represent our long-lasting commitment to providing impressive service and protection at an affordable price.

In addition to expanding our characters, we also expanded our messages, in order to more firmly align them with the needs of our customers. As an example, in new ads like "Fluent in Insurance," we promoted our online insurance jargon translator, Progressive Answers. We doubled the number of media impressions focused on auto/home bundle messages in 2018, compared to 2015. And, in partnership with national media outlets, including "The Today Show," we more widely publicized our Keys to Progress® program, which in recent years donated, on average, 100 refurbished cars per year, to veterans in need.

Creative was not the only area of optimization. We also delivered some exciting portfolio shopping experiences, including Progressive HomeQuote Explorer® (HQX) and Progressive BusinessQuote Explorer® (BQX), leading digital home and business insurance marketplaces.

Pillar 4: Offering competitive prices driven by industry-leading segmentation, claims accuracy, and operational efficiency.

Our auto policies in force grew over 14%. As we shared with you during our third quarter webcast, our expanding ability to segment has accelerated policy growth in recent periods. During the time frame from 2013 to 2016, it took us 30 months to add a million auto policies in force. The next million policies took us 15 months with the subsequent million taking only 8 months. Most recently, we added 1 million policies in force in a mere six months. We attribute this to our large investments in our product design focused on segmentation and risk selection (matching rate to risk).



In addition, we continue to evolve our usage-based insurance segmentation. We introduced, in 10 states, a new algorithm that adds distracted driving to the other already powerful variables we track, and we plan to roll it out more broadly in 2019.

Operational efficiency is a key component of our competitive prices strategy pillar. At 20.4%, our expense ratio is among the lowest in our industry. A bit more than half of that ratio is comprised of commissions paid to our agents and advertising costs, or what we refer to as acquisition costs. We view increasing these acquisition costs as generally requisite to growing profitably. To grow and ensure the viability of the agency distribution channel, we pay competitive commissions and we target aggregate commission at around 10.5% of agency premium. We've grown advertising costs to over $1.4 billion in 2018 and have done so optimizing incremental spend at the lowest level possible. We did this not only in digital media but increasingly in mass media and even down to cost per incremental sale metrics at the television show and daypart level. We buy the majority of our media in-house and analyze massive amounts of data, often in real-time, to ensure very competitive advertising spend.

We also focus on non-acquisition costs as we believe lowering these costs while still providing great service and a great work environment allows us to grow faster. We invest in technology to drive cost out of our processes while improving the customer and agent experience and allowing for our people to focus on higher value-added work. Policies in force per FTE (full-time equivalent) and revenues per FTE are key metrics in driving towards a lower cost structure and we've made great progress on both of these. Our ultimate metric of underwriting cost effectiveness is what we call our non-acquisition expense ratio (NAER). For 2018, we reduced our Personal Lines NAER by 0.7 points to 9.1% and for our Commercial Lines business, we reduced NAER by 0.8 points to 11.0%. These improvements allow us to continue to keep our rates competitive and meet or exceed our profitability targets.

The costs to settle a claim, or loss adjustment expense (LAE), is balanced along with customer service, work environment, and settling the claim accurately. We are extremely pleased that our accuracy performance improved in a year with significant growth in both claim counts and claim employees, while lowering the cost to settle our average auto, special lines, and commercial lines claim features by over 2%. In concert with growing average premium per policy, this lower cost per claims feature allowed us to lower our loss adjustment expense ratio by 0.7 points for the year to 10.2%.

THAT'S A WRAP

As we put a bow on 2018 and reflect on the numerous celebrations that took place over the year, it reminded me of something that Peter B. Lewis always said — make sure to have fun. We all worked hard and together achieved a tremendous amount on the business front, but along the way we had a lot of fun, which exemplifies the spirit of Progressive.

We are so thankful for our partners, our agents, and the customers that motivate us to do better every day. You all have our commitment that we will work hand in glove to excel as we sprint into 2019.

I am especially grateful to the over 38 thousand Progressive people that inspire me daily. The accomplishments that we collectively achieved this year mean so much more when they are attained with people you enjoy working with side-by-side.

Thanks for all that you do.

Tricia Griffith

Tricia Griffith
President and Chief Executive Officer

OPERATIONS SUMMARY

We write personal and commercial auto insurance, residential property insurance, and other specialty property-casualty insurance and provide related services throughout the United States. Our Personal Lines segment writes insurance for personal autos and recreational vehicles. Our Commercial Lines segment writes primarily liability and physical damage insurance for automobiles and trucks owned and/or operated predominantly by small businesses. Our Property segment writes insurance for single family homes, condominium units, etc. for homeowners, other property owners, and renters. We distribute our products through both the Agency and Direct channels.

PERSONAL LINES

Our operating philosophy is to grow as fast as possible, subject to the constraints of our 96 combined ratio goal and our ability to provide excellent customer service. This philosophy is unwavering; however, overall market conditions, weather losses, and competitor actions can either help or hinder our profitable growth. Similar to 2017, we're pleased to report that market conditions in 2018 were very favorable for profitable growth and those conditions, together with our competitively priced products, resulted in significant unit and premium growth at better than our target margins.

We entered 2018 confident that our rate level positioned us well to achieve both strong profitability and growth across products and channels. As such, during the year, we increased advertising spend in Direct and focused our Agency channel resources on prospect generation. The combination of risk selection/segmentation and about 35% lower weather-related losses than 2017, resulted in the Personal Lines business running more than 5 points more profitably than our stated targets during the year. In addition to delivering impressive profit margins, Personal Lines added over a million more new policy applications than we did in 2017, which translated to adding more than 1.5 million Personal Lines policies in force and over $4 billion of written premium during 2018. This combination of strong profitability concurrent with strong growth is incredibly rare and a testament to our disciplined strategy to leverage our leading brand, highly segmented and competitive rates, and expanding product breadth.

We continue to aspire to provide a rate for every risk and to leverage underwriting and verification to limit sales to a small percentage of consumers who don't intend to use our products as designed. Preventing these risks from entering our book of business enables us to continue to offer more competitive prices for the vast majority of consumers, while creating the adverse selection that fuels the virtuous cycle of risk selection that we recently highlighted in our third quarter investor meeting. During 2018, we continued to invest in improving our risk selection and matching of rate to risk by advancing both our rating and underwriting models and moving variables from underwriting into rating over time. This approach ensures we can continue to rapidly bring new risk selection insights to market through blocking risk segments where we're unable to deliver our target margins, then we follow up by pricing for many of these segments through opening up our accessibility in subsequent product releases.

In addition, matching rate to risk better than our competitors enables us to have highly competitive rates, while also delivering industry leading underwriting margins. We started deploying our latest auto product model, 8.5, early in 2018, and, by the end of the year, we had elevated this model in 20 states representing just over 60% of our eligible auto written premium. This new product model continues to improve the accuracy of our matching rate to risk and introduces new rating variables that improve our competitiveness, especially in more preferred segments. As we deploy this new product model, we observe higher new policy conversion rates across channels, with much larger increases in conversion on quotes sourced through comparative raters in Agency.

We often state that consumers rarely switch auto insurance companies to pay more for the same coverage, and that recognition drives an enhanced emphasis on providing consumers greater value for their premium dollar. In 2018, we continued to manage operating expenses while growing premiums, successfully reducing our Personal Lines non-acquisition expense ratio by about 7%. This relentless focus on leveraging our scale and investing to capitalize on consumer technology adoption to reduce operating expenses is an essential element of our long-term strategy.

Our Snapshot® usage-based insurance program continues to grow and help safe drivers save even more with Progressive. Every year, we collect billions of additional miles of driving data, which helps us advance our segmentation and pricing sophistication. We leverage this rapidly growing treasure trove of driving data by continuing to invest to increase both the predictive power of our usage-based rating algorithms and to bring the savings available through these highly predictive offerings to more consumers. After deploying our mobile app-based Snapshot offering to the majority of the country in 2017, during 2018, we introduced a new algorithm for pricing mobile app Snapshot users that is currently available in 10 states with plans to roll out more broadly by year end. We expect the algorithm to provide more accurate pricing through a wider range of rates and new segmentation based on mobile device usage while driving. Additionally, we introduced larger participation discounts intended to drive greater adoption among new customers.

The powerful combination of lower operating expenses, more accurate and efficient claims handling, and better rate-to-risk matching enables us to keep prices low for our customers. We're pleased to report that for the fifth year in a row, new customers who saved when switching to Progressive during 2018 reported saving more money doing so this year than in any previously reported period.

Recognizing that consumer preferences evolve with time, we've consistently invested to allow consumers to shop for, purchase, and service Progressive policies where, when, and how they choose to interact with us. This philosophy of wide risk acceptance and broad distribution enabled us to grow our personal auto premiums written above $25 billion during 2018 and we're thrilled to see both our Agency and Direct businesses thrive in the highly competitive Personal Lines marketplace. In addition to reclaiming the #3 spot in the U.S. private passenger auto market this year, we're also excited to see that our two distribution channels, if stand-alone entities, would be positioned as two of the top six U.S. auto insurance companies through the third quarter 2018, each with more than 5% market share.

Our Agency business grew premiums written 16% again in 2018, while simultaneously increasing margins and running a sub-90 combined ratio. New auto applications grew 14% and policies in force increased double digits again this year. Our Agency auto growth is fueled by a combination of increasing our distribution footprint while also driving up premiums from existing independent agencies. Auto insurance demand from agencies (as indicated by increasing quote volume) remained strong and increased slightly over 2017 volume.

For the third year in a row, Agency quote volumes originating from both our proprietary systems and comparative raters increased, and the percentage increase from our proprietary systems was larger, indicating that agents are increasingly coming directly to Progressive earlier in the shopping cycle to meet their clients' needs. Consistent with 2017, overall conversion was also higher on quotes originating from both systems, and comparative rater conversion increased significantly, another indication of our more competitive product offerings and agent confidence in Progressive as the right provider for their customers.

We experienced new auto application and policy in force growth across all consumer segments in Agency, with solid growth across Sams, Dianes, and Wrights and focused investment in both availability and competitiveness of our bundled offering resulted in growing Agency auto Robinsons more than three times faster than our overall Agency auto book of business. Our Platinum program, which offers select preferred agencies a unique combination of agent and customer benefits, continues to thrive. During the year, in addition to growing new applications from our existing Platinum agents, we added more than 1,000 new Platinum agencies, setting the stage for future growth and additional penetration of the Robinson market. In addition, Platinum agents grew bundled home and auto policies close to 70% faster than non-Platinum property agencies.

Our Direct business continued its strong track record of profitable growth by delivering 21% written premium growth at a 91.6 combined ratio. Premium growth was primarily driven by the combination of 16% auto policy in force growth and average premium increases resulting from rate and mix changes. During 2018, we capitalized on strong product competitiveness and favorable market conditions to increase our advertising spend more than 40% over 2017, and are pleased to report that despite increasing spend, market conditions combined with our test/

learn/scale approach to advertising enabled us to deliver more than 25% growth in new auto applications at highly efficient economics that fell well below our allowable acquisition costs.

Our growth was balanced across customer segments as we grew our Direct auto new applications across all consumer market tiers. Marketing investments that targeted auto/home bundlers helped us grow Direct auto new Robinsons applications more than twice as fast as the overall Direct channel. We continue to invest to expand the functionality of our HomeQuote Explorer® (HQX) application, adding unaffiliated partner carrier state/product combinations to the offering and enhancing the application performance on mobile devices. While home and auto are the core destination products, given the wide variety of consumer needs, it's essential to continue to expand our portfolio of additional products and, in 2018, we added home security, home warranty, and auto financing to our Progressive Advantage portfolio, which are products provided by unaffiliated companies.

Our special lines products (motorcycle, boat, recreational vehicle) returned to delivering strong profit margins during 2018, due to a combination of decreased weather losses, lower expenses, and rate increases, primarily in the RV product line. Loss ratios came down as catastrophe losses were about 30% lower than during 2017 and overall special lines average premiums increased 5% during the year. We continue to focus on building specialized products to meet the needs of enthusiasts and this focus continues to reward us with strong market share across these products. During 2018, policies in force were flat; however, special lines continues to provide a strategic advantage for Progressive as we continue our Destination Era journey. The preferred nature of customers who own these recreational vehicles represent an attractive opportunity for our increasingly competitive preferred home and auto product offerings.

On a year-over-year basis, through the third quarter of 2018, we had added more than a point to our personal auto market share. At the close of 2018, we estimate that more than 1 in 7 U.S. households currently trusts Progressive for some form of Personal Lines protection. This combination of both scale and rapid growth enables us to drive down costs while we collect and leverage larger pools of customer data to segment risks, advance our pricing sophistication, and create adverse selection in the U.S. auto insurance marketplace. Our vision is to become consumers' #1 choice and destination for auto and other insurance and, in support of this vision, we continue to invest in our brand, build and rapidly deploy highly competitive products, and expand the breadth and depth of our product and service offerings to ensure we can meet consumers' needs throughout their lifetimes.

OPERATING RESULTS

	2018	2017	Change
Personal Lines			
Net premiums written (in billions)	$ 27.2	$ 22.9	18%
Net premiums earned (in billions)	$ 26.0	$ 21.9	19%
Loss and loss adjustment expense ratio	70.6	73.6	(3.0) pts.
Underwriting expense ratio	19.7	19.5	0.2 pts.
Combined ratio	90.3	93.1	(2.8) pts.
Policies in force (in thousands)	17,759.0	16,075.5	10%
Commercial Lines			
Net premiums written (in billions)	$ 4.0	$ 3.1	28%
Net premiums earned (in billions)	$ 3.6	$ 2.8	29%
Loss and loss adjustment expense ratio	66.3	70.3	(4.0) pts.
Underwriting expense ratio	20.4	22.0	(1.6) pts.
Combined ratio	86.7	92.3	(5.6) pts.
Policies in force (in thousands)	696.9	646.8	8%
Property			
Net premiums written (in billions)	$ 1.5	$ 1.1	33%
Net premiums earned (in billions)	$ 1.3	$ 1.0	30%
Loss and loss adjustment expense ratio	72.8	70.8	2.0 pts.
Underwriting expense ratio[1]	34.1	34.3	(0.2) pts.
Combined ratio[1]	106.9	105.1	1.8 pts.
Policies in force (in thousands)	1,936.5	1,461.7	32%

[1]Underwriting expense and combined ratios for 2018 and 2017, include 5.6 points and 6.7 points, respectively, of amortization expense predominately associated with the acquisition of a controlling interest in ARX.

COMMERCIAL LINES

The Commercial Lines business continued the growth momentum of the past few years recording 2018 net premiums written of $4 billion, an increase of 28% over the prior year. Premium growth in for-hire transportation and transportation network company business were each a significant contributor, though we experienced growth across all commercial auto market tiers in both premium and vehicles insured. We continue to receive tremendous support from the independent insurance agency channel, which grew premium 25%, while our direct channel business grew a solid 20%, excluding premium retained from our transportation network company business. The compounded annual growth rate for Commercial Lines over the last four years has been a robust 23%.

The U.S. commercial auto insurance industry continued to struggle with profitability in 2018 and is expected to produce its eighth consecutive calendar-year combined ratio greater than 100 when final results are in. Nonetheless, many of our key competitors are realizing the effects of corrective action and have achieved, or are close to achieving, underwriting profitability. We believe we are well positioned with adequate rates, competitive pricing, and improved segmentation to fare well in what we anticipate will be a more competitive 2019 market environment.

While we celebrate growth, and are proud to have increased our commercial auto market share by more than 50% since 2014, our top priority remains earning an acceptable underwriting profit consistent with our targets. The 2018 calendar year combined ratio was 86.7, an impressive result given record growth in premium and an influx of much new business. The contribution of prior year favorable development to the combined ratio was modest, $4.4 million, or about one tenth of a point.

The higher policy limit profile and smaller scale of our Commercial Lines business leads to much greater loss ratio volatility at the individual state level than we experience in personal auto. Even with that, 39 of our 50 states were at or better than their combined ratio target in 2018 and only two states had consecutive year misses. Our commitment to monitoring loss trends, development, and market dynamics at the granular state and business market target level continued to serve us well, ensuring that we could react quickly and appropriately to changes in our loss costs or the demand function.

With current rate levels viewed as adequate, our planned program rate changes for the first half of 2019 will focus on introducing new segmentation and product features designed to improve competitiveness for preferred business. Of course, we retain the capacity to make rapid rate level adjustments if we experience any unanticipated changes in market conditions.

2018 was the first full year of deployment of our Smart Haul® telematics-based insurance product for trucking risks using an electronic logging device (ELD), with the program now available in 46 states. The market response has been quite positive, leading to substantially higher sales conversion for prospects that choose to share a retrospective view of their ELD data with us when they quote. Not surprisingly, the business mix for quoted and sold Smart Haul policies skews heavily toward preferred risks, as measured by our proprietary risk scoring model. Beyond the predictive power of the behavioral and usage data provided by the ELD, we are excited about the acquisition potential of being able to target the very best risks. We have entered into a cooperative marketing agreement with the leading provider of ELDs to owner/operator and small fleet trucking businesses and believe this and similar efforts can be a significant driver of future demand and a positive disrupter in the truck space.

In addition to the positive market response to Smart Haul, we were pleased with the overall progress made in our two truck-oriented business market targets, for-hire transportation and for-hire specialty. Considerable headway was made in penetrating the preferred truck insurance market. Preferred, for us, represents a $4 billion addressable market comprised of tenured, financially responsible operators with strong safety records, and one where we have considerable opportunity to grow. Preferred truck policies in force grew by 25% year over year and, when combined with a modest increase in insured vehicles per policy and a positive rate environment, produced a 45% year-over-year gain in preferred truck written premium. The growth was encouraging as it reflects improvements made in rate segmentation and greater acceptance by agents of Progressive as a favored market for preferred risks. We are optimistic that additional product enhancements scheduled for 2019 should keep this momentum going.

In 2018, we expanded our insurance relationship with Uber beyond the state of Texas to the additional states of Arizona, Colorado, and Florida. The business is meeting our internal expectations and we see considerable upside. We share Uber's strong commitment to using data and technology to better manage risk, improve driver and rider safety, and reduce loss costs. We look forward to deepening this relationship and expanding to additional states in 2019.

We continued to expand in the non-auto, small business insurance space as we seek to become a destination insurer for the small business owner. In the third quarter 2018, we had a successful soft launch of BusinessQuote Explorer® (BQX), a digital application that allows small business owners to easily and confidently obtain quotes for general liability, business owners policies (BOP), workers compensation, and professional liability insurance from a select group of unaffiliated partner carriers. Policy sales generated through BQX are supported by our in-house agency and, in some cases, directly by the partner's service center. The retention benefits of multi-product sales are well established, and meeting more of our business customers' insurance needs increases our addressable market for auto while generating additional revenue from non-auto lines. We are early in the development of BQX and have several enhancements already in process to improve the customer experience, provide more products and options, and increase the efficiency of our in-house agency. We anticipate that fulfilling the vision for this platform will create a virtuous cycle where success fosters greater consumer insight and relevancy, improves customer retention, funds additional marketing, and grows future demand.

"Recently our office lost a coworker suddenly and tragically. Our entire office banded together for support. It made me really understand for the first time just how much each of us makes an impact on our co-workers lives. I have never felt more connected to my team."

– R. Weed

"The best experience for me was in training, where we all worked together for a common objective. A true feeling of unity in diversity."

– S. Khanijo

PROPERTY

Our Property strategy is meant to complement our multi-channel auto offerings with leading property products in order to increase our share of the bundled home and auto market. In the agency channel, we offer residential property insurance for homeowners, other property owners, and renters through our majority-owned insurance company, American Strategic Insurance (ASI). In the direct channel, we distribute residential property insurance policies written by ASI and other non-affiliated carriers directly to consumers both on and offline.

During 2018, our Property business had net premiums written of $1.5 billion, an increase of 33% over last year. New Property applications increased by about 50%, with policies in force ending the year at 1.9 million. Part of the year-over-year increase reflects business we began writing when an unaffiliated carrier stopped offering homeowners insurance through our in-house agency during 2018.

The Property business combined ratio for 2018 was 106.9, which includes 5.6 points of amortization expense related to Progressive's acquisition of a majority interest in ASI in 2015. Underwriting expenses and non-catastrophe losses were close to our expectations but retained catastrophe losses were higher than expected. We benefited from our purchases of substantial levels of reinsurance to protect our capital against unlikely severe catastrophe events, reduce volatility, and increase the likelihood of achieving target profit margins. In 2018, we ceded $70 million in Hurricane Michael incurred losses and loss adjustment expenses to reinsurers in our catastrophe reinsurance program. Our total incurred losses and loss adjustment expenses from Hurricane Florence were $6 million, well below the $60 million catastrophe reinsurance attachment point, so none of that cost was recoverable under our reinsurance program. Our total in retained losses from both storms added 5.1 points to the 2018 Property combined ratio.

The combination of ASI property (now branded as Progressive Home) and Progressive auto insurance in states beyond ASI's original coastal states is producing a continued shift in the state mix of our Property business. For 2018, Florida accounted for 13% of new homeowners policies and Texas accounted for 12%, with the remaining states accounting for the balance. As of year-end 2018, the mix of homeowners policies in force was 27% in Florida, 16% in Texas, and 57% in other states.

The four key priorities for our Property strategy remain the same as last year: 1) expanding Progressive Home's product availability and agent distribution in new and recently entered states; 2) increasing the competitiveness of Progressive auto and home bundles, while still meeting our underwriting profit objectives for each product; 3) improving agent ease of use for quoting and selling Progressive Home policies; and 4) expanding our direct property offering through investing resources to increase consumer awareness and maximize sales yield. We made significant progress against these goals during 2018.

We now have just over 3,300 Platinum agents, up 45% from the end of 2017. Auto and home bundles from Platinum agents were up about 40% in 2018.

The new Portfolio agent quoting platform makes it much easier for agents to quote and sell auto and home policy bundles. This system is now live for agents in three states and will be rolled out more broadly during 2019.

In the direct channel, we introduced online buying for homeowner shoppers in four states, with plans for further expansion during 2019. This allows users of our HomeQuote Explorer® shopping service to purchase their policy online, often without needing to talk with a sales representative. Direct channel sales of home and renters policies now account for 30% of new policies sold (excluding book rolls from competitors, which don't reflect natural consumer shopping activity).

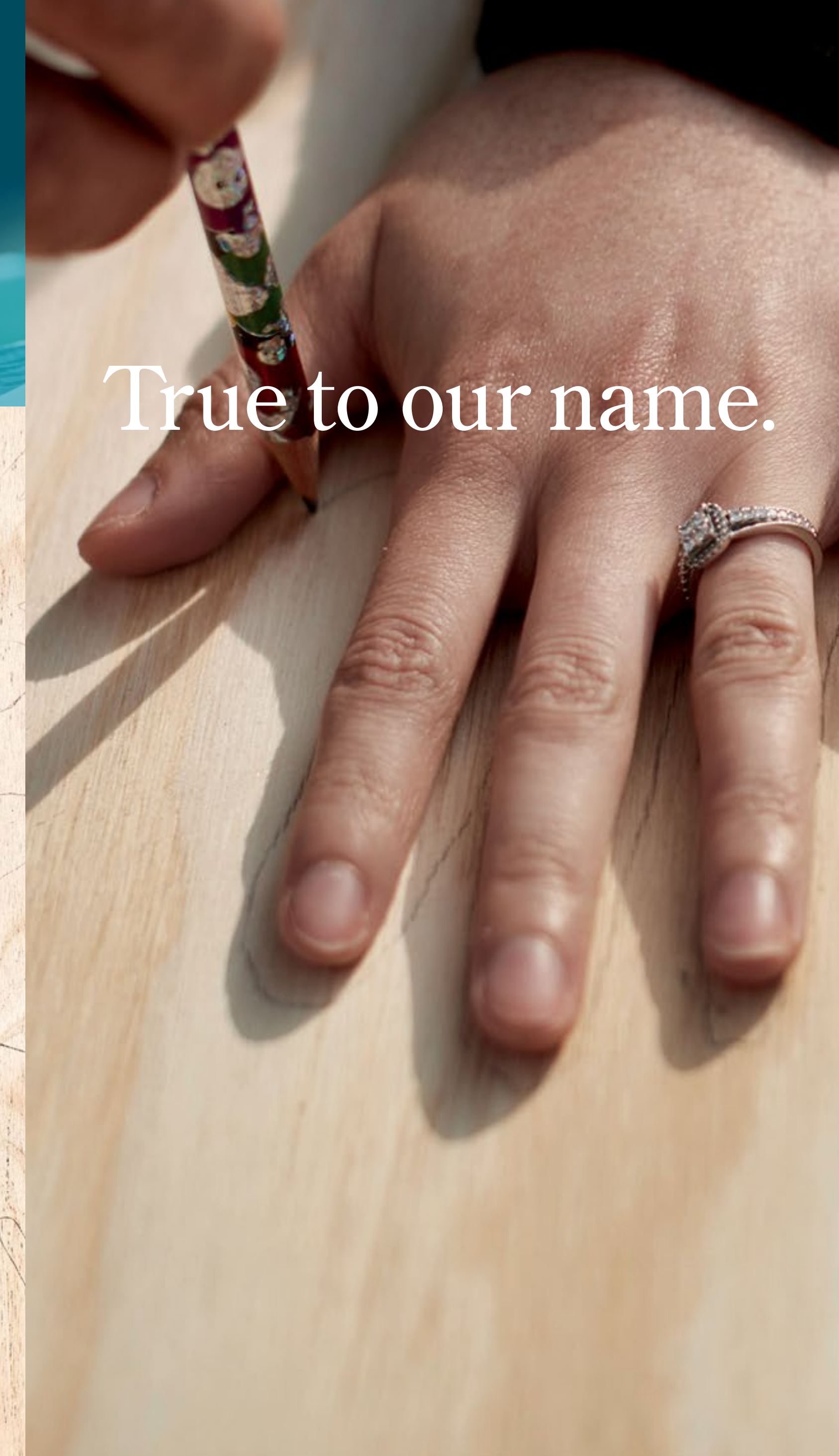
We feel good about our progress in 2018 in expanding the capacity of our Property offerings in both the agency and direct channels. We met our customer service goals despite very strong new sales growth, and we have strengthened the organization to prepare for continued growth. We entered 2019 with strong momentum and optimism about our ability to return the Property business to profitability and continue to attract bundled auto and home customers.

VALUES, PURPOSE, VISION & STRATEGY

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.

Our cornerstones are the foundation of what unites Progressive and led us to select "together" as the theme of this year's annual report. To illustrate the theme, we commissioned artist Nathaniel Parsons to imagine *Camp Wanderfall* — a series of national park-themed sculptures created with and inspired by Progressive people. During a three-week road trip along Interstate 80, Parsons visited 27 Progressive offices and invited employees to participate in the creation of his sculptural and performance artworks.

True to our name.



progressive

CORE VALUES

Who We Are

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

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

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

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

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

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

VISION

Where We're Headed

Become consumers' number one choice and destination for auto and other insurance.

PURPOSE

Why We're Here

True to our name. Progressive.

STRATEGY

How We'll Get There

We will achieve our Vision through our four Strategic Pillars:

1) Progressive people and culture are collectively 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.

PULL →


together

OBJECTIVES & POLICIES

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

OBJECTIVES

PROFITABILITY

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

GROWTH

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

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

FINANCIAL POLICIES

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

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

OPERATING

Maintain pricing and reserving discipline

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

INVESTING

Maintain a liquid, diversified, high-quality investment portfolio

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

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

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

FINANCING

Maintain sufficient capital to support our business

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

OBJECTIVES & POLICIES

OBJECTIVES

PROFITABILITY

Progressive's most important goal is for our insura
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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, but we view achieving strong, long-term performance of these measures as stemming from our consistent focus on the primary elements of our business model.

"Celebrating the amount of talent that comes together to build the innovative and inspiring creations that we at Progressive are capable of, together."
– B. Toth

OBJECTIVES & POLICY SCORECARD

<table>
<tr><th>Financial Results</th><th></th><th>TARGET</th><th>2018</th><th>2017</th><th>2016</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>9.4%</td><td>6.6%</td><td>4.9%</td><td>7.3%</td><td>7.1%</td></tr>
<tr><td></td><td>- Industry[3]</td><td>na</td><td>|||||||</td><td>(2.2)%</td><td>(5.9)%</td><td>(3.1)%</td><td>(2.1)%</td></tr>
<tr><td>Net premiums written growth:</td><td>- Progressive</td><td>(a)</td><td>20%</td><td>16%</td><td>14%</td><td>13%</td><td>9%</td></tr>
<tr><td></td><td>- Industry[3]</td><td>na</td><td>|||||||</td><td>8%</td><td>7%</td><td>6%</td><td>3%</td></tr>
<tr><td>Policies in force growth:</td><td>- Personal auto</td><td>(a)</td><td>14%</td><td>13%</td><td>8%</td><td>8%</td><td>7%</td></tr>
<tr><td></td><td>- Special lines</td><td>(a)</td><td>0%</td><td>2%</td><td>4%</td><td>2%</td><td>3%</td></tr>
<tr><td></td><td>- Commercial Lines</td><td>(a)</td><td>8%</td><td>6%</td><td>9%</td><td>6%</td><td>3%</td></tr>
<tr><td></td><td>- Property</td><td>(a)</td><td>32%</td><td>22%</td><td>12%</td><td>nm</td><td>nm</td></tr>
<tr><td>Companywide premiums-to-surplus ratio</td><td></td><td>(b)</td><td>2.8</td><td>2.8</td><td>2.7</td><td>na</td><td>na</td></tr>
<tr><td>Investment allocation</td><td>- Group I</td><td>(c)</td><td>14%</td><td>17%</td><td>18%</td><td>na</td><td>na</td></tr>
<tr><td></td><td>- Group II</td><td>(c)</td><td>86%</td><td>83%</td><td>82%</td><td>na</td><td>na</td></tr>
<tr><td>Debt-to-total capital ratio</td><td></td><td><30%</td><td>28.9%</td><td>26.3%</td><td>28.3%</td><td>na</td><td>na</td></tr>
<tr><td>Return on average shareholders' equity:</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>- Net income attributable to Progressive</td><td></td><td>(d)</td><td>24.7%</td><td>17.8%</td><td>13.2%</td><td>18.8%</td><td>18.2%</td></tr>
<tr><td>- Comprehensive income attributable to Progressive</td><td></td><td>(d)</td><td>23.8%</td><td>21.7%</td><td>14.9%</td><td>19.4%</td><td>20.1%</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) 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)

(d) Progressive does not have a predetermined target for return on average 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 from the total of net premiums earned and fees and other revenues.

[3]Industry results for 2017 and 2016 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 2018 will not be available until our third quarter report. The 5- and 10-year growth rates are presented on a one-year lag basis for the industry.

ACHIEVEMENTS

We are convinced that the best way to maximize shareholder value is to achieve these financial objectives and policies consistently. A shareholder who purchased 100 shares of Progressive for $1,800 in our first public stock offering on April 15, 1971, would have owned 179,355 shares, including dividend reinvestment, on December 31, 2018 with a market value of $10,820,487, for a 20.0% compounded annual return, compared to the 10.2% return achieved by investors in the S&P 500 during the same period.

In the ten years since December 31, 2008, Progressive shareholders have realized compounded annual returns, including dividend reinvestment, of 18.7%, compared to 13.1% for the S&P 500. In the five years since December 31, 2013, Progressive shareholders' returns were 20.9%, compared to 8.5% for the S&P 500. In 2018, the returns were 9.3% on Progressive shares and (4.4)% 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 $984,823 including $103,769 in 2018. 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 2018, we repurchased 1,376,993 common shares. The total cost to repurchase these shares was $79 million, with an average cost of $57.73 per share. Since 1971, we have spent $9.0 billion repurchasing our shares, at an average cost of $7.48 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 2018 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2019 Proxy Statement.

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, 2018. 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 2018 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2019 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 2018 Annual Report on Form 10-K, including the financial statements provided in this Report and in the 2018 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2019 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 Annual Report on Form 10-K, fairly present in all material respects the financial condition, results of operations, and cash flows of Progressive as of, and for, the periods presented. See Exhibits 31 and 32 to Progressive's Annual Report on Form 10-K for the complete Section 302 and 906 Certifications, respectively.

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, 2018 and 2017, 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, 2018 (not presented herein) appearing in the 2018 Annual Report to Shareholders of The Progressive Corporation, which is attached as an Appendix to The Progressive Corporation's 2019 Proxy Statement and have issued our report thereon dated February 27, 2019, 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 27, 2019

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions – except per share amounts)

For the years ended December 31,	2018	2017	2016
Revenues			
Net premiums earned	$ 30,933.3	$ 25,729.9	$ 22,474.0
Investment income	820.5	563.1	478.9
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	170.7	115.7	155.8
Net holding period gains (losses) on securities	(507.9)	(1.6)	(17.9)
Net impairment losses recognized in earnings	(68.3)	(64.5)	(86.8)
Total net realized gains (losses) on securities	(405.5)	49.6	51.1
Fees and other revenues	472.2	370.6	332.5
Service revenues	158.5	126.8	103.3
Other gains (losses)	0	(1.0)	1.6
Total revenues	31,979.0	26,839.0	23,441.4
Expenses			
Losses and loss adjustment expenses	21,721.0	18,808.0	16,879.6
Policy acquisition costs	2,573.7	2,124.9	1,863.8
Other underwriting expenses	4,195.8	3,480.7	2,972.0
Investment expenses	24.3	23.9	22.4
Service expenses	134.1	109.5	92.0
Interest expense	166.5	153.1	140.9
Total expenses	28,815.4	24,700.1	21,970.7
Net Income			
Income before income taxes	3,163.6	2,138.9	1,470.7
Provision for income taxes	542.6	540.8	413.5
Net income	2,621.0	1,598.1	1,057.2
Net (income) loss attributable to noncontrolling interest (NCI)	(5.7)	(5.9)	(26.2)
Net income attributable to Progressive	2,615.3	1,592.2	1,031.0
Other Comprehensive Income (Loss)			
Changes in:			
Total net unrealized gains (losses) on securities	(99.3)	355.4	130.6
Net unrealized losses on forecasted transactions	0.8	(5.4)	(1.2)
Foreign currency translation adjustment	0	1.1	0.4
Other comprehensive income (loss)	(98.5)	351.1	129.8
Other comprehensive (income) loss attributable to NCI	3.3	(2.3)	3.2
Comprehensive income attributable to Progressive	$ 2,520.1	$ 1,941.0	$ 1,164.0
Computation of Earnings Per Common Share			
Net income attributable to Progressive	$ 2,615.3	$ 1,592.2	$ 1,031.0
Less: Preferred share dividends	21.4	0	0
Net income available to common shareholders	$ 2,593.9	$ 1,592.2	$ 2,520.1
Average common shares outstanding – Basic	582.4	580.8	581.7
Net effect of dilutive stock-based compensation	4.3	4.9	3.3
Total average equivalent common shares – Diluted	586.7	585.7	585.0
Basic: Earnings per common share	$ 4.45	$ 2.74	$ 1.77
Diluted: Earnings per common share	$ 4.42	$ 2.72	$ 1.76

Notes to the Consolidated Financial Statements are included in Progressive's 2018 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2019 Proxy Statement.

CONSOLIDATED BALANCE SHEETS

(millions—except per share amounts)

December 31,	2018	2017
Assets		
Available-for-sale, at fair value:		
Fixed maturities (amortized cost: $28,255.9 and $20,209.9)	$ 28,111.5	$ 20,201.7
Short-term investments (amortized cost: $1,795.9 and $2,869.4)	1,795.9	2,869.4
Total available-for-sale securities	29,907.4	23,071.1
Equity securities, at fair value:		
Nonredeemable preferred stocks (cost: $1,002.6 and $698.6)	1,033.9	803.8
Common equities (cost: $1,148.9 and $1,499.0)	2,626.1	3,399.8
Total equity securities	3,660.0	4,203.6
Total investments	33,567.4	27,274.7
Cash and cash equivalents	69.5	265.0
Restricted cash	5.5	10.3
Total cash, cash equivalents, and restricted cash	75.0	275.3
Accrued investment income	190.8	119.7
Premiums receivable, net of allowance for doubtful accounts of $252.1 and $210.9	6,497.1	5,422.5
Reinsurance recoverables	2,696.1	2,273.4
Prepaid reinsurance premiums	309.7	203.3
Deferred acquisition costs	951.6	780.5
Property and equipment, net of accumulated depreciation of $1,033.2 and $940.6	1,131.7	1,119.6
Goodwill	452.7	452.7
Intangible assets, net of accumulated amortization of $247.7 and $175.7	294.6	366.6
Net deferred income taxes	43.2	0
Other assets	365.1	412.9
Total assets	$ 46,575.0	$ 38,701.2
Liabilities		
Unearned premiums	$ 10,686.5	$ 8,903.5
Loss and loss adjustment expense reserves	15,400.8	13,086.9
Net deferred income taxes	0	135.0
Accounts payable, accrued expenses, and other liabilities[1]	5,046.5	3,481.0
Debt[2]	4,404.9	3,306.3
Total liabilities	35,538.7	28,912.7
Redeemable Noncontrolling Interest (NCI)[3]	214.5	503.7
Shareholders' Equity		
Serial Preferred Shares (authorized 20.0)		
Serial Preferred Shares, Series B, no par value (cumulative, liquidation preference $1,000 per share) (authorized, issued, and outstanding 0.5 and 0)	493.9	0
Common shares, $1.00 par value (authorized 900.0; issued 797.5 including treasury shares of 214.3 and 215.8)	583.2	581.7
Paid-in capital	1,479.0	1,389.2
Retained earnings	8,386.6	6,031.7
Accumulated other comprehensive income:		
Net unrealized gains (losses) on securities	(105.6)	1,295.0
Net unrealized losses on forecasted transactions	(17.2)	(14.8)
Accumulated other comprehensive (income) loss attributable to NCI	1.9	2.0
Total accumulated other comprehensive income attributable to Progressive	(120.9)	1,282.2
Total shareholders' equity	10,821.8	9,284.8
Total liabilities, redeemable NCI, and shareholders' equity	$ 46,575.0	$ 38,701.2

[1]See *Note 12—Litigation*, *Note 13—Commitments and Contingencies*, and *Note 14—Dividends* for further discussion.

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

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

Notes to the Consolidated Financial Statements are included in Progressive's 2018 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2019 Proxy Statement.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(millions—except per share amounts)

For the years ended December 31,	2018	2017	2016
Serial Preferred Shares, No Par Value			
Balance, Beginning of year	$ 0	$ 0	$ 0
Issuance of Serial Preferred Shares, Series B	493.9	0	0
Balance, End of year	493.9	0	0
Common Shares, $1.00 par value			
Balance, Beginning of year	581.7	579.9	583.6
Treasury shares purchased	(1.4)	(1.5)	(6.1)
Net restricted equity awards issued/vested	2.9	3.3	2.4
Balance, End of year	583.2	581.7	579.9
Paid-In Capital			
Balance, Beginning of year	1,389.2	1,303.4	1,218.8
Treasury shares purchased	(3.3)	(3.4)	(13.4)
Net restricted equity awards issued/vested	(2.9)	(3.3)	(2.4)
Amortization of equity-based compensation	76.2	92.9	80.9
Reinvested dividends on restricted stock units	12.2	8.0	6.1
Adjustment to carrying amount of redeemable noncontrolling interest	7.6	(8.4)	4.2
Tax benefit from vesting of equity-based compensation	0	0	9.2
Balance, End of year	1,479.0	1,389.2	1,303.4
Retained Earnings			
Balance, Beginning of year	6,031.7	5,140.4	4,686.6
Net income attributable to Progressive	2,615.3	1,592.2	1,031.0
Treasury shares purchased	(74.3)	(57.6)	(173.0)
Cash dividends declared on common shares ($2.5140, $1.1247, and $0.6808 per share)	(1,466.0)	(654.2)	(394.7)
Cash dividends declared on Serial Preferred Shares, Series B ($27.024 per share, $0, and $0)	(13.5)	0	0
Reinvested dividends on restricted stock units	(12.2)	(8.0)	(6.1)
Cumulative effect of change in accounting principle[1]	1,300.2	0	0
Reclassification of disproportionate tax effects[1]	4.3	0	0
Other, net	1.1	18.9	(3.4)
Balance, End of year	8,386.6	6,031.7	5,140.4
Accumulated Other Comprehensive Income (Loss) Attributable to Progressive			
Balance, Beginning of year	1,282.2	933.4	800.4
Attributable to noncontrolling interest	(0.1)	(2.3)	3.2
Other comprehensive income (loss)	(98.5)	351.1	129.8
Cumulative effect of change in accounting principle[1]	(1,300.2)	0	0
Reclassification of disproportionate tax effects[1]	(4.3)	0	0
Balance, End of year	$ (120.9)	$ 1,282.2	$ 933.4
Total Shareholders' Equity	$ 10,821.8	$ 9,284.8	$ 7,957.1

[1]See *Note 1—Accounting and Reporting Policies* 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 2018 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2019 Proxy Statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)

For the years ended December 31,	2018	2017	2016
Cash Flows from Operating Activities			
Net income	$ 2,621.0	$ 1,598.1	$ 1,057.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	190.4	169.9	137.4
Amortization of intangible assets	72.0	66.2	62.1
Net amortization of fixed-income securities	34.3	86.2	77.2
Amortization of equity-based compensation	77.2	95.4	85.2
Net realized (gains) losses on securities	405.5	(49.6)	(51.1)
Net (gains) losses on disposition of property and equipment	32.1	7.2	6.6
Other (gains) losses	0	1.0	(1.6)
Net loss on exchange transaction	0	0	4.5
Changes in:			
Premiums receivable	(1,074.6)	(913.2)	(518.5)
Reinsurance recoverables	(422.7)	(388.6)	(388.2)
Prepaid reinsurance premiums	(106.4)	(32.8)	48.8
Deferred acquisition costs	(171.1)	(129.3)	(103.8)
Income taxes	(158.7)	(172.6)	(55.7)
Unearned premiums	1,783.0	1,434.9	830.7
Loss and loss adjustment expense reserves	2,313.9	1,718.8	1,323.2
Accounts payable, accrued expenses, and other liabilities	746.6	400.0	308.9
Other, net	(57.7)	(134.8)	(90.2)
Net cash provided by operating activities	6,284.8	3,756.8	2,732.7
Cash Flows from Investing Activities			
Purchases:			
Fixed maturities	(21,153.0)	(14,587.8)	(11,610.6)
Equity securities	(538.8)	(255.6)	(434.2)
Sales:			
Fixed maturities	7,835.6	5,382.5	5,694.9
Equity securities	823.5	252.9	484.6
Maturities, paydowns, calls, and other:			
Fixed maturities	5,099.8	5,215.8	4,907.4
Equity securities	26.6	50.0	0
Net sales (purchases) of short-term investments	1,116.3	727.6	(1,357.2)
Net unsettled security transactions	11.7	(33.6)	50.9
Purchases of property and equipment	(266.0)	(155.7)	(215.0)
Sales of property and equipment	9.4	15.3	6.2
Acquisition of additional shares of ARX Holding Corp.	(296.9)	0	0
Acquisition of an insurance company, net of cash acquired	0	(18.1)	0
Net cash disposed in exchange transaction	0	0	(7.7)
Net cash used in investing activities	(7,331.8)	(3,406.7)	(2,480.7)
Cash Flows from Financing Activities			
Net proceeds from debt issuance	1,134.0	841.1	495.6
Net proceeds from issuance of Serial Preferred Shares, Series B	493.9	0	0
Payments of debt	(37.1)	(49.0)	(25.5)
Dividends paid to common shareholders	(654.9)	(395.4)	(519.0)
Dividends paid to preferred shareholders	(13.5)	0	0
Proceeds from exercise of equity options	3.3	0.5	0
Acquisition of treasury shares for restricted stock tax liabilities	(78.6)	(57.6)	(25.1)
Acquisition of treasury shares acquired in open market	(0.4)	(4.9)	(167.4)
Redemption/reacquisition of subordinated debt	0	(635.6)	(18.2)
Tax benefit from vesting of equity-based compensation	0	0	9.2
Net cash provided by (used in) financing activities	846.7	(300.9)	(250.4)
Effect of exchange rate changes on cash	0	(0.3)	0.4
Increase (decrease) in cash, cash equivalents, and restricted cash	(200.3)	48.9	2.0
Cash, cash equivalents, and restricted cash – Beginning of year	275.3	226.4	224.4
Cash, cash equivalents, and restricted cash – End of year	$ 75.0	$ 275.3	$ 226.4

Notes to the Consolidated Financial Statements are included in Progressive's 2018 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2019 Proxy Statement.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

Investors are cautioned that certain statements in this report not based upon historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements often use words such as "estimate," "expect," "intend," "plan," "believe," and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. Forward-looking statements are based on current expectations and projections about future events, and are subject to certain risks, assumptions and uncertainties that could cause actual events and results to differ materially from those discussed herein. These risks and uncertainties include, without limitation, uncertainties related to estimates, assumptions, and projections generally; inflation and changes in general economic conditions (including changes in interest rates and financial markets); the possible failure of one or more governmental, corporate, or other entities to make scheduled debt payments or satisfy other obligations; our ability to access capital markets and financing arrangements when needed to support growth or other capital needs, and the favorable evaluations by credit and other rating agencies on which this access depends; the potential or actual downgrading by one or more rating agencies of our securities or governmental, corporate, or other securities we hold; the financial condition of, and other issues relating to the strength of and liquidity available to, issuers of securities held in our investment portfolios and other companies with which we have ongoing business relationships, including reinsurers and other counterparties to certain financial transactions or under certain government programs; the accuracy and adequacy of our pricing, loss reserving, and claims methodologies; the competitiveness of our pricing and the effectiveness of our initiatives to attract and retain more customers, including our efforts to enter into new business areas with which we have less experience; initiatives by competitors and the effectiveness of our response; our ability to obtain regulatory approval for the introduction of products to new jurisdictions, for requested rate changes and the timing thereof and for any proposed acquisitions; the effectiveness of our brand strategy and advertising campaigns relative to those of competitors; legislative and regulatory developments at the state and federal levels, including, but not limited to, matters relating to vehicle and homeowners insurance, health care reform and tax law changes; the outcome of disputes relating to intellectual property rights; the outcome of litigation or governmental investigations that may be pending or filed against us; severe weather conditions and other catastrophe events, and our ability to respond to changes in catastrophe loss trends; the effectiveness of our reinsurance programs; changes in vehicle usage and driving patterns, which may be influenced by oil and gas prices, changes in residential occupancy patterns, and the effects of the emerging "sharing economy"; advancements in vehicle or home technology or safety features, such as accident and loss prevention technologies or the development of autonomous or partially autonomous vehicles; our ability to accurately recognize and appropriately respond in a timely manner to changes in loss frequency and severity trends; technological advances; acts of war and terrorist activities; our ability to maintain the uninterrupted operation of our facilities, systems (including information technology systems), and business functions, and safeguard personal and sensitive information in our possession, whether from cyber attacks, other technology events or other means; our continued access to and functionality of third-party systems that are critical to our business; our ability to maintain adequate staffing levels, and the sources from which we obtain talent; our continued ability to access cash accounts and/or convert securities into cash on favorable terms when we desire to do so; restrictions on our subsidiaries' ability to pay dividends to The Progressive Corporation; possible impairment of our goodwill or intangible assets if future results do not adequately support either, or both, of these items; court decisions, new theories of insurer liability or interpretations of insurance policy provisions and other trends in litigation; changes in health care and auto and property repair costs; 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.

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 a reserve is established for one or more contingencies. Also, our regular reserve reviews may result in adjustments of varying magnitude as additional information regarding claims activity becomes known. Reported results, therefore, may be volatile in certain accounting periods.

CORPORATE INFORMATION

Principal Office

The Progressive Corporation
6300 Wilson Mills Road
Mayfield Village, Ohio 44143

440-461-5000

progressive.com

Annual Meeting

The Annual Meeting of Shareholders will be held at the offices of The Progressive Corporation, Studio 96, 6671 Beta Drive, Mayfield Village, Ohio 44143 on May 10, 2019, at 10 a.m. eastern time. There were 2,016 shareholders of record on December 31, 2018.

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/investors.

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

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

Transfer Agent and Registrar

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

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

Online Annual Report and Proxy Statement

Our 2018 Annual Report to Shareholders can be found at: progressive.com/annualreport.

Our 2019 Proxy Statement and 2018 Annual Report to Shareholders, in a PDF format, can be found at: progressiveproxy.com.

Common Shares and Dividends

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

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.

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

Counsel Baker & Hostetler LLP, Cleveland, Ohio

Charitable Contributions
We contribute annually to: (i) The Insurance Institute for Highway Safety to further its work in reducing the human trauma and economic costs of auto accidents; and (ii) The Progressive Insurance Foundation, which provides matching funds to eligible 501(c)(3) charitable organizations to which employees contribute. Over the last five years, the matching funds provided by The Progressive Insurance Foundation averaged approximately $4 million per year.

Social Responsibility and Sustainability
Progressive uses an interactive online format to communicate our social responsibility efforts. This report can be found at: progressive.com/socialresponsibility.

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

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

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.

Acid-Free

Acid-Free, recycled, and recyclable papers were employed throughout this publication.

DIRECTORS & OFFICERS

DIRECTORS

Philip Bleser [3, 5, 6]
Retired Chairman of Global Corporate Banking,
J.P. Morgan Chase & Co.
(financial services)

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

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

Charles A. Davis [4, 6]
Chief Executive Officer,
Stone Point Capital LLC
(private equity investing)

Roger N. Farah [2, 3, 5, 6]
Former Executive Director,
Tory Burch LLC
(retailing)

Lawton W. Fitt [2, 4, 5, 6]
Chairperson of the Board,
Retired Partner,
Goldman Sachs Group
(financial services)

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

Jeffrey D. Kelly [1, 6]
Retired Chief Operating Officer and Chief Financial Officer,
RenaissanceRe Holdings Ltd.
(reinsurance services)

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

Barbara R. Snyder [3, 6]
President,
Case Western Reserve University
(higher education)

Kahina Van Dyke [6]
SVP of Business and Corporate Development,
Ripple Labs, Inc.
(global digital payments network)

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

Jeffrey W. Basch
Vice President and
Chief Accounting Officer
(until March 2019)

Patrick S. Brennan
Treasurer

Mariann Wojtkun Marshall
Assistant Secretary;
Vice President and
Chief Accounting Officer
(beginning March 2019)

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WE GOT HERE TOGETHER

We would like to extend a heartfelt thank you to all the Progressive people who came "together" to participate in the creation of the artwork for this annual report. We truly could not have done it without your help, support, and arms! From the employees who took time to share their stories of "togetherness" to those who enthusiastically contributed to the making of the artwork shown in this annual report, thank you for coming together and staying true to our name.

To see *Together: The Making of the Progressive 2018 Annual Report*, please visit progressive.com/annualreport2018video

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HUNDREDS OF MY COLLEAGUES TOOK TIME TO BE TOGETHER TO WITNESS THE 2017 ECLIPSE AND BE AWED BY THE UNIVERSE. IT WAS SO EVIDENT THE BOND WE HAD FORGED BY EXPERIENCING THIS TOGETHER AND PUTTING OUR EXISTENCE INTO PERSPECTIVE AGAINST THE SOLAR SYSTEM. – B. TOTH

THE SUPPORT OF MY PROGRESSIVE FAMILY THROUGH LAUGHTER AND TEARS HAS GOTTEN ME THROUGH MANY THINGS OVER THE YEARS. – T. GETTLE

I CAN HONESTLY SAY THAT I HAVE SEVERAL “BEST FRIENDS” HERE AT PROGRESSIVE. SOME OF MY MOST MEANINGFUL EXPERIENCES HAVE OCCURRED OVER LONG PERIODS OF TIME, INCREMENTALLY UNFOLDING INTO AMAZING DISPLAYS OF LONG-TERM SUPPORT AND ENCOURAGEMENT. – A. AESCHLIMAN

WORKING WITH A TEAM WHERE FRIENDSHIPS FORM AND CONTINUE BEYOND THE WALLS OF PROGRESSIVE. – K. BRICKNER

MEETING SO MANY PEOPLE THAT HAVE SO MANY GOOD INTENTIONS THAT THEIR SPIRIT IMMEDIATELY RUBS OFF ON YOU AND YOU WANT TO PASS ON A SMILE AND HELPING HAND TO EVERYONE YOU MEET. I’VE NEVER EXPERIENCED THIS “ONENESS” IN A WORKPLACE BEFORE. – K. WHATLEY

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