The Progressive Corporation NYSE:PGR

Earnings Call

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Presentation

Douglas S. Constantine
Director of Investor Relations

Good morning, and thank you for joining us today for Progressive's Fourth Quarter Investor Event. I am Doug Constantine, Director of Investor Relations, and I will be moderator for today's event. The company will not make detailed statements related to its results in addition to those provided in its annual report on Form 10-K and the letter to shareholders, which have been posted to the company's website.

This quarter includes a presentation on a specific portion of our business, followed by a question-and-answer session with members of our leadership team. The introductory comments and the presentation were previously recorded. Upon completion of the previously recorded remarks, we used the balance of the 90 minutes scheduled for this event for live questions and answers with the leaders featured in our recorded remarks as well as other members of our management team. As always, discussions in this event may include forward-looking statements. These statements are based on management's current expectations and are subject to many risks and uncertainties that could cause actual events and results to differ materially from those discussed during today's event.

Additional information concerning those risks and uncertainties is available in our annual report on Form 10-K for the year ended December 31, 2023, where you will find discussions of the risk factors affecting our businesses, safe harbor statements related to forward-looking statements and other discussions of the challenges we face. These documents can be found via the Investor Relations section of our website at investors.progressive.com.

To begin today, I am pleased to introduce our Customer Relationship President, Lori Niederst, who will kick us off with some introductory comments. Lori?

Lori Niederst
President of Customer Relationship Management

Good morning, and thank you for joining us today. As Doug said, my name is Lori Niederst needers and I'm excited to be the first to participate in our new format. Traditionally, Tricia provides the opening comments for these presentations. But going forward, members of our leadership team will have the opportunity to speak to topics in our area of responsibility and introduce the talented individuals executing on these initiatives that we highlight during the event. In previous presentations, we've discussed our strategic pillars, which serve as the foundation of our vision.

Today, we're focusing on one of those pillars, serving the broad needs of our customers. This pillar is synonymous with our strategy to become a destination company, providing products that meet our customers' changing needs throughout their lifetime. We seek to instill customer confidence in both the products and the prices that we offer. To set the stage for today's presentation, I thought it would be helpful to recap the history of Progressive's evolution as a destination company.

Back in 2008, we publicly introduced our now ubiquitous customer segments, Sams, Dianes, Wrights and Robinsons. In 2014, we first spoke of our destination strategy, stating our intention to invest in the products, services and experiences to better serve customers from all 4 segments.

Since then, we've had relentless focus on not only maintaining and growing the Sams, Dianes and Wrights who have always been well served by Progressive but significantly increasing our market share with Robinsons, which we estimate represent just under half of the personal insurance direct written premium in the United States. We've been very successful growing Robinsons who in December of 2023, accounted for just under 13% of our direct written premium. Countless efforts have contributed to Robinsons being our fastest-growing segment, but it was two strategic decisions that really drove our success.

Even before the introduction of the destination strategy, in 2006, we began offering homeowners insurance from other carriers in our Progressive Advantage Agency, or PAA. What began as a small endeavor has evolved into HomeQuote Explorer, or HQX, where we now offer customers competitive homeowner rates from a lineup of reputable carriers. This success in Direct and our desire to grow Robinsons in the independent agent channel, led Progressive to purchase a stake and eventually fully acquire American Strategic Insurance. ASI, now branded Progressive Home, has enabled us to offer both underwritten home and auto bundles as well as partner bundles to significantly increase our appeal to the rights in Robinsons. We've since leveraged our learnings and success in bundling personal insurance products in the commercial market, where we continue to be an industry leader.

In 2018, we first introduced BusinessQuote Explorer, or BQX, which enabled direct customers to purchase a variety of commercial insurance products from other carriers, and bundle with our Commercial Auto and BOP coverages. More recently, we're exploring this winning strategy in Personal Auto with AutoQuote Explorer, or AQX, which enables customers to compare rates and purchase products from other personal auto carriers on progressive.com. This gives us another avenue to serve more customers and cross-sell from our expanding portfolio of products. Customer bundling doesn't end with Home and Personal Auto, our Commercial Auto and BOP. We have a whole suite of offerings, which includes Progressive underwritten Special Lines, Renters and Umbrella products.

By expanding our portfolio of products, we have continued to increase our addressable market and capture new business. The result of these efforts has been pretty incredible. We now estimate that 19% of households in the United States have at least one Progressive sold product, an increase of over 80% in the last 10 years. The benefits of these efforts on our business are far reaching. The top line growth from increased sales of Progressive underwritten products and commissions earned from sales of partner products is just the beginning. The more products the customer purchases from Progressive, the stickier the customer becomes leading to higher lifetime profits and lower per policy acquisition costs. Fueling the virtuous cycle that results in greater market share.

But it's not just Progressive that benefits. We're making insurance easier for customers by providing options to meet their insurance and other financial needs now and in the future. Additionally, our industry-leading brand and acquisition engine provides growth opportunities for our partners. Making this destination strategy, a win-win-win. It's important to note that today, we're talking about the direct channel. Like many efforts Progressive has undertaken we often leverage the direct channel to test, learn and perfect new ideas. While doing so, we're always looking for ways to deploy our successes in Direct to benefit our independent agents. For decades, the agency channel has been vital to Progressive's growth and independent agents will continue to be the face of Progressive for millions of customers.

While we're focusing on Direct today, we fully recognize that Robinsons are the largest segment of consumers served by independent agents in the United States, and we have a number of significant investments underway to continue our leadership in this channel and our partnership with our 40,000-plus independent agents. For a deeper dive into our evolution as a destination company, I'd like to introduce Kathy Lemieux, a 42-year Progressive veteran and our business leader for CRM Sales Experience. Kathy will share more detail on how we're leveraging our HQX, BQX and AQX platforms to provide choice and build customer confidence.

Our second speaker is Sean Freeman. Sean is a business leader of our Comparison Rating Experience and Direct Property Quoting, who's been with Progressive for 14 years. He'll demonstrate the benefits of bundling and multi-product households and explain how these efforts will continue to drive Progressive's growth and profitability. Again, thank you for joining us today, and I'll now hand it over to Kathy.

Kathy Lemieux

Hello. I appreciate the opportunity to deliver some highlights on our progress toward achieving our destination company vision. Today, we'll focus on how the Progressive Advantage Agency is becoming a primary source for insurance products for consumers who prefer the direct channel. We strive to provide access to a broad portfolio of products, so customers begin and then keep their relationship with us without the need to look elsewhere. Let me begin by introducing the journey of Sam and Ashley, two actual Progressive customers. Back in 2009, when Sam first contacted Progressive, he was seeking insurance for his 1999 Saturn. Eventually, he bought a motorcycle, which needed insurance as well. Later, he married Ashley, and together, they acquired Renters Insurance until eventually, they bought a home, which required homeowners insurance.

Both our Renters and Homeowners insurance policies were purchased through the Progressive Advantage Agency. In the case of Sam and Ashley, we were able to offer them different products as life events triggered the need for additional and more complex insurance coverage. We would have loved to sell a Progressive manufactured property product to the couple, but that wasn't the right solution for them. So we had other options ready. Let's talk more about that approach.

Our multi-carrier marketplace for property and small business insurance products allows us to meet the needs of more and more customers. We are leveraging the Progressive brand, building on our industry-leading digital tools and working with a growing number of reputable carriers to make buying and maintaining insurance easier. This recipe is proving very successful delivering 200% growth in premiums written through our agency in less than a decade.

Over the years, we've evolved the comparison shopping experience from Property to Commercial Lines from one carrier to many from the phone to the online channel and from Quote to also buy without agent intervention. While the large majority of our insurance customers start their shopping experience online, using our HomeQuote Explorer or BusinessQuote Explorer digital experiences, which launched after our shop by phone-only models, the majority work with our team of knowledgeable in-house agents to customize their policy before purchasing. As you've come to expect from Progressive, we continue to invest in improving the quote and buy experience, always focusing on the needs of our customers. We introduced a Digital Multi-carrier Quote experience, which we call HomeQuote Explorer in 2017. Over the course of the next several years, we made enhancements and introduce new features to improve the quote experience and the platform's efficiency.

These efforts have generated close to a 10% increase in quote completions over early HQX results. One of our most recent changes was the introduction of a Quick Quote Experience, which displays prefilled data from third-party providers upfront so that customers can easily review and edit. Leveraging our proprietary models, we customize prompts and details to assist customers in selecting coverages and qualifying for discounts. This change alone decreased quote time by 20% and reducing the effort for customers and increasing their likelihood to purchase as a result. This is just one example of our work to simplify what has traditionally been a complicated shopping experience for both homeowners and small business owners. Our dedication to continuous improvement is bolstered by a rigorous A/B testing approach aimed at making a fully digital quote and purchase available to more shoppers.

However, our in-house agents are always here to provide guidance and instill customer confidence. The investments in our HQX and BQX platforms only produce value when they're backed by a broad portfolio of products underwritten by reputable brands. Both the breadth of carriers in our network and the depth of their product suite have grown over the last decade. Presently, 13 carriers comprise our HomeQuote Explorer portfolio and 9 for BusinessQuote Explorer. There are major benefits to having a large contingent of carriers in the PAA which Sean will get into later, but there is also a risk because we are exposing Progressive customers and thus the Progressive brand to the services of another carrier.

To protect our customers and the Progressive brand, we are selective about the carriers we partner with. They must meet our standards for customer care, they must offer a quality product at a fair price, pass our information security assessments and they must have the financial strength and standing to uphold the promise we make to customers that will be there when they need us most.

Additionally, we'll consider a carrier's technological capabilities so that we can provide a seamless integrated digital customer experience for quoting and servicing. Also worthy of note is that our carrier networks include a number of companies that provide both property and small business insurance offers in HQX and BQX. We take pride in this fact as it demonstrates the strength of our mutually beneficial relationships. The benefits of our multi-carrier model extend far beyond quote and buy and are evident throughout the customer insurance journey for significant life changes, such as Sam and Ashley getting married and buying a house, perhaps experiencing a future job relocation or if they eventually need to ensure their teenage driver. Our agencies ready with the products they need and the customer service to help them navigate these events.

Recall that Sam and Ashley added a home policy underwritten by one of our network carriers several years after acquiring their Progressive Auto Insurance and built a bundle, becoming one of the more than 1 million Robinsons we ensure through the PAA. The portfolio of products and carriers who underwrite them that are available to our customers allows us to grow more bundles over time.

But even when the event isn't life changing, for example, a policy renewal accompanied by a steep rate increase, we are presented with an opportunity to support our customers by offering options, which gives us the chance to retain the customer. Often, we are able to anticipate customer shopping by leveraging our proprietary data models and proactively reach out to offer assistance. Even subtle nudges such as the e-mail presented here, reinforce the value our in-house agency offers. That leaves our longest running product comparison experience, Auto Insurance. More than 30 years ago, we introduced auto comparison rating as a fee-based service in California. Insurance products were much simpler in those days, so at the time, rates were manually calculated by a team of Progressive people who reverse engineered them from public filings. This industry altering idea proved to be a winner with customers, prompting us to make the service available countrywide and to build our brand on comparison rates.

Our early marketing messages combine the ease and savings from one-stop rate comparison with a message of transparency. If our rate isn't the lowest, we'll tell you whose is? And challenging the status-quo not what you'd expect from an insurance company as early brand differentiators as Progressive and competitors advance their products, adding credit, underwriting and tiering, our precision in providing comparison rates declined. Consumers saw decreasing value in the range of rates we provided to adjust to these conditions.

The next evolution of comparison rates came in 2016 when we began purchasing discrete auto rates from a third party. This model has proven to be a lower-cost way to provide a service that is to this day, valuable to our customers. Over the past 5 years, we've conducted dozens of tests leveraging comparison rates to improve customer experiences, increase Progressive conversion and monetize click referrals. Our decades of experience led us to take the next step in the auto rate comparison journey. AutoQuote Explorer. Bringing our CRE, HQX and consumer insights together, we've been piloting a multi-carrier auto quoting experience since the third quarter of 2022. We launched a Quote and Buy experience over the phone first and have refined the delivery with our in-house agents through several iterations.

We're ready to introduce the AQX Experience online soon. The screens that you see on this page were developed using focus group and agent feedback when testing with prototypes. Early results give us confidence that the comparison quote and purchase experience with a reputable set of carriers will give us the opportunity to better meet consumer needs, starting new customer relationships in those cases where insurance shoppers would not purchase a Progressive policy, getting their auto insurance needs met elsewhere. Progressive continues to be known for providing comparison rates but our launch of AQX provides an opportunity to refine our brand positioning. The key is to generate interest by conveying that we've taken the hassle out of shopping for car insurance, while giving customers confidence in the products, prices and providers that we offer.

But just like HQX and BQX, the customer value of AQX extends beyond the purchase and we continue to refine the benefit statements, taking advantage of our market research. Thank you again for the opportunity to speak today. I'll now hand it over to Sean. Sean?

Sean Freeman

Thank you, Kathy. Following that overview of the operations of the Progressive Advantage Agency and the many unique shopping experiences we have deployed as part of it. I will now be walking you through the robust benefits of this Destination Era strategy. As Lori referenced earlier, any discussion about the benefits of the Progressive Advantage Agency should be viewed through the lens of a win-win-win strategy as we look to implement programs where all participants stand to benefit. As with everything we do at Progressive, our customers really come first. The PAA was created to ensure we had a full suite of insurance products within our direct channel that can meet consumer needs throughout their lifetime.

But beyond just offering a broad collection of types of insurance, we look to ensure that our customers are confident in their purchases through education and choice. Being able to provide quotes for other insurance companies in addition to our own underwritten policies ensures that customers feel empowered in their decision and are confident with their price and coverage. Additionally, our customers benefit from the ease of the shopping experiences, with our best-in-class quoting capabilities, saving them time and frustration. When thinking about the benefits enjoyed by our participating network of carriers the list really starts with the access they gain to millions of qualified customers that were generated through Progressive's marketing and media efforts.

Given the strength of the Progressive brand and our advertising experience, this can frequently be greater consideration or at bats than many of these participating brands would experience on their own. Progressive also understands what is critical to writing profitable business. So we allow the carriers on our network to apply any of their proprietary acceptance and pricing rules in addition to our strong adherence to any provided procedures as of their appointed agencies.

Furthermore, Progressive has been a leader in innovative customer experiences, both off-line and online for many years. Being a part of our carrier network allows for leveraging these experiences to efficiently and effectively quote and bind customers which presumably leads to positive brand association for our participating carriers. Finally, the creation of the Progressive Advantage Agency creates a multitude of benefits for Progressive and our shareholders. I will be highlighting many of these in more details in the upcoming slides. But in general, this Destination Era Strategy allows us to achieve greater top line growth, better efficiency in our media spend, extends household retention and serves as a stable source of revenues complementary to our underwriting profits.

As we have covered in past IR calls, Progressive has been focused for several years on expanding our addressable market and improving our penetration into multi-product households or Robinsons as well as increasing our product offerings outside of those traditionally underwritten by Progressive. In doing so, we have seen a steady trend up in our multi-product households on both an absolute and relative basis. Through our Progressive Advantage Agency, we are able to offer complementary products within a unified bundle experience. For example, in Personal Lines, we can offer renters and/or home insurance to go along with the customer's auto policy. Or in Commercial Lines where we are able to offer general liability or business owner policies to complement their commercial auto coverage. These are prime examples of how the internal agency is able to help us provide a full suite of insurance solutions to meet customer needs and in turn, help us grow.

Another important component to our overall growth strategy is understanding how consumers view comparison quoting experiences. We know through our research that there are many key drivers of consumer consideration and ultimately, how they decide what insurance carriers they're going to receive a quote or purchase a policy from. Several of these considerations align nicely with the solutions that we are delivering as part of the Progressive Advantage Agency. This includes consumer confidence that they're getting the right coverage or rates, making the entire insurance process easy to navigate, feeling in control of their insurance decisions, getting good value and demonstrating an understanding of what is important to the consumers. Each of these drivers is met in some way through our comparison quoting experiences and agency operation, and will serve as guiding principles as we expand and refine our consumer messages and experiences.

Along with the previous slide, these top of funnel benefits are foundational to the win-win-win dynamic that I started with. As these expand the total volume shopping with Progressive and thus leads to a greater pie to be shared by Progressive and our network of carriers. This offsets any minimal cannibalization risk that may be present through the providing of comparison quotes. With that said, we monitor very closely these trade-offs to ensure we achieve the most optimal outcomes. As highlighted in the last 2 slides, the Progressive Advantage Agency operation allows us to attract more customers at the top of the funnel and drive them to progressive.com or to our call centers.

The next critical step is to get the most out of these interactions. Our multi-carrier model allows for a greater likelihood of returning competitive rates that meet consumers' needs. As the chart on the left indicates, by having more carrier appointments in a geography, we increase the likelihood that we can return at least 1 rate for our consumer. This is not surprising, but still critical in the face of greater underwriting restrictions for specific products such as homeowners.

As a result of our carrier coverage, we were able to successfully provide a home or condo rate to more than 80% of all shoppers seeking these coverages on progressive.com in 2023. Additionally, we know that offering multiple comparison rates increases the chance we return a competitive rate to the customer. The chart on the right indicates that our conversion relativity is directly correlated with the number of rates we return. While there is diminishing return with every addition, we have seen more than a doubling of our conversion rate due to our portfolio of carriers as compared to a single carrier platform. This means more people finding a policy that works for them and more households having a relationship with Progressive.

Transitioning from getting more customers in the door, I would like to highlight the value of the internal agency and maintaining these relationships through increased retention. As mentioned earlier, our goal is to meet customer needs throughout their lifetime. We hope that the policy we initially sell to a customer does just that. However, if this initial policy is no longer the best match, we have the ability to offer alternative carriers and coverage that may be a better fit. In doing so, we maintain a relationship with that customer and household longer. In the current environment, while rates are rising and underwriting is more restrictive, the ability to shop several carriers across the same product produces significant value to the customer and in turn Progressive.

Within our homeowners portfolio, we see that we extend this household relationship 9 months longer on average as a result of this multi-carrier safe practice. The other form of retention benefits comes as a result of increasing the number of policies that exist within a household. Not only does selling an additional policy lead to increased sales and profit from those other policies, but the expected retention of the original policy also dramatically improves.

Across all products within our portfolio, the policy life expectancy grows meaningfully as you add products to the relationship and by a magnitude of up to 2x or more. It is important to note that we see this retention improvement, whether they are Progressive underwritten policies or network carrier policies, leading us to believe that meeting all insurance needs is the driver of customer loyalty even if we leverage other insurance carriers to do so. Many of these benefits come together in what we call a media virtuous cycle. With access to a multicarrier model, we can offer consumers more choice that meets their needs. In doing so, this elevates our sales yield per visitor to progressive.com or into our call centers.

Getting a more efficient return on every visitor to Progressive allows us to increase our media spend while still hitting our target economics. This increased spend drives greater awareness of Progressive offerings, driving traffic to progressive.com, our call centers as well as our appointed independent agents. This, in turn, increases the volume available to Progressive and the carriers within our network, incentivizing more carrier participation within our agency, strengthening the multi-carrier model further.

This starts the cycle all over again. As we have especially seen in recent years, marketing spend is an important tool to stand out in the crowded insurance marketplace. This virtuous cycle is valuable to ensuring Progressive can rationally be in the top tier of marketing spenders and further widens the financial moat with lesser-known brands. The scaling of the Progressive Advantage Agency and its corresponding revenue expansion has several risk mitigating benefits. Commission revenue is a predictable annuity and has minimal exposure to the loss and cat risks that come along with underwriting insurance policies directly. This includes prominent risks such as weather and natural disasters.

As agency compensation is really directly impacted by these risk exposures, this serves as a complementary source of revenue to our standard underwriting operation. Additionally, as previously highlighted, meeting more customer needs strengthens our brand and improves our sales yield, mitigating some of the standard competitive risk that insurance companies face. The many benefits that I've highlighted, stemming from the PAA can be found throughout our income statement. Our top line net premiums earned includes the premiums from our Progressive's underwritten products and is impacted by the agency's brand and consideration lift, the household retention improvements, increased additional protection sales and the increased media spend associated with the PAA operation.

Additionally, our success is penetrating the Robinson customer segment roll up within these figures. As we have expanded our PAA operation and product offerings, we have experienced net earned premium growth for Robinsons that has outpaced that of our other customer segments. The service revenue line on the income statement includes the commissions earned from our carrier network. As the chart on the lower right demonstrates this is the most direct way to gauge the trajectory of our internal agency operation as it clearly shows our steady growth throughout the past decade. While all is not lost to me that this is an

Investor Relations call, and thus, the financial results are the primary focus, the story of the Progressive Advantage Agency still really comes down to the customer journey and ensuring that we are offering products and services that meet our customers' needs.

Kathy previously highlighted the journey of Sam and Ashley as they progress through their lives and the evolution of their insurance needs along the way. Without bringing together a network of insurance carriers who offer complementary products like BOP or Life Insurance, we may not have been in a position to satisfy all of these needs and possibly would have lost the household relationship entirely.

Happily, this is not the case as we are pleased to be able to continue to build and grow our Progressive Advantage Agency with a full suite of insurance products and a network of participating carriers. And ultimately, we believe, make good on our win-win-win strategy of delivering value to our direct customers, our network of carriers and to Progressive and our shareholders through the operation of this best-in-class internal agency.

Douglas S. Constantine
Director of Investor Relations
This concludes the previously recorded portion of today's event. We now have members of our management team available live to answer questions, including presenters, Lori Niederst, Kathy Lemieux and Sean Freeman, who can answer questions about the presentation. The Q&A session will be audio only, [Operator Instructions]. In order to get to as many questions as possible, please limit yourself to 1 question and 1 follow-up. We will now take our first question.

Question and Answer

Operator

Our first question comes from the line of Michael Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

The first question regarding some of the commentary regarding kind of going back on the growth offensive given that profits are healed in a good chunk of your of our territories. So I guess on the last earnings call, I recall you alluded to growth likely being a little more subdued versus the beginning of '23 when you last found me offensive. So, I guess is that still the right way to think about things? Or any context around how you're thinking about growth, either by state or direct versus agency channel would be helpful?

Susan Patricia Griffith
President, CEO & Director

Yes. Thanks, Mike. Here's how we're thinking about growth right now, which is somewhat different and some like last year. So we went into 2023 feeling like we had the right rate in the system. Clearly, as the year unfolded, we realized that inflations were still going up, so they hadn't abated, and we needed more rate. So our sole concentration last year was to get the right rate on the street. And we feel like we're in a really great position right now. So if you think about the overarching believe that we have the right rates in the system, and we believe we do now understand there's all the caveats about we don't have every state. We're still working with some states to get rate. But for the most part, we feel really good about our rate. This is how we're thinking about growth, really sort of the trifecta.

So we have a continued hard market. Ambient shopping is still up. So we know our competitors are still getting rate. So those customers are shopping and we're able to get that at a really inexpensive acquisition cost. Then we also know that we're unraveling a lot of our nonrate actions, our underwriting actions. We talked about that a little bit in November, but we're going to continue to do that. And then really the third part of that trifecta is our ability to be able to spend a lot on media. So we are really excited about heading into 2024. Obviously, my whole theme for the annual report was uncertainty. So, or the letter I should say, is uncertainty. We feel much more certain and much more confident we will watch as the data unfolds, and we're pretty excited.

And the one caveat I would say, Mike, is when we're starting to look at first quarter of this year, versus first quarter of last year, you're going to see some really odd comparisons on new app growth. So we are growing new apps like crazy last year. In fact, on the Direct Side, our new apps were up 93%. Overall, in Auto up, I think, like 83% or 82%. So huge comparisons if you're going to compare it to this quarter. So keep that in mind as this quarter closes we believe it will smooth out over the year, but that's something we should just make a note of.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful. My last follow-up is regarding your commentary about segmentation and continuous product model delivery is the term you also use in the letter. And I appreciate that it's probably, some of this is your special sauce and you might be, you want to be limited to how much you can say. But I'm curious, if we look at Progressive frequency and severities but especially frequency over time. It tends to be better than the industry. I know there's different definitions. So you reminded us of frequency and severity, too? So we've got to be a little bit careful. But I Progressive still continues to do better than the industry on loss cost trends. Curious if you're willing to add any context about what what's driving the pricing segmentation? And is telematics a material kind of driver of you being able to do that?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean I think our continuous product model is our secret sauce. Over the years, I think we've sort of shared not in a lot of detail, but how, each model sort of adds segmentation and gets us to where we want, especially with the preferred customer. UBI is a big part of it and has been for a long time, and that will continue to be and why we're investing more and more into our latest product model, which is our continuous. I think with the Florida added this year, we're at about 70% continuous, and we're learning a lot from that. And we'll be able to do a lot for our customers as well. So maybe at some time when we do some of the deep dives, we can share a little bit more about how we think about our [indiscernible]. We're never going to share a secret sauce because that is just that. But we literally have our R&D departments working in both Personal Lines, Commercial Lines and Property, nonstop, thinking about the next model to just get that extra piece of data to understand how it correlates to loss costs.

John Peter Sauerland
VP & CFO

I can also add that you're right. When you look over even decades, you see our frequency being more favorable than the industry and severity being somewhat similar to the industry. And Tricia noted what we believe are some of the key drivers, but we are also continuing to shift the mix of our business to more preferred customers who generally have lower claims frequency. So, it's hard to parse out exactly which piece of those frequency trends are the aforementioned, but we should note that we're also moving more and more to preferred and that will drive the frequency down as well.

Operator

Our next question comes from the line of Bob Huang with Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

Maybe just a follow-up on one of the comments that you made when you earlier talked about you plan to spend a lot on media to drive growth. Can you maybe help us understand like when you say a lot, like how should we think about it from just a modeling of forecasting perspective because, the way we think about it, obviously, there's going to be a lot of growth potential for Progressive. How should we think about the impact on expense ratio? And as well as what is a ballpark target that you're thinking about when you're normalizing expense back to a more historical level?

Susan Patricia Griffith
President, CEO & Director

Yes, I would say back to more historical levels. We've had a couple, several rough years where we've had to pull back on media I mentioned that in my letter. They've been incredible. We have a media machine, a marketing machine and both are working really well, and we want to leverage that. We're not going to spend if we don't think it's efficient. When I talked about our growth in sort of the trifecta, we're getting a lot of ambient shopping still, and we'll continue to watch that. However, we think there's an opportunity to kind of open up the spigot and get more business in the door. We feel like we're in a really prime time now, especially with our rates.

So while we're not going to share our full budget we believe we can spend assuming all things with our pricing is right and we get pricing and some rate in some of the states that we need, I think we'll be able to spend a tremendous amount to really leverage what we think could be a great growth year.

Jian Huang
Morgan Stanley, Research Division

Okay. That's very helpful. My second question, I think you addressed some of this in the prepared remarks. I just want to see if we can deep a little bit -- dig a little bit deeper into it is the broader competitive environment, and obviously, it seems like you made it very clear that you want to expand, especially in the off market, the bundled market Robinsons market, so to speak. But is there, can you maybe give us a more in-depth view on what are the competitors that are already in those position? What is the current environment look like for you to take share? Is it going to be, in your view, much more difficult than before? Or is the current environment a much easier competitive dynamic for you to grab market share, especially within the Robinsons market.

Susan Patricia Griffith
President, CEO & Director

Yes. I think that has to do a lot with timing. So a lot of our competitors have increased rates as well pretty substantially. So there's a sort of a time frame. I don't know exactly when that is. But right now, we believe, we are able to take market share. Again, there'll be some, at some point, there'll be stable rates throughout the industry and there'll be less shopping. Really, the key for us in terms of market share will be to grab as much new business at or below our target market -- our target profit. And really, the holy grail is retention and keeping those customers. So the key this year for us because we've had so many years of rate after rate is to have some stability for our customers. They deserve that. We want that. Of course, we'll watch the trends, and we'll have to react to those trends. But I'd like some stable rates because I think if we've got the new business coming in the door and then people staying with us, that is a huge win.

And then, of course, Robinsons, we've continued to grow. We're excited about continuing to invest in our HomeQuote Explorer and the Progressive Advantage Agency. Working with great partners in that.

Jian Huang
Morgan Stanley, Research Division

I think after all these years, we're all looking for some stability. So thank you for that.

Susan Patricia Griffith
President, CEO & Director

Absolutely. Thanks, Bob.

Operator

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

Joshua David Shanker
BofA Securities, Research Division

My first question, given the growth the company has had over the last couple of years, can you talk about what economy of scale has done to the other expense ratio?

Susan Patricia Griffith
President, CEO & Director

Well, I think any time you have an economy schedule, you'll be able to push down the expense ratio. We're always trying to balance out our expenses with investments and what the customers want. So digital and other things like that. So the bigger you get, I think the more you can -- whether it's brand or expenses you can push on that, but we have been investing a lot in digital for our customers, and we'll continue to do that. One of our other pillars, and we talked about broad coverage today is competitive prices. And the 2 parts of competitive prices are really what we talked about a little bit earlier with Mike's question, that's segmentation having industry-leading segmentation, understanding rate to risk.

And the other is expenses. And we are constantly challenging ourselves to what's that right balance of investing, but getting those economies of scale. We'll continue to work on that for as long as I'm here for sure. And as long as John Sauerland is for sure.

John Peter Sauerland
VP & CFO

Josh, sorry. As I think you know, we focus internally on what we call our nonacquisition expense ratio. So we talked a lot about media. We're always looking to optimize media relative to where we are in terms of rate adequacy and market opportunity on the non-acquisition expense ratio side, we're always looking to optimize costs. And of course, scale is a part of the way to do that. We have been successful in taking, if you look over the longer run, at least 4 points out of our cost structure on our nonacquisition expense ratio. Tricia mentioned, it's always a balance in investing and relative to the longer run, but we continue to expect to find opportunities to drive our non-acquisition expense ratio lower across all 3 of our businesses.

Joshua David Shanker
BofA Securities, Research Division

My other question at this point in the cycle where Progressive seems to be profitable and most of the competition is not. What does the marketplace look like for commissions right now? Both contingent commissions as well as base rate commissions?

Susan Patricia Griffith
President, CEO & Director

I can let Pat take that. I mean we, our commissions have been pretty stable, and we have different structures depending on if we have a platinum agent and some other programs we have with different agents I think, I don't want to speak too specifically to our competitors because they also ebb and flow.

Patrick K. Callahan
President of Personal Lines

Yes. We've definitely seen competitors use commission cuts as a profitability or margin restoration lever. And we haven't done that. So we've maintained our commission. We do have a contingent component which self cures when we're not making money, and we think that's a superior design, because you're aligned incentives and when the business performs well, agents get paid well. And when it doesn't, we correct without having to change commission structures and contracts. So we built and deployed that and had that out in market. Now competitors who have pulled back, we know agents have long memories. And we think that will potentially hinder their ability to restore growth when they want to come back in the market later in '24 or beyond.

John Peter Sauerland
VP & CFO

Robinson segment. So just for clarity, we do have different commission structures for our Platinum agencies to incent the bundle. And we think we're very competitive with the marketplace when it comes to compensating our independent agents for bundled business as well as monoline business. Fair to say.

Operator

Our next question comes from the line of Jimmy Bhullar with JPMorgan.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

So just following up on one of your earlier answers, you mentioned the app comparison, comp comparisons being tough and that will suppress growth in the app count in 1Q. Should we assume a similar trend for PIF growth as well to where it will be weaker in 1Q and improve year after? Or does that not apply to this growth?

Susan Patricia Griffith
President, CEO & Director

I don't think you're going to expect as much of a different trend in PIF than new apps. New apps were up just so much. Like I said, 92% in direct, 83% overall. It was just a tremendous quarter, and we actually tried to slow growth. So you're just going to see a little bit of a negative trend. But I think PIFs, of course, are not just new apps or also our retention. And our preferred year to growth is unit growth because as you've seen over these years where average written premium can go up and down, that's where you want the unit growth to be able to have that stable value company.

Jamminder Singh Bhullar

JPMorgan Chase & Co, Research Division

And the reason I was asking is PIF growth was good in 1Q, but it wasn't sort of outsized. I think you grew 5% in January, 7% in February and 10% in March in Personal Auto.

Susan Patricia Griffith
President, CEO & Director

It's pretty darn good on our book. Yes, I would, anything with -- that begins with 1 and another number, I'm pretty impressed with PIF growth with the book of our size.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

And then just following up on sort of competitor behavior. What are, I realize that you guys are not raising prices as much as many of your peers, because you started repricing your book earlier. But in terms of marketing spend, are you seeing competitors pull back on marketing spend as well as they're tying to revise profitability? Or are they continuing to market pretty heavy?

Susan Patricia Griffith
President, CEO & Director

No, I think we're seeing competitors reenter the market, and that's why we believe it's a good time. We're still seeing, like I said, some ambient shopping, but I think it's going to be a really competitive year for everyone, and we're excited about it.

Operator

Our next question comes from the line of Robert Cox with Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Maybe start off with a little bit of a longer term question here, but Progressive is a growth company and has certainly been taking share and it seems like you'll be the market leader in personal auto in short order, if you're not already. Is there an internal view on the structural ceiling that Progressive can hold over time? Like is something around the 19% share that State Farm held in the early 2000s aspirational for Progressive? Or do you think you can gain more share than that?

Susan Patricia Griffith
President, CEO & Director

I mean we want to grow as much as we possibly can while we make at least $0.04 of underwriting profit. So we're going to continue -- we're not going to have a ceiling with that. What we will do is understand the addressable market. And kind of go across both -- all of our lines of business to understand where we need to invest, where we need to, where we think we can gain more share. And that's really why we diversify. That's really why we've had the HomeQuote Explorer, BusinessQuote Explorer, AutoQuote Explorer to be able to gather more market share, be transparent for our customers and give them an easy way to shop and save even if it's not with us. That's also one of the reasons why years ago, we set a construct together that -- we used this McKinsey construct that were called the 3 horizons.

And the first one is execute. We've been working on that since 2016, 2017, and that is execute the heck out of growing or getting as much on private passenger auto and commercial auto and home business that we can as long as we're making money. And we've done extraordinarily well. They're obviously surpassing $61 billion in premiums for 2023. The second horizon is the exciting part in Commercial Lines where we've been growing our BMTs there, but we also have some expansion coverage that we're excited about. We just entered our 45th state with Florida last week. So very excited about that. We obviously bought Protective to have larger fleets. We're now calling Protective just so you know, Progressive Fleet and Specialty. And of course, our TNC business. So those ancillary products that where we believe we have the right to play and the right to win, and those have been really exciting expansion for Karen and her group.

And then horizon 3 is a little bit further afield, but those are some products that we believe will fit unmet customer needs and you think kind of longer term out. So we're constantly in a cycle of 3 years, 5 years, 10 years. And in fact, we have our Board retreat later this week to outline how we intend to continue to grow market share across the board and do so in a profitable manner. So, we're excited about the future. We're excited about the position we're in at this point given the extreme amount of uncertainty in the last 4 years. And if there's any team that can do it, it is the team here in Cleveland, Ohio.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Awesome. And maybe just on the first second question, I was just hoping you could walk us through some of the larger states that you're not yet rate adequate and what is the game plan for those states?

Susan Patricia Griffith
President, CEO & Director

Well, we're, it's typical, some of the typical states you've talked about on the coast, think of New Jersey, New York, California on the direct side. We just got a plus 20 on California agency. So that is a good move towards that. We're having continued conversations because this is really about the consumer. We want to have availability for each consumer to be able to get the coverage they need to protect the things that they love. And all we want to do is try to make $0.04 of underwriting profits. So we're going to continue to work with each insurance department to get the rate that we need and then be fully open and available for those consumers.

Operator

Our next question comes from the line of Elyse Greenspan with Wells Forge.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, going back to the marketing, and I guess maybe a little bit tying into the PIF discussion. As you guys lay out the marketing budget for this year, Tricia, are you expecting it to be even throughout the 4 quarters? Like how do you think about the cadence of the marketing spend as you think about trying to acquire customers during 2024?

Susan Patricia Griffith
President, CEO & Director

Thanks, Elyse. So some of the marketing spend, we already like pre-buy. So that's sort of out there. And then other that we have like digital and some other areas where we can be more fluid will react to what's happening in the environment. So if we feel like that our [MP6] is down, which is our new prospects, we can increase it. We're always going to do it and try to be efficient around it. That's really the game plan. And again, it has to do with what our customers are doing -- I'm sorry, our competitors are doing. So it's not an easy question. We continually tweak it to make sure we're efficient while bringing as much new business in the door that we can and then we have some that will already be on the books. Do you want to add anything, Pat?

Patrick K. Callahan
President of Personal Lines

No, I would say we normally pace heavier in Q1 than we do in Q4 because of customer shopping. So just as Tricia said, we'll fish where the fish are. And when there's a lot of people out there in market, we want to advertise to make sure they know where available and to bring them to Progressive. As we've stated this year, we're opening up maybe a little slower than we did in 2023. So from a pacing perspective, we'll probably be more level between Q1, 2 and 3 than we historically would have been. But we also know that if the hard market prevails and continues, then we will want to continue to spend up to our allowables to capitalize on growth while people are looking for a new provider of auto home or commercial insurance.

Susan Patricia Griffith

President, CEO & Director

Yes. I don't forget about our other lever, and that is opening up and unraveling our non-rate actions. So we've got a couple of different things in play, and that's the reason to believe, and our reason to believe that we can capture a lot of market share this year. So that's another avenue that we've continued to do since late last year.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up, you guys saw favorable development in January. For the first time in a while, right, typically, that's a month right when you have late reporting claims from the prior year, what drove that development in January? And does that -- was that frequency or severity driven? I'm just wanting to get a sense that there would be some expectations for continuation of that better trend in '24?

Susan Patricia Griffith
President, CEO & Director

Yes. I would say the January decrease. The majority of that was Florida. Most of the other states were pretty tight. Again, it's 1 month, and we will let that year play out. Gary's team looks at a lot of data each and every month just to make sure were adequately reserved, and I'll let his team do that. It's very separate from. And I'd like Gary do the right thing on behalf of the company, but I wouldn't read too much into January. It's obviously, we're pleased to have favorable development, but it was mostly Florida.

Operator

Our next question comes from the line of David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

So I had a question just on just -- Tricia, just how impactful you think unraveling some of the nonreactions can be on PIF growth? Just wondering relative to ads spend, historically, has there been more impact to PIF growth from bringing up or down marketing spend compared to non-rate actions? Or can you help size the potential for growth from rolling back those non-rate actions?

Susan Patricia Griffith
President, CEO & Director

It's really hard to size because I think I feel like we've never been tighter in our non-rate actions than we were last year. Again, it's hard to quantify because there's a bunch of different actions we'll do, and we'll do some on different products, different states. It could be different in channels. So it's hard to quantify. I think if you want to have a quicker reaction, the media spend to does that. But it's hard to discern exactly what would go into each. What we do know is we were really tight trying to slow growth, making sure we got rate in the system and now we're able to unwind that. But we're not doing it full bore. We're doing it very logically to make sure that we reach our target profit margins.

John Peter Sauerland
VP & CFO

And I'd add, if we're looking towards PIF growth, new business is one driver, but retention is a far stronger driver of PIF growth. And as Tricia mentioned, we are, looking forward to more stable rates this year. We are feeling very adequate in most environments. So we have already enjoyed retention improvements, and we expect to continue to -- retention improvements. Competitors are certainly in a better place, but are continuing to raise rates as well. So on a competitiveness basis when the renewals come through, we think we're going to be in a good place, and that will help drive policy in force growth as well.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And that sort of leads into my follow-up is just last quarter, I think, Pat, you had said that PLEs and retentions were improving, but not at historical levels. Where are we at now? And just in -- just thinking about that because I recognize there is a tougher comp on new apps, but I would think the retention comp is also a little bit different as well. So how far away are we from historical retention? Just sort of thinking through some of the drivers of PIF growth.

Susan Patricia Griffith
President, CEO & Director

I don't know historical at the top of my head, David, but we're pretty excited about both the trailing 3 and trailing 12 PLE and where we are from a month. And we sort of have internally, David, here that we talk about the value of 1 month of PLE to our lifetime earned premium. I think we're pretty high.

John Peter Sauerland
VP & CFO

Yes. We are not yet quite back to our all-time high for policy life expectancy. But we're getting there. And our trajectory is certainly indicating that we might be achieving new highs later in the year. We can't project that, obviously. But when you look at the charts, that's what you might conclude. So again, will depend upon the competitive environment. We think we're in a much more stable place, meaning not having to take nearly as much rate as we have historically. The market continues to rise, and we think it's going to play well to policyholder retention.

Operator

Our next question comes from the line of Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research US LP

Could you just talk a little bit about, Tricia, I guess, across the book, how you're thinking about severity in 2024?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean, I like the fact that severity seemed to moderate a little bit. And so we're hoping that it's a little bit benign. When you look at, last year, we were affected by fixing cars, and that seems to be a little bit calmer. So I think auto parts inflation is nearing 0 and auto services is in the kind of mid-single digits. So we're, that's how we're thinking about it. We'll obviously watch if something changed as they did last year. But I'm thinking -- I think benign and kind of moderate is what I would say from a severity perspective. And I feel the same way with [indiscernible] right in the 8% to 10%.

Ryan James Tunis
Autonomous Research US LP

Got it. And then I know last year, you kind of shared with us early in the year, I think it was a modest amount of rate that you expected to be taking over the year. You mentioned California, New Jersey, New York. Could you just give us maybe a placeholder for, I guess, what you're thinking in the aggregate, if you're able to get those, the rate in those states kind of yes, in the aggregate, what we'll be looking at in terms of rate increases in '24?

Susan Patricia Griffith
President, CEO & Director

Yes. I really can't share that because it's different with each state. We're in the midst of talking to the departments and showing our verification for needs for those rates. I can say is that we'll get what we need to, to be at our target profit margins, or won't be able to be as open, which is, like I said, unfortunate for consumers. For the rest of the country, we feel good at the rate we have gotten for the last several years. And so that's really what we're focusing on in addition to the conversations and negotiations with our departments.

Ryan James Tunis
Autonomous Research US LP

Got it. And then just one more, if I could sneak it in. obviously, progress with the Robinson. Just curious what the geographic diversity of that book looks like versus your broader auto book. Is that still kind of heavily coastal or I guess it doesn't look like the broader agency book does?

Susan Patricia Griffith
President, CEO & Director

Are you thinking -- are you, Ryan, are you talking more like the property side of the Robinsons?

Ryan James Tunis
Autonomous Research US LP

On the Auto. So yes, because of the property, it had been coastal, I'm wondering if it's starting to look more like the -- how you've historically seen the agency book?

Susan Patricia Griffith
President, CEO & Director

Yes. I think we're trying to make sure that -- well, there's Robinsons everywhere. So there could be a different value of the insurability of homes, et cetera. But yes, I think that, obviously, because Robinsons have a property feature to them, and we are getting into more nonvolatile states growth. You'll see Robinson growth in those states over time. But it will take some time. I mean we were still in the midst of moving our book a little bit away from Florida, as we discussed with our 115,000 nonrenewals that actually we set notices out in January, and those will start to nonrenew into another company that we're working with to take those should they want them in May, of this year. But yes, we're -- if you read all the data of our PIF growth, our premium growth and our new app growth in nonvolatile versus volatile, we are ahead of plan, but still a long way to go. We should grow Robinsons in those areas for sure.

Operator

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

Michael Augustus Ward
Citigroup Inc., Research Division

Just following up on Elyse's question, the Florida releases. Was that some of the litigation-related reserves from last year? And I guess, how are you feeling about those reserves in that kind of situation?

Susan Patricia Griffith
President, CEO & Director

It was mostly floor to kind of across the board, a couple of different things. Some were some settlements on glass, some from House Bill. So there was a couple of different inputs to the release, we are feeling positive about the tort reform change in Florida. And we're starting to see a little bit of that. I don't want to get ahead of my skis with that. But we believe, especially the new comp negligence law should be very helpful. But again, we'll watch that really closely because it's still new, and there's a lot of things that can unfold, but we're positive about the changes that have been made in Florida.

Michael Augustus Ward
Citigroup Inc., Research Division

Okay. And then on frequency, curious about frequency kind of like year-to-date? Just following the very favorable December.

Susan Patricia Griffith
President, CEO & Director

I don't, if I were looking at frequency, I would look at it more on the trailing 12 over current 12 and about 2% because there's a lot that goes into the data that you saw from this quarter in terms of mix. So John talked about that a little bit. We were really tight with our underwriting. So our mix of business is more preferred which causes less frequency of accidents. You'll hear this a lot. But since we're changing to a Gregorian calendar, a little bit of data in there. And then, of course, weather in December was really benign. So I would think that, and of course, we can't predict frequency or severity. But I would be thinking of frequency as more of reverting back to our normal trend ex all COVID, et cetera, the last 60 years, frequencies continue to decline a couple of points every year.

Operator

Our next question comes from the line of Meyers Shields with Keefe, Bruyette & Woods.

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

Two quick questions. First, Tricia, in the past, you talked about how the last sort of piece of the property puzzle was getting non-cat weather price correctly. Do you think that was the issue that kept you above the 96% in 2023?

Susan Patricia Griffith
President, CEO & Director

There's a lot of things that went to that. I'm trying to think of, I was just thinking of January, too, because some of the weather in January was actually nonvolatile. So there's weather just across the board here and there, nothing big with cats. But I would say a lot of things went into 2023. We didn't have the right rate. We're still working on our segmentation. We really, in earnest, just started to be able to de-risk especially in the really volatile states. And I think all those things together kind of put us where we were at the end of the year.

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

Okay. The second question is with regards to PAA. Is there any limitation on your -- like contractual locations on your ability to use the data from other companies?

Susan Patricia Griffith
President, CEO & Director

Yes. We are very -- we are -- it's a very important thing for the relationships to make sure that their proprietary data is just that, and we don't share it within other places at Progressive. So as an example, there's a company we've worked with for a long time. They're a great partner, and we actually bifurcate the monthly reports, the data because we think that is really important for everyone to have their algorithms and same with ours.

Operator

[Operator Instructions] Our next question comes from the line of Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

My first question ties back to Josh's questions on economies of scale and the improving expense ratio. How much room does that leave you guys to maybe increase your ad spend, marketing spend without really compromising on efficiencies and seeing significantly lower incremental returns there?

Susan Patricia Griffith
President, CEO & Director

Well, if you're talking about expense ratio, I would look, I probably look more directly at our direct expense ratio because that's we're going to hit some of the marketing spend. And it's pretty low, especially compared, maybe this isn't the right comparison. Especially compared to January of last year, it was like 4.5 points lower. So there will be pressure on the expense ratio. Even though the marketing spend will be efficient just because it's out there. And you'll see that I would follow the direct spend. If you look at December's direct loss ratio to January. I think December was a little bit over 12%. So you're going to start to see that when we put media our media budget into play.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Right. I guess what I'm trying to get at here is if we go back, we'll see an expense ratio of roughly 20%, which is a mix of ad spend and other stuff. Can you essentially fill the ad spend bucket to get back to 20%? Or is the economies of scale so significant today that, that 20% rate is probably kind of not so relevant anymore?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean, I'll let Pat add in. I think too, John talked a little bit about the nonacquisition expense rate. So I'll show acquisition. I'll let Pat weigh in a little bit. We are not going to spend just to spend to get up to the 20%. We're going to be efficient. Now for some reason, it gets up to 20%, and we are bringing great new business and huge amounts, and we feel great about. That could be one thing. And then we'll continue to focus on the pressuring non-acquisition expense ratio as one part of that formula. Do you want to add anything?

Patrick K. Callahan
President of Personal Lines

Yes. I think that's your characterization is spot on in that we have a hierarchy of levers that we pull in order to slow the business and in order to grow the business on the other side. So whether it's starting with reducing verification or opening up more favorable bill plans, then spending more then if we're doing all those and unable to drive conversion at a level that we want to grow, we would potentially lower rates at that point. But that's the hierarchy that we're reversing right now. And at this point, what's maybe a little deceiving is average premiums have gone up significantly due to the rate increases, which is driving down that expense ratio.

So even if we got spending back to an absolute dollar basis, where we were in the past, you're not going to get your expense ratio back to where it was in the past. But to Tricia's point, our budget is governed by our ability to efficiently acquire customers against what we expect to be the lifetime value of that customer to Progressive and of course, to make sure we can deliver phenomenal claims and customer service and support the growth on that end. So I hope that helps in that we're not swinging back to 20%. What we're doing is unwinding some of the changes that we've made. Some have very little expense costs associated with them. Media, obviously, has a greater cost to it on the other side.

John Peter Sauerland
VP & CFO

Sorry. I just wanted to give a little greater appreciation of how we spend. We do it in an extremely surgical and analytical manner. We have loads in our pricing by customer segment at a very finite level. And so we understand what we can spend to and meet our lifetime combined ratio targets on each customer segment. So, as we go into spend, we are not targeting an expense ratio. To Pat's point, we are being extremely surgical and targeted in going after customer segments where we know we can spend up to that allowable cost that we have priced into the product at the segment level. A little different approach than I think you're thinking.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I think you just articulated than the way I was able to ask the questions. So thank you.

My other question, if we could switch to the commercial book. I think you had some volatility in the TNC business last year, both in terms of the top line growth and more importantly, there's the loss ratio. Can you maybe give us an update where you are today, how comfortable you are with it? But kind of the trajectory you see there?

Susan Patricia Griffith
President, CEO & Director

Yes. So for the -- let me kind of talk about Commercial overall, and I'll get into the TNC part. So -- for our core commercial business, I feel much more positive where we are from a combined ratio perspective, especially with 16 points yet to earn in this year. And then I talked a little bit about some expansion products that we talked about like in horizon 2. So think of Progressive Fleet, think of TNC, think of our BOP. Those do put a little pressure on our core business, but we think it's important to invest in them. The TNC, we've continued to strengthen reserves, as you saw last year, and we'll have some rate increases that go into play significant ones this quarter. So we feel much better about it. And if you go back we have 20 states total between the 2 companies that we work with.

But if you go back to where, we started with our first state in 2016. That knowledge that we've learned in the TNC business has really helped us. So each state is a little bit different depending on the maturity level of that. And a lot of what happened last year with the reserve strengthening, happened to be in 2 states, New Jersey and California and in coverages of UM and UIM. So that's where we're working to get the right rate to make sure we can reach our profit margin.

Operator

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

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

I think I just have, well, maybe two. Just one. To what extent is the hard market in Personal Auto have any impact on the mix of customers that stay bundled. In other words, if there's more, maybe sticker shock in one versus the other? Are you seeing customers kind of get away from the desire to bundle?

Susan Patricia Griffith
President, CEO & Director

I mean, I think right now, customers are looking for price because it's gone up so much with everything else. So people do you like to bundle because you can also get a discount in most companies. The hard market for me I really equate to more just overall shopping. Just people get their renewals and they shop and can -- have we already got the rate in the system to get them. So we want to get auto, we want to get home and we want to get the bundled regardless of either one. Obviously, we care a lot about the bundle. But it's really, I think, customers dictate the market based on the trends they're seeing in their bills.

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

Okay. And then just separate, can you share any thoughts on loss trends in your Protective business that you did a couple of years ago? How is that looking? And any trends there?

Susan Patricia Griffith
President, CEO & Director

Not really. No.

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

Okay. Nothing that stands out versus normal the smaller fleets, the smaller normal commercial business?

Susan Patricia Griffith
President, CEO & Director

No. We continue, we'll continue to grow. We've expanded our own fleet before Protective from 10 power units to 40 power units. We continue to expand. We continue to work on the integration of the acquisition we feel positive about the acquisition. And we have some rate in the system definitely for a Progressive Fleet, but nothing really more than that to share.

Operator

We have a follow-up question from the line of Meyer Shields with Keefe, Bruyette & Woods.

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

I was just wondering whether the PAA commissions factor into either the 96% combined ratio target somehow? Or if there is a profit goal for that business?

Susan Patricia Griffith
President, CEO & Director

The commissions are just that. There's just commissions that come in the door that we've agreed with the companies and then there, of course, rating their auto or their home based on their rating algorithm.

John Peter Sauerland
VP & CFO

They flow as a contract expense on the area in that combined ratio.

Operator

We have a follow-up question from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Are you guys considering making any changes to your reinsurance program as it comes up for renewal this year?

Susan Patricia Griffith
President, CEO & Director

I think well, you saw what was outlined in the K with the Aggregate Program. And then our cat [tower] program is up for renewal in June, and we're working on that. Right now, actually, 2 of the people are in London, talking with our reinsurers, we feel like we'll have some positive results, come the June renewal.

John Peter Sauerland
VP & CFO

Yes. So we don't have anything definitive to offer Elyse, but you can generally think of us targeting retention in generally the same area. I can't guarantee it will be exactly the same. We have, as we derisked the property portfolio been enjoying decreasing PMLs. So that helps us at the top of the tower because we might not have to buy as much. But generally speaking, you can think of the focus and the structure of the cat program at June 1 is very similar to what we have today.

Operator

We have a follow-up from the line of Michael Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Just a quick follow-up. First, I heard you say, I think it was the first time you've said that you feel the recent Florida legislative performs are actually a positive. You gave some context around it. But just curious, are the reforms meaningful enough that it might cause you to change your derisking strategy in the state of Florida, which has been, I think, more home insurance centric?

Susan Patricia Griffith
President, CEO & Director

No. I think what allows me to think about is being able to continue to grow there and not have so much litigation that puts pressure on the rest of the book. We still had, when we think about the derisking of the Florida property book. Half of those were rental properties, coastal properties. Those are things that I feel like we should have derisked anyway regardless. So I think you would do that anyway, and I wouldn't go back from that. I mean I think the reforms will be good overall just for the structure. And of course, again, I don't want to get out ahead of my skis, I want to kind of see how it pans out. But yes, I think that's what I would say. So we're seeing some small data signs that we believe it's good.

Again, I want to give it some time. I want to derisk the book. And right now, we're open for business really in sported with new construction on homes, and that's it.

Operator

We have a follow-up from the line of David Motemaden with Evercore.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Just had a question on the 19 points of personal auto rate that you guys got last year. How much of that is still yet to earn in?

Susan Patricia Griffith
President, CEO & Director

How much of that Pat, I think...

Patrick K. Callahan
President of Personal Lines

At this point, I think we've probably got, I don't know, 8 to 9 points that are still earning in. I'd have to look at the table for details, but we got some big rate increases later in the year that we'll still earn in because we've got obviously 6 months and the 12-month policy renewals.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Understood. And then just on the ambient shopping levels, have you guys seen any changes in ambient shopping over the last several months?

Susan Patricia Griffith
President, CEO & Director

Yes. We've seen the increase in ambient shopping. And so we'll watch and see if that continues. And I think when some of our competitors get their rate in the system, like Pat has said, it depends on the competitor because some have 6-month policies, many have 12-month policies, which obviously takes a lot more time to earn in. I'm sure we'll see that diminish, but that's when we have all the other levers that we have for our growth.

Let's wrap up after this.

Operator

A final question comes from the line of Michael Ward with Citi.

Michael Augustus Ward
Citigroup Inc., Research Division

Last but not least. I was just wondering the claims specialist in property, is that the increase in that number? Is that part of the customer value prop? Or is it something else?

Susan Patricia Griffith
President, CEO & Director

I'm not clear on your question.

Michael Augustus Ward
Citigroup Inc., Research Division

The property claims specialist count increased? On the 10-K we noticed.

Patrick K. Callahan
President of Personal Lines

Operating claims. Is that.

Susan Patricia Griffith
President, CEO & Director

The growth for the head count growth?

Michael Augustus Ward
Citigroup Inc., Research Division

Yes.

Susan Patricia Griffith
President, CEO & Director

Yes. So we are growing our ability to handle our own claims internally historically, especially when we first bought ASI, the majority of the claims that we handled were through independent adjusters. And while we still use a lot of independent adjusters for our appraisals, wanted to have that talent in-house. So that is the increase. Sorry, I did understand your question to begin with. But yes, that increase is just to us to have that talent and understanding as we grow our property book.

Operator

I would now like to turn the call back over to Doug.

Douglas S. Constantine
Director of Investor Relations

That appears to be our final question. So that concludes our event. And [indiscernible], I'll hand it back over to you for the closing scripts.

Operator
Ladies and gentlemen, that concludes the Progressive Corporation's Fourth Quarter Investor Event. Information about a replay of the event will be available on the Investor Relations section of Progressive's website for the next year. Ladies and gentlemen, you may now disconnect. Everyone, have a wonderful day.