

PROGRESSIVE CORP/OH/  
Form 10-K  
February 27, 2019

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

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2018

or  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-9518

THE PROGRESSIVE CORPORATION  
(Exact name of registrant as specified in its charter)

Ohio 34-0963169  
(State or other jurisdiction of (I.R.S.  
incorporation or organization) Employer  
Identification  
No.)

6300 Wilson Mills Road, Mayfield Village, Ohio 44143  
(Address of principal executive offices) (Zip Code)  
(440) 461-5000

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:  
Title of each class Name of each exchange on which registered  
Common Shares, \$1.00 Par Value New York Stock Exchange

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

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

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

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

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the voting common shares held by non-affiliates of the registrant at June 30, 2018: \$34,057,145,532

The number of the registrant's Common Shares, \$1.00 par value, outstanding as of January 31, 2019: 583,896,232

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 10, 2019, and the Annual Report to Shareholders of The Progressive Corporation and subsidiaries for the year ended December 31, 2018, included as Exhibit 13 to this Form 10-K, are incorporated by reference in Parts I, II, III, and IV hereof.

## PART I

### ITEM 1. BUSINESS

#### General Development of Business

The Progressive insurance organization began business in 1937. The Progressive Corporation, an insurance holding company formed in 1965, currently has insurance and non-insurance subsidiaries and affiliates. Our insurance subsidiaries and affiliates provide personal and commercial auto insurance, residential property insurance, and other specialty property-casualty insurance and related services. Our vehicle insurance products protect our customers against losses due to physical damage to their motor vehicles, uninsured and underinsured bodily injury, and liability to others for personal injury or property damage arising out of the use of those vehicles. Our residential property insurance products protect our customers against losses due to damages to their structure or possessions within the structure, as well as liability for accidents occurring in the structure or on the property. Our non-insurance subsidiaries and affiliates generally support our insurance and investment operations. We operate our vehicle businesses throughout the United States and our Property business in most U.S. jurisdictions.

The Progressive Corporation acquired a controlling interest in ARX Holding Corp. (“ARX”), the parent company of insurance subsidiaries and affiliates, in April 2015. The Progressive Corporation and the other ARX stockholders and stock option holders are parties to a stockholders’ agreement, which addresses the parties’ respective rights and obligations. Among other provisions, the stockholders’ agreement allows, and in certain circumstances requires, The Progressive Corporation to acquire 100% of the outstanding equity of ARX by the second quarter of 2021. These provisions are described in Note 15 – Redeemable Noncontrolling Interest to our financial statements included in our 2018 Annual Report to Shareholders, which is filed as Exhibit 13 to this Form 10-K (the “Annual Report”). Until The Progressive Corporation owns 100% of the outstanding equity of ARX, the interests of the minority stockholders in ARX’s income and assets are reflected in our financial statements as noncontrolling interest.

#### Narrative Description of Business

##### Organization

Our operations are run by our executive team, which consists of our Chief Executive Officer and the heads of our major business areas that report to the CEO, including a Chief Financial Officer, Chief Investment Officer, Chief Legal Officer, Chief Information Officer, Chief Human Resource Officer, Chief Marketing Officer, and Chief Strategy Officer, along with the Presidents of Personal Lines, Commercial Lines, Claims, and Customer Relationship Management. Our Property business is headed by a Property General Manager, who reports to our Chief Financial Officer.

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

##### Personal Lines

Our Personal Lines segment writes insurance for personal autos and recreational and other vehicles, which we refer to as our special lines products. This business generally offers more than one program in a single state, with each program targeted to a specific distribution channel, market, or customer group. As of December 31, 2018, we wrote personal auto insurance in all 50 states and the District of Columbia, and we write the majority of our special lines products in all 50 states. The Personal Lines business accounted for 83% of total net premiums written in 2018, compared to 85% in both 2017 and 2016.

The Personal Lines segment consists of:

Personal auto insurance, which represented approximately 94% of our total Personal Lines net premiums written in 2018, compared to 93% in 2017, and 92% in 2016. We ranked third in market share in the U.S. private passenger auto market for 2017 based on premiums written, and we believe that we continued to hold that position for 2018. There are approximately 290 competitors in this market. Progressive and the other leading 14 private passenger auto

insurers, each of which writes over \$2.5 billion of premiums annually, comprise about 80% of this market. All industry data, including ranking and market share, was obtained directly from data reported by either SNL Financial or A.M. Best Company, Inc. (“A.M. Best”), or was estimated using A.M. Best data as the primary source; and

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Special lines products, which include insurance for motorcycles, ATVs, RVs, watercraft, snowmobiles, and similar items, represented about 6% of our Personal Lines net premiums written for 2018, compared to 7% in 2017, and 8% in 2016. Due to the nature of these products, we typically experience higher losses during the warmer weather months. Our competitors are specialty companies and large multi-line insurance carriers. Although industry figures are not available, based on our analysis of this market, we believe that we have been the market share leader for the motorcycle product since 1998 and that we are one of the largest providers of specialty RV and boat insurance. Our Personal Lines products are sold through both the Agency and Direct channels.

The Agency business includes business written by our network of more than 35,000 independent insurance agencies located throughout the United States, including brokerages in New York and California. These independent insurance agents and brokers have the ability to place business with Progressive for specified insurance coverages within prescribed underwriting guidelines, subject to compliance with our mandated procedures. The agents and brokers do not have authority to establish underwriting guidelines, develop rates, settle or adjust claims, or enter into other transactions or commitments. The Agency business also writes insurance through strategic alliance business relationships with other insurance companies, financial institutions, and national agencies. The total net premiums written through the Agency channel represented 50% of our Personal Lines volume in 2018, compared to 51% in both 2017 and 2016.

The Direct business includes business written directly by us on the Internet, through mobile devices, and over the phone. The total net premiums written by the Direct business represented 50% of our Personal Lines volume in 2018, compared to 49% in both 2017 and 2016.

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

We seek to refine our personal auto segmentation, underwriting models, and pricing over time. During 2018, we began to roll out our next generation auto product. This product version continues to improve the accuracy of matching rate to risk and introduces new rating variables that improve our competitiveness, especially in more preferred segments.

We also continue to invest to bring Snapshot<sup>®</sup>, our usage-based insurance program, to more customers. Snapshot provides customers in both the Agency and Direct channels the opportunity to improve their auto insurance rates based on their personal driving behavior. We offer Snapshot through our traditional hardware-based version, which is available nationwide except for California and North Carolina due to the regulatory environment, as well as through our mobile-app version, which is available in 42 states and the District of Columbia. This mobile app improves the user experience while also reducing monitoring costs. In addition to the personal benefits for our customers, the data collected via the mobile app affords us a unique perspective on mobile device usage, vehicle operations, and accidents. During 2018, we introduced a new algorithm for mobile app Snapshot consumer pricing. The algorithm, which is currently available in 10 states, is expected to provide more accurate pricing through a wider range of rates and new segmentation, based on mobile device usage while driving, and we offered larger participation discounts intended to drive greater adoption among customers.

In addition, our Personal Lines business is focused on efforts to form deeper and longer-term relationships with our customers through our Destination Era strategy. In this program, we seek to leverage our Property business, as well as insurance and non-insurance products offered by unaffiliated third parties, to provide our customers access to a range of products addressing their diverse needs and, if the customer chooses, to "bundle" certain of the products together. Bundled products are an integral part of our consumer offerings and an important part of our strategic agenda.

Customers who prefer to bundle represent a sizable segment of the insurance market, and our experience is that they tend to stay with us longer and generally have lower claims costs. Our Destination Era strategy involves a number of initiatives, including:

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In our Agency channel, we offer customers the opportunity to bundle Progressive auto and property insurance provided exclusively through the Progressive brand.

To further drive bundling in the Agency channel, we offer the Platinum program to those select agents who have the appropriate customers and who believe our bundled offering is a “must have” for their agency. This program combines our auto and home insurance with compensation, coordinated policy periods, single event deductible, and other features that meet the needs and desires that our agents have expressed. There are currently just over 3,300 Platinum agents.

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We designed and released an all-new agency quoting system that makes it easier for agents to bundle multiple policies with us. For Agents Only Portfolio quoting (commonly referred to as Portfolio) reduces data entry, displays all available products eligible for bundled quotes, simplifies the comparative rater experience, and provides Agents and their customers an overview of premium, bundle savings, and applied discounts to allow them to add or remove products with one click. Portfolio is currently available for all agents appointed to write new business in three states with plans to roll out to agents countrywide by mid-2020.

In the Direct channel, we bundle Progressive auto with our property products, as well as homeowners and renters products provided by unaffiliated insurance carriers. We offer these bundles by providing a single destination to which consumers may come for both their auto and property insurance needs. In many cases, we may offer discounts to incentivize or reward this bundling.

HomeQuote Explorer® (HQP) is our multi-carrier, direct-to-consumers online property offering. Through HQP, consumers are able to quickly and easily quote and compare homeowners insurance online from Progressive and other carriers. During 2018, we introduced online buying for Progressive Home shoppers in four states and plan to expand more broadly in 2019.

As we increase our penetration of the more complex, multi-product customers who are critical to our Destination Era success, we are further expanding the roster of products provided by unaffiliated companies that we make available through online and telephonic referrals and for which we receive commission. During 2018, we added home security, home warranty, and auto financing to our existing list of unaffiliated company products that already included life, health, and travel insurance.

Our special lines products and umbrella insurance can be combined with any of the auto, home, or renters coverages that we offer, in either the Direct or Agency channel.

#### Commercial Lines

The Commercial Lines segment writes primary liability, physical damage, and other auto-related insurance for automobiles and trucks owned and/or operated predominately by small businesses as a part of the commercial auto market. We offer these products in 50 states; we do not currently write Commercial Lines products in the District of Columbia. This business represented 12% of our total net premiums written in 2018, compared to 11% in both 2017 and 2016. Our Commercial Lines customers on average insure approximately two vehicles. Even though we continue to write about 90% of our Commercial Lines business through the Agency channel, we are seeing more small business owners purchasing their insurance on a direct basis.

There are approximately 330 competitors in the total U.S. commercial auto market. We primarily compete with about 50 other large companies/groups, each with over \$150 million of commercial auto premiums written annually. These leading commercial auto insurers comprise about 80% of this market. Our Commercial Lines business ranked number one in the commercial auto insurance market for 2017 based on premiums written, and we believe that we continued to hold that position for 2018.

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

Business auto – autos, vans, and pick-up trucks used by small businesses, such as retailing, farming, services, and private trucking,

For-hire transportation – tractors, trailers, and straight trucks primarily used by regional general freight and expeditor-type businesses and non-fleet long-haul operators,

Contractor – vans, pick-up trucks, and dump trucks used by small businesses, such as artisans, heavy construction, and landscapers/snowplowers,

For-hire specialty – dump trucks, log trucks, and garbage trucks used by dirt, sand and gravel, logging, and coal-type businesses,

Tow – tow trucks and wreckers used in towing services and gas/service station businesses, and

For-hire livery – non-fleet (i.e., five or fewer vehicles) taxis, black-car services, and airport taxis.

Just as in the Personal Lines business, we also want to be the destination for small business owners' insurance needs. To do this, we act as an agent for business customers to place general liability and business owners' policies and

workers' compensation coverage written by unaffiliated insurers. We also refer some customers to other unaffiliated providers of such insurance, and are compensated for this. The products are offered throughout most of the United States. During 2018, we also launched BusinessQuote Explorer<sup>®</sup>, a digital application that allows small business owners to obtain quotes for these products from a select group of unaffiliated partner carriers.

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Similar to Snapshot in the personal auto business, the Commercial Lines business continues to invest in Smart Haul®, a usage-based insurance program for motor carriers. Smart Haul allows owner operators to earn discounts for agreeing to share their electronic logging device (ELD) generated data with us. In 2018, we entered into a cooperative marketing agreement with the leading provider of ELDs to owner/operator and small fleet trucking businesses, which we believe will help drive future demand and continue to grow the Smart Haul program. Smart Haul is currently available in 46 states.

At December 31, 2018, we provided commercial auto and claims service to an Uber Technologies subsidiary in four states and expect to expand into additional markets in 2019.

#### Property

We began reporting Property as a segment in 2015 after we acquired a majority interest in ARX. Property business written prior to 2015 was negligible.

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

Our Property segment writes residential property insurance in 43 states and the District of Columbia, and renters insurance in 44 states and the District of Columbia primarily in the independent agency channel. We also act as a participant in the “Write Your Own” program for the National Flood Insurance Program under which we write flood insurance in 44 states and the District of Columbia.

Our Property business represented about 5% of our total net premiums written in 2018, compared to 4% in both 2017 and 2016. We tend to see more business written during the second and third quarters based on the cyclical nature of property sales. Losses also tend to be higher during the warmer weather months when storms are more prevalent. For 2018, Texas and Florida comprised 46% of our Property business based on direct premiums written. As a property writer, we have exposure to losses from catastrophes, including hurricanes, and other severe storms. To help mitigate these risks, we enter into reinsurance arrangements. See the “Reinsurance” section below for further discussion of our reinsurance programs.

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

#### Other Indemnity

Our other indemnity businesses consist of managing our run-off businesses.

#### Service Businesses

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

**Commercial Automobile Insurance Procedures/Plans (CAIP)** – We are the only servicing carrier on a nationwide basis for CAIP plans, which are state-supervised plans servicing the involuntary market in 43 states and the District of Columbia. As a service provider, we provide policy issuance and claims adjusting services and collect fee revenue. Reimbursements to us from the CAIP plans are required by state laws and regulations, subject to contractual service standards. Any changes in our participation as a CAIP service provider would not materially affect our financial condition, results of operations, or cash flows.

**Commission-based businesses** – We act as an agent for other insurance companies, as follows:

In our Direct business, we offer home, condominium, and renters insurance, among other products, written by us as well as unaffiliated insurance companies in the continental United States. We receive commissions for policies written under this program, all of which are used to offset the expenses associated with maintaining this program.

In our Commercial Lines business, we offer our customers the ability to package their auto coverage with other commercial coverages that are written by unaffiliated insurance companies or placed with additional companies through unaffiliated insurance agencies. This program offers general liability and business owners policies throughout most of the United States and workers’ compensation coverage in 44 states as of December 31, 2018. We receive commissions for the policies written under this program, all of which are used to offset the expenses associated with maintaining this program.



## Reinsurance

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

We also have voluntary contractual arrangements that primarily relate to our transportation network company business written by our Commercial Lines segment and the Property business. The reinsurance program in our Property business is designed to reduce overall risk while, to the extent of coverage purchased, protecting capital from the costs associated with catastrophes and severe storms. The largest parts of this reinsurance program are an occurrence excess of loss program and aggregate stop-loss agreements, from unaffiliated reinsurance companies, most of which are rated “A” or better by A.M. Best.

The occurrence excess of loss program supports the goal of maintaining adequate capital while sustaining at least two one-in-one hundred year events in a single contract period. It contains several layers: privately-placed reinsurance, a catastrophe bond, and coverage obtained through the Florida Hurricane Catastrophe Fund, among other arrangements. The program includes layers that are purchased for multi-year periods, and layers as to which we have prepaid premiums for reinstatement of coverage after the first covered event to ensure coverage for the second event. We are responsible for all losses and allocated loss adjustment expenses (ALAE) that do not reach the reinsurance threshold of \$60 million, and for the first \$60 million in losses and ALAE from each of the first and second events in the same contract period that exceed the threshold. Under certain circumstances, and if coverage has not been exhausted by the first two events, the reinsurance threshold for a third event may be reduced to \$25 million. We may be responsible for additional losses if we experience more than two such events or if claims incurred exceed the maximum limits of the reinsurance coverage that is then in place. Coverage limits for a first event in Florida would be \$1.6 billion, while coverage for a first event outside of Florida would be \$1.2 billion; coverage for a second event (and, potentially, for subsequent covered events), would depend on a number of factors, including the severity and location of the earlier events in the contract period.

We also have aggregate stop-loss reinsurance agreements (ASL), which were in effect during 2017 and 2018, with substantially the same terms. These ASL agreements cover Property losses and ALAE except those from named storms (both hurricanes and tropical storms) and liability claims, for business written by ARX subsidiaries that write Property business. As such, it provides protection for losses and ALAE incurred by our Property business in the ordinary course, including those resulting from other significant severe weather events, such as hail, tornadoes, etc. This agreement provides \$200 million of coverage to the extent that the net loss and LAE ratio for the full accident year exceeds 63%. The ASL reduces the likelihood that we will experience a net underwriting loss for reasons other than named storms and liability claims. In 2019, we renewed the ASL agreement under substantially the same terms as the prior agreements with the exception that the 2019 ASL agreement also covers an additional \$100 million of retained losses and ALAE from named storms.

See Note 7 – Reinsurance in our Annual Report for further discussion.

## Claims

We manage our vehicle claims handling on a companywide basis through approximately 260 stand-alone claims offices and nearly 3,000 network shops located throughout the United States. During 2018, we ceased using our Service Center model as part of our claims processing and transitioned to an expanded network shop model, with the goal of improving our operating efficiency without any loss to claims accuracy or customer service.

For our Property business, we handle property claims separately through a network of primarily independent claims adjusters.

## Competitive Factors

The insurance markets in which we operate are highly competitive. Property-casualty insurers generally compete on the basis of price, agent commission rates, consumer recognition and confidence, coverages offered and other product features, claims handling, financial stability, customer service, and geographic coverage. Vigorous competition is

provided by large, well-capitalized national companies in both the Agency and Direct channels, and by smaller regional insurers. In the Agency channel, some of our competitors have broad distribution networks of employed or captive agents. With widely available comparative rating services, consumers can easily compare prices among competitors. Many competitors invest heavily in advertising and marketing efforts and/or expanding their online or mobile service offerings. Over the past decade, these changes have further intensified the competitive nature of the property-casualty insurance markets in which we operate.

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We rely heavily on technology to operate our business and on extensive data gathering and analysis to segment markets and price accurately according to risk. We have remained competitive by refining our risk measurement and price segmentation skills, closely managing expenses, and achieving operating efficiencies. High-quality customer service, fair and accurate claims adjusting, and strong brand recognition are also important factors in our competitive strategy. Competition in our insurance markets is affected by the pace of technological developments. An insurer's ability to adapt to change, innovate, develop, and implement new applications and other technologies can affect its competitive position. In addition, our competitive position could be adversely impacted if we sustain security breaches or other "cyber attacks" on our systems or are unable to maintain uninterrupted access to our systems, business functions, and the systems of certain third-party providers. See Item 1A, Risk Factors, for more information. In addition, there has been a proliferation of patents related to new ways in which technologies can affect competitive positions in the insurance industry. Some of our competitors have many more patents than we do. Some of the patents we currently hold include two patents related to our online policy self-service technology (expiring mid-2019), a usage-based insurance patent (expiring in 2024), two patents for the system we use for securing our e-signature transactions (expiring in 2025), two U.S. patents on the Name Your Price<sup>®</sup> functionality on our website (expiring in 2028), two multi-product quoting patents (expiring in 2032), a patent for our implementation of a mobile insurance platform and architecture (expiring in 2032), a patent on our system of providing customized insurance quotes based on user's price and/or coverage preferences (expiring in 2033), two patents for our loyalty call routing system (expiring in 2033), and a patent for the implementation of a chatbot in online quoting and buying (expiring in 2038). We have a substantial amount of "know-how" developed from years of experience with usage-based insurance, and from analyzing the data from over 27 billion driving miles derived from our usage-based devices and our mobile app. We believe this intellectual property provides us with a competitive advantage in the usage-based insurance market.

#### State Insurance Licenses

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

#### Insurance Regulation

Our insurance subsidiaries are generally subject to regulation and supervision by insurance departments of the jurisdictions in which they are domiciled or licensed to transact business. At least one of our insurance subsidiaries is licensed and subject to regulation in each of the 50 states and the District of Columbia. The nature and extent of such regulation and supervision varies from jurisdiction to jurisdiction. Generally, an insurance company is subject to a higher degree of regulation and supervision in its state of domicile. Our insurance subsidiaries, mutual insurance company, and Lloyds company are domiciled in the states of California, Delaware, Florida, Illinois, Indiana, Louisiana, Michigan, New Jersey, New York, Ohio, Texas, and Wisconsin. In addition, California and Florida treat certain of our subsidiaries as domestic insurers for certain purposes under their "commercial domicile" laws. State insurance laws impose numerous requirements, conditions, and limitations on the operations of insurance companies. Insurance departments have broad regulatory powers relating to those operations. Regulated areas include, among others:

- Licensing of insurers and agents,
- Capital and surplus requirements,
- Statutory accounting principles specific to insurance companies and the content of required financial and other reports,
- Requirements for establishing insurance reserves,
- Investments,
- Acquisitions of insurers and transactions between insurers and their affiliates,
- Limitations on rates of return or profitability,

Rating criteria, rate levels, and rate changes,  
Insolvencies of insurance companies,  
Assigned risk programs,  
Authority to exit a business, and

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Numerous requirements relating to other areas of insurance operations, including: required coverages, policy forms, underwriting standards, and claims handling.

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

Insurance departments establish and monitor compliance with capital and surplus requirements. Although the ratio of written premiums to surplus that the regulators will allow is a function of a number of factors (including applicable law, the type of business being written, the adequacy of the insurer's reserves, and the quality of the insurer's assets), the annual net premiums that an insurer may write historically have been perceived to be limited to a specified multiple of the insurer's total surplus, generally 3 to 1 for property and casualty insurance, which is the target for our vehicle businesses; our Property business maintains a lower premiums-to-surplus ratio. Thus, the amount of an insurer's statutory surplus, in certain cases, may limit its ability to grow its business. At year-end 2018, we had net premiums written of \$32.6 billion and statutory surplus of \$11.7 billion. The combined premiums-to-surplus ratio for all of our insurance companies was 2.8 to 1. In addition, as of December 31, 2018, we had access to \$2.9 billion of securities held in a non-insurance subsidiary, portions of which could be contributed to the capital of our insurance subsidiaries to support growth or for other purposes. In February 2019, we used \$1.5 billion of these securities to pay our common share dividends.

The National Association of Insurance Commissioners (NAIC) also has developed a risk-based capital (RBC) program to enable regulators to identify and take appropriate and timely regulatory actions relating to insurers that show signs of weak or deteriorating financial condition. RBC is determined by a series of dynamic surplus-related formulas that contain a variety of factors that are applied to financial balances based on the degree of certain risks, such as asset, credit, and underwriting risks. At December 31, 2018, our RBC ratios were in excess of minimum requirements.

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

- the insurer's financial statements under statutory accounting principles,
- details concerning claims reserves held by the insurer,
- specific investments held by the insurer, and
- numerous other disclosures about the insurer's financial condition and operations.

State insurance laws and insurance departments also regulate investments that insurers are permitted to make.

Limitations are placed on the amounts an insurer may invest in a particular issuer, as well as the aggregate amount an insurer may invest in certain types of investments. Certain investments are prohibited.

Insurance holding company laws enacted in many jurisdictions authorize insurance departments to regulate acquisitions of insurers and certain other transactions and to require periodic disclosure of specified information.

These laws impose prior approval requirements for certain transactions between insurers and their affiliates and generally regulate dividend and other distributions, including loans and cash advances, between insurers and their affiliates. See Note 8 – Statutory Financial Information in our Annual Report for further discussion.

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

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

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

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

Statutory Accounting Principles

Our results are reported in accordance with accounting principles generally accepted in the United States of America (GAAP), which differ in certain respects from amounts reported under statutory accounting principles (SAP) prescribed by insurance regulatory authorities. Certain significant differences are described below:

Category	GAAP Accounting	SAP Accounting
Acquisition Expenses	Commissions, premium taxes, and other variable costs incurred in connection with the successful acquisition of new and renewal business are capitalized and amortized pro rata over the policy term as premiums are earned.	Commissions, premium taxes, and all other acquisition expenses are expensed as incurred.
Nonadmitted Assets	Premiums receivable are reported net of an allowance for doubtful accounts.  Furniture, equipment, application software, leasehold improvements, and prepaid expenses are capitalized and amortized over their useful lives or periods benefited.  Deferred tax assets are recorded based on estimated future tax effects attributable to temporary differences. A valuation allowance would be recorded for any tax benefits that are not expected to be realized.	Premiums receivable over 90 days past due are “nonadmitted,” which means they are excluded from surplus. For premiums receivable less than 90 days past due, we also estimate a bad debt reserve.  Excluding computer equipment and operating software, the value of all other furniture, equipment, application software, leasehold improvements, and prepaid expenses, net of accumulated depreciation or amortization, is nonadmitted against surplus. Computer equipment and operating software are capitalized, subject to statutory limitations based on surplus, and depreciated over three years.  The accounting for deferred tax assets is consistent with GAAP, except for deferred tax assets that do not meet statutory requirements for recognition, which are nonadmitted against surplus.
Reinsurance	Ceded reinsurance balances are shown as an asset on the balance sheet as “prepaid reinsurance premiums” and “reinsurance recoverables.”	Ceded unearned premiums are netted against the “unearned premiums” liability. Ceded unpaid loss and loss adjustment expense (LAE) amounts are netted against “loss and LAE reserves.” Only ceded paid loss and LAE are shown as a “reinsurance recoverables” asset.
Investment Valuation	Fixed-maturity securities, which are classified as available-for-sale, are reported at fair values.  Preferred stocks, both redeemable and nonredeemable, are reported at fair values.	Fixed-maturity securities are reported at amortized cost or the lower of amortized cost or fair value, depending on the NAIC designation of the security.  Redeemable preferred stocks are reported at amortized cost or the lower of amortized cost or fair value, depending on the NAIC designation of the security. Nonredeemable preferred stocks are reported at fair value, consistent with GAAP.
Operating Leases	Operating leases are reported on the balance sheet as both an asset and liability.	Operating leases are considered off-balance-sheet items.
Federal Income	The income tax provision includes both current and deferred income taxes.	For income statement reporting, the income tax provision only includes current tax expense. Deferred taxes are

Taxes		recorded directly to surplus. Deferred tax assets are subject to certain limitations on admissibility.
State Income Taxes	The income tax provision includes both current and deferred income taxes.	Current income taxes are recorded as a component of underwriting expenses. Deferred income taxes are not recorded.

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## Investments

Our principal investment goals are to manage our portfolio on a total return basis to support all of the insurance premiums that we can profitably write and contribute to our comprehensive income. Our portfolio is invested primarily in short-term and intermediate-term, investment-grade fixed-income securities. Our investment portfolio had a fair value of \$33.6 billion at December 31, 2018, compared to \$27.3 billion at December 31, 2017.

Investment income is affected by the variability of cash flows to or from the portfolio, shifts in the type and quality of investments in the portfolio, changes in yield, and other factors. For securities held in our investment portfolios, total investment income includes interest and dividends, net realized gains (losses) on securities sold, net holding period gains (losses) on securities, which for 2018 is composed primarily of valuation changes on equity securities, and write-downs on securities held in our investment portfolio. Total investment income, before expenses and taxes, was \$483.3 million in 2018, compared to \$662.3 million in 2017, and \$589.7 million in 2016. For our investment portfolio, on a pretax total return basis (i.e., total investment income plus changes in net unrealized gains (losses)), investment income was \$357.5 million, \$1,210.8 million, and \$791.0 million for the years ended December 31, 2018, 2017, and 2016, respectively. Outside of our investment portfolio, but reported in impairment losses in the consolidated statements of comprehensive income, were \$68.3 million, \$49.6 million, and \$59.7 million of other-than-temporary impairment losses resulting from renewable energy tax credit investments entered into during 2018, 2017, and 2016, respectively. For more detailed discussion of our investment portfolio, see Note 2 – Investments, Note 3 – Fair Value, and Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report.

## Employees

The number of employees at December 31, 2018 was 37,346, all of whom were employed by subsidiaries of The Progressive Corporation.

## Liability for Property-Casualty Losses and Loss Adjustment Expenses

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

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

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

## Available Information

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

extent we specifically incorporate such information by reference in such a filing.

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## ITEM 1A. RISK FACTORS

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

• **Insurance Risks** - risks associated with assuming, or indemnifying for, the losses or liabilities incurred by policyholders

• **Operating Risks** - risks stemming from external or internal events or circumstances that directly or indirectly may affect our insurance operations

• **Market Risks** - risks that may cause changes in the value of assets held in our investment portfolios

• **Liquidity Risk** - risk that our financial condition will be adversely affected by the inability to meet our short-term cash, collateral, or other financial obligations, and

• **Credit and Other Financial Risks** - risks that the other party to a transaction will fail to perform according to the terms of a contract, or that we will be unable to satisfy our obligations when due or obtain capital when necessary.

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

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

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

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

### I. Insurance Risks

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

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

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

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

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

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

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

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

The ultimate paid losses and loss adjustment expenses may deviate, perhaps substantially, from point-in-time estimates of such losses and expenses, as reflected in the loss reserves included in our financial statements.

Consequently, ultimate losses paid could materially exceed reported loss reserves and have a material adverse effect on our financial condition, cash flows, or results of operations.

Our insurance operating results may be materially adversely affected by severe weather conditions or other catastrophe events.

Catastrophes can be caused by natural events, such as hurricanes, tornadoes, windstorms, floods, earthquakes, hailstorms, severe winter weather, and fires, or by other events, such as explosions, terrorist attacks, riots, and hazardous material releases. The frequency, severity, duration, and geographic location and scope of such events are inherently unpredictable. Moreover, changing climate conditions, whether due to an increase in average temperatures (global climate change) or other causes, may increase how often severe weather events and other natural disasters occur, how long they last, and how much insured damage they cause, and may change where the events occur. Catastrophe losses may adversely affect the results of our Property segment more than they affect the results of our other businesses.

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

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

Our Property business relies on reinsurance contracts, state reinsurance funding, and catastrophe bonds (collectively, “reinsurance arrangements”) to reduce its exposure to certain catastrophe events. We also use reinsurance contracts to reinsure portions of our Commercial Lines and umbrella insurance businesses. Reinsurance arrangements are often subject to a threshold below which reinsurance does not apply, so that we are responsible for all losses below the threshold from a covered event, and to an aggregate dollar coverage limit, so that our claims liabilities arising from a covered event may exceed our reinsurance coverage. In addition, although the reinsurer is liable to the insurer to the



extent of the reinsurance coverage, the

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original insurer remains liable under the policies to the insured as the direct insurer on all risks reinsured. As a result, we are subject to the risk that reinsurers will be unable to pay, or will dispute, reinsurance claims. Further, the availability and cost of reinsurance are subject to prevailing reinsurance market conditions (which can be impacted by the occurrence of significant reinsured events, such as catastrophes). We may not be able to obtain reinsurance coverage in the future at commercially reasonable rates or at all. The unavailability and/or cost of reinsurance could adversely affect our business volume, profitability, or financial condition.

## II. Operating Risks

We compete in property-casualty markets that are highly competitive.

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

Historically, the auto and property insurance markets have been described as cyclical, with periods of relatively strong profitability being followed by increased pricing competition among insurers. This price competition, which is sometimes referred to as a “soft market,” can adversely affect revenue and profitability levels. As insurers recognize this situation (which can occur at different times for different companies), the historical reaction has been for insurers to raise their rates (sometimes referred to as a “hard market”) in an attempt to restore profitability to acceptable levels. As more insurers react in this way, profit levels in the industry may increase to a point where some insurers begin to lower their rates, starting the cycle over again. In the past, this cycle has generally played out over a number of years. We cannot be certain whether and to what extent such cyclicalities are currently impacting the auto or property insurance markets, nor can we predict whether it will do so in the future.

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

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

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



We must effectively manage complexity as we develop and deliver high quality products and customer experiences. Ongoing competitive, technological, regulatory, informational, and other developments result in significant levels of complexity in our products and in the systems and processes we use to run our business. These risks include our increasing reliance on third-party systems, the development of new modes of communication, changing insurance shopping trends, and the availability of very large volumes of data (i.e., Big Data) and the challenges relating to analyzing those data sets. Complexity may create barriers to innovation or the provision of high-quality products and customer and agent experiences, may require us to modify our business practices, to adopt new systems, or to upgrade or replace outdated systems, each at significant expense, and may lead to increased difficulty in executing our business strategies.

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

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

Our success depends on our ability to adjust claims accurately.

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

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

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

Our brand also could be adversely affected by incidents that reflect negatively on us, whether due to our business practices, the conduct of our officers or employees, the actions of businesses with which we do business, including unaffiliated insurers whose products we offer or make available to our customers, or other causes. The negative impacts of these or other events may be aggravated as the perceptions of consumers and others are formed based on modern communication and social media tools over which we have no control.

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

Our success depends on our ability to attract, develop, compensate, motivate, and retain talented employees, including executives, other key managers, and employees with strong technological, analytical, and other skills and know-how necessary for us to run our vehicle and property insurance businesses and assess potential expansion into new products and business areas. Our loss of certain officers and key employees, or the failure to attract or develop talented employees, executives and managers with diverse backgrounds and experiences, could have a material adverse effect on our business.

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

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

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

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

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

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

In addition, data privacy and security regulations impose complex compliance and reporting requirements and challenges. For example, California recently enacted consumer privacy protection legislation that will become effective in 2020. Compliance with this new legislation will be challenging as it will require us to modify our current business systems and operations in a short time frame and without the benefit of related regulations, which are not required to be issued until six months after the legislation's effective date. Other states are considering privacy and security legislation, and variations in requirements across the states present ongoing compliance challenges.

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

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

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

The Progressive Corporation and/or its subsidiaries are named as defendants in class action and other lawsuits challenging various aspects of the subsidiaries' business operations. These lawsuits have included cases alleging damages as a result of our subsidiaries' methods used for evaluating and paying certain bodily injury, personal injury protection, and medical payment claims or for reimbursing medical costs incurred by Medicare/Medicaid beneficiaries; other claims handling procedures, including challenges relating to our network of repair facilities, our methods used for estimating physical damage to vehicles

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for repair purposes and for evaluating the actual cash value of total loss vehicles, our payment of fees and taxes, our subrogation practices, and our handling of diminution of value claims; our assessment of fees related to insufficient funds or reversed payments; interpretations of the provisions of our insurance policies; rating practices; certain policy sales, services, implementation and renewal practices and procedures, including with respect to accessibility; our Snapshot program; certain relationships with independent insurance agents; and certain employment practices, including claims relating to pay practices and fair employment practices, among other matters. Additional litigation may be filed against us in the future challenging similar or other of our business practices. In addition, lawsuits have been filed, and other lawsuits may be filed in the future, against our competitors and other businesses, and although we are not a party to such litigation, the results of those cases may create additional risks for, and/or impose additional costs and/or limitations on, our subsidiaries' business operations.

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

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

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

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

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

Some of our systems rely on third-party vendors, through either a connection to, or an integration with, those third-parties' systems. This approach may increase the risk of loss, corruption, or unauthorized publication of our information or the confidential information of our customers and employees or other cyber attack. Third-party risks may include, among other factors, the vendor's lax security measures, data location uncertainty, and the possibility of data storage in inappropriate jurisdictions, where laws or security measures may be inadequate.

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

Our business could be significantly damaged by a security breach, data loss or corruption, or cyber attack. In addition to the potentially high costs of investigating and stopping such an event and implementing necessary fixes, we could incur substantial liability if confidential customer or employee information is stolen. In addition, such an event could



cause a significant disruption of our ability to conduct our insurance operations, adversely affect our competitive position if material trade secrets or other confidential information are stolen, and have severe ramifications on our reputation and brand, potentially causing customers to refrain from buying insurance from us or other businesses to refrain from doing business with us. We have elected to self-insure these risks at this time. Therefore, the occurrence of a security breach, data loss or corruption, or cyber attack, if sufficiently severe, could have a material adverse effect on our business results, prospects, and liquidity.

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

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

Efforts to develop new products or enter new areas of business may not be successful and may create enhanced risks. We are developing, and may develop in the future, new insurance products, including those that insure risks that we have not previously insured, contain new coverages, or change coverage terms. These new products may not be as profitable as our existing products and may not perform as well as we expect. In addition, these new products may change our risk exposures, and the business systems, data, and models we use to manage those exposures may be less accurate or less effective than those we use with existing products.

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

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

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

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

### III. Market Risks

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

Our investment portfolio consists principally of fixed-income securities and common equities. General economic conditions and other factors beyond our control can adversely affect the value of our investments and the amount and realization of investment income, or result in realized or unrealized investment losses.

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Our fixed-income portfolio is actively managed by our investment group and includes short-term investments, fixed-maturity securities, and preferred stocks. The performance of the fixed-income portfolio is subject to a number of risks, including:

• **Interest rate risk** - the risk of adverse changes in the value of fixed-income securities as a result of increases in market interest rates.

• **Investment credit risk** - the risk that the value of certain investments may decrease due to a deterioration in the financial condition, operating performance or business prospects of, or the liquidity available to, one or more issuers of those securities or, in the case of asset-backed securities, due to the deterioration of the loans or other assets that underlie the securities.

• **Concentration risk** - the risk that the portfolio may be too heavily concentrated in the securities of one or more issuers, sectors, or industries, which could result in a significant decrease in the value of the portfolio in the event of a deterioration of the financial condition or performance of, or outlook for, those issuers, sectors, or industries.

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

• **Liquidity risk** - discussed separately below.

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

The common equity portfolio is primarily managed externally to track the Russell 1000 Index, with a small portion actively managed by an external investment advisor. Our equity investments are subject to general movements in the values of equity markets and to the changes in the prices of the securities we hold. An investment portfolio that is designed to track an index, such as the Russell 1000, or that follows a specific investment discipline, such as value investing, is not necessarily less risky than other equity investment strategies. Equity markets, sectors, industries, and individual securities may be subject to high volatility and to long periods of depressed or declining valuations, and are also subject to most of the same risks that affect our fixed-income portfolio, as discussed above. In addition, even though the Russell 1000 Index is broadly diversified, significant portions of the index may be concentrated in one or more sectors, reducing our ability to manage our concentration risk through sector diversification. The actively managed equity portfolio is also subject to risks arising from the investment decisions of the investment advisor. If the fixed-income or equity portfolios, or both, were to suffer a substantial decrease in value, our financial position, and financial results could be materially adversely affected. Under these circumstances, our income from these investments could be materially reduced, and declines in the value of our securities could further reduce our reported earnings and capital levels. A decrease in value of an insurance subsidiary's investment portfolio could also put the subsidiary at risk of failing to satisfy regulatory minimum capital requirements and could limit the subsidiary's ability to write new business. In any such event, our business could be materially adversely affected and our financial flexibility could be substantially constrained.

See Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report for additional discussion of the composition of our investment portfolio as of December 31, 2017, and of the market risks associated with our investment portfolio.

#### IV. Liquidity Risk

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

We rely on our ability to access our cash accounts at banks and other financial institutions to operate our business. If we are unable to access the cash in those accounts as needed, whether due to our own systems difficulties, an

institution-specific issue at the bank or financial institution (such as a cybersecurity breach), a broader disruption in banking, financial or wire transfer systems, or otherwise, our ability to pay insurance claims and other financial obligations when due and otherwise operate our

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business could be materially adversely affected. Likewise, our investment portfolios are subject to risks inherent in the nation's and world's capital markets. Any disruption in the functioning of those markets or in our ability to liquidate investments or specific categories of investments on favorable terms when desired, could impair our ability to pay claims or other financial obligations when due. Any such event or series of such events could result in significant operational difficulties, reputational harm and adverse actions by regulators and have a material adverse effect on our financial condition, cash flows, and results of operations.

#### V. Credit and Other Financial Risks

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

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

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

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

- insurance regulatory authorities require insurance companies to maintain specified minimum levels of statutory capital and surplus

- insurance regulations restrict the amounts available for distribution based on either net income or surplus of the insurance company

- competitive pressures require our insurance subsidiaries to maintain high financial strength ratings, and

- in certain jurisdictions, prior approval must be obtained from regulatory authorities for the insurance subsidiaries to pay dividends or make other distributions to affiliated entities, including the parent holding company.

In addition, under the ARX stockholders' agreement, ARX cannot pay a dividend without the consent of Progressive and another specified ARX stockholder.

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

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

pay our other obligations when due or engage in other corporate transactions. Such a deterioration of our financial condition could adversely affect the perception of our company by insurance regulators, potentially resulting in regulatory actions, and the price of our common shares or debt securities could fall significantly.

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

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

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

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

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

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

We do not manage to short-term earnings expectations; our goal is to maximize the long-term value of the enterprise, which, at times, may adversely affect short-term results.

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

In addition, due to our focus on the long-term value of the enterprise, we may undertake business strategies and establish related financial goals for a specific year that are designed to enhance our longer-term performance, while understanding that such strategies may not always similarly benefit short-term results, such as our annual underwriting profit or earnings per share. Consequently, these strategies may adversely affect short-term performance or the payment of dividends, and may result in additional volatility in the price of our common shares or debt securities.





**ITEM 1B. UNRESOLVED STAFF COMMENTS**

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

**ITEM 2. PROPERTIES**

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

We own 95 buildings located throughout the United States. Nearly two-thirds of these buildings are claims offices. Our owned facilities, which contain approximately 5.1 million square feet of space, are generally not segregated by industry segment. We own significant locations in Mayfield Village, Ohio and surrounding suburbs (including our corporate headquarters); Colorado Springs, Colorado; St. Petersburg, Florida; Tampa, Florida; and Tempe, Arizona. We lease approximately 2.1 million square feet of space throughout the United States. These leases are generally short-term to medium-term leases of commercial space.

**ITEM 3. LEGAL PROCEEDINGS**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

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

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## PART II

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

## Market Information

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

## Holders

We had 2,016 shareholders of record on December 31, 2018.

## Securities Authorized for Issuance Under Equity Compensation Plans

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

## Performance Graph

See the Performance Graph section in our Annual Report.

## Recent Sales of Unregistered Securities

None.

## Share Repurchases

## ISSUER PURCHASES OF EQUITY SECURITIES

2018 Calendar Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October	1,012	\$ 71.17	666,319	24,333,681
November	3,530	68.88	669,849	24,330,151
December	0	0	669,849	24,330,151
Total	4,542	\$ 69.39		

In May 2018, our Board of Directors approved an authorization to repurchase up to 25 million of our common shares; this authorization does not have an expiration date. Share repurchases under this authorization may be accomplished through open market purchases, through privately negotiated transactions, pursuant to our equity incentive plans, or otherwise, and may include trading plans entered into with one or more brokerage firms in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. During the fourth quarter 2018, all repurchases were accomplished in conjunction with our incentive compensation plans at the then-current market prices; there were no open market purchases during the quarter.

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

**ITEM 6. SELECTED FINANCIAL DATA**

(millions - except per share amounts)

	For the years ended December 31,				
	2018	2017	2016	2015	2014
Total revenues	\$31,979.0	\$26,839.0	\$23,441.4	\$20,853.8	\$19,391.4
Net income attributable to Progressive	2,615.3	1,592.2	1,031.0	1,267.6	1,281.0
Per common share:					
Net income attributable to Progressive	4.42	2.72	1.76	2.15	2.15
Dividends declared per common share	2.5140	1.1247	0.6808	0.8882	0.6862
Comprehensive income 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	4,404.9	3,306.3	3,148.2	2,707.9	2,164.7
Total shareholders' equity	10,821.8	9,284.8	7,957.1	7,289.4	6,928.6
Redeemable noncontrolling interest	214.5	503.7	483.7	464.9	--

See Note 15 – Redeemable Noncontrolling Interest in the Annual Report, for a discussion of the acquisition of a controlling interest in ARX on April 1, 2015.

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

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

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The quantitative and qualitative disclosures about market risk are incorporated by reference from section "IV. Results of Operations – Investments" in our Management's Discussion and Analysis of Financial Condition and Results of Operations, as described in Item 7 above, and from the Quantitative Market Risk Disclosures section in our Annual Report.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

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

Our Chief Executive Officer and our Chief Financial Officer reviewed and evaluated Progressive's disclosure controls and procedures as of the end of the period covered by this report. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Progressive's disclosure controls and procedures are effectively serving the stated purposes as of the end of the period covered by this report.

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

We are not aware of any material change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

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## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our directors is incorporated herein by reference from the section entitled “Item 1: Election of Directors” in The Progressive Corporation’s Proxy Statement for the Annual Meeting of Shareholders to be held on May 10, 2019 (the “Proxy Statement”).

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

Name	Age	Offices Held and Last Five Years’ Business Experience
Susan Patricia Griffith	54	President and Chief Executive Officer since July 2016; Vice President from May 2015 to June 2016; Personal Lines Chief Operating Officer from April 2015 to June 2016; President of Customer Operations from April 2014 to March 2015; Claims Group President prior to April 2014
John P. Sauerland	54	Vice President since May 2015; Chief Financial Officer since April 2015; Personal Lines Group President prior to April 2015
John A. Barbagallo	59	Commercial Lines President since May 2015; Commercial Lines Group President, including Agency Operations prior to May 2015
Jeffrey W. Basch	60	Vice President and Chief Accounting Officer until March 2019
Steven A. Broz	48	Chief Information Officer since February 2016; Claims Process General Manager from March 2015 to January 2016; Enterprise Project Management Office Leader prior to March 2015
Patrick K. Callahan	48	Personal Lines President since April 2015; Direct Acquisition Business Leader prior to April 2015
M. Jeffrey Charney	59	Chief Marketing Officer
William M. Cody	56	Chief Investment Officer
Mariann Wojtkun Marshall	56	Assistant Secretary; Vice President and Chief Accounting Officer beginning March 2019; Director of GAAP Reporting prior to March 2019
Daniel P. Mascaro	55	Vice President, Secretary, and Chief Legal Officer since March 2017; Claims Legal Business Leader prior to March 2017
John Murphy	49	Customer Relationship Management President since January 2016; Customer Relationship Management Business Leader from February 2015 to January 2016; Corporate Process Business Leader prior to February 2015
Lori Niederst	45	Chief Human Resource Officer since November 2016; Senior Human Resource Business Leader prior to November 2016
Andrew J. Quigg	39	Chief Strategy Officer since July 2018; Customer Experience General Manager from May 2015 to June 2018; Direct Media Business Leader prior to May 2015
Michael D. Sieger	57	Claims President since January 2015; Claims Process General Manager prior to January 2015

Section 16(a) Beneficial Ownership Reporting Compliance. None

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

Shareholder-Proposed Candidate Procedures. There were no material changes during 2018 to Progressive’s procedures by which a shareholder can recommend a director candidate during 2018. The description of those procedures is

incorporated by reference from the “To Recommend a Candidate for our Board of Directors” section of the Proxy Statement (which can be found in “Procedures for Recommendations and Nominations of Directors and Shareholder Proposals”).

Audit Committee. Incorporated by reference from the “Audit Committee” section of the Proxy Statement.

Financial Expert. Incorporated by reference from the “Audit Committee Financial Experts” section of the Proxy Statement (which can be found in “Audit Committee”).

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## ITEM 11. EXECUTIVE COMPENSATION

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

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

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

The following information is set forth with respect to our equity compensation plans at December 31, 2018.

## EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders:			
Employee Plans:			
2015 Equity Incentive Plan	3,720,361	<sup>1,2</sup> NA	11,288,162
2010 Equity Incentive Plan	1,135,995	<sup>1</sup> NA	100,000
Subtotal Employee Plans	4,856,356	NA	11,388,162
Director Plans:			
2017 Directors Equity Incentive Plan	41,706	NA	405,010
Equity compensation plans not approved by security holders:			
None			
Total	4,898,062	NA	11,793,172

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

<sup>1</sup> Reflects restricted stock unit awards, including reinvested dividend equivalents, under which, upon vesting, the holder has the right to receive common shares on a one-to-one basis.

<sup>2</sup> Performance-based restricted stock unit awards, including dividend equivalents, of 1,017,520 units are included under the 2015 Equity Incentive Plan at their target value. Maximum potential payout for the performance awards outstanding under the 2015 Equity Incentive Plan was 2,486,046. For a description of the performance-based awards, including the performance measurement and vesting ranges, see Note 9 — Employee Benefit Plans in our Annual Report.

<sup>3</sup> Gives effect to reservation of common shares subject to performance-based awards at maximum potential payout.

<sup>4</sup> At December 31, 2018, 3,978,537 authorized securities were transferred from the 2010 Equity Incentive Plan to the 2015 Equity Incentive Plan, in accordance with the terms of the 2015 plan.



ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE  
Incorporated by reference from the section of the Proxy Statement entitled “Other Board of Directors Information,”  
subsections “Board of Directors Independence Determinations,” and “Transactions with Related Parties.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Listing of Financial Statements

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

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Comprehensive Income - For the Years Ended December 31, 2018, 2017, and 2016

Consolidated Balance Sheets - December 31, 2018 and 2017

Consolidated Statements of Changes in Shareholders' Equity - For the Years Ended December 31, 2018, 2017, and 2016

Consolidated Statements of Cash Flows - For the Years Ended December 31, 2018, 2017, and 2016

Notes to Consolidated Financial Statements

Supplemental Information (Unaudited)

(a)(2) Listing of Financial Statement Schedules

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

Schedule I - Summary of Investments - Other than Investments in Related Parties

Schedule II - Condensed Financial Information of Registrant

Schedule III - Supplementary Insurance Information

Schedule IV - Reinsurance

Report of Independent Registered Public Accounting Firm on Financial Statement Schedules

No other schedules are required to be filed herewith pursuant to Article 7 of Regulation S-X.

(a)(3) Listing of Exhibits

See exhibit index contained herein beginning at page 41. Management contracts and compensatory plans and arrangements are identified in the Exhibit Index as Exhibit Nos. 10.3 through 10.63.

(b) Exhibits

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

(c) Financial Statement Schedules

SCHEDULE I — SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES  
THE PROGRESSIVE CORPORATION AND SUBSIDIARIES

(millions)

Type of Investment	December 31, 2018		
	Cost	Fair Value	Amount At Which Shown In The Balance Sheet
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	\$9,897.4	\$9,916.5	\$ 9,916.5
States, municipalities, and political subdivisions	1,654.6	1,649.1	1,649.1
Public utilities	479.6	473.8	473.8
Corporate and other debt securities	8,328.9	8,220.5	8,220.5
Asset-backed securities	7,651.7	7,613.3	7,613.3
Redeemable preferred stocks	243.7	238.3	238.3
Total fixed maturities	28,255.9	28,111.5	28,111.5
Equity securities:			
Common stocks:			
Public utilities	81.4	140.4	140.4
Banks, trusts, and insurance companies	226.4	525.8	525.8
Industrial, miscellaneous, and all other	841.1	1,959.9	1,959.9
Nonredeemable preferred stocks	1,002.6	1,033.9	1,033.9
Total equity securities	2,151.5	3,660.0	3,660.0
Short-term investments	\$1,795.9	\$1,795.9	\$ 1,795.9
Total investments	\$32,203.3	\$33,567.4	\$ 33,567.4

Progressive did not have any securities of any one issuer, excluding U.S. government obligations, with an aggregate cost or fair value exceeding 10% of total shareholders' equity at December 31, 2018.

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SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
 CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
 THE PROGRESSIVE CORPORATION (PARENT COMPANY)  
 (millions)

	Years Ended December 31,		
	2018	2017	2016
Revenues			
Dividends from subsidiaries	\$939.1	\$867.3	\$375.5
Undistributed income (loss) from subsidiaries	1,770.7	866.3	741.9
Equity in net income of subsidiaries	2,709.8	1,733.6	1,117.4
Intercompany investment income	39.4	11.3	5.5
Gains (losses) on extinguishment of debt	0	0.2	1.6
Total revenues	2,749.2	1,745.1	1,124.5
Expenses			
Interest expense	166.8	151.1	140.4
Deferred compensation <sup>1</sup>	7.5	23.2	5.3
Other operating costs and expenses	5.1	4.6	4.2
Total expenses	179.4	178.9	149.9
Income before income taxes	2,569.8	1,566.2	974.6
Benefit for income taxes	45.5	26.0	56.4
Net income attributable to Progressive	2,615.3	1,592.2	1,031.0
Other comprehensive income (loss)	(95.2 )	348.8	133.0
Comprehensive income attributable to Progressive	\$2,520.1	\$1,941.0	\$1,164.0

<sup>1</sup> See Note 4 – Employee Benefit Plans in these condensed financial statements.

See notes to condensed financial statements.

## SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

## CONDENSED BALANCE SHEETS

## THE PROGRESSIVE CORPORATION (PARENT COMPANY)

(millions)

	December 31,	
	2018	2017
Assets		
Investment in affiliate	\$5.0	\$5.0
Investment in subsidiaries	13,652.2	11,721.3
Receivable from investment subsidiary	2,658.9	1,466.1
Intercompany receivable	651.1	578.6
Net deferred income taxes	68.2	67.1
Other assets	124.2	167.3
Total assets	\$17,159.6	\$14,005.4
Liabilities		
Accounts payable, accrued expenses, and other liabilities	\$250.5	\$292.6
Dividend payable	1,467.9	655.1
Debt	4,404.9	3,269.2
Total liabilities	6,123.3	4,216.9
Redeemable noncontrolling interest (NCI)	214.5	503.7
Shareholders' Equity		
Serial Preferred Shares (authorized 20.0)		
Serial Preferred Shares, Series B, no par value (cumulative, liquidation preference \$1,000 per share) (authorized, issued, and outstanding 0.5 and 0)	493.9	0
Common shares, \$1.00 par value (authorized 900.0; issued 797.5, including treasury shares of 214.3 and 215.8)	583.2	581.7
Paid-in capital	1,479.0	1,389.2
Retained earnings	8,386.6	6,031.7
Total accumulated other comprehensive income attributable to Progressive	(120.9 )	1,282.2
Total shareholders' equity	10,821.8	9,284.8
Total liabilities, redeemable NCI, and shareholders' equity	\$17,159.6	\$14,005.4
See notes to condensed financial statements.		

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SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)  
 CONDENSED STATEMENTS OF CASH FLOWS  
 THE PROGRESSIVE CORPORATION (PARENT COMPANY)  
 (millions)

	Years Ended December 31,		
	2018	2017	2016
<b>Cash Flows From Operating Activities:</b>			
Net income attributable to Progressive	\$2,615.3	\$1,592.2	\$1,031.0
Adjustments to reconcile net income attributable to Progressive to net cash provided by operating activities:			
Undistributed (income) loss from subsidiaries	(1,770.7 )	(866.3 )	(741.9 )
Amortization of equity-based compensation	2.4	2.1	2.2
(Gains) losses on extinguishment of debt	0	(0.2 )	(1.6 )
Changes in:			
Intercompany receivable	77.5	(71.3 )	(37.3 )
Accounts payable, accrued expenses, and other liabilities	(29.6 )	53.6	24.2
Income taxes	(14.2 )	37.3	(5.0 )
Other, net	47.8	(22.6 )	(13.3 )
Net cash provided by operating activities	928.5	724.8	258.3
<b>Cash Flows From Investing Activities:</b>			
Additional investments in equity securities of consolidated subsidiaries	(178.3 )	(86.7 )	(112.0 )
Acquisition of additional shares - ARX	(287.9 )	0	0
Acquisition of an insurance company	0	(18.7 )	0
(Paid to) received from investment subsidiary	(1,192.8 )	(344.2 )	78.6
Net cash used in investing activities	(1,659.0 )	(449.6 )	(33.4 )
<b>Cash Flows From Financing Activities:</b>			
Net proceeds from debt issuance	1,134.0	841.1	495.6
Net proceeds from preferred stock issuance	493.9	0	0
Reacquisitions of debt	0	(594.4 )	(18.2 )
Dividends paid to common shareholders	(654.9 )	(395.4 )	(519.0 )
Dividends paid to preferred shareholders	(13.5 )	0	0
Acquisition of treasury shares for restricted stock tax liabilities	(78.6 )	(57.6 )	(25.1 )
Acquisition of treasury shares acquired in open market	(0.4 )	(4.9 )	(167.4 )
Loan to ARX Holding Corp. <sup>1</sup>	(150.0 )	(64.0 )	0
Tax benefit from vesting of equity-based compensation	0	0	9.2
Net cash provided by (used in) financing activities	730.5	(275.2 )	(224.9 )
Change in cash, cash equivalents, and restricted cash	0	0	0
Cash, cash equivalents, restricted cash - Beginning of year	0	0	0
Cash, cash equivalents, restricted cash - End of year	\$0	\$0	\$0

<sup>1</sup>See Note 4 – Debt in our Annual Report.

See notes to condensed financial statements.

## SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

## NOTES TO CONDENSED FINANCIAL STATEMENTS

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

Note 1. Statements of Cash Flows — For the purpose of the Statements of Cash Flows, cash includes only bank demand deposits. The Progressive Corporation does not hold any cash but has unrestricted access to funds maintained in a non-insurance, investment subsidiary to meet its holding company obligations; at December 31, 2018 and 2017, \$2.9 billion and \$1.6 billion, respectively, of marketable securities were available in this subsidiary. Non-cash activity includes declared but unpaid dividends, and the change in redemption value of the redeemable NCI. For the years ended December 31, The Progressive Corporation paid the following:

(millions)	2018	2017	2016
Income taxes	\$679.2	\$669.7	\$450.2
Interest	153.6	142.2	134.2

Note 2. Income Taxes — The Progressive Corporation files a consolidated federal income tax return with its eligible subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service. Effective April 2, 2018, The Progressive Corporation acquired additional shares of ARX to increase its ownership above 80%. As a result, ARX and its subsidiaries will be included in The Progressive Corporation consolidated federal income tax return for the period from April 3 to December 31, 2018. The Progressive Corporation consolidated group's net income taxes currently payable/recoverable are included in other liabilities/assets, respectively, in the accompanying Condensed Balance Sheets based on the balance at the end of the year. The Progressive Corporation and its eligible subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated federal income taxes. Amounts allocated to the eligible subsidiaries under the written agreement are included in "Intercompany Receivable" in the accompanying Condensed Balance Sheets. On December 22, 2017, legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") was signed into law. One of the provisions of the 2017 Tax Act reduced the corporate federal income tax rate from 35% to 21% effective January 1, 2018. Pursuant to current accounting guidance, all deferred tax assets and liabilities were revalued at December 31, 2017, to recognize the tax rate that is expected to apply when the tax effects are ultimately recognized in future periods. The impact of revaluing the deferred tax assets and liabilities from 35% to 21% was a net increase to The Progressive Corporation's income tax expense of \$44.7 million in 2017.

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

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

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

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

SCHEDULE III — SUPPLEMENTARY INSURANCE INFORMATION  
 THE PROGRESSIVE CORPORATION AND SUBSIDIARIES  
 (millions)

Segment	Deferred policy acquisition costs <sup>1</sup>	Future policy benefits, claims, and loss expenses <sup>1</sup>	Unearned premiums <sup>1</sup>	Other policy claim and benefits payable <sup>1</sup>	Premium and revenue	Net investment income <sup>1,2</sup>	Benefits, claims, losses, and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses	Net premiums written
Year ended December 31, 2018:										
Personal Lines					\$26,034.7		\$18,389.8	\$1,964.4	\$3,563.3	\$27,157.6
Commercial Lines					3,610.9		2,394.0	396.0	396.0	3,996.4
Property					1,287.7		937.0	213.3	237.2	1,455.9
Other indemnity					0		0.2	0	(0.7)	0
Total	\$951.6	\$15,400.8	\$10,686.5	\$0	\$30,933.3	\$796.2	\$21,721.0	\$2,573.7	\$4,195.8	\$32,609.9
Year ended December 31, 2017:										
Personal Lines					\$21,947.2		\$16,141.4	\$1,656.4	\$2,954.8	\$22,928.4
Commercial Lines					2,793.9		1,966.4	309.3	335.3	3,112.7
Property					988.8		700.2	159.2	190.4	1,091.0
Other indemnity					0		0	0	0.2	0
Total	\$780.5	\$13,086.9	\$8,903.5	\$0	\$25,729.9	\$539.2	\$18,808.0	\$2,124.9	\$3,480.7	\$27,132.1
Year ended December 31, 2016:										
Personal Lines					\$19,188.2		\$14,591.1	\$1,446.6	\$2,549.2	\$19,819.5
Commercial Lines					2,421.3		1,741.0	266.7	285.4	2,598.3
Property					864.5		546.1	150.5	137.2	935.7
Other indemnity					0		1.4	0	0.2	0
Total	\$651.2	\$11,368.0	\$7,468.3	\$0	\$22,474.0	\$456.5	\$16,879.6	\$1,863.8	\$2,972.0	\$23,353.5

<sup>1</sup> Progressive does not allocate assets, liabilities, or investment income to operating segments.

<sup>2</sup> Excludes total net realized gains (losses) on securities.



SCHEDULE IV — REINSURANCE  
 THE PROGRESSIVE CORPORATION AND SUBSIDIARIES  
 (millions)

Year Ended:	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
December 31, 2018					
Premiums earned:					
Property and liability insurance	\$31,970.2	\$ 1,036.9	\$ 0	\$ 30,933.3	0 %
December 31, 2017					
Premiums earned:					
Property and liability insurance	\$26,425.7	\$ 695.8	\$ 0	\$ 25,729.9	0 %
December 31, 2016					
Premiums earned:					
Property and liability insurance	\$23,111.2	\$ 637.2	\$ 0	\$ 22,474.0	0 %

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Report of Independent Registered Public Accounting Firm on Financial Statement Schedules

To the Board of Directors and Shareholders of The Progressive Corporation:

Our audits of the consolidated financial statements referred to in our report dated February 27, 2019 appearing in the 2018 Annual Report to Shareholders of The Progressive Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP  
Cleveland, Ohio  
February 27, 2019

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ITEM 16. FORM 10-K SUMMARY

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

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SIGNATURES

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

THE PROGRESSIVE CORPORATION

February 27, 2019 By: /s/ Susan Patricia Griffith

Susan Patricia Griffith

President and Chief Executive Officer

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

/s/ Susan Patricia Griffith    Director, President and Chief Executive Officer    February 27, 2019

Susan Patricia Griffith

/s/ John P. Sauerland    Vice President and Chief Financial Officer    February 27, 2019

John P. Sauerland

/s/ Jeffrey W. Basch    Vice President and Chief Accounting Officer    February 27, 2019

Jeffrey W. Basch

\*    Chairperson of the Board    February 27, 2019

Lawton W. Fitt

\*    Director    February 27, 2019

Philip Bleser

\*    Director    February 27, 2019

Stuart B. Burgdoerfer

\*    Director    February 27, 2019

Pamela J. Craig

\*    Director    February 27, 2019

Charles A. Davis

\*    Director    February 27, 2019

Roger N. Farah

\*    Director    February 27, 2019

Jeffrey D. Kelly

\*    Director    February 27, 2019

Patrick H. Nettles, Ph.D.

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\* Director February 27, 2019  
Barbara R. Snyder

\* Director February 27, 2019  
Kahina Van Dyke

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\* Daniel P. Mascaro, by signing his name hereto, does sign this document on behalf of the persons indicated above pursuant to powers of attorney duly executed by such persons.

By: /s/ Daniel P. Mascaro February 27, 2019

Daniel P. Mascaro

Attorney-in-fact

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## EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
3(i)	3.1	<u>Amended Articles of Incorporation of The Progressive Corporation (as amended 3/31/18)</u>	Quarterly Report on Form 10-Q (filed on May 2, 2018; Exhibit 3.1 therein)
3(ii)	3.2	<u>Code of Regulations of The Progressive Corporation (as amended August 3, 2017)</u>	Quarterly Report on Form 10-Q (filed on November 2, 2017; Exhibit 3 therein)
4	4.1	<u>Form of 3.75% Senior Notes due 2021, issued in the aggregate principal amount of \$500,000,000 under the 1993 Senior Indenture (see exhibit 4.8 below), as amended and supplemented</u>	Annual Report on Form 10-K (filed on March 1, 2017; Exhibit 4.1 therein)
4	4.2	<u>Form of 6 5/8% Senior Notes due 2029, issued in the aggregate principal amount of \$300,000,000 under the 1993 Senior Indenture, as amended and supplemented</u>	Annual Report on Form 10-K (filed on March 2, 2015; Exhibit 4.2 therein)
4	4.3	<u>Form of 6.25% Senior Notes due 2032, issued in the aggregate principal amount of \$400,000,000 under the 1993 Senior Indenture, as amended and supplemented</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 4.3 therein)
4	4.4	<u>Form of 6.70% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067, issued in the original aggregate principal amount of \$1,000,000,000 under the Junior Subordinated Indenture (see exhibit 4.24 below), as amended and supplemented</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 4.4 therein)
4	4.5	<u>Form of 4.35% Senior Notes due 2044, issued in the aggregate principal amount of \$350,000,000 under the 1993 Senior Indenture, as amended and supplemented</u>	Current Report on Form 8-K (filed on April 25, 2014; Exhibit 4.2 therein)
4	4.6	<u>Form of 3.70% Senior Notes due 2045, issued in the aggregate principal amount of \$400,000,000 under the 1993 Senior Indenture, as amended and supplemented</u>	Current Report on Form 8-K (filed on January 26, 2015; Exhibit 4.2 therein)
4	4.7	<u>Form of 2.45% Senior Notes due 2027, issued in the aggregate principal amount of \$500,000,000 under the 1993 Senior Indenture, as amended and supplemented</u>	Current Report on Form 8-K (filed on August 25, 2016; Exhibit 4.2 therein)
4	4.8	<u>Form 4.125% Senior Note Due 2047, issued in the aggregate principal amount of \$ 850,000,000 under the 1993 Senior Indenture, as amended and supplemented</u>	Current Report on Form 8-K (filed on April 6, 2017; Exhibit 4.2 therein)
4	4.9	<u>Form 4.20% Senior Note Due 2048, issued in the aggregate principal amount of \$600,000,000 under the 1993 Senior Indenture, as amended and supplemented</u>	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.2 therein)
4	4.10	<u>Form 4.00% Senior Note Due 2029, issued in the aggregate principal amount of \$550,000,000</u>	Current Report on Form 8-K (filed on October 23, 2018; Exhibit 4.2 therein)
4	4.11	<u>Form of certificate representing Series B Fixed-to-Floating Rate Cumulative Perpetual Serial Preferred Shares</u>	Current Report on Form 8-K (filed on March 14,

4	4.12	<u>Indenture dated as of September 12, 2018 between The Progressive Corporation and U.S. Bank National Association, Trustee (including table of contents and cross-reference sheet)</u>	2018; Exhibit 4.3 therein) Current Report on Form 8-K (filed on September 13, 2018; exhibit 4.2 therein)
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EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC Current Report on Form 8-K (filed on October 23, 2018; Exhibit 4.1 therein)
4	4.13	<u>First Supplemental Indenture dated October 23, 2018 between The Progressive Corporation and U.S. Bank National</u>	
4	4.14	<u>Indenture dated as of September 15, 1993 between The Progressive Corporation and State Street Bank and Trust Company (successor in interest to The First National Bank of Boston), as Trustee (“1993 Senior Indenture”) (including table of contents and cross-reference sheet)</u>	Registration Statement No. 333-48935 (filed on March 31, 1998; Exhibit 4.1 therein)
4	4.15	<u>First Supplemental Indenture dated March 15, 1996 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company</u>	Registration Statement No. 333-01745 (filed on March 15, 1996; Exhibit 4.2 therein)
4	4.16	<u>Second Supplemental Indenture dated February 26, 1999 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company, as Trustee</u>	Registration Statement No. 333-100674 (filed on October 22, 2002; Exhibit 4.3 therein)
4	4.17	<u>Fourth Supplemental Indenture dated November 21, 2002 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company, as Trustee</u>	Registration Statement No. 333-143824 (filed on June 18, 2007; Exhibit 4.5 therein)
4	4.18	<u>Fifth Supplemental Indenture dated June 13, 2007 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, evidencing the designation of U.S. Bank National Association as successor Trustee under the 1993 Senior Indenture.</u>	Registration Statement No. 333-143824 (filed on June 18, 2007; Exhibit 4.6 therein)
4	4.19	<u>Sixth Supplemental Indenture dated August 22, 2011 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Annual Report on Form 10-K (filed on March 1, 2017; Exhibit 4.13 therein)
4	4.20	<u>Seventh Supplemental Indenture dated April 25, 2014 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on April 25, 2014; Exhibit 4.1 therein)
4	4.21	<u>Eighth Supplemental Indenture dated January 26, 2015 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on January 26, 2015; Exhibit 4.1 therein)
4	4.22	<u>Ninth Supplemental Indenture dated August 25, 2016 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on August 25, 2016; Exhibit 4.1 therein)
4	4.23	<u>Tenth Supplemental Indenture dated April 6, 2017 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on April 6, 2017; Exhibit 4.1 therein)



EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
4	4.24	<u>Eleventh Supplemental Indenture dated March 14, 2018 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.1 therein)
4	4.25	<u>Junior Subordinated Indenture dated as of June 21, 2007 between The Progressive Corporation and The Bank of New York Trust Company, N.A., Trustee (“Junior Subordinated Indenture”) (including table of contents and cross-reference sheet)</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 4.19 therein)
4	4.26	<u>First Supplemental Indenture dated June 21, 2007 to the Junior Subordinated Indenture between The Progressive Corporation and The Bank of New York Trust Company, N.A., as Trustee</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 4.20 therein)
4	4.27	<u>Second Supplemental Indenture dated September 2, 2011, to the Junior Subordinated Indenture dated June 21, 2007, between The Progressive Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee</u>	Annual Report on Form 10-K (filed on March 1, 2017; Exhibit 4.19 therein)
4	4.28	<u>Replacement Capital Covenant dated June 21, 2007, of The Progressive Corporation</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 4.22 therein)
4	4.29	<u>Termination of Replacement Capital Covenant, dated June 23, 2010</u>	Annual Report on Form 10-K (filed on February 29, 2016; Exhibit 4.19 therein)
4	4.30	<u>Form of Confirmation Letter-Discretionary Line of Credit from PNC Bank, National Association to The Progressive Corporation</u>	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 4.1 therein)
4	4.31	<u>Form of Discretionary Line of Credit Note from The Progressive Corporation to PNC Bank, National Association</u>	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 4.2 therein)
4	4.32	The Company agrees, upon request, to furnish to the U.S. Securities and Exchange Commission a copy of any instrument authorizing long-term debt that does not authorize debt in excess	

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of 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

10(i)	10.1	<u>Stock Purchase Agreement, dated as of December 15, 2014, among ARX Holding Corp., The Progressive Corporation and the selling shareholders identified therein, including Exhibit H, the form of Stockholders' Agreement to be executed at closing</u>	Annual Report on Form 10-K (filed on March 2, 2015; Exhibit 10.1 therein)
10(i)	10.2	<u>Amendment No. 1 to Fourth Amended and Restated Stockholder's Agreement, dated April 1, 2015</u>	Quarterly Report on Form 10-Q (filed on May 2, 2018; Exhibit 10.4 therein)

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EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.3	<u>The Progressive Corporation 2019 Gainsharing Plan</u>	Filed herewith
10(iii)	10.4	<u>The Progressive Corporation 2018 Gainsharing Plan</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.5 therein)
10(iii)	10.5	<u>The Progressive Corporation 2017 Executive Annual Incentive Plan</u>	Current Report on Form 8-K (filed on February 21, 2017; Exhibit 10.2 therein)
10(iii)	10.6	<u>The Progressive Corporation 2017 Executive Annual Incentive Plan Award Agreement (2018 Fiscal Year )</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.9 therein)
10(iii)	10.7	<u>The Progressive Corporation 2010 Equity Incentive Plan</u>	Registration Statement No. 333-172663 (filed on March 8, 2011; Exhibit 4.1 therein)
10(iii)	10.8	<u>First Amendment to The Progressive Corporation 2010 Equity Incentive Plan</u>	Registration Statement No. 333-172663 (filed on March 8, 2011; Exhibit 4.2 therein)
10(iii)	10.9	<u>Second Amendment to The Progressive Corporation 2010 Equity Incentive Plan</u>	Registration Statement No. 333-172663 (filed on March 8, 2011; Exhibit 4.3 therein)
10(iii)	10.10	<u>Third Amendment to The Progressive Corporation 2010 Equity Incentive Plan</u>	Registration Statement No. 333-172663 (filed on March 8, 2011; Exhibit 4.4 therein)
10(iii)	10.11	<u>Fourth Amendment to The Progressive Corporation 2010 Equity Incentive Plan</u>	Annual Report on Form 10-K (filed on March 1, 2017; Exhibit 10.23 therein)
10(iii)	10.12	<u>Fifth Amendment to The Progressive Corporation 2010 Equity Incentive Plan</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.25 therein)
10(iii)	10.13	<u>Sixth Amendment to The Progressive Corporation 2010 Equity Incentive Plan</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.26 therein)
10(iii)	10.14	<u>Form of Restricted Stock Unit Award Agreement for Time-Based Awards under The Progressive Corporation 2010 Equity Incentive Plan (for 2015)</u>	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 10.1 therein)
10(iii)	10.15	<u>The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on February 4, 2015; Exhibit 10.1 therein)
10(iii)	10.16	<u>Form of Restricted Stock Unit Award Agreement for Time-Based Awards under The Progressive Corporation</u>	Quarterly Report on Form 10-Q (filed on May 5, 2016;

2015 Equity Incentive Plan (for 2016)

Exhibit 10.1 therein)

10(iii)

10.17

Form of Restricted Stock Unit Award Agreement for  
Performance-Based Awards (Performance versus Market)  
under The Progressive Corporation 2015 Equity Incentive  
Plan (for 2016)

Quarterly Report on Form  
10-Q (filed on May 5, 2016;  
Exhibit 10.2 therein)

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EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.18	<u>Form of Restricted Stock Unit Award Agreement for 2017 Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on March 27, 2017; Exhibit 10.1 therein)
10(iii)	10.19	<u>Form of Restricted Stock Unit Award Agreement for 2017 Performance-Based Awards (Performance versus Market) under The Progressive Corporation 2015 Incentive Plan</u>	Current Report on Form 8-K (filed on March 27, 2017; Exhibit 10.2 therein)
10(iii)	10.20	<u>Form of Restricted Stock Unit Award Agreement for 2017 Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on March 27, 2017; Exhibit 10.3 therein)
10(iii)	10.21	<u>Form of Restricted Stock Unit Award Agreement (2018 Special Time-Based Award) under The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on August 23, 2018; Exhibit 10 therein)
10(iii)	10.22	<u>Form of Restricted Stock Unit Award Agreement for 2018 Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on March 21, 2018; Exhibit 10.3 therein)
10(iii)	10.23	<u>Form of Restricted Stock Unit Award Agreement for 2018 Performance-Based Awards (Performance Versus Market) under The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on March 21, 2018; Exhibit 10.2 therein)
10(iii)	10.24	<u>Form of Restricted Stock Unit Award Agreement for 2018 Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on March 21, 2018; Exhibit 10.1 therein)
10(iii)	10.25	<u>The Progressive Corporation 2017 Directors Equity Incentive Plan</u>	Current Report on Form 8-K (filed on February 21, 2017; Exhibit 10.1 therein)
10(iii)	10.26	<u>Form of Restricted Stock Award Agreement under The Progressive Corporation 2017 Directors Equity Incentive Plan (for 2017)</u>	Quarterly Report on Form 10-Q (filed on August 2, 2017; Exhibit 10.2 therein)
10(iii)	10.27	<u>Form of Restricted Stock Award Agreement under The Progressive Corporation 2017 Directors Equity Incentive Plan (for 2018)</u>	Filed herewith
10(iii)	10.28	<u>The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.3 therein)
10(iii)	10.29	<u>First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.4 therein)
10(iii)	10.30	<u>Second Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.5 therein)
10(iii)	10.31	<u>Third Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.6 therein)





## EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.32	<u>Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.7 therein)
10(iii)	10.33	<u>The Progressive Corporation Executive Deferred Compensation Plan (2008 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.8 therein)
10(iii)	10.34	<u>First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2008 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.9 therein)
10(iii)	10.35	<u>The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.10 therein)
10(iii)	10.36	<u>First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.11 therein)
10(iii)	10.37	<u>Second Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Current Report on Form 8-K (filed on October 14, 2014; Exhibit 10 therein)
10(iii)	10.38	<u>Third Amendment to the Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Annual Report on Form 10-K (filed on February 29, 2016; Exhibit 10.53 therein)
10(iii)	10.39	<u>Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Quarterly Report on Form 10-Q (filed on November 2, 2017; Exhibit 10 therein)
10(iii)	10.40	<u>The Progressive Corporation Executive Deferred Compensation Plan (2018 Amendment and Restatement)</u>	Quarterly Report on Form 10-Q (filed on July 31, 2018; Exhibit 10 therein)
10(iii)	10.41	<u>The Progressive Corporation Executive Deferred Compensation Trust (November 8, 2002 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.23 therein)
10(iii)	10.42	<u>First Amendment to Trust Agreement between Fidelity Management Trust Company and Progressive</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.24 therein)
10(iii)	10.43	<u>Second Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.25 therein)
10(iii)	10.44	<u>Third Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.26 therein)
10(iii)	10.45	<u>Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.27 therein)
10(iii)	10.46		

Fifth Amendment to The Progressive Corporation  
Executive Deferred Compensation Trust

Registration Statement No. 333-185704  
(filed on December 27, 2012; Exhibit  
4.28 therein)

10(iii)

10.47

Sixth Amendment to The Progressive Corporation  
Executive Deferred Compensation Trust

Registration Statement No. 333-185704  
(filed on December 27, 2012; Exhibit  
4.29 therein)

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## EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.30 therein)
10(iii)	10.48	<u>Seventh Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Filed herewith
10(iii)	10.49	<u>Eighth Amendment to The Progressive Corporation Executive Deferred Compensation Trust (2002 Amendment and Restatement)</u>	Filed herewith
10(iii)	10.50	<u>Ninth Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 10.5 therein)
10(iii)	10.51	<u>Tenth Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 10.6 therein) Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.91 therein)
10(iii)	10.52	<u>The Progressive Corporation Directors Deferral Plan (2008 Amendment and Restatement)</u>	Annual Report on Form 10-K (filed on February 29, 2016; Exhibit 10.77 therein)
10(iii)	10.53	<u>The Progressive Corporation Directors Deferral Plan (2015 Amendment and Restatement)</u>	Filed herewith
10(iii)	10.54	<u>The Progressive Corporation Directors Restricted Stock Deferral Plan Agreement</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.94 therein)
10(iii)	10.55	<u>The Progressive Corporation Directors Restricted Stock Deferral Plan (2008 Amendment and Restatement)</u>	Filed herewith
10(iii)	10.56	<u>First Amendment to The Progressive Corporation Directors Restricted Stock Deferral Plan (2008 Amendment and Restatement)</u>	Filed herewith
10(iii)	10.57	<u>Director Compensation Schedule for 2018-2019 Term</u>	Filed herewith
10(iii)	10.58	<u>Director Compensation Schedule for 2017-2018 Term</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.99 therein)
10(iii)	10.59	<u>The Progressive Corporation Executive Separation Allowance Plan (2017 Amendment and Restatement)</u>	Current Report on Form 8-K (filed on May 16, 2017; Exhibit 10 therein)
10(iii)	10.60	<u>First Amendment to The Progressive Corporation Executive Separation Allowance Plan (2017 Amendment and Restatement)</u>	Filed herewith
10(iii)	10.61	<u>Second Amendment to The Progressive Corporation Executive Separation Allowance Plan (2017 Amendment and Restatement)</u>	Quarterly Report on Form 10-Q (filed on October 31, 2018; Exhibit 10.1 therein)
10(iii)	10.62		

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		<u>2018 Progressive Capital Management Annual Incentive Plan</u>	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.109 therein)
10(iii)	10.63	<u>2019 Progressive Capital Management Annual Incentive Plan</u>	Filed herewith
13	13	<u>The Progressive Corporation 2018 Annual Report to Shareholders</u>	Filed herewith
21	21	<u>Subsidiaries of The Progressive Corporation</u>	Filed herewith

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## EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
23	23	<u>Consent of Independent Registered Public Accounting Firm</u>	Filed herewith
24	24	<u>Powers of Attorney</u>	Filed herewith
31	31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer, Susan Patricia Griffith</u>	Filed herewith
31	31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer, John P. Sauerland</u>	Filed herewith
32	32.1	<u>Section 1350 Certification of the Principal Executive Officer, Susan Patricia Griffith</u>	Furnished herewith
32	32.2	<u>Section 1350 Certification of the Principal Financial Officer, John P. Sauerland</u>	Furnished herewith
99	99	<u>Letter to Shareholders from Susan Patricia Griffith, President and Chief Executive Officer</u>	Furnished herewith
101	101.INS	XBRL Instance Document	Filed herewith
101	101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101	101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith