

Progressive Corp.

August 2024 Results Beat on Margins & Growth

Strong performance on both volume growth and margins.

Progressive reported strong month of August results with y/y beats across underwriting ratios and policy in-force (PIF) growth. We view this favorably as the underwriting results and speed of margin improvement give further momentum to PGR's ability to lean into growth. On the back of this, PGR also produced PIF growth of 13% vs our estimate of 11.5%. The PIF beat was particularly driven by Personal Auto which we view favorably. EPS came in at \$1.59 vs our \$0.93 due mainly to the favorable underwriting results relative to our estimates. This monthly result serves as further evidence that PGR is ahead of its peers on price taking and growth, which we think will be viewed favorably by investors.

Personal Auto Net Premiums Written grew 42%, vs 31% Barclays est. losses, and LAE of 3,197.5m came in better than Barclays estimate of 3,614.7m. This translated to a Loss Ratio of 64.8%, vs 72.9% Barclays est, from both attritional loss ratio beat and better than expected cat load of 30bps, vs 4.7% reflected in our estimates. While expense ratio came in slightly higher (20.8% vs 19.6% Barc est), overall Combined Ratio was still materially better than our expectation (85.5% vs 92.5%). The expense ratio will likely remain elevated, but this should be viewed favorably given it is enabling growth.

Overall, personal auto PIF grew 14.8% y/y to 22.4bn, vs our est of 22.1bn, reflecting 13.2% growth. Both Agency (10.8% vs 9.5% Barc Est) and Direct (17.8% vs 16.0% Barc Est) performed better than expectations. Homeowners business also came in strong, growing 14.0% y/y to 3.4bn vs our estimate of 3.3bn and 10.7% growth.

| CORE

PGR	EQUAL WEIGHT
North America Insurance/ Non-Life	NEUTRAL
Price Target	USD 267.00
Price (12-Sep-24)	USD 249.48
Potential Upside/Downside	+7.0%

North America Insurance/Non-Life

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FIGURE 1. Monthly Results Summary

	Aug-21	Aug-22	Aug-23	Jul-24	Aug-24		Diff vs BARCe
	Actual	Actual	Actual	Actual	Reported	BARCe	
Summary Financial Information							
Net premiums written	3,891	4,081	4,744	6,379	6,507	6,014	8.2%
Growth %	4.1%	4.9%	16.2%	7.2%	37.2%	26.8%	10.4pp
Net premiums earned	3,514	3,835	4,599	6,066	5,968	6,315	(5.5%)
Growth %	13.8%	9.2%	19.9%	7.4%	29.8%	37.3%	(7.6pp)
Net Investment Income	68	103	171	243	249	245	1.6%
Net Income	(7)	120	148	814	935	545	71.6%
Operating income	(113)	256	208	764	853	545	56.6%
Net EPS	-\$0.01	\$0.20	\$0.25	\$1.38	\$1.59	\$0.93	71.8%
Operating EPS	-\$0.19	\$0.44	\$0.35	\$1.30	\$1.45	\$0.93	56.7%
BVPS	\$32.31	\$27.78	\$29.77	\$42.51	\$44.71	\$43.40	3.0%
BVPS xAOCI	\$31.37	\$31.76	\$34.30	\$44.56	\$45.83	\$45.45	0.8%
Operating ROE on BVPS xAOCI	(7.3%)	16.5%	12.4%	35.4%	38.5%	24.7%	56.0%
Policies in force							
Policy in force growth:							
Agency – auto	7.0%	(5.1%)	10.1%	8.3%	10.8%	9.5%	1.3pp
Direct – auto	10.6%	1.0%	14.6%	14.9%	17.8%	16.0%	1.8pp
Personal Auto	8.9%	(1.8%)	12.6%	12.0%	14.8%	13.2%	1.5pp
Total Personal Lines	8.7%	(0.2%)	11.3%	11.2%	13.3%	12.0%	1.3pp
Total Commercial Lines	18.4%	10.0%	6.7%	1.3%	1.9%	2.6%	(0.7pp)
Total Property business	-	-	6.2%	13.1%	14.0%	10.7%	3.3pp
Companywide Total	-	-	10.5%	11.0%	13.0%	11.5%	1.4pp

Source: Barclays Research estimates, Company Financials

FIGURE 2. Monthly Underwriting Summary

	Aug-21	Aug-22	Aug-23	Jul-24	Aug-24		
	Actual	Actual	Actual	Actual	Reported	BARCe	Diff vs BARCe
Total Company P&C Underwriting							
Net premiums written	3,891	4,081	4,744	6,379	6,507	6,014	8.2%
% Growth YoY	4.1%	4.9%	16.2%	7.2%	37.2%	26.8%	10.4pp
Net premiums earned	3,514	3,835	4,599	6,066	5,968	6,315	(5.5%)
% Growth YoY	13.8%	9.2%	19.9%	7.4%	29.8%	37.3%	(7.6pp)
Loss Ratio	86.6%	74.3%	80.9%	67.5%	64.8%	72.9%	(8.1pp)
Expense Ratio	18.8%	19.3%	16.3%	20.5%	20.8%	19.6%	1.1pp
Combined Ratio	105.3%	93.6%	97.2%	88.0%	85.5%	92.5%	(7.0pp)
Loss Ratio ex cats & PYD	75.0%	73.5%	74.8%	66.5%	64.8%	68.1%	(3.3pp)
Combined Ratio ex Cats and PYD	93.8%	92.9%	91.1%	87.0%	85.5%	87.8%	(2.2pp)
Catastrophes (\$mn)	432	35	207	146	18	300	(94.0%)
Catastrophes (pts)	12.3%	0.9%	4.5%	2.4%	0.3%	4.7%	(4.4pp)
Reserve development (\$m)	(27)	(6)	73	(83)	(20)	-	
Reserve development (pts)	(0.8%)	(0.2%)	1.6%	(1.4%)	(0.3%)	-	
Personal Lines Underwriting							
Net premiums written	2,896	3,191	3,809	5,385	5,396	4,989	8.2%
% Growth YoY	5.0%	10.2%	19.4%	10.2%	41.7%	31.0%	10.7pp
Net premiums earned	2,754	2,929	3,623	4,895	4,824	5,006	(3.6%)
% Growth YoY	7.4%	6.3%	23.7%	9.0%	33.2%	38.2%	(5.0pp)
Loss Ratio	82.3%	75.3%	78.7%	67.9%	66.3%	72.2%	(5.9pp)
Expense Ratio	18.1%	18.8%	15.0%	20.3%	20.9%	19.1%	1.7pp
Combined Ratio	100.4%	94.0%	93.7%	88.2%	87.2%	91.4%	(4.2pp)
Loss Ratio ex cats & PYD	75.8%	74.3%	73.4%	66.9%	64.8%	68.5%	(3.7pp)
Combined Ratio ex Cats and PYD	94.0%	93.1%	88.5%	87.3%	85.7%	87.7%	(2.0pp)
Catastrophes (\$mn)	198	32	134	113	87	185	(53.1%)
Catastrophes (pts)	7.2%	1.1%	3.7%	2.3%	1.8%	3.7%	(1.9pp)
Reserve development (\$m)	(21)	(5)	57	(67)	(16)	-	
Reserve development (pts)	(0.8%)	(0.2%)	1.6%	(1.4%)	(0.3%)	-	

Source: Barclays Research estimates, Company Financials

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Progressive Corp. (PGR, 12-Sep-2024, USD 249.48), Equal Weight/Neutral, CD/CE/J/K/M

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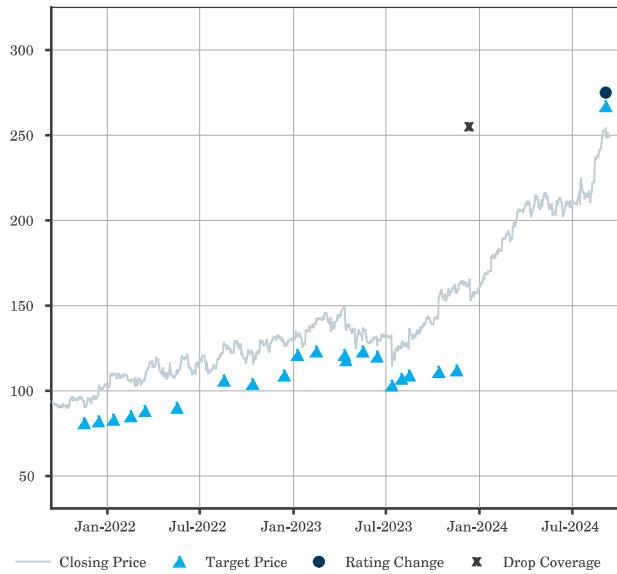
Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Closing Price: **USD 249.48** (12-Sep-2024)

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

Currency=USD



Source: IDC, Barclays Research

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

Publication Date	Closing Price*	Rating	Adjusted Price Target
04-Sep-2024	252.20	Equal Weight	267.00
05-Dec-2023	163.41	Coverage Dropped	
17-Nov-2023	159.94		112.00
13-Oct-2023	143.30		111.00
16-Aug-2023	125.05		109.00
01-Aug-2023	125.98		107.00
13-Jul-2023	132.11		103.00
14-Jun-2023	131.68		120.00
17-May-2023	129.76		123.00
14-Apr-2023	138.21		118.00
11-Apr-2023	149.00		121.00
15-Feb-2023	139.27		123.00
09-Jan-2023	134.61		121.00
14-Dec-2022	126.58		109.00
13-Oct-2022	121.40		104.00
18-Aug-2022	122.49		106.00
18-May-2022	111.19		90.00
16-Mar-2022	107.31		88.00
16-Feb-2022	105.78		85.00
13-Jan-2022	109.85		83.00
15-Dec-2021	97.14		82.00
17-Nov-2021	90.73		81.00

On 13-Sep-2021, prior to any intra-day change that may have been published, the rating for this security was Underweight, and the adjusted price target was 82.00.

Source: Bloomberg, Barclays Research

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