

Progressive Corp.

Nov Results: Continued Strong PIF growth and Underwriting Improvement

Solid EPS beat fueled by solid underlying results, PIF growth beats across the board.

Summary: November net EPS of \$1.71 is well above our estimate of \$1.23. The beat comes primarily due to strong performance in the Property segment and lower than expected catastrophe losses for the month. Cat losses came in at \$(18) million which was significantly below our \$63 million estimate, as favorable development associated with Hurricanes Helene and Milton exceeded current month storm losses. Progressive also saw favorable prior year development to the tune of \$3.7 million, or 10 bps. Company wide underlying loss ratio came in below our expectations at 65.6% vs. our 66.8%. Underlying Combined ratio also came in 220 bps below our estimate, printing 86% vs. our 88.2%. PIF growth continues to be strong and beat our estimates solidly across the board. NPW growth missed our mark of 29.3% by 11.6 points, coming in at 17.7%. NPE growth of 18.9% also came in below our estimate of 24.1%. Overall, a solid print as PIF growth remained strong, catastrophes came in much better than expected, and strong Property results as well as solid Personal and Commercial results contributed to a bottom line beat.

Policies In Force: PIF growth was strong yet again for the month of November, which grew 17.4% overall vs our expectation of 16.3%. Agency saw growth of 16.7% y/y which compares to our 16% estimate. Direct grew 24.6% y/y vs. our 22.5% estimate. Personal Lines showed growth of 18.4%, above our 17.2%. Commercial growth came in at 3.5% y/y vs. our 1.3% estimate. Lastly, Property PIF grew 14.5%, slightly above our 14% estimate. Sequentially, Agency PIF grew 120k and Direct PIF grew 211k.

Personal Lines: Underlying loss ratio came in at 66.9%, slightly below our 67.1% estimate. Expense ratio came in at 20.4% which compares to our 21.3% estimate. NPW growth was 21.3% vs. our 32.7%. NPE growth was 22%, well below our 29.7% estimate. Personal Lines posted underwriting income of \$633.6 million compared to our \$563.9 million. On a segment basis within Personal, Agency underlying combined ratio of 83.5% was better than our 86.5% estimate and Direct's underlying combined of 90.4% came in above our 89.9% estimate.

Commercial Lines: Underlying loss ratio in Commercial Lines was 64.7%, significantly below our 70.0% estimate. NPW growth of 0.2% came in much weaker than our 13.2% estimate, though NPE growth of 3.3% was above of -1.5% estimate. Underwriting income of 134.3 million came in well above our \$83.8 million estimate.

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Completed: 13-Dec-24, 14:55 GMT Released: 13-Dec-24, 14:56 GMT Restricted - External

PGR	EQUAL WEIGHT
North America Insurance/ Non-Life	NEUTRAL
Price Target	USD 277.00
Price (12-Dec-24)	USD 242.76
Potential Upside/Downside	+14.1%

Source: Bloomberg, Barclays Research

North America Insurance/Non-Life

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Property: Underlying loss ratio came in much better than expected at 31.9% vs. our 51%. Expense ratio also came in at 28.6%, 40 bps below our estimate of 29%, thus leading to a strong underlying combined ratio beat, posting 60.5% vs. our 80% estimate. NPW growth was 4.9% y/y for November vs. our 15.3% growth estimate, and NPE growth of 14.8% came in lower than our 20.4% estimate. Underwriting income of \$113.2 million was far above our \$31.7 million estimate.

FIGURE 1. PGR - Quick Take Summary Financial Information

	Nov-21	Nov-22	Nov-23	Oct-24	Nov-24		Diff vs BARCe
	Actual	Actual	Actual	Actual	Reported	BARCe	
Summary Financial Information							
Net premiums written	3,289	3,699	4,725	6,578	5,563	6,107	(8.9%)
Growth %	11.2%	12.5%	27.7%	19.0%	17.7%	29.3%	(11.5pp)
Net premiums earned	3,590	3,989	5,079	6,387	6,040	6,304	(4.2%)
Growth %	14.0%	11.1%	27.3%	18.6%	18.9%	24.1%	(5.2pp)
Net Investment Income	72	122	184	259	262	263	(0.3%)
Net Income	195	445	681	408	1,006	722	39.2%
Operating income	271	317	482	478	867	722	20.0%
Net EPS	\$0.33	\$0.75	\$1.15	\$0.69	\$1.71	\$1.23	39.3%
Operating EPS	\$0.46	\$0.54	\$0.82	\$0.81	\$1.48	\$1.23	20.0%
BVPS	\$32.25	\$27.24	\$32.54	\$45.35	\$47.43	\$46.54	1.9%
BVPS xAOCI	\$32.06	\$32.07	\$37.78	\$47.86	\$49.50	\$49.04	0.9%
Operating ROE on BVPS xAOCI	17.4%	20.4%	26.3%	20.6%	36.4%	30.4%	19.5%

Source: Barclays Research, Company Data, Bloomberg

FIGURE 2. PGR - Quick Take Policies In Force

	Nov-21	Nov-22	Nov-23	Oct-24	Nov-24		Diff vs BARCe	
	Actual	Actual	Actual	Actual	Reported	BARCe		
Policies in force								
Policy in force growth:								
Agency – auto	4.0%	(2.4%)	7.5%	14.9%	16.7%	16.0%	0.7pp	
Direct – auto	8.1%	5.2%	10.2%	22.5%	24.6%	22.5%	2.1pp	
Personal Auto	6.2%	1.7%	9.1%	19.3%	21.2%	19.7%	1.5pp	
Total Personal Lines	6.5%	2.5%	8.6%	16.9%	18.4%	17.2%	1.2pp	
Total Commercial Lines	18.2%	8.2%	5.3%	2.9%	3.5%	1.3%	2.2pp	
Total Property business	-	2.9%	8.1%	14.4%	14.5%	14.0%	0.5pp	
Companywide Total	-	2.8%	8.4%	16.1%	17.4%	16.3%	1.2pp	

Source: Barclays Research, Company Data, Bloomberg

FIGURE 3. PGR - Quick Take Total Company P&C Underwriting

	Nov-21 Actual	Nov-22 Actual	Nov-23 Actual	Oct-24 Actual	Reported	BARCe	Diff vs BARCe
Total Company P&C Underwriting							
Net premiums written	3,289	3,699	4,725	6,578	5,563	6,107	(8.9%)
% Growth YoY	11.2%	12.5%	27.7%	19.0%	17.7%	29.3%	(11.5pp)
Net premiums earned	3,590	3,989	5,079	6,387	6,040	6,304	(4.2%)
% Growth YoY	14.0%	11.1%	27.3%	18.6%	18.9%	24.1%	(5.2pp)
Loss Ratio	73.6%	74.4%	75.3%	73.9%	65.2%	67.8%	(2.6pp)
Expense Ratio	18.3%	17.8%	15.8%	20.2%	20.4%	21.4%	(1.0pp)
Combined Ratio	91.9%	92.2%	91.1%	94.1%	85.6%	89.2%	(3.6pp)
Loss Ratio ex cats & PYD	76.3%	75.8%	74.7%	72.4%	65.6%	66.8%	(1.2pp)
Combined Ratio ex Cats and PYD	94.6%	93.6%	90.5%	92.6%	86.0%	88.2%	(2.2pp)
Catastrophes (\$mn)	(50)	(4)	10	249	(18)	63	NM
Catastrophes (pts)	(1.4%)	(0.1%)	0.2%	3.9%	(0.3%)	1.0%	(1.3pp)
Reserve development (\$m)	(48)	(55)	22	(156)	(4)	-	
Reserve development (pts)	(1.3%)	(1.4%)	0.4%	(2.4%)	(0.1%)	-	

Source: Barclays Research, Company Data, Bloomberg

FIGURE 4. PGR - Quick Take Personal Lines Underwriting

	Nov-21 Actual	Nov-22 Actual	Nov-23 Actual	Oct-24 Actual	Reported	BARCe	Diff vs BARCe
Personal Lines Underwriting							
Net premiums written	2,555	2,955	3,873	5,253	4,699	5,138	(8.6%)
% Growth YoY	6.4%	15.7%	31.1%	21.4%	21.3%	32.7%	(11.3pp)
Net premiums earned	2,780	3,074	4,021	5,173	4,923	5,214	(5.6%)
% Growth YoY	7.6%	10.6%	30.8%	22.1%	22.4%	29.7%	(7.2pp)
Loss Ratio	76.4%	75.2%	73.4%	74.0%	66.7%	67.9%	(1.1pp)
Expense Ratio	17.4%	16.6%	14.5%	20.3%	20.4%	21.3%	(0.9pp)
Combined Ratio	93.8%	91.8%	87.9%	94.4%	87.1%	89.2%	(2.1pp)
Loss Ratio ex cats & PYD	79.5%	77.2%	72.4%	72.8%	66.9%	67.1%	(0.2pp)
Combined Ratio ex Cats and PYD	96.9%	93.8%	87.0%	93.1%	87.3%	88.4%	(1.1pp)
Catastrophes (\$mn)	(50)	(18)	20	191	(5)	42	NM
Catastrophes (pts)	(1.8%)	(0.6%)	0.5%	3.7%	(0.1%)	0.8%	(0.9pp)
Reserve development (\$m)	(37)	(42)	17	(127)	(3)	-	
Reserve development (pts)	(1.3%)	(1.4%)	0.4%	(2.4%)	(0.1%)	-	

Source: Barclays Research, Company Data, Bloomberg

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Progressive Corp. (PGR, 12-Dec-2024, USD 242.76), Equal Weight/Neutral, CD/CE/J/K/M

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Hamilton Insurance Group (HG)	Marsh & McLennan Cos. (MMC)	Progressive Corp. (PGR)
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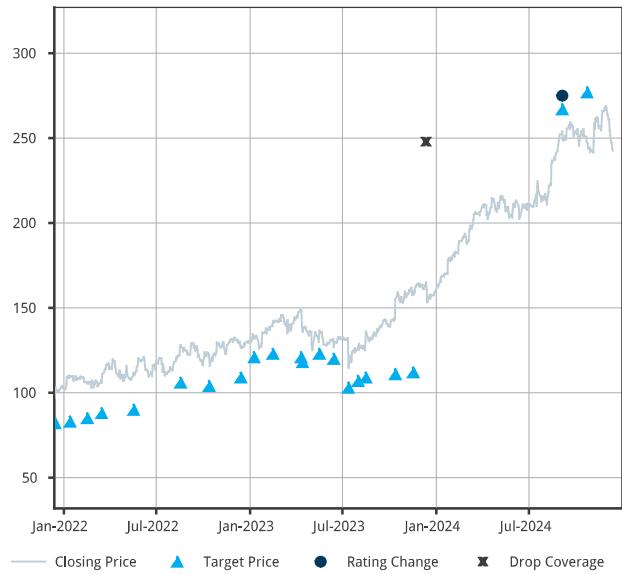
Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Closing Price: **USD 242.76** (12-Dec-2024)

Rating and Price Target Chart - USD (as of 12-Dec-2024)

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
23-Oct-2024	248.25		277.00
04-Sep-2024	252.20	Equal Weight	267.00
05-Dec-2023	163.41	Coverage Dropped	
17-Nov-2023	159.94		112.00
13-Oct-2023	143.30		111.00
16-Aug-2023	125.05		109.00
01-Aug-2023	125.98		107.00
13-Jul-2023	132.11		103.00
14-Jun-2023	131.68		120.00
17-May-2023	129.76		123.00
14-Apr-2023	138.21		118.00
11-Apr-2023	149.00		121.00
15-Feb-2023	139.27		123.00
09-Jan-2023	134.61		121.00
14-Dec-2022	126.58		109.00
13-Oct-2022	121.40		104.00
18-Aug-2022	122.49		106.00
18-May-2022	111.19		90.00
16-Mar-2022	107.31		88.00
16-Feb-2022	105.78		85.00
13-Jan-2022	109.85		83.00
15-Dec-2021	97.14		82.00

On 13-Dec-2021, prior to any intra-day change that may have been published, the rating for this security was Underweight, and the adjusted price target was 81.00.

Source: Bloomberg, Barclays Research

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