THE PROGRESSIVE CORPORATION 2004 ANNUAL REPORT

The Progressive insurance organization began in 1937. Since that time, we have worked hard to continuously improve 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 in two different ways: over the telephone and on the Internet as Progressive Direct℠ and through independent agencies as Drive Insurance from Progressive.℠

The theme for this year's report is "our work environment." Headquartered in Mayfield Village, Ohio, Progressive also has offices in all 50 states. Every one of the nearly 500 locations where our more than 27,000 people work features some of the 6,000 pieces from the Progressive Art Collection.

The Collection, started in the early 1970s, is an integral part of the Company's culture—a unique confluence of people, values, aspirations and work environment. Art advances this culture by supporting creativity and promoting innovation and change.

This year's report combines selections from the Collection, images of Company locations and remarks from Progressive people on how the artwork influences them in the work environment. For a history of Progressive's art collection, visit art.progressive.com.

I appreciate using a piece of art to give directions to my desk. I also look forward to the rotation of new pieces.

The artwork displayed at Progressive was one of the reasons I wanted to work here. It's such a fun and educational work environment. No other workplace compares.

(billions—except per share amounts)

	2004	2003	2002	2001	2000
For The Year					
Net premiums written	**$ 13.4**	$ 11.9	$ 9.5	$ 7.3	$ 6.2
Growth over prior year	**12%**	26%	30%	17%	1%
Net premiums earned	**$ 13.2**	$ 11.3	$ 8.9	$ 7.2	$ 6.3
Growth over prior year	**16%**	28%	24%	13%	12%
Total revenues	**$ 13.8**	$ 11.9	$ 9.3	$ 7.5	$ 6.8
Net income	**$ 1.65**	$ 1.26	$ .67	$ .41	$ .05
Underwriting margin	**14.9%**	12.7%	7.6%	4.8%	(4.4)%
Net income per share[1]	**$ 7.63**	$ 5.69	$ 2.99	$ 1.83	$ .21

(billions—except shares outstanding and per share amounts)

	2004	2003	2002	2001	2000
At Year-End					
Common Shares outstanding (millions)	**200.4**	216.4	218.0	220.3	220.6
Book value per share	**$ 25.73**	$ 23.25	$ 17.28	$ 14.76	$ 13.01
Consolidated shareholders' equity	**$ 5.2**	$ 5.0	$ 3.8	$ 3.3	$ 2.9
Market capitalization	**$ 17.0**	$ 18.1	$ 10.8	$ 11.0	$ 7.6
Return on average shareholders' equity	**30.0%**	29.1%	19.3%	13.5%	1.7%
Market share[2]	**7.4%**	7.0%	6.0%	5.1%	4.7%
Industry net premiums written[3]	**$ 158.1**	$ 151.0	$ 139.6	$ 127.9	$ 119.6

	1-Year	3-Year	5-Year
Stock Price Appreciation (Depreciation)[4]			
Progressive	1.6%	19.6%	28.6%
S&P 500	10.8%	3.6%	(2.3)%

[1] Presented on a diluted basis.

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

[3] Represents U.S. personal auto insurance market net premiums written as reported by A.M. Best Company Inc.; 2004 is estimated.

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

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

The artwork at Progressive sparks conversation. Whether the onlookers love, hate, agree or disagree about the piece, their thoughts flow freely. People who have never spoken to each other are discretely invited to converse.

I love being surrounded by art in the workplace. Although I admit I don’t always “get it,” the artwork is thought provoking and interesting, which energizes me.

Having such a vibrant collection tells me we care about a person…mind, body and soul.

Communicating a clear picture of Progressive by stating what we try to achieve (Vision), how we interact with customers (Customer Value Proposition), what guides our behavior (Core Values), and what our people expect to accomplish and how we evaluate performance (Objectives), permits all people associated with Progressive to understand their roles and to enjoy their contributions.

The fact that the art changes on a regular basis is very refreshing. Change is what Progressive is all about.

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 a recognized, trusted, admired, business-generating brand. We seek to maximize shareholder value and to provide a positive environment which 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.

Financial Objectives and Policies

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 are committed to achieving 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.

Profitability Progressive's most important goal is for its insurance subsidiaries to produce an aggregate calendar year 4% underwriting profit. 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 (Agency 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. Any underleveraged 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 through share repurchases
+ Pay modest, increasing cash dividends and split stock when the share price exceeds $100 for a reasonable period of time

Objectives and Policies Scorecard

Financial Results	Target	2004	2003	2002	5 Years[1]	10 Years[1]
Underwriting margin – Progressive	4%	**14.9%**	12.7%	7.6%	8.8%	7.9%
Industry[2]	na	**6.7%**	1.6%	(4.2)%	(2.1)%	(1.7)%
Net premiums written growth	(a)	**12%**	26%	30%	17%	19%
Companywide premiums-to-surplus ratio	(b)	**2.9**	2.6	2.8	na	na
Investment allocation – fixed:equity	85%:15%	**86%:14%**	84%:16%	87%:13%	na	na
Debt-to-total capital ratio	<30%	**20%**	23%	28%	na	na
Return on average shareholders' equity (ROE)[3]	(c)	**30.0%**	29.1%	19.3%	21.1%	19.9%
Comprehensive ROE[4]	(c)	**30.4%**	35.0%	20.5%	23.5%	21.6%

(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; 2004 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 2004 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2005 Proxy Statement.

Our collection sets Progressive apart from other companies and makes the work environment more enjoyable. I believe the art represents the company well and mirrors the image we want to portray.

I love the fact that we have artwork in each of our buildings. It is relaxing, fun and informative to be able to go to "an art museum" in the middle of the day. Many times at break, I just go walk the halls and look at the art, see what's new or revisit some of my favorites.

It makes me smile. Every once in awhile there is a piece that makes me cringe.

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, 2004, with a market value of $1,956,920, for a 23.1% compounded annual return, compared to the 7.7% return achieved by investors in the Standard & Poor's 500 during the same period. In addition, the shareholder received dividends of $2,537 in 2004, bringing total dividends received to $31,567 since the shares were purchased.

In the ten years since December 31, 1994, Progressive shareholders have realized compounded annual returns, including dividend reinvestment of 22.2%, compared to 12.0% for the S&P 500. In the five years since December 31, 1999, Progressive shareholders' returns were 28.6%, compared to a negative 2.3% for the S&P 500. In 2004, the returns were 1.6% on Progressive shares and 10.8% for the S&P 500.

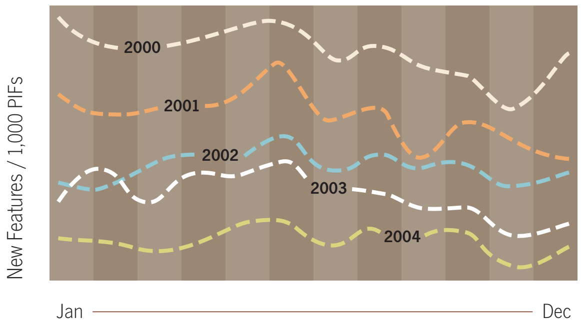
Over the years, when we have had adequate capital and believed it to be appropriate, we have repurchased our shares. In addition, as our financial policies state, we will repurchase shares to neutralize the dilution from equity-based compensation programs and return any underleveraged capital to investors. During 2004, we determined that Progressive had excess capital and decided that a "Dutch auction" tender offer would be an efficient way to return capital to interested investors. As a result of the tender offer, Progressive repurchased 16,919,674 Common Shares at a purchase price of $88 per share for a total cost of $1.5 billion. Outside of the tender offer, the Company repurchased 1,695,222 Common Shares during the year at a total cost of $139.5 million with an average cost of $82.31 per share. Since 1971, we spent $2.9 billion repurchasing our shares, at an average cost of $12.49 per share.

The art is incredibly energizing and motivating…it keeps me going.

We entered 2004 with tremendous momentum and a clear understanding of our operational initiatives. We were acutely aware that market conditions were changing quickly and that the next chapter in our story would involve somewhat slower growth, but, if played well, would be an opportunity for strong margins and meaningful execution on our strategic "To Do List." Charley, Frances, Ivan and Jeanne all tried to slow our momentum during the year, but to little avail; 2004 was a year in which Progressive achieved impressive results and, more importantly, impressive advances on our strategic agenda and future positioning.

We grew net premiums written about $1.5 billion, or 12%. On an absolute basis, this was considerably more modest than in recent years, but on a relative basis met our expectation of *several times the industry average*. Net income increased 31% over last year, driven by exceptional underwriting profitability, and was more than acceptable at a record $1.65 billion, or $7.63 per share.

Progressive: Relative Frequency



Market Conditions

In summarizing 2003, I reported that the auto insurance industry produced a combined ratio under 100% for just the second time in 25 years. We estimate 2004 will not only produce back-to-back profitability, but perhaps the lowest industry-wide combined ratio in history. Current market conditions seem to be setting up a likely three-peat in 2005. With profitability well in hand for most competitors, and continuing declines in automobile accident frequency, there was little in the way of rate pressure for the average consumer. *(On a personal note, my Progressive policy premium has remained level for the two most recent renewals.)* The predictable outcome was significantly less consumer shopping.

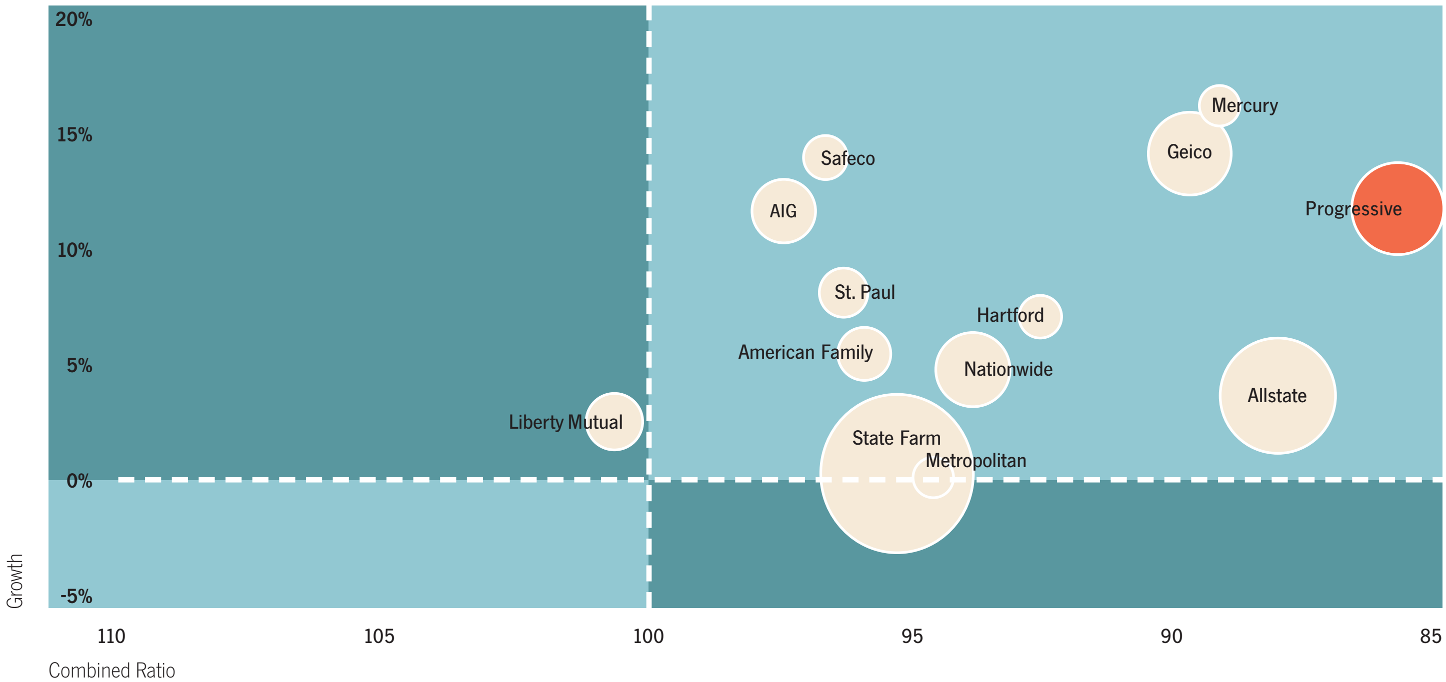
These conditions tested our traditional understanding about elasticity of demand under rate reduction scenarios. In fact, it was very clear that while some rate reductions were in order, other potential reductions would produce little change in new business volume and simply reduce margins. Many companies were chasing fewer interested consumers. These conditions, in concert with favorable operating margins, caused us to temporarily reassess our goal of growing as fast as possible constrained only by our 96 combined ratio and the ability to provide high-quality service. Instead, we pursued a strategy of maintaining relatively robust margins without significantly impairing growth. Our product managers chose to be selective in rate changes, favoring rate stability, while advancing product design, brand and technology initiatives.

While these market conditions and profitability levels are unusual, and perhaps transitional, they offer opportunities for us to improve our understanding and calibration of market responses to varying rate stimuli. We remain governed by long-term economics, and reaffirm our stated profit and growth objectives over any reasonable time frame.

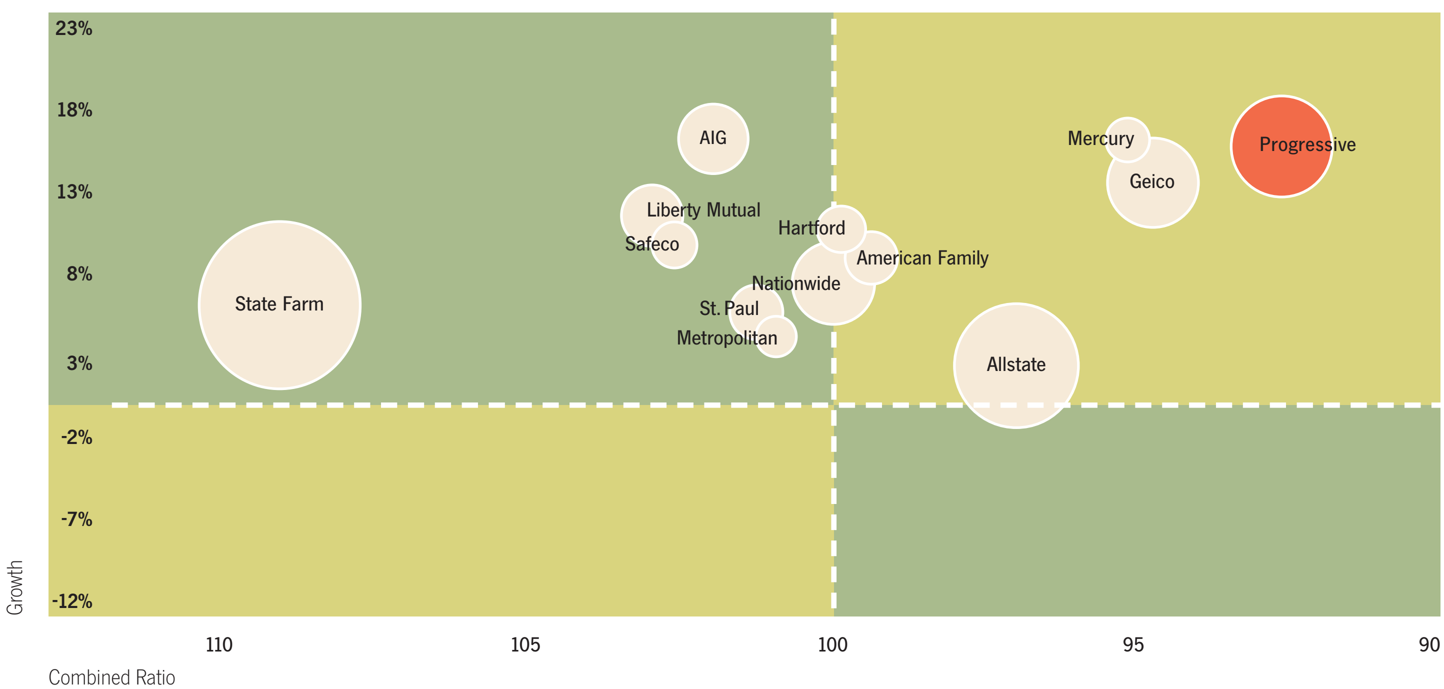
We estimate net premiums written in the auto insurance segment of the industry grew 3.7%* in 2004, down from the prior three year average of 8.0%, reflecting low increases in average premium per policy. The top 15 private passenger auto insurers, accounting for about 72% market share, again outperformed the industry in both growth and profitability, further supporting our view that consolidation will continue. We continue to believe scale, execution in information technology, pricing segmentation, superior claims handling, and brand development are all leading factors contributing to consolidation, as well as the differentiating factors within the consolidating group. Compared to the other 14 private passenger auto insurers, Progressive's Direct Business was the fastest growing player at 16.5% and our Agency Business, at 9.5%, slotted in fifth.

The artwork makes the atmosphere very pleasant. There are times when I need a breather from the phones and I can walk away and focus on the art. Sometimes that's enough to keep me sane.

2004 (estimated)



2000–2004 (estimated)



Note: The above disclosure excludes two reciprocal companies, Zurich and USAA, due to uncertainty regarding the comparability of the data. Results disclosed were estimated by Progressive based on actual results through the first nine months of 2004, as reported by the National Underwriter Insurance Data Services; actual results may vary. The size of the circles is proportionate to each company's estimated 2004 net premiums written.

*Based on our internal analysis, using actual results through the first nine months of 2004, we estimate the annual growth rate in the personal auto insurance market to be 3.7%; A.M. Best reported an estimated growth rate of 4.7% for 2004.

What were the important advances on the strategic agenda?

Brand On September 21st, we announced "Drive Insurance from Progressive," a brand focused on and designed for our independent agents and insurance brokers. All indications suggest this launch was exceptionally well received by agents. Providing consumers the choice of both an agency-distributed product, now sold as Drive Insurance from Progressive,SM and a direct-to-consumer product, Progressive Direct,SM is strategically important positioning for Progressive, and this branding provides additional clarity.

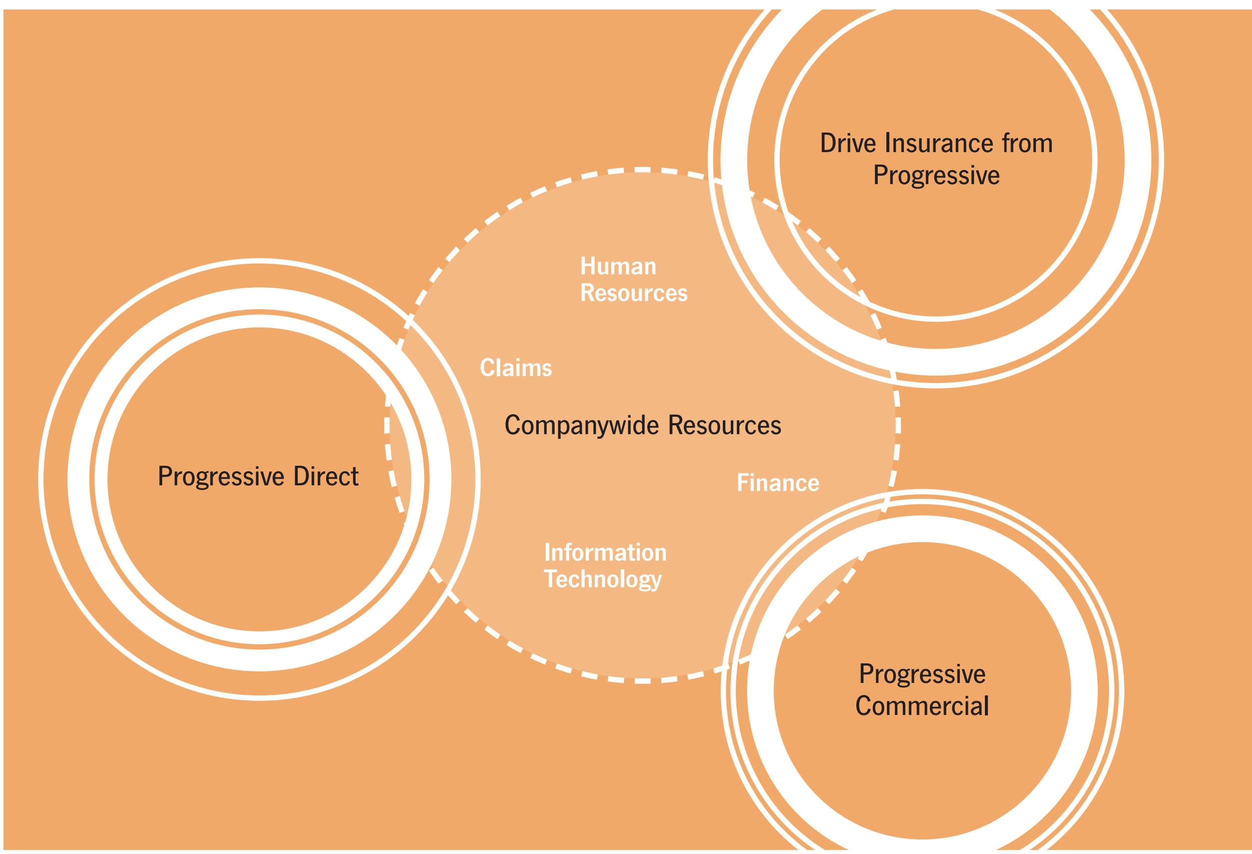
We have long recognized that the specifics of product design and competitive focus within each distribution channel are very different and each warrant, and will be advanced by, separate identities. With this brand introduction, we have completed our organization of the company around our primary offerings—Agency Personal Lines, Direct Personal Lines and Commercial Auto.

With a separate and distinctive Agency brand, we expect to enhance our positioning with agents and provide them with a more effective marketing voice by promoting their service proposition to consumers through television, Yellow Page and other advertising. More than 80% of all auto insurance sold in the United States is written through captive and independent agents. We believe the ongoing development of a premier brand in this important marketplace will be a significant component of our future growth and our ability to compete with both independent- and captive-agent-based companies.

Creating two top share brands in personal auto is a key initiative, and in 2004 we took a huge step forward. Building on this introduction with agents and brokers will be a focus of our Agency Business in 2005.

Claims Our Claims organization deserves considerable credit for continued progress on their quality agenda. By our most objective measures, we achieved our best claim file quality in 2004 and the overwhelming trend continues to be steady and consistent improvement. The relationship between great claim file quality, customer satisfaction and accurate payments is undeniable, although sometimes difficult to measure except in overall

The Progressive Corporation and Subsidiaries



results. Our focus on claims quality is no longer a response to a problem, in fact far from it. Rather, we are now challenging ourselves against a standard we call "Virtually Perfect." This standard requires a level of performance such that we would be delighted if every claim file were handled in exactly the same way were it to be handled again. This is a demanding standard that is central to our long-term success. We work harder at, and care more about, claims management than most—I think it shows.

Our strategic initiative to change physical damage handling from a we-will-pay-for-your-loss mindset to a we-will-handle-all-aspects-of-the-repair mindset (aka concierge-level service), had an important and largely successful year. With 20 concierge centers open and a sufficient number of eligible vehicles passing through them, we are now at an evaluation scale where execution against design specifications is crucial. We demand of ourselves not only the execution standards, but the process flows, physical designs and geographic optimization necessary for thoughtful expansion.

While disappointed we did not open more centers in 2004, our discipline and planning has positioned us well for expansion throughout 2005 and 2006. I look forward to an appreciable and growing percentage of our customers and claimants experiencing concierge-level claims service.

The newest component of this level of service is finding and offering to our customers the choice of a replacement vehicle rather than just payment when we declare their car un-repairable. We are testing this in limited locations and we now know enough to believe that, while difficult to do, it can be an effective economic tool as well as a way for our claims representatives to create extraordinary customer experiences. We expect significant expansion in 2005.

Commitment to improve our customer experiences was evident throughout our Claims organization in 2004 as we added emphasis to listening to the customer by seeking more feedback. Much of the feedback is, as hoped for, excellent, but frankly we learn more when we identify and recognize opportunities for improvement. We are very conscious that our aspiration to be recognized as the preeminent consumer franchise in auto insurance is not yet a market reality and understand the intensity of commitment required. We're signed up for the long haul on this one.

Even if someone doesn't like a certain piece, it creates conversations—which makes it a joy to come to work each day.

Technology Billing options and payment flexibility are vitally important functions for us, but often got less focus in the priority of technology advancements and we had, by our own demanding standards, fallen behind. Replacing our billing system and beginning to deploy an improved claims management platform highlight the year's accomplishments in technology.

Our real technology strength remains the close business integration and the numerous opportunities seized to continuously improve everything we do in cost-effective ways. We remain committed to a level of technology investment that ensures we never constrain our business opportunities. In 2005, we will make meaningful progress on improved customer management systems and an infrastructure plan that will ensure yet another performance increment to our level of system availability and disaster preparedness.

New Horizons During the year, we allocated significant resources to evaluate our objectives against the changing business environment in New Jersey, one of only two states in which we do not underwrite personal auto (the other being Massachusetts). We were encouraged to find a business climate more congruent with our objectives. Assuming successful promulgation of the currently proposed ratemaking regulations, we expect to make product filings for one or more of our offerings in 2005. New Jersey consumers will almost certainly benefit from the significant changes occurring in the competitive landscape. Two of the top 15 companies have entered the state's $6 billion market in the past 18 months and we are optimistic about our entry.

We respect the efforts of many in the New Jersey state government to effect thoughtful and meaningful change. We are currently active in New Jersey, handling claims for our customers traveling through the state, as well as participating as a servicing carrier for the Commercial Auto Insurance Plan (CAIP).

Customer Retention Estimates of customer relationship life expectancy, like loss reserves, are estimates of future outcomes based on past behaviors. Our science of developing customer relationship life expectancy estimates for business about to be acquired and the future life expectancy for business already acquired, at a detailed level, under varying market conditions, is not yet as well developed as analytical methods used in other parts of our business. The true complexity of measurement is easily disguised by the conceptual simplicity. Our product managers have a growing appreciation for the importance of accurate measures and an understanding of how such knowledge can be used to advance our business.

We are at our best when challenged. Improving retention is a challenge we have accepted. By our current best measures, 2004 did not produce the degree or speed of retention improvement we had hoped for and is reason for some disappointment. However, I have more than cautious optimism as we continue to attack this opportunity and list it among the key initiatives of the Company. We have always recognized that good customer service, efficient operations and fair pricing were necessary conditions for success in our business. The challenge we currently face is one of degree. As a culture, we now recognize and accept that the only standard for which we will be rewarded with the loyalty we seek is one that combines extraordinary customer experience and total competency in everything we do, all at an attractive price.

I have always enjoyed the art because it is so different and it forces you to ask questions. It encourages you to try and understand, "what was this artist thinking?"

Investments and Capital Management

The financial market results were "not what you'd expect" when the Federal Reserve Board raised rates five times. Although short-term interest rates moved higher, from historically low levels at the start of the year, longer-term rates initially increased then reversed course to finish lower on the year. Equity markets rallied on solid corporate earnings and wide margins. Our portfolio managers executed well on our investment strategy, maintaining about an 85% portfolio allocation to high-quality, intermediate-duration, fixed-income securities and 15% to indexed equities, while reducing exposure to interest-rate risk. The portfolio ended the year with a total return of 5.2%. At year end, our fixed-income securities had a weighted average credit quality of AA and duration of 2.9 years.

Our overall investment and capital management objective remains the same: Ensure that our insurance operations have sufficient capital to support all the insurance we can profitably underwrite and service.

We ended 2004 with $13.1 billion in invested assets, up from $12.5 billion in December 2003. But that is not the whole story. With the release of our August results, we announced a "Dutch auction" tender offer to purchase up to 17.1 million of our outstanding Common Shares. The tender period closed on October 15th and 16.9 million shares were tendered. Those shares were purchased at $88 per share for a total cost of $1.5 billion. In addition, we repurchased 1.7 million shares for $139.5 million in open market transactions. We ended 2004 with 200.4 million Common Shares outstanding, compared to 216.4 million shares at the beginning of the year.

Our long-standing and continuing position on capital management is that we will repurchase shares when our capital position, view of the future, and the stock's price make it attractive to do so. The tender offer in 2004 was our attempt to execute on this position in the most transparent manner possible respecting, and we hope accommodating, the varied investment objectives of our owners. We continued to operate well within all of our stated financial policies post the transaction, specifically our targeted debt-to-total capital ratio which ended the year at 20%. Our transition from the use of stock options to restricted stock for equity-based compensation is now also effectively complete. The shares purchased in this tender offer have offset the remaining unexercised stock options. Our commitment to neutralizing dilution from equity-based compensation will be ongoing for restricted stock and matched in the year of issue.

I reported last year that we would begin a process in 2004 to slowly increase operating leverage through higher premiums-to-surplus ratios in our insurance subsidiaries. We ended 2004 at a 2.9 ratio. Our ongoing policy will be to continue to increase operating leverage to efficient levels, while staying below applicable state regulations.

Walking into my first training class, I missed the cafeteria entrance and headed down the basement hall. Hanging over the copier and some storage boxes I saw 7 of Andy Warhol's 10 faces of Mao Tse Tung. Apparently they used to hang in the lobby, but it caused a political question so they got moved to the basement. I'd seen them in *Time magazine* and remember thinking what a fabulous place Progressive must be to have this kind of art out for the employees. That's quite an impression to have lasted for over 28 years.

Company Communication

We continuously look for ways to enhance the quality of our communications with owners and analysts. In 2004, we offered management commentary with our monthly results in anticipation of specific questions and produced a quarterly online update to the shareholders' letter. The update replaced the prepared commentary previously provided at the start of our investor relations conference calls. Our conference calls, now timed to follow the release of our SEC quarterly filings, are simply an opportunity to address further questions. We hope these changes have been effective and meaningful.

The Progressive Culture

In large part, this report is a way to present an accounting of the Company and quantification of assets. There are, of course, crucial assets that simply do not get accounted for in any GAAP measure—the people and the culture of a company.

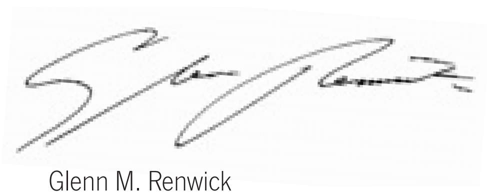
Succinctly describing the culture of Progressive has always eluded me, but I would suggest it is dramatically undervalued and cannot be reflected on a formal balance sheet.

Our vision, values and objectives help set the tone. Being rewarded competitively is an essential ingredient, but there remains a set of intangible factors that seem to define a culture where people enjoy working hard, growing constantly and performing well. I believe it is in these intangibles that the real Progressive lies. In some cases, our tools, techniques or methods, often valued by others, have been duplicated, but our culture is not transportable. We achieve little of note without a strong sense of mission and a culture to match. Whether or not we will ever accurately describe our culture, it is real, it is not perfect, but it is us. The theme of this report is our work environment, which through the use of art in the workplace, is just one more dimension of our culture that seeks to encourage and reward initiative, risk, innovation and constant improvement.

Nowhere was our company culture more obvious in 2004 than in our response to the four hurricanes that pounded Florida and other Southeastern states. The economic effects of the hurricanes were well reported, but for us the real story was the extraordinary actions and initiatives taken by our people, many of whom were dealing with their own storm-related problems. During those challenging days, our people were doing what we do best: helping others get back to normal. With assistance from around the country and every area of the company, claims were managed relatively seamlessly and resolved quickly after each incident. Customers were generous with their praise at such a trying time.

We are motivated by our aspiration of becoming Consumers' No.1 Choice for Auto Insurance and enter 2005 with exciting momentum and energy for executing key business initiatives, as well as a continued commitment to enhance our culture and work environment.

We deeply appreciate the customers we are privileged to serve, the more than 27,000 Progressive people who make it all possible, the agents and brokers who choose to represent us and shareholders who believe in our game plan.



Glenn M. Renwick
President and Chief Executive Officer

The artwork is refreshing to look at and it's healthy for the mind. I find new details and concepts within many of the pieces even if it's something I'm familiar with or have seen many times before.

It makes me think. I like it.

Drive Insurance from Progressive – Relax, just drive℠

Progressive's Agency Business had a good year in 2004. We continued to enjoy our position as the nation's largest writer of private passenger auto insurance through independent agencies by growing net premiums written 10% to $7.9 billion. Our Agency Business represents approximately 5% of the total U.S. personal auto insurance market.

The auto insurance market continued to soften throughout 2004 and quoting activity tapered off. New application volume, while strong for the market conditions, did not grow over 2003. Our auto policies in force grew 7% to 4.25 million, driven largely by policy renewals. Loss trends were more favorable then expected, particularly claim frequency, resulting in a year-end combined ratio of 86.0.

The Agency Business introduced its new agency brand, Drive Insurance from Progressive.℠ The brand highlights the choice and service that independent agencies offer consumers, as well as the superior claims service and financial strength associated with Progressive. Agent reaction has been positive, and we are now in the early stages of consumer advertising. Technology investments parallel the branding message. Our new Web site, driveinsurance.com, enables consumers to find local agents representing Drive Insurance from Progressive and obtain a quote online from that agency. We continue to improve our systems capabilities to enable agents to quickly and easily meet their customer service needs. Additionally, we are well into a countrywide roll out of a new product design, specifically oriented to our Agency Business, which is intended to improve an agent's ability to convert quotes to sales.

Despite an active hurricane season, our Special Lines products, primarily motorcycles, motor homes and watercraft, had another great year; polices in force grew 18%.

	2004	2003	Change
Net Premiums Written (in billions)	$ 7.9	$ 7.2	10%
Net Premiums Earned (in billions)	$ 7.9	$ 6.9	14%
Loss and loss adjustment expense ratio	65.8	68.4	2.6 pts.
Underwriting expense ratio	20.2	19.6	(.6) pts.
Combined ratio	86.0	88.0	2.0 pts.
Auto Policies in Force (in thousands)	4,245	3,966	7%

I thought it was weird at first, but then I read the description next to the piece and fell in love with it. I can't imagine that someone could walk by it and not stop to see what it is about.

Progressive Direct – Think Easier. Think Progressive℠

Progressive's Direct Business had an excellent year growing net premiums written 17% to $3.8 billion, which represents about 2.4% of the U.S. personal auto insurance market. While the percentage growth in new business was lower than in prior years, we remain pleased with Direct's continued strong growth and future prospects, particularly from our Internet operations.

Despite an increase in advertising spending in 2004 as compared to 2003, our relative share of voice fell as many competitors made substantially greater investments in consumer marketing. Nevertheless, response to our advertising showed favorable trends, with growth in both quotes and sales.

Average premium levels and customer retention measures showed little change from the prior year. We made further investments in our customer experience initiatives, and hope to see continued increases in customer satisfaction.

	2004	2003	Change
Net Premiums Written (in billions)	$ 3.8	$ 3.3	17%
Net Premiums Earned (in billions)	$ 3.7	$ 3.1	20%
Loss and loss adjustment expense ratio	65.5	67.4	1.9 pts.
Underwriting expense ratio	20.4	20.3	(.1) pts.
Combined ratio	85.9	87.7	1.8 pts.
Auto Policies in Force (in thousands)	2,084	1,852	13%

Commercial Auto

Commercial Auto had another strong year. Net premiums written grew 19% to $1.6 billion, representing about 6% of the U.S. commercial auto insurance market. New applications were slightly ahead of 2003 and, combined with strong renewals, led to a 15% increase in policies in force by year-end. Our favorable combined ratio was driven by an increase in renewal policies with lower expenses and lower than expected frequency.

During the year, industry rate levels remained relatively stable while many competitors expanded their product offerings by accepting business lines and vehicles they had rejected in the previous two years. We introduced our product line in three new states in 2004, bringing the total number of states in which we offer our commercial auto product to 45, and plan on adding one or two more states in 2005. By our estimate, we finished 2004 as the first or second largest writer of commercial auto premium in 11 states.

Significant investments were made in our Truck Physical Damage Claims organization. The field specialist staff was significantly increased and new procedures were introduced to improve the accuracy and timeliness of settlements. In January 2005, we opened what we believe to be the insurance industry's first claims training facility dedicated to commercial vehicle physical damage estimation. Our goal is to consistently be the leader in helping customers get their trucks repaired and back in service as soon as possible. We made substantial progress toward that objective this past year.

I believe art should be a part of our everyday lives instead of tucked away in a museum. Progressive is the only company I have seen to actually make that belief a reality.

	2004	2003	Change
Net Premiums Written (in billions)	$ 1.6	$ 1.4	19%
Net Premiums Earned (in billions)	$ 1.5	$ 1.2	24%
Loss and loss adjustment expense ratio	59.7	62.7	3.0 pts.
Underwriting expense ratio	19.2	19.8	.6 pts.
Combined ratio	78.9	82.5	3.6 pts.
Auto Policies in Force (in thousands)	420	365	15%

I find myself taking a certain route to an area just because I like the art I pass on the way.

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 2004 Annual Report to Shareholders, which is attached as an Appendix to The Progressive Corporation's 2005 Proxy Statement.

(millions – except per share amounts)

For the years ended December 31,	2004	2003	2002
Revenues			
Net premiums earned	$ 13,169.9	$ 11,341.0	$ 8,883.5
Investment income	484.4	465.3	455.2
Net realized gains (losses) on securities	79.3	12.7	(78.6)
Service revenues	48.5	41.8	34.3
Other income[1]	—	31.2	—
Total revenues	13,782.1	11,892.0	9,294.4
Expenses			
Losses and loss adjustment expenses	8,555.0	7,640.4	6,299.1
Policy acquisition costs	1,418.0	1,249.1	1,031.6
Other underwriting expenses	1,238.6	1,010.1	874.2
Investment expenses	13.9	11.5	11.5
Service expenses	25.0	25.7	22.0
Interest expense	80.8	95.5	74.6
Total expenses	11,331.3	10,032.3	8,313.0
Net Income			
Income before income taxes	2,450.8	1,859.7	981.4
Provision for income taxes	802.1	604.3	314.1
Net income	$ 1,648.7	$ 1,255.4	$ 667.3
Computation of Earnings Per Share			
Basic:			
Average shares outstanding	212.9	216.8	219.0
Per share	$ 7.74	$ 5.79	$ 3.05
Diluted:			
Average shares outstanding	212.9	216.8	219.0
Net effect of dilutive stock-based compensation	3.3	3.7	4.2
Total equivalent shares	216.2	220.5	223.2
Per share	$ 7.63	$ 5.69	$ 2.99

[1]Represents interest earned on an income tax refund. See *Note 3–Income Taxes*, in the Company's 2004 Annual Report to Shareholders, for further discussion.

See notes to the complete consolidated financial statements included in the Company's 2004 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2005 Proxy Statement.

I remember one morning when I was working second shift that it was getting a little chilly. Right above my workspace was a piece of Progressive art—a sweater nailed to the wall! Oh, the temptation.

(millions)		
December 31,	2004	2003
Assets		
Investments:		
Available-for-sale:		
Fixed maturities, at market (amortized cost: $8,972.6 and $8,899.0)	$ 9,084.3	$ 9,133.4
Equity securities, at market:		
Preferred stocks (cost: $749.4 and $751.3)	768.9	778.8
Common equities (cost: $1,314.0 and $1,590.6)	1,851.9	1,972.1
Short-term investments, at market (amortized cost: $1,376.6 and $648.0)	1,376.9	648.0
Total investments	13,082.0	12,532.3
Cash	20.0	12.1
Accrued investment income	103.5	97.4
Premiums receivable, net of allowance for doubtful accounts of $83.8 and $66.8	2,287.2	2,079.6
Reinsurance recoverables, including $44.5 and $41.4 on paid losses	381.6	271.3
Prepaid reinsurance premiums	119.8	114.7
Deferred acquisition costs	432.2	412.3
Income taxes	—	81.6
Property and equipment, net of accumulated depreciation of $562.1 and $476.4	666.5	584.7
Other assets	91.5	95.5
Total assets	$ 17,184.3	$ 16,281.5
Liabilities and Shareholders' Equity		
Unearned premiums	$ 4,108.0	$ 3,894.7
Loss and loss adjustment expense reserves	5,285.6	4,576.3
Accounts payable, accrued expenses and other liabilities	1,325.0	1,290.1
Income taxes	26.0	—
Debt	1,284.3	1,489.8
Total liabilities	12,028.9	11,250.9
Shareholders' equity:		
Common Shares, $1.00 par value (authorized 600.0, issued 213.2 and 230.1, including treasury shares of 12.8 and 13.7)	200.4	216.4
Paid-in capital	743.3	688.3
Unamortized restricted stock	(46.0)	(28.9)
Accumulated other comprehensive income (loss):		
Net unrealized gains on investment securities	435.1	418.2
Net unrealized gains on forecasted transactions	9.7	10.7
Foreign currency translation adjustment	—	(3.9)
Retained earnings	3,812.9	3,729.8
Total shareholders' equity	5,155.4	5,030.6
Total liabilities and shareholders' equity	$ 17,184.3	$ 16,281.5

See notes to the complete consolidated financial statements included in the Company's 2004 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2005 Proxy Statement.

(millions – except per share amounts)

For the years ended December 31,	2004		2003		2002	
Retained Earnings						
Balance, Beginning of year	$3,729.8		$ 2,796.0		$ 2,497.4	
Net income	1,648.7	$1,648.7	1,255.4	$1,255.4	667.3	$ 667.3
Cash dividends on Common Shares ($.110, $.100 and $.096 per share)	(23.3)		(21.7)		(21.1)	
Treasury shares purchased[1]	(1,542.4)		(297.5)		(200.7)	
Capitalization of stock split	—		—		(147.0)	
Other, net	.1		(2.4)		.1	
Balance, End of year	$ 3,812.9		$ 3,729.8		$ 2,796.0	
Accumulated Other Comprehensive Income (Loss), Net of Tax						
Balance, Beginning of year	$ 425.0		$ 169.3		$ 125.9	
Changes in:						
Net unrealized gains on investment securities		16.9		255.8		40.9
Net unrealized gains on forecasted transactions		(1.0)		(1.0)		2.5
Foreign currency translation adjustment		3.9		.9		—
Other comprehensive income	19.8	19.8	255.7	255.7	43.4	43.4
Balance, End of year	$ 444.8		$ 425.0		$ 169.3	
Comprehensive Income		$ 1,668.5		$1,511.1		$ 710.7
Common Shares, $1.00 Par Value						
Balance, Beginning of year	$ 216.4		$ 218.0		$ 73.4	
Stock options exercised	2.1		2.8		1.2	
Treasury shares purchased[1]	(18.6)		(5.0)		(3.6)	
Restricted stock issued, net of forfeitures	.5		.6		—	
Capitalization of stock split	—		—		147.0	
Balance, End of year	$ 200.4		$ 216.4		$ 218.0	
Paid-In Capital						
Balance, Beginning of year	$ 688.3		$ 584.7		$ 554.0	
Stock options exercised	49.6		47.2		21.4	
Tax benefits from exercise/vesting of stock-based compensation	44.3		44.0		19.3	
Treasury shares purchased[1]	(67.5)		(14.3)		(10.0)	
Restricted stock issued, net of forfeitures	27.3		26.7		—	
Other	1.3		—		—	
Balance, End of year	$ 743.3		$ 688.3		$ 584.7	
Unamortized Restricted Stock						
Balance, Beginning of year	$ (28.9)		$ —		$ —	
Restricted stock issued, net of forfeitures	(40.6)		(37.3)		—	
Restricted stock market value adjustment	(.3)		(2.6)		—	
Amortization of restricted stock	23.8		11.0		—	
Balance, End of year	$ (46.0)		$ (28.9)		$ —	
Total Shareholders' Equity	$5,155.4		$ 5,030.6		$ 3,768.0	

[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 2004 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2005 Proxy Statement.

Progressive Art = Mystery. I want to dive into the minds of the artists for the answers to the questions I have about their pieces.

(millions)

For the years ended December 31,	2004	2003	2002
Cash Flows From Operating Activities			
Net income	$ 1,648.7	$ 1,255.4	$ 667.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	99.4	89.3	83.9
Amortization of fixed maturities	168.9	103.2	42.6
Amortization of restricted stock	23.8	11.0	—
Net realized (gains) losses on securities	(79.3)	(12.7)	78.6
Changes in:			
Unearned premiums	213.3	590.4	587.6
Loss and loss adjustment expense reserves	709.3	763.3	575.0
Accounts payable, accrued expenses and other liabilities	70.2	124.5	256.6
Prepaid reinsurance premiums	(5.1)	(18.0)	(19.1)
Reinsurance recoverables	(110.3)	(55.6)	(14.2)
Premiums receivable	(207.6)	(336.8)	(245.7)
Deferred acquisition costs	(19.9)	(48.8)	(46.9)
Income taxes	98.5	(.1)	(65.1)
Tax benefits from exercise/vesting of stock-based compensation	44.3	44.0	19.3
Other, net	8.3	(72.2)	(7.9)
Net cash provided by operating activities	2,662.5	2,436.9	1,912.0
Cash Flows From Investing Activities			
Purchases:			
Available-for-sale: fixed maturities	(6,686.3)	(9,491.6)	(7,924.9)
equity securities	(678.3)	(771.2)	(680.7)
Sales:			
Available-for-sale: fixed maturities	5,885.7	7,189.3	5,823.3
equity securities	876.3	337.8	412.0
Maturities, paydowns, calls and other:			
Available-for-sale: fixed maturities	639.7	779.2	594.0
equity securities	78.2	91.7	—
Net purchases of short-term investments	(728.6)	(80.2)	(340.4)
Net unsettled security transactions	(43.2)	(37.1)	115.3
Purchases of property and equipment	(192.0)	(171.1)	(89.9)
Net cash used in investing activities	(848.5)	(2,153.2)	(2,091.3)
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	51.7	50.0	22.6
Proceeds from debt	—	—	398.6
Payments of debt	(206.0)	—	(.8)
Dividends paid to shareholders	(23.3)	(21.7)	(21.1)
Acquisition of treasury shares	(1,628.5)	(316.8)	(214.3)
Net cash provided by (used in) financing activities	(1,806.1)	(288.5)	185.0
Increase (decrease) in cash	7.9	(4.8)	5.7
Cash, Beginning of year	12.1	16.9	11.2
Cash, End of year	$ 20.0	$ 12.1	$ 16.9

See notes to the complete consolidated financial statements included in the Company's 2004 Annual Report to Shareholders, which is attached as an Appendix to the Company's 2005 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, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 and the effectiveness of the Company's internal control over financial reporting as of December 31, 2004; and in our report dated March 1, 2005, 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 2004 Annual Report to Shareholders, which is attached as an Appendix to The Progressive Corporation's 2005 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
March 1, 2005

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 Annual Report on Form 10-K, including the financial statements provided in this Report and in the 2004 Annual Report to Shareholders, which is attached as an Appendix in the Company's 2005 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 12, 2004, 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.

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, 2004. 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 2004 Annual Report to Shareholders, which is attached as an Appendix in the Company's 2005 Proxy Statement.

As I have aged, I have come to enjoy the artwork. In my twenties and thirties, I paid no attention to it. In my forties, I began to take a look at the artwork and appreciate how it fits Progressive's culture.

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 2005 quarterly dividend record dates, subject to Board approval, are as follows: March 11, June 10, September 9 and December 9.

	Stock Price				
Quarter	High	Low	Close	Rate of Return	Dividends per Share
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
2003					
1	$ 60.41	$ 46.25	$ 59.31		$ .025
2	76.38	59.66	73.10		.025
3	75.81	64.25	69.11		.025
4	84.68	69.11	83.59		.025
	$ 84.68	$ 46.25	$ 83.59	68.7%	$ .100

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 15, 2005, at 10 a.m. eastern time. There were 3,913 shareholders of record on December 31, 2004.

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 Contacts
For 24-hour customer service or to report a claim, contact:

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

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

Counsel Baker & Hostetler LLP, Cleveland, Ohio

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 to qualified tax-exempt organizations that are financially supported by Progressive employees.

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.

Transfer Agent and Registrar If you have questions about a specific stock ownership account, write or call: National City Bank, Corporate Trust Operations, Dept. 5352, 4100 W. 150th St., Cleveland, Ohio 44135. Phone: 1-800-622-6757 or e-mail: shareholder.inquiries@nationalcity.com.

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: 1-440-395-2258.

For financial-related information, call: 1-440-395-2222 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: 1-440-461-5000 or e-mail: webmaster@progressive.com.

Interactive Annual Report The Progressive Corporation's 2004 Annual Report, in an interactive format, can be found at: progressive.com/annualreport.

The artwork is one of the perks of working at Progressive. It challenges, provokes and inspires those who contemplate it.

I appreciate many of the pieces of artwork that grace my day unexpectedly as I turn a corner at my work site.

Directors

*Milton N. Allen[1, 2, 6]
Consultant, Director and Trustee,
Profit and Not-for-profit Organizations

Charles A. Davis[3, 5, 6]
Chairman and Chief Executive Officer,
MMC Capital, Inc.
(private equity investing)

Stephen R. Hardis[2, 4, 5, 6]
Chairman of the Board,
Axcelis Technologies, Inc.
(manufacturing)

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

Jeffrey D. Kelly[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]
Chairman of the Board

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

*In April 2005, Milton N. Allen will retire after 27 years of service on Progressive's Board. B. Charles Ames, after 21 years of service, retired in April 2004. Progressive would like to thank both Mr. Allen and Mr. Ames for their dedicated service and the many contributions they made during their tenure on the Board.

Patrick H. Nettles, Ph.D.[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

Corporate Officers

Peter B. Lewis
Chairman

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

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.

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The collection promotes the free-thinking atmosphere that drives the innovative ideas that improve our company. It’s a big part of who we are.

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