

The Progressive Corporation and Subsidiaries
Quantitative Market Risk Disclosures
(unaudited)

Quantitative market risk disclosures are only presented for market risk categories when risk is considered material. Materiality is determined based on the fair value of the financial instruments at December 31, 2009, and the potential for near-term losses from reasonably possible near-term changes in market rates or prices. We had no trading financial instruments at December 31, 2009.

OTHER-THAN-TRADING FINANCIAL INSTRUMENTS

Financial instruments subject to interest rate risk were:

(millions)	Fair Value				
	-200 bps Change ¹	-100 bps Change ¹	Actual	+100 bps Change	+200 bps Change
U.S. government obligations	\$ 5,253.1	\$ 5,043.9	\$ 4,817.5	\$ 4,603.1	\$ 4,401.8
State and local government obligations	2,088.0	2,063.8	2,024.0	1,980.5	1,938.8
Asset-backed securities	2,889.0	2,869.5	2,832.7	2,798.6	2,765.4
Corporate securities	1,352.5	1,321.9	1,281.4	1,241.4	1,203.3
Nonredeemable preferred stocks	1,276.8	1,268.7	1,255.8	1,240.1	1,224.4
Other debt securities ²	655.2	632.7	607.8	584.1	562.2
Short-term investments	1,078.0	1,078.0	1,078.0	1,078.0	1,078.0
Balance as of December 31, 2009	\$14,592.6	\$14,278.5	\$13,897.2	\$13,525.8	\$13,173.9
Balance as of December 31, 2008	\$12,839.0	\$12,628.1	\$12,250.3	\$11,862.1	\$11,494.5

¹Due to low absolute interest rates, where the yields would have been negative, we used an interest rate of 1 basis point.

²Includes \$606.7 million of redeemable preferred stocks.

Exposure to risk is represented in terms of changes in fair value due to selected hypothetical movements in market rates. Bonds and preferred stocks are individually priced to yield to the worst case scenario, which includes any issuer-specific features, such as a call option. Asset-backed securities, including state and local government housing securities, are priced assuming deal specific prepayment scenarios, considering the deal structure, prepayment penalties, yield maintenance agreements, and the underlying collateral.

Financial instruments subject to equity market risk were:

(millions)	Fair Value		
	-10%	Actual	+10%
Common equities as of December 31, 2009	\$729.7	\$816.2	\$902.7
Common equities as of December 31, 2008	\$655.0	\$727.8	\$800.6

The model represents the estimated value of our common equity portfolio given a +/-10% change in the market, based on the common stock portfolio's weighted average beta of 1.06 for 2009 and 1.0 for 2008. The beta is derived from recent historical experience, using the S&P 500 as the market surrogate. The historical relationship of the common stock portfolio's beta to the S&P 500 is not necessarily indicative of future correlation, as individual company or industry factors may affect price movement. Betas are not available for all securities. In such cases, the change in fair value reflects a direct +/-10% change; the number of securities without betas is approximately 2%, and the remaining 98% of the equity portfolio is indexed to the Russell 1000.

As an additional supplement to the sensitivity analysis, we present results from a value-at-risk (VaR) analysis to estimate and quantify the investment portfolio's exposure to short-term volatility and as a component of our longer-term contingency capital planning. The VaR model projects probable outcomes based on historical volatility of results and quantifies the potential reductions in total investment returns on a GAAP basis, which includes investment income, realized gains (losses), and changes in unrealized gains (losses) on investments.

The VaR estimates below represent the expected loss at 99% confidence level within a 66-day trading period (e.g., quarterly period). Total portfolio VaR is less than the sum of the two components (fixed income and equity) due to the benefit of diversification.

(\$ in millions) 66-Day VaR	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008 ¹
Fixed-income portfolio	\$(262.1)	\$(261.6)	\$(380.4)	\$(471.8)	\$(455.2)
% of portfolio	(1.9)%	(1.8)%	(2.9)%	(3.8)%	(3.7)%
% of shareholders' equity	(4.6)%	(4.8)%	(7.7)%	(11.0)%	(10.8)%
Common equity portfolio	\$(122.1)	\$ (88.1)	\$(108.6)	\$(133.0)	\$(333.3)
% of portfolio	(15.0)%	(18.9)%	(26.6)%	(38.0)%	(45.8)%
% of shareholders' equity	(2.1)%	(1.6)%	(2.2)%	(3.1)%	(7.9)%
Total portfolio	\$(260.7)	\$(267.7)	\$(386.3)	\$(477.5)	\$(539.8)
% of portfolio	(1.8)%	(1.8)%	(2.8)%	(3.7)%	(4.2)%
% of shareholders' equity	(4.5)%	(4.9)%	(7.8)%	(11.1)%	(12.8)%

¹The VaR for our fixed-income and total portfolio were restated to correct for a calculation error in the data provided to us by our third-party vendor at December 31, 2008.