S&P Global
Market Intelligence

The Progressive Corporation NYSE:PGR

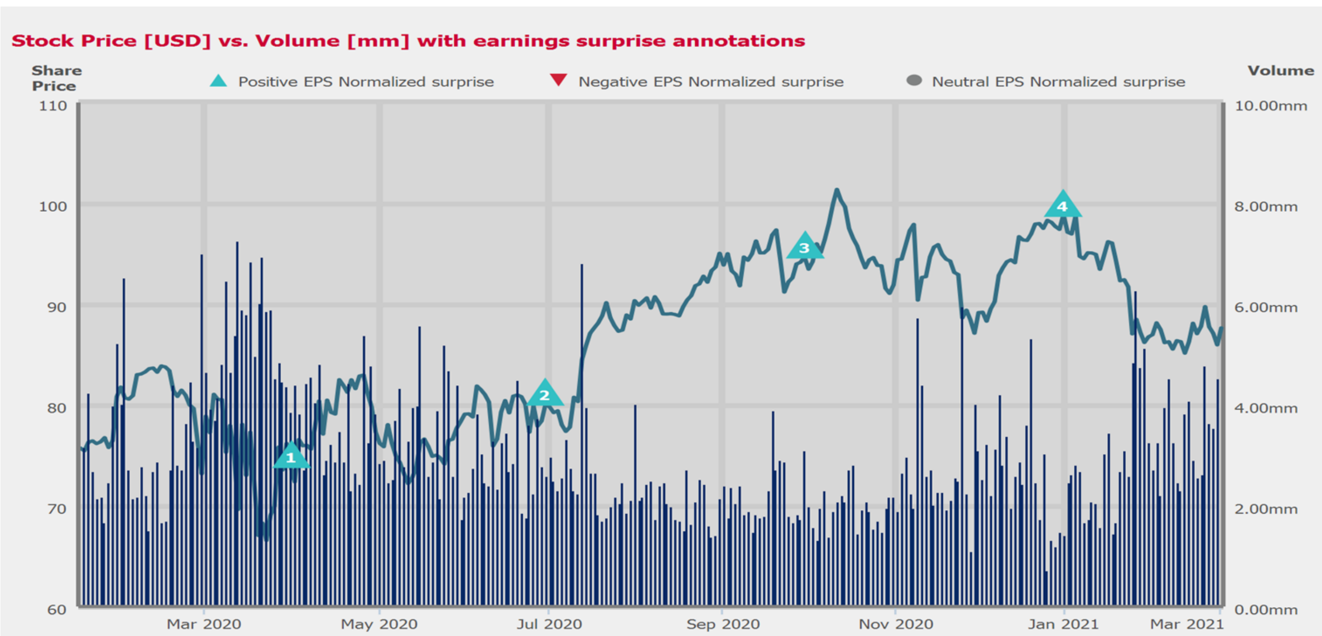
FQ4 2020 Earnings Call Transcripts

Tuesday, March 02, 2021 6:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2020-			-FQ1 2021-	-FY 2020-			-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	1.69	1.84	▲8.88	1.83	7.30	7.50	▲2.74	5.84
Revenue (mm)	10317.92	9542.30	▼(7.52 %)	11066.60	41344.35	40568.70	▼(1.88 %)	45251.23

Currency: USD
Consensus as of Mar-02-2021 10:43 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2020	1.46	1.93	▲1 32.19 %
FQ2 2020	1.73	1.85	▲2 6.94 %
FQ3 2020	1.69	1.88	▲3 11.24 %
FQ4 2020	1.69	1.84	▲4 8.88 %

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EXECUTIVES

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Director of Investor Relations

John Peter Sauerland
VP & CFO

Susan Patricia Griffith
President, CEO & Director

ANALYSTS

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Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Gary Kent Ransom
Dowling & Partners Securities, LLC

James Paul Bach
Keefe, Bruyette, & Woods, Inc., Research Division

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Presentation

Operator

Welcome to The Progressive Corporation's fourth quarter investor event. The company will not make detailed comments related to quarterly results in addition to those provided in its annual reports on Form 10-K and the letter to shareholders, which has been posted to the company's website, and will use this event to respond to questions. Acting as moderator for the event will be Progressive's Director of Investor Relations, Doug Constantine.

At this time, I will turn the call over to Mr. Constantine.

Douglas S. Constantine
Director of Investor Relations

Thank you, Chris, and good afternoon. Although our quarterly Investor Relations events typically include the presentation on a specific portion of our business, we will instead use the 60 minutes scheduled for today's event for introductory comments by our CEO and a question-and-answer session with members of our leadership team. Questions can only be asked by telephone dial-in participants. The dial-in instructions may be found at investors.progressive.com/events.

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, 2020, 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.

Before going to our first question from the conference call line, our CEO, Tricia Griffith, will make some introductory comments. Tricia?

Susan Patricia Griffith
President, CEO & Director

Good afternoon, and welcome to Progressive's fourth quarter conference call. We appreciate you joining us. As we stated during the past few quarters, 2020 was an extremely trying year for many reasons, from the global pandemic to the emotional toll caused by social unrest. As I reflect on the year we just closed, I couldn't be more proud of the way Progressive rose to these challenges by delivering fantastic results, while supporting its customers, employees, communities and partners during these unprecedented times.

The annual report theme of resilience truly defines how we approached every obstacle during this past year. As of prior quarters, the fourth quarter profitability continued to benefit from reduction in frequency, which was partially offset by an increase in severity. Miles driven continued to be lower than the fourth quarter last year. We continue to react to the changes in driving behavior caused by the pandemic. In addition to the over $1 billion given to customers in the form of credits early on in the pandemic, we also filed Personal Auto rate changes that averaged a decrease of approximately 3% between April and December in over 40 states that represent approximately 85% of our country-wide premium, thereby providing our customers an aggregate annualized savings estimated at about $800 million.

There's much uncertainty about reopenings, vaccine distribution and if and when we'll return to pre-pandemic driving patterns. Our product teams are staying abreast of the situation and continue to adjust rates to related risks, which include risks such as weather. We continue to recognize both policy and premium growth in the fourth quarter, which combined with the rest of the year resulted in 2020 having an increase of 2.4 million policies in force and $3 billion more net premiums written over the prior year. This was our fourth consecutive year of double-digit PIF growth. While all of our segments contributed to this growth, our agency auto business was more heavily impacted by the federal, state and local social distancing and shelter-in-place restrictions that were put in place to stop or slow the spread of COVID-19, which resulted in a decrease in new applications year-over-year.

Our Commercial Lines business saw significant growth in the for-hire transportation business as the demand for shipping services grew as a result of the pandemic. On the other hand, our Uber and Lyft premiums took a hit during the year as miles driven decreased with restrictions in place, and our premiums are based on actual and estimated miles over the policy term. Our property business had a profitable fourth quarter, but with the 2020 Atlantic hurricane season being the most active on record, it recognized an underwriting loss for the full year. Growth continues to be strong with our bundled Robinson business growing faster than any other segment. We're confident that we have the pricing and product enhancements in place to get closer to our target margins, and will continue to make changes as we grow.

Despite the challenges faced in light of the pandemic, our combination of strong growth and profitability in 2020 suggests we are managing the situation well. Throughout the year, we continued to invest in our Personal Auto product. Our first sale was elevated to our newest product model in January. As part of our Apron Relief Program, we also launched a temporary change to Snapshot that allows existing non-Snapshot customers to receive a Snapshot adjusted rate after just 30 days of monitoring as opposed to the normal 6 months. This, in addition to Snapshot road test, which we had available for several months, gives consumers the ability to see their Snapshot rate before purchasing a policy.

While not available country-wide, where it is available, we believe this is a perfect opportunity for some customers to lower their rates based on either the driving behavior or frequency of their driving habits that have changed as a result of the pandemic. We're also investing in our Commercial Lines business. Our BOP product is now active in 18 states. Illinois went live last week. And during the fourth quarter was added to our BusinessQuote Explorer platform in the direct channel. Also Smart Haul, our UBI program for truckers, continues to see excellent adoption rates and is a great asset in the for-hire trucking markets. And Snapshot ProView, which expands our UBI offerings beyond truck, is now available in 45 states.

Looking to 2021, I'm happy to report that we are well positioned for further growth as reflected in our January results. We continue to make investments in pricing segmentation, cost efficiency, accurate claims handling and expense management. Most importantly, we've supported our people and retained our culture, which we know will pay huge dividends going forward. Another exciting thing about 2021 is that, in April, we will celebrate our 50th anniversary of becoming a public company. A fun fact, if you bought 100 shares at our IPO in 1971, it would have cost you $1,800. At the end of 2020, that initial investment would have grown to be worth over $19 million, a 20.5% compounded annual return. Not about investment, especially if you compare it to the 9.9% return by the S&P 500 over that same period. I just want to take this opportunity to say thank you to all of our shareholders, both past and present, for investing in us over the years.

Before I open it up for questions, I'd like to express how pleased and excited I am about the agreement with Protective Insurance Corporation. We've been very impressed with Protective's products, employees and culture. As we've said in the past, Commercial Lines is our greatest opportunity to grow, and we're excited to expand our capabilities with the expertise Protective offers at larger fleet and affinity programs and by providing additional breadth of product lines. As you know, the acquisition is subject to customary closing conditions, and I'm sure you can appreciate that we're not able to share additional information at this time. We will provide additional information, thoughts after the transaction closes. Chris, I think we can open it up for questions now.

Question and Answer

Operator

[Operator Instructions] Our first question is from Mike Zaremski with Crédit Suisse.

Michael David Zaremski
Crédit Suisse AG, Research Division

I guess, I think first question maybe on Telematics. Tricia, I listened to some of your comments. You used the word kind of reacting to changing driving patterns. You talked about uncertainty, I think, about future driving patterns. And I think we all know that people's workplace settings will probably continue to adjust into the coming year or so. So just kind of curious. Is there any ways or initiatives in the company to kind of go more all in on kind of Telematics given it feels like it could be more important than ever in order to better understand how to price risk?

Susan Patricia Griffith
President, CEO & Director

Yes. It's a great question, Mike. And actually, what I just talked about when I did my opening remarks was something that came out of a discussion that John Sauerland and Pat Callahan and John Murphy and I had when we were talking about the desire to have people -- have the rate to risk be really relevant to people that are driving less. And so we really, in record time, created the Apron Relief Snapshot Program. And because time is of the essence, and maybe people are going back to work, maybe they're partially in work, partially not, we wanted to be able to provide our UBI program with a shortened monitoring period. So that 30-day period is really important. So we've sent out to our current customers millions of emails. And for those where we don't have the e-mail, we're sending out actual USPS mail to alert our customers of this offering and make sure that if they are driving less and they do want to receive a discount or their frequency and severity of driving those down, they can opt for this option. We think that's a fantastic addition to the credits that we gave early on, the rate reductions and our road test option for consumers.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. I'm happy to flush that out. Okay. My final question is specifically on direct-to-consumer advertising. I think we get a lot more questions these days about kind of insurtech firms and even incumbents kind of pushing into that sandbox. Progressive is clearly a leader. You guys are growing fast. But curious if you're seeing any of these kind of new entrant's marketing spend influence any of the economics of -- in the marketplace? And how to think about kind of influencing Progressive's ability to win in this space, at least incrementally?

Susan Patricia Griffith
President, CEO & Director

Yes. I mean I think over the years, we've seen not just our competition that we've had for a long-term, but a lot of the insurtechs going into the space. Where we feel like we have an advantage, of course, is that we buy a large portion of our media in-house. And we make sure that when we acquire a customer that it's under our allowable cost or at or under our allowable costs. And so I can't go into a lot of the proprietary ways with which we do that. But we believe that allows us to have very reasonable acquisition cost, which we believe are much lower than in insurtech.

John Peter Sauerland
VP & CFO

Mike, yes, to that, I would add. You've noted our advertising costs are going up. Meaning our spend is going up. And we only spend when we believe it's efficient. So we have an allowable acquisition cost by segment, and we spend up to that. So generally speaking, if you're seeing our advertised spend go up, you should assume that it's continuing to be very efficient in getting us to the customer set we are after very effectively across all the mediums. So I would say, in aggregate, at our spend level, we really haven't seen much impact from those newer entrants in the advertising space.

Operator

Our next question is from Jimmy Bhullar with JPMorgan.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

I had a question first just on personal auto pricing and frequency spend. And it seems like many of your competitors, especially the larger ones, are much more focused on sort of reviving growth and market share because margins have been good for everybody. So what are you seeing in terms of pricing? And are you concerned that maybe pricing continues to soften as frequency begins to pick up as we go through the rest of the year?

Susan Patricia Griffith
President, CEO & Director

Well, I think all of us tried to do the right thing by consumers initially. And so whether it was credits or give backs, et cetera, I think that was the important part. And now for Progressive, for sure, we went in surgically to give the discounts I talked about, on average 3%. Realize that is on average. So we are looking very surgically at each state, channel and product to give the right discounts to make sure we manage that trade-off between growth and profitability. So I think that -- I'm assuming our competitors are doing similar things. For us, it really is about that balance of growth and profitability. And so we're pretty proud of the fact that, in 2020, even with the reduced rate and shopping down substantially during the first part of the pandemic that we were able to grow both in prospects and sales on a full year. So that's really our concentration. We obviously look across our competitor set to see if prices are down. John, correct me if I'm wrong, but I think this last February, we look at a few big competitors raised their -- prices are still down, premium is down about 1.7%. And so yes, I think it will continue to be a challenge to grow but we're up for that challenge, as you can see by our January results.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Okay. And then you highlighted Protective in your comments, but where should we see more of an immediate impact on your business from the deal? And sort of what are your longer-term aspirations on what you can do with the business?

Susan Patricia Griffith
President, CEO & Director

Yes, I'm sure you can appreciate that I can't go into a lot of details until the transaction closes. But suffice it to say, it gives us access to a larger addressable market and affinity programs, and we were impressed with the culture and the people of Protective.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Okay. And then maybe just one more. On Texas, have you disclosed anything? Or are you able to disclose anything in terms of your exposure?

Susan Patricia Griffith
President, CEO & Director

Well, the losses are coming in, and obviously, it was a big storm. What I can say is that Gary Traicoff's team is working to kind of understand our ultimate reserves. But I'm confident at this juncture with the data I have, that it will pierce our $80 million retention threshold on our reinsurance.

Operator

Our next question is from Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

I guess just more on Commercial Lines. Can you talk about your either -- given what you currently have, either your need or maybe your willingness to do more acquisitions to continue to expand in the Commercial Lines space?

Susan Patricia Griffith
President, CEO & Director

We always look -- we have not been a big acquirer of companies. We always look at growth in terms of, do we buy, build or partner. And for the most part, whether it's in private passenger auto or Commercial Lines, we've tried to build or buy -- depending on -- if it got us something faster. We prefer to grow organically. Obviously, the ARX acquisition had a lot to do with access to customers. We wanted to be able to have those Robinsons in the agency side. When we looked at acquisitions across the commercial landscape, we thought the Protective one got us to a larger addressable market that we may or may not have gotten to at a certain point. We have a lot of irons in the fire right now, though, on commercial as well in terms of growth.

And in fact, over the years, I think, we've talked about the Horizons. And Horizon 2 is our biggest growth opportunity. And so right now, our focus is really to continue to grow with our BOP products, which I talked about, we just rolled out in 18 states. We went from fleets of less than 10 vehicles to 40, and that continues to grow. Small business, and then, of course, our relationship with a few different companies in the transportation network companies. So that's really our focus. We have so many exciting things going on in Horizon 2 to grow. If we see something that makes sense, we'll obviously look at it. Obviously, I can't talk about that, if we would. But we really do prefer to grow organically and have done so for the past 80-plus years.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Second 1 for me is on homeowners and property business. You mentioned in your introductory comments. I guess, can you just talk about how -- I guess how satisfied you are with the results there in terms of profitability? And then related -- somewhat related. Can you give us an update on the reception in the market for your HomeQuote product -- HomeQuote Explorer?

Susan Patricia Griffith
President, CEO & Director

Yes. Yes. Let me -- well, I was very satisfied with the property results in January and the fourth quarter. That, of course, does not take up the whole year. And if you take out weather-related, including cats and other weather, we feel like we're in a good position. So we've taken rates up substantially. We've changed our product model. We continue to have deeper segmentation. February is not going to be a great month for the industry because of the winter storm. And we tried to obviously put a load in for those events. And last year was another unprecedented year of hurricanes. So I'm happy with the product. I'm happy with our continued ability to segment. I'm happy with the fact that we're growing Robinsons across the board in both direct and the agency channel. We've increased our Platinum agents. And I think you're referring to the HomeQuote Explorer. Very happy there.

So we sell Progressive Home, along with many other unaffiliated partners, and that's been a higher growth than even the agency channel. We're very excited about that. It's our highest growing segment. And when you think about having customers for life, that was really our basis for acquiring ARX, is to make sure that we have those auto home bundled, one to allow us to extend our auto policy life expectancy. So our retention, of course, is the holy grail, but also have those customers for life. So as their needs change, we had them. We didn't want to be the training wheels when people wanted homes. So those customers we see add on toys and life and other products that we're able to offer, either on our paper or not. And I will tell you, although we don't talk about this externally, the policy life expectancy on a Robinson versus some of the other segments are extraordinarily higher. And so we're very happy with that growth, and we'll continue to invest in that area.

John Peter Sauerland
VP & CFO

And we are, Michael, taking action, the Progressive Home team, on profitability. So last year, we took rates up for our property products, 11.5%. Obviously, those are annual policies that all hasn't earned in. We've also taken steps to better balance where we're writing homes to ensure our storm risk is diversified. We've taken actions in terms of policy coverage as well to ensure that our interests are more aligned with our insurers when it comes to storm losses. So I think we've taken a lot of actions that should show benefits coming into this year. I expect we'll continue to take up rates this year. But as Tricia noted, it's surprising to know that February will be a tougher start to the year. But again, I think the Progressive Home team is taking the right actions to get profitability where we want it for home. And as Tricia noted, we are writing a lot more auto because we have home and the agency channel. You can think of over $1 billion of very profitable auto insurance that we believe we would not have had through agents were it not for the opportunity to bundle with Progressive.

Operator

Our next question is from Gary Ransom with Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Yes. I wanted to follow-up on Robinsons. And I saw that you increased Platinum agents and I saw that the -- well, it's actually the 12-month policies are up to 12% of the independent agent channel, which I assume is a proxy for the bundles there. But I guess I was trying to get a sense of what's going on in the direct side because you're apparently growing bundles there also. How is that -- can you give us a sense of that?

Susan Patricia Griffith
President, CEO & Director

Yes. In fact, we're growing bundles even more rapidly on the direct side. And remember, those bundles -- some of them are with Progressive Home and some are with unaffiliated partners. So we continue to grow both Robinsons and Wrights in the direct channel. We continue to invest in having the right partnerships to make sure that -- like John said, that we expand our ability to have Robinsons throughout the country and not be so concentrated in the states that we were there when we first started the acquisition. But we're happy with the growth in the direct side, very happy.

John Peter Sauerland
VP & CFO

And Gary, just to clarify. You're right to think of the annual policies just being written by Platinum agents. Those are not exclusively Robinsons. They are by far and away predominantly Robinsons, but agents who are Platinum can write annual policies with non-Robinson customers. But it's certainly not part of the majority there. And in the direct channel, we do not offer the annual policy for auto.

Susan Patricia Griffith
President, CEO & Director

We call that segment, if you recall, we had the Sam, Diane, Wrights and Robinsons. The Wrights are, where it's our auto policy and another home of affiliate partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Right. Okay. And then can you talk a little bit about the Platinum agents, too? I mean I think you've disclosed that for the last 3 years now. And I mean, it's been kind of a steady increase. Is there a continued interest among the agencies -- agents that you deal with? I'm just trying to get a sense of the underlying trends that are going on there for you.

Susan Patricia Griffith
President, CEO & Director

Yes. When we first rolled it out, we really sort of went in with a scarcity model. And as we've grown and developed, we realized that -- and we want to make sure that when we make the effort to give you the ability to write annual policies and more commission, et cetera, that you're able to have Progressive Home and Progressive auto be like the number 1 or 2 choice in your agency. What we realized, though, is around the country, there are some places that -- and some agencies that are really willing and wanting to write Robinsons, but we didn't necessary make them Platinum agents because they might be a smaller agency. But what comes in the door, they want to write often with Progressive. And so that's really been the reason and the desire why we've expanded the number of Platinum agents.

John Peter Sauerland
VP & CFO

And Gary, we are, as you saw, up to -- close to 4,000 Platinum agents, added a couple hundred this year, probably a bit lower than we would have otherwise had we not had COVID going on. But if you're wondering if Platinum agents are growing faster than the rest of the agent population, the answer is definitely yes. We don't share that number regularly, but

I believe we shared that in a previous investor presentation. And I would tell you, the trend in terms of relative growth has continued for Platinum range -- agents.

Operator

Our next question is from Tracy Benguigui with Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Can we talk a bit about your targeted 96% combined ratio, just thinking about risk-adjusted returns on capital? I would assume that's not static across business lines, and you just provided some color on homeowners and Commercial Lines. So how would you characterize your targeted combined ratios for businesses that are of higher severity?

Susan Patricia Griffith
President, CEO & Director

Yes. We lead -- obviously, our 96%, we've talked about this, a fair amount is in aggregate. So we look at the 96% across products, across new and renewal business, across different channels because the acquisition cost being different. And then we also look at the ROE on every one of our products as well and try to understand how those two interact together. And so although we don't share anything other than the 96%, we keep -- we think about the risk-adjusted rate of return as we develop our targets for each of those combined ratios.

John Peter Sauerland
VP & CFO

Yes. Just to elaborate a little. We have shared previously on investor call relative ranges of combined ratios that we're targeting by each product line. And you're correct. It's not only the severity of claims, but it's generally the volatility in results that drives what, relatively speaking, amount of capital we need to hold against that product line. And we're also taking into account that there's longer tails in some of those lines. So there are different investing returns across lines of business. And we bring all that together and, generally speaking, target a common ROE. It's not perfect, but those combined ratios that we target by product are definitely driven by our perception of ROE by product line.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Okay. Yes, I'm familiar with that slide. I guess looking for some, I guess, underlying guidance, but you said you don't disclose that. So I'll move on. I know that you don't really want to talk about Protective. I'll dance around it a bit and recognize that, that does bring in a workers' comp business. I'm just curious more broadly what your risk appetite is when looking at workers' comp.

Susan Patricia Griffith
President, CEO & Director

Yes. Again, I'm excited to talk about that once we close this transaction. And what I'll commit to all of you is that I'll have in a subsequent quarterly call with Karen Bailo, our President of Commercial Lines, come in and talk about it. But we talked about Progressive strengths are in the complementary lines of business and coverages for the transportation industry where we have been successful in the past. And that was a big selling point for us as well as their affinity programs. And that's really all I can say until the transaction closes.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Okay. Looking...

John Peter Sauerland
VP & CFO

And I would offer -- go ahead.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

No, go ahead.

John Peter Sauerland
VP & CFO

I was just going to offer generically, we are in complementary lines in order to write more vehicle business, is the way to think about it, right? So for a long time, we said we weren't going to go into home. We recognized the opportunity through independent agents, where we found that we had to have our own product in order to penetrate the Robinson market and independent agents. So that probably wouldn't have been our preferred route, and we didn't take it until we absolutely saw the necessity to do so to continue to grow rapidly in that vehicle line. So I think you should think about other lines of business to some degree being complementary in order to continue to grow the business as fast as we can.

Operator

Our next question is from Suneet Kamath with Citi.

Suneet Laxman L. Kamath
Citigroup Inc., Research Division

Did you say in your prepared remarks what the take-up rate has been in terms of the 30-day Snapshot? And relatedly, how far through the book are you in terms of offering that feature?

Susan Patricia Griffith
President, CEO & Director

It's pretty new. We started offering it in February. I think it's been sent out to maybe 5 million customers. I want to say, so far, we've had -- 9,000 have gone through. And John, just kind of might be off on a little bit of the number. So it's relatively new. Again, we had to file that. So we aren't through every state regulators to get that approved. And in some states, you can't -- we don't have UBI. But we're pretty excited about that because I think it really -- it puts the -- in the hands of our customers the ability to lower their rates if they're driving less. We'll have more on that next quarter once it's kind of flown through the system.

Suneet Laxman L. Kamath
Citigroup Inc., Research Division

Got it. And then my second question is, I believe on one of these calls last year, you guys spent a lot of time talking about some updates to your homeowners, sort of, predictive models. I know 2020 was kind of an odd year, but just any sense in terms of how the new models held up, if you can say anything given how odd last year was?

Susan Patricia Griffith
President, CEO & Director

When you're saying models, are you talking about like the models we look at for weather or overall, like our segmentation models internally?

Suneet Laxman L. Kamath
Citigroup Inc., Research Division

The former related to weather. I think that was what you guys were highlighting.

Susan Patricia Griffith
President, CEO & Director

Yes. In essence then, actually, we have hired a new risk and reinsurance leader who is really going to be focusing on looking at our risk appetite and being more holistic across the enterprise. And then he -- one of his big opportunities to look at is assessing our reliance on models and our usage. So a little bit more to come on that. And I think being more planful and coordinated with our placements of reinsurance. So I know it's a little bit off of that, but we rely on the Karen Clark model. These storms have been pretty unprecedented. I hate using that word again. But the hurricane season last year was immense in terms of numbers and the numbers that made landfall. And then, of course, rarely do get a winter storm like we had a few weeks ago. So the models generally take those into account. Having somebody with Brandon's depth, I think, will really help us to understand and fine-tune our reliance on those models. Do you want to add anything, John?

John Peter Sauerland
VP & CFO

No. Thanks.

Operator

Our next question is from Adam Klauber with William Blair.

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

How is the BOP rollout coming? Are you at the point where you can get more aggressive with it? And at what point will that actually start moving the needle?

Susan Patricia Griffith
President, CEO & Director

Yes. So we just rolled out our 18th state. And I would say, yes, we are at the point where it's our thought process of working with Karen and her team to get more aggressive with it because it's an exciting new product. We've obviously invested in it over the last couple of years. So while I can't give you the exact state rollout. I think the word you use is accurate. We do want to get aggressive with our rollout of BOP as the year progresses. Last year, there was so much going on and so much noise in the system. We have a lot going on in our commercial side. But I know Karen is really excited to move on that.

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

Great. And then TNC was obviously down last year for obvious reasons. Have miles driven started picking up in that more recently?

Susan Patricia Griffith
President, CEO & Director

Somewhat not to where it was pre pandemic, and we're watching that really closely. And of course, we have a great relationship with both Uber and Lyft, and we work with them on the rates and watching that driving behavior. And of course, it differs by state as well, but it's not up to pre-pandemic level.

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

Okay. And then -- sorry, last question. You do a lot of digital marketing. You get a lot of customers that way. Is the amount of customers, whether it's auto or through home, actually doing the fold from quote to bind? Is that increasing? Or is it still mainly more of a shopping vehicle?

Susan Patricia Griffith
President, CEO & Director

No, that's been increasing over the years. I don't have the exact percentage. I don't know if you do, John, but that's been increasing over the years because I think a lot of people shop that way and want to buy in that way. And in fact, we've invested a lot on that with our quoting on HQX. And we have more ability than ever to be able to bind and buy online both auto and home. And also on the agency channel, we've had portfolio quoting, which allows them to do that as well. So one of our strategic pillars is broad coverage, be where, when and how customers want to shop. So if I'm on my phone, and I want to be able to bind or with an agent or online. So that continues to increase as well.

Operator

[Operator Instructions] Our next question is from James Bach with KBW.

James Paul Bach
Keefe, Bruyette, & Woods, Inc., Research Division

So just looking beyond the obvious growth drivers, like the favorable rate environment. Can you explain more specific to Progressive how important the product launches and the sustained investment in those launches is to growth and possibly enhancing that moving forward? And also, how immediate is the payoff for those kind of investments and those product rollouts?

Susan Patricia Griffith
President, CEO & Director

Well, I think as we talk about our rollouts, whether it's been in Horizon 1 or 2, I think the product launches are really important. And when we look at what we believe is a strength of ours and industry-leading segmentation, we believe that will continue to be a strength of ours. And so we just -- we're finishing our 8.6 product or are in the midst of that, I should say. We rolled out on the auto side 8.7 in January, and that gives us greater segmentation, which is, again, the right rate for the right risk. And so I think the product models have always been our strength. We feel the same way on the product side. We're rolling out our next-gen 4.0 product model. And it's always in flux. So we never say, here's a product model. We'll roll it out and not try to make it better. We try to make it better. So there's a little -- we can have things along the way that will add into the product models once we see -- if it adds value to get more consumers that are profitable consumers. So that product model period is really important. And it's one of our -- when we think about competitive prices, which, of course, this is such a price-sensitive industry, cost and segmentation are a big advantage for us and very important.

John Peter Sauerland
VP & CFO

And just to add to that. We see the change in customer mix, as an example, immediately. So we've been predominantly enhancing our segmentation towards the preferred end of the marketplace. And every time we introduce a new product model, we are seeing a furthering shift towards that more preferred customer set. So it is a huge part of our business. It's a huge competitive advantage, we believe. We've invested a lot to ensure that we are very fast-to-market while we find new rating variables or underwriting approaches. And again, we see the benefit very quickly in terms of who we're writing and who we're converting at a higher rate.

Susan Patricia Griffith
President, CEO & Director

Yes. I'll add into that with the Robinsons. A few years ago, we had an internal goal to, at some point, get a million Robinsons on the book, and we are well in excess of that. And it just continues to gain momentum.

Operator

Our next question is from Robert Cox with Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

So I noticed that the percentage of Commercial Lines premium written through the agency channel increased a bit in 2020. And I was wondering how you'd characterize the demand you're seeing from small business owners purchasing on a direct basis?

Susan Patricia Griffith
President, CEO & Director

So the direct basis is pretty new. So it's on a lower base. And the history would tell you that the majority of our Commercial Lines has been through the agency channel. We did see a shift in 2020 based on the fact that a lot of agencies were closed. And with our investment in BQX, BusinessQuote Explorer, on the direct side. So we have seen a little bit of a shift. The majority of it is still through agents. Some of the products can be complex and people want to be able to have that guidance and that counseling. But we're also innovating and investing for the future to, again, fulfill our strategic pillar of broad coverage, where, when and how consumers want to shop, including commercial consumers. So while it's still the majority in the agency channel we've invested in, and we'll continue, we believe, to see increase in small business, BOP, GL, on the direct side. In my opening remarks, I said we had added BOP in the direct side, and that happened in the fourth quarter last year.

Operator

[Operator Instructions] Our next question is from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, you obviously -- you guys report monthly results. We can look at the policy trends, and I know you often say right not just too much of a focus on 1 month. But if we look at your policies in force in December, trends were kind of flat. And then we saw -- I'm talking sequential December versus November. We saw a good pickup in January. So I'm just trying to get a sense of like the underlying trends within both new business and renewals as you think about the impact of the pandemic and not as much thinking in the market and how we could think about potential policy growth from here? Sorry. I know that's kind of a couple part question.

Susan Patricia Griffith
President, CEO & Director

Thanks, Elyse. I'll talk a little bit about the calendar effect and then go into how we think about growth. And then, John, you can add anything you want. So remember, we have a different calendar. We don't go by the Gregorian calendar. In 2019, if you're looking at new apps in particular, it was a 53-week year, and quarter 4 was at 14-week quarter. So when you look at new app growth year-to-date -- or I should say, in agency, the fourth quarter was down maybe 1%, but it was up on the direct side, about 3%. If you look at last year for the quarter -- for quarter 3, it was down in agency about 4% and up in direct, about 8%. These are new apps in particular. You've seen our retention statistics. We're very proud of the fact that retention continues to increase. We also know part of that is because of the moratoriums and non-cancels. So we know a portion of that has to do with the pandemic, but we also believe that both what we're doing on the nature and nurture side will continue to reap benefits on the retention side.

When I think of growth, it's -- we look at, obviously, PIF growth as our preferred measure because trends are going to change up and down depending on things. Obviously, the pandemic was dramatic. And we can't -- we have to react to our trends. And like I said at the beginning, even though no one took rates up last year, we continued to be able to grow new sales and prospects. How we think about it? On the auto side and, of course, on both the Commercial Lines that I've talked about is we're really going to focus on our four strategic pillars. The first one, our people and our culture. We're going to make sure we have the best work environment ever people that want to serve our customers, and in turn, they reward us with their loyalty. We're going to focus on our brand. So whether it's mass media, digital, making sure that we send out the message of savings and protection. We've continued that this year.

I've talked a little bit about competitive prices. We care deeply about costs and taking costs out of the system, so that when people do shop us because they love our brand, we convert. And of course, the industry-leading segmentation. And I talked about the broad coverage. So we're going to continue to focus on that. And we -- this year is going to be, again, another year where it's going to be really hard to compare because the odds are the denominator in March and April because there was relatively no shopping is pretty low. With that, my comment -- I don't know exactly when the timing will hit. Income tax returns, more stimulus payments, and we're ready and able to write those consumers. So there's going to be a lot of change. I think what we have to be is well positioned and nimble as things change. And that's really what my team and I talk about at the time. Are we ready for this?

And so we'll constantly adjust our rate level to make sure we're competitive but also profitable, which is one of our core values. We talked about the different product models that we'll roll out. And some of the other items that we've done like our Snapshot Apron and other things to do to make sure our customers are taken care of. I know our CRM organization has something in place right now called more time to pay, where they really try to personalize that experience if someone just needs a little bit more time or needs some adjustments on their pay plan because we know retention is important, and we know it's important for our customers. So that's a long-winded answer. And I think there's going to be a lot of variables this year, and a lot of it will depend on states open, if frequency happens. I mean, you don't know what's going to happen. I think of the last pandemic, and when will the roaring 2021s or 2022s be, where people will be out driving more. We just have to watch the data, and we're going to react really quickly to it.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

How much of the book has moratoriums are not canceled on it?

Susan Patricia Griffith

President, CEO & Director

How much of the book has moratoriums are non-canceled?

John Peter Sauerland
VP & CFO

Well, most states have lifted the requirement to have moratoriums. I think all states have lifted that. There may be a couple left.

Susan Patricia Griffith
President, CEO & Director

Maybe 1 or 2.

John Peter Sauerland
VP & CFO

But by and large, to the extent we are accommodating people who might be behind in payment plans, that is our own choice, and it is a fairly small portion of our book at this time.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. That's helpful. And then my follow-up. You guys looking to make any changes to your reinsurance covers this year?

Susan Patricia Griffith
President, CEO & Director

I talked about having a new leader in risk and reinsurance. And apparently our property cat program, in particular, we were considerate of the minority shareholders in ARX. And with this upcoming renewal, that's no longer a consideration. So we'll take that in consideration. And as you've noticed over the years, we've been moving up our retention. We expect our retention in this year's renewal to be at least $100 million. So I know that's a change that is on the books. Other than that, I know Brandon is working with our reinsurers as they come on our renewals. Do you want to add anything?

John Peter Sauerland
VP & CFO

Yes. If you look in the K, you'll see a deeper description of our reinsurance. And we did raise our retention this year on the aggregate as well. So Tricia was referring to our retention on named storm coverage. And we also increased our aggregate retention to $475 million, up from $375 million last year. We are also adding to the top of our tower. Some of this is simply because we're growing our total insured value. But we're also, as Tricia said, working on our new risk and reinsurance leader, getting a little more holistic in terms of our risk appetite and making some changes upcoming to recognize a little more holistic perspective there. You might recall, we retained much of the reinsurance program in our property business for years because we had a minority interest there remaining, and their buyout was a function of book value. So there were some interest there in not raising that retention. And obviously, at our size and balance sheet, we could raise that and not incur any material risk to our balance sheet.

Douglas S. Constantine
Director of Investor Relations

That appears to have been our final question. So that concludes our event. Chris, I will hand the call back over to you for closing scripts.

Operator
That concludes The Progressive Corporation's fourth 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.