

Progressive Corp.

September 2024 Results

Strong underwriting results and volume growth.

| CORE

Progressive had another strong month of results. Operating EPS of \$0.83 came in well above our estimate of \$0.60, primarily driven by a combination of better-than-expected underwriting results and top-line growth relative to our estimates. While the catastrophe loss ratio of 9.1% was slightly above our 8.7% estimate, strong attritional loss ratio of 64.1% (vs our 68.2% estimate) resulted in the company delivering an overall loss ratio of 72.6% against our expectation of 76.8%. This performance was partly helped by current accident year reserve refinements, though we still view the underlying performance as quite strong.

PGR also delivered a strong set of results on the top line. Overall Policies in Force (PIF) grew 14% y/y (vs our estimate of 12%) with a strong contribution from Personal Auto growing 17% vs our expectation of 14% (net add of 394K m/m), driven by 20% growth in Direct (256K net monthly add). This resulted in strong premium growth with net written/earned premiums increasing by 34% and 35%, respectively, or 25% and 23% for the quarter. Of note, the Direct channel grew net premiums by 42% y/y on both a written and earned basis for the month even as loss ratios improved from 73% in September 2023 to 64% this month.

Overall, we view the continued strong volume growth and underwriting results as favorable signs that the pace of margin improvement is gaining momentum, and likely paves the way for PGR to continue leaning into growth following a period of pricing increases. It also serves as further evidence that PGR remains ahead of the curve against peers with respect to pricing and growth strategy, which we believe have been and will continue to be viewed favorably by investors.

It's also worth noting that PGR disclosed the estimated impact of Hurricane Milton, which will be included in October results. The impact was estimated to be around \$325mn for auto and boat insurance and no more than \$200mn for property, which is the retention limit in that business. We view this update favorably as it appears to be lesser than the Hurricane Helene impact and gives more certainty around expected impacts next month.

PGR	EQUAL WEIGHT
North America Insurance/ Non-Life	NEUTRAL
Price Target	USD 267.00
Price (14-Oct-24)	USD 251.88
Potential Upside/Downside	+6.0%

North America Insurance/Non-Life

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FIGURE 1. Sep 2024 - Summary Financials

	Sep-21 Actual	Sep-22 Actual	Sep-23 Actual	Aug-24 Actual	Sep-24 Reported	BARCe	Diff vs BARCe
Summary Financial Information							
Net premiums written	4,004	4,007	4,900	6,507	6,570	6,182	6.3%
Growth %	15.5%	0.1%	22.3%	37.2%	34.1%	26.2%	7.9pp
Net premiums earned	3,538	3,870	4,649	5,968	6,263	6,292	(0.5%)
Growth %	14.0%	9.4%	20.2%	29.8%	34.7%	35.3%	(0.6pp)
Net Investment Income	74	133	177	249	247	254	(3.0%)
Net Income	(130)	(684)	369	935	585	353	65.6%
Operating income	39	(409)	492	853	489	353	38.5%
Net EPS	-\$0.23	-\$1.17	\$0.62	\$1.59	\$0.99	\$0.60	65.6%
Operating EPS	\$0.07	-\$0.70	\$0.84	\$1.45	\$0.83	\$0.60	38.5%
BVPS	\$31.72	\$25.25	\$29.74	\$44.71	\$46.36	\$45.26	2.4%
BVPS xAOCI	\$31.12	\$30.60	\$36.30	\$45.83	\$46.68	\$46.39	0.6%
Operating ROE on BVPS xAOCI	2.6%	(26.8%)	28.4%	38.5%	21.6%	15.6%	38.1%
Policies in force							
Policy in force growth:							
Agency – auto	5.9%	(4.7%)	10.0%	10.8%	12.6%	9.8%	2.8pp
Direct – auto	9.6%	2.2%	13.5%	17.8%	20.0%	17.0%	3.0pp
Personal Auto	7.9%	(0.9%)	12.0%	14.8%	16.8%	13.9%	2.9pp
Total Personal Lines	7.8%	0.5%	10.8%	13.3%	14.9%	12.7%	2.3pp
Total Commercial Lines	18.5%	9.1%	6.8%	1.9%	1.8%	2.6%	(0.8pp)
Total Property business	-	-	6.7%	14.0%	14.4%	10.4%	4.0pp
Companywide Total	-	-	10.2%	13.0%	14.4%	12.0%	2.3pp

Source: Company Data, Barclays Research

FIGURE 2. Sep 2024 - Underwriting Metrics

	Sep-21	Sep-22	Sep-23	Aug-24	Sep-24		Diff vs BARCe
	Actual	Actual	Actual	Actual	Reported	BARCe	
Total Company P&C Underwriting							
Net premiums written	4,004	4,007	4,900	6,507	6,570	6,182	6.3%
% Growth YoY	15.5%	0.1%	22.3%	37.2%	34.1%	26.2%	7.9pp
Net premiums earned	3,538	3,870	4,649	5,968	6,263	6,292	(0.5%)
% Growth YoY	14.0%	9.4%	20.2%	29.8%	34.7%	35.3%	(0.6pp)
Loss Ratio	80.9%	97.4%	73.3%	64.8%	72.6%	76.8%	(4.2pp)
Expense Ratio	19.2%	18.8%	16.4%	20.8%	20.8%	19.7%	1.1pp
Combined Ratio	100.1%	116.2%	89.7%	85.5%	93.4%	96.5%	(3.1pp)
Loss Ratio ex cats & PYD	76.1%	77.5%	71.7%	64.8%	64.1%	68.2%	(4.1pp)
Combined Ratio ex Cats and PYD	95.3%	96.3%	88.1%	85.5%	84.9%	87.8%	(3.0pp)
Catastrophes (\$mn)	195	786	84	18	570	545	4.6%
Catastrophes (pts)	5.5%	20.3%	1.8%	0.3%	9.1%	8.7%	0.4pp
Reserve development (\$m)	(24)	(13)	(8)	(20)	(34)	-	
Reserve development (pts)	(0.7%)	(0.3%)	(0.2%)	(0.3%)	(0.5%)	-	
Personal Lines Underwriting							
Net premiums written	2,950	3,171	3,960	5,396	5,508	5,156	6.8%
% Growth YoY	8.7%	7.5%	24.9%	41.7%	39.1%	30.2%	8.9pp
Net premiums earned	2,762	2,969	3,661	4,824	5,089	5,089	(0.0%)
% Growth YoY	7.4%	7.5%	23.3%	33.2%	39.0%	39.0%	(0.0pp)
Loss Ratio	84.8%	98.1%	74.2%	66.3%	72.5%	76.6%	(4.1pp)
Expense Ratio	18.3%	18.0%	15.2%	20.9%	20.9%	19.1%	1.7pp
Combined Ratio	103.1%	116.1%	89.4%	87.2%	93.4%	95.7%	(2.4pp)
Loss Ratio ex cats & PYD	79.3%	78.3%	72.5%	64.8%	64.4%	68.6%	(4.2pp)
Combined Ratio ex Cats and PYD	97.6%	96.3%	87.8%	85.7%	85.2%	87.7%	(2.5pp)
Catastrophes (\$mn)	171	597	66	87	443	407	8.7%
Catastrophes (pts)	6.2%	20.1%	1.8%	1.8%	8.7%	8.0%	0.7pp
Reserve development (\$m)	(19)	(10)	(6)	(16)	(28)	-	
Reserve development (pts)	(0.7%)	(0.3%)	(0.2%)	(0.3%)	(0.5%)	-	

Source: Company Data, Barclays Research

FIGURE 3. Q3 2024 - Summary Financials

	3Q23 Actual	4Q23 Actual	1Q24 Actual	2Q24 Actual	Reported	BARCe	Street	Diff vs BARCe	Diff vs Street
Summary Financial Information									
Net premiums written	15,594	15,130	18,962	17,902	19,456	19,068	19,033	2.0%	2.2%
Growth %	19.8%	21.4%	17.7%	21.6%	24.8%	22.3%	22.1%	2.5pp	2.7pp
Net premiums earned	14,894	15,773	16,149	17,210	18,297	18,326	18,003	(0.2%)	1.6%
Growth %	20.1%	22.3%	19.3%	19.0%	22.8%	23.0%	19.1%	(0.2pp)	3.7pp
Net Investment Income	510	508	618	685	740	747	738	(1.0%)	0.2%
Net Income	1,121	1,988	2,331	1,459	2,333	2,102	2,199	11.0%	6.1%
Operating income	1,229	1,780	2,191	1,558	2,106	1,970	2,161	6.9%	(2.5%)
Net EPS	\$1.89	\$3.37	\$3.94	\$2.48	\$3.97	\$3.58	\$3.74	11.0%	6.1%
Operating EPS	\$2.09	\$3.03	\$3.73	\$2.65	\$3.58	\$3.35	\$3.61	6.9%	(0.8%)
BVPS	\$29.74	\$34.64	\$37.24	\$39.85	\$46.36	\$45.26	\$45.35	2.4%	2.2%
BVPS xAOCI	\$36.30	\$38.12	\$41.16	\$43.54	\$46.68	\$46.39	\$47.10	0.6%	(0.9%)
Operating ROE on BVPS xAOCI	24.1%	32.6%	37.6%	25.1%	31.8%	29.8%	31.9%	6.6%	(0.3%)
Policies in force									
Policy in force growth:									
Agency – auto	10.0%	7.3%	5.1%	6.2%	12.6%	9.8%	7.3%	2.8pp	5.3pp
Direct – auto	13.5%	10.5%	7.8%	12.1%	20.0%	17.0%	10.5%	3.0pp	9.6pp
Personal Auto	12.0%	9.1%	6.7%	9.6%	16.8%	13.9%	9.1%	2.9pp	7.7pp
Total Personal Lines	10.8%	8.7%	6.9%	9.2%	14.9%	12.7%	8.7%	2.3pp	6.2pp
Total Commercial Lines	6.8%	5.0%	2.8%	1.5%	1.8%	2.6%	5.0%	(0.8pp)	(3.2pp)
Total Property business	6.7%	8.6%	10.2%	12.3%	14.4%	10.4%	8.6%	4.0pp	5.8pp
Companywide Total	10.2%	8.5%	7.1%	9.2%	14.4%	12.0%	8.5%	2.3pp	5.8pp

Source: Company Data, Barclays Research

FIGURE 4. Q3 2024 - Underwriting Metrics

	3Q23 Actual	4Q23 Actual	1Q24 Actual	2Q24 Actual	Reported	BARCe	Street	Diff vs BARCe	Diff vs Street
Total Company P&C Underwriting									
Net premiums written	15,594	15,130	18,962	17,902	19,456	19,068	19,033	2.0%	2.2%
% Growth YoY	19.8%	21.4%	17.7%	21.6%	24.8%	22.3%	22.1%	2.5pp	2.7pp
Net premiums earned	14,894	15,773	16,149	17,210	18,297	18,326	18,003	(0.2%)	1.6%
% Growth YoY	20.1%	22.3%	19.3%	19.0%	22.8%	23.0%	20.9%	(0.2pp)	2.0pp
Loss Ratio	76.5%	72.7%	67.9%	73.2%	68.4%	69.8%	68.2%	(1.5pp)	0.2pp
Expense Ratio	15.9%	16.0%	18.1%	18.8%	20.7%	20.3%	20.0%	0.4pp	0.6pp
Combined Ratio	92.4%	88.7%	86.1%	91.9%	89.0%	90.1%	89.3%	(1.1pp)	(0.2pp)
Loss Ratio ex cats & PYD	73.0%	72.7%	65.8%	66.1%	65.1%	66.5%	67.1%	(1.4pp)	(2.0pp)
Combined Ratio ex Cats and PYD	89.0%	88.7%	84.0%	84.8%	85.8%	86.8%	87.2%	(1.0pp)	
Catastrophes (\$mn)	471	58	350	1,273	733	709	483	3.5%	51.7%
Catastrophes (pts)	3.2%	0.4%	2.2%	7.4%	4.0%	3.9%	2.7%	0.1pp	1.3pp
Reserve development (\$m)	37	(53)	(11)	(51)	(137)	(103)	(117)	33.0%	
Reserve development (pts)	0.2%	(0.3%)	(0.1%)	(0.3%)	(0.7%)	(0.6%)		(0.2pp)	
Personal Lines Underwriting									
Net premiums written	12,654	12,214	14,481	14,562	16,290	15,937	15,919	2.2%	2.3%
% Growth YoY	22.5%	25.2%	19.5%	25.5%	28.7%	25.9%	25.8%	2.8pp	2.9pp
Net premiums earned	11,776	12,472	12,878	13,809	14,808	14,808	14,606	(0.0%)	1.4%
% Growth YoY	23.7%	25.1%	21.7%	21.3%	25.7%	25.8%	24.0%	(0.0pp)	1.7pp
Loss Ratio	76.5%	72.1%	67.0%	70.2%	68.9%	70.4%	68.7%	(1.4pp)	0.2pp
Expense Ratio	14.7%	14.9%	17.5%	18.4%	20.7%	20.1%	20.4%	0.6pp	0.3pp
Combined Ratio	91.1%	87.0%	84.5%	88.6%	89.6%	90.5%	88.5%	(0.8pp)	1.2pp
Loss Ratio ex cats & PYD	73.3%	71.9%	65.5%	65.5%	65.4%	66.8%	66.8%	(1.5pp)	(1.4pp)
Combined Ratio ex Cats and PYD	87.9%	86.8%	83.0%	83.9%	86.1%	86.9%		(0.9pp)	
Catastrophes (\$mn)	348	67	205	691	642	607	1,304	5.9%	(50.7%)
Catastrophes (pts)	3.0%	0.5%	1.6%	5.0%	4.3%	4.1%	8.9%	0.2pp	(4.6pp)
Reserve development (\$m)	29	(42)	(9)	(41)	(111)	(83)		33.2%	
Reserve development (pts)	0.2%	(0.3%)	(0.1%)	(0.3%)	(0.7%)	(0.6%)	56.1%	(0.2pp)	(56.8pp)

Source: Company Data, Barclays Research

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Progressive Corp. (PGR, 14-Oct-2024, USD 251.88), Equal Weight/Neutral, CD/CE/J/K/M

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Chubb Limited (CB)	Everest Re Group, Ltd. (EG)	Fidelis Insurance Holdings Limited (FIHL)
Hamilton Insurance Group (HG)	Marsh & McLennan Cos. (MMC)	Progressive Corp. (PGR)
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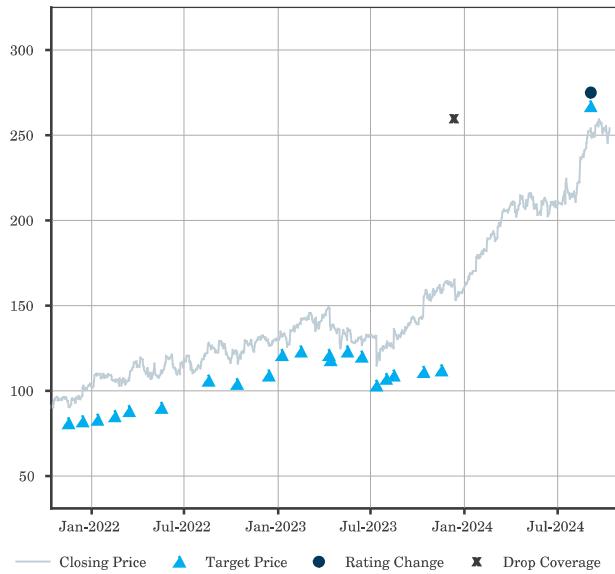
Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Closing Price: **USD 251.88** (14-Oct-2024)

Rating and Price Target Chart - USD (as of 14-Oct-2024)

Currency=USD



Source: IDC, Barclays Research

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

Publication Date	Closing Price*	Rating	Adjusted Price Target
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
17-Nov-2021	90.73		81.00

On 15-Oct-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 82.00.

Source: Bloomberg, Barclays Research

*This is the closing price referenced in the publication, which may not be the last available closing price at the time of publication.

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

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Valuation Methodology: Our price target of \$267 reflects a 4.9x P/BVPS xAOCI multiple on our 2Q25E BVPS xAOCI estimate of \$54.4 which we derive from a P/BV vs ROE regression and assuming PGR trades at a 57% premium to the regression line.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside Risks: The greatest upside risk is that PGR executes on its growth strategy better than we anticipate driving top line led beat and raises. Downside Risks: We see downside risk if PGR is not able to meet high expectations for growth or if that growth leads to more margin pressure than expected.

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