

The background is a complex, abstract composition of various geometric shapes and colors. It includes large blocks of magenta, blue, orange, and brown, as well as smaller shapes like triangles, diamonds, and rectangles in shades of teal, dark blue, red, and purple. The overall effect is a vibrant, multi-colored collage.

The Progressive Corporation

2019 Annual Report

think

For this year's annual report, we chose "think broadly" as the theme and selected the work of 30 multicultural artists from Progressive's expanding collection of contemporary art. This diverse set of artists reflects our versatility as an organization as well as our willingness to step back and assess the many potential ways with which to grow. The painting on the cover and opposite page, *A CHANGE IS GONNA COME*, was created by artist Jeffrey Gibson, who combines indigenous history and textiles with words he believes resonate not only for Native American people but people of all backgrounds. Gibson states, "Ultimately, everyone is at an intersection of multiple cultures, times, histories. The world is shifting and changing and if you're engaged in the world, you are also shifting and changing." At Progressive, we relish change and know that it's not only inevitable, but exciting and it fuels us to come to work every day with a mindset to win, and win in the right way. The multiple vantage points shown throughout this report offer a glimpse into our unique company culture and enduring business.



Jeffrey Gibson, *A CHANGE IS GONNA COME*

Five-Year Financial Highlights

(billions—except per share amounts)

	2019	2018	2017	2016	2015
For the Year					
Net premiums written	\$ 37.6	\$ 32.6	\$ 27.1	\$ 23.4	\$ 20.6
Growth over prior year	15%	20%	16%	14%	10%
Net premiums earned	\$ 36.2	\$ 30.9	\$ 25.7	\$ 22.5	\$ 19.9
Growth over prior year	17%	20%	14%	13%	8%
Total revenues	\$ 39.0	\$ 32.0	\$ 26.8	\$ 23.4	\$ 20.9
Net income attributable to Progressive	\$ 3.97	\$ 2.62	\$ 1.59	\$ 1.03	\$ 1.27
Per common share	\$ 6.72	\$ 4.42	\$ 2.72	\$ 1.76	\$ 2.15
Underwriting margin	9.1%	9.4%	6.6%	4.9%	7.5%

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

	2019	2018	2017	2016	2015
At Year-End					
Common shares outstanding (millions)	584.6	583.2	581.7	579.9	583.6
Book value per common share	\$ 22.54	\$ 17.71	\$ 15.96	\$ 13.72	\$ 12.49
Consolidated shareholders' equity	\$ 13.7	\$ 10.8	\$ 9.3	\$ 8.0	\$ 7.3
Common share close price	\$ 72.39	\$ 60.33	\$ 56.32	\$ 35.50	\$ 31.80
Market capitalization	\$ 42.3	\$ 35.2	\$ 32.8	\$ 20.6	\$ 18.6
Return on average common shareholders' equity					
Net income attributable to Progressive	31.3%	24.7%	17.8%	13.2%	17.2%
Comprehensive income attributable to Progressive	35.0%	23.8%	21.7%	14.9%	14.2%
Policies in force (thousands)					
Personal Lines					
Agency — auto	6,994.3	6,358.3	5,670.7	5,045.4	4,737.1
Direct — auto	7,866.5	7,018.5	6,039.1	5,348.3	4,916.2
Special lines	4,547.8	4,382.2	4,365.7	4,263.1	4,111.4
Total Personal Lines	19,408.6	17,759.0	16,075.5	14,656.8	13,764.7
Growth over prior year	9%	10%	10%	6%	4%
Commercial Lines	751.4	696.9	646.8	607.9	555.8
Growth over prior year	8%	8%	6%	9%	8%
Property	2,202.1	1,936.5	1,461.7	1,201.9	1,076.5
Growth over prior year	14%	32%	22%	12%	NM
Companywide total	22,362.1	20,392.4	18,184.0	16,466.6	15,397.0
Growth over prior year	10%	12%	10%	7%	NM
Private passenger auto insurance market ¹	NA	\$ 240.7	\$ 222.3	\$ 206.6	\$ 192.8
Market share ²	NA	11.1%	10.1%	9.4%	9.0%

Stock Price Appreciation³

	1-Year	3-Year	5-Year
Progressive	25.1%	30.2%	25.1%
S&P 500	31.5%	15.2%	11.7%

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

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

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

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

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

About Progressive

Progressive

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

Progressive companies offer consumers choices in how to shop for, buy, and manage their insurance policies. Progressive offers personal and commercial auto, motorcycle, boat, recreational vehicle, and home insurance. We operate our Personal and Commercial Lines businesses through more than 35,000 independent insurance agencies throughout the U.S. and directly from the Company online, by phone, or on mobile devices. Our homeowners business is underwritten by Progressive Home, and other select carriers, throughout the United States.



Four Cornerstones

Core Values > Who we are

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



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

imagine

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

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

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

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

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

Purpose > Why we're here

True to our name. Progressive.

Vision > Where we're headed

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

Strategy > How we'll get there

We will achieve our Vision through four Strategic Pillars:

1. Ensuring that our people and culture collectively remain our most powerful source of competitive advantage;
2. Meeting the broader needs of our customers throughout their lifetimes;

3. Maintaining a leading brand recognized for innovative offerings and supported by experiences that instill confidence; and
4. Offering competitive prices driven by industry-leading segmentation, claims accuracy, and operational efficiency.





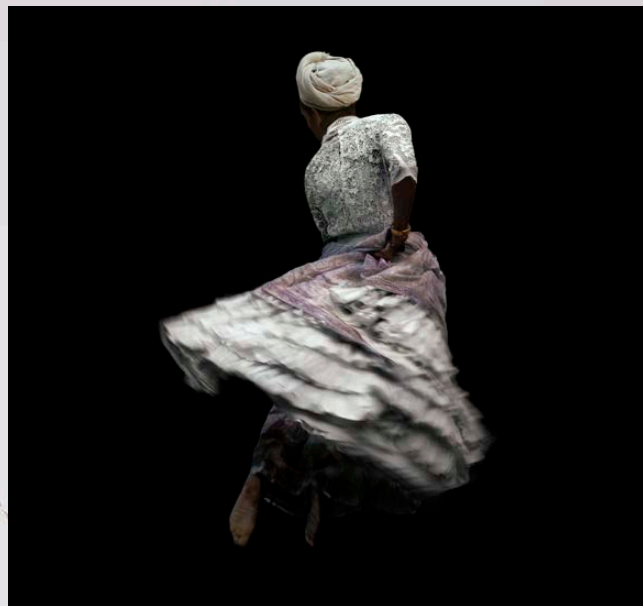
Letter to Shareholders



> **Think Broadly** The theme for this year's annual report, and the associated artwork, is "Think Broadly." This two-word theme was chosen because it truly aligns with the concept of concurrently investing in our Three Horizons, or otherwise stated, the short-, mid-, and long-term success of Progressive. Success doesn't happen unless we collectively modify and adjust how we view our ability to expand and win in new areas where we can leverage our skills and abilities. For us, this has been an exhilarating paradigm shift and has allowed us to be more open in our ever-changing environment, which will enable us to grow and flourish. Because of this shift, we are considerably more open to opportunities and thinking more deeply about the needs of all our stakeholders (shareholders, employees, customers, communities, and suppliers).

We are proud of where we stand and the progress we are making in our impact on the environment and society, our people, and in the governance of Progressive. We drive social good through transparency, efficiency, innovation, and empowerment. Working with our business partners, communities, and customers, we strive to move forward to create a better future and improve social and environmental outcomes. We positively affect the communities in which we operate by creating careers that are well-paying and fulfilling and added more than 4,000 employees in 2019 alone. Progressive's people and our charitable foundation continue to provide our time and our financial resources in communities across the country. Our carbon emissions per policy in force continues to decline, down 7% in 2019 versus 2018 and down 57% over the past ten years. Accountability, integrity, and transparency form the cornerstone of Corporate Governance at Progressive. We are committed to increasing the Company's value and retaining the trust of investors. Progressive's Board of Directors is now comprised of 50% females and 50% males and our most recent additions to the Board bring exceptional perspectives in the technology arena, which is critical for our success. These actions should come as no surprise since, to us, corporate responsibility is akin to living our Core Values, which guide our actions and behavior to operate in responsible ways, support others in our communities, and protect the environment. It is this mindset that will keep us focused on what is critical to achieving future success.

Thinking broadly was added, several years ago, to my ever-growing set of leadership principles and was one of the reasons we formed the Strategy team. I believe this principle allows our leaders to step back and look at the world and business through a new lens and vantage point. In fact, I recently articulated a formula, albeit not mathematical, for our senior managers to use as we think about our future. The formula arose from our desire to take the time to step back and assess both successes and failures and challenge how we think about the business, while always keeping in mind our profitability objective. Change can, and should, be invigorating.



The formula may be simple. That said, the execution of it is not. **Question Everything + Always Grow Mindset = Enduring Business.** This equation fits nicely whether we are thinking about our current business or future opportunities. The wonderful part of having a highly tenured senior leadership team is that we have a depth of historic knowledge that helps to guide us about possible next steps and choices to make for a successful outcome. Where that becomes difficult is when we don't challenge ourselves to think differently as the world around us evolves. It's imperative that we feel comfortable questioning ourselves and the way we approach the business. Even if the conclusion is the same, the exercise of questioning nearly always adds value.

Think of the always grow mindset as a double entendre where personal growth draws a parallel to company growth. I've asked our senior leadership team to take time to expand their thinking, as individuals, whether it be through books, podcasts, TED Talks, or the like, believing that taking the time to grow will spawn ideas that will proactively influence Progressive's growth. Personally, I've joined a few outside groups in order to listen to alternative perspectives, get to know other leaders who face similar struggles, and rethink how to solve problems in this ever-changing environment.

If we ask questions and grow personally and professionally, our business will be enduring, which is the legacy we all want to leave for those who follow us.

From Broad to Narrow

We concluded 2019 with a combined ratio (CR) of 90.9, compared to a 90.6 CR at year-end 2018. Our net premiums written (NPW) growth was up 15%, compared to 20% in 2018. These results are extraordinary by themselves, but remarkable when you add in our prior years of success. We added nearly \$5 billion in NPW in 2019, bringing our total NPW to \$37.6 billion. It feels like yesterday we celebrated achieving \$30 billion. Our ability to post these ongoing results is a tribute to our over 40,000 Progressive people who, every day, strive to create an enduring business.

Our Personal Lines CR was 90.5, with NPW growth of 15% and auto policies in force (PIF) growth of 11%. Both the Agency and Direct channels contributed to these stellar results. Special Lines PIF growth was stronger in 2019 at 4% than it was in 2018 when policy growth was relatively flat.

Commercial Lines, as in years past, continues to be a significant part of our tremendous growth and profit story. NPW grew 20% adding nearly \$800 million in NPW from an already solid base of \$4 billion. We ended 2019 with an astounding CR of 89.6. The products and programs we have put in place for future growth are beginning to gain momentum and in some cases are substantial, as with our transportation network company (TNC) customer relationships, and in others just beginning, as with our business owners policy/general liability (BOP/GL) programs. Our ability to segment and price

rate to risk, as well as invest in people, processes, and technology, we believe, will pay dividends as we look to the future.

I recently had the pleasure of sitting side-by-side with a multi-product specialist (thank you, Brian) in Commercial Lines and more specifically in our BusinessQuote Explorer® team. The training, expertise, and service provided to our small business customers that I was able to observe was exceptional. Witnessing these detailed conversations, where we educate and put the customer at ease, is another reason I'm so bullish on the runway we have in Commercial Lines.

The story on Property isn't much different than last year. Growth remained strong, with NPW up 16% to \$1.7 billion and PIFs up 14% to more than 2.2 million. Our Property CR improved from 106.9 to 101.7, but this is still higher than our target for the Property business. Higher-than-expected wind and hail losses were once again the primary issue. The \$214.5 million of retained catastrophic wind and hail losses accounted for 13.8 points on our 2019 Property loss ratio. The good news is that our actions to improve profitability are starting to pay off. We increased rates in the "hail alley" states in the middle of the country and implemented minimum deductible requirements for new customers. These changes have slowed our growth in areas with significant hail exposure, while we continue to grow faster in other areas of the country. We expect that trend to continue in 2020 as we adjust prices to reflect expected future loss costs.

Consistent with thinking broadly, in January 2020, our Property product and team started reporting into the Personal Lines organization, and in February 2020, we reached agreement to buy out the minority ARX stockholders and bring our ownership of ARX to 100%, a year earlier than originally planned. The synergies, shared data on segmentation variables, and ongoing R&D expertise, we believe, will be instrumental as we continue to grow our bundled customers, the Robinsons.

During a recent Investor Webcast, we were asked if we would consider reporting on how catastrophes effect our monthly CR results, particularly in Property. You will be pleased to know that effective with our January 2020 monthly results, we added the percentage of earned premium affected by catastrophes within the supplemental information section of the release.

In 2019, our investment portfolio achieved a fully taxable equivalent total return of 7.9%. As opposed to the significant volatility witnessed in 2018, the easing of monetary policy drove strong gains throughout 2019. Our fixed-income portfolio earned a 6.0% total return due to both lower interest rates and tighter credit spreads. Following last year's negative return, our equity portfolio gained 30.5% as earnings multiples saw significant expansion.

The combination of strong operating growth and our positive investment performance drove the size of our portfolio to just over \$39 billion by the end of 2019. While our invested assets are greater than at any time in our history, the opportunity set is narrow. Valuations across the financial markets remain full and, therefore, we begin 2020 with a conservative allocation to risk assets. We continue to focus on the long term and believe that we will see better opportunities in the future. The one thing that is constant is our focus on protecting Progressive's balance sheet to support our growing operating business.

As we outlined extensively in last year's annual letter to shareholders, a substantive change was made to our dividend policy. In December 2018, the Board of Directors terminated the formulaic Gainshare-based annual variable dividend policy and replaced it with a policy under which the Board expects to declare regular quarterly dividends and, on least an annual basis, to consider declaring an additional common share dividend. The new plan, which was effective for 2019, gives us more flexibility in managing capital than we had in the past.

During each quarter of 2019, the regular quarterly dividend was 10 cents per share. In December 2019, the Board of Directors declared an additional dividend of \$2.25 per share, or \$1.3 billion. Both the fourth quarter and annual 2019 dividends were paid on January 15, 2020.

We compared our return on equity (ROE) results to the S&P 500 Property and Casualty Index and the S&P 500 on a 5-, 10-, and 20-year basis during a recent Investor Webcast, with the punch line being that we have outpaced both indices by very wide margins. While we don't have the industry data to compare full year 2019, our ROE for last year was a whopping 31.3%.



All-encompassing Strategic Pillars

We've frequently shared our four cornerstones: who we are (Core Values); why we are here (Purpose); where we are headed (Vision); and how we will get there (Strategy). These concepts help guide us and also feed off of each other to equate to success.

As an example, you can't fully meet the broad needs of our customers if you don't have the right people and culture. You have to invest in the future while caring about keeping prices competitive for consumers. I think you get it. The four strategic pillars are part of our intertwined construct that has served us well for some time. It may appear simple in theory, but in reality, it's a delicate balance that we vigorously attempt to attain every day.



People and Culture: We continue to believe that our people and culture are Progressive's greatest competitive advantage and that idiom remains true now more than ever. While our trophy case is full of accolades that acknowledge that we have a great thing going, what is truly meaningful is what happens daily when no one is watching.

To that end, I have a short, but very sweet story that I want to share.

During the planning for this year's Keys to Progress® campaign that gives cars to deserving veterans, our Claims team learned that one of our 100+ recipients has a twin sister, Christy, who works in Progressive's Customer Relationship Management (CRM) organization in Phoenix. We learned that Christy hadn't seen her brother in quite some time, so we put the wheels in motion to fly her across the country for the November 7th vehicle giveaway ceremony in Altamonte Springs, Florida. Our goal was to surprise her brother with more than just a new car. During the event, when it was time for her brother to receive the keys to his car, he was delighted to see his sister run from the back of the crowd and jump into his arms, with the keys dangling in her hand.

Christy said she's forever grateful for the efforts and huge hearts of her coworkers who made this special day possible for her family. "My brother told me that he never thought things like this actually happened, especially to regular people like us—this event was proof that it DOES!"

This is just one example of the way we treat each other at Progressive and that's what makes us who we are.

respect



Meeting the broader needs of our customers: It's critical that our customers know we care about them and recognize that we want to build a trusting, long-term relationship. Like any relationship, you must "be there" for someone to build trust. For us, that means being there as their insurance needs change or grow. Building this trusting relationship also means addressing broader customer needs for their unique situations. It might mean recognizing that a parent at a child's after-school event may need us to communicate with them differently versus when they are at home and have more time to talk. Either way, we are there for them and will flex based on our customers' wishes.

One way we meet the broader needs of our customers is through our service experiences. We strive to be available where, when, and how people want to interact with us. In 2019, we continued to make purposeful and significant investments in our phone, agency, and digital channel experiences.

'Where' references that people may look to address their insurance needs in a variety of settings in their life. And the context of where they are, what's on their mind, the time they have...all play into how we must be prepared to meet their needs in different ways.

'When' references not only time of day, but important aspects of our service like being flexible with payments based on when our insureds get paid. We offer 24/7 service, and also ensure that service throughout that spectrum is all held to our same service standards.

'How' references the contact methods by which our customers indicate to us are preferred.

We're making use of new technologies, developing new customer experiences, and addressing core insurance needs across all of these dimensions. We're rebalancing our investments as we look at where our customers are going. As an example, since my first annual letter for 2016, mobile app customer engagement has increased about 4x, which is why we've heavily invested in using artificial intelligence, offering more personalization, and utilizing device-specific capabilities (such as a mobile phone's camera) to improve customer experiences in the mobile app.

An important part of our strategy is making good decisions on where we invest our time, talent, and resources. While we follow test-and-learn methodologies, we make decisions quickly and drive to conclusions. With clear and transparent strategies that broadly encompass the organization and cut across silos, we are able to ensure we are broadly utilizing our customer feedback and data in decisions and prioritization.

Another important facet of meeting the needs of our customers is recognizing our responsibility to be smart and disciplined with our resources to keep rates competitive. We utilize our data and customer-first discipline in our experience design and have established "Lean" processes that allow us to continue to deliver and innovate in meaningful ways for our customers, while managing costs. We reward our people for trying things, being open and honest about results, both good and bad, and making decisions that propel us forward.

For many, our phone consultants are the most direct connection they have with us. They are Progressive. While we may not see this with every phone interaction, I find this story a compelling one illustrating how our people care for our customers, gain trust, and, in return, develop long-lasting relationships.

A great example of this was in 2017, when Andrew (a member of our Progressive Advantage Agency) received a call from Shirley. She was unnerved because another insurance carrier was canceling her policy because of

a homeowners claim she had made. She didn't know what to do because her late husband used to handle all of the insurance details. Andrew walked her through both auto and home quotes and explained the process to her making it clear and easy for her to understand. She was grateful and the price was good, so she became a Robinson (auto and home bundled).

Andrew didn't stop there. He checked on her periodically to make sure everything went smoothly on her end because he had built a strong rapport with her and empathized

with her situation (Golden Rule is one of our Core Values). He said, "I just wanted to make sure that I set it all up for her so she wouldn't have to worry." Later that year, Shirley sent Andrew a Christmas card wishing him well and thanking him for helping her. Shirley has continued to send her yearly Christmas card to Andrew. This past year, Andrew wrote her back and thanked her for the cards and for trusting Progressive. He keeps those cards close by as a reminder of how he can make a difference in someone's life during just one phone call.





Leading Brand: You can't watch an hour of television without seeing an advertisement from an insurance company. Because of that, ads must be breakthrough while protecting the brand.

What we call our brand "network" continues to grow and evolve, and 2019 was no exception. We produced countless quantities of creative from mass media, to digital, to sponsorships, and everything in between.

In addition, we unveiled several new campaigns to better reach specific demographics. We introduced what we called "Motaur" (half-man and half-motorcycle) with the insights that people who ride feel so connected to their bikes as if they are one.

We started a new small business campaign showing that small businesses can start like a fairy-tale dream, but things can go wrong, and we'll help you get through it.

Lastly, we introduced "At Home with Baker and Emily Mayfield," where the message was less about football and more about common occurrences that happen in both a home and within a relationship. In the ads they happen to live in a football stadium, which allowed us to create a massive amount of relatable life events.

We hit the ground running in 2020 with a relationship we have established with a mobile entertainment company called Quibi (stands for quick bites) and a new character in our network we named Sign Spinner. More to come on both of these as the year transpires.

Our Brand Promise: Campaigns are important to capture the attention of consumers and confirm for our current customers that they made the right choice when choosing Progressive. As we head into 2020, we will continue producing media that we believe stands out. In addition, we will focus on a newly articulated brand promise to guide us into the future. Having a public promise becomes an organizing principle that guides every piece of marketing we create.

A brand promise forces us to think about who we are creating for, not just what we need to message. This Promise puts the people

we serve at the center of our marketing strategy, and it reminds us that we have a variety of audiences, that aren't all served, or reached, in the same way. For some of us, big milestones will mark our paths...getting married, buying a house, having a baby...but not necessarily in that order. For others, major life events may be totally different...graduating from trade school, adopting a rescue pet from a shelter, or leaving corporate life to start fresh at age 50. But for all of us, it's the little things, the small moments, the everyday pursuits, and passions that make up a life.

Whatever it is you're passionate about, whatever it is you're striving for, it is the people and things and pastimes that make waking up every day an adventure and a joy. We believe that's valuable and worth protecting. Our Marketing Brand Promise is:

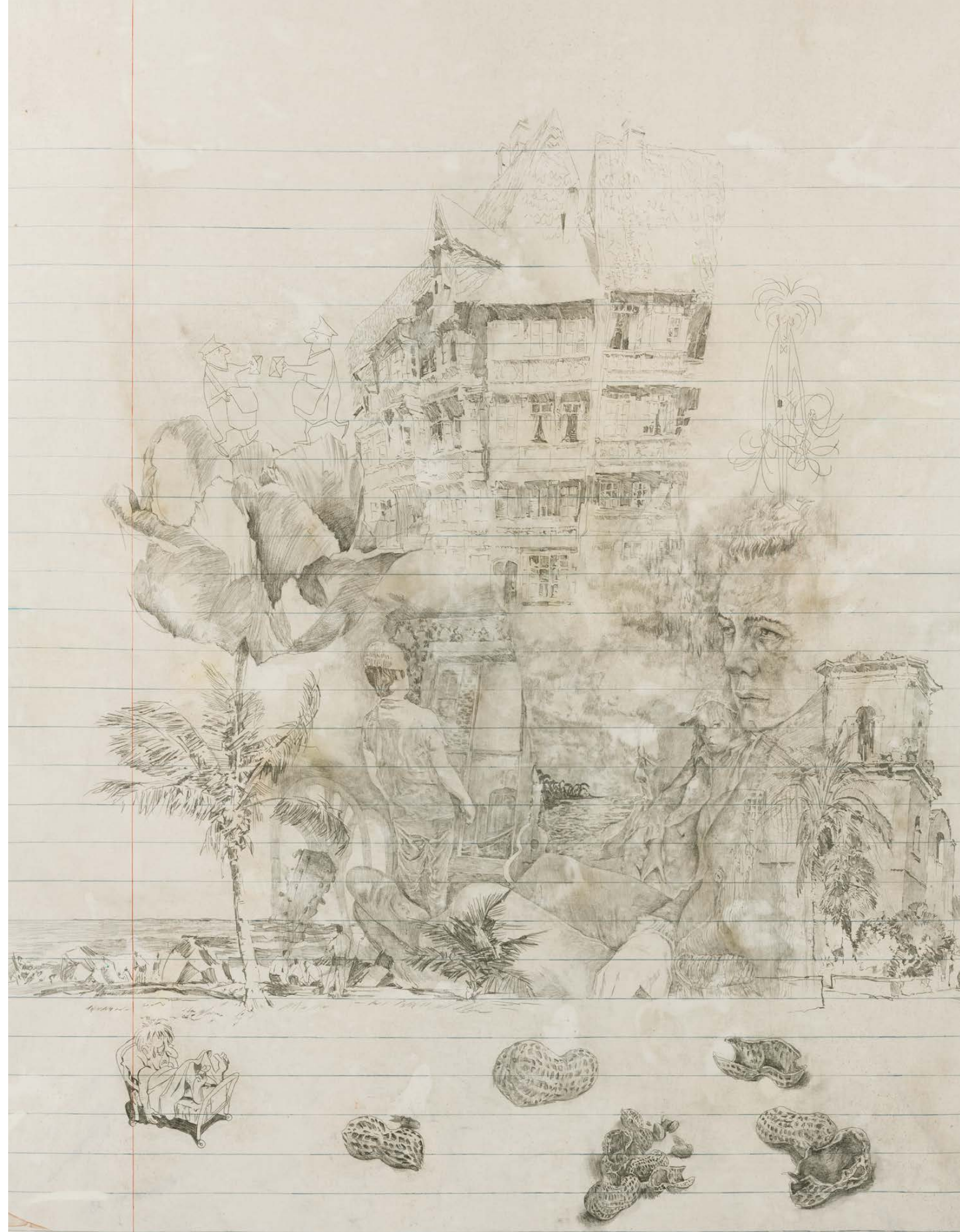
WHEN IT MATTERS TO YOU. IT MATTERS TO US. AND WE'LL HELP YOU PROTECT IT.

We love this Marketing Brand Promise for a few reasons. The most important part is "you." This is not about us. This is about people, the customers and consumers that we endeavor to reach and connect with and ultimately form a long-term relationship.

The next part is "matters." We care about what matters to you and that will be distinct for every customer and throughout their lives as their insurable needs evolve. Our end goal is to have our customers (current and future) really know that Progressive cares about them and we are really there to help and make things better.

And the last piece is "help"—we are in the solutions business always trying to make things better and easier. Help is how we prove it and put our promise into action.

When you combine these pieces, we believe that this is a powerful promise that takes us well beyond product and price, and that builds the emotional value. It is just one more reason for people to choose Progressive. Because the bottom line is — our product is a promise and a promise is only as good as who makes it. We believe our promise is different, and it's now up to us to prove it.

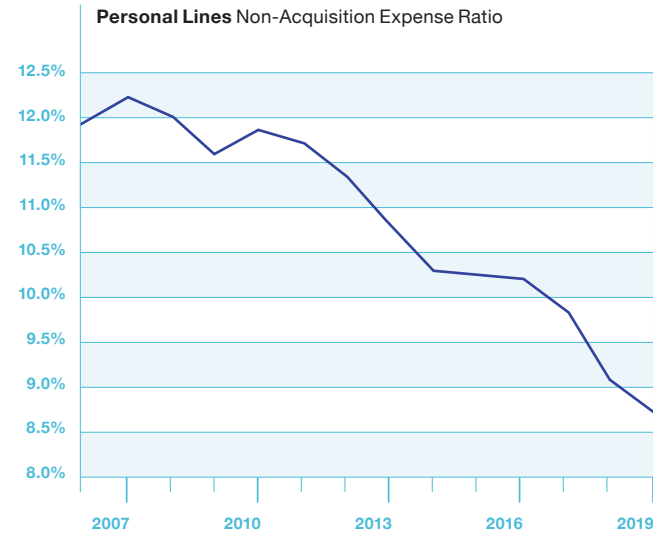


Competitive Prices: I often talk to new hires about how the only thing worse than having to buy insurance is to use it. We are honest with ourselves that this is a category where people are rightly price sensitive. Because of that, it is a necessity that our prices are competitive as we continue to advance our “Always Grow Mindset” (and we do!).

A key piece of keeping prices competitive, besides having industry leading segmentation through our proprietary product models, is running an efficient organization and, in the claims area, balancing that efficiency with quality on the indemnity side.

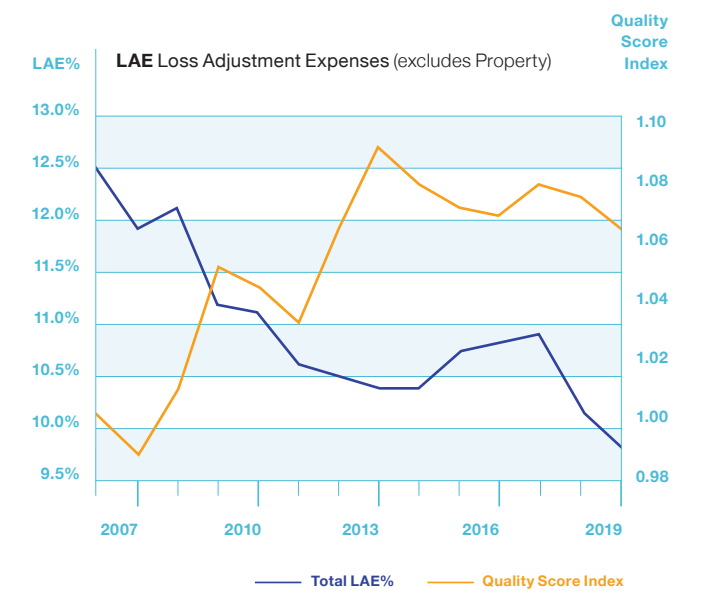
Clearly, from the imbedded charts, we take being efficient seriously and that has allowed us this prolonged period of growth and giving customers a reason to join Progressive.

Over the last ten years, we have trimmed 3 points off our CR in what we call NAER (Non-Acquisition Expense Ratio), which are the operating expenses less the cost of acquiring new customers.



In claims, our LAE (loss adjustment expenses) dropped over one point in the last 10 years and nearly 3 points since 2006. In more recent years, we have hired ahead of need in order to make sure that we have enough time to thoroughly train our claims associates, so they are able to serve our customers in the way they have become accustomed. That is a more expensive model, but we believe it is just the right thing to do. In addition, we’ve had some tailwinds due to premium increases.

The truly amazing part about this graph is that the claim handling quality has stayed relatively flat (per our internal audit quality score), which is incredible with so many new people and a tribute to how much each person cares about settling each claim fairly. It should be noted that the claims organization (the largest part of Progressive as far as employees) also had the highest Culture and Engagement scores in 2019. It’s all about balance.





Back to the “Broad” Future

As we reflect on the investments that we have made in all Three Horizons this year, I am incredibly thankful that we have the foresight, courage, and determination to think broadly. It would have been easy to focus on just doing what we have done so well in the past, which of course we did, and is part and parcel of our enterprise growth strategy. We did more than that. We surgically focused on seizing additional market share with our core products, while honing in on new products and services that leverage our strengths. In parallel, our strategy team has been diligently researching possibilities for our future. All-in-all, a formula that we are confident will create an enduring business.

I'd like to give special thanks to our partners, independent agents, and the customers who trust us to protect them. You matter to us.

As always, a very special thank you to the 40,000+ Progressive people who work tirelessly to make this machine we call Progressive hum. You are why we are in the enviable position that we are in. I can't thank you enough for all that you do.

Tricia Griffith

Tricia Griffith
President and Chief Executive Officer

Operations Summary

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



Personal Lines

In Personal Lines, our philosophy remains unchanged and aligns with Progressive's overarching profitability and growth objectives. During 2019, we hit these objectives by growing net premiums written by 15% over 2018 and generating an underwriting profit of 9.5%. While always striving for profitable growth, we realize there are many variables outside of our control that can impact our ability to achieve these objectives year in and year out.

In 2018, the U.S. auto insurance market made an underwriting profit for the first time in a decade. As a result, market conditions were significantly different in 2019 than we had enjoyed in 2017 and 2018, primarily driven by the overall industry not increasing rates as they had during 2017 and through much of 2018. As a reminder, industry loss costs were rising in 2016 and 2017 and the industry responded with rapid rate increases that peaked around +7% annually in mid-2017 and remained in the 4–6% annual range during much of 2018. These elevated rate increases prompted highly motivated shopping, and switching, by auto customers and, as a result, we enjoyed several years of growth in both prospects and sales during that period. However, 2019 was a different story. Rate increases throughout the private passenger auto industry slowed towards the end of 2018, and our two largest competitors reduced rates beginning late in 2018 and continuing through much of 2019. These rate decreases resulted in a more challenging growth environment, which we saw across some of our growth oriented key performance indicators.



Given these market conditions, we entered 2019 with every expectation that consumer shopping would be down, but still confident that our competitive rates positioned us well for growth. During the year, we focused our acquisition efforts on prospect growth where we were best positioned to leverage our competitive prices to drive new sales growth. We increased advertising spend in Direct and focused our Agency channel resources on quoting system enhancements that would drive sales growth through increasing yield or prospect conversion.

We continue to refine, and rapidly deploy, new risk selection and segmentation models across all of our Personal Lines products. Midway through 2019, we launched our latest auto product model, 8.6, and by the end of the year we elevated this model in 12 states representing 28% of our eligible auto written premium. We expect that this new product model further improves the accuracy of our matching rate to risk and introduces new risk verification models and processes that enhance our competitiveness, especially in more preferred segments. After we began to deploy this new

product model, we observed higher new policy conversion rates across both channels, with larger increases in converting customers who maintain continuous insurance coverage, own multiple cars, have fewer violations and accidents, and are homeowners, which dovetails nicely with our vision to become consumers' and agents' #1 choice and destination for auto, home, and other insurance.

Another key component of our 8.6 product release, was to enhance our Snapshot® usage-based insurance (UBI) program to increase overall program eligibility for policies with older vehicles and with mismatched number of drivers and vehicles. In 2018, we deployed a new Snapshot mobile algorithm to improve the accuracy of how we use driving data in our pricing. With the 8.6 product enhancement, we dramatically expanded eligibility so that today, Snapshot is available to virtually all auto shoppers with a smartphone. During 2019, more than a million new customers enrolled in our Snapshot program. This new offering elevated to 12 states during 2019 and will continue to roll out throughout 2020, which will further expand our UBI footprint and help more drivers save money by switching to Progressive.

In 2019, we also continued to control operating expenses while growing premiums, successfully reducing our Personal Lines non-acquisition expense ratio by about 4%. This focus on leveraging our scale and capitalizing on technology to reduce operating expenses is an essential element of our long-term strategy. We recognize that eventually vehicle safety technology may evolve to where the reduction in frequency outstrips increases in severity, driving pure premiums (i.e., premiums used to cover loss costs) and average written premiums negative. As technology and consumer preferences evolve, we recognize the need to constantly invest to ensure we're providing consumers the ability to shop for, purchase, and service Progressive policies where, when, and how they choose to interact with us.

More accurately matching rate to risk, our ongoing focus on efficiency and non-acquisition expense management, and lower weather-related losses all contributed to profitability running more than 5 points better than our 96 combined ratio goal and the addition of more than 1.6 million Personal Lines policies in force during

the year. We estimate that for 2019, our share of the private passenger auto market has increased by more than a point, double the growth rate of any of the other top 20 auto competitors. Achieving profitable growth given the challenging market conditions we faced in 2019 validates how our strategy to leverage our leading brand, highly segmented and competitive rates, and expanding product breadth continues to play out in the market as more and more consumers switch carriers to become Progressive customers.

thrive



Commercial Lines

Our Commercial Lines business, which has been growing rapidly over the last few years, once again produced excellent operating results. Net premiums written for the year were \$4.8 billion, an increase of 20% over 2018. The combined ratio was an excellent 89.6, up 2.9 points from the prior year but still better than our targeted combined ratio. These results were particularly gratifying given the current challenging environment for commercial auto insurance, particularly in some of the higher exposure segments where we participate.

Proactive rate management in 2018 and continued investment in our underwriting capabilities allowed us to raise rates a relatively modest 1.4% on average in 2019, while still producing solid underwriting profit. Conversely, competitor rate increases, which had begun to slow in the first half of 2019, again picked up late in the year as competitors responded to accelerating loss severity trends and prior year loss development. We ended the year comfortable with our overall rate adequacy and competitive position while closely monitoring and planning for potential increases in empirical loss costs and changes in business mix due to a disrupted market. We remain confident in our ability to react adroitly to changing market conditions by state, coverage, and business segment and believe we continue to derive significant competitive advantage from this capability.

We also saw good progress during 2019 on our ongoing efforts to expand our Commercial Lines addressable market through product extensions and new lines of business. We significantly increased our participation in the transportation network company (TNC) business by providing coverage to Uber Technology subsidiaries in an additional 10 states, including California beginning in late December, bringing the total to 14 states at year end. In October, we also began to provide coverage to Lyft Inc. for trips originating on its platform in three states. TNC results continue to meet our internal expectations and we look forward to expanding this business where we can.

Refined commercial auto price segmentation and more competitive rates for the best risks rolled out with our 7.9 product model. The new model was available in 24 states at the end of the year, with policies on the model representing 62% of all non-TNC commercial

auto written premium. Better segmentation, combined with growing utilization of our predictive usage-based insurance Smart Haul® program for trucks, contributed to a 21% year-over-year gain in preferred truck policies in force. This hard-earned market segment win lends important stability to our truck business in an otherwise volatile market.

We seek to continually advance our pricing accuracy, underwriting dexterity, and the quality of our product. To that end, we elevated our 8.0 commercial auto product on a new policy servicing platform in October 2019. The early market response has been favorable and additional enhancements are planned for future states. The combination of new product features and greater system and service capabilities for our agents and policyholders offers the potential to further enhance our already strong market position as the nation's market share leader in commercial auto insurance. The combined rollout of the 8.0 product and the new platform will continue through 2020 and beyond.

In mid-2019, we launched Progressive's own Business Owners Policy (BOP) in Ohio with a select group of independent insurance agents. This multi-line business insurance policy is geared toward small businesses typically with fewer than 20 employees. Our objective to provide agents with an easy to use product with straightforward pricing and a light underwriting touch is largely being met as we continue to refine our approach. The BOP product was made available to agents in Michigan, Minnesota, and Wisconsin during the fourth quarter, enabling them to round out accounts and allowing us to compete more effectively for more established small businesses. The BOP rollout will pick up in 2020 with more states and agents. We also expect to add Progressive BOP to our digital BusinessQuote Explorer® platform late in 2020 to serve the direct small business consumer.

As we enter 2020, the Commercial Lines business is poised to continue to address the ever-changing market conditions, build on the investments we made in our business during the last decade, and look ahead to other opportunities to help Progressive achieve its Destination Era goals.

Property

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

During 2019, our Property business had net premiums written of \$1.7 billion, an increase of 16% over last year. Policies in force grew by 14%, ending the year at 2.2 million.

The Property business combined ratio for 2019 was 101.7, which includes 4.3 points of amortization expense related to Progressive’s acquisition of a controlling interest in ARX in 2015. Underwriting expenses and non-weather losses were close to our expectations, but wind and hail losses from severe convective storms were higher than expected in 2019. We purchase substantial levels of reinsurance to protect our capital against unlikely severe catastrophe events, reduce volatility, and increase the likelihood of achieving target profit margins. In 2019, we ceded \$57 million in incurred losses and loss adjustment expenses to reinsurers in our aggregate stop-loss reinsurance program. Our estimated ultimate losses from named storms Barry, Dorian, Imelda, Nestor, and Olga were just over \$10 million, so none of these storms reached the \$60 million retention point for our catastrophe excess of loss reinsurance coverage but were included in our aggregate stop-loss recovery for 2019.

Our work to rebrand ASI as Progressive Home neared completion during 2019. Policy documents and other customer communications are now branded Progressive Home in all but two of the 44 states where ASI is currently active.

The combination of Progressive Home and Progressive auto insurance in states beyond ASI’s original coastal states is producing a continued shift in the state mix of our Property business. For 2019, Florida accounted for 15% of new homeowners policies and Texas accounted for 9%, with the remaining states accounting for the balance. As of year-end 2019, the mix of homeowners policies in force was 25% in Florida, 13% in Texas, and 62% in other states, compared to Florida and Texas accounting for 29% and 24%, respectively, of policies in force when Progressive acquired ASI in 2015.

We focused on three priorities for our Property business in 2019: 1) improving profitability; 2) improving agent ease of use for quoting and selling Progressive Home policies; and 3) expanding our direct property offering through investing resources to increase consumer awareness and maximize sales yield. We made progress against these goals during 2019.

We increased rates by about 5% in our Progressive Home product portfolio in 2019, with larger increases for the homeowners product in states exposed to substantial modeled hail risk. In many of the hail-prone states, we also introduced minimum wind/hail deductible requirements and began requiring actual cash value coverage for roofs nearing the end of their useful life. Our comparison of actual



historical losses vs. modeled wind/hail losses has given us increasing confidence in our forecasts of future wind and hail losses. We will continue to adjust pricing and coverage requirements to ensure that our pricing is adequate to cover expected future losses from severe convective storms.

We now have more than 3,700 Platinum agents, up 12% from the end of 2018. Auto and home bundles from Platinum agents were up about 20% in 2019. The Portfolio agent quoting platform makes it much easier for agents to quote and sell auto and home policy bundles. This system is now live for agents in 33 states.

In the direct channel, we rolled out online buying for homeowner shoppers in ten more states, bringing the year-end total to 14

active states. We will continue to add states during 2020. This allows users of our HomeQuote Explorer® shopping service to purchase their policy online, often without needing to talk with a sales representative. Direct channel sales of home and renters policies now account for 35% of new policies sold (excluding book rolls from competitors, which don't reflect natural consumer shopping activity).

While we are proud of the strides we took in 2019, we look forward to continuing to work on these goals in 2020. The Property business is also excited to be reporting into the Personal Lines organization and to have the opportunity to work more closely with their teams to continue to grow our bundled home and auto customers.



Operating Results

Personal Lines

	2019	2018	Change
Net premiums written (in billions)	\$ 31.1	\$ 27.2	15%
Net premiums earned (in billions)	\$ 30.2	\$ 26.0	16%
Loss and loss adjustment expense ratio	70.6	70.6	0.0 pts.
Underwriting expense ratio	19.9	19.7	0.2 pts.
Combined ratio	90.5	90.3	0.2 pts.
Policies in force (in thousands)	19,408.6	17,759.0	9%

Commercial Lines

Net premiums written (in billions)	\$ 4.8	\$ 4.0	20%
Net premiums earned (in billions)	\$ 4.4	\$ 3.6	23%
Loss and loss adjustment expense ratio	68.5	66.3	2.2 pts.
Underwriting expense ratio	21.1	20.4	0.7 pts.
Combined ratio	89.6	86.7	2.9 pts.
Policies in force (in thousands)	751.4	696.9	8%

Property

Net premiums written (in billions)	\$ 1.7	\$ 1.5	16%
Net premiums earned (in billions)	\$ 1.6	\$ 1.3	21%
Loss and loss adjustment expense ratio	71.2	72.8	(1.6) pts.
Underwriting expense ratio ¹	30.5	34.1	(3.6) pts.
Combined ratio ¹	101.7	106.9	(5.2) pts.
Policies in force (in thousands)	2,202.1	1,936.5	14%

¹Underwriting expense and combined ratios for 2019 and 2018, include 4.3 points and 5.6 points, respectively, of amortization expense predominately associated with the acquisition of a controlling interest in ARX.

Objectives & Policies



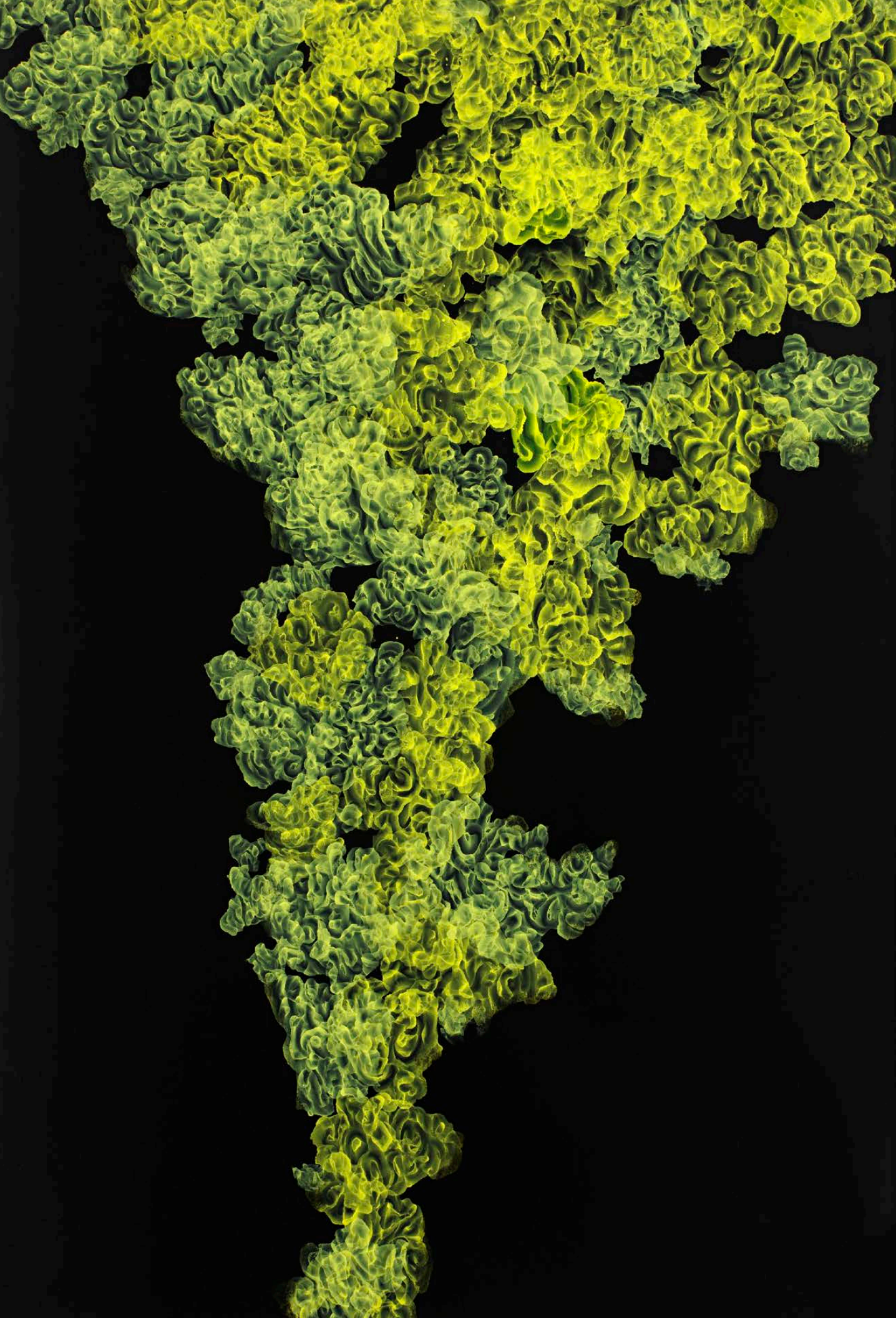
- > Consistent achievement of superior results requires that our people understand Progressive's objectives and their specific roles, and that their personal objectives dovetail with Progressive's. Our objectives are ambitious, yet realistic. Progressive monitors its financial policies continuously and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

Objectives

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

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

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



Our Business Model

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

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

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

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

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

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

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

Financial Policies

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

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

Operating Maintain pricing and reserving discipline

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

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

- Manage on a total return basis
- Manage interest rate, credit, prepayment, extension, and concentration risk
- Allocate portfolio between two groups:
 - Group I:** Target 0% to 25% (common equities; nonredeemable preferred stocks; redeemable preferred stocks, except for 50% of investment-grade redeemable preferred stocks with cumulative dividends; and all other non-investment-grade fixed-maturity securities)
 - Group II:** Target 75% to 100% (short-term securities and all other fixed-maturity securities)

Financing Maintain sufficient capital to support our business

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

Objectives & Policy Scorecard

Financial Results		Target	2019	2018	2017	5 Years ¹	10 Years ¹
Underwriting margin:	- Progressive ²	4%	9.1%	9.4%	6.6%	7.7%	7.3%
	- Industry ³	na		2.7%	(2.2)%	(2.1)%	(1.6)%
Net premiums written growth:	- Progressive	(a)	15%	20%	16%	15%	10%
	- Industry ³	na		8%	8%	7%	4%
Policies in force growth:	- Personal auto	(a)	11%	14%	13%	10%	7%
	- Special lines	(a)	4%	0%	2%	2%	3%
	- Commercial Lines	(a)	8%	8%	6%	8%	4%
	- Property	(a)	14%	32%	22%	nm	nm
Companywide premiums-to-surplus ratio		(b)	2.7	2.8	2.8	na	na
Investment allocation:	- Group I	≤ 25%	12%	14%	17%	na	na
	- Group II	≥ 75%	88%	86%	83%	na	na
Debt-to-total capital ratio		< 30%	24.4%	28.9%	26.3%	na	na
Return on average shareholders' equity:							
	- Net income attributable to Progressive	(c)	31.3%	24.7%	17.8%	22.1%	20.0%
	- Comprehensive income attributable to Progressive	(c)	35.0%	23.8%	21.7%	23.4%	21.6%

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

(b) Determined separately for each insurance subsidiary.

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

na = not applicable

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

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

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

³Industry results represent private passenger auto insurance market data as reported by A.M. Best Company, Inc. The industry underwriting margin excludes the effect of policyholder dividends. Final comparable industry data for 2019 will not be available until our third quarter report. The 5- and 10-year growth rates are presented on a one-year lag basis for the industry.

Achievements

We are convinced that the best way to maximize shareholder value is to achieve these financial objectives and policies consistently. A shareholder who purchased 100 shares of Progressive for \$1,800 in our first public stock offering on April 15, 1971, would have owned 186,602 shares, including dividend reinvestment, on December 31, 2019, with a market value of \$13,508,119, for a 20.1% compounded annual return, compared to the 10.6% return achieved by investors in the S&P 500 during the same period.

In the ten years since December 31, 2009, Progressive shareholders have realized compounded annual returns, including

dividend reinvestment, of 19.1%, compared to 13.5% for the S&P 500. In the five years since December 31, 2014, Progressive shareholders' returns were 25.1%, compared to 11.7% for the S&P 500. In 2019, the returns were 25.1% on Progressive shares and 31.5% for the S&P 500.

We have consistently paid dividends since we went public in 1971. Assuming dividends were not reinvested, a shareholder who bought 100 shares at the initial public offering would now hold 92,264 shares and would have received cumulative dividends of \$1,244,454 including \$259,631 in 2019. In addition to paying dividends, over the

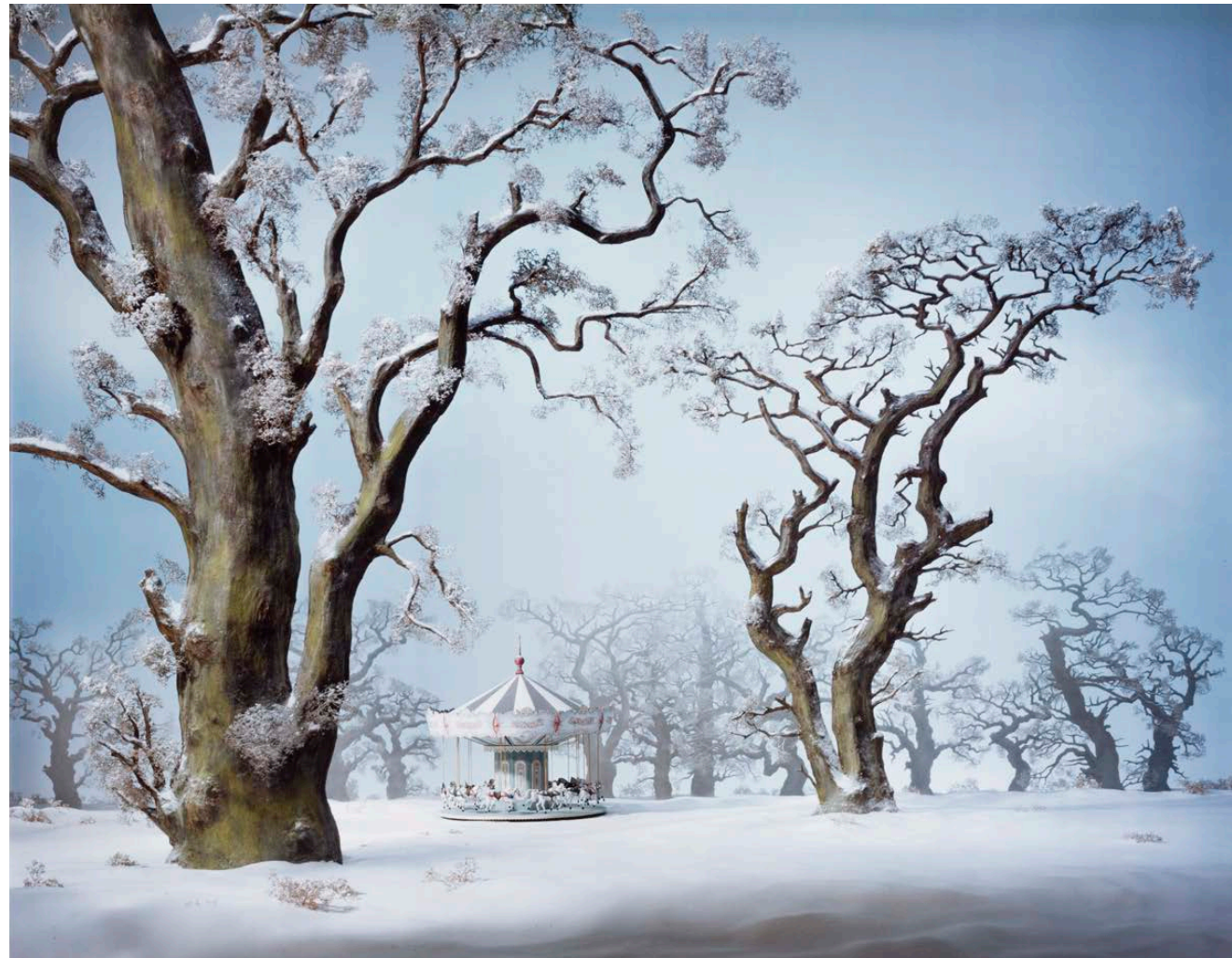
years when we have had adequate capital and believed it to be appropriate, we have repurchased our shares. As our Financial Policies state, we will repurchase shares to neutralize the dilution from equity-based compensation programs and return any underleveraged capital to investors. During 2019, we repurchased 1,242,348 common shares. The total cost to repurchase these shares was \$91 million, with an average cost of \$73.51 per share. Since 1971, we have spent \$9.1 billion repurchasing our shares, at an average cost of \$7.55 per share.



Financial Review

Internal Control Over Financial Reporting

Progressive's management is responsible for establishing and maintaining adequate internal control over financial reporting. Based on Progressive's evaluation under the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management concluded that Progressive's internal control over financial reporting was effective as of December 31, 2019. The complete "Management's Report on Internal Control over Financial Reporting," as required by Section 404 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations, along with the related report of PricewaterhouseCoopers LLP, is presented in the 2019 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2020 Proxy Statement.



< **Basis of Presentation** The accompanying consolidated financial statements include the accounts of The Progressive Corporation, its subsidiaries, and affiliates. These financial statements should be read in conjunction with the complete Consolidated Financial Statements, including the complete Notes to the Consolidated Financial Statements, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and Supplemental Information, which are included in Progressive's 2019 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2020 Proxy Statement.

report

Financial Review

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CEO and CFO Certifications

Susan Patricia Griffith, President and Chief Executive Officer of The Progressive Corporation, and John P. Sauerland, Vice President and Chief Financial Officer of The Progressive Corporation, have issued the certifications required by Sections 302 and 906 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations with respect to Progressive's 2019 Annual Report on Form 10-K, including the financial statements provided in this Report and in the 2019 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2020 Proxy Statement. Among other matters required to be included in those certifications, Mrs. Griffith and Mr. Sauerland have each certified that, to the best of their knowledge, the financial statements, and other financial information included in the 2019 Annual Report on Form 10-K, fairly present in all material respects the financial condition, results of operations, and cash flows of Progressive as of, and for, the periods presented. See Exhibits 31 and 32 to Progressive's 2019 Annual Report on Form 10-K for the complete Section 302 and 906 Certifications, respectively.

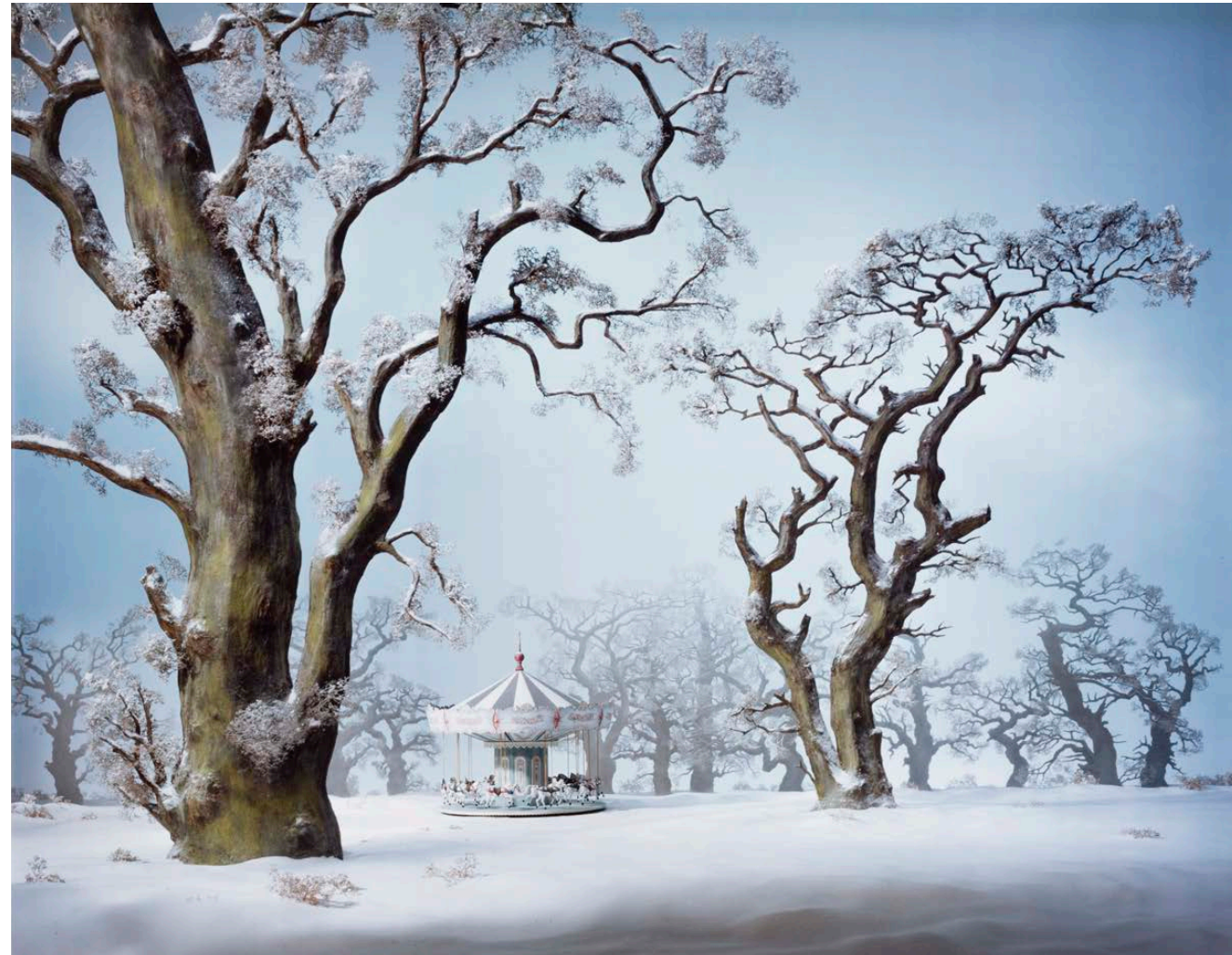
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Progressive Corporation

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Progressive Corporation and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019 (not presented herein) appearing in the 2019 Annual Report to Shareholders of The Progressive Corporation, which is attached as an Appendix to The Progressive Corporation's 2020 Proxy Statement and have issued our report thereon dated March 2, 2020, which included an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



Cleveland, Ohio
March 2, 2020





Consolidated Statements of Comprehensive Income

(millions—except per share amounts)

For the years ended December 31,

Revenues

	2019	2018	2017
Net premiums earned	\$ 36,192.4	\$ 30,933.3	\$ 25,729.9
Investment income	1,042.0	820.5	563.1
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	334.6	170.7	115.7
Net holding period gains (losses) on securities	757.9	(507.9)	(1.6)
Net impairment losses recognized in earnings	(63.3)	(68.3)	(64.5)
Total net realized gains (losses) on securities	1,029.2	(405.5)	49.6
Fees and other revenues	563.7	472.2	370.6
Service revenues	195.0	158.5	126.8
Other gains (losses)	0	0	(1.0)
Total revenues	39,022.3	31,979.0	26,839.0

Expenses

Losses and loss adjustment expenses	25,470.5	21,721.0	18,808.0
Policy acquisition costs	3,023.2	2,573.7	2,124.9
Other underwriting expenses	4,975.1	4,195.8	3,480.7
Investment expenses	24.6	24.3	23.9
Service expenses	178.9	134.1	109.5
Interest expense	189.7	166.5	153.1
Total expenses	33,862.0	28,815.4	24,700.1

Net Income

Income before income taxes	5,160.3	3,163.6	2,138.9
Provision for income taxes	1,180.3	542.6	540.8
Net income	3,980.0	2,621.0	1,598.1
Net (income) loss attributable to noncontrolling interest (NCI)	(9.7)	(5.7)	(5.9)
Net income attributable to Progressive	3,970.3	2,615.3	1,592.2

Other Comprehensive Income (Loss)

Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	466.4	(99.3)	355.4
Net unrealized losses on forecasted transactions	0.8	0.8	(5.4)
Foreign currency translation adjustment	0	0	1.1
Other comprehensive income (loss)	467.2	(98.5)	351.1
Other comprehensive (income) loss attributable to NCI	(4.6)	3.3	(2.3)
Comprehensive income attributable to Progressive	\$ 4,432.9	\$ 2,520.1	\$ 1,941.0

Computation of Earnings Per Common Share

Net income attributable to Progressive	\$ 3,970.3	\$ 2,615.3	\$ 1,592.2
Less: Preferred share dividends	26.9	21.4	0
Net income available to common shareholders	\$ 3,943.4	\$ 2,593.9	\$ 1,592.2
Average common shares outstanding – Basic	583.8	582.4	580.8
Net effect of dilutive stock-based compensation	3.4	4.3	4.9
Total average equivalent common shares – Diluted	587.2	586.7	585.7
Basic: Earnings per common share	\$ 6.75	\$ 4.45	\$ 2.74
Diluted: Earnings per common share	\$ 6.72	\$ 4.42	\$ 2.72

Notes to the Consolidated Financial Statements are included in Progressive's 2019 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2020 Proxy Statement.

Consolidated Balance Sheets

(millions—except per share amount)

December 31,	2019	2018
Assets		
Available-for-sale, at fair value:		
Fixed maturities (amortized cost: \$32,643.1 and \$28,255.9)	\$ 33,110.3	\$ 28,111.5
Short-term investments (amortized cost: \$1,798.8 and \$1,795.9)	1,798.8	1,795.9
Total available-for-sale securities	34,909.1	29,907.4
Equity securities, at fair value:		
Nonredeemable preferred stocks (cost: \$971.3 and \$1,002.6)	1,038.9	1,033.9
Common equities (cost: \$1,125.5 and \$1,148.9)	3,306.3	2,626.1
Total equity securities	4,345.2	3,660.0
Total investments	39,254.3	33,567.4
Cash and cash equivalents	226.2	69.5
Restricted cash	1.2	5.5
Total cash, cash equivalents, and restricted cash	227.4	75.0
Accrued investment income	181.3	190.8
Premiums receivable, net of allowance for doubtful accounts of \$283.2 and \$252.1	7,507.3	6,497.1
Reinsurance recoverables	3,378.9	2,696.1
Prepaid reinsurance premiums	626.5	309.7
Deferred acquisition costs	1,056.5	951.6
Property and equipment, net of accumulated depreciation of \$1,138.1 and \$1,033.2	1,213.7	1,131.7
Goodwill	452.7	452.7
Intangible assets, net of accumulated amortization of \$314.0 and \$247.7	228.3	294.6
Net deferred income taxes	0	43.2
Other assets	768.4	365.1
Total assets	\$ 54,895.3	\$ 46,575.0
Liabilities		
Unearned premiums	\$ 12,388.8	\$ 10,686.5
Loss and loss adjustment expense reserves	18,105.4	15,400.8
Net deferred income taxes	132.5	0
Accounts payable, accrued expenses, and other liabilities ¹	5,962.7	5,046.5
Debt ²	4,407.1	4,404.9
Total liabilities	40,996.5	35,538.7
Redeemable Noncontrolling Interest (NCI)³	225.6	214.5
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)	493.9	493.9
Common shares, \$1.00 par value (authorized 900.0; issued 797.5, including treasury shares of 212.9 and 214.3)	584.6	583.2
Paid-in capital	1,573.4	1,479.0
Retained earnings	10,679.6	8,386.6
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on fixed-maturity securities	360.8	(105.6)
Net unrealized losses on forecasted transactions	(16.4)	(17.2)
Accumulated other comprehensive (income) loss attributable to NCI	(2.7)	1.9
Total accumulated other comprehensive income (loss) attributable to Progressive	341.7	(120.9)
Total shareholders' equity	13,673.2	10,821.8
Total liabilities, redeemable NCI, and shareholders' equity	\$ 54,895.3	\$ 46,575.0

¹See Note 1—Reporting and Accounting Policies for commitment and contingencies, and Note 12—Litigation for further discussion.

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

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

Notes to the Consolidated Financial Statements are included in Progressive's 2019 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2020 Proxy Statement.

Consolidated Statements of Changes in Shareholders' Equity

(millions—except per share amounts)

For the years ended December 31,	2019	2018	2017
Serial Preferred Shares, No Par Value			
Balance, beginning of year	\$ 493.9	\$ 0	\$ 0
Issuance of Serial Preferred Shares, Series B	0	493.9	0
Balance, end of year	493.9	493.9	0
Common Shares, \$1.00 par value			
Balance, beginning of year	583.2	581.7	579.9
Treasury shares purchased	(1.3)	(1.4)	(1.5)
Net restricted equity awards issued/vested	2.7	2.9	3.3
Balance, end of year	584.6	583.2	581.7
Paid-In Capital			
Balance, beginning of year	1,479.0	1,389.2	1,303.4
Amortization of equity-based compensation	90.1	76.2	92.9
Treasury shares purchased	(3.2)	(3.3)	(3.4)
Net restricted equity awards issued/vested	(2.7)	(2.9)	(3.3)
Reinvested dividends on restricted stock units	10.6	12.2	8.0
Adjustment to carrying amount of redeemable noncontrolling interest	(0.4)	7.6	(8.4)
Balance, end of year	1,573.4	1,479.0	1,389.2
Retained Earnings			
Balance, beginning of year	8,386.6	6,031.7	5,140.4
Net income attributable to Progressive	3,970.3	2,615.3	1,592.2
Treasury shares purchased	(86.8)	(74.3)	(57.6)
Cash dividends declared on common shares (\$2.65, \$2.5140, and \$1.1247 per share)	(1,548.4)	(1,466.0)	(654.2)
Cash dividends declared on Serial Preferred Shares, Series B (\$53.75, \$27.024, and \$0 per share)	(26.8)	(13.5)	0
Reinvested dividends on restricted stock units	(10.6)	(12.2)	(8.0)
Cumulative effect of change in accounting principle	0	1,300.2	0
Reclassification of disproportionate tax effects	0	4.3	0
Other, net	(4.7)	1.1	18.9
Balance, end of year	10,679.6	8,386.6	6,031.7
Accumulated Other Comprehensive Income (Loss) Attributable to Progressive			
Balance, beginning of year	(120.9)	1,282.2	933.4
Attributable to noncontrolling interest	(4.6)	(0.1)	(2.3)
Other comprehensive income (loss)	467.2	(98.5)	351.1
Cumulative effect of change in accounting principle	0	(1,300.2)	0
Reclassification of disproportionate tax effects	0	(4.3)	0
Balance, end of year	341.7	(120.9)	1,282.2
Total shareholders' equity	\$ 13,673.2	\$ 10,821.8	\$ 9,284.8

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

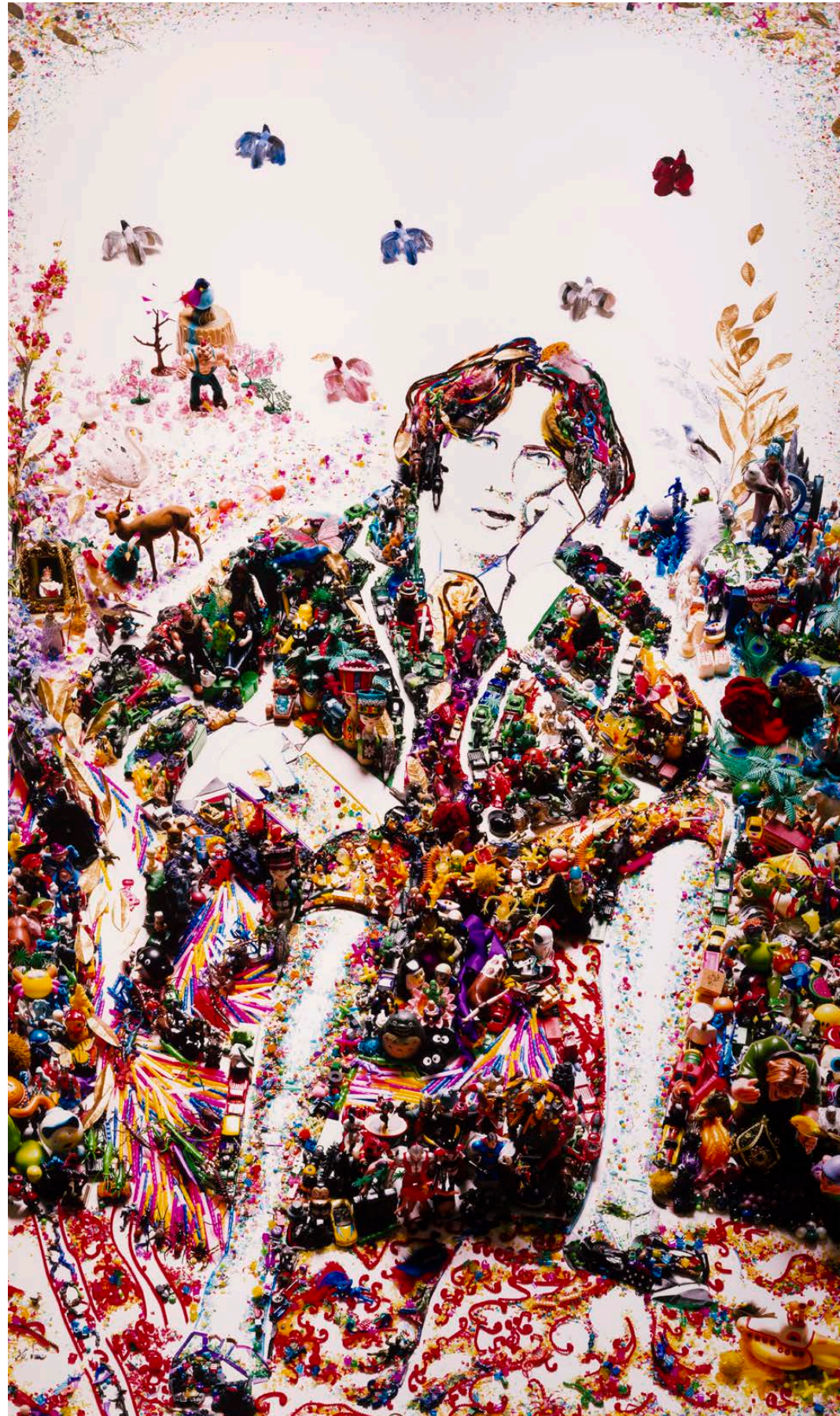
Notes to the Consolidated Financial Statements are included in Progressive's 2019 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2020 Proxy Statement.

Consolidated Statements of Cash Flows

	(millions)		
For the years ended December 31,	2019	2018	2017
Cash Flows from Operating Activities			
Net income	\$ 3,980.0	\$ 2,621.0	\$ 1,598.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	239.8	190.4	169.9
Amortization of intangible assets	66.3	72.0	66.2
Net amortization of fixed-income securities	33.3	34.3	86.2
Amortization of equity-based compensation	90.2	77.2	95.4
Net realized (gains) losses on securities	(1,029.2)	405.5	(49.6)
Net (gains) losses on disposition of property and equipment	11.0	32.1	7.2
Other (gains) losses	0	0	1.0
Changes in:			
Premiums receivable	(1,010.2)	(1,074.6)	(913.2)
Reinsurance recoverables	(682.8)	(422.7)	(388.6)
Prepaid reinsurance premiums	(316.8)	(106.4)	(32.8)
Deferred acquisition costs	(104.9)	(171.1)	(129.3)
Income taxes	227.2	(158.7)	(172.6)
Unearned premiums	1,702.3	1,783.0	1,434.9
Loss and loss adjustment expense reserves	2,704.6	2,313.9	1,718.8
Accounts payable, accrued expenses, and other liabilities	613.0	746.6	400.0
Other, net	(262.2)	(57.7)	(134.8)
Net cash provided by operating activities	6,261.6	6,284.8	3,756.8
Cash Flows from Investing Activities			
Purchases:			
Fixed maturities	(28,765.2)	(21,153.0)	(14,587.8)
Equity securities	(379.9)	(538.8)	(255.6)
Sales:			
Fixed maturities	18,412.7	7,835.6	5,382.5
Equity securities	471.4	823.5	252.9
Maturities, paydowns, calls, and other:			
Fixed maturities	6,145.5	5,099.8	5,215.8
Equity securities	49.9	26.6	50.0
Net sales of short-term investments	31.5	1,116.3	727.6
Net unsettled security transactions	6.0	11.7	(33.6)
Purchases of property and equipment	(363.5)	(266.0)	(155.7)
Sales of property and equipment	53.3	9.4	15.3
Acquisition of an insurance company, net of cash acquired	0	0	(18.1)
Net cash used in investing activities	(4,338.3)	(7,034.9)	(3,406.7)
Cash Flows from Financing Activities			
Dividends paid to common shareholders	(1,643.2)	(654.9)	(395.4)
Dividends paid to preferred shareholders	(26.8)	(13.5)	0
Acquisition of treasury shares for restricted stock tax liabilities	(84.4)	(78.6)	(57.6)
Acquisition of treasury shares acquired in open market	(6.9)	(0.4)	(4.9)
Acquisition of additional shares of ARX Holding Corp.	(11.2)	(296.9)	0
Net proceeds from debt issuance	0	1,134.0	841.1
Net proceeds from issuance of Serial Preferred Shares, Series B	0	493.9	0
Payments of debt	0	(37.1)	(49.0)
Proceeds from exercise of equity options	1.6	3.3	0.5
Redemption/reacquisition of subordinated debt	0	0	(635.6)
Net cash provided by (used in) financing activities	(1,770.9)	549.8	(300.9)
Effect of exchange rate changes on cash	0	0	(0.3)
Increase (decrease) in cash, cash equivalents, and restricted cash	152.4	(200.3)	48.9
Cash, cash equivalents, and restricted cash – beginning of year	75.0	275.3	226.4
Cash, cash equivalents, and restricted cash – end of year	\$ 227.4	\$ 75.0	\$ 275.3

Notes to the Consolidated Financial Statements are included in Progressive's 2019 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2020 Proxy Statement.





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

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

- our ability to underwrite and price risks accurately and to charge adequate rates to policyholders;
- our ability to establish accurate loss reserves;
- the impact of severe weather, other catastrophe events and climate change;
- the effectiveness of our reinsurance programs;
- the highly competitive nature of property-casualty insurance markets;
- whether we innovate effectively and respond to our competitors’ initiatives;
- whether we effectively manage complexity as we develop and deliver products and customer experiences;
- how intellectual property rights could affect our competitiveness and our business operations;
- whether we adjust claims accurately;
- our ability to maintain a recognized and trusted brand;
- our ability to attract, develop and retain talent and maintain appropriate staffing levels;
- compliance with complex laws and regulations;
- litigation challenging our business practices, and those of our competitors and other companies;
- the impacts of a security breach or other attack involving our computer systems or the systems of one or more of our vendors;
- the secure and uninterrupted operation of the facilities, systems and business functions that are critical to our business;
- the success of our efforts to develop new products or enter into new areas of business and navigate related risks;

- our continued ability to send and accept electronic payments;
- the possible impairment of our goodwill or intangible assets;
- the performance of our fixed-income and equity investment portfolios;
- the potential elimination of, or change in, the London Interbank Offered Rate;
- our continued ability to access our cash accounts and/or convert securities into cash on favorable terms;
- the impact if one or more parties with which we enter into significant contracts or transact business fail to perform;
- legal restrictions on our insurance subsidiaries’ ability to pay dividends to The Progressive Corporation;
- limitations on our ability to pay dividends on our common shares under the terms of our outstanding preferred shares;
- our ability to obtain capital when necessary to support our business and potential growth;
- evaluations by credit rating and other rating agencies;
- the variable nature of our common share dividend policy;
- whether our investments in certain tax-advantaged projects generate the anticipated returns;
- the impact from not managing to short-term earnings expectations in light of our goal to maximize the long-term value of the enterprise; and
- other matters described from time to time in our releases and publications, and in our periodic reports and other documents filed with the United States Securities and Exchange Commission, including, without limitation, the Risk Factors section of our Annual Report on Form 10-K for the year ending December 31, 2019.

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

Corporate Information

Principal Office

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

Annual Meeting

The Annual Meeting of Shareholders will be held at the offices of The Progressive Corporation, Studio 96, 6671 Beta Drive, Mayfield Village, Ohio 44143 on May 8, 2020, at 10 a.m. eastern time. There were 1,965 shareholders of record on December 31, 2019.

Shareholder/Investor Relations

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

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

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

Transfer Agent and Registrar

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

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

Online Annual Report and Proxy Statement

Our 2019 Annual Report to Shareholders can be found at: progressive.com/annualreport.

Our 2020 Proxy Statement and 2019 Annual Report to Shareholders, in a PDF format, can be found at: progressiveproxy.com.

Social Responsibility and Sustainability

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

Common Shares and Dividends

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

Accounting Complaint Procedure

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

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

Whistleblower Protections

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

Corporate Governance

Progressive's Corporate Governance Guidelines and Board Committee Charters are available at: progressive.com/governance and progressive.com/committee-charters, respectively.

Counsel

Baker & Hostetler LLP, Cleveland, Ohio

Charitable Contributions

We contribute annually to: (i) The Insurance Institute for Highway Safety to further its work in reducing the human trauma and economic costs of auto accidents; and (ii) The Progressive Insurance Foundation, which provides matching funds to eligible 501(c)(3) charitable organizations to which employees contribute. Over the last five years, the matching funds provided by The Progressive Insurance Foundation averaged approximately \$4 million per year. In 2019, we entered into a financial partnership with Humble Design, a Detroit-based nonprofit organization that furnishes homes for families and veterans transitioning from homelessness.

Directors & Officers

Directors

Philip Bleser^{3,5,6}

Retired Chairman of Global Corporate Banking, J.P. Morgan Chase & Co. (financial services)

Stuart B. Burgdoerfer^{1,6}

Executive Vice President and Chief Financial Officer, L Brands, Inc. (retailing)

Pamela J. Craig^{3,6}

Retired Chief Financial Officer, Accenture PLC (global management consulting)

Charles A. Davis^{4,6}

Chief Executive Officer, Stone Point Capital LLC (private equity investing)

Roger N. Farah^{2,3,5,6}

Former Executive Director, Tory Burch LLC (retailing)

Lawton W. Fitt^{2,4,5,6}

Chairperson of the Board, Retired Partner, Goldman Sachs Group (financial services)

Susan Patricia Griffith²

President and Chief Executive Officer, The Progressive Corporation

Jeffrey D. Kelly^{1,6}

Retired Chief Operating Officer and Chief Financial Officer, RenaissanceRe Holdings Ltd. (reinsurance services)

Patrick H. Nettles, Ph.D.^{1,6}

Executive Chairman, Ciena Corporation (telecommunications)

Barbara R. Snyder^{3,6}

President, Case Western Reserve University (higher education)

Jan E. Tighe⁶

United States Navy, Vice Admiral, Retired (military)

Kahina Van Dyke^{4,6}

Global Head, Digital Channels and Client Data Analytics, Standard Chartered PLC (international banking)

¹ Audit Committee Member

² Executive Committee Member

³ Compensation Committee Member

⁴ Investment and Capital Committee Member

⁵ Nominating and Governance Committee Member

⁶ Independent Director

Corporate Officers

Lawton W. Fitt

Chairperson of the Board (non-executive)

Susan Patricia Griffith

President and Chief Executive Officer

John P. Sauerland

Vice President and Chief Financial Officer

Daniel P. Mascaró

Vice President, Secretary, and Chief Legal Officer

Patrick S. Brennan

Treasurer

Mariann Wojtkun Marshall

Vice President, Assistant Secretary, and Chief Accounting Officer

lead

24-Hour Insurance Quotes, Claims Reporting, and Customer Service

	Personal Autos, Motorcycles, Recreational Vehicles, Homeowners, Other Property, and Renters	Commercial Autos/Trucks, Business Property, and General Liability
To Receive a Quote	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-888-806-9598 progressivecommercial.com
To Report a Claim	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-PROGRESSIVE (1-800-776-4737)
For Customer Service If you bought your policy through an independent agent or broker	1-800-925-2886 (1-800-300-3693 in California) progressiveagent.com	1-800-444-4487 progressivecommercial.com
If you bought your policy directly through Progressive online or by phone	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-895-2886 progressivecommercial.com

In addition, iPhone® and Android® users can download the Progressive App to start a quote, report a claim, or service a policy.



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Gibson quote citation: Seattle Art Museum, “Material & Identity Merge in Jeffrey Gibson’s “Like a Hammer” at Seattle Art Museum,” YouTube, interview posted on January 31, 2019, YouTube video, 6:18:00, <https://youtu.be/-RrQDSZKtLQ>.

Design: Nesnadny + Schwartz

Photography: Design Photography Inc.

Printing: AGS Custom Graphics

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