

PROGRESSIVE CORP/OH/
Form 10-Q
November 12, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2013

or
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number: 1-9518

THE PROGRESSIVE CORPORATION
(Exact name of registrant as specified in its charter)

Ohio 34-0963169
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

6300 Wilson Mills Road, Mayfield Village, Ohio 44143
(Address of principal executive offices) (Zip Code)
(440) 461-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares, \$1.00 par value: 599,996,304 outstanding at September 30, 2013

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

| Periods Ended September 30, (millions—except per share amounts) | Three Months | | | Nine months | | |
|---|--------------|-----------|-------------|-------------|------------|-------------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Revenues | | | | | | |
| Net premiums earned | \$4,303.0 | \$4,054.8 | 6 | \$12,759.3 | \$11,912.4 | 7 |
| Investment income | 107.4 | 109.0 | (1) | 310.1 | 336.2 | (8) |
| Net realized gains (losses) on securities: Other-than-temporary impairment (OTTI) losses: | | | | | | |
| Total OTTI losses | (1.9) | (.4) | 375 | (3.6) | (6.0) | (40) |
| Non-credit losses, net of credit losses recognized on previously recorded non-credit OTTI losses | 0 | 0 | NM | (.1) | (.7) | (86) |
| Net impairment losses recognized in earnings | (1.9) | (.4) | 375 | (3.7) | (6.7) | (45) |
| Net realized gains (losses) on securities | 29.8 | 172.3 | (83) | 245.1 | 251.4 | (3) |
| Total net realized gains (losses) on securities | 27.9 | 171.9 | (84) | 241.4 | 244.7 | (1) |
| Fees and other revenues | 76.0 | 78.4 | (3) | 215.3 | 213.5 | 1 |
| Service revenues | 11.3 | 9.9 | 14 | 30.3 | 28.3 | 7 |
| Gains (losses) on extinguishment of debt | (4.3) | (.1) | 4200 | (4.3) | (1.8) | 139 |
| Total revenues | 4,521.3 | 4,423.9 | 2 | 13,552.1 | 12,733.3 | 6 |
| Expenses | | | | | | |
| Losses and loss adjustment expenses | 3,164.2 | 3,068.2 | 3 | 9,266.7 | 8,874.3 | 4 |
| Policy acquisition costs | 363.1 | 357.3 | 2 | 1,086.0 | 1,081.4 | 0 |
| Other underwriting expenses | 602.3 | 542.5 | 11 | 1,769.0 | 1,681.2 | 5 |
| Investment expenses | 5.2 | 3.3 | 58 | 14.5 | 11.3 | 28 |
| Service expenses | 11.1 | 9.6 | 16 | 30.1 | 27.7 | 9 |
| Interest expense | 30.4 | 30.6 | (1) | 91.4 | 93.2 | (2) |
| Total expenses | 4,176.3 | 4,011.5 | 4 | 12,257.7 | 11,769.1 | 4 |
| Net Income | | | | | | |
| Income before income taxes | 345.0 | 412.4 | (16) | 1,294.4 | 964.2 | 34 |
| Provision for income taxes | 112.6 | 135.4 | (17) | 428.8 | 311.0 | 38 |
| Net income | 232.4 | 277.0 | (16) | 865.6 | 653.2 | 33 |
| Other Comprehensive Income (Loss), Net of Tax | | | | | | |
| Net unrealized gains (losses) on securities: Net non-credit related OTTI losses, adjusted for valuation changes | | | | | | |