S&P Global
Market Intelligence

The Progressive Corporation NYSE:PGR

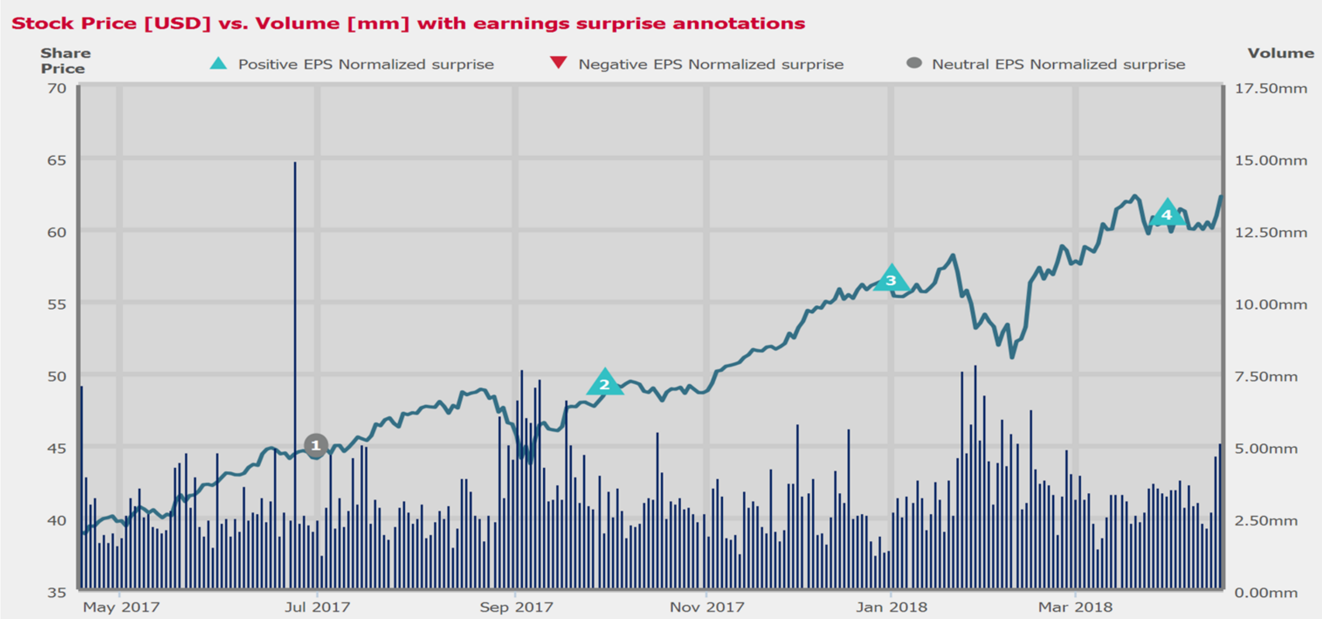
FQ2 2018 Earnings Call Transcripts

Wednesday, August 01, 2018 5:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2018-			-FQ3 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.11	1.16	4.50	0.90	4.38	4.39
Revenue (mm)	8005.07	8095.30	1.13	8334.21	32140.01	36197.46

Currency: USD
Consensus as of Aug-01-2018 3:30 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2017	0.59	0.59	1 0.00 %
FQ3 2017	0.35	0.42	2 20.00 %
FQ4 2017	0.77	0.80	3 3.90 %
FQ1 2018	1.18	1.29	4 9.32 %

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EXECUTIVES

John Jo Murphy
President of Customer Relationship Management

John Peter Sauerland
VP & CFO

Julia Hornack
Investor Relations Contact

Steven Anthony Broz
Chief Information Officer

Susan Patricia Griffith
President, CEO & Director

William M. Cody
Chief Investment Officer

ANALYSTS

Adam Klauber
William Blair & Company L.L.C., Research Division

Amit Kumar
The Buckingham Research Group Incorporated

Brian Robert Meredith
UBS Investment Bank, Research Division

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

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Gary Kent Ransom
Dowling & Partners Securities, LLC

Ian Gutterman
Balyasny Asset Management L.P.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

Kai Pan
Morgan Stanley, Research Division

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

Michael David Zaremski
Crédit Suisse AG, Research Division

Paul Newsome

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Presentation

Operator

Welcome to The Progressive Corporation's Second Quarter Investor Event. The company will not make detailed comments related to quarterly results in addition to those provided in its quarterly report on Form 10-Q and the letter to shareholders, which have been posted to the company's website and will use this event to respond to questions after a prepared presentation by the company. This event is available via a moderated conference call line and a live webcast with a brief delay. Webcast participants will be able to view the presentation slides live or download them from the webcast website.

Participants on the phone can access the slides from the Events pages at investors.progressive.com. In the event we encounter any technical difficulty with the webcast transmission, webcast participants can connect through the conference call line. The dial-in information and passcode are available on the Events page at investor.progressive.com. Acting as moderator for the event will be Julia Hornack.

At this time, I will turn the event over to Ms. Hornack.

Julia Hornack
Investor Relations Contact

Thank you, Andrew, and good afternoon to all. Today, we will begin our event with a presentation on customer experience. After that presentation, we will be -- we will have a Q&A session with our CEO, Tricia Griffith; our CFO, John Sauerland; and our guest speakers today, John Murphy and Steve Broz. Our Chief Investment Officer, Bill Cody, will also join us by phone for Q&A. This event is scheduled to last 90 minutes.

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 to differ materially from those discussed during the event today. Additional information concerning those risks and uncertainties is available on our 2017 annual report on Form 10-K, 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 Investors page of our website, progressive.com.

It's now my pleasure to introduce to you our CEO, Tricia Griffith.

Susan Patricia Griffith
President, CEO & Director

Good afternoon, and welcome to Progressive Second Quarter Webcast. We are thrilled to be able to talk to you about the investments we've been making for and on behalf of our customers in our customer relationship management group. If you've read my letter to shareholders, I outlined several other investments that we're making on behalf of our customer on the claim side.

We've been talking about this for a couple of years, and we are excited to tell you that a lot of the things that we had in place are coming to fruition, and we're really pleased with how they're coming along. But before we get to that, I have to mention an accomplishment that has been over 10 years in the making and that is getting our #3 ranking in the private passenger auto back.

It's been a lot of hard work, and we're really excited and thrilled to be able to celebrate this accomplishment. And of course, it leads us to getting even closer to our ultimate vision of becoming consumer's #1 choice. So we're really proud of that accomplishment, and I want to take just a moment to thank the over 36,000 Progressive people for their hard work, their dedication and their commitment to our core values. I want to thank our shareholders for their confidence in us. And ultimately, I want to thank our customers that we're so privileged and honor to serve.

So let me set up the day. You will have seen this construct before, this is the third time we've talked about it. This is what we call our 4 cornerstones. Our core values, who we are; our purpose, why we're here. Our purpose statement is true to our name Progressive; our vision, where we're headed, I just talked about that becoming consumer's #1 choice and destination for auto and other insurance; and our strategy, how we're going to get there. We focused a lot on the strategy because that's really kind of the meat of how we will achieve our vision. We have 4 strategy pillars.

Today, we're going to hit on 2 of them. The first one is meeting the broader needs of our customers throughout their lifetime. We want to be available, where, when and how customers want to shop and be served. You're going to hear a lot about that today, because it's really not about us saying, here is what we're going to give and customers you kind of figure out how to work with us. We really follow the customer and we'll continue to evolve, as technology involves and customers' needs evolve.

The other pillar we're going to talk about is maintaining a leading brand, specifically experiences that instill confidence.

When the customer calls in to add a policy, add a coverage, have a claim, at the end of that experience, we want them to say, "I'm so confident I made the right choice when I chose Progressive." That is so critical to us. And so those 2 will really be on the footprint of what we will be talking about today. I'm going to have 2 of my direct reports tag team this deep dive session into our customer relationship management of focus.

John Murphy, you haven't met in this setting before, but he's been around Progressive for over 25 years. The majority of his career was spent in claims, and I've known him for decades. He lived around the country in many high-level leadership positions and ultimately, before becoming the President of CRM, ran our customer service centers.

When I met John and have watched his career along the way, what I really noticed about him was his passion for the customer, and his ability to always kind of see what we needed to do to continue to innovate and be more creative. And he's done just that in CRM. He's been in CRM as a President for 3 years, and I'm really thrilled to be able to have him highlight what he's been working on.

He'll tag team with our Chief Information Officer, Steve Broz. You've met Steve before in this setting. Steve grew up in the Product Group, ultimately going to a GM of our personal lines. But he's also been in IT as a project manager, in claims as a process manager, and now he's leading IT for the last couple of years.

You might ask why I have these 2 together. It really is about establishing how we work at Progressive in terms of the business and IT and we really work hand in glove together. When we think about investments, especially with the customer. And you'll see how when they speak, we just -- we weave all the things that are about our business, and we don't separate them. In fact, we often were called the technology company that happened to sell insurance, and you'll see that technology is the underpinning, but it's not separate. It is woven together, and that's, I think, what makes our whole team really powerful that we look at everything together to make sure that we continue to profitably grow. I hope you enjoy reading the shareholders letter. We're very proud of our results for this quarter and actually year-to-date and more proud of the momentum we have and the excitement about the opportunities that lie ahead of us.

So with that, I'm going to have John Murphy come up and join me and talk about what he's been working on, the results of that and just going forward with how we think about our customers.

John Jo Murphy
President of Customer Relationship Management

Great. Thank you, Tricia, and good afternoon, everyone. Over the past 3 years, we've been on a very deliberate journey to customer centricity. No longer just an auto insurance company, but instead a customer company that really specializes in insurance products and services to meet customers' needs for as they long as they have them.

To fuel ongoing sustained and now accelerating growth, we've made retaining our existing customers as large a priority as acquiring new ones. And that business mandate is really the catalyst for the changes that Steve and I are going to discuss today. So we're going to start with some foundational adjustments that are intended to position us really well near- and long-term for success. And then we will refresh you on our preferred measure of retention, policy life expectancy as well as how we think about and approach it. We'll spend much of our time on the technology-related investments that we've made for and on behalf of our customers, going across the lifecycle, while also giving you some insights into how we choose what we're going to invest in. And then finally, we're going to share how customers are rewarding us for the improvements that we've delivered. And I think you'll see that the return on these investments has been really substantial.

Now historically speaking, sustained improvements in retention have been elusive for us as they have been for many others. Knowing that we wanted to see both significant and sustainable progress going forward, we felt it necessary to make some foundational adjustments to position us to deliver in that manner.

Now this list that you'll see here is far from comprehensive, but we want to give you just a view into a few meaningful changes that we've made. We're going to start with our company-wide vision. So we've long had this objective to become #1. Our excellence in marketing and new business acquisition practices have really allowed us to appeal to large segments of consumers and increase market share.

Previously, our company-wide vision was to become consumer's #1 choice for auto insurance. And this is how we've evolved. To become consumer's #1 choice and destination for auto and other insurance, this current statement really reflects the understanding that in order to become a destination insurer, we must have the products and the services to meet customers' needs as they move across the insurance journey. We must go beyond new business, where we've been best-in-class for many years and deliver a more compelling comprehensive customer value proposition that really allows us to become a true destination insurer. And so to this end, we made some major changes to our business, products and services.

So as you know we made the purchase of ASI, an acquisition that we have been extremely pleased with and we rebranded it Progressive Home. With Progressive Home, we have broad geographic coverage in both the agency and direct channels and are positioned to offer the sophisticated rate segmentation that has really been the hallmark of our auto product for coverage that protects our customers' most valuable asset. This acquisition has been instrumental to our substantial Robinson growth and the mix shift that we're going to talk about later in this presentation.

Now, of course, to fulfill this destination vision, we needed to offer a breadth of products so customers didn't need to look elsewhere. So we expanded our portfolio to include many other products that were in demand, meet the most broader needs of our customers and ultimately extend policy life. We refer to these as our advantage products and sales are on the climb. In fact, they're up more than 40% relative to this time last year.

Now we know customers have higher expectations of brands that they engage with frequently. They expect an easy experience, one that really recognizes who they are, respects their time and makes recommendations that are right for them. So we enhanced our service offerings to deliver what's important to both our current and our future customers, inspiring trust and instilling confidence that they chose the right insurer. As we stand here today, we believe firmly that we can now meet customers' needs throughout their lifetimes.

So our vision and the tactics to broaden our vision were an important first step. But with the vision changes came a need to really look within to assess our organizational structure and ask ourselves whether or not we were set up to achieve this vision. Historically, customer relationship management organization was the operations arm of Personal Lines and thus heavily focused on new business acquisition. But in order to create parity among consumers and customers and to position CRM to serve as an advocate for our customers, our organization became a standalone business unit, now also reporting to Tricia.

And by adding experience design responsibilities to our traditional delivery role, we can really embrace the R in CRM and focus our time on starting, deepening and extending many more customer relationships. This customer-focused leadership has allowed us to really challenge traditional beliefs, to generate healthy debates and ultimately to create better solutions for customers who trust us to meet our needs not only at purchase, but throughout the ownership experience.

So with the new organizing principle and Tricia's sponsorship of customer first conversations among our entire senior team, it became clear that we had to have a single definition of the ideal customer experience. So next I'm going to talk about this unifying experience -- effort that we referred to internally as our target customer experience.

Now the functional nature and alignment of our business groups has really allowed us to optimize the experience within our individual areas. But as a result, the experience has not been quite as cohesive as you moved across the life cycle. So to generate much greater consistency, we created a single vision for how we take care of customers. Our target customer experience provides an end-to-end view, and it goes across the brand by service and claims functions, while applying to all channels contains a common definition and the experience North Star for our collective design teams to pursue.

This was drafted by senior leaders representing each business function. It has really strong buy in as a result, and it serves to inform our technology investment strategy. Now in just a few minutes, Steve is going to talk about some of the specific investments that we've made with this as our guide and with the intent of delivering easy, personal and caring experiences.

So now with an expanded view -- I'm sorry, with an expanded vision, new organizational structure and shared experience strategy, the final piece for us was really to expand our capabilities. So these are functional process and people-related investments that were intended to create a customer-centric environment, where we can really excel for the customers that we are so privileged to serve. We created a customer experience design organization to really lead these efforts. We added digital expertise to enable self-service and allow our customers to engage when, where and how they choose.

We invested in data science and predictive modeling to guide interaction frequency and content, and we enhanced our voice of customer platform, providing real-time and robust insights to inform our hypothesis. We applied the testing approach in rigor that has been so effective for us in acquisition to the servicing experience. And with the development of a research and testing lab, we're able to quickly understand the effectiveness of personalized treatments. We found opportunities to leverage newly imported skills to build applications that capitalized on these learnings quickly. Examples that you've heard about in the past, include [Chai] our homegrown chat capability, which really leverages our artificial intelligence and the customer relationship assistant, which allows for a contextually relevant and personal experiences going across engagement channels.

And we've grown our in-house agency. We refer to it as the Progressive Advantage Agency and that was to expand our multiproduct service offering. And by integrating the ASI insurance operations, we are going to be able to deliver a truly bundle experience for the Robinsons.

So to this point, you've heard about a handful of foundational adjustments that we've made to really position us for success. We enhanced our vision to reflect our ultimate destination and expanded our product suite to meet the broader needs of our customers. We adjusted our organizational design to elevate the importance of the customer relationship, taken an end-to-end view to ensure both consistency and cohesion across the journey, and we've added capabilities that provide deep insights, analytics and testing to enhance our experience delivery efforts.

And we've made a lot of progress during these past few years, which for a company of our size and scale is markedly fast. As you've come to expect from Progressive, when we make a commitment to something, we execute and we make it happen. Now a solid operating plan is critical to increasing retention, but there is this cultural element that we're driving here too. Operational excellence supply to discrete transactions are now just really key moments in successful long-term relationships, and we are seeking really, really long lasting relationships. In fact, we're pursuing relationships lasting for decades. We've moved beyond individual policies and now think about households, the relationship that we formed and the trust that's been placed in us to protect our customers’ most valuable assets. This cultural shift that we're driving is really built on a foundation of our core values, integrity, right? Always doing the right thing. Golden rule, treating people the way they want to be treated and excellence, and never ending pursuit of continuous improvement. This encourages our folks to stop and ask, "Am I solidifying this relationship? And am I performing in a manner that will generate a relationship that's going to last a really long time, in fact, even decades?" As a company who reveres data and goal setting, we chose to set an aspirational target around these relationships. And since 2015, we've seen a 33% increase in the number of households that have chosen to stay with us for a decade or longer.

Now our decade customer measure is a motivating organizational metric, but the true KPI for our customer retention efforts is policy life expectancy. So I'm going to refresh you on the measurement and talk about how we approach driving it. So policy life expectancy is really the average length of time a new customer stays with us. PLE describes our retention efforts in one number, taking into account mix and tenure. Let me remind you of the calculation. On this graph, the blue bar show retention results by month. Each point, on the orange line, reflects the past 12 months and then we calculate that area under the curve, the result is the average time that we expect the new customer to stay.

Now you've heard us refer to PLE in the past as our holy grail and in the Destination Era, this is truly our currency. So to improve PLE, our strategy leverages the 3 major drivers of retention and we pursue process and systems improvements to try and change the shape of this curve. The 3 major drivers are nature, nurture and price. Think of nature as the mix of our customer segments. We talked about the Sams, Dianes, Wrights and Robinsons in prior meetings and they have very different PLEs.

So we're able to positively shift overall PLE by significantly growing the longest retaining segment, which for us is the Robinsons. Now nurture is about the experience we deliver. Through advancements here, we can give customers reasons to stay with Progressive longer and thus create even greater value.

Now for many price or product competitiveness is the reason they choose a company, choose to shop or choose to stay. On our last call, we talked about the gains that we've made in operating efficiency that we've used to generate a pricing advantage. Next quarter, Personal Lines President, Pat Callahan, is going to talk about segmentation. So for today, we're going to focus our comments on nature and nurture.

So again nature is the mix of customers. And the graph on the left shows policies in-force growth by segment over the past 5 years. The broadening of our product suite and the distribution of those products through multiple initiatives, including Platinum, our enhanced independent agent program, HomeQuote Explorer, our online home quote aggregator and the full-service Progressive Advantage Agency have helped us grow all segments, while the Robinsons segment, in particular, has grown the fastest and has been accelerating.

On the right side of the page, you'll find the PLE relativities by segment and considering that the Robinsons have a much longer PLE, our efforts to shift mix are both really worthwhile and also really paying off.

Now nurture is the experience we deliver. And when we design experiences, we do so from the customer point of view, considering the 3 notions they tell us they value, easy, personal and caring. Insurance can be complicated, as you know. So execution for our customers just can't be. So we develop processes and tools to enable self-service, while also educating our outstanding customer care consultants to operate in an advisory capacity when customers look -- call and look for guidance. Easy to understand and easy to execute, that's where we start. And we know that individual wants and needs can vary significantly. And many large organizations really struggle to move beyond a single experience for all. But for us by using internal and external data, leveraging our systems and predictive models, we're able to really know our customers so that we can personalize at scale. And then caring comes down to our people, our culture, our values and our overwhelming desire to fulfill the promises that we make to be here when our customers need us and to always do the right thing. When we deliver on these 3 things, we're able to instill confidence and trust and ultimately extend customer relationships.

Now the graph on the right shows the contribution that our nurture experience improvements have made to lifetime earned premium over the past several quarters. We didn't measure this prior to 2016, but we're able to now. And relative to that first quarter in 2016, we've increased our contribution 18 fold. Now we know our experience contribution because we conduct controlled experiments that allow us to measure our specific impact. So before Steve talks about the investments we've made to generate retention improvements, let's spend some time talking about how we measure the impact of these nurture enhancements and decide ultimately what we'll invest in.

Hypotheses are informed by extensive research, voice of customer insights and our business experiences. Taking a page from our acquisition playbook, we conduct rigorous causal testing using an AB framework, which allows us to then validate which process changes, tools or treatments are truly valued by our customers. Now those resulting in a behavior change are the things that we choose to invest in. This combination of art and science is how we make decisions. Customers tell us where they want to go. We test, validate and then go there.

So now I'd like to invite Steve up to talk about some of the technology investments that we've made to really help drive the experience. Steve?

Steven Anthony Broz
Chief Information Officer

Thank you, John. Good afternoon. Let's kick off our discussion here with the slide that John shared just a few minutes ago. Becoming a destination insurer for our customers requires an investment in product breadth. Adding products to our portfolio allows us to meet the broader needs of our customers over their lifetime. And if you look at the PLE data on the right here, it's clear that no product is more important to add than homeowners insurance. It increases auto PLE more than any other additional products we sell.

Going back to the graph on the left, John rightly pointed out how much Robinsons have grown. And I just want to add another piece of emphasis here which that Dianes and Wrights are our largest customer segments in terms of policies in-force and seeing growth there is important too, because they are the Robinsons of the future. Now we've been talking about Robinsons a lot, so let's talk about where Robinsons come from.

Some Robinsons arrived to us as fully bundled customer. They bundle their home and their auto from the moment they join Progressive. For these customers, it's really important that we're really good at marketing to prospective customers or consumers. Many Robinsons come through graduation. They start at Progressive with either their auto policy or their home policy. And as their needs evolve over time, they add the other policy along the way.

No matter how they get there, we call all of these groups Robinsons. And to be clear, the second line on this diagram is the largest source of Robinsons for us. Those who first buy their auto policy with Progressive and later buy their homes, and this means that marketing to current customers is every bit as important as marketing to potential customers.

Whether you're a current customer or a potential customer, we believe you should be able to buy homeowners insurance the way you wish. Just like we do in auto insurance, we offer home insurance through the independent agent channel, online at progressive.com or on the phones at 1 (800) Progressive. We'll cover each of these channels separately. But before we do that, let's take a step back and look at the homeowners and auto insurance industry as a whole.

What you see here are 2017's private passenger auto and homeowners insurance premiums segmented by channel and by customer segment. One opportunity really stands out for us and that said, more than half of the total premium is Robinsons. This is another reason why homeowners insurance is such an important piece of the product portfolio.

Furthermore, more than half of that premium is in the captive agent channel, an agent that we -- a channel that we don't do business in. So our goal is to move that premium to the Wrights. We believe independent agents are well positioned to compete with captive agents for this market. After all, they're local just like captives, and we would argue that they offer a better customer value proposition.

Captive agents represent one company, and our independent agents represent multiple companies, truly looking across their companies for the right combination of coverage and price for their customers.

We think direct can take share from the captives as well. Specially, as digital natives come of age and begin purchasing their first cars and their first homes, and to be honest, the homeowners insurance product has long been dominated by agents and as that product adapts to perform better in the direct channel, we think the direct channel will grow significantly here as well.

John talked about the customer journey and the investments we've made all along the way. We won't touch much on brand today. To learn more about that, you can look back at our fourth quarter 2017 investor event where Dan Witalec and Kat Kolodij talked about branding at great length.

But let's start talking about buying specifically, buying homeowners insurance, so that we change the mix of our customers to those customers that retain longest. Both channels are important, but let's start with direct. If you look at industry premiums, we can see that across the industry, direct, the direct carriers have a much lower share in homeowners than they do in auto insurance. In the long run, we believe these numbers will converge. And it's not because private passenger auto is going to go down, it's because homeowners insurance is going to become more direct.

We look forward to leading the industry in this change and taking more than our fair share of that growth. One of the key investments we've made to increase direct homeowners sales is HomeQuote Explorer, or HQX. It launched in March 2017, and its goal is really to make shopping and buying homeowners insurance online intuitive and simple.

Some of the ways that does that are shown here. In the top box, it says info we found, and that just highlights that in order to make the quote easier and faster for our customers, we prefilled some data. We don't want that data to be a secret from our customers, so we give them an opportunity to see what we found and to verify its accuracy. And below that, you can see sections on wall construction and roof type. And here we try to use clear visuals and concise language to help customers through some questions that can be a little tricky for them. The more we keep them engage with the quote, the more they can answer the questions they need to, to move through this quote, the more successful this funnel is for us.

Finally, we take all that information and we compare rates across multiple carriers to find the right price and the right coverage for our customers. And in true Progressive form, we've returned the rates of all the carriers even when Progressive isn't the lowest. In this case, you'll see Progressive Home, second from the right, with the second lowest rate. Bottom line for us is we believe no other offering gives customers an option to enter their information just once and so quickly and easily get rates from multiple homeowners carriers. And the impact it's had on our online homeowner sales has been dramatic. We've seen big increases since HQX elevated in the first quarter 2017. Our strong branding has made us -- long made us the leader in online homeowners quotes and HQX has simply made that sales funnel much, much more efficient. We all believe this is a fantastic return on our investment.

HQX has also given us a nice feature to promote in our ads. The 2 TV ads that have featured HQX, have been aired to date, and they've both done a nice job driving new auto and home sales. We think there is room for improvement here. We have a couple of carriers who've had a buy button on HQX, which allows the customer to buy the policy online and when carriers add that functionality, we see an increase in sales of about 10%. We're thrilled to say that Progressive Home added its first buy button and its first state in May. We're excited to bring that option to customers to be able to buy a Progressive Home policy online and thrilled to add that direct capability to Progressive Home, formerly ASI and continue to extract value from that acquisition.

Some customers, as I said earlier, they want to buy the home and auto at the same time. And for them, we have multiproduct quoting. It's exactly what it sounds like. You can quote your home and your auto in one seamless quote and buy them both, too. In this case, it's important to note that the home quote here is connected to HQX. So these customers get the same home quoting experience that we just reviewed.

The results here have been fantastic, too. It's another investment that's produced great returns for us. We've seen multiproduct quoting, homeowners sales increased dramatically in the last 2 years. And finally in the direct channel, we'll talk about the option for customers who want to call. They might call because they want to start a quote or they might call to finish a quote that they've started online. In any case, when they call, they end up contacting people in our in-house agency, the Progressive Advantage Agency.

And the results here are truly amazing. And the truth is that for most people insuring their home is insuring their most valuable asset. And they get some confidence from talking to a real person and knowing that someone understands their needs and has taken the time to match their needs to the right carrier, the right coverage and the right price.

Technology has certainly helped this growth. If you look at that inflection point in 2017, that's when we turned on HQX and improved the sales funnel dramatically through technology. But with that being said, none of this would be possible without the great work that John and his team has done. They started this team from scratch. They've staffed it up over time and skilled it up as well, and these results couldn't happen without that great work.

Now that we've covered direct, let's switch to independent agents and talk about our results there. You can see in the independent agent channel, that Robinson sales and PIFs have grown at a very healthy rate. Unit sales up more than 6x in the last few years, policies in-force have nearly tripled for Robinsons in the independent agent channel.

One of the key drivers, and John mentioned this earlier, is the product -- is the broad geographic distribution of our Progressive Home product. You can see in 2013, Progressive Home was in about 24 states, it was called ASI then, of course. And in 2018, Progressive Home, we're happy to say, is in 45 states. To be fair, many other things have contributed to the growth of Robinsons in the independent agency channel. For example, agent distribution and agent compensation.

We don't have time to cover all of that today, so again, I'd encourage you if you would like to learn more to look back at a presentation that Heather Day and John Sauerland did at our third quarter 2017 investor event.

We've done well in growing agency Robinsons, but we believe we can do better. Portfolio quoting will elevate soon and extend our lead in the independent agent channel, where we've long been recognized as a leader in technology and ease of use. Portfolio quoting allows agents to seamlessly quote and bind multiple products, including homeowners and special lines and, of course, auto. On this screen, an agent simply selects the products she wishes to quote for the customer and bundle it into a portfolio quote. After working through an integrated seamless quoting process, the customer and agent end up here. It returns rates for multiple products at once. In this example, you can see there is an auto, a home and a motorcycle policy being rated. And the information makes it easy for the agent to highlight savings to the customer, you see those in the top, in the middle in green, the bundled savings and additional offers the agent might want to make for the customer. You see those in the blue in the top right. In this case, it's Snapshot and an umbrella policy. We'll elevate portfolio quoting soon, so we don't have actual results to share.

We do, however, have a feedback from -- that we've collected from agents in our usability lab where they've had the ability to use portfolio quoting and their response has been fantastic. It's a game changer. It's beautiful and clean, intuitive and easy. We've outdistanced ourselves from the competition and this last one is my favorite, can you please elevate in my state first? There is an eager want among independent agents, who have seen portfolio quoting in action and this overwhelming positive agent feedback makes us very optimistic about the impact that technology can have on agency Robinson growth.

Now that we've talked about direct and independent agency channel and how Robinsons have grown in each of them, let's wrap this discussion up by bringing that story together and talk about how successful we've been in shifting the mix of our customers to those customers who stay the longest, to Robinsons. The best summary measure we have is to talk about our mix, our share of the household, Robinsons households. And you can see here that over the last few years, our share of Robinsons households has more than doubled. And as exciting as that is, growth has accelerated year-over-year. We're thrilled about the progress we've made, but it's fair to say that we're even more excited about the room we have to grow. The homeowners insurance industry has been around for nearly a century and probably for as long as it's been around, people have been bundling home and auto together. We're relatively new to this game and really jumping in, in the last few years and we're really excited about the progress we've made. And we're excited about what the future holds as well.

All right. We've touched on buying and we talked about how bundling homeowners insurance can change our mix of customers and increase policy life expectancy, now it's time to spend some time talking about servicing. And I'll start with a comment that John made. He talked about how we're shifting from a product-centric culture, one that ask the question, who can we sell this product to? To a customer-centric culture, where the question becomes, which products do our customers need? To translate this cultural change into action at scale, we think we need 3 key ingredients and the first ingredient is the right data.

This year, we completed a foundational investment in customer data that we call customer hub. We purchased the solution and integrated it with our systems. In the process, we modernized our customer systems and retired decades old homegrown systems. Customer hub simply allows us to know the customer and the household much, much better.

The second ingredient is a robust product portfolio. So far we focused on homeowners and rightfully so, it is the most important additional product we can sell. But to truly become a destination insurer across the customer lifetime, we have to be able to offer other products as well. And in 2013, we offered just a handful of such products, but by 2018, we tripled the number of additional products we offer.

These typically extend beyond property casualty insurance and sometimes beyond insurance itself. They're manufactured by others and distributed by Progressive. This is in part an offensive play and we do get paid commission on these sales, but it's also a defensive play. We want customers to think about their Progressive relationship first and have confidence that we can fulfill their needs over their lifetime. This will prevent them from developing relationships with other firms who, I'm sure, will gladly take the auto and home premium. So, so far we have 2 key ingredients, data from customer hub that allows us to know the household much better and an expanded portfolio of products that increased the odds that we have the right product to offer at the right time.

The last ingredient into turning this cultural change into action at scale is the means to offer these products to customers in the right context. And that's where customer relationship assistant comes in, CRA. When customers contact us for other reasons, CRA helps us make the right offer to the right customer at the right time. The CRM data science team builds a rapid prototype of CRA using machine learning in late 2016. And during 2017, we iterated on that product until we felt confident that we could roll it out to all of our customer care consultants, which we did in early 2018. And since then, we've also started to add it to our digital channels.

Over that time period from late 2016 until now, we've seen the offer rate for just -- so the take rate for just one of our offers. The offer to get a homeowners insurance quote increased by more than 20%. That's a substantial increase when you consider the fact that this is an offer we make millions of times per year. Take those 3 things together, the right customer knowledge, a rich product portfolio and an intelligent delivery mechanism for those products and we think we're going to continue to increase the number of products per customer. This should in turn lead to higher retention.

While it certainly enhances the customer experience to get the right offer at the right time, core customer transactions like paying a bill, changing a vehicle or adding a driver are important, too. Our investments here focus on 3 areas, as they always do. They focus on people and process and technology. But today, we're here to talk about technology and in the realm of technology, we're really focused on 2 things when it comes to core customer transactions. One is mobile and the other is online.

When it comes to mobile, one of our goals is to make sure that our customers can do everything on their phone that they can do online. You can see we've made steady progress towards that goal over the last few years and while there are a few transactions that you can't do on your phone right now, those transactions are infrequent.

And we'll continue to chip away at this as our priorities indicate it's the right thing to do. The other thing we want to do with the mobile device is make sure that we take advantage of the capabilities that the device offers. And one of the simple capabilities it has, but powerful as well, is its ability to recognize our fingerprint and our faces.

Customers can use face ID and touch ID to log into the app and also to pay bills through Google Pay or Apple Pay. If I can, I'd like to share a story of my own to show you how powerful this can be. A few months ago, my oldest son, Parker, got his driver's license. It was a Friday afternoon, and he texted me, of course, from the DMV with a picture proudly portraying him with his new driver's license. I texted him right back and said, "Congratulations, nice job." And then I thought, "oh my gosh, I need to change his status on the policy from being a permit driver to a rated driver." The great thing was without putting my phone down, I could do it walking from one meeting to the next, use my thumbprint to log into the app, changes status with just a few taps of my fingers and then use my thumbprint to pay the additional premium. That's so easy and that's our goal. We think that during life events like this, any friction we introduce to the transaction increases the likelihood that a customer will shop and potentially leave Progressive and making the process this simple and easy for our customers is a great step forward.

We're thrilled about how mobile adoption is going. Whether you look at app downloads by our customers, which have quadrupled in the last few years or mobile adoption as a percentage of PIFs, which have also quadrupled in the last few years, we're thrilled about the growth we're seeing in mobile adoption. Even with this being true though, in the second quarter of this year, we saw a record number of logins to our online servicing site.

So online servicing is still really important and we're reinventing online servicing. But you can see here as a previous experience that we had online, where customer feedback and customer actions that we observed show that they struggle to navigate through this. Navigation was inconsistent from page to page. It was hard for customers to find the policy that they were looking for. And so we change things around. And on the right side, I can zoom in for you to see it better, we're reinventing policy servicing. And what you can see here, the visible changes are a clear information hierarchy, the interactions and text are much, much clearer and navigation, if you could see the next page, is consistent throughout the site. We've seen customer feedback from usability testing, it's very positive. They find this new architecture clean and easy to use. As important as these visible changes are, there's some invisible changes that are equally important. Behind the scenes is this customer-centric architecture built for the Destination Era and the multi-policy experience. Tasks and content can be prioritized and personalized depending on the customer who is visiting the page. And the flexibility that John's team uses to conduct that AB testing is enhanced in this architecture. It means that John's team can conduct those experiments faster and faster and we can accelerate our learning to improve the customer experience.

The bottom line here is that we look to understand customer needs and solve their problems, and then we find the right delivery mechanism for the solution. Sometimes it's the app, sometimes it's online and sometimes it's both. We expect our investments in mobile and in online servicing to increase retention and increase self-service as well.

Finally, we come to the last leg of the customer journey for some customers and that's claims. This is a moment of truth for our customers and a chance for us to fulfill the promise we've long made to them. Our significant investments in claims technology give our customers enhanced visibility, communication and control during their claim experience. But I can't go into detail because the time won't allow me into all the changes we've made, but Tricia's devoted several paragraphs in her quarterly shareholders letter to this topic. I encourage you to read it, if you haven't done so already. I'll summarize here by saying that we've added a lot of digital capabilities, you see those on the right, for customers and employees. And then you will see on the left that adoption of these new capabilities has been very fast and continues to grow. Now that we've reviewed our technology investments across the customer journey and highlighted the significant returns that they have created, I'd like to invite John back up to wrap things up. John?

John Jo Murphy
President of Customer Relationship Management

Thank you, Steve. So in summary, to fuel ongoing sustained growth, we've made retaining our existing customers as large a priority as acquiring new ones. We've made foundational and cultural adjustments to really position us for near- and long-term success. We've shifted our mix to longer retaining customers, while continuing to grow all segments and delivered significant and measurable improvements to the experience and these improvements go across the customer journey. Now we would not be nearly as successful, but for the really strong partnerships like the ones that Steve and I have, and our teams have, working toward a common objective.

So after hearing our story today, we suspect you might be wondering, how are we doing? And the answer is exceptionally well. Policy life expectancy is at an all-time high. We've increased it more than 20% in just 3 years, and this increase in retention equates to well more than $10 billion in lifetime earned premium across our entire book of business. And this is not a 1-year phenomenon. We made steady progress in 2016 and built on it, again, in 2017.

We sought significant and sustained improvements and that is exactly what we've delivered. And while we're proud of the progress that we've made over the past 3 years, we are far more excited about what the future holds, because we believe firmly that we have just scratched the surface of what's possible. So on behalf on Steve and I, thank you very much for your time today. And now, please give Tricia and John a few moments to set up for the Q&A.

Julia Hornack
Investor Relations Contact
Thank you. [Operator Instructions] And with that, Andrew, please introduce our first participant from the conference call line.

Question and Answer

Operator

Our first question comes from the line of Amit Kumar with Buckingham Research.

Amit Kumar
The Buckingham Research Group Incorporated

Two quick questions. The first question goes back, I guess, to the discussion on HQX and MPQ. It's been a year since HQX came online, and I was sort of broadly thinking what kind of customer would respond to this product. Now that a year has passed, do you think a younger, I guess, Sam or Diane is responding more than what you might have anticipated? And now do you have to sit and watch them turn into a Robinson? Or maybe just talk about, I guess, 1% share by the names you have as to how they're responding to this product?

Susan Patricia Griffith
President, CEO & Director

I would say rather than thinking about it from that demographic, likely -- and likely it wouldn't be Sam necessarily, Diane graduate, so it would be someone who is going to become a Robinson anyway because they have a home. So I think what I -- when I think of customers that want to go through the HQX process, it's people that are digitally savvy and they want to make it easy and they want to make sure there is a place where they can go and they understand very clearly with pictures, what kind of roof they have. We can take publicly available data and input it. It's really -- take the customer 20 years ago that started searching for auto online, because when we went direct, people said, "No one is going to ever search for auto online," but of course, that happened. Think of that customer and that's why we think it will grow, because ultimately it's a customer that's just digitally savvy, and they want to do all of their business online.

Amit Kumar
The Buckingham Research Group Incorporated

The second question sort of shifting gears, you're talking about growth. Recently, last month a number of auto manufacturers, in fact, revised their outlook as the impact of tariffs comes in. I was going through some old transcripts, and if you'd go back to '08, '09, Glenn and others have talked about the impact of slowing auto sales in terms of margins. What is your view on that impact from here?

Susan Patricia Griffith
President, CEO & Director

We're not sure what will happen with the tariffs. So obviously, we're watching that closely, and if there is less autos to ensure that affects the industry. However, we have a very small share of that addressable market. So when you think about that $300-plus billion in auto and home, we have 10%. So we believe even if the pie shrinks and this actually grew 8% last year. Even if the pie shrinks, we believe with where we're positioned that we will be able to have a bigger piece of that pie.

Julia Hornack
Investor Relations Contact

Thank you. Andrew, can we take the next caller please?

Operator

Our next question comes from the line of Greg Peters with Raymond James.

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

Going back to HomeQuote Explorer, I was wondering if you could provide some additional color around the number of carriers that are participating in that product. And I know recently there were some news out there around Ameriprise curtailing its partnership with Progressive. And I'm wondering if you could take your discussion around HomeQuote Explorer and the number of carriers and also, comment on the Ameriprise announcement.

Susan Patricia Griffith
President, CEO & Director

Sure, Greg. Currently on HQX, we have 4 carriers, including Progressive Home. And for Ameriprise, we've been working with them for years in our Progressive Advantage Agency and although the news came out this week, for us is old news. So we've been working with Ameriprise for over a year to convert that business and upon nonrenewal we'll be able to give them a rate for Progressive Home and other unaffiliated partners. Now the majority has gone to Progressive Home, and some to the partners, what we're happy about and we continue to do a run every month as things, nonrenewal - and that will continue through 2019. We're really impressed with the retention rate of those customers once they change their business over from Ameriprise to Progressive Home.

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

And then another specific question. I found your discussion around mobile adoption quite interesting. And I'm not sure you're going to be willing to give me what percentage of your total customers have adopted a mobile solution for your company. But maybe you could -- and maybe you will answer that, but if you don't, maybe you could provide us some color around the split of mobile adoption between the segments, including the Robinsons.

Susan Patricia Griffith
President, CEO & Director

We don't really share that, I will say mobile adoption continues to increase and I would probably comment a little bit more on the channels. So on our direct channel, obviously that's a customer that wants to go directly as well. So that is a much higher rate of adoption than, say, our agency channel. Although in talking to agents, they're continuing to talk to our customers, our collective customers to get them to do some of the easy things like Steve talked about on the mobile device. So they really -- if they don't need to call the agent, they don't have to.

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

Just maybe, can you give us a sense, is it more auto versus home? Or am I just going to get nowhere with this?

Susan Patricia Griffith
President, CEO & Director

No. No. It is more auto versus home, and our goal, of course, when John talked about the targeted customer experiences, to be able to have everything you have whether it is on Progressive paper or not. On that mobile device, we're not there yet, we continue to invest. But I would say it's a much higher percentage on auto.

John Peter Sauerland
VP & CFO

I think we previously shared that a very large percentage of our direct customers who quote online are now doing so via the mobile device. So our earliest adoption on mobile was in quoting and buying. As we've added functionality to the mobile app, the uptake there has been really impressive. So we found, as we build it, they will come, if you will, has predominantly been faster in the direct channel, not surprisingly. But increasingly, agent customers are picking up on mobile as well. So one clarification I want to make on earlier comments on share for home and auto, so Steve Broz showed you, we think it's about a $325 billion marketplace home and auto today. We have about 10% share of the auto, think about 1 percentish of the home, $335 billion is sort of 2/3 auto, 1/3 home, just for clarification.

Susan Patricia Griffith
President, CEO & Director

And I remember several years back, it was actually awhile, I did a presentation for the I -- the yearly IR presentation on Imagine Diane. And Diane, I showed a graph of her mobile payments. And we talked about when Diane becomes a Robinson, she's not going to all of a sudden start paying by check. So we knew we needed to invest way back then into having more of those future Robinsons be able to do as much as they can on mobile.

Julia Hornack
Investor Relations Contact

Great. Andrew, can we take the next caller from the line, please.

Operator

Our next question comes from the line of Bob Glasspiegel with Janney Montgomery Scott.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

I was wondering if you could give us some dynamics in the homeowners' rollout on what percent is direct versus agency? And what the relative profitability metrics of the 2 are and growth as well?

Susan Patricia Griffith
President, CEO & Director

First, I'll start with the fact that my daughter, Emma, her first accident was backing into Glenn Renwick's car. At the time, I was running claims and he was the CEO, so can't get worse than that, right? Yes, the dynamics of the home, we continue to roll out more and more agents, so that is growing. On the direct side, clearly, the HQX has been a big key that we rolled out last year, that you can see sort of the hockey stick of where we're growing with that. So we're growing in both channels. We don't talk necessarily about profit or our target margins, I should say, in that aspect. We always shoot for 96 in the aggregate. So we don't talk publicly about where we're targeting either channel.

John Peter Sauerland
VP & CFO

Just for clarification, Bob. The property results we report in our monthly releases are the premium we're writing through what we're now calling Progressive Home, formerly ASI. We, as Steve, I believe, mentioned, are also receiving commissions from the business that we write direct with a number of other carriers. But we also think of the benefit or the currency we've previously discussed around homeowners as being that auto PLE. So we showed you the relative policy life expectancy across Robinsons, Wrights, Diane and Sam. And the reason we're in the home is to get to that at least half of the marketplace, but to keep those auto customers, we've historically been really good at bringing in as new customers, to keep them for their lifetime for decades. That's the currency of the home. Obviously, that's -- we've previously talked about the invisible balance sheet that we're building as a result of that PLE gain, but that's underlying the profitability, if you will, of home.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

What's the discount you give to someone that buys both, if any?

John Peter Sauerland
VP & CFO

So the discount varies by product. There's a discount -- and generally speaking, across states on both home and auto, and it varies by state and it varies by channel as well.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

It would be great if before too long we get homeowners broken up by agency and direct like you do auto, that'll be -- so we could track the relative growth in profitabilities.

Susan Patricia Griffith
President, CEO & Director

Yes. And it is a little bit tough, because of what John said, in terms of not all of it's on our paper. And so where we have 4 homeowner carriers on HQX, one of it being Progressive Home, we have multiple on the Progressive Advantage Agency. So it gets a little tough because we'll look at premium even though we're just getting commission on some of those, but again, auto PLE is our currency for that.

Julia Hornack
Investor Relations Contact

Thank you. Andrew, can we take the next call from the conference line, please?

Operator

Our next question comes from the line of Kai Pan with Morgan Stanley.

Kai Pan
Morgan Stanley, Research Division

I just want to also say congratulations to Steve by adding one more customers to your $17 million customer base. So my first question is on your last slide. If you look at PLE have a tremendous growth, but seems like kind of reaching a plateau in the last couple of months. Your second quarter 3-month PLE data or rate of increase has also slowed down from previous quarters. I was wondering, are you reaching limits or are you seasonality? How much more room to grow there?

Susan Patricia Griffith
President, CEO & Director

I can't predict the future on that, Kai. We obviously -- we've grown a lot and so to continue to grow is our goal and to continue to keep customers for decades is our goal. Part of what -- that affects PLE and John hit on this a little bit. John Murphy hit on this a little bit is on price. So people care a lot about price. So we're watching that closely, because we know a lot of our competition has increased their prices and those are slowing down a little bit. What I will tell you, from the perspective of business, is we're finding our new business conversion is still really strong. And so we're going to continue to look at PLE from the nature/nurture price aspect to continue to make sure that we give our customers what they need to stay and understand that.

Kai Pan
Morgan Stanley, Research Division

Okay. My second question, Tricia, is for you, is back to your shareholders' letter for the 6 months results. You achieved a remarkable, like 90% combined ratio, 20%-plus premium growth. And you normally have one of either of them, not having both. But going forward, do you think you will give back some of these margins for faster growth? Or do you think that the growth rate is as much as you can handle given your infrastructure. I remember couple of years ago, you had to ramp up your staffing to anticipate for this growth. So I was just wondering, is the margin going to deteriorate for you to grow faster on the top line? Or you want to keep the top line growth rate as it is and let the margin flowing through?

Susan Patricia Griffith
President, CEO & Director

That's a great question. Let's go back to our goal, and that is to grow as fast as we can while making at least $0.04 of underwriting profits. So when we have the ability to grow like we have and to have the margins like we have, we are really happy. We're really firing on all cylinders, and I think that's the key part here. We have a great infrastructure, an incredible brand, a competitive cost structure, and we have had no problem hiring great people across the company. So we don't believe where we have any need to slow down. Now -- then you step back and you look state-by-state, channel-by-channel, product-by-product, you start to look and say, are we still able to grow at these margins? And if we don't believe we can grow, then we will determine what we need to do to grow. But again, we look at it so surgically across so many variables, but again, I can't predict the future. We're sitting in a great position right now, and we're really bullish and excited about what we continue to do and, again, that momentum. So for me, we're happy about our growth. Obviously, we're happy with our margin. We're going to continue to achieve our goal, and that is to -- our vision to become consumer's #1 choice and to grow as fast as we can, make at least $0.04 and take care of our customers. Anything, John, or...

John Peter Sauerland
VP & CFO

I think you hit it. I would reiterate that the success we've had with staffing and retention of people has been remarkable. There have been points in our past where we were growing very quickly and we were challenged by having appropriately trained, mature staff to handle the claims, as an example, to take the calls. And John Murphy's organization, customer relationship management, has done a fabulous job getting ahead of the projected need. Our service levels have been outstanding. And at the level of growth, where we are enjoying, that's really impressive. And the claim side, similarly, we've had a little benefit there in the fact that claims frequency has been dropping a bit. So we haven't had to add people quite as quickly in claims. We've also found some efficiencies, the stuff like photo estimating. But in short, we feel great about quality metrics in claims. We feel great about service levels in our customer relationship management organization. So as Tricia said, we are sort of firing on all cylinders right now and want to continue to grow as rapidly as we can.

Susan Patricia Griffith
President, CEO & Director

Yes. And think about -- we talked about -- so we're so excited about our Robinson growth and we have less than 2% of share. So I mean to us, think of the runway with that. We are so well positioned and our mix shift is changing as well. So we've had our 83 product which we thought was fantastic to get more preferred customers in, our 84 product was even better and now we have 85 coming on the street. So we're continually excited about our ability to attract and retain our preferred business. And so was that mix shift changes, we believe there's lot of opportunities as well.

John Peter Sauerland
VP & CFO

And if 84 and 85 don't mean a lot to you, wait a quarter, and we'll have Pat Callahan, our personalized President give you a lot more detail around our product iterations, which we're happy to say are hitting the market even faster than they have previously.

Susan Patricia Griffith
President, CEO & Director

Yes. We're creative in a lot of ways, not in how we name our products.

Julia Hornack
Investor Relations Contact

Thanks. Andrew, can we take the next call from the conference call line, please?

Operator

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

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My question, for the second quarter in a row, you guys pointed to favorable frequency trends. And we've seen that throughout the industry, I guess. A couple of questions, following on another quarter of the favorable trends, what do you guys think is driving the favorable auto frequency that we've seen in the industry? And when do you think we get to a point where maybe we say it's more of a new normal that the trends have persisted? What length of time do you need to declare kind of a new frequency base for the industry?

Susan Patricia Griffith
President, CEO & Director

Yes. I think there's a lot of things that go into frequency. It's really tough to pinpoint anything in particular, I just talked about, clearly, our mix shift is changing. It can go into vehicle miles driven. And we look at a lot of macroeconomic data, and it's hard to react quickly because things change along the way. So we're watching closely things like gas prices and unemployment and things like that. So it can change in any given quarter, I can't tell you exactly when we'll say, okay, this is the new normal and we're going to price differently because we really price to severity. But we do watch those to kind of understand where we're priced and what's happening in the macroeconomic atmosphere.

John Peter Sauerland
VP & CFO

We get this question often, Elyse, and as Tricia pointed out, it's very difficult for us to even -- with the data we have around miles driven, types of miles driven, distracted driving, economic data, et cetera, even explaining frequency changes that have passed is difficult for us, it's even more difficult to project them. We do know that the long-term trend has been negative. We expect it to be negative. When I say long-term, I'm talking about the past 4 decades. But if you look back within that 4-decade period, what you see is a lot of variability. So in the '80s, frequency was dropping dramatically. The '90s, it went back up and almost got back to where it was at the beginning of the '80s and it culminated with a 2,000 combined ratio for the industry of something like 112. We were a little below that, but we were at 104-ish. You get the point. After that, frequency dropped very quickly. Over the past decade or so, it's been fairly flat, up or down a little bit. But I think those experiences, even though the long-term trend is negative, make the industry less likely to quickly price to a drop in frequency. We have had 6 straight quarters now, I believe, frequency drop. But again, when you look back at the history, there's reason to be cautious and the key for us, I think, is ensuring that we are very agile. Where we think things have changed, we act very quickly and make those changes in the marketplace. And I think that's a big piece of how we win.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then there's a slide in the deck where you guys highlight all the products that you're now offering to customers, you compare back '18 to 2013. And so if we go back before you guys made the ASI acquisition, you'd obviously identify the opportunity to bundle with the auto and home customer, and that was driving force there. Is there anything on this list that, as you think out maybe to future acquisitions, something that you guys are not writing directly today, but providing to your insurance that might fit the list of something where you would want to take on the underwriting risk completely yourself?

Susan Patricia Griffith
President, CEO & Director

I think for now, we're very happy with what we call our Progressive Advantage Agency products. And -- or I should say, our [other] products that were -- that aren't on our paper that we're able to give to our insureds. If we believe we needed access like we did with ASI and we start out with a partnership, that to us was important, because we knew in the homeowners area, we started out and we actually stubbed our toe with a great carrier, but just didn't work in the agency channel. Started a partnership with ASI, knew they were -- have the same values as us. And so that made sense to purchase, because we didn't have access to those customers in the agency channel. We feel very comfortable with the product offering that we have and our ability to again extend our auto policies with the products on that side that we don't necessarily have to write on our paper.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And if I get to shove one more quick one in. What's the new money yield on the investment portfolio today?

Susan Patricia Griffith
President, CEO & Director

Bill, you want to take that one? Bill Cody, new money yield on the investment portfolio today?

William M. Cody
Chief Investment Officer

The new money yield on the investment portfolio, sure. The caveat that I'd start with is that we run the portfolio on a total return basis, and we don't necessarily target a new money yield. In the second quarter, it was just a little bit over 3.5%. So going forward, I would just say, our duration is around the same as a 3-year treasury. And if you add a spread on top of that for high quality, fixed-income bonds, you can get a reasonable proximation of what our new money yield looks like.

Julia Hornack
Investor Relations Contact

Andrew, can we take the next call from the conference call line, please?

Operator

Our next question comes from the line of Mike Zaremski with Crédit Suisse.

Michael David Zaremski
Crédit Suisse AG, Research Division

Can you remind us the approximate combined ratio differential between a Robinson versus the Sam, Diane and Wrights?

Susan Patricia Griffith
President, CEO & Director

I don't believe we shared that. So I -- to remind you, I think would be...

John Peter Sauerland
VP & CFO

And our target for all those customer segments are the same. It's a 96. So we obviously have different economics across channels with an upfront load in the direct channel, a commission over the lifetime. So the pricing is not necessarily the same, but the target profit margin across those 4 customer segments is the same across channels.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. I guess we can -- you say -- you said a number of billion-dollar of kind of invisible profits due to higher PLE. So I assume a big chunk of that's coming from the Robinsons implying that they're more profitable, but maybe I could think through that more.

Susan Patricia Griffith
President, CEO & Director

So you're talking about the last slide that John showed?

Michael David Zaremski
Crédit Suisse AG, Research Division

Yes.

Susan Patricia Griffith
President, CEO & Director

Yes. So when we look at that, we look at the entire book and we say, if we added a month to our entire book, how much would that be in lifetime earned premium. And then John took a percentage of that, times x percentage of increase in PLE. So we normally say on average, if we add a month to our entire book, it's about $1.6 billion in lifetime earned premium.

John Peter Sauerland
VP & CFO

And so you might be confusing a new renewal split as being the same combined ratio, and it's not. So a Robinson will stay with us far longer than a Sam, for example. So that, over the lifetime, we are achieving that 96. On a new customer versus a renewal customer, it's dramatically different for Sam as you have far less time to recoup your upfront acquisition cost relative to a Robinson.

Susan Patricia Griffith
President, CEO & Director

And the way our acquisition model works is very different depending upon what channel you arrive in.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. Got it. That's helpful. And lastly, you talked about being optimistic about independent agents potentially taking share from captives over time and I get your reasoning that independent agents aren't beholden to only one product. I thought that's kind of always been the case. So I'm trying to understand what's going to change for the market share dynamics to change?

Susan Patricia Griffith
President, CEO & Director

Yes. I think the demographics are changing. So I think people expect to have multiple offerings wherever they go. So whether it's in insurance or if they're online. And so our belief is, a demographic of being able to have more offerings, and we have seen some companies actually go that route from being captive to being part of the independent agent channel. I think seeing that, it's very different to have only one product to be able to have optionality to what fits your lifestyle. That's sort of our premise.

Julia Hornack
Investor Relations Contact

Andrew, can we take the next call from the conference call line, please.

Operator

Our next question comes from the line of Paul Newsome with Sandler O'Neill.

Paul Newsome

You covered a lot of ground, thank you for that. I just wanted to retouch the tenure effect impact of the growth. It seems like you had accelerating growth with no impact on the combined ratio, where the vast majority of the time, when we see this growth, you see some impact on the combined ratio from the growth itself, because new business is typically not as profitable as old. Is the tenure effect buried in there? That we're just not seeing it? Or is there something else going on that -- I mean, it's all good, but if it'll -- could you just give us a sense of how you think of this in the current book right now?

Susan Patricia Griffith

President, CEO & Director

I mean, I think there's so many -- I'll have John add some things. We have so many things going on, but what we've been really impressed about and wrote about and that's why I wrote so much in my letter is the biggest part of our cost is loss cost. And being able to have our claims organization hire well in advance, train well in advance and have systems that can alert us to make sure we have that high-quality outcome and we've been obsessed with watching those files because of the low tenure in the claims organization to make sure that we have the right people handling the right files at the right time with those supervisors being able to get out in front of a file that might be going sideways before it settled. So that's, I believe, a big part of it. We do usually have a new business penalty. We've been in this mode for a while, where we've been having a lot of new business. So that's kind of started to level out a bit.

John Peter Sauerland
VP & CFO

To that, I would add, so we go into a year trying to understand how much we're going to grow new business. And we are conscious of -- I previously said it's a 96 across channels in all segments. We're absolutely cognizant of what we think the new renewal mix will be going into the year. So we say our target is that calendar year combined ratio less than a 96. At the same time, we're looking at lifetime combined ratios for all those customer sets that we want to be within that 96 as well. And so it's a balance across those 2 objectives, clearly in the direct channel as you bring in a lot of new business, those combined ratios are much higher than renewal. In agency, there's less differential. But increasingly, as we're moving the book towards more preferred customers, the difference between the loss ratio for new customers on the Sam end is far bigger than on the Robinson end. And as we shift that book, then the loss ratio, if you will, penalty of the growth is far less.

Julia Hornack
Investor Relations Contact

Andrew, can we take the next caller, please?

Operator

Our next question comes from the line of Gary Ransom with Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

I enjoyed your discussion on customer experience,. I wanted to ask about another level of customer service that actually increases the opportunity to interact with customers. And this is maybe at the product level, but it's perhaps your Snapshot mobile may encourage additional interaction and also a product such as a pay by the mile might encourage additional interaction. I wonder if you could share thoughts on that level? And also more specifically, whether you've been thinking about a pay by the mile product?

Susan Patricia Griffith
President, CEO & Director

We've been really focused from the Snapshot perspective on having more of what we've talked about as a mobile as a device. So actually using the phone to be able to understand the driving behavior, not just time a day, aggressive braking or miles driven, but usage of your phone whether an application or a phone call. So we're really trying to understand the behaviors and the loss behaviors that will happen with distracted driving. So that's really been our focus to understand with all the information we have, how at some point, we can put that into a product model because of the data that we will have with drivers that have the mobile as a device versus a pay as you go.

Gary Kent Ransom
Dowling & Partners Securities, LLC

So you don't have anything in the works right now for us, the pay by the mile type product?

Susan Patricia Griffith
President, CEO & Director

We're always thinking about things. Right now, we're focusing on mobile as a device in understanding the loss experiences for distracted driving, as well as what we've always used as a huge rating variable. And when Pat Callahan talks the next quarter, he'll talk a little bit about Snapshot and the importance of that variable in terms of our ability to price and charge the right amount for the way people drive.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

Maybe just one follow-up on Snapshot. Is it your belief that you are -- there truly is a reasonable amount or a significant amount of adverse selection that you are causing and you are not alone, there are other peers that are using a similar product, but not very many. Is that actually making everyone else's loss ratio higher?

Susan Patricia Griffith
President, CEO & Director

So I can't speak to the loss ratio of the competition. What I can say is that when our customers who have driven with us and have a Snapshot device get a surcharge, oftentimes they leave, which means that we were going to price them right, which is a high price. They didn't like it and they went to someone else, so that to me is sort of the definition of adverse selection.

Julia Hornack
Investor Relations Contact

Andrew, can we take the next caller, please?

Operator

Our next question comes from the line of Adam Klauber with William Blair.

Adam Klauber
William Blair & Company L.L.C., Research Division

What's the year-over-year increase in Platinum agents? Or at least could you give us that rough ballpark of percentagewise, how much they've increased?

Susan Patricia Griffith
President, CEO & Director

I'm not sure, percentagewise. We used to give the number and we kind of stopped giving that because, it just became a number. I think I'll give a number to that, I think, it's around 2,800. I might be a little off. We look at Platinum now, less of, hey, we need to increase more agents, but in any given geographic area where we believe there are Robinsons, do we need to have more Platinum agents in there. So that's, really, how we look at it now because we feel like we have a good footprint across the country, but we do look and say, okay, here we're not growing as much. Is it the agents, is it the ability to have those Robinsons walk into those agencies? And that's kind of our next level of assessment in terms of our need for more Platinum agents.

Adam Klauber
William Blair & Company L.L.C., Research Division

Okay. And then a follow-up. According to your 10-Q, your general severity seems pretty low or it has been improving, it look like it's only 2%, That's materially better than the industry and looks like it's improved compared to a year ago. I guess, what are you doing that's better than the industry and how are you improving your severity in a tough time for severity?

Susan Patricia Griffith
President, CEO & Director

I mean, I think from what I understood, it wasn't that different from the industry, 2, 2.5. We always -- obviously I talked about looking at making sure we are accurate in our payments and make sure that we have the right level of people looking at our files because that's our biggest cost. And we have an incredible training organization to be able to do that, incredible leadership organization, the claims area. And that's really what we look at is in terms of making sure we get out there quickly, we help the customer and we help to manage the claim.

Julia Hornack
Investor Relations Contact

Andrew, we'll take the next call from the conference call line, please.

Operator

Our next question comes from the line of Meyer Shields with KBW.

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

Two questions, I think touching on issues that have been raised in the Q&A. First, to the extent that you're winning business either in independent agency or direct from captive agents, do those customers have different either loss propensities or PLEs than longer-term independent agent or direct customers?

Susan Patricia Griffith
President, CEO & Director

I don't think I would be able to really actually see the data from that right now, I mean to me, it's more of -- I would look at it in terms of the types of customers. The customers that have multiple products, the customers that have more to take care of, the customers that have the credit, all the things that we look at in terms of proof of prior, some of those things that most companies look for. It's really the variables that we look at versus where they come from. Do you want to add anything?

John Peter Sauerland
VP & CFO

I think that's true, yes.

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

Okay. That's helpful. And second, I have to agree with the point that you made that demographically, we're going to see an increased focus on having options. Does that diminish the value of the brand recognition improvement that you've been fostering?

Susan Patricia Griffith
President, CEO & Director

No, I don't think so at all. I mean, I think our brand recognition will tell you, especially in HQX, or when we go to our Progressive Advantage Agency, that we want you to have Progressive Home. But we also have different options for you. So I think we actually have highlighted that in some of our commercials. And oddly, the commercials, when we talk about HQX, we were doing it to make sure there was brand recognition around home, and it improved our prospects on both home and auto. So we feel like it's actually even getting better.

John Peter Sauerland
VP & CFO

Yes, I would add. I think relative to competitors, we are the brand that is known for providing customers options.

Susan Patricia Griffith
President, CEO & Director

Steve used the line in his presentation today that was in a commercial years ago, when we used to have -- compare it, which we had, comparative raters, and it was we're not always the lowest. And so that's kind of been our claim to fame is to make sure we were just the transparent company about saying, you know what? You're better off getting -- going with XYZ. So we're proud of that.

Julia Hornack
Investor Relations Contact

Thank you. And I'm actually going to -- I think you said 2,800 Platinum agents.

Susan Patricia Griffith
President, CEO & Director

Yes, was I wrong?

Julia Hornack
Investor Relations Contact

No. You were really close. Almost 2,900 Platinum agents, up 45% since last June, so.

Susan Patricia Griffith
President, CEO & Director

I read a report about a month ago. So they must have added some more a couple of months ago. So, yes.

Julia Hornack
Investor Relations Contact

Exactly. Andrew, can we take another caller from the conference call line, please?

Operator

Certainly. Our next question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

So just curious, so you've had a ton of success here, lots of growth going on, but growth obviously requires capital. And I know you had the preferred offering. Just curious, where are you with respect to being able to sustain or absorb this growth here on your current capital position? And then what are your alternatives here going forward in the event you need capital, given that your leverage ratio is up a little bit?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean, we look at capital in terms of the need from many different areas. And we wrote a paragraph about it in the Q. As we grow, we're going to need more regulatory capital to hit the premium to surplus. So we'll continue to watch that, and that's a good problem to have. We have dividends. We have a lot of different things that go into our capital structure and of course, our debt-to-total capital ratio, we usually talk about, in a 30% range. If we believe we need capital to continue to grow, we'll determine what that means, whether it's issuing debt or what we've done in the past. So we look at that on a monthly basis to kind of understand our need, but we believe we see that as a good problem in terms of growth and our ability to get that if we need it.

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes, and I don't disagree, I'm just wondering, your willingness to do equity capital.

Susan Patricia Griffith
President, CEO & Director

We review it every time we go to the market to determine where we should go with that, and what makes the most sense in terms of our returns. So we do that as needed.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And my next question, Trish. Obviously, great growth in homeowners, it's going terrific. How do you think about managing, though, the volatility that homeowners can potentially bring. I know you've got some great reinsurance in place right now to do that. I assume as it gets bigger and bigger and bigger, it's harder to manage that volatility and I guess, with the runway here you got -- you may run into some concerns over that.

Susan Patricia Griffith
President, CEO & Director

Well, firstly, I think is really understanding segmentation in the home as much as we do on the auto side. So we're working very closely with the 2 R&D departments to understand the type of homes we should write and obviously we want to expand our coverage, not only just geographically, but to more homes. So we are watching that to understand, okay, this is a segment that we believe really fits in our wheelhouse. In addition to that, as you know, we added the aggregate stop-loss agreement last year and that has been helpful and we feel really good about our reinsurance. So I think it's really about having a solid reinsurance plan and kind of understanding what we can of the history of weather and where we should write and how we should rate those homes and also continuing to segment homes as we do auto.

John Peter Sauerland
VP & CFO

And a lot of that growth is actually lessening our concentration risk geographically. So that getting bigger there, actually, I think, helps the volatility. And the aggregate stop-loss agreement is not dependent upon how big we are, it's a strict percentage across-the-board. So it's not dependent on size.

Susan Patricia Griffith
President, CEO & Director

Our goal is to continue to grow extensively in home and auto and bundle.

Julia Hornack
Investor Relations Contact

Thank you. We'll take one last caller from the conference call line. Please, Andrew.

Operator

And our next question comes from the line of Ian Gutterman with Balyasny.

Ian Gutterman
Balyasny Asset Management L.P.

I just had 2 quick ones. First, on the homeowners, I guess, sort of go back in history, right? I mean, ASI, before you acquired them was obviously very overweight Florida and Texas, as I recall, and you sold in the middle of the country, obviously you had a lot of these other partners. And now, first, I was hoping you'd talk a little bit about how much of the non-coastal growth as you fill out the map, should we assume that on the margin most of that will be ASI? And secondly, to the extent that it is, can you just talk about what I'm really concerned about and this may even be something for a future call is the infrastructure build out in states where you aren't heavily concentrated, right? If you're Tennessee or Nevada or something, right, where maybe you don't have a ton of homes yet, but you have a lot of auto customers and people are now starting to call in. How quickly can you build that home infrastructure because it's a lot different than auto infrastructure, right? So maybe I'll leave it there and let you start answering that.

Susan Patricia Griffith
President, CEO & Director

Yes. So obviously, as we expand on the agency channel, it will all be Progressive Home. On the direct channel, we have a multitude of carriers. So it really is the best fit for that customer. We don't really talk about the percentage that we get from each of the unaffiliated partners with Progressive Home on the direct side but we have lots of options to fill out the country. From an infrastructure perspective, we have made a commitment and investment on the claims organization to have offices across the country. We have hundreds and hundreds of offices across the country. For the most part in Home, we use independent agents for the home. So that infrastructure is already built out with our partnerships there, but we do have an opportunity to actually leverage our already built in infrastructure on the auto claims side as well, with the leadership we have there, so. And we also have for large losses and complicated losses, a very large kind of high value or high kind of loss organization here that handles any of those big claims on the commercial side, on the home side. And so we have an infrastructure built out from home that we believe we can utilize for auto, for home, as well as the fact that traditionally we've used independent agents across the country.

John Peter Sauerland
VP & CFO

Yes, well, independent appraisers are writing a lot of the estimates for homes in states where we don't have a lot of business yet. You're right about that for sure. But each of those files is owned by an adjustor that is an employee that is reviewing those estimates and reviewing coverage as well. So while there's some delegation of the adjusting process, it is still owned by an employee.

Ian Gutterman
Balyasny Asset Management L.P.

That's what I was trying to understand. So I actually assume the goal over time is as you get more critical mass in certain states or maybe it's even counties, that you start to replace that independence with more of your own people when you have enough scale to do so?

John Peter Sauerland
VP & CFO

I'm sorry, that' is absolutely what we've been doing as we grow in states in which we don't have a ton of business yet. So the claims organization for Progressive Home is, not surprisingly, growing very rapidly.

Ian Gutterman
Balyasny Asset Management L.P.

Perfect, okay. And then just quickly to follow-up on some of your earlier questions about the 96, if I ask maybe a little differently. Obviously, you've been beating the 96 a fair amount for a number of years, If, let's say, I wouldn't put a target on it, but somewhere down the line, you go from 2% Robinsons to call it, 10% Robinsons. Just given the longer PLE, they can sustain a higher combined ratio. Is it reasonable to expect that over the longer-term sort of neutral will be a smaller margin versus the 96? Which isn't a bad thing, right, it's probably a good thing because the PV of that is higher. But just from a GAAP perspective, is that something we should expect to happen over time?

Susan Patricia Griffith
President, CEO & Director

I wouldn't necessarily go to that. Remember, it wasn't long ago in 2016 that we were over 96 for a quarter when we came in at 95.7, I believe. So that memory is etched in my mind since it was my first quarter as CEO. But our 96, again, we've been writing about this since our first annual statement when we went public in 1971. So we'll continue to look at the 96 aggregate for all of our coverages. And again, they are different, but we optimize to the aggregate. And so we will do whatever we can to grow as fast as we can, make at least $0.04 and service our customers, and that's really sort of -- that's our blueprint. And everything else, we kind of fit into that. This isn't -- 96 isn't a solve for, it is what we do here, it's our culture and it has really served us so well for over 80 years.

Ian Gutterman

Balyasny Asset Management L.P.

No, absolutely. I was just trying to think of just -- I'm just doing a spreadsheet here [indiscernible], right? As you have more and more success with the Robinsons, there ends up being just mathematically little bit natural optical pressure, right, not economic profits, right? The economic profits obviously are fantastic, but nominally, I would think there's just a mix change, I guess, if you will, that makes the 96 a little harder. On a nominal and not in our lifetime. Does it make sense? Or am I not thinking about that the right way?

Susan Patricia Griffith
President, CEO & Director

Yes. I get where you're coming from, I think that we'll just have to play it out and see how it goes as we continue to increase our mix of business.

John Peter Sauerland
VP & CFO

Yes, and I would just to reiterate. As we go into a calendar year, we know our calendar target is a 96 or better, and we can project out what we expect those combined ratios are by segment and by new renewal, and we can adjust our target pricing accordingly to make sure or best sure as we can that we're below that 96 for the calendar year.

Julia Hornack
Investor Relations Contact

Thank you. So we've actually exhausted our scheduled time. So Andrew, I'm going to hand it back to you for the closing scripts.

Operator
Thank you. That concludes The Progressive Corporation's Second 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. You may now disconnect, everyone, have a wonderful day.