

Progressive believes that, from time to time, its responsible and constructive participation in the political process is important to its success. We participate in a highly regulated industry, and we feel we must be involved in initiatives and proposals that would have an effect on our industry or our business. We feel that it is appropriate for us to exercise our rights to help inform and be a part of the debate on these matters. Progressive does not have a political action committee.

Board Oversight and Policies

Our actions in the public policy arena are guided by our Policy Statement on Political Contributions, Trade Groups and Lobbying and our Code of Business Conduct and Ethics, which both require every political contribution to be pre-approved by our Law Department. Our Nominating and Governance Committee reviews this policy statement at least once a year and receives annual reports from management on our compliance with the policy.

We comply with all applicable laws and regulations governing political contributions and expenditures, and we disclose all political contributions and expenditures to the extent required by law.

Overview of Expenditures

Progressive supports industry trade associations, non-profit organizations, research associations, candidates for public office and other groups to advance key priorities such as highway safety and regulatory modernization. We may not agree with every position taken by a specific organization, candidate or committee. However, sometimes we find it is beneficial to work across such differences on behalf of the interests of our stakeholders. In addition, we engage lobbying firms at the state level that can advocate for our business interests.

During 2012, we spent approximately \$5.8 million of corporate funds in these areas, which represent less than one tenth of one percent of our revenues for 2012. Approximately 34% of this amount represents a contribution by The Progressive Insurance Foundation to the Insurance Institute of Highway Safety, an independent, nonprofit and non-political organization whose mission is to reduce losses, including deaths, injuries and property damage, from crashes on the nation's roads. The IIHS is funded by the nation's insurance companies, including Progressive.

The remaining amount in these areas was spent as follows:

- 49.3% National and state insurance trade associations
- 14.3% Lobbying expenses
- 1.4% Political contributions to candidates for office or state political parties
- 1.0% Other matters

Some, but not all, of these expenses are deductible for federal income tax purposes. Of our total expenses outlined above, approximately \$4.2 million represent deductible expenses and approximately \$1.6 million represent non-deductible lobbying expenses, including a portion of fees paid to trade associations, and political contributions.