

## 1. Director Qualifications

The Board will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange (NYSE). The Nominating and Governance Committee is responsible for reviewing with the Board, on an annual basis, the composition and appropriate size of the Board as a whole in view of the then current needs of the Company and the Board. This assessment will include consideration of each current member's age, skills, experience, effectiveness as a director, and contributions to the diversity of the Board, among other attributes, as well as any anticipated vacancies. If the need for a new director is identified, the Nominating and Governance Committee will define the relevant qualifications and lead the search for potential Board candidates. Nominees for director will be recommended for selection by the Nominating and Governance Committee in accordance with the policies and principles in its charter and based upon an assessment of each member's or potential member's integrity, judgment, commitment, preparation, participation and contribution, as those terms are defined in that charter, as well as his or her independence from management under applicable NYSE rules. The invitation to join the Board should be extended by the Chairman of the Board.

The number of Board positions is set forth in the Company's Code of Regulations. The Board would be willing to increase or decrease its size modestly as the Nominating and Governance Committee may recommend in view of the then-current needs of the Company and the Board and the availability of qualified candidates.

It is the sense of the Board that when there is a substantial change in an individual director's principal occupation or business association during such director's tenure, that director should volunteer to resign from the Board. It is not the sense of the Board that in every instance the directors who retire or otherwise change their principal occupation or business association should necessarily leave the Board. There should, however, be an opportunity for the Nominating and Governance Committee to consider the resignation and recommend to the Board the action, if any, that should be taken in response to the tendered resignation.

The Board expects that each director will devote sufficient time and effort as necessary to serve as a director and as a member of the Committee(s) to which he or she may be assigned. The Board recognizes that a director's obligations to other companies may cause conflicts with these time commitments and, accordingly, has determined that all directors should limit their involvement with such companies. If a director is actively involved in an executive capacity with another company, it is the Board's expectation that the director will not serve on the boards of more than two public companies in addition to the Company (excluding subsidiaries or companies in which the director's employer holds an investment). For a director who is not actively involved in management of another company (including a non-executive chairman of the board), it is the expectation of the Board that the director will not serve on the boards of more than five public companies in addition to the Company. In addition, the Board or the Nominating and Governance Committee at any time may recommend that a director reduce the number of boards on which he or she sits to a number less than set forth herein. The Board requests that each director notify the Chairman of the Board when they are considering accepting an appointment to an additional board (public, private or nonprofit) so as to allow the Board and the Company to express any opinion they may have on whether that proposed additional board position is consistent with the intent of this paragraph.

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating and Governance Committee, in consultation with the Chairman and the Lead Director (if one has been elected, as described below), will review each director's continuation on the Board in advance of the expiration of his or her term of office. This will also allow each director the opportunity at the same time to confirm his or her desire to continue as a member of the Board.

Although the Board does not believe that term limits are appropriate, the Board does support a mandatory retirement age for directors. Accordingly, the Board will not nominate for election by shareholders a candidate for director who is eighty (80) years of age or older at the time of such nomination, nor will the Board appoint such an individual to a vacant seat on the Board.

## **2. Failure to Obtain Majority of Votes Cast in Uncontested Election**

Under the Company's Amended Articles of Incorporation ("Articles") and Code of Regulations, if a nominee for director does not receive a majority of the votes cast in an uncontested election, he or she is not elected to the Board. It is the expectation of the Board that any incumbent director who is not elected in an uncontested election in which he or she is a nominee will tender his or her resignation from the Board within ten (10) days after the certification of the shareholder vote, which resignation may be contingent on the Board's determination to accept or reject such resignation pursuant to the procedures described below. Pursuant to our Code of Regulations, if such a director is not elected by majority vote in an uncontested election but fails to tender his or her resignation during such ten (10) day period, his or her term of office will expire automatically upon the expiration of such period.

Any resignation submitted to the Board must be submitted either to the Chairman of the Board or to the Board "c/o the Secretary of the Company." If a director submits a resignation that is not expressly dependent on the Board's acceptance or rejection thereof, such resignation will be effective immediately at the time of its submission. Upon receipt of a resignation that is expressly contingent upon the Board's acceptance or rejection thereof, the Nominating and Governance Committee will consider the tendered resignation and recommend to the Board whether to accept it or reject it, considering all factors deemed relevant by the members of the Committee, including, without limitation, the reasons (if any) given by shareholders as to why they voted against the tendering director, the qualifications and performance of the director, his or her contributions to the Board and the Company, the current needs of the Board and its Committees, and evaluations of the performance of that director by his or her fellow directors.

The Board will then act on the Nominating and Governance Committee's recommendation by either accepting or rejecting the resignation, within 120 days following certification of the shareholder vote. The Board will consider the factors taken into account by the Committee and such other information and factors as the Board deems relevant. Following the Board's determination, the Company will promptly disclose the Board's decision whether to accept or reject the director's resignation (and, if applicable, the reasons for rejecting the tendered resignation) in a press release and in an appropriate filing with the Securities and Exchange Commission.

Any director who tenders his or her contingent resignation pursuant to this provision shall not participate in the Nominating and Governance Committee deliberation and recommendation or in the Board action regarding whether to accept his or her tendered resignation. If a majority of the Nominating and Governance Committee members have each failed to receive a majority of votes in an uncontested election in which he or she is a nominee and have tendered a resignation in accordance with these procedures, then the remaining independent directors will appoint a committee of independent directors to consider the tendered resignations and recommend to the Board whether to accept or reject them. Except for these limitations, such tendering director's term of office will continue, and the tendering director will be entitled to participate in all other meetings of the Board and its Committees of which he or she is a member (if any), unless and until the Board accepts such resignation or until his or her term otherwise terminates in accordance with our Code of Regulations.

A summary of this policy will be included in each proxy statement by the Company relating to an election of directors.

### **3. Director Responsibilities**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders in governing and guiding the Company to achieve its vision. In discharging that obligation, directors owe the Company and its shareholders the duties of loyalty and due care. Directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors also shall be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's Articles, Code of Regulations and any indemnification agreements, and to exculpation as provided by state law and the Company's Articles and Code of Regulations.

Directors are expected to attend and contribute to all Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to discharge their responsibilities properly. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting generally should be distributed in writing for review by the directors before the meeting. Directors are expected to read, understand, and question the written materials and financial statements distributed. Directors are also expected to participate openly in the Board's self-evaluation process and the evaluation of senior management.

Directors are expected to attend the Company's Annual Meeting of Shareholders whenever possible. Normally, a meeting of the Board will be scheduled to coincide with the date of the Annual Meeting of Shareholders.

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer (CEO). The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company and its shareholders for the Board to make a determination on that issue, on a case-by-case basis, whenever a new Chairman is to be elected or when the Board elects a new CEO.

If at any time the Chairman is also the CEO or another executive of the Company, the independent directors also will elect a lead independent director from their ranks (the

“Lead Director”). If a Lead Director is elected, he or she will be expected to work collaboratively with the Chairman and management on Board governance, process and communication matters, and to devote the necessary time and effort to the position, during both ordinary and extraordinary circumstances. His or her responsibilities will include:

- presiding at all meetings of the Board at which the Chairman is not present or from which the Chairman is excused for any reason;
- having the authority to call meetings of the Board or of the independent directors;
- presiding at all meetings and executive sessions of the independent or non-management directors;
- serving as the principal liaison to facilitate communications between the Chairman and the independent directors on Board-related issues, without inhibiting direct communications between the Chairman and other directors;
- working with the Chairman to establish Board meeting schedules to ensure that there is sufficient time to discuss all agenda items;
- consulting with the Chairman on the matters to be included on the Board’s meeting agendas and approving those agendas;
- approving the type of information to be provided to directors for Board meetings, and advising the Chairman and management of any director concerns regarding the information provided; and
- being available to serve as a liaison to major stockholders where appropriate, upon reasonable request, with prior notice to the CEO that a meeting will take place.

In addition, the Lead Director will consult periodically with the Chairs of the various Board Committees to keep apprised of critical issues facing the Company as they develop, and he or she will carry out other appropriate duties as may be requested by the independent directors, the Board, or any of the Board Committees. The Lead Director will be elected annually and will serve at the discretion of the independent directors. It is anticipated that the Lead Director also will be one of the members of the Nominating and Governance Committee and of the Executive Committee.

At the beginning of the year, the Chairman and the Lead Director (if one has been elected) will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen). The Chairman and the Lead Director (if one has been elected) will then establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on either the annual list of agenda items or the agenda for a specific meeting. Each Board member is also free to raise at any Board meeting subjects that are not on the agenda for that meeting. Directors are encouraged to raise issues of importance to the Board at any time. The Board will review the Company’s long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

The non-management directors will meet in executive session on a regular basis, typically after each regularly scheduled Board meeting. The Chairman, provided that he or she is not an executive of the Company, will preside at these meetings. If the Chairman is an executive of the Company, the Lead Director will preside at meetings of the non-management directors. In the event that a non-executive Chairman, or the Lead Director (if one has been elected), is not available to lead these meetings, the non-management director who presides will be chosen by the non-management directors present at the meeting. The name(s) of the director(s) presiding at the meetings of the non-management directors will be disclosed in the annual proxy statement.

In addition, if there is at least one director among the non-management directors who does not meet the criteria for independence required by the NYSE, the independent non-management directors will meet in executive session at least once annually.

The Board believes that management speaks for the Company. Individual Board members, from time to time, may meet or otherwise communicate with various constituencies that are involved with the Company. It is expected, however, that Board members would do this with the knowledge of management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

#### **4. Board Committees**

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. All of the members of these committees will be independent directors under the criteria established by the NYSE and will satisfy other applicable regulatory requirements. The Board also will have an Investment and Capital Committee chaired by an independent director and an Executive Committee as provided in the Company's Code of Regulations. Committee members will be appointed by the Board upon recommendation of the Nominating and Governance Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees, as well as qualifications for committee membership, committee structure and operations and committee reporting to the Board. The charters will also provide that the Board will conduct an evaluation of each committee at least annually.

The Chairperson of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At or prior to the beginning of the year, each committee will establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each committee will be furnished to all directors.

The Board and each committee have the power to hire independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining advance approval of any officer of the Company. Any fees of any independent legal, financial or other advisor engaged by the Board or any of its Committees will be paid by the Company.

The Board, from time to time, may establish or maintain additional committees as necessary or appropriate.

## **5. Director Access**

Directors have full and free access to the books, records, officers and employees of the Company. Any meetings or contacts that a director wishes to initiate with an officer or employee may be arranged through the CEO or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and, if appropriate, will copy the CEO on any written communications between a director and an officer or employee of the Company.

The Board welcomes by invitation the attendance at various Board meetings of senior officers and managers of the Company.

## **6. Director Compensation**

The form and amount of director compensation will be determined by the Board, based on recommendations from the Compensation Committee in accordance with the policies and principles set forth in its charter, and the Compensation Committee will conduct an annual review of director compensation. It is the sense of the Board that compensation should be competitive with directors of companies similar in size and performance, both within and outside of the insurance industry, and should include a significant equity component. The Compensation Committee will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other direct or indirect forms of compensation to) a director or an organization with which the director is affiliated.

## **7. Stock Ownership Guidelines**

The Board believes that each director should have a meaningful interest in Progressive Common Shares. In this regard, the Board expects that each director will accumulate and hold at least \$150,000 in Progressive shares within three (3) years of his or her election to the Board, and then will maintain such holding as a minimum investment in Progressive shares throughout his or her tenure as a director. This requirement can be satisfied by purchase in the open market or by holding equity awards that the Company makes to directors each year (including restricted stock or restricted stock unit grants held in the director's name prior to vesting, and share or unit grants that the director has elected to defer under a Company-sponsored deferred compensation plan), but excludes deferred compensation units obtained as a result of meeting or retainer fees.

Likewise, executive officers of the Company should have appropriate levels of ownership in Progressive Common Shares to ensure that the interests of management are



aligned with those of our long-term shareholders. Accordingly, within five years after becoming our CEO, and at all times while serving as CEO thereafter, the CEO must acquire and hold Progressive stock (or equivalent vested interests, such as shares held on the CEO's behalf in our 401K plan or equivalent units held in our executive deferred compensation plan) with a minimum value of five times the CEO's then current base salary. Interests held by the CEO under Progressive's equity compensation plans (such as unexercised stock options and unvested restricted stock or restricted stock units) are not counted towards the satisfaction of this requirement. The executive officers who report directly to the CEO are expected to have a meaningful interest in Progressive stock, at levels that their respective compensation and financial circumstances permit. To support this goal, our executive compensation program for executives reporting to the CEO is heavily weighted towards equity compensation in the form of restricted stock and/or restricted stock units, including both time- and performance-based awards. As a result, within three years of becoming an executive, and at all times while serving as an executive thereafter, it is anticipated that each such executive will hold stock interests, which may include unvested restricted stock and restricted stock unit awards, with a value equal to at least three times his or her base salary.

Each director and executive officer is encouraged to increase his or her ownership levels above these minimum levels as their personal circumstances permit.

## **8. Director Orientation and Continuing Education**

All new directors must participate in the Company's Orientation Program, which should be conducted within two months of the meeting at which the new directors are elected. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers and its internal and independent auditors. In addition, the Orientation Program will include visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities. All other directors also are invited to attend the Orientation Program. New directors should become familiar with the Company's business operations, competitors and competitive climate and Core Values in connection with the orientation process. All directors are encouraged to further their understanding of all aspects of the Company's business and their role as a director by meeting with key management personnel, visiting Company facilities, attending Company events, reviewing the Company's public filings, and attending director education programs whenever convenient and appropriate.

## 9. CEO Evaluation and Management Succession

In order to ensure that the CEO is providing the best leadership for the Company in the long and short term, the Board will evaluate annually the CEO's performance after receiving a written self-evaluation from the CEO. The non-management directors of the Board will meet in executive session to discuss the CEO's performance and evaluation. The Chairman (if not an executive of the Company) or the Lead Director (if the Chairman is an executive) then will meet individually with the CEO to provide the CEO with the Board's evaluation of the CEO's performance and any comments of the non-management directors. The Compensation Committee will consider the performance evaluation of the CEO by the Board in conducting its annual review of the CEO's compensation and in setting the annual compensation for the CEO.

In addition, the Board will periodically review with the CEO the CEO's evaluation of other executive managers of the Company. Individual Board members at that time will provide to the CEO comments with respect to the performance of such other executive managers based on the director's interactions with such managers (including Board presentations, if applicable), respective business unit performance or such other factors deemed relevant by the director.

The Nominating and Governance Committee will ensure that the Board discusses succession planning on at least an annual basis. The entire Board will work with the Nominating and Governance Committee to nominate and evaluate potential successors to the CEO.

## 10. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether the Board, its committees and its individual directors are functioning effectively. The Chairman and the Lead Director (if one has been elected) annually will receive comments from all directors and report to the Nominating and Governance Committee his or her assessment (or, if applicable, their respective assessments) of the performance of the Board and its Committees. The Nominating and Governance Committee will lead the Board in an assessment of the Board's performance following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.