S&P Global
Market Intelligence

The Progressive Corporation NYSE:PGR

Earnings Call

Tuesday, May 7, 2024 2:30 PM GMT

Call Participants

EXECUTIVES

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VP & CFO

Patrick K. Callahan
President of Personal Lines

Susan Patricia Griffith
President, CEO & Director

ANALYSTS

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

David Kenneth Motemaden
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Elyse Beth Greenspan
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Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Jian Huang
Morgan Stanley, Research Division

Joshua David Shanker
BofA Securities, Research Division

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

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Michael David Zaremski
BMO Capital Markets Equity Research

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

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Presentation

Douglas S. Constantine
Director of Investor Relations

Good morning, and thank you for joining us today for Progressive's first quarter investor event. I'm Douglas Constantine, Director of Investor Relations, and I will be 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.

Although our quarterly Investor Relations events often include a presentation on a specific portion of our business, we will instead use the 60 minutes scheduled for today's event for introductory comments by our CEO and a question-and-answer session with members of our leadership team. The introductory comments by our CEO were previously recorded.

Upon completion of the previously recorded remarks, we will use the balance of the 60 minutes scheduled for this event for live questions and answers with members of our leadership 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, 2023, as supplemented by our Form 10-Q for the first quarter of 2024. And you will find discussions of the risk factors affecting our 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 pick us off of introductory comments. Tricia?

Susan Patricia Griffith
President, CEO & Director

Good morning, and thank you for joining us today. In many ways, this first quarter has felt like we have turned a page. Since mid-2021, inflationary pressure and its subsequent effect on our profit margins has been a predominant factor in our strategic decision-making. Even in the second half of 2023, when we started to see indications that severity trends were stabilizing, more rate was earning in and accident year loss ratios approached our target. We continue to flex in order to deliver on our calendar year 96 combined ratio goal.

In our August Investor Relations call, I was asked if we should put aside our 96 target and instead capitalize on the perceived growth opportunity at the time. In my answer, I cited our core values and the belief that our strategy to put profit before growth would prove to be a winning formula. As we look back to the second half of 2023 and the stellar results of the first quarter 2024, we feel stronger than ever that sticking to the core values that has served us well for so long was absolutely the right call. By adhering to who we are, it looks like we have turned that page and we're now seeing the benefits of the tough decisions and hard work over the last several years since inflation took off. Our first quarter of 2024 has really set the stage for us to capitalize on both growth and profitability. During the quarter, net premiums written grew 18%, and we produced a solid combined ratio of 86.1%.

Our profitability was made possible from rate continuing to earn in from the rate revisions we took in the last year, seasonably favorable frequency. Mix changes in our book from the non-rate actions we implemented over the last 2 years continued improvements in segmentation and less prior year loss reserve development, among other factors. In Personal Auto, our calendar year margins mean we've been able to shift more focus into growth with incredible results. In the first quarter, we added over 900,000 policies in force, one of the best quarters in our history and second only to the first quarter of 2023. We did this on the back of strong retention on our renewals and new application growth that is ramping up as we increase our media spend and pull back on some of our non-rate actions.

During the first quarter, media spend was down 7% versus the first quarter 2023, and new auto applications were down 9% compared to a record growth in the first quarter last year. The [year to] year gap in both spend and sales declined as the quarter progressed. When comparing March 2024 to March 2023, ad spend was up and new auto applications were nearly flat. We continue to see opportunity for growth as the market is still very tight. We have non-rate actions we are unwinding and still have a few states where we are working to get rate revisions approved.

As we look forward to the rest of 2024, we will continue to seek to strike the right balance between efficient marketing spend, our calendar year profit targets and maximizing our growth. In Commercial Lines, the first quarter saw better results as compared to 2023. Our core commercial business continues to run well with almost 10 points of rates still to earn in from revisions in 2023 and 2024. As a reminder, 90% of our policies in commercial lines are on 12-month terms, so it takes much longer for rates to earn in as compared to personal auto. The trucking insurance market continues to be soft due to macroeconomic factors. And as a result, we are experiencing year-over-year decline in policies in force in our for-hire transportation and specialty business market targets.

While our other 3 BMTs are growing year-over-year from both a unit and premium perspective, in property, we continue to execute on our strategy to reduce our exposure to catastrophe prone states, growing states that have less volatile weather profiles and improve the underwriting and segmentation of our products. Policies in force in volatile states decreased about 5% year-over-year in the first quarter 2024 and grew about 20% in the nonvolatile state. We now have 5 states on our 5.0 product model, which improves segmentation throughout the product. While results are unpredictable, we shouldn't look too deeply into the results of a single quarter as the uncertainty in the last several years has shown us, it's difficult to predict where the future is heading.

Given what we know now, however, we're encouraged about the future. Inflationary trends are showing indications of stabilizing, and we believe we're well positioned to capitalize on a marketplace that is still reeling from the profit challenges of the last 2 years. It's comforting to be able to report that we're pivoting to a more normalized operation where, in most states, we can take small bites of the apple when it comes to rate and can focus on growth and increasing our market share. While challenges undoubtedly lay ahead, we're confident in where we stand today and look forward to maximizing our potential in the future.
Thank you again for joining us, and I'll now take your questions.

Question and Answer

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. [Operator Instructions]. We will now take our first question.

Operator

The first question comes from the line of Bob Huang with Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

First question is regarding retention. On your 10-Q, you talked about improved retention, both in personal lines and property business. given that you're unlikely to be the only company that is positioned for growth as we head into 2024, curious to your view on retention going forward in terms of the broader market competitive dynamics, do you see people potentially coming in challenging your market share position just going forward? And then broadly speaking, just retention in general.

Susan Patricia Griffith
President, CEO & Director

Yes. Bob, I think you know our retention is sort of our [holy grail] we continue to feel good about our trailing 12. Our 3 months is flat. We're going to focus now, like we said, like I just said in the opening comments on having more stable rates because that's really what consumers want. So will they go to shop, if the rate is better, then their option is to leave. We've got to make sure we have competitive rates. So as we think about growth, we just think about new business. We think about renewal business, we think about our service and growing PIF, the units of both new and renewals. So we'll continue to focus on that, focus on having more stable rates and continuing to be ahead of the competition.

Jian Huang
Morgan Stanley, Research Division

Okay. My follow-up is on the -- your distribution channel, and this is a little bit more hypothetical. Your direct channel, obviously have a little bit less of an underwriting margin versus your agency. As you continue to push for growth going forward, is it fair to assume that that's going to have somewhat of a headwind challenge to your overall combined ratio given your direct channel continue to be sort of a focus on the growth side? Should we expect our current underwriting margin to normalize a bit with the combination of focus on growth, your distribution channel mix and things of that nature for the personal line -- personal model?

Susan Patricia Griffith
President, CEO & Director

We're going to focus on growth in both channels. But of course, you will see the trend in the expense ratio, specifically on the direct side as we start to increase media. If you look -- if you look at January, it was around 15 points. February was 17.5, March was in the 18 area. That was -- I was putting more and more pressure as the quarter developed on the media spend. Now when we look at we look at non-acquisition expense ratios and then as much as we can spend in media as long as it's efficient. So when we look at overall combined ratios, we're going to look at, obviously, at the type of business we're bringing on. We have a preference to bring on bundled business. And we believe we have the best segmentation model in the industry.

So that's a big part of the understanding rate to risk. So all those flow together. But we're excited and really thrilled to be able to continue -- to continue on our growth method because even the last years, with all the headwinds and all the uncertainty we've still been able to grow, but to be able to grow at these margins is really exciting.

Operator

The next question comes from the line of Michael Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Question on Personal Auto. Historically, not every year, but historically a disproportionate amount of Progressive's organic growth sales have come in the kind of the January through April time frame. Given the current dynamics, do you feel that that's the right type of seasonality we should be thinking about? And if not, what factors should we be thinking about?

Susan Patricia Griffith
President, CEO & Director

Yes. I think a lot of that comes from tax refunds and other things that happen in a yearly basis. I wouldn't necessarily think about that this year though, because even last year, we were growing, we are actually trying to kind of stop a little bit because of the pressures on our margin. I feel very bullish about our continued growth on both a premium basis -- unit basis, and that's a -- you know there is our preferred measure of growth. So it's all going to be about our ability to do a couple of things. We want to continue to roll back our nonrate actions, so there's -- we still have more levers there. We have the premium earning in and we believe that we're not going to have to -- at least at this juncture, the wide swath of premium that we had to get to our target margin and then our media spend to be able to have those margins.

We're about 10 points better than our target 96. So we have a lot of levers to pull to be able to really maximize growth. You'll notice I said this in my letter, in my opening statements and several times throughout the 10-Q. And we talked about it as we were riding the management discussion and analysis about is maximize growth, the right word, versus optimize. And I felt maximize was absolutely the right word to use because that's exactly what we're going to do.

Michael David Zaremski
BMO Capital Markets Equity Research

My follow-up, I know you've touched on this a bit even today and past letters, but if I just want to confirm. So if you look at the expense ratio, excluding ad expense, in 1Q of this year, it's about [14.1%], which is a little bit lower than full year levels and the -- so maybe 1 quarter might not make a trend. But the LAE ratio [2] In '23, down a little bit versus the previous couple of years levels. Just wanted to confirm whether this is kind of a structural kind of efficiency run rate? Or is there kind of a cyclicality in here that could bounce those figures around?

Susan Patricia Griffith
President, CEO & Director

I mean the figures have bounced around, depending on what's happening. Clearly, we're going to want to spend more. And in March, that was on an absolute basis, the highest amount we've ever spent in media. And so we're going to spend more on that as long as it's efficient. I think you want to look at the whole spectrum of what makes up the combined ratio. So we're constantly investing to push down both loss adjustment expense and non-acquisition expense. Figuring out ways with technology, with people, with processes to reduce those expenses, because we can give those back in competitive prices, and that's really important.

But remember, anywhere between $0.70 to $0.75 of every dollar that goes out, comes and goes out at LAE and loss. So that segmentation piece is really important, understanding our rate to risk. And I mentioned this in the first question. And I think I don't think I talk about this enough, and you get a little glimpses of it in my letters when I talk about our different product models, be it on the private passenger auto side, commercial lines and now property.

It is really a special sauce. And it's not something that you build in a year or two. In fact, we've been building this for many decades. But about 10 years ago, we decided we needed to have continuous product model. And so we continue to do those. We started in 2014, really ramped up in 2015 and '16. So think of it as we put a couple of models out there. No state is ever more than a couple of miles behind, and we're constantly improving that segmentation. That takes a lot of investment.

So sometimes you can see the expense ratio peak up with that. But those are built in over a decade. And I talked about the product models, but I don't probably give that enough highlight because our R&D groups and our product groups are phenomenal. They're second to none. They never rest. They continue to understand segmentation, rate to risk, and that's a lot of money that goes into the combined ratio. So while expense ratios kind of can come up and down depending on media spend, et cetera. And I don't -- obviously, we're always trying to push them down. A lot of it is the indemnification understanding accuracy and having great segmentation models.

Operator

The next question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

In your 10-Q, there was a comment about rate increases having an adverse impact on retention. And then you guys highlighted that the 3-month PLE was slowed in the quarter. I'm just trying to reconcile that with your comments, Tricia, right, that rate increases are slowing in terms of both magnitude and frequency. So any color that you could just help us tie that 3-month PLE and impact comment about rate increases. To your overall comments just about the level of rate increase is slowing?

Susan Patricia Griffith
President, CEO & Director

Yes. Sure, Elyse. I think at this juncture in its last year so, so many customers are getting their renewal bills and the rate increases that are playing through will cause you to shop. So we're always at risk losing customers when that happens. We knew that was a possibility last year as well when we were first to market, getting the rates that we needed on the street. So while we don't know exactly what the trailing 3 will continue to be, and it's on a lagged basis, we'll obviously inform you next quarter. That's really why we feel like we're in a much better position to take those small bites and take smaller increases just to stay ahead of trend.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my second question, on last quarter's call, when you guys were asked about advertising, you had pointed to it potentially being more even right through the Q1 and the Q2 and Q3 than normal. It sounds like that's still the plan given how positive you guys are in growth. But can you just give us a sense of how you expect the advertising spend cadence to be this year compared to historical?

Susan Patricia Griffith
President, CEO & Director

Yes, I'll start. And Pat, if you want to weigh in, you can, if there's anything to add. At this juncture with the margins that we have, we do want to use our spend levels to our advantage as long as it's efficient. So like I said, we've got a lot of other levers. We've pulled back on many non-rate actions that still have room to go on that. And I think if we can spend efficiently in the states where we believe we're adequately priced, we're going to do that, I won't' say to the full capacity, but until we feel like it's inefficient to really leverage this opportunity to maximize on growth. Pat, do you want to add anything?

Patrick K. Callahan
President of Personal Lines

No, no, I think that's great. Thanks.

Operator

The next question comes from Jimmy [Hummer] with JPMorgan.

The next question comes from the line of Gregory Peters with Raymond James.

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

So I'd like to focus the first question on the customer relationship management organization that you called out in your letter. It feels, at times, like it's almost impossible to get timely service in so many areas compared with what we were used to pre-COVID. And so I'm wondering if you could comment on the CRM piece and the challenges you're having with the growth you're reporting and finding people and making sure they're compensated appropriately?

Susan Patricia Griffith
President, CEO & Director

That's a really great question. And I should have brought that up when I think about the overall -- our goal is to grow as fast as we can, which we've been doing, $19 billion, [$2.9 billion] comparing quarter-over-quarter and 7% PIF growth. But the caveat always if we can support and serve our customers in the way they deserve to be supported. And that's a big caveat because, there have been times in our history where we've had to slow growth because of that. So a few years ago, we found it really challenging, both from a recruiting and a retention and a compensation perspective in our CRM organization. We made some changes in compensation about 2 years ago. We've invested a lot in the work environment and the digital capacity for our customers to be able to serve themselves should they want to.

And we are seeing the fruits of those investments through greater tenure and better customer service. Now we are never at rest in terms of customer service. In fact, we're just working on a new customer commitment. And we need to be, frankly, fanatical about customer service because those that could call in, either they don't want to use our digital online services, which we believe are really best-in-class. So we really need some one to talk to and they need someone to answer the phone. Our phone handling times have been really great for both sales and service. I feel -- I mean, the world of difference than 2 years ago. So I think we've done a great job staffing, training and giving them the tools they need to help our customers in the way they deserve. And that's one of the other reasons why I feel so positive about maximizing on our growth.

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

Maybe -- in conjunction with that, my follow-up question would be one of the common areas that we're trying to figure out is how you're investing in technology, the generative AI, the large language models, et cetera. So I don't know what you're going to be willing to share with us on that front, whether what -- how much you're spending this year versus last year? Or how you're deploying these tools to make your company more efficient. But any color on technology and the emerging options that you have available to and how you're deploying in your company would be interesting?

Susan Patricia Griffith
President, CEO & Director

Yes, absolutely. So what I would say is we have been investing well, let me step back -- Peter Lewis used to say, we are a technology company that happens to sell insurance. So everything we do has technology built into it. We have, I believe, again, a best-in-class IT organization. With that, we're always trying to stay ahead of the trends. So think of in the direct channel, think of usage-based insurance, all those things, even though they're -- they become actually a part of the product, they start with IT and our ability to have innovative technology.

We started with machine learning and large language models probably over a decade ago, and we put a lot of those in place. So think of like we had a Chatbot that can give you documents without having a human involved. And we've continued on those and progressive.com. We've used a lot of machine learning to give you the best choice for what you need for coverage.

Right now, we have well over 100 different models in different formats. Some are tests, some are full, full bore and summer thoughts, including many in generative AI. We did an entire several day session with our Board of Directors a few months ago on all that we're doing in AI. And I got to tell you, it's pretty exciting. And it's exciting because the efficiencies we're going to get. I can't go into a lot of the details, but we have some great models, great tests that we're doing, and we believe it's going to be a game changer really in every single aspect of our company. So think of recruiting, think of media. And in fact, we have a Board meeting this week, and we're going to go over some AI test in media that have proven to be really successful. We lean into that technology. Clearly, you always want to think about biases and you want to have responsible AI. So we have a committee that overlooks every test that we do to make sure that we're doing it responsibly.

But I think we're excited just like we have for the last nearly 90 years leaning into technology, I'm using it to benefit really competitive prices, so that our customers come and stay with us and we grow market share.

Operator

The next question comes from the line of Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Obviously, the subject for the quarterly letter was growth, and the company is successfully converting on that. But there are gating factors in terms of capital. And one of the areas where you're growing is in the Robinsons, and it looks like you're picking up more homeowner property exposure than you have in the past. Can you talk about your internal capital model and how much you can grow and the extent to which capital is gating factor? Could you be 10%, 15% larger tomorrow? And still have the capital to do that without earning it. Where does that stand accurate?

Susan Patricia Griffith
President, CEO & Director

Yes. I'll start and John Sauerland, you can weigh in. We are growing in one. But again, we want to grow across the board, so we'll continue that. Our property profile, as we talked about, we are rowing in what we would call growth states or more non-volatile states as far as weather, and we're shrinking I in the volatile state. So that's been a plan we put into place quite some time ago. A lot of this takes time. As I laid out last year, we're starting to see the over 100,000 homeowners policies in Florida start to non-renew that took a while because we needed to notify the customers and talk with the DOI.

So we believe that -- that our long-term strategy has to be -- to have our portfolio sort of across the country. So when you think about capital, you have to have regulatory capital. So think of auto having a 3:1 model. So you need to -- if you write $1 billion, you have to have $300 million in capital. And then we have contingent capital in case something unforeseen happens, a big storm, financial crisis, and then we have capital even above that for that. And there's even more for home because it's more of a volatile product. I would say right now, we are in an incredibly comfortable capital position, which is another reason why I'm so excited about this growth. Do you want to add anything?

John Peter Sauerland
VP & CFO

Sure. Yes. We are growing Robinsons more than the right now, and some of that requires our own home product, some of it doesn't. So in the direct channel, we sell a number of other competitors' home products. But for our own home product, as Tricia mentioned, we're growing a lot in non-volatile states, shrinking actually in volatile states. And when we look at our PML, so our probable maximum losses that's actually come down as a result of our shift. We also recently wrapped up our June 1 reinsurance renewals, and we are very comfortable with the risk we're taking there. And actually got slightly more competitive rates. So we feel great about that portion of our risk management program. And as Tricia noted, we have -- we're generating ample capital right now. We're growing a lot, certainly, at a $2.9 billion year-over-year in the first quarter. And of course, that requires significant but probably around $1 billion of regulatory capital. But we are generating that with underwriting margins to some degree as well year-to-date on investment returns. So we feel very comfortable with our capital level and our ability to grow as fast as we can, again, hitting those margins.

Joshua David Shanker
BofA Securities, Research Division

Thank you for all the detail. And one quick question. With the Florida policies that you're not renewing to the Loggerhead company, is that going to be significant enough that we should expect your attritional loss ratios to be higher at the end of this year, although when the added benefit of lower capacity volatility is added, they'll be lower, but on an attritional basis, will they rise?

Susan Patricia Griffith
President, CEO & Director

I couldn't really answer. I mean a lot, obviously, the first thing is first, we wanted to get off some units that we believe will not be profitable. And a lot of it, of course, from a loss perspective, depends on weather, which has really been the clincher for the last several years. And so that's why we're trying to make sure that we're just more balanced. We are still very large in Florida because we have a large auto base and we believe that we can win in Florida on both the home and auto and especially bundled, but we just need -- we were just a little bit too heavy there in addition to a couple of other states, which makes sense because ASI now Progressive Home was based and kind of grew in that area. But it's hard to think about loss ratios when I don't have sort of the crystal ball of what will happen with weather.

Operator

The next question comes from the line of Michael Phillips with Oppenheimer.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Speaking of Florida, you mentioned some favorable frequency trends in the state and your auto book because of the total refunds. Can you share any thoughts on what you've seen on the property side because of that?

Susan Patricia Griffith
President, CEO & Director

Property side. No, we haven't seen much. Those were mostly on the auto side. [indiscernible] There's a little bit on the property, have you seen much, Pat?

Patrick K. Callahan
President of Personal Lines

It's too early to tell on the property side, right? We've got different statute of limitations. We've got different kind of assignment of benefits that will play through the book over time, but not as immediate as we're seeing on the auto book.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Okay. And then you mentioned the policy life expectation has been improving month to month to month. I guess given all the dynamics in auto, maybe what's behind that? And is that harder for you to get your hands around and predict when shopping at such a high level?

Susan Patricia Griffith
President, CEO & Director

Well, we know those shopping happens when rates go up. And I think it's a little bit different, I think, depending on the demographic if you -- when you read through the 10-Q, [Sam's] are much more likely to be shop sensitive because they're price sensitive. And so it's very different. When you kind of peel back the onion, you look at our different demographics as well. But we -- like I said in the last couple of calls, last year, we had seen inflationary factors like that. And so I'm not surprised that there's been a lot more shopping. And that's why the key is to get out ahead of the rate. It's short-term pain for long-term growth, and that's exactly what we did and why we're sitting in this position.

So we're going to continue to have -- try to have stable rates. Just stay ahead of the severity trends and go from there. And I think when customers see that and then they are able to also, like I said, have great claims service, have a great service from our CRM. We want to give a reason to stay. And all the products that they can have from Progressive.

Operator

Next question comes from the line of David Motemaden Evercore.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Tricia, you had mentioned ad spend was up in March, and it was the highest amount we've ever seen or you've ever seen, but the apps were flat. So it feels like -- I know there's some lag there, but I'm sure that some of the non-rate actions are limiting conversion. Is there any way to size how much of the country still had non-rate actions in place today versus 3 months ago?

And how you're thinking about rolling those back throughout the rest of the year?

Susan Patricia Griffith
President, CEO & Director

Yes, David, that's a great question. And one of the other things you have to compare is our extraordinary growth in quarter 1 in 2023. So that comparison is really off because we were growing a lot. We really didn't want to be a growing as much because we didn't have the margin that we wanted. But that comparison is going to be hard as well. So that's the first factor.

We have pulled back our -- and there's a lot of levers of non-rate actions. So there's build plans, there's proof of garaging, there's a bunch of different sort of pre binding things that we do. So there's several different ones. Some we pulled back more quickly and fully. There are some states where we haven't pulled back hardly at all because we don't have the rate that we need yet. But we're working on that pretty diligently. From a percentage wise, I would say we're -- what would you say, Pat, 60% or 70%?

Patrick K. Callahan
President of Personal Lines

Yes. I would say, as you broke it down, on the bill plan side, we are getting close back to pre pullback. And on the verification side, it really depends at the state level, right? We still have about 20% of our states where we have media off, which is a good indication that if we have media off, we probably still have significant non-rate actions or verification in place. But we have lots of, I would say, room to run as we unwind those across both channels throughout the remainder of the year.

Susan Patricia Griffith
President, CEO & Director

Yes. And I feel like just even in the last couple of weeks or during the month of March, I feel like in some of the places where we've needed rate, we're starting to have some much more productive conversations.

Patrick K. Callahan
President of Personal Lines

Yes. I would agree. On the regulatory side, there's certainly -- we've had a couple of recent approvals, and we're getting more comfortable more of our calendar year premium earned in that margins continue to be we expect them to be on -- in more and more of our states. So that gives our general managers and product managers greater confidence that they should open up and write more volume because we think we're priced adequately.

Susan Patricia Griffith
President, CEO & Director

Thanks, David.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

No, great. That's really helpful. That's encouraging to hear. And then for my follow-up question, it was good to see that Robinsons new apps up almost double digits in the first quarter. It sounded like conversion also increased on Robinsons in the agency channel. Could you maybe just talk about how you're attracting the Robinsons and how you're achieving this increased conversion and whether you're seeing any improvement on the retention of Robinsons as well?

Susan Patricia Griffith
President, CEO & Director

Yes. I think it's different if you're thinking about it from the agency's channel versus the direct channel on the agency channel. We continue to have our preferred agents, our platinum agents and no, we want the bundle, and they can be compensated for that. And so that is a big part of the agency channel. On the direct channel. We have our HomeQuote Explorer, where we saw Progressive Home, and I know they've been working diligently with some really great unaffiliated partners to be able to place that coverage even if it is not with Progressive Home. And we're continuing to work on having a stable group of companies in that mix.

We -- last quarter, we went through sort of how we think about evolving with what we write on our paper and not on our paper. And we think that's good for customers to be able to have an [album] when they come in. So that's proven to be something that we're working diligently on, and we'll continue to work on, especially as the market, I think it's more stable. And I think the Robinsons now they come to us. I remember, years ago, John, you might remember, I remember John standing up here at an IR call and saying that, we want to be the company that when they call, they say, do you have this, we say Yes, we do. And so we're getting closer and closer to being not just a destination insurer but a destination company. So when you come and you -- or you're a Robinson, you're going to want auto home, but you're going to possibly want umbrella. You're going to want some other things. And so each added product increases retention. We don't share those. But if you look at our overall retention of the Robinsons versus the other segments, it's much higher.

Operator

The next question comes from the line of Jimmy Hummer (sic) [Bhullar] with JPMorgan.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

So first, I had a question just on the expense ratio. Should we assume that given how much premiums have gone up the last few years, that your expense ratio should be -- especially the non-acquisition or the sort of nondiscretionary expenses should be structurally lower for the next several years? And if that is the case, then would you let that fall to the bottom line and assume a lower combined ratio going forward? Or should we assume the deal use it to be more competitive on pricing and it will show up in the form of better growth potentially? Or gets competed away?

Susan Patricia Griffith
President, CEO & Director

Yes. Good question, Jimmy. Probably a little bit of both. So I think we'll try to continue to push expenses and we need to be efficient. And we don't necessarily though, need to be the lowest cost. We want to have low cost because that equates to competitive prices and that equates to growth. And that growth, of course, is a great cycle because that unit growth is important, especially as you've seen in the past years when severity trends go up and down because those can be less stable than having a unit growth. But yes, I think we're going to spend where we can to maximize on this growth. We're going to continue to think about expenses and utilize the investments that we make across the board to become more efficient. But a lot of it, too, and the reason we're able to do this is because of the investments we've made over the many years on technology, on people, on processes, on just our overall people and culture to be there. So I would expect that we'll be able to do a little bit of both.

John Peter Sauerland
VP & CFO

I'd just add that we have continued to make progress on our non-acquisition expense ratio, and we've been doing so over at least the past decade. So, structurally, as you say, as we increase average premium, not only the efficiencies we plow into our business, but the denominator is a tailwind for sure. But we will always price that 96 combined ratio at the company level. So to the extent we get efficiencies, we're going to pay that back into growth and target the same margin over time.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

And then maybe if you could talk about the competitive environment and just competitor behavior. Overall, it seems like almost every company is still in the process of repricing its book, but I'm assuming that trends vary by state. And there are a few states where several other companies beside you are at adequate margins. So are you seeing price competition pick up in those markets? And are companies being disciplined overall? Or are you even seeing some companies maybe be a little bit too loose in terms of pricing and underwriting in areas where the loss trends have been good and states were early in allowing companies to raise prices?

Susan Patricia Griffith
President, CEO & Director

It's hard to say what other companies are doing. I can say that we still feel like it's a hard market. And we feel like we got ahead of the curve as far as pricing. We're seeing that with our growth, and I hope to continue to see that. I think if you follow, which I'm sure you do, the competition, margins look good. And so I think everyone saw what we saw in terms of trends and reacted. Again, you have a certain period of time where if you react more quickly, you have an advantage, and that advantage sort of begets growth and sort of is like -- I feel like at this juncture, last year when I talked about it in November about starting to think about pulling back some non-rate actions and doing some things as like we kind of put our toe in the water and everybody else wasn't quite there. We then -- we put our whole foot and we set the edge of the pool, and now we're diving in.

So I think we feel really great about our ability to grow. People will catch up. That's this industry. It's an ebb and flow of soft markets, hard markets, and it's just about getting out ahead of it. And again, I can't stress enough how much segmentation and our ability to match rate to risk matters. And to not ever rust and say, okay, we've got whatever, [8.8, 5.04]. We were very creative in our model naming. But the bottom line is, is constant, and we don't put one in and say, okay, we'll wait for 10 years and see how that works. And they -- and the interactions with our different variables with each other are so important. So that's a big piece of it as well. So it's about having the right [rate] on the street, of course, that's table stakes. So it's also about having product models where you really understand the ultimate loss costs.

Operator

The next question comes from the line of Meyer Sheilds with KBW.

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

Great. When we look at year-over-year policy count growth in personal lines, we saw a pickup in direct, but modest sequential slowdown in agency. And I was hoping you could -- sorry, in March, I was hoping you could translate what actually is going on like why we're seeing that sort of different trends?

Susan Patricia Griffith
President, CEO & Director

Yes. I think if you -- I think agency in March was more flat. I think you'll see that a little bit -- it will be a little bit more delayed than direct, where we have more access to put on the media spend, whereas I think agents -- it's just a different model. Pat, you can add one of that. But if I recall, March started to be a little bit -- the trend started to return a little bit in agency.

Patrick K. Callahan
President of Personal Lines

Yes. So we've been slower to open things back up in the agency channel and specifically things like returning rates on comparative raters across the board, which, thus, put our rate in a more competitive position and potentially drive more growth. But know that we are leaning into that at this point. And as we're more confident in our rate adequacy we are opening up some of those non-rate actions in the agency channel. We have fewer top-of-funnel levers in the agency channel. It's more mid-funnel. So you will see that delayed effect when, media, we can fill the top of the funnel on the direct channel much more responsibly and quickly when we decide we're rate adequate.

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

Okay. Perfect. That's very helpful. And to response your comments earlier, would it make sense to have more 6-month policies in commercial lines?

Susan Patricia Griffith
President, CEO & Director

We've talked about that for years. And I think what I would say it's very dependent on the BMT. When you go in to get a quote and ultimately convert, there are some business marketing tiers that are really complex and time-consuming. And you're gathering information, and it's not an easy process. You don't want to do that every 6 months. So with those, you just have to be priced right and have the ability to do things like debits and credits. To get things right more quickly.

We have [indiscernible] and we had a lot in the past. And we continue to think about that. I know Karen and your team are thinking about that in some of the BMTs that could be more flexible. That said, I'm super excited, and I'm glad you brought up commercial. I'm super excited to talk about commercial. I feel like we're in a great position. We still have 10 points to earn in, the rest of this calendar year. Again, the key was getting out in front of it, and it's especially important because of those 12-month policies. But one of the things that we did many, many years ago, and I think this might have been the first IR call or maybe in the first year or so after I took over. When team and I develop -- we hadn't developed the horizon concept that came from McKinsey, but we developed how we were going to think about growing the company. And on commercial lines is a big part of that. They were already in Horizon 1 with commercial lodging the #1 writer. But in Horizon 2, we wanted to do is really understand adjacent products that we could develop. And they really mostly within the Commercial Lines organization.

So if you think of small fleets, that has tripled business over the last 5 years. You saw that we're now in Florida, we have BOP in 45 states. The new product [files] I've been talking about on the private passenger, auto side or also on the commercial side. And our business model contractor, right now, just recently in the last several weeks, we've seeing new app volume have new all-time highs. And as importantly, the take rate for ProView, which is the usage-based insurance, I think snapshot for the business auto contractor customers has doubled.

So really excited about the growth and the different levers because of such a variety of types of products in the Commercial line organization. And what we'll do is we'll look at those and see, is there an opportunity to have more on 6 months, what does that mean to your retention? What does that mean to conversion, et cetera. So we'll test some of those things likely in the next year or so. But I am excited. And even when you think about FHT, we've been talking a lot about macroeconomic trends. When you go back pre-pandemic. And then of course, we were set. We knew that market really well. We leveraged and capitalized on the fact that the trucking industry exploded because people were moving goods across the country, spot rates were high. And now that we're sort of a little bit back to normal. What we're seeing is when we look at Federal Motor Carrier authorizations, we -- they're off a certain amount, we're actually up higher than that on new business with FHT. So I'm going to -- it's hard to not compare the pandemic and subsequently what happened. But what we're really trying to look at is how does growth compare to 2019? And what I would say with FHT, the For Hire Transportation, it looks good.

Operator

The next question comes from the line of Mike Ward with Citi.

Michael Augustus Ward
Citigroup Inc., Research Division

I was wondering about Telematics. We noticed adoption was down, I think, 20% in agency. I think you said because of the mix of agencies, just hoping you could help us understand why that is? Is Telematics more specific to certain customer segmentations or geographies? Maybe Robinson just aren't as bigger adopters of it.

Susan Patricia Griffith
President, CEO & Director

Yes. Mark, that was mostly a couple of big national account agencies. That started happening maybe around mid-2023. So nothing much to read into. We're still really excited. In fact, take rate and agency really has peaked up since prepandemic. And so we continue to believe that's a big part of our model. We have 57 billion miles driven. So we have a lot of data, 7 billion trips. So we continue to have that be a big part of it. And we're constantly talking to agents about the importance of that to get those great drivers, great discounts.

Michael Augustus Ward
Citigroup Inc., Research Division

Okay. And then maybe just on recent loss experience. We've seen accident frequency ticked down high single digits into last 2 consecutive quarters. Just wondering if you could share your view on maybe what's driving that? Is it mix? And I guess or mild winter? And what are you seeing more recently?

Susan Patricia Griffith
President, CEO & Director

Yes, that's good. And those are 2 of the variables for sure. So the mile-to-mile quarter helped our mix of business, our sort of self-imposed underwriting actions. And actually, we have seen a tailwind from [House billing 37]. So those would probably be 4 of the contributing factors. What I would look at instead of focusing on the quarter, that would be, I would look at the trailing 12 over prior frequency because those were some factors in this quarter for sure.

Operator

The next question comes from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Just following up on the frequency questions. I'm just curious, do you think changes in all terms and conditions or customers maybe raising deductibles or anything is causing the benefit of frequency right now. I think we've seen that in prior kind of cycles like we're in right now?

Susan Patricia Griffith

President, CEO & Director

It's so hard to discern that. We've been playing around and there could be -- and maybe Mark brought it up a little bit. There could be a little bit of regional differences in terms of frequencies no fault state versus none. It's hard to really pinpoint that. We're going to continue to work on that. But it really is hard to pinpoint those exact things from frequency. So really, what I said before, what we're seeing at least in that first quarter is really our self-imposed underwriting restrictions, some mix difference, which makes sense and then some weather and some changes from the Florida House bill. Those are the parts that we can better quantify.

Brian Robert Meredith
UBS Investment Bank, Research Division

Right. So you're not pricing for it basically?

Susan Patricia Griffith
President, CEO & Director

We look at it and we price for frequency and severity, but we can't predict frequency. We know when we see it.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then my second question, just curious, getting into the smart commercial business, obviously, the homeowners. Can you talk a little bit, do you have or are you thinking about E&S capabilities? And would that be an area into and we get more from the full package business and you have it in the other side?

Susan Patricia Griffith
President, CEO & Director

I'm really sorry, but you broke out completely there. We didn't understand the question.

Brian Robert Meredith
UBS Investment Bank, Research Division

Sorry, can you hear me now?

Susan Patricia Griffith
President, CEO & Director

Yes, perfect.

Brian Robert Meredith
UBS Investment Bank, Research Division

I was asking more about E&S capabilities in maybe homeowners or commercial or plans to have some of those excess and surplus line capabilities. just given the regulatory and risk landscape out there?

Susan Patricia Griffith
President, CEO & Director

Yes, those are things to think about all the time we have. We actually utilize the E&S capabilities in some venues in commercial already. And we always look at kind of the best way to understand if we can't get the rate we need in the admitted market, and we have an opportunity and an ability to do that should that arise.

Operator

The next question comes from Yaron Kinar with Jefferies.

Yaron Joseph Kinar

Jefferies LLC, Research Division

Thank you. Wanted to start with a couple of mix shifts and the potential impact, if we can. And then maybe we start with the Robinsons. Would the greater weighting of Robinsons ultimately also lead to greater exposure in bodily injury, where I think severity trends remain a bit higher? And if so, how do you address that or price for that keep the profit targets in line with where you want them to be?

Susan Patricia Griffith
President, CEO & Director

Yes. We priced like John was saying, every customer, every state or channel to a lifetime 96 knowing that the limit difference different if you're a preferred if you're going to have higher limits. So we price for that and are very clear on -- and reserved for that. And so that's sort of our secret sauce as well.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Okay. And then if we switch to commercial. So historically, if I look at Progressive, I think the company has been able to avoid a lot of the severity pressures that have been that the industry has seen in commercial auto. And I think a lot of that has to do, obviously, with your underwriting and segmentation, but also because you had a small trucking orientation. But now that post the protective acquisition and with the growth in the TNC business, do you see this, I guess, severity trends different in the overall commercial auto book than they had been in the past? And how are you managing those?

Susan Patricia Griffith
President, CEO & Director

I mean commercial is very much -- I mean all of our businesses state-by-state, but commercial has a few states that are much more volatile, and we have to price for those or like Karen's doing now and actually Pat on the PL side is a lot of business restrictions until we can get the prices we need and non-rate actions. But I think, like I said, when I was outlining the variety of BMTs, they react very differently and exposure very differently, and we treat them differently in terms of the segmentation perspective. You mentioned TNC. We needed a huge increase with one of our partners there, and we're able to get that. So our comfort level of success in the TNC organizations is very high now. We feel good about that.

But yes, the exposure is different. You just have to stay on top of it from a pricing perspective and from a claims perspective.

Douglas S. Constantine
Director of Investor Relations

Those in the queue appear to be those who've already asked questions. So that concludes our event.

Those left in the queue can direct your questions directly to me via e-mail or my direct phone line. Tia, I will hand the call back over to you for closing scripts.

Operator
That concludes the Progressive Corporation's First 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.