

## **The Progressive Corporation**

### **Audit Committee Charter**

#### **Organization**

The Audit Committee (Committee) shall be appointed by the Board of Directors (Board) of The Progressive Corporation (Progressive, and together with its subsidiaries and mutual company affiliate, the Company) and shall consist of at least three directors, including the Chairperson. Each member of the Committee shall be independent of the management of the Company (as defined by the listing standards of the New York Stock Exchange and applicable law) and free of any relationship that, in the opinion of the Board, would interfere with his or her ability to exercise independent judgment as a Committee member. Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. The Committee chairperson must have accounting or related financial management expertise.

#### **Statement of Purpose**

The Committee shall: a) assist the Board in oversight of: (1) the integrity of the financial statements of the Company; (2) the compliance by the Company with legal and regulatory requirements; (3) the qualifications and independence of the Company's independent auditors; (4) the performance of the Company's internal audit function and independent auditors; (5) the adequacy of the Company's internal controls; (6) the Company's enterprise risk management function; and (7) such other matters as the Board or Committee deems appropriate, and b) prepare the Audit Committee report that Securities and Exchange Commission (SEC) rules require be included in Progressive's annual proxy statement.

#### **Communications with the Committee**

The Committee may, in its discretion, meet periodically in separate executive sessions with the independent auditor, the Chief Financial Officer, the Chief Accounting Officer, the Audit Business Leader, the Corporate Compliance and Ethics Officer, the Treasurer, the Chief Security Officer, and other members of management as requested by the Committee.

The Audit Business Leader and the Corporate Compliance and Ethics Officer each will have a direct reporting relationship to the Committee. The Treasurer will have a direct line of communication to the Committee.

#### **Responsibilities of the Committee**

The Company's management is responsible for the accuracy and completeness of the Company's financial statements and for maintaining effective internal control over financial reporting. The Committee is responsible, on behalf of the Board, for overseeing the Company's financial reporting process and system of internal control. The Committee also will serve as the audit committee of each of the Regulated Companies (as hereinafter defined) pursuant to the requirements of the National Association of Insurance Commissioners' Model Audit Rule (MAR). In discharging those responsibilities, the Committee should consider any reports or opinions expressed by the Company's internal auditors and independent public accounting firm

with respect to the Company's financial statements and system of internal control. Management also is responsible for the Company's Compliance and Ethics Program and Enterprise Risk Management Program. The Committee, on behalf of the Board, is responsible for overseeing both of those Programs.

The Committee will report regularly to the Board. The Committee will review with the Board significant issues that may arise with respect to the quality or integrity of the Company's financial statements or system of internal control; the Company's compliance with legal and regulatory requirements; oversight of the Company's compliance and ethics program; financial, reputational, information security, and other risks to the Company; the performance and independence of the Company's independent auditors and the performance of the internal audit function.

The Committee shall have the authority and funding necessary to retain independent legal counsel and such other advisors as it deems necessary to carry out its duties.

The Committee's activities will be subject to an annual performance evaluation conducted by the Board.

The Committee will meet, in person or by telephonic means, not less than five (5) times each calendar year.

### **Processes and Duties – Financial Reporting**

The Committee will:

1. Annually review and reassess the continued adequacy of this Charter and recommend any changes to the Board for approval.
2. Review with management, the Audit Business Leader and the independent auditor: a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of any material control deficiencies; b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP or statutory accounting methods on the financial statements and a description of any transactions as to which management obtained Statement on Auditing Standards No. 50 "Reports on the Application of Accounting Principles" letters; c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and d) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.
3. Review with management, the Audit Business Leader and the independent auditor the system of internal controls utilized by the Company.
4. Review with the independent auditor and internal auditors any major changes to auditing procedures or the scope of auditing tests that were performed.

5. Meet to review and discuss with management and the independent auditor the Company's annual audited financial statements contained in Progressive's Annual Report on Form 10-K, including reviewing the specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", prior to the filing of such Form with the SEC. The Committee shall report to the Board, and to the shareholders in Progressive's proxy statement prepared for its annual meeting, whether, based on such reviews and discussions, it recommends to the Board that the most recent year's audited financial statements be included in Progressive's Annual Report on Form 10-K for such year to be filed with the SEC.
6. Annually review with the independent auditor all exceptions to the Company's accounting practices raised by such auditor that were not accepted by management, and all unrecorded proposed audit adjustments to the Company's financial statements, whether such auditor decided to pass on any such exception or adjustment and, if so, the reasons therefor.
7. Obtain from the independent auditor advice as to whether, during the course of the audit, it detected any acts or activities that must be disclosed pursuant to Section 10A of the Securities Exchange Act of 1934 (related to the detection of illegal acts and resulting reporting obligations).
8. Meet to review and discuss with management and the independent auditor the quarterly financial statements contained in each of Progressive's Quarterly Reports on Form 10-Q, including reviewing the specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", prior to the filing of such Form with the SEC.
9. Establish procedures for the receipt, retention and treatment of complaints or correspondence received by the Company regarding accounting, internal accounting controls, financial reporting or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
10. Oversee the accounting and financial reporting processes of the regulated insurance subsidiaries, including pooled companies, and mutual company affiliate ("Regulated Companies") and the audits of the financial statements of the Regulated Companies; review and discuss with management the annual audited financial report of, and management's report of internal control over financial reporting and communication of internal control related matters noted in an audit relating to, the Regulated Companies; and otherwise comply with its responsibilities under the MAR with respect to the Regulated Companies.

### **Processes and Duties – Legal and Regulatory Compliance**

The Committee will:

1. Approve and submit to the full Board for approval and adoption, and administer, a Code of Ethics for senior financial officers, which shall be applicable to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer, Audit Business Leader and any other persons performing similar functions.

2. Approve and submit to the full Board for approval and adoption, and oversee the administration of, a Code of Business Conduct and Ethics, which shall be applicable to all officers, directors and employees of the Company.
3. Periodically review and assess with the Chief Financial Officer, Chief Accounting Officer, Corporate Compliance and Ethics Officer and Chief Legal Officer, as applicable, the processes for monitoring and maintaining compliance with NYSE, SEC, state insurance department and other legal and regulatory requirements.
4. Oversee the operation and effectiveness of the Company's compliance and ethics program.

### **Processes and Duties: Enterprise Risk Management**

The Committee will:

1. Assist the Board in overseeing the Company's enterprise risk management function.
2. Review the guidelines, policies and procedures that govern the process by which the Company assesses and manages its exposure to risk.
3. Meet periodically with management to review the Company's major financial, reputational, information security, or other risk exposures, and the steps management has taken to identify, monitor, assess and control or avoid such exposures.

### **Oversight of Internal and External Auditors**

The Committee will:

1. Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged by the Company (including resolution of any disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, and each such registered public accounting firm shall report directly to the Committee.
2. At least annually, the Committee will evaluate the qualifications, independence and performance of the independent auditor, including the lead partner on the engagement, and present its conclusions with respect to the independent auditor to the Board.
3. Approve the fees to be paid to the independent auditor for the financial audits and the terms of the audit engagements.
4. Have sole authority to approve the engagement of the independent auditor to provide any non-audit services and will consider whether the provision of consulting or other non-audit services by the independent auditor is compatible with maintaining the auditor's independence and is permitted by law. The Committee will approve (or disapprove) the retention of the independent auditor to provide consulting or other non-audit services and approve the fee for such services prior to commencement thereof. The Committee may delegate these responsibilities to one or more of its members, or pre-approve specific audit or non-audit services, to the extent permitted by law.

5. Receive, at least annually, written reports from the independent auditor regarding the auditor's independence required by Public Company Accounting Oversight Board Rule 3526. The Committee will actively engage in a dialogue with the independent auditor with respect to all disclosed relationships and services that may impact the objectivity and independence of the independent auditor and report its conclusions to the Board.
6. Discuss with the independent auditor the matters required to be discussed by the applicable standards relating to the conduct of the GAAP and statutory audits.
7. Review with the independent auditor any problems or difficulties the auditor encountered in the conduct of the audits, including any restrictions on the scope of the independent auditor's activities or on access to required information and any disagreements with management. The Committee will review any management letter provided by the auditor and the Company's response to that letter.
8. Review all internal audit reports to management which identify or discuss material issues regarding the integrity of the Company's financial statements, internal controls or accounting policies together with management's response.
9. Review the budget, responsibilities and staffing of the Control & Analysis organization.
10. Set clear hiring policies for employees or former employees of the independent auditors.
11. At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.

### **Funding**

The Company shall provide the Committee with appropriate funding, as determined by the Committee, for payment of:

1. compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
2. compensation to any independent counsel or other advisers employed by the Committee; and
3. ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **Effective Date**

This Charter shall be effective as of February 17, 2017 and shall remain in effect thereafter until modified, amended or terminated by the Board. This Charter shall apply to the Company's and the Regulated Companies' respective GAAP or statutory financial statements (as applicable) for 2017 and subsequent fiscal years.