

Progressive Corp.

## Dec results: Strong underlying and far better than expected catastrophes lead to EPS beat

Underlying loss and combined ratios come in below expectations, while cat losses are significantly lower than anticipated. PIF growth strong again, but slightly below our expectations.

December net EPS of \$1.60 is well above our estimate of \$1.27. The beat comes primarily due to 1) strong performance company wide, specifically in Property, Commercial, and Agency, 2) much lower than expected catastrophe losses for the month, and 3) solid favorable prior-year development. Cat losses came in at \$(67) million which was significantly below our \$66 million estimate, as favorable development associated with Hurricanes Helene and Milton exceeded current month storm losses. Progressive also saw favorable prior year development to the tune of \$56 million, or 80 bps. Company wide underlying loss ratio came in below our expectations at 66.2% vs. our 66.4%. Underlying Combined ratio also came in 180 bps below our estimate, printing 85.9% vs. our 87.7%. PIF growth continues to be very strong, although comes in a touch below our estimates across the board. NPW growth missed our mark of 28.5% by 6.2 points, coming in at 22.3%. NPE growth of 26.5% came in well above our estimate of 18%. Overall, a solid print as PIF growth remained strong, catastrophes came in much better than expected, and very strong company wide results (specifically in Property, Commercial, and Agency) contributed to a bottom line beat.

**Policies In Force:** PIF growth was very strong yet again for the month of December, although slightly below our expectations across the board. Company wide PIF growth came in at 17.7% vs. our expectation of 18.0%. Agency saw growth of 17.3% y/y which compares to our 17.6% estimate. Direct grew 25.1% y/y vs. our 25.5% estimate. Personal Lines showed growth of 18.8%, slightly below our 19.1%. Commercial growth came in at 3.9% y/y vs. our 4.5% estimate. Lastly, Property PIF grew 13.6%, slightly below our 14% estimate. Sequentially, Agency PIF grew 78k and Direct PIF grew 132k.

**Personal Lines:** Underlying loss ratio came in at 67.7%, slightly above our 66.8% estimate. Expense ratio came in at 19.5% which compares to our 21.1% estimate. NPW growth was 27.5% vs. our 32.7%. NPE growth was 30.7%, well above our 23.6% estimate. Personal Lines posted underwriting income of \$767.9 million compared to our \$590.3 million. On a segment basis within Personal, Agency underlying combined ratio of 84.1% was better than our 85.7% estimate and Direct's underlying combined of 89.6% was in-line with our 89.6% estimate.

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Completed: 29-Jan-25, 15:16 GMT Released: 29-Jan-25, 15:17 GMT Restricted - External

PGR	EQUAL WEIGHT
North America Insurance/ Non-Life	NEUTRAL
Price Target	USD 261.00
Price (28-Jan-25)	USD 245.05
Potential Upside/Downside	+6.5%

Source: Bloomberg, Barclays Research

### North America Insurance/Non-Life

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**Commercial Lines:** Underlying loss ratio in Commercial Lines was 65.6%, significantly below our 70.6% estimate. NPW growth of 0.5% came in weaker than our 7.5% estimate, although we would note commercial lines NPW was lower due to a decrease in the monthly adjustment for projected mileage in the TNC business which excluding this would have been 5%. NPE growth however was 10.2%, above of -7.7% estimate. Underwriting income of \$151.4 million came in well above our \$76.3 million estimate.

**Property:** Underlying loss ratio came in much better than expected at 31.5% vs. our 48%. Expense ratio also came in at 30%, 100 bps above our estimate of 29%. Combined ratio was 61.5% vs. our 77% estimate, a strong beat. NPW growth was -7.8% y/y for December vs. our 14% growth estimate, and NPE growth of 10.4% came in lower than our 11.9% estimate. Underwriting income of \$151.6 million was far above our \$40.2 million estimate.

**FIGURE 1. PGR Monthly Quicktake - Summary Financial Information**

	Dec-21	Dec-22	Dec-23	Nov-24	Dec-24		Diff vs BARCe
	Actual	Actual	Actual	Actual	Reported	BARCe	
<b>Summary Financial Information</b>							
Net premiums written	3,113	3,574	4,876	5,563	5,964	6,267	(4.8%)
Growth %	11.6%	14.8%	36.4%	17.7%	22.3%	28.5%	(6.2pp)
Net premiums earned	3,613	4,030	5,310	6,040	6,717	6,267	7.2%
Growth %	14.2%	11.5%	31.8%	18.9%	26.5%	18.0%	8.5pp
Net Investment Income	83	153	142	262	269	267	0.7%
Net Income	393	6	901	1,006	942	747	26.0%
Operating income	215	313	827	867	1,053	747	40.8%
Net EPS	\$0.67	\$0.01	\$1.53	\$1.71	\$1.60	\$1.27	26.0%
Operating EPS	\$0.37	\$0.53	\$1.41	\$1.48	\$1.79	\$1.27	40.8%
BVPS	\$31.20	\$27.17	\$34.64	\$47.43	\$43.67	\$46.95	(7.0%)
BVPS xAOCI	\$31.13	\$31.96	\$38.12	\$49.50	\$46.73	\$49.02	(4.7%)
Operating ROE on BVPS xAOCI	14.0%	20.0%	44.5%	36.4%	44.7%	31.0%	44.2%

Source: Barclays Research, Bloomberg

**FIGURE 2. PGR Monthly Quicktake - Policies In Force**

	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Nov-24</b>	<b>Dec-24</b>		<b>Diff vs BARCe</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Reported</b>	<b>BARCe</b>		
<b>Policies in force</b>								
Policy in force growth:								
Agency – auto	3.4%	(1.4%)	7.3%	16.7%	17.3%	17.6%	(0.3pp)	
Direct – auto	7.7%	5.9%	10.5%	24.6%	25.1%	25.5%	(0.4pp)	
Personal Auto	5.8%	2.6%	9.1%	21.2%	21.8%	22.1%	(0.4pp)	
Total Personal Lines	6.2%	3.2%	8.7%	18.4%	18.8%	19.1%	(0.3pp)	
Total Commercial Lines	18.2%	7.7%	5.0%	3.5%	3.9%	4.5%	(0.6pp)	
Total Property business	-	2.7%	8.6%	14.5%	13.6%	14.0%	(0.4pp)	
Companywide Total	-	3.3%	8.5%	17.4%	17.7%	18.0%	(0.3pp)	

Source: Barclays Research, Bloomberg

**FIGURE 3. PGR Monthly Quicktake - Total Company P&C Underwriting**

	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Nov-24</b>	<b>Dec-24</b>		<b>Diff vs BARCe</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Reported</b>	<b>BARCe</b>		
<b>Total Company P&amp;C Underwriting</b>								
Net premiums written								
Net premiums written	3,113	3,574	4,876	5,563	5,964	6,267	(4.8%)	
% Growth YoY	11.6%	14.8%	36.4%	17.7%	22.3%	28.5%	(6.2pp)	
Net premiums earned	3,613	4,030	5,310	6,040	6,717	6,267	7.2%	
% Growth YoY	14.2%	11.5%	31.8%	18.9%	26.5%	18.0%	8.5pp	
Loss Ratio								
Loss Ratio	76.0%	76.2%	67.3%	65.2%	64.4%	67.5%	(3.1pp)	
Expense Ratio	18.6%	17.1%	16.1%	20.4%	19.7%	21.2%	(1.6pp)	
Combined Ratio	94.6%	93.3%	83.4%	85.6%	84.1%	88.7%	(4.7pp)	
Loss Ratio ex cats & PYD								
Loss Ratio ex cats & PYD	75.4%	75.5%	67.6%	65.6%	66.2%	66.4%	(0.2pp)	
Combined Ratio ex Cats and PYD	94.0%	92.7%	83.8%	86.0%	85.9%	87.7%	(1.8pp)	
Catastrophes (\$mn)								
Catastrophes (\$mn)	79	64	27	(18)	(67)	66	NM	
Catastrophes (pts)	2.2%	1.6%	0.5%	(0.3%)	(1.0%)	1.1%	(2.1pp)	
Reserve development (\$m)	(57)	(39)	(44)	(4)	(56)	-		
Reserve development (pts)	(1.6%)	(1.0%)	(0.8%)	(0.1%)	(0.8%)	-		

Source: Barclays Research, Bloomberg

**FIGURE 4. PGR Monthly Quicktake - Personal Lines Underwriting**

	Dec-21	Dec-22	Dec-23	Nov-24	Dec-24		Diff vs BARCe
	Actual	Actual	Actual	Actual	Reported	BARCe	
<b>Personal Lines Underwriting</b>							
Net premiums written	2,409	2,870	4,012	4,699	5,115	5,323	(3.9%)
% Growth YoY	7.3%	19.1%	39.8%	21.3%	27.5%	32.7%	(5.2pp)
Net premiums earned	2,785	3,117	4,215	4,923	5,508	5,211	5.7%
% Growth YoY	7.6%	11.9%	35.2%	22.4%	30.7%	23.6%	7.1pp
Loss Ratio	77.6%	76.1%	66.9%	66.7%	66.6%	67.6%	(1.0pp)
Expense Ratio	18.0%	15.7%	15.1%	20.4%	19.5%	21.1%	(1.6pp)
Combined Ratio	95.6%	91.7%	81.9%	87.1%	86.1%	88.7%	(2.6pp)
Loss Ratio ex cats & PYD	78.9%	76.2%	67.0%	66.9%	67.7%	66.8%	0.9pp
Combined Ratio ex Cats and PYD	96.9%	91.9%	82.1%	87.3%	87.2%	87.9%	(0.7pp)
Catastrophes (\$mn)	8	25	30	(5)	(17)	42	NM
Catastrophes (pts)	0.3%	0.8%	0.7%	(0.1%)	(0.3%)	0.8%	(1.1pp)
Reserve development (\$m)	(44)	(30)	(35)	(3)	(46)	-	
Reserve development (pts)	(1.6%)	(1.0%)	(0.8%)	(0.1%)	(0.8%)	-	

Source: Barclays Research, Bloomberg

**FIGURE 5. PGR Quarterly Quicktake - Summary Financial Information**

	4Q23	1Q24	2Q24	3Q24	4Q24			Diff vs BARCe	Diff vs Street
	Actual	Actual	Actual	Actual	Reported	BARCe	Street		
<b>Summary Financial Information</b>									
Net premiums written	15,130	18,962	17,902	19,456	18,105	18,408	18,110	(1.6%)	(0.0%)
Growth %	21.4%	17.7%	21.6%	24.8%	19.7%	21.7%	19.7%	(2.0pp)	(0.0pp)
Net premiums earned	15,773	16,149	17,210	18,297	19,144	18,695	18,751	2.4%	2.1%
Growth %	22.3%	19.3%	19.0%	22.8%	21.4%	18.5%	19.7%	2.9pp	1.7pp
Net Investment Income	508	618	685	740	790	788	786	0.2%	0.5%
Net Income	1,988	2,331	1,459	2,333	2,356	2,161	2,167	9.0%	8.7%
Operating income	1,780	2,191	1,558	2,106	2,397	2,092	2,101	14.6%	14.1%
Net EPS	\$3.37	\$3.94	\$2.48	\$3.97	\$4.01	\$3.68	\$3.66	9.0%	9.4%
Operating EPS	\$3.03	\$3.73	\$2.65	\$3.58	\$4.08	\$3.56	\$3.55	14.6%	14.9%
BVPS	\$34.64	\$37.24	\$39.85	\$46.36	\$43.67	\$46.95	\$46.66	(7.0%)	(6.4%)
BVPS xAOCI	\$38.12	\$41.16	\$43.54	\$46.68	\$46.73	\$49.02	\$48.04	(4.7%)	(2.7%)
Operating ROE on BVPS xAOCI	32.6%	37.6%	25.1%	31.8%	34.9%	29.8%	30.0%	17.4%	16.5%

Source: Barclays Research, Bloomberg

**FIGURE 6. PGR Quarterly Quicktake - Policies In Force**

	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>		<b>4Q24</b>		<b>Diff vs BARCe</b>	<b>Diff vs Street</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Reported</b>	<b>BARCe</b>	<b>Street</b>		
<b>Policies in force</b>									
Policy in force growth:									
Agency – auto	7.3%	5.1%	6.2%	12.6%	17.3%	17.6%	17.6%	(0.3pp)	(0.3pp)
Direct – auto	10.5%	7.8%	12.1%	20.0%	25.1%	25.5%	25.3%	(0.4pp)	(0.3pp)
Personal Auto	9.1%	6.7%	9.6%	16.8%	21.8%	22.1%	22.2%	(0.4pp)	(0.4pp)
Total Personal Lines	8.7%	6.9%	9.2%	14.9%	18.8%	19.1%	19.0%	(0.3pp)	(0.2pp)
Total Commercial Lines	5.0%	2.8%	1.5%	1.8%	3.9%	4.5%	4.1%	(0.6pp)	(0.3pp)
Total Property business	8.6%	10.2%	12.3%	14.4%	13.6%	14.0%	13.9%	(0.4pp)	(0.4pp)
Companywide Total	8.5%	7.1%	9.2%	14.4%	17.7%	18.0%	18.0%	(0.3pp)	(0.3pp)

Source: Barclays Research, Bloomberg

**FIGURE 7. PGR Quarterly Quicktake - Total Company P&C Underwriting**

	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>		<b>4Q24</b>		<b>Diff vs BARCe</b>	<b>Diff vs Street</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Reported</b>	<b>BARCe</b>	<b>Street</b>		
<b>Total Company P&amp;C Underwriting</b>									
Net premiums written									
Net premiums written	15,130	18,962	17,902	19,456	18,105	18,408	18,110	(1.6%)	(0.0%)
% Growth YoY	21.4%	17.7%	21.6%	24.8%	19.7%	21.7%	19.7%	(2.0pp)	(0.0pp)
Net premiums earned	15,773	16,149	17,210	18,297	19,144	18,695	18,751	2.4%	2.1%
% Growth YoY	22.3%	19.3%	19.0%	22.8%	21.4%	18.5%	18.9%	2.9pp	2.5pp
Loss Ratio	72.7%	67.9%	73.2%	68.4%	67.8%	68.9%	69.1%	(1.1pp)	(1.3pp)
Expense Ratio	16.0%	18.1%	18.8%	20.7%	20.1%	20.6%	19.9%	(0.5pp)	0.1pp
Combined Ratio	88.7%	86.1%	91.9%	89.0%	87.9%	89.5%	89.9%	(1.7pp)	(2.0pp)
Loss Ratio ex cats & PYD	72.7%	65.8%	66.1%	65.1%	68.1%	68.2%	68.2%	(0.1pp)	(0.1pp)
Combined Ratio ex Cats and PYD	88.7%	84.0%	84.8%	85.8%	88.2%	88.8%	88.9%	(0.6pp)	
Catastrophes (\$mn)	58	350	1,273	733	164	297	307	(44.9%)	(46.7%)
Catastrophes (pts)	0.4%	2.2%	7.4%	4.0%	0.9%	1.6%	1.6%	(0.7pp)	(0.8pp)
Reserve development (\$m)	(53)	(11)	(51)	(137)	(216)	(160)	(160)	35.0%	
Reserve development (pts)	(0.3%)	(0.1%)	(0.3%)	(0.7%)	(1.1%)	(0.9%)		(0.3pp)	

Source: Barclays Research, Bloomberg

FIGURE 8. PGR Quarterly Quicktake - Personal Lines Underwriting

	4Q23 Actual	1Q24 Actual	2Q24 Actual	3Q24 Actual	Reported	BARCe	Street	Diff vs BARCe	Diff vs Street
<b>Personal Lines Underwriting</b>									
Net premiums written	12,214	14,481	14,562	16,290	15,067	15,275	14,945	(1.4%)	0.8%
% Growth YoY	25.2%	19.5%	25.5%	28.7%	23.4%	25.1%	22.4%	(1.7pp)	1.0pp
Net premiums earned	12,472	12,878	13,809	14,808	15,603	15,306	15,225	1.9%	2.5%
% Growth YoY	25.1%	21.7%	21.3%	25.7%	25.1%	22.7%	22.1%	2.4pp	3.0pp
Loss Ratio	72.1%	67.0%	70.2%	68.9%	69.1%	69.5%	69.9%	(0.4pp)	(0.8pp)
Expense Ratio	14.9%	17.5%	18.4%	20.7%	20.1%	20.6%	20.5%	(0.6pp)	(0.4pp)
Combined Ratio	87.0%	84.5%	88.6%	89.6%	89.1%	90.1%	89.7%	(0.9pp)	(0.5pp)
Loss Ratio ex cats & PYD	71.9%	65.5%	65.5%	65.4%	69.1%	68.8%	69.0%	0.3pp	0.1pp
Combined Ratio ex Cats and PYD	86.8%	83.0%	83.9%	86.1%	89.2%	89.5%		(0.3pp)	
Catastrophes (\$mn)	67	205	691	642	170	228	776	(25.5%)	(78.1%)
Catastrophes (pts)	0.5%	1.6%	5.0%	4.3%	1.1%	1.5%	5.1%	(0.4pp)	(4.0pp)
Reserve development (\$m)	(42)	(9)	(41)	(111)	(176)	(130)		35.4%	
Reserve development (pts)	(0.3%)	(0.1%)	(0.3%)	(0.7%)	(1.1%)	(0.8%)	39.7%	(0.3pp)	(40.8pp)

Source: Barclays Research, Bloomberg

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**Progressive Corp.** (PGR, 28-Jan-2025, USD 245.05), Equal Weight/Neutral, CD/CE/J/K/M

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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**Overweight** - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Below is the list of companies that constitute the "industry coverage universe":

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Chubb Limited (CB)	Everest Re Group, Ltd. (EG)	Fidelis Insurance Holdings Limited (FIHL)
Hamilton Insurance Group (HG)	Marsh & McLennan Cos. (MMC)	Progressive Corp. (PGR)
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## Progressive Corp. (PGR / PGR)

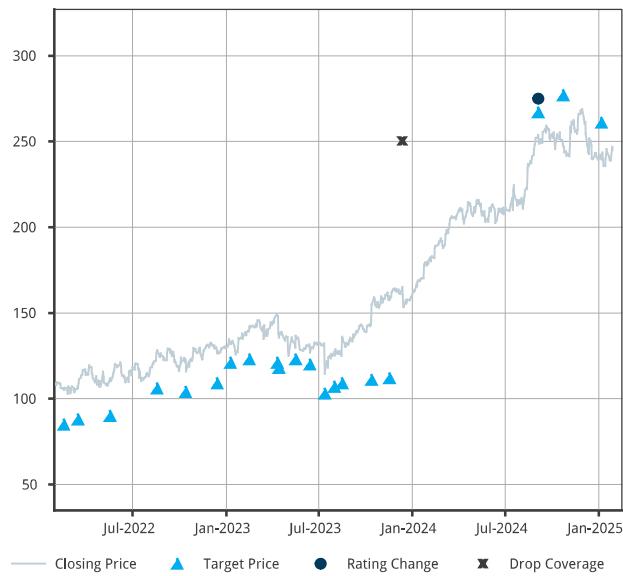
Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Closing Price: **USD 245.05** (28-Jan-2025)

### Rating and Price Target Chart - USD (as of 28-Jan-2025)

Currency=USD



Source: IDC, Barclays Research

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

<b>Publication Date</b>	<b>Closing Price*</b>	<b>Rating</b>	<b>Adjusted Price Target</b>
06-Jan-2025	240.65		261.00
23-Oct-2024	248.25		277.00
04-Sep-2024	252.20	Equal Weight	267.00
05-Dec-2023	163.41	Coverage Dropped	
17-Nov-2023	159.94		112.00
13-Oct-2023	143.30		111.00
16-Aug-2023	125.05		109.00
01-Aug-2023	125.98		107.00
13-Jul-2023	132.11		103.00
14-Jun-2023	131.68		120.00
17-May-2023	129.76		123.00
14-Apr-2023	138.21		118.00
11-Apr-2023	149.00		121.00
15-Feb-2023	139.27		123.00
09-Jan-2023	134.61		121.00
14-Dec-2022	126.58		109.00
13-Oct-2022	121.40		104.00
18-Aug-2022	122.49		106.00
18-May-2022	111.19		90.00
16-Mar-2022	107.31		88.00
16-Feb-2022	105.78		85.00

On 29-Jan-2022, prior to any intra-day change that may have been published, the rating for this security was Underweight, and the adjusted price target was 83.00.

Source: Bloomberg, Barclays Research

\*This is the closing price referenced in the publication, which may not be the last available closing price at the time of publication.

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**Valuation Methodology:** Our price target of \$261 reflects a 5.0x P/BVPS xAOCI multiple on our 2Q25E BVPS xAOCI estimate of \$55.55 which we derive from a P/BV vs ROE regression and assuming PGR trades at a 47% premium to the regression line.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Upside Risks: The greatest upside risk is that PGR executes on its growth strategy better than we anticipate driving top line led beat and raises. Downside Risks: We see downside risk if PGR is not able to meet high expectations for growth or if that growth leads to more margin pressure than expected.

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