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North America

Personal Auto Insurance Elasticity Up

Greater Consumer Price Sensitivity May Mean Expense Cuts Are Progressive's (or Anyone's) Best Option

- **US Personal Auto demand elasticity has risen considerably in recent years:** This is the best proxy we have for consumer *price sensitivity*, and it suggests that aggregate elasticity has moved from inelastic (~0.70 in late 1990s) to elastic (~1.40 over last 7 years), so price cutting may be more effective at increasing PIF growth.
- **More traditional metrics confirm a more competitive environment:** It is not just that combined ratios are up, but that the *volatility* of both premium growth and loss ratios has declined over time, suggesting that company results are growing more similar over time. Expense ratios have remained more consistent.
- **Higher industry price sensitivity may be the strongest reason why Progressive's growth rate has slowed versus GEICO:** Progressive and GEICO used to both have very high growth (14% PGR and 12% GEICO in the late 1990s), but while GEICO's growth remains quite high (8% over last 5 years), Progressive's is much lower (5%, and was closer to 0% in the mid-2000s).
- **This change is not explained by profitability, at least not directly:** GEICO has always had a lower expense ratio than the industry (6-7% vs. 3-4% for PGR), and a worse loss ratio (1% worse vs. 2-4% *better* for PGR). As these relationships have not changed over time, something else must be the cause of lower growth.
- **High price sensitivity used to benefit Progressive, but not now as all customers are more price sensitive:** 10-15 years ago, both Progressive and GEICO attracted more price sensitive customers (GEICO "cheaper", PGR better risk selection) in a less price sensitive industry. But now that price sensitivity is up overall, PGR's better selectively may matter less than GEICO being cheap.
- **Progressive may get the best results from simple expense cuts:** Even though this was not a barrier to growth for PGR in the past, it may be now. PGR's general expenses (e.g. salaries and benefits) are a full 6 points higher than GEICO's. Lower expenses would allow PGR to cut price without hurting profits, which seems to matter more today than 10-15 years ago.
- **Lower growth at PGR seemed priced in, so expense cutting is an opportunity:** There is some modest correlation between PGR's valuation and growth. PGR has not indicated future initiatives will focus on price cutting, but rather better capture of new customers via cross-selling and retention. While expense cutting is legitimately difficult to do, PGR may be uniquely positioned to discover technological solutions here. We maintain our Neutral view on PGR, but this analysis provides a roadmap to think about the effectiveness of its future actions.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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For Real This Time: Auto Insurance is More Competitive Now!

For many investors and analysts, Personal Auto insurance is a line of business where they “know” it is more competitive than many lines, given its “commodity” nature. The thing is, people “knew” this during a time when this view was false. 10-15 years ago, Personal Auto insurance was not as price competitive as many believed, at least as measured by the *elasticity of demand*. This is simply the degree to which the quantity of insurance demanded changes with price. Owing to more and better data, it is possible in Personal Auto to measure demand elasticity with some efficacy, and use it to draw some conclusions.

Elasticity is change in quantity demanded per unit of price change. For demand elasticity, this relationship is usually negative, though the negative sign is usually suppressed.

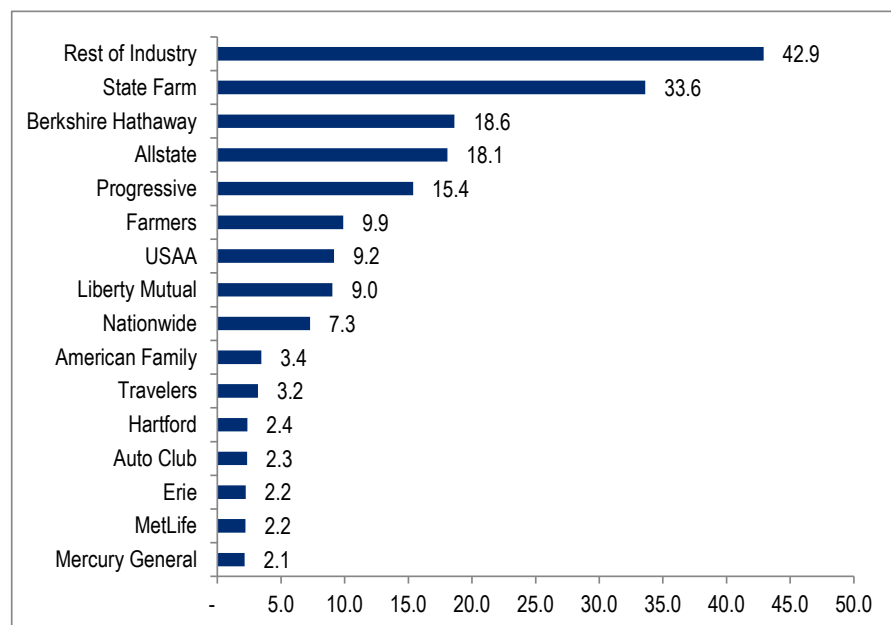
The objective of this report is to review the last 18 years of US Personal Auto insurance (1996-2013) for the top 15 carriers. We will examine traditional statistics along with elasticity, and in combination we can draw some conclusion for the industry, but also in particular for Progressive. Progressive was one of the industry’s fastest-growing insurers historically, but of late its growth has slowed versus its own track record and its biggest rival for growth, GEICO (a subsidiary of Berkshire Hathaway). Here is a summary of the main results, which we shall review in more detail.

- 1) There is good evidence that overall demand elasticity for auto insurance has climbed, from an inelastic level of 0.7 in the late 1990s to a very elastic 1.4 in recent years. This suggests that cutting price is now nearly twice as effective at generating incremental growth today than it was 15 years ago.
- 2) There is weak evidence that both Progressive and GEICO were more elastic than the industry 10-15 years ago. During this period both companies grew much faster than the industry overall (14% PGR, 12% GEICO, 3% industry). We hypothesize that these companies had strategies (“cheap” for GEICO, better risk selection for PGR) that both encouraged and rewarded higher elasticity.
- 3) A period of much lower elasticity overall in the mid-2000s hurt growth across the board, along with price cuts. But as elasticity rose sharply in the late 2000s and beyond, GEICO’s growth recovered more (8%) than PGR’s (5% lately, but 0% in the late 2000s). Simultaneously, there is good evidence that GEICO’s elasticity is now higher than PGR’s, and weak evidence that PGR’s elasticity could be at or below the industry level.
- 4) There has been very *little* change in either PGR’s or GEICO’s profitability relationships over this period, so this is not an explanation for why growth has changed.
- 5) Thus, we conclude that PGR’s lower elasticity now versus GEICO may mean that its risk selection expertise may be less valuable in a higher elasticity industry, while GEICO’s lower cost model may be more valuable.
- 6) An obvious follow-up would be for PGR to consider expense reduction over other strategies as a way to increase growth. This may be obvious, but it is not simple or inevitable. Expense reduction is very difficult in insurance, even today with technological improvement. But this analysis suggests that research into ways to reduce expenses may pay more future dividends than it did in the past. PGR has general expenses a full 6 points higher than GEICO. While this could benefit any company, PGR has the innovative track record to think that if they applied themselves more in this area, they could perhaps achieve better success than most companies.

Our Data and Methodology

Our data source is the Annual Statement as obtained from SNL Financial. We use the statutory definitions of Personal Auto insurance, so it is possible that our numbers here differ from those reported in GAAP accounts. We use the Insurance Expense Exhibit (IEE) heavily for detailed allocation of income and expense items. We use accident year losses as reported by the companies (i.e. not our own estimates) for Auto Liability, and calendar year losses for Auto Physical Damage (given that the latter line does not have detailed accident year data owing to its very short reporting tail). We look at the top 15 carriers as measured by direct written premium in 2013, though we do our analytical work on data net of reinsurance. We gather up the remaining companies as “Rest of Industry” and treat this as a single company. Note that this piece consists of companies with \$2 billion or less of annual premium.

Figure 1. US Personal Auto Market Share, 2013 (\$bn of Direct Written Premium)



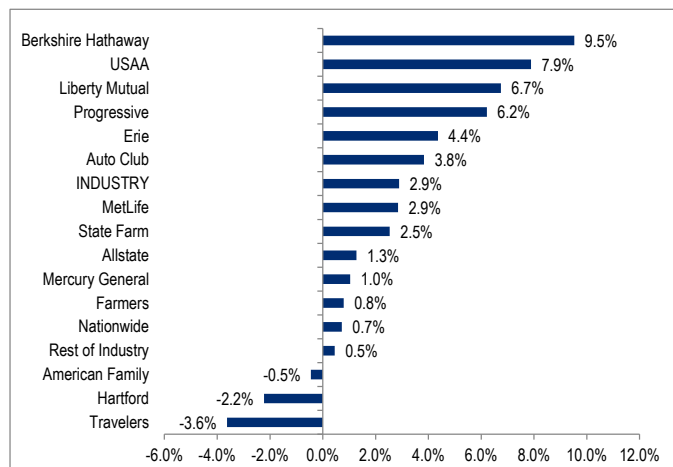
Source: SNL Financial, Citi Research

Auto insurance is one of the most concentrated insurance lines, with the top 5 carriers writing over 50% of the business.

Figure 1 summarizes 2013 premiums for the data set. Personal Auto is one of the more concentrated lines of business, with the top 5 players writing over 50% of the market. Of these, State Farm (#1), Allstate (#3), and Farmers (#5) have all been steadily losing share (though State Farm has been a bit more flat of late), while Berkshire Hathaway (#2) and Progressive (#4) have been rapidly gaining share. It is tempting to attribute this to these companies' direct business channel, and while there is evidence that direct is faster growing than most agency channels, this difference is not analyzed here. Progressive has been very successful in its Agency channel, and seems unlikely to radically shrink it. It is also the case that Progressive and GEICO are the only two long-term consistent growers of size, so the mere availability of direct business may not be sufficient to guarantee growth.

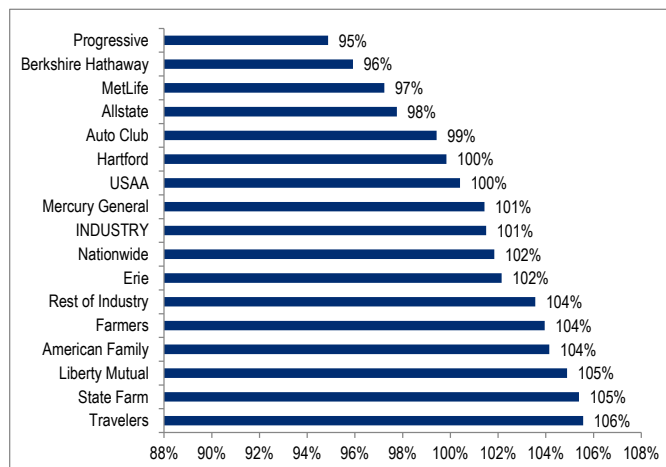
Traditional Metrics Show Some Evidence of Greater Competition

Figure 2. US Personal Auto Average Premium Growth, 2011-13



Source: SNL Financial, Citi Research

Figure 3. US Personal Auto Average Combined Ratio, 2011-13



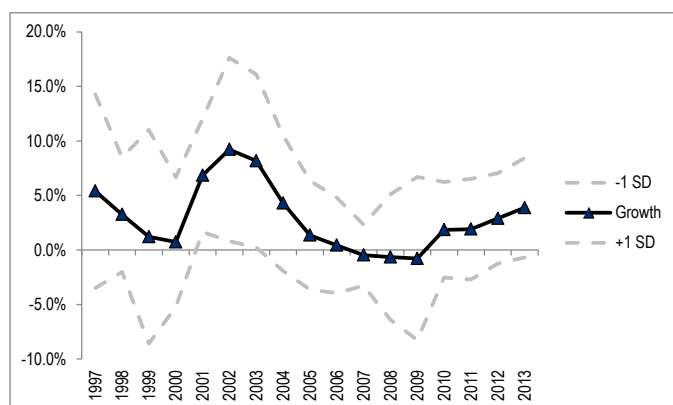
Source: SNL Financial, Citi Research

We summarize recent growth and profitability in Figures 2 & 3 respectively. Both Progressive and GEICO remain among the top players by both metrics. Even if PGR's growth is lower than historically, its 6% growth is enough to put it at #4, and it is still #1 for underwriting profitability (though higher than historically with a 95% combined ratio). GEICO could arguably be called "best overall" however with #1 growth (9.5%) and #2 profitability (96% combined ratio).

For stock coverage, Progressive, Allstate, and Travelers are covered by James Naklicki, and Hartford and MetLife are covered by Erik Bass. Questions about this analysis and its methodology should be directed to Todd Bault.

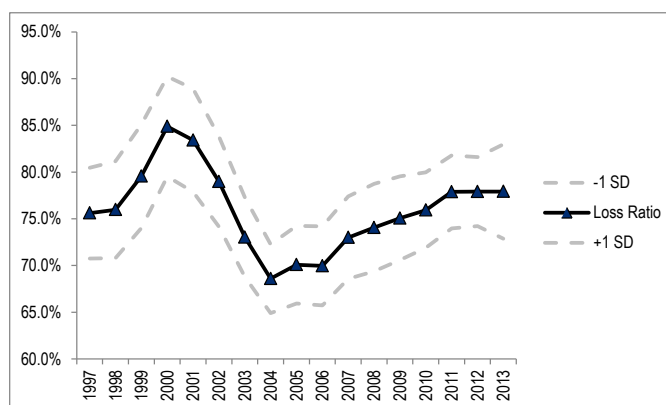
Considering other Citi-covered companies, we note that MetLife has achieved industry-level growth (2.9%) and a quite good 97% combined ratio. Allstate's combined is also good at 98%, but growth of 1.3% is consistent with its track record of lower overall growth than its peers. At the more challenged end, Hartford's auto premiums have declined 2% in recent years, and its 100% combined ratio is only a bit better than the industry. Finally, Travelers is last among the top 15, with premium declines exceeding 3% as it attempts to improve its 106% combined ratio. We should note that Travelers in engaging in various efforts to improve profitability that may take time to be reflected in current results.

Figure 4. US Personal Auto Premium Growth with Volatility Bands, 1997-2013



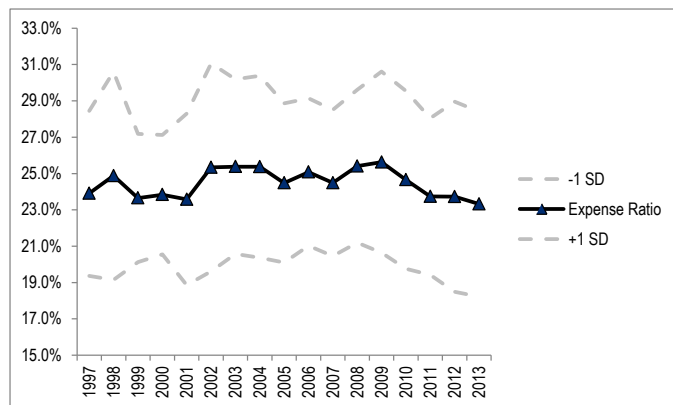
Source: SNL Financial, Citi Research

Figure 5. US Personal Auto Loss Ratio with Volatility Bands, 1997-2013



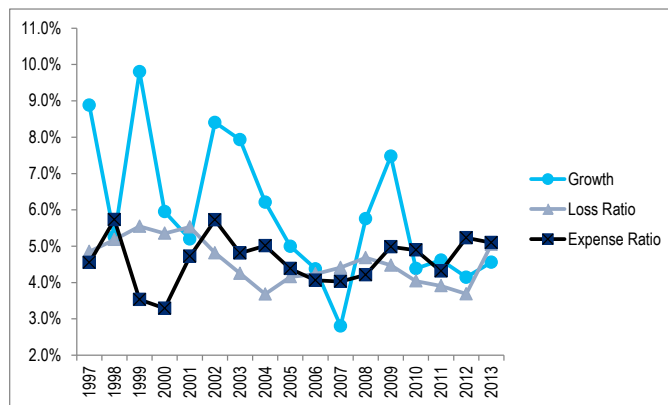
Source: SNL Financial, Citi Research

Figure 6. US Personal Auto Expense Ratio with Volatility Bands, 1997-2013



Source: SNL Financial, Citi Research

Figure 7. Volatility of US Personal Auto Premium Growth, Loss Ratio, and Expense Ratio, 1997-2013



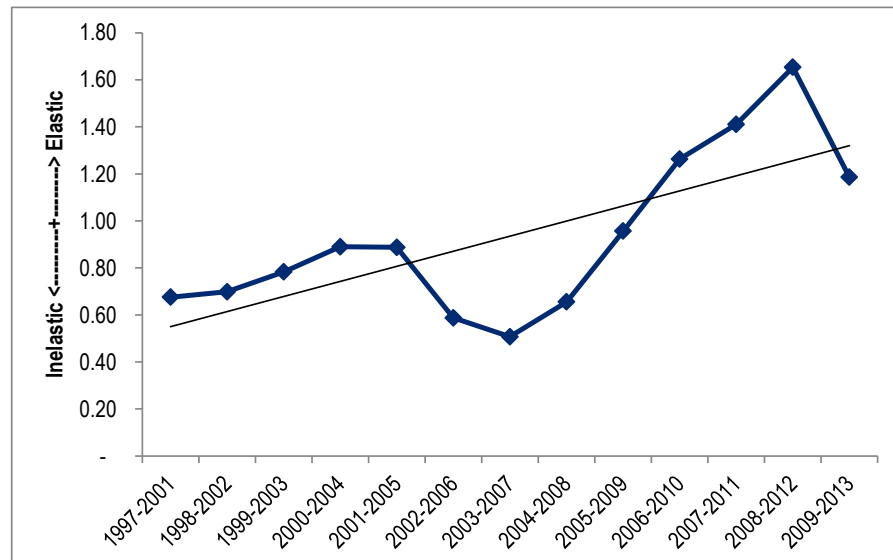
Source: SNL Financial, Citi Research

We examine industry growth and profitability in Figures 4-6, both the levels and volatility as measured by the standard deviation of the top 15 and Rest of Industry. Contrary to some views, Personal Auto still looks cyclical, as both growth and loss ratio demonstrate. Clearly, the 2011-13 cycle has been a more moderate one, but this is also true for Commercial lines. It is also important to note how little change we have seen in the overall expense ratio, which clings stubbornly to 24% plus or minus (most of that volatility also being cyclical).

If we look at the trend in volatility by itself, as we do in Figure 7, we see that the volatility of growth has come down substantially, from 7-8% to 4-5%. So too has loss ratio volatility, though more modestly from 5-6% to 4%. These two metrics could be taken as more traditional measures of greater competition: i.e. results converging across the industry suggest less impact from any individual company's actions.

Demand Elasticity Strongly Indicates More Competition

Figure 8. US Personal Auto Elasticity of Demand, 5-Year Cohorts, 1997-2013



Source: SNL Financial, ISO Fast Track, Citi Research

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Elasticity is our best objective estimate for price sensitivity, and it has been increasing at the industry level over time.

But better than indirect evidence is the more clear-cut analysis of demand elasticity, as summarized in Figure 8. Note that the horizontal axis represent rolling 5-year cohorts, not single years. We do this because each cohort represents a linear regression of exposure growth versus price change for 16 companies and 5 year (80 data points total). Given the overlap, there is clear correlation between cohorts, so think of Figure 8 as showing the gradual change in elasticity over time.

We derive price change and exposure growth from our price monitoring system. We require an estimate of loss trend to do this, which we obtain from ISO Fast Track. Note that we must use this industry estimate of loss trend and apply it to all companies. This is almost certainly incorrect at least slightly, but there is no other good solution. We should also note that we obtain similar results if we use effective price change (i.e. price less loss trend, which we can derive from accident year loss ratios alone), so using industry loss trend is not the worst assumption we could make.

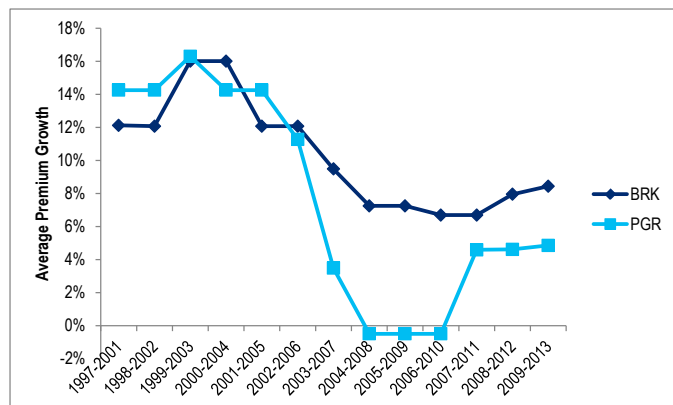
As indicated, elasticity is now much higher than 10-15 years ago. On a trend basis, we think 0.7 then versus around 1.4 now is a reason way to describe the change. There was a very large decrease in elasticity when the 2013 year was added, from 1.6 for 2008-12 to 1.1 for 2009-13. Looking at the data, 2013 was the peak year of the current pricing cycle, and it looks like price sensitivity dropped a great deal in that year. This could persist, but it seems more likely that sensitivity could rise again once pricing fully moderates. Finally, we should note that higher current price sensitivity could also be function of the financial crisis, and that we could also see more moderation of elasticity in the future should things improve.

It is also important to ask what caused the very low elasticity in the mid-2000s. While none of this analysis is causal, our best hypothesis is that this period reflected the end of a previous hard market (2001-3) and much higher overall profitability across the industry leading into the next soft market. This likely caused price sensitivity to fall as most carriers cut price.

Case Study: Progressive vs. GEICO

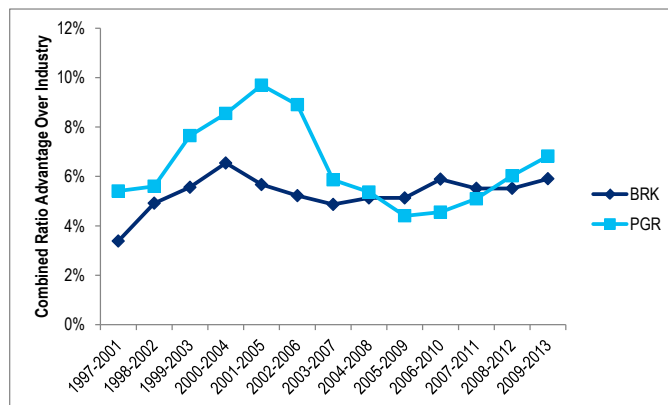
The observation that demand elasticity and price sensitivity may have risen generally in Personal Auto has ramifications for all auto insurers. But we think it has particularly important considerations for Progressive and GEICO, the industry's two fastest growing companies. As we shall show, Progressive's growth has fallen considerably versus GEICO's (though it has recovered somewhat in the harder market). Profitability metrics do not indicate why this change has occurred, but elasticity seems to provide a clue.

Figure 9. BRK vs. PGR Median Premium Growth, 5-Year Cohorts, 1997-2013



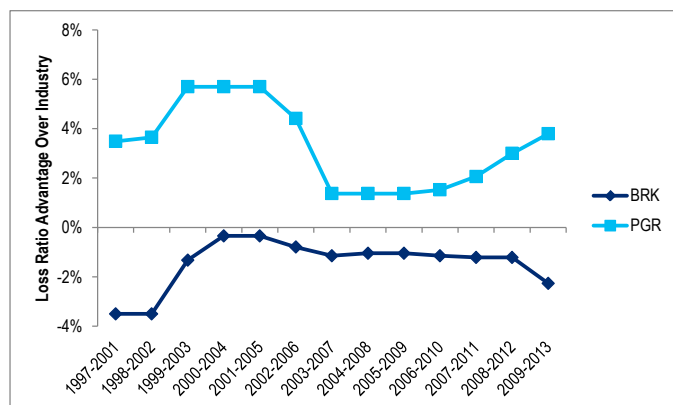
Source: SNL Financial, Citi Research

Figure 10. BRK vs. PGR Combined Ratio Advantage Over Industry, 5-Year Cohorts, 1997-2013



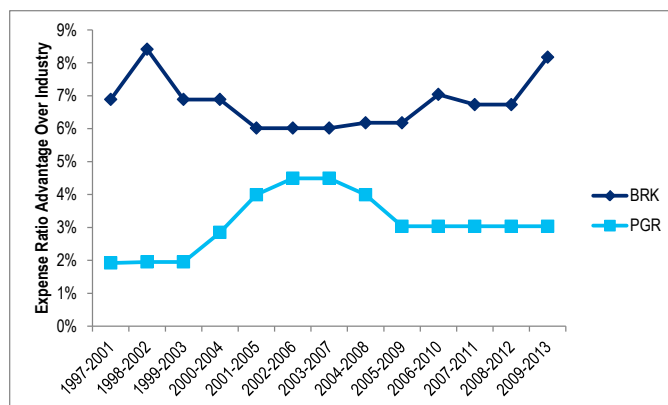
Source: SNL Financial, Citi Research

Figure 11. BRK vs. PGR Loss Ratio Advantage Over Industry, 5-Year Cohorts, 1997-2013



Source: SNL Financial, Citi Research

Figure 12. BRK vs. PGR Expense Ratio Advantage Over Industry, 5-Year Cohorts, 1997-2013



Source: SNL Financial, Citi Research

We first note how much PGR's growth has fallen versus GEICO's in Figure 9. Again, as with the elasticity analysis, the data points represent the medians of 5-year cohorts, to better compare against the elasticity analysis to come. Starting at very comparable growth levels, PGR's growth fell enormously in the mid-2000s, owing to the pricing umbrella that formed after the 2001-03 hard market that gave its competitors much more leeway to profitably cut price. In hindsight, PGR should not have allowed the market to become so "calm": a disruptive pricing environment has always been better for PGR's pricing model. Things have recovered somewhat in the more recent hard market, but PGR's growth continues to lag GEICO's.

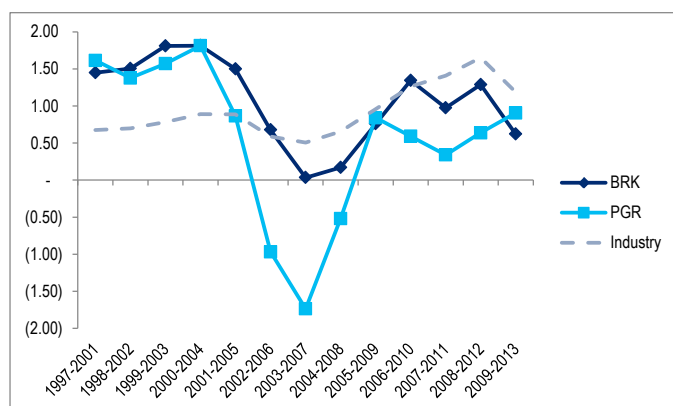
Progressive's declining growth rate cannot be easily attributed to changes in profitability profile.

One factor that does NOT appear to be a cause for this is changes in profitability profile. Figures 10-12 compare PGR vs. GEICO industry advantage for combined, loss, and expense ratio respectively. Our convention is positive = better, so having a 5 point advantage means that ratio is 5 points *lower* than the industry.

In terms of total combined ratio, both PGR and GEICO are better than the industry by about 6-7 points. But PGR used to be even better: 8-10 points in the early 2000s. So if anything, PGR's declining profitability advantage ought to have helped growth a bit.

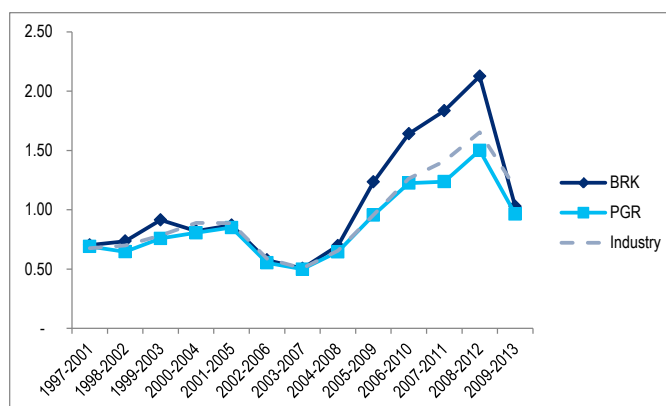
While the overall combined ratio advantage is similar, the composition of the combined ratio is very different between PGR and GEICO. Importantly, this difference has remained largely the same over time, so again it cannot be a likely reason for PGR's lower growth. Specifically, GEICO's loss ratio is actually worse than the industry by a point or so, with a much better expense ratio (6-7 point advantage). So the commercials are correct: GEICO really is "cheaper" because it grants its policyholders a higher *permissible* loss ratio. Meanwhile, PGR also has a better expense ratio than the industry, but only by 3 points, with a loss ratio better by 2-4 points. There have been difference over time, particular the tightening of relationships in the mid-2000s, but these have expanded again, so the basic profitability relationships have not changed.

Figure 13. BRK vs. PGR Elasticity of Demand (Unadjusted), 5-Year Cohorts, 1997-2013



Source: SNL Financial, ISO Fast Track, Citi Research

Figure 14. BRK vs. PGR Elasticity of Demand (Adjusted Against Industry), 5-Year Cohorts, 1997-2013



Source: SNL Financial, ISO Fast Track, Citi Research

Elasticity is the one factor that has changed with respect to both Progressive and GEICO, and looks like the best explanation for growth changes.

What *has* changed is elasticity, though somewhat differently than for the industry. This section has some more complex technical subjects lurking underneath the surface, which we will discuss in brief. But most important to understand is that, which we think measuring company elasticity is useful (we would not include it otherwise), it is likely to be less statistically significant given the smaller data set (only 5 points per cohort)

To correct for this we show elasticity two ways. In Figure 13, we show the raw unadjusted elasticity estimates. This analysis indicates that both PGR and GEICO had much higher elasticity 10-15 years, higher than the industry by a considerable amount. Yet this was also a very high growth period for both companies. This suggests that high price sensitive is OK if you have a strategy to exploit it (cheaper for GEICO, better pricing model for PGR). Elasticity is higher again after the low period of the mid-2000, but PGR has been mostly lower than GEICO in recent years. Thus, we might conclude that PGR's pricing model is less effective versus peers, whereas the GEICO "cheap" is still fairly effective.

To correct for the small sample size, we use a *random effects* model that considers an individual company's results as a random sample from the industry.

However, the data in Figure 13 may not be completely statistically valid. In particular, the negative elasticity estimates in the mid-2000s seem suspicious and likely reflect the small sample size. We are quite confident with the direction of elasticity changes, but the magnitudes might be off considerably. This leads to Figure 14, which attempts to statistically correct for the small data set. It does this by providing a weighting between the company raw estimate against the industry overall estimate. This procedure indicates that the earlier data samples may be less reliable than the more recent ones, but we still have GEICO with higher elasticity now than PGR.

Therefore, despite the possible statistical complexities, we still can conclude that 1) elasticity overall is up; 2) GEICO now likely has higher elasticity than PGR; and 3) given that no other obvious factor seems connected to PGR's lower growth, the changes in elasticity and price sensitivity could be the major factor.

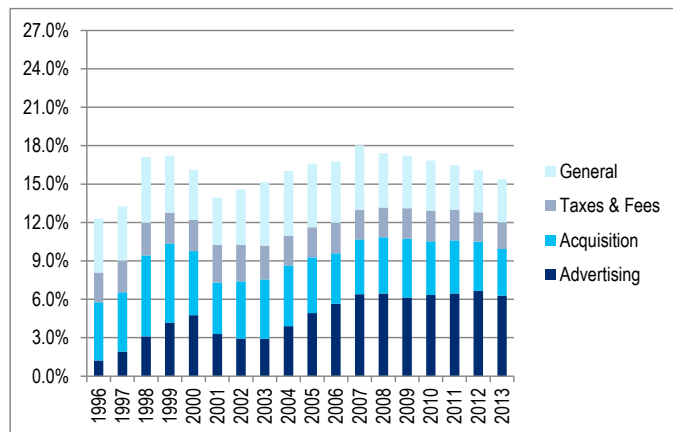
Now is the Time for Expense Reduction!

It seems trite to say that expense reduction may be the most valuable growth strategy PGR could pursue. When is it *not* a good time to reduce expenses, all else equal? But that's the point, it's different now. PGR was growing faster in the past with a higher expense ratio, and its biggest competitor with a lower expense ratio is still growing faster. Price sensitivity increases would suggest that cutting expenses is more valuable now, and using our elasticity estimates of 0.7 15 years ago to 1.40 now, it is twice as valuable to cut a point of expense and allow it in the loss ratio.

Cutting expenses may seem an obvious thing to do, but it is hardly a simple thing to do, and so is not inevitable.

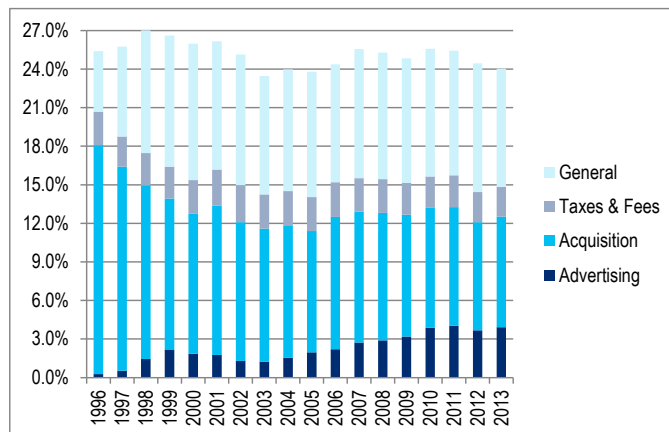
Having said this, cutting expenses is *hard*. There is a reason the expense ratio for the industry has remained the same in most lines for so long. Insurance is simply less amenable to the standardization processes that have emerged in other industries. But again, there has never been a more valuable time to think about new ways to reduce expenses. While this is true for all companies, we still view PGR as one of the most innovative companies in auto insurance, and if anyone could apply that knowledge to expense reduction, it's Progressive.

Figure 15. BRK Expense Ratio Structure, 1996-2013



Source: SNL Financial, Citi Research

Figure 16. PGR Expense Ratio Structure, 1996-2013



Source: SNL Financial, Citi Research

Figuring out a way to reduce expenses innovatively is a problem worth Progressive's consideration.

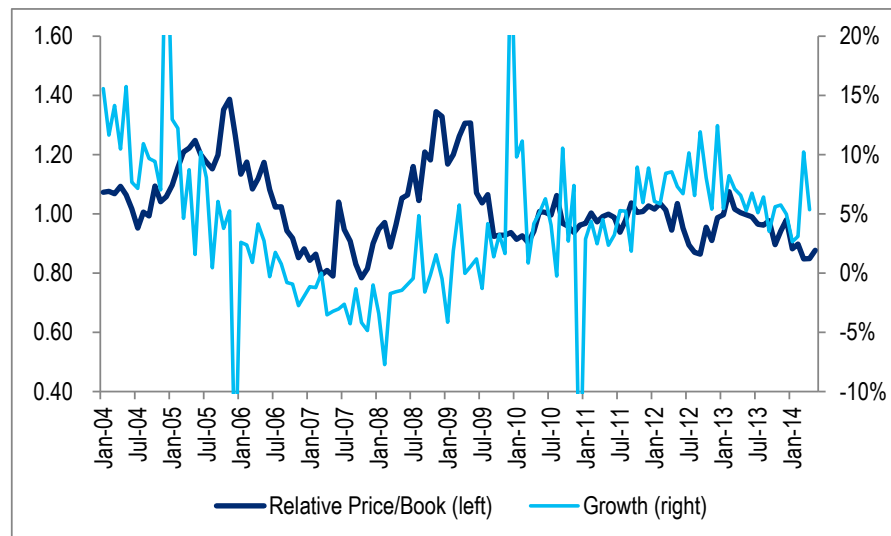
For the record, it does appear that PGR could attack its expense base with respect to the GEICO model. One might think that advertising may also be a factor, and while GEICO does spend about twice as much as PGR with respect to percent of premium, PGR has other ways to acquire customers, and looking at total acquisition costs PGR is only a couple points higher. The big difference is general expenses, which includes salary and benefits among other things. Presumably, PGR is paying for its talent, and would find it difficult to simply pay less or reduce heads and continue to do what it wants to do. But the difference is a full 6 points, and it seems that even 2 points could add 3 points to growth and get PGR back to closer growth with GEICO.

What Does This Mean for the Stocks?

We are currently Neutral on Personal Lines owing to a likely slowing pricing cycle, yet one that is holding up better than Commercial or Reinsurance. Our conclusion

that elasticity and price sensitivity is up for Personal Auto is a negative, all else equal. But could we make a stronger case for Progressive in either direction?

Figure 17. PGR Relative Price/Book vs. Monthly Premium Growth, 2004-13



Source: Company Reports, FactSet, Citi Research

The idea that PGR has lower growth seems priced in the stock, and thus no change to our current Neutral view. However, this analysis is a roadmap for how our view could change over time.

At present, we conclude no, although we believe this analysis as a good roadmap for how we might change our views should certain events happen. First, as we show in Figure 17, it looks like PGR's lower growth is already in the stock to some degree. There is some correlation between PGR's valuation as measured by relative price/book, and its monthly growth rate.

Second, we have no basis to conclude that PGR will cut expenses. We can argue that seems unlikely in the near-term given that the company is working on other initiatives to increase growth. These include usage-based pricing like Snapshot, attempts to cross-sell Auto by partnering with Homeowners writers, and other measures to better capture customers at various points in their life. Any of these could work, yet we must admit these are more typical of what we might hear from any major carrier (Snapshot perhaps being an exception). Progressive has a reputation for great innovation that, frankly, we heard a lot less of at its recent investor meeting. Figuring out a way to reduce expenses in a meaningful and innovative way would be a big deal, and we think Progressive should devote more time and effort to this objective. We believe an analysis like this could provide some evidence to Progressive, and auto insurers, generally, that despite the difficulty, the expense reduction project perhaps needs to be considered anew.

Industry and Company Summaries

We provide summary exhibits and analysis for the companies analyzed in this note. This includes premiums, losses, expenses, and estimates of price changes and exposure growth.

Figure 18. US Industry Personal Auto Summary Statistics, 1997-2013

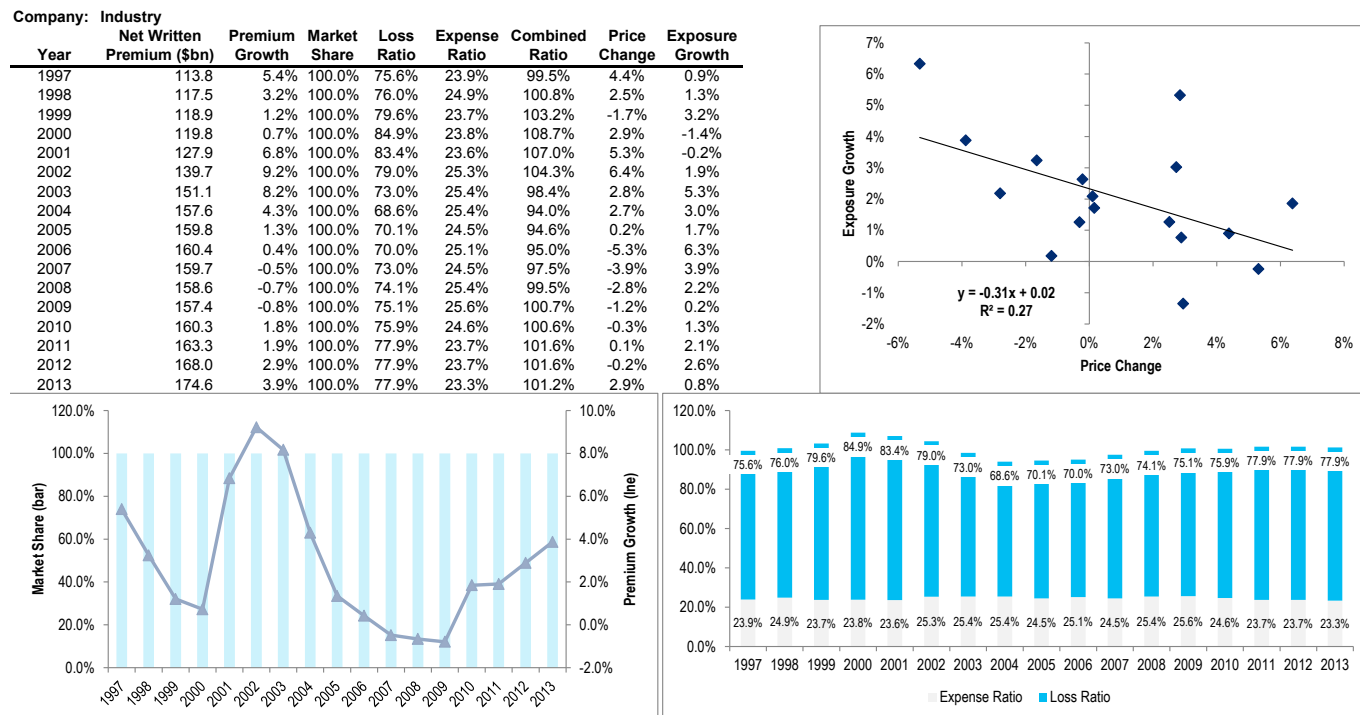


Figure 19. State Farm Personal Auto Summary Statistics, 1997-2013

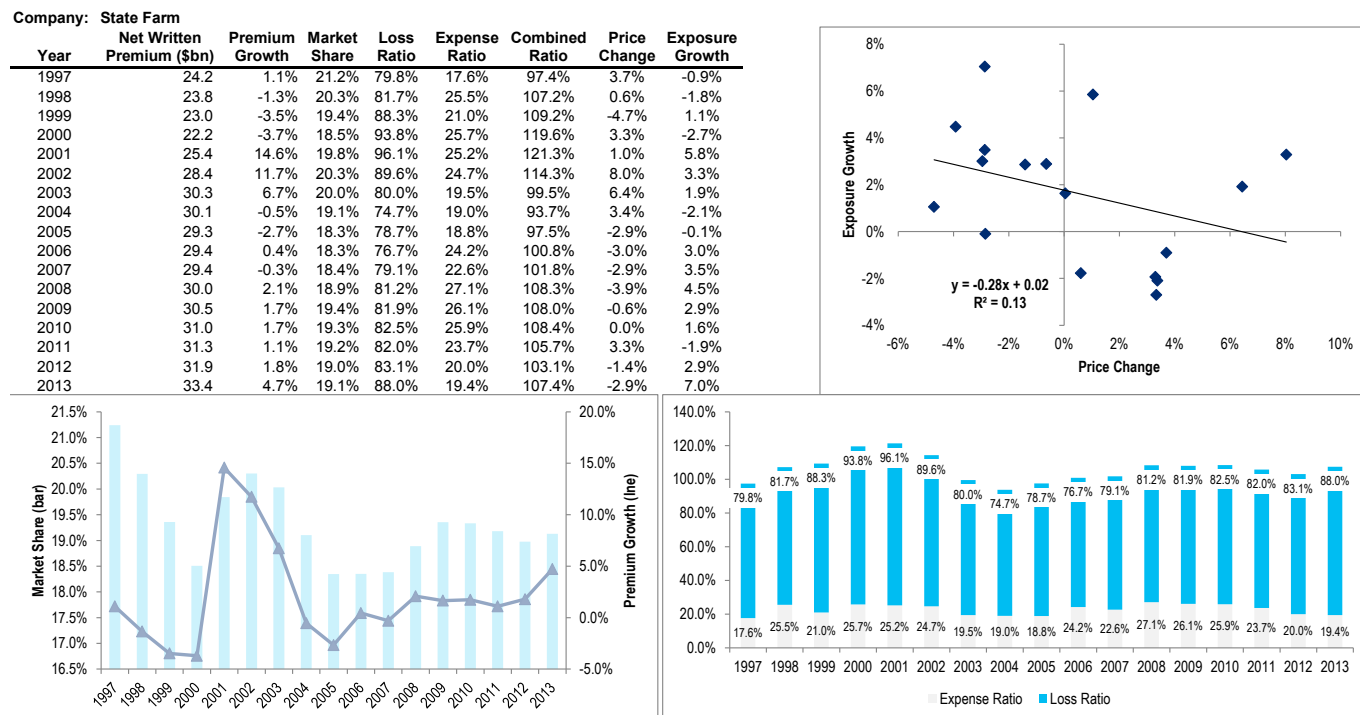
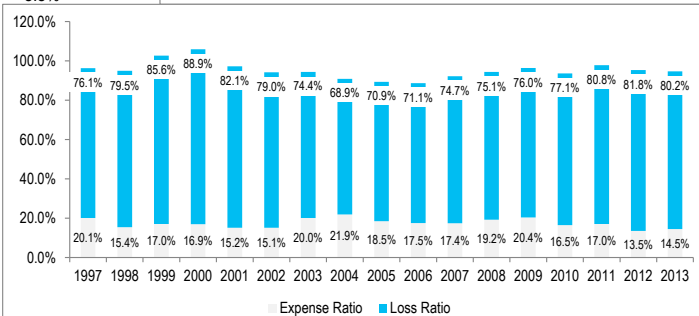
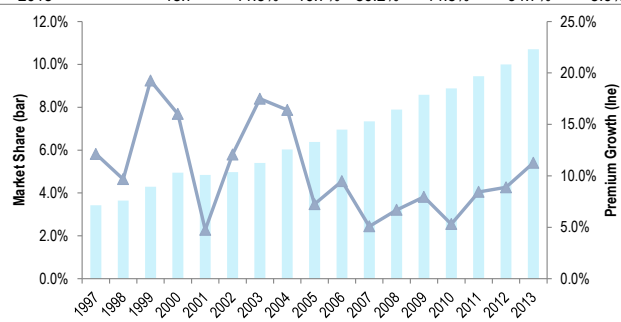
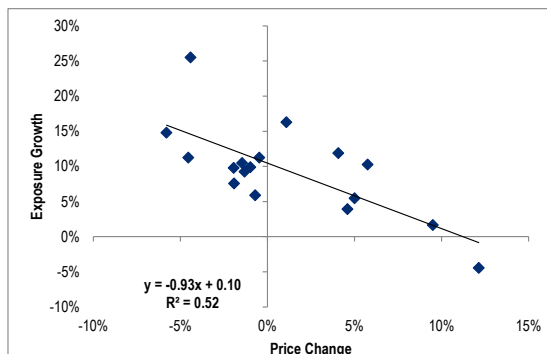


Figure 20. Berkshire Hathaway Personal Auto Summary Statistics, 1997-2013

Company: Berkshire Hathaway

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	3.9	12.1%	3.4%	76.1%	20.1%	96.2%	9.5%	1.6%
1998	4.3	9.7%	3.6%	79.5%	15.4%	94.9%	-1.3%	9.3%
1999	5.1	19.3%	4.3%	85.6%	17.0%	102.7%	-4.4%	25.5%
2000	5.9	16.0%	4.9%	88.9%	16.9%	105.9%	5.8%	10.3%
2001	6.2	4.8%	4.8%	82.1%	15.2%	97.2%	12.1%	-4.5%
2002	6.9	12.1%	5.0%	79.0%	15.1%	94.2%	4.6%	3.9%
2003	8.2	17.5%	5.4%	74.4%	20.0%	94.4%	1.1%	16.3%
2004	9.5	16.4%	6.0%	68.9%	21.9%	90.9%	4.1%	11.9%
2005	10.2	7.2%	6.4%	70.9%	18.5%	89.3%	-0.5%	11.2%
2006	11.2	9.5%	7.0%	71.1%	17.5%	88.6%	-5.8%	14.8%
2007	11.7	5.1%	7.3%	74.7%	17.4%	92.1%	-4.5%	11.2%
2008	12.5	6.7%	7.9%	75.1%	19.2%	94.3%	-1.9%	7.6%
2009	13.5	8.0%	8.6%	76.0%	20.4%	96.3%	-1.0%	9.9%
2010	14.2	5.3%	8.9%	77.1%	16.5%	93.6%	-0.7%	5.9%
2011	15.4	8.4%	9.4%	80.8%	17.0%	97.8%	-1.9%	9.8%
2012	16.8	8.9%	10.0%	81.8%	13.5%	95.3%	-1.5%	10.5%
2013	18.7	11.3%	10.7%	80.2%	14.5%	94.7%	5.0%	5.5%

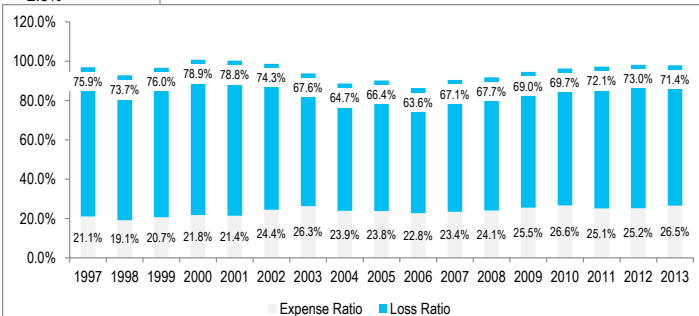
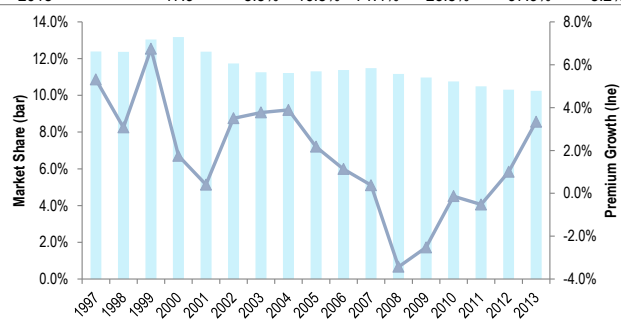
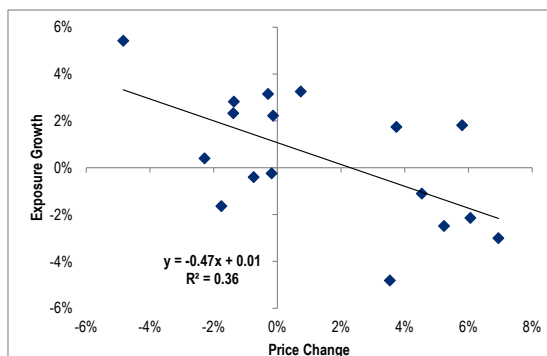


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 21. Allstate Personal Auto Summary Statistics, 1997-2013

Company: Allstate

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	14.1	5.3%	12.4%	75.9%	21.1%	96.9%	3.7%	1.7%
1998	14.5	3.1%	12.4%	73.7%	19.1%	92.8%	6.1%	-2.1%
1999	15.5	6.7%	13.0%	76.0%	20.7%	96.7%	-0.1%	2.2%
2000	15.8	1.8%	13.2%	78.9%	21.8%	100.7%	5.8%	1.8%
2001	15.8	0.4%	12.4%	78.8%	21.4%	100.2%	3.5%	-4.8%
2002	16.4	3.5%	11.7%	74.3%	24.4%	98.7%	6.9%	-3.0%
2003	17.0	3.8%	11.3%	67.6%	26.3%	93.8%	4.5%	-1.1%
2004	17.7	3.9%	11.2%	64.7%	23.9%	88.6%	0.7%	3.2%
2005	18.1	2.2%	11.3%	66.4%	23.8%	90.2%	-0.3%	3.1%
2006	18.3	1.1%	11.4%	63.6%	22.8%	86.4%	-1.4%	2.8%
2007	18.3	0.4%	11.5%	67.1%	23.4%	90.4%	-4.8%	5.4%
2008	17.7	-3.4%	11.2%	67.7%	24.1%	91.8%	-2.3%	0.4%
2009	17.3	-2.5%	11.0%	69.0%	25.5%	94.5%	-1.8%	-1.6%
2010	17.2	-0.1%	10.8%	69.7%	26.6%	96.3%	-0.2%	-0.2%
2011	17.1	-0.5%	10.5%	72.1%	25.1%	97.2%	-0.7%	-0.4%
2012	17.3	1.0%	10.3%	73.0%	25.2%	98.2%	-1.4%	2.3%
2013	17.9	3.3%	10.3%	71.4%	26.5%	97.9%	5.2%	-2.5%

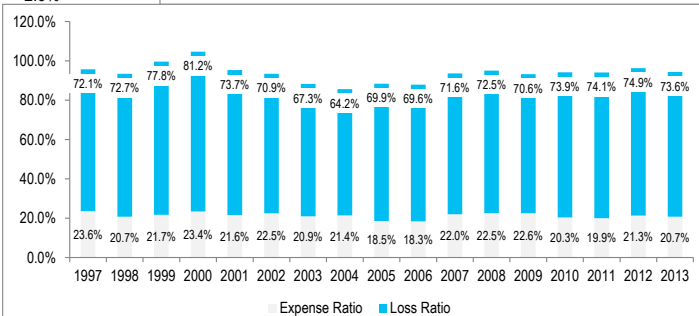
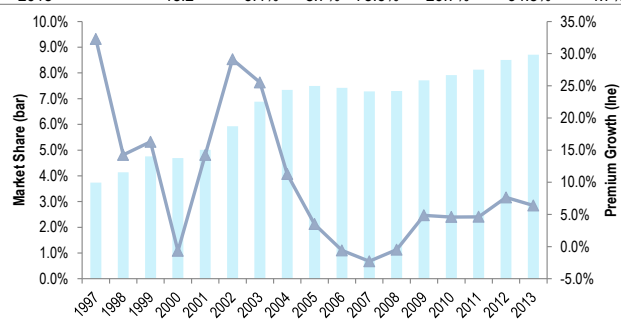
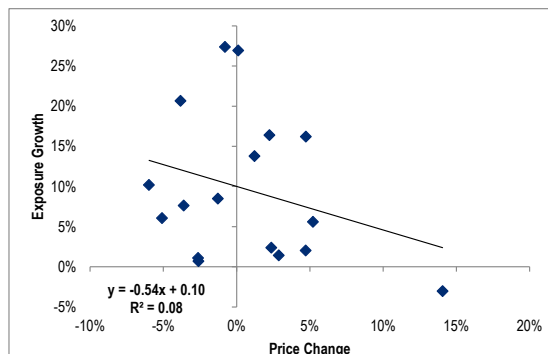


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 22. Progressive Personal Auto Summary Statistics, 1997-2013

Company: Progressive

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	4.3	32.3%	3.7%	72.1%	23.6%	95.7%	-0.8%	27.4%
1998	4.9	14.2%	4.1%	72.7%	20.7%	93.4%	2.2%	16.4%
1999	5.7	16.3%	4.8%	77.8%	21.7%	99.5%	-3.8%	20.7%
2000	5.6	-0.7%	4.7%	81.2%	23.4%	104.6%	5.2%	5.6%
2001	6.4	14.3%	5.0%	73.7%	21.6%	95.3%	14.1%	-3.0%
2002	8.3	29.1%	5.9%	70.9%	22.5%	93.4%	4.7%	16.2%
2003	10.4	25.5%	6.9%	67.3%	20.9%	88.2%	0.1%	26.9%
2004	11.6	11.3%	7.3%	64.2%	21.4%	85.6%	1.2%	13.8%
2005	12.0	3.5%	7.5%	69.9%	18.5%	88.4%	-6.0%	10.2%
2006	11.9	-0.6%	7.4%	69.6%	18.3%	87.9%	-5.1%	6.1%
2007	11.6	-2.3%	7.3%	71.6%	22.0%	93.6%	-2.6%	0.7%
2008	11.6	-0.5%	7.3%	72.5%	22.5%	95.1%	-2.6%	1.1%
2009	12.1	4.9%	7.7%	70.6%	22.6%	93.2%	2.9%	1.4%
2010	12.7	4.6%	7.9%	73.9%	20.3%	94.2%	-3.6%	7.6%
2011	13.3	4.6%	8.1%	74.1%	19.9%	94.0%	2.4%	2.4%
2012	14.3	7.6%	8.5%	74.9%	21.3%	96.3%	-1.3%	8.5%
2013	15.2	6.4%	8.7%	73.6%	20.7%	94.3%	4.7%	2.0%

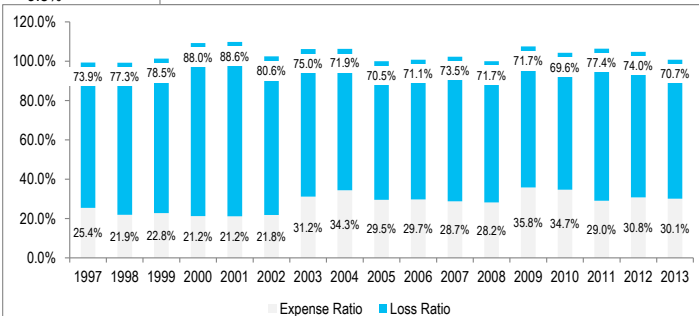
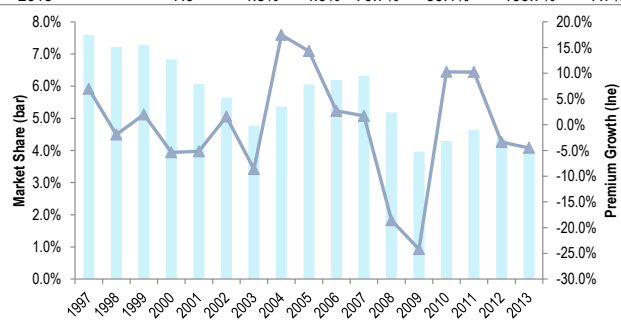
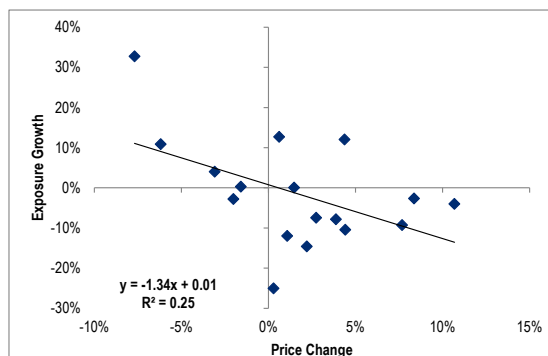


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 23. Farmers Personal Auto Summary Statistics, 1997-2013

Company: Farmers

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	8.6	7.0%	7.6%	73.9%	25.4%	99.3%	8.4%	-2.7%
1998	8.5	-1.9%	7.2%	77.3%	21.9%	99.2%	-1.6%	0.3%
1999	8.6	2.0%	7.3%	78.5%	22.8%	101.3%	1.5%	0.0%
2000	8.2	-5.4%	6.8%	88.0%	21.2%	109.2%	-2.0%	-2.8%
2001	7.8	-5.2%	6.1%	88.6%	21.2%	109.8%	2.7%	-7.5%
2002	7.9	1.6%	5.6%	80.6%	21.8%	102.4%	10.7%	-4.0%
2003	7.2	-8.6%	4.8%	75.0%	31.2%	106.2%	2.2%	-14.6%
2004	8.5	17.5%	5.4%	71.9%	34.3%	106.3%	0.6%	12.7%
2005	9.7	14.3%	6.1%	70.5%	29.5%	100.0%	4.4%	12.0%
2006	9.9	2.7%	6.2%	71.1%	29.7%	100.7%	-6.2%	10.9%
2007	10.1	1.7%	6.3%	73.5%	28.7%	102.3%	-3.1%	4.0%
2008	8.2	-18.6%	5.2%	71.7%	28.2%	100.0%	1.1%	-12.0%
2009	6.2	-24.2%	4.0%	71.7%	35.8%	107.4%	0.3%	-25.0%
2010	6.9	10.3%	4.3%	69.6%	34.7%	104.2%	3.9%	-7.8%
2011	7.6	10.2%	4.6%	77.4%	29.0%	106.4%	-7.7%	32.7%
2012	7.3	-3.4%	4.4%	74.0%	30.8%	104.7%	4.4%	-10.4%
2013	7.0	-4.5%	4.0%	70.7%	30.1%	100.7%	7.7%	-9.3%

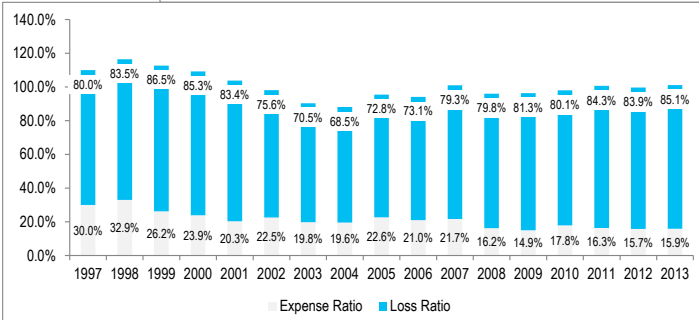
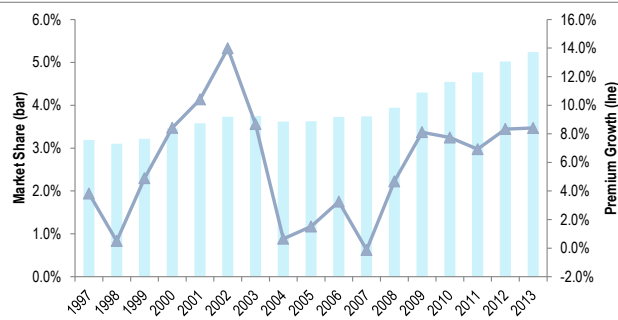
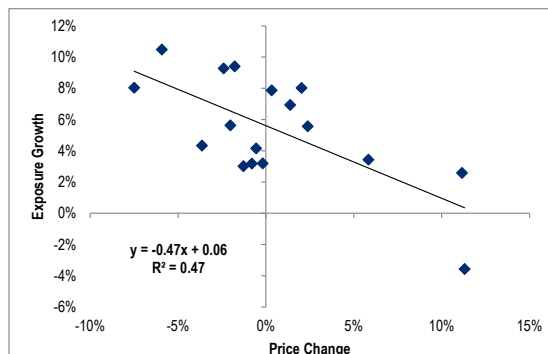


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 24. USAA Personal Auto Summary Statistics, 1997-2013

Company: USAA

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	3.6	3.8%	3.2%	80.0%	30.0%	110.0%	-0.2%	3.2%
1998	3.6	0.5%	3.1%	83.5%	32.9%	116.4%	-1.3%	3.0%
1999	3.8	4.9%	3.2%	86.5%	26.2%	112.7%	-0.5%	4.1%
2000	4.1	8.4%	3.5%	85.3%	23.9%	109.2%	11.3%	-3.6%
2001	4.6	10.4%	3.6%	83.4%	20.3%	103.8%	5.8%	3.4%
2002	5.2	14.0%	3.7%	75.6%	22.5%	98.1%	11.2%	2.6%
2003	5.7	8.7%	3.8%	70.5%	19.8%	90.3%	2.0%	8.0%
2004	5.7	0.7%	3.6%	68.5%	19.6%	88.1%	-0.8%	3.2%
2005	5.8	1.5%	3.6%	72.8%	22.6%	95.4%	-3.6%	4.3%
2006	6.0	3.3%	3.7%	73.1%	21.0%	94.1%	-5.9%	10.5%
2007	6.0	-0.1%	3.7%	79.3%	21.7%	100.9%	-7.5%	8.0%
2008	6.3	4.7%	3.9%	79.8%	16.2%	96.0%	-2.0%	5.6%
2009	6.8	8.1%	4.3%	81.3%	14.9%	96.3%	-1.8%	9.4%
2010	7.3	7.7%	4.5%	80.1%	17.8%	97.9%	2.4%	5.6%
2011	7.8	6.9%	4.8%	84.3%	16.3%	100.6%	-2.4%	9.3%
2012	8.4	8.3%	5.0%	83.9%	15.7%	99.6%	0.3%	7.9%
2013	9.1	8.4%	5.2%	85.1%	15.9%	101.0%	1.4%	6.9%

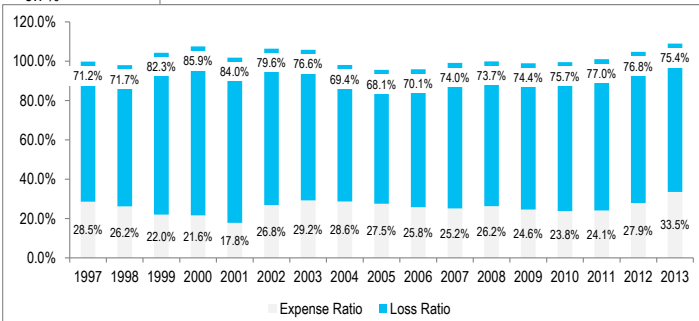
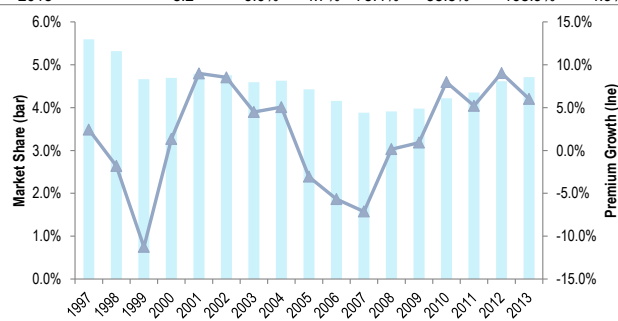
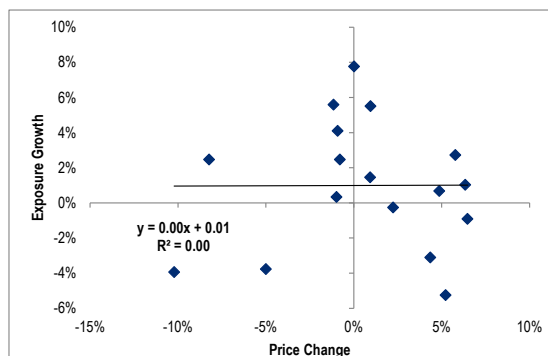


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 25. Liberty Mutual Personal Auto Summary Statistics, 1997-2013

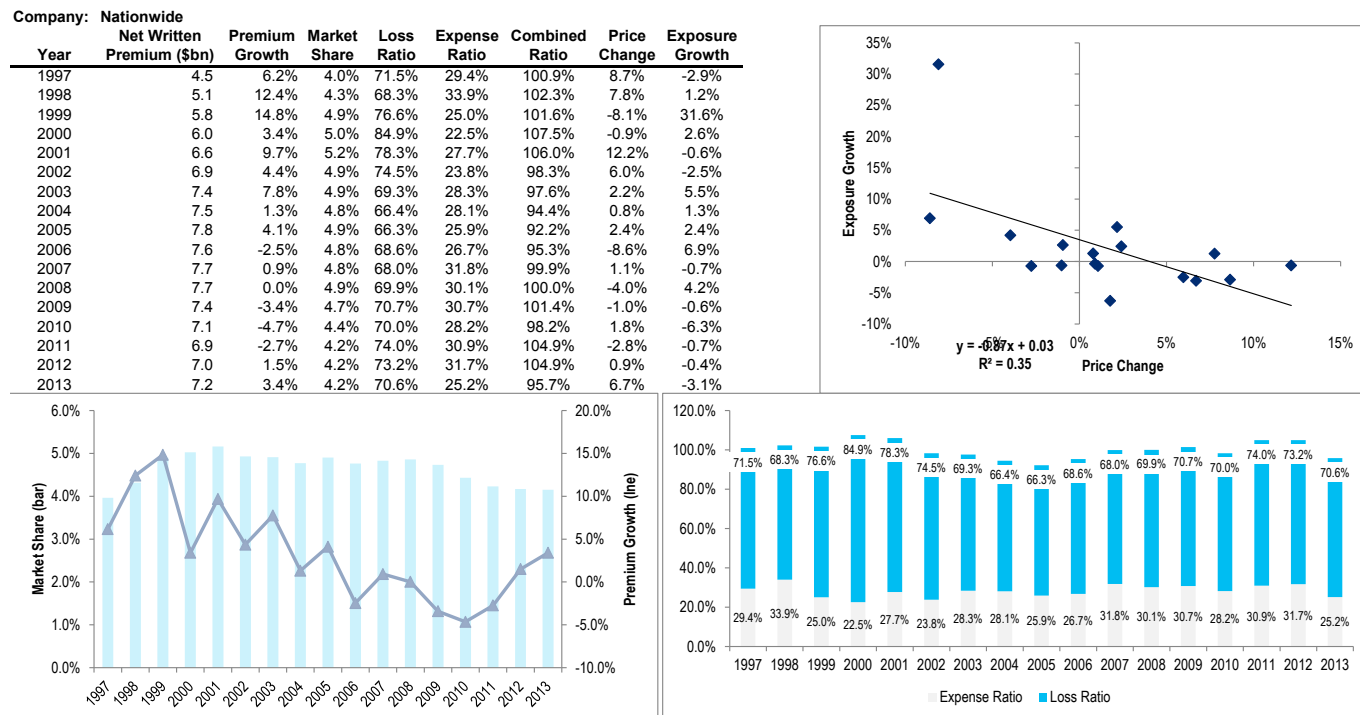
Company: Liberty Mutual

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	6.4	2.4%	5.6%	71.2%	28.5%	99.7%	0.9%	1.4%
1998	6.2	-1.8%	5.3%	71.7%	26.2%	97.9%	2.2%	-0.3%
1999	5.5	-11.2%	4.7%	82.3%	22.0%	104.3%	-10.2%	-3.9%
2000	5.6	1.3%	4.7%	85.9%	21.6%	107.5%	5.2%	-5.3%
2001	6.1	9.0%	4.8%	84.0%	17.8%	101.8%	5.8%	2.7%
2002	6.6	8.5%	4.8%	79.6%	26.8%	106.4%	6.3%	1.0%
2003	6.9	4.5%	4.6%	76.6%	29.2%	105.8%	-1.1%	5.6%
2004	7.3	5.0%	4.6%	69.4%	28.6%	98.0%	6.5%	-0.9%
2005	7.1	-3.1%	4.4%	68.1%	27.5%	95.6%	4.4%	-3.1%
2006	6.7	-5.7%	4.2%	70.1%	25.8%	95.9%	-8.2%	2.5%
2007	6.2	-7.1%	3.9%	74.0%	25.2%	99.1%	-5.0%	-3.8%
2008	6.2	0.2%	3.9%	73.7%	26.2%	99.9%	-1.0%	0.3%
2009	6.3	0.9%	4.0%	74.4%	24.6%	99.0%	-0.8%	2.5%
2010	6.8	8.0%	4.2%	75.7%	23.8%	99.5%	-0.9%	4.1%
2011	7.1	5.2%	4.4%	77.0%	24.1%	101.1%	1.0%	5.5%
2012	7.8	9.0%	4.6%	76.8%	27.9%	104.7%	0.0%	7.8%
2013	8.2	6.0%	4.7%	75.4%	33.5%	108.9%	4.9%	0.7%



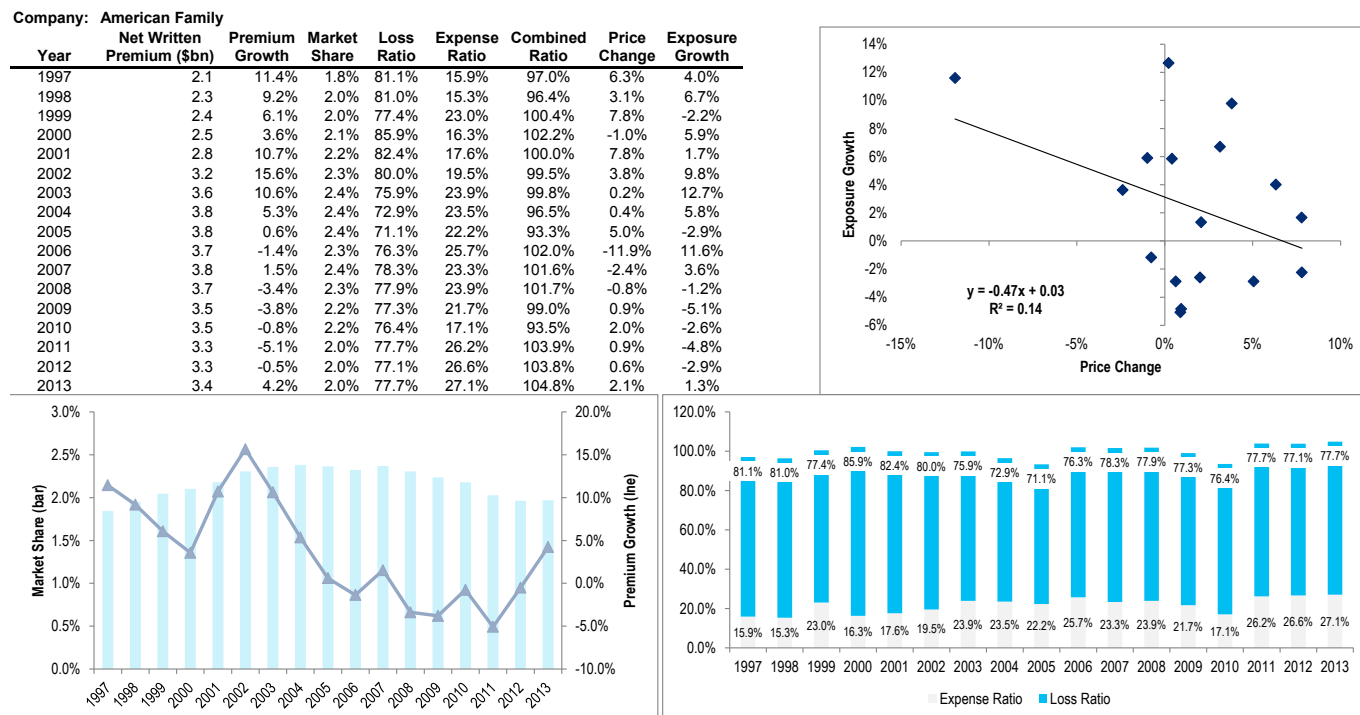
Source: SNL Financial, ISO Fast Track, Citi Research

Figure 26. Nationwide Mutual Personal Auto Summary Statistics, 1997-2013



Source: SNL Financial, ISO Fast Track, Citi Research

Figure 27. American Family Personal Auto Summary Statistics, 1997-2013

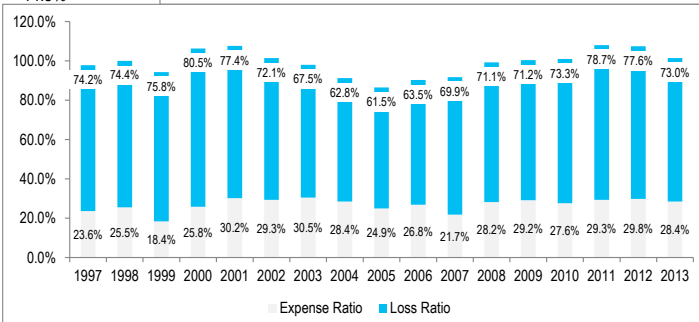
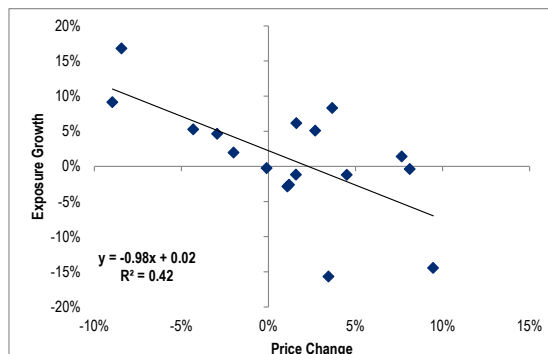


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 28. Travelers Personal Auto Summary Statistics, 1997-2013

Company: Travelers

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	2.6	1.4%	2.3%	74.2%	23.6%	97.8%	1.6%	-1.2%
1998	2.9	12.0%	2.4%	74.4%	25.5%	100.0%	2.7%	5.1%
1999	2.5	-11.7%	2.1%	75.8%	18.4%	94.2%	1.1%	-2.9%
2000	2.4	-5.1%	2.0%	80.5%	25.8%	106.3%	3.5%	-15.7%
2001	2.7	10.7%	2.1%	77.4%	30.2%	107.6%	7.7%	1.4%
2002	2.9	7.6%	2.0%	72.1%	29.3%	101.4%	8.1%	-0.4%
2003	3.1	7.1%	2.0%	67.5%	30.5%	97.9%	1.6%	6.2%
2004	3.4	12.3%	2.2%	62.8%	28.4%	91.3%	3.7%	8.3%
2005	3.5	1.2%	2.2%	61.5%	24.9%	86.4%	4.5%	-1.2%
2006	3.7	5.9%	2.3%	63.5%	26.8%	90.3%	-8.4%	16.8%
2007	3.5	-4.3%	2.2%	69.9%	21.7%	91.7%	-9.0%	9.1%
2008	3.7	3.6%	2.3%	71.1%	28.2%	99.2%	-2.9%	4.6%
2009	3.6	-0.9%	2.3%	71.2%	29.2%	100.4%	-0.1%	-0.2%
2010	3.8	4.0%	2.4%	73.3%	27.6%	100.9%	-2.0%	2.0%
2011	3.8	0.4%	2.3%	78.7%	29.3%	108.0%	-4.3%	5.3%
2012	3.6	-3.9%	2.2%	77.6%	29.8%	107.4%	1.2%	-2.6%
2013	3.4	-7.4%	1.9%	73.0%	28.4%	101.4%	9.5%	-14.5%

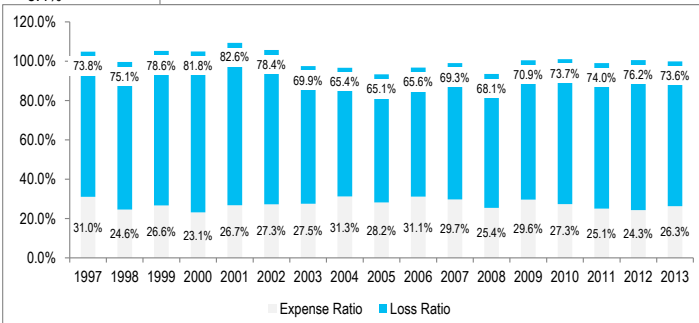
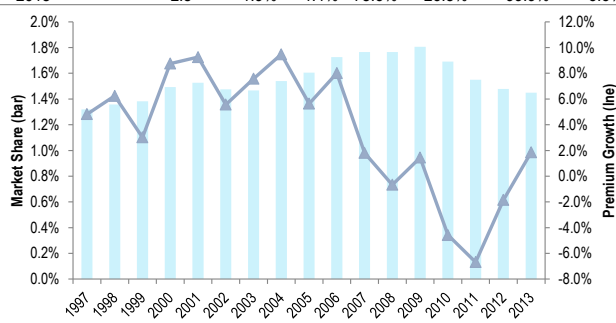
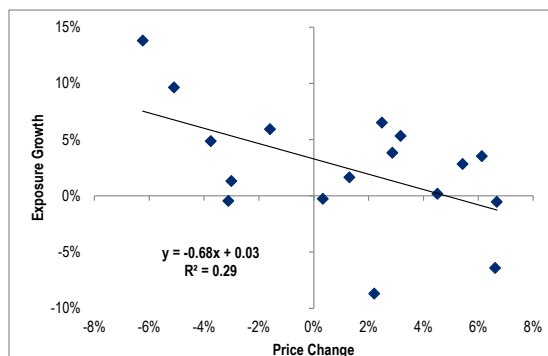


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 29. Hartford Personal Auto Summary Statistics, 1997-2013

Company: Hartford

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	1.5	4.8%	1.3%	73.8%	31.0%	104.8%	4.5%	0.2%
1998	1.6	6.2%	1.4%	75.1%	24.6%	99.6%	1.3%	1.6%
1999	1.6	3.0%	1.4%	78.6%	26.6%	105.2%	-1.6%	5.9%
2000	1.8	8.8%	1.5%	81.8%	23.1%	104.9%	5.4%	2.8%
2001	2.0	9.3%	1.5%	82.6%	26.7%	109.3%	2.5%	6.5%
2002	2.1	5.6%	1.5%	78.4%	27.3%	105.7%	6.1%	3.5%
2003	2.2	7.6%	1.5%	69.9%	27.5%	97.5%	6.7%	-0.5%
2004	2.4	9.5%	1.5%	65.4%	31.3%	96.6%	3.2%	5.3%
2005	2.6	5.6%	1.6%	65.1%	28.2%	93.3%	2.9%	3.8%
2006	2.8	8.0%	1.7%	65.6%	31.1%	96.7%	-6.2%	13.8%
2007	2.8	1.8%	1.8%	69.3%	29.7%	99.0%	-5.1%	9.6%
2008	2.8	-0.7%	1.8%	68.1%	25.4%	93.5%	0.3%	-0.3%
2009	2.8	1.4%	1.8%	70.9%	29.6%	100.5%	-3.8%	4.9%
2010	2.7	-4.6%	1.7%	73.7%	27.3%	101.0%	-3.0%	1.3%
2011	2.5	-6.7%	1.5%	74.0%	25.1%	99.1%	2.2%	-8.7%
2012	2.5	-1.8%	1.5%	76.2%	24.3%	100.6%	-3.1%	-0.5%
2013	2.5	1.9%	1.4%	73.6%	26.3%	99.9%	6.6%	-6.4%

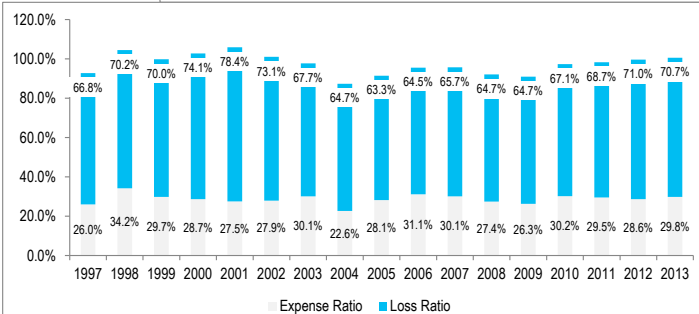
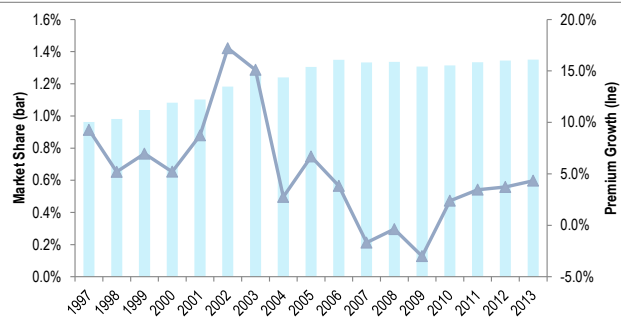
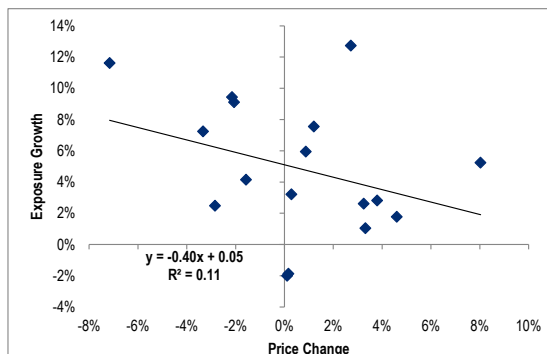


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 30. Auto Club Exchange Insurance Personal Auto Summary Statistics, 1997-2013

Company: Auto Club

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	1.1	9.3%	1.0%	66.8%	26.0%	92.7%	1.2%	7.6%
1998	1.2	5.2%	1.0%	70.2%	34.2%	104.4%	-2.1%	9.1%
1999	1.2	7.0%	1.0%	70.0%	29.7%	99.8%	3.3%	2.6%
2000	1.3	5.2%	1.1%	74.1%	28.7%	102.8%	3.8%	2.8%
2001	1.4	8.7%	1.1%	78.4%	27.5%	105.9%	-2.1%	9.4%
2002	1.7	17.2%	1.2%	73.1%	27.9%	101.0%	8.0%	5.2%
2003	1.9	15.1%	1.3%	67.7%	30.1%	97.7%	2.7%	12.7%
2004	2.0	2.8%	1.2%	64.7%	22.6%	87.3%	0.9%	5.9%
2005	2.1	6.7%	1.3%	63.3%	28.1%	91.4%	4.6%	1.8%
2006	2.2	3.8%	1.3%	64.5%	31.1%	95.5%	-7.2%	11.6%
2007	2.1	-1.7%	1.3%	65.7%	30.1%	95.7%	-1.6%	4.1%
2008	2.1	-0.4%	1.3%	64.7%	27.4%	92.1%	0.1%	-2.0%
2009	2.1	-3.0%	1.3%	64.7%	26.3%	90.9%	0.2%	-1.9%
2010	2.1	2.4%	1.3%	67.1%	30.2%	97.3%	-2.8%	2.5%
2011	2.2	3.5%	1.3%	68.7%	29.5%	98.2%	0.3%	3.2%
2012	2.3	3.7%	1.3%	71.0%	28.6%	99.6%	-3.3%	7.2%
2013	2.4	4.3%	1.4%	70.7%	29.8%	100.5%	3.3%	1.0%

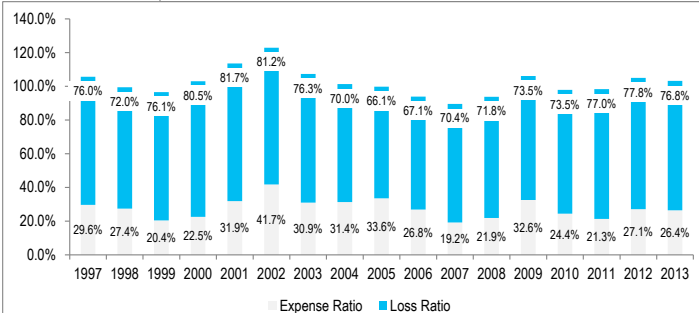
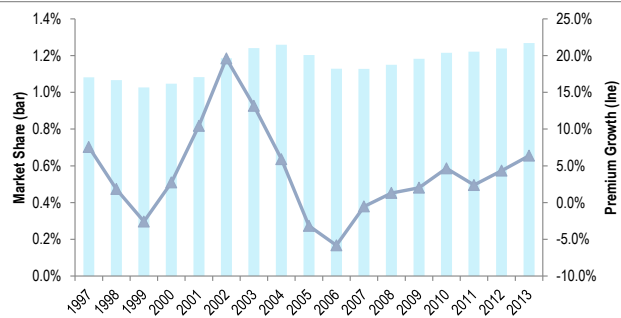
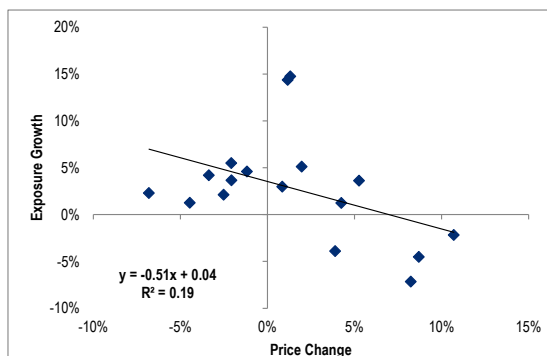


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 31. Erie Insurance Personal Auto Summary Statistics, 1997-2013

Company: Erie

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	1.2	7.6%	1.1%	76.0%	29.6%	105.6%	10.7%	-2.2%
1998	1.3	1.8%	1.1%	72.0%	27.4%	99.4%	8.7%	-4.5%
1999	1.2	-2.6%	1.0%	76.1%	20.4%	96.5%	-2.5%	2.1%
2000	1.3	2.7%	1.0%	80.5%	22.5%	103.0%	3.9%	-3.9%
2001	1.4	10.4%	1.1%	81.7%	31.9%	113.6%	2.0%	5.1%
2002	1.7	19.6%	1.2%	81.2%	41.7%	122.9%	1.3%	14.8%
2003	1.9	13.1%	1.2%	76.3%	30.9%	107.3%	1.2%	14.4%
2004	2.0	5.9%	1.3%	70.0%	31.4%	101.3%	5.3%	3.6%
2005	1.9	-3.2%	1.2%	66.1%	33.6%	99.7%	8.2%	-7.2%
2006	1.8	-5.8%	1.1%	67.1%	26.8%	93.9%	-6.8%	2.3%
2007	1.8	-0.5%	1.1%	70.4%	19.2%	89.6%	-4.5%	1.3%
2008	1.8	1.3%	1.2%	71.8%	21.9%	93.7%	-3.4%	4.2%
2009	1.9	2.0%	1.2%	73.5%	32.6%	106.0%	-2.1%	3.6%
2010	1.9	4.7%	1.2%	73.5%	24.4%	97.9%	0.8%	3.0%
2011	2.0	2.4%	1.2%	77.0%	21.3%	98.3%	-2.1%	5.5%
2012	2.1	4.3%	1.2%	77.8%	27.1%	104.9%	-1.2%	4.6%
2013	2.2	6.4%	1.3%	76.8%	26.4%	103.2%	4.2%	1.2%

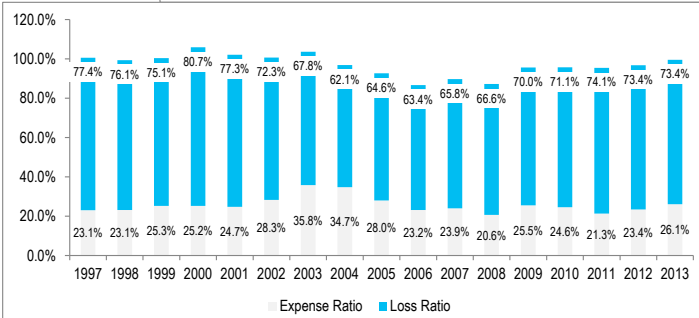
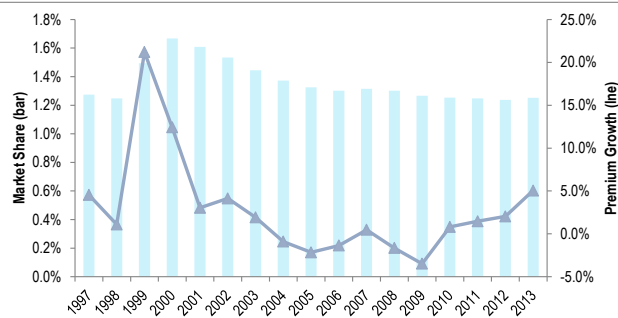
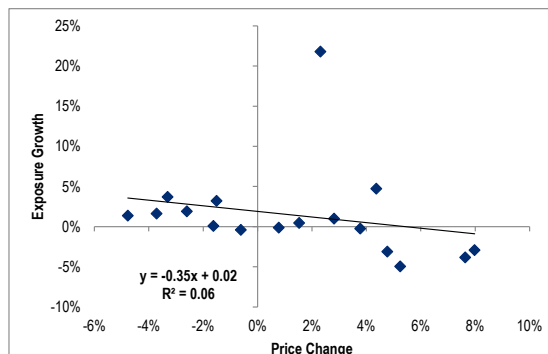


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 32. MetLife Personal Auto Summary Statistics, 1997-2013

Company: MetLife

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	1.4	4.5%	1.3%	77.4%	23.1%	100.5%	3.8%	-0.3%
1998	1.5	1.1%	1.2%	76.1%	23.1%	99.3%	4.8%	-3.1%
1999	1.8	21.2%	1.5%	75.1%	25.3%	100.4%	4.4%	4.7%
2000	2.0	12.4%	1.7%	80.7%	25.2%	105.8%	2.3%	21.8%
2001	2.1	3.0%	1.6%	77.3%	24.7%	102.0%	8.0%	-2.9%
2002	2.1	4.1%	1.5%	72.3%	28.3%	100.6%	7.6%	-3.8%
2003	2.2	1.9%	1.4%	67.8%	35.8%	103.6%	1.5%	0.4%
2004	2.2	-0.9%	1.4%	62.1%	34.7%	96.8%	5.2%	-5.0%
2005	2.1	-2.2%	1.3%	64.6%	28.0%	92.6%	-1.6%	0.1%
2006	2.1	-1.4%	1.3%	63.4%	23.2%	86.6%	-3.7%	1.6%
2007	2.1	0.5%	1.3%	65.8%	23.9%	89.7%	-3.3%	3.7%
2008	2.1	-1.6%	1.3%	66.6%	20.6%	87.2%	-2.6%	1.9%
2009	2.0	-3.5%	1.3%	70.0%	25.5%	95.6%	-4.8%	1.4%
2010	2.0	0.8%	1.3%	71.1%	24.6%	95.6%	-0.6%	-0.4%
2011	2.0	1.5%	1.2%	74.1%	21.3%	95.4%	-1.5%	3.2%
2012	2.1	2.0%	1.2%	73.4%	23.4%	96.8%	0.8%	-0.1%
2013	2.2	5.0%	1.3%	73.4%	26.1%	99.5%	2.8%	1.0%

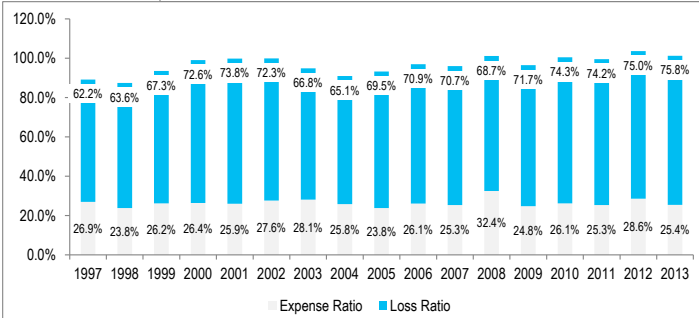
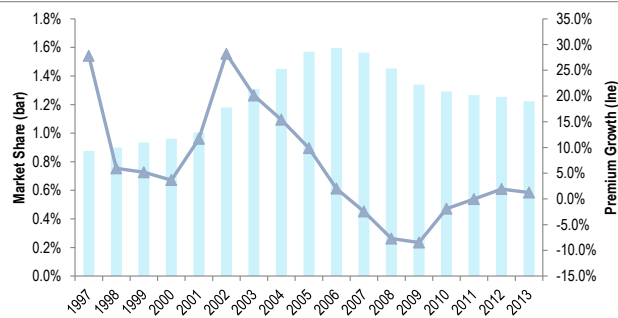
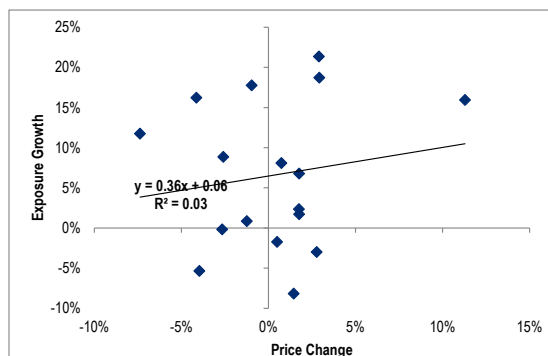


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 33. Mercury General Personal Auto Summary Statistics, 1997-2013

Company: Mercury General

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	1.0	27.8%	0.9%	62.2%	26.9%	89.1%	11.3%	15.9%
1998	1.1	5.9%	0.9%	63.6%	23.8%	87.4%	0.7%	8.1%
1999	1.1	5.2%	0.9%	67.3%	26.2%	93.5%	-2.6%	8.8%
2000	1.2	3.7%	1.0%	72.6%	26.4%	99.0%	1.8%	2.3%
2001	1.3	11.7%	1.0%	73.8%	25.9%	99.8%	1.8%	6.8%
2002	1.6	28.2%	1.2%	72.3%	27.6%	99.9%	2.9%	21.3%
2003	2.0	20.1%	1.3%	66.8%	28.1%	94.8%	2.9%	18.7%
2004	2.3	15.4%	1.4%	65.1%	25.8%	90.9%	-1.0%	17.8%
2005	2.5	9.9%	1.6%	69.5%	23.8%	93.2%	-4.1%	16.2%
2006	2.6	2.0%	1.6%	70.9%	26.1%	97.0%	-7.4%	11.7%
2007	2.5	-2.5%	1.6%	70.7%	25.3%	96.0%	0.5%	-1.8%
2008	2.3	-7.7%	1.5%	68.7%	32.4%	101.2%	1.5%	-8.2%
2009	2.1	-8.5%	1.3%	71.7%	24.8%	96.5%	-4.0%	-5.4%
2010	2.1	-1.9%	1.3%	74.3%	26.1%	100.4%	-2.7%	-0.2%
2011	2.1	0.0%	1.3%	74.2%	25.3%	99.5%	2.8%	-3.0%
2012	2.1	1.9%	1.3%	75.0%	28.6%	103.6%	-1.2%	0.8%
2013	2.1	1.2%	1.2%	75.8%	25.4%	101.2%	1.8%	1.7%

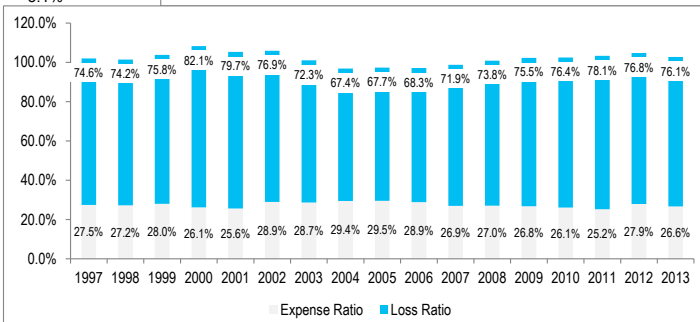
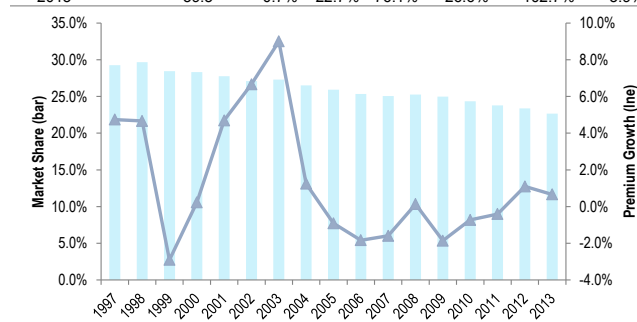
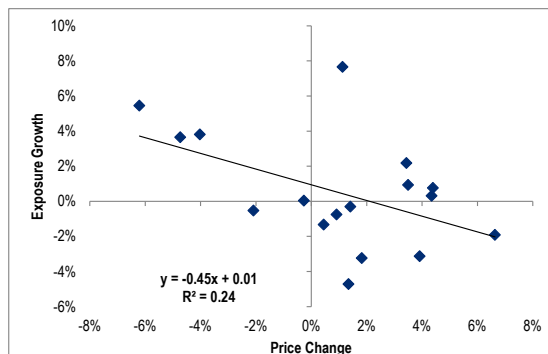


Source: SNL Financial, ISO Fast Track, Citi Research

Figure 34. Rest of Industry Personal Auto Summary Statistics, 1997-2013

Company: Rest of Industry

Year	Net Written Premium (\$bn)	Premium Growth	Market Share	Loss Ratio	Expense Ratio	Combined Ratio	Price Change	Exposure Growth
1997	33.3	4.7%	29.3%	74.6%	27.5%	102.0%	4.3%	0.3%
1998	34.8	4.7%	29.7%	74.2%	27.2%	101.4%	3.4%	2.2%
1999	33.8	-2.9%	28.5%	75.8%	28.0%	103.8%	0.9%	-0.8%
2000	33.9	0.2%	28.3%	82.1%	26.1%	108.3%	1.3%	-4.7%
2001	35.5	4.7%	27.7%	79.7%	25.6%	105.3%	6.6%	-1.9%
2002	37.9	6.7%	27.1%	76.9%	28.9%	105.8%	4.4%	0.8%
2003	41.3	9.0%	27.3%	72.3%	28.7%	101.0%	1.1%	7.7%
2004	41.8	1.2%	26.5%	67.4%	29.4%	96.8%	3.5%	0.9%
2005	41.4	-0.9%	25.9%	67.7%	29.5%	97.3%	1.8%	-3.2%
2006	40.6	-1.8%	25.3%	68.3%	28.9%	97.2%	-6.2%	5.5%
2007	40.0	-1.6%	25.0%	71.9%	26.9%	98.7%	-4.7%	3.6%
2008	40.1	0.1%	25.2%	73.8%	27.0%	100.9%	-4.0%	3.8%
2009	39.3	-1.9%	25.0%	75.5%	26.8%	102.3%	-2.1%	-0.5%
2010	39.0	-0.7%	24.3%	76.4%	26.1%	102.5%	-0.3%	0.0%
2011	38.9	-0.4%	23.8%	78.1%	25.2%	103.3%	0.4%	-1.3%
2012	39.3	1.1%	23.4%	76.8%	27.9%	104.7%	1.4%	-0.3%
2013	39.5	0.7%	22.7%	76.1%	26.6%	102.7%	3.9%	-3.1%



Source: SNL Financial, ISO Fast Track, Citi Research

Progressive Corp

(PGR.N; US\$24.89; 2)

Valuation

Our price target of \$27 is based on a relative price to book multiple of 0.9x the S&P 500, based on our 1 year forward book value per share projection for Progressive. This is a discount to the company's historical median, as we believe valuation will be pressured during the softening pricing cycle.

Risks

Risk to the shares reaching our price target include: an unexpected rise in cost trends, pricing below trend due to competitive pressures, unfavorable development, unusually high catastrophic losses, increased scrutiny by regulators, and poor internal execution of the company's operating strategy.

There is also the risk that Progressive could exceed our price target. For example, cost trends could come in lower than expected, driving margin expansion, or pressure on valuations during the second half of the hard market could be less than they have been historically.

Appendix A-1

Analyst Certification

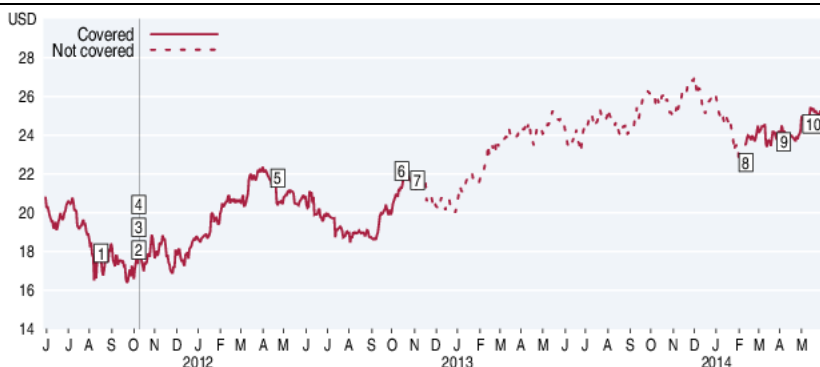
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IMPORTANT DISCLOSURES

Progressive Corp (PGR)

Ratings and Target Price History Fundamental Research

Analyst: James Naklicki, CFA
Covered since February 12 2014



	Date	Rating	Target Price	Closing Price
1	17-Aug-11	1M	*23.03	17.55
2	8-Oct-11	Stock rating system changed		
3	8-Oct-11	*1	23.03	17.36
4	10-Oct-11	1	*21.11	18.07

* Indicates change

	Date	Rating	Target Price	Closing Price
5	23-Apr-12	*2	21.11	20.39
6	15-Oct-12	*3	*18.23	21.29
7	6-Nov-12	Coverage terminated		
8	12-Feb-14	*2	*24.00	23.56

	Date	Rating	Target Price	Closing Price
9	6-Apr-14	2	*25.00	24.27
10	19-May-14	2	*27.00	25.34

Rating/target price changes above reflect Eastern Standard Time

Progressive Corp (PGR)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: James Naklicki, CFA
Covered since February 12 2014



	Date	Rating	Target Price	Closing Price
1	2-Jul-12	*ADD LP	-	19.86

* Indicates change

	Date	Rating	Target Price	Closing Price
2	1-May-13	*REM LP	-	24.08

Rating/target price changes above reflect Eastern Standard Time

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