

PROGRESSIVE CORP/OH/
Form DEF 14A
March 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

THE PROGRESSIVE CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (3) Filing Party:

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Progressive Corporation will hold its Annual Meeting of Shareholders on Friday, April 24, 2009, at 10:00 a.m., local time, at 6671 Beta Drive, Mayfield Village, Ohio, for the following purposes:

1. To elect as directors the four nominees identified in the attached Proxy Statement, each to serve for a term of three years;
2. To approve an amendment to our Code of Regulations to establish procedures for shareholders to make proposals for consideration at our Annual Meetings of Shareholders (other than nominations for directors);
3. To approve an amendment to our Code of Regulations to revise the existing procedures relating to shareholder nominations of directors;
4. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009; and
5. To transact such other business as may properly come before the meeting.

The foregoing items of business are described more fully in the Proxy Statement accompanying this Notice. Only shareholders of record of The Progressive Corporation (NYSE:PGR) at the close of business on February 27, 2009, will be entitled to receive notice of and to vote at the meeting or any adjournment thereof.

Your vote is important. Whether or not you plan to be present at the meeting, please vote by Internet or telephone (following the instructions on the enclosed proxy card), or by completing and returning the proxy card in the enclosed postage-paid envelope. If you later choose to revoke your proxy, you may do so before voting occurs at the Annual Meeting by following the procedures described in the Questions and Answers about the Annual Meeting and Voting section in the attached Proxy Statement.

By Order of the Board of Directors.

Charles E. Jarrett, *Secretary*

March 13, 2009

The Proxy Statement and the 2008 Annual Report to Shareholders are also available at progressiveproxy.com.

The Progressive Corporation

Proxy Statement

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THE PROGRESSIVE CORPORATION

PROXY STATEMENT

GENERAL INFORMATION REGARDING PROXY MATERIALS AND THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 24, 2009

The Board of Directors of The Progressive Corporation (NYSE:PGR) provides this Proxy Statement to you to solicit your proxy to act upon the matters outlined in the accompanying Notice of Annual Meeting of Shareholders. These include the election of four nominees as directors, the approval of amendments to our Code of Regulations, and the ratification of the appointment of Progressive's independent registered public accounting firm for 2009, each described in more detail below.

The Annual Meeting will take place on Friday, April 24, 2009 at 10:00 a.m., local time, at 6671 Beta Drive, Mayfield Village, Ohio 44143. The proxies also may be voted at any adjournment or postponement of the meeting.

The form of proxy (proxy card), this Proxy Statement, and Progressive's 2008 Annual Report to Shareholders are being mailed to shareholders beginning on or about March 16, 2009.

All properly executed written proxies, and all proxies that are properly completed and submitted over the Internet or by telephone, will be voted at the meeting in accordance with the directions given by the shareholder, unless the shareholder properly revokes his or her proxy before voting occurs at the meeting.

Only shareholders of record of The Progressive Corporation at the close of business on February 27, 2009, the record date, will be entitled to receive notice of and to vote at the meeting or any adjournment thereof. Each shareholder on the record date is entitled to one vote for each of our Common Shares, \$1.00 par value, held. On the record date, there were 676,721,994 shares of our common stock issued and outstanding.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive these materials?

You received these materials because you are a shareholder of Progressive. We hold a meeting of our shareholders annually. This year's meeting will be held on Friday, April 24, 2009. At the meeting, shareholders will be asked to vote on several items of business. Since it is not practical or convenient for all shareholders to attend the meeting in person, our Board of Directors is seeking your proxy to vote on these matters.

What is a proxy?

A proxy is your legal authority for another person to vote the stock you own at our Annual Meeting. The person you designate to vote your shares is referred to as your proxy. If you designate someone as your proxy in a written document, that document is also sometimes referred to as a proxy or proxy card. When you submit a proxy card, the person(s) named as your proxy(ies) on the card are required to vote your shares at the Annual Meeting in the manner you have instructed. By voting via proxy, each shareholder is able to ensure that his or her vote is counted without having to attend the Annual Meeting in person.

Who is soliciting my proxy?

This solicitation of proxies is made by and on behalf of our Board of Directors. The Board has approved the matters to be acted upon at the Annual Meeting (described in more detail below), subject to approval by shareholders. The Board recommends that you vote in favor of each director nominee named in this Proxy Statement and for each of the other proposals. However, you control your vote, and the voting instructions that you provide will be followed.

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters outlined in the Notice of Annual Meeting of Shareholders. These include:

Election of the four nominees identified in this Proxy Statement as directors, each to serve for a term of 3 years;

Approval of amendments to our Code of Regulations to:

- i establish procedures for shareholders to make proposals for consideration at our Annual Meetings; and
- i revise existing procedures relating to shareholder nominations of directors;

Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009; and

Any other business that properly comes before the meeting.

Also, once the business of the Annual Meeting is concluded, management will comment briefly on the company's performance and will be available to respond to appropriate questions from shareholders. The Annual Meeting will not be accessible via teleconference or webcast.

What is a proxy statement?

This document (including the exhibits, but excluding the 2008 Annual Report to Shareholders, which is attached as an appendix) is our Proxy Statement. The proxy statement is a document that Securities and Exchange Commission (SEC) regulations require us to give shareholders when we are soliciting shareholders' proxies to vote their shares. This Proxy Statement and the Annual Report contain important information about The Progressive Corporation and its subsidiaries, and about the matters that will be voted on at the meeting. Please read these materials carefully so that you have the information you need to make informed decisions.

Who is entitled to vote at the Annual Meeting?

Anyone who holds our common stock at the close of business on February 27, 2009, the record date, is entitled to receive the Notice of Annual Meeting and Proxy Statement and to vote his or her shares at the Annual Meeting. As of the record date, there were 676,721,994 shares of our common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter properly brought before the meeting.

What is the difference between a shareholder of record and a shareholder who holds stock in street name ?

If you hold Progressive shares directly in your name with our transfer agent, National City Bank, you are a shareholder of record (also known as a registered shareholder). The Notice of Annual Meeting, Proxy Statement, 2008 Annual Report to Shareholders and proxy card have been sent directly to you by Progressive or our representative.

If you own your shares indirectly through a broker, bank, or other financial institution, your shares are said to be held in street name. Technically, the bank or broker is the shareholder of record with respect to those shares. In this case, the Notice of Annual Meeting, Proxy Statement, Annual Report to Shareholders, and a voting instruction form have been forwarded to you by your broker, bank, other financial institution, or their designated representative. Through this process, your bank or broker collects the voting instructions from all of its customers who hold Progressive shares and then submits those votes to us.

What shares are included on the proxy card?

If you are a shareholder of record, you will receive only one proxy card for all the shares of common stock you hold as of February 27, 2009:

in certificate form (i.e., you hold paper share certificates as evidence of your ownership); and

in book-entry form (i.e., physical certificates are not issued; includes shares held in a direct registration program or shares of restricted stock held by some of our employees, directors, and former employees).

Employees and former employees who hold shares in The Progressive 401(k) Plan (401(k) Plan) will receive information on the number of shares as to which they are eligible to provide voting instructions.

If you hold shares in street name, the voting instruction form that you receive from your bank or broker should include a statement of the number of shares that you are entitled to vote. Any questions concerning this information should be directed to your bank or broker.

What methods can I use to vote?

By Mail. All shareholders of record can vote by written proxy card. Please be sure to complete, sign, and date the proxy card and return it in the enclosed, prepaid envelope. If you are a street name holder, you will receive a voting form and instructions from your bank or broker.

By Telephone or Internet. If you vote by telephone or on the Internet, you do not have to return your proxy card or voting instruction form. All shareholders of record also can vote by touch-tone telephone from the U.S. and Canada, using the toll-free telephone number on the proxy card, or through the Internet using the procedures and instructions described on the proxy card. Telephone and Internet voting for street name holders is typically made available by brokers, banks, or other financial institutions. If applicable to you, voting instructions will be included in the materials you receive from them.

In Person. All shareholders of record may vote in person at the Annual Meeting. Street name holders may vote in person at the Annual Meeting only if they bring a legal proxy from their bank or broker. If you are a street name holder and you plan to vote in person, you must request the legal proxy from your bank or broker well in advance of the meeting date.

401(k) Plan Holders. If you hold shares in our 401(k) Plan, you will receive voting instructions from our plan administrator. If voting instructions are received by the plan administrator, your 401(k) Plan shares will be voted according to the instructions received. If you do not specify your voting instructions in the manner required by the plan administrator, the administrator will not vote your 401(k) Plan shares. **To allow sufficient time for voting by the 401(k) Plan administrator, your voting instructions must be received by 11:59 p.m. eastern time, on Tuesday, April 21, 2009.** You can change your vote at any time prior to this cut-off time; only your last vote will be counted. Voting in person at the Annual Meeting is not permitted.

Whether or not you plan to attend the Annual Meeting, the Board of Directors strongly encourages you to vote your shares by proxy prior to the meeting. Your vote is important. Please follow the voting instructions carefully to make sure that your shares are voted appropriately. You can save us the expense of a second mailing if you vote your shares promptly.

If I submit a proxy, may I later change or revoke it?

If you are a shareholder of record, you can revoke your proxy before votes are cast at the Annual Meeting by:

written notice to the Secretary of the company;

timely delivery of a valid, later-dated and signed proxy card or a later-dated vote by telephone or via the Internet; or

voting in person at the Annual Meeting.

If you are a street name holder of shares, you may submit new voting instructions by contacting your bank, broker, or other financial institution. You may also vote in person at the Annual Meeting if you obtain a legal proxy as described in the answer to the previous question.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting as instructed.

Who counts the votes?

Votes will be tabulated by or under the direction of the Inspectors of Election, some of whom may be regular employees of Progressive. The Inspectors of Election will certify the results of the voting at the Annual Meeting.

What are my voting choices when voting for director nominees, and what vote is needed to elect directors?

When you vote on our nominees for the Board of Directors, you will have the following choices:

vote FOR all nominees;

vote AGAINST all nominees;

vote FOR certain nominees, but AGAINST specified nominees; or

ABSTAIN from voting with respect to one or more nominees.

A nominee will be elected if he receives more for votes than against votes. Abstentions will not be counted as a vote for or against the nominee and, therefore, will have no effect on the outcome. Any nominee who does not receive a majority of the votes cast is not elected; if the nominee is a current director, the Board expects that he will submit a resignation for the Board's consideration promptly after the meeting. If the resignation is not submitted within 10 days after the certification of the shareholders' vote, his term as a director will automatically expire.

The Board recommends a vote **FOR** each of the nominees.

What are my voting choices when voting on the proposals to amend our Code of Regulations (Items 2 and 3 on the Notice of Annual Meeting above), and what vote is needed to pass the proposals?

For each proposal, you may select from the following choices:

vote FOR the proposal;

vote AGAINST the proposal; or

ABSTAIN from voting on the proposal.

The proposal to amend our Code of Regulations to establish procedures for shareholders to make proposals for consideration at our Annual Meetings of Shareholders (other than nominations for directors) will be adopted if approved by the affirmative vote of a majority of our common shares outstanding as of the record date. As such, abstentions and broker non-votes will have the same effect as votes against the proposal.

The proposal to amend our Code of Regulations to revise the existing procedures relating to shareholder nominations of directors will be adopted if approved by the affirmative vote of seventy-five percent (75%) of our common shares outstanding as of the record date. Abstentions and broker non-votes will have the same effect as votes against the proposal.

The Board recommends a vote **FOR** each of the proposals.

What are my voting choices when voting on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009 (Item 4 on the Notice of Annual Meeting above), and what vote is needed to ratify their appointment?

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In the vote on the approval of the appointment of PricewaterhouseCoopers LLC as the independent registered public accounting firm for 2009, shareholders may:

vote FOR the ratification;

vote AGAINST the ratification; or

ABSTAIN from voting on the ratification.

This proposal will be adopted if approved by the affirmative vote of a majority of the votes cast on this proposal, provided the total number of votes cast represents a majority of the outstanding common shares. Broker non-votes will not be treated as votes cast. Abstentions will be treated as votes cast and, consequently, will have the same effect as votes against the proposal.

The Board recommends a vote **FOR** the ratification.

What is a broker non-vote?

A broker non-vote occurs when a broker's or bank's customer does not provide the broker or bank with voting instructions on non-routine matters for shares owned by the customer (sometimes referred to as the beneficial owner) but held in the name of the broker or bank. For such matters, the broker or bank cannot vote on behalf of the shareholder and reports the number of such shares as non-votes. By contrast, if a proposal is considered routine, the broker or bank, in its discretion, may vote any shares as to which it has not received specific instructions from its customer. Whether the proposal is non-routine or routine is governed by the rules of the New York Stock Exchange (NYSE). All proposals included in this Proxy Statement are considered routine by the NYSE.

What if I do not specify a choice for a matter when returning a proxy?

You should specify your choice for each matter on the enclosed proxy card. For shareholders of record, if no specific instructions are given, proxies that are signed and returned will be voted in accordance with the recommendations of the Board of Directors, as follows:

FOR the election of all four director nominees, each for a term of 3 years;

FOR the proposal to amend our Code of Regulations to establish procedures for shareholders to make proposals for consideration at our Annual Meetings of Shareholders (other than nominations for directors);

FOR the proposal to amend our Code of Regulations to revise the existing procedures relating to shareholder nomination of directors; and

FOR the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009.

Can I access the Notice of Annual Meeting, Proxy Statement, Annual Report on Form 10-K and the Annual Report to Shareholders on the Internet?

The Notice of Annual Meeting, Proxy Statement and 2008 Annual Report to Shareholders are available on a dedicated Web site at progressiveproxy.com. Our Annual Report on Form 10-K is available at the Investor Relations section of our Web site at progressive.com/sec. We will also provide a copy of any of these documents to any shareholder free of charge, upon request by e-mail to investor_relations@progressive.com, by calling toll-free 1-800-542-1061, or by writing to: The Progressive Corporation, Investor Relations, 6300 Wilson Mills Road, Box W33, Mayfield Village, Ohio 44143.

Street Name Holders. If you hold your shares in a bank or brokerage account, your bank or broker may also provide you copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your bank or broker regarding the availability of this service.

ITEM 1: ELECTION OF DIRECTORS

Four of our directors have been nominated for re-election this year. Information about the structure of our Board of Directors and about our individual directors follows.

Progressive's Code of Regulations provides that the number of directors shall be fixed at no fewer than five and no more than 13. The number of directors has been fixed by shareholders at 13, and there are currently 12 directors on the Board and one vacancy. The Code of Regulations also provides that the directors are to be divided into three classes as nearly equal in number as possible and that the classes are to be elected for staggered terms of three years each. Directors of one class are elected annually, except as provided below. At the Annual Meeting, the shares represented by the proxies obtained hereby, unless otherwise specified, will be voted for the election as directors of the four nominees named below, each to serve for a three-year term, and until their respective successors are duly elected. If, by reason of death or other unexpected occurrence, any one or more of the nominees named below is not available for election, the proxies will be voted for such substitute nominee(s), if any, as the Board of Directors may propose.

Based upon a recommendation from the Board's Nominating and Governance Committee, the Board has nominated the four nominees named below for re-election to the Board. No shareholder nominations for the election of directors have been received within the time period specified by Section 13 of Article II of our Code of Regulations, and no shareholder proposed candidates were received pursuant to our Shareholder-Proposed Candidate Procedures (discussed below). Proxies cannot be voted at the Annual Meeting for a greater number of persons than the four nominees named in this Proxy Statement.

If written notice is given by any shareholder to the President, a Vice President or the Secretary not less than 48 hours before the time fixed for holding the Annual Meeting that he or she desires that the voting for election of directors shall be cumulative, and if an announcement of the giving of such notice is made at the meeting by the Chairman or Secretary or by or on behalf of the shareholder giving such notice, each shareholder shall have the right to cumulate his or her voting power in the election of directors. Under cumulative voting, each shareholder may give one nominee a number of votes equal to the number of directors to be elected multiplied by the number of shares he or she holds, or distribute such number of votes among two or more nominees, as the shareholder sees fit. If the enclosed proxy is executed and returned and voting for the election of directors is cumulative, the persons named in the enclosed proxy will have the authority to cumulate votes and to vote the shares represented by such proxy, and by other proxies held by them, so as to elect as many of the four nominees named below as possible.

Under changes to our organizational documents approved by shareholders in 2008, a nominee for director in an uncontested election will be elected as a director only if he or she receives a majority of the votes cast, which is sometimes referred to as a majority voting standard. If the election for directors is contested (that is, there are more nominees than the number of director positions up for election), the majority voting standard does not apply, and the nominees receiving the highest number of votes will be elected (a plurality voting standard). The election of directors at this year's Annual Meeting is an uncontested election, so each nominee must receive a majority of the votes cast to be elected.

Each of the four nominees for director is currently a director of the company. If an incumbent director is not re-elected by shareholders in an uncontested election, the director is not automatically removed from the Board, but he or she is expected by the Board of Directors to tender a resignation from the Board within 10 days after the certification of the shareholder vote. If that resignation is not made contingent on the Board's determination to accept or reject such resignation, the resignation will be effective immediately. If the resignation is contingent on Board action, the Board will review the resignation under procedures approved by the Board and announce its determination whether to accept or reject the resignation within 120 days from the certification of the shareholder vote. If a director is not elected by majority vote, but fails to tender his or her resignation during the 10-day period after certification, his or her term of office will expire automatically upon the expiration of the 10 days.

The Board currently has one vacancy. Under our Code of Regulations, the Board has the right to elect a new director to fill such a vacancy, but the new director so elected would serve for a term that expires on the date of the next shareholder meeting at which directors are to be elected. No decision has been made to fill the vacancy at this time.

The following information is provided for each person nominated for election as a director and for those directors whose terms will continue after the Annual Meeting. Unless otherwise indicated, each such nominee or director has held the principal occupation indicated for more than the last five years.

Nominees for Election at the Annual Meeting

Name	Age	Principal Occupation and Last Five Years Business Experience	Other Directorships	Director Since	If Elected, Term Expires
Roger N. Farah	56	President, Chief Operating Officer and Director, Polo Ralph Lauren Corporation, New York, New York (lifestyle products)	Aetna, Inc.	2008	2012
Stephen R. Hardis	73	Non-Executive Chairman of the Board, Marsh & McLennan Companies, Inc., New York, New York (financial services) since May 2006; Lead Director, Axcelis Technologies, Inc., Beverly, Massachusetts (semiconductor equipment manufacturing) since May 2005; Chairman of the Board, Axcelis Technologies, Inc. prior to May 2005	Axcelis Technologies, Inc., Lexmark International, Inc., Marsh & McLennan Companies, Inc., and Nordson Corporation	1988	2012
Norman S. Matthews	76	Consultant, New York, New York	Finlay Enterprises, Inc., Henry Schein, Inc. and The Children's Place Retail Stores, Inc.	1981	2012
Bradley T. Sheares, Ph.D.	52	Former Chief Executive Officer, Reliant Pharmaceuticals, Inc., Liberty Corner, New Jersey (pharmaceutical products) from January 2007 to December 2007; President, U.S. Human Health Division of Merck & Co., Inc., Whitehouse Station, New Jersey (pharmaceutical products and services) prior to July 2006	Covance Inc. and Honeywell International, Inc.	2003	2012

Directors Whose Terms will Continue after the Annual Meeting

Name	Age	Principal Occupation and Last Five Years Business Experience	Other Directorships	Director Since	Term Expires
Peter B. Lewis	75	Non-Executive Chairman of the Board of The Progressive Corporation	None	1965	2010
Patrick H. Nettles, Ph.D.	65	Executive Chairman of the Board, Ciena Corporation, Linthicum, Maryland (telecommunications)	Axcelis Technologies, Inc. and Ciena Corporation	2004	2010
Glenn M. Renwick	53	President and Chief Executive Officer of The Progressive Corporation; President, Chairman of the Board and Chief Executive Officer of Progressive Casualty Insurance Company (a Progressive subsidiary) prior to April 2004; officer and director of various other subsidiaries and an affiliate of Progressive	Fiserv, Inc. and UnitedHealth Group Incorporated	1999	2010
Donald B. Shackelford	76	Retired since March 2008; Chairman of the Board, Fifth Third Bank, Central Ohio (successor to State Savings Bank), Columbus, Ohio (commercial banking) prior to March 2008	Diamond Hill Investment Group, Inc.	1976	2010

Name	Age	Principal Occupation and Last Five Years Business Experience	Other Directorships	Director Since	Term Expires
Charles A. Davis	60	Chief Executive Officer, Stone Point Capital LLC, Greenwich, Connecticut (global private equity firm) since June 2005; Chairman and CEO, MMC Capital, Inc., Greenwich, Connecticut (global private equity firm) prior to June 2005; Vice Chairman, Marsh & McLennan Companies, Inc., New York, New York (financial services) prior to December 2004	AXIS Capital Holdings Limited and The Hershey Company	1996	2011
Bernadine P. Healy, M.D.	64	Health Editor and Medical Columnist, U.S. News & World Report, Washington, D.C. (publishing)	Ashland Inc. and Invacare Corporation	2002	2011
Jeffrey D. Kelly	55	Former Chief Financial Officer, National City Corporation (NCC), Cleveland, Ohio (commercial banking) prior to September 2008; Vice Chairman of NCC from December 2004 to September 2008; Executive Vice President of NCC prior to December 2004	None	2000	2011
Abby F. Kohnstamm	55	President and Chief Executive Officer, Abby F. Kohnstamm & Associates, Inc., New York, New York (marketing consulting firm) since January 2006; Senior Vice President of Marketing, IBM Corporation, Armonk, New York (information technology) prior to December 2005	Tiffany & Co.	2006	2011

OTHER BOARD OF DIRECTORS INFORMATION

Board of Directors Independence Standards and Determinations

The Board of Directors has approved categorical independence standards which, if satisfied by a director, will permit a determination that such director is independent for purposes of the NYSE Listing Standards. Under Progressive's standards, an individual director may be determined to be independent only if he or she satisfies each of the following requirements, or if he or she is otherwise determined to be independent by a disinterested majority of the Board as provided below:

He or she is not currently an officer or employee of The Progressive Corporation or any of its subsidiaries, and has not been an officer or employee of Progressive or any of its subsidiaries at any time during the past three years. For purposes of this requirement, officer does not include a non-executive Chairman of the Board who is otherwise independent under these standards.

No member of his or her immediate family is an executive officer of Progressive or has been an executive officer of Progressive at any time during the past three years.

Neither he or she, nor any member of his or her immediate family, receives, or has received payments or other consideration from the company or any of its subsidiaries in excess of \$120,000, in the aggregate, during any twelve-month period within the past three years, either

- i as direct compensation. For this purpose, direct compensation excludes: (i) retainer and meeting fees and equity grants for service as a director, (ii) pension or other forms of deferred compensation for prior service (provided such compensation is not contingent on continued service), or (iii) compensation received by an immediate family member for service as an employee of Progressive (other than as an executive officer); or
- i in connection with any direct business relationship between such individual and the company or any of its subsidiaries. For this purpose, a direct business relationship means the purchase or sale for value of any goods or services (other than insurance products sold by the company and related services), including, without limitation, consulting or advisory services.

He or she (i) is not currently a partner or employee of a firm that is Progressive's internal or external auditor, and (ii) was not at any time within the past three years a partner or employee of such a firm who personally worked on Progressive's audit during that time.

No member of his or her immediate family (i) is currently a partner in a firm that is Progressive's internal or external auditor, (ii) is currently an employee of such firm who personally works on the company's audit, or (iii) was at any time within the past three years a partner or employee of such firm and personally worked on Progressive's audit during that time.

Neither he or she, nor any member of his or her immediate family, is or has been at any time during the past three years, employed as an executive officer of another company where any of the present executive officers of Progressive at the same time serves or served on the compensation committee of such other company.

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He or she is not an attorney or a member of, partner in, or of counsel to, any law firm that Progressive has retained during the last fiscal year or proposes to retain during the current fiscal year; no member of his or her immediate family is an attorney who the company has retained during the last fiscal year or proposes to retain during the current fiscal year; and no member of his or her immediate family is a member of, or of counsel to, any law firm that the company has retained and paid legal fees to in excess of \$120,000 during the last fiscal year.

Neither he or she, nor any member of his or her immediate family, is a partner or executive officer of any investment banking firm that has performed services for Progressive (other than as a participating underwriter in a syndicate) during the last fiscal year or that Progressive proposes to have perform such services during the current fiscal year.

He or she is not a current employee of, and no member of his or her immediate family is a current executive officer of, and neither he or she nor any member of his or her immediate family holds a one percent or greater equity interest in, any other company or organization that has, or had at any time within the past three years, a material business or other relationship with Progressive or any of its subsidiaries. For purposes of this standard, a relationship will be deemed to be material if the total amount of the payments made or received by Progressive or any of its subsidiaries in connection with such business or other relationship during the relevant fiscal year was more than the greater of (i) \$1 million, or (ii) two percent of the consolidated gross revenues of such other entity.

Contributions by Progressive to a charitable or non-profit organization in which a director or his or her spouse serves as a director, trustee, or executive officer, or in an equivalent position, will be deemed immaterial under these standards if Progressive's contributions to such organization in any calendar year do not exceed \$25,000 (excluding matching gifts made by The Progressive Insurance Foundation in response to employee contributions to such organization). If Progressive makes annual contributions in excess of the stated amount to any such organization, the effect, if any, on the director's independence will be considered on a case-by-case basis.

If a director has one or more relationships with Progressive that fall outside of our categorical standards, the materiality of such other relationships will be determined by a disinterested majority of directors on a case-by-case basis. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships, among others. The ownership of even a significant amount of stock, by itself, however, is not a bar to a finding of independence.

The Board of Directors has considered the independence of each of the directors under the foregoing standards and, based on such considerations and the recommendations of the Nominating and Governance Committee, and after due inquiry into the facts and circumstances of each director's relationships with Progressive (if any), has determined that each of our current directors, with the exception of Mr. Glenn M. Renwick as discussed further below, (i) satisfies Progressive's independence standards as described above, (ii) has no relationship with Progressive or its subsidiaries or with any charitable organization that received a contribution from Progressive that would require an individual determination as to such director's independence, and (iii) is independent under the applicable NYSE Listing Standards.

Mr. Renwick is not independent by virtue of his position as Progressive's current President and Chief Executive Officer.

Meetings of the Board of Directors and Attendance

The Board of Directors held six meetings during 2008.

All of the current directors were on the Board throughout 2008, except Mr. Roger N. Farah, who was appointed as a director in June 2008. All directors attended more than 75% of their scheduled Board and Committee meetings.

Pursuant to our Corporate Governance Guidelines, directors are expected to attend our Annual Meeting of Shareholders. Normally, a meeting of the Board will be scheduled on the date of the Annual Meeting. Progressive's 2008 Annual Meeting of Shareholders was attended by 10 out of 11 of its then current directors. A full copy of our Corporate Governance Guidelines can be found on our Web site 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.

Meetings of the Non-Management Directors

Pursuant to Progressive's Corporate Governance Guidelines, our non-management directors meet in executive session at least quarterly. Each such meeting also constitutes a meeting of our independent directors. The Chairman of the Board, provided that he or she is not an executive officer of Progressive, presides at these meetings. In the event that a non-executive Chairman is not available to lead these meetings, the presiding director would be chosen by the non-management directors in attendance. In 2008, the non-management directors met in executive session six times.

Board Committees

The Board has named an Executive Committee, an Audit Committee, a Compensation Committee, an Investment and Capital Committee, and a Nominating and Governance Committee, as described below. The complete written charters for each of the Committees (other than the Executive Committee, which does not have a charter) can be found on our Web site 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.

Executive Committee

Mr. Lewis (Chairman), and Messrs. Hardis, Kelly, and Renwick are the current members of the Board's Executive Committee, which exercises all powers of the Board between Board meetings, except the power to fill vacancies on the Board or its Committees. During 2008, the Executive Committee participated in one conference call, and adopted resolutions by written action pursuant to

Ohio corporation law on eight occasions.

Audit Committee

Mr. Hardis (Chairman), Dr. Healy, Ms. Kohnstamm, and Dr. Nettles are the current members of the Board's Audit Committee, which assures that the organizational structure, policies, controls, and systems are in place to monitor performance. The Audit Committee monitors the integrity of Progressive's financial statements, our financial reporting processes, internal control over financial reporting, and the public release of financial information, and oversees our compliance and ethics and risk management programs. The Committee also is responsible for confirming the independence of, and the selection, appointment, compensation, retention, and oversight of the work of, our independent registered public accounting firm. The Committee provides an independent channel to receive appropriate communications from employees, shareholders, auditors, legal counsel, bankers, consultants, and other interested parties. The Board of Directors has determined that each of the members of the Audit Committee has no relationship to Progressive that may interfere with the exercise of his or her independence from management and Progressive, and is independent as defined in the applicable Securities and Exchange Commission (SEC) rules and NYSE Listing Standards. During 2008, the Audit Committee met in person five times and participated in five conference calls to review our financial and operating results.

Audit Committee Financial Expert. The Board of Directors has determined that Mr. Stephen R. Hardis, the Chairman of the Audit Committee, is an audit committee financial expert, as that term is defined in the applicable SEC regulations, and that he has accounting or related financial management expertise, as required by the NYSE Listing Standards. Mr. Hardis is a former Chairman and Chief Executive Officer of Eaton Corporation, where he served as Chief Financial and Administrative Officer before becoming CEO. He has served on the audit committees of a number of public companies through the years, including as a member of Progressive's Audit Committee from April 1988 through December 1999 and as Chairman from December 2007 to the present. The Board has determined that through appropriate education and experience, Mr. Hardis has demonstrated that he possesses the following attributes: