S&P Capital IQ

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The Progressive Corporation NYSE:PGR

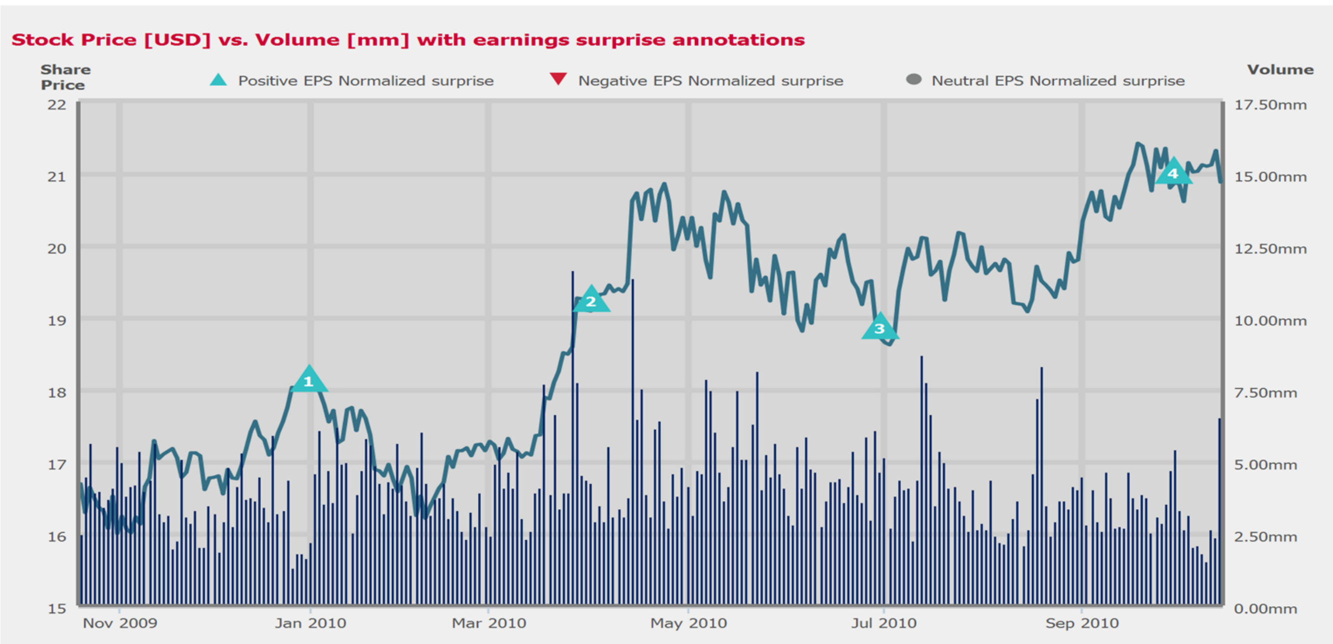
FY 2010 Earnings Call Transcripts

Thursday, March 03, 2011 2:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2010-			-FQ1 2011-		
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	SURPRISE	CONSENSUS
EPS Normalized	0.36	0.37	▲2.78	0.38	▲4.65	1.50
Revenue (mm)	3623.94	3276.00	▼(9.60 %)	3889.75	▼(0.25 %)	14788.25

Currency: USD
Consensus as of Mar-03-2011 12:30 AM GMT



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Call Participants

EXECUTIVES

Brian C. Domeck
Former Vice President

Charles E. Jarrett
Former Chief Legal Officer, Vice President and Secretary

Glenn M. Renwick
Non-Executive Chairman

ANALYSTS

Alison Marnie Jacobowitz
BofA Merrill Lynch, Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

Ian Gutterman
Adage Capital

J. Paul Newsome
Sandler O'Neill

Joshua David Shanker
Deutsche Bank AG, Research Division

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Vinay Gerard Misquith
Crédit Suisse AG, Research Division

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Presentation

Operator

Welcome to the Progressive Corporation's Investor Relations Conference Call. [Operator Instructions] The company will not make detailed comments in addition to those provided in its annual report on Form 10-K, Shareholders Report and Letter to Shareholders, which have been posted to the company's website, and will use this conference call to respond to questions. Acting as moderator for the call will be Chuck Jarrett. At this time, I will turn the call over to Mr. Jarrett.

Charles E. Jarrett
Former Chief Legal Officer, Vice President and Secretary

Good morning, and welcome to Progressive's conference call. Participating on today's call are Glenn Renwick, our CEO; and Brian Domeck, our CFO. Also on the line is Bill Cody, our Chief Investment Officer. And the call is scheduled to last about an hour.

Statements in this conference call that are not historical fact are forward-looking statements that are subject to certain risks and uncertainties that could cause actual events and results to differ materially from those discussed herein.

These risks and uncertainties include without limitation uncertainties related to estimates, assumptions and projections, generally; inflation and changes in interest rates and security prices; the financial condition of and other issues relating to the strength of and liquidity available to issuers of securities held in our investment portfolios and other companies with which we have ongoing business relationships, including counter-parties to certain financial transactions; the accuracy and adequacy of our pricing and loss reserving methodologies; the competitiveness of our pricing and the effectiveness of our initiatives to retain more customers; initiatives by competitors and the effectiveness of our response; our ability to obtain regulatory approval for requested rate changes and the timing thereof; the effectiveness of our brand strategy and advertising campaigns relative to those of competitors; legislative and regulatory developments, including but not limited to healthcare reform and tax law changes; disputes relating to intellectual property rights; the outcome of litigation pending or that may be filed against us; weather conditions; changes in driving patterns and loss trends; acts of war and terrorist activities; our ability to maintain an uninterrupted operation of our facilities, systems and business functions; court decisions and trends in litigation and healthcare and auto repair costs; and other matters described from time to time by us in other releases and publications.

In addition, investors should be aware that Generally Accepted Accounting Principles prescribe when a company may reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established for one or more contingencies. Also our regular reserve reviews may result in adjustments of varying magnitude as additional information regarding claims activity becomes known. The reported results therefore may be volatile in certain accounting periods.
We're now ready to take our first question.

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Question and Answer

Operator

[Operator Instructions] Our first question today is from Vinay Misquith with Credit Suisse.

Vinay Gerard Misquith
Crédit Suisse AG, Research Division

On the Snapshot product, could you help us understand the costs associated with the tracking device and have you already expensed the cost for the device for the discount? And also, what traction have you got on the Snapshot product in the states that you've already rolled it out in?

Glenn M. Renwick
Non-Executive Chairman

Vinay, I'm going to give me some generalization around Snapshot. Perfect question, it's an important question for us for this year. We will likely make Snapshot, and I think by my saying likely, you can probably put definitely, a feature of our Investor Relations meeting in June. The reason I say that is there'll be some significant developments between now and then. We will increase over the next 60 to 90 days general marketing activity around this product. So we've been rolling it out in different states, as you know, and we are gaining traction. This is the product that we've been dealing with for some period of time. So you can assume from that, that we are taking a fair amount of diligence to make sure that we get what we think are the critical elements right and by the mere fact that we're saying we're ready to approach national rollout and advertising, you can infer from that, that we're at a level of comfort that is greater than we have ever been before. To try to get to a couple of your questions, the Snapshot redesign involves a device that is reasonably expensive. I'm not going to give a lot of numbers here because it seems to have a lot of interest for others as well. So a number that we, of course, incorporate into our pricing, but the new design of Snapshot requires that the consumer only have that device for a period of time. So if you think of sort of inventory turns, we're actually using the device multiple times as we progress, and we recognize that while there are always trade-offs with the amount of information, we've designed this so that we think we get a very effective contribution to our underwriting by taking, as the name implies, a Snapshot of behavior. Of course, we can all come up with scenarios where that's not a perfect issue. Nothing's perfect in underwriting. We actually feel very good about this approach and good about the fact that the unit itself can be reused on multiple occasions. There is another cost associated with that, and that is the cost of getting the data. We use, essentially, a cell network to do that, and that cost is also built into our estimates of what we can afford to discount based on certain behaviors. So there's a little bit of cost add, and there is behavioral characteristics that have been so attractive. This is something that we're just very, very excited about.

Vinay Gerard Misquith
Crédit Suisse AG, Research Division

Sure. You've also seen some competitors launch similar products. Could you give us a sense for the competitive landscape and the cadence you have in place for the prediction of this idea?

Glenn M. Renwick
Non-Executive Chairman

Yes. I'm probably not going to do a whole lot of talking about what competitors are doing and patent protection and so on and so forth, and I am certain whatever I say will be wouldn't some would want me to say. But for the most part, I'm going to focus on doing what we do best. We get to the marketplace, we understand data, we use data that we get every day and try to do something better with it the next day. And for my personal attention and the large number of folks that are working on this, what I tell them is, "Keep your head down, get it to market, be the leader." And that's where we're best. To the extent that we have some patents, and we've told you about those patents, and probably another issue that's worthwhile noting is that regulators have been very, I think, appropriate and accommodating with us and allow us

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to file our algorithms with them, but under a nondisclosure to the public. So this is not something that is readily determined, and I think that's a very constructive way to work when there are patents in place. To the extent that the intellectual property we have, we will protect that. We will take actions, but I'll let the rule of law of America determine exactly how to deal with those things after the fact. What I want to make sure is Progressive's in the driving seat, and we're going ahead and just doing what we do best.

Vinay Gerard Misquith
Crédit Suisse AG, Research Division

Good, that's great. The second follow up, if I may, shares on the competitive dynamics within the industry. We've seen higher marketing from some competitors, and GEICO's combined ratio has improved now three points this year versus last year. So if you could talk more the competitive pressures, especially from your direct competitor, then help us to understand the way you think that's going?

Glenn M. Renwick
Non-Executive Chairman

Yes, I think GEICO had a good year, great company. And I've said on numerous occasions, I think both GEICO and Progressive sort of validate -- obviously, we have our independent agency channel that we're very proud of, and that's working terrifically well. But they sort of validate the whole direct-to-the-consumer model. And while we will be arch competitors on -- always, we recognize that in some sense, both of the models are producing very successful results. What I see from them, and I think you've probably seen if you've read the brochure report, that they're also quite successful in the concept of bundling with their homeowners approach, and we're seeing very parallel results with our almost identical-type approach in the marketplace. So the ability to keep growing and improve margin and improve retention, all characteristics you've heard me talk about a lot, and I'm sure they're important to them as well, are all a function of actions that are very easily determined in the marketplace. And while we are interested in every segment of the business, it's pretty exciting to see some of the things we've been able to do by bundling. And I think that model that both is executed by GEICO and Progressive has received, quite frankly, in my opinion, just simply my opinion, a lot of validity over the last several years that consumers that choose to buy their order directly are quite comfortable bundling with a carrier that's selling them a quality product for their home. Now if that will continue to produce growth for both of us and those are very good customers, then we should be able to price them at good margins as well.

Operator

Our next question is from Josh Shanker with Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

My first question is sort of a carry-on from what Vinay was talking about with Progressive Home Advantage. I'd be interested to know how you are succeeding upon the benchmarks you established for sales adoption among agents to selling a PHA product since the Investor Day presentation you gave last year? And two, wondering, as you roll out the Snapshot marketing over the next 60 to 90 days, whether we'll see a new ad spot or the current ad spots we used to sell it?

Glenn M. Renwick
Non-Executive Chairman

PHA, I would say, in short, exceeded expectations on the Direct side. On the Agency side, we have work to do to give our agents a better overall product. It heartened by what we know is available and what we can do, more work to do on the Agency side to get PHA overall to the level that we would like for our agents. On the Direct side, it's actually probably exceeded expectations, and we've got very significant directions that we'll intend to take and add to. And I won't go into details there, but there's quite a few things we've got on the agenda for this year.

Brian C. Domeck
Former Vice President

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I would like to get a better and greater distributed agent solution.

Joshua David Shanker
Deutsche Bank AG, Research Division

And whether you're coming up with a new ad to promote Snapshot over the next 30, 60 to 90 days?

Glenn M. Renwick
Non-Executive Chairman

Short answer to that is yes. We actually have – in fact, just yesterday, I saw the post-shoot first cuts on some of what we have actually come up with for a new campaign. So what you will be seeing in the relatively near future, that's not next week or next month but relatively near future, will be a whole new series of commercials, I think, that we took a long hard look and wanted to develop both the character of Flo and the character of Messenger. And you'll see more of those. And intertwined in there, you will see some additional advertising for Snapshot.

Operator

Our next question is from Paul Newsome with Sandler O'Neill.

J. Paul Newsome
Sandler O'Neill

I was wondering if you could revisit a little bit of the PIP [Personal Injury Protection] issues that cropped up over the last year in New York and Florida? Some of your peers have been kind of talking about a new [ph], and I think in your shareholder report, it sounded like you had put some rate through and the problem was, it sounded like it was finished, but is that really true?

Glenn M. Renwick
Non-Executive Chairman

Let's take -- we'll add one more market to your New York, Florida, we'll put Michigan in there. There are other markets, New Jersey and Minnesota and stuff, but let's just focus on the three, and I think that sort of covers the spectrum. Yes, Paul, PIP is sort of one of those coverages that gives me nightmares throughout my career because whenever something goes wrong, it always seems to be associated with PIP, whether it's in any one of those states. But for -- so with some guardrails on a statement, the actions we've taken in Florida, Florida was not a great success for us last year. It was going backwards, trying, on growth, trying to correct the issues that we needed to correct. The good news is, and I think I started to indicate this towards the latter part of the year in some of my writings, is that Florida, while slowed down, also had come back to profitability and rate levels that we think were comfortable. Our expectations now, and literally as of today, are that Florida is in a good position, and we have started to grow again in Florida. It's a high average premium state for us. We absolutely want to grow there. That's an important contribution to Progressive, overall, top and bottom line. And we think we have got the PIP issues under control, under appropriate control, and some of that was rate, some of that was underwriting. We don't typically do a lot of underwriting per se. We do pricing more than we do underwriting. In some cases, PIP has to be a little bit more dramatic. All those things have been done. We have no current activity that's in place. In other words, trying to sort of work their way through. We've got all the activities that we expected to put in place in place. And we're actually looking for Florida to be a -- like a real contributor this year. So that'll be nice. New York, I think the story is similar. Michigan is still one where PIP is of great concern. For those of you who don't know, in Michigan, the limits in PIP in Michigan are actually quite different than in any other state, allowing the underlying limit before it goes onto the state pool in excess of $400,000. So this is the sort of place that we really need to get it right. So PIP is a generally much better outlook picture. New York and Florida, specifically, New Jersey looked like they could be contributors this year in ways that they were not last year. And Michigan is still a work in progress, but the work has been done. We just need to see it come through and produce the results we expect. Brian, do you...

Brian C. Domeck
Former Vice President

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Paul, just one other point. Just in terms of loss trends themselves for the PIP coverage. We've seen both frequency and severity moderate. Some of it’s a function of some of the rate actions we've taken or underwriting actions we've taken, et cetera. But for us, our loss trends for PIP have significantly moderated frequency down slightly. And severity is up about 3% last year, but that's much more moderate than what we had seen in the previous year. So on that side, at least loss trends have moderated somewhat for us.

Glenn M. Renwick
Non-Executive Chairman

And this may be just editorial for you. But sometimes, and I suspect we're not alone in this in the industry, I personally done it, I think Brian has done it, is that when we get into a difficult situation with the coverage, we price to that, but our corrective action sometimes change the mix, and sometimes you find the pendulum swung a little bit more than you expected one way or another. Florida, I think, is now giving us a chance to sort of both get our reserving right and our pricing right, and I like what I see there. This is actually quite encouraging, and we're back in the growth column in both distributions.

J. Paul Newsome
Sandler O'Neill

You mentioned New Jersey briefly. I wanted to ask you for a little while, passed some of the reforms there, and have things sort of stabilized in New Jersey? And do we think it's -- the reform's worked?

Glenn M. Renwick
Non-Executive Chairman

I think it always depends on whose view you're looking at for reforms to work. And not being reluctant to answer your question in the way that I think you might want, I spend less of my time thinking about what the reforms are and just what are the rules and how do we work with those. And from that perspective, we actually are finding New Jersey now to be a reasonably comfortable, and, as I say, it's a high-average-premium state. There's a lot of things different there. So you've got to keep your eye on the ball there all the time. But New Jersey is actually, for us now, a state that we are very pleased we entered when we did, and it's a very contributing state for us. So we're glad we're there.

Operator

[Operator Instructions] Our next question is from Meyer Shields with Stifel, Nicolaus.

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Glenn, you talked about how in Agency there's more work to do with regard to selling the homeowners companion products. Is there any regional difference there? Because we're certainly seeing, I think, in, let's say, the Midwest, competitors raising rates, and I'm wondering whether that works out to your advantage maybe more than other states?

Glenn M. Renwick
Non-Executive Chairman

Yes. I'll try to get to that. But the work, what I'm really saying is that I think we've got some very nice, attractive options in Direct distribution and network as well. Clearly, our Agent distribution is hugely important to us. I'm just not, I'm being very honest, I'm just not as comfortable we've got that one to the point that we will have it, 18 months, two years, whatever. We will definitely get there. With regard to products and results, clearly, in that case, these are other people's results for us, but it affects us, especially when the company you might be using perhaps doesn't want to quote certain people or something like that. We've worked very hard over the last year to make sure that we get the do-not-quote or the rejection levels down since that's not our fundamental philosophy on auto. We'll quote everybody. And you're right to assume, if you broke the country up into segments, and I'll just sort of use two right now, the Northeast is very different, has had historically very different homeowner results, very

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acceptable homeowner results, whereas the Midwest, less so, so it tends to be more problematic for the underwriters.

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Second question, if I can. There have been, over the past couple of years, I think, in addition to yourself and GEICO, a number of, let's say, second-tier direct competitors that are becoming a little bit more prominent and a little bit bigger. Does that matter yet from your perspective?

Glenn M. Renwick
Non-Executive Chairman

Just as long as I'm not the one doing the characterization of the tiers, although I like the implication that we're first tier. I think what you should read from that is that anybody that's watching a marketplace is -- whether it's in technologies, what we're doing on smart phones or anything else, the people, everyone's got to have realized that people want a lot of choices, and that the direct choice that you can have through a call center or through an Internet, and I'll sort of touch on what I really think is the future in a second, I think everybody has to take notice. So it's not surprising that there are many others sort of entering direct or doing a direct program as part of what they're doing or perhaps as in the case of Esurance, almost a directly focused direct company, that doesn't surprise me at all. What is interesting, and I think it's important for all of you to have your own theories on this, is just how difficult it is to break into a marketplace with the level of advertising that's going on today. Whether I like it or don't like it, it sets a lot of parameters as to how to play in that space. And we intend to play very aggressively. But no, I'm not surprised. I think the movement beyond this, which almost certainly would have to be on everybody's radar screen, is mobile. And the implications for what mobile can do, we like to think of it as not sort of just making mobile a smaller Internet application. It really is about what does mobile allow you to do that other forms or interactions with the consumer couldn't allow you to do, and I suspect that'll be a whole new battlefield and a really exciting one for the next several years.

Operator

Our next question is from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Good morning, Glenn, a couple of questions here for you. The first one, could you talk about expectations for ad spend in 2011, and particularly given that we've been seeing Direct distribution PIF [Policies in Force] growth decelerating here?

Brian C. Domeck
Former Vice President

Yes, Brian, you know we don't give specific numbers, so let me give you some color there. I think with Direct, you’ve probably heard myself or Brian say on more than one occasion, we calibrate our spend relative to yield, and we're not going to lose discipline. And that's true. And I think that there’s clear evidence, at least some de-acceleration of prospects right now. On the other hand, I mentioned earlier that we really have a very nice set of new commercials that we're comfortable with. I think they give a real fresh look to a lot of what we've been doing. I think it needed to be freshened up some. We've got the Messenger campaign coming along, which is a nice companion campaign. We've got Snapshot ready to sort of break loose over the next 60, 90 days. And those are really very exciting things for us, and we intend to support them. So for us, I think we have different and better creative. We have different and better messages. We have some bundling messages along with the comments I made earlier on our PHA. So you're going to see Progressive continue to advertise because we've got real messages to get out there. Relative to spending, I would say spending will be up slightly from last year. And unfortunately, having said that, I can't tell you that the share voice will be any greater, because I think there is probably one or two others that are spending just a little bit more as well.

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Brian Robert Meredith
UBS Investment Bank, Research Division

And then second question, I wonder if you could talk about the spike we've seen in oil prices recently. And do you expect you're seeing any impact on frequency and also severity to the extent that it's factoring into raw material costs for auto parts?

Glenn M. Renwick
Non-Executive Chairman

Too soon to have anything meaningful to say. But I'll try to give you a little insight here that one of the advantages of having something like usage-based insurance, we will be able to, as we all now get the benefit of seeing things like comScore and CAIP-wise [ph] and so on and so forth. They give us at least some proxy for things that are going on that we couldn't see before in perhaps more traditional channels. Now that we actually have measurement devices in cars, I don't know that we'll be able to relate that directly to frequency, but we'll start to have a much earlier indication of whether cars are driving the same number of miles per, per day, per month, whatever it might be. And just too early for us, but we do actually -- it's a very valid question to ask us, and I hope we'll be able to answer it with more of a reasonably analytical answer as opposed to just sort of a qualitative judgment.

Brian C. Domeck
Former Vice President

Brian, this is Brian. Just in response in terms of the advertising question. As Glenn mentioned, obviously, over the last several years, we've increased our ad spend quite significantly, and I think in 2011, it will increase. But keep in mind that we always -- and in June, we talked about a discipline that we will always maintain is assessing the yield of that spend, so we won't spend indiscriminately, and we'll always compare our yield on net ad spend relative to what we call our targeted acquisition cost. And if we're comfortable with that relationship, we'll keep spending, and when we become uncomfortable, then we'll have to reassess that. So I think we'll always have a sort of a disciplined assessment relative to the economic yield of it.

Brian Robert Meredith
UBS Investment Bank, Research Division

So I guess just on that, so the yield that you're generating is still significantly better than what your targeted acquisition cost is right now? So you've got some room?

Brian C. Domeck
Former Vice President

Right now, we feel comfortable with the sort of the yield that we're receiving right now based particularly in 2010, very comfortable, and it's early into 2011, and we'll continue to see, but we feel comfortable with where we're at.

Operator

Our next question is from Alison Jacobowitz from Bank of America Merrill Lynch.

Alison Marnie Jacobowitz
BofA Merrill Lynch, Research Division

I've got two questions. The first is, I was wondering if you could talk a little bit more about the Policy in Force growth, which remains good, but it's slow over the past six months. Could you give us a little color around that? And maybe what you -- whether or not that trend is going to continue? And the second, if you're comfortable, is there any way you could maybe put, not maybe specific numbers, but quantify to some extent what drag the challenge, the PIF challenge states may have had on the top and bottom line in 2010?

Glenn M. Renwick
Non-Executive Chairman

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Sure. Just adding in the last one, I think it's a very reasonable question. I don't have an answer. We're guessing at that, so I'd prefer not to do that. But I get the question, other than I would tell you that when you've got your largest single state by market share not contributing from a growth perspective, it's a meaningful drag. But I don't have a better quantification of that, so I don't want to guess at it. Sorry. With regard to the PIF growth, yes, it was actually a great year. I mean, last year, nice year, anytime you put on a good three quarters of a million customers, great. But having said that, we've done better than that. So this is not something that we're saying is some high-water mark, and we can do better. We can do a lot better. PIF growth, a function of several things, you know them. Policy life extension, we gave you some data in the annual report and 10-K with regard to policy life extension. So we're seeing better PLEs, our measure that makes the most sense. Clearly, last year was a story, at least for Direct, of two half years. The first half year, very, very strong new business growth. Not nearly as strong in the second half. We recognize that. I've acknowledged deceleration a little bit through that second half and leading into the first month of this year. But the plans that I've outlined with new advertising with Snapshot, I should've probably thrown in there. Our special lines season, which starts sort of anytime the sun breaks through, which can happen in February, but normally, it's a little bit more through late March and April. We have announced in late February a very, very significant deal with Harley-Davidson to be the exclusive supplier to the Harley-Davidson franchises that sell insurance on their premises. So lots of very good things happening there for us. So we think that our actions on retention continue, and we see no reason why they won't continue to sow the trends that we've been reporting for several years now. So that will help with PIF growth as well and new business generation. The ideas that I went through, those are certainly things that I'd like to see the new business growth. Perhaps this half year is different in a way than last year. It starts a little slower and builds during the course of the year. Absolute numbers are still pretty strong. It really is a little bit, there's no excuse implied here, a numerator-denominator issue. We had just a very, very strong first couple of months into 2010. That get your...

Alison Marnie Jacobowitz
BofA Merrill Lynch, Research Division

Yes, thank you very much.

Operator

Our next question is from Ian Gutterman with Adage.

Ian Gutterman
Adage Capital

I was wondering if you could tell us if there's any rough quantification that you can give us of some of the exchanges you've seen towards a more preferred book. And the reason I asked is, when I try to look at a lot of your metrics, they’ve sort of been skewed by the mix chase, so that they've sort of lost a lot of their comparability and things like premium per PIF had been down for a while, which I assume is the change to preferred? Arguably, your frequency is lower than peers' because of a change to preferred. So is there some help you can give us on how much mix shift has been affecting comparability in some of those items?

Glenn M. Renwick
Non-Executive Chairman

You're asking exactly the right question. I'm trying to figure out how best to answer since we really only focus on state-by-state. There's one other factor to consider also as you got at least a couple of the right ones there is that some geographic mix can drive, there are quite dramatic differences in average premium by states. And I've already mentioned Florida being a lower contributor, so that will be another change. Unfortunately, as I look at macro numbers, I know exactly what you're asking. I don't think there's any easy way to answer that. That really has to be at what we call, "mixed level reporting" at the state. Vehicle type, customer type, multicar, single car. But the general direction that we try to give, and I know it's very broad in the 10 or annual report that it is a mix issue. My suspicion is that it won't, I don't know that we'll necessarily see the same kind of -- I'm not making any prediction about average premium, but we'll continue to see mix changes happen. As long as we've got sort of the unemployment rate that

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we have, I don't think we will see a correspondingly attractive growth in our non-standard part of the business. I absolutely want to be totally positioned to take that part of the business. That's the part of the business we know and like. That's a mix shift that would happen if the economy changed. With regard to preferred, as long as we continue to do the sorts of things that we're doing in PHA, adding carriers, taking an approach where we can give a quote without necessarily making it feel like it's two quotes, more of a combined quote. We've done a lot to make our servicing of that customer through a household perspective rather than a customer perspective. My suspicion is we're going to continue to make penetration into the preferred marketplace. So we're going to continue to see mix shifts for some time. I appreciate the question. Let me give some consideration to how maybe we can give you a better insight into that. I don't think it's a one-word answer, and maybe we will incorporate into our June meeting in New York, where we can perhaps give, I'm liking the idea, some way of creating a framework where you can see and ultimately appreciate the mix shift relative to some of the metrics that we provide you.

Ian Gutterman
Adage Capital

That would be helpful if you can. And just sort of related to it, is there -- is it possible that, that mix shift had some impact on the reserve releases last year? The only reason I'm guessing at that is you guys always talked about trying to get it right, which within the buys you did [ph] have a little bit less favorable development than peers, and last year, you seemed to have more than the peers. So I assume there was something that maybe surprised your book more than the average book. I don't know if that could've been it?

Glenn M. Renwick
Non-Executive Chairman

Yes, I would like to say no to that. And I think the real answer is no, but it is also true that higher limit bodily injury has been a place where we've seen a little bit more of the reserve release than anywhere else. So those two aren't totally unrelated. So I don't want to talk out of both sides of my mouth. It shouldn't. We're on it. I don't think I would conclude what you're perhaps line of reasoning would lead you to. But it does mean that we're having a different mix of limits in our reserving methodologies, and those are things that we will get as good at as we've been at everything else. I love having the data.

Ian Gutterman
Adage Capital

Snapshot is, I know obviously you've talked about not using the customer information in a way that will cause any privacy concerns. But I guess one thing I've found sort of on, I guess caught the small print on your webpage is, and I think others have the same disclosure, is that I guess the authorities can use it for a discovery. So I'm just wondering how much of a concern that is that the CFA or someone like that makes some noise over this at some point? Because I know you have disclosure, but my guess is, Flo is not going to be talking about, be careful, the police can use this or a lawyer can use this if you're in an accident. So how do you try to get across that hurdle so people aren't surprised if they respond favorably to the advertising?

Glenn M. Renwick
Non-Executive Chairman

That's a serious question that deserves the right answer. So can I take the liberty of saying, I know it's a couple of months off, we will absolutely address that in June. I will tell you, as someone who has it in their car right now, I have, therefore, the same issues. I will tell you after our period of observation, and it is important to see how this redesign was actually targeted at addressing several issues. After the period of observation, which is sort of a 30 days, and we'll give you an indication. In the six months, we'll value [ph] what we now believe. Send back the chip; we're going to re-use that chip. There is no week store, no customer data after that period of time. We obviously store the relative data, but it's not tied to a customer. So the only period of exposure there, and I'll have a clear answer as to what possible subpoena or anything else that could be applied, would be during the period you actually had it in your car. For the most part, I would hope that we see, and I'm forecasting here into the future, so just go with me on the

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vision, but this is fundamentally an underwriting question. If we could ask the question, "How good a driver are you?" we would ask it. Unfortunately, there's no way to answer that. So this is a observe and verify and quantify, and we think we can do that very effectively with the six-month Snapshot. But after that, we have no real reason or interest for that matter. In fact, we have a vested interest in not knowing what you're really doing because we don't want to be involved in your privacy or anything else. So it's only an exposure period of six months, and we have no interest whatsoever in doing anything with the data other than what is in our best interest to give people an accurate rate that reflects their driving behavior. But the six-month period is a valid question, and we'll address in June.

Operator

[Operator Instructions] Our next question is from Vinay Misquith with Credit Suisse.

Vinay Gerard Misquith
Crédit Suisse AG, Research Division

Just to follow up on the Snapshot marketing campaign and looking at some competitors, like State Farm is offering 40% lower rates than competitors, at least that's what their marketing says. And you don't have a need to have some device in your car. How would your marketing campaign that says you get a 30% discount sort of compare with that? And how effective do you think the marketing is going to be?

Glenn M. Renwick
Non-Executive Chairman

Well, we've been at this a while, Vinay, and by the way, it's up to 30% because not everybody's going to get 30%. That's just -- the economics in that certainly wouldn't work. We feel that what we have -- first of all, we also have a large number, I'm not going to give any numbers at this point in time. We're not amateurs at this. We really have had a lot of people try it over the almost decade we've been working on it. We know what sort of rubs them the wrong way. We know their concerns, and we think we've designed this program so that it's very consumer friendly. I think you will hear in the next 60 to 90 days, and part of our marketing campaign, you'll hear from consumers. So you'll get the impressions that we have that this is very marketable, and not only very marketable, but very valuable to the consumer. And regardless, now I'm going to be a little parochial, get myself in trouble, but regardless, no one is even close to where we are with a definitive program of this type and the filings that we have and the number of states we have them in.

Glenn M. Renwick
Non-Executive Chairman

That's our last call, thank you.

Operator
Thank you. That concludes the Progressive Incorporation's Investor Relations Conference Call. An instant replay of the call will be available through May 18 by calling 1(866)465-2111 [ph] or can be accessed via the Investor Relations section of Progressive's website for the next year. Thank you for joining. You may disconnect at this time.

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