S&P Global
Market Intelligence

The Progressive Corporation NYSE:PGR

Earnings Call

Tuesday, August 6, 2024 2:30 PM GMT

Call Participants

EXECUTIVES

David Krew

Douglas S. Constantine
Director of Investor Relations

Jay VanAntwerp

Patrick K. Callahan
President of Personal Lines

Susan Patricia Griffith
President, CEO & Director

ANALYSTS

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

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Jian Huang
Morgan Stanley, Research Division

Joshua David Shanker
BofA Securities, Research Division

Michael Augustus Ward
Citigroup Inc., Research Division

Michael David Zaremski
BMO Capital Markets Equity Research

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

Robert Cox
Goldman Sachs Group, Inc., Research Division

Ryan James Tunis
Autonomous Research US LP

Unknown Analyst

Presentation

Douglas S. Constantine
Director of Investor Relations

Good morning, and thank you for joining us today for Progressive Second Quarter Investor Event. I'm Dough Constantine, Director of Investor Relations, and I will be a moderator for today's event.

The company will not make detailed comments related to its results in addition to those provided in its annual report on Form 10-K, quarterly reports on Form 10-Q and the letter to shareholders, which have been posted to the company's website. This quarter includes a presentation on a specific portion of our business, followed by a question-and-answer session with members of our leadership team. The introductory comments and the presentation were previously recorded. Upon completion of the previously recorded remarks, we will use the balance of the 90 minutes scheduled for this event for live questions and answers with the leaders featured in our recorded remarks as well as other members of our management team.

As always, discussions in this event may include forward-looking statements. These statements are based on management's current expectations and are subject to many risks and uncertainties that could cause actual events and results to differ materially from those discussed during today's event. Additional information concerning those risks and uncertainties is available in our annual report on Form 10-K for the year ended December 31, 2023, as supplemented by our 10-Q reports for the first and second quarters of 2024. We will see discussions of the risk factors affecting our business, safe harbor statements related to forward-looking statements and other discussions of the challenges we face. These documents can be found via the Investor Relations section of our website at investors.progressive.com.

To begin today, I am pleased to introduce our Personal Lines President, Pat Callahan, who will kick us off with some introductory comments. Pat?

Patrick K. Callahan
President of Personal Lines

Thanks, Dough. Good morning, and thank you for joining us today. I'm Pat Callahan, Personal Lines President, and I'm pleased to introduce the topic of today's presentation, direct acquisition. Our vision is to become consumers, agents and business owners, #1 destination for insurance and other financial needs. To achieve that vision, we strive to be available where, when and how consumers want to shop for their insurance and to optimize our experiences to meet the needs of individual consumers. A foundational element of this optimization is to understand the differences between our agency and direct channel customers. Agency customers often choose that channel because they value the professional local counsel, ease of shopping, and breadth and depth of product and carrier options available through independent agents. These customers often have more complex insurance needs. And as such, the expertise provided by an agent coupled with the personal relationship agents build with their customers gives the customer peace of mind. The direct channel customer frequently places higher value on the convenience and ease of access afforded through self-service 24/7 shopping and servicing. They often have less complex needs and feel comfortable making insurance decisions after educating themselves through the tools that we provide online, supplemented by the knowledge of our trained and licensed direct consultants. The customers, segmentation and economics of these 2 auto insurance distribution channels are fundamentally different, which is why we've developed, deployed and optimized distinct personal auto products for each channel. The result of these distinct products is not necessarily higher or lower rates in one channel versus the other as we target similar combined ratios. But instead, delivers products that better aligns our rates with the different indemnity and expense characteristics of each channel.

There are 3 primary distribution channels for U.S. auto insurance: captive agents; independent agents; and direct-to-consumer. We write through both independent agents where we're the market share leader and through direct where we're the #2 [writer] enjoying over 25% and growing market share. The independent agency and direct channels make up the majority of the U.S. personal auto insurance market and continue to grow faster than the captive market. The current hard market has distorted some long-term channel trends as certain large competitors in these channels either shrink significantly or grow rapidly amid large underwriting losses. These dynamics have presented an opportunity for us as prospects have been released to the market and rate increases from less well segmented carriers have driven competitors to be adversely selected. On the right side of the screen, you'll note just how critical our dual-channel strategy has been to achieving our continued market share growth. But today, we're going to spend time focusing on what drives our success in the direct channel. Insurance is a trust-based business. and we build that trust and take share from competitors within the direct channel through the strength of our brand, the power of our segmentation, the breadth of our media presence and the experiences we deliver to our customers.

Our presentation will focus on 2 aspects of the direct channel. Media and customer experience. We think about direct customer acquisition as a funnel with a virtuous cycle, similar to what we've previously shared from a product segmentation perspective. Media sits at the top of this funnel, where our online presence and award-winning advertising is deployed and optimized by our world-class in-house media team. Our advertising delivers billions of impressions every year, which in turn bring more than 100 million visitors to progressive.com annually. The experience on progressive.com turns those initial touches into tens of millions of quotes and ultimately, millions of sales annually. As we put more prospects through our funnel, we obtained the data to optimize the experience which in turn improves the media economics at the top of the funnel, which again, leads to further optimization. Our scale means this cycle is difficult for competitors to replicate which has helped to continue to feed our market share growth.

Today, our direct media business leader, Jay VanAntwerp, a 20-year Progressive employee will provide insights on how we optimize our media spend and why investors should feel confident that when we invest a dollar in media, it's a dollar well spent. After Jay, Dave Krew, our Acquisition Experience business leader will join us. Dave has led our Acquisition Experience team for 12 of his 34-year Progressive tenure. He will walk us through how progressive.com has evolved from a basic Web 1.0 site back in the '90s to become the #1 ranked insurance website today. And, how his team enables us to continue to increase the complexity of our rating and our products while simultaneously improving yield through our acquisition funnel. Thanks again for joining us today, and I will now hand it over to Jay. Jay?

Jay VanAntwerp

Thanks, Pat. Today, I want to begin by talking about our Media Group and why we believe it is a competitive advantage for Progressive that would be incredibly challenging for our competitors to replicate in the near to medium terms. One of the distinct things about Progressive is that we buy almost all of our media using an in-house team. The media channels we buy include mass media like TV and radio, programmatic display, paid social media, direct mail and paid search. Virtually any type of advertising or demand generation that is purchased, our media team buys. We believe that this makes us unique, not just in the insurance industry, but in the advertising industry overall. This is not a new development. The decision to buy media in-house was made almost at the very beginning of our efforts in the direct channel in the mid-1990s. At that time, our demand generation efforts were focused on television and direct mail. But since then, our Media Group has evolved with the media landscape. As digital channels like programmatic display and paid social media have become more prominent. Our media team has given appropriate focus to those areas. And using Progressive's risk learn, grow philosophy, we develop viewpoints on how to buy those media types efficiently. So our current capabilities are the result of an evolution of over 3 decades. Given how long we have been doing this and how ingrained the Media Group is within the company, it would be very challenging to assemble a team from scratch that would be able to efficiently deploy spend in all media channels and at our current scale. What are some of the advantages that having an in-house team gives us. Our focus relative to an external agency is very important. We focus on one brand and one small set of products. This allows for a level of specialization that an external agency would be challenged to match. We are able to leverage one of Progressive's core strengths, which is analytics. Progressive has a very strong history and track record of analytical innovation. We draw on those capabilities and building our analytical team. Another advantage our in-house team has over an external agency is product knowledge. Our analysts typically come from other areas of the company. They understand our product. They understand the dynamics of the auto insurance market. They're able to bring the insurance context to how they look at media in a way that no external agency would be able to replicate. If you combine the focus with the analytics, the result is custom models built specifically for Progressive using first-party data we would never make available to an external third party. All of our models are proprietary. Using our data to evaluate only our brand and the products that we sell. As opposed to a one-size-fits-all model for multiple clients that you might get using an external agency. This has been incredibly impactful. We have leveraged our analytical horsepower and first-party data to dig into all of our spend and determine the relative efficiency and lifetime value of all of the different media channels. This then gives us a guide for the optimal places to spend more when adding budget and where -- when reducing the budget so we can optimize for Progressive's specific needs. Progressive is a leader in segmentation for auto insurance pricing, it is similarly powerful when we bring these skills to how we buy media. Another advantage is the ability to quickly flex the budget. Our budget is flexible within controls, which I will talk about later in the presentation. We are willing to increase the budget if there is efficient opportunity and available margin within our calendar year [96] combined ratio target to fund the additional spend. Also, if there is a need to reduce the expense ratio in order to hit our target [96], we can do that quickly as well. Our analytics show us how to optimize sales, both when adding and when cutting. Furthermore, we are able to flex our budget up and down extremely quickly. Another advantage is that we have aligned incentives. Like other Progressive employees, our media team is on our gainshare annual bonus program. So they benefit from the success of Progressive in a way that a media agency that is compensated on commission, wouldn't. A media agency is primarily incented to encourage clients to spend more on media in order to increase commissions. Our media team is focused on the core strategies of Progressive, primarily profitable growth. We also have lower overhead costs than an equivalent program that relies on external media agencies. So not only are we buying the media smarter, but we are also doing it at a lower cost. A 5% commission on $2 billion in spend, which is about what we spent at our peak in 2020 would be $100 million. Our team is less than 100 people with total annual cost for this team considerably lower than $100 million.

Finally, and this really cannot be overstated. Our team has very strong relationships with in Progressive that no external agency would be able to develop. While we work closely with our marketing team in the way most agencies would. We also work directly with state product managers and general managers as well as many other areas of the business. We also have a very firm understanding of the business that allows us to credibly show how what we do in the Media Group benefits Progressive. As I talk more about some of the accomplishments of the last decade, I think it would be unlikely that an outside agency would have been able to make the case to be as aggressive as we were leading up to our peak spend in 2020 nor could an outside agency move as quickly to make cuts as we did in 2023.

To summarize, we feel that our Media Group and the capabilities that we have built over 30-years have contributed greatly to Progressive success. I will talk specifically about the last decade and how we have been able to support Progressive's goal of growing as fast as possible at or below a [96].

Before talking about Progressive specific spend over the last decade, it is worth providing context about insurance industry ad spend over the last 30 years because it has shifted significantly over time.

Progressive Direct and other directors became more aggressive in the mid-1990s, with the emergence of the direct-to-consumer business model for auto insurance which spurred strong growth in insurance and advertising spend. From 1996 to 2003, and there was 10% compound annual growth in Media spend. This is a high rate of growth, and yet that rate of growth increased about 50% from 2003 to 2011, with the compound annual growth rate rising to 15%. Between 2011 and 2017, industry ad spend slowed to only 2%, largely driven by agency distributed companies whose economic models didn't allow them to keep pace with the direct-to-consumer companies who continue to have double-digit growth rates during this time period. Starting in 2017, growth in advertising ramped up again, from 2017 to 2021, the industry compound annual growth increased 5x from the previous period to 10%. We will talk about some of the dynamics happening at that time that may have spurred the next round of growth. But there is a strong argument to be made that Progressive was the catalyst as we started spending more at this time and competitors followed suit. As we know, overall industry profitability issues in 2022 and 2023 led to a contraction in ad spend as the compound annual growth rate for those 2-years was negative 20%. That was the overall industry landscape.

Now let's talk about Progressive specifically. Prior to 2017, Progressive's media spend was under $700 million. and we are consistently around 10% of total industry spend. In 2015 and 2016, we really hit our stride in using analytics to generate insights for how to buy media more efficiently. We were able to come up with a common metric between all media types that allowed us to better evaluate where our spend was efficient and where it wasn't. Also during this time, we were coming out of a hard market. Similar to today, we reacted in advance of the industry and aggressively raised rates, such that our loss ratios were trending below our [96] combined ratio target. As such, we had available margin to fund a higher level of spend as a percentage of premium, while keeping our combined ratio below [96]. Starting in 2017 and continuing for the next 3 years, we were able to operationalize the advances in media efficiency, which allowed us to spend significantly more while still maintaining our target economics with the increased spend funded by available margin. We went from $650 million in spend in 2016 to almost $2 billion in 2020, a tripling in just 4 years. You will remember from earlier slides, that during that 4-year period, there was also an increase in industry spend, which I hypothesized was spurred by our increase in spend. When we started to spend more, competitors noticed and also began spending more. This resulted in that period of growth from 2017 to 2021 for the industry. While our competitors did spend more during that time, we increased our media spend much faster than the industry. Resulting in an increase in our percentage of total industry spend from 11% in 2016 to 20% in 2020.

To summarize, we tripled our spend in 4-years and almost doubled our share of the industry spend. When our losses are higher than target, we look to cut expenses with the goal of meeting our [96] combined ratio target until we have adequate rate. One of the largest and most flexible ways we can control our combined ratio is through the media budget. As severity trends rapidly steepened starting in 2021. We cut the Progressive media budget 3-years in a row from 2021 through 2023. Prior to this period, going back 30-years, we had never cut the budget 2-years in a row. So this was an unprecedented time as was the increasing size of the cuts. We went from almost $2 billion of media spend in 2020 to about $1.3 billion in 2023. These cuts happened at a time when the overall industry was cutting as well. So even with the significant cuts, the statutory data shows that we were the biggest [spendor] in the industry in 2022 and 2023. And our share of the overall spend within the industry was almost flat. Going from 20% of industry spend in 2020 to 19% in 2023. All of these dynamics would have been impossible to manage without the capabilities of our in-house team. Our insights, analytics and relationships with the business allowed us to make the case for the increase in spend up to 2020 and then quickly cut significant amounts particularly in 2023 to support the overall company goal of hitting a [96]. I've talked about the efficiency of our spend, but have not necessarily defined what that means. We do have a number of controls on our spend. The primary one is that our cost per sale has to be at or below our target acquisition cost. If that is the case, then we would say that the spend is beneficial. Cost per sale is our total acquisition costs divided by direct sales. [indiscernible] is the largest part of our total acquisition costs. Other costs include the expenses related to running our call centers, development of our creative, maintaining and improving our online quote experience, the compensation of our marketing and media groups, among other things.

Target acquisition cost is how much we charge customers for acquisition expenses over the life of their policy plus margin adequacy. It's the amount we price into the policy for acquisition. This amount is adjusted up or down based on where our margin is relative to targets. We need to make sure that the sales we are bringing in are at or below the acquisition expenses we price into our policies. That's the primary control in our spend, but there are others. Another constraint is that the direct auto lifetime combined ratio has to be at or below meaning we have to be confident that the new business that we are writing in a state is going to meet our profitability target over the life of the policy. As we talked about in our second quarter 2023 Investor Relations call, direct channel policy acquisition costs are expensed in the first term of the policy and every subsequent term of the policy is collecting the premium necessary to cover the initial acquisition expense. If the acquisition expense is too high, such that the premium collected over the average lifetime does not cover the initial acquisition expense, indemnity expense and other expenses, we shouldn't be spending money to acquire those policies. We need to be able to service our customers well. This is primarily for claims. There are times when the growth in the state is greater than our claims staffing can keep up with. So we will turn media off in order to slow demand and allow our staffing to catch up. Another constraint is our focus on achieving an aggregate company-wide calendar year combined ratio at or below a [96]. We will not spend additional media dollars if our calendar year [96] target is under threat. Even if there may be opportunities for efficient media spend.

And the final control on our spend is an efficient incremental cost per sale. That is a relatively new constraint. Incremental cost per sale is our measure of whether our spend is bringing in a quote or a sale that is over and above the ambient shopping rate. We are able to measure that at a pretty granular level. and we are able to use that metric to evaluate efficiency within a channel as well as between channels. This chart shows the relativity of actual cost per sale versus the target acquisition cost. We want this metric to be at or below 0. At 0, it would mean that our actual acquisition cost is equal to our target acquisition cost. You can see that even during the run-up in spend from 2016 to 2020, that we kept cost per sale below the target in some years by as much as 15%. Even as we deployed 3x the level of spend, we brought in enough sales to hit our target economics and for that extra spend to be completely paid for with the premium that was generated. 2023 was certainly an outlier given the size of the cuts. When we cut spend, we cut the least efficient areas first. After the cuts in 2023, we were left with only the most efficient spend as well as a relatively high level of ambient shopping due to the hard market. So cost per sale was significantly below the target acquisition cost in 2023. Even with a significant rise in spend in 2024, the ratio has increased, but is still well below our targets. This means that so far in 2024, we are adding policies very efficiently. And this is true for 2 reasons: first, year-to-date, many of our competitors have remained at depressed levels of media spend. This means that we are able to get a large amount of media impressions for less. Additionally, when those media impressions turn into quotes, we're converting them at a good pace, suggesting cost competitiveness. Another view of efficiency is to look at the upfront acquisition expenses as a percentage of the lifetime earned premium that is expected from the sales. From 2016 to 2020, our acquisition expenses as a percentage of premium went up but stayed in the 7% to 7.5% range. As with the cost per sale versus target acquisition cost, this metric did fall as we made cuts in 2023 and is up in 2024 as we've increased spend. Again, this suggests that in 2024, even as we have significantly increased our media spend, we're still bringing in prospects at very high efficiency. We have shown cost per sale versus target acquisition cost in order to illustrate that even with the run-up in spend, we hit our target economics. This chart illustrates the benefit that we got from increased spend a little more clearly. This chart shows an index of media spend anchored to 2015 as a 1.0 on the horizontal axis and an index of direct auto sales anchored to 2015 on the vertical axis. Each dot represents a different year. You can see that even with the increase in spend, we were able to increase sales commensurately. As with the other charts, 2023 is an outlier. In previous calls, we were often asked about ambient shopping and how we gauge it. The 2023 number is a clear indication of the elevated amount of ambient shopping last year. Despite spending below 2019 levels, we sold more direct new policies than in any year in our history. This is because rates were rising across the industry, prompting customers to shop at and eventually purchase from Progressive.

We have talked about how the budget cuts were a key tactic in helping Progressive hit the [96] combined ratio in 2023. This chart shows acquisition expenses as a percentage of direct auto earned premium. You can see the increase in acquisition expense as a percentage of earned premium going from under 9% in 2016 to almost 13% in 2020. I had mentioned before that one of the keys to our ability to increase the spend the way that we did was available margin to be able to pay for the extra spend while still hitting profit targets. As we reduce spend starting in 2021, the acquisition expense ratio dropped from 13% to just over 6% in 2023. This cut reduced the company-wide combined ratio by about 2.8 points in 2023 and was a big factor in our ability to exceed our [96] calendar year target. Year-to-date 2024 we have increased spend, so now our acquisition expense ratio is back to about 10%. Note that the 2024 ratio on the chart is a year-to-date number. The first quarter acquisition expense ratio was below that of the second quarter as margins continue to be strong, we will look for opportunities to grow the business as much as possible. While we only get statutory spend data annually, we do have some ways to gauge Progressive spend in relation to the rest of the industry during the year. There are a number of third parties that provide a measure of what individual competitors are spending in select media channels. This chart shows an index created using iSpot data as a proxy for year-to-date TV spend and Sensor Towers Pathmatics data as a proxy for year-to-date programmatic display and paid social media spend. We have set the Progressive spend at a 1.0 index and show the next 4 largest spenders in the insurance industry. You can see that based on this data, Progressive media spending is considerably higher than others. Though this is only a partial picture of all of the advertising done in the industry, it does provide a useful data point suggesting Progressive is outspending competitors by a significant margin. That increased spend is paying off as we are delivering the necessary sales to pay for that spend. This chart of spend versus sales is the same as the one I just showed, but each dot represents only the first half of each year. You can see that 2024 is above the historic trend line with record spend and record sales. This chart suggests we are getting a strong return on our media spend to date.

In conclusion, Progressive's in-house media team is a unique competitive advantage that has driven significant value for Progressive since the inception of the direct business. In the last decade, the media team has been instrumental in increasing media spend efficiently, which has resulted in greater market share. This team also plays a huge role in managing to our [96] combined ratio through expense management and cutting spend to support the goal of a company-wide [96] combined ratio. Today, the team is laser focused on profitable growth and is deploying record spend amounts in the first half of 2024, and this has produced the largest first half direct sales volume in our history. While we focus on the relationship between sales and media spend as a measure of efficiency, it is important to point out that many other areas of the company work in conjunction with our media team to deliver sales. Everything from the award-winning creative produced by our marketing team to our industry-leading product and pricing make our jobs easier. Another key area is the team that received the online and we generate at the top of the funnel and converts it into quotes and sales. That team is the direct Acquisition Experience team, which has ownership of progressive.com and the online quote funnel. In the same way that the media team has evolved over decades, the Acquisition Experience team has been a competitive advantage for Progressive since we sold our first policy online over 25 years ago.

My colleague, Dave Krew, leads that group and is going to speak to their part in the funnel. Dave?

David Krew

Thanks, Jay. Once Jay and his team get prospects to engage with Progressive, the direct Acquisition Experience team works to turn digital touches into productive experiences for the consumer and then profit for Progressive. My team is focused on progressive.com and our personal lines, auto and recreational lines direct sales funnels. There are parallel roles that focus on property and commercial lines applying similar concepts. Our goal is to deliver incremental lifetime underwriting profit each year by optimizing our digital experiences and periodically delivering breakthrough step functions in the evolving digital education, quote and purchase process. The term lifetime underwriting profit or LUP for short, refers to the sum of expected profit dollars generated from the incremental sales we produce. I'll touch more on why that's important later. To do what we do requires very close collaboration with adjacent organizations. IT, product, CRM and marketing in particular. It also requires a diverse set of subject matter experts on our central team. We work to connect the dots between deep insurance knowledge, the digital agency mindset, data analytics, data science and process management. Another way to say this is a real balance of right and left brain disciplines come together. And in my opinion, that's where the value has had. Like the Media team, we've been at this for several decades. Let's start with the origin story. There have been a number of digital first in our history. We are online in 1995 and started quoting and selling online soon thereafter. We started planning for scale, had segmented operational data and tracked results all before the turn of the century And 15-plus years prior to the coining of the term InsurTech. Taking the time line a bit further and deeper, as I said, we were online in 1995. We first showed comparison rates online in 1996, sold our first fully digital auto policy in 1997 and expanded our online footprint from auto to recreational lines in 1999. As we grew, we set out to innovate in the user experience space with several end market innovations, such as Name Your Price. We also invested in our mobile quoting capabilities. Starting in 2017, we began to leverage advanced technologies to personalized user experience and increased funnel throughput. We also continued investing in other value-adding educational content and a Chatbot, which leads us to today selling millions of policies untouched by human hands each year plus a substantial number of digital-assisted sales that quote online and purchase over the phone.

While over half of those digital sales happen on mobile devices. Here's a look at today's digital funnel. There are over 100 million visits to progressive.com annually. These lead to tens of millions of quote starts and ultimately, millions of digital sales. The screen shots on the right of the slide are representative way points as a prospect navigates from our homepage into an auto quote in this case, and ultimately a purchase. A 1% movement in throughput generally contributes sales lift that equates to tens of millions of profit dollars. To that end, we invest significant talent and resources in the user experience, technology and optimization. These incremental sales are high margin given the media team already got the prospects in the door. To be clear, we often count sales for ease of communication, but the underlying analysis of Lyft generally contemplates contribution of lifetime underwriting profit or LUP as noted earlier, given all the policies are not the same and trade-offs can present themselves. Optimizing motorcycle versus auto Lyft in a multiproduct experience is one example of such a LUP based tradeoff.

I'll now transition from our digital history and scale to some of the how of what we do. Our digital experience is in effect, the front end of our highly segmented product. Our product continues to evolve and move faster, which is a very good thing but using the metaphor on the slide requires our digital customer acquisition train to stay in sync with an accelerating product train. Our product requires a complex interview for an infrequent transaction with many options. We have decades of experience delivering an accurate online quote and optimizing the user experience simultaneously. Along the way, we've evolved a set of tactics and principles that help us make informed trade-offs. We often run pilots ahead of product changes to assess the best way to gather a given rating input. And by best, we mean most accurate and easiest for the consumer. We've also evolved a living analytic framework to assess and target abandoned points as our user experience and product evolve together. As stated a bit earlier, there is much value to be had at the interface of deep insurance knowledge and deep user experience knowledge. To be clear, the fastest quote is not our goal. Optimal use of the consumer's time is. An instant or quick quote generally implies assumptions in downstream rework. Not to say we don't experiment, in fact, we have a motorcycle quick quote pilot in market in several states as we speak as well as embedded rates with automotive and financial partners. But the science needs to include rate accuracy in a total end-to-end look at the customer experience from quote to purchase to onboarding. Regarding that science, our scale affords lots of data to optimize new experiences via A/B testing. As part of that testing, we look for sales and LUP [lift], as one might expect, and also come full circle to look at the impact of user experience on product mix. How you ask and display the question can matter.

To conclude this slide, keeping up with a fast-moving product, while simultaneously improving user experience and sales throughput necessitates that we have deep connections and frequent collaboration with our product and IT partners. Another way to state our objective function is to stay on and ultimately stretch the efficient frontier of customer ease and segmentation fidelity. As the final topic in our Acquisition Experience section, I'll touch on our approach to personalization and the digital funnel. We know that delivering the right content to the right consumer in the right context drive substantial value. As I pointed out before, we have been delivering personalized content to enhance customer experience and drive increased sales and associated LUP since 2017. We've built a number of points of user experience personalization throughout our digital funnel. Personalization use cases have led to cumulative benefits in the hundreds of millions of dollars proven via A/B tests in the marketplace. Before breaking down our approach to real-time digital personalization on the next slide, I'll also mention another point of advanced technology deployment. Since 2018, our quoting and progressive.com Chatbots have delivered millions of conversations and replaced millions of dollars of human support cost. While I won't get into detail on the specifics since this is a fast-moving space that provides real competitive advantage, I'll break down our approach. Delivering personalization at scale in a digital sales funnel in real time requires a set of balanced capabilities. We continue to evolve our capability set along 4 dimensions. Every year, we work to make sure we advance along each of 4 key elements, represented on what we call the personalization wheel. While not in a particular order, I'll start with context data. We continue to evolve the data we can access in a real-time digital funnel to drive decisions. We take great care around annuity and privacy as we use the data to drive better user experience. Working clockwise on the wheel, we come to content. Delivering the right content to the right consumer in the right context is at the heart of our digital personalization work. We constantly work to add new use cases to our road maps, think stars on the prior slide, a close connection with the marketing team is important here.

Next is Decision Science. We continue to add new models and evolve existing ones. Context data is the input, a content decision is the output. Last and absolutely not least, is the delivery system. We need an infrastructure that delivers the content decision and the content itself in milliseconds where the value of the optimized content is lost. We also need a nimble environment for our data scientists and engineers to test and evolve new models. We have a strong partnership with our IT team to ensure we leverage and influence the latest enterprise-wide developments while meeting more current in-market objectives. We work to advance on all 4 of these dimensions each year as a means to drive a road map of short, medium and longer-term end-market tests and ultimately, sales and LUP [lift].

That was a very brief overview of our direct acquisition experience world. To summarize, we've been at digital sales funnel growth and optimization for a very long time. We have a lot of data that we learn from and advance in Progressive fashion. A tight coupling with product is not only necessary, but we believe a source of significant advantage that InsurTech startups will likely never have. We continue to advance our personalization capability set in this space. And last but not least, we've been evolving at the junction of insurance and technology for decades to help fuel the direct customer acquisition virtuous cycle.

Douglas S. Constantine
Director of Investor Relations
This concludes the previously recorded portion of today's event. We now have members of our management team available live to answer questions, including presenters, Jay VanAntwerp and Dave Krew, who are available to answer questions about the presentation. [Operator Instructions] We will now take our first question.

Question and Answer

Operator

Our first comes from the line of Jian HuangJian Huang of Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

I'm trying -- so first question is, I'm trying to tie out several quarter worth of presentations here. So first of all, you're signing up probably, call it, 2 million new auto policies for this -- year-to-date so far. And even if I assume there's no additional new auto policies that is still a record. So if we think about from that perspective and typically, first year, because of acquisition costs is because of estimates, your -- that policy cohorts combined ratio should be elevated. And if we go out into 2025 and beyond, despite the fact having already a very efficient acquisition cost, shouldn't your -- that policy cohorts combined ratio to be relatively low. So consequently, give you a lot of more flexibility on the combined ratio side to acquire additional customers. Is that the right way to think about this? If not, like how should I think about just essentially the artificially low combined ratio now? And then how far is that going to evolve going forward?

Susan Patricia Griffith
President, CEO & Director

Thanks, Bob. And yes, you're exactly right, with 2 million additional auto policies and 2.6 million additional policies overall for the company. There's so many inputs that go into a combined ratio that it's hard to discern exactly how the future will go. But here's what I would say. We're very efficient, and there's been a lot of ambient shopping, as you've seen in our presentations and I've written about and we've talked about. And so we're able to have our cost per sell well below our targeted acquisition cost. Now the fact is we want even more growth. So we want to grow from a premium perspective, but I've talked a lot about my preferred -- our preferred method of growth is a unit of growth. So we're going to continue to do that. And we're sitting in a really great position. So we will spend more if we think we can continue to grow policies units because, frankly, our premium kind of goes up and down, as you've seen in the last 4 years based on our trends. It's been a high inflationary trend that's abating, which is great for our customers. So while I'm not going to be able to signal what our combined ratio will be, know that we're going to spend as much as we can from a media perspective if we think we can get it in an efficient cost with, again, calendar year and lifetime [96], we're going to continue to drive down nonacquisition expense ratios, we continue to work on our accuracy and efficiency as well as customer service and work environment, our claims organization, which we have seen just a lot of really great momentum as we've gotten staffed and more tenure in there. And we're going to continue to evolve our brand. So if you look at that, I can't tell you in your model what to put in for our combined ratio, but know that we're looking at all levers at all times, but we feel like we're finally in a really good position to be able to do what we've always said we wanted to do and take small bites of the apple and continue to grow. And whether that's small bite a little bit upward a little bit downward, really be in a position to grow and take even more market share than we've taken in the first half of this year.

Jian Huang
Morgan Stanley, Research Division

Great. Really appreciate that answer. My second question revolves around investment income and the way competitive environment is evolving. So obviously, last few years, a lot of insurers were subsidizing their underwriting with investment income to offset the inflationary environment. As we think about the growth prospects going forward and interest rate volatility going forward, if interest rates were to come down, if equity market remains volatile, does that help you on the broader competitive environment given that some of your key competitors tend to guide as far as an ROE rather than an underwriting combined ratio. Is there a way to think about that from a broader dynamic investment -- as that broader competitive dynamics?

Susan Patricia Griffith

President, CEO & Director

Yes. We really try to separate the operational with our capital management. So obviously, our net investment income has improved because we've had some bonds maturing, and we have a lot of money from the operations, so we can put that into bonds with higher yields. But really [weird] job, the Progressive capital management. We actually just got back from a business review last week is to protect the balance sheet. We're going to continue to grow as fast as we can. And we're not going to change the dynamics of our overall [arching] objectives that we've had since 1971 probably before that, but that is to grow as fast as we can at a [96] combined ratio or making at least $0.04 of underwriting profit but making sure that we take care of our customers. So we look at the competition and competitors have just different models. We're going to continue to have the model we have had for a long time because we think it's a winning one.

Operator

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

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, just given the ramp-up in ad spend that we've seen this year, are you guys doing this with the expectation that the year-over-year PIF gains that you guys see in the second half of the year will accelerate, right, versus the first half of the year. When we think about relative to that $1.9 million that we've seen added through June?

Susan Patricia Griffith
President, CEO & Director

We sure hope so, Elyse. We're going to continue that. I would say if you -- if there's ever a signal of our confidence in our rates, it's based on what we're spending on our media. So you'll see that we're pretty confident what a difference a year makes. But our intentions are to continue on this path and really leverage where we're at from a competitive perspective, both a media and brand perspective, competitive prices, and we're going to hopefully continue that throughout 2024 and beyond.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then maybe my second question is a follow-up on that, right? When you guys in the slides talking about competitors returning to advertising. Do you have -- how do you view the efficient, I guess, advertising opportunities today relative to the past year?

Susan Patricia Griffith
President, CEO & Director

Yes. I think we're still seeing a lot of ambient shopping and there are some people, there's some -- some of our competitors that are still getting a fair amount of rate, which will continue to have shopping as we talked about, both with our sort of our prospects and conversion. So we feel really great about where different companies, of course, measure it differently. And I think really the secret sauce is what Dave and Jay talked about. And that is something that we've worked on not for a year, not for 2 years, for decades and is built upon each other, and then, of course, working with our product group, our claims group, our marketing group that's really the special secret sauce. So now, we feel really great about the efficiency. And we feel, like I said, even more importantly, great about having the right rates on the street. Now again, that -- I can change a little bit here and there, but it's been such a pendulum swing in the last 4 years, giving $1 billion back to customers and lowering rates during the pandemic and then, of course, the inflation. It's really nice to what we see at this point in time. Just some stability, which our customers deserve and just tweaking it up and down a little bit, and that's really where the fun begins where we really can get competitive on our advertising, our media and, of course, taking care of our customers.

Operator

Our next question comes from the line of Mike Phillips of Oppenheimer.

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

I take a step back for the first question, a little higher level, [indiscernible]. I guess -- looking at the consumer landscape that's clearly changing, the younger generation, more online, more media, more social may things like that. I guess as you think about how that continues to change, how do you see the overall size of the DTC channel relative to the overall personal market? What percent do you think that's going to be in maybe 5, 10 years down the road? And part of that I ask is we're seeing clearly more competitors try to cut into this, whether it's small entrants or even some pretty big traditional agency competitors of yours that are trying to switch over to direct. And so if you can comment on how difficult you think that is to get into this market, given you guys have been quite successful for decades?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean I think that the generation, I think I've shared with you before, I have 6 children that -- everyone wants to buy online, that makes more sense. It's easy. I remember when we first started prog.com, it was called something else is called AutoPro. No one thought anyone would ever buy auto insurance online, and we made a bet. And it's difficult. And it was an uphill battle. It was an expensive battle, it took us 10 years before we made money. As if you go back into this presentation, you look at what Dave Krew said, we were in InsurTech before that it was ever coined a name. So I think we feel pretty proud that we're going to continue to innovate. That's so important in our DNA. So we're going to continue with the integrated marketing campaigns. I think for us, it's really about choice for consumers. So I am still an agency customer. It works for me it doesn't work for my children. So I think to answer your question, it's hard to get into, but even as we watch the competition, it really boils down to competitors and all of us making sure that we have the right choices for our consumers. And that's really where we want to be. And we believe that we can compete really effectively in both the direct and agency channel, and we have been.

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

Okay. This is a little more specific to your recent Q. You mentioned a lot about growth in renters. And I guess I'm curious, is there anything concerted effort on your part that's caused that? Or where is that coming from? And are there growth opportunities in your auto that come from that growth in renters? And are there things in the renters customer base that you can learn that would make the auto growth a little bit more profitable.

Susan Patricia Griffith
President, CEO & Director

Yes. I mean I think renters is oftentimes required, we have an easy, really a quote flow for renters. We do like to have the auto renters bundled. We also know that renters can often turn into homeowners. And of course, we have to make sure that those homes are ones that fit our risk profile as we move forward and derisk that book a little bit. But yes, any time we see that bundle happen, whether it's auto and renters and then any other product you add that also causes stickiness, and that's really where the rubber meets the road is making sure that consumers we have what they need and when we do, they stay for a long time.

Operator

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

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

So for the first question, I'm going to focus on Jay's staffing comment. And Jay, during your portion of the presentation, I think you mentioned that there are times when your staffing in certain geographies aren't up to the speed of growth and so you dialed back advertising -- so I guess just some questions around that. How many times has this happened? Has there been specific geographies where this has been a challenge and maybe on a broader base just about some of your hiring strategies to offset what you're reporting substantial growth in presumably a tight labor market?

Susan Patricia Griffith
President, CEO & Director

A great question, Greg. Let me take that one. It rarely happens, but we watch it closely, mainly because we talk about growing as fast as we can at or below a [96] if we can take care of our customers. So I recall one time, I'll get the year wrong but it was early 2000s. We were growing a lot. And I remember specifically, we had to tell the state of Texas that we had to slow down. So we had to slow down growth there. So, that obviously is embedded in me. I wasn't even in the role. But having been in the claims role, you work closely, and I know our claims President works closely with Pat and his group to say, okay, here's where we're adequately staffed. And also the great part about now having the ability to have some hybrid work is you can shift work to different states. So you can -- if we are a little bit behind in staffing in one state and we could -- and a little bit above in the other, we can train those people to work that state if we need to. All we're saying and all Jay saying is that if we need to shut off media at a local basis like we did in the last couple of years when we didn't have the right rates on the street, we can do that or if we aren't staffed appropriately. Now right after the pandemic going into '22, I would say we had way more turnover than we would normally like in both claims and CRM, we're a in a completely different spot right now. In fact, we are hiring ahead of need and feel really good and I talked a little bit about making sure that we -- with new reps that we are really accurate and we pay the fair amount and that we're efficient. So that's really where we're going to be able to turn that on now because we feel really great about our staffing tenure, the quality and our accuracy.

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

Okay. I guess for my follow-up question, I'm going to pivot. And as part of the advertising presentation and advertising expense presentation, you really didn't talk about multilingual strategies, and we don't really see it in the PowerPoint presentation yet, the Hispanic community is a growing percentage of the population inside the United States. So I'm just curious if you could spend a minute and talk about how you're approaching your digital advertising and all the other advertising levers and targeting multilingual cohorts of the population.

Susan Patricia Griffith
President, CEO & Director

That is a great question, and we've been working on that for some time. We had a little setback with some litigations in law, a law in Colorado. I won't go into the details because it's out there. But it really caused us to pause because it's really difficult for us when we want to do national advertising to control who's seeing it in any given state. So we paused on that. Now we have done a couple ads, one in particular, really sweet one. If you go through it, it's a dear talking to the doe and a dad talking to the new driver. And there's some nods obviously, to Latinx, which we think is important. And I totally agree with you. So we have a strategy and a whole team working on our multilingual or sort of ability to grow we can grow both in the agency channel, and we have a huge group of what we call [Sagora reps] here handle our Spanish-speaking customers. We believe that this is a big opportunity. Again, we had to pause a little bit because of something that happened in Colorado, but we talk about this a lot. In fact, we're getting an update in one of my upcoming direct report meetings on where we're going with our multilingual strategy.

Operator

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

Joshua David Shanker
BofA Securities, Research Division

I was listening to Jay's presentation and he said that you made a big bet in advertising. And of course, the industry followed you. And then Tricia, you said that people doubted people would buy auto insurance online, but of course, that they did. I was wondering what was the catalyst change all that, and I want to apply that to homeowners. When do you think there will be a catalyst that people really buy homeowners online, how big do you think the online homeowners' direct-to-consumer market can get -- and maybe do you think we're on the cusp of that change?

Susan Patricia Griffith
President, CEO & Director

Yes. That's a -- several questions. I'll go back to begin with. I think we'll always continue to try to grow in all channels. So we'll use that innovation. I think Jay's big betting advertising. We had -- we sort of took a decomp and looked at where we were at a long time like go back to like the mid-2000s. And we advertised, we did it well. We had a brand but not solidified. And I think we were able to make a big bet when we had a brand that people recognize that respected, they talked about choice that talked about savings and I actually remember it pretty well because it was not long after I came into this job, I came in mid-2016, we bumped up against the [96] in my first quarter, and shortly thereafter, and I meet with the acquisition teams all the time. Jay and his team came with an approach, and it was brilliant, and I supported it. In fact, Jay often comes to me or through Pat, to me to say we need to spend more here, and here's why. And honestly, their group is so spot on. I've never said no. And of course, they've given us a gift of pulling back when we've needed to. So on the direct homeowner side, we're about -- I think about 25% of our business comes into the direct side. So, but think of that's Progressive Home and another stable group of carriers. We're going to continue to expand that because we do think people want to buy online. I don't know what, what the pivot point will be where it's 50-50, like it is in auto, but we're going to continue to invest in that because we think it's that important. And because a home is so much more volatile. And if you get to a density situation can be problematic during storms, we'll continue to work with really solid partners to make sure it benefits them and us as a win for all companies.

Joshua David Shanker
BofA Securities, Research Division

And then looking a little more on the rate and homeowners. If you look at some of your competitors provide renewal pricing data, in that their rate increases are much higher than yours, of course. Some of your pricing is related to that you're growing faster in non-coastal non-cat states, which is causing your numbers to be lower due to diversification geography. But still, your numbers seem to be lower. Is homeowners nationally being priced adequately not for Progressive, but the industry in general. Is the industry overpricing too much, do you think creating an opportunity for Progressive to take share here? Or does Progressive also need to take some action here to get current with what others are doing?

Susan Patricia Griffith
President, CEO & Director

Well, some of that -- some of those rates you're looking at, like we talked about our growth in renters, which is really much smaller average written premium. We took about 4% in the quarter. And year-to-date, it will be about 10% on a trailing 12, about 17%. So we've taken quite a lot of rate, and we've had a lot of other non-rate actions that we've taken to derisk our books. I think first things first, we're going to focus on de-risking the book, doing what we've said. We have the 115,000 nonrenewals in Florida that we knew were unprofitable. We worked with Florida to have options for those consumers. We're going to continue for us to work on improved segmentation. We have 8 states on our new 5.0 product. Get as good at our pricing and our segmentation and really at that surgical level as we have in auto, and that takes some time. We've been working diligently on it. I said in my letter, we're going to be even more aggressive. I think at that point, when the dust clears, we'll be able to take more market share. In the meantime, we are continuing to grow in what we perceive as more nonvolatile states. Weather is always the factor that we have to take into account all the time. But right now, our focus is derisking a property. And then as we feel like we're in a good position, and we do have the right rates. We'll grow in the areas where we think it's most important to grow for the whole health of the portfolio.

Operator

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

Robert Cox
Goldman Sachs Group, Inc., Research Division

First question just on cost per sale. I'm just curious, as peers have continued to improve their margins year-to-date. Are you expecting increased competition on the cost per sale in the back half of the year? And also curious how you anticipate the election will impact costs for advertising?

Susan Patricia Griffith
President, CEO & Director

Yes. To answer the last part, I have no idea. The first part, we might feel some pressure on cost per sale, but it is so much below TAC that we feel really good about the efficiency.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Okay. Got it. And just maybe going to the 10-Q, some of the business mix shift impacting accident frequency. When you think about pricing going forward, how much of this favorable frequency environment are you considering as sustainable versus weather-related or other nonrecurring benefits?

Susan Patricia Griffith
President, CEO & Director

Yes. So if you look at our frequency being down about 8%, the majority of that is really -- it's always hard to discern exactly. I would say -- the 2 factors right now for us is our preferred mix and some of the non-rate actions. So we've unwound or continue to unwind the non-rate actions. The preferred business, our motto has always been that we want Sam, Dianes, Wrights, Robinsons. We want every customer as long as we can make a lifetime in a calendar year, [96] combined ratio. So we may feel pressure on that. But again, it's really hard to discern, and really put together exactly what makes frequency. We watch it closely. As well as we do, obviously, frequency and then react to that accordingly. But like I've said, I feel like we're in such a better position in terms of stability around those trends. And if we can now start to do what we do best, and that is literally look at every product, every state, new and renewal and take a little bit up, a little bit down, a little bit up, a little bit down, make those rates stable for our consumers. That's really the winning proposition for us.

Operator

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

Unknown Analyst

It's [Gina] on for Meyer. My first question is on the rates in the shareholder letter, you mentioned taking some small rate cut for 8 states. Just curious on what your thinking behind it? And how should we think about rates going forward?

Susan Patricia Griffith
President, CEO & Director

Yes. So we always -- like I said, we're kind of back to things that are a little bit normal. So if you think about on the auto side, combined ratio right around 88%. That doesn't mean that every state is at 88%, that every DMA is at 88%, some are above, some are below. So -- you can imagine that if we're well below our 88%, which is well below our [96] actual goal that we're going to take the opportunity to reduce those rates a little bit to bring in new business, along with our media spend and are unwinding of non-rate actions. Remember, too, when we think about that, and it's kind of what I said before, we want to make sure that we're taking those small nibbles, small bites. So even though we reduced rates, by a small amount, 8%. We increased rates in 13%, a small amount, which is just such a different game than we've had to play in the last several years. And so that's where we'll think of rate cuts. We'll think of if, in fact, we're making wide margins and we believe it will benefit us for growth and benefit our consumers to have stable rates. We'll use that as one lever to continue new business growth.

Unknown Analyst

Got it. My second question is on the conversion rate. So in your presentation, you mentioned, expanding significantly more than competitors. Conversion rate has come down due to the schedule shopping behavior. How is Progressive from thinking about dealing with the conversion rate?

Susan Patricia Griffith
President, CEO & Director

Yes. So we -- I think the question was about conversion rate. And obviously, we want to be on the short list for consumers and then ultimately convert that. So our prospects are high now because we're out there. And so you're going to see -- that's kind of the wide part of the tunnel -- the funnel. And then if you go down, our conversion isn't as high because of the numbers. So we can't necessarily control that, but we think -- there's a lot of shopping out there. A lot of people just kind of making sure they shop because rates have been so volatile. But we will continue to work on making sure that our conversion rate is in line with what we think it should be on all products in all states.

Operator

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

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

So most of my questions were answered, but I was wondering if you could talk about what you're seeing in terms of competitor behavior on pricing and marketing spend and how it varies by channel because it seems like the mutuals as the group haven't been as proactive in raising prices, but just wondering if you could talk about the various channels and what you're seeing?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean, the channels are different because like we talked about today, that was really focused on direct, which is more of a fixed spend. And then the spend on the agency side is more variable depending on new and renewal and then, of course, what's happening in the industry in terms of commission amounts. I think we have seen our competitors, I would say, acting rationally. And I think there's been a lot of rate in the system, still a lot of rate coming into the system. I can see it becoming more competitive. And if that's the case, I think you'll likely see more spending. And so that's -- to me, that's the rational case. So whether your goal is [96] or [95] or [105], I think at some point, you need to be rational and price your right to risk. And I believe we're seeing that. And we all have our own models, obviously, am biased and believe that our model is the best because it's that balance of growth and profitability and competitive prices and most importantly, our people and culture. So I think this should be an interesting couple of years, but I do see some rational movement from -- across a lot of our competitors.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

And then your margins have obviously been pretty good for the last several quarters, but most of your peers' margins are improving as well. So wondering if you see an environment where in a few quarters, you start to see regulatory pushback on prices since they have gone up a lot or just the excess profit you're earning get eroded because of an uptick in composition on prices?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean, I don't -- again, I don't want the pendulum to swing the other way because they're still about 10% states or premium that we don't actually have the right rates on the street from our perspective in terms of where we want to be. So we will, like I said, and as you read, we did reduce rates in 8 states, and we'll continue to watch that. We want to make a [96]. I want to -- we want to grow. We want to grow unit growth. And that's why we're doing what we have said we've always done, and that is advertise more, make sure that we're there for our customers when they need us most, as you see some of the volatile weather happening. And I think regulators, we work with them and the relationships are really important to make sure that there's 2 things that we have, adequate rates on the street, competitive prices. So if if we lower rates, I think people will follow as well because everyone has to have competitive prices. It's so easy to shop. And easy to leave your carrier if you want to. So it's really important to have competitive prices, and so much goes into that, whether it's segmentation or our claims efficiency, et cetera. So I think that's what we have to look at. I think in addition that we know that our customers do want stable rates. And we're going to continue to work on that and work with our industry. I just don't -- our industry commissioners. I just don't want to swing the other way because this has been stable for just a couple of quarters. And while I don't think we're going to have anything unforeseen happen, I've probably said that a few times in the last couple of years where things have been unforeseen have happened. So we will continue to let this play out, do the right thing, and we'll always try to be competitive in order to grow our units, which is the most important measure of growth to us.

Operator

Our next question comes from the line of Michael Ward of Citi.

Michael Augustus Ward
Citigroup Inc., Research Division

I was just wondering, we noticed that your mobile app tick up seems to be pretty high for auto policies in general. At least relative to your competitors. So just wondering if you have any insight as to why that might be. It doesn't seem like it's just telematics, but are you incentivizing maybe the use of digital ID cards and paperless -- or is it something else?

Susan Patricia Griffith
President, CEO & Director

I think that sort of with the question in terms of the evolution of technology. So we have a lot of our new apps come in through mobile. And I think if you come in, likelihood is you want to stay there. And so we continue to invest in making our mobile app more friendly, access to things like you said, the ID card and making payments and just making it easier. So we've invested a lot in the last more than a decade on the mobile app, and we'll continue to do so. And when you think about one of our strategic pillars as broad coverage. That's one coverage where people go in on the app. And when I go in on an app, I want to stay there and be able to do everything. So that is service, that's buy, that get the information I need. So I think you're right that it's continued, and I think it's based on our investments and people that want to do business in that way.

Michael Augustus Ward
Citigroup Inc., Research Division

Okay. And then just expanding on the comments about direct home sales. Wondering if you can kind of elaborate on that in the context of the acceleration in Robinson growth indirect, trying to square those 2. I guess, are Robinson customer wins taking place more online or more over the phone. And how should we think about your Robinson share expansion going forward?

Susan Patricia Griffith
President, CEO & Director

Yes. Well, our Robinson growth is taking place across the board. I would say, higher in the agency because that's really where we needed to have a homeowners product to be able to access those auto customers in the independent agent channel. What I would say is, so we started what we call HomeQuote Explorer many, many years ago. And it was really based on having a stable group of carriers in addition to us where if we didn't want to write a risk, we could give it to another carrier or another carrier. And so we're going to continue to evolve that. And we have that really across the board. That has been how we like -- how we like to look at what the customers need. And when we think of broad coverage, we have HomeQuote Explorer, which is the direct home, which we want more and more Robinsons there, but they don't necessarily have to be Robinsons. On the commercial side, we have BusinessQuote Explorer, again, where you can buy our commercial auto, but then maybe a general liability policy from another carrier. And then we have AutoQuote Explorer, where we're doing the same thing. It's really about making sure it's ease of use for our customers. And they've come to us through the acquisition -- the media spend that we look at. So they come to us. And if we can't seal the deal, why wouldn't we help them sell the deal with somebody else who wants that risk. So I think it will continue to grow. Again, first things first in our desire to derisk our product portfolio. But I'm proud that we have invested in HomeQuote Explorer and think that will be a long-term solution for us on the direct side.

Operator

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

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Tricia, I was wondering if you could just talk about how much of a lag or if there is a lag between when you ramp ad spend. and when you start to see higher sales? I know that March was the highest ad spend month in your history that obviously increased from there in the second quarter so I'm just wondering -- and it also looks like that happened in June as well where there was another tick up. Is there any sort of lag between when you hit the ad spend and when you start to see the PIF come through?

Susan Patricia Griffith
President, CEO & Director

I would say there's a little bit of lag, but we measure that pretty closely when we have any media spend in terms of our -- the prospects coming in. And then, of course, then we'll measure the prospects that turn into sales. I mean there's a little lag. We also -- we were never totally closed in our advertising. So there's a kind of constantly making sure that we're top of mind for consumers to be on that short list to even shop. So I'd say there's some lag, but I don't think there's anything discernible.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Understood. That's helpful. And then last quarter, I think I think it was in the 10-Q. It sounded like there were 10 points of rate that we're still to earn in throughout the course of 2024. I'm wondering where that stands now and how we should think of that as just additional rate earning in above trend that you can then spend on advertising.

Susan Patricia Griffith
President, CEO & Director

So you're talking specifically about auto or overall?

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Yes, auto.

Susan Patricia Griffith
President, CEO & Director

Yes. On the auto, we've taken so much rates over the years. We have -- we took a little bit for the quarter 2, 2% year-to-date. We have a little bit more to earned in, earned in, maybe 2-ish for the rest of the year. We feel really good about our rates. In fact, that's why we're able to take a little bit of movement in those 8 states where we reduced rates a little bit. But as you think about -- if you go back it was painful. '22, we took 13.5%, '23, we took nearly 19%. So -- the cumulative rates, and of course, they earn in more quickly than home have been a lot. And so we feel really good about having it be a little bit less during this year in terms of our competitiveness.

Operator

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

Ryan James Tunis
Autonomous Research US LP

So obviously, all 3 months, April, May and June looked really good from the PIF ad standpoint. But I guess, seasonally, if we look historically, those actually have not been a big PIF ad margin. I'm just curious -- would you say that the result was in spite of seasonal headwinds that are still in place? Or is the whole seasonality component of trying to analyze things kind of a moot point just given the changing dynamics?

Susan Patricia Griffith
President, CEO & Director

Now I don't want to say it's a moot point. I think it was a blend of having the right rates on the street, being able to pull back on non-rate items that we put into place when we were trying to stop growth. and our increase in media spend as well as us being very adequately staffed to handle everything. So I think it was a lot of dynamics, sort of the perfect storm in a good way to position us in that way. So I think it's just a bunch of things that came together with a lot of hard work with a lot of teams to make sure that we had -- that we were able to capitalize and maximize our PIF growth.

Ryan James Tunis
Autonomous Research US LP

Got it. And then I guess just on the advertising, I mean, you mentioned '23, you pulled back at time, you still spent over $1 billion. I would guess that ad spend is not just a function of not just designed to add new business and most probably also play some kind of retention role. I don't know if there's any way to quantify sort of like if there's a base amount you have to advertise or this increasing advertising spend more. Does that help your retention as well. But I'm just curious how you guys think about that or if there is any way to quantify that impact?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean I think, obviously, the best thing for retention is to have stable rates. But you can't even -- if you don't have a brand out there, it's hard to be on the short list of people that think about companies when they go to buy and people that have, especially because our brand, I think, is well thought of. We have many different campaigns that hit different people differently. We try to break through with our humor. We try to make sure that customers see ads, the right amount of time, not too little, not too much to make sure we're on that. I think we have been in the last several years doing some tests from a retention or just understanding addressable markets. We talked a little bit about the multilingual campaign.

So we do spend some money on making sure that we have campaigns out there, whether digital or mass media or people do see us in terms of what our purpose is, and that is to move forward and live fully. That's what we want our customers and our employees and communities to do so. It is really about attracting and then when they come here, we want to retain them with stable prices great service and all the products they need.

Operator

Our last question comes from the line of Michael Zaremski of BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

First question, I guess, a follow-up to Rob Cox as he asked about the sustainability of frequency trends that are favorable, and you kind of unpacked a couple of items on mix and non-rate actions. What about on the severity side? I know your severity looks very favorable, especially relative to some of the peer data. I know your -- you had easy comps, I guess, you can say also last year. But how are you thinking about any of the sustainability or mix factors on severity these days?

Susan Patricia Griffith
President, CEO & Director

I think the mix factor can take into place some of it, but some of the severity had gone up so much during the pandemic in subsequent years in terms of think of used car prices. And those are still up, but they're stable relative to pre-pandemic. So that's where you're seeing some of the stability in terms of BI, you had an uptick in [attorney] rep in a larger loss in litigation. So I think the things are stabilizing. It's hard to say what will happen but we've had several months of data where we do see some stability in that, which gives us a little bit of confidence as we move forward.

Michael David Zaremski
BMO Capital Markets Equity Research

Got it. So nothing you're calling out kind of on your mix that should make it more sustained -- running at a lower rate than it has in the past, okay?

Susan Patricia Griffith
President, CEO & Director

Yes. No, mostly just getting hopefully to a more stable place.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. And just lastly, my -- my follow-up is on the Jay's part of the presentation on direct-to-consumer. And just by the way, I remember being at your live Investor Day in Ohio, probably a decade plus ago when you asked the audience how many times you think we look at our smartphones. And I was -- I always think about that as I look at my phone, and we all look at our phone way too much these days. So you guys were ahead of the trend. But -- but just I guess, Jay mentioned there was a -- it seems like you mentioned a catalyst for more spend that you improved your data back in the 2016 to '17 time frame, I believe. I don't know if that's something worth elaborating on and if you feel that there's been a -- you're even improving more so today than in the past? Or was that kind of a big -- you mentioned that. So I was curious if that was kind of a -- if there's something special happen then?

Susan Patricia Griffith
President, CEO & Director

No. I mean I think a lot of things have happened since and that was sort of a pivotal time where we decided that we were going to go ahead as we looked backwards, spend more closely to our targeted acquisition cost to understand what that would mean to growth. I will say since then, having worked closely with this group, "Oh my gosh, the amount of data and how surgical they understand our customers and understand who sees what, when, what that means, how we should price for Sam and Omaha versus a Diane in Missouri is incredible. So it hasn't stopped, and it actually builds off of each other. So it's sort of like our product model. It's not like, "Oh, Jay's group learns this and then it's -- the next thing they learn. It's like multiplicative. And so I would say -- if you would have asked me in 2017, I would have said this group is incredible.

The group now, which is the same and more people are even better. So what we are learning and what we are understanding from just a granular level is truly amazing. I think that's one of many of our secret sauces. So as we wrap this up, I do want to thank Dave and Jay and their incredible teams for the nimbleness when we've hit up against our target. They've never complained about pulling back. And my hope is this year that -- never say no to their additional spend to grow, and they can spend as much as they can to make sure we grow the entire firm. So thank you, great questions today. I appreciate everyone coming to our event.

Douglas S. Constantine
Director of Investor Relations

Appears to have been our final question. So that concludes our event. Marvin, I'll hand the call back over to you for closing scripts.

Operator
That concludes The Progressive Corporation [Fourth] (sic) [Second] Quarter Investor Event. Information about a replay of the event will be available in the Investor Relations section of Progressive website for the next year. You may now disconnect.