The Progressive Corporation 2005 ANNUAL REPORT

time

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progress

IT HAS BEEN MY OBSERVATION
THAT MOST PEOPLE GET AHEAD DURING
THE TIME THAT OTHERS WASTE.

Henry Ford

Why TIME?

THE PROGRESSIVE INSURANCE ORGANIZATION began in 1937. Since then, we have worked hard to build a superior proposition for auto insurance consumers through competitive pricing and by continuously improving our products and services. Today, we offer competitive rates and 24-hour, in-person and online services to all personal and commercial auto drivers throughout the United States. We sell our personal lines products through independent insurance agencies as Drive® Insurance from Progressive, and over the telephone and on the Internet as Progressive Direct℠.

Progressive's consumer value proposition, based on *Fast, Fair, Better*, recognizes that respecting our customers' time in every transaction is essential to the definition of superior service. In an increasingly fast-paced society, efficient time management and communication is expected in the services we deliver and it is the basis for consumers' evaluation of us.

We understand that the value of Time can be measured and interpreted by many criteria. For that reason, 12 artists have been chosen to visually represent the concept: Carol K. Brown, Beth Campbell, Martí Cormand, Daina Higgins, Joan Linder, Russell Nachman, Shaun O'Dell, Robyn O'Neil, Ben Peterson, Randall Sellers, Andrea Way and David Wetzl. Their work will join Progressive's growing collection of contemporary art.

{Five-Year Financial Highlights}

(billions–except per share amounts)

	2005	2004	2003	2002	2001
FOR THE YEAR					
Net premiums written	$ 14.0	$ 13.4	$ 11.9	$ 9.5	$ 7.3
Growth over prior year	5%	12%	26%	30%	17%
Net premiums earned	$ 13.8	$ 13.2	$ 11.3	$ 8.9	$ 7.2
Growth over prior year	5%	16%	28%	24%	13%
Total revenues	$ 14.3	$ 13.8	$ 11.9	$ 9.3	$ 7.5
Net income	$ 1.39	$ 1.65	$ 1.26	$ .67	$ .41
Underwriting margin	11.9%	14.9%	12.7%	7.6%	4.8%
Net income per share[1]	$ 6.98	$ 7.63	$ 5.69	$ 2.99	$ 1.83

(billions–except shares outstanding and per share amounts)

	2005	2004	2003	2002	2001
AT YEAR-END					
Common Shares outstanding (millions)	197.3	200.4	216.4	218.0	220.3
Book value per share	$ 30.96	$ 25.73	$ 23.25	$ 17.28	$ 14.76
Consolidated shareholders' equity	$ 6.1	$ 5.2	$ 5.0	$ 3.8	$ 3.3
Market capitalization	$ 23.0	$ 17.0	$ 18.1	$ 10.8	$ 11.0
Return on average shareholders' equity	25.0%	30.0%	29.1%	19.3%	13.5%
Market share[2]	7.7%	7.5%	7.0%	6.0%	5.1%
Industry net premiums written[3]	$ 158.9	$ 157.3	$ 151.0	$ 139.6	$ 127.9

		1-Year	3-Year	5-Year
STOCK PRICE APPRECIATION[4]				
Progressive		37.9%	33.2%	27.8%
S&P 500		4.9%	14.4%	.6%

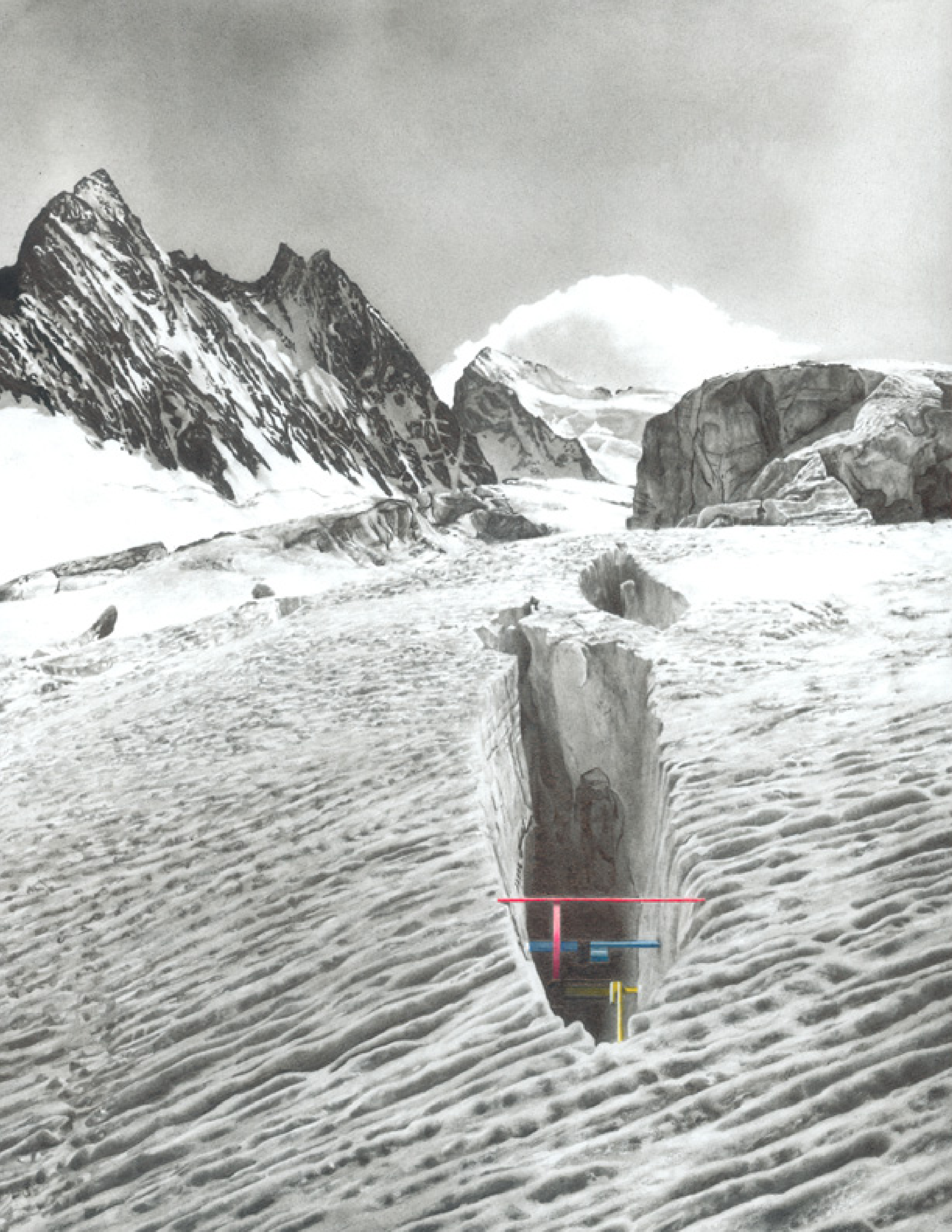
[1]Presented on a diluted basis.

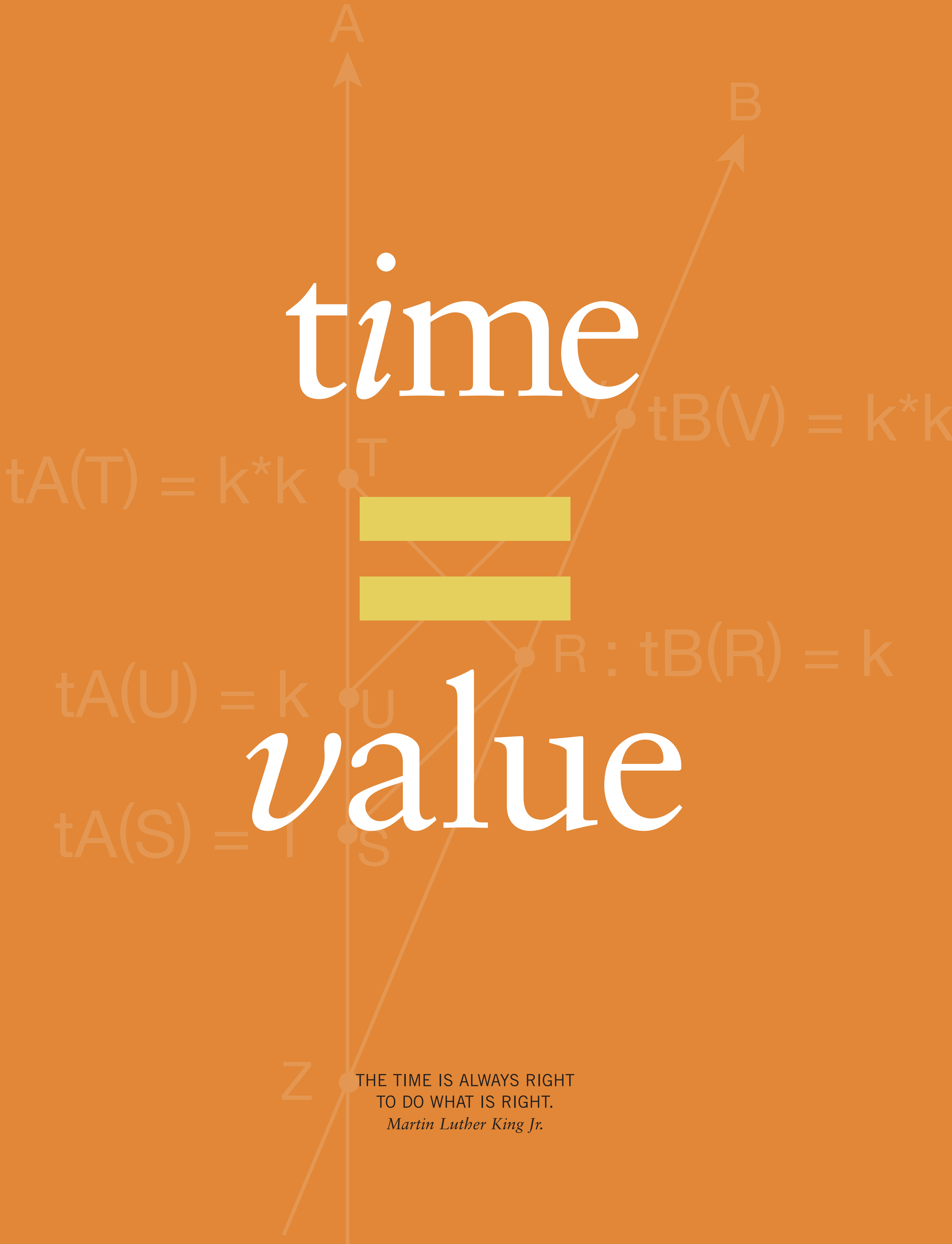
[2]Represents Progressive's Personal Lines Businesses as a percent of the U.S. personal auto insurance market; 2005 is estimated.

[3]Represents U.S. personal auto insurance market net premiums written as reported by A.M. Best Company Inc.; 2005 is estimated.

[4]Represents average annual compounded rate of increase and assumes dividend reinvestment.

All share and per share amounts were adjusted for the April 22, 2002, 3-for-1 stock split.

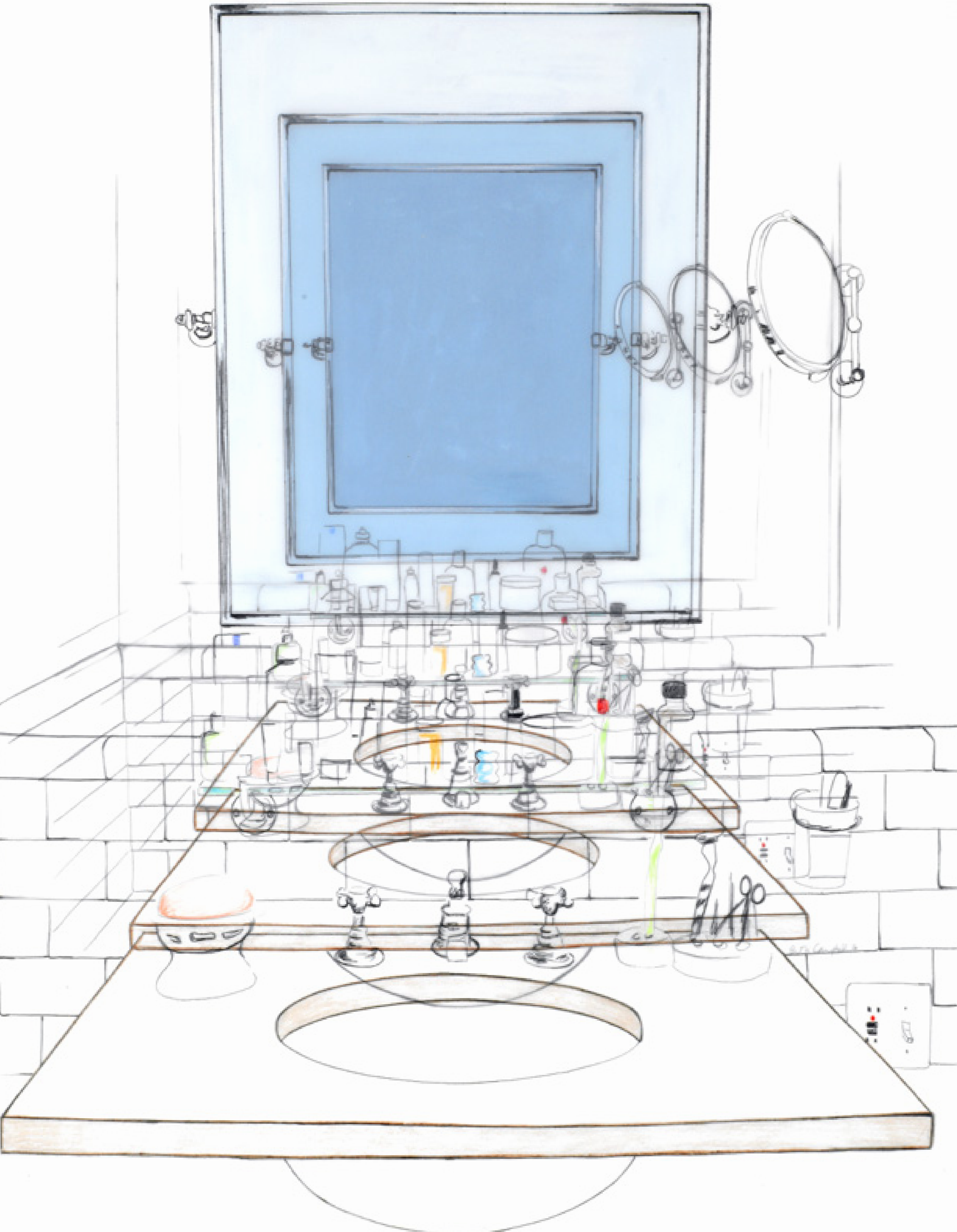




time = value

THE TIME IS ALWAYS RIGHT
TO DO WHAT IS RIGHT.
Martin Luther King Jr.

COMMUNICATING A CLEAR PICTURE OF PROGRESSIVE by stating what we try to achieve (Vision), how we interact with customers (Customer Value Proposition) and what guides our behavior (Core Values) permits all people associated with Progressive to understand what we expect of ourselves and each other and how we conduct our business.



VISION

We seek to be an excellent, innovative, growing and enduring business by cost-effectively and profitably reducing the human trauma and economic costs of auto accidents and other mishaps, and by building recognized, trusted, admired, business-generating brands. We seek to maximize shareholder value and to provide a positive environment that attracts quality people who develop and achieve ambitious growth plans.

CUSTOMER VALUE PROPOSITION

Our Customer Value Proposition provides a litmus test for customer interactions, relationships and innovation.
Fast, Fair, Better That's what you can expect from Progressive. Everything we do recognizes the needs of busy consumers, who are cost-conscious, increasingly savvy about insurance and ready for easy, new ways to quote, buy and manage their policies, including claims service that respects their time and reduces the trauma and inconvenience of loss.

CORE VALUES

Progressive's Core Values serve as the foundation for our corporate culture. They govern our decisions and define the manner in which we conduct our business and how we interact with all interested parties. We want them understood and embraced by all Progressive people. Growth and change provide new perspective, requiring regular refinement of Core Values.
Integrity We revere honesty. We adhere to the highest ethical standards, provide timely, accurate and complete financial reporting, encourage disclosing bad news and welcome disagreement.
Golden Rule We respect all people, value the differences among them and deal with them in the way we want to be dealt with. This requires us to know ourselves and to try to understand others.
Objectives We strive to communicate clearly Progressive's ambitious objectives and our people's personal and team objectives. We evaluate performance against all these objectives.
Excellence We strive constantly to improve in order to meet and exceed the highest expectations of our customers, agents, shareholders and people. We teach and encourage our people to improve performance and to reduce the costs of what they do for customers. We base their rewards on results and promotion on ability.
Profit The opportunity to earn a profit is how the competitive free-enterprise system motivates investment to enhance human health and happiness. Expanding profits reflect our customers' and claimants' increasingly positive view of Progressive.

time = success

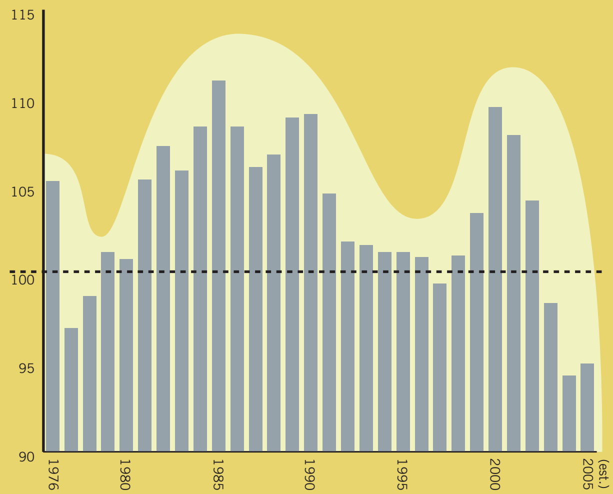
A MAN WHO DARES TO WASTE
ONE HOUR OF TIME HAS NOT
DISCOVERED THE VALUE OF LIFE.
Charles Darwin

MEASUREMENT IS CENTRAL TO PROGRESSIVE'S BUSINESS DISCIPLINE. We find ways to measure just about everything. Crafting an accurate measure to summarize overall company performance is perhaps hardest of all, but we have such a measure.

"Gainshare" is our way to calibrate the business gain made in any calendar year. Expressed as a score between 0 and 2 with calculation details that belie the simplistic scale, Gainshare has for over 12 years provided an internal barometer of performance, as well as variable compensation for all Progressive people. In the bleak year of 2000, the score was 0 and no Gainsharing compensation was paid. In 2003, when things could not have gone much better, the score was the first ever 2. While neither of these results was anticipated as likely in the distribution of outcomes, both served to validate the possibilities. Over the last 12 years, the average score has been 1.4, exceeding the expected outcome of achieving our stated objectives which by design would produce a 1.0.

Although 2005 was not a year of record setting growth rates or earnings per share, by our Gainshare score of 1.54, or by any other measure, it was a very solid all-around performance. We ended the year with just over $14 billion in net premiums written, an increase of about $630 million, or 5% over 2004. This is the smallest gain of the last five years in both absolute and percentage terms, but not out of sync with our expectations or our forecast of industry-wide auto premiums for 2005. Our calendar-year underwriting profit margin remained exceptionally strong at 11.9%, considerably above our target of 4%, but down from prior-year levels by about 3 points. Combined with investment returns for the year, net income for 2005 was $1.39 billion, yielding a return on average shareholders' equity of 25%.

PRIVATE PASSENGER AUTO COMBINED RATIOS
1976–2005
Source: A.M. Best Company Inc.



MARKET CONDITIONS

With some good reason, the cyclical nature of insurance is often cited when describing market conditions and industry performance. The inset graph provides a visual reference to the surprisingly consistent nature of the private passenger auto cycle. Over the past 30 years, we have seen enormous political and economic changes, along with dramatic swings in interest rates and equity-market returns. Despite these changes, the cycle shows a consistent pattern. It would appear that over the past few years, we have been observing the ascent, peak and now the potential decline in underwriting margins of the current cycle.

Last year I reported that consistently falling claims frequency made 2003 and 2004 two of only three profitable years in the last 25 for the auto insurance industry and that 2004 produced what was at that time perhaps the lowest industry-wide combined ratio in history. As most would have assumed, 2005 was to be another year of underwriting profitability and, while significant, even the losses from the storm season are unlikely to dramatically change the macro cycle.

For Progressive, understanding this cycle translates into playing the right hand at the right time.

About one full cycle ago, the industry was reporting peak underwriting profitability. In 1998, Progressive reported a healthy underwriting profit of 8.4%, but our growth was slowing. Our culture thrives on profitable growth, and slowing growth does not sit well at any level in the organization — now or then. We responded with price reductions in the hope of additional profitable growth. These reductions, combined with an unanticipated increase in claim frequency and severity and a host of other contributing factors, decreased our underwriting profit to 1.7% in 1999 and led to an underwriting loss of 4.4% in 2000.

In our own small way we contributed to the cycle. As we review today's market conditions there are reasons to respect the parallels to that time. We are more experienced, but imperfect, in valuing the benefit of rate reductions during market conditions in which consumers experience rate stability or decreases. As such, we have chosen to be more deliberate in using rate reductions in search of profitable growth. Drive Insurance, which operates in an environment where rates are continuously compared to competitive options, reduced rates modestly during the year and found it very hard to get growth in new applications. Progressive Direct kept rates relatively stable for the year and was able to grow new applications, albeit at a pace far less than we could have handled and would have preferred.

Change in market pricing is reflected in year-over-year growth in net premiums written for the auto insurance industry. In 2004, the year-over-year growth in net premiums written fell to

4.2% from the prior three-year average of 8%. For 2005, we estimate the year-over-year increase in net premiums written for the auto insurance industry will be about 1%. Our knowledge of the calculus combining price, growth and profit, while increasing, remains a challenge and something we want to be smart about.

Reviewing Progressive's and the industry's results through 2005 and noting the possible analogue to past cycles, we would make a few important observations. Operating margins, while historically strong, are starting to deteriorate. Modestly increasing severity, notably in physical damage coverages, combined with price reductions, will likely reduce current margins. Prior period bodily injury severities, which have the highest sensitivity to carried reserves, have generally been overestimated resulting in favorable calendar-period adjustments. In Progressive's case, the overall favorable calendar-year adjustment was 2.6 points for 2005. Calendar-period reporting has a way of disguising the run rate and perhaps delaying appropriate reactions. We have for some time forecast that Progressive would slowly return to more normal operating margins by allowing expected increases in severity, and potentially frequency, to absorb the margin in excess of our target rather than immediately price it away. We continue to believe this is the right way for us to address these market conditions.

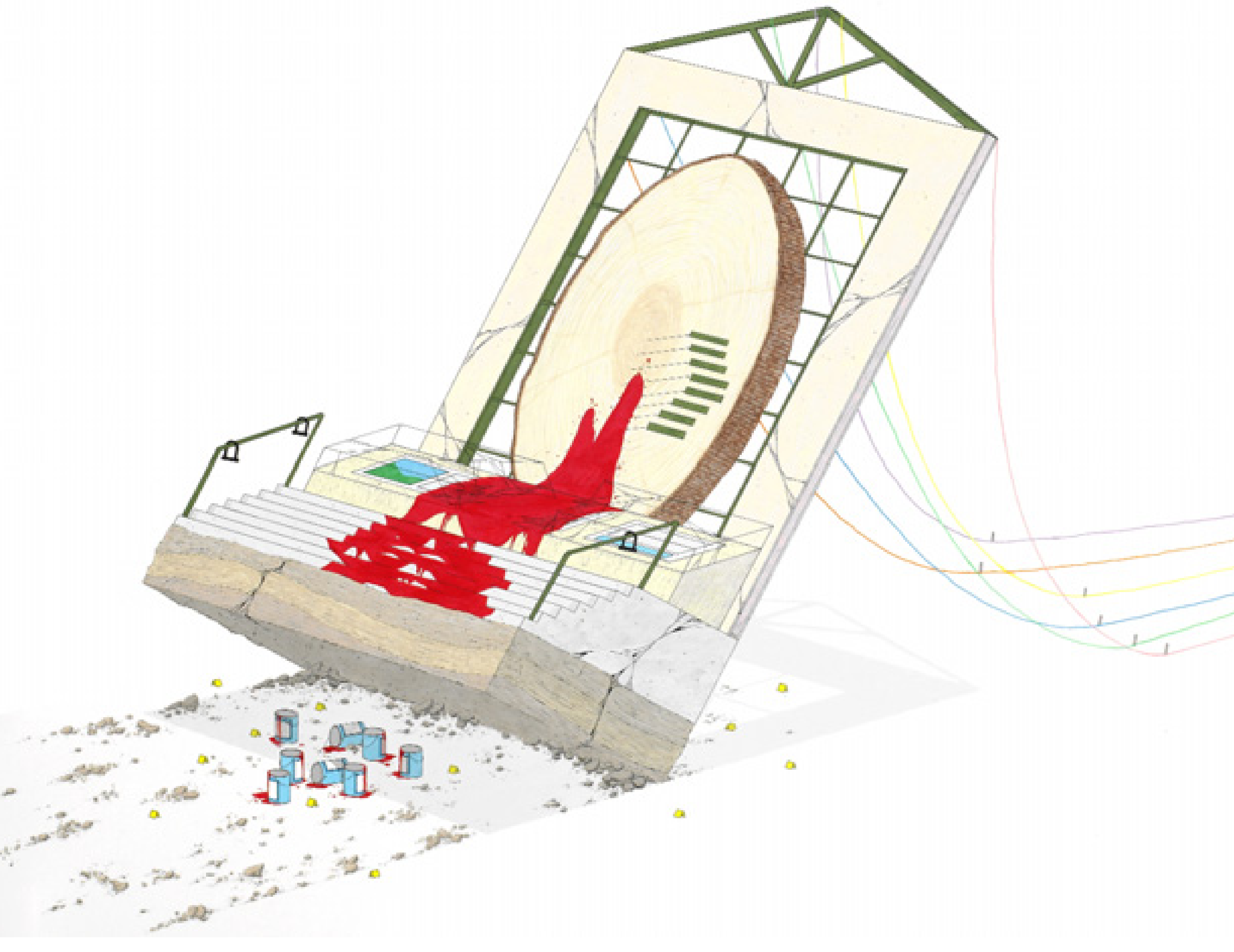
We see 2006 as a year when accident-year results both for Progressive and the industry may begin producing smaller margins and trending toward more historical norms. As with any outlook there are unknowns. The level of price activity and the degree of severity and frequency change will be critical as we play our hand during this phase of the cycle.

History has been an influential teacher and as we work through this phase of the cycle many things are different and, we think, better for us. Our personal auto policy periods are shorter, providing greater flexibility to price correctly and our controls and analytic review of profitability by subsegments of our book are more rigorous. We are clearer about our expected outcomes. Loss cost and expense management are all considerably tighter and our technology and operational performance are considerably improved.

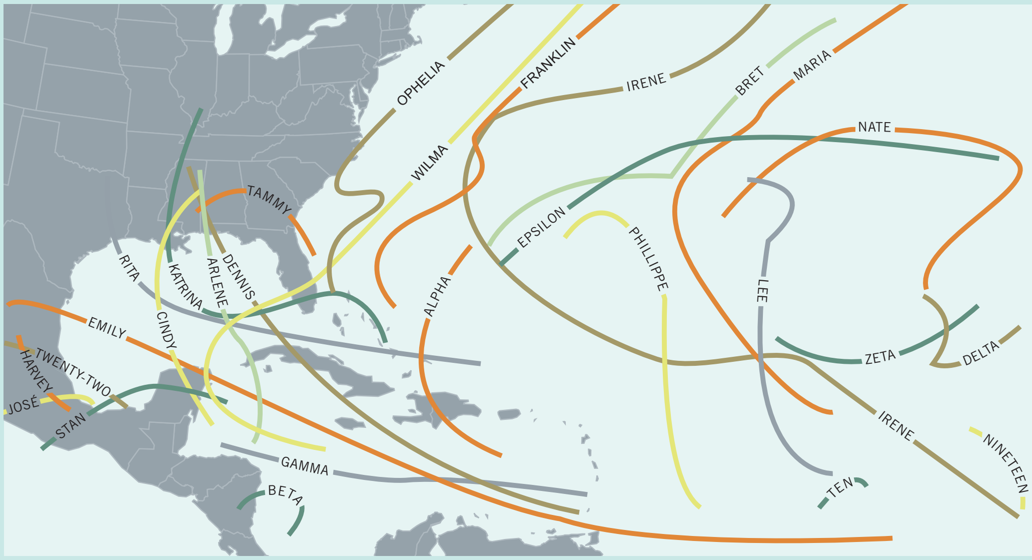
While accepting that current market conditions will likely continue to influence our growth during 2006, and that growth will be less than we believe we are ready to handle, we have embraced this time and opportunity as one of "maximum preparedness" for the future we anticipate.

MAXIMUM PREPAREDNESS

Underwriting cycle aside, our future will largely be determined by how we craft it, and we have many important initiatives that continue to excite me. A slightly less glamorous way to describe ourselves and our ability to compete would be to suggest we do three things well that really matter. We allocate costs between consumers in ways that best match their expected costs, we manage the claims and administrative costs that must ultimately be allocated, and we provide superior consumer experiences. Our maximum preparedness agenda is designed to encompass the many things we know matter in our business and to optimize our performance on a few very strategic initiatives that create meaningful and, in some cases, distinctive competitive advantages.



STORM TRACKING – 2005 SEASON



Claims Our single largest cost and one of our most visible consumer experiences has continued to demonstrate steady and consistent improvement. Our emphasis on claims handling quality and critical review has again established a new high-water mark. While the rate of improvement, by definition, will slow, this is likely the single most important and sustained operational improvement of the last several years. Even more important perhaps is that our claims quality improved in growth periods suggesting, as we believe, claims quality is largely a function of system-wide process design and effective implementation. We expect when margins thin the competitive benefits will be more apparent.

Last year, I reported that we used the year to fully evaluate every aspect of our concierge-level claims service and concluded by year end that our evaluation discipline and planning had positioned us well for expansion throughout 2005 and 2006. We opened six new facilities in 2005 and ended the year with 18 under construction. 2006 will be a big year with about 30 planned openings. As passionate and involved as I have been with this initiative, I continue to be surprised and impressed by the level of detail and science our people have built around the concept, and just how critical that detail is to ensure success. My confidence in more than doubling the number of sites in just one year reflects that we are now observing that each opening builds on the success of those before it and has a much abbreviated learning curve. Several years ago I suggested that this initiative would change our business in profound ways, improving the customer and employee experience, reducing the friction costs associated with claims handling, improving the interaction with body shops and leveraging scale advantages in meaningful ways. I am now more confident than ever and we have started to think more in terms of how not to deprive our customers of this level of service where we can offer it economically.

A theme highlighted by this report is the significance and value of time in a service economy. More than anything else the concierge level of service respects our customers' and claimants' time and works effectively to minimize the cycle time of repairs, resulting in cost-management opportunities at every step of the process.

Speaking of time, our claims responsiveness was once again put to the test in what appeared to be the never-ending storm season of 2005. We have reported at length on the storms and their economic toll, but the real story is that, when tested, our claims organization's ability to produce excellent closure rates and great customer service was, we believe, second to none. A by-product of a storm season of this year's magnitude is that it is likely that more people than ever, in a concentrated period of time, have experienced an insurance claim of one type or another. We intend to confirm our understanding of our performance by conducting an independent survey of Gulf States claims handling. Determining where we have room for improvement will be the only assessment of long-term value. Timely response in this case is not just great customer service, it's good business. Responding to customers quickly adds certainty to our external financial disclosures as well as to the internal data we use for pricing.

Marketing 2005 was the first full year operating with two distinct brand offerings. Providing consumers the choice of both an agent-distributed product, now sold as Drive® Insurance from Progressive, and a direct-to-consumer product, Progressive Direct℠, is both exciting and important positioning for us. Each brand presents distinct challenges in product design, pricing and competitive focus. The power of this choice and positioning was highlighted for me when we entered New Jersey in September and were able to announce the availability of two top-ten national brands, providing consumers with different and valid choices in how to buy their auto insurance. Significant opportunities exist for both brands to develop and improve but, with a year behind us, the opportunities are starting to be realized and we are encouraged by the potential.

A notable and welcomed development for Progressive Direct during the year was the continued strong growth from customers initiating and buying policies on the Internet. Our Web-based activities celebrated their ten-year anniversary in 2005 with some remarkable accomplishments, and as we look toward the next decade, we expect the changes to be equally profound.

We are pleased with, and very committed to, our positioning of Progressive relative to Internet consumers and see tremendous potential in everything we do to leverage our leadership further. The continuous enhancement of Internet features and capabilities in Agent and Direct quoting, customer service and claims management are all central to our preparedness plans.

Retention and Customer Service Last year in this letter, I wrote that we are at our best when challenged and that improving retention is a challenge we have accepted. During a period in which price pressure appears to be a less significant reason for consumers to switch, our overall retention measures have not extended at a rate we might have expected. This has forced us to examine the customer experiences we provide at ever-increasing levels of granularity. We have not always liked what we've seen. Self diagnosis seems easy upon first blush, but to understand effectively the countless combinations of customer experiences makes the effort a significant commitment. In more cases than we would like, the cause of a less than perfect customer experience is what we have called "friendly fire."

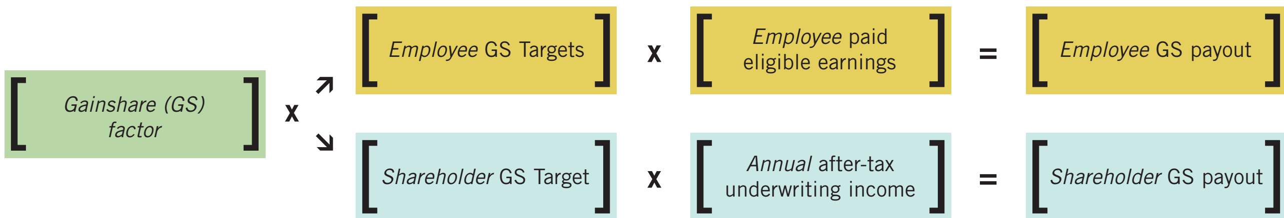
While we are proud of our overall service and experience delivery, we can do better. Friendly fire, as we have seen, can result from process breakdowns, poor quality control, actions that are generally applied that should be more targeted, failure to communicate as effectively as the situation deserves, and the like. We are using more finely tuned statistical process control tools, numerous cause analysis methods and a heightened attention to customer feedback in our efforts to take our customer care focus to a level consistent with our expectations. To increase the speed, completeness and intensity of our self analysis of customer experiences we have created a participation benefit for our employees to be both customers and critics. Eating our own cooking, combined with the Progressive culture to be "Virtually Perfect" in all we do, will unquestionably create some healthy tension, but I have little doubt having more Progressive people as Progressive customers will be an effective catalyst as we continue to improve our product offerings and consumer experiences.

Technology Advancing our technology interface with agents and consumers and increasing internal functionality is a routine part of our individual business operations and is funded and managed as such. Our plans in each area are directed at long-term cost management and providing superior customer experiences. 2006 promises to be another productive year. To add to our ongoing preparedness, we have two companywide initiatives under way for which the next 18 months will be crucial. The first is replacing the customer and policy management system that has served us well but is not consistent with our views of future needs. The second is adding a data center that will ensure that not only is capacity not constrained but that a very high level of system availability and disaster preparedness is assured.

INVESTMENTS AND CAPITAL MANAGEMENT

Solid growth in the economy and improving profits supported the equity markets in 2005 while "measured" interest rate increases from the Federal Reserve pushed short-term rates higher to essentially flat with steady longer maturity yields. We took advantage of interest rate volatility during the year to shorten our portfolio's average maturity when rates were low and extend it when rates increased. We decreased our exposure to corporate and other non-government issued bonds early in the year, believing the incremental yield premium relative to U.S. treasury bonds was insufficient for the risk taken. Our portfolio produced a 4% total return in 2005 with equities tracking their benchmark and fixed-income securities performing better than the general bond market.

USE OF GAINSHARE TO ALIGN SHAREHOLDER AND EMPLOYEE INTERESTS



Our long-standing and continuing position on capital management is to repurchase shares when our capital position, view of the future, and the stock's price make it attractive to do so. Growth rates and profitability levels during 2005 happily led to an assessment that we were accumulating capital in excess of that which we believed was needed and prudent to run the business. Committed to executing against our capital management strategy, we entered 2005 with regular monthly share repurchases. The average repurchase price per share in January was $83.46, below the $88 of the "Dutch auction" we had completed just three months earlier. By September our repurchase price was just under $100. October and November saw rapid escalation in the stock price peaking near $125; while delighted for shareholders, this level of volatility suggested we should pause for a while, which we did before repurchasing again in December at $118.92.

Progressive's business model is designed to produce profitable growth over any reasonable period and support that growth from underwriting results. Based on our current market share and competitive positioning, we see no significant constraints to this outlook. Internally, our Gainsharing measure, focused exclusively on underwriting performance, provides a significant degree of self regulation to this objective. With this as a backdrop, we have challenged ourselves to develop a more comprehensive view of capital husbandry that is more aligned with our business model. The most significant change we plan to implement is to our dividend policy. In 2007, we will replace modest quarterly dividends with an annual variable dividend payable after the close of the year. The special dividend will, absent extraordinary circumstances, be declared by the Board based on a Board-selected target percentage of after-tax underwriting profit, multiplied by the companywide Gainshare factor. The target percentage will be declared prior to the start of the year and the Gainshare score, between 0 and 2, will be reported each month as it develops. This adds a significant dimension to our ability to return capital to shareholders in balance with performance and our expected future capital needs. In addition, it provides for an ownership proposition well aligned with companywide performance management incentives. We have stress tested this concept using a 20% target and actual Gainshare scores for the last decade and are convinced it produces the desired outcomes of returning capital to owners in periods in which we do not require additional capital and retaining capital when we can effectively deploy it in the business. Using 2005 performance as an example, the dividend payable in early 2006 would have been $1.66 per share versus $0.12 under the current dividend policy. While this change provides a means for a more consistent capital distribution when appropriate to do so, we are still committed to our repurchase activity as an important part of our immediate and long-term capital management. At a minimum, we will continue to neutralize dilution from equity-based compensation, in the year of issuance, through share repurchases. With this addition to our capital management tool set, we believe we will be much better suited to deal with the range of outcomes from our business model and create suitable flexibility for owners under varying tax environments.

We have for some time included in our Financial Policies that we will split the stock when the share price exceeds $100 for a reasonable period of time. We last split the stock 3:1 in April 2002. As I write this letter, we are approaching a time when both conditions have been met, and I expect our Board of Directors will vote on such an action during their meeting immediately following the Annual Meeting of Shareholders in April. We currently do not have enough authorized shares to provide significant flexibility in considering a range of split scenarios and have placed a request for increased authorization before the shareholders. We have attempted to study many factors to determine whether splitting the stock and having it trade in a price range more consistent with the market as a whole is an appropriate thing to do. Our work in this area is not definitive, but we are now less sure that forecasting parameters of any future split is important to our capital management philosophy. Therefore, we will remove that commitment from our Financial Policies going forward.

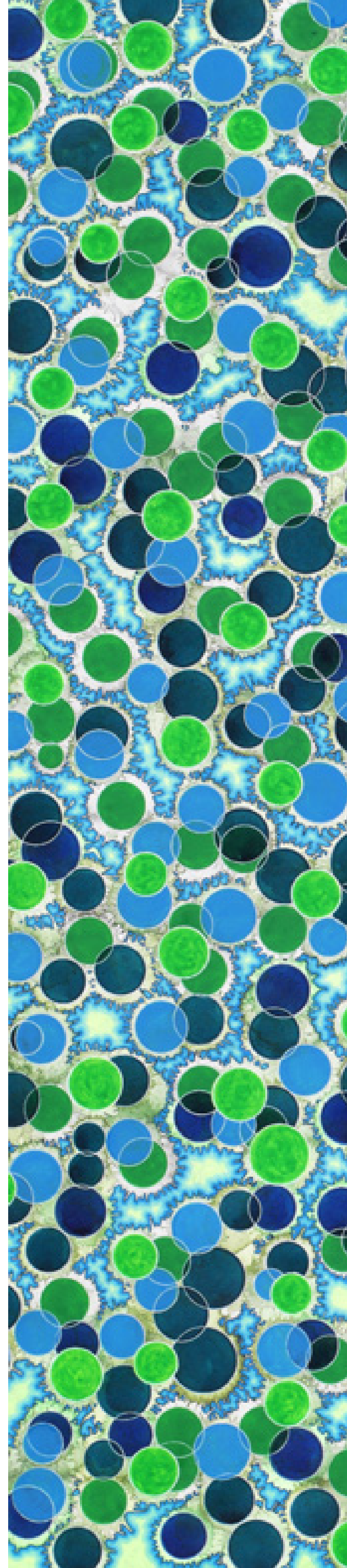
CONSTANCY OF PURPOSE

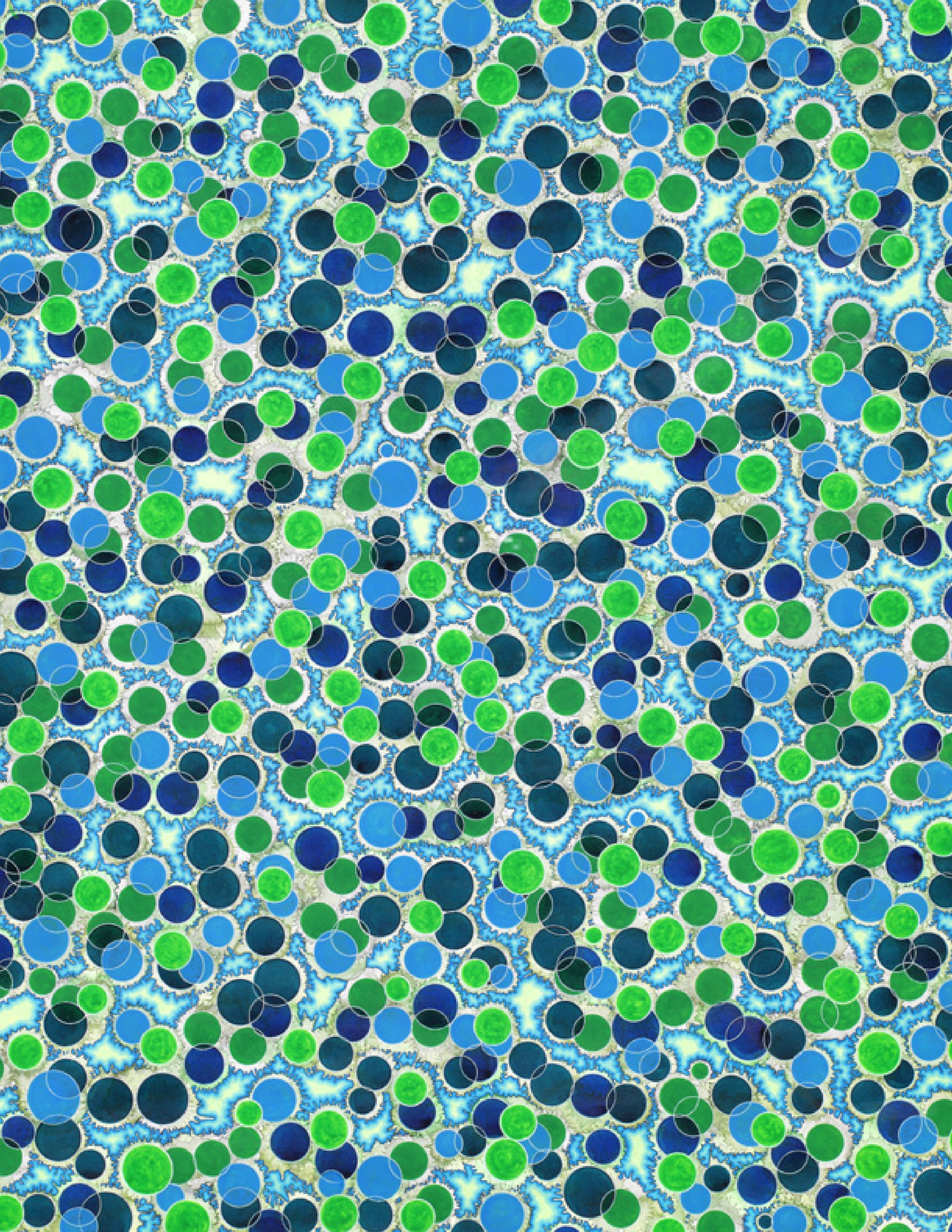
Just as measurement is central to Progressive's business discipline, our Core Values, aspirations and people are central to our business culture.

We are continuously motivated by our aspiration of becoming Consumers' #1 Choice for Auto Insurance and in 2005 moved another step closer, ending the year with close to 10 million policies and enormous potential. Nothing we have achieved has been without the efforts of so many and our single most important initiative continues to be making Progressive a Great Place to Work. Creating an environment where our people enjoy working hard, are motivated to do their best, can grow constantly and one that others want to join is a never-ending focus and has a special permanency. Our measures of the culture and work environment provide us both confidence and challenge in our efforts to ensure the Progressive culture continuously matches our aspirations.

We greatly appreciate the customers we are privileged to serve, the more than 28,000 Progressive people who make it all possible, the agents and brokers who choose to represent us and shareholders who believe in what we are doing.

Glenn M. Renwick
President and Chief Executive Officer





time = dedication

WE MUST USE TIME
AS A TOOL,
NOT AS A CRUTCH.
John F. Kennedy

CONSISTENT ACHIEVEMENT OF SUPERIOR RESULTS REQUIRES that our people understand Progressive's objectives and their specific roles, and that their personal objectives dovetail with Progressive's. Our objectives are ambitious, yet realistic. We recognize that the dynamics of each distribution channel are very different and, therefore, have established a product management system responsible for achieving these financial objectives over rolling five-year periods. Progressive monitors its financial policies continuously and strives to meet these targets annually. Experience always clarifies objectives and illuminates better policies. We constantly evolve as we monitor the execution of our policies and progress toward achieving our objectives.

OBJECTIVES

Profitability Progressive's most important goal is for our insurance subsidiaries to produce an aggregate calendar-year underwriting profit of at least 4%. Our business is a composite of many product offerings defined in part by product type, distribution channel, geography, tenure of the customer and underwriting grouping. Each of these products has targeted operating parameters based on level of maturity, underlying cost structures, customer mix and policy life expectancy. Our aggregate goal is the balanced blend of these individual performance targets in any calendar year.

Growth Our goal is to grow as fast as possible, constrained only by our profitability objective and our ability to provide high-quality customer service. Progressive is a growth-oriented company and management incentives are tied to profitable growth.

We report Personal Lines and Commercial Auto results separately. We further break down our Personal Lines' results by channel (Drive and Direct) to give shareholders a clearer picture of the business dynamics of each distribution method and their respective rates of growth. Aggregate expense ratios and aggregate growth rates disguise the true nature and performance of each business.

FINANCIAL POLICIES

Progressive balances operating risk with risk of investing and financing activities in order to have sufficient capital to support all the insurance we can profitably underwrite and service. Risks arise in all operational and functional areas, and therefore must be assessed holistically, accounting for the offsetting and compounding effects of the separate sources of risk within the Company.

We use risk management tools to quantify the amount of capital needed, in addition to surplus, to absorb consequences of foreseeable events such as unfavorable loss reserve development, litigation, weather-related catastrophes and investment market corrections. Our financial policies define our allocation of risk and we measure our performance against them. If, in our view, future opportunities meet our financial objectives and policies, we will invest capital in expanding business operations. Under-leveraged capital will be returned to investors. We expect to earn a return on equity greater than its cost. Presented is an overview of Progressive's Operating, Investing and Financing policies.

Operating Monitor pricing and reserving discipline

+ Manage profitability targets and operational performance at our lowest level of product definition
+ Sustain premiums-to-surplus ratios at efficient levels, and below applicable state regulations, for each insurance subsidiary
+ Ensure loss reserves are adequate and develop with minimal variance

Investing Maintain a liquid, diversified, high-quality investment portfolio

+ Manage on a total return basis
+ Target an 85%:15% allocation for fixed-income securities and common equities
+ Manage interest rate, credit, prepayment, extension and concentration risk

Financing Maintain sufficient capital to support insurance operations

+ Maintain debt below 30% of total capital at book value
+ Neutralize dilution from equity-based compensation in the year of issuance through share repurchases
+ Return under-leveraged capital through share repurchases and a variable dividend program based on annual underwriting results

OBJECTIVES AND POLICIES SCORECARD

Financial Results	Target	2005	2004	2003	5 Years[1]	10 Years[1]
Underwriting margin – Progressive	4%	11.9%	14.9%	12.7%	11.2%	8.7%
Industry[2]	na	5.0%	5.7%	1.6%	.5%	(1.1)%
Net premiums written growth	(a)	5%	12%	26%	18%	17%
Companywide premiums-to-surplus ratio	(b)	3.0	2.9	2.6	na	na
Investment allocation – fixed:equity	85%:15%	85%:15%	86%:14%	84%:16%	na	na
Debt-to-total capital ratio	<30%	17.4%	19.9%	22.8%	na	na
Return on average shareholders' equity (ROE)[3]	(c)	25.0%	30.0%	29.1%	24.5%	20.8%
Comprehensive ROE[4]	(c)	24.1%	30.4%	35.0%	26.1%	21.8%

(a) Grow as fast as possible, constrained only by our profitability objective and our ability to provide high-quality customer service.

(b) Determined separately for each insurance subsidiary.

(c) The Company does not have a predetermined target for ROE.

na = not applicable

1 Represents results over the respective time period; growth represents average annual compounded rate of increase.

2 Represents the U.S. personal auto insurance industry; 2005 is estimated.

3 Based on net income.

4 Based on comprehensive income. Comprehensive ROE is consistent with the Company's policy to manage on a total return basis and better reflects growth in shareholder value. For a reconciliation of net income to comprehensive income and for the components of comprehensive income, see the Company's *Consolidated Statements of Changes in Shareholders' Equity* and *Note 10 – Other Comprehensive Income*, respectively, which can be found in the complete Consolidated Financial Statements and Notes included in the Company's 2005 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2006 Proxy Statement.

ACHIEVEMENTS

We are convinced that the best way to maximize shareholder value is to achieve these financial objectives and policies consistently. A shareholder who purchased 100 shares of Progressive for $1,800 in our first public stock offering on April 15, 1971, owned 23,066 shares on December 31, 2005, with a market value of $2,693,650, for a 23.5% compounded annual return, compared to the 7.5% return achieved by investors in the Standard & Poor's 500 during the same period. In addition, the shareholder received dividends of $2,768 in 2005, bringing total dividends received to $34,335 since the shares were purchased.

In the ten years since December 31, 1995, Progressive shareholders have realized compounded annual returns, including dividend reinvestment, of 22.0%, compared to 9.1% for the S&P 500. In the five years since December 31, 2000, Progressive shareholders' returns were 27.8%, compared to .6% for the S&P 500. In 2005, the returns were 37.9% on Progressive shares and 4.9% for the S&P 500.

Over the years, when we have had adequate capital and believed it to be appropriate, we have repurchased our shares. In addition, as our Financial Policies state, we will repurchase shares to neutralize the dilution from equity-based compensation programs and return any underleveraged capital to investors. During 2005, the Company repurchased 5,197,686 Common Shares during the year at a total cost of $482.8 million with an average cost of $92.89 per share. Since 1971, we spent $3.4 billion repurchasing our shares, at an average cost of $14.24 per share.

OPERATIONS SUMMARY

Drive® Insurance from Progressive In 2005, results for Drive Insurance from Progressive were mixed. Profit margins were very healthy, with a combined ratio of 89.3. We kept our overall expense ratio flat at 20.2, despite adding significant new expenditures related to building the Drive brand. On the other hand, growth was not as strong. Our auto policies in force count grew 6%, largely due to renewals and improvements in retention, while written premiums grew only 1%, as falling average premiums per policy offset unit growth. Relative to 2004, new auto applications were down despite a slight increase in the number of quotes.

Simply put, the auto insurance market is soft. As rates drop, consumers are given less reason to shop at renewal; our data, as well as competitors', bear this out. This declining base of shoppers is being chased by an increasingly aggressive set of competitors applying rate reductions, redesigned underwriting, and enhanced marketing and producer compensation.

Despite the competitive market, there are successes to report. After a 20-year absence, we re-entered New Jersey with our auto product. Early results are very encouraging. In addition, we believe that market dislocation and our superior handling of catastrophe-related claims in the Gulf states are creating opportunities there. The portion of our business generated by alliances with other carriers is growing. And, our Special Lines business (primarily motorcycles, boats and recreational vehicles) grew 13% nearing the $800 million mark for premiums written in 2005.

We continued to build on the introduction of our new brand, Drive Insurance from Progressive. In 2005, nearly two million unique visitors came to our new Web site, driveinsurance.com. We continued to enhance functionality of our agency-dedicated Web site, ForAgentsOnly.com, and improved our interface with agency management and comparative rating systems, making it even easier for independent agents to quote and sell our products. We also concluded extensive testing of localized marketing tactics that will allow us to offer a broad array of co-branded marketing tools to agents in 2006. Agent acceptance of the new brand is strong; our biggest problem is meeting agents' demand for more marketing materials—not altogether a bad problem to have.

	2005	2004	Change
Net Premiums Written (in billions)	$ 8.0	$ 7.9	1%
Net Premiums Earned (in billions)	$ 8.0	$ 7.9	1%
Loss and loss adjustment expense ratio	69.1	65.8	3.3 pts.
Underwriting expense ratio	20.2	20.2	— pts.
Combined ratio	89.3	86.0	3.3 pts.
Auto Policies in Force (in thousands)	4,491	4,245	6%

Progressive Direct[SM] Progressive Direct generated solid growth in 2005, with a combined ratio of 88.3. Our expense ratio declined .5 points, resulting from more renewals and a shift to more sales on the Internet vs. phone. Net premiums written grew 10%. Growth is a function of changes in prices, new sales and customer retention. Auto insurance prices, as measured by changes in our rating plans, were relatively stable, although average earned premiums per policy decreased about 2%. New sales were up 8% and auto policies in force grew 12%, despite a slight decline in retention. We were pleased with the growth in the sale of new policies particularly in light of the continued dramatic increase in advertising spend by our competitors in 2005. Our own advertising spend increased 14% despite a decrease in our use of direct mail. We are now making more use of media such as Internet and radio. We feel our advertising creative has become more distinctive and recognizable.

Our overall new business growth has come through Internet-sales platforms, as business generated entirely through telephone contact declined. We successfully introduced a next generation Web-quoting platform that offers a much faster online quoting experience and has led to an increase in our Web application completion rate. We introduced “talk to me” functionality, allowing Internet customers to instantly start a telephone conversation with a licensed professional who can access their quote real-time and provide them counsel.

In 2005, we launched a New Jersey product that has performed to our expectations, and we are continuing to see our Special Lines business grow.

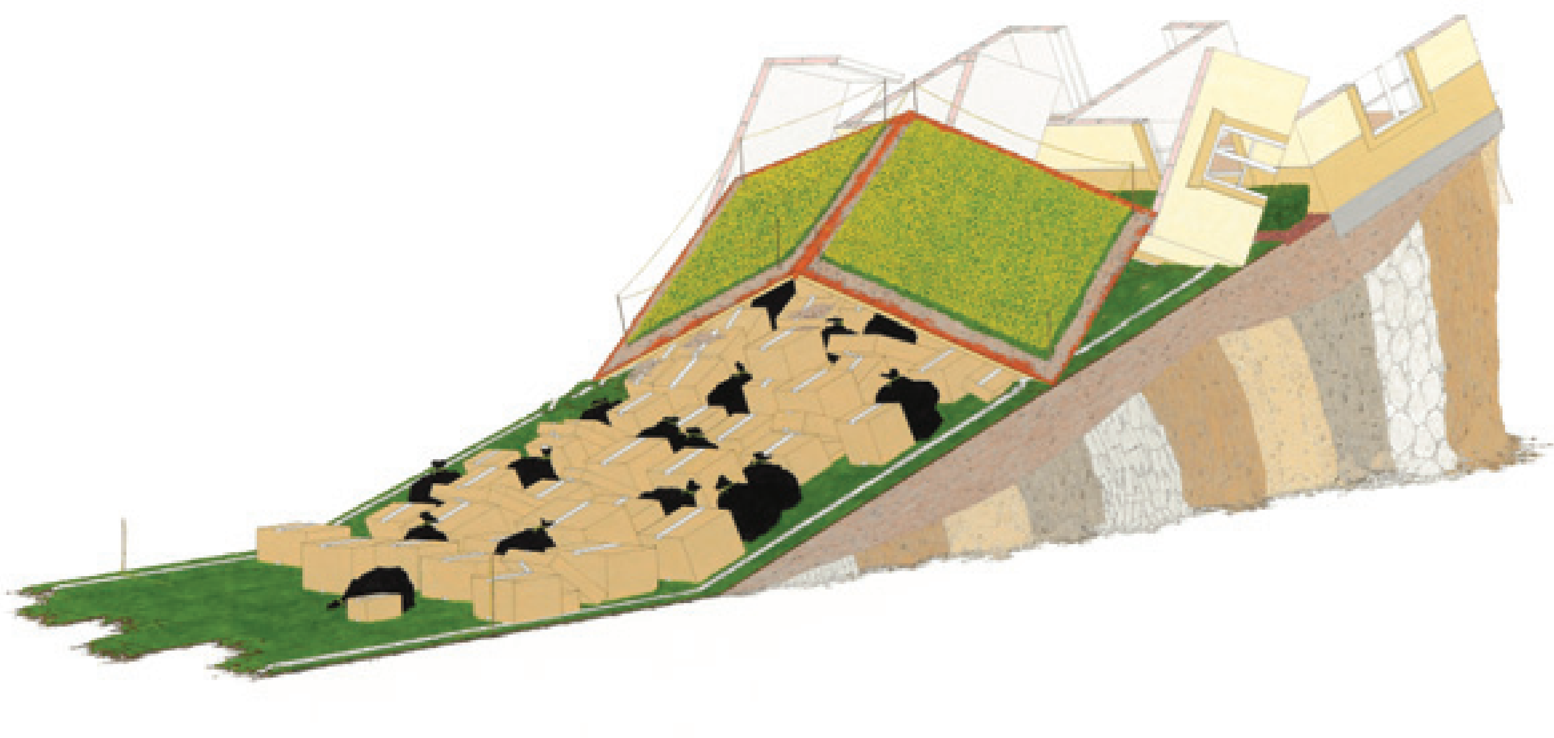
	2005	2004	Change
Net Premiums Written (in billions)	$ 4.2	$ 3.8	10%
Net Premiums Earned (in billions)	$ 4.1	$ 3.7	10%
Loss and loss adjustment expense ratio	68.4	65.5	2.9 pts.
Underwriting expense ratio	19.9	20.4	(.5) pts.
Combined ratio	88.3	85.9	2.4 pts.
Auto Policies in Force (in thousands)	2,328	2,084	12%

Commercial Auto From late 2004 and throughout 2005, the commercial auto market experienced broad rate decreases for the first time in six years. Although slight in nature, this rate action comes after the industry's extremely profitable 2004 and is indicative of the continued soft market. Competitors have also become more active in the truck owner-operator market, one of our core strengths. However, because of our competitive position in the Gulf region and our product's entry into North and South Dakota, New Hampshire and South Carolina in 2004 and early 2005, we gained moderate share last year. Net written premiums grew 11% to $1.8 billion and policies in force rose 11%. We ended the year still the third largest writer in the commercial auto industry.

During 2005, rates were reduced in selective states when there was an opportunity to grow or in response to a significant competitive threat. In addition, accident frequency was lower than expected. We also completed a transition from 6-month to 12-month policies to better align with commercial customer preference and to increase our retention on the renewal book. As a result, we enjoyed another year of strong profits.

While the coming year will be very competitive, several opportunities await. In December, we entered New Jersey, the 6th largest commercial auto market in the country, and have been warmly received by independent agents there. In addition, a foundation has been laid to significantly expand our agency presence in North Carolina and we expect to enter West Virginia in the first quarter 2006.

	2005	2004	Change
Net Premiums Written (in billions)	$ 1.8	$ 1.6	11%
Net Premiums Earned (in billions)	$ 1.7	$ 1.5	9%
Loss and loss adjustment expense ratio	62.4	59.7	2.7 pts.
Underwriting expense ratio	19.7	19.2	.5 pts.
Combined ratio	82.1	78.9	3.2 pts.
Policies in Force (in thousands)	468	420	11%



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TO ACHIEVE GREAT THINGS,
TWO THINGS ARE NEEDED; A PLAN,
AND NOT QUITE ENOUGH TIME.
Leonard Bernstein

BASIS OF PRESENTATION The accompanying consolidated financial statements include the accounts of The Progressive Corporation, its subsidiaries and affiliate (the Company). These financial statements should be read in conjunction with the complete Consolidated Financial Statements, including complete Notes to the Consolidated Financial Statements, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and Supplemental Information, which are included in the Company's 2005 Annual Report to Shareholders, which is attached as an Appendix to The Progressive Corporation's 2006 Proxy Statement.

{Consolidated Statements of Income}

(millions – except per share amounts)

For the years ended December 31,	2005	2004	2003
REVENUES			
Net premiums earned	$ 13,764.4	$ 13,169.9	$ 11,341.0
Investment income	536.7	484.4	465.3
Net realized gains (losses) on securities	(37.9)	79.3	12.7
Service revenues	40.2	48.5	41.8
Other income[1]	—	—	31.2
Total revenues	14,303.4	13,782.1	11,892.0
EXPENSES			
Losses and loss adjustment expenses	9,364.8	8,555.0	7,640.4
Policy acquisition costs	1,448.2	1,418.0	1,249.1
Other underwriting expenses	1,312.2	1,238.6	1,010.1
Investment expenses	12.1	13.9	11.5
Service expenses	24.6	25.0	25.7
Interest expense	82.6	80.8	95.5
Total expenses	12,244.5	11,331.3	10,032.3
NET INCOME			
Income before income taxes	2,058.9	2,450.8	1,859.7
Provision for income taxes	665.0	802.1	604.3
Net income	$ 1,393.9	$ 1,648.7	$ 1,255.4
COMPUTATION OF EARNINGS PER SHARE			
Basic:			
Average shares outstanding	196.9	212.9	216.8
Per share	$ 7.08	$ 7.74	$ 5.79
Diluted:			
Average shares outstanding	196.9	212.9	216.8
Net effect of dilutive stock-based compensation	2.9	3.3	3.7
Total equivalent shares	199.8	216.2	220.5
Per share	$ 6.98	$ 7.63	$ 5.69

[1]Represents interest earned on an income tax refund. See *Note 3 – Income Taxes*, in the Company's 2005 Annual Report to Shareholders, for further discussion.

See notes to the complete consolidated financial statements included in the Company's 2005 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2006 Proxy Statement.

(millions)

December 31,	2005	2004
ASSETS		
Investments – Available-for-sale, at market:		
Fixed maturities (amortized cost: $10,260.7 and $8,972.6)	$ 10,221.9	$ 9,084.3
Equity securities:		
Preferred stocks (cost: $1,217.0 and $749.4)	1,220.3	768.9
Common equities (cost: $1,423.4 and $1,314.0)	2,058.9	1,851.9
Short-term investments (amortized cost: $773.5 and $1,376.6)	773.6	1,376.9
Total investments	14,274.7	13,082.0
Cash	5.6	20.0
Accrued investment income	133.1	103.5
Premiums receivable, net of allowance for doubtful accounts of $116.3 and $83.8	2,500.7	2,287.2
Reinsurance recoverables, including $58.5 and $44.5 on paid losses	405.7	381.6
Prepaid reinsurance premiums	103.7	119.8
Deferred acquisition costs	444.8	432.2
Income taxes	138.3	—
Property and equipment, net of accumulated depreciation of $562.0 and $562.1	758.7	666.5
Other assets	133.3	91.5
Total assets	$ 18,898.6	$ 17,184.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unearned premiums	$ 4,335.1	$ 4,108.0
Loss and loss adjustment expense reserves	5,660.3	5,285.6
Accounts payable, accrued expenses and other liabilities	1,510.8	1,325.0
Income taxes	—	26.0
Debt[1]	1,284.9	1,284.3
Total liabilities	12,791.1	12,028.9
Shareholders' equity:		
Common Shares, $1.00 par value (authorized 600.0; issued 213.1 and 213.2, including treasury shares of 15.8 and 12.8)	197.3	200.4
Paid-in capital	848.2	743.3
Unamortized restricted stock	(62.7)	(46.0)
Accumulated other comprehensive income:		
Net unrealized gains on securities	390.1	435.1
Net unrealized gains on forecasted transactions	8.6	9.7
Retained earnings	4,726.0	3,812.9
Total shareholders' equity	6,107.5	5,155.4
Total liabilities and shareholders' equity	$ 18,898.6	$ 17,184.3

[1]Includes current and non-current debt. See *Note 4—Debt*, in the Company's 2005 Annual Report to Shareholders, for further discussion.

See notes to the complete consolidated financial statements included in the Company's 2005 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2006 Proxy Statement.

{Consolidated Statements of Changes in Shareholders' Equity}

(millions – except per share amounts)

For the years ended December 31,	2005		2004		2003	
RETAINED EARNINGS						
Balance, Beginning of year	$ 3,812.9		$ 3,729.8		$ 2,796.0	
Net income	1,393.9	$ 1,393.9	1,648.7	$1,648.7	1,255.4	$1,255.4
Cash dividends on Common Shares ($.12, $.11 and $.10 per share)	(23.7)		(23.3)		(21.7)	
Treasury shares purchased[1]	(457.0)		(1,542.4)		(297.5)	
Other, net	(.1)		.1		(2.4)	
Balance, End of year	$ 4,726.0		$ 3,812.9		$ 3,729.8	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX						
Balance, Beginning of year	$ 444.8		$ 425.0		$ 169.3	
Changes in:						
Net unrealized gains on securities		(45.0)		16.9		255.8
Net unrealized gains on forecasted transactions		(1.1)		(1.0)		(1.0)
Foreign currency translation adjustment		—		3.9		.9
Other comprehensive income	(46.1)	(46.1)	19.8	19.8	255.7	255.7
Balance, End of year	$ 398.7		$ 444.8		$ 425.0	
Comprehensive Income		$ 1,347.8		$1,668.5		$1,511.1
COMMON SHARES, $1.00 PAR VALUE						
Balance, Beginning of year	$ 200.4		$ 216.4		$ 218.0	
Stock options exercised	1.6		2.1		2.8	
Treasury shares purchased[1]	(5.2)		(18.6)		(5.0)	
Restricted stock issued, net of forfeitures	.5		.5		.6	
Balance, End of year	$ 197.3		$ 200.4		$ 216.4	
PAID-IN CAPITAL						
Balance, Beginning of year	$ 743.3		$ 688.3		$ 584.7	
Stock options exercised	42.6		49.6		47.2	
Tax benefits from exercise/vesting of stock-based compensation	41.2		44.3		44.0	
Treasury shares purchased[1]	(20.6)		(67.5)		(14.3)	
Restricted stock issued, net of forfeitures	41.7		27.3		26.7	
Other	—		1.3		—	
Balance, End of year	$ 848.2		$ 743.3		$ 688.3	
UNAMORTIZED RESTRICTED STOCK						
Balance, Beginning of year	$ (46.0)		$ (28.9)		$ —	
Restricted stock issued, net of forfeitures	(42.2)		(40.6)		(37.3)	
Restricted stock market value adjustment	(8.2)		(.3)		(2.6)	
Amortization of restricted stock	33.7		23.8		11.0	
Balance, End of year	$ (62.7)		$ (46.0)		$ (28.9)	
Total Shareholders' Equity	$ 6,107.5		$ 5,155.4		$ 5,030.6	

[1]Includes 16.9 million Common Shares purchased pursuant to a "Dutch auction" tender offer in 2004; these shares were purchased at a price of $88 per share, for a total cost of $1.5 billion.

There are 20.0 million Serial Preferred Shares authorized; no such shares are issued or outstanding.

There are 5.0 million Voting Preference Shares authorized; no such shares have been issued.

See notes to the complete consolidated financial statements included in the Company's 2005 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2006 Proxy Statement.

(millions)

For the years ended December 31,	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,393.9	$ 1,648.7	$ 1,255.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	92.4	99.4	89.3
Amortization of fixed maturities	189.6	168.9	103.2
Amortization of restricted stock	33.7	23.8	11.0
Net realized (gains) losses on securities	37.9	(79.3)	(12.7)
Changes in:			
Unearned premiums	227.1	213.3	590.4
Loss and loss adjustment expense reserves	374.7	709.3	763.3
Accounts payable, accrued expenses and other liabilities	49.5	70.2	124.5
Prepaid reinsurance premiums	16.1	(5.1)	(18.0)
Reinsurance recoverables	(24.1)	(110.3)	(55.6)
Premiums receivable	(213.5)	(207.6)	(336.8)
Deferred acquisition costs	(12.6)	(19.9)	(48.8)
Income taxes	(140.0)	98.5	(.1)
Tax benefits from exercise/vesting of stock-based compensation	41.2	44.3	44.0
Other, net	(71.9)	8.3	(72.2)
Net cash provided by operating activities	1,994.0	2,662.5	2,436.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases:			
Fixed maturities	(9,154.4)	(6,686.3)	(9,491.6)
Equity securities	(852.9)	(678.3)	(771.2)
Short-term investments – auction rate securities	(7,935.3)	(6,890.1)	(4,044.4)
Sales:			
Fixed maturities	7,068.6	5,885.7	7,189.3
Equity securities	152.3	876.3	337.8
Short-term investments – auction rate securities	8,053.4	6,552.4	3,907.6
Maturities, paydowns, calls and other:			
Fixed maturities	572.6	639.7	779.2
Equity securities	114.4	78.2	91.7
Net sales (purchases) of short-term investments – other	491.8	(390.9)	56.6
Net unsettled security transactions	126.6	(43.2)	(37.1)
Purchases of property and equipment	(219.3)	(192.0)	(171.1)
Sale of property and equipment	36.1	—	—
Net cash used in investing activities	(1,546.1)	(848.5)	(2,153.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of stock options	44.2	51.7	50.0
Payments of debt	—	(206.0)	—
Dividends paid to shareholders	(23.7)	(23.3)	(21.7)
Acquisition of treasury shares	(482.8)	(1,628.5)	(316.8)
Net cash used in financing activities	(462.3)	(1,806.1)	(288.5)
Increase (decrease) in cash	(14.4)	7.9	(4.8)
Cash, Beginning of year	20.0	12.1	16.9
Cash, End of year	$ 5.6	$ 20.0	$ 12.1

See notes to the complete consolidated financial statements included in the Company's 2005 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2006 Proxy Statement.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Progressive Corporation:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of The Progressive Corporation as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 and the effectiveness of the Company's internal control over financial reporting as of December 31, 2005; and in our report dated February 28, 2006, we expressed unqualified opinions thereon. The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting referred to above (not presented herein) appear in The Progressive Corporation's 2005 Annual Report to Shareholders, which is attached as an Appendix to The Progressive Corporation's 2006 Proxy Statement.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Cleveland, Ohio
February 28, 2006

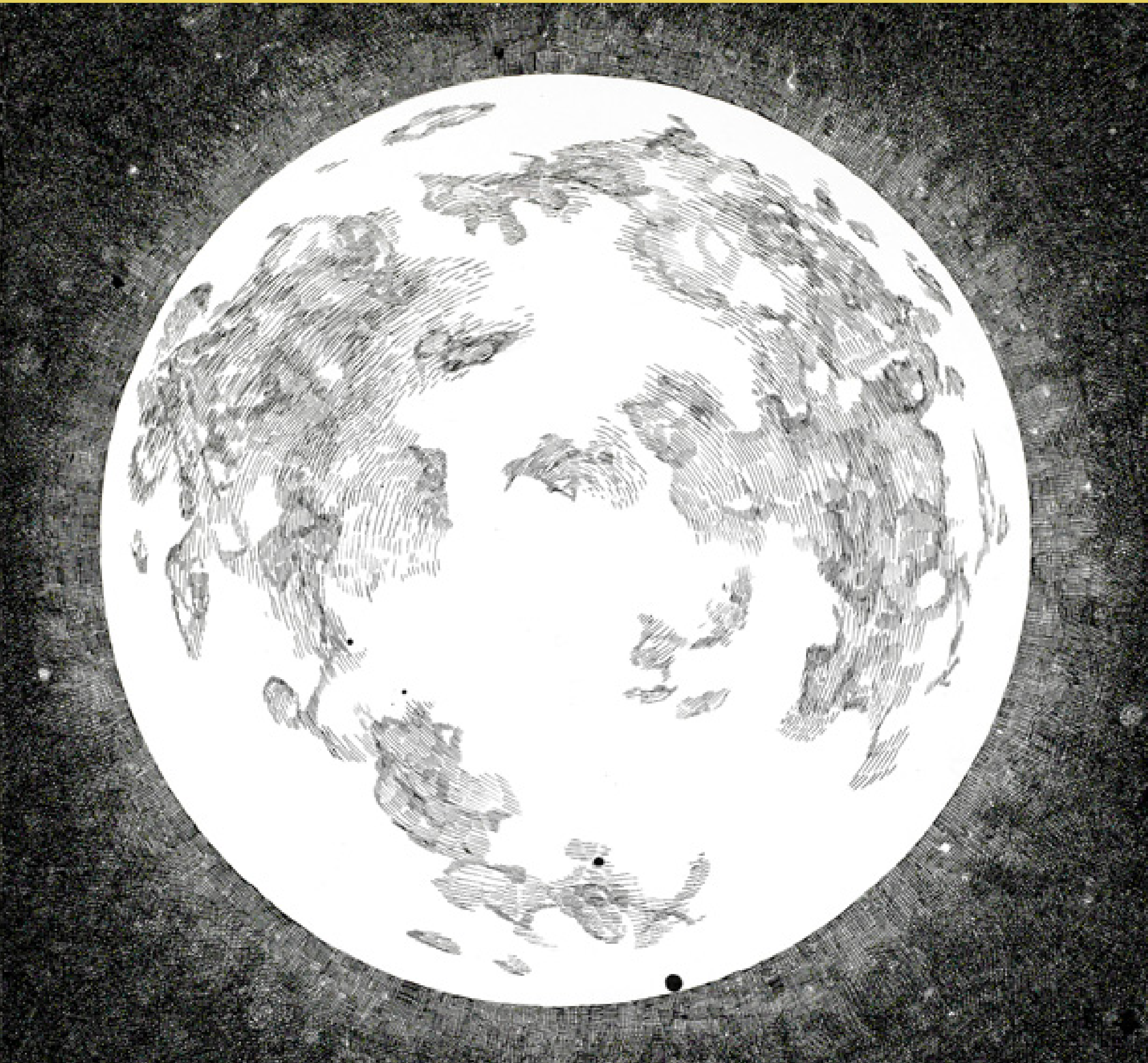
INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Based on the Company's evaluation under the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management concluded that the Company's internal control over financial reporting was effective as of December 31, 2005. The complete "Management's Report on Internal Control over Financial Reporting," as required by Section 404 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations, along with the related report of PricewaterhouseCoopers LLP, is presented in the 2005 Annual Report to Shareholders, which is attached as an Appendix in the Company's 2006 Proxy Statement.

CEO AND CFO CERTIFICATIONS

Glenn M. Renwick, President and Chief Executive Officer of The Progressive Corporation, and W. Thomas Forrester, Vice President and Chief Financial Officer of The Progressive Corporation, have issued the certifications required by Sections 302 and 906 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations with respect to the Company's 2005 Annual Report on Form 10-K, including the financial statements provided in this Report and in the 2005 Annual Report to Shareholders, which is attached as an Appendix in the Company's 2006 Proxy Statement. Among other matters required to be included in those certifications, Mr. Renwick and Mr. Forrester have each certified that, to the best of his knowledge, the financial statements, and other financial information included in the Annual Report on Form 10-K, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented. See Exhibits 31 and 32 to the Company's Annual Report on Form 10-K for the complete Section 302 and 906 Certifications, respectively.

In addition, Mr. Renwick submitted his annual certification to the New York Stock Exchange (NYSE) on May 13, 2005, stating that he was not aware of any violation by the Company of the NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE Listed Company Manual.



SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this Summary Annual Report that are not historical fact are forward-looking statements that are subject to certain risks and uncertainties that could cause actual events and results to differ materially from those discussed herein. These risks and uncertainties include, without limitation, uncertainties related to estimates, assumptions and projections generally; inflation and changes in economic conditions (including changes in interest rates and financial markets); the accuracy and adequacy of the Company's pricing and loss reserving methodologies; pricing competition and other initiatives by competitors; the Company's ability to obtain regulatory approval for requested rate changes and the timing thereof; the effectiveness of the Company's advertising campaigns; legislative and regulatory developments; disputes relating to intellectual property rights; the outcome of litigation pending or that may be filed against the Company; weather conditions (including the severity and frequency of storms, hurricanes, snowfalls, hail and winter conditions); changes in driving patterns and loss trends; acts of war and terrorist activities; the Company's ability to maintain the uninterrupted operation of its facilities, systems (including information technology systems) and business functions; court decisions and trends in litigation and health care and auto repair costs; and other matters described from time to time by the Company in releases and publications, and in periodic reports and other documents filed with the United States Securities and Exchange Commission. In addition, investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established for one or more contingencies. Reported results, therefore, may appear to be volatile in certain accounting periods.

COMMON SHARES

The Progressive Corporation's Common Shares (symbol PGR) are traded on the New York Stock Exchange. Dividends are customarily paid on the last day of each quarter. The 2006 quarterly dividend record dates, subject to Board approval, are as follows: March 10, June 9, September 8 and December 8.

	Stock Price				Dividends
Quarter	High	Low	Close	Rate of Return	per Share
2005					
1	$ 92.49	$ 81.38	$ 91.76		$ .030
2	100.88	87.50	98.81		.030
3	107.30	93.70	104.77		.030
4	124.90	103.02	116.78		.030
	$ 124.90	$ 81.38	$ 116.78	37.9%	$ .120
2004					
1	$ 89.06	$ 80.68	$ 87.60		$ .025
2	91.97	81.30	85.30		.025
3	85.60	73.10	84.75		.030
4	97.29	83.01	84.84		.030
	$ 97.29	$ 73.10	$ 84.84	1.6%	$ .110

Annual Meeting The Annual Meeting of Shareholders will be held at the offices of The Progressive Corporation, 6671 Beta Drive, Mayfield Village, Ohio 44143 on April 21, 2006, at 10 a.m. eastern time. There were 3,895 shareholders of record on December 31, 2005.

Principal Office The principal office of The Progressive Corporation is at 6300 Wilson Mills Road, Mayfield Village, Ohio 44143.

Phone 440-461-5000
Web site progressive.com

Customer Service and Claims Reporting For 24-hour customer service or to report a claim, contact:

Personal Lines
Progressive Direct℠
1-800-PROGRESSIVE (1-800-776-4737)
progressivedirect.com

Drive® Insurance from Progressive
1-800-925-2886
driveinsurance.com

Commercial Auto
Progressive Commercial
1-800-895-2886
progressivecommercial.com

Drive® Insurance from Progressive
1-800-444-4487
driveinsurance.com

Counsel Baker & Hostetler LLP, Cleveland, Ohio

Transfer Agent and Registrar If you have questions about a specific stock ownership account, write or call: National City Bank, Dept. 5352, Corporate Trust Operations, P.O. Box 92301, Cleveland, Ohio 44193-0900. Phone: 1-800-622-6757 or e-mail: shareholder.inquiries@nationalcity.com.

Whistleblower Protections The Company will not retaliate against any officer or employee of the Company because of any lawful act done by the employee to provide information or otherwise assist in investigations regarding conduct that the employee reasonably believes to be a violation of Federal Securities Laws or of any rule or regulation of the Securities and Exchange Commission or Federal Securities Laws relating to fraud against shareholders. View the complete Whistleblower Protections at progressive.com/governance.

Accounting Complaint Procedure Any employee or other interested party with a complaint or concern regarding accounting, internal accounting controls or auditing matters relating to the Company may report such complaint or concern directly to the Chairman of the Audit Committee, as follows:
Philip A. Laskawy, Audit Committee Chairman, c/o Ernst & Young, 5 Times Square, New York, New York 10036, Phone: 212-773-1300, e-mail: philip_laskawy@progressive.com.

Any such complaint or concern also may be reported anonymously over the following toll-free Alert Line: 1-800-683-3604. The Company will not retaliate against any individual by reason of his or her having made such a complaint or reported such a concern in good faith. View the complete procedures at progressive.com/governance.

Corporate Governance The Company's Corporate Governance Guidelines and Board committee charters are available at: progressive.com/governance, or may be requested in print by writing to: The Progressive Corporation, Investor Relations, 6300 Wilson Mills Road, Box W33, Mayfield Village, Ohio 44143.

Charitable Contributions Progressive supports qualified not-for-profit organizations working to reduce the human trauma and economic cost of auto accidents. In addition, The Progressive Insurance Foundation, a private charitable foundation that receives contributions from the Company, contributes on a matching basis to qualified tax-exempt organizations that are financially supported by Progressive employees.

Shareholder/Investor Relations The Progressive Corporation does not maintain a mailing list for distribution of shareholders' reports. To view Progressive's publicly filed documents, shareholders can access the Company's Web site: progressive.com/sec. To view its earnings and other releases, access progressive.com/investors.

To request copies of public financial information on the Company, write to: The Progressive Corporation, Investor Relations, 6300 Wilson Mills Road, Box W33, Mayfield Village, Ohio 44143, e-mail: investor_relations@progressive.com or call: 440-395-2258.

For financial-related information, call: 440-395-2222 or e-mail: investor_relations@progressive.com.

For stock ownership account information, call National City Bank: 1-800-622-6757 or e-mail: shareholder.inquiries@nationalcity.com.

For all other Company information, call: 440-461-5000 or e-mail: webmaster@progressive.com.

Interactive Annual Report The Progressive Corporation's 2005 Annual Report, in an interactive format, can be found at: progressive.com/annualreport.

DIRECTORS

Charles A. Davis[3,5,6]
Chief Executive Officer,
Stone Point Capital LLC
(private equity investing)

Stephen R. Hardis[2,4,5,6]
Lead Director,
Axcelis Technologies, Inc.
(manufacturing)

Bernadine P. Healy, M.D.[3,6]
Medical & Science
Columnist,
U.S. News & World Report
(publishing)

Jeffrey D. Kelly[2,4,6]
Vice Chairman and
Chief Financial Officer,
National City Corporation
(commercial banking)

Philip A. Laskawy[1,6]
formerly Chairman and
Chief Executive Officer,
Ernst & Young LLP
(professional services)

Peter B. Lewis[2,7]
Chairman of the Board

Norman S. Matthews[3,5,6]
Consultant,
formerly President,
Federated Department
Stores, Inc.
(retailing)

Patrick H. Nettles, Ph.D.[1,6]
Executive Chairman,
Ciena Corporation
(telecommunications)

Glenn M. Renwick[2]
President and
Chief Executive Officer

Donald B. Shackelford[4,6]
Chairman,
Fifth Third Bank,
Central Ohio
(commercial banking)

Bradley T. Sheares, Ph.D.[1,6]
President,
U.S. Human Health Division
of Merck & Co., Inc.
(health care)

[1]Audit Committee member

[2]Executive Committee member

[3]Compensation Committee member

[4]Investment and Capital Committee member

[5]Nominating and Governance Committee member

[6]Independent director

[7]Non-executive chairman

CORPORATE OFFICERS

Glenn M. Renwick
President and Chief Executive Officer

W. Thomas Forrester
Vice President and
Chief Financial Officer

Charles E. Jarrett
Vice President, Secretary
and Chief Legal Officer

Thomas A. King
Vice President and Treasurer

Jeffrey W. Basch
Vice President and
Chief Accounting Officer

Peter B. Lewis
Chairman of the Board
(non-executive)

CONTACT NON-MANAGEMENT DIRECTORS

Interested parties have the ability to contact the non-management directors as a group by sending a written communication clearly addressed to the non-management directors and sent to any of the following:

Peter B. Lewis, Chairman of the Board, The Progressive Corporation, 6300 Wilson Mills Road, Mayfield Village, Ohio 44143 or e-mail: peter_lewis@progressive.com.

Philip A. Laskawy, Chairman of the Audit Committee, The Progressive Corporation, c/o Ernst & Young, 5 Times Square, New York, New York 10036 or e-mail: philip_laskawy@progressive.com.

Charles E. Jarrett, Corporate Secretary, The Progressive Corporation, 6300 Wilson Mills Road, Mayfield Village, Ohio 44143 or e-mail: chuck_jarrett@progressive.com.

The recipient will forward communications so received to the non-management directors.

ART CREDITS

.03 Martí Cormand, *Undercutting Sella*
.06 Beth Campbell, *See through the changes*
.11 Randall Sellers, *Untitled*
.12 Ben Peterson, *Time's Arrow, Time's Cycle*
.15 Daina Higgins, *The Entropy of Memory*
.16 Russell Nachman, *Untitled 1 2006*
.18 Andrea Way, *Piscean Isle* (detail)
.22 Carol K. Brown, *Untitled*
.24 Shaun O'Dell, *Talk not to me of blasphemy, man; I'd strike the sun if it insulted me* (detail)
.27 Ben Peterson, *Spill*
.31 Robyn O'Neil, *The cradle above an abyss*
.34 David Wetzl, *Spectrum Navigator II*
.37 Joan Linder, *Untitled (Looking at the Moon Without Glasses On)*

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