S&P Global
Market Intelligence

The Progressive Corporation NYSE:PGR

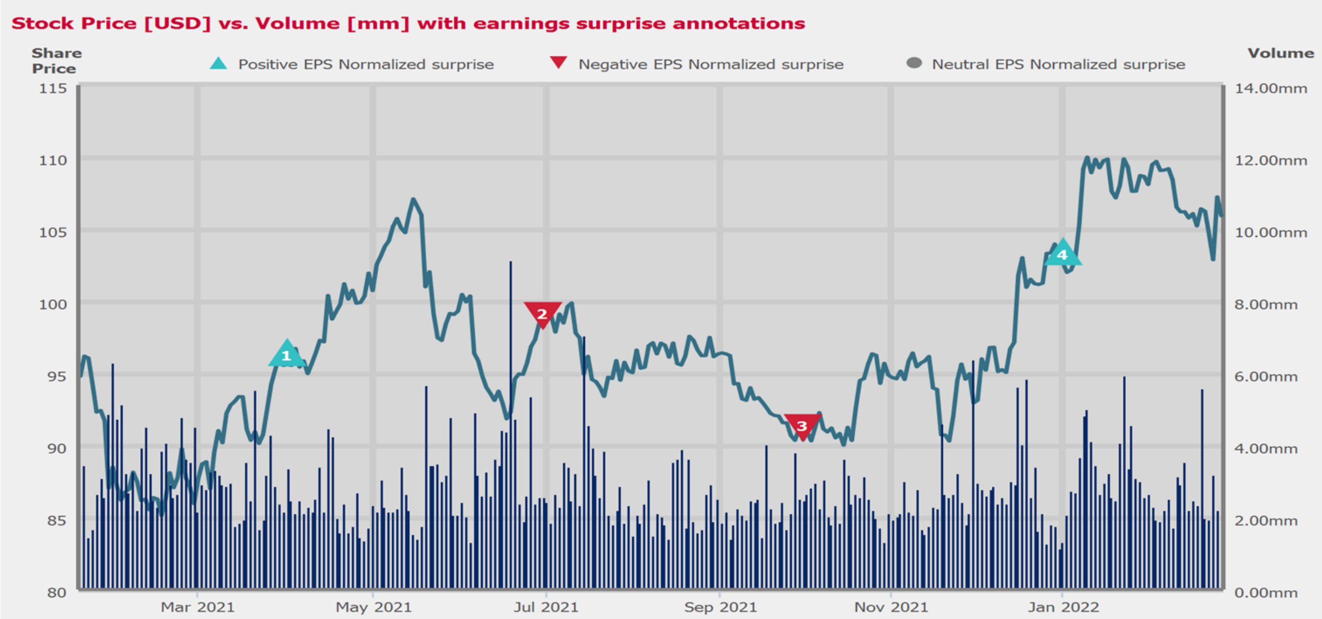
FQ4 2021 Earnings Call Transcripts

Tuesday, March 01, 2022 2:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2021-			-FQ1 2022-	-FY 2021-			-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	1.02	1.08	▲5.88	1.20	3.59	3.66	▲1.95	4.75
Revenue (mm)	10775.40	10749.30	▼(0.24 %)	12928.62	46424.81	46405.20	▼(0.04 %)	51110.30

Currency: USD
Consensus as of Mar-01-2022 12:21 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2021	1.71	1.72	▲1 0.58 %
FQ2 2021	1.05	0.71	▼2 (32.38 %)
FQ3 2021	0.22	0.15	▼3 (31.82 %)
FQ4 2021	1.02	1.08	▲4 5.88 %

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Call Participants

EXECUTIVES

Douglas S. Constantine
Director of Investor Relations

John Curtiss

John Peter Sauerland
VP & CFO

Kanik Varma

Patrick K. Callahan
President of Personal Lines

Susan Patricia Griffith
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Presentation

Douglas S. Constantine
Director of Investor Relations

Good morning, and thank you for joining us today for Progressive's Fourth Quarter Investor Event. I am Doug Constantine, Director of Investor Relations, and I will be the moderator for today's event.

The company will not make detailed comments related to its results in addition to those provided in its annual report on Form 10-K, quarterly reports on Form 10-Q and the letter to shareholders, which have been posted to the company's website.

This quarter, we will have a presentation on a specific portion of our business, followed by a question-and-answer session with members of our leadership team. The introductory comments by our CEO and the presentation were previously recorded. Upon completion of the previously recorded remarks, we'll use the balance of the 90 minutes scheduled for this event for live questions and answers with leaders featured in our recorded remarks as well as other members of our management team.

As always, discussions in this event may include forward-looking statements. These statements are based on management's current expectations and are subject to many risks and uncertainties that could cause actual events and results to differ materially from those discussed during today's event. Additional information concerning those risks and uncertainties is available in our annual report on Form 10-K for the year ended December 31, 2021, where you will find discussions of the risk factors affecting businesses, safe harbor statements related to forward-looking statements and other discussions of the challenges we face. These documents can be found via the Investor Relations section of our website at investors.progressive.com.

To begin today, I'm pleased to introduce our CEO, Tricia Griffith, who will kick us off with some introductory comments. Tricia?

Susan Patricia Griffith
President, CEO & Director

Good morning, and thank you for joining us today. As I stated in my letter, 2021 was a year like no other. We were forced to confront the new normal imposed on us by the pandemic. We faced business challenges unlike those we've ever previously seen, all while continuing to serve our customers at the level they have come to expect from Progressive.

Our people are flexible. They can see the challenges coming and react appropriately to ensure we meet our business objectives. Our ability to respond like this is supported by our corporate culture, which is built on our 4 cornerstones: who we are, which is based on our 5 core values; why we are here, which is our purpose; where we are headed, which is our vision; and how we will get there, which is our strategy. This construct guides us so we're all headed in the same direction regardless of the bumps in the road.

To achieve our vision to become consumers and agents, #1 choice and destination for auto, home and other insurance, we need to execute on our 4 strategic pillars. In our quarter 2 call, I spoke in detail about our pillars and their importance to our business, and I continued that discussion in my annual letter to shareholders.

While each pillar is equally important to support our strategy, today, we're going to focus on a single pillar, competitive pricing. Competitive pricing does not mean having the lowest rate all the time, although we strive to do that as much as possible. Rather, it means having the correct rate to match the risk we are trying to ensure, while at the same time, delivering more value to the customer. We believe that if we could out-segment our competition, settle claims accurately and manage expenses appropriately, providing attractive rates to our customers will come naturally.

It's no secret that the insurance industry is going through a period of immense change brought on by catastrophic weather events and macroeconomic headwinds. Our business is no exception. The changes in Personal Lines results, which is our largest line of business, were especially pronounced. Personal Lines results continued to benefit in the first quarter of the year by lower frequency brought on by the pandemic. However, the last 3 quarters delivered challenges. Frequency started to rise, returning to near prepandemic levels.

While the increase in frequency did not surprise us as people started driving more, what was a bit of surprise were the increases in severity, especially the cost to repair and replace vehicles. It was these rising trends that forced us to increase rates.

Once we realize these developments were not temporary, our product managers acted quickly, and in the second quarter, started taking Personal Auto rate increases, which were in advance of many in the industry. We've continued to increase rates through the fourth quarter with a total of 8% taken in calendar year 2021. In addition to rate changes, we also had to make some difficult decisions to reduce expenses and increase underwriting scrutiny to hit our profitability goal of a 96 combined ratio, which is the expected impact of reducing growth.

While these decisions are tough to make, and the short-term results can be difficult to acknowledge, we believe we have built a better mousetrap. History has shown that following times of industry disruption, we have grown our Personal Lines business faster than our competitors with better profitability. Further, it has been after times like this that we have made some of our greatest strides to achieving our vision.

Today, we will spend some time talking about the mousetrap that allows us to react faster and we believe more accurately than the industry as a whole.

Our first topic today will be on the science of Personal Auto pricing. We will discuss how we take massive amounts of incoming data and apply tools to make risk-based decisions and provide an accurate view of rate adequacy. John Curtiss, our national product development leader, will be presenting this topic. John currently leads our Personal Auto product R&D and pricing groups and has held numerous roles throughout his 19-year career with Progressive.

Next on the agenda is Kanik Varma, who will demonstrate the real-world execution of the science used by our product managers. Kanik has been with Progressive for over 20 years and was recently appointed as the General Manager of the West region. Kanik currently leads a team of about 12 product managers and draws on many years of direct product management experience to lead the team. Kanik will wrap up the presentation by talking about Progressive's deployment capabilities.

Following the presentations, we will, of course, have our Q&A session. Again, thank you for joining this morning. I will now hand it over to John Curtiss. John?

John Curtiss

Thanks, Tricia. Today, Kanik and I will give an update on the rate-making process in our Personal Auto business. We have structured our discussion in a Q&A format based upon common questions we receive from our investors.

There are many facets to managing rate level in our Personal Auto business. And today, we're going to focus on 2 key aspects. First, we will share how we determine our rate need to support our operational goal to grow as fast as we can at or below a 96 combined ratio. This can broadly be categorized into 2 areas: segment level and aggregate level. Segment level pricing is largely the responsibility of our product R&D group. While very important, we are not going to discuss this in detail today. You might remember that Pat Callahan and Sanjay Vyas discussed our approach to product segmentation back in our third quarter 2018 Investor Relations call.

Today, we're going to focus on aggregate rate level, ensuring we are collecting enough premium in total to cover our expected future loss costs and expenses to achieve our 96 combined ratio goal. We will provide an overview on 2 key aspects of how we do this. The first topic that I'll cover is the role of our auto pricing team who is responsible for the pricing indication process and providing product managers with an accurate estimate of rate need to ensure they hit rate revision profit targets. The second topic that Kanik will cover is how our product managers leverage these pricing indications, their broader toolkit, and local knowledge and expertise to set the pricing strategy for their respective states to ensure they hit not only rate revision targets, but also our calendar year goals. We will close the presentation with an overview of our deployment capabilities.

In our Personal Auto business, it is very common for us to do hundreds of rate revisions per year, which involves many groups at Progressive. This is an area we've invested significantly in over the years to ensure we have industry-leading speed to market and the agility to adapt our resources to meet the dynamic needs of the marketplace.

So let's start with the first topic on how pricing and product management work together to determine our aggregate rate need. Before I go into details on our pricing tools, I will introduce 6 key concepts that we will be covering today. The first is compliance. Our product and rates need to comply with all state regulations, which can vary in each jurisdiction and often include limitations in our ability to use specific variables to rate policies.

The second is that we price to cost. Our primary goal is to match the rate we charge with the expected cost to ensure our customers. To determine our aggregate rate need, we need to consider loss and loss adjustment expenses, operating and acquisition costs, and our profit load.

Third, insurance pricing is prospective. Insurance is unique as we do not know our cost of goods sold when we write a policy. As a result, we need to estimate future losses and expenses and ensure we charge enough premium to cover these and earn our profit load.

Fourth, our rates need to comply with actuarial standards. The 3 primary considerations are to ensure rates are not excessive, inadequate or unfairly discriminatory. And for clarity, when I say unfairly discriminatory, I mean not tied to underlying loss costs.

Fifth, when managing our business, product managers need to consider both accident year and calendar year results. Our pricing decisions are based on accident year data, which is determined by the actual timing of a loss or accident as our product offering provides coverage for accidents we expect to occur during our rate revision. Our calendar year results consist of all the losses and premiums for the year, which include the current accident year plus any runoff from prior accident years.

Finally, we will discuss our premium earnings convention. Unfortunately, we can't change rates on our entire book of business overnight. Rather, rate changes start earning in when a rate revision goes live, either upon filing or after approval by a Department of Insurance, and that depends on the state. While new customers see the rate changes immediately, existing policyholders rates will change at their next renewal event. As a result, it takes time for rate changes to earn in. Fortunately, Progressive writes mostly 6-month policies, which allows us to earn rates faster than many competitors who issue a higher mix of annual policies.

Let me start with the auto pricing group. Pricing's goal is to deliver best-in-class tools to enable product managers to make risk-based decisions and to provide an accurate view of rate adequacy for our auto business. Think of this as the science behind the rate-making. Given our beginnings as a nonstandard writer and evolution to become a leader in segmentation and product innovation, we've honed our pricing sophistication for nearly 85 years. We continue to invest in attracting and retaining high-quality talent, building systems and processes to make sure we can accurately price a very complex product in a high-quality manner and advancing the science of pricing to improve our assessments of rate adequacy.

The pricing indication is the key tool we use to determine our indicated rate need. It helps product managers answer the question, how much do I need to raise or lower rates in my next rate revision to achieve the target combined ratio or better on an accident year basis. The indication is based upon 2 primary loss ratio calculations. The numerator is the projected loss ratio. This is our best estimate of the loss ratio we expect for policies that we will write in the upcoming rate revision at our current rate level. The denominator is the target loss ratio. This is the loss ratio we need to achieve to have enough premium left over to cover our prospective non-loss costs and profit load. The difference between these 2 ratios is the indicated rate need for the next revision.

Let me provide more detail on how we determine the target loss ratio. Our goal is to price policies in a way that we will collect enough premium to cover our expected loss costs, loss adjustment expense, operating and acquisition costs, and have enough left over to hit our 4% profit margin. The chart on the slide depicts the various components to determine this loss ratio. And in this example, as you can see, our target loss ratio is 66%.

It's very important to note that changes in our non-indemnity cost structure can result in changes in our target loss ratio, and thus having a low cost structure is very important. All else equal, if expenses are lower, our target loss ratio will be higher and we can charge customers less for the same protection.

The other key input into our indication is the projected loss ratio. This is our best estimate of the loss ratio we would expect for policies we are going to write in an upcoming rate revision at our current rate level. As I said earlier, we do not know what our loss cost will be when we write policies. And given our 4% profit target, we need to be very accurate in our projection.

So how do we get there? This requires us to adjust our historical accident year losses and premiums to reflect our best estimates of the future. Let me talk a little bit about the adjustments we make to our losses first. The first consideration is loss development, which is the process of estimating the ultimate frequency and severity of our claims. Since rate-making is perspective, we need to know how much will recent claims change from what we know about them today. We also need to know how many more claims will be reported from this time period and how much they will cost and change over time.

To develop our historical frequency and severity, we analyze historical development patterns using a variety of methodologies to help us achieve accurate estimates.

Second, we also need to adjust for weather, which can be highly volatile over time. Our goal here is to price to a longer-term average to make sure that we are not over or underreacting to recent weather events. Once losses are fully developed, both frequency and severity are trended to the midpoint of the rate revision period. The midpoint represents the average cost of goods sold of losses during the revision.

There are many factors that can impact our loss trends, from macroeconomic variables such as inflation and gas prices, to improved safety technology, to law changes and even our mix of business. We monitor these to understand where frequency and severity may be headed, and we update our trends on a monthly basis.

On the premium side, we make 2 important adjustments. First, we adjust historical premium levels and bring them to current rate level to reflect our most recent pricing. Second, premiums also have trends, which are largely a function of changes in our mix of business. We need to account for the fact that our premiums can change due to the segments we write. We do not want to change rates simply because our mix of business changes over time.

Our indications contain many inputs to help us project the future. And as a result, there is pricing risk. Let me share a few examples of the strategies we employ to manage this. First, when possible, we'd like to rely on the most recent accident periods, which allow us to be responsive to our most recent experience and limits the trending period. Here, our data scale is a big asset as it affords us increased precision and prevents us from reacting to noise. The second is our high frequency of rate revision. This allows us to price to a shorter rate revision length and to be more responsive to changes in our indications.

You have probably heard us say that we take smaller and more frequent bites at the apple. As a result, it is common for product managers to complete multiple revisions in a year. This is true in general, but not always as we are currently taking much larger bites in the current rapidly escalating loss cost environment to ensure rate adequacy.

The third is our high mix of 6-month policies. As I mentioned earlier, once a rate revision goes live, it takes time to earn into the book because we need to wait for policies to renew into the new rate level. As you'd expect, 6-month policies earn in roughly twice as fast as annual policies. Our high mix of 6-month policies dramatically increases the speed with which new rates earn into our results.

As you can imagine, COVID was a massive shock to our business and has forced us to adapt our pricing indications in multiple ways. Today, I'm going to use collision coverage as a quick case study to highlight the impact on our loss trends and to share our responses. This slide contains a time series view of our collision coverage frequency, severity and pure premium through the end of 2019. It represents a pre-COVID period. The solid line is monthly data. You will notice that this data can be bumpy, which is largely due to seasonality. The dotted lines represent the trailing 12-month average.

As you can see, during this time, our trends are relatively stable. Pure premiums were increasing on average by slightly more than 3% per year, with frequency gradually decreasing and severity growing faster than the rate of inflation. During this time, we were tracking a variety of variables that could help inform where we thought trends might be headed in the future. One thing we did not expect was a once-in-a-lifetime pandemic.

On this slide, the data has been updated through April 2020 to reflect the onset of COVID. As you are aware, a massive decrease in driving significantly reduced our collision frequency. This also dramatically changed our data and challenged us to think of new ways to project trends. The key question we needed to answer was how quickly will frequency rebound.

To help us answer this question, we leveraged a variety of data elements to inform future projections of frequency. This data came from a variety of sources. First, we closely monitor our claims frequency data to understand both monthly changes and comparisons to pre-COVID levels. Second, we leveraged our extensive snapshot data, which we know is highly correlated with frequency. This data provides a daily view of vehicle miles traveled and important segment-level data on driving patterns such as time of day and day of week. Third, we utilized input from product managers who brought local knowledge about changes to driving in their respective states.

By analyzing this data over time, we could start to quantify with what likelihood, by how much and when frequency might return to pre-COVID levels. This analysis is conducted at a state, channel and coverage level, and we update it very frequently.

This slide shows the same 3 graphs through the end of 2021. As you can see, our collision pure premiums have rapidly accelerated to well above historic levels. While frequency has rebounded, it is still below where it was prior to the pandemic. However, collision severity has dramatically increased, driven by supply chain disruptions and the soaring prices of used cars. Like frequency, our response for severity has been to leverage new data sources like the Manheim index to explain the causes of these increases and where they might be headed in the future.

In collision, more than half of our lost dollars are from total losses as we pay to replace total vehicles damaged beyond net cash value. This plot is showing the average value of used cars from Manheim in orange and the estimate of actual cash value, or ACV, of the vehicles we write estimates on in blue. Not surprisingly, what we see is a very strong correlation between these 2 metrics with ACV lagging Manheim by a few months. Given this, signals of upward movement in car values are a leading indicator of ACV, estimates and severity. With this data, we are better able to evaluate scenarios of where severity may be headed in the future, with the cones representing the fact that there is still a high level of uncertainty.

Given there's a high level of uncertainty of where our trends and, therefore, our rate need might be headed, I want to share with you how we ensure we are getting our latest views of rate adequacy to product managers in a timely manner.

As I mentioned earlier, our goal is to frequently update our trend analysis and pricing indications so that product managers can quickly respond to changing market conditions. Our indications are updated quarterly for each state, channel and coverage combination, which generates thousands of pricing recommendations per year.

As I mentioned earlier, we updated our loss trends and premium trends on a monthly basis. Given the rapidly changing trend environment due to COVID, we are now able to update the trend portion of our indications monthly, which provides product managers even more up-to-date data on changes to their rate indications. This allows product managers to adjust their plans as the needs of their business change.

And now I'll hand the presentation over to Kanik, who will provide an update on how product managers leverage our pricing science to deliver our operational goal of growing as fast as possible at or below a 96 combined ratio.

Kanik Varma

Thanks, John. The goal of the product management organization is to deliver profitable growth at our target margin through adapting Progressive's products to win in our local markets. This organization comprises of highly talented individuals. They're results-oriented and were attracted by profit and loss ownership. They want accountability and decision rights, and we empower them to make decisions at the local level. Think of them as Chief Operating Officers of their own businesses.

There are several aspects to a product managers job at Progressive. Each product, state, channel is different, and our product managers design strategies to meet our goals within the individual businesses.

Compliance is mandatory. Profit is our second priority. Growth at target margins comes next. Managing legislative, regulatory developments and relationships are key levers in order to respond to economic conditions and the competitive environment within their states.

Today, I'm going to focus on one aspect of their role: tactics to deliver our target margins. And this is especially relevant in the current environment. The first step in consistently hitting our target margins is to give our product managers very clear operational goals. You know it as our grow as fast as you can at a 96 objective. Just a reminder, that's a composite calendar year target number. Product managers manage to their respective targets within their channel product or geography down to the line coverage level. Each business fulfills their role within the overall portfolio to meet this composite goal.

Our product managers have multiple tools that help us operationalize this goal. We call it the product manager toolkit. Product managers actively monitor results with daily reporting on volume measures and monthly data across all other KPIs. The toolkit affords both diagnostics and informs actions to ensure we deliver segment-level results that roll up to our aggregate objectives.

At the macro aggregate level, operationalizing this objective is like riding a wave. It requires a very delicate balance. Go too fast with rate, and you will be ahead of the market in compromise growth. However, if you move too slowly and fall behind on rate, it's incredibly hard to catch back up, and you will miss profitability targets. Product managers continuously adjust rate level to match changing conditions, and the capability to be nimble is a source of competitive advantage for Progressive.

Our product managers are not just trying to hit a 96 at the macro level but are making sure they are pricing each individual segment the same target margins. That's very important. We don't have a bias towards any specific customer segment. We want to drive growth across the spectrum, provided those risks are priced accurately. This approach enables us to deliver on our broad acceptance or what we call take nearly all comers philosophy.

Our heritage starting out writing less preferred customers required us to align our entire business around matching rate to risk. And as we've expanded our aperture over the past decades, this approach remains foundational to our strategy. We have to make sure we are continuously matching rate to risk.

Our scale provides us credible data and to make data-driven decisions at the micro level, which is a competitive advantage versus many industry competitors. Product upgrades in each state allow us to add new rating variables to our algorithms that feeds the virtuous cycle of risk selection.

We've talked about this at length in the past, so today I'll just focus on how product managers manage profitability at the macro level. The aggregate rate level is determined for each state and channel. Each product manager decides how much rate to take and how often to take that rate for the state and channel they manage. This decision-making relies very heavily on the advanced analytics John talked about earlier.

Product managers also incorporate multiple local inputs into their decisions. I'd like to group these local inputs into 3 broad categories: state-specific loss trends, regulatory framework within the state and the mix of business we ensure in each state as that drives the earnings cadence.

Let's walk through each one of these one-by-one. The first category of inputs is state-specific loss trends. Each state is unique, and states have different loss trends at any given point of time. There are many reasons for this in the auto product. Coverages and limits offered are based on unique state laws. State laws change often and have a direct effect on loss cost going forward. Examples of this would be injury limit increases, fee schedule changes and new case law. States have unique weather patterns that impact loss costs. For example, hill states differ from hurricane states, and we use different weather loads in these states.

Claims processes are different by state, and we keep improving them to make sure we are paying accurately. Process changes like labor rate changes, litigation and fraud mitigation strategies can have an impact on loss costs [indiscernible]. These are all different by state.

And during the COVID pandemic, states had different lockdown and reopening laws. Product managers work closely with our cross-functional partners in their states, these partners provide valuable local market input and we incorporate those into our decisions.

The second input that impacts decision-making at the state level is rate regulations. At a very basic level, there are 2 types of rate regulation mechanisms, filing used and prior approval. In filing new states, we can elevate rate changes literally the day after we file, though approval for the revision in these states can come months and, in some cases, years after the rates are effective. Prior approval means that state [DUI] needs to approve the revision before it's effective. This framework requires more time to get rates to the Street. But even before approval and prior approval states, we typically go through a back and forth with regulators as they ask questions and we explain our data and answer their questions about what's changing with the specific revision. We call this the objection process. But don't be confused, these are questions raised to clarify and understand and not fix barriers to implementing our product changes.

Over decades, we've built incredibly strong relationships with our regulators as both credible and transparent operators, and we continue to work closely with regulators to ensure they're comfortable with what we're doing, why we're doing it and how what we're doing ensures we deliver rates that are adequate, are not excessive and are not unfairly discriminatory. When trends change, usually, we're the first carrier to share the latest credible data with state regulators. So it's fairly normal for them to react to new information and ask questions and ask for support to confirm understanding.

In practice, though, there are 51 different enforcement mechanisms, no 2 or alike. Each has to be managed independently. We have built institutional knowledge and dedicated resources to put together filings and additional support, to ensure we get the right price into every local market as quickly as possible. Each product manager has in-depth understanding of the state's regulatory mechanism. They are on top of the unique deviations, which means we have to know how to calculate rate need on the state's template, how much rate can be approved under a certain mechanism, the flex bands, and how often we can file in a year. They also manage the approval time lines, which can vary based on the type of filing within each state.

While we price our policies to run consistently at or below a 96 accident year combined ratio prospectively, we also manage our results to a calendar year 96 combined ratio target. In order to do that, product managers need to plan for the time it takes for rate changes to earn into our financials. It's important to note that because we have a large book of in-force business, rate changes don't affect all policies at the same time. All new policies going forward are written on the new rates, but existing policies don't see a rating until they come up for renewal.

Our combined ratio is a function of losses and expenses divided by earned premium. To put things into perspective, this is a chart of how much time it takes for that earned premium to reflect the new rates on our Personal Auto policies. With a predominantly 6-month book of business, if we increase rates by 5% today, 5 months from now, our earned premium, which is the denominator for the combined ratio, would have increased approximately 3.5%. And by month 7, we will be close to that 5%. So the rate we took in the second half of 2021, around 6%, will have largely earned into the financials by midyear. Any rate we will take now will partially offset the first half and, more materially, the second half's combined ratio.

For comparison, if a carrier had 75% of their policies as annuals, it will take even longer as only 65% of the premium would be at the right rate level 7 months after the change. This is a big reason we've limited distribution of 12-month policies to primarily our Platinum agencies, while over 90% of our Personal Auto policies are 6-month policies. And at times like these, we benefit from a shorter lag period to realize rate changes in our book.

Let's use one example to show you how one auto product manager made high-level decisions over the last couple of years. This is a real example from one medium-sized state. The gray line on the chart is monthly pure premium in that state, while the blue line is a trailing 12-month average pure premium. This takes out the weather-related seasonality in the state.

In 2019, the state was running under a 96 combined ratio, and our loss cost trends were fairly stable in the state. With stable trends, the product manager was focused on growth strategies, which typically include lowering rates to convert more shoppers or increasing demand generation spend to generate more shoppers.

As early COVID-related frequency drop came through our data, the product manager responded, first, by participating in our April relief efforts. That included $1 billion of premium credits during the immediate post-COVID period. That was followed by an aggregate rate level decrease a couple of months later.

In early 2021, as this product manager was evaluating their aggregate rate level, based on the data available at the time, they expected trends to start returning to pre-COVID level at a fairly slow pace. The state's pure premium expectations at the time are shown in the orange line.

At this point of time, our tools indicated no immediate rate action, nor did local conditions in the state weren't anything different. Our ability to review trends and rate level every month allow this product manager to very quickly spot a change in trend shortly after making their rate decision. This change in loss cost trend was supported by UBI data in the state, which showed driving returning at a faster pace than previously expected. There was enough credibility in the data for the product manager to react and the adjusted rate level upwards to reflect the change in frequency trend.

As time went on, severity continued to rise at a faster pace than expected back in May, especially in collision comprehensive property damage coverages. Frequency also continued to see modest positive trend as driving behavior reverted back to normal. At this point, the product manager took another rate adjustment to ensure they would hit the accident year 96 and calendar year 96 combined ratio objectives.

Since we're in the business of trying to predict the future, there is near certainty that we'll be wrong. However, our business model is to minimize this error by shortening our future pricing time horizon to provide more frequent opportunities to adjust our future prices to market conditions. Our product managers have the advantage of getting updated indications and other diagnostics often and have the resources to act when needed. This allows us to react very quickly when conditions are changing and when the regulatory framework allows it.

As Tricia shared, this approach of taking more frequent smaller bites of the apple continues to serve us well as our rates are more closely aligned with true underlying costs, which enable us to deliver more consistent underwriting profitability and more competitive rates that drive long-term growth.

If a carrier either does not have the ability to review data often and/or does not have the flexibility to react quickly, you can fall behind on rate need. The margin of error grows the longer you have to wait to react. This is why we have invested heavily in the tools to evaluate trend quickly, and the systems to react as fast as possible.

This chart also illustrates the challenge in states with longer approval times. Our product managers deploy different strategies to manage rate revision length risk in states where we aren't afforded the flexibility to change rates as often as necessary to accurately match rate to risk. Our product managers typically act earlier and more conservatively to ensure we have adequate rates while making sure they are not excessive. They also have a full toolkit of levers available to deploy to protect the book and meet their target margins.

We just talked about the science and the product manager toolkit. Now let's talk about how we deploy changes to the market. Having data and analytics to inform pricing decision-making is necessary but not sufficient to effectively manage a book of business. You must also have decision makers and the deployment resources to file in a timely manner, get regulators comfortable with our actions and the IT infrastructure to get the updated pricing to market.

In the example I shared, this particular product manager implemented 10 rate revisions in the state in the last 2 years alone, 5 each for direct and 5 for agency. These actions resulted in the state meeting its profit targets, both years in a very dynamic market and achieving 7.4% earned premium growth last year or over 25% earned premium growth over the 2-year period while continuing to keep us ahead of the industry on segmentation.

The backbone of our deployment capabilities is our rate revision factory. We have the ability to act multiple times in a year in every state. Our resources dedicated for product upgrades are incremental to those for rate increases.

Just to give you an idea. Last year, we deployed over 4 rate revisions per state in auto, and approximately 60% of our premium picked up the latest product model. It's also important to note, each tool in the product manager toolkit is supported with dedicated IT infrastructure. These are separate systems and resources that are incremental to our rate revision factory. That gives us added flexibility to deploy other tools as needed in individual states.

We have long seen revision deployment and cadence as a potential source of competitive advantage, which is why several years ago, we invested in the factory to increase its throughput and improve its quality to ensure we can continue to lead in both pricing and segmentation. We believe this investment has provided us with best-in-class capabilities. And this is just a view of our auto product. Each business, commercial, recreational lines and property, have, incremental dedicated capabilities.

Our ability to react early to changes in market conditions creates opportunities for us. The last time the market hardened, we followed our playbook and reacted fast and decisively. We believe faster response times help us compress the industry cyclicality during both hard and soft markets. That continues to drive our growth during times of change.

This market cycle may be different in magnitude but requires a similar playbook. We reacted as soon as we saw trends turned in 2020 in addition to the $1 billion April relief effort. Trends changed direction in 2021, and we reacted immediately. We've had a head start, and we'll continue to react quickly as we see changes in the results in either direction.

While we can't know if this cycle will play out exactly like cycles of the past, we do continue to have trust in our process and believe it will help us deliver the best possible results. Thank you.

Douglas S. Constantine
Director of Investor Relations

This concludes the previously recorded portion of today's event. We now have members of our management team available live to answer questions, including John Curtiss and Kanik Varma, who can answer questions about the rate level presentation.
[Operator Instructions] We'll now take our first question.

Question and Answer

Operator

Our first question comes from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question -- thanks for all the disclosure just on the rating side of things. Given where you guys are now, the rates that you mentioned, the 8 points that you guys took last year as well as just what seems like continued elevated severity, when do you guys think that you will potentially be at your target margins within Personal Auto? If I remember from last -- the call last quarter seemed to indicate perhaps it would take 6 months or longer. I just want to understand kind of where we are in the time frame of you guys thinking we'll have enough rate to kind of get back to where you want your margins to be in auto, just in Personal Auto.

Susan Patricia Griffith
President, CEO & Director

Thanks, Elyse. And I think that's very dependent on each state. So we feel good where we're at now. So we took the 8 points last year, took another 3 points in Personal Auto in January. And we've had some successes with some of the regulators.

So let me give you an example. In Texas -- I think that came up in the last call, we -- they had some objections. We went back and forth with a lot of data, came to an agreement earlier this month, and both of those prior -- those approvals are done and effective, I think, on the 24th. And then we've put another rate increase in February. So we feel good about states like Texas where we've had great conversations with our regulators, and we can get the rates on the Street. And that allows us to open up local advertising, our bill plans that we might have restricted, underwriting guidelines and -- our underwriting restrictions, I should say. And so it's a mixed bag depending on each state. So we'll continue to watch the trends.

The trends in used cars and new cars still continue to actually outpace even pre-COVID levels. And of course, a lot depends on frequency. So we saw vehicle miles traveled down more in January. We think that might have been through Omicron. So they were down about 11% to 14% compared to our percentage of about 7% to 8% since May.

Now that we're seeing more states open, we'll watch frequency closely. So we're watching companies open. And what the new normal is of how people go back to work, I think, is yet to be determined. I know with Progressive, we are just figuring that out as well. There'll be a lot more people that work from home or work from home part of the time. So we're going to watch frequency once things stabilize a little bit more.

So the real answer is we don't know for sure. But hopefully, John and Kanik let you understand that the propensity to have the majority of our auto policy 6 months allow us that flexibility to get the rate in more quickly.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up, Tricia, you did kind of touch upon in your answer. When I look at your results January versus December, typically, there is some better seasonality in January, but this January saw almost 6 points of better underlying loss ratio relative to December, and severity remains high, as you guys noted. So did frequency drive a net benefit in your January numbers perhaps from Omicron? And then is there anything that you can say about February as Omicron has waned and just the impact that you perhaps see in that month?

Susan Patricia Griffith
President, CEO & Director

I think that's probably part of it. I think there's a lot of seasonality in January. So I wouldn't read into that too much because we still have a lot of that rate to earn in. What I would say, early results from February from vehicle miles traveled, they're going back to what we saw before January. So we could see frequency go up a little bit. Again, that's yet to be determined, and we'll have those results in a few weeks.

Operator

Our next question comes from Mike Zaremski with Wolfe Research.

Michael David Zaremski
Wolfe Research, LLC

Great presentation. First question, Tricia, to your comments about in the past, during times of industry disruption, you've been able to -- the company has been able to make great strides. Just curious, is -- obviously, every cycle is different, as you all mentioned. Is the window of opportunity just very different this time given that it appears Progressive's results have deteriorated much more so than peers, which maybe could be due to being overweight "nonstandard drivers?" Are you seeing kind of a bifurcation of results, nonstandard versus standard, which might make other peers less likely to need as much rate?

Susan Patricia Griffith
President, CEO & Director

Well, when we kind of strip away at the Q4 results from some of our competitor, we feel like we're in a pretty good company. It looks like almost everybody needs similar rate than we do. So we're monitoring that.

I mean as far as our book of nonstandard, of course, that's -- that was our humble beginnings, but we are -- we continue to grow more on the preferred side. When you think about new business, our apps are down more on the Sams, which makes total sense because they're very sensitive to price. We define them as inconsistently insured. And of course, a lot of the PIF growth on the Sam side comes from the new apps because their PLEs are really short.

So I wouldn't say -- I would say I think everybody needs rates. The trends changed as you saw dramatically. And so I feel like we're in a really good position. We continue to work with regulators where we don't have the right rates on the Street yet to prove that out. And if we need to, we'll slow growth for a bit until we get there.

Michael David Zaremski
Wolfe Research, LLC

Okay. Understood. My follow-up is just trying to -- maybe if you can try to unpack some of the severity statistics a little bit more. You focus on the Manheim in the deck it looks like. But just curious, we're also hearing about supply chain issues, requiring cars to be -- taking longer to fix, higher rental car prices. Just curious, are you -- are any of the other issues that have been impacting severity, are they getting better? Are they decelerating? Or is there still a lot of uncertainty.

Susan Patricia Griffith
President, CEO & Director

Mike, there continues to be a lot of uncertainty, but I think you hit the nail on the head. So we've got the supply-demand issues with chips. So we have parts prices continue to increase. Because it's taking longer to repair those, our rental prices have gone up. We're watching labor rates in body shops closely and working with our MSOs to understand what we think about that.

But when you think about severity, we look at it in a couple of different ways, but I've been focusing on looking at it from this last quarter, quarter 4 of 2021 compared to '19. And let's take collision as an example, and we don't usually share at this level. But in the aggregate, we are up in severity about 11.9%. Collision is up substantially more than that. And actually, frequency is down less than pre-COVID, and severity is up. So we're watching very specific line coverages to understand the trends and how they relate to the increases that we need specifically.

Operator

Our next question comes from Jimmy Bhullar with JPMorgan.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

First, I just had a question on the sort of -- if you could discuss what's going on in California. It's a small state for you guys, but I don't think the state has approved any pricing request yet. So what's the reason for that? And do you think that, that will change as you have more of the sort of weaker margins in your actual experience that gets built into their analysis?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean we continue to work with regulators in California. It can be a challenge, and we're up for the challenge. We -- how they might look at rates versus we are looking at them prospectively, I think, is a little bit different. And so we're sharing data regarding what we're seeing and the trends we need.

Here's -- the bottom line for any regulators, they should demand adequate rates. And we need to get adequate rates on the Street in California in every jurisdiction for that matter. So we're going to continue to work with California. And there's a handful of other states where we continue to go back and forth. And our goal is to be open and available for all consumers. And if we're open and available, that helps with affordability in the long run.

So in the meantime, we have some levers that we can use to slow down growth. Whether it's local advertising or build plans, underwriting restrictions and some agents incentives, we'll do that in the states where we need rate. We do need rate in California, but we'll continue to work with the regulators there to prove our case.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Okay. And then on the competitive environment, are you seeing competitors take similar price hikes? And -- or are some of them not doing the same? And as a result, like we've seen your premium growth slow down a lot, PIF growth slow down a lot recently, but not sure if that's because other companies are not raising to the same extent or they have more 12-month policies where they can't implement the price hikes.

Susan Patricia Griffith
President, CEO & Director

Yes. There's a lot of variables like that, some you hit the nail on the head with 12 months, some are not increasing at the rate we are. We are usually first to market, and we talk about that a lot in order to get ahead of trends. We do see competitors definitely taking rates. And so we knew taking action aggressively early on when we saw the trends change so dramatically. We knew that would affect our new business apps. We're seeing that, but we feel good about getting those rates on the Street.

And as more and more companies see those rates, the competitive environment will improve. And hopefully, as people shop, they'll come to us and we'll be in a good position to have stable rates. So it's really across the board. Some are taking a different approach because they have 12-month policies, some run their companies differently than we do. We have a very specific goal to make that $0.04 of underwriting profit. And so that is our primary goal and growth is second. So we'll continue to watch. We believe that -- we feel like we're in a good position for the most part.

Operator

Our next question comes from Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

I wanted to ask about your comments on getting ahead of the trends and being first to market and then your comments of taking larger bites. Question really is, do you classify what you took any time in 2021, maybe 4Q, the 6.8% in those 19 states? Was that a larger bite? Or was that more of the smaller bites? And the reason I ask, Tricia, is curious if you think that 6.8% in those 19 states, was that enough to offset and provide some profit provision in that? Or is there more needed from even that 4Q number?

Susan Patricia Griffith
President, CEO & Director

It's very dependent on each state. So there are some states where there's more needed. I gave the example of Texas where we had 2 rate revisions and we put another one in play, a double-digit one in February. So I think it's very dependent on the jurisdiction.

I would say when we define small bites, it's nice for consumers to have stable rates. So small bites to me, and I don't think there's any great definition, is 1% here, 1% there. So I never like to take 6.8% or ever double-digit percentage because we see then that, one, it affects our new business and could ultimately affect our renewal business as people get increases. So that, to me, is a larger bite. But again, we saw these dramatic trends, and we needed to get out in front of it.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. And kind of a related question, I guess. But some of the comments here where we're starting to feel good about where we are today, going to wait for that to earn in. What do you think that means for how we should expect to see the marketing spend this year relative to last year?

Susan Patricia Griffith
President, CEO & Director

Yes. So we will plan to spend as much as we can on marketing as long as we feel like rates are -- the rates we have out there are appropriate as well as the fact that our acquisition costs go within our -- we want to have our targeted acquisition cost. So what -- the levers that we'll use in places where we don't think we have the rate just yet will be to turn off or slow down local advertising. We have some great plans around marketing. Again, we will -- that will be dependent on each jurisdiction and where we feel we are as far as rate adequacy.

Operator

Our next question comes from Greg Peters with Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

I guess the first question, I'll go to the projected loss ratio slides. I think that's like Slide 21 -- 20, 21. Well, you know the slides. You put them together. There's 2 pieces in there. There's the new business piece and the renewal piece. And I'm just curious about your perspective on new business. Traditionally, there's been a new business penalty. And I'm curious what your views are on new business penalty in this environment. And I'm wondering if it differs between, say, the agency segment and the direct segment, et cetera.

Susan Patricia Griffith
President, CEO & Director

Yes. Well, I think of the new business penalty, for me, more on the direct side in terms of front-loading our acquisition costs in the first 6 months of the policy. As far as the projected loss ratio, I mean, I'm not -- I'm hoping to answer your question. I mean I think that our new business, obviously, is negative right now in, I think, every single segment. We saw it initially in the agency business. I think they're very susceptible to any price increases based on the fact that they have a lot of opportunity to put business with their customers with others. I'm not sure if I answered your question -- or if you want to add anything...

John Peter Sauerland
VP & CFO

I can add a little bit there. So there's really 2 objectives in pricing the business. One is the lifetime profitability of a customer and the other is hitting our calendar year targets, and we're trying to achieve both, and sometimes there's a balance there to be had.

As Tricia was noting in the direct business, new business runs a lot hotter than renewals. So because of that advertising expense that we incur completely upfront, less so in the agency channel, but we also see differing new versus renewal loss ratio differences across segments of customers. So there's a bigger new business penalty when you're in the nonstandard end of the spectrum relative to the preferred end of the spectrum. So we're trying to balance the lifetime profitability of those customers as well as the calendar year profitability of the entire business when we're making those decisions.

As we were noting earlier, there are certainly markets right now where the underlying base rate level, if you will, is not adequate. And so those cases we are restricting as much as we can because we're pretty confident that we're not going to hit our target margin on a lifetime basis for that business. There are other markets where we're closer, and that's where we're playing the underwriting, the advertising levers to manage that again to the calendar year, but also to the lifetime targets.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

That was actually an excellent color on my question, which was kind of vague. The second and follow-up question, and I'm going to go off script here, if you'll allow me, because I'd like to pivot to the Commercial Lines business for a second. And we get so few opportunities to talk with you. And the Commercial Lines business continues to, one, grow rapidly; two, produce results that are well in excess of your targets. Can you give us an update on what's going on there? What areas of the market you're having success in? And just give us a state of the union on the Commercial Lines business, please?

Susan Patricia Griffith
President, CEO & Director

Yes. Absolutely. We feel incredibly proud of our results, both on the growth and profit over the last couple of years. One of the biggest areas in Commercial Lines where we've been able to grow is in our for-hire transportation segment, which makes a lot of sense. During COVID, goods need to be transported across the country. Many of us stopped shopping and ordered. And so we really we're in a great position to improve and increase our market share in that specific segment. We've been writing that for a lot of years. So the good news is we knew the underlying cost structure. We were conservative in our take rate. So we feel really good about that.

Obviously, there's a couple of other things. We continue to grow in our TNC business. We added Protective as another part of our fleet. And across the board, we feel pretty good about growth -- really good about growth in all of our BMTs. So just a really great part of the story where we saw an opportunity, we had the background and experience to write a lot more of that, and we took advantage of it.

John Peter Sauerland
VP & CFO

I get excited talking about our Commercial Lines, so I'll tack on here. We've got a number of other things going on there, I think, are not as appreciated in the market as perhaps they should be. So usage-based rating in Commercial is going really well. It's really predictive. Obviously, those trucks are driving a lot of miles. So the differential across those who are good drivers and those who are less good is pretty significant, and we're pricing to that.

We also have that information for a large group of customers at new business because truckers now have electronic logging devices that have that information, and we can input that into the new business rate. Relative to the Personal side where predominantly, we're still using the information we gather at renewal versus new business. So Smart Haul is going really, really well. We also have a program we call Snapshot ProView, that is also working well for smaller fleets.

The other piece of Commercial that I think is pretty exciting is the direct channel. So we've all been sort of wondering when Commercial customers will sort of follow the Personal side and start shopping a bit more in the direct channel. COVID certainly, I think, helped accelerate that, and we're seeing great growth in our direct channel and Commercial Lines. I could go on into the BOP program as well. So I think you're right to say, hey, it's a very exciting segment of the business right now. The core, what we call business market targets, the trucks, et cetera, are doing really well, and we've got a lot of long-term runway to play in Commercial Lines beyond that.

Susan Patricia Griffith
President, CEO & Director

Yes. Our BOP program is now in 34 states. We added 17 this year. So obviously still small, but something, as I outlined, probably last year, a few years ago, our different horizons, we're excited about helping ensure those small businesses. So that's something that we think there's a lot of runway.

Operator

Our next question comes from Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Looking through the 10-K, I was surprised at how much ad spending you did during 2021. And that tells me there's probably more seasonality in there than I'm understanding. I assume it was heavily first half weighted. So could you, a, talk about the normal seasonality of ad spending at the firm? Talk about how that differed in 2021. And then the third part is, that means that most of the savings that you guys did on the expense ratio really came from the G&A expense. How much of that expense can you save into '22 and later?

Susan Patricia Griffith
President, CEO & Director

Well, it's a multifaceted question. I would say, normally, we do spend a fair amount in the first half of any year, but we did dramatically reduce spend because of our profitability issues at the end of 2021. So we wouldn't have normally reduced it by that much. We did that as a reactive position based on what we saw with trend. And so we spend depending on when we believe that people are open to shopping, and that can vary. So we did spend more in January of this year. I don't know if, Pat, you want to add anything more to what we're feeling about from a media perspective?

Patrick K. Callahan
President of Personal Lines

Yes. No, I think your response on the seasonality of ad spend is absolutely right. We spend when that will be efficient media spend, and frankly, when we think we're priced adequately for the new business coming in. So once -- as Kanik and John laid out, severity started to take off with frequency in the second half of last year, we had some rational pullback there just simply because we weren't comfortable with our rate level.

Now when we come into this year, as Tricia mentioned, we typically will spend more in Q1 ahead of what's typical shopping season. And that's what we saw in January, but it is more state-specific where we're open for business and turning on some media spend.

Now on a year-over-year basis, we had our best quarter ever in Q1 of 2021. So from a spend and an efficiency perspective, we've got some tough comps coming ahead of us at this point in time. But really, our full year spend is 12 individual months of spend, highly controllable, on and off as we're comfortable with the efficiency of the spend and, frankly, the adequacy of the underlying business we bring in for that spend.

Joshua David Shanker
BofA Securities, Research Division

And the permanence of the G&A expense reduction in 2021?

John Peter Sauerland
VP & CFO

So we think of our non-acquisition spend as what we call our non-acquisition expense ratio, which generally you can think of as G&A expenses, the long-term trend there has been really good. So we have taken out over the past, I don't know, probably decade maybe 4 points in our non-acquisition expense ratio. Obviously, that allows us to be really competitive. And our goal is to continue to reduce that number.

So we obviously have scale at our advantage. We obviously are investing heavily in technology to continue to get consumers to self-service and be happy doing so. So a lot of efforts around continuing to be competitive in our cost structure outside of acquisition, we would -- if we're priced adequately, we would love to spend more on advertising. Obviously, we're going to have a competitive commission for our agents to place as much business as they can with us. But the underlying G&A or non-acquisition expense ratio is where we focus on continuing to get more competitive.

Operator

Our next question comes from Paul Newsome with Piper Sandler.

Paul Newsome
Piper Sandler & Co., Research Division

Covered a lot of ground, obviously, and very helpful. But I wanted to ask on the home business, how impactful could it be that on the auto business that you're trying to improve the profitability of the home business at the same time?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean I think we like to bundle, but we also want to make sure that we are positioned well for the long-term growth in the property channel. And we've continued to increase our Robinsons. We're proud of that. We want to do that. We just want to do it in -- spread across more nonvolatile weather states so that we can make our target margin on those bundled customers.

So will we lose some customers from some of the de-risking decisions we're making in Florida on the auto side? Likely, that might happen. We'll wait to see how that happens. And of course, that also depends on what's happening in the environment. So when people shop, are they getting the same or better rate if they go to another competitor? So a lot of that, specifically in Florida, will be dependent on what the competitors do as well.

So I think people that want to bundle, you may take both your auto and home with you. We will work on trying to keep as much of the auto book of the property that we lose. But that's yet to be known as we continue our plan to de-risk.

John Peter Sauerland
VP & CFO

And in the direct channel, we do have the luxury of having multiple other companies that we work with, to place property business, and we will proactively work with those companies to try and place business that we no longer want to be writing on our own paper. And obviously, in the independent agency channel, most agencies have multiple options.

So I mean you're right. As Tricia noted, we will likely lose some auto business as we reduce the risk in our homeowners book, but we also expect to keep a lot of those auto customers because of the options that we have in the direct channel as well as that which our agents have.

Susan Patricia Griffith
President, CEO & Director

Yes. And I should do a shout-out because we've really invested a lot over the years in HomeQuote Explorer, where you can we can go online, and now we have 34 states where you can have an online buy, which makes it just easier for consumers as well if they're shopping. So they may have auto with Progressive and the home could be with Progressive property, but then they could switch over to another one of our unaffiliated partners. So John is right on point.

Paul Newsome
Piper Sandler & Co., Research Division

And then I wanted to read the Commercial Auto business, but in the context of -- you gave us some wonderful detail and information about private passenger auto and the frequency and severity trends that you have seen. But my sense is that, that result has been quite different in Commercial Auto. And I was wondering if you might touch upon those differences and why that might be?

Susan Patricia Griffith
President, CEO & Director

Yes. The severity on commercial is up. When you look at the trailing 12 over the prior 12, up right around just under 14%, and frequency has come back to pre-COVID levels for the most part. We see a lot with our -- as John said, we have our telematics on the Commercial Auto side. We see that speeding for some of our truckers are up about 10% to 20%. And we see that sort of correlated when there's more congestion out versus less congestion. So yes, those are higher limit policies.

Obviously, we've talked in the past about social inflation around more attorney rep claims. So we are seeing an increase in those trends in the Commercial Lines product as well.

Operator

Our next question comes from Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

First question, going back to the ad spend. In direct, I think we saw over 3 points of sequential increase in the expense ratio in January. How much of that is from the marketing and advertising seasonality versus other seasonality and maybe just other?

Susan Patricia Griffith
President, CEO & Director

Yes. I would say a portion of it, I said -- I wouldn't take 1 month, like you said, for much. I think expenses are usually up in January regardless, and a portion of it was media, but not a huge amount.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Okay. And then in the 10-K, it seems like bodily injury severity has been elevated all through 2021. Why would we see the year-over-year increases in '21 when I think we already saw the impact from greater speeding and kind of more material accident velocity, if you will, in 2020. So what's driving the increase in '21? And how much visibility do you have into the bodily injury severity going forward?

Susan Patricia Griffith
President, CEO & Director

Yes. A lot of it in -- at least in Q4 would be around attorney rep rate, and so a lot of the medical inflation. We also, as we've been hiring on new claims reps, that -- the propensity to how the handling is done and the accuracy can be a little bit different as those claim drops get trained. And so that was probably a part of it as well. So that's what we're seeing in quarter 4. But a lot of the inflation is around attorney rep rate. And it will be interesting to see as more and more treatment facilities open up if that changes as well. So we'll watch that closely.

Operator

Our next question comes from Tracy Benguigui with Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

The insurance nerd in me, I really like your rate-making presentation, super helpful. But I have a quick numbers question, and then my follow-up is more conceptual on the numbers in your 10-K. You mentioned it's better to assess 2021 loss trend versus 2019 and year-over-year. So if I just zero in on your reported severity auto physical damage, what is driving the more muted 8% for '21 versus '19, then the 9% in 2020 versus 2019? I guess I would assume supply chain disruptions would take a larger toll in 2021 on auto physical damage.

Susan Patricia Griffith
President, CEO & Director

Yes. I think just used car parts just similar to collision, but you might see it a little bit of a delay. But used car prices, parts prices, rental car increases, all those things are coming into play as well. We just think that it's good to look at, especially -- I even think not even just year-over-year when we compare to '19. We obviously have that data, but there's so much changing right now that I'm really looking at quarter-over-quarter comparison. So that's where we're at on physical damage. We believe we'll see similar trends continue to emerge similar to collision.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

So there's a delay in recognizing that? Is that what you're saying?

Susan Patricia Griffith
President, CEO & Director

Well, yes, there's a little bit of a delay, and recognize that. I think on -- I think we see that from our competitors as well. We see that in our subrogation files of getting some of the data in from other companies in inbound sub, so a little bit of a delay, yes.

John Peter Sauerland

VP & CFO

So just a little clarity on what we're saying there. So when we have a first-party total loss collision, we're going to pay that immediately. We're going to recognize the elevated cost of new and used cars right now when we're settling that claim. When we have a property damage claim, some of those claims we pay directly, and we would recognize that expense. Some of those claims -- the parties are going through their personal auto carrier, and then that auto carrier reaches out to us and subrogates us, meaning they ask for the payment, and that is when we'll see some of the increase in the total loss rate.

We try and project that, obviously, in our reserves to be as accurate as possible. In a world where it is moving as quick as it is right now, we don't always have that perfect. So as we see more of those demands for total loss settlements from other insurance carriers, we are going to -- we expect to see some similar experience in the property damage.

Susan Patricia Griffith
President, CEO & Director

I had mentioned that overall severity was up comparing '19 quarter 4 to '20 -- to '21 quarter 4 at about 11.9 property damages. I said collision was up significantly from a severity. Property damage is up as well, not as significant as collision, but it is higher than the 11.9.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Good. And I guess my next question is more conceptual. So is my understanding that more Midwest states are on board with the rate increases, and it just feels like the catastrophe prone states are driving their feet more. So I'm thinking that might be a function of regulators being sensitive to higher homeowner rates. So they're trying to cap the auto rate increases to put a lid on the overall insurance premiums for its constituents.

I'm also seeing in regulatory filings, some states do not think miles driven is going to snap back to prepandemic levels, reflecting a secular shift in a hybrid work environment. So basically, this is my long way -- long winded way of asking you the psychology of rate increases by state and how that may impact your ability to achieve your indicated rate need.

Susan Patricia Griffith
President, CEO & Director

Yes. I mean I think that we're all watching vehicle miles traveled in frequency closely. And it's not back to pre-COVID amounts. That said, severity is so far outpacing that from all the things we talked about. Whether it's medical inflation, car price, rental cars, et cetera, that we need rate. And I've said this in the last call. And so there's -- each individual, like John and Kanik said, there's 51 jurisdictions we work with to try to make sure that our rates are adequate and not excessive and not unfairly discriminatory.

I do believe that regulators care a lot about their constituents. And so they want to be very careful as they increase the cost because there's other inflationary things that are happening in each household. So I can't get into the psychology of it because we're just such a data-driven company that, that's what we look at. And so we will continue to do so.

And our hope is that we get the handful of states where we still need rate, we get that in short order so we can be open and available and affordable for every constituent in the entire United States.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Would it be fair to say you have to almost change the playbook by state just considering each state's nuanced concern?

Susan Patricia Griffith
President, CEO & Director

Absolutely. Yes. That's the fun part of working in a regulated industry because there's a lot of different personalities of each state. And we -- and that product management relationship that we talked about is so integral to that success. And so we actually think that's a great advantage. And yes, each state is very different.

Operator

Our next question comes from David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Susan, you spoke a bit about some of the states where you're feeling good about in terms of what rates you have right now on the Street. Could you give us a sense for how much of the book right now is priced to where you think you can start turning on more ad spend and other growth levers? And also, any thoughts on timing of rolling out more ad spend across the rest of your brokers?

Susan Patricia Griffith
President, CEO & Director

Great question, difficult to answer. Like we said, we look at each state, and we're able to turn on local advertising -- turn on and off local advertising pretty quickly. So I mean as soon as we believe we have the rates right and that we can turn on media to get more new business at our allowable cost, we will do so. But it's really dependent on each state.

We want to do that. We want to open up each lever to do that, but it really is dependent on getting not just in the states that we just talked about, but in every state to make sure we continue to stay ahead of trend.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And then I was hoping maybe you could talk a little bit about some of the drivers of the deterioration in Personal Auto PIF growth in January. It took a step down, was kind of around like 6% year-over-year in the fourth quarter, and then it took a step down to 4% year-over-year in January. And I'm specifically talking about Personal Auto. I'm just wondering, is that still -- is that just still mainly new business that is driving that deterioration? Or are we starting to see some of the renewal book start to get impacted by some of the rate increases? Because I did see that the PLEs are still up, but that was obviously for 2021, and I'm specifically wondering about January.

Susan Patricia Griffith
President, CEO & Director

Yes. We still are seeing new business shrink, and that makes sense with our pricing. And from the renewal perspective, I think we talked about in the K that trailing 3 was dropping a little bit. And so it's reasonable to believe that trailing 12 could drop as well. But again, that's all dependent on what our competitors do as well. When we look at elasticity, it's not just what's happening here. It's what the competitors are doing. And we look at our renewal rates in sort of tranches of if we take plus 5%, 5% to 10%, et cetera, to see what happens. And we're seeing some -- we believe, some improvement or some slowing down in some of the tranches where our competitors are taking rate. And that could mean we -- there's a lot of variables here, that could mean that they're taking rates as well.

So when our customers get an increase in their renewal rate and they shop, they might stay because they can't get a better rate. Again, we're not seeing that play through yet in the trailing 12. The trailing 3 can be an indicator. And that's why we want to get out ahead of this to sort of get the rates stable as quickly as possible in 2022 so we can all focus on doing our job as an industry and be really competitive, drive down those costs so people have affordable ways to buy insurance.

Operator

Our next question comes from Alex Scott with Goldman Sachs.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

I thought I'd ask a high-level one. I mean Slide 26 and 28 seem to pretty clearly show there's a significant range of outcomes here. And that would logically sort of make it harder to lean into your confidence on the lifetime value of customers and hitting the growth pedal. As I think through that dynamic, what would you need to see in terms of the range of outcomes and getting a little more certainty around at least how wide the range of outcomes is to be able to have confidence in that? I would think even at an adequate level of pricing for your base case, thinking through lifetime value still could be challenging with a wider range of outcomes. Can you just talk high level about how you think through that? And when we could expect to have enough clarity to kind of lean in harder on growth?

Susan Patricia Griffith
President, CEO & Director

It's so hard to say because there are so many moving parts constantly. So where we would think, okay, we come into February, the weather is going to be nicer, places are opening up, but then you have the invasion of Ukraine. So what happens with fuel prices, although that's usually a small part of our frequency trend.

We -- I would say, if we have a couple of quarters of some stability in seeing what's happening as an example, to see if used car prices and the chip shortage starts to ease up, we would start to follow that and feel better about that. But we -- our math, we believe, is accurate of what we need now, and that's really what we focus on in order to make sure that we ultimately have that lifetime value of that profitable growth of the 96.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Understood. And then I just wanted to make sure I'm interpreting Slide 28 right. I know these cones are probably just rough guides. But in your base case, are you sort of inherently assuming here that the used car prices will go up, and that'll have an incrementally worse impact on severity? Is that what's being embedded in sort of your base case right now?

Susan Patricia Griffith
President, CEO & Director

Not necessarily. In fact, we've seen a small amount of data that says they're leveling off and maybe even decreasing a little bit. Again, that's very early data. And there's a lot of economists that can -- could talk either up or down. But no, that wouldn't be an assumption.

Operator

Our next question comes from Gary Ransom with Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

A few years back, you talked about a feature in your product that increased the rates automatically month-to-month. Is that a product that is still in use today? And if so, is the impact of that included in the 8% that you gave us for the full year rate increase?

Susan Patricia Griffith
President, CEO & Director

Yes. I'll start, and then, Pat, you can weigh in. We do have monthly rating factors, and they are baked into the rates you're seeing. Do you want to add anything else?

Patrick K. Callahan
President of Personal Lines

Sure. We don't have them in all jurisdictions. So we'd love to, but regulators don't approve it everywhere. So I think we have it in roughly half of the country. And as you can expect, we don't tweak those trend factors as probably as sensitively or quickly as we might. So right now, I think it's at below what we're seeing with current net future trend.

Now it helps because we're picking up every month additional rate without a filing in roughly half of our states, but it's not set to what we're seeing in this sort of super steep current trend environment, but it is helping. So yes, still on the products, still available, and our product managers are using it.

John Peter Sauerland
VP & CFO

And it is included in the 8% that we report.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Right. Okay. Great. I had another question just on telematics as some of the states begin to come back to normal. Is the demand for that product changing at all from pre-COVID to now in the states where do you think you are closer to back to normal?

Susan Patricia Griffith
President, CEO & Director

Well, the demand for the product overall increased early on. And especially in the agency channel, we've hit almost 10% of our app mix on UBI. And of course, direct has always been higher at a little bit over 40%. So that demand has increased. I don't know exactly if it's in the states that we -- where we have filed the increases or...

John Peter Sauerland
VP & CFO

Well, I would add to Tricia's comment that December's take rate for Snapshot were the highest we've seen ever. So yes, there were some influence from the pandemic on take rate there. But I think overall, there has been a growing acceptability in usage-based as a rating variable for auto insurance. And I think our December take rate in both channels, as Tricia has mentioned, are indicative of that.

So we also obviously see competitors continuing to grow their UBI programs as well, which I think in aggregate enhances acceptability perceptions as well. So we think that is definitely part of our future and even more so as the technology and vehicles allows us to get that new business. I was mentioning our ability to do that in the commercial space. And we have very limited ability to do that in the Personal Auto space, but we are doing it with data right from vehicles, but it's a small percentage of what we do. So I think I'd characterize take rate as continuing to grow. And with technology evolving, it's going to be an integral part of the product going forward.

Susan Patricia Griffith
President, CEO & Director

And it's a great way for our customers that they do see increases and they believe they're driving less to be able to get some discounts.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Right. Can I clarify, the 10% and 40% numbers that you gave, that's 10% of new business apps in agency were Snapshot and 40% in direct were Snapshot, is that what you meant?

Susan Patricia Griffith
President, CEO & Director

Correct.

Operator

Our next question comes from Meyer Shields with KBW.

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

Two, hopefully, really quick questions. First, there was a fair amount of emphasis today on the 6-month policies as being a way of implementing changes faster and earning them faster. The proportion of 12-month policies have been going up at least in agency. And I was wondering whether we should expect an effort to maybe convince some of those drivers to move to 6-month policies.

Susan Patricia Griffith
President, CEO & Director

Yes. It's still a small percentage. It's less than 10% of our overall auto book. It's in the agency channel. Basically, we gave it to our 4,100 Platinum agents because many people, when they do want to bundle want to have the dates align. So we will continue to watch that percentage, but it is something that as we rolled out for our preferred customers for our Robinsons, it was something that our agents asked for in order to write more of that business.

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

Okay. And then if we can go back to the cones on Slide 28. Obviously, I guess you have to select a point within there. Does the position of the point within the cone depend on the volatility of the input?

John Peter Sauerland
VP & CFO

I can try that. This is simply an illustrative way to say we're not totally sure where the value of used cars is going. It's obviously been going up dramatically. As Tricia noted, we've seen some recent signs that it might be leveling off. We are certainly not pricing in our indications to anywhere towards the top of that cone. I would characterize our pricing assumptions more so towards the middle of the cone.

But the reality is only time will tell where we ultimately fall in those cones. And that's the challenge of our business, and that's the point we're trying to get across in John and Kanik's presentation. And when we are trying to price for the future. The future is unknown, but we are not pricing towards the top of that. I would characterize our pricing assumptions as towards the middle of that cone.

Susan Patricia Griffith
President, CEO & Director

Yes. Our hope is, obviously, like John said, it was illustrative, but our hope is that as we have more data and as things stabilize, that cone narrows as well.

Douglas S. Constantine
Director of Investor Relations

We've exhausted our scheduled time. And so that concludes our event. Shannon, I will hand the call back over to you for the closing scripts.

Operator
That concludes The Progressive Corporation's Fourth Quarter Investor Event. Information about a replay of the event will be available on the Investor Relations section of Progressive's website for the next year. You may now disconnect.