

Progressive Corp.

March '23 Earnings: FL Flurry of Claims

| CORE

Florida reform reactions - on the offense - and higher severity contributed to adverse PYD and a higher loss pick. We anticipated adverse PYD, yet the toll was worse than expected. We think PGR generally underplays social inflation; we are closely watching commercial auto.

Recently passed legislation in Florida ([Bill 837](#)) (which encouraged a flurry of claims aimed to front-run the bill) drove part of PGR's EPS miss. While loss creep is a possibility, PGR's claim count should be known. Ultimately, FL tort reform, is a good thing, as it disincentivizes lawyers from pursuing and prolonging cases - which will lower litigation costs to insurers. We understand most insurers are bracing for any benefit to take some time to materialize. We are still estimating adverse PYD (2 pts on the loss ratio) in April due to higher inflationary severity. In general, we are cautious about Progressive's undeterred stance with respect to social inflation. Peers vocalize more concerns about higher attorney representations more than PGR, especially on the commercial auto side.

Combined ratio (i.e., bottom line) missed our estimates

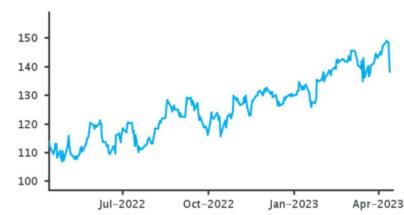
PGR missed our combined ratio estimate (106.2% vs our estimated 95.6%) and was above management's 96% target as all lines reported combined ratios north of 100% (Personal Lines at 104.5% vs our estimated 95.9%, Commercial Lines at 102.4% vs our estimated 93.9%, and Property at 145.9% vs our estimated 96.9%).

- PGR reported a third consecutive month of **unfavorable PYD** of \$146.5mn (vs. \$65.4mn estimate) or 3.4 pts on the loss ratio. This follows 6.5 pts and 3.5 pts of unfavorable PYD in January and February, respectively.
- Tort reform in Florida came into effect March 24, 2023. As the effective date was coming down to the wire the industry filed ~100,000 lawsuits leading up to March 24, or 77% of total cases filed since Jan. 1, 2023. PGR views tort reform offensive measures similar to reserving for a catastrophe. To a lesser degree higher than anticipated severity played a part in adverse PYD.
- We estimate that adverse PYD hurt the personal lines auto loss ratio by 2.4 pts, as personal auto represented 55% of total PYD. Commercial auto made up 30% of the unfavorable PYD due to an increase amount of late claims and changes in reserve estimates (e.g., inflation, aging of reserves). The balance of adverse PYD came from

PGR	UNDERWEIGHT
	Unchanged
U.S. Insurance/Non-Life	POSITIVE
	Unchanged
Price Target	USD 118.00
	lowered -2% from USD 121.00
Price (13-Apr-23)	USD 138.21
Potential Upside/Downside	-14.6%
Market Cap (USD mn)	80904
Shares Outstanding (mn)	585.37
Free Float (%)	99.65
52 Wk Avg Daily Volume (mn)	2.6
Dividend Yield (%)	0.29
Return on Equity TTM (%)	4.95
Current BVPS (USD)	28.82

Source: Bloomberg

Price Performance Exchange-NYSE
52 Week range USD 149.87-106.35



Source: IDC

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

U.S. Insurance/Non-Life

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Completed: 14-Apr-23, 05:28 GMT Released: 14-Apr-23, 05:30 GMT Restricted - External

property while specialty lines offset some of the negative impact.

- PGR's **underlying loss ratio** of 77.5%, was worse than our estimated 73.1%. PGR took \$100mn of actuarial adverse adjustments to its current AY, or 2.3 pts. PGR's concerns about higher severity impacted its case reserves and closes/late reported claims.
- PGR's **expense ratio** was slightly higher at 21.1% in Mar. vs 20.6% in Feb and 20.2% in Jan. To recap, PGR's pre-pandemic expense ratio ran just north of 20%.
- PGR reported **catastrophe losses** of \$182mn vs our \$55mn estimate. Management noted that they released \$40mn or 0.9 pts of cat losses related to Hurricane Ian.

Top line growth (Policies in Force and Net Investment Income) outperformed our expectations

Personal auto PIF grew +2.1% sequentially (Mar '23 vs. Feb '23), roughly in line with the previous +2.4% sequential print (Feb '23 vs. Jan '23). On an annualized basis, that would imply PIF growth of 25% (keeping monthly growth constant over 12 months), though there are seasonality adjustments needed. On a y/y basis, PGR recognized positive personal auto PIF growth over the last six months (+10.8% in Mar., +8.1% in Feb., +5.4% in Jan., +2.6% in Dec, +1.7% in Nov. and 0.5% in Oct.). That said, we question the sustainability of growth, as PGR's premiums to surplus is ~3x at YE22. PGR's pricing may appear more competitive as the insurer believes taking rates is behind it, a sentiment that we think is premature. PGR may be leaving rate on the table. PGR's overall premium growth levels (+19% NPW y/y) consume capital, and it is generating lower organic capital through earnings than its historical trend.

PGR's pre-tax net investment income (ex expenses) this month was \$155mn vs. our \$127mn estimate, helped by improving equity market (+3.3% common stock yield) and fixed income (+1.4%) returns.

March operating EPS loss of \$(0.19) missed our \$0.40 estimate, reflecting a higher combined ratio (106.2% vs our 95.6% estimate) due to adverse PYD (Florida reforms and higher severity impacting personal auto, late reported claims and reserve assumptions impacting commercial lines, and changes to cat reserves impacting property lines) and higher catastrophe losses. This was somewhat offset by a 22% beat on net investment income and 2% beat on premium growth.

These collective three-month adverse PYD actions are a negative read on ALL (we model ~\$140mn or 1.2 pts of adverse PYD on ALL's 1Q23 estimates). Though ALL is more underweight in FL vs. PGR.

PGR: Quarterly and Annual EPS (USD)

FY Dec	2022	2023			2024			Change y/y	
	Actual	Old	New	Cons	Old	New	Cons	2023	2024
Q1	1.12A	1.24E	0.65A	1.38E	1.88E	1.74E	2.18E	-42%	168%
Q2	1.03A	1.23E	0.67E	1.47E	1.68E	1.70E	1.76E	-35%	154%
Q3	0.49A	1.45E	1.25E	1.45E	1.71E	1.73E	1.79E	155%	38%
Q4	1.47A	1.70E	1.47E	1.90E	1.87E	1.89E	2.27E	0%	29%
Year	4.12A	5.61E	4.04E	6.21E	7.15E	7.06E	7.97E	-2%	75%
P/E	33.6		34.2			19.6			

Consensus numbers are from Bloomberg received on 13-Apr-2023; 12:50 GMT

Source: Barclays Research

U.S. Insurance/Non-Life						POSITIVE	
Progressive Corp. (PGR)							UNDERWEIGHT
Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR	Price (13-Apr-2023)	USD 138.21
Net premiums earned	49,241	57,218	62,386	66,521	10.5%	Price Target	USD 118.00
Net investment income (NII)	1,260	1,739	2,005	2,253	21.4%	Why UNDERWEIGHT?	
Underwriting income	1,342	704	2,593	3,111	32.4%	Our call on PGR takes a longer term view. PGR may need to hold more capital to support an evolving business mix, which could lower ROEs. Likewise, we struggle to see how PGR could return to its historical PIF growth rate, as the company cut rates early during the pandemic and is now playing catch up, which is proving tough to gain approval from regulators.	
Operating income	2,415	2,372	4,137	4,790	25.6%		
Net income	694	2,429	4,137	4,790	90.4%		
Effective tax rate (%)	21.8	20.7	21.0	21.0	-1.2%		
Combined ratio (%)	95.8	97.3	94.3	93.8	-0.7%		
Combined ratio (ex cats & py development) (%)	92.6	94.0	92.6	92.1	-0.2%		
Per share data (\$)	2022A	2023E	2024E	2025E	CAGR		
EPS (adj)	4.12	4.04	7.06	8.19	25.8%		
EPS (reported)	1.18	4.14	7.06	8.19	90.7%		
DPS	0.40	2.55	2.65	2.65	87.8%		
BVPS	26.32	28.69	32.89	33.62	8.5%		
BVPS (ex AOCI)	31.01	32.45	36.65	37.39	6.4%		
Diluted shares (mn)	587	587	586	586	0.0%		
Balance sheet and capital return (\$mn)	2022A	2023E	2024E	2025E	CAGR		
Total investments	53,548	59,746	64,251	64,726	6.5%		
Common shareholders' equity (ex AOCI)	18,140	18,978	21,397	21,809	6.3%		
Share buybacks	63	99	171	171	39.3%		
Dividends paid	234	1,492	1,547	1,544	87.6%		
Balance sheet and capital return metrics	2022A	2023E	2024E	2025E	Average		
Debt leverage (%)	25.5	24.7	22.6	22.3	23.8		
Financial leverage (%)	27.5	26.6	24.3	24.0	25.6		
Total capital return as a % of op. earnings	12.3	67.0	41.5	35.8	39.2		
Valuation metrics	2022A	2023E	2024E	2025E	Average		
P/BV (ex AOCI) (x)	4.46	4.26	3.77	3.70	4.05		
P/E (adj) (x)	33.6	34.2	19.6	16.9	26.1		
Dividend yield (%)	0.3	1.8	1.9	1.9	1.5		
ROE (%)	3.8	12.5	19.4	20.1	14.0		

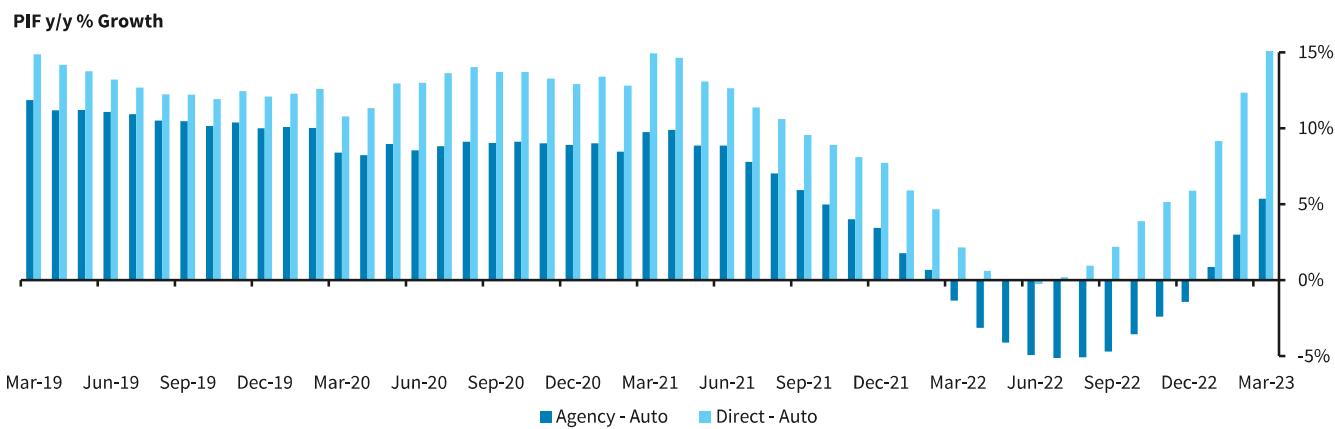
Note: FY End Dec
Source: Company data, Bloomberg, Barclays Research



PIF Growth Spotlight

PGR reported personal auto PIF y/y growth of +10.8% in March (above our estimate of +9.8%), as auto agency PIF (+5.3% vs. our +5.1%) and auto direct (+15.2% vs. our 13.7%) outperformed our estimates.

FIGURE 1. PIF growth y/y in March with agent (+5.3%) and direct (+15.2%)

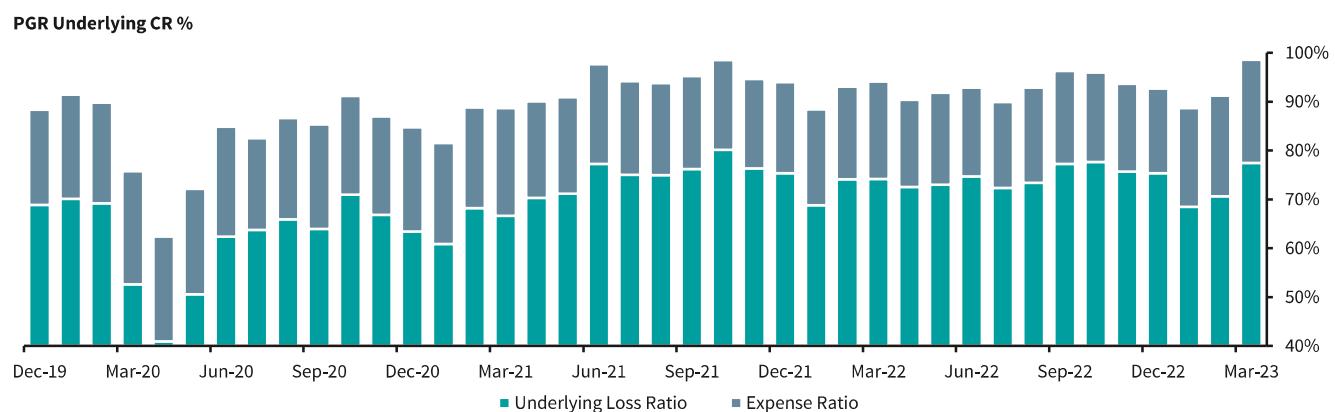


Source: Barclays Research, Company Data

Underlying combined ratio - higher underlying losses and expense ratios

PGR's underlying combined ratio of 98.6% deteriorated from 91.2% in Feb. and 88.7% in Jan., driven by a worsening underlying loss ratio (77.5% in Mar. vs 70.6% in Feb. and 68.5% in Jan.) and slightly higher expense ratio (21.1% in Mar. vs 20.6% in Feb and 20.2% in Jan.) To recap, PGR's pre-pandemic underlying loss ratio stood at ~68% and expense ratio ran just north of 20%. All that said, management is maintaining its 96% combined ratio target.

FIGURE 2. March '23 underlying loss ratio of 77.5% (vs. 73.1% Barclays) and expense ratio of 21.1% (vs. 19.8% Barclays)



Source: Barclays Research, Company Data

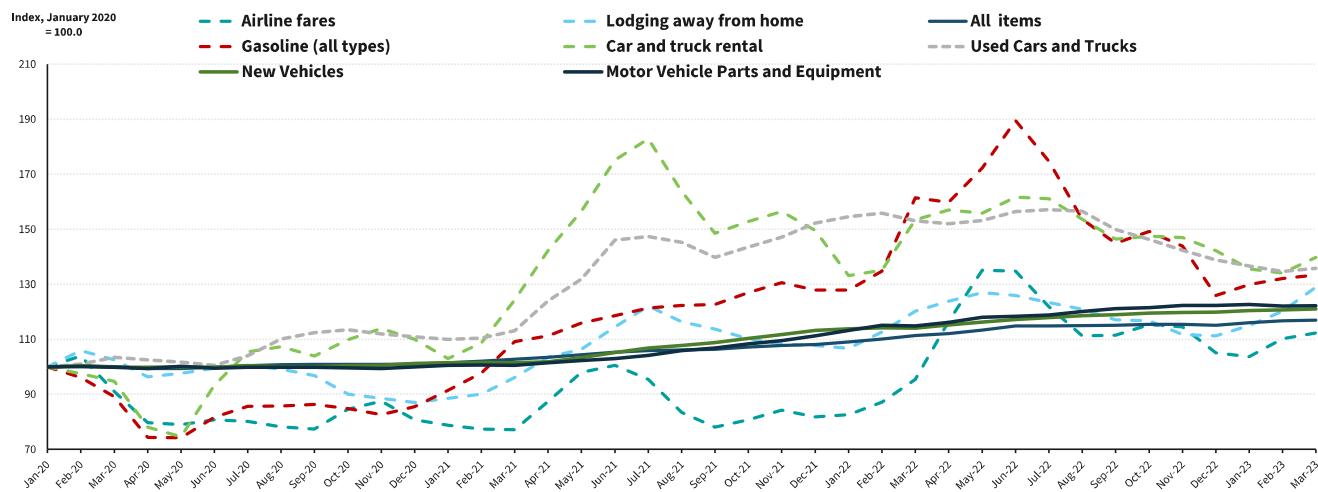
Inflation: Focus on Absolute Levels

Our focus is on an absolute basis, where used car pricing remains elevated (see Figure 3). Likewise, if we compare used car & truck pricing to Jan '19 levels, it is up 29.9% vs. all items at 19.9%. We pay lesser attention to the Consumer Price Index (CPI) for All Urban Consumers,

which rose 5.0% over the 12 months from Mar 2022 to Mar 2023. Used car and truck CPI trails all items at -11.2% in Mar vs. -11.6% in Jan.

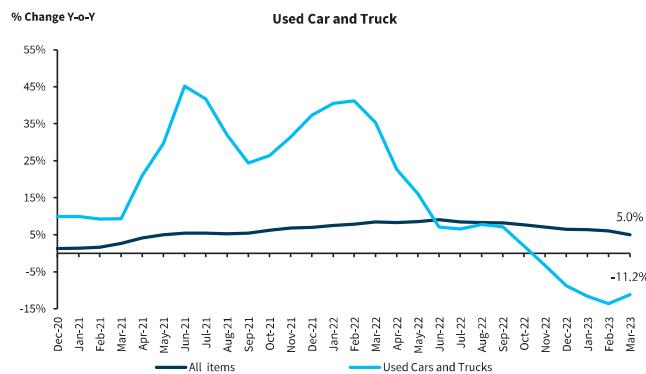
Manheim pricing was +1.5% m/m. We put less weight on on the year-over-year change that was down 2.4%. More importantly, if we compare Mar '23 to Mar '20, Manheim pricing is still up 53.8%. Compounded auto pricing during that period has not caught up – not anywhere close. There is still significant rate catch-up needed to see that inflection point. It will be like an “x”; loss costs go down, then pricing goes up – where the two intersect in our view can take a bit longer, especially given how long it is taking auto pricing to actually “earn” in.

FIGURE 3. CPI Indexed to January '20



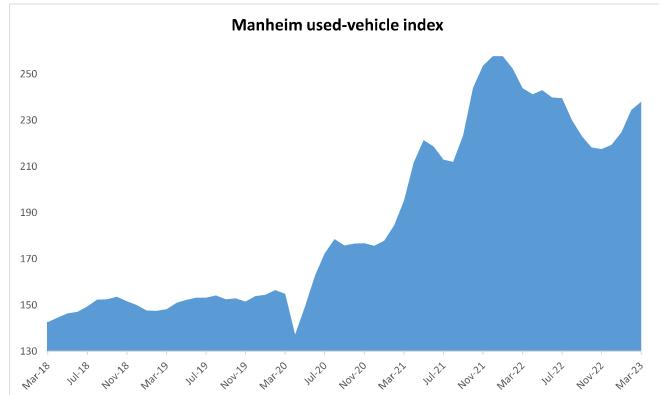
Source: Barclays Research, U.S. Bureau of Labor Statistics

FIGURE 4. CPI: Used Car and Truck (y/y -11.2% in Mar '23)



Source: Barclays Research, U.S. Bureau of Labor Statistics

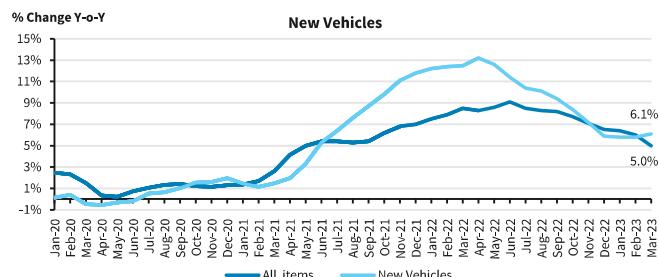
FIGURE 5. Manheim Used Car Prices (-2.4 y/y in Mar '23)



Source: Barclays Research, Bloomberg, Manheim

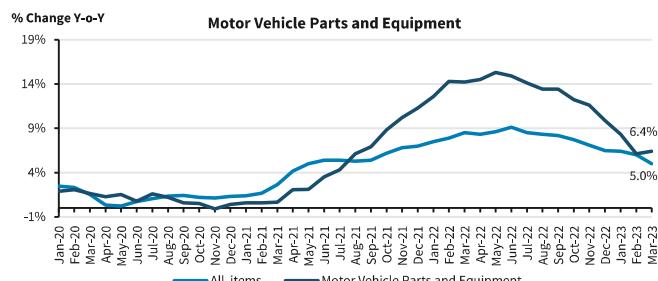
The new vehicle CPI index rose 6.1% y/y in March (up compared to the 5.8% increase in February) and Motor Vehicle Parts and Equipment CPI index rose 6.4% y/y (vs. 6.1% in February). However, comparing Mar '23 vs. Jan '19, new vehicles and car parts rose 21.3% and 24.5%, respectively.

FIGURE 6. CPI % Change (Y-o-Y): New Vehicles



Source: Barclays Research, U.S. Bureau of Labor Statistics

FIGURE 7. CPI % Change (Y-o-Y): Motor Vehicle Parts and Equipment

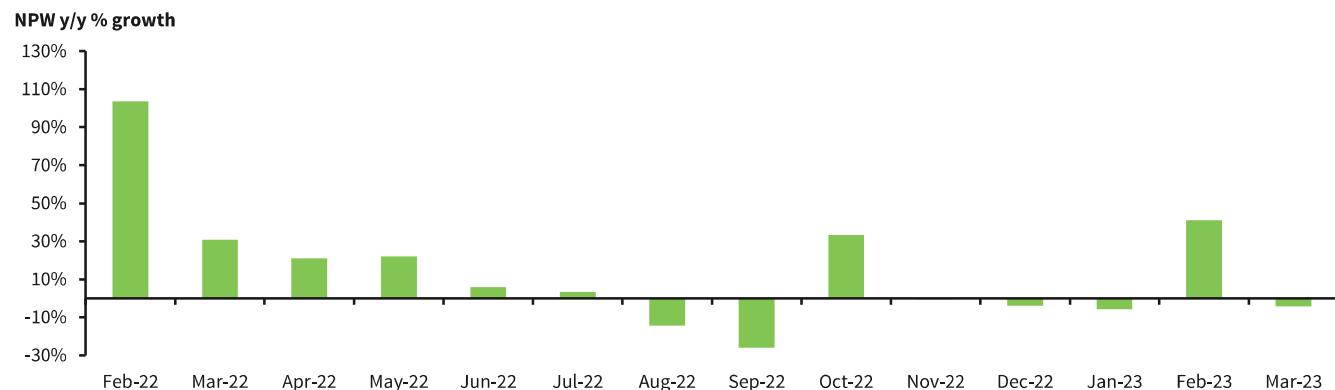


Source: Barclays Research, U.S. Bureau of Labor Statistics

Commercial NPW Declined 4% (y/y), or up 2% ex TNC

TNC once again obscures Commercial NPW growth: Reported commercial premium growth was down ~4% in Mar. '23 but was up 2% excluding TNC commercial premiums. The decrease was due to a year-over-year adjustment for mileage.

FIGURE 8. Commercial NPW growth (monthly)



Source: Barclays Research, Company Data

Valuation

Our PT of \$118 (was \$121) is based on 16.5x our new '24E EPS and 3.2x '24E BVPS (ex AOCI). Multiples are unchanged.

Model Updates:

We increase our loss ratio expectations to reflect higher loss picks and the continuation of adverse PYD, albeit tempered from March levels, reflecting higher severity expectations. Lastly, we increased our NII estimates.

Updated Operating EPS: We revise '23E from \$5.61 to \$4.04 and '24E from \$7.15 to \$7.06.

Variance Tables – Mar '23

FIGURE 9. Variance Analysis - Mar '23

Summary Details		M/M		Y/Y		Barclays Est.	
(in \$mn, except per share)	March '23A	Feb '23	% Change	March '22	% Change	Mar '23	% Var.
Net premiums written	\$4,720	\$6,058	-22%	\$3,970	19%	\$4,649	2%
Net investment income	\$155	\$128	21%	\$93	67%	\$127	22%
Combined Ratio	106.2%	95.1%	1110 bps	97.2%	900 bps	95.6%	1056 bps
Combined Ratio ex cats and PYD	98.6%	91.2%	739 bps	94.1%	454 bps	92.9%	573 bps
Operating EPS	-\$0.19	\$0.41	-146%	\$0.23	-181%	\$0.40	-147%
Book value per share (ex. AOCI)	\$31.7	\$31.95	-0.8%	\$30.7	3%	\$32.3	-2%

NPW by Segment		M/M		Y/Y		Barclays Est.	
(in \$mn, except per share)	March '23A	Feb '23	% Change	March '22	% Change	Mar '23	% Var.
Personal lines-agent	\$1,684	\$1,812	-7%	\$1,404	20%	\$1,663	1.3%
Personal lines-direct	\$2,042	\$2,246	-9%	\$1,582	29%	\$1,995	2.3%
Total Personal Lines	\$3,726	\$4,058	-8%	\$2,986	24.8%	\$3,658	1.8%
Commercial Business & Other	\$740	\$1,801	-59%	\$772	-4%	\$764	-3%
Property	\$254	\$199	28%	\$212	20%	\$227	12%
Total Written Premiums	\$4,720	\$6,058	-22%	\$3,970	19%	\$4,649	2%

CR by Segment		M/M		Y/Y		Barclays Est.	
(in \$mn, except per share)	March '23A	Feb '23	% Change	March '22	% Change	Mar '23	% Var.
Total Personal Lines	104.5%	95.3%	920 bps	96.4%	810 bps	95.9%	855 bps
Personal lines-agent	103.6%	93.3%	1030 bps	96.3%	730 bps	93.5%	1010 bps
Personal lines-direct	105.2%	96.9%	830 bps	96.5%	870 bps	96.3%	890 bps
Commercial Business & Other	102.4%	98.5%	390 bps	89.9%	1250 bps	93.9%	855 bps
Property	145.9%	78.4%	6750 bps	134.7%	1120 bps	96.9%	4902 bps

Source: Barclays Research estimates, Company Data

Variance Tables – Quarterly

FIGURE 10. Variance Analysis - 1Q23

Summary Details (in \$mn, except per share)	Q/Q			Y/Y		Barclays Est.	
	1Q23A	4Q22	% Change	1Q22	% Change	1Q23E	% Var.
Net premiums written	\$16,109	\$12,453	29%	\$13,181	22%	\$16,039	0%
Net investment income	\$420	\$392	7%	\$236	77.4%	\$386	8.7%
Combined Ratio	99.0%	93.9%	502 bps	94.5%	445 bps	95.6%	336 bps
Combined Ratio ex cats and PYD	92.6%	94.2%	(160 bps)	91.6%	96 bps	90.8%	181 bps
Operating EPS	\$0.65	\$1.47	-55%	\$1.12	-42%	\$1.24	-47%
Book value per share (ex. AOCI)	\$31.7	\$31.0	2%	\$30.7	3%	\$32.3	-2%

NPW by Segment (in \$mn, except per share)	Q/Q			Y/Y		Barclays Est.	
	1Q23A	4Q22	% Change	1Q22	% Change	1Q23E	% Var.
Personal lines-agent	\$5,414	\$4,579	18%	\$4,516	20%	\$5,393	0%
Personal lines-direct	\$6,699	\$5,179	29%	\$5,203	29%	\$6,652	1%
Total Personal Lines	\$12,113	\$9,758	24%	\$9,719	25%	\$12,046	1%
Commercial Business & Other	\$3,367	\$2,100	60%	\$2,926	15%	\$3,391	-0.7%
Property	\$629	\$602	5%	\$536	17%	\$602	5%
Total Written Premiums	\$16,110	\$12,460	29%	\$13,181	22%	\$16,039	0%

CR by Segment (in \$mn, except per share)	Q/Q			Y/Y		Barclays Est.	
	1Q23A	4Q22	% Change	1Q22	% Change	1Q23E	% Var.
Total Personal Lines	98.7%	93.9%	476 bps	95.2%	348 bps	96.0%	271 bps
Personal lines-agent	96.7%	95.1%	160 bps	93.4%	331 bps	93.5%	319 bps
Personal lines-direct	100.4%	92.9%	745 bps	96.8%	353 bps	97.5%	285 bps
Commercial Business & Other	98.4%	94.6%	383 bps	90.5%	791 bps	95.7%	273 bps
Property	105.5%	91.2%	1428 bps	98.5%	696 bps	88.3%	1712 bps

Source: Barclays Research estimates, Company Data

Model Summary

FIGURE 11. Model Summary (pg. 1)

(\$ in mn, except per share data)	2019	2020	2021	2022	2023E	2024E	2025E
Net premiums written	37,578	40,569	46,405	51,081	59,607	63,962	68,172
Revenues:							
Net premiums earned	36,192	39,262	44,369	49,241	57,218	62,386	66,521
Investment income	1,042	937	861	1,260	1,739	2,005	2,253
Total net realized gains (losses) on securities	1,029	1,630	1,509	(1,912)	72	-	-
Fees and other revenues	564	604	692	722	861	936	998
Service revenues	195	226	271	299	335	374	399
Total revenues	39,022	42,658	47,702	49,611	60,224	65,701	70,171
Expenses:							
Losses and loss adjustment expenses	25,471	25,122	33,628	38,123	44,058	46,074	48,773
Total underwriting expenses	7,998	8,843	9,368	9,777	12,456	13,719	14,637
Policyholder credit expense	-	1,077	-	-	-	-	-
Investment expenses	25	20	26	24	30	34	37
Service expenses	179	206	253	297	325	343	366
Interest expense	190	217	219	244	252	251	251
Total expenses	33,862	35,485	43,492	48,689	57,120	60,422	64,064
Underwriting Income	2,724	5,297	1,374	1,342	704	2,593	3,111
Income before income taxes	5,160	7,173	4,210	922	3,104	5,280	6,107
Provision for income taxes	1,180	1,469	859	201	642	1,109	1,282
Other comp (income) loss att. to NCI	(10)	-	-	-	-	-	-
Net income	3,970	5,705	3,351	721	2,462	4,171	4,824
Less: Preferred stock dividends	27	27	27	27	33	34	34
Net income to common shareholders	3,943	5,678	3,324	694	2,429	4,137	4,790
ATX total net realized gains (losses) on sec	813	1,288	1,192	(1,496)	57	-	-
Other	-	-	-	(225)	-	-	-
Operating income to common shareholders	3,130	4,390	2,132	2,415	2,372	4,137	4,790
Operating EPS	\$5.33	\$7.47	\$3.63	\$4.12	\$4.04	\$7.06	\$8.19
Net EPS	\$6.72	\$9.66	\$5.66	\$1.18	\$4.14	\$7.06	\$8.19
Net Written Premiums (y/y %)	15.2%	8.0%	14.4%	10.1%	16.7%	7.3%	6.6%
Net Earned Premiums (y/y %)	17.0%	8.5%	13.0%	11.0%	16.2%	9.0%	6.6%

Source: Barclays Research estimates, Company Data

FIGURE 12. Model Summary (pg. 2)

(\$ in mn, except per share data)	2019	2020	2021	2022	2023E	2024E	2025E
<u>Underwriting Margins</u>							
Loss and LAE ratio	70.4%	64.0%	75.8%	77.4%	77.0%	73.9%	73.3%
Expense ratio	20.5%	21.0%	19.6%	18.4%	20.3%	20.5%	20.5%
Combined ratio	90.9%	85.0%	95.3%	95.8%	97.3%	94.3%	93.8%
Catastrophes pretax	552	880	1,310	1,667	926	892	965
Cat pts	1.5%	2.2%	3.0%	3.4%	1.6%	1.4%	1.5%
PYD pretax (negative is unfavorable PYD)	(232)	(195)	5	86	(916)	(187)	(199)
PYD pts	-0.6%	-0.5%	0.0%	0.2%	-1.6%	-0.3%	-0.3%
Underlying loss ratio	68.2%	61.2%	72.8%	74.2%	73.8%	72.1%	71.6%
Underlying combined ratio	88.8%	82.2%	92.4%	92.6%	94.0%	92.6%	92.1%
<u>Share information</u>							
Shares beginning period	583.2	584.6	585.2	584.4	584.9	584.9	583.7
Shares issued	3	2	2	1	1	-	-
Shares Repurchased	1	1	2	1	1	1	1
Common Shares Outstanding, end of period	584.6	585.2	584.4	584.9	584.9	583.7	583.3
Weighted average shares - basic	583.8	584.9	584.7	584.6	585.0	584.2	584.0
Dilution	3.1	2.5	2.3	2.3	2.1	2.1	2.1
Weighted average shares - diluted	586.9	587.4	587.0	586.9	587.1	586.3	586.1
<u>Shareholders' equity and returns</u>							
Common shareholders' equity ex AOCI	12,612	15,613	17,697	18,140	18,978	21,397	21,809
Average common shareholders' equity ex AOCI	11,423	14,113	16,655	17,918	18,559	20,187	21,603
Book Value Per Share to common ex AOCI	\$21.57	\$26.68	\$30.28	\$31.01	\$32.45	\$36.65	\$37.39
Operating return on avg. common SHE ex AOCI	27.4%	31.1%	12.8%	13.5%	12.8%	20.5%	22.2%
Trailling twelve month average ROCE (as reported)	31.3%	35.6%	18.5%	3.8%	12.5%	19.4%	20.1%

Source: Barclays Research estimates, Company Data

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Primary Stocks (Ticker, Date, Price)

Progressive Corp. (PGR, 13-Apr-2023, USD 138.21), Underweight/Positive, CD/CE/J/K/M

Materially Mentioned Stocks (Ticker, Date, Price)

Allstate Corp. (ALL, 13-Apr-2023, USD 114.11), Equal Weight/Positive, CD/CE/E/J/K/L/M

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Chubb Limited (CB)	James River Group Holdings (JVRV)	Lemonade Inc (LMND)
Palomar Holdings, Inc. (PLMR)	Progressive Corp. (PGR)	Root Inc. (ROOT)
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The Travelers Companies, Inc. (TRV)		

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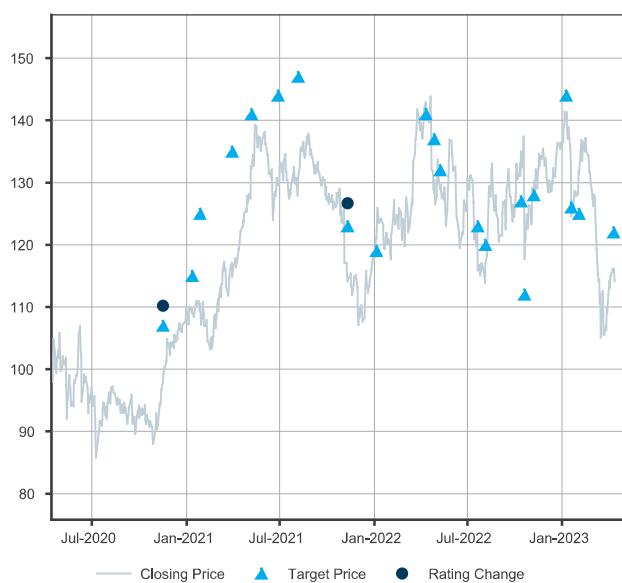
Stock Rating: **EQUAL WEIGHT**

Industry View: **POSITIVE**

USD 114.11 (13-Apr-2023)

Rating and Price Target Chart - USD (as of 13-Apr-2023)

Currency=USD



Source: IDC, Barclays Research

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

Publication Date	Closing Price*	Rating	Adjusted Price Target
11-Apr-2023	116.11		122.00
03-Feb-2023	131.89		125.00
19-Jan-2023	132.43		126.00
09-Jan-2023	141.37		144.00
07-Nov-2022	128.82		128.00
20-Oct-2022	135.15		112.00
13-Oct-2022	131.13		127.00
05-Aug-2022	113.92		120.00
21-Jul-2022	122.34		123.00
09-May-2022	130.56		132.00
27-Apr-2022	128.98		137.00
11-Apr-2022	141.93		141.00
05-Jan-2022	121.13		119.00
10-Nov-2021	114.11	Equal Weight	123.00
06-Aug-2021	130.82		147.00
28-Jun-2021	129.75		144.00
07-May-2021	132.26		141.00
31-Mar-2021	114.90		135.00
27-Jan-2021	110.51		125.00
12-Jan-2021	109.78		115.00
16-Nov-2020	98.06	Overweight	107.00

Source: Bloomberg, Barclays Research

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Valuation Methodology: Our \$122 price target is based on a 50/50 weighted average of our blended 11.5x our 2024 EPS and 1.7x our 2024 book value per share ex AOCI.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Steeper acceleration of loss cost trends, particularly on the severity side, which would pressure the company's margins. A prolonged period of low interest rates will likely pressure net investment income. Allstate has substantial exposure to natural catastrophe losses, stemming from its large homeowners insurance business. Despite the acquisition being relatively small, integration of National General could be challenging and lead to execution risk in combining business units under one operational model.

Progressive Corp. (PGR / PGR)

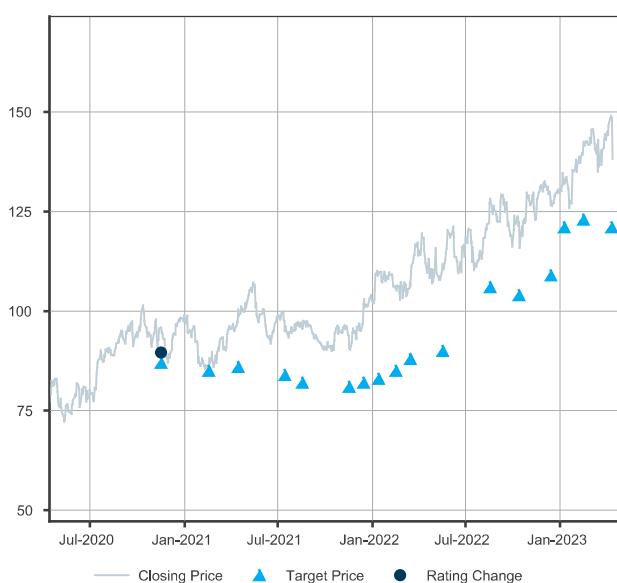
Stock Rating: **UNDERWEIGHT**

Industry View: **POSITIVE**

USD 138.21 (13-Apr-2023)

Rating and Price Target Chart - USD (as of 13-Apr-2023)

Currency=USD



Source: IDC, Barclays Research

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

Publication Date	Closing Price*	Rating	Adjusted Price Target
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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
17-Nov-2021	90.73	81.00
18-Aug-2021	95.57	82.00
15-Jul-2021	94.95	84.00
15-Apr-2021	100.40	86.00
17-Feb-2021	86.25	85.00
16-Nov-2020	95.90	Underweight
		87.00

Source: Bloomberg, Barclays Research

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Valuation Methodology: Our \$118PT is based on 16.5x EPS and 3.2x BVPS (ex AOCI) on 2024E.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: The primary risks to our thesis are if PGR can improve PIF growth back to double-digit levels while producing underlying loss ratios <70% on a sustainable basis. This would require loss cost trends abating, that is outside our base case. Next, PGR may be uniquely positioned to make a digital breakthrough within the small commercial lines market (\$120bn premiums/TAM) if it can successfully leverage its multivariate pricing model it is known for on the personal auto side.

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