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The Progressive Corporation NYSE:PGR

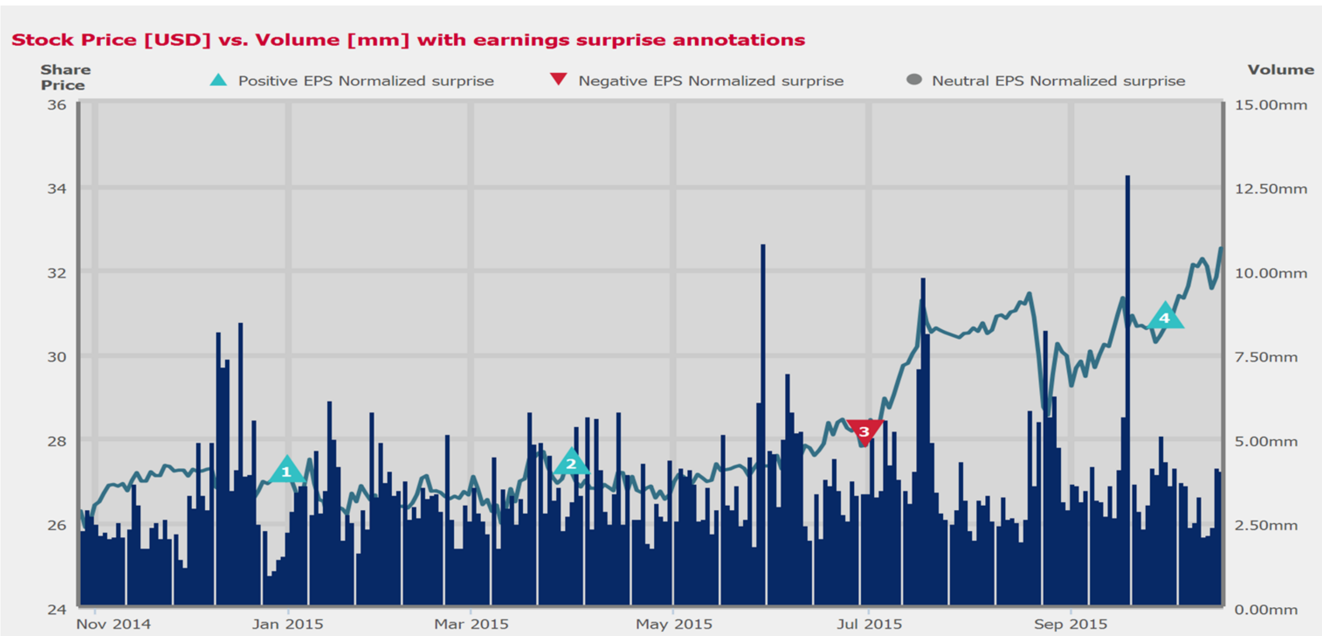
FQ4 2015 Earnings Call Transcripts

Wednesday, March 02, 2016 2:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2015-			-FQ1 2016-	-FY 2015-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	0.46	0.55	▲19.57	0.48	1.96	2.03
Revenue (mm)	4945.19	4838.50	▼(2.16 %)	5708.73	20711.37	20564.00

Currency: USD
Consensus as of Feb-29-2016 6:32 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2014	0.45	0.59	▲1 31.11 %
FQ1 2015	0.43	0.46	▲2 6.98 %
FQ2 2015	0.55	0.53	▼3 (3.64 %)
FQ3 2015	0.48	0.49	▲4 2.08 %

Call Participants

EXECUTIVES

Gary Traicoff

Glenn M. Renwick
Non-Executive Chairman

John Peter Sauerland
Chief Financial Officer and Vice President

Julia Hornack

Tricia Griffith
Chief Executive Officer, President and Director

William M. Cody
Chief Investment Officer

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Ian Gutterman
Balyasny Asset Management L.P.

Jay H. Gelb
Barclays PLC, Research Division

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Presentation

Operator

Welcome to the Progressive Corporation's Investor Relations Conference Call. This conference is also available via the audio webcast. [Operator Instructions] In addition, this conference is being recorded at the request of Progressive. If you have any objections, you may disconnect at this time.

The company will not make detailed comments in addition to those provided in its annual reports on Form 10-K and our report to shareholders and the letter to shareholders, which has been posted on the company's website and we'll use this conference call to respond to questions.

Acting as moderator for the call will be Julia Hornack. At this time, I'll turn the call over to Ms. Hornack.

Julia Hornack

Good morning. Welcome to Progressive's conference call. Participating on today's call are Glenn Renwick, our CEO; John Sauerland, our CFO; Tricia Griffith, our Personal Lines Chief Financial Officer; and Bill Cody, our Chief Investment Officer. The call is scheduled to last about an hour.

As always, our discussions on this call may include forward-looking statements. These forward-looking statements are based on management's current expectations and are subject to the many risks and uncertainties that could cause actual events and results to differ materially from those discussed during this call. Additional information concerning those risks and uncertainties is available in our 2015 annual report on Form 10-K, where you will find discussions of the risk factors affecting our businesses, safe harbor statements related to forward-looking statements and other discussions of the risks, uncertainties and other challenges we face. These documents can be found via the investors page of our website, progressive.com.
Shirley, we are now ready to take our first question.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Bob Glasspiegel.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

I was very encouraged by the last quarterly policy expectancy lengthening that you highlighted in the 10-K. How excited are you by that trend? Do you think that this is a breakout that suggests that Snapshots and some other measures you've taken are working?

Glenn M. Renwick
Non-Executive Chairman

I'm excited about it. I've been waiting for it for a long time, so I'm actually pretty excited and I think the 5% thereabouts that we're seeing in the trailing 3 is really quite indicative for what we hope will flow through. Lots of reasons for that. Always had to pin them down, but general excitement, absolutely, yes. If you take a look at some of our polished materials, you'll see that the average rate that consumers have seen over the last year regardless of channel, agency and direct is about 4%, which I would tell you to think more in those terms than specific rate changes. So 4%, which means a good number of our consumers are still seeing rate changes that are on the high side of that. So as we mature into the rate revisions that we're now becoming even more comfortable with and rate levels that we're becoming more comfortable with, I would look forward to seeing, while continued positives, maybe not quite in the 4% range, but a closer distribution or tighter distribution around the average. So we will potentially benefit even more so on retention without losing those higher end or the right-hand distribution around the average of 4% last year. So really nice movement, getting our new product into the marketplace, getting a rate level that we feel very comfortable with, maintaining that. You might remember we said at our IR meeting, we have a strong preference for three 1% changes than one 3% change. All of that really is a big part of how we're trying to make sure that retention is front and center in all of our thinking. So nice to see it coming through. Frankly, I would tell you I'll be disappointed if that didn't continue.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Okay. Switching gears. Bill, the first quarter we've seen sort of a stressful investment environment. Are you -- maybe you could update us on how the fixed income is performing, the stress lines? And are you taking this as an opportunity to increase risk or are you de-risking on the portfolio?

Glenn M. Renwick
Non-Executive Chairman

I'll let Bill jump in there.

William M. Cody
Chief Investment Officer

Sure. We are taking this as an opportunity to increase risk modestly. We've increased a bit in the corporate exposure, a little bit in the CMBS as well. Some areas we've decreased risk, and that would be primarily munis because those have traded really tightly and very opposite to the rest of the fixed income markets. And also, we've reduced some of our high-yield exposure because the high yield that we own has performed really, really well to the point, where it's trading at spreads similar to BBB papers. So for us, we're in a good position to take some risk, and we're finding some more compelling opportunities to do that. Performance wise, we released our January numbers, which I mean, our total return we'll release February, in a couple of weeks.

Operator

[Operator Instructions] Our next question comes from Josh Stirling with Sanford Bernstein.

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

I love to ask a question about the status of Snapshot. Over the past 6 months or so you guys have announced you've been rolling out a new smartphone app and I think at the last annual meeting you walked us through, that you were iterating the pricing design to add discounts upfront. And I guess, I was curious, just want a bit of an update on how many states you've rolled these things out with? And as well as more importantly, what's then the consumer response? I guess, both from the app, which feels like a different customer interface and it's kind of the question of adoption and comfort and sort of more open-ended questions about that, how consumers like the app and whether perhaps something will sell. And then separately, from the discounts, what kind of lift are you seeing from this? Is there an impact in conversion rates or maybe on new sales?

Glenn M. Renwick
Non-Executive Chairman

Yes. Well, we haven't done a little Snapshot update for a while, so let me see if I can get all of those points and give you some flavor of what's going on. Starting into this year, we're still seeing our policies initiated with a Snapshot influence discount, whatever it might be, to be faster than the rates of growth that you're seeing as we report on aggregate. So it's still our fastest-growing sector, that remains true for a long time, but certainly, even into January, that was true. Starting to get a feel for what sort of mix of business is attainable. So I'll just gave you a quick look here, not to confuse you with any numbers but in our direct book of business, where we've been able to offer Snapshot and realistically, there's only 2 states now, California, North Carolina, where we're not offering it. But over a period of time, where the cohort or the Snapshot has been available, that cohort of business is now approximating about 40% of the direct business for places where it was available for some period of time. So think in terms of, can the little train really take momentum, we're looking to sort of 40% to 50% in the direct channel. I think I've told you before the acceptance in the direct channel far exceeds the agency channel and with the new change that we made, it was very clear that we were hoping to see agency uptake on the -- or the quotes include Snapshot with that discount being what I'd call overly dramatic movement, but significant on the small base. Actually, we have some good news to report there. We have actually introduced it into 2 what I'll call higher average premium states: Florida, Louisiana. And we've seen the agent acceptance rates there or the agent penetration into new app, new coding, actually go up significantly, so probably approximating somewhere in the league of 1/2 to 2/3, the rate on our direct channels. So starting to make some traction there. And we're going to take a closer look, I think we did a better job of rolling that out to agents in those states, we'll take a closer look at what we did well there and make sure that we reinforce that in other places in the country. So net-net, pretty good-sized penetration in our direct book and I don't want to project what the threshold might be as to overall penetration. But to think in terms of more than half the book is not unreasonable based on what we've experienced to date and now we're starting to see opportunities, where the agency business perhaps is, yes, slower, but certainly starting to close some part of the gap. So good stuff there. With regard to the app, we've discussed that. I want to make it very clear that we've had apps that have approximated in one way, shape or form the activity that -- for some time that's not being an issue. The issue is really making sure we had an app that we felt had the data or integrity that really matched with the in-car dongle, and we have got to the point where we actually have that application and very comfortable with it. And they're all sorts of stories that some of which I'm not as close to as others, but you need to be able to determine the difference between a train ride and a plane ride and a car ride. You need to know whether the person got in the left door, the right door, are they driving, are they a passenger. All those sorts of things are actually very important to us. So it's easy enough to create an app that does part of the job. It's very hard to create an app that does the -- or gives us the level of integrity that we'd be comfortable swapping out for the information we get for the dongle. We think we're there. Unfortunately, it's probably going to take us a little longer to get that into marketplace than we might like. There's a fair amount of work to do on the IT side. But certainly in '16, we expect to see that rollout, but it may be, for all intents and purposes, in large numbers later in the year.

I think we have probably mentioned, we have a relationship with GM and OnStar that's been a little bit delayed, but we expect to be marketing that more actively in about the midyear time frame. So Snapshot, for lots of reasons, continues to be something very important to us, not only as an indicator of the sorts of things that we think we'll do more of in the future, but it's really taking hold and you all know the power of Snapshot relative to a rating variable. So ultimately, when we start talking about penetration numbers that are really in the range of that 40%, perhaps even 50%, it certainly make a difference in terms of segmentation. So we couldn't be more happy with what we see. I just don't know what the high watermark will be, but we're going to find out. And I hope it's really high.

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

That's really helpful. I wonder if you could just touch briefly on your other big product development initiative, rolling out a combined homeowners product needs to channel, give us a sense of -- I think you're live at least in a couple of states. It would be useful to have a little bit of color for how agents are responding, what kind of traction you're getting and then maybe if you'd be willing to walk us through what your goals are for the program as you look out over the next year.

Glenn M. Renwick
Non-Executive Chairman

Sure. Maybe I'll double team here with Tricia on a couple of points. Platinum is what we're talking about. And this is, in short, I don't want to repeat the things that were already written down, but in short, is the way that our ASI property business and Progressive come to the market looking as if they are simply one. So let's not worry about the brand names, but the agents are seeing that as Platinum, we're in 12 states. We expect to be in an additional 22 this year. So that will give us some really nice penetration. Our goal is simple. Our goal is to be a valid and most significant choice inside the agency channel for those customers who want to bundle their auto and home together. We're comfortable if they start either way, but we really like the bundles. ASI is seeing about 50% now of their new quote volume being bundled. So we really -- we're not going to curtail in any way, shape or form monoline of either, but our real interest is in the bundle. We know what the effect of long-term retention there can be. So those things are great. Our interest is making sure on the agency channel, we offer a really viable option and a, as I put it, must-have solution for agents. We know we've got a great order of product. I don't think there's any dispute on that. We have ASI, we have a great homeowners product. We're going to work together to put that into a great package, and there's still work to be done. So we don't think we're across the finish line. We probably never will get across the finish line. We can always make it better. And on the direct side, while ASI is not a -- as big a player on the direct side, that's obviously a future option that we have for going forward. Tricia, maybe you could talk a little bit about the sales force and how we are into the sales force to make sure that we get the message out as well as possible.

Tricia Griffith
Chief Executive Officer, President and Director

Yes. Josh, I think, too, what Glenn said before I say that we really, first of all, the second half of last year, getting the product out, the AT product was really important to get that preferred business and then continue with stable rates. And then we had to have both an agent and a customer value proposition. So we know we needed to add more commission for these preferred customers, match policy terms and then as we started to talk with our ASI partners, we realized, we really needed to combine sales forces and have very specific sales reps that work with our Platinum agents. So we've just done that recently. We're very excited about that. And we continue to -- like we have 12 states out. We have continued to understand where we're competitive, where we're not. What we need to do. And I think agents understand that. We really want to make sure that we reward our agents not just with more commission, but with preference. So when they choose us as #1 or #2. In fact, just this week, John Sauerland and I are able to make some calls to agents that have reached some certain levels. We have hurdles to get over, on determining how many bundles that you have in your agency. So while the data set with 12 states, I would consider 2016 really the year of execution, understanding more and more about, again, how to get that low pure premium business and on how to integrate the right sales force with these very specific agents.

Operator

[Operator Instructions] Our next question comes from Ian Gutterman with Balyasny.

Ian Gutterman
Balyasny Asset Management L.P.

I guess, first, just a quick numbers question. When I was looking at your stat surplus for the end of the year and your leverage, you normally have it sort of close to 3x this year, you had about 2.7, which I'm assuming is the homeowners change obviously. Just when I backed that, if I kind of took your normal auto lever, auto premiums divided by the 2.9 to 3x and solved for the rest, home was coming at about 1x levered, is that a good proxy?

Glenn M. Renwick
Non-Executive Chairman

John, jump in here. You're right, the 2.7 a little bit influenced by the home. We would probably prefer to run the home business at more like 1.5. And I expect over time, as these things, sometimes you get a little bit off, but think in terms of we don't try to maximize on order at about 3:1 if we possibly can where we can, never works out perfectly and closer to our 1.5 on the homeowners business.

Ian Gutterman
Balyasny Asset Management L.P.

Okay, that's why I was wondering. Okay, great. And then on the reserves, I guess, just first quickly, on the January average development, normally, so I guess, I'm going back in time a little bit. There used to be big favorable releases in January due to sort of a catcher from the prior December. And I recall you changed that process about 3 or 4 years ago to smooth that out. And this January, saw the lumpiness just in the other direction. Is it still the same process or do we make a change in process back to the old way?

Glenn M. Renwick
Non-Executive Chairman

We got Gary here. I think the idea now was the process change coming up the table, so I'll let him take it away. But the unfavorable that you saw in December, I would -- I don't want to be cavalier about it, but I would tell you, don't be too concerned about that. If that had been February, a little bit January, then it wouldn't be prior year. It just happened that as the calendar closed and therefore you see prior year development come through. As we looked at our January development for '15 -- for '16, there was really nothing that was surprising over the prior year. So we're pretty comfortable with that. Gary, won't you put in some more details there.

Gary Traicoff

Sure. This is Gary Traicoff, Chief Actuary. To your point, about 3 to 4 years ago, we did make a process change and then in the last few years, it looked fairly stable. What happened this past January was really due to more late reported claims that happened in December, they got reported in January. And if you think back to the end of December, we did have some storms come through, particularly in that last week or so. So in January, we just recognized more late reported losses, which was really the driver of the development in January.

Ian Gutterman
Balyasny Asset Management L.P.

Got it. And Gary, while I have you, if I can clarify one other thing. I was looking in the K, on the reserves it said our net reserve balance assumes that severity for axing your 2015 over 2014 will be 4.2% higher for personal auto and 9.2% higher for commercial auto. And I was trying to contrast that to earlier in the K, when you talk about calendar year severity, when you give your frequency and severity stats, and the calendar year severity was, I guess, 3% per PD, 4% collision, minus 2 BI if I sort of weight those, I get a very low single-digit versus the 4.2 on the accident year. Is there a difference between that low single digit in the 4.2 reserve releases? Or are you -- or is there some other way to interpret that?

Gary Traicoff

No. That's a great question. Related to that, when I think of calendar period severity, which is the low numbers you were talking about. Our calendar period severity that came through in the year was fairly low, particularly in BI, it was actually negative. And that was really the driver of why our reserves developed so favorably in 2015. When we think ahead in going forward, we don't anticipate long-term severity will continue to be negative like that. So if we look at what we actually have booked in our reserving models we're anticipating roughly a 4% severity going forward on liability. Now that will include BI, PD, et cetera. So if you do all those cuts by state and by line, most of them are in the 2% to 6% range. But overall, it was up to about 4%. And when I look at commercial lines, it is about 9%. Some of that though relates to mix changes in the business marketing targets we have. So if you normalized for that, think of it probably closer to a 6% range or so, which is actually fairly consistent with our commercial line severity in 2015.

Ian Gutterman
Balyasny Asset Management L.P.

Got it. And do you have something similar for that, what the accident year frequency was in '15?

Gary Traicoff

We did not report anything in the per accident year frequency. Typically, though, calendar year and accident year frequencies are fairly well in line. You're not going to have as much of a disconnect as you might have on the severity side, particularly with the BI and the long-tail coverage.

Operator

[Operator Instructions] Our next question comes from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

I guess back on the Platinum product, a couple of quick questions here. First, how are PLEs looking so far with respect to the customers you're getting? And then on that also I'm just wondering, is there an opportunity here, given the consolidations we've seen in the mass affluent market that you could potentially go after that right now?

Glenn M. Renwick
Non-Executive Chairman

Brian, can you just give me the second part of the question again, the consolidation piece?

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. What we've seen as far as a consolidation in the high net worth or mass affluent market from homeowners perspective, is there an opportunity for you guys to really go after that? Because I know agents are asking for new carriers there.

Glenn M. Renwick
Non-Executive Chairman

Great. Yes, let me take the first. I think we've shown you at some prior IR meetings and we're more than willing to show you, as we get more and more information, that the bundled customer really does give us that notion of a meaningful, and I'm going to stress that, a meaningful extension on life expectancy. In my shareholders letter, I started to use some language that I think will become more common inside Progressive. Moving away from policy life expectancy to customer life expectancy, I think you get that, it's really, we're looking to at least a piece of our business, and I stress that. We'll still always do the pieces that we do well. A piece of our business being customers that actually stay with us in a reasonably long period of time or actually not a reasonably long period, a very long period of time and have multiple products. So a way to think about that, so yes, we are seeing -- yes, that was our hypothesis, yes, we're seeing it. And the data is solid and meaningful. I think quite frankly, we might even be understating the customer life expectancy yet because we haven't seen that kind of customer for a long period of time. Something, just internally, and this is just to give you a little bit of a mindset of how we think. We're starting to, and this is, I would say, something that 30 years ago, certainly was not on our radar screen. How many -- what percentage of our customers have been with us for more than 10 years. And now we have a meaningful double-digit, let's say, around 15% of our customers that have been with us for more than 10 years. That wouldn't be a number that would impress USAA or State Farm, I'm sure. But relative to the repositioning of Progressive, that's a number that's very important and the type of customers that we're seeing go into that state are decade and decade-plus customers, the bundled customers. So nice stuff there. With regard to your question on the high net worth, I'm going to be very frank. We've got a big agenda in front of us. And we're going to probably play in something below the high net worth customer. Just put it out on a table exactly that way. That doesn't mean that we won't make some phone calls and have other people's product to sell to those high net worth customers, at least on the home side, but that's probably not the focus that we're going to add to our property business anytime in the immediate future, given the very large market opportunity there is for us, that we feel very comfortable in our realizing.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then just one other one. Any changes that we can think about with respect to your reinsurance program?

Glenn M. Renwick
Non-Executive Chairman

No. We'll go through the reinsurance renewal. Trevor is actually here, but in the June, July time frame, and -- John, correct me if I'm wrong here. But I expect that we will take reinsurance with our property business very, very similar to the way that we have taken it in the past, at least for the excess layers. We may and likely will reassess some small part of a quota share that really isn't necessary from our perspective going forward. But in terms of the layers, we're not looking to take higher-end risk any greater than we have taken in the past or ASI has taken in the past. And that was never the objective. The objective is to get more customers in the door. We'll take reasonable amount of risk, but we feel very good about the amount of risk we're taking and don't intend to extend that.

Operator

[Operator Instructions] You're next question comes from Meyer Shields with KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I have a few questions just to understand your reporting and let me give one example. So you have indicated there are direct renewal application changes that were 5%, I think, for the year, in earlier quarters its 7% -- 7%, 8%. So should we look at that 5% as just a modest dip from the 8%? Or is there a bigger dip in the fourth quarter that gets the full year to 5%?

Glenn M. Renwick
Non-Executive Chairman

You'll take that, John?

John Peter Sauerland
Chief Financial Officer and Vice President

Sure. I can take that. Recognize we do have a calendar year that in some years has more weeks than in others. So in last December '14, you might recall, we had an extra week in a December release for you. So in that release, I think we also normalized the premium for the month for you to give better perspective there. So I would not interpret that at all to be a dip in renewals, the PLE is what you should be looking at to understand trends in terms of customer retention. And as we discussed earlier, we're seeing good changes there. So I think you're just seeing a reporting anomaly, nothing material.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. No, that helps a lot. And then second, if you look at the property side, so if I'm doing the math right, you acquired $220 million of reserves and released a little bit more than $30 million, is that sort of 15% a good representation of ASI's reserving philosophy?

Glenn M. Renwick
Non-Executive Chairman

No. I'm going to answer that a little bit more generically. One of the things that I am delighted about in the first 9 months of being together is that we feel, and I think ASI feels, that we have some skills to offer and clearly they have product and skills to offer as well. But one of the places that we were able to actually dig in together is on the reserving inside, and we now have an actuary that has been on our actuarial staff, working directly for Trevor, CFO of ASI, but also having very direct line or guided line, whatever we want to call it. As an integral part of our reserving group and during the course of that 9 months, we applied some different techniques. We looked at data a little bit more specifically to ASI versus industry data that have been done before. There was no right or wrong. There was just -- we're digging in, in a way that perhaps there's a little bit more intense, a little more reflective of the way Progressive has done reserving. In this particular case, it turned out, we had some releases. Could have been the other way, we would have adjusted either way. But I would tell you that the reflection of the releases this time is a little bit more from a highly intense review, overlaying some models, overlaying some techniques, looking at data, looking at it more frequently. And what I expect going forward, obviously, I cannot guarantee anything. But what I expect going forward is we'll be much more on a glide path of a kind of approaches that we take traditionally, with our order of business and I suspect the volatility will reduce. So probably onetime volatility that is reflective of that process, but frankly, it's a great opportunity for us to really work together in taking a look. I have to say it's always nice of it. It's a release, not an ad, but frankly, I feel much better that we've had the deep study and everybody is very comfortable.

Operator

[Operator Instructions] Our next question comes from Jay Gelb with Barclays.

Jay H. Gelb
Barclays PLC, Research Division

Now that you've gone through the year-end 2015 process, I just want to get your updated views on why you feel Progressive is not being impacted nearly as much on the personal auto side as a result of increased miles driven, translating into worse claims frequency trends like we're seeing for essentially the rest of the industry.

Glenn M. Renwick
Non-Executive Chairman

Jay, I might challenge the rest of the industry piece there a little bit -- well, notwithstanding that frequency was up, we're reporting sort of across the board 2%, 2.5%. I don't think that is dramatically different than the PCI reporting part of the industry. Fully note that there were a couple of very large and very notable competitors, who know perfectly well how to calculate frequency. They reported higher numbers. And that's just a fact. I can't necessarily know other than at least in one case, probably a mix adjustment that would really be -- needed to be made to sort of normalize those numbers. But I'm not sure that we're the anomaly on that relative to the industry. And with regard to -- but to be fair, anytime -- and I mean this sincerely, anytime we see anybody else seeing something that we're not seeing, trust me, the radar just goes off like crazy, and we make sure that we're not the ones waiting too long to see that kind of effect. But as it's played through from an order perspective, we really didn't see a great deal in frequency. We didn't see any major trends, we saw it up a little bit in the third quarter, but for the most part, that 2%, 2.5%, not bad. Now remember, systemically, long term, we think maybe frequency is headed for reductions, just for lots of reasons with vehicle technology. Miles driven, no question that that would be the usual suspect for increase in frequency and to the extent we didn't see it as much as some others. I will also tell you that our most recent reporting on mileage increases related clearly to gas prices was starting to see the second half of '15. Well, we did see the second half of '15 be a lot less dramatic of an increase over the prior year than the first half of '15. And our most recent data points might suggest that we have hit sort of a threshold of miles to be driven. I think we'd be better off waiting to the spring and summer to see if we get another spring and summer effect, but for the most part, the more recent data points we're seeing up to and including January, since we get very real time data, is that '16 mileage is not dramatic or not even different than '15 mileage. And we've seen that even in the last data points of '15 over '14. So the incremental, yes, there was incremental first half of '15 that was very measurable, quite notable, 3% to 5% on a month-to-month basis. But we're starting to see that level out. We still see in the mix of miles driven, a little shift about a 1% shift still to trips over 15 miles. We're not seeing dramatic in seasonal-adjusted breaking rates, probably not a statistic most other companies talk about, but something that we're particularly interested in. So net-net, the gas price change may have played its way through. I'm going to say that with some ability to retract my statement, next time we talk in May or whatever. So stay tuned. But I would just correct that maybe the rest of the industry didn't see the frequency quite as high as perhaps in Allstate and Geico I think are the 2 that come to mind when we see that. And certainly, the 2 that took rate that was more reflective of that.

Jay H. Gelb
Barclays PLC, Research Division

Glenn, all the miles-driven trends you were just talking about, that's based on Progressive's own data?

Glenn M. Renwick
Non-Executive Chairman

Yes. We use the Snapshot population to see if we can get -- we're kind of nutty about this. We even look at it sort of daily, weekly, whatever frequency we can because these are the sorts of things that for years, we have reported even to you. We don't always know what drives frequency. You don't always know what drives severity. Well, now we actually do have at least one proxy for frequency and miles driven is something we can measure. So it's only a piece of the puzzle, but we're pretty obsessed with trying to get it.

Jay H. Gelb
Barclays PLC, Research Division

I can imagine that. The only other thing I want to touch base on with regard to what some large writers of the industry in personal auto are seeing with regard to deteriorating margins. So if the frequency impacts that Progressive is seeing is not inconsistent with that of the industry, why do you feel the Progressive's personal auto margins haven't been really impacted at all?

Glenn M. Renwick
Non-Executive Chairman

Well, that's probably a longer story. But let me suggest to you that -- and we've done this on many, many calls. I've always said, when we see situations that make us believe that rates will go up, we tend to take it early. It wasn't that many years ago that we took and talking in aggregate, it's not always the best thing, but it might work for this. We took rates up and frankly, some of the trends didn't materialize to the degree that we thought. Our penalty there is that we actually grow a little slower with healthy margins. However, at more recent times, we've got into a rate level that we thought was appropriate and perhaps, others weren't quite at that level and therefore, needed to take their rates up more. So the starting point matters. And that was sort of my point before on the -- I like to think that we're trying to ride the crest of the breaking wave. We want to stay on the crest all the time. When you fall over the crest and your margins starts to deteriorate, typically that's associated with a big hammer of rate. And we all know the implications of that, to retention, to MPS and to growth. The trick for us is really staying on that crest. And as I mentioned earlier, as opposed to looking at rate take by rate filings, which you could look on a premium-weighted adjusted basis, you'll see that the industry is about the 2.5 to 3.5 last year, some exceptions to that for sure on the high side and low side. But I would always draw your attention to sort of what is the realized average premium? And you see in our case that was about 4% in both channels. And we have ways that are not going to get into in great detail but making sure that we built in some trend into our rating factors as well. So that doesn't always come through in the published rate changes. So our objective is really to stay on that crest of the wave and answering your question, it depends on the starting point. So we were not inadequate and didn't need to take a big rate increase, and we actually have been taking small bites of the apple, and we're going to keep taking bites of the apple. My expectation is in the first quarter this year, we'll take about probably the better part of a point at least in our direct channel and maybe close to that in our agency channel. So we'll always take that kind of a rate. I'm not going to speculate for the whole year, but it might be sort of slightly below the 4%, Ian asked a question before about severities. And while we did have the -- for 2 of the situation, those severities going down and therefore, we could release reserves based on the negative severity trends we saw. I will tell you one of the first lessons I ever learned in this business was people don't get less expensive to fix. So we certainly don't plan negative trends into our pricing indications, and we're much more likely to reflect the kinds of numbers that Gary talked about going forward. So long way of saying, but our job is to stay on the crest of the wave, and the good news is that we are not currently in the position of taking a significant hammer to our rates, or haven't had to for some time. And if we can stay on that crest of the wave without falling over by taking small bites of the apple, that's our objective. And that produces some very nice outcomes.

Julia Hornack

This is Julia. [Operator Instructions] And while we wait to see if anyone else is calling in or has a question, I just wanted to make a quick housekeeping announcement, which is that for those of you who would like to join us at our Investor Day this year, we will be holding it on the afternoon of Thursday, October 6, in Mayfield Village, Ohio. And it looks like there are no further questions. So Shirley, I will turn it back over to you for the closing script.

Operator

Thank you. That does conclude the Progressive Corporation's Investor Relations Conference Call. An instant replay of the call will be available through Friday, March 18, by calling 1 (866) 501-0069 or can be accessed via the Investor Relations section of Progressive's website for the next year.