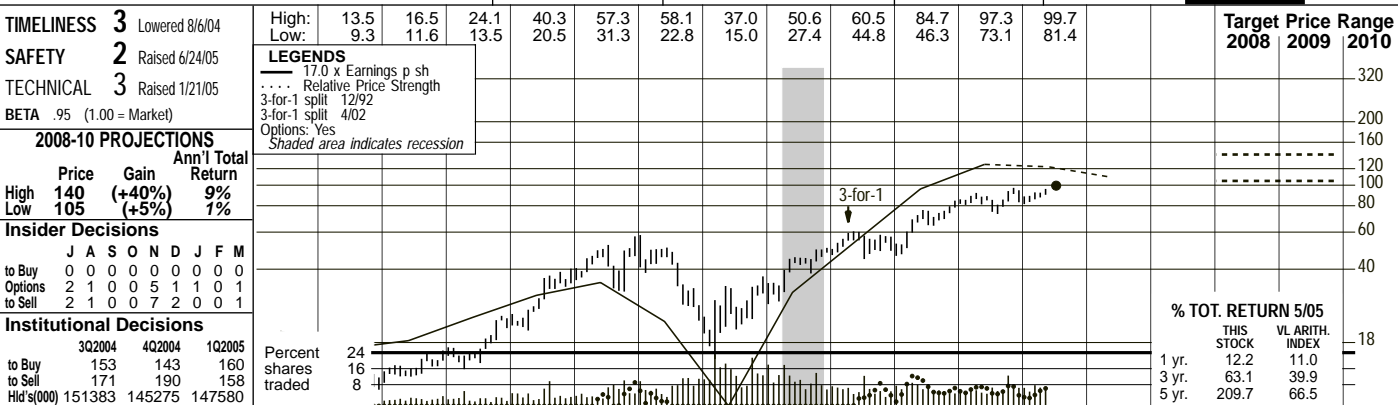


# PROGRESSIVE CP. NYSE-PGR

RECENT PRICE **99.41** P/E RATIO **13.8** (Trailing: 13.3; Median: 17.0) RELATIVE P/E RATIO **0.75** DIV'D YLD **0.1%** VALUE LINE



Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Value Line Pub. Inc.	08-10	
Price	5.23	5.73	6.78	7.08	7.71	10.26	12.61	14.92	19.32	22.75	25.92	28.79	32.52	40.75	49.29	61.77	70.55	75.70	P/C Prem Earned p sh	90.40	
Gain	.74	.67	.80	.76	.62	.74	.92	1.05	1.27	1.36	1.55	1.75	1.88	2.02	2.27	2.70	3.10	3.10	Investment Inc p sh	4.30	
Loss	d.34	.06	d.25	.25	.82	.85	.72	1.27	1.28	1.91	.48	d1.26	1.57	3.11	6.26	9.19	8.80	7.20	Underwriting Inc p sh	8.15	
Options to Buy	.31	.36	.21	.62	1.19	.99	1.08	1.39	1.77	2.04	1.33	.30	1.83	3.22	5.65	7.40	7.20	6.40	Earnings per sh	8.05	
Options to Sell	.05	.05	.06	.06	.07	.07	.07	.08	.08	.08	.09	.09	.09	.10	.10	.11	.12	.12	Div'ds Decl'd per sh	.15	
Hld's(000)	151383	145275	147580																Book Value per sh	61.50	
3Q2004																			Common Shs Outst'g	200.00	
4Q2004																			Price to Book Value	195%	
102005																			Avg Ann'l P/E Ratio	15.0	
to Buy	153	143	160																Relative P/E Ratio	1.00	
to Sell	171	190	158																Avg Ann'l Div'd Yield	.1%	
Hld's(000)	151383	145275	147580																		

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Value Line Pub. Inc.	08-10	
Total Debt	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	P/C Premiums Earned	18080
LT Debt	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	\$1284.5	Loss to Prem Earned	70.0%
Leases	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	\$26.0	Expense to Prem Writ	21.0%
Pension	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	No Defined Benefit Plan	Underwriting Margin	9.0%
Common Stock	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	198,794,022	Income Tax Rate	32.0%
Market Cap	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	\$19.8	Net Profit (\$mill)	1630
FINANCIAL POSITION	2003	2004	3/31/05																	Inv Inc/Total Inv	4.2%
Bonds	9133.4	9084.3	9505.5																	Total Assets (\$mill)	20300
Stocks	2750.9	2620.8	2856.6																	Shr. Equity (\$mill)	12300
Premiums Due	2079.6	2287.2	2469.2																	Return on Shr. Equity	13.5%
Other	2317.6	3192.0	2891.9																	Retained to Com Eq	13.0%
Total Assets	16281.5	17184.3	17723.2																	All Div'ds to Net Prof	2%
Loss Reserves	4576.3	5285.6	5348.3																		
Unearned Prem	3894.7	4108.0	4364.3																		
Other	2779.9	2635.3	2715.8																		
Total Liabilities	11250.9	12028.9	12428.4																		

**BUSINESS:** The Progressive Corporation of Ohio is an insurance holding company that writes standard and nonstandard (i.e., high risk) private passenger automobile coverage. Also writes recreational vehicle, mobile home, nonstandard commercial vehicle, and credit-related insurance. 2004 geographical premium breakdown: Florida, 11.4%; Texas, 8.8%; New York, 7.0%; California, 6.7%; Ohio, 5.6%; other states, 60.5%. Statutory surplus, \$4.7 billion at 12/04. Has about 27,090 employees. Peter B. Lewis controls 8.5% of common stock; other off./dirs., 1.4%; Ruane, Cunniff, 13.5%; (3/04 Proxy). Chairman: Peter B. Lewis. President and CEO: Glenn Renwick. Inc.: Ohio. Addr.: 6300 Wilson Mills, Mayfield Village, Ohio 44143. Tel.: 216-461-5000. Internet: www.progressive.com.

**Progressive posted modest first-quarter gains.** Net premiums earned in the personal lines and commercial automobile businesses rose 8% and 14%, respectively. Nonetheless, Progressive's combined ratio worsened by 180 basis points during the quarter to 85%, as loss cost trends outpaced premium growth. Adequate reserve strengthening, though, should cushion any significant increase in losses over the next few quarters and limit a severe decrease in the bottom line this year.

**Our main concern is the likelihood of a further decline in underwriting margins in 2006.** Given historical trends, we do not think that the favorable claims environment will persist much longer. Secondly, the ongoing softening in the premium pricing environment and greater competitive pressures are creating a reduction in the number of new applicants that Progressive is receiving. This, coupled with the fact that policy retention rates have been under pressure, will probably hinder top-line growth going forward. All told, we expect a 300-basis-point decrease in the company's combined ratio next year.

However, the insurer's revenues will likely benefit from modest policy gains in the commercial automobile and personal lines direct business.

**Progressive's investment income should steadily improve over the coming years.** We believe that the rising interest-rate environment, along with the continuous increase in invested assets, will aid in lifting investment income between 10% and 15% annually over the next 3 to 5 years. Moreover, the higher interest rates may well lead management to shift some assets to higher-yielding investments and to diversify the portfolio further to limit greater risks.

**This stock does not stand out for the next six to 12 months or for the pull to 2008-2010.** Some pricing deterioration in the automotive insurance industry and the possibility of a higher ratio of claims losses to premiums earned are factors in our earnings projections. On the other hand, Progressive's strict underwriting standards and low-cost leadership should help to maintain its relatively high underwriting margin.

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.83	.72	.87	.80	3.22
2003	1.33	1.22	1.46	1.64	5.65
2004	1.92	1.77	1.70	2.01	7.40
2005	2.01	1.82	1.72	1.65	7.20
2006	1.62	1.60	1.60	1.58	6.40

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