S&P Global
Market Intelligence

The Progressive Corporation NYSE:PGR

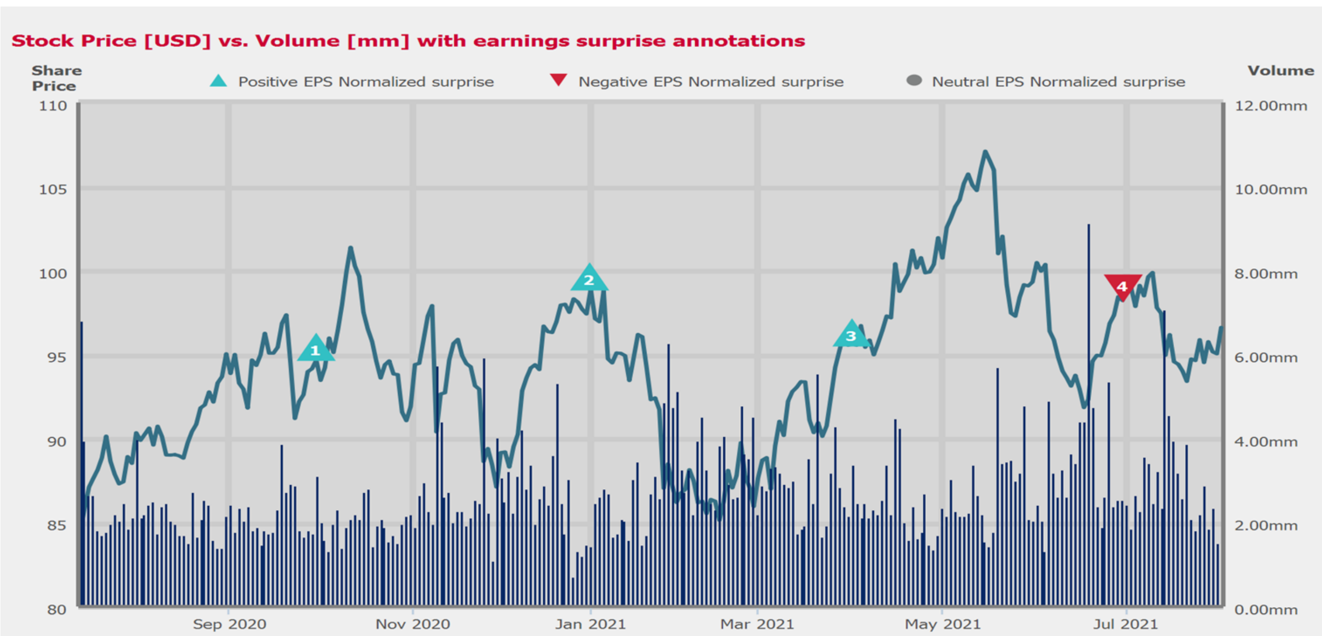
FQ2 2021 Earnings Call Transcripts

Wednesday, August 04, 2021 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2021-			-FQ3 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.05	0.71	▼(32.38 %)	0.82	4.48	NA
Revenue (mm)	11329.50	11480.30	▲1.33	12280.03	46137.45	NA

Currency: USD
Consensus as of Aug-04-2021 5:37 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2020	1.69	1.88	▲1 11.24 %
FQ4 2020	1.69	1.84	▲2 8.88 %
FQ1 2021	1.71	1.72	▲3 0.58 %
FQ2 2021	1.05	0.71	▼4 (32.38 %)

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Call Participants

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Presentation

Douglas S. Constantine
Director of Investor Relations

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

The company will not make detailed comments related to quarterly results in addition to those provided in its quarterly report on Form 10-Q and the letter to shareholders, which have been posted to the company's website. This quarter marks a return to our typical format, which is 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 by our CEO 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 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 on our annual report on Form 10-K for the year ended December 31, 2020, as supplemented by our 10-Q report for the first and second quarters of 2021, where you will find discussions of the risk factors affecting our business, safe harbor statements related to forward-looking statements and other discussions of challenges we face. These documents can be found via the Investor Relations section of our website at investors.progressive.com.

To begin today, I'm pleased to introduce our CEO, Tricia Griffith, who will kick us off with some introductory comments. Tricia?

Susan Patricia Griffith
President, CEO & Director

Let me set the stage for this session. As a reminder, we use a construct we call the 4 quarter stones. This construct allows us to focus and make investments that drive value to the organization and all of our constituents. Who we are? Which are our 5 core values? Peter Lewis wrote these back in 1987, and they have served us well over the decades. Specifically during this past 1.5 years, as we've navigated completely foreign waters and have made decisions on behalf of all of our constituents, we have used our core values as a guide. I won't go into all that we did because I've publicly written about much of it, but suffice it to say, we believe all along the way we did the right thing.

Why we're here. Our purpose statement, which is True to our name, Progressive. We believe this statement is about forward progress, innovation and never resting on our past performance.

Where we're headed, our vision, which is to become consumer's and agent's #1 choice and insurance needs with us now and as those needs evolve. We know that we must earn their trust every day in order to achieve this vision.

How we'll get there, our strategy and more specifically, our 4 strategic pillars, which is how we think explicitly about investing to ultimately achieve our vision. I'll briefly give you a high-level overview of how we think about each pillar.

People and culture, our goal is to ensure our people and culture collectively remain our most powerful source of competitive advantage, including attracting and hiring new talent, retain the people we have and developing everyone so that we can all have long and prosperous careers. We will support our people and culture by ensuring our people can bring their whole selves to work through our diversity, equity and inclusion efforts.

Broad needs. We will meet the broader needs of our customers throughout their lifetimes by being available where, when and how our customers want to interact with us. Helping our customers select the best insurance for their current needs as well as their evolving insurable needs throughout their lifetime.

Leading brand. We will maintain the leading brand recognized for innovative offerings and supported by experiences that instill confidence with messages that resonate.

Competitive pricing. We will offer competitive prices by pricing rate to risk through our industry-leading segmentation, balancing efficiency and accuracy in claims and finding ways to continually drive cost down through process changes and technology advances.

Our agenda will be in 3 sections, and we'll cover the Commercial Auto market and trends in the industry, including our performance relative to the market. We'll do a market overview that will outline our long-term growth plans. And finally, an update on market capabilities and expanding our product offering.

Before we begin our deep dive Commercial Lines agenda, I do want to acknowledge that we're highly cognizant of the fact that we reported a 100.5 combined ratio for June and are and have been taking steps to ensure profitability as we come out of the pandemic. Commercial Lines is a huge opportunity for Progressive. So I don't want to draw attention away from the very important agenda Karen and Jochen have for you, upcoming by offering prepared comments on results. I expect we'll have the opportunity in Q&A to share steps we've taken and are in the process of undertaking to ensure we achieve our calendar year 96 or better underwriting margin objective.

Let's kick off the first section by talking about the addressable market. When we began these webcasts many years back, we started with showing the property and casualty addressable market, and we discussed our plans for both Personal Lines and Commercial Lines. Our Commercial Lines offerings have evolved over time, and of course, we recently acquired Protective Insurance. So we thought this was a good time to give you a more detailed update.

To summarize the entire market, you'll see in the center of the slide that the total property and casualty market is $730 billion. The Progressive share, 5.7% is reflected in both the blue section of the donut and the blue percentages. The gray reflects the industry.

On the Personal Lines side, we have a 9.6% of the $366 billion market, split between personal auto at 12.9% share and homeowners at 1.7% share. We've had massive growth here, but still plenty of room to grow.

The Commercial Lines addressable market is $364 billion and includes a wide array of opportunities. The Commercial Auto opportunity alone is a $46 billion market where we hold the #1 position with plenty of room to grow at 12.1% share with a large other commercial addressable market of $318 billion. At this point in time, the market that we believe we can both play and win in is approximately $78 billion.

If you start near the top of the circle and go clockwise, that entails monoline Commercial Auto, small fleet, transportation network companies, Commercial Auto bundled with GL/BOP, small business with GL/BOP, medium and large fleet with protective and workers' comp with protective. The addressable markets that we aren't currently in include public transportation, larger commercial multi-peril businesses with over 20 employees and products like mortgage guaranty and marine, just to name a few. We are very excited about the opportunities that lie ahead and that we started investing in many years ago to set us up for future growth.

We've shared these 2x2 charts a few times. As a reminder, the x-axis is the combined ratio on an inverted scale. So you want to be to the right of 100. The y-axis is net written premium growth. So you want to be above the black line showing positive growth. Together, you want to be in the top right-hand shaded area where we're growing market share at or below a 96 combined ratio. The blue dot is Progressive. The black dot is the industry and the gray dots are the others in the top 10 each year since 2015 through 2020. As we reflect in the past 6 years, we've consistently been in that area, growing market share and achieving at least a 96 combined ratio. In fact, on both profitability and growth, we frequently beat the industry in any individual competitor by wide margins.

I [think] to get into the meat of the program, but before I do that, I'll give some background on our speakers. I think many of you have met Karen before. Karen Bailo is our Commercial Lines President. She's been with Progressive for over 30 years with her most recent role as General Manager of Acquisition and Small Business Insurance. Karen has held several other significant leadership positions, including Personal Lines GM, Commercial Lines controller. And most notably, she spent 9 years building our agency distribution organization and positioning Progressive as a preferred supplier in that channel. Karen started her career in customer service as a management trainee and like others on our executive team, she was a claims rep early in her Progressive career. A graduate of the University of South Carolina. Karen earned a Bachelor's degree in Psychology with a minor in statistics and she went on to earn an MBA from Case Western Reserve University.

Jochen Schunter began his career at Progressive in 2006 after moving to Cleveland, Ohio from Southern Germany. He's an alumnus of both the University of Dayton, where he earned an MBA and of the Friedrich-Alexander University

Erlangen-Nuremberg, where he earned Bachelors and Masters degree in the Arts. After doing rounds in both the accounting and analyst rotational programs at Progressive, Jochen joined Commercial Lines in 2008. He started out in various pricing and control functions and then moved into product management. First, he managed several states, including California and our market entry into Hawaii and then took on bigger responsibilities as the leader of our truck product. During his tenure, he significantly contributed to increasing our market share by rolling out numerous product enhancements and also improving segmentation. Now as Commercial Lines controller, Jochen leads the organization responsible for ensuring we run a profitable business. This includes strategy and performance monitoring, risk analysis, data and analytics, rate setting, compliance and recovery as well as finance and accounting.

I'll now hand it over to Karen to outline our Commercial Lines trends.

Karen Barone Bailo
President of Commercial Lines

We'll be sharing a number of charts and graphs to highlight our business performance during this presentation. While our June results include Protective based on our closing date of June 1 for the purposes of this presentation, unless otherwise stated, the numbers exclude Protective. I'd like to begin with a look at our performance relative to the industry.

This is a 20-year time series of Progressive Commercial Auto net written premium growth rate versus the rest of the industry. During this time period, our results have really diverged from the industry. There are a couple of observations around growth that I'd like to highlight.

First, Commercial Auto has some cyclicality to it and tends to move with the larger economy. And second, when the market grows, Progressive has historically grown at a faster pace. In fact, since 2016, we've doubled the business and gained almost 4 points of market share, and that equates to more than 20% compounded growth rate and achieving more than 12% market share.

The more significant divergence from the market has been an underwriting profit. We've outperformed the industry by 8 to 10 and as much as 20 points over those 20 years. Our objective is to grow as fast as we can at target combined ratios. And we've had a track record of success and outperformed the industry on both growth and profit over those 20 years.

There's a number of contributing factors, but perhaps most important has been the intense focus on Commercial Auto as a core line of business for the company. We've shared this information in the past and wanted to provide a brief refresher on how we approach our auto business. We segment our business into what we refer to as business market targets. And we introduced these business market targets for Commercial Auto in 2014.

Since introduced, BMTs are now operationalized across virtually every aspect of our business. That's important because we see meaningful and actionable differences between these BMTs. For example, the demand function is different by BMT and how that demand function responds to changes in different economic conditions is different. We also see that losses present differently and how they develop, attorney representation rates and litigation outcomes differ by BMT. Certainly, frequency and severity trends and other factors change at different rates and at different times by BMT. All of which are critical inputs to determining rate level. This granular focus allows us to develop insights faster, be more responsive with strategies and tactics to profitably grab market share.

I want to talk about what we're observing in shopping, loss trends and how we're positioned for continued success. We have the benefit of over 10 billion miles of driving data with our telematics data. This chart shows patterns in driving miles, highway congestion and highway speeding pre and post pandemic. You can see that as stay-at-home orders were issued, there was a significant decrease in miles driven and congestion on the highway. At the same time, there was an increase in highway speeding. Now while the impact from COVID on small businesses was severe, when we look at our business class level data, it's also clear that different businesses were affected differently. For example, in the truck space, fully 1/3 of our Smart Haul customers saw their mileage increase, while about 8% were shut down completely. Landscapers and most construction trades were still working and other service businesses were not.

Looking at more recent trends. While we see mileage and congestion back to pre-COVID levels, speeding events haven't dropped back to where they were. This raises the question around whether COVID brought a permanent change to truckers driving habits and is something we'll keep a close eye on in the months to come.

In addition to our own data, we look to other macroeconomic trends to develop a deeper understanding of shopping and small business trends, especially during challenging economic conditions. This chart shows our insurance shopping trends, in this case, agency quote growth for businesses that tie to goods and services sectors indexed to 2019. Progressive quote data is in the solid line, and consumer spend data is in the dotted line. Our experience tracks closely to the rate of consumer spending on goods and services. So this is data we have and we'll continue to monitor.

The macroeconomic data shows spending on goods recovered more quickly, while the services sector has lagged and has been more depressed relative to good sectors. Some of that is because services sectors were more affected by stay-at-home orders and good spending has been supported by federal government stimulus. That intuitively makes sense, and we see that in our underlying data. Businesses that were considered more essential, plumbing or sanitation services or those that tie to the transportation of goods like agriculture hauling or livestock hauling, responded differently versus those that are tied to services industries like airport shuttles, food trucks and entertainers. The positive news is that as the service businesses reopen, we're seeing a recovery in spending towards 2019 levels. This increase in spending on services should drive a rebound in insurance shopping for businesses related to that sector. Again, food trucks, restaurant delivery, airport shuttles, just to name a few.

In summary, different businesses have been affected differently. And this is important in terms of how we think about trends, the implications for frequency and severity and ultimately rate level going forward.

In our last update in 2019, we shared a historical perspective that provides a good illustration of how we will approach today's environment. Back in 2016, we saw a marked increase in frequency between May and November. At the same time, some prior year reserve development was contributing to an already positive severity trend. We responded quickly to address those trends, raising rates by more than 10% and made a series of underwriting changes in about 3 months, and we've continued with a series of changes and adjustments since.

Fast forward to recent trends, you can clearly see the impact of COVID on frequency. We saw a sharp decline in frequency as stay-at-home orders went into effect. And as I shared earlier, driving miles from our usage-based insurance data shows driving miles and congestion levels are back to prepandemic levels. And the services sectors are also rebounding. Given all of those conditions, we're seeing loss frequency rising relative to COVID lows when frequency fell dramatically. And at the same time, we continue to see a steady increase in severity trends that we've been accounting for in our rate level indications.

Given the variation in how businesses were affected by the pandemic, some slowing down and others seeing an increase in business, we have been and plan to continue to be cautious in our actions. We haven't lowered rates, and we've been conservative in our pricing and underwriting decisions. The trends we're observing now are lining up with what's forecasted in our rate level indications. We have planned for frequency recovery and a continued steep severity trend and have kept pace with net trends with a combined rate increase of 29% from the beginning of 2016 through the first half of this year.

The additional segmentation we've built into the product over the last 5 years has proven effective and driven better than industry underwriting results and growth. And I would suggest having a granular approach to the business and reacting decisively to what we see, while much of the market is slower to react has been an important part of maintaining strong underwriting margins and growing the business over the years. So we continue to advance our product segmentation and underwriting capabilities, and we plan to continue to respond appropriately to loss trends going forward.

I'd like to shift to a discussion on expenses and efficiency. Now we know from experience that companies that can achieve a lower cost structure, gain share at a greater rate than the overall industry. We've seen that in the Personal Lines market and believe it matters in the Commercial Lines market as well. The correlation of efficiency aiding and growth isn't lost on us, and we're well positioned on this chart.

Now 2020 results show that we're nearly 11 points lower than the industry average in LAE and expense ratio. In a very price-sensitive industry, that 11-point advantage is significant. But there's a balance. We don't necessarily want to be the lowest because we believe and also investing in what matters. Quality outcomes for customers that earn loyalty and investments that foster great work environments for our employees.

To that end, I'd like to highlight where we're making investments to improve on both those fronts. This is a view of our expense ratio track record over a 10-year time period. And over that time period, we've seen a 7 to 8-point expense advantage compared to the industry. That advantage was 6 points in 2020 due in part because COVID credits flowed through expenses rather than premium, resulting in a slight elevated expense ratio. While we've had an expense advantage over this time period, we're prioritizing initiatives to extend our leadership position. There are a number of levers that drive expense ratio advantages. And while we don't have enough time for a comprehensive review of all the efforts underway, I wanted to share with you 2 examples that demonstrate active cost management efforts to drive expense reductions and improve experiences at the same time. These both highlight our focus in managing expenses related to our growth and improving our operational efficiency.

We maintain a disciplined focus on managing overhead and growth in headcount as we grow the business. This chart is designed to represent a few things. The solid blue line represents overall net earned premium growth. The solid orange line represents employee costs and real estate costs are represented in the solid black line. You can see that while employee costs and real estate costs have gone up, they've grown at a lower rate relative to net earned premium. And there are a couple of reasons for that. One is being disciplined and judicious in decisions to increase staff. We've added the dotted lines here to represent volume-driven and nonvolume-driven employee growth. And while we've grown our volume-driven counts in line with our net earned premium pace, we've been very targeted in adding nonvolume-driven resources, and our nonvolume-driven employee count has grown at a much lower rate. This discipline has resulted in growing our total employee cost, the orange line, less the net earned premium growth.

The second is related to real estate. Like Personal Lines, prior to the pandemic, our customer and agent services organization enabled real estate expense savings by implementing a home-based consultant model. This model has a number of benefits. It provides broader access to talent and improved our ability to increase staff to support our growing business, especially last year, and it's also provided flexibility that employees value. In addition, this model allows us to grow our business without a commensurate growth in space. In 2019, almost 40% of our Commercial Lines agents and customer services consultants were working from home. Now we're still working through our plans as we transition back to the office post pandemic. We expect the portion of our customer and agent services consultants that work from home to grow materially as people make the decision to remain working from home going forward. This will support our ability to grow without significantly growing our real estate footprint.

The second example of our cost management efforts highlights investments in systems and technology to deliver the products and services our agents and customers value while focusing on increasing operational efficiency. We've been investing significantly in systems to support our core auto business and in expanding our business with our BOP product and direct small business capabilities. Despite significant investments in technology and systems, we've been able to maintain our expense advantage. And we acknowledge and expected this relatively short-term increase in technology costs to lower our costs in the long run with gains in efficiency and new lines of business.

Now improving efficiency to push our expense advantage is a key objective. Two examples of progress are shown here. We've shared in previous annual report commentary that we're transitioning to a new policy administration system. And this new system is a significant driver of our technology expenses and rolling out the new system is a big part of our ability to drive more efficiency.

The new system introduces more modern functionality that enables faster delivery of our products and enhancements and the ability to improve customer experiences and self-service capabilities. The initial launch of this new system in [estate] brings consumer online buying capabilities.

The chart on the left shows the total lift in direct online sales yield with our new system. Now completely isolating the effects of the online buy capabilities is difficult. But we're seeing an 80% improvement in online sales yield after introducing this new system. And that would translate to more than a 20% increase in direct auto sales. Now while direct is still a relatively small portion of our business. We expect this added functionality to bring long-term economic benefit to us in terms of improved sales yield and lower acquisition costs for that part of our business. And that's very important as this business grows.

A second way we're gaining efficiency is via process automation. On the right is a representation of improvements and we've already made reducing the manual work associated with millions of documents we receive every year via fax, e-mail or paper mail. Until recently, each document had to be manually reviewed and categorized for action, either to be attached to a policy and sent directly to storage or put in queue for additional processing. Over half of these documents are in that first group. They don't require any action beyond archival. We have a project underway to automate that workflow by the end of the year using optical character recognition technology, to review those documents automatically and attach them to a policy and send them to storage without human intervention. And this frees up resources to focus on other more value-added work. These are just 2 examples to illustrate how we will focus future investments.

Now while we're pleased with our early progress, we're just getting started, and we have a robust road map ahead of us that will target more efficiency improvements and self-service capabilities designed to meet customer and agent's expectations. Investments in product, experiences and more efficient workflows combined should enable us to reduce the drivers of costs to service our customers. We anticipate that by lowering our costs, we will be able to further extend our expense advantage and position us well for any market conditions.

Now moving on to the other part of our expense advantage. We believe our claims organization provides us with a significant competitive advantage on Commercial Auto vis-a-vis our competition. We've doubled the core auto business while maintaining very competitive loss adjustment expense ratios and good quality. Our claims advantage comes from a surgical focus on claims accuracy and efficiency. And back in 2019, we shared how our claims organization leverages the scale of our broader Personal Lines claims organization with a focus on specialization for high-impact and complex claims. We continue to push Commercial Lines specialization as we grow our business. And we also see significant potential in leveraging technology and analytics to increase productivity and claims handling segmentation along with improving accuracy.

I wanted to share a brief example to illustrate how we're leveraging data, data science and advanced analytics to monitor and react to claims activity and exposure changes. The image on this slide represents a homegrown tool developed to inform leaders of claims that need review. The tool is powered by a file intervention program that uses analysis and data science to populate the tool and is designed to improve a leader's focus on at-risk files. This helps improve claims accuracy through better coaching and supports timely claim handling efforts. We know handling delays can result in unfavorable outcomes. And the alerts are prioritized and trigger on the best date for the leader to intervene for the most favorable results.

In this example, you see a code [FS13] with the description potential for delayed total loss resolution. In this example, an alert triggered on March 19 with a message indicating a potential delay in resolving a total loss settlement. The leader intervenes by providing guidance to the claim rep on the open activity on the file. And since the leader intervened, the trigger is programmed to return 2 days later to make sure the claim rep is following up on the guidance provided. The next alert triggers on March 21. The leader reviews the file and sees that the claim rep followed up on the direction provided, so no additional intervention is needed at this point in time. The leader indicates no to the intervention question in the lower left. And once no intervention is selected, an alert is programmed to return 8 days later if the total loss is still not resolved. In this case, the total loss resolved on March 25, and so the alert didn't return for the third time. This is a powerful tool that helps our claims teams efficiently run the business of claims and contribute to more timely and accurate claims handling.

A final point on our performance relative to the industry is related to reserving where our philosophy is to be as accurate as possible with minimal variation. This chart shows our Commercial Auto reserve development versus the industry, and we have a much tighter variance. And we see 2 primary reasons for this. One contributing factor is the claims organization we just talked about. Leveraging technology and advanced analytics to increase productivity and get the right claims to the right resource more quickly leads to more timely and accurate claims handling and better outcomes.

The other contributing factor is the highly segmented approach we take to loss reserving for Commercial Auto as we do with our other products. We've operationalized that BMT structure, in addition to the usual loss cost cuts, and it allows us to see pattern changes sooner and react appropriately. Having more consistent and predictable loss cost estimates through accurate reserving lets us understand our true ultimate cost faster and be more responsive with pricing and product refinements.

So that's a little background on what we've been seeing in our Commercial Auto results recently and why we've been able to produce some different outcomes relative to the industry.

I'd now like to turn it over to Jochen Schunter, who will share a little about our plans for extending our leadership in Commercial Auto, including how and where Protective Insurance fits into those plans.

Jochen Schunter

Thank you, Karen. I'd like to spend some time talking about our track record of extending our Commercial Auto leadership position and investments that we continue to make.

Let me start by talking a little bit about our 2 telematics programs that we have in market today, Smart Haul and Snapshot ProView. We're proud to say that we have recently surpassed $500 million of Commercial Auto premium in force from these telematics-based programs and that we've analyzed over 10 billion miles of data. Smart Haul is our truck-focused telematics program that leverages the data from federally mandated electronic logging devices or ELD for short. [indiscernible] federal mandate, most over-the-road truckers need an ELD to manage their hours of service. Smart Haul uses driving data from a trucker's existing ELD in exchange for a discount on the insurance of up to 18%. And while conversion is nearly double our normal truck conversion, we continue to see a sizable loss ratio advantage for this book even after applying those steep discounts, which average about $1,500 per policy. It's clear. This is good business and it's all incremental and verifiable segmentation that we're able to apply at point of sale.

To demonstrate how powerful this segmentation has proven to be, I'd like to draw your attention to the chart on the left. Telematics is the most predictive variable in our for-hire transportation segment. The depicted bar includes the power of new variables, enabled by telematics in addition to variables that can be derived from telematics, such as territory or zone. As you can see, telematics is, by far, our most predictive rating variable. And we have plans to further evolve the model by adding even more predictiveness to it. Our continued research of driving data is allowing us to constantly evolve and improve the model.

Switching over to our other telematics program, Snapshot ProView. We have a program that provides discounts and complementary fleet management features to our non-ELD customers. While this program is much younger, we already see the segmentation power of telematics, especially in segments where driving panels vary significantly from risk to risk.

The chart on the slide shows the average drive time for select business classes and their variance around that average. Let's pick the restaurant business class as an example. We have [ensured that] use their vehicle close to 5 hours a day, likely to deliver food. At the same time, we have restaurants that used the vehicle less than 1 hour a day. You can imagine last cars may look very different for those 2 use cases. That's just 1 example, how telematics data can help us create new segmentation as we create new insights from the 10 billion miles of collected data.

Next, I'd like to highlight some of the most significant milestones we've been able to achieve in commercial auto over the years that we're especially proud of. First, in 2008, we became the largest write-off truck insurance in the United States. In 2015, we became the #1 writer of Commercial Auto overall. In 2019, we became the #1 writer of preferred truck in the nonfleet space. I'll talk more about that in a minute. And lastly, this year, we passed $6 billion in net written premium, making us more than 2x the size of our next closest competitor based on trailing 12-month statutory data.

As mentioned on the prior slide, we've made big strides in growing our preferred truck book, enabling us to become the #1 write-off nonfleet preferred truck in 2019. We define preferred truck as motor carriers that have a track record of being financially responsible with 3 or more yields in business and a strong safety record. Based on our analysis, we grew our estimated share of nonfleet preferred truck from 5.9% in January of 2016 to 15.4% in May of 2021. On a direct written premium basis, that reflects an annual growth rate of 29.5% over that same 5-year time period.

We did so by launching product enhancements that improved our competitiveness while hitting our annual calendar year profit targets each of those yields. Those investments have helped us improve consideration amongst the most preferred truckers shopping for insurance. In fact, of all the nonfleet preferred motor carriers that require a federal filing that switched insurance carriers in 2021 without a lapse in coverage, we got quoted on 48.2% of them. That number is up from 35.3% in Q1 of 2016. With this success, we continue to pursue a robust road map to enhance our product and coverage offerings along with improved segmentation, allowing us to offer even lower rates for the best risk.

Another exciting opportunity to grow our business across all BMTs is targeted at businesses with 10 to 40 vehicles. The small fleet market is about a $7 billion market where we have low penetration and only began increasing our focus on and investing in over the last couple of years. As we increased our focus, we saw opportunities to improve our pricing and add fleet-specific segmentation to provide more competitive rates to the best fleet risks. In addition, we expanded our underwriting team to support new underwriting capabilities, ensure appropriate pricing and accelerate the underwriting process. Today, we have the segmentation, assets and capabilities to compete effectively in this attractive market.

As you can see on the left chart, we've been able to more than triple our fleet book over the last 5 years with a meaningful acceleration in the last year. The right funnel chart shows the impact of improvements we've been able to elevate just in the last year driving that growth. While we've been able to increase growth by 19% in the trailing 12 months, we've been able to increase bindable quotes by 85% and ultimately, sales by 92%.

Let me cover some of the specific improvements that have allowed us to achieve those results. First, we brought and continue to bring automation and technology to the quoting process, helping us to increase efficiency. Specifically, we've automated the review of the supplemental application intake of this data into our database, underwriting review processes and related agent follow-up. We've also been able to improve the quote turn around time by simplifying the quote process and leveraging our distribution organization to educate agents, which in turn is driving agent engagement, more completed quotes and increased conversion.

With our continued investments, we believe we're well positioned to continue our growth in the small fleet space. Talking about investments in small fleet, that's a great transition to highlight our plans to move even further upstream in the fleet market. That's where our recent acquisition of Protective Insurance fits in.

Before we get to talking about how Protective will help us grow fleets, let's spend a few minutes and talk about Protective, the products Protective offers and customers they serve. Let's start with some background. Protective Insurance is located in Carmel, Indiana, employing about 500 people. The company has nearly 100 years of experience of providing innovative insurance solutions primarily for the fleet trucking operations. Protective operates several statutory insurance companies, which are collectively licensed in all 50 states. While Protective will benefit from Progressive's strong balance sheet and financial strength, Progressive will benefit from many of Protective's unique capabilities, allowing it to successfully serve the fleet market. Let's talk about some of those capabilities and the Protective product suite.

Protective sales, many of the lines we're very familiar with including Commercial Auto physical damage, Commercial Auto liability, nontrucking liability, cargo and general liability. In addition, and very critical to fleets coverage needs, Protective offers workers' comp and occupational accident. Two coverages that are very additive to Progressive's offering. In fact, workers' comp reflects the largest statutory commercial coverage in terms of premium, even bigger than commercial auto. As mentioned on the prior slide, this is done through a variety of statutory entities and distribution channels.

Next, let's cover what customers Protective sales. While we just talked about Progressive's #1 position in truck overall, it's important to note that we've achieved that position primarily by dominating the less than 10 vehicle space. Only recently have we begun investing into our fleet product, becoming competitive for fleets of up to 40 total vehicles, inclusive of trailers. We're early in that journey. And while we've hit some major milestones and seen some encouraging growth, we realized that there are needed capabilities we would have to build to effectively compete for medium and large fleets. Protective delivers those capabilities, allowing us to move upstream. Those include sophisticated risk retention mechanisms, allowing fleets to participate in the risk and indemnity; safety and loss control programs, along with underwriting expertise; and lastly, rating by mileage and revenue.

Independent contractors in the FedEx Affinity program are amongst many of Protective's other customers engaged in the rapidly growing last mile delivery space. A sector, we expect to continue to expand over the coming years.

Switching to profitability. Protective has had a long track record of generating excellent results, meeting their respective profit targets over decades. Similarly to Progressive, in doing so, they were able to outperform the Commercial Auto industry consistently. While the last few years have been challenged from a profitability perspective, we strongly believe that the right actions have been taken to return to those industry-leading combined ratios. Specifically, Protective has refocused on its core business, which is transportation insurance. In addition, significant rate was taken to account for the industry's steep severity trends. We believe this focus on core products and rate take are already proving to be successful with the last few quarters showing constant improvement of underwriting results.

In addition, Protective has reinsurance in place to protect from significant adverse development from prior accident yields. Those reinsurance treaties ensure that retained severities and tails are consistent with Progressive's established risk appetite.

Finally, I'd like to talk about how Protective is additive to Progressive's product offering and allows us to expand our addressable market. Clearly, while we're both heavily focused on the Commercial Auto line, we do so with minimal overlap. Progressive is the market leader in the small transportation space, while Protective is a leader in the medium and large transportation fleet space. Together, we're able to serve that market in its entirety and with Protective's workers' comp capabilities, we're able to establish a foothold into that critical coverage. A coverage that is considered an anchor product in the small, medium and large fleet space. We look forward to further complementing each other's product offering, enabling both entities to grow market share collectively.

Lastly, while we are still early in this acquisition, we look forward to what we call preserve and learn for the remainder of the year before focusing on further integrating our commercial offerings under the Progressive Commercial Lines umbrella. I'd like to take this opportunity to highlight that we intend to maintain the Carmel, Indiana operation. This acquisition has always been about growing addressable markets and therefore, revenue collectively beyond what each of us would be able to achieve individually.

With that, I'd like to go back to a slide Tricia shared earlier. This slide shows our addressable market, which has grown to $78 billion with this acquisition, which reflects an increase of more than 25%.

And with that, I will turn it back over to Karen, who will cover our investments in the small business insurance space.

Karen Barone Bailo
President of Commercial Lines

Efforts to meet the broader needs of small business owners are focused on building products and capabilities to support our agency business and to meet the growing demand in the direct channel. We believe customer choice is important. And our goal is to continue to work toward customers having options for how they shop for insurance with us. Our plans include both adding products we develop ourselves as well as offering other carrier products in our in-house agency.

In our experience, developing products ourselves works best in our agency business, and we will continue to focus on investments that enable us to continue to grow and succeed with our agents. We're pursuing a different strategy for consumers that come to us directly. In addition to developing our own products, we're offering other carrier products through our in-house agency. That approach is working well for us, and it will remain a part of our strategy for that part of our business. In the end, expanding our product offering is all about having a broad enough product portfolio that agents and customers never have to look elsewhere for their insurance needs.

In 2019, we expanded our product offering with our own business owner's policy and general liability product. This line of business opens up our addressable market with a product that fits with our customer set and creates an opportunity to extend relationships with our customers. Similar to Commercial Auto, our goal is to have a streamlined, intuitive quote flow and competitive pricing derived from expense discipline and price segmentation. We initially limited our appetite to the first 5 categories in this table. They are big enough to matter, allow us to develop pricing and segmentation skills and allow for a straightforward streamlined quoting and binding process. We've since added a sixth BMT, Lessors Risk. We've limited our appetite in this category to those commercial rental properties that meet our underwriting criteria in the other 5.

The 6 categories depicted on this screen account for about half of the 31 million small businesses in the U.S. with fewer than 20 employees. As we did last year with Lessors Risk, we will continue to expand the categories over time as we gain experience and identify additional opportunities to automate the quoting and underwriting flow. Today, this business is in the agency channel and agents continue to add real value in small business insurance. We chose to deploy our BOP product in the agency channel first and have designed the products, systems and experience to succeed with agents. At the same time, we kept an eye on requirements for the digital channel. And last year, introduced our product in our in-house agency and our online quoting platform for small business owners.

We officially launched our product in May of 2019 and finished the year with 4 states. Last year, all things considered, we finished strong launching 13 new states and introduced an updated product model. And building on the momentum from 2020, we launched 4 additional states through the end of the second quarter and 4 more in July. So we're now in states, representing just over 50% of the Commercial Multi Peril market. And we expect to roll out another 9 to 10 states this year, and that would result in a state footprint that represents about 67% of the Commercial Multi Peril market.

Feedback we've received from our agents supports our assessment that we have an easy-to-use quoting and underwriting experience and competitive products. We're happy with our momentum, and we'll continue to look for opportunities to accelerate our progress where we can continue to grow profitably.

I mentioned earlier that we're pursuing a different strategy for consumers that come to us directly. We built an in-house agency to sell other carrier products, and we're having terrific success in growing our direct small commercial business. In September 2018, we introduced BusinessQuote Explorer, which is our online quoting platform for small business owners. With that addition, consumers have a full range of options for how to shop for their small business insurance with us. Going forward, we'll work to optimize the experience in both of these paths. There will be times when the self-directed online path is the best option for a customer and others when calling in for phone support will be the best option. We're happy with this approach as a strategy to meet the demand from consumers who are coming to us directly for their small business insurance needs.

Our small business direct efforts are going well. We've been selling direct to commercial insurance for more than a decade and have made investments in assets and capabilities to meet the growing demand from commercial prospects as well as our own customers. Now pandemic-related shopping patterns do appear to be accelerating the move to online shopping and commercial insurance. And we're well positioned for that move. Our marketing efforts are maturing and generating demand, and we have a good stable of carriers, including our own manufactured BOP and GL products, and we've got an easy-to-use quoting platform. As a result of our investments and an increase in online shopping, growth has accelerated considerably. And with the investments we're making to drive demand and then meet that demand with ample supply and great experiences, we have every confidence in our ability to continue to accelerate growth within the small business direct channel.

Now the ultimate goal is to extend relationships with our customers and provide more reasons to stay. We know customers who have more products with us retain longer. When looking at our business auto and contractor commercial auto customers with multiple products, we see that those with another Personal Lines product stay with us 5% to 7% longer and those with the BOP product stay about 11% longer. Now we expect policy life expectancy to further extend with more targeted efforts to grow our multiproduct customers. Beyond launching new products like our BOP and GL product, we're also working to make it easier to bundle more with us. Our aspirations include making it easier to purchase multiple products across Commercial Lines and Personal Lines, that new business and to add products as insurance needs grow.

You've heard us describe our aspirations of relationships with our customers lasting for decades or longer. We're making significant progress and expect over time, our commercial relationships will contribute to increasing the number of customers that have chosen to stay with Progressive for a decade or longer. This is all part of our broader vision to become consumers' and agents' #1 choice and destination for auto, home and other insurance. And we're excited to have considerable underpenetrated addressable market in front of us where we have the people, skills and assets to succeed. Thanks for your time today. And now we'll move on to the Q&A portion of our session.

Question and Answer

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 Karen Bailo and Jochen Schunter, who can answer questions about our Commercial Lines presentation. [Operator Instructions] We will now take our first question from the phone. Olivia?

Operator

Our first question coming from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, I believe there has been some regulatory pushback in some states, including Nevada, Texas and Ohio, some rates that you have filed for. So how does Progressive respond in situations where you're not getting the rate that you need?

Susan Patricia Griffith
President, CEO & Director

Thanks, Elyse. This is Tricia. We respond with data. So we have data that are showing steep trends and severity in our need to get rates on The Street, and we provide that and try to work with our regulators to get those pushed through. In the long run, we want to make sure we're available for consumers, and we can only be available if we're able to reach our objective of growing as fast as we can, but more importantly, the 96 combined ratio or less. So we continue to work with regulators. We've had some good success in Texas, as you mentioned. Every state has little nuances, but we're going to continue to work side by side to do the right things for our collective consumers and customers.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then in the presentation that we just heard, I believe you guys were talking about beating at higher levels and not going back to like prepandemic levels. I know that was specific to Commercial Auto, but it sounds like that's perhaps something we're seeing within Commercial and Personal Auto. So do you think that this is a new normal because if there's higher levels of speeding, right, then there could be much more severe accidents. And do you think some of the higher severity trends within both Commercial and Personal Auto or perhaps here to stay even after we fully come out of the pandemic?

Susan Patricia Griffith
President, CEO & Director

That's a great question. On the Commercial side, we're seeing both congestion and speeding up. On the Personal Lines side, we still haven't seen commuting congestion back to prepandemic. I think we're just going to have to watch that. I think we thought we were sort of coming out of the pandemic. And now, of course, with some of the new local ordinances. Will that change, will people home and work from home longer? We imagine that might happen. So that could continue to have speeding at a higher rate. I think miles traveled as well. When you think about -- we opened up people were excited to get on the road, go on vacations with their family, go see grandma and grandpa. But you're right on the severity of accidents, and we're just going to have to watch that trend and see what happens when we get to normalcy post pandemic on commuting and congestion as well as speeding.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then one last one. In terms of like you mentioned you haven't seen drive to work miles fully go back, if you were going to look at your results between the nonstandard and the standard on the Personal Auto side, have you seen the drive to work mile perhaps pick up more on the nonstandard side where maybe there's less work-from-home flexibility?

Susan Patricia Griffith

President, CEO & Director

Yes. When we look at our UBI miles, we sort of compare it to some occupations that would be more available to work from home and that wouldn't. And so we do see differences in those as well as even age groups in terms of if I'm retired and I'm able to stay home. So we watch those closely as well. But remember, we price all of our customers to a lifetime 96, and that's what we work towards.

Operator

Next second question coming from the line of Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Kind of a follow-up question to the first question that you just answered. Trish, you said that you respond with data. Higher-level question on that, I guess, the regulatory question is the nuts and bolts of the question is, is it tougher to push for rates today than a normal environment. And what I mean by that is, I think there's a pretty clear contrast today, unlike in other periods where the experience period you used to do your rate filings is pretty profitable unlike the projection period where there's clearly some deterioration. And not only deterioration, but questions on how long that deterioration might last, is the severity or short-lived, is the frequency lived as well? So some questions around that against the backdrop of a pretty profitable experience period that you're using for [rate volumes]. So does that backdrop make it harder to push for rate volumes than it normally would?

Susan Patricia Griffith
President, CEO & Director

I think it is more of a challenge. But remember, we aren't looking in the rearview mirror. We're looking ahead and looking at the severity trends because we price for those in the future. So while it's been a challenge in some venues, we continue to work towards that. And again, we'll watch it closely and just like we did during the pandemic. After we gave the over $1 billion back on the private passenger auto side for the credits, we looked across because we knew that consumers were struggling and there were layoffs, et cetera. We looked across states and channels and products and took rates down a little bit. And so that's really the conversation we're having with regulators. We're going to always try to do the right thing to grow as fast as we can. But we have to make our target profit margins. And what we're seeing now is some pretty steep severity trends. And again, we'll watch for that. We'll watch for any macroeconomic inflationary trends and the like to understand what our future rate should be.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Second question kind of goes towards whether the Personal Auto margin deterioration is -- are there certain pockets where it's worse than others? And what I mean there is, you mentioned in the Q, a couple of things that might make one think so, reduce marketing spend in certain areas, number one. Number two, tightening the underwriting criteria for certain consumer segments. So those 2 things combined make you think that maybe there are certain pockets where it's worse. And I guess, is that true? Or is it more just generally across the board because of what's happening with driving levels going back to normal levels?

Susan Patricia Griffith
President, CEO & Director

Yes. It's really -- the margin erosion is really across the board in terms of frequency trends, getting closer to prepandemic. Severity trends up, whether it's injury or used parts and then, of course, our average written premium was down. When we look at media, when we talk about that, we look at our less efficient media. So it's not necessarily based on a certain customer. We look across the board and say, okay, this is our cost per sale, et cetera, and here's what we believe we can get for that. On the other side, we really tried to avoid what we believe could be underpriced risks. And so we developed an underwriting program many, many years ago. Just to ask a few more questions to understand how to appropriately rate each of our customers to the appropriate risk. So a little bit different viewpoint from when we look at media and we look at bringing on risks that we believe are underpriced.

John Peter Sauerland
VP & CFO

I'd just tag on that to say in markets where we're struggling to get rate back to the previous question, we are more likely to push harder on the underwriting leverage. So in markets where profitability has struggled recently, and we've yet to be able to raise price, you'll see the underwriting levers tighter than in a market where we're more confident about profitability.

Operator

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

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Just another question just on the rate filings. I'm just wondering if you could share what you're contemplating for future frequency and severity from second quarter levels? Do you assume that those continue to get much worse or at the same levels? Or is it going to take some time before you get more actual experience and more results that you can include in the filings before you think you can get data to justify the rate changes?

Susan Patricia Griffith
President, CEO & Director

Well, I mean, I think the fact that we're going to continue to take rates up means that we expect some future positive trend. It will be tough to say so we'll watch it. And our belief is that long-term trends from a frequency perspective, we believe that there's a chance that could go up to prepandemic levels. But if you look at over the last 50 or 60 years, frequency trends have gone down based on safer cars and more strict laws, et cetera. Severity has more than offset that, whether it's injury, attorney reps or components of vehicles, and we believe that can continue. We hope that it abates a little bit. But if you look forward a couple of years, we would hope that they would be more normalized, so we could have that sense of normalcy. Now it's been -- the comparisons are also difficult. But we watch those closely, and we believe that as of now, obviously, we talked about the rate filings that we have done in quarter 2 that will continue to be fairly aggressive with rates.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And just thinking about -- I think you said you were looking at 5% rate increases location-specific in the second quarter. Is that sort of the amount you think you need to take across the entire book? If I look at it, I think loss costs versus '19 were up a couple of percent in the second quarter versus 2Q '19, and it looks like you took maybe 3 or 4 points of rate. So is the intention to get back to sort of the '19 loss ratio level with the 5% rate increase?

Susan Patricia Griffith
President, CEO & Director

Well, so the 5% is the average increase, and it was an aggregate of 2%, but we do look very specifically across states, across channels, across products. So there won't be a flat rate across any one of those venues. We will look at where we needed the most to get to our target like lifetime profit margins. So we'll give you the averages because we're not going to go into specifics, but I would tell you it's very different depending on the states and what we're seeing in both frequency and severity.

Operator

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

Joshua David Shanker
BofA Securities, Research Division

I want to talk about a year ago or 18 months ago when the pandemic came on, and you made decisions to refund money to customers, to cut price, to increase advertising spend in order to get a new pool of customers and certainly the growth was very strong during the pandemic. To what extent are those customers who you put on and brought on the book, achieving the lifetime value of 96% or better. And to what extent is this a period of compressed margins following with what you expected to happen as you put these customers on your book and frequency came back to normal levels?

Susan Patricia Griffith

President, CEO & Director

I mean, I think, we did the right thing during the pandemic and things have been very volatile and very fluid. And so in terms of our sort of Holy Grail is retention. So we're going to do what we can to keep those customers at the target profit margin. The increases will flow into renewal business. And we expect that, that could cause people to shop and we get that. But what we want is -- and our choice of growth is policies in force. We want to continue that growth. We know that we need to have the right rates on The Street. And we've talked about that a lot. Our objective for many, many years, many decades has been to grow as fast as we can at or below 96 and profit comes first in that order.

It's one of our core values. So we'll continue to look at that. What -- how we treat these circumstances are things that we've done before. And so not to this extent because we don't -- this is we've never been involved in a pandemic. But we've been in these circumstances before. In fact, if you go back in time, 2012, we had similar circumstances where we found that we needed rates. At the time, actually, John Sauerland, our CFO, was the Personal Lines President, and I was the President of Claims. And we set forth to get the right rate, keeping as many customers as we could. That's really important. And that worked and we were able to grow.

But probably the most important example would be in 2016 when we found ourselves over our 96 goal. And we reduced expenses and a little bit of marketing and really positioned ourselves well for huge growth. And in fact, in the last 5 years, we have grown policies in force on the private passenger auto side, greater than 70%. So how we're looking at today is we believe we did the right thing for customers during the pandemic. We have seen trends steepen at a pretty quick rate. We're going to get the rate we need to get back and be well positioned for that growth that we believe we will come should we head into a hard market.

Joshua David Shanker
BofA Securities, Research Division

And then I think you said that March 17 was either the best or the second best shopping day in the company's history. I think you probably put on a lot of Sams or [inconsistently insured] customers. To what extent is the huge growth over the past 18 months and really even just a few months ago, having a new customer penalty on top of your overall book?

Susan Patricia Griffith
President, CEO & Director

Well, we have had a lot of Sams. We've had a lot of growth overall, and I talked in my most recent letter about our growth in Robinsons. And again, comparisons are tough as well because of the large growth we've had in Robinsons and some of our preferred. But yes, we've brought on a fair amount of Sams. And again, we are fine with Sams coming on the book as long as we are priced to our target profit margin.

John Peter Sauerland
VP & CFO

And a little bit more on that, Josh. So we have what we call cohort targets by segment, by segment, we call them our consumer marketing tiers, but we also think by channel, direct versus agency and new versus renewal and obviously, geographically, and our product managers are constantly looking at their performance relative to those cohort targets. So for example, the new Sam direct customer has a target. Obviously, new business, we're going to spend a lot to acquire Sam. We're going to want to recoup that quickly on a renewal to make sure we were in that lifetime 96. So regardless of the climate we're in, those product managers are monitoring their performance versus those targets and where we're not meeting them, they're going to take action to make sure they meet them. So we do manage to the calendar combined ratio as a company for sure, and that's what we say our goal is beneath that, product managers are managing to those segments, to those cohort targets. Does that help a little?

Joshua David Shanker
BofA Securities, Research Division

Certainly.

Operator

Our next question coming from the line of Ryan Tunis with Autonomous Research.

Ryan James Tunis

Autonomous Research LLP

I had a couple of severity and 1 on growth. The first one is, I mean, just thinking about this. So frequencies almost back to pandemic levels that -- that makes sense. It was down to half originally. In any event, we're going to get back there. Severity was plus 7% in 2019, plus 10% in 2020. And this quarter, it was plus 8%. So it's not exactly clear to me why this severity numbers all that surprising. So I'm just trying to square all this and understand why we only started taking rate in this past quarter.

Susan Patricia Griffith
President, CEO & Director

Well, so we've seen severity trends go up in injuries. What we probably underpredicted on severity was the used car valuations and not just the magnitude, but the length of time, the duration. And we did look at that for future trends, not to the extent of what we're seeing. And again, that's something that's been very different during the pandemic in terms of supply and demand and what is happening with new cars and the lack of available chips, et cetera. So I would say that was probably missed on our part slightly just because we hadn't seen that. We did see it going up, but not to the extent or the duration of time. And then the injuries we continue to look at. Attorney rep rate continues to go up. And we're seeing attorneys earlier in the claims sort of across regions and across limit profiles. And there could be a lot of theories on that. It could be that there's more advertising on the attorney parts. It could be that if you're working from home or that you're not working, you're seeing more advertising in order to call that attorney, but we are seeing attorney reps earlier in the claims than we have in the past.

Ryan James Tunis
Autonomous Research LLP

Got it. Yes. It felt like while you guys were reporting numbers this last quarter, people are talking more about the property inflection, but I mean, clearly, we're seeing some social inflation on the BI side. Is there one that you'd say you're more concerned about kind of the casualty type loss trend versus the property loss trend in auto?

Susan Patricia Griffith
President, CEO & Director

I mean for the casualty trend, obviously, you want to get your arms around attorney reps because those claims are more expensive, take longer, not necessarily great experience. We've seen on the private passenger auto because we've seen speeding up, there's been more severe accidents. We've seen labor hours increase and number of parts increase. So that's a little bit different. On the property side, we had 25 points of cat exposure. And so I think we are looking at a little bit different geographic expansion to make sure that we, in a sense, derisk a little bit of that book. And then in addition, on the property side, we want to be able to continue to get rate as we have since last year and have a more segmented product. So it's a little bit different way we're looking at it, ultimately, to get to the same end point of a 96 combined ratio.

Ryan James Tunis
Autonomous Research LLP

And then just lastly, when you describe these trends as broad-based across all states and customer segments or is it more localized? Is it more Sams, more Robinsons, that type of thing?

Susan Patricia Griffith
President, CEO & Director

The trends on the attorney rep have been across all regions, and they've gone up in different rates -- with limit profiles. So that's been across the board. Property really is much more specific in states where there's more weather volatility.

Operator

Our next question coming from the line of Tracy Benguigui with Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

I don't mean to beat a dead horse here, but is it your impression that regulators are discounting the 2020 year as an anomaly, but relying on 2019 data for indicated rate needs, which may be problematic, given there are higher premiums at the time and less elevated severity, at least that's what I saw at Texas explicitly mentioning 2019 data.

Susan Patricia Griffith
President, CEO & Director

Yes. It's hard for me to be in the seat of a regulator. I think they're trying to do the best thing they are trying to do for their constituents as we are. And so that's why we share data, we talk it through and we try to do the right thing, which again is availability for the consumers, whether it be Texas or any other states. So it's hard for me to say whether regulators looking at it. I think they always want to make sure that there is affordability for the consumers that they represent.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Okay. Yes, I just wanted to know if there's any way that you could make headway or if there may just be a difference of opinion just given you're looking at different parameters.

Susan Patricia Griffith
President, CEO & Director

Probably a little both.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Okay. And then just speaking of rate increases, I mean, I saw also you took a 6.1% rate increase in Florida. And I'm just wondering how much that has to do with PIP. Understand there's a debate going on right now if insurers could pay 80% of the claims regardless where it lies on the schedule. Can you just remind us your conservatism on that spectrum?

Susan Patricia Griffith
President, CEO & Director

Yes, it had a lot to do with PIP, a lot to do with injury increases as well that we've talked about in terms of severity. But Florida has always been volatile with PIP and interpretations of PIP and plaintiff attorneys and so we are pricing to that, and we've seen a lot, as we've told you, of reopens based on recent decisions.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

So any concerns over prior periods that could result in average reserve development?

Susan Patricia Griffith
President, CEO & Director

For Florida PIP. I think we've seen less late reports than we've anticipated in 2020, which is on the PIP side. I don't know that there's any prior. I think it's been the last couple of years. I think prior to that, I would say '18 and -- '19 and '20, not as much '18.

John Peter Sauerland
VP & CFO

That's a great characterization. And frankly, Florida PIP even going back further than that has been a challenge to price accurately because courts decide what they decide and that changes a lot of the past claims decisions that were made and a lot of files get reopened. So as we pointed out, we have had adverse development in Florida PIP past couple few years. And if you go back a decade, we had similar. The good news is, over the longer term, we've been very successful in the Florida market. We have great share there. And we want to continue to grow in Florida as long as we're hitting that 96 and right now, as you pointed out, we are taking actions to address the combined in Florida. But again, over the long term, we're very confident and happy to grow in Florida.

Susan Patricia Griffith
President, CEO & Director

And the last thing I'll say on that is we were very happy that the governor vetoed the latest PIP reform because we thought that would not be good for consumers of Florida. And so we always work with regulators to make sure we have the right rates there. And it's a complicated state, but one with which the long term, we've done well.

Douglas S. Constantine
Director of Investor Relations

We do have a question on the web asking about Texas and Commercial and Personal Lines loss trends and what actions we are taking to improve profitability in Texas.

Susan Patricia Griffith
President, CEO & Director

We are taking rate.

Douglas S. Constantine
Director of Investor Relations

Very good. Olivia, next question?

Operator

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

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

My first question will be on your comments around the targeted 96 combined ratio. You're talking about growing into other lines of commercial and the capital requirements for some of these other lines embedded in commercial are going to be different than the capital requirements you have for other parts of your personal auto business. And it also, frankly, is applicable to your property business as well. I'm just curious if your 96 targeted combined ratio changes depending on the capital requirements on the type of business that you're in?

Susan Patricia Griffith
President, CEO & Director

Yes. And remember, our 96 is the aggregate. So 96 is slightly different, and it's not for public consumption but slightly different in different areas, depending on that. What we look at also is what we want that ROE to be in any part of the business, and we work towards that. Anytime you have a new business, obviously, you have a big learning experience. When we went into the direct private passenger auto we didn't make money for many years as we learned and grew. And so we expect those -- that to happen as well as we learn new businesses and have our arms around trends.

And as we grow, that's one of the reasons why except for the Protective acquisition, which is very different because they know what they're doing on larger fleets. We sort of try to grow into that. So a great example is fleets. For many, many years, we did 0 to 9 power units. We felt we had our arms around that. We were a leader in that, and now we've gone 10 to 40. So we try to learn along the way. Same thing with small business. We're starting with micro businesses, less than 20 employees to make sure that we learn as we grow and expand that addressable market.

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

Just like to clarify your answer on that. On the property business, you've been running above the 100 combined ratio for 5 years now. How much longer will it be above 100 before you get -- before it stops being a drag on your consolidated results?

Susan Patricia Griffith
President, CEO & Director

Hopefully, not long because we're not happy with that either. I talked a little bit about the geographic footprint and how we are taking actions to be -- not have such a high percentage in states that have much more weather volatility because, as we said, that's 25 points on the property CR. It takes time. It doesn't happen overnight, and we've had just a lot of headwinds from that perspective. So I can't tell you the length of time, but we're working aggressively towards de-risking geographically, even if we need to slow down on getting the right rates on The Street and making sure that we continue to segment our property models as deeply as we segmented our private passenger auto and commercial auto.

John Peter Sauerland
VP & CFO

I might elaborate quickly there. So we are not intending to run property above 100. And in fact, as Tricia was noting, we look at ROE across our business lines. And as you note, required capital. We also look at expected investment returns because the duration of claims is different across lines as well. But we target ROEs across the businesses that are equal to or better than private passenger auto and we back into target combined ratios. So for home, as you would expect, given the higher capital requirements, the combined ratio target is going to be richer. We took 12 points of rate in home last year. We're on track to do it similarly this year. And as Tricia noted, we're taking a lot of actions to get a better geographic footprint that we think reduces the impact of storm losses going forward. If you look back at our recent history, the primary driver of being over 100 has been weather losses. And here, it's been difficult to model, difficult to price. It's -- we're into newer markets, we're learning, and we are taking, we think, aggressive actions to get that combined ratio where we want it, which is well below 100.

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

My second question, and I know it's really small relative to your overall book, but you did spend a portion of your presentation talking about it, and that's Protective. And how you plan to use that in part as part of your Commercial Lines expansion strategy. And if I look at Protective's results the last 3 years, really haven't been able to grow at all. They saddled with 1 large customer and their combined ratio results have certainly been well above what Progressive likes to target. So I'm just curious if you could just give us a sense of what you see within Protective that helps you gain confidence that it's going to fit well within your overall strategy?

Susan Patricia Griffith
President, CEO & Director

I think, first of all, if you look at Protective and the rates they've taken, as they've seen their steep severity trends since 2019, they saw that and they've been working towards that, and we're seeing the fruits of that. But more importantly, that addressable market that we saw. So they put us upstream into larger fleet workers' comp, which is a really important piece for small and medium fleets. So although we didn't talk a lot about what we believe we can do together long term. And we're going to spend this next 6 months since we literally just closed in June. We're going to spend this next 6 months understanding synergies, learning from each other and then getting a very firm game plan together on what we think we can achieve in the next 5 years.

Operator

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

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

Going back to the, I guess, capital requirement and combined ratio constraints by line of business. If we're still at 96 overall and other lines of business, probably has to come in lower. Should we understand that auto on its own can go above a 96 and still be within the company can [train]?

Susan Patricia Griffith
President, CEO & Director

You could understand that what we look at and it's very different how we expense it as well. So on the direct side is front loaded versus more variable on the agency side. It's different depending on the venue, et cetera. But again, the aggregate is 96, and then we look at each of those different areas, whether it's product or channel to get there.

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

Okay. I think that might be a related question. And again, it's on Florida, the rate filings actually requested an increase that was below the indication. And I was wondering if you could talk to the considerations of when that would come into play?

Susan Patricia Griffith
President, CEO & Director

Would you repeat the question? I didn't hear what you say.

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

I'm sorry. Looking at a recent Florida rate filing, there was a requested increase that was about half of the indicated rate increase. And I was wondering if you could talk through the considerations of when you'd make that sort of filing.

Patrick K. Callahan
President of Personal Lines

Sure. This is Pat Callahan, the Personal Lines President. So typically, in some states, there will be a templated indication, and then there's our indication. And when there's a lot of uncertainty as we look at our future trends, we'll fill out the template as required to from a file and compliance perspective, but then we apply a lot of judgment to kind of how much we actually want to take to balance growth and profitability for the business. So we recognize that in states that are relatively open to file and then use rates like Florida, we want to take smaller bites at the apple over time to ensure that we're not bouncing our customers or increasing rates faster than necessary. So in the Florida-specific case, I expect we're in there frequently, and we will be in there at least once or twice more throughout the remainder of the year.

Operator

Our next question is coming from the line of Gary Ransom with Dowling & Company.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Yes, I wanted to ask about small commercial. And specifically, you were talking about more activity in the direct side for the BOP product. Is there a -- is there anything you can talk about on the propensity to buy online? I thought about it as somewhat of a slower moving demographic trend. But are there customers that have been through an agent for 25 years and now suddenly that they like online and starting to buy it that way?

Susan Patricia Griffith
President, CEO & Director

I think what you're seeing is one of our strategic pillars in place and that's a broad coverage. We want to be where, when and how customers want to shop. And so there are customers because it's a little bit more complicated, and especially if this is your dream, your first business venture, you want to make sure you're protected and you have a lot of questions. And so typically, and it continues to be the majority of the business have gone through agents on that coverage. We've opened up BusinessQuote Explorer for those customers, not unlike we did years ago on the auto side when we opened up direct that feel comfortable with what they need to get there. And as you see, that's gone up a couple of percentages of increasing on the direct side, which we are not surprised at.

And I think especially with the pandemic where there was less availability even though a lot of people weren't -- were necessarily opening small businesses, but there was less availability of agents versus direct just based on shelter in place opportunities that we saw that change. I would expect that more and more customers that have not ever worked with an agent will continue to go online and that, that percentage would increase. But we're going to have to continue to get savvy with our investments on the BusinessQuote Explorer side, but that's, we believe, a really great opportunity. We love the fact that we have a big agent presence, but there will be customers that want to go through direct and we'll be there for them as part of our strategic pillar of broad coverage.

John Peter Sauerland
VP & CFO

Gary, I would add to that. One part of it is demand. The other part is fulfillment. And across auto over time, property and now commercial, we've gotten a lot better online, meaning a far better experience, and we're starting to roll out the ability to buy online. And we see, as we continue to improve the experience, make sure customers can get smoothly through quotes and actually buy online, the fulfillment piece of that equation is improving a lot. And in the direct business, to the extent you are making that side of the funnel, if you will, more efficient, it's really powerful in your ability to continue to grow that business because the more efficient you are at fulfilling, the more you can spend up front to acquire customers.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Is there any specific item you would identify as important to that fulfillment piece? I mean, is there fewer questions or things along those lines?

John Peter Sauerland
VP & CFO

Well, the ability to buy online is very, very important. So if people go through an online quote, their expectation, generally, we think is -- I mean, some people want to call for clarification, assurance, et cetera, but many people expect to be able to click a button and buy. And we find when we elevate that in a state, and this goes back to -- when we were doing this a long time ago in auto, we're now doing it in property and now in commercial, when we elevate that ability, the conversion rate goes up.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

Just 1 quick question here. I think kind of a follow-up to Tracy's question. [Trish], another personal auto care recently did take a reserve charge related to participating versus limited rate schedules in the court decision in Florida. How did you interpret that decision? And does that factor at all how you think about your reserve position in Florida PIP?

Susan Patricia Griffith
President, CEO & Director

Yes, Brian, thanks. I think you're referring to the limited charge, and that we have yes, we are accrued for that as well as a couple of other that has happened over the last couple of years. And so we look at that. We work with the claims organization to understand, even though we don't necessarily disagree with the decision at the DCA agreed with that, and we are still challenging that. That said, we want to extinguish those exposures and move on because by the time it gets through the court system, possibly to the Supreme Court, it takes many years. And so we have our reserves and our unfavorable reserves have taken that case into account.

Douglas S. Constantine
Director of Investor Relations

We've exhausted our scheduled time. And so that concludes our event. Olivia, I will hand the call back over to you for the closing scripts.

Operator
Ladies and gentlemen, that concludes The Progressive Corporation's First Quarter Investor Event. Information about a replay of the event will be available on the Investor Relations section of Progressive website for the next year. You may now disconnect.