

PROGRESSIVE CORP/OH/
Form 424B2
December 10, 2001

TABLE OF CONTENTS

Prospectus Supplement to Prospectus dated November 29, 2001.

WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

THE PROGRESSIVE CORPORATION

USE OF PROCEEDS

CAPITALIZATION

RATIO OF EARNINGS TO FIXED CHARGES

SELECTED CONSOLIDATED FINANCIAL INFORMATION

DESCRIPTION OF NOTES

UNDERWRITING

PROSPECTUS

ABOUT THIS PROSPECTUS

WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

THE PROGRESSIVE CORPORATION

USE OF PROCEEDS

RATIO OF EARNINGS TO FIXED CHARGES

DESCRIPTION OF DEBT SECURITIES

PLAN OF DISTRIBUTION

LEGAL MATTERS

EXPERTS

Table of Contents

File Pursuant to Rule 424 b2
Registration No. 333-73752

Prospectus Supplement to Prospectus dated November 29, 2001.

\$350,000,000

The Progressive Corporation

6.375% Senior Notes due January 15, 2012

Progressive will pay interest on the Notes on January 15 and July 15 of each year. The first such payment will be made on July 15, 2002. The Notes will be issued only in denominations of \$1,000 and integral multiples of \$1,000.

Progressive may redeem the Notes in whole at any time or in part from time to time at the redemption prices set forth in this prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price	99.791%	\$ 349,268,500
Underwriting discount	0.650%	\$ 2,275,000
Proceeds, before expenses, to Progressive	99.141%	\$ 346,993,500

The initial public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from December 11, 2001 and must be paid by the purchaser if the Notes are delivered after December 11, 2001.

The underwriters expect to deliver the Notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on December 11, 2001.

Goldman, Sachs & Co.
Credit Suisse First Boston

Salomon Smith Barney

Morgan Stanley

NatCity Investments, Inc.

Prospectus Supplement dated December 6, 2001.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION;

INCORPORATION BY REFERENCE

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (SEC). You can read and copy our reports, proxy statements and other information at the SEC 's public reference facilities at Judiciary Plaza, 450 Fifth Street N.W., Room 1024, Washington, D.C. 20549. You can also obtain copies of these materials at prescribed rates from the Public Reference Section of the SEC, 450 Fifth Street N.W., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the public reference facilities.

We also file documents electronically with the SEC. The SEC maintains a Web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of this Web site is <http://www.sec.gov>. You may also inspect our reports, proxy statements and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference information contained in other documents filed with the SEC. This permits us to disclose information to you by referencing these filed documents. Information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede prior filings. We incorporate the following documents by reference:

Our Annual Report on Form 10-K for the year ended December 31, 2000 (filed March 29, 2001).

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2001 (filed May 14, 2001), June 30, 2001 (filed August 13, 2001), and September 30, 2001 (filed November 5, 2001).

Our Current Report on Form 8-K (filed June 29, 2001).

Our future filings under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 that are made with the SEC prior to the termination of this offering, as of the date of the filing of each such document.

We will furnish without charge to each person (including any beneficial owner) to whom a prospectus supplement is delivered, upon written or oral request, a copy of any or all of the foregoing documents incorporated herein by reference (other than certain exhibits). Requests for such documents should be directed to:

Jeffrey W. Basch

Chief Accounting Officer
The Progressive Corporation
6300 Wilson Mills Road
Mayfield Village, Ohio 44143
(440) 446-2851

To ensure timely delivery of these materials, you should make any request no later than 5 business days prior to the date on which you intend to invest in the Notes offered under this prospectus supplement. We will mail the materials to you by first class mail, or another equally prompt means, within 1 business day after we receive your request.

This prospectus supplement supplements the attached prospectus dated November 29, 2001, which is part of a registration statement on Form S-3 (file no. 333-73752) that we filed with the SEC. As permitted by SEC rules, neither this prospectus supplement nor the prospectus that it updates contains all the information contained in that registration statement and its accompanying exhibits and schedules, which we also filed with the SEC. You may refer to the

Table of Contents

registration statement, the exhibits and schedules for more information about Progressive. The registration statement, exhibits and schedules are available at the SEC's public reference rooms or through its EDGAR database on the Internet.

As used in this prospectus supplement, the terms Progressive, Company, we, us and our refer to The Progressive Corporation and its subsidiaries.

THE PROGRESSIVE CORPORATION

The Progressive insurance organization began business in 1937. The Progressive Corporation, an insurance holding company formed in 1965, has 73 subsidiaries, 1 mutual insurance company affiliate and 1 reciprocal company affiliate. Progressive Casualty Insurance Company is the principal operating subsidiary. Our insurance subsidiaries and affiliates provide personal automobile insurance and other specialty property-casualty insurance products and related services throughout the United States. Of the approximately 220 United States insurance company groups writing private passenger auto insurance, we ranked 4th in size for 2000 based on direct premiums written. Our ranking in the industry was derived from data reported by A.M. Best Company, Inc.

Our personal lines business units write insurance for private passenger automobiles and recreation vehicles. The personal lines business accounted for 91% of our total net premiums written in 2000, and 89% of our total net premiums written during the first 9 months of 2001. The personal lines business is either generated by an agent or written directly by the Company. The agent channel includes business written by our network of 30,000 independent insurance agencies and through strategic alliance business relationships (other insurance companies, financial institutions, employers and national brokerage agencies). Direct business includes business written through 1-800-PROGRESSIVESM, the Internet and the strategic alliance business unit on behalf of affinity groups. We compete in the preferred, standard and nonstandard automobile insurance markets.

In addition to our personal lines business, our other lines of business, which accounted for 9% of our total net premiums written in 2000, and 11% of our total net premiums written during the first 9 months of 2001, include:

writing insurance for small fleets of commercial vehicles,

providing collateral protection coverage and loan tracking for automobile lenders and financial institutions,

providing directors and officers liability and fidelity coverage for community banks, savings and loans and credit unions, and

providing related services.

We maintain geographic diversity in our insurance underwriting business, writing personal auto policies in 48 states and the District of Columbia. We also maintain diversity in our customer base, and no customer accounts for more than 1% of our net premiums written. While we operate on a national scale, we focus our claims expertise on a state level.

Additional information about Progressive and its subsidiaries and affiliates can be found in our documents filed with the SEC, which are incorporated herein by reference. See Where You Can Find More Information; Incorporation by Reference on page S-2 of this prospectus supplement.

Our principal executive office is located at 6300 Wilson Mills Road, Mayfield Village, Ohio 44143, and our telephone number is (440) 461-5000.

Table of Contents**USE OF PROCEEDS**

We will use the net proceeds from this offering for general corporate purposes. Until the proceeds are used for these purposes, Progressive will add the net proceeds to its investment portfolio or those of its subsidiaries and the net proceeds may be used, in whole or in part, to support premium growth. The proceeds will be invested in securities that are similar in nature to and of approximately the same quality and maturities as those currently held in our investment portfolios. The nature of our securities holdings and their related risks are discussed in the Investments section of Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Progressive's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, and in the Results of Operations section in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

CAPITALIZATION

The table below shows the capitalization of Progressive on a consolidated basis as of September 30, 2001. The table also shows adjustments to Progressive's capitalization to reflect this offering. You should refer to the financial statements of Progressive in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, which is incorporated by reference into this prospectus supplement. See Where You Can Find More Information; Incorporation by Reference.

	As of September 30, 2001	
	Actual	As Adjusted
	(in millions)	
Debt:		
6.375% Senior Notes due 2012	\$	\$ 347.0
6 5/8% Senior Notes due 2029	293.9	293.9
7.30% Notes due 2006	99.8	99.8
6.60% Notes due 2004	199.5	199.5
7% Notes due 2013	148.6	148.6
Other debt	7.3	7.3
Total debt	749.1	1,096.1
Shareholders' equity:		
Common Shares, \$1.00 par value, issued 83.1 including treasury shares of 9.8	73.3	73.3
Paid-in capital	541.1	541.1
Accumulated other comprehensive income:		
Net unrealized appreciation on investment securities	103.3	103.3
Other	(4.8)	(4.8)
Retained earnings	2,388.3	2,388.3
Total shareholders' equity	3,101.2	3,101.2
Total debt and shareholders' equity	\$3,850.3	\$4,197.3

RATIO OF EARNINGS TO FIXED CHARGES

The following table represents Progressive's ratio of earnings to fixed charges for the periods shown:

Nine Months Ended September 30,	Years Ended December 31,				
2001	2000	1999	1998	1997	1996
10.1x	1.3x	5.7x	10.2x	9.2x	7.7x

Earnings consist of income before income taxes and fixed charges, excluding capitalized interest. Fixed charges consist of interest and amortization on indebtedness, capitalized interest and the portion of rents representative of the interest factor.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The following tables set forth selected consolidated financial information concerning Progressive and its subsidiaries for the five years ended December 31, 2000, and for the nine months ended September 30, 2001 and 2000. You should refer to the financial statements of Progressive in its Quarterly Report on Form 10-Q, filed with the SEC on November 5, 2001, which is incorporated by reference into this prospectus supplement. See Where You Can Find More Information; Incorporation by Reference. The information for the interim periods is unaudited; however, management believes the results include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement. The interim results of operations may not be indicative of the results for the full year.

	Nine Months Ended September 30,		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
(Dollars in millions, except per share amounts)							
Consolidated Statement of							
Income Data:							
Revenues:							
Premiums Earned	\$5,262.6	\$4,716.4	\$6,348.4	\$5,683.6	\$4,948.0	\$4,189.5	\$3,199.3
Investment income (1)	305.1	284.0	385.2	340.7	294.8	274.9	225.8
Net realized gains/ (losses) on security sales (2)	(88.8)	(9.3)	16.9	47.2	11.4	98.5	7.1
Service revenues	17.6	15.2	20.5	47.5	38.2	45.3	46.2
Other income (3)				5.2			
Total revenues	5,496.5	5,006.3	6,771.0	6,124.2	5,292.4	4,608.2	3,478.4
Expenses:							
Losses and loss adjustment expenses	3,901.7	3,971.7	5,279.4	4,256.4	3,376.3	2,967.5	2,236.1
Policy acquisition costs	636.5	587.1	788.0	745.0	659.9	607.8	482.6
Other underwriting expenses	485.3	398.3	559.3	583.8	495.8	336.0	208.5
Investment expenses	9.3	7.3	9.1	9.5	7.4	9.9	6.1
Service expenses	14.9	16.3	21.4	40.9	30.8	43.9	41.9
Interest expense	38.0	59.7	77.8	76.4	61.1	64.6	61.5
Non-recurring item (4)			4.2				
Total expenses	5,085.7	5,040.4	6,739.2	5,712.0	4,631.3	4,029.7	3,036.7
Income/(loss) before income taxes	410.8	(34.1)	31.8	412.2	661.1	578.5	441.7
Provision/(benefit) for income taxes	124.1	(32.2)	(14.3)	117.0	204.4	178.5	128.0
Net income/(loss)	\$ 286.7	\$ (1.9)	\$ 46.1	\$ 295.2	\$ 456.7	\$ 400.0	\$ 313.7
Per Common Share (5):							
Basic	\$ 3.89	\$ (0.03)	\$.63	\$ 4.05	\$ 6.30	\$ 5.56	\$ 4.29
Diluted	\$ 3.82	\$ (0.03)	\$.62	\$ 3.96	\$ 6.11	\$ 5.31	\$ 4.14
Net premiums written	\$5,443.4	\$4,874.1	\$6,196.1	\$6,124.7	\$5,299.7	\$4,665.1	\$3,441.7
GAAP operating ratios:							
Loss and loss adjustment expense	74.2%	84.2%	83.2%	74.9%	68.2%	70.9%	69.9%

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ratio							
Underwriting expense ratio	21.3%	20.9%	21.2%	23.4%	23.4%	22.5%	21.6%
Combined ratio	95.5%	105.1%	104.4%	98.3%	91.6%	93.4%	91.5%

S-5

Table of Contents

	Nine Months Ended September 30,		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
(Dollars in millions, except per share amounts)							
Statutory operating ratios:							
Loss and loss adjustment expense ratio	74.3%	84.3%	83.2%	75.0%	68.5%	71.1%	70.2%
Underwriting expense ratio	20.6%	20.0%	21.0%	22.1%	22.4%	20.7%	19.8%
Combined ratio (6)	94.9%	104.3%	104.2%	97.1%	90.9%	91.8%	90.0%

	As of September 30,		As of December 31,				
	2001	2000	2000	1999	1998	1997	1996
(In millions)							
Consolidated Balance Sheet Data:							
Total assets	\$ 10,858.2	\$ 10,493.5	\$ 10,051.6	\$ 9,704.7	\$ 8,463.1	\$ 7,559.6	\$ 6,183.9
Debt	749.1	1,049.1	748.8	1,048.6	776.6	775.9	775.7
Shareholders equity	3,101.2	2,795.0	2,869.8	2,752.8	2,557.1	2,135.9	1,676.9

- (1) Investment income includes dividends and interest.
- (2) Net realized gains (losses) for the nine months ended September 30, 2001 and 2000, includes \$49.9 million and \$22.4 million, respectively, of write-downs on securities determined to have an other-than-temporary decline in market value. For the years ended December 31, 2000, 1999 and 1998, Progressive wrote down \$46.5 million, \$16.3 million and \$32.1 million, respectively, of securities. During 1997, Progressive sold \$178.4 million (proceeds of \$200.8 million) of its non-investment grade commercial mortgage-backed securities, recognizing \$22.4 million of net realized gains on security sales. A bankruptcy-remote subsidiary of Progressive acquired \$22.8 million of the securitized debt, which was subsequently sold in 1998 for a net gain of \$3.5 million.
- (3) For the year ended December 31, 1999, other income represents the gain on the sale of Progressive's aircraft to a company independently owned by Peter B. Lewis, Progressive's Chairman of the Board and then President and Chief Executive Officer.
- (4) For the year ended December 31, 2000, the non-recurring item represents the realization of the foreign currency translation loss associated with the substantial liquidation of the Company's foreign subsidiary.
- (5) Basic earnings per share are computed using the weighted average number of Common Shares outstanding and diluted earnings per share includes common stock equivalents, including stock options, assumed outstanding during the period.
- (6) Industry combined ratios for the personal auto insurance market, presented on a statutory basis and obtained from A. M. Best Company Inc.'s *Aggregates & Averages-Property/Casualty*, are set forth below:

Years Ended December 31,				
2000	1999	1998	1997	1996
109.5%	103.5%	101.1%	99.5%	