

THE PROGRESSIVE CORPORATION

2023 ANNUAL REPORT TO SHAREHOLDERS



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The Progressive Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

For the years ended December 31,

(millions - except per share amounts)	2023	2022	2021
Revenues			
Net premiums earned	\$ 58,664.4	\$ 49,241.2	\$ 44,368.7
Investment income	1,891.8	1,260.3	860.9
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	13.7	196.5	614.3
Net holding period gains (losses) on securities	348.4	(2,100.1)	899.9
Net impairment losses recognized in earnings	(9.0)	(8.6)	(5.0)
Total net realized gains (losses) on securities	353.1	(1,912.2)	1,509.2
Fees and other revenues	889.1	722.1	691.8
Service revenues	310.1	299.3	271.4
Total revenues	62,108.5	49,610.7	47,702.0
Expenses			
Losses and loss adjustment expenses	45,654.6	38,122.7	33,627.6
Policy acquisition costs	4,665.1	3,917.0	3,712.8
Other underwriting expenses	6,241.5	5,859.6	5,654.7
Investment expenses	26.2	24.3	25.5
Service expenses	349.0	296.7	252.8
Interest expense	268.4	243.5	218.6
Goodwill impairment	0	224.8	0
Total expenses	57,204.8	48,688.6	43,492.0
Net Income			
Income before income taxes	4,903.7	922.1	4,210.0
Provision for income taxes	1,001.3	200.6	859.1
Net income	3,902.4	721.5	3,350.9
Other Comprehensive Income (Loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	1,185.5	(2,842.5)	(891.1)
Net unrealized losses on forecasted transactions	0.5	0.4	0.7
Foreign currency translation adjustment	0.3	(0.6)	(0.6)
Other comprehensive income (loss)	1,186.3	(2,842.7)	(891.0)
Comprehensive income (loss)	\$ 5,088.7	\$ (2,121.2)	\$ 2,459.9
Computation of Earnings Per Common Share			
Net income	\$ 3,902.4	\$ 721.5	\$ 3,350.9
Less: Preferred share dividends ¹	37.6	26.9	26.9
Net income available to common shareholders	\$ 3,864.8	\$ 694.6	\$ 3,324.0
Average common shares outstanding—Basic	584.9	584.4	584.5
Net effect of dilutive stock-based compensation	2.6	2.7	2.6
Total average equivalent common shares—Diluted	587.5	587.1	587.1
Basic: Earnings per common share	\$ 6.61	\$ 1.19	\$ 5.69
Diluted: Earnings per common share	\$ 6.58	\$ 1.18	\$ 5.66

¹ Changed to a floating dividend rate in March 2023. See Note 14 – Dividends for further discussion.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Balance Sheets

December 31,

(millions - except per share amounts)	2023	2022
Assets		
Available-for-sale securities, at fair value:		
Fixed maturities (amortized cost: \$62,441.9 and \$50,264.0)	\$ 60,378.2	\$ 46,651.9
Short-term investments (amortized cost: \$1,789.9 and \$2,861.7)	1,789.9	2,861.7
Total available-for-sale securities	62,168.1	49,513.6
Equity securities, at fair value:		
Nonredeemable preferred stocks (cost: \$977.1 and \$1,364.2)	902.1	1,213.2
Common equities (cost: \$706.0 and \$826.1)	2,928.4	2,821.5
Total equity securities	3,830.5	4,034.7
Total investments	65,998.6	53,548.3
Cash and cash equivalents	84.9	203.5
Restricted cash and cash equivalents	14.7	17.4
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	99.6	220.9
Accrued investment income	438.0	282.5
Premiums receivable, net of allowance for credit losses of \$369.1 and \$343.3	11,958.2	10,416.9
Reinsurance recoverables	5,093.9	5,832.1
Prepaid reinsurance premiums	249.8	295.5
Deferred acquisition costs	1,687.4	1,544.4
Property and equipment, net of accumulated depreciation of \$1,655.1 and \$1,551.1	880.8	1,034.0
Net federal deferred income taxes	936.0	1,131.5
Other assets	1,348.5	1,158.9
Total assets	\$ 88,690.8	\$ 75,465.0
Liabilities and Shareholders' Equity		
Unearned premiums	\$ 20,133.7	\$ 17,293.6
Loss and loss adjustment expense reserves	34,389.2	30,359.3
Accounts payable, accrued expenses, and other liabilities ¹	7,002.2	5,532.8
Debt ²	6,888.6	6,388.3
Total liabilities	68,413.7	59,574.0
Serial Preferred Shares (authorized 20.0)		
Serial Preferred Shares, Series B, no par value (cumulative, liquidation preference of \$1,000 per share) (authorized, issued, and outstanding 0.5)	493.9	493.9
Common shares, \$1.00 par value (authorized 900.0; issued 797.6, including treasury shares of 212.3 and 212.7)	585.3	584.9
Paid-in capital	2,013.1	1,893.0
Retained earnings	18,800.5	15,721.2
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on fixed-maturity securities	(1,600.8)	(2,786.3)
Net unrealized losses on forecasted transactions	(14.0)	(14.5)
Foreign currency translation adjustment	(0.9)	(1.2)
Total accumulated other comprehensive income (loss)	(1,615.7)	(2,802.0)
Total shareholders' equity	20,277.1	15,891.0
Total liabilities and shareholders' equity	\$ 88,690.8	\$ 75,465.0

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

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

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31,

(millions - except per share amounts)	2023	2022	2021
Serial Preferred Shares, No Par Value			
Balance, beginning of year	\$ 493.9	\$ 493.9	\$ 493.9
Balance, end of year	493.9	493.9	493.9
Common Shares, \$1.00 Par Value			
Balance, beginning of year	584.9	584.4	585.2
Treasury shares purchased	(1.0)	(0.9)	(2.4)
Net restricted equity awards issued/vested	1.4	1.4	1.6
Balance, end of year	585.3	584.9	584.4
Paid-In Capital			
Balance, beginning of year	1,893.0	1,772.9	1,672.9
Amortization of equity-based compensation	121.3	122.7	100.7
Treasury shares purchased	(3.3)	(2.6)	(7.1)
Net restricted equity awards issued/vested	(1.4)	(1.4)	(1.6)
Reinvested dividends on restricted stock units	3.5	1.4	8.0
Balance, end of year	2,013.1	1,893.0	1,772.9
Retained Earnings			
Balance, beginning of year	15,721.2	15,339.7	13,354.9
Net income	3,902.4	721.5	3,350.9
Treasury shares purchased	(136.4)	(95.5)	(213.5)
Cash dividends declared on common shares (\$1.15, \$0.40, and \$1.90 per share) ¹	(672.7)	(233.7)	(1,109.0)
Cash dividends declared on Serial Preferred Shares, Series B (\$60.354787, \$53.75, and \$53.75 per share) ¹	(30.2)	(26.8)	(26.8)
Reinvested dividends on restricted stock units	(3.5)	(1.4)	(8.0)
Other, net	19.7	17.4	(8.8)
Balance, end of year	18,800.5	15,721.2	15,339.7
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year	(2,802.0)	40.7	931.7
Other comprehensive income (loss)	1,186.3	(2,842.7)	(891.0)
Balance, end of year	(1,615.7)	(2,802.0)	40.7
Total shareholders' equity	\$20,277.1	\$15,891.0	\$18,231.6

¹See Note 14 – Dividends for further discussion.

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

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Cash Flows

For the years ended December 31,

(millions)	2023	2022	2021
Cash Flows From Operating Activities			
Net income	\$ 3,902.4	\$ 721.5	\$ 3,350.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	285.5	305.6	279.7
Amortization of intangible assets	14.2	31.0	57.7
Net amortization (accretion) of fixed-income securities	41.4	(25.2)	130.3
Amortization of equity-based compensation	121.3	122.7	100.7
Net realized (gains) losses on securities	(353.1)	1,912.2	(1,509.2)
Net (gains) losses on disposition of property and equipment	36.2	(0.6)	(3.6)
Goodwill impairment	0	224.8	0
Changes in:			
Premiums receivable	(1,541.3)	(1,017.4)	(1,146.8)
Reinsurance recoverables	738.2	(851.6)	(508.7)
Prepaid reinsurance premiums	45.7	162.1	(74.9)
Deferred acquisition costs	(143.0)	(188.8)	(118.4)
Income taxes	181.2	(515.3)	(86.0)
Unearned premiums	2,840.1	1,677.8	2,111.4
Loss and loss adjustment expense reserves	4,029.9	4,195.2	4,752.8
Accounts payable, accrued expenses, and other liabilities	699.6	199.5	399.7
Other, net	(255.0)	(104.7)	26.1
Net cash provided by operating activities	10,643.3	6,848.8	7,761.7
Cash Flows From Investing Activities			
Purchases:			
Fixed maturities	(25,776.9)	(26,510.4)	(33,177.5)
Equity securities	(86.6)	(158.1)	(838.1)
Sales:			
Fixed maturities	8,234.4	14,055.2	18,965.2
Equity securities	791.3	1,496.1	780.6
Maturities, paydowns, calls, and other:			
Fixed maturities	4,990.3	5,380.3	7,013.8
Equity securities	65.2	83.6	223.1
Net (purchases) sales of short-term investments	1,155.7	(1,868.2)	4,355.7
Net change in unsettled security transactions	(11.2)	(177.8)	47.9
Acquisition of Protective Insurance Corporation, net of cash, cash equivalents, and restricted cash equivalents acquired	0	0	(313.2)
Purchases of property and equipment	(252.0)	(292.0)	(243.5)
Sales of property and equipment	47.2	35.1	66.2
Net cash used in investing activities	(10,842.6)	(7,956.2)	(3,119.8)
Cash Flows From Financing Activities			
Dividends paid to common shareholders ¹	(234.0)	(234.0)	(3,746.5)
Dividends paid to preferred shareholders ¹	(43.6)	(26.8)	(26.8)
Acquisition of treasury shares for restricted stock tax liabilities	(95.0)	(76.7)	(67.2)
Acquisition of treasury shares acquired in open market	(45.7)	(22.3)	(155.8)
Net proceeds from debt issuance	496.3	1,486.0	0
Payment of acquired company debt	0	0	(20.0)
Payments of debt	0	0	(500.0)
Net cash provided by (used in) financing activities	78.0	1,126.2	(4,516.3)
Increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	(121.3)	18.8	125.6
Cash, cash equivalents, restricted cash, and restricted cash equivalents—beginning of year	220.9	202.1	76.5
Cash, cash equivalents, restricted cash, and restricted cash equivalents—end of year	\$ 99.6	\$ 220.9	\$ 202.1

¹See Note 14 – Dividends for further discussion.

See notes to consolidated financial statements.

1. REPORTING AND ACCOUNTING POLICIES

Nature of Operations The Progressive insurance organization began business in 1937. The financial results of The Progressive Corporation include its subsidiaries and affiliates (references to “subsidiaries” in these notes include affiliates as well). Our insurance subsidiaries write personal and commercial auto insurance, personal residential property insurance, business-related general liability and commercial property insurance predominantly for small businesses, workers’ compensation insurance primarily for the transportation industry, and other specialty property-casualty insurance and provide related services.

We report three operating segments. Our Personal Lines segment writes insurance for personal autos and recreational vehicles, which we refer to as our special lines products. Our Commercial Lines segment writes auto-related liability and physical damage insurance, business-related general liability and property insurance predominately for small businesses, and workers’ compensation insurance primarily for the transportation industry. Our Property segment writes residential property insurance for homeowners, other property owners, and renters. We operate our businesses throughout the United States, through both the independent agency and direct channels.

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

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

Investments Our fixed-maturity securities and short-term investments are accounted for on an available-for-sale basis. Fixed-maturity securities

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

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

Equity securities include common stocks, nonredeemable preferred stocks, and other risk investments. Common stocks and nonredeemable preferred stocks are carried at fair value, with the changes in fair value reported in net holding period gains (losses) on securities on the consolidated statements of comprehensive income. Our other risk investments are accounted for under the equity method of accounting. These securities are carried at cost and adjusted for our share of the investee’s earnings or losses, with the changes in carrying value reported in investment income.

We did not have any open derivative instruments at December 31, 2023, 2022, or 2021. From time to time, we entered into interest rate swaps to hedge the exposure to variable cash flows of a forecasted transaction (i.e., cash flow hedge).

Derivatives designated as hedges are required to be evaluated on established criteria to determine the effectiveness of their correlation to, and ability to reduce the designated risk of, specific securities or transactions. Effectiveness is required to be reassessed regularly. For cash flow hedges that are deemed to be effective, the changes in fair value of the hedge would be reported as a component of accumulated other comprehensive income and subsequently amortized

into earnings over the life of the hedged transaction. If a hedge is deemed to become ineffective or discontinued, changes in fair value of the derivative instrument would be reported in income for the current period. See *Note 4 – Debt* for a summary of our closed debt issuance cash flow hedges.

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

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

Asset-backed securities, which are included in our fixed-maturity portfolio, are generally accounted for under the retrospective method. The retrospective method recalculates yield assumptions (based on changes in interest rates or cash flow expectations) historically to the inception of the investment holding period, and applies the required adjustment, if any, to the cost basis, with the offset recorded to investment income on a quarterly basis. The prospective method is used

primarily for interest-only securities, asset-backed securities below high investment-grade status (i.e., below AA-), and certain asset-backed securities with sub-prime loan exposure or where there is a greater risk of non-performance and where it is possible the initial investment may not be substantially recovered. The prospective method requires a calculation of expected future repayments and resets the yield to allow for future period adjustments; no current period impact to investment income or the security's cost is made based on the cash flow update. Prepayment assumptions are updated quarterly.

Realized gains (losses) on securities are computed based on the first-in first-out method. Realized gains (losses) also include holding period valuation changes on equity securities and hybrid instruments (e.g., securities with embedded options, where the option is a feature of the overall change in the value of the instrument), as well as initial and subsequent changes in credit allowance losses and write-offs for losses deemed uncollectible or securities in a loss position that are expected to be sold prior to the recovery of the credit loss.

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

For our Personal Lines and Commercial Lines businesses, we perform a policy-level evaluation to determine the extent to which the premiums receivable balance exceeds the unearned premiums balance. To determine an allowance for credit losses, we evaluate the collectibility of premiums receivables based on historical and current collections experience of the aged exposures, using actuarial analysis. Our estimate of the future recoverability of our projected ultimate at-risk exposures also takes into consideration any unusual circumstances that we may encounter, such as moratoriums or other programs that may suspend collections.

For our Property business, the risk of uncollectibility is relatively low. If premiums are unpaid by the policy due date, we provide advance notice of cancellation in

accordance with each state’s requirements and, if the premiums remain unpaid after receipt of notice, we cancel the policy and write off any remaining balance.

The following table summarizes changes in our allowance for credit loss exposure on our premiums receivable:

(millions)	2023	2022
Balance at January 1	\$ 343.3	\$ 280.4
Increase in allowance ¹	540.3	471.1
Write-offs ²	(514.5)	(408.2)
Balance at December 31	\$ 369.1	\$ 343.3

¹Represents the incremental increase in other underwriting expenses.

²Represents the portion of allowance that is reversed when premiums receivables are written off. Premiums receivable balances are written off once we have exhausted our collection efforts.

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

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

(millions)	Advertising Costs
2023	\$ 1,599.7
2022	2,032.5
2021	2,139.5

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

Reinsurance Our reinsurance activity includes transactions which are categorized as Regulated and Non-Regulated. Regulated refers to plans in which we participate that are governed by insurance regulations and include state-provided reinsurance facilities (e.g., Michigan Catastrophic Claims Association, North Carolina Reinsurance Facility, Florida Hurricane Catastrophe Fund), as well as state-mandated involuntary plans for commercial vehicles (Commercial Automobile Insurance Procedures/Plans – CAIP) and federally regulated plans for flood (National Flood Insurance Program – NFIP); we act as a participant in the “Write Your Own” program for the NFIP.

Non-Regulated includes voluntary contractual arrangements primarily related to our Property business and to the transportation network company (TNC) business written by our Commercial Lines segment. Prepaid reinsurance premiums are earned on a pro rata basis over the period of risk, based on a daily earnings convention, which is consistent with premiums earned. See *Note 7 – Reinsurance* for further discussion.

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

Income Taxes The income tax provision is calculated under the balance sheet approach. Deferred tax assets and liabilities are recorded based on the temporary difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The principal items giving rise to such differences include:

- unearned premiums reserves;
- investment securities (e.g., net unrealized gains (losses) and net holding period gains (losses) on securities);
- deferred acquisition costs;
- loss and loss adjustment expense reserves;
- non-deductible accruals;
- property and equipment; and
- software development costs.

We review our deferred tax assets regularly for recoverability. See *Note 5 – Income Taxes* for further discussion.

Property and Equipment Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is recognized over the estimated useful lives of the assets using accelerated methods for

computer equipment and the straight-line method for all other fixed assets. We evaluate impairment whenever events or circumstances warrant such a review and write off the impaired assets if appropriate.

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

(\$ in millions)	2023	2022	Useful Lives
Land	\$ 102.6	\$ 123.1	NA
Buildings, improvements, and integrated components	732.9	844.1	7-40 years
Capitalized software	467.5	475.4	3-10 years
Software licenses (internal use)	486.4	427.6	1-6 years
Computer equipment	353.3	318.1	3 years
All other property and equipment	393.2	396.8	3-10 years
Total cost	2,535.9	2,585.1	
Accumulated depreciation	(1,655.1)	(1,551.1)	
Balance at end of year	\$ 880.8	\$ 1,034.0	

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

Included in other assets in our consolidated balance sheets are “held for sale” properties of \$77.2 million and \$48.7 million at December 31, 2023 and 2022, respectively, and capitalized cloud computing arrangement implementation costs, net of amortization, of \$88.1 million and \$63.4 million. When properties are determined to be “held for sale,” they are written down to their fair values less the estimated costs to sell, as applicable.

Goodwill and Intangible Assets Goodwill is the excess of the purchase price over the estimated fair value of the assets and liabilities acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. At December 31, 2023 and 2022, we had goodwill of \$227.9 million, which is primarily attributable to our Agency Personal Lines business and related to the April 1, 2015, acquisition of a controlling interest in ARX Holding Corp. (ARX). There were no changes to the carrying amount of goodwill during the year ended December 31, 2023.

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

In 2022, we recorded an impairment loss of \$224.8 million, related to the goodwill assigned to the ARX reporting unit of our Property operating segment. As a result of our annual impairment testing, we determined that impairment was necessary given the magnitude of weather events relative to forecasted expectations during the first half of 2022, as well as

other factors impacting our plans to restore our Property business to target profitability in a timely fashion. There were no previously recorded goodwill impairment losses on any of the outstanding goodwill.

Intangible assets are non-financial assets lacking physical substance (e.g., customer and agency relationships, trade names, software rights) and represent the future economic benefit of those acquired assets. Amortization expense related to intangible assets was \$14.2 million, \$31.0 million, and \$57.7 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Goodwill and intangible assets are included in other assets in our consolidated balance sheets; the prior-year amounts, which were presented separately on the balance sheet in the prior year, were reclassified into this line item to conform to the current year presentation.

Guaranty Fund Assessments We are subject to state guaranty fund assessments, which provide for the payment of covered claims or other insurance obligations of insurance companies deemed insolvent. These assessments are accrued after a determination of insolvency has occurred, and we have written the

premiums on which the assessments will be based. Assessments are expensed when incurred except for assessments that are available for recoupment from policyholders or are eligible to offset premiums taxes payable, which are capitalized to the extent allowable.

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

Service Revenues and Expenses Our service businesses provide insurance-related services. Service revenues and expenses from our commission-based businesses are recorded in the period in which they are earned or incurred.

Equity-Based Compensation We issue time-based and performance-based restricted stock unit awards to key members of management as our form of equity compensation and time-based restricted stock awards to non-employee directors. Collectively, we refer to these awards as restricted equity awards. Generally, restricted equity awards are expensed pro rata over their respective vesting periods (i.e., requisite service period), based on the market value of the awards at the time of grant, with accelerated expense for participants who satisfy qualified retirement eligibility. We record an estimate for expected forfeitures of restricted equity awards based on our historical forfeiture rates.

We credit dividend equivalent units to our management restricted equity awards. Dividend equivalent units for both time-based and performance-based awards are based on the amount of common share dividends declared by the Board of Directors, credited to outstanding restricted stock unit awards at the time a dividend is paid to shareholders, and distributed upon, or after, vesting of the underlying award.

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

(millions)	2023	2022	2021
Pretax expense	\$ 121.3	\$ 122.7	\$ 100.7
Tax benefit ¹	17.0	16.0	14.1

¹Differs from statutory rate of 21% due to the expected disallowance of certain executive compensation deductions.

Earnings Per Common Share Net income is reduced by preferred share dividends to determine net income available to common shareholders and is used in our calculation of the per common share amounts.

Basic earnings per common share is computed using the weighted average number of common shares outstanding during the reporting period, excluding unvested, non-employee director, time-based restricted stock awards. Diluted earnings per common share includes common stock equivalents assumed outstanding during the period. Our common stock equivalents, which are calculated using the treasury stock method, include the incremental shares assumed to be issued for:

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

For periods when a net loss is reported, earnings per common share are calculated using basic average equivalent common shares since diluted earnings per share would be antidilutive.

Supplemental Cash Flow Information Cash and cash equivalents include bank demand deposits and daily overnight reverse repurchase commitments of funds held in bank demand deposit accounts by certain subsidiaries. The amount of overnight reverse repurchase commitments, which are not considered part of the investment portfolio, held by these subsidiaries at December 31, 2023, 2022, and 2021, were \$68.2 million, \$125.9 million, and \$137.1 million, respectively. Restricted cash and restricted cash equivalents include collateral held against unpaid deductibles and cash that is restricted to pay flood claims under the NFIP's "Write Your Own" program, for which certain subsidiaries are participants.

For the years ended December 31, non-cash activity included the following:

(millions)	2023	2022	2021
Common share dividends ¹	\$ 497.9	\$ 58.5	\$ 58.5
Preferred share dividends ¹	0	13.4	13.4
Operating lease liabilities ²	114.3	36.2	86.7

¹Declared but unpaid. See Note 14 – Dividends for further discussion.

²See Note 13 – Leases for further discussion.

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

(millions)	2023	2022	2021
Income taxes	\$ 820.8	\$ 719.0	\$ 842.4
Interest	264.9	228.9	224.0
Operating lease liabilities	77.2	82.5	88.6

Commitments and Contingencies We have certain noncancelable purchase obligations for goods and services with minimum commitments of \$1,024.8 million at December 31, 2023, primarily consisting of software licenses, maintenance on information technology equipment, and media placements. Aggregate payments on these obligations for the years ended December 31, were as follows:

(millions)	Payments
2024	\$ 780.0
2025	139.5
2026	68.6
2027	26.5
2028	7.8
Thereafter	2.4
Total	\$ 1,024.8

In addition, we have several multiple-layer property catastrophe reinsurance contracts with various reinsurers with terms ranging from one to three years; the minimum commitment under these agreements at December 31, 2023, was \$291.5 million. Pursuant to these contracts, \$282.8 million, \$8.1 million, and \$0.6 million will be paid in 2024, 2025, and 2026, respectively.

New Accounting Standards

Adopted

We did not adopt any new accounting standards during the year ended December 31, 2023.

Issued

In March 2023, the Financial Accounting Standards Board issued an Accounting Standards Update (ASU), which permits an election to amortize the cost of tax equity investments to the provision for income taxes if certain conditions are met. Currently, these investments are accounted for under the equity method of accounting. This ASU is effective for fiscal years (including interim periods within those fiscal years) beginning after December 15, 2023 (2024 for calendar-year companies). On January 1, 2024, we adopted this standard on the modified retrospective basis. This standard did not have a material impact on our financial condition or results of operations.

2. INVESTMENTS

The following tables present the composition of our investment portfolio by major security type. Our securities are reported in our consolidated balance sheets at fair value. The changes in fair value for our fixed-maturity securities (other than hybrid securities) are reported as a component of accumulated other comprehensive income (loss), net of deferred income

taxes, in our consolidated balance sheets. The net holding period gains (losses) reported below represent the inception-to-date changes in fair value for the hybrid and equity securities. The changes in the net holding period gains (losses) between periods are recorded as a component of net realized gains (losses) on securities in our consolidated statements of comprehensive income.

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
<u>December 31, 2023</u>						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	\$ 37,823.2	\$ 204.1	\$ (1,157.9)	\$ 0	\$ 36,869.4	55.9%
State and local government obligations	2,338.4	2.8	(138.4)	0	2,202.8	3.3
Foreign government obligations	17.3	0	(1.0)	0	16.3	0.1
Corporate debt securities	11,446.0	87.2	(332.3)	(17.2)	11,183.7	16.9
Residential mortgage-backed securities	426.9	0.2	(10.0)	0.1	417.2	0.6
Commercial mortgage-backed securities	4,535.2	2.2	(597.7)	0	3,939.7	6.0
Other asset-backed securities	5,667.2	15.7	(107.1)	(0.4)	5,575.4	8.4
Redeemable preferred stocks	187.7	0	(2.4)	(11.6)	173.7	0.3
Total fixed maturities	62,441.9	312.2	(2,346.8)	(29.1)	60,378.2	91.5
Short-term investments	1,789.9	0	0	0	1,789.9	2.7
Total available-for-sale securities	64,231.8	312.2	(2,346.8)	(29.1)	62,168.1	94.2
Equity securities:						
Nonredeemable preferred stocks	977.1	0	0	(75.0)	902.1	1.4
Common equities	706.0	0	0	2,222.4	2,928.4	4.4
Total equity securities	1,683.1	0	0	2,147.4	3,830.5	5.8
Total portfolio ¹	\$ 65,914.9	\$ 312.2	\$ (2,346.8)	\$ 2,118.3	\$ 65,998.6	100.0%

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
<u>December 31, 2022</u>						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	\$ 26,770.7	\$ 1.4	\$ (1,604.7)	\$ 0	\$ 25,167.4	47.0%
State and local government obligations	2,180.0	0	(202.9)	0	1,977.1	3.7
Foreign government obligations	16.8	0	(1.3)	0	15.5	0.1
Corporate debt securities	10,125.8	9.8	(676.1)	(46.8)	9,412.7	17.6
Residential mortgage-backed securities	696.1	0.3	(17.5)	(12.1)	666.8	1.2
Commercial mortgage-backed securities	5,446.0	1.5	(784.0)	0	4,663.5	8.7
Other asset-backed securities	4,826.0	0.9	(260.5)	(1.8)	4,564.6	8.5
Redeemable preferred stocks	202.6	0	(4.5)	(13.8)	184.3	0.3
Total fixed maturities	50,264.0	13.9	(3,551.5)	(74.5)	46,651.9	87.1
Short-term investments	2,861.7	0	0	0	2,861.7	5.4
Total available-for-sale securities	53,125.7	13.9	(3,551.5)	(74.5)	49,513.6	92.5
Equity securities:						
Nonredeemable preferred stocks	1,364.2	0	0	(151.0)	1,213.2	2.3
Common equities	826.1	0	0	1,995.4	2,821.5	5.2
Total equity securities	2,190.3	0	0	1,844.4	4,034.7	7.5
Total portfolio ¹	\$ 55,316.0	\$ 13.9	\$ (3,551.5)	\$ 1,769.9	\$ 53,548.3	100.0%

¹At December 31, 2023 and 2022, we had \$45.6 million and \$34.4 million, respectively, of net unsettled security transactions included in other assets.

The total fair value of the portfolio at December 31, 2023 and 2022, included \$4.2 billion and \$4.4 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions.

At December 31, 2023, bonds and certificates of deposit in the principal amount of \$671.8 million were on deposit to meet state insurance regulatory requirements. We did not hold any securities of any one issuer, excluding U.S. government obligations, with an aggregate cost or fair value exceeding 10% of total shareholders' equity at December 31, 2023 or 2022. At December 31, 2023, we did not hold any debt securities that were non-income producing during the preceding 12 months.

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

We did not have any open repurchase or reverse repurchase transaction positions at December 31, 2023 or 2022, and did not enter into any such transactions during 2023. During 2022, we invested in repurchase transactions that had an immaterial impact on our results of operations and cash flows. To the extent we enter into repurchase or reverse repurchase transactions, consistent with past practice, we would elect not to offset these transactions and would report them on a gross basis on our consolidated balance sheets, despite the option to elect to offset these transactions as long as they were with the same counterparty and subject to an enforceable master netting arrangement.

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

(millions)	2023	2022
Fixed Maturities:		
Corporate debt securities	\$ 531.3	\$ 535.4
Residential mortgage-backed securities	323.9	509.6
Other asset-backed securities	13.9	42.0
Redeemable preferred stocks	141.2	134.7
Total hybrid securities	\$ 1,010.3	\$ 1,221.7

Since the embedded derivatives (e.g., change-in-control put option, debt-to-equity conversion, or any other feature unrelated to the credit quality or risk of default of the issuer that could impact the amount or timing of our

expected future cash flows) do not have observable intrinsic values, we use the fair value option to record the changes in fair value of these securities through income as a component of net realized gains (losses).

Fixed Maturities The composition of fixed maturities by maturity at December 31, 2023, was:

(millions)	Cost	Fair Value
Less than one year	\$ 9,782.8	\$ 9,566.2
One to five years	37,948.6	36,796.2
Five to ten years	14,637.1	13,942.5
Ten years or greater	73.4	73.3
Total	\$ 62,441.9	\$ 60,378.2

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

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

(\$ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months			12 Months or Greater		
				No. of Sec.	Fair Value	Gross Unrealized Losses	No. of Sec.	Fair Value	Gross Unrealized Losses
December 31, 2023									
U.S. government obligations	147	\$ 28,225.0	\$ (1,157.9)	25	\$ 11,890.0	\$ (100.0)	122	\$ 16,335.0	\$ (1,057.9)
State and local government obligations	324	1,846.2	(138.4)	31	169.9	(0.9)	293	1,676.3	(137.5)
Foreign government obligations	1	16.3	(1.0)	0	0	0	1	16.3	(1.0)
Corporate debt securities	313	6,642.4	(332.3)	26	617.2	(14.7)	287	6,025.2	(317.6)
Residential mortgage-backed securities	39	88.4	(10.0)	2	0.4	0	37	88.0	(10.0)
Commercial mortgage-backed securities	189	3,912.2	(597.7)	1	30.7	(2.5)	188	3,881.5	(595.2)
Other asset-backed securities	207	3,299.1	(107.1)	41	639.4	(1.2)	166	2,659.7	(105.9)
Redeemable preferred stocks	3	32.5	(2.4)	0	0	0	3	32.5	(2.4)
Total fixed maturities	1,223	\$ 44,062.1	\$ (2,346.8)	126	\$ 13,347.6	\$ (119.3)	1,097	\$ 30,714.5	\$ (2,227.5)

(\$ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months			12 Months or Greater		
				No. of Sec.	Fair Value	Gross Unrealized Losses	No. of Sec.	Fair Value	Gross Unrealized Losses
December 31, 2022									
U.S. government obligations	160	\$ 24,802.5	\$ (1,604.7)	90	\$ 17,327.2	\$ (699.2)	70	\$ 7,475.3	\$ (905.5)
State and local government obligations	348	1,948.8	(202.9)	239	1,124.2	(76.8)	109	824.6	(126.1)
Foreign government obligations	1	15.5	(1.3)	0	0	0	1	15.5	(1.3)
Corporate debt securities	422	8,449.6	(676.1)	285	5,717.6	(426.1)	137	2,732.0	(250.0)
Residential mortgage-backed securities	45	151.0	(17.5)	27	65.1	(6.8)	18	85.9	(10.7)
Commercial mortgage-backed securities	226	4,651.1	(784.0)	99	1,702.0	(192.1)	127	2,949.1	(591.9)
Other asset-backed securities	262	4,247.8	(260.5)	130	2,144.8	(100.9)	132	2,103.0	(159.6)
Redeemable preferred stocks	4	49.6	(4.5)	3	38.5	(3.1)	1	11.1	(1.4)
Total fixed maturities	1,468	\$ 44,315.9	\$ (3,551.5)	873	\$ 28,119.4	\$ (1,505.0)	595	\$ 16,196.5	\$ (2,046.5)

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

We had 29 securities in fixed-maturity sectors, other than U.S. government obligations, that had their credit ratings downgraded, with a combined fair value of \$447.9 million and an unrealized loss of \$59.0 million as of December 31, 2023. Additionally, during 2023, the credit ratings of our U.S. government obligations were downgraded to AA+ from AAA due to downgrades by two major credit rating agencies.

Allowance For Credit and Uncollectible Losses We are required to measure the amount of potential credit losses for all fixed-maturity securities in an unrealized loss position. We did not record any allowances for credit losses or any write-offs for amounts deemed to be uncollectible during 2023 or 2022 and did not have a material credit loss allowance balance as of December 31, 2023 or 2022. We considered several factors and inputs related to the individual securities as part of our analysis. The methodology and significant inputs used to measure the amount of credit losses in our portfolio included:

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

In order to determine the amount of credit loss, if any, we initially reviewed securities in a loss position to determine whether it was likely that we would be required, or intended, to sell any of the securities prior to the recovery of their respective cost bases (which could be maturity). If we were likely to, or intended to, sell prior to a potential recovery, we would write off the unrealized loss. For those securities that we determined

we were not likely to, or did not intend to, sell prior to a potential recovery, we performed additional analysis to determine if the loss was credit related. For securities subject to credit related loss, we calculated the net present value (NPV) of the cash flows expected (i.e., expected recovery value) using the current book yield for each security. The NPV was then compared to the security's current amortized value to determine if a credit loss existed. In the event that the NPV was below the amortized value, and the amount was determined to be material on any specific security, or in the aggregate, a credit loss would be deemed to exist, and either an allowance for credit losses would be created, or if an allowance currently existed, either a recovery of the previous allowance, or an incremental loss, would be recorded to net realized gains (losses) on securities.

As of December 31, 2023 and 2022, we believe that none of the unrealized losses were related to material credit losses on any specific securities, or in the aggregate. We continue to expect all the securities in our portfolio to pay their principal and interest obligations.

In addition, we reviewed our accrued investment income outstanding on those securities in an unrealized loss position at December 31, 2023 and 2022, to determine if the accrued interest amounts were determined to be

uncollectible. Based on our analysis, we believe the issuers have sufficient liquidity and capital reserves to meet their current interest, and future principal,

obligations and, therefore, did not write off any accrued income as uncollectible at December 31, 2023 or 2022.

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

(millions)	2023	2022	2021
Gross realized gains on security sales			
Available-for-sale securities:			
U.S. government obligations	\$ 12.1	\$ 10.8	\$ 105.8
State and local government obligations	0	0	51.2
Corporate and other debt securities	1.0	8.7	104.0
Residential mortgage-backed securities	0.9	0.7	0.3
Commercial mortgage-backed securities	0	0	41.9
Other asset-backed securities	0	0.2	1.2
Redeemable preferred stocks	0	0	1.5
Total available-for-sale securities	14.0	20.4	305.9
Equity securities:			
Nonredeemable preferred stocks	0.3	17.6	28.0
Common equities	381.0	846.1	369.6
Total equity securities	381.3	863.7	397.6
Subtotal gross realized gains on security sales	395.3	884.1	703.5
Gross realized losses on security sales			
Available-for-sale securities:			
U.S. government obligations	(64.6)	(433.3)	(52.0)
State and local government obligations	0	(1.0)	(3.4)
Foreign government obligations	0	0	(0.1)
Corporate and other debt securities	(85.7)	(88.3)	(8.3)
Residential mortgage-backed securities	0	0	(1.1)
Commercial mortgage-backed securities	(106.8)	(72.4)	(1.9)
Other asset-backed securities	(5.6)	(4.4)	(0.6)
Short-term investments	(0.4)	(0.4)	0
Total available-for-sale securities	(263.1)	(599.8)	(67.4)
Equity securities:			
Nonredeemable preferred stocks	(118.3)	(9.8)	(1.7)
Common equities	(21.8)	(78.0)	(20.1)
Total equity securities	(140.1)	(87.8)	(21.8)
Subtotal gross realized losses on security sales	(403.2)	(687.6)	(89.2)
Net realized gains (losses) on security sales			
Available-for-sale securities:			
U.S. government obligations	(52.5)	(422.5)	53.8
State and local government obligations	0	(1.0)	47.8
Foreign government obligations	0	0	(0.1)
Corporate and other debt securities	(84.7)	(79.6)	95.7
Residential mortgage-backed securities	0.9	0.7	(0.8)
Commercial mortgage-backed securities	(106.8)	(72.4)	40.0
Other asset-backed securities	(5.6)	(4.2)	0.6
Redeemable preferred stocks	0	0	1.5
Short-term investments	(0.4)	(0.4)	0
Total available-for-sale securities	(249.1)	(579.4)	238.5
Equity securities:			
Nonredeemable preferred stocks	(118.0)	7.8	26.3
Common equities	359.2	768.1	349.5
Total equity securities	241.2	775.9	375.8
Subtotal net realized gains (losses) on security sales	(7.9)	196.5	614.3
Other assets			
Gain	21.6	0	0
Impairment	(9.0)	(8.6)	(5.0)
Subtotal net realized gains (losses) on other assets	12.6	(8.6)	(5.0)
Net holding period gains (losses)			
Hybrid securities	45.4	(82.0)	(7.7)
Equity securities	303.0	(2,018.1)	907.6
Subtotal net holding period gains (losses)	348.4	(2,100.1)	899.9
Total net realized gains (losses) on securities	\$ 353.1	\$ (1,912.2)	\$ 1,509.2

During 2023 and 2022, the gross gains in common equities reflected sales of securities, as part of our plan to incrementally reduce risk in the portfolio in response to our then-current views of the potential for a more difficult economic environment in both years, while during 2021, the gross gains in common equities primarily reflected the sale of common stocks held outside of our indexed portfolio. During 2023, the gross losses were primarily related to: i) commercial mortgage-backed securities, as we reduced certain positions that we believed would be sensitive to potential future economic uncertainty; ii) corporate debt securities, as we sold some longer duration securities that had less attractive risk/reward profiles; and

iii) nonredeemable preferred stocks, predominantly due to the sale of certain holdings in U.S. bank preferred stocks. During 2022, we sold U.S. Treasury Notes to shorten duration and for tax planning purposes and recognized a gross loss on the sales. The other asset gain for 2023, related to proceeds received as the result of litigation in conjunction with three renewable energy investments we made from 2016 through 2018 (the original investments were previously written down in full). The other asset impairment loss for all three years was recorded as a result of our investment in a federal tax credit fund, which was entered into during the second quarter 2021, and is reported in other assets in our consolidated balance sheets.

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

(millions)	2023	2022	2021
Total net gains (losses) recognized during the period on equity securities	\$ 544.2	\$ (1,242.2)	\$ 1,283.4
Less: Net gains (losses) recognized on equity securities sold during the period	241.2	775.9	375.8
Net holding period gains (losses) recognized during the period on equity securities held at period end	\$ 303.0	\$ (2,018.1)	\$ 907.6

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

(millions)	2023	2022	2021
Available-for-sale securities:			
Fixed maturities:			
U.S. government obligations	\$ 864.0	\$ 339.1	\$149.5
State and local government obligations	47.6	39.7	44.1
Foreign government obligations	0.2	0.2	0.1
Corporate debt securities	365.4	288.8	301.1
Residential mortgage-backed securities	28.7	31.6	11.9
Commercial mortgage-backed securities	196.1	190.6	143.0
Other asset-backed securities	192.5	174.6	64.1
Redeemable preferred stocks	11.1	11.4	9.5
Total fixed maturities	1,705.6	1,076.0	723.3
Short-term investments	92.4	53.6	3.1
Total available-for-sale securities	1,798.0	1,129.6	726.4
Equity securities:			
Nonredeemable preferred stocks	51.4	70.2	70.3
Common equities	42.4	60.5	64.2
Total equity securities	93.8	130.7	134.5
Investment income	1,891.8	1,260.3	860.9
Investment expenses	(26.2)	(24.3)	(25.5)
Net investment income	\$1,865.6	\$1,236.0	\$835.4

On a year-over-year basis, investment income (interest and dividends) increased 50% in 2023, compared to 2022, and increased 46% in 2022, compared to 2021, primarily due to increases during the periods in interest rates on floating-rate securities in our portfolio and purchases of new investments with higher coupon rates.

3. FAIR VALUE

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

- *Level 1:* Inputs are unadjusted, quoted prices in active markets for identical instruments at the measurement date (e.g., U.S. government obligations, which are continually priced on a daily basis, active exchange-traded equity securities, and certain short-term securities).
- *Level 2:* Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly (e.g., certain corporate and municipal bonds and certain preferred stocks). This includes:
 - (i) quoted prices for similar instruments in active markets,
 - (ii) quoted prices for identical or similar instruments in markets that are not active,
 - (iii) inputs other than quoted prices that are

The recurring investment book yield increased 29% in 2023, compared to 2022, and increased 26% in 2022, compared to 2021, reflecting investing new cash and cash from maturities in higher interest rate securities given the rising interest rate environment in both periods.

observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- *Level 3:* Inputs that are unobservable. Unobservable inputs reflect our subjective evaluation about the assumptions market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).

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

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

(millions)	Fair Value			Total	Cost
	Level 1	Level 2	Level 3		
<u>December 31, 2023</u>					
Fixed maturities:					
U.S. government obligations	\$ 36,869.4	\$ 0	\$ 0	\$ 36,869.4	\$ 37,823.2
State and local government obligations	0	2,202.8	0	2,202.8	2,338.4
Foreign government obligations	0	16.3	0	16.3	17.3
Corporate debt securities	0	11,180.7	3.0	11,183.7	11,446.0
Subtotal	36,869.4	13,399.8	3.0	50,272.2	51,624.9
Asset-backed securities:					
Residential mortgage-backed	0	417.2	0	417.2	426.9
Commercial mortgage-backed	0	3,939.7	0	3,939.7	4,535.2
Other asset-backed	0	5,575.4	0	5,575.4	5,667.2
Subtotal asset-backed securities	0	9,932.3	0	9,932.3	10,629.3
Redeemable preferred stocks:					
Financials	0	23.1	0	23.1	24.5
Utilities	0	9.4	0	9.4	10.4
Industrials	0	141.2	0	141.2	152.8
Subtotal redeemable preferred stocks	0	173.7	0	173.7	187.7
Total fixed maturities	36,869.4	23,505.8	3.0	60,378.2	62,441.9
Short-term investments	1,757.0	32.9	0	1,789.9	1,789.9
Total available-for-sale securities	38,626.4	23,538.7	3.0	62,168.1	64,231.8
Equity securities:					
Nonredeemable preferred stocks:					
Financials	0	802.7	49.2	851.9	922.1
Utilities	0	35.4	0	35.4	40.0
Industrials	0	0	14.8	14.8	15.0
Subtotal nonredeemable preferred stocks	0	838.1	64.0	902.1	977.1
Common equities:					
Common stocks	2,885.3	0	22.5	2,907.8	685.4
Other risk investments	0	0	20.6	20.6	20.6
Subtotal common equities	2,885.3	0	43.1	2,928.4	706.0
Total equity securities	2,885.3	838.1	107.1	3,830.5	1,683.1
Total portfolio	\$ 41,511.7	\$ 24,376.8	\$ 110.1	\$ 65,998.6	\$ 65,914.9
Debt	\$ 0	\$ 6,431.3	\$ 0	\$ 6,431.3	\$ 6,888.6

(millions)	Fair Value			Total	Cost
	Level 1	Level 2	Level 3		
December 31, 2022					
Fixed maturities:					
U.S. government obligations	\$ 25,167.4	\$ 0	\$ 0	\$ 25,167.4	\$ 26,770.7
State and local government obligations	0	1,977.1	0	1,977.1	2,180.0
Foreign government obligations	0	15.5	0	15.5	16.8
Corporate debt securities	0	9,412.7	0	9,412.7	10,125.8
Subtotal	25,167.4	11,405.3	0	36,572.7	39,093.3
Asset-backed securities:					
Residential mortgage-backed	0	666.8	0	666.8	696.1
Commercial mortgage-backed	0	4,663.5	0	4,663.5	5,446.0
Other asset-backed	0	4,564.6	0	4,564.6	4,826.0
Subtotal asset-backed securities	0	9,894.9	0	9,894.9	10,968.1
Redeemable preferred stocks:					
Financials	0	40.5	0	40.5	43.6
Utilities	0	9.1	0	9.1	10.5
Industrials	9.2	125.5	0	134.7	148.5
Subtotal redeemable preferred stocks	9.2	175.1	0	184.3	202.6
Total fixed maturities	25,176.6	21,475.3	0	46,651.9	50,264.0
Short-term investments	2,800.7	61.0	0	2,861.7	2,861.7
Total available-for-sale securities	27,977.3	21,536.3	0	49,513.6	53,125.7
Equity securities:					
Nonredeemable preferred stocks:					
Financials	39.0	994.4	67.4	1,100.8	1,244.2
Utilities	0	71.2	0	71.2	79.9
Industrials	0	24.8	16.4	41.2	40.1
Subtotal nonredeemable preferred stocks	39.0	1,090.4	83.8	1,213.2	1,364.2
Common equities:					
Common stocks	2,783.4	0	18.3	2,801.7	806.3
Other risk investments	0	0	19.8	19.8	19.8
Subtotal common equities	2,783.4	0	38.1	2,821.5	826.1
Total equity securities	2,822.4	1,090.4	121.9	4,034.7	2,190.3
Total portfolio	\$ 30,799.7	\$ 22,626.7	\$ 121.9	\$ 53,548.3	\$ 55,316.0
Debt	\$ 0	\$ 5,717.9	\$ 0	\$ 5,717.9	\$ 6,388.3

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

Our short-term investments classified as Level 1 are highly liquid, actively marketed, and have a very short duration, primarily 90 days or less to redemption. These securities are held at their original cost, adjusted for any

accretion of discount, since that value very closely approximates what an active market participant would be willing to pay for such securities. The remainder of our short-term investments are classified as Level 2 and are not priced externally since these securities continually trade at par value. These securities are classified as Level 2 since they are primarily longer-dated securities issued by municipalities that contain either liquidity facilities or mandatory put features within one year.

At December 31, 2023, vendor-quoted prices represented 93% of our Level 1 classifications (excluding short-term investments), compared to 90% at December 31, 2022. The securities quoted by vendors in Level 1 primarily represent our holdings in U.S. Treasury Notes, which are frequently traded and the quotes are considered similar to exchange-traded quotes. The balance of our Level 1 pricing comes from quotes obtained directly from trades made on active exchanges. All Level 1 preferred stocks with active exchange quotes were sold during 2023.

At December 31, 2023, vendor-quoted prices comprised 100% of our Level 2 classifications (excluding short-term investments and common stock), compared to 98% at year-end 2022; the remaining 2% at December 31, 2022, were dealer-quoted prices. In our process for selecting a source (e.g., dealer or pricing service) to provide pricing for securities in our portfolio, we reviewed documentation from the sources that detailed the pricing techniques and methodologies used by these sources and determined if their policies adequately considered market activity, either based on specific transactions for the particular security type or based on modeling of securities with similar credit quality, duration, yield, and structure that were recently transacted. Once a source is chosen, we continue to monitor any changes or modifications to their processes by reviewing their documentation on internal controls for pricing and market reviews. We review quality control measures of our sources as they become available to determine if any significant changes have occurred from period to period that might indicate issues or concerns regarding their evaluation or market coverage.

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

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

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

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

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

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

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

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

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

After all the valuations are received and our review of Level 2 securities is complete, if the inputs used by vendors are determined to not contain sufficient observable market information, we will reclassify the affected securities to Level 3.

Except as described below, our Level 3 securities are priced externally; however, due to several factors (e.g., nature of the securities, level of activity, and lack of similar

securities trading to obtain observable market level inputs), these valuations are more subjective in nature.

To the extent we receive prices from external sources (e.g., broker, valuation firm) for the Level 3 securities, we review those prices for reasonableness using internally developed assumptions and then compare our derived prices to the prices received from the external sources. Based on our review, all prices received from external sources for 2023 remained unadjusted.

If we do not receive prices from an external source, we perform an internal fair value comparison, which includes a review and analysis of market comparable securities, to determine if fair value changes are needed. Based on this analysis, certain private equity investments included in the Level 3 category remain valued at cost or were priced using a recent transaction as the basis for fair value. At least annually, these private equity investments are priced by an external source.

Our Level 3 other risk investments include securities accounted for under the equity method of accounting and, therefore, are not subject to fair value reporting. Since these securities represent less than 0.1% of our total portfolio, we will continue to include them in our Level 3 disclosures and report the activity from these investments as "other" changes in the summary of changes in fair value tables and categorize these securities as "pricing exemption securities" in the quantitative information tables.

During the fourth quarter 2023, we purchased a privately held fixed-maturity security that is classified as a Level 3 investment. At December 31, 2022, we did not have any securities in our fixed-maturity portfolio listed as Level 3.

During 2023, there were no material assets or liabilities measured at fair value on a nonrecurring basis. During 2022, we determined that the fair value of goodwill related to our ARX reporting unit was less than the carrying value and we wrote down \$224.8 million of our total goodwill asset. No other material assets or liabilities were measured at fair value during 2022.

Due to the relative size of the Level 3 securities' fair values compared to the total portfolio's fair value, any changes in pricing methodology would not have a significant change in valuation that would materially impact net or comprehensive income.

The following tables provide a summary of changes in fair value associated with Level 3 assets for the years ended December 31, 2023 and 2022:

Level 3 Fair Value									
(millions)	Fair Value at Dec. 31, 2022	Calls/ Maturities/ Paydowns/ Other	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out)	Fair Value at Dec. 31, 2023	
Fixed maturities:									
Corporate debt securities	\$ 0	\$ 0	\$ 3.0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3.0	
Equity securities:									
Nonredeemable preferred stocks:									
Financials	67.4	(8.1)	1.0	0	0	(11.1)	0	49.2	
Industrials	16.4	0	0	0	0	(1.6)	0	14.8	
Common equities:									
Common stocks	18.3	8.1	0	(10.0)	8.9	(2.8)	0	22.5	
Other risk investments	19.8	0.8	0	0	0	0	0	20.6	
Total Level 3 securities	\$ 121.9	\$ 0.8	\$ 4.0	\$ (10.0)	\$ 8.9	\$ (15.5)	\$ 0	\$ 110.1	

Level 3 Fair Value									
(millions)	Fair Value at Dec. 31, 2021	Calls/ Maturities/ Paydowns/ Other	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out) ¹	Fair Value at Dec. 31, 2022	
Equity securities:									
Nonredeemable preferred stocks:									
Financials	\$ 76.4	\$ 0	\$ 2.5	\$ (15.0)	\$ (17.2)	\$ 20.7	\$ 0	\$ 67.4	
Industrials	34.4	(0.5)	0	0	0	(17.5)	0	16.4	
Common equities:									
Common stocks	0	0	0	0	0	0	18.3	18.3	
Other risk investments	16.9	2.9	0	0	0	0	0	19.8	
Total Level 3 securities	\$ 127.7	\$ 2.4	\$ 2.5	\$ (15.0)	\$ (17.2)	\$ 3.2	\$ 18.3	\$ 121.9	

¹The security was transferred into Level 3 due to a lack of observable market level inputs.

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

Quantitative Information about Level 3 Fair Value Measurements						
(\$ in millions)	Fair Value at Dec. 31, 2023	Valuation Technique	Unobservable Input	Range of Input Values Increase (Decrease)	Weighted Average Increase (Decrease)	
Fixed maturities:						
Corporate debt securities	\$ 3.0	Market comparables	Weighted average market capitalization price change %	0.3% to 7.7%	2.6%	
Equity securities:						
Nonredeemable preferred stocks	64.0	Market comparables	Weighted average market capitalization price change %	17.2% to 39.7%	21.7%	
Common stocks	22.5	Market comparables	Weighted average market capitalization price change %	(45.8)% to 95.6%	39.7%	
Subtotal Level 3 securities	89.5					
Pricing exemption securities	20.6					
Total Level 3 securities	\$ 110.1					

Quantitative Information about Level 3 Fair Value Measurements						
(\$ in millions)	Fair Value at Dec. 31, 2022	Valuation Technique	Unobservable Input	Range of Input Values Increase (Decrease)	Weighted Average Increase (Decrease)	
Equity securities:						
Nonredeemable preferred stocks	\$ 83.8	Market comparables	Weighted average market capitalization price change %	(0.6)% to 19.9%	10.5%	
Common stocks	18.3	Market comparables	Weighted average market capitalization price change %	(42.5)% to 59.1%	0.3%	
Subtotal Level 3 securities	102.1					
Pricing exemption securities	19.8					
Total Level 3 securities	\$ 121.9					

4. DEBT

Debt at December 31, consisted of:

(millions)	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2.45% Senior Notes due 2027 (issued: \$500.0, August 2016)	\$ 498.6	\$ 468.9	\$ 498.2	\$ 457.7
2.50% Senior Notes due 2027 (issued: \$500.0, March 2022)	498.1	469.1	497.5	460.3
6 5/8% Senior Notes due 2029 (issued: \$300.0, March 1999)	297.8	328.7	297.5	326.8
4.00% Senior Notes due 2029 (issued: \$550.0, October 2018)	546.9	542.6	546.4	527.8
3.20% Senior Notes due 2030 (issued: \$500.0, March 2020)	497.3	462.2	496.9	448.6
3.00% Senior Notes due 2032 (issued: \$500.0, March 2022)	496.3	446.0	495.9	438.1
6.25% Senior Notes due 2032 (issued: \$400.0, November 2002)	396.7	445.6	396.4	435.4
4.95% Senior Notes due 2033 (issued: \$500.0, May 2023)	496.4	513.0	0	0
4.35% Senior Notes due 2044 (issued: \$350.0, April 2014)	347.0	314.2	346.9	298.4
3.70% Senior Notes due 2045 (issued: \$400.0, January 2015)	395.9	325.1	395.7	310.2
4.125% Senior Notes due 2047 (issued: \$850.0, April 2017)	842.3	756.2	842.1	716.2
4.20% Senior Notes due 2048 (issued: \$600.0, March 2018)	590.6	534.1	590.4	507.0
3.95% Senior Notes due 2050 (issued: \$500.0, March 2020)	491.1	422.3	490.9	404.9
3.70% Senior Notes due 2052 (issued: \$500.0, March 2022)	493.6	403.3	493.5	386.5
Total	\$6,888.6	\$6,431.3	\$6,388.3	\$5,717.9

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

Interest on all debt is payable semiannually at the stated rates. All principal is due at the stated maturity. Each note is redeemable, in whole or in part, at any time; however, the redemption price will equal the greater of the principal amount of the note or a "make whole" amount calculated by reference to the present values of remaining scheduled principal and interest payments under the note. There was no short-term debt outstanding at December 31, 2023 or 2022.

We issued \$500 million of 4.95% Senior Notes due 2033 in May 2023, in an underwritten public offering. The net proceeds from the issuance, after deducting underwriters' discounts, commissions, and other issuance costs, were approximately \$496.3 million.

Aggregate required principal payments on debt outstanding at December 31, 2023, were as follows:

(millions)	Payments
2024	\$ 0
2025	0
2026	0
2027	1,000.0
2028	0
Thereafter	5,950.0
Total	\$ 6,950.0

Prior to certain issuances of our debt securities, we entered into forecasted transactions to hedge against possible rises in interest rates. When the contracts were closed upon the issuance of the applicable debt securities, we recognized the unrealized gains (losses) on these contracts as part of accumulated other comprehensive income (see *Note 1 – Reporting and Accounting Policies, Investments* for further discussion). These unrealized gains (losses) are being amortized as adjustments to interest expense over the life of the related notes.

The following table shows the original gain (loss) recognized at debt issuance and the unamortized balance at December 31, 2023, on a pretax basis:

(millions)	Unrealized Gain (Loss) at Issuance	Unamortized Balance at December 31, 2023
6 5/8% Senior Notes due 2029	\$ (4.2)	\$ (1.5)
6.25% Senior Notes due 2032	5.1	2.6
4.35% Senior Notes due 2044	(1.6)	(1.3)
3.70% Senior Notes due 2045	(12.9)	(10.5)
4.125% Senior Notes due 2047	(8.0)	(7.0)

We reclassified \$0.6 million in 2023, \$0.5 million in 2022, and \$0.9 million in 2021, of net pretax unrealized losses from accumulated other comprehensive income to interest expense on our closed debt issuance cash flow hedges.

5. INCOME TAXES

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

(millions)	2023	2022	2021
Current tax provision			
Federal	\$ 1,102.5	\$ 733.2	\$ 739.5
State	18.7	12.7	20.7
Deferred tax expense (benefit)			
Federal	(119.9)	(528.7)	98.6
State	0	(16.6)	0.3
Total income tax provision	\$ 1,001.3	\$ 200.6	\$ 859.1

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

(millions)	2023		2022		2021	
	Expense (Benefit)	Rate Impact	Expense (Benefit)	Rate Impact	Expense (Benefit)	Rate Impact
Income before income taxes	\$4,903.7		\$922.1		\$4,210.0	
Tax at statutory federal rate	\$1,029.8	21%	\$193.6	21%	\$ 884.1	21%
Tax effect of:						
Stock-based compensation	(21.7)	(1)	(18.1)	(2)	(19.4)	(1)
Tax credits	(16.4)	0	(14.8)	(2)	(9.9)	0
Tax-preferenced investment income	(10.2)	0	(12.7)	(1)	(13.2)	0
State income taxes, net of federal taxes	14.7	0	(3.1)	0	16.6	0
Nondeductible compensation expense	9.8	0	11.1	1	8.4	0
Tax-deductible dividends	(4.8)	0	(1.8)	0	(9.4)	0
Goodwill impairment ¹	0	0	47.2	5	0	0
Other items, net	0.1	0	(0.8)	0	1.9	0
Total income tax provision	\$1,001.3	20%	\$200.6	22%	\$ 859.1	20%

¹The ARX acquisition did not create goodwill for income tax purposes. As a result, the impairment was not deductible for income tax purposes.

Deferred income taxes reflect the tax effects of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The following table shows the components of the net deferred tax assets and liabilities at December 31:

(millions)	2023	2022
Federal deferred income tax assets:		
Unearned premiums reserve	\$ 836.0	\$ 719.2
Net unrealized losses on fixed-maturity securities	427.3	742.9
Loss and loss adjustment expense reserves	292.7	239.9
Non-deductible accruals	238.2	225.9
Software development costs	66.0	37.8
Operating lease liabilities	37.2	28.8
Hedges on forecasted transactions	3.7	3.8
Investment basis differences	0.2	17.0
Other	13.4	12.7
Federal deferred income tax liabilities:		
Net holding period gains on equity securities	(451.0)	(387.3)
Deferred acquisition costs	(354.4)	(324.3)
Property and equipment	(88.4)	(97.0)
Operating lease assets	(37.2)	(28.8)
Loss and loss adjustment expense reserve transition adjustment	(15.9)	(24.1)
Intangible assets	(8.7)	(11.1)
Prepaid expenses	(6.2)	(6.5)
Other	(16.9)	(17.4)
Net federal deferred income taxes	936.0	1,131.5
State deferred income tax assets ¹	39.9	42.2
State deferred income tax liabilities ¹	0	0
Total	\$ 975.9	\$ 1,173.7

¹State deferred assets and liabilities are recorded in other assets and accounts payable, accrued expenses, and other liabilities, respectively, on our consolidated balance sheets.

Although realization of the deferred tax assets is not assured, management believes that it is more likely than not that the deferred tax assets will be realized based on our expectation that we will be able to fully utilize the deductions that are ultimately recognized for tax purposes and, therefore, no valuation allowance was needed at December 31, 2023 or 2022. We believe our deferred tax asset related to net unrealized losses on fixed-maturity securities will be realized based on the existence of prior-year capital gains and current temporary differences related to unrealized gains in our equity portfolio.

At December 31, 2023 and 2022, we had net current income taxes payable of \$311.8 million and \$10.9 million, respectively, which were reported in accounts payable, accrued expenses, and other

liabilities on our consolidated balance sheets. The increase in income taxes payable was primarily driven by the portion of earnings generated during the fourth quarter relative to our annual earnings.

The Progressive Corporation and its subsidiaries file a consolidated federal income tax return. As a result of the acquisition of the Protective Insurance Corporation and subsidiaries (Protective Insurance) in 2021, Protective Insurance was included in The Progressive Corporation consolidated federal income tax return for the period from the June 2021 acquisition date through the end of 2021. We filed a final consolidated federal income tax return for Protective Insurance for the period from the beginning of the year through the June 2021 acquisition date.

All federal income tax years prior to 2020 are generally closed to examination; however, for The Progressive Corporation, 2016 remains open for a tax credit partnership investment. The statute of limitations for state income tax purposes generally remains open for three to four years from the return filing date, depending upon the jurisdiction. There has been no significant state income tax audit activity.

6. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

We write personal and commercial auto insurance, personal residential property insurance, business-related general liability and commercial property insurance predominantly for small businesses, workers' compensation insurance primarily for the transportation industry, and other specialty property-casualty insurance and provide related services throughout the United States. As a property-casualty insurance company, we are exposed to hurricanes or other catastrophes. We are unable to predict the frequency or severity of any such events that may occur in the near term or thereafter. To help mitigate this risk in our Property business, we currently maintain excess of loss reinsurance coverage, both on an aggregate and a per occurrence basis.

As we are primarily an insurer of motor vehicles and residential property, we have limited exposure to environmental and asbestos claims. We have established reserves for such exposures, which represented less than 1% of our total loss and loss adjustment expense reserves. We believe these reserves to be adequate based on information currently known. These claims are not expected to have a material effect on our liquidity, financial condition, cash flows, or results of operations.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense (LAE) reserves represent our best estimate of our ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. For our Personal and Commercial Lines vehicle businesses, which represented about 92% of our total carried reserves, we establish loss and LAE reserves after completing reviews at a disaggregated level of grouping. Progressive's actuarial staff reviews approximately 400 subsets of business data, which are at a combined state, product, and line coverage level, to calculate the needed loss and LAE reserves. During a reserve review, ultimate loss amounts are estimated using several industry standard actuarial projection methods. These methods take into account historical

For the years ended December 31, 2023, 2022, and 2021, we recognized \$0.2 million, \$0.1 million, and \$0.1 million, respectively, of interest and penalties, as a component of the income tax provision. We have not recorded any unrecognized tax benefits, or related interest and penalties, as of December 31, 2023 and 2022.

comparable loss data at the subset level and estimate the impact of various loss development factors, such as the frequency (number of losses per exposure), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of loss adjustment expense costs.

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

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

Changes from historical data may reduce the predictiveness of our projected future loss costs. Internal considerations that are process-related, which generally result from changes in our claims organization's activities, include claim closure rates, the number of claims that are closed without payment, and the level of the claims representatives' estimates of the needed case reserve for each claim. These changes

and their effect on the historical data are studied at the state level versus on a larger, less indicative, countrywide basis. External items considered include the litigation atmosphere, state-by-state changes in medical costs, and the availability of services to resolve claims. These also are better understood at the state level versus at a more macro, countrywide level. The actuarial staff takes these changes into consideration when making their assumptions to determine needed reserve levels.

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

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

(millions)	2023	2022	2021
Balance at January 1	\$ 30,359.3	\$ 26,164.1	\$ 20,265.8
Less reinsurance recoverables on unpaid losses	5,559.2	4,733.6	3,798.2
Net balance at January 1	24,800.1	21,430.5	16,467.6
Net loss and loss adjustment expense reserves acquired ¹	0	0	729.2
Total beginning reserves	24,800.1	21,430.5	17,196.8
Incurred related to:			
Current year	44,560.6	38,209.0	33,632.3
Prior years	1,094.0	(86.3)	(4.7)
Total incurred	45,654.6	38,122.7	33,627.6
Paid related to:			
Current year	26,874.3	23,542.9	20,561.1
Prior years	13,980.2	11,210.2	8,832.8
Total paid	40,854.5	34,753.1	29,393.9
Net balance at December 31	29,600.2	24,800.1	21,430.5
Plus reinsurance recoverables on unpaid losses	4,789.0	5,559.2	4,733.6
Balance at December 31	\$ 34,389.2	\$ 30,359.3	\$ 26,164.1

¹Net reserves acquired in Protective Insurance acquisition.

We experienced unfavorable development of \$1,094.0 million in 2023 and favorable reserve development of \$86.3 million and \$4.7 million in 2022 and 2021, respectively, which is reflected as “Incurred related to prior years” in the table above.

2023

- The unfavorable reserve development for 2023 included approximately \$950 million attributable to accident year 2022 and \$125 million to accident year 2021.
- Our personal auto products incurred about \$715 million of unfavorable loss and LAE reserve development, with the Agency and Direct auto businesses each contributing about half. About half of this unfavorable development was attributable to higher than anticipated severity in auto property and physical damage coverages. The remaining unfavorable development was primarily due to increased loss costs in Florida injury and medical coverages and, to a lesser extent, higher than anticipated late reported injury claims; partially offset by lower than expected LAE.
- Our Commercial Lines business experienced about \$365 million of unfavorable development, primarily driven by higher than anticipated severity and frequency of late reported injury claims and large loss emergence on injury claims, with about half attributable to our transportation network company (TNC) business.

2022

- The favorable reserve development for 2022, reflected approximately \$22 million of favorable prior year reserve development that was attributable to accident year 2021, \$47 million to accident year 2020, and the remainder to accident years 2019 and prior.
- Our personal auto products incurred \$157 million of favorable loss and LAE reserve development, with the Agency and Direct auto businesses each contributing about half. The favorable development was primarily attributable to more subrogation and salvage recoveries and lower LAE than originally anticipated, partially offset by higher than anticipated severity and frequency of auto property damage payments on previously closed claims and late reported injury claims.
- Our Commercial Lines business experienced \$82 million of unfavorable development, primarily driven by our TNC business, due to higher than anticipated severity of injury case reserves and higher than anticipated severity and frequency of late reported claims.

2021

- The slightly favorable reserve development for 2021, reflected approximately \$140 million of favorable prior year reserve development that was attributable to accident year 2020, offset by \$87 million of unfavorable development attributable to accident year 2019, with the remainder of the unfavorable development attributable to 2018 and prior accident years.
- Our personal auto products incurred \$113 million of favorable loss and LAE reserve development, with about \$80 million attributable to the Direct auto business, primarily attributable to revised estimates of our per claim settlement costs and fewer late reports than originally anticipated, partially offset by higher than anticipated bodily injury severity.
- Our Commercial Lines business experienced \$87 million of unfavorable development, primarily due to increased injury severity and the emergence of large injury claims at rates higher than originally anticipated, primarily in Texas and Florida.
- Our Property business experienced \$36 million of unfavorable development primarily due to higher than anticipated severity and claims that were previously closed being reopened in Florida.

Incurred and Paid Claims Development by Accident

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

We have elected to present our incurred and paid claims development consistent with our GAAP reportable segments (see *Note 10 – Segment Information* for a discussion of our segment reporting), with a further disaggregation of our Personal Lines and Commercial Lines auto business claims development between liability and physical damage, since the loss

patterns are significantly different between them. The Commercial Lines other business includes Protective Insurance coverages other than liability and physical damage. Reserves for our run-off products are not considered material and, therefore, are not included in a separate claims development table.

Only 2023 is audited; all prior years are considered required supplementary information and, therefore, are unaudited. Expected development on our case reserves is excluded from the IBNR reserves on our vehicle businesses, as discussed above. For the Property business and the Commercial Lines other business, the IBNR reserves include expected case development based on the methodology used in establishing the case reserves for that segment. The cumulative number of incurred claims are based on accident coverages (e.g., bodily injury, collision, comprehensive, personal injury protection, property damage) related to opened claims. Coverage counts related to claims closed without payment are excluded from the cumulative number of incurred claims.

Personal Lines - Agency - Liability

(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

As of
December 31, 2023

Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 5,885.0	\$ 5,886.9	\$ 5,918.2	\$ 5,959.9	\$ 5,879.2	\$ 0	916,543
2020		5,433.8	5,405.4	5,385.7	5,458.1	142.8	757,024
2021			6,716.4	6,861.8	6,936.4	174.2	885,607
2022				7,076.9	7,301.5	402.8	838,763
2023					8,615.9	1,715.2	883,430
				Total	\$ 34,191.1		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the years ended December 31,

Accident Year	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023
2019	\$ 2,715.2	\$ 4,533.2	\$ 5,272.8	\$ 5,626.6	\$ 5,779.3
2020		2,383.0	4,112.2	4,796.8	5,122.0
2021			2,855.4	5,239.4	6,183.1
2022				3,018.8	5,564.1
2023					3,526.5
				Total	\$ 26,175.0
				All outstanding liabilities before 2019, net of reinsurance ¹	92.9
				Liabilities for claims and claim adjustment expenses, net of reinsurance	\$ 8,109.0

¹ Required supplementary information (unaudited)

Personal Lines - Agency - Physical Damage

(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

As of
December 31, 2023

Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 3,277.9	\$ 3,254.7	\$ 3,261.1	\$ 3,259.0	\$ 3,268.1	\$ 0.4	1,879,041
2020		3,328.5	3,319.8	3,327.3	3,323.3	(8.4)	1,785,036
2021			4,708.3	4,624.3	4,628.5	8.9	2,105,540
2022				5,429.4	5,544.6	(13.3)	2,031,717
2023					5,774.5	(298.0)	2,091,830
				Total	\$ 22,539.0		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the years ended December 31,

Accident Year	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023
2019	\$ 3,242.5	\$ 3,259.2	\$ 3,255.9	\$ 3,260.9	\$ 3,263.7
2020		3,250.1	3,322.5	3,323.0	3,328.0
2021			4,438.1	4,620.9	4,611.5
2022				5,176.2	5,542.0
2023					5,584.2
				Total	\$ 22,329.4
				All outstanding liabilities before 2019, net of reinsurance ¹	3.7
				Liabilities for claims and claim adjustment expenses, net of reinsurance	\$ 213.3

¹ Required supplementary information (unaudited)

Personal Lines - Direct - Liability

(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

As of
December 31, 2023

Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 5,756.5	\$ 5,811.7	\$ 5,837.9	\$ 5,870.0	\$ 5,802.1	\$ 0.1	957,826
2020		5,356.9	5,322.7	5,301.5	5,343.1	126.4	789,952
2021			6,964.7	7,180.3	7,244.1	164.5	981,424
2022				7,563.4	7,869.6	398.5	970,145
2023					9,627.9	1,763.6	1,080,475
				Total	\$ 35,886.8		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the years ended December 31,

Accident Year	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023
2019	\$ 2,630.3	\$ 4,452.5	\$ 5,218.8	\$ 5,568.8	\$ 5,716.3
2020		2,301.3	4,018.7	4,721.4	5,035.9
2021			2,915.0	5,460.5	6,487.9
2022				3,131.8	5,982.6
2023					3,925.5
				Total	\$ 27,148.2
				All outstanding liabilities before 2019, net of reinsurance ¹	79.4
				Liabilities for claims and claim adjustment expenses, net of reinsurance	\$ 8,818.0

¹ Required supplementary information (unaudited)

Personal Lines - Direct - Physical Damage

(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

As of
December 31, 2023

Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 3,787.9	\$ 3,737.8	\$ 3,749.6	\$ 3,747.9	\$ 3,757.8	\$ 0.3	2,272,383
2020		3,775.6	3,753.3	3,765.9	3,762.0	(9.7)	2,139,045
2021			5,752.3	5,568.2	5,572.9	3.6	2,602,359
2022				6,613.3	6,724.2	(27.3)	2,606,698
2023					7,577.9	(459.8)	2,851,047
				Total	\$ 27,394.8		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the years ended December 31,

Accident Year	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023
2019	\$ 3,782.6	\$ 3,751.3	\$ 3,746.8	\$ 3,750.9	\$ 3,753.9
2020		3,720.0	3,765.9	3,762.2	3,767.4
2021			5,421.9	5,578.7	5,559.6
2022				6,325.7	6,731.9
2023					7,361.7
				Total	\$ 27,174.5
				All outstanding liabilities before 2019, net of reinsurance ¹	2.8
				Liabilities for claims and claim adjustment expenses, net of reinsurance	\$ 223.1

¹ Required supplementary information (unaudited)

Commercial Lines - Liability

(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 2,301.1	\$ 2,370.9	\$ 2,426.3	\$ 2,434.4	\$ 2,429.9	\$ 7.6	136,213
2020		2,335.7	2,388.8	2,418.9	2,436.5	58.6	117,614
2021			3,446.6	3,527.3	3,573.7	134.7	156,829
2022				4,526.1	4,834.5	406.2	180,500
2023					5,455.8	1,299.6	184,840
				Total	\$ 18,730.4		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the years ended December 31,					
Accident Year	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023
2019	\$ 474.8	\$ 1,184.4	\$ 1,684.5	\$ 2,037.5	\$ 2,250.0
2020		440.8	1,110.4	1,628.9	2,043.5
2021			573.6	1,545.9	2,414.3
2022				749.2	2,086.4
2023					847.6
				Total	\$ 9,641.8
				All outstanding liabilities before 2019, net of reinsurance ¹	103.2
				Liabilities for claims and claim adjustment expenses, net of reinsurance	\$ 9,191.8

¹ Required supplementary information (unaudited)

Commercial Lines - Physical Damage

(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 633.1	\$ 628.3	\$ 626.6	\$ 625.9	\$ 626.4	\$ 0	99,508
2020		631.8	624.9	622.0	624.8	2.9	99,588
2021			920.9	909.8	910.1	3.6	121,900
2022				1,314.9	1,330.3	0.7	147,146
2023					1,351.8	(6.5)	164,859
				Total	\$ 4,843.4		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the years ended December 31,					
Accident Year	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023
2019	\$ 561.1	\$ 625.1	\$ 624.8	\$ 625.3	\$ 625.4
2020		540.6	621.8	620.4	620.5
2021			764.2	903.1	901.5
2022				1,114.0	1,315.0
2023					1,184.4
				Total	\$ 4,646.8
				All outstanding liabilities before 2019, net of reinsurance ¹	0.8
				Liabilities for claims and claim adjustment expenses, net of reinsurance	\$ 197.4

¹ Required supplementary information (unaudited)

Commercial Lines - Other

(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											As of December 31, 2023		
Accident Year	For the years ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts	
	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023			
2014	\$74.9	\$70.0	\$68.3	\$70.5	\$70.7	\$69.4	\$70.7	\$70.9	\$ 70.4	\$ 70.4	\$	3.2	9,226
2015		51.2	45.4	46.1	48.3	47.0	44.8	45.1	44.6	44.8		3.4	9,527
2016			51.8	43.3	41.0	41.5	40.2	40.1	40.0	40.4		3.1	7,648
2017				62.6	54.6	51.1	48.8	46.2	48.0	55.1		10.2	17,675
2018					81.5	81.3	76.7	77.0	76.5	81.7		10.0	15,475
2019						80.7	83.1	85.4	88.3	87.7		10.3	10,709
2020							75.0	80.7	81.9	82.9		14.0	9,505
2021								84.1	87.3	88.8		24.4	9,367
2022									84.0	80.9		26.3	7,660
2023										85.0		45.2	6,795
											Total	\$717.7	

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance												
Accident Year	For the years ended December 31,											
	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2014	\$18.6	\$33.9	\$44.3	\$51.1	\$56.9	\$59.0	\$61.1	\$64.2	\$ 65.0	\$ 65.5		
2015		6.5	18.1	26.5	30.9	33.9	36.1	37.1	37.8	38.7		
2016			8.5	20.9	27.0	30.6	32.7	33.8	35.0	35.5		
2017				9.6	24.4	30.8	34.5	36.9	39.7	41.6		
2018					17.6	39.6	49.5	56.7	61.7	65.2		
2019						20.0	42.4	56.0	64.6	70.8		
2020							15.8	38.6	52.2	59.6		
2021								16.9	39.6	52.4		
2022									18.4	39.7		
2023										18.4		
											Total	\$487.4
											All outstanding liabilities before 2014, net of reinsurance ¹	30.2
											Liabilities for claims and claim adjustment expenses, net of reinsurance	\$260.5

¹ Required supplementary information (unaudited)

Property Business

(\$ in millions)

Incurring Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

As of
December 31, 2023

Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 971.7	\$ 965.2	\$ 962.8	\$ 965.8	\$ 964.8	\$ 9.0	73,051
2020		1,223.5	1,246.8	1,260.9	1,256.0	1.5	88,736
2021			1,539.6	1,516.3	1,503.2	23.6	89,864
2022				1,664.6	1,622.0	77.0	89,348
2023					1,582.5	392.4	75,812
				Total	\$ 6,928.5		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,					
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023	
2019	\$ 708.0	\$ 930.4	\$ 950.5	\$ 959.3	\$ 962.2	
2020		832.5	1,141.2	1,210.7	1,237.2	
2021			1,035.4	1,374.5	1,444.0	
2022				1,041.7	1,469.5	
2023					1,078.3	
				Total	\$ 6,191.2	
	All outstanding liabilities before 2019, net of reinsurance ¹					7.4
	Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 744.7

¹ Required supplementary information (unaudited)

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

(millions)	2023	2022
Net outstanding liabilities		
Personal Lines		
Agency, Liability	\$ 8,109.0	\$ 6,791.2
Agency, Physical Damage	213.3	261.5
Direct, Liability	8,818.0	7,187.2
Direct, Physical Damage	223.1	284.7
Commercial Lines		
Liability	9,191.8	7,177.0
Physical Damage	197.4	211.2
Other	260.5	242.5
Property	744.7	839.7
Other business	88.7	108.9
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	27,846.5	23,103.9
Reinsurance recoverables on unpaid claims		
Personal Lines		
Agency, Liability	875.1	894.1
Agency, Physical Damage	0	0
Direct, Liability	1,471.3	1,485.4
Direct, Physical Damage	0	0
Commercial Lines		
Liability	1,077.7	1,273.7
Physical Damage	1.4	0.5
Other	216.0	204.6
Property	631.4	1,068.1
Other business	475.1	559.0
Total reinsurance recoverables on unpaid claims	4,748.0	5,485.4
Unallocated claims adjustment expense related to:		
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	1,753.7	1,696.2
Reinsurance recoverables on unpaid claims	41.0	73.8
Total gross liability for unpaid claims and claim adjustment expense	\$ 34,389.2	\$ 30,359.3

The following table shows the average historical claims duration as of December 31, 2023:

(Required Supplementary Information - Unaudited)

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance	Years				
	1	2	3	4	5
Personal Lines					
Agency, Liability	42.4%	33.1%	13.0%	6.0%	2.6%
Agency, Physical Damage	96.2	3.8	(0.1)	0.2	0.1
Direct, Liability	41.5	34.0	13.6	6.0	2.5
Direct, Physical Damage	97.1	2.9	(0.2)	0.1	0.1
Commercial Lines					
Liability	16.5	27.8	22.4	15.8	8.7
Physical Damage	86.0	13.9	(0.2)	0	0
Other	20.9	26.1	14.7	9.0	6.4
Property	67.8	24.3	4.3	1.6	0.3

7. REINSURANCE

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

(millions)	2023		2022		2021	
	Written	Earned	Written	Earned	Written	Earned
Direct premiums	\$ 62,721.2	\$ 59,881.1	\$ 52,335.6	\$ 50,650.2	\$ 48,129.6	\$ 46,018.6
Ceded premiums:						
Regulated	(535.0)	(545.3)	(621.5)	(674.8)	(674.5)	(650.2)
Non-Regulated	(636.0)	(671.4)	(633.0)	(734.2)	(1,049.9)	(999.7)
Total ceded premiums	(1,171.0)	(1,216.7)	(1,254.5)	(1,409.0)	(1,724.4)	(1,649.9)
Net premiums	\$ 61,550.2	\$ 58,664.4	\$ 51,081.1	\$ 49,241.2	\$ 46,405.2	\$ 44,368.7

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

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

Non-Regulated refers to voluntary external reinsurance contracts. We do not reinsure our Personal Lines business. In our Commercial Lines business, we reinsure our TNC business, workers' compensation

insurance, and our fleet trucking product under quota-share reinsurance agreements. For our Property business, we have both multi-year catastrophic excess of loss and aggregate excess of loss reinsurance agreements.

The decrease in the ceded written and earned premiums in our Regulated plans during 2023 and 2022, primarily reflected our decision to non-renew our CAIP service carrier agreements in 2022. For the Non-Regulated reinsurance contracts, the year-over-year decreases in 2023 and 2022, reflected the changes that were made in 2022 to the reinsurance program structure of certain TNC products whereby we wrote less direct premiums and, therefore, ceded less premiums than in the prior year.

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

(\$ in millions)	Reinsurance Recoverables				Prepaid Reinsurance Premiums			
	2023		2022		2023		2022	
Regulated:								
MCCA	\$ 2,272.1	45%	\$ 2,332.3	40%	\$ 40.2	16%	\$ 26.4	9%
CAIP	539.1	10	626.8	11	0	0	50.4	17
FHCF	306.6	6	437.3	7	0	0	0	0
NCRF	184.7	4	143.2	2	74.6	30	54.5	18
NFIP	10.7	0	215.4	4	66.4	27	60.1	20
Other	3.8	0	2.9	0	1.3	0	1.5	1
Total Regulated	3,317.0	65	3,757.9	64	182.5	73	192.9	65
Non-Regulated:								
Commercial Lines	1,385.7	27	1,544.3	27	56.3	23	91.0	31
Property	381.2	8	524.4	9	11.0	4	11.6	4
Other	10.0	0	5.5	0	0	0	0	0
Total Non-Regulated	1,776.9	35	2,074.2	36	67.3	27	102.6	35
Total	\$ 5,093.9	100%	\$ 5,832.1	100%	\$ 249.8	100%	\$ 295.5	100%

The decrease in our reinsurance recoverables in 2023, compared to 2022, for the FHCF, NFIP, and Property business were primarily due to the settlement of Hurricane Ian losses and allocated LAE that were incurred during 2022.

Our prepaid reinsurance premiums decreased in 2023 primarily due to our decision to non-renew our CAIP service contract in 2022 and changes that were made in 2022 to the reinsurance program structure of certain TNC products as discussed above.

Reinsurance contracts do not relieve us from our obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to us. Our exposure to losses from the failure of Regulated plans is minimal, since these plans are funded by the federal government or by mechanisms supported by insurance companies in applicable states.

8. STATUTORY FINANCIAL INFORMATION

Consolidated statutory surplus was \$22,249.6 million and \$17,879.9 million at December 31, 2023 and 2022, respectively. Statutory net income was \$3,502.2 million, \$2,763.5 million, and \$2,283.9 million for the years ended December 31, 2023, 2022, and 2021, respectively.

At December 31, 2023, \$1,513.2 million of consolidated statutory surplus represented net admitted assets of our insurance subsidiaries and affiliates that are required to meet minimum statutory surplus requirements in such entities' states of domicile. The companies may be licensed in states other than their states of domicile, which may have higher minimum statutory surplus requirements. Generally, the net admitted assets of insurance companies that, subject to other applicable

9. EMPLOYEE BENEFIT PLANS

Retirement Plans Progressive has a defined contribution pension plan (401(k) Plan) that covers employees who have been employed with the company for at least 30 days. Under Progressive's 401(k) Plan, we match up to a maximum of 6% of an employee's eligible compensation contributed to the plan, with employees vesting in the company match after providing two years of service. Matching contributions to the 401(k) Plan for the years ended December 31, 2023, 2022, and 2021, were \$205.9 million, \$179.9 million, and \$159.2 million, respectively.

Employee and company matching contributions are invested, at the direction of the employee, in a number of investment options available under the plan, including various mutual funds, a self-directed brokerage option,

For our Non-Regulated reinsurers, we routinely monitor changes in the credit quality and concentration risks of the reinsurers who are counterparties to our reinsurance recoverables to determine if an allowance for credit losses should be established. For at-risk uncollateralized recoverable balances, we evaluate a number of reinsurer specific factors, including reinsurer credit quality rating, credit rating outlook, historical experience, reinsurer surplus, recoverable duration, and collateralization composition in respect to our net exposure (i.e., the reinsurance recoverable amount less premiums payable to the reinsurer, where the right to offset exists). At December 31, 2023 and 2022, the allowance for credit losses related to these contracts was not material to our financial condition or results of operations.

insurance laws and regulations, are available for transfer to the parent company cannot include the net admitted assets required to meet the minimum statutory surplus requirements of the states where the companies are licensed.

During 2023, the insurance subsidiaries paid aggregate dividends of \$413.4 million to their parent company. Based on the dividend laws currently in effect, the insurance subsidiaries could pay aggregate dividends of \$3,365.1 million in 2024, without prior approval from regulatory authorities, subject to other potential state specific limitations, capital requirements, and restrictions on the amount of dividends that can be paid within a 12-month period by the applicable subsidiary.

and a Progressive common stock fund. Progressive's common stock fund is an employee stock ownership program (ESOP) within the 401(k) Plan. At December 31, 2023, the ESOP held 18.2 million of our common shares, all of which are included in shares outstanding. Dividends on these shares are reinvested in common shares or paid out in cash, at the election of the participant, and the related tax benefit is recorded as part of our tax provision.

Postemployment Benefits Progressive provides various postemployment benefits to former or inactive employees who meet eligibility requirements and to their beneficiaries and covered dependents. Postemployment benefits include salary continuation and disability-related benefits, including workers' compensation and, if elected, continuation of health-care benefits for

specified limited periods. The liability for these benefits was \$18.7 million and \$19.6 million at December 31, 2023 and 2022, respectively.

Incentive Compensation Plans – Employees

Progressive’s incentive compensation programs include both non-equity incentive plans (cash) and equity

incentive plans. Progressive’s cash incentive compensation includes an annual cash incentive program (Gainshare Program) for nearly all employees. Progressive’s equity incentive compensation plans provide for the granting of restricted stock unit awards to key members of management.

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

(millions)	2023		2022		2021	
	Pretax	After Tax	Pretax	After Tax	Pretax	After Tax
Non-equity incentive plans – cash	\$ 897.3	\$ 708.9	\$ 380.8	\$ 300.8	\$ 619.3	\$ 489.2
Equity incentive plans ¹	121.3	104.3	122.7	106.7	100.7	86.6

¹ After-tax amounts differ from the statutory rate of 21% due to the expected disallowance of certain executive compensation deductions.

Under Progressive’s 2015 Equity Incentive Plan, there are 17.0 million shares, in the aggregate, authorized for issuance. This plan provides for the granting of equity-based compensation to officers and other key employees.

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

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

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

The following shows the performance measurement criteria for our performance-based equity awards outstanding at December 31, 2023:

Performance Measurement	Year(s) of Grant	Vesting range (as a percentage of target)
Growth of our personal auto and commercial auto businesses, both compared to its respective market	2023	0-250%
Growth of our personal auto and commercial auto businesses and homeowners multi-peril business, each compared to its respective market	2021-2022	0-250%
Investment results relative to peer group	2021-2023	0-200%

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

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

Restricted Equity Awards	2023		2022		2021	
	Number of Shares ¹	Weighted Average Grant Date Fair Value	Number of Shares ¹	Weighted Average Grant Date Fair Value	Number of Shares ¹	Weighted Average Grant Date Fair Value
Beginning of year	3,198,150	\$ 81.71	3,539,022	\$ 67.24	3,570,271	\$ 57.68
Add (deduct):						
Granted ²	1,080,658	110.93	1,154,838	96.54	1,476,802	70.11
Vested	(1,338,466)	63.10	(1,378,070)	57.79	(1,452,353)	46.88
Forfeited	(46,600)	84.86	(117,640)	72.44	(55,698)	60.81
End of year ^{3,4}	2,893,742	\$ 101.18	3,198,150	\$ 81.71	3,539,022	\$ 67.24

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

² We reinvest dividend equivalents on restricted stock units. For 2023, 2022, and 2021, the number of units "granted" shown in the table above includes 36,656, 44,327, and 237,582 of dividend equivalent units, respectively, at a weighted average grant date fair value of \$0, since the dividends were factored into the grant date fair value of the original grant.

³ At December 31, 2023, the number of shares included 557,119 performance-based units at their target amounts. We expect 1,204,918 units to vest based upon our current estimates of the likelihood of achieving the predetermined performance measures applicable to each award.

⁴ At December 31, 2023, the total unrecognized compensation cost related to unvested equity awards was \$93.3 million, which includes performance-based awards at their currently estimated vesting value. This compensation expense will be recognized into our consolidated statements of comprehensive income over the weighted average vesting period of 2.2 years.

The aggregate fair value of the restricted equity awards that vested during the years ended December 31, 2023, 2022, and 2021, was \$195.2 million, \$154.4 million, and \$139.1 million, respectively, based on the actual stock price on the applicable vesting date.

Incentive Compensation Plans – Directors

Progressive's Amended and Restated 2017 Directors Equity Incentive Plan, which was approved by shareholders in 2022, provides for the granting of equity-based awards, including restricted stock awards, to non-employee directors. Under the amended and restated plan, an additional 150,000 shares are eligible to be granted, bringing the total authorized shares under the directors plan to 650,000 shares.

The Progressive Corporation permits each non-employee director to indicate a preference to receive either 100% of their compensation in the form of a restricted stock award

or 60% in the form of a restricted stock award and 40% in the form of cash. If the director does not state a preference, it is presumed that they preferred to receive 100% of their compensation in the form of restricted stock. The Compensation Committee of the Board of Directors will consider such preferences when making a determination with respect to the allocation (restricted stock, or restricted stock and cash) and approval of the annual awards for each non-employee director.

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

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

Restricted Stock	2023		2022		2021	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Beginning of year	30,439	\$ 109.75	29,206	\$ 105.16	39,403	\$ 74.77
Add (deduct):						
Granted	25,075	133.43	30,439	109.75	29,206	105.16
Vested	(30,439)	109.75	(29,206)	105.16	(39,403)	74.77
End of year ¹	25,075	\$ 133.43	30,439	\$ 109.75	29,206	\$ 105.16

¹ At December 31, 2023, 2022, and 2021, the remaining unrecognized compensation cost related to restricted stock awards was \$1.0 million, \$1.0 million, and \$0.9 million, respectively.

The aggregate fair value of the restricted stock vested during the years ended December 31, 2023, 2022, and 2021, was \$4.2 million, \$3.4 million, and \$3.8 million, respectively, based on the actual stock price at time of vesting.

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

For all equity awards granted in or after March 2005, and deferred pursuant to the Deferral Plan, the deferred amounts are deemed invested in our common shares and are ineligible for transfer to other investment funds in the Deferral Plan; distributions of these deferred awards will be made in Progressive common shares.

10. SEGMENT INFORMATION

We write personal and commercial auto insurance, personal residential property insurance, business-related general liability and commercial property insurance predominantly for small businesses, workers' compensation insurance primarily for the transportation industry, and other specialty property-casualty insurance and provide related services throughout the United States.

We report our operating segments based on product. Our segments include Personal Lines, Commercial Lines, and Property.

Our Personal Lines segment writes insurance for personal autos and recreational vehicles (our special lines products). The Personal Lines segment is comprised of both the Agency and Direct businesses. The Agency business includes business written by our network of more than 40,000 independent insurance agencies, including brokerages in New York and California, and strategic alliance business relationships (including other insurance companies, financial institutions, and national agencies). The Direct business includes business written directly by us online, through the Progressive mobile app, or by phone. We operate our Personal Lines segment throughout the United States.

Our Commercial Lines segment writes auto-related liability and physical damage insurance, business-

related general liability and property insurance predominately for small businesses, and workers' compensation insurance primarily for the transportation industry. This segment operates throughout the United States and is distributed through both the independent agency, including brokerages, and direct channels.

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

(millions)	2023	2022
Progressive common shares ¹	\$ 118.5	\$ 131.0
Other investment funds ²	165.1	150.4
Total	\$ 283.6	\$ 281.4

¹Included 1.6 million and 2.0 million common shares as of December 31, 2023 and 2022, respectively, to be distributed in common shares, and are reported at grant date fair value.

²Amount is included in other assets on our consolidated balance sheets.

Our service businesses provide insurance-related services, including serving as an agent for homeowners, general liability, and workers' compensation insurance, among other products, through programs in our direct Personal Lines and Commercial Lines businesses. In 2022, our service contract to act as a servicing agent for CAIP expired and we did not renew the contract.

We evaluate segment profitability based on pretax underwriting profit (loss). Pretax underwriting profit (loss) is calculated as net premiums earned plus fees and other revenues, less: (i) losses and loss adjustment expenses; (ii) policy acquisition costs; and (iii) other underwriting expenses.

Service business pretax profit (loss) is the difference between service business revenues and service business expenses.

Assets and income taxes are not allocated to operating segments, as such allocation would be impractical. Expense allocations are based on certain assumptions and estimates primarily related to revenue and volume;

stated segment operating results would change if different methods were applied. We also do not separately identify depreciation expense by segment. Companywide depreciation expense for 2023, 2022, and 2021, was \$285.5 million, \$305.6 million, and \$279.7 million, respectively. The accounting policies of the operating segments are consistent with those described in *Note 1 – Reporting and Accounting Policies*.

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

(millions)	2023		2022		2021	
	Revenues	Pretax Profit (Loss)	Revenues	Pretax Profit (Loss)	Revenues	Pretax Profit (Loss)
Personal Lines						
Agency	\$ 21,198.2	\$ 1,029.2	\$ 17,744.7	\$ 734.1	\$ 16,881.0	\$ 992.1
Direct	25,015.1	1,828.2	20,135.5	769.4	18,492.3	619.2
Total Personal Lines ¹	46,213.3	2,857.4	37,880.2	1,503.5	35,373.3	1,611.3
Commercial Lines						
Property ²	2,551.4	28.1	2,270.0	(238.4)	2,042.5	(312.3)
Other indemnity ³	1.0	(16.2)	2.7	(11.4)	7.7	(1.4)
Total underwriting operations	58,664.4	2,992.3	49,241.2	2,064.0	44,368.7	2,065.4
Fees and other revenues ⁴	889.1	NA	722.1	NA	691.8	NA
Service businesses	310.1	(38.9)	299.3	2.6	271.4	18.6
Investments ⁵	2,244.9	2,218.7	(651.9)	(676.2)	2,370.1	2,344.6
Interest expense	NA	(268.4)	NA	(243.5)	NA	(218.6)
Property - Goodwill impairment ²	NA	0	NA	(224.8)	NA	0
Consolidated total	\$ 62,108.5	\$ 4,903.7	\$ 49,610.7	\$ 922.1	\$ 47,702.0	\$ 4,210.0

NA = Not applicable

¹ Personal auto insurance accounted for 94% of the total Personal Lines segment net premiums earned in 2023, 2022, and 2021; insurance for our special lines products (e.g., motorcycles, RVs, watercraft, and snowmobiles) accounted for the balance of the Personal Lines net premiums earned.

² The total pretax loss, including goodwill impairment, for the Property segment was \$463.2 million for 2022.

³ Includes other underwriting business and run-off operations.

⁴ Pretax profit (loss) for fees and other revenues is allocated to operating segments based on revenue.

⁵ Revenues represent recurring investment income and total net realized gains (losses) on securities; pretax profit (loss) is net of investment expenses.

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

	2023		2022		2021	
	Underwriting Margin	Combined Ratio	Underwriting Margin	Combined Ratio	Underwriting Margin	Combined Ratio
Personal Lines						
Agency	4.9%	95.1	4.1%	95.9	5.9%	94.1
Direct	7.3	92.7	3.8	96.2	3.4	96.6
Total Personal Lines	6.2	93.8	4.0	96.0	4.6	95.4
Commercial Lines						
Property	1.1	98.9	(10.5)	110.5	(15.3)	115.3
Total underwriting operations	5.1	94.9	4.2	95.8	4.7	95.3

11. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss), including reclassification adjustments by income statement line item, for the years ended December 31, were as follows:

(millions)	Components of Changes in Accumulated Other Comprehensive Income (after tax)					
	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	Foreign currency translation adjustment
Balance at December 31, 2022	\$ (3,556.9)	\$ 754.9	\$ (2,802.0)	\$ (2,786.3)	\$ (14.5)	\$ (1.2)
Other comprehensive income (loss) before reclassifications:						
Investment securities	1,256.1	(265.6)	990.5	990.5	0	0
Foreign currency translation adjustment	0.4	(0.1)	0.3	0	0	0.3
Total other comprehensive income (loss) before reclassifications	1,256.5	(265.7)	990.8	990.5	0	0.3
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	(246.9)	51.9	(195.0)	(195.0)	0	0
Interest expense	(0.6)	0.1	(0.5)	0	(0.5)	0
Total reclassification adjustment for amounts realized in net income	(247.5)	52.0	(195.5)	(195.0)	(0.5)	0
Total other comprehensive income (loss)	1,504.0	(317.7)	1,186.3	1,185.5	0.5	0.3
Balance at December 31, 2023	\$ (2,052.9)	\$ 437.2	\$ (1,615.7)	\$ (1,600.8)	\$ (14.0)	\$ (0.9)

(millions)	Components of Changes in Accumulated Other Comprehensive Income (after tax)					
	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	Foreign currency translation adjustment
Balance at December 31, 2021	\$ 52.3	\$ (11.6)	\$ 40.7	\$ 56.2	\$ (14.9)	\$ (0.6)
Other comprehensive income (loss) before reclassifications:						
Investment securities	(4,168.4)	878.7	(3,289.7)	(3,289.7)	0	0
Foreign currency translation adjustment	(0.7)	0.1	(0.6)	0	0	(0.6)
Total other comprehensive income (loss) before reclassifications	(4,169.1)	878.8	(3,290.3)	(3,289.7)	0	(0.6)
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	(559.4)	112.2	(447.2)	(447.2)	0	0
Interest expense	(0.5)	0.1	(0.4)	0	(0.4)	0
Total reclassification adjustment for amounts realized in net income	(559.9)	112.3	(447.6)	(447.2)	(0.4)	0
Total other comprehensive income (loss)	(3,609.2)	766.5	(2,842.7)	(2,842.5)	0.4	(0.6)
Balance at December 31, 2022	\$ (3,556.9)	\$ 754.9	\$ (2,802.0)	\$ (2,786.3)	\$ (14.5)	\$ (1.2)

(millions)	Components of Changes in Accumulated Other Comprehensive Income (after tax)					
	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	Foreign currency translation adjustment
Balance at December 31, 2020	\$ 1,187.4	\$ (255.7)	\$ 931.7	\$ 947.3	\$ (15.6)	\$ 0
Other comprehensive income (loss) before reclassifications:						
Investment securities	(892.4)	193.0	(699.4)	(699.4)	0	0
Foreign currency translation adjustment	(0.8)	0.2	(0.6)	0	0	(0.6)
Total other comprehensive income (loss) before reclassifications	(893.2)	193.2	(700.0)	(699.4)	0	(0.6)
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	242.8	(51.1)	191.7	191.7	0	0
Interest expense	(0.9)	0.2	(0.7)	0	(0.7)	0
Total reclassification adjustment for amounts realized in net income	241.9	(50.9)	191.0	191.7	(0.7)	0
Total other comprehensive income (loss)	(1,135.1)	244.1	(891.0)	(891.1)	0.7	(0.6)
Balance at December 31, 2021	\$ 52.3	\$ (11.6)	\$ 40.7	\$ 56.2	\$ (14.9)	\$ (0.6)

In an effort to manage interest rate risk, we entered into forecasted transactions on Progressive's debt issuances. During the next 12 months, we expect to reclassify \$0.6 million (pretax) into interest expense, related to net unrealized losses on forecasted transactions (see *Note 4 – Debt* for further discussion).

12. LITIGATION

The Progressive Corporation and/or its insurance subsidiaries are named as defendants in various lawsuits arising out of claims made under insurance policies written by our insurance subsidiaries in the ordinary course of business. We consider all legal actions relating to such claims in establishing our loss and loss adjustment expense reserves.

In addition, The Progressive Corporation and/or its insurance subsidiaries are named as defendants in a number of class action or individual lawsuits that challenge certain of the operations of the subsidiaries.

We describe litigation contingencies for which a loss is probable. In addition, we establish accruals for these lawsuits when we can reasonably estimate potential loss exposure, which may include a range of loss, and we will disclose such amount or range of loss if material. As to lawsuits for which the loss is considered probable but not estimable, we do not establish an accrual. Nevertheless, we continue to evaluate this pending litigation to determine if any losses not deemed probable and estimable become so, at which point we would establish an accrual at our best estimate of the loss or range of loss.

We also describe litigation contingencies for which a loss is reasonably possible (but not probable). When disclosing reasonably possible litigation contingencies, we will disclose the amount or range of possible loss, if we are able to make that determination and if material. We review all reasonably possible losses on an ongoing basis to determine whether the likelihood of incurring a loss has become probable, or whether the circumstances have changed such that we may now reasonably estimate a range of loss.

We may also be exposed to litigation contingencies that are remote. Remote litigation contingencies are those for which the likelihood of a loss is slight at the balance sheet date. We do not disclose, or establish accruals for, remote litigation contingencies, but we evaluate these contingencies on an ongoing basis to determine whether the likelihood of a loss has increased.

Each year, certain of our pending litigation matters may be brought to conclusion. For cases that have settled, but for which settlement is not complete, an accrual is established at our best estimate of the loss exposure. We regularly review these and other accruals to ensure they are adequate.

Settlements that are complete are fully reflected in our financial statements. The amounts accrued and/or paid for settlements during the periods presented were not material to our consolidated financial condition, cash flows, or results of operations.

The pending lawsuits summarized below are in various stages of development, and the outcomes are uncertain until final disposition or, if probable and estimable, are accrued and immaterial as of December 31, 2023. At year end, except to the extent an immaterial accrual has been established, we do not consider the losses from these pending cases to be both probable and estimable, and we are unable to estimate a range of loss at this time. It is not possible to determine loss exposure for a number of reasons, including, without limitation, one or more of the following:

- liability appears to be remote;
- putative class action lawsuits generally pose immaterial exposure until a class is actually certified, which, historically, has not been granted by courts in the vast majority of our cases in which class certification has been sought;
- even certified class action lawsuits are subject to decertification, denial of liability, and/or appeal;
- class definitions are often indefinite and preclude detailed exposure analysis; and
- complaints rarely state an amount sought as relief, and when such amount is stated, it often is a function of pleading requirements and may be unrelated to the potential exposure.

At December 31, 2023, the pending lawsuits summarized below, including those discussed above, are in various stages of development, and the outcomes are uncertain until final disposition or, if probable and estimable, are accrued and immaterial:

Lawsuits seeking class/collective action status alleging that:

- we improperly handle, adjust, and pay physical damage claims, including how we value total loss claims, the application of a negotiation adjustment in calculating total loss valuations, the payment of fees and taxes associated with total losses, and the payment of diminution of value damages.
- we improperly adjust personal injury protection (PIP) claims in Florida.
- we improperly adjust medical bills submitted by insureds or medical providers in medical claims.
- we improperly pay and reimburse Medicare Advantage Plans or Medicaid on first party medical, PIP, and bodily injury claims.
- we sell illusory underinsured motorist coverage.
- we wrongfully withheld or delayed payments owed to insureds under uninsured/underinsured motorist coverage.
- we provided an insufficient amount of premium relief to California insureds in response to the COVID-19 pandemic.
- we improperly use marital status as a rating factor when setting premium in California.
- we fail to timely and fully refund premiums to insureds upon taking title to vehicles that have been deemed total losses.
- we mistitle vehicles by failing to include a salvage designation.
- we improperly pay post-arbitration award interest.
- we improperly prorate the deductible amount returned to the insured after subrogation.

We plan to contest these suits vigorously, but may pursue settlement negotiations in some cases, as we deem appropriate. In the event that any one or more of these cases results in a substantial judgment against us, or settlement by us, or if our accruals (if any) prove to be inadequate, the resulting liability could have a material adverse effect on our consolidated financial condition, cash flows, and/or results of operations.

Lawsuits arising from insurance policies and operations, including but not limited to allegations involving claims adjustment and vehicle valuation, may be filed contemporaneously in multiple states. As of December 31, 2023, we are named as defendants in class action lawsuits pending in multiple states alleging that we improperly value total loss vehicle physical damage claims through the application of a negotiation adjustment in calculating such valuations. At December 31, 2023, this includes four states in which classes have been certified, and lawsuits styled as putative class actions pending in additional states. These lawsuits, which were filed at different times by different plaintiffs, feature certain similar claims and also include different allegations and are subject to various state laws. While we believe we have meritorious defenses and we are vigorously contesting these lawsuits, an unfavorable result in, or a settlement of, a significant number of these lawsuits could, in aggregation, have a material adverse effect on our financial condition, cash flows, and/or results of operations. Based on information known at December 31, 2023, we determined that losses from these lawsuits are reasonably possible but neither probable nor reasonably estimable.

- we improperly funded a grant program for small businesses.
- we improperly raised insureds' premiums during their current policy term.
- we failed, based on a vendor data security incident, to properly secure and safeguard personally identifiable information.

Lawsuits certified or conditionally certified as class/collective actions alleging that:

- we improperly value total loss claims by applying a negotiation adjustment in Colorado, Georgia, New York, and Pennsylvania.
- we improperly fail to pay fees and taxes associated with total losses in Michigan and New York.
- we improperly adjust medical bills in Washington.
- we improperly calculate basic economic loss as it relates to wage loss coverage in New York.
- we improperly fail to timely process and pay PIP claims in Texas.
- we improperly reduce or deny PIP benefits when medical expenses are paid initially by health insurance.

Non-class/collective/representative lawsuits filed by different plaintiffs and subject to various state laws, alleging that certain business operations, commercial matters, and/or employment policies, practices, or decisions are improper.

13. LEASES

Included in our consolidated balance sheets are certain operating leases for office space, computer equipment, and vehicles. The leased assets represent our right to use an underlying asset for the lease term and the lease liabilities represent our obligation to make lease payments arising from the lease using an incremental borrowing rate to calculate the present value of the remaining lease payments. Leased assets and leased liabilities are reported as a component of other assets and accounts payable, accrued expenses, and other liabilities, respectively, in our consolidated balance sheets.

Contracts are reviewed at inception to determine if it contains a lease and whether the lease qualifies as an operating or financing lease. We do not have material financing leases.

Operating leases are expensed on a straight-line basis over the term of the lease. In determining the lease term, we consider the probability of exercising renewal options. We elected to account for leases with both lease and non-lease components as a single lease component and to apply a portfolio approach to account for our vehicle leases.

The following table summarizes the carrying amounts of our operating leased assets and liabilities at December 31, along with key inputs used to discount our lease liabilities:

(millions)	2023	2022
Operating lease assets	\$ 172.5	\$ 130.5
Operating lease liabilities	\$ 177.2	\$ 137.2
Weighted-average remaining term	3.2 years	2.5 years
Weighted-average discount rate	5.1%	2.0%

At December 31, 2023, the following table shows our operating lease liabilities, on an undiscounted basis for the periods indicated:

(millions)	Commitments
2024	\$ 74.0
2025	54.6
2026	37.6
2027	15.8
2028	6.0
Thereafter	4.8
Total	192.8
Interest	(15.6)
Present value of lease liabilities	\$ 177.2

The operating lease expense for the years ended December 31, was as follows:

(millions)	Expense
2023	\$ 94.4
2022	89.1
2021	90.4

14. DIVIDENDS

Following is a summary of our common and preferred share dividends that were declared and/or paid in the last three years:

(millions, except per share amounts)		Amount	
Declared	Payable	Per Share	Accrued/Paid ¹
<u>Common - Annual-Variable Dividends:</u>			
December 2023	January 2024	\$ 0.75	\$ 439.3
December 2021	December 2021	1.50	876.5
December 2020	January 2021	4.50	2,635.9
<u>Common - Quarterly Dividends:</u>			
December 2023	January 2024	0.10	58.6
August 2023	October 2023	0.10	58.5
May 2023	July 2023	0.10	58.5
March 2023	April 2023	0.10	58.5
December 2022	January 2023	0.10	58.5
August 2022	October 2022	0.10	58.5
May 2022	July 2022	0.10	58.5
March 2022	April 2022	0.10	58.5
December 2021	January 2022	0.10	58.5
August 2021	October 2021	0.10	58.5
May 2021	July 2021	0.10	58.5
March 2021	April 2021	0.10	58.5
December 2020	January 2021	0.10	58.6
<u>Preferred Dividends:</u>			
October 2023	December 2023	20.753157	10.4
August 2023	September 2023	20.67700	10.3
May 2023	June 2023	18.92463	9.5
December 2022	March 2023	26.875	13.4
August 2022	September 2022	26.875	13.4
December 2021	March 2022	26.875	13.4
August 2021	September 2021	26.875	13.4
December 2020	March 2021	26.875	13.4

¹The accrual is based on an estimate of shares outstanding as of the record date and recorded as a component of accounts payable, accrued expenses, and other liabilities on our consolidated balance sheets until paid.

Common Share Dividends The Board of Directors adopted a policy of declaring regular quarterly common share dividends, and on at least an annual basis, to consider declaring an additional, variable common share dividend. For 2022, the Board decided not to declare an annual-variable dividend after assessing our capital position, existing capital resources, and expected future capital needs.

Preferred Share Dividends During 2018, we issued 500,000 Series B Fixed-to-Floating Rate Cumulative Perpetual Serial Preferred Shares, without par value (the Series B Preferred Shares), with a liquidation preference of \$1,000 per share (the stated amount). Beginning March 15, 2023 and up until redemption (the floating-rate period), holders of the Series B Preferred Shares are entitled to receive cumulative cash dividends quarterly, if and when declared by the Board of Directors, at a floating annual dividend rate equal to the three-month London Interbank Offered Rate (LIBOR) plus a spread of 2.539% applied to the stated amount per share.

We, as calculation agent under our Series B Preferred Shares, determined that the reference rate for the Series B Preferred Shares, for any determination date

after June 30, 2023, shall be the sum of (i) 3-Month CME Term SOFR plus (ii) a tenor spread adjustment of 0.26161%, and (iii) a spread of 2.539%. The new reference rate became effective for the dividend period determination date commencing September 15, 2023. The reference rate was determined in accordance with the successor base rate provisions of the Series B Preferred Shares and the Adjustable Interest Rate (LIBOR) Act and the regulation issued by the Board of Governors of the Federal Reserve System on December 16, 2022, implementing the LIBOR Act. The Board did not declare a dividend in December 2023 as they had in prior years.

Prior to the floating-rate period, dividends were payable semiannually in March and September, if and when declared by the Board of Directors, at a fixed annual dividend rate of 5.375% of the stated amount per share.

The Series B Preferred Shares are perpetual and have no stated maturity date. During the first quarter 2024, we redeemed all of the outstanding Series B Preferred Shares at the stated amount of \$1,000 per share, for an aggregate payout of \$507.8 million, including accrued and unpaid dividends to, but excluding February 22, 2024, which is the redemption date.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Progressive Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Progressive Corporation and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly

reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Loss and Loss Adjustment Expense Reserves

As described in Notes 1 and 6 to the consolidated financial statements, as of December 31, 2023, the Company reported a \$34.4 billion loss and loss adjustment expense ("LAE") reserve liability, of which about 92% relates to Personal and Commercial Lines vehicle businesses. Reserves are based on estimates of ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. Management establishes loss and LAE reserves after completing reviews at a disaggregated level of grouping. During a reserve review, ultimate loss amounts are estimated using several industry standard actuarial projection methods. These methods take into account historical comparable loss data at the subset level and estimate the impact of various loss development factors, such as the frequency (number of losses per exposure), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of LAE costs.

The principal considerations for our determination that performing procedures relating to the valuation of loss and LAE reserves is a critical audit matter are (i) the significant judgment by management when developing the estimate of loss and LAE reserves, which in turn led to a significant degree of auditor judgment and subjectivity in performing procedures relating to the valuation; (ii) the significant audit effort and judgment in evaluating audit evidence relating to the various actuarial projection methods and aforementioned loss development factors; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's valuation of loss and LAE reserves, including controls over the various actuarial projection methods, and development of the loss development factors. These procedures also included, among others, testing the completeness and accuracy of historical data provided by management and the involvement of professionals with specialized skill and knowledge to assist in (i) independently estimating reserves for certain lines of business using actual historical comparable loss data, independently derived loss development factors, and industry data and comparing this independent estimate to management's actuarial determined reserves and (ii) evaluating the appropriateness of the actuarial projection methods and reasonableness of the aforementioned loss development factors used by management for determining the reserve balances for certain lines of business.



Cleveland, Ohio

February 26, 2024

We have served as the Company's auditor since 1984.

Management's Report on Internal Control over Financial Reporting

Progressive's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control structure was designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

PricewaterhouseCoopers LLP, an independent registered public accounting firm that audited the financial statements included in this Annual Report, has audited, and issued an attestation report on the effectiveness of, our internal control over financial reporting as of December 31, 2023; such report appears herein.

CEO and CFO Certifications

Susan Patricia Griffith, President and Chief Executive Officer of The Progressive Corporation, and John P. Sauerland, Vice President and Chief Financial Officer of The Progressive Corporation, have issued the certifications required by Sections 302 and 906 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations with respect to Progressive's 2023 Annual Report on Form 10-K, including the financial statements provided in this Report. Among other matters required to be included in those certifications, Mrs. Griffith and Mr. Sauerland have each certified that, to the best of their knowledge, the financial statements, and other financial information included in the Annual Report on Form 10-K, fairly present in all material respects the financial condition, results of operations, and cash flows of Progressive as of, and for, the periods presented. See Exhibits 31 and 32 to Progressive's Annual Report on Form 10-K for the complete Sections 302 and 906 certifications, respectively.

The Progressive Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand our financial condition and results of operations. MD&A should be read in conjunction with the consolidated financial statements and the related notes, and supplemental information.

I. OVERVIEW

The Progressive insurance organization has been offering insurance to consumers since 1937. The Progressive Corporation is a holding company that does not have any revenue producing operations, physical property, or employees of its own. The Progressive Corporation, together with its insurance and non-insurance subsidiaries and affiliates, comprise what we refer to as Progressive.

We report three operating segments. Our Personal Lines segment writes insurance for personal autos and recreational vehicles (referred to as our special lines products). Our Commercial Lines segment writes auto-related liability and physical damage insurance, business-related general liability and property insurance predominantly for small businesses, and workers' compensation insurance primarily for the transportation industry. Our Property segment writes residential property insurance for homeowners, other property owners, and renters. We operate throughout the United States through both the independent agency and direct distribution channels. We are the second largest private passenger auto insurer in the country, the number one writer of commercial auto insurance, and the 10th largest homeowners insurance carrier, in each case based on 2022 premiums written.

Our underwriting operations, combined with our service and investment operations, make up the consolidated group.

A. Operating Results

During 2023, Progressive reported strong growth in both premiums written and policies in force, compared to 2022, and generated an underwriting profit better than our 4% companywide calendar-year underwriting profit goal.

During 2023, net premiums written and earned increased 20% and 19%, respectively, over 2022, and policies in force increased 9% companywide. We were able to generate this growth despite the actions we took during the year to slow growth as part of our efforts to

ensure we met our profitability target, indicating that we remained competitive in the marketplace. We surpassed \$60 billion in net premiums written to end 2023 at \$61.6 billion, which was \$10.5 billion more than we generated during 2022, which is roughly about the size of the 8th largest U.S. private passenger auto insurer. Companywide policies in force increased 2.3 million, over year-end 2022, to end 2023 at 29.7 million. For 2023, our underwriting profit margin was 5.1%, which was better than our companywide target profit margin of 4% and better than the 4.2% underwriting margin we earned in 2022. Exceeding our underwriting profit target was a tremendous accomplishment especially since we reported a 99.7 combined ratio for the first six months of 2023.

Our incurred catastrophe losses were fairly consistent on a year-over-year basis. During 2023, we experienced companywide unfavorable prior accident year reserve development of 1.9 points, compared to 0.2 points of favorable development for 2022. About two-thirds of the unfavorable development for the year was in our Personal Lines business with the remainder primarily in our Commercial Lines business. Higher than anticipated personal auto severity and increased loss costs in Florida were the primary drivers for the Personal Lines development during the year, while Commercial Lines injury claims experienced higher than anticipated severity and frequency of late reports and large loss emergence. Throughout the year, we continued to see volatility in our severity trends as inflation continued to increase the average cost to settle a claim over last year, while personal auto frequency trends continued to be favorable.

In response to the loss trends we were experiencing and to focus on achieving our target profitability margin for 2023, all of our operating segments took rate and non-rate actions, as discussed below. We also reduced advertising spend and took other measures to slow growth until we felt that we were able to grow profitably and continue to provide high-quality customer service.

On a year-over-year basis, net income and comprehensive income increased 441% and 340%, respectively, primarily due to significant valuation increases in both our equity and fixed-maturity security portfolios during 2023, compared to the prior year. During 2023, the value of our equity and hybrid securities increased, reflecting general market conditions, which resulted in a year-over-year increase in the value of these securities of \$1.9 billion, after tax. We saw even greater valuation changes in our fixed-maturity securities on a year-over-year basis. The fair value of our fixed-maturity securities increased \$1.2 billion during 2023, compared to valuation declines of \$2.8 billion during 2022. The strong portfolio performance for 2023, compared to 2022, was primarily due to tightening credit spreads.

In addition to greater underwriting profit and the increase in the valuation in both our equity and fixed-maturity securities, the increase in our net and comprehensive income also benefited from the 50% increase in our recurring investment income during 2023. The investment income increase primarily reflected increases in both interest rates on floating-rate securities in our portfolio and in average assets, resulting from premium growth, as well as from investing new cash and cash from maturities in higher interest rate securities given the interest rate environment. For 2023, our pretax recurring book yield was 3.1%, compared to 2.4% in 2022.

We ended 2023 with total capital (debt plus shareholders' equity) of \$27.2 billion, which was up \$4.9 billion from year-end 2022, primarily due to the \$5.1 billion of comprehensive income earned during the year. Due to our strong capital position, the Board of Directors declared a \$0.75 per common share annual-variable dividend, which was in addition to the quarterly \$0.10 per common share dividend, and we elected to redeem all of our outstanding Serial Preferred Shares, Series B, in February 2024, as discussed in further detail below under *Financial Condition*.

B. Insurance Operations

All three of our operating segments grew net premiums written and policies in force during 2023 and generated an underwriting profit for the year. During the year, our primary focus was profitability over growth. We took rate and non-rate actions, which, in turn, had the effect of slowing our new business growth during the year. Even though we took these actions to focus on profitability, our year-over-year net premiums written grew 24% in Personal Lines, 8% in Commercial Lines, and 18% in

Property, which contributed to our companywide net premiums written growth of 20%. We also added 2.3 million policies in force companywide in 2023, with Personal Lines adding 2.0 million and Commercial Lines and Property adding 0.1 million and 0.2 million, respectively. We ended the year with companywide profitability of 5.1%, which was better than our target of 4%, with Personal Lines reporting 6.2%, Commercial Lines 1.2%, and Property 1.1%.

Changes in net premiums written are a function of new business applications (i.e., policies sold), premium per policy, and retention.

The Personal Lines growth in net premiums written and policies in force was generated from both our Agency and Direct distribution channels. On a year-over-year basis, for 2023, Personal Lines new applications grew 14%, with both Agency and Direct personal auto new applications up 15% on a year-over-year basis. Finishing the year with this application growth was a significant change from the first half of 2023. Through the first six months of 2023, Personal Lines new applications were up 49%, with Agency and Direct personal auto applications both up 60%, when compared to the same period in the prior year. During the latter half of the year, new applications decreased as we continued to take rate increases and non-rate actions to slow new business growth to help reach our profitability target by year end, as discussed in more detail below.

The increase in net premiums written in our Commercial Lines business reflected growth in all of our business market targets (BMT), except the for-hire transportation BMT. The largest growth was in our contractor and business auto BMTs. The Commercial Lines growth was also aided, to a lesser extent, by an increase in our transportation network company (TNC) business, due to increased rates to address profitability issues in the TNC business, an increase in the miles driven (which is the basis for determining premiums written for this business), and changes that were made in 2022 to the reinsurance program structure of certain TNC products whereby we wrote less direct premiums and, therefore, ceded less premiums than in prior year.

Our commercial auto product, excluding our TNC business and Protective Insurance Corporation and subsidiaries (Protective Insurance) products, new applications increased 4% for 2023, compared to the prior year, mainly driven by increased demand in the contractor and business auto BMTs, partially offset by a

decrease in our for-hire transportation BMT, due to unfavorable trucking market conditions. When analyzing growth in certain metrics for our Commercial Lines business, we focus on the commercial auto BMT products since our TNC, Protective Insurance, and business owners' policy (BOP) products represented less than 5% of our policies in force at year-end 2023.

The Property business net premiums written growth was primarily due to rate increases and new and renewal policy in force growth in 2023. Our Property business new applications increased 15% for the year. During 2023, we focused our efforts to grow in states that traditionally have less catastrophe exposure and limited growth in coastal and hail-prone states to reduce concentration mix among states. Compared to year-end 2022, new applications in the states where we are focused on growth were up about 45% and were down about 20% in the more volatile weather states. We currently plan to continue this approach to growth in 2024.

In our Property business, in regions where our appetite to write new business is limited, we are prioritizing Progressive auto bundles, as well as lower risk properties, such as new construction or homes with newer roofs. In addition, to continue to rebalance this business, we began a non-renewal effort of up to 115,000 Property policies in Florida. Following the required notices, the first of these non-renewals will go into effect in the second quarter of 2024 and will continue over the following 12 months. To try to ease disruption to our customers and agents, we reached an agreement with another unaffiliated Florida insurer to offer replacement policies to these policyholders, subject to the insurer's underwriting and financial guidelines and agent appointments where applicable. Despite this non-renewal effort, we plan to continue to provide for the insurance needs of about 3 million Florida policyholders across all of our lines of business, including about 200,000 Florida homeowners.

While growth is important, we strongly believe that achieving target profitability is our most important objective and will take precedence over growth. Our Personal Lines business ended the year with an underwriting profit margin of 6.2%, which was 2.2% better than both our target profitability and the prior-year underwriting profit margin. To achieve these results, we increased personal auto rates in 48 states during 2023, with an aggregate increase of about 19%, which followed the personal auto rate increases we took during 2022 of about 13%. We will continue to monitor

the factors that could impact our loss costs for our personal auto business, which can include new and used car prices, miles driven, driving patterns, loss severity, weather events, inflation, and other components, on a state-by-state basis, and will file for rate adjustments where we deem it necessary.

We believe a key element in improving the accuracy of our personal auto rating is Snapshot[®], our usage-based insurance offering. During 2023, the adoption rates for consumers enrolling in the program increased about 20% in Agency auto and about 5% in Direct auto, compared to 2022. Snapshot is available in all states, other than California. Our latest segmentation model was available in states that represented about 50% of our countrywide personal auto premium at year-end 2023 and, through continued roll out, it was available in states representing about 70% of personal auto premium by the end of February 2024.

In addition to rate actions, we routinely monitor non-rate actions, including our advertising spend. During 2023, we maintained discipline in our media budget and reduced targeted media spend in certain types of advertising, based on performance against our media and underwriting targets. Our total advertising spend was 21% lower in 2023, compared to the prior year. Toward the end of 2023 and into 2024, we began to slowly increase certain types of advertising in select markets.

During the year, we also implemented measures to support the goal of achieving our target profit margin that included slowing new business growth through verification activities, bill plan offerings, and through ongoing general operational expense discipline. We began to slowly lift these underwriting restrictions in certain states in the last few months of 2023. As a result of the actions taken during the year, we believe that we are well positioned to capitalize on growth opportunities in 2024. Nevertheless, consistent with rate actions, management will continue to assess where additional non-rate actions, including adjusting underwriting criteria, bill plans, or advertising spend, may be needed.

While our Commercial Lines business generated an underwriting profit of 1.2% for 2023, it was 7.7 points lower than last year and short of our target profitability goal. The uncertainty in the economy and business environment made 2023 a particularly challenging year for our Commercial Lines business. During the year, we experienced persistent upward pressure on our expense structure, from rising costs to settle claims

and, to a lesser extent, our operating expenses. We increased our aggregate commercial auto rates, excluding our TNC and Protective Insurance businesses, about 17% countrywide, following rate increases of about 6% in 2022. In addition, we lowered our expenses and increased our underwriting actions to supplement rate increases during 2023. Since approximately 90% of our Commercial Lines policies are written on an annual term, it will take time for the full effect of those rate and underwriting changes to be realized in our results.

Improving profitability continues to be our top priority for our Property business. For 2023, our Property business generated an underwriting profit of 1.1%, compared to an underwriting loss of 10.5% in the prior year. While our Property catastrophe losses were fairly consistent year over year, our non-catastrophe loss ratio was about 12 points lower in 2023, compared to 2022.

Due to our concentration of policies in catastrophe-exposed states, severe weather events generally have greater impact on our results, compared to other national carriers. In response, we began implementing underwriting changes during the second half of 2021, which continued during both 2022 and 2023, to focus on improving profitability in the Property business, as discussed above. In addition, we increased rates an average of about 16% in our Property segment during 2023, with some of the larger increases in Texas, Florida, North Carolina, and Louisiana and in hail-prone states, such as Minnesota, Arkansas, Colorado, and Missouri. About one-third of these rate increases occurred in the fourth quarter of 2023.

During 2023, our written premiums per policy increased in all of our operating segments, primarily due to the rate increases taken during the year, as discussed above. On a year-over-year basis, personal auto written premium per policy increased 12% and 10% in our Agency and Direct businesses, respectively, compared to the prior year. In our core commercial auto products, we experienced a 3% increase in written premium per policy in 2023, compared to 2022, reflecting rate increases being offset by a reduction in our for-hire transportation BMT, which has higher premiums per policy. The 10% increase in our Property business written premium per policy is substantially less than the rate increases discussed above primarily as a result of taking a portion of the increases later in the year and slower homeowners growth in volatile states that have higher average premiums.

We realize that to grow policies in force, it is critical that we retain our customers for longer periods. Consequently, increasing retention continues to be one of our most important priorities. A key initiative to lengthening our retention is to increase our share of multi-product households. We will continue to make investments to improve the customer experience in order to support that goal.

Policy life expectancy, which is our actuarial estimate of the average length of time that a policy will remain in force before cancellation or lapse in coverage, is our primary measure of customer retention in our Personal Lines, Commercial Lines, and Property businesses.

We evaluate personal auto retention using a trailing 12-month and a trailing 3-month policy life expectancy. The latter can reflect more volatility and is more sensitive to seasonality. Our trailing 12-month total personal auto policy life expectancy was up 24% year over year, with Agency up 29% and Direct up 19%. We saw improvement in our trailing 12-month policy life expectancy on a month-over-prior month basis throughout the second half of 2023. On a trailing 3-month basis, our personal auto policy life expectancy was up 14% year over year, which is a significant improvement from the 9% decrease in policy life expectancy we reported for 2022. We believe that the improved retention on a trailing 3-month basis reflects our continued competitiveness in the marketplace despite our rate increases.

Our trailing 12-month policy life expectancy increased 5% and 15% for special lines and Property, respectively, and decreased 12% for Commercial Lines. While the decrease in the Commercial Lines policy life expectancy was across all BMTs, the for-hire transportation BMT saw the largest year-over-year decrease in retention. Commercial auto retention is being negatively impacted by our rate and underwriting actions and unfavorable trucking market conditions, which we believe are driving increased shopping and causing motor carriers to exit the industry.

C. Investments

The fair value of our investment portfolio was \$66.0 billion at December 31, 2023, compared to \$53.5 billion at December 31, 2022. The increase in value from year-end 2022, primarily reflected cash flows from operations and increases in the valuations of our portfolio during the year.

Our asset allocation strategy is to maintain 0%-25% of our portfolio in Group I securities, with the balance (75%-100%) of our portfolio in Group II securities (the securities allocated to Group I and II are defined below under *Results of Operations – Investments*). At December 31, 2023, 7% of our portfolio was allocated to Group I securities and 93% to Group II securities, compared to 10% and 90%, respectively, at December 31, 2022. The decrease in our allocation to Group I securities, which are the riskier securities in our portfolio, reflects our intent to maintain a more conservative posture in our investment portfolio that includes a greater allocation to U.S. Treasuries.

Our recurring investment income generated a pretax book yield of 3.1% for 2023, compared to 2.4% for 2022, due to the increase in interest rates on the floating-rate securities in our portfolio and the investment of cash and maturities at relatively higher interest rates. Our investment portfolio produced a fully taxable equivalent (FTE) total return of 6.3% for 2023

and of (7.8)% for 2022. Our fixed-income and common stock portfolios had FTE total returns of 5.4% and 26.7%, respectively, for 2023, compared to (6.6)% and (19.4)%, for 2022. The increase in the fixed-income portfolio total return, compared to last year, reflected valuation increases across all sectors due to lower interest rates and tighter credit spreads. The increase in the common stock portfolio return reflected general market conditions in 2023.

At December 31, 2023, the fixed-income portfolio had a weighted average credit quality of AA- and a duration of 3.0 years, compared to AA and 2.9 years at December 31, 2022. Our decrease in weighted average credit quality since December 31, 2022, was mainly due to a second major credit rating agency downgrading U.S. Treasury debt to AA+ from AAA, which led us to lower our U.S. Treasury positions to AA+. Our duration was raised from last year to take advantage of the higher yields in the market.

II. FINANCIAL CONDITION

A. Liquidity and Capital Resources

The Progressive Corporation receives cash through subsidiary dividends, capital raising, and other transactions, and uses these funds to contribute to its subsidiaries (e.g., to support growth), to make payments to shareholders and debt holders (e.g., dividends and interest, respectively), to repurchase its common shares, and to redeem or pay off debt, as well as for acquisitions and other business purposes that may arise.

During 2023, The Progressive Corporation received cash from the following sources:

- Debt issuance - issued \$500 million of 4.95% Senior Notes due 2033 in an underwritten public offering.
- Dividends from subsidiaries - received \$400.9 million from its insurance and non-insurance subsidiaries.

The Progressive Corporation deployed capital through the following actions in 2023:

- Dividends
 - Common shares - declared aggregate dividends of \$1.15 per common share, or \$673.4 million.
 - Preferred shares - declared aggregate Series B Preferred dividends of \$30.2 million.
- Common Share Repurchases - acquired 1.0 million of our common shares at a total cost of \$140.7 million either in the open market or to

satisfy tax withholding obligations in connection with the vesting of equity awards under our employee equity compensation plan. Pursuant to our financial policies, we repurchase common shares to neutralize dilution from equity-based compensation granted during the year and opportunistically when we believe our shares are trading below our determination of long-term fair value.

- Capital Contributions - contributed a net \$621.5 million to its insurance and non-insurance subsidiaries.

Over the last three years, The Progressive Corporation received dividends from its subsidiaries, net of capital contributions, of \$2.0 billion, and issued \$2.0 billion, in the aggregate, of senior notes.

The covenants on The Progressive Corporation's existing debt securities do not include any rating or credit triggers that would require an adjustment of the interest rate or an acceleration of principal payments in the event that our debt securities are downgraded by a rating agency. While we had an unsecured discretionary line of credit available to us during each of the last three years in the amount of \$300 million, currently, and \$250 million for the prior periods, we did not borrow under this arrangement, or engage in other short-term borrowings, to fund our operations or for liquidity purposes.

In the aggregate for the last three years, we made the following payments:

- \$4.2 billion for common share dividends and \$0.1 billion for preferred share dividends;
- \$0.7 billion for interest on our outstanding debt;
- \$0.5 billion for the maturity of debt;
- \$0.5 billion to repurchase our common shares; and
- \$0.3 billion related to acquisitions.

Beginning March 15, 2023, the annual dividend rate for the Series B Preferred Shares switched to a floating rate equal to the three-month LIBOR plus a spread of 2.539% applied to the stated amount per share. During the floating rate period, dividends on the Series B Preferred Shares are payable quarterly, if and when declared by the Board of Directors.

We, as calculation agent under our Series B Preferred Shares, determined that the reference rate for the Series B Preferred Shares, for any determination date after June 30, 2023, would be the sum of (i) 3-Month CME Term SOFR plus (ii) a tenor spread adjustment of 0.26161%, and (iii) a spread of 2.539%. The new reference rate became effective for the dividend period determination date commencing September 15, 2023. The reference rate was determined in accordance with the successor base rate provisions of the Series B Preferred Shares and the Adjustable Interest Rate (LIBOR) Act and the regulation issued by the Board of Governors of the Federal Reserve System on December 16, 2022, implementing the LIBOR Act.

Pursuant to authorization from our Board of Directors, we redeemed all of the outstanding Series B Preferred Shares at the stated amount of \$1,000 per share for an aggregate payout of \$507.8 million, including accrued and unpaid dividends to, but excluding, February 22, 2024, which was the redemption date.

Progressive's insurance operations create liquidity by collecting and investing premiums from new and renewal business in advance of paying claims, as well as from our objective for our insurance subsidiaries to produce an aggregate calendar-year underwriting profit of at least 4%. As primarily an auto insurer, our claims liabilities generally have a short-term duration. At December 31, 2023, our loss and loss adjustment expense (LAE) reserves were \$34.4 billion. Typically, at any point in time, approximately 50% of our outstanding loss and LAE reserves are paid within the following twelve months and less than 20% are still outstanding after three years. See *Note 6 – Loss and Loss Adjustment Expense Reserves* for further information on the timing of claims payments.

For the three years ended December 31, 2023, operations generated positive cash flows of \$25.3 billion. In 2023, operating cash flows increased \$3.8 billion, compared to 2022. The increase in operating cash flow, compared to the prior year, is primarily attributable to collecting more premiums in 2023 relative to paying losses. The increase in premiums collected were mostly driven by rate increases and volume growth. While loss payments also increased during 2023, primarily due to higher loss severity trends, the increase in loss payments was not as substantial as the increase in premiums. We believe cash flows will remain positive in the reasonably foreseeable future and do not expect we will have a need to raise capital to support our operations in that timeframe, although changes in market or regulatory conditions affecting the insurance industry, or other unforeseen events, may necessitate otherwise.

As of December 31, 2023, we held \$38.7 billion in short-term investments and U.S. Treasury securities, which represented 58.6% of our total portfolio at year end. Based on our portfolio allocation and investment strategies, we believe that we have sufficient readily available marketable securities to cover our claims payments and short-term obligations in the event our cash flow from operations were to be negative. See *Item 1A, Risk Factors* in our 2023 Form 10-K filed with the U.S. Securities and Exchange Commission for a discussion of certain matters that may affect our portfolio and capital position.

Insurance companies are required to satisfy regulatory surplus and premiums-to-surplus ratio requirements. As of December 31, 2023, our consolidated statutory surplus was \$22.2 billion, compared to \$17.9 billion at December 31, 2022. Our net premiums written-to-surplus ratio was 2.8 to 1 at year-end 2023, 2.9 to 1 at year-end 2022, and 2.8 to 1 at year-end 2021. At year-end 2023, we also had access to \$4.2 billion of securities held in a non-insurance subsidiary, portions of which could be contributed to the capital of our insurance subsidiaries to support growth or for other purposes.

Insurance companies are also required to satisfy risk-based capital ratios. These ratios are determined by a series of dynamic surplus-related calculations required by the laws of various states that contain a variety of factors that are applied to financial balances based on the degree of certain risks (e.g., asset, credit, and underwriting). Our insurance subsidiaries' risk-based capital ratios were in excess of applicable minimum regulatory requirements at year-end 2023. Nonetheless,

the payment of dividends by our insurance subsidiaries are subject to certain limitations. See *Note 8 – Statutory Financial Information* for additional information on insurance subsidiary dividends.

We seek to deploy our capital in a prudent manner and use multiple data sources and modeling tools to estimate the frequency, severity, and correlation of identified exposures, including, but not limited to, catastrophic and other insured losses, natural disasters, and other significant business interruptions, to estimate our potential capital needs. Management views our capital position as consisting of three layers, each with a specific size and purpose:

- The first layer of capital is the amount of capital we need to satisfy state insurance regulatory requirements and support our objective of writing all the business we can write and service, consistent with our underwriting discipline of achieving a combined ratio of 96 or better. This first layer of capital, which we refer to as “regulatory capital,” is held by our various insurance entities.
- While our regulatory capital layer is, by definition, a cushion for absorbing financial consequences of adverse events, such as loss reserve development, litigation, weather catastrophes, and investment market changes, we view that as a base and hold a second layer of capital for even more extreme conditions. The modeling used to quantify capital needs for these conditions is extensive, including tens of thousands of simulations, representing our best estimates of such contingencies based on historical experience. This capital is held either at a non-insurance subsidiary of the holding company or in our insurance entities, where it is potentially eligible for a dividend to the holding company.
- The third layer is capital in excess of the sum of the first two layers and provides maximum flexibility to fund other business opportunities, repurchase stock or other securities, and pay dividends to shareholders, among other purposes. This capital is largely held at a non-insurance subsidiary of the holding company.

We monitor our total capital position regularly throughout the year to ensure we have adequate capital to support our insurance operations. At December 31, 2023, we held total capital (debt plus shareholders’ equity) of \$27.2 billion, compared to \$22.3 billion at December 31, 2022. Our debt-to-total capital ratios at December 31, 2023, 2022, and 2021, were 25.4%, 28.7%, and 21.2%, respectively. Giving effect to the redemption of our Serial Preferred Shares, our debt-to-total capital ratio would have been 25.8% at December 31, 2023. Our debt-to-total capital ratios were consistent with our financial policy of maintaining a ratio of less than 30%.

While our financial policies include a goal of maintaining debt below 30% of total capital at book value, we recognize that various factors, including rising interest rates, widening credit spreads, declines in the equity markets, or erosion in operating results, may result in that ratio exceeding 30% at times. In such a situation, as we experienced at the end of a couple of months during 2022, we may choose to remain above 30% for some time, dependent upon market conditions and the capital needs of our operating businesses. We will continue to monitor this ratio, market conditions, and our capital needs going forward.

At December 31, 2023, we had various noncancelable contractual obligations that were outstanding. We had outstanding \$7.0 billion principal amount of Senior Notes with maturity dates ranging from 2027 through 2052, with \$4.1 billion of future interest payment obligations related to our outstanding debt. The next debt repayment of \$1.0 billion, in the aggregate, is due in 2027 upon the maturity of our 2.45% Senior Notes and our 2.50% Senior Notes. See *Note 4 – Debt* for additional information on our long-term debt.

At year-end 2023, we also had \$1.0 billion of purchase obligations that are noncancelable commitments for goods and services (e.g., software licenses, maintenance on information technology equipment, and media placements). About 75% of our purchase obligations are payable within one year and less than 5% will be outstanding for longer than three years. In addition, our Property business has \$291.5 million of minimum commitments under several multiple-layer property catastrophe reinsurance contracts with various reinsurers with terms ranging from one to three years. See *Note 1 – Reporting and Accounting Policies, Commitments and Contingencies* for a discussion of these obligations. We do not have, and do not expect to enter into, any material commitments for capital expenditures in the reasonably foreseeable future.

Based upon our capital planning and forecasting efforts, we believe we have sufficient capital resources and cash flows from operations to support our current business, scheduled principal and interest payments on our debt, anticipated quarterly dividends on our common shares, our contractual obligations, and other expected capital requirements for the foreseeable future.

Nevertheless, we may decide to raise additional capital to take advantage of attractive terms in the market and provide additional financial flexibility. We currently have

an effective shelf registration with the U.S. Securities and Exchange Commission so that we may periodically offer and sell an indeterminate aggregate amount of senior or subordinated debt securities, preferred stock, depositary shares, common stock, purchase contracts,

warrants, and units. The shelf registration enables us to raise funds from the offering of any securities covered by the shelf registration as well as any combination thereof, subject to market conditions.

III. RESULTS OF OPERATIONS – UNDERWRITING

A. Segment Overview

We report our underwriting operations in three segments: Personal Lines, Commercial Lines, and Property. As a component of our Personal Lines segment, we report our Agency and Direct business results to provide further understanding of our products by distribution channel.

The following table shows the composition of our companywide net premiums written, by segment, for the years ended December 31:

	2023	2022	2021
Personal Lines			
Agency	36 %	36 %	37 %
Direct	43	41	41
Total Personal Lines	79	77	78
Commercial Lines	16	18	17
Property	5	5	5
Total underwriting operations	100 %	100 %	100 %

Our Personal Lines business writes insurance for personal autos (which accounts for about 94% of the segment’s total net premiums written) and special lines products (e.g., motorcycles, RVs, watercraft, and snowmobiles). Within Personal Lines, we often refer to our four consumer segments:

- Sam - inconsistently insured;
- Diane - consistently insured and maybe a renter;
- Wrights - homeowners who do not bundle auto and home; and
- Robinsons - homeowners who bundle auto and home.

While our personal auto policies are primarily written for 6-month terms, we write 12-month auto policies in our Platinum agencies to promote bundled auto and home growth. At year-end 2023 and 2022, 14% of our Agency

auto policies in force were 12-month policies. To the extent our Agency application mix of annual policies grows, the shift in policy term could increase our written premium mix by channel as 12-month policies have about twice the amount of net premiums written compared to 6-month policies. Our special lines products are written for 12-month terms.

Our Commercial Lines business writes auto-related liability and physical damage insurance, business-related general liability and property insurance predominately for small businesses, and workers’ compensation insurance primarily for the transportation industry. At year-end 2023, we wrote about 90% of our Commercial Lines policies for 12-month terms. The majority of our Commercial Lines business is written through the independent agency channel although we continue to focus on growing our direct business. To serve our direct channel customers, we continue to expand our product offerings, including adding states where we offer BOP, as well as adding these product offerings to our digital platform that serves direct small business consumers (BusinessQuote Explorer®). Our commercial auto business (excluding our TNC, BOP, and Protective Insurance products) written through the direct channel represented about 10% of our total commercial auto premiums written for each of the last three years.

Our Property business writes residential property insurance for homeowners, other property owners, renters, and umbrella insurance. We write about three-fourths of our Property business through the independent agency channel with the balance written in the direct channel. All of our Property policies are written for 12 months.

B. Profitability

Profitability for our underwriting operations is defined by pretax underwriting profit or loss, which is calculated as net premiums earned plus fees and other revenues less losses and loss adjustment expenses, policy acquisition costs, and other underwriting expenses. We also use underwriting margin, which is underwriting profit or loss expressed as a percentage of net premiums earned, to analyze our results. For the three years ended December 31, our underwriting profitability results were as follows:

(\$ in millions)	2023		2022		2021	
	Underwriting Profit (Loss)		Underwriting Profit (Loss)		Underwriting Profit (Loss)	
	\$	Margin	\$	Margin	\$	Margin
Personal Lines						
Agency	\$ 1,029.2	4.9 %	\$ 734.1	4.1 %	\$ 992.1	5.9 %
Direct	1,828.2	7.3	769.4	3.8	619.2	3.4
Total Personal Lines	2,857.4	6.2	1,503.5	4.0	1,611.3	4.6
Commercial Lines	123.0	1.2	810.3	8.9	767.8	11.1
Property	28.1	1.1	(238.4)	(10.5)	(312.3)	(15.3)
Other indemnity ¹	(16.2)	NM	(11.4)	NM	(1.4)	NM
Total underwriting operations	\$ 2,992.3	5.1 %	\$ 2,064.0	4.2 %	\$ 2,065.4	4.7 %

¹Underwriting margins for our other indemnity businesses are not meaningful (NM) due to the low level of premiums earned by, and the variability of loss costs in, such businesses.

The improvement in our companywide underwriting profit margin for 2023, compared to 2022, reflects a reduction in our underwriting expenses, predominately due to lower advertising expenses, as well as rate increases. For the last three years, our catastrophe losses had a fairly consistent impact on our companywide underwriting results. During 2023, we recognized 1.9 points of unfavorable prior accident year development, compared to minimal favorable development for the prior two years. We quickly responded to this unfavorable development and other loss trends that we experienced in 2023, by raising rates in all of our segments to focus on achieving our underwriting target profit margin for the year.

Further underwriting results for our Personal Lines business, including results by distribution channel, the Commercial Lines business, the Property business, and our underwriting operations in total, were as follows:

Underwriting Performance¹	2023	2022	2021
Personal Lines – Agency			
Loss & loss adjustment expense ratio	77.0	78.1	75.6
Underwriting expense ratio	18.1	17.8	18.5
Combined ratio	95.1	95.9	94.1
Personal Lines – Direct			
Loss & loss adjustment expense ratio	78.4	78.6	77.2
Underwriting expense ratio	14.3	17.6	19.4
Combined ratio	92.7	96.2	96.6
Total Personal Lines			
Loss & loss adjustment expense ratio	77.8	78.3	76.4
Underwriting expense ratio	16.0	17.7	19.0
Combined ratio	93.8	96.0	95.4
Commercial Lines			
Loss & loss adjustment expense ratio	79.0	71.5	69.3
Underwriting expense ratio	19.8	19.6	19.6
Combined ratio	98.8	91.1	88.9
Property			
Loss & loss adjustment expense ratio	69.6	83.3	86.4
Underwriting expense ratio	29.3	27.2	28.9
Combined ratio	98.9	110.5	115.3
Total Underwriting Operations			
Loss & loss adjustment expense ratio	77.6	77.3	75.7
Underwriting expense ratio	17.3	18.5	19.6
Combined ratio	94.9	95.8	95.3
Accident year – Loss & loss adjustment expense ratio ²	75.7	77.5	75.7

¹Ratios are expressed as a percentage of net premiums earned. Fees and other revenues are netted against either loss adjustment expenses or underwriting expenses in the ratio calculations, based on the underlying activity that generated the revenue.

²The accident year ratios include only the losses that occurred during each respective year. As a result, accident period results will change over time, either favorably or unfavorably, as we revise our estimates of loss costs when payments are made or reserves for that accident year are reviewed.

Losses and Loss Adjustment Expenses (LAE)

(millions)	2023	2022	2021
Change in net loss and LAE reserves	\$ 4,800.1	\$ 3,369.6	\$ 4,233.7
Paid losses and LAE	40,854.5	34,753.1	29,393.9
Total incurred losses and LAE	\$45,654.6	\$38,122.7	\$33,627.6

Claims costs, our most significant expense, represent payments made, and estimated future payments to be made, to or on behalf of our policyholders, including expenses needed to adjust or settle claims. Claims costs are a function of loss severity and frequency and, for our vehicle businesses, are influenced by inflation and driving patterns, among other factors, some of which are discussed below. In our Property business, severity is primarily a function of construction costs and the age of the structure. Accordingly, anticipated

changes in these factors are taken into account when we establish premium rates and loss reserves. Loss reserves are estimates of future costs and our reserves are adjusted as underlying assumptions change and information develops. See *Critical Accounting Policies – A. Loss and LAE Reserves* for a discussion of the effect of changing estimates.

Our total loss and LAE ratio increased 0.3 points in 2023 and 1.6 points in 2022, each compared to the prior year. During 2023, the increase in incurred severity and the unfavorable prior accident years reserve development, both discussed below, was partially offset by higher premiums per policy due to rate increases. Our accident year loss and LAE ratio, which excludes the impact of prior accident year reserve development during each calendar year, decreased 1.8 points in 2023 and increased 1.8 points in 2022, compared to the prior year.

We experienced severe weather conditions in several areas of the country during each of the last three years. Hurricanes, hail storms, tornadoes, and wind activity contributed to catastrophe losses each year. The following table shows our consolidated catastrophe losses and related combined ratio point impact, excluding loss adjustment expenses, for the years ended December 31:

(\$ in millions)	2023		2022		2021	
	\$	Point ¹	\$	Point ¹	\$	Point ¹
Personal Lines	\$1,093.4	2.4 pts.	\$1,045.6	2.8 pts.	\$ 652.0	1.8 pts.
Commercial Lines	41.2	0.4	34.4	0.4	26.7	0.4
Property	659.2	25.8	580.4	25.6	633.4	31.0
Total catastrophe losses incurred	\$1,793.8	3.1 pts.	\$1,660.4	3.4 pts.	\$1,312.1	3.0 pts.

¹Represents catastrophe losses incurred during the year, including the impact of reinsurance, as a percentage of net premiums earned for each segment.

During 2023, our catastrophe losses reflected severe weather events throughout the United States, with Texas, Florida, Colorado, Oklahoma, and Minnesota contributing to just over half of the losses. We have responded, and plan to continue to respond, promptly to catastrophic events when they occur in order to provide high-quality claims service to our customers.

Changes in our estimate of our ultimate losses on current catastrophes along with potential future catastrophes could have a material impact on our financial condition, cash flows, or results of operations. We reinsure various risks, including, but not limited to, catastrophic losses. We do not have catastrophe-specific reinsurance for our Personal Lines or commercial auto businesses, but we reinsure portions of our Property business. The Property business reinsurance programs include catastrophe occurrence excess of loss contracts and aggregate

excess of loss contracts. We also purchase excess of loss reinsurance on our Protective Insurance workers' compensation insurance business.

We evaluate our reinsurance programs during the renewal process, if not more frequently, to ensure our programs continue to effectively address the company's risk tolerance. As a result, during 2023, we entered into new reinsurance contracts under our occurrence excess of loss program for our Property business. The reinsurance program has retention thresholds for losses and allocated loss adjustment expenses (ALAE) from a single catastrophic event of \$200 million, which is unchanged from the retention threshold on prior contracts. As of December 31, 2023, our reinsurance program included coverage, net of retention, of up to \$2.0 billion in damages with substantial coverage for a second or third covered event. When including the Florida Hurricane Catastrophe

Fund and the Reinsurance Assistance to Policyholder programs that are specific to Florida, this coverage reached \$2.4 billion.

During 2023, we also entered into new catastrophe aggregate excess of loss reinsurance contracts that have multiple layers of coverage. The first retention layer threshold ranges from \$500 million to \$575 million, excluding named tropical storms and hurricanes. We exceeded the first layer annual retention threshold by \$17.9 million during 2023. The second retention layer threshold is \$600 million, and includes named tropical storms and hurricanes. The first and second layers provide coverage up to \$100 million and \$85 million, respectively.

For 2024, we entered into a new catastrophe aggregate excess of loss reinsurance contract that has multiple layers of coverage, with the first retention layer threshold ranging from \$450 million to \$475 million, excluding named tropical storms and hurricanes, and the second retention layer threshold of \$525 million, including named tropical storms and hurricanes. The first and second layers provide coverage up to \$85 million and \$100 million, respectively.

While the total coverage limit and per-event retention will evolve to fit the growth of our business, we expect to remain a consistent purchaser of reinsurance coverage. We were able to place our desired coverage at both June 1, 2023 and January 1, 2024, renewal events. While the cost of reinsurance in the markets in which we participate increased for the coverages placed during 2023 and the beginning of 2024, compared to the prior years, and the availability of reinsurance is subject to many forces outside of our control, we did not, and do not expect to in the near term, experience a significant lack of availability of any of the types of reinsurance that we typically purchase. See *Item 1A, Risk Factors* in our 2023 Form 10-K filed with the U.S. Securities and Exchange Commission, for the year ended December 31, 2023, for a discussion of certain risks related to catastrophe events and the potential impact of climate change. See *Item 1, Business – Reinsurance* on Form 10-K and *Note 7 – Reinsurance* for a discussion of our various reinsurance programs.

The following discussion of our severity and frequency trends in our personal auto business excludes comprehensive coverage because of its inherent

volatility, as it is typically linked to catastrophic losses generally resulting from adverse weather. For our commercial auto products, the reported frequency and severity trends include comprehensive coverage. Comprehensive coverage insures against damage to a customer’s vehicle due to various causes other than collision, such as windstorm, hail, theft, falling objects, and glass breakage.

Total personal auto incurred severity (i.e., average cost per claim, including both paid losses and the change in case reserves) on a calendar-year basis, over the prior-year periods was as follows:

Coverage Type	Growth Over Prior Year		
	2023	2022	2021 ¹
Bodily injury	10 %	8 %	11 %
Collision	5	16	11
Personal injury protection	2	(9)	7
Property damage	9	20	8
Total	8	13	9

¹Annualized year-over-2019 year to mitigate the impact that the COVID-19 pandemic had on frequency during 2020.

The year-over-year increase for 2023, compared to 2022, in part, reflects the impact of inflation, which continues to increase the valuation of used vehicles and total loss, repair, and medical costs.

On a calendar-year basis, our commercial auto products’ incurred severity, excluding our TNC, BOP, and Protective Insurance products, increased 6% in 2023 and 2022, compared to 14% in 2021. Since the loss patterns in the TNC, BOP, and Protective Insurance businesses are not indicative of our other commercial auto products, disclosing severity and frequency trends excluding those businesses is more representative of our overall experience for the majority of our commercial auto products.

It is a challenge to estimate future severity, but we continue to monitor changes in the underlying costs, such as general inflation, used car prices, vehicle repair costs, medical costs, health care reform, court decisions, and jury verdicts, along with regulatory changes and other factors that may affect severity.

Our personal auto incurred frequency on a calendar-year basis, over the prior-year periods was as follows:

Coverage Type	Growth Over Prior Year		
	2023	2022	2021 ¹
Bodily injury	2%	(4)%	(11)%
Collision	(7)	(8)	(3)
Personal injury protection	2	(5)	(10)
Property damage	0	(5)	(11)
Total	(2)	(6)	(7)

¹ Annualized year-over-2019 year to mitigate the impact that the COVID-19 pandemic had on frequency during 2020.

On a calendar-year basis, our commercial auto products' incurred frequency, excluding our TNC, BOP, and Protective Insurance products, saw an increase of

about 2% in 2023, 3% in 2022, and 9% in 2021. On an annualized basis, for 2021, incurred frequency decreased 4% compared to 2019.

We closely monitor the changes in frequency, but the degree or direction of near-term frequency change is not something that we are able to predict with any certainty. We will continue to analyze trends to distinguish changes in our experience from other external factors, such as changes in the number of vehicles per household, miles driven, vehicle usage, gasoline prices, advances in vehicle safety, and unemployment rates, versus those resulting from shifts in the mix of our business or changes in driving patterns, to allow us to react quickly to price for these trends and to reserve more accurately for our loss exposures.

The table below presents the actuarial adjustments implemented and the loss reserve development experienced on a companywide basis in the years ended December 31:

(\$ in millions)	2023	2022	2021
Actuarial Adjustments			
Reserve decrease (increase)			
Prior accident years	\$ (453.9)	\$(105.5)	\$(78.5)
Current accident year	(586.6)	(83.8)	103.9
Calendar year actuarial adjustments	<u>\$(1,040.5)</u>	<u>\$(189.3)</u>	<u>\$ 25.4</u>
Prior Accident Years Development			
Favorable (unfavorable)			
Actuarial adjustments	\$ (453.9)	\$(105.5)	\$(78.5)
All other development	(640.1)	191.8	83.2
Total development	<u>\$(1,094.0)</u>	<u>\$ 86.3</u>	<u>\$ 4.7</u>
(Increase) decrease to calendar year combined ratio	(1.9) pts.	0.2 pts.	0 pts.

Total development consists of both actuarial adjustments and "all other development" on prior accident years. We use "accident year" generically to represent the year in which a loss occurred. The actuarial adjustments represent the net changes made by our actuarial staff to both current and prior accident year reserves based on regularly scheduled reviews. Through these reviews, our actuaries identify and measure variances in the projected frequency and severity trends, which allow them to adjust the reserves to reflect current cost trends.

For our Property business, 100% of catastrophe losses are reviewed monthly and any development on catastrophe reserves are included as part of the actuarial adjustments. For the Personal Lines and Commercial Lines businesses, development for catastrophe losses in the vehicle businesses would be reflected in "all other

development," discussed below, to the extent they relate to prior year reserves. We report these actuarial adjustments separately for the current and prior accident years to reflect these adjustments as part of the total prior accident years development.

"All other development" represents claims settling for more or less than reserved, emergence of unrecorded claims at rates different than anticipated in our incurred but not recorded (IBNR) reserves, and changes in reserve estimates on specific claims. Although we believe the development from both the actuarial adjustments and "all other development" generally results from the same factors, we are unable to quantify the portion of the reserve development that might be applicable to any one or more of those underlying factors.

Our objective is to establish case and IBNR reserves that are adequate to cover all loss costs, while incurring minimal variation from the date the reserves are initially established until losses are fully developed. Our ability to meet this objective is impacted by many factors. Changes in case law, particularly related to personal injury protection, can make it difficult to estimate reserves timely and with minimal variation. As reflected in the table above, we experienced unfavorable prior year development during 2023, compared to favorable prior year development in both 2022 and 2021.

About 65% of the total unfavorable development for 2023 was in our personal auto products with our Agency and Direct auto businesses contributing nearly equally. Just over half of the unfavorable development was attributable to higher than anticipated severity in auto property and physical damage coverages, and the remainder primarily due to increased loss costs in Florida injury and medical coverages and, to a lesser extent, higher than anticipated late reported injury claims. This was partially offset by lower than anticipated loss adjustment expenses.

While it is difficult to quantify the direct impact of insurance legislation that went into effect during 2023 in Florida, Florida contributed approximately half of the total prior accident year reserve development across all personal auto product lines during 2023. We continue to believe that the Florida tort reform will likely have a positive impact on the insurance industry in Florida over the long term and began seeing some of this occur in late 2023. We will continue to monitor the ever-changing legislative and regulatory environment and will respond as we deem necessary.

Coverages related to fixing vehicles have seen unprecedented increases in severity trends on previously closed claims during 2023, relative to the last couple of years, and continued to be the major driver of prior year unfavorable development countrywide. The contributors to the increased trends came from a variety of sources, including longer vehicle repair times, longer rental times, and higher parts prices and labor rates. Fixing vehicle coverages are short-tailed, which explains why about 85% of the total year-to-date prior year development is from the 2022 accident year. Excluding Florida, accident years prior to 2022 have developed favorably.

Our current year actuarial adjustments during the first half of the year were also primarily due to fixing vehicles. Since fixing vehicle coverages are short-tailed, most of the claims that are affected by emerging trends occurred in the later part of 2022. Accordingly, the steeper trends in fixing vehicle coverages increasingly affected claims that occurred in the current accident year. Florida litigation has been a relatively small part of current year actuarial adjustments since the increase in litigation

largely affected claims that occurred before March 2023. During the second half of 2023, we saw current year actuarial adjustments moderate. About 40% of current year actuarial adjustments during the second half of the year related to our TNC business. We continue to monitor loss trends across all states and coverages and will remain vigilant to adjust reserves to reflect those trends.

Our Commercial Lines business represented about one-third of the unfavorable development during 2023, mainly due to higher than anticipated severity and frequency of late reported injury claims and large loss emergence on injury claims, with about half of the unfavorable development attributable to our TNC business. The trend in loss costs during 2023 was steep, as costs for medical care and vehicle repair labor continued to climb. Although we have seen the inflationary environmental trends moderate, we believe the impact of these trends will continue to affect loss costs for the foreseeable future.

See *Note 6 – Loss and Loss Adjustment Expense Reserves*, for a more detailed discussion of our prior accident years development.

Underwriting Expenses

Underwriting expenses include policy acquisition costs and other underwriting expenses. The underwriting expense ratio is our underwriting expenses, net of certain fees and other revenues, expressed as a percentage of net premiums earned. For 2023, our underwriting expense ratio was down 1.2 points, compared to the prior year, primarily reflecting growth in net premiums earned and decreases in our advertising spend. In total, our companywide advertising spend decreased 21%, compared to 2022, as part of our efforts to focus on profitability during the year. The reduction in advertising spend, in concert with premium growth, reduced the contribution of advertising to our combined ratio by 1.4 points during 2023, compared to 2022.

To analyze underwriting expenses, we also review our non-acquisition expense ratio (NAER), which excludes costs related to policy acquisition, including advertising and agency commissions, from our underwriting expense ratio. By excluding acquisition costs from our underwriting expense ratio, we are able to understand costs other than those necessary to acquire new policies and grow the business. In 2023, our NAER increased 0.1 points, 0.4 points, and 1.3 points in our Personal Lines, Commercial Lines, and Property businesses, respectively, compared to 2022. In addition to employee compensation, which impacted all of the businesses' NAER, the increase in our Property NAER primarily reflected additional investments we made during the year in underwriting and pricing functions.

C. Growth

For our underwriting operations, we analyze growth in terms of both premiums and policies. Net premiums written represent the premiums from policies written during the period, less any premiums ceded to reinsurers. Net premiums earned, which are a function of the premiums written in the current and prior periods, are earned as revenue over the life of the policy using a daily earnings convention. Policies in force, our preferred measure of growth since it removes the variability due to rate changes or mix shifts, represents all policies for which coverage was in effect as of the end of the period specified.

For the years ended December 31, (\$ in millions)	2023		2022		2021	
	\$	% Growth	\$	% Growth	\$	% Growth
Net Premiums Written						
Personal Lines						
Agency	\$ 22,277.9	22 %	\$ 18,334.2	6 %	\$ 17,257.9	7 %
Direct	26,303.1	26	20,944.3	11	18,910.9	10
Total Personal Lines	48,581.0	24	39,278.5	9	36,168.8	8
Commercial Lines						
Property	2,830.6	18	2,401.7	8	2,216.2	16
Other indemnity ¹	0.3	(86)	2.1	(51)	4.3	NM
Total underwriting operations	\$ 61,550.2	20 %	\$ 51,081.1	10 %	\$ 46,405.2	14 %
Net Premiums Earned						
Personal Lines						
Agency	\$ 21,198.2	19 %	\$ 17,744.7	5 %	\$ 16,881.0	7 %
Direct	25,015.1	24	20,135.5	9	18,492.3	10
Total Personal Lines	46,213.3	22	37,880.2	7	35,373.3	8
Commercial Lines						
Property	2,551.4	12	2,270.0	11	2,042.5	16
Other indemnity ¹	1.0	(63)	2.7	(65)	7.7	NM
Total underwriting operations	\$ 58,664.4	19 %	\$ 49,241.2	11 %	\$ 44,368.7	13 %

NM = Not meaningful

¹ Includes other underwriting business and run-off operations.

December 31, (# in thousands)	2023		2022		2021	
	#	% Growth	#	% Growth	#	% Growth
Policies in Force						
Personal Lines						
Agency auto	8,335.5	7 %	7,766.3	(1)%	7,879.0	3 %
Direct auto	11,190.4	10	10,131.0	6	9,568.2	8
Total auto	19,525.9	9	17,897.3	3	17,447.2	6
Special lines ¹	5,968.6	7	5,558.1	5	5,288.5	8
Personal Lines - total	25,494.5	9	23,455.4	3	22,735.7	6
Commercial Lines						
Property	1,098.5	5	1,046.4	8	971.2	18
Property	3,096.5	9	2,851.3	3	2,776.2	12
Companywide total	29,689.5	9 %	27,353.1	3 %	26,483.1	7 %

¹ Includes insurance for motorcycles, RVs, watercraft, snowmobiles, and similar items.

To analyze growth, we review new policies, rate levels, and the retention characteristics of our segments. Although new policies are necessary to maintain a growing book of business, we recognize the importance of retaining our current customers as a critical component of our continued growth.

D. Personal Lines

The following table shows our year-over-year changes for our Personal Lines business:

	Growth Over Prior Year		
	2023	2022	2021
Applications			
New	14%	1%	(2)%
Renewal	10	1	11
Written premium per policy - Auto	10	9	0
Policy life expectancy - Auto			
Trailing 3 months	14	(9)	(1)
Trailing 12 months	24	(22)	2

In our Personal Lines business, compared to the prior year periods, personal auto new applications grew 60% in the first half of 2023, but decreased dramatically during the second half of 2023, as a result of targeted rate and non-rate actions we took to focus on profitability over growth in an effort to achieve our calendar-year underwriting profitability goal. For 2023, our new applications grew 15% in personal auto and 11% in special lines, compared to 2022. Compared to the prior year, our personal auto renewal applications for 2023 were up 10% and our special lines products recorded a 6% increase in renewal applications.

Results for 2023 varied by consumer segment. Personal auto policies in force grew between 1% and 14% across all consumer segments, compared to the prior year, with Sam reporting the lowest increase and the Wrights and Robinsons having the largest growth. New business application growth was up across all segments. Quote volume decreased in all consumer segments, except the Wrights, with all consumer segments seeing an increased rate of conversion.

Our focus on achieving our target underwriting profitability takes precedence over growth. We will continue to manage growth and profitability in accordance with our long-standing goal of growing as fast as we can as long as we can provide high-quality customer service, at or below a companywide 96 combined ratio on a calendar-year basis. During 2023, in addition to rate increases, we took measures to achieve our target profit margin that included slowing new business growth through verification activities, bill plan offerings, and we also continued to exercise general operational expense discipline.

During 2023, we implemented personal auto rate increases in 48 states that, on an aggregate basis,

increased rates about 19% during the year, following a 13% rate increase during 2022. In response to rising costs, we started taking rate increases in the second quarter 2021 and continued taking rate increases throughout 2023. We believe that our prior-year rate increases had a negative impact on our 2022 policy life expectancy, and as competitors also raised rates, our retention started to lengthen as evidenced by the growth in our trailing 3-and 12-month policy life expectancy in 2023. Our written premium per policy increased during 2023 and 2022, primarily due to the rate increases taken in those years.

We report our Agency and Direct business results separately as components of our Personal Lines segment to provide further understanding of our products by distribution channel. The channel discussions below are focused on personal auto insurance since this product accounted for 94% of the Personal Lines segment net premiums written during 2023.

The Agency Business

	Growth Over Prior Year		
	2023	2022	2021
Applications - Auto			
New	15%	(3)%	(8)%
Renewal	6	(3)	8
Written premium per policy - Auto	12	11	1
Policy life expectancy - Auto			
Trailing 3 months	23	(11)	(3)
Trailing 12 months	29	(24)	1

The Agency business includes business written by more than 40,000 independent insurance agencies that represent Progressive, as well as brokerages in New York and California. During 2023, 40 states and the District of Columbia generated new Agency auto application growth, including 9 of our top 10 largest Agency states. Total Agency auto applications increased 8% with growth in both new and renewal applications. New applications and policies in force increased during 2023, across all consumer segments, except Sam, who saw a low single digit decline in both measures, compared to 2022.

During 2023, we experienced a 1% year-over-year increase in Agency auto quotes and a 13% increase in the rate of conversion. While all consumer segments contributed to the increase in conversion, compared to

2022, only the Wrights saw an increase in quote volume year over year in 2023. Written premium per policy for new and renewal Agency auto business increased 7% and 13%, respectively, compared to 2022, primarily driven by rate increases.

Policy life expectancy in the Agency business lengthened significantly during 2023, following substantial declines in 2022. During 2023, as part of our efforts to slow growth to achieve our target profitability, we focused our efforts to attract a more preferred tier of customers, along with more Robinsons, who tend to stay with us longer.

The Direct Business

	Growth Over Prior Year		
	2023	2022	2021
Applications - Auto			
New	15 %	6 %	0 %
Renewal	13	3	13
Written premium per policy - Auto	10	8	(1)
Policy life expectancy - Auto			
Trailing 3 months	6	(6)	2
Trailing 12 months	19	(19)	3

The Direct business includes business written directly by Progressive online, through our Progressive mobile app, or by the phone. During 2023, we generated new Direct auto application growth in 46 states and the District of Columbia, including 8 of our top 10 largest Direct states. Total auto applications increased 13% with growth in both new and renewal applications. New applications increased across all consumer segments and policies in force grew between 4% and 13% in each consumer segment, compared to 2022.

During 2023, we experienced an increase in Direct auto quote volume and conversion of 5% and 9%, respectively, compared to 2022. All consumer segments saw an increase in quote volume except Sam, who experienced a low single digit decline, with all consumer segments seeing an increase in the rate of conversion, compared to 2022.

Written premium per policy for new and renewal Direct auto business increased 5% and 11%, respectively, during 2023, compared to 2022, primarily driven by rate increases.

The Direct business experienced a lengthening of retention in 2023, following decreases in policy life expectancy in 2022. The drivers of the change in policy

life expectancy were similar to the Agency business where the focus was to grow more bundled customers and those in a more preferred market tier.

E. Commercial Lines

Our Commercial Lines business operates in five traditional BMTs, which include business auto, for-hire transportation, contractor, for-hire specialty, and tow markets, primarily written through the agency channel. We also write TNC business, BOP insurance, and, through Protective Insurance, larger fleet and workers' compensation insurance primarily for the transportation industry, along with trucking industry independent contractors, and affinity programs.

The following table and discussion focuses on our commercial auto product, excluding our TNC and Protective Insurance products. Year-over-year changes in our commercial auto product were as follows:

	Growth Over Prior Year		
	2023	2022	2021
Applications			
New	4 %	(1)%	27 %
Renewal	4	12	12
Written premium per policy	3	11	17
Policy life expectancy			
Trailing 12 months	(12)	(12)	11

The increases in net premiums written in our Commercial Lines business reflected growth in all of our BMTs, except our for-hire transportation BMT, which continued to be impacted by a slowdown in the rate of economic activity and challenging freight market conditions. The most significant growth was in our contractor and business auto BMTs. We believe the increase in our contractor BMT was influenced by increased construction, employment, and commercially based economic spending trends during 2023.

During 2023, commercial auto new application growth was positive in each of our BMTs, except for our for-hire transportation BMT, as previously discussed. We experienced a 7% increase in quote volume and a 3% decrease in the rate of conversion in our commercial auto products during 2023, compared to 2022.

During 2023, we increased rates, in aggregate, about 17% in our commercial auto products. Written premium per policy for new commercial auto business decreased 3% for 2023, compared to 2022. Shifts in the mix of business from for-hire trucking, which has higher premiums, to lower premium products, like business auto and contractor BMTs, more than offset the rate

increases we took in commercial auto on our new business. Written premium per policy on renewal commercial auto products increased 6%, compared to 2022.

Our policy life expectancy decreased in all BMTs. We believe increased rates and non-rate actions as well as unfavorable trucking market conditions drove increased shopping and motor carriers exited the industry, resulting in negative effects on policy life expectancy.

F. Property

The following table shows our year-over-year changes for our Property business:

	Growth Over Prior Year		
	2023	2022	2021
Applications			
New	15 %	(8)%	20 %
Renewal	5	8	10
Written premium per policy	10	6	1
Policy life expectancy			
Trailing 12 months	15	(7)	(9)

Our Property business writes residential property insurance for homeowners, other property owners, and renters, and umbrella insurance in the agency and direct channels.

Improving profitability and reducing concentration exposure continued to be the top priority for our Property business during 2023. We concentrated our growth in the Property business in markets that are less susceptible to catastrophes and lowered our exposure to coastal and hail-prone states for all products, excluding renters and umbrella. New applications in the growth-oriented states were up about 45%, compared to 2022. In regions where our appetite to write new business is limited, we continued to prioritize Progressive auto bundles, as well as lower risk properties, such as new construction or homes with newer roofs.

New applications were down about 20% during 2023 in the more volatile weather states, compared to last year. In addition, to continue to rebalance our Property business, we began a non-renewal effort of up to 115,000 Property policies in Florida. Following the required notices, the first of these non-renewals will go into effect in the second quarter of 2024 and will continue over the following 12 months. To try to ease

disruption to our customers and agents, we reached an agreement with another unaffiliated Florida insurer to offer replacement policies to these policyholders, subject to the insurer’s underwriting and financial guidelines and agent appointments where applicable.

Our written premium per policy increased on a year-over-year basis, primarily attributable to rate increases taken over the last 12 months and higher premium coverages reflecting increased property values. During 2023, we increased rates, in aggregate, about 16% in our Property segment, with larger increases in coastal and hail-prone states. The written premium per policy increase was partially offset by less homeowners growth in volatile states that have higher average premiums. We intend to continue to make targeted rate increases in states where we believe it is necessary to achieve our profitability targets.

The policy life expectancy in our Property business lengthened during 2023, compared to decreases in policy life expectancy during 2022, primarily driven by a slowdown in the housing market and a shift in the mix of business.

G. Litigation

The Progressive Corporation and/or its insurance subsidiaries are named as defendants in various lawsuits arising out of claims made under insurance policies issued by its subsidiaries in the ordinary course of business. We consider all legal actions relating to such claims in establishing our loss and loss adjustment expense reserves.

In addition, various Progressive entities are named as defendants in a number of alleged class/collective/representative actions or individual lawsuits arising out of the operations of the insurance subsidiaries. We plan to contest these suits vigorously, but may pursue settlement negotiations in some cases, as we deem appropriate. In the event that any one or more of these cases results in a substantial judgment against us, or settlement by us, or if our accruals (if any) prove to be inadequate, the resulting liability could have a material adverse effect on our consolidated financial condition, cash flows, and/or results of operations or our liquidity. During the last three years, we have settled several class/collective action and individual lawsuits. These settlements did not have a material effect on our financial condition, cash flows, or results of operations. See *Note 12 – Litigation* for a more detailed discussion.

H. Income Taxes

At December 31, 2023 and 2022, we had net current income taxes payable of \$311.8 million and \$10.9 million, respectively, which were reported in accounts payable, accrued expenses, and other liabilities on our consolidated balance sheets. This balance, which represented our estimated tax liability for the year less payments made during the year, may fluctuate from period to period due to normal timing differences and the portion of earnings generated during the fourth quarter relative to our annual earnings. See *Note 5 – Income Taxes* for further information.

A deferred tax asset or liability is a tax benefit or expense, respectively, that is expected to be realized in a future tax return. At December 31, 2023 and 2022, we reported net deferred tax assets. We are required to assess our deferred tax assets for recoverability, and, based on our analysis, we determined that we did not need a valuation allowance on our gross deferred tax assets for either year. Although realization of the gross

deferred tax assets is not assured, management believes it is more likely than not that the gross deferred tax assets will be realized based on our expectation we will be able to fully utilize the deductions that are recognized for tax purposes. We believe our deferred tax asset related to net unrealized losses on fixed-maturity securities will be realized based on the existence of prior-year capital gains and current temporary differences related to unrealized gains in our equity portfolio.

Our effective tax rate was 20% for 2023 and 2021, compared to 22% for 2022. The decrease in the effective tax rate during 2023, compared to 2022, was in part attributable to the goodwill impairment in 2022, which is not deductible for income tax purposes.

Consistent with prior years, we had no uncertain tax positions. See *Note 5 – Income Taxes* for further information.

IV. RESULTS OF OPERATIONS – INVESTMENTS

A. Portfolio Summary

At year-end 2023, the fair value of our investment portfolio was \$66.0 billion, compared to \$53.5 billion at year-end 2022. The increase in value from year-end 2022 primarily reflected cash flows from operations and increases in the valuation of our portfolio. Our investment income (interest and dividends) increased 50% and 46% in 2023 and 2022, respectively. The increases in both years were primarily due to investing new cash from operations, and proceeds from maturing bonds, at higher coupon rates, and an increase in interest rates on our floating-rate securities.

B. Investment Results

Our management philosophy governing the portfolio is to evaluate investment results on a total return basis. The fully taxable equivalent (FTE) total return includes recurring investment income, adjusted to a fully taxable amount for certain securities that receive preferential tax treatment (e.g., municipal securities), and total net realized, and changes in total unrealized, gains (losses) on securities.

The following summarizes investment results for the years ended December 31:

	2023	2022	2021
Pretax recurring investment book yield	3.1 %	2.4 %	1.9 %
FTE total return:			
Fixed-income securities	5.4	(6.6)	(0.1)
Common stocks	26.7	(19.4)	33.4
Total portfolio	6.3	(7.8)	2.6

The increase in the book yield during 2023 and 2022, primarily reflected investing new cash from operations, and proceeds from maturing bonds, at higher coupon rates, and an increase in interest rates on our floating-rate securities. The increase in the fixed-income portfolio total return, compared to last year, reflected valuation increases across all sectors due to lower interest rates and tighter credit spreads, while the increase in the common stock return reflected general market conditions.

A further break-down of our FTE total returns for our fixed-income portfolio for the years ended December 31, follows:

	2023	2022	2021
Fixed-income securities:			
U.S. Treasury Notes	4.6 %	(7.8)%	(1.2)%
Municipal bonds	5.9	(8.3)	(0.2)
Corporate bonds	7.1	(6.0)	(0.4)
Residential mortgage-backed securities	9.2	0.6	1.3
Commercial mortgage-backed securities	6.9	(9.5)	0.5
Other asset-backed securities	7.2	(1.6)	0.7
Preferred stocks	2.5	(8.3)	6.9
Short-term investments	5.0	1.5	0.1

C. Portfolio Allocation

The composition of the investment portfolio at December 31, was:

(\$ in millions)	Fair Value	% of Total Portfolio	Duration (years)	Average Rating ¹
2023				
U.S. government obligations	\$ 36,869.4	55.9 %	3.6	AA+
State and local government obligations	2,202.8	3.3	3.0	AA+
Foreign government obligations	16.3	0.1	2.6	AAA
Corporate debt securities	11,183.7	16.9	2.7	BBB+
Residential mortgage-backed securities	417.2	0.6	0.5	A+
Commercial mortgage-backed securities	3,939.7	6.0	2.3	A
Other asset-backed securities	5,575.4	8.4	1.2	AA+
Preferred stocks	1,075.8	1.7	2.4	BBB-
Short-term investments	1,789.9	2.7	<0.1	AA-
Total fixed-income securities	63,070.2	95.6	3.0	AA-
Common equities	2,928.4	4.4	na	na
Total portfolio ²	\$ 65,998.6	100.0 %	3.0	AA-
2022				
U.S. government obligations	\$ 25,167.4	47.0 %	3.7	AAA
State and local government obligations	1,977.1	3.7	3.5	AA+
Foreign government obligations	15.5	0.1	3.5	AAA
Corporate debt securities	9,412.7	17.6	2.8	BBB
Residential mortgage-backed securities	666.8	1.2	0.4	A
Commercial mortgage-backed securities	4,663.5	8.7	2.7	A+
Other asset-backed securities	4,564.6	8.5	1.1	AA+
Preferred stocks	1,397.5	2.6	2.8	BBB-
Short-term investments	2,861.7	5.4	0.1	AAA-
Total fixed-income securities	50,726.8	94.8	2.9	AA
Common equities	2,821.5	5.2	na	na
Total portfolio ²	\$ 53,548.3	100.0 %	2.9	AA

na = not applicable

¹ Represents ratings at period end. Credit quality ratings are assigned by nationally recognized statistical rating organizations. To calculate the weighted average credit quality ratings, we weight individual securities based on fair value and assign a numeric score of 0-5, with non-investment-grade and non-rated securities assigned a score of 0-1. To the extent the weighted average of the ratings falls between AAA and AA+, we assign an internal rating of AAA-.

² At December 31, 2023 and 2022, we had \$45.6 million and \$34.4 million, respectively, of net unsettled security transactions included in other assets.

The total fair value of the portfolio at December 31, 2023 and 2022, included \$4.2 billion and \$4.4 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions.

Our asset allocation strategy is to maintain 0%-25% of our portfolio in Group I securities, with the balance (75%-100%) of our portfolio in Group II securities.

We define Group I securities to include:

- common equities,
- nonredeemable preferred stocks,
- redeemable preferred stocks, except for 50% of investment-grade redeemable preferred stocks with cumulative dividends, which are included in Group II, and
- all other non-investment-grade fixed-maturity securities.

Group II securities include:

- short-term securities, and
- all other fixed-maturity securities, including 50% of investment-grade redeemable preferred stocks with cumulative dividends.

We believe this asset allocation strategy allows us to appropriately assess the risks associated with these securities for capital purposes and is in line with the treatment by our regulators.

The following table shows the composition of our Group I and Group II securities at December 31:

(\$ in millions)	2023		2022	
	Fair Value	% of Total Portfolio	Fair Value	% of Total Portfolio
Group I securities:				
Non-investment-grade fixed maturities	\$ 532.6	0.8 %	\$ 1,249.2	2.3 %
Redeemable preferred stocks ¹	86.9	0.1	92.1	0.2
Nonredeemable preferred stocks	902.1	1.4	1,213.2	2.3
Common equities	2,928.4	4.4	2,821.5	5.2
Total Group I securities	4,450.0	6.7	5,376.0	10.0
Group II securities:				
Other fixed maturities	59,758.7	90.6	45,310.6	84.6
Short-term investments	1,789.9	2.7	2,861.7	5.4
Total Group II securities	61,548.6	93.3	48,172.3	90.0
Total portfolio	\$ 65,998.6	100.0 %	\$ 53,548.3	100.0 %

¹ We held no non-investment-grade redeemable preferred stocks at December 31, 2023 or 2022.

To determine the allocation between Group I and Group II, we use the credit ratings from models provided by the National Association of Insurance Commissioners (NAIC) to classify our residential and commercial mortgage-backed securities, excluding interest-only (IO) securities, and the credit ratings from nationally recognized statistical rating organizations (NRSROs) to classify all other debt securities. NAIC ratings are based on a model that considers the book price of our securities when assessing the probability of future losses in assigning a credit rating. As a result, NAIC ratings can vary from credit ratings issued by NRSROs. Management believes NAIC ratings more accurately reflect our risk profile when determining the asset allocation between Group I and II securities.

Unrealized Gains and Losses

As of December 31, 2023, our fixed-maturity portfolio had total after-tax net unrealized losses, which are recorded as part of accumulated other comprehensive income (loss) on our consolidated balance sheets, of \$1.6 billion, compared to \$2.8 billion at December 31, 2022. The decrease in total unrealized loss year over year, was due to valuation increases across all fixed-maturity sectors, most prominently in our U.S. Treasury, corporate debt, and other asset-backed portfolios as lower interest rates and tighter credit spreads drove strong portfolio performance.

See *Note 2 – Investments* for a further break-out of our gross unrealized gains (losses).

Holding Period Gains (Losses)

The following table provides the balance and activity for both the gross and net holding period gains (losses) for 2023:

(millions)	Gross Holding Period Gains	Gross Holding Period Losses	Net Holding Period Gains (Losses)
Balance at December 31, 2022			
Hybrid fixed-maturity securities	\$ 1.3	\$ (75.8)	\$ (74.5)
Equity securities ¹	2,026.6	(182.2)	1,844.4
Total holding period securities	2,027.9	(258.0)	1,769.9
Current year change in holding period securities			
Hybrid fixed-maturity securities	4.0	41.4	45.4
Equity securities ¹	207.3	95.7	303.0
Total changes in holding period securities	211.3	137.1	348.4
Balance at December 31, 2023			
Hybrid fixed-maturity securities	5.3	(34.4)	(29.1)
Equity securities ¹	2,233.9	(86.5)	2,147.4
Total holding period securities	\$ 2,239.2	\$ (120.9)	\$ 2,118.3

¹ Equity securities include common equities and nonredeemable preferred stocks.

Changes in holding period gains (losses), similar to unrealized gains (losses) in our fixed-maturity portfolio, are the result of changes in market performance as well as sales of securities based on various portfolio management decisions.

Fixed-Income Securities

The fixed-income portfolio is managed internally and includes fixed-maturity securities, short-term investments, and nonredeemable preferred stocks. Following are the primary exposures for the fixed-income portfolio.

Interest Rate Risk This risk includes the change in value resulting from movements in the underlying market rates of debt securities held. We manage this risk by maintaining the portfolio's duration (a measure of the portfolio's exposure to changes in interest rates) between 1.5 and 5.0 years. The duration of the fixed-income portfolio was 3.0 years at December 31, 2023, compared to 2.9 years at December 31, 2022. The distribution of duration and convexity (i.e., a measure of the speed at which the duration of a security is expected to change based on a rise or fall in interest rates) is monitored on a regular basis.

The duration distribution of our fixed-income portfolio, excluding short-term investments, represented by the interest rate sensitivity of the comparable benchmark U.S. Treasury Notes, at December 31, was:

Duration Distribution	2023	2022
1 year	18.1 %	17.5 %
2 years	12.0	16.9
3 years	25.7	21.3
5 years	27.4	25.1
7 years	14.6	14.0
10 years	2.2	5.2
Total fixed-income portfolio	100.0 %	100.0 %

Credit Risk This exposure is managed by maintaining an A+ minimum weighted average portfolio credit quality rating, as defined by NRSROs. At December 31, 2023 and 2022, our weighted average credit quality rating was AA- and AA, respectively. The credit quality distribution of the fixed-income portfolio at December 31, was:

Average Rating	2023	2022
AAA	10.7 %	65.5 %
AA	65.1	6.4
A	7.0	7.6
BBB	15.7	17.2
Non-investment-grade/non-rated: ¹		
BB	1.2	2.5
B	0.2	0.5
CCC and lower	0	0.1
Non-rated	0.1	0.2
Total fixed-income portfolio	100.0 %	100.0 %

¹ The ratings in the table above are assigned by NRSROs.

The year-over-year rating shift between the AAA and AA categories was primarily due to a second major credit rating agency downgrading U.S. Treasury debt to AA+ from AAA, which led us to lower our U.S. Treasury positions to AA+.

Concentration Risk Our investment constraints limit investment in a single issuer, other than U.S. Treasury Notes or a state's general obligation bonds, to 2.5% of shareholders' equity, while the single issuer guideline on preferred stocks and/or non-investment-grade debt is 1.25% of shareholders' equity. Additionally, the guideline applicable to any state's general obligation bonds is 6% of shareholders' equity. We consider concentration risk both overall and in the context of individual asset classes and sectors, including, but not limited to, common equities, residential and commercial mortgage-backed securities, municipal bonds, and high-yield bonds. At December 31, 2023 and 2022, we were within all of the constraints described above.

Prepayment and Extension Risk We are exposed to this risk especially in our asset-backed (i.e., structured product) and preferred stock portfolios. Prepayment risk includes the risk of early redemption of security principal that may need to be reinvested at less attractive rates. Extension risk includes the risk that a security will not be redeemed when anticipated, and that the security that is extended will have a lower yield than a security we might be able to obtain by reinvesting the expected redemption principal. Our holdings of different types of structured debt and preferred securities help manage this risk. During 2023 and 2022, we did not experience significant adverse prepayment or extension of principal relative to our cash flow expectations in the portfolio.

Liquidity Risk Our overall portfolio remains very liquid and we believe that it is sufficient to meet expected near-term liquidity requirements. The short-to-intermediate duration of our portfolio provides a source of liquidity. During 2024, we expect approximately \$6.1 billion, or 25%, of principal repayment from our fixed-income portfolio, excluding U.S. Treasury Notes and short-term investments. Cash from interest and dividend payments provides an additional source of recurring liquidity.

The duration of our U.S. government obligations, which are included in the fixed-income portfolio, was comprised of the following at December 31, 2023:

(\$ in millions)	Fair Value	Duration (years)
U.S. Treasury Notes		
Less than one year	\$ 3,402.9	0.6
One to two years	4,309.2	1.4
Two to three years	4,226.8	2.5
Three to five years	16,153.5	3.9
Five to seven years	7,207.9	5.6
Seven to ten years	1,569.1	7.4
Total U.S. Treasury Notes	\$36,869.4	3.6

ASSET-BACKED SECURITIES

Included in the fixed-income portfolio are asset-backed securities, which were comprised of the following at December 31:

(\$ in millions)	Fair Value	Net Unrealized Gains (Losses)	% of Asset-Backed Securities	Duration (years)	Average Rating (at period end) ¹
2023					
Residential mortgage-backed securities	\$ 417.2	\$ (9.8)	4.2 %	0.5	A+
Commercial mortgage-backed securities	3,939.7	(595.5)	39.7	2.3	A
Other asset-backed securities	5,575.4	(91.4)	56.1	1.2	AA+
Total asset-backed securities	\$ 9,932.3	\$ (696.7)	100.0 %	1.6	AA-
2022					
Residential mortgage-backed securities	\$ 666.8	\$ (17.2)	6.7 %	0.4	A
Commercial mortgage-backed securities	4,663.5	(782.5)	47.1	2.7	A+
Other asset-backed securities	4,564.6	(259.6)	46.2	1.1	AA+
Total asset-backed securities	\$ 9,894.9	\$ (1,059.3)	100.0 %	1.8	AA-

¹The credit quality ratings are assigned by NRSROs.

Residential Mortgage-Backed Securities (RMBS) The following table details the credit quality rating and fair value of our RMBS, along with the loan classification and a comparison of the fair value at December 31, 2023, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Residential Mortgage-Backed Securities (at December 31, 2023)

(\$ in millions) Average Rating ¹	Non-Agency	Government/GSE ²	Total	% of Total
AAA	\$ 64.7	\$ 0.3	\$ 65.0	15.6 %
AA	33.4	1.1	34.5	8.2
A	267.8	0	267.8	64.2
BBB	44.1	0	44.1	10.6
Non-investment-grade/non-rated:				
BB	0.3	0	0.3	0.1
CCC and lower	1.4	0	1.4	0.3
Non-rated	4.1	0	4.1	1.0
Total fair value	\$ 415.8	\$ 1.4	\$ 417.2	100.0 %
Decrease in value	(2.2)%	(4.6)%	(2.3)%	

¹The credit quality ratings are assigned by NRSROs; when we assigned the NAIC ratings for our RMBS, 97% of our non-investment-grade securities were rated investment grade and reported as Group II securities, with the remainder classified as Group I.

²The securities in this category are insured by a Government Sponsored Entity (GSE) and/or collateralized by mortgage loans insured by the Federal Housing Administration (FHA) or the U.S. Department of Veteran Affairs (VA).

In the residential mortgage-backed sector, our portfolio consists of deals that are backed by either high-credit quality borrowers or those that have strong structural protections through underlying loan collateralization. During 2023, the RMBS portfolio decreased as a result of principal paydowns, maturities, and tender offers on securities that we participated in.

Commercial Mortgage-Backed Securities (CMBS) The following table details the credit quality rating and fair value of our CMBS, along with a comparison of the fair value at December 31, 2023, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

(\$ in millions) Average Rating ¹	Multi-Borrower	Single-Borrower	Total	% of Total
AAA	\$ 179.6	\$ 971.5	\$1,151.1	29.2 %
AA	0	924.7	924.7	23.5
A	0	727.7	727.7	18.5
BBB	0	733.1	733.1	18.6
Non-investment-grade/non-rated:				
BB	0	393.1	393.1	10.0
B	0	10.0	10.0	0.2
Total fair value	\$ 179.6	\$ 3,760.1	\$3,939.7	100.0 %
Decrease in value	(4.1)%	(13.5)%	(13.1)%	

¹ The credit quality ratings are assigned by NRSROs; when we assigned the NAIC ratings for our CMBS, 62% of our non-investment-grade securities were rated investment grade and reported as Group II securities, with the remainder classified as Group I.

The CMBS portfolio experienced heightened volatility throughout 2023 due to ongoing challenges around the commercial real estate market and higher financing costs for commercial properties. In general, delinquencies in the CMBS market have increased as some loans that reached their maturity date have had difficulty refinancing. New CMBS issuances continued to remain slow in the single-asset single-borrower market and liquidity has continued to be challenged. During 2023, we selectively reduced certain positions that we believed would be sensitive to potential future economic uncertainty. As of December 31, 2023, we had no delinquencies in our CMBS portfolio.

With focus on the commercial real estate sector, the following table shows the composition of our CMBS portfolio by maturity year and sector:

(\$ in millions) Maturity ¹	Office	Lab Office	Multi-family	Multi-family IO	Retail	Industrial	Self-storage	Casino	Defeased	Total	Average Original LTV	Average Current DSCR
2024	\$ 121.3	\$ 24.4	\$ 22.2	\$ 41.5	\$35.2	\$180.0	\$ 0	\$ 0	\$158.8	\$ 583.4	58.2 %	2.0
2025	0	41.9	0	37.0	63.9	43.8	0	0	0	186.6	65.7	2.1
2026	426.5	81.6	281.7	33.4	0	90.6	60.7	109.4	0	1,083.9	60.9	1.9
2027	405.1	0	38.9	30.2	0	94.0	245.7	0	0	813.9	60.1	1.9
2028	249.0	0	0	22.9	0	0	0	0	0	271.9	51.9	3.3
2029	383.0	0	0	10.9	0	0	0	66.8	0	460.7	58.8	3.1
2030	72.1	59.2	0	3.7	0	0	0	89.9	0	224.9	55.5	3.1
2031	223.1	91.3	0	0	0	0	0	0	0	314.4	66.5	2.1
Total fair value	\$1,880.1	\$298.4	\$342.8	\$179.6	\$99.1	\$408.4	\$306.4	\$266.1	\$158.8	\$3,939.7		

LTV= loan to value

DSCR= debt service coverage ratio

¹ The floating-rate securities were extended to their full maturity and fixed-rate securities are shown to their anticipated repayment date (if applicable) or otherwise, their maturity date.

We show the average loan to value (LTV) of each maturity year when the loans were originated. The LTV ratio that management uses, which is commonly expressed as a percentage, compares the size of the entire mortgage loan to the appraised value of the underlying property collateralizing the loan at issuance.

A LTV ratio less than 100% indicates excess collateral value over the loan amount. LTV ratios greater than 100% indicate that the loan amount exceeds the collateral value. We believe this ratio provides a conservative view of our actual risk of loss, as this number displays the entire mortgage LTV, while our

ownership is only a portion of the structure of the mortgage loan-backed security. For many of the mortgage loans in our portfolio, our exposure is in a more senior part of the structure, which means that the LTV on our actual exposure is even lower than the ratios presented.

In addition to the LTV ratio, we also examine the credit of our CMBS portfolio by reviewing the debt service coverage ratio (DSCR) of the securities. The DSCR compares the underlying property's annual net operating income to its annual debt service payments. A

DSCR less than 1.0 times indicates that property operations do not generate enough income over the debt service payments, while a DSCR greater than 1.0 times indicates that there is an excess of operating income over the debt service payments. A number above 1.0 generally indicates that there would not be an incentive for the borrower to default in light of the borrower's excess income. The DSCR reported in the table is calculated based on the most currently available net operating income and mortgage payments for the borrower, which, for most securities, is 2023 data.

Other Asset-Backed Securities (OABS) The following table details the credit quality rating and fair value of our OABS, along with a comparison of the fair value at December 31, 2023, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

(\$ in millions) Average Rating	Automobile	Collateralized Loan Obligations	Student Loan	Whole Business Securitizations	Equipment	Other	Total	% of Total
AAA	\$2,022.6	\$1,018.9	\$35.1	\$ 0	\$764.4	\$175.1	\$4,016.1	72.0 %
AA	20.4	391.9	9.4	0	41.3	0	463.0	8.3
A	9.0	0	0	0	151.4	131.9	292.3	5.2
BBB	6.8	0	0	728.8	0	36.2	771.8	13.9
Non-investment-grade/ non-rated:								
BB	0	0	0	0	0	32.2	32.2	0.6
Total fair value	\$2,058.8	\$1,410.8	\$44.5	\$728.8	\$957.1	\$375.4	\$5,575.4	100.0 %
Increase (decrease) in value	0.4 %	(0.7)%	(9.1)%	(7.4)%	(0.1)%	(6.8)%	(1.6)%	

We selectively added to the OABS portfolio throughout 2023 as we viewed spreads and potential returns to be attractive in certain sectors. Investments were predominantly made in the automobile and equipment categories in highly rated, senior, and short-tenor debt tranches. The additions were primarily in new issue markets, but some selective secondary purchases were also made.

STATE AND LOCAL GOVERNMENT OBLIGATIONS

The following table details the credit quality rating of our state and local government obligations (municipal securities) at December 31, 2023, without the benefit of credit or bond insurance:

(millions) Average Rating	General Obligations	Revenue Bonds	Total
AAA	\$ 683.2	\$ 331.9	\$ 1,015.1
AA	435.6	701.0	1,136.6
A	0	50.6	50.6
BBB	0	0.3	0.3
Non-rated	0	0.2	0.2
Total	\$ 1,118.8	\$ 1,084.0	\$ 2,202.8

Included in revenue bonds were \$495.9 million of single-family housing revenue bonds issued by state housing finance agencies, of which \$280.5 million were supported by individual mortgages held by the state housing finance agencies and \$215.4 million were supported by mortgage-backed securities.

Of the revenue bonds supported by individual mortgages held by state housing finance agencies, the overall credit quality rating was AA+. Most of these mortgages were supported by the FHA, VA, or private mortgage insurance providers. Of the revenue bonds supported by mortgage-backed securities, 85% were collateralized by Ginnie Mae

mortgages, which are fully guaranteed by the U.S. government, and the remaining 15% were collateralized by Fannie Mae and Freddie Mac mortgages.

Credit spreads of tax-exempt and taxable municipal bonds tightened during 2023. While we modestly increased our holding in the portfolio during the year,

municipals as a percentage of the fixed-income portfolio declined, due to the lack of what we viewed as compelling investment opportunities. Our additions to the portfolio were focused on shorter-maturity general obligation, single family housing, and revenue bonds, which is reflected in the shorter municipal portfolio duration at year end 2023.

CORPORATE SECURITIES

The following table details the credit quality rating of our corporate securities at December 31, 2023:

Corporate Securities (at December 31, 2023)								
(millions) Average Rating	Consumer	Industrial	Communication	Financial Services	Technology	Basic Materials	Energy	Total
AAA	\$ 0	\$ 0	\$ 0	\$ 80.6	\$ 0	\$ 0	\$ 0	80.6
AA	139.2	0	0	303.7	0	0	45.1	488.0
A	548.4	351.2	179.5	1,404.8	16.4	116.7	462.6	3,079.6
BBB	2,432.7	1,405.7	400.4	1,270.5	548.0	43.5	1,086.2	7,187.0
Non-investment-grade/ non-rated:								
BB	86.1	36.9	61.2	0	11.1	0	6.0	201.3
B	119.3	0	0	0	0	24.9	0	144.2
Non-rated	0	0	0	0	3.0	0	0	3.0
Total fair value	\$ 3,325.7	\$ 1,793.8	\$ 641.1	\$ 3,059.6	\$ 578.5	\$ 185.1	\$ 1,599.9	\$ 11,183.7

While the size of our corporate debt portfolio varied throughout the year, the portfolio grew modestly during 2023, as we increased our holdings, on an absolute basis. At December 31, 2023, our corporate debt securities made up approximately 18% of the fixed-income portfolio, compared to approximately 19% at December 31, 2022.

We slightly reduced the maturity profile of the corporate debt portfolio during 2023. The duration of the corporate debt portfolio was 2.7 years at December 31, 2023, compared to 2.8 years at December 31, 2022, as we sold some of the longer duration securities with less attractive risk/reward profiles and added securities with shorter durations.

PREFERRED STOCKS – REDEEMABLE AND NONREDEEMABLE

The table below shows the exposure break-down for our preferred stocks by sector and rating at year end:

Preferred Stocks (at December 31, 2023)							
(millions) Average Rating	Financial Services				Industrials	Utilities	Total
	U.S. Banks	Foreign Banks	Insurance	Other Financial			
BBB	\$ 576.3	\$ 41.6	\$ 74.1	\$ 27.7	\$ 141.2	\$ 44.8	\$ 905.7
Non-investment-grade/ non-rated:							
BB	83.6	22.6	0	0	0	0	106.2
Non-rated	0	0	39.9	9.2	14.8	0	63.9
Total fair value	\$ 659.9	\$ 64.2	\$ 114.0	\$ 36.9	\$ 156.0	\$ 44.8	\$ 1,075.8

The majority of our preferred securities have fixed-rate dividends until a call date and then, if not called, generally convert to floating-rate dividends. The interest rate duration of our preferred securities is calculated to reflect the call, floor, and floating-rate features. Although

a preferred security will remain outstanding if not called, its interest rate duration will reflect the variable nature of the dividend. At year-end 2023, our non-investment-grade preferred stocks were with issuers that maintain investment-grade senior debt ratings.

We also face the risk that dividend payments on our preferred stock holdings could be deferred for one or more periods or skipped entirely. As of December 31, 2023, we expect all of these securities to pay their dividends in full and on time. Approximately 78% of our preferred stock securities pay dividends that have tax preferential characteristics, while the balance pay dividends that are fully taxable.

During 2023, our preferred portfolio declined to \$1.1 billion at December 31, 2023, from \$1.4 billion at December 31, 2022. The decline was primarily due to preferred stocks that were called or sold due to our view of their less attractive risk/reward profiles, which was partially offset by an increase in valuation on preferred securities during the fourth quarter of 2023, as credit spreads tightened and interest rates decreased.

Common Equities

Common equities, as reported on our consolidated balance sheets at December 31, were comprised of the following:

(\$ in millions)	2023		2022	
Common stocks	\$2,907.8	99.3 %	\$2,801.7	99.3 %
Other risk investments ¹	20.6	0.7	19.8	0.7
Total common equities	\$2,928.4	100.0 %	\$2,821.5	100.0 %

¹The other risk investments consist of limited partnership interests.

The majority of our common stock portfolio consists of individual holdings selected based on their contribution to the correlation with the Russell 1000 Index. We held 792 out of 1,010, or 78%, of the common stocks comprising the index at December 31, 2023, which

made up 95% of the total market capitalization of the index. At December 31, 2023 and 2022, the year-to-date total return of the indexed portfolio, based on GAAP income, was within our targeted tracking error, which is +/-50 basis points.

The following is a summary of our indexed common stock portfolio holdings by sector compared to the Russell 1000 Index composition:

Sector	Equity Portfolio Allocation at December 31, 2023	Russell 1000 Allocation at December 31, 2023	Russell 1000 Sector Return in 2023
Consumer discretionary	14.2 %	15.4 %	36.8 %
Consumer staples	4.4	4.9	(2.6)
Financial services	10.8	10.3	15.4
Health care	12.2	11.6	2.4
Materials and processing	2.4	2.0	13.4
Other energy	4.1	3.8	(2.4)
Producer durable	13.0	12.7	20.3
Real estate	2.6	2.7	11.9
Technology	31.8	31.7	66.9
Telecommunications	2.1	2.4	12.6
Utilities	2.4	2.5	(4.7)
Total common stocks	100.0 %	100.0 %	26.5 %

For 2023, our common stock portfolio FTE total return was 26.7%, compared to 26.5% for the Russell 1000 Index, due to common stocks we hold outside of the index.

V. CRITICAL ACCOUNTING POLICIES

Progressive is required to make certain estimates and assumptions when preparing its financial statements and accompanying notes in conformity with GAAP. Actual results could differ from those estimates in a variety of areas. The two areas we view as most critical with respect to the application of estimates and assumptions is the establishment of our loss reserves and the methods for measuring expected credit losses on financial instruments.

A. Loss and LAE Reserves

Loss and LAE reserves represent our best estimate of our ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. At December 31, 2023, we had \$29.6 billion of net loss and LAE reserves (net of reinsurance recoverables on unpaid losses), which included \$22.5 billion of case reserves and \$7.1 billion of IBNR reserves. Personal auto liability and commercial auto liability reserves represent approximately 92% of our total carried net reserves. For this reason, the following discussion focuses on our vehicle businesses.

We do not review our loss reserves on a macro level and, therefore, do not derive a companywide range of reserves to compare to a standard deviation. Instead, we review a large majority of our reserves by product/state subset combinations on a quarterly time frame, with the remaining reserves generally reviewed on a semiannual basis. A change in our scheduled reviews of a particular subset of the business depends on the size of the subset or emerging issues relating to the product or state. By reviewing the reserves at such a detailed level, we have the ability to identify and measure variances in the trends by state, product, and line coverage that otherwise would not be seen on a consolidated basis. We believe our comprehensive process of reviewing at a subset level provides us more meaningful estimates of our aggregate loss reserves.

In analyzing the ultimate accident year loss and LAE experience, our actuarial staff reviews in detail, at the subset level, frequency (number of losses per exposure), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of our LAE costs. The loss ratio, a primary measure of loss experience, is equal to the product of frequency times

severity divided by the average premium. The average premium for personal and commercial auto businesses is not estimated. The actual frequency experienced will vary depending on the change in the mix in class of drivers we insure, but the IBNR frequency projections for these lines of business are generally stable in the short term, because a large majority of the parties involved in an accident report their claims within a short time period after the occurrence. The severity experienced by Progressive is much more difficult to estimate, especially for injury claims, since severity is affected by changes in underlying costs, such as medical costs, jury verdicts, judicial interpretations, and regulatory changes. In addition, severity will vary relative to the change in our mix of business by limit.

Assumptions regarding needed reserve levels made by the actuarial staff take into consideration influences on available historical data that reduce the predictive nature of our projected future loss costs. Internal considerations that are process-related, which generally result from changes in our claims organization's activities, include claim closure rates, the number of claims that are closed without payment, and the level of the claims representatives' estimates of the needed case reserve for each claim. These changes and their effect on the historical data are studied at the state level versus on a larger, less indicative, countrywide basis.

External items considered include the litigation atmosphere, changes in medical costs, and the availability of services to resolve claims. These also are better understood at the state level versus at a more macro, countrywide level. These items, as well as additional considerations such as the type of accident and change in reporting patterns, are closely monitored.

At December 31, 2023, we had \$34.4 billion of carried gross reserves and \$29.6 billion of net reserves. Our net reserve balance assumes that the loss and LAE severity for accident year 2023 over accident year 2022 would be 7.4% higher for personal auto liability and 5.7% higher for commercial auto liability. As discussed above, the severity estimates are influenced by many variables that are difficult to precisely quantify and which influence the final amount of claims settlements. That, coupled with changes in internal claims practices, the legal environment, and state regulatory requirements, requires significant judgment in the estimate of the needed reserves to be carried.

The following table highlights what the effect would be to our carried loss and LAE reserves, on a net basis, as of December 31, 2023, if during 2024 we were to experience the indicated change in our estimate of severity for the 2023 accident year (i.e., claims that occurred in 2023):

(millions)	Estimated Changes in Severity for Accident Year 2023				
	-4%	-2%	As Reported	+2%	+4%
Personal auto liability	\$ 17,159.3	\$ 17,563.1	\$ 17,966.9	\$ 18,370.7	\$ 18,774.5
Commercial auto liability	9,075.3	9,190.1	9,304.9	9,419.7	9,534.5
Other ¹	2,328.4	2,328.4	2,328.4	2,328.4	2,328.4
Total	\$ 28,563.0	\$ 29,081.6	\$ 29,600.2	\$ 30,118.8	\$ 30,637.4

¹Includes reserves for personal and commercial auto physical damage claims and our non-auto lines of business; no change in estimates is presented due to the immaterial level of these reserves.

Note: Every percentage point change in our estimate of severity for the 2023 accident year would affect our personal auto liability reserves by \$201.9 million and our commercial auto reserves by \$57.4 million.

Our 2023 year-end loss and LAE reserve balance also includes claims from prior years. Claims that occurred in 2023, 2022, and 2021, in the aggregate, accounted for approximately 93% of our reserve balance. If during 2024 we were to experience the indicated change in our estimate of severity for the total of the prior three accident years (i.e., 2023, 2022, and 2021), the effect to our year-end 2023 reserve balances would be as follows:

(millions)	Estimated Changes in Severity for Accident Years 2023, 2022, and 2021				
	-4%	-2%	As Reported	+2%	+4%
Personal auto liability	\$ 15,860.1	\$ 16,913.5	\$ 17,966.9	\$ 19,020.3	\$ 20,073.7
Commercial auto liability	8,720.5	9,012.7	9,304.9	9,597.1	9,889.3
Other ¹	2,328.4	2,328.4	2,328.4	2,328.4	2,328.4
Total	\$ 26,909.0	\$ 28,254.6	\$ 29,600.2	\$ 30,945.8	\$ 32,291.4

¹Includes reserves for personal and commercial auto physical damage claims and our non-auto lines of business; no change in estimates is presented due to the immaterial level of these reserves.

Note: Every percentage point change in our estimate of severity for the 2023, 2022, and 2021 accident years would affect our personal auto liability reserves by \$526.7 million and our commercial auto reserves by \$146.1 million.

Our best estimate of the appropriate amount for our reserves as of year-end 2023 is included in our financial statements for the year. Our goal is to ensure that total reserves are adequate to cover all loss costs, while sustaining minimal variation from the time reserves are initially established until losses are fully developed. At the point in time when reserves are set, we have no way of knowing whether our reserve estimates will prove to be high or low, or whether one of the alternative scenarios discussed above is reasonably likely to occur. The above tables show the potential favorable or unfavorable development we will realize if our estimates miss by 2% or 4%.

B. Credit Losses on Financial Instruments

An allowance for credit losses is established when the ultimate realization of a financial instrument is determined to be impaired due to a credit event. Measurement of expected credit losses is based on judgment when considering relevant information about past events, including historical loss experience, current conditions, and forecasts of the collectability of the reported financial instrument. The allowance for expected credit losses is measured and recorded at the point ultimate recoverability of the financial instrument is expected to be impaired, including upon the initial recognition of the financial instrument, where warranted. We evaluate financial instrument credit losses related to our available-for-sale securities, reinsurance recoverables, and premiums receivables. Due to the complex nature in evaluating credit loss for our available-for-sale financial instruments, we view the estimates and assumptions used in our analysis as critical.

We routinely monitor our fixed-maturity portfolio for pricing changes that might indicate potential losses exist and perform detailed reviews of securities with unrealized losses to determine if an allowance for credit losses, a change to an existing allowance (recovery or additional loss), or a write-off for an amount deemed uncollectible needs to be recorded. In such cases, changes in fair value are evaluated to determine the extent to which such changes are attributable to:

- (i) credit related losses, which are specific to the issuer (e.g., financial conditions, business prospects) where the present value of cash flows expected to be collected is lower than the amortized cost basis of the security or
- (ii) market related factors, such as interest rates or credit spreads.

If we do not expect to hold the security to allow for a potential recovery of those expected losses, we will write down the security to fair value and recognize a realized loss in the comprehensive income statement.

For securities whose losses are credit related losses, and for which we do not intend to sell in the near term, we will review the non-market components to determine if a potential future credit loss exists, based on available financial data related to the fixed-maturity securities. If we project that a credit loss exists, we will record an allowance for the credit loss and recognize a realized loss in the comprehensive income statement. For all securities for which an allowance for credit losses has been established, we will re-evaluate the securities, at least quarterly, to determine if further deterioration has occurred or if we project a subsequent recovery in the expected losses, which would require an adjustment to the allowance for credit losses. To the extent we determine that we will likely sell a security prior to recovery of the credit loss, or if the loss is deemed uncollectible, we will write down the security to its fair value and reverse any credit loss allowance that may have been previously recorded.

For an unrealized loss that is determined to be related to current market conditions, we will not record an allowance for credit losses or a write down to fair value. We will continue to monitor these securities to determine if underlying factors other than the current market conditions are contributing to the loss in value.

Based on an analysis of our fixed-maturity portfolio, we have determined our allowance for credit losses related to available-for-sale securities was not material to our financial condition or results of operations for the periods ending December 31, 2023 and 2022.

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,” “goal,” “target,” “anticipate,” “will,” “could,” “likely,” “may,” “should,” 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 not guarantees of future performance, are based on current expectations and projections about future events, and are subject to certain risks, assumptions and uncertainties that could cause actual events and results to differ materially from those discussed herein. These risks and uncertainties include, without limitation, uncertainties related to:

- our ability to underwrite and price risks accurately and to charge adequate rates to policyholders;
- our ability to establish accurate loss reserves;
- the impact of severe weather, other catastrophe events, and climate change;
- the effectiveness of our reinsurance programs and the continued availability of reinsurance and performance by reinsurers;
- the secure and uninterrupted operation of the systems, facilities, and business functions and the operation of various third-party systems that are critical to our business;
- the impacts of a security breach or other attack involving our technology systems or the systems of one or more of our vendors;
- our ability to maintain a recognized and trusted brand and reputation;
- whether we innovate effectively and respond to our competitors’ initiatives;
- whether we effectively manage complexity as we develop and deliver products and customer experiences;
- our ability to attract, develop, and retain talent and maintain appropriate staffing levels;
- the impact of misconduct or fraudulent acts by employees, agents, and third parties to our business and/or exposure to regulatory assessments;
- the highly competitive nature of property-casualty insurance markets;
- whether we adjust claims accurately;
- compliance with complex and changing laws and regulations;
- litigation challenging our business practices, and those of our competitors and other companies;
- the success of our business strategy and efforts to acquire or develop new products or enter into new areas of business and our ability to navigate the related risks;
- how intellectual property rights affect our competitiveness and our business operations;
- the success of our development and use of new technology and our ability to navigate the related risks;
- the performance of our fixed-income and equity investment portfolios;
- the impact on our investment returns and strategies from regulations and societal pressures relating to environmental, social, governance and other public policy matters;
- our continued ability to access our cash accounts and/or convert investments into cash on favorable terms;
- the impact if one or more parties with which we enter into significant contracts or transact business fail to perform;
- legal restrictions on our insurance subsidiaries’ ability to pay dividends to The Progressive Corporation;
- our ability to obtain capital when necessary to support our business and potential growth;
- evaluations and ratings by credit rating and other rating agencies;
- the variable nature of our common share dividend policy;
- whether our investments in certain tax-advantaged projects generate the anticipated returns;
- the impact from not managing to short-term earnings expectations in light of our goal to maximize the long-term value of the enterprise;
- the impacts of epidemics, pandemics, or other widespread health risks; and
- other matters described from time to time in our releases and publications, and in our periodic reports and other documents filed with the United States Securities and Exchange Commission, including, without limitation, the Risk Factors section of our Annual Report on Form 10-K for the year ending December 31, 2023.

Any forward-looking statements are made only as of the date presented. Except as required by applicable law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or developments or otherwise.

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

Supplemental Information
The Progressive Corporation and Subsidiaries
Ten Year Summary – Selected Financial Information
(unaudited)

(millions – except ratios, policies in force, per share amounts, and number of people employed)

	2023	2022	2021	2020	2019
Net premiums written	\$ 61,550.2	\$ 51,081.1	\$ 46,405.2	\$ 40,568.7	\$ 37,577.9
Growth	20 %	10 %	14 %	8 %	15 %
Net premiums earned	\$ 58,664.4	\$ 49,241.2	\$ 44,368.7	\$ 39,261.6	\$ 36,192.4
Growth	19 %	11 %	13 %	8 %	17 %
Policies in force (thousands):					
Personal Lines	25,494.5	23,455.4	22,735.7	21,413.5	19,408.6
Growth	9 %	3 %	6 %	10 %	9 %
Commercial Lines	1,098.5	1,046.4	971.2	822.0	751.4
Growth	5 %	8 %	18 %	9 %	8 %
Property ¹	3,096.5	2,851.3	2,776.2	2,484.4	2,202.1
Growth ¹	9 %	3 %	12 %	13 %	14 %
Total revenues	\$ 62,108.5	\$ 49,610.7	\$ 47,702.0	\$ 42,658.1	\$ 39,022.3
Underwriting margins: ²					
Personal Lines	6.2 %	4.0 %	4.6 %	13.2 %	9.5 %
Commercial Lines	1.2 %	8.9 %	11.1 %	13.0 %	10.4 %
Property ¹	1.1 %	(10.5)%	(15.3)%	(7.1)%	(1.7)%
Total underwriting operations	5.1 %	4.2 %	4.7 %	12.3 %	9.1 %
Net income attributable to Progressive	\$ 3,902.4	\$ 721.5	\$ 3,350.9	\$ 5,704.6	\$ 3,970.3
Per common share - diluted	\$ 6.58	\$ 1.18	\$ 5.66	\$ 9.66	\$ 6.72
Average equivalent common shares - diluted	587.5	587.1	587.1	587.6	587.2
Comprehensive income (loss) attributable to Progressive	\$ 5,088.7	\$ (2,121.2)	\$ 2,459.9	\$ 6,291.9	\$ 4,432.9
Total assets	\$ 88,690.8	\$ 75,465.0	\$ 71,132.3	\$ 64,098.3	\$ 54,895.3
Debt outstanding	\$ 6,888.6	\$ 6,388.3	\$ 4,898.8	\$ 5,396.1	\$ 4,407.1
Redeemable noncontrolling interest	\$ —	\$ —	\$ —	\$ —	\$ 225.6
Total shareholders' equity	\$ 20,277.1	\$ 15,891.0	\$ 18,231.6	\$ 17,038.6	\$ 13,673.2
Statutory surplus	\$ 22,249.6	\$ 17,879.9	\$ 16,423.7	\$ 15,194.6	\$ 13,671.1
Common shares outstanding	585.3	584.9	584.4	585.2	584.6
Common share close price (at December 31)	\$ 159.28	\$ 129.71	\$ 102.65	\$ 98.88	\$ 72.39
Rate of return ³	23.2 %	26.8 %	10.8 %	41.4 %	25.1 %
Market capitalization	\$ 93,226.6	\$ 75,867.4	\$ 59,988.7	\$ 57,864.6	\$ 42,319.2
Book value per common share	\$ 33.80	\$ 26.32	\$ 30.35	\$ 28.27	\$ 22.54
Ratios:					
Return on average common shareholders' equity:					
Net income attributable to Progressive	22.9 %	4.4 %	18.6 %	35.6 %	31.3 %
Comprehensive income (loss) attributable to Progressive	30.0 %	(13.5)%	13.6 %	39.3 %	35.0 %
Debt to total capital ⁴	25.4 %	28.7 %	21.2 %	24.1 %	24.4 %
Price to earnings	24.2	109.9	18.1	10.2	10.8
Price to book	4.7	4.9	3.4	3.5	3.2
Net premiums written to statutory surplus	2.8	2.9	2.8	2.7	2.7
Statutory combined ratio	94.3	95.3	94.8	87.9	90.5
Dividends declared per common share ⁵	\$ 1.15	\$ 0.40	\$ 1.90	\$ 4.90	\$ 2.65
Number of people employed	61,432	55,063	49,077	43,326	41,571

¹ We began reporting our Property business as a segment on April 1, 2015, therefore, year-over-year growth for 2015 is not applicable (NA).

² Underwriting margins are calculated as pretax underwriting profit (loss), as defined in *Note 10 – Segment Information*, as a percentage of net premiums earned. Policyholder credits are included in pretax underwriting profit (loss), as applicable.

³ Represents annual rate of return, assuming dividend reinvestment.

(millions – except ratios, policies in force, per share amounts, and number of people employed)

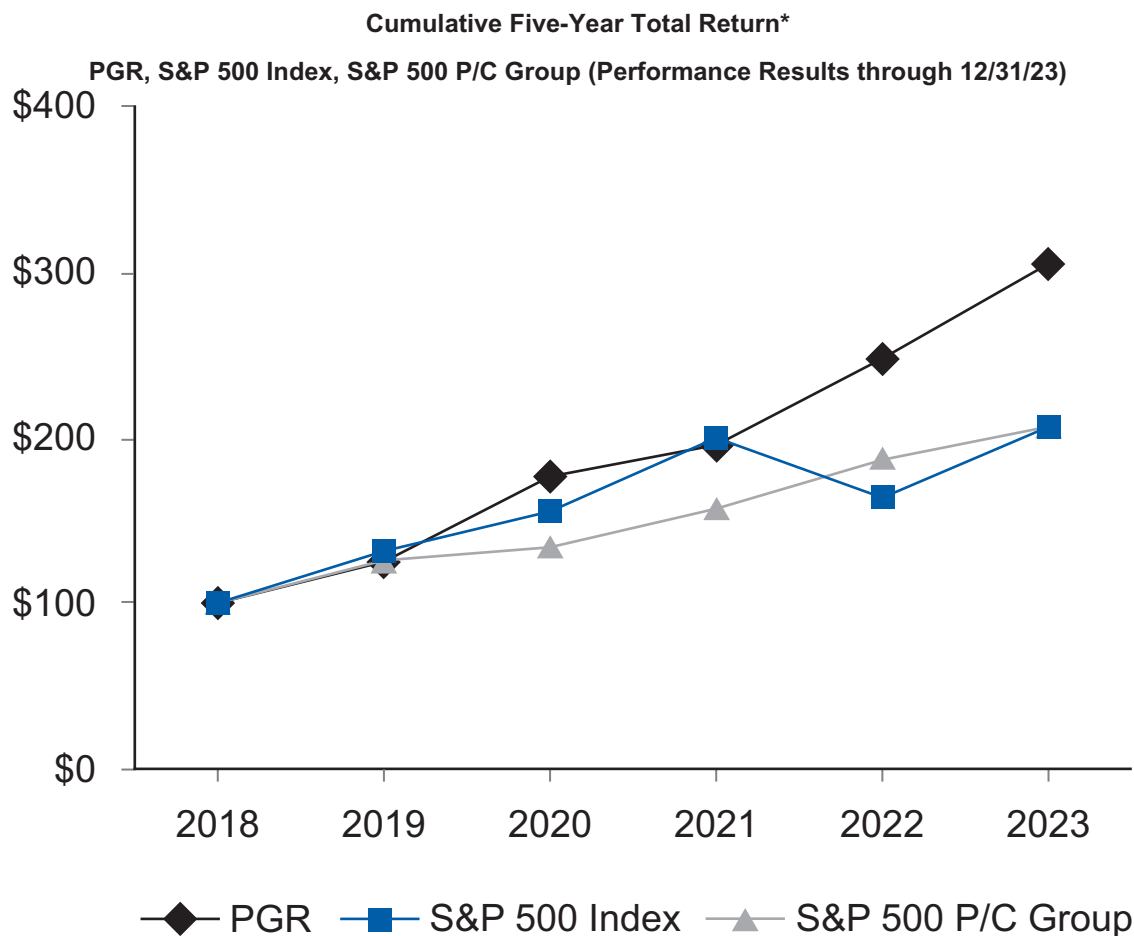
	2018	2017	2016	2015	2014
Net premiums written	\$ 32,609.9	\$ 27,132.1	\$ 23,353.5	\$ 20,564.0	\$ 18,654.6
Growth	20 %	16 %	14 %	10 %	8 %
Net premiums earned	\$ 30,933.3	\$ 25,729.9	\$ 22,474.0	\$ 19,899.1	\$ 18,398.5
Growth	20 %	14 %	13 %	8 %	8 %
Policies in force (thousands):					
Personal Lines	17,759.0	16,075.5	14,656.8	13,764.7	13,261.9
Growth	10 %	10 %	6 %	4 %	2 %
Commercial Lines	696.9	646.8	607.9	555.8	514.7
Growth	8 %	6 %	9 %	8 %	0 %
Property ¹	1,936.5	1,461.7	1,201.9	1,076.5	—
Growth ¹	32 %	22 %	12 %	NA	—
Total revenues	\$ 31,979.0	\$ 26,839.0	\$ 23,441.4	\$ 20,853.8	\$ 19,391.4
Underwriting margins: ²					
Personal Lines	9.7 %	6.9 %	4.7 %	6.5 %	6.7 %
Commercial Lines	13.3 %	7.7 %	6.4 %	15.9 %	17.2 %
Property ¹	(6.9)%	(5.1)%	3.8 %	10.1 %	—
Total underwriting operations	9.4 %	6.6 %	4.9 %	7.5 %	7.7 %
Net income attributable to Progressive	\$ 2,615.3	\$ 1,592.2	\$ 1,031.0	\$ 1,267.6	\$ 1,281.0
Per common share - diluted	\$ 4.42	\$ 2.72	\$ 1.76	\$ 2.15	\$ 2.15
Average equivalent common shares - diluted	586.7	585.7	585.0	589.2	594.8
Comprehensive income (loss) attributable to Progressive	\$ 2,520.1	\$ 1,941.0	\$ 1,164.0	\$ 1,044.9	\$ 1,352.4
Total assets	\$ 46,575.0	\$ 38,701.2	\$ 33,427.5	\$ 29,819.3	\$ 25,787.6
Debt outstanding	\$ 4,409.9	\$ 3,306.3	\$ 3,148.2	\$ 2,707.9	\$ 2,164.7
Redeemable noncontrolling interest	\$ 214.5	\$ 503.7	\$ 483.7	\$ 464.9	\$ —
Total shareholders' equity	\$ 10,821.8	\$ 9,284.8	\$ 7,957.1	\$ 7,289.4	\$ 6,928.6
Statutory surplus	\$ 11,571.8	\$ 9,664.4	\$ 8,560.0	\$ 7,575.5	\$ 6,442.8
Common shares outstanding	583.2	581.7	579.9	583.6	587.8
Common share close price (at December 31)	\$ 60.33	\$ 56.32	\$ 35.50	\$ 31.80	\$ 26.99
Rate of return ³	9.3 %	61.6 %	14.7 %	20.9 %	5.3 %
Market capitalization	\$ 35,184.5	\$ 32,761.3	\$ 20,586.5	\$ 18,558.5	\$ 15,864.7
Book value per common share	\$ 17.71	\$ 15.96	\$ 13.72	\$ 12.49	\$ 11.79
Ratios:					
Return on average common shareholders' equity:					
Net income attributable to Progressive	24.7 %	17.8 %	13.2 %	17.2 %	19.1 %
Comprehensive income (loss) attributable to Progressive	23.8 %	21.7 %	14.9 %	14.2 %	20.1 %
Debt to total capital ⁴	28.9 %	26.3 %	28.3 %	27.1 %	23.8 %
Price to earnings	13.6	20.7	20.2	14.8	12.6
Price to book	3.4	3.5	2.6	2.5	2.3
Net premiums written to statutory surplus	2.8	2.8	2.7	2.7	2.9
Statutory combined ratio	89.9	92.8	94.8	91.8	92.1
Dividends declared per common share ⁵	\$ 2.5140	\$ 1.1247	\$ 0.6808	\$ 0.8882	\$ 0.6862
Number of people employed	37,346	33,656	31,721	28,580	26,501

⁴Ratio reflects debt as a percent of debt plus shareholders' equity; redeemable noncontrolling interest is not part of this calculation.

⁵Represents dividends pursuant to the dividend policy in place for the applicable year (see Note 14 – Dividends for further discussion).

The Progressive Corporation and Subsidiaries
Performance Graph
(unaudited)

The following performance graph compares the performance of Progressive's Common Shares (PGR) to the Standard & Poor's 500 Stock Index (S&P 500 Index) and the Standard & Poor's 500 Property & Casualty Insurance Index (S&P 500 P/C Group) for the last five years.



For the years ended December 31,	(Assumes \$100 was invested at the close of trading on December 31, 2018)				
	2019	2020	2021	2022	2023
PGR	\$ 125.06	\$ 176.81	\$ 195.94	\$ 248.45	\$ 305.97
S&P 500 Index	131.50	155.61	200.24	163.93	206.98
S&P 500 P/C Group	125.87	133.84	157.27	186.95	207.05

*Assumes reinvestment of dividends

The Progressive Corporation and Subsidiaries
Quantitative Market Risk Disclosures
(unaudited)

Quantitative market risk disclosures are only presented for market risk categories when risk is considered material. Materiality is determined based on the fair value of the financial instruments at December 31, 2023, and the potential for near-term losses from reasonably possible near-term changes in market rates or prices. The discussion below relates to instruments

entered into for purposes other than trading; we had no trading financial instruments at December 31, 2023 and 2022. See *Management's Discussion and Analysis of Financial Condition and Results of Operations – Investments* for our discussion of the qualitative information about market risk.

Financial instruments subject to interest rate risk were:

(millions)	Fair Value				
	-200 bps Change	-100 bps Change	Actual	+100 bps Change	+200 bps Change
U.S. government obligations	\$ 39,690.3	\$ 38,244.6	\$ 36,869.4	\$ 35,564.8	\$ 34,330.7
State and local government obligations	2,324.0	2,266.9	2,202.8	2,131.4	2,053.1
Foreign government obligations	17.2	16.7	16.3	15.9	15.5
Asset-backed securities	10,253.6	10,090.0	9,932.3	9,780.5	9,634.6
Corporate securities	11,809.5	11,491.3	11,183.7	10,886.8	10,600.6
Preferred stocks	1,129.1	1,102.0	1,075.8	1,050.7	1,026.5
Short-term investments	1,789.9	1,789.9	1,789.9	1,789.9	1,789.9
Total at December 31, 2023	\$ 67,013.6	\$ 65,001.4	\$ 63,070.2	\$ 61,220.0	\$ 59,450.9
Total at December 31, 2022	\$ 53,798.6	\$ 52,234.3	\$ 50,726.8	\$ 49,281.3	\$ 47,903.8

Exposure to risk is represented in terms of changes in fair value due to selected hypothetical movements in market rates. Bonds and preferred stocks are individually priced to yield to the worst case scenario, which includes any issuer-specific features, such as a

call option. Asset-backed securities and state and local government housing securities are priced assuming deal specific prepayment scenarios, considering the deal structure, prepayment penalties, yield maintenance agreements, and the underlying collateral.

Financial instruments subject to equity market risk were:

(millions)	Fair Value		
	-10%	Actual	+10%
Common equities at December 31, 2023	\$ 2,621.4	\$ 2,928.4	\$ 3,235.4
Common equities at December 31, 2022	\$ 2,541.7	\$ 2,821.5	\$ 3,101.3

The model represents the estimated value of our common equity portfolio given a +/-10% change in the market, based on the common equity portfolio's weighted average beta of 1.0 for 2023 and 2022. The beta is derived from recent historical experience, using the S&P 500 as the market surrogate. The historical relationship of the common equity portfolio's beta to the

S&P 500 is not necessarily indicative of future correlation, as individual company or industry factors may affect price movements. Betas are not available for all securities. In such cases, the change in fair value reflects a direct +/-10% change; the portion of our securities without betas is 1.5%.

The Progressive Corporation and Subsidiaries

Net Premiums Written by State

(unaudited)

(\$ in millions)	2023		2022		2021		2020		2019	
Florida	\$ 9,096.5	14.8 %	\$ 7,144.6	14.0 %	\$ 6,290.7	13.6 %	\$ 5,533.7	13.6 %	\$ 5,233.4	13.9 %
Texas	7,809.0	12.7	6,089.3	11.9	5,343.5	11.5	4,530.5	11.2	4,081.0	10.8
California	3,407.5	5.5	2,867.1	5.6	2,585.1	5.6	2,241.2	5.5	2,208.8	5.9
Georgia	2,928.3	4.8	2,443.8	4.8	2,147.7	4.6	1,860.9	4.6	1,645.3	4.4
New York	2,416.0	3.9	2,056.1	4.0	2,008.6	4.3	1,932.8	4.8	1,843.2	4.9
Michigan	2,255.3	3.7	2,014.9	4.0	1,962.7	4.2	1,797.6	4.4	1,673.5	4.4
New Jersey	1,911.4	3.1	1,599.9	3.1	1,417.5	3.1	1,242.0	3.1	1,192.3	3.2
Ohio	1,851.0	3.0	1,708.9	3.3	1,563.0	3.4	1,404.2	3.4	1,339.5	3.6
Pennsylvania	1,803.7	2.9	1,670.2	3.3	1,504.8	3.2	1,327.2	3.3	1,268.3	3.4
Arizona	1,582.6	2.6	1,233.8	2.4	1,040.0	2.2	911.2	2.3	843.0	2.3
All other	26,488.9	43.0	22,252.5	43.6	20,541.6	44.3	17,787.4	43.8	16,249.6	43.2
Total	\$61,550.2	100.0 %	\$51,081.1	100.0 %	\$46,405.2	100.0 %	\$40,568.7	100.0 %	\$37,577.9	100.0 %

Insurance Quotes, Claims Reporting, and Customer Service

	Personal autos, motorcycles, recreational vehicles, homeowners, other property, and renters	Commercial autos/trucks, business property, and general liability
To receive a quote	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-888-806-9598 progressivecommercial.com
To report a claim	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-888-502-8330 progressivecommercial.com
For customer service:		
If you bought your policy directly through Progressive online or by phone	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-895-2886 progressivecommercial.com
If you bought your policy through an independent agent or broker	1-800-925-2886 (1-800-300-3693 in California) progressive.com/agent	1-800-895-2886 progressivecommercial.com
If you bought your policy through an independent agent or broker for the state of California	1-800-300-3693 Driveinsurance.com	1-800-895-2886 progressivecommercial.com
In addition, iPhone® and Android® users can download the Progressive mobile app to start a quote, report a claim, or service a policy.		

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 take place on Friday, May 10, 2024, at 10:00 a.m., eastern time. This meeting will be held by online webcast only. You will be able to attend and participate in the Annual Meeting via live webcast by visiting virtualshareholdermeeting.com/PGR2024. To participate in the meeting, you must have your 16-digit control number that is shown on your proxy card. You will not be able to attend the Annual Meeting in person.

Online Annual Report and Proxy Statement Our 2023 Annual Report to Shareholders can be found at: progressive.com/annualreport.

Our 2024 Proxy Statement and 2023 Annual Report to Shareholders, in a PDF format, can be found at: progressiveproxy.com.

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

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

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

Transfer Agent and Registrar *Registered Shareholders:* If you have questions or changes to your account and your Progressive common shares are registered in your name, write to: Equiniti Trust Company, LLC, 48 Wall Street, Floor 23, New York, NY 10005; phone: 1-866-709-7695; email: HelpAST@equiniti.com; or visit their website at: equiniti.com/us.

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

Common Shares, Holders, and Dividends The Progressive Corporation's common shares are traded on the New York Stock Exchange (symbol PGR). There were 1,675 shareholders of record on January 31, 2024. Progressive currently has a dividend policy under which the Board expects to declare regular, quarterly common share dividends and, on at least an annual basis, to consider declaring an additional variable common share dividend. The dividend policy can be found at: progressive.com/dividend.

Counsel Baker & Hostetler LLP, Cleveland, Ohio

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

Accounting Complaint Procedure Any employee or other interested party with a complaint or concern regarding accounting, internal accounting controls, or auditing matters relating to Progressive may report such complaint or concern directly to the Chairperson of the Audit Committee, as follows:

Stuart B. Burgdoerfer, Chair of the Audit Committee, auditchair@progressive.com.

Any such complaint or concern also may be reported anonymously over the following toll-free Alertline: 1-800-683-3604 or online at: progressivealertline.com.

Progressive will not retaliate against any individual by reason of his or her having made such a complaint or reported such a concern in good faith. View the complete procedures at: progressive.com/governance.

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

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

David M. Stringer, Secretary, The Progressive Corporation, 6300 Wilson Mills Road, Mayfield Village, Ohio 44143 or email: secretary@progressive.com.

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

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

Charitable Contributions We contribute to: (i) The Insurance Institute for Highway Safety to further its work in reducing the human trauma and economic costs of auto accidents; (ii) Humble Design, a nonprofit organization we partnered with to furnish homes for families and veterans transitioning from homelessness; (iii) Family Promise, a nonprofit organization that helps families experiencing homelessness and low-income families achieve sustainable independence through a community-based response; and (iv) The Progressive Insurance Foundation.

To more broadly represent our employees and their communities, The Progressive Insurance Foundation provides funds to national charitable organizations identified by our Employee Resource Groups and to eligible 501(c)(3) charitable organizations chosen by each participating employee's recommendation, without requiring the employee to contribute. Over the last five years, The Progressive Insurance Foundation provided on average approximately \$6 million per year to these charitable organizations.

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

Directors

Danelle M. Barrett^{6,7}
United States Navy,
Rear Admiral, Retired
(military)

Philip Bleser^{1,5,7}
Retired Chairman of Global Corporate
Banking,
JPMorgan Chase & Co.
(financial services)

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

Pamela J. Craig^{3,6,7}
Retired Chief Financial Officer,
Accenture PLC
(global management consulting)

Charles A. Davis^{4,7}
Chief Executive Officer,
Stone Point Capital LLC
(private equity investing)

Roger N. Farah^{2,3,5,7}
Retired Executive Director,
Tory Burch LLC
(retailing)

Lawton W. Fitt^{2,4,5,7}
Chairperson of the Board,
The Progressive Corporation
Retired Partner,
Goldman Sachs Group
(financial services)

Susan Patricia Griffith²
President and
Chief Executive Officer,
The Progressive Corporation

Devin C. Johnson^{6,7}
President and Chief Operating Officer,
The SpringHill Company
(global consumer and entertainment)

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

Barbara R. Snyder^{3,7}
President,
The Association of American Universities
(higher education)

Kahina Van Dyke^{4,6,7}
Operating Partner,
Advent International
(global private equity)

1 Audit Committee Member

2 Executive Committee Member

3 Compensation Committee Member

4 Investment & Capital Committee
Member

5 Nominating & Governance
Committee Member

6 Technology Committee Member

7 Independent Director

Corporate Officers

Lawton W. Fitt

Chairperson of the Board
(non-executive)

Susan Patricia Griffith

President
and Chief Executive Officer

John P. Sauerland

Vice President
and Chief Financial Officer

David M. Stringer

Vice President, Secretary,
and Chief Legal Officer

Patrick S. Brennan

Treasurer

Mariann Wojtkun Marshall

Vice President, Assistant Secretary,
and Chief Accounting Officer

Other Executive Officers

Karen B. Bailo

Commercial Lines President

Jonathan S. Bauer

Chief Investment Officer

Steven A. Broz

Chief Information Officer

Patrick K. Callahan

Personal Lines President

William L. Clawson II

Chief Human Resources Officer

Remi Kent

Chief Marketing Officer

John Murphy

Claims President

Lori Niederst

Customer Relationship Management
President

Andrew J. Quigg

Chief Strategy Officer