Risk Factors Comparison 2024-02-26 to 2023-02-27 Form: 10-K

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Our business involves various risks and uncertainties, certain of which are discussed in this section. Management divides these risks into five broad categories in assessing how they may affect our financial condition, cash flows, and results of operations, as well as our ability to achieve our strategic business goals and objectives. Our risk categories include: • Insurance Risks- risks associated with assuming, or indemnifying for, the losses or liabilities incurred by policyholders • Operating Risks- risks stemming from external or internal events or circumstances that directly or indirectly may affect our insurance operations • Market Risks- risks that may cause changes in the value of assets held in our investment portfolios • Liquidity Risk- risk that our financial condition will be adversely affected by the inability to meet our short- term cash, collateral, or other financial obligations, and • Credit and Other Financial Risks- risks that the other party to a transaction will fail to perform according to the terms of a contract, or that we will be unable to satisfy our obligations when due or obtain capital when necessary. We have also included an " Other " section in the discussion below to identify risks that do not fit into one of the categories above. Although we have organized risks generally according to these categories in the discussion below, many of the risks may have ramifications in more than one category. For example, although presented as an Operating Risk below, governmental regulation of insurance companies also affects our underwriting, investing, and financing activities, which are addressed separately under Insurance Risks, Market Risks, and Credit and Other Financial Risks below. These categories, therefore, should be viewed as a starting point for understanding the significant risks facing us and not as a limitation on the potential impact of the matters discussed. It also should be noted that our business and that of other insurers may be adversely affected by a downturn in general economic conditions and other forces beyond our control. Issues such as unemployment rates, the number of vehicles sold, technological advances, home ownership trends, inflation or deflation, consumer confidence, and construction spending, among a host of other factors, will have a bearing on the amount of insurance that is purchased by consumers and small businesses and the costs that we incur. Also, to the extent that we have a concentration of business in one or more states or regions of the country, general economic conditions in those states or regions may have a greater impact on our business. We cannot predict whether the risks and uncertainties discussed in this section, or other risks not presently known to us or that we currently believe to be immaterial, may develop into actual events and impact our ~~businesses~~ -- **business** . If any one or more of them does so, the events could materially adversely affect our financial condition, cash flows, or results of operations, and the market prices of our equity or debt securities could decline. This information should be considered carefully together with the other information contained in this report and in the other reports and materials filed by us with the SEC, as well as news releases and other information we publicly disseminate from time to time. ~~- 12-~~ II. Insurance Risks Our success depends on our ability to underwrite and price risks accurately and to charge adequate rates to policyholders. Our financial condition, cash flows, and results of operations depend on our ability to underwrite and set rates accurately for a full spectrum of risks. A primary role of the pricing function is to ensure that rates are adequate to generate sufficient premiums to pay losses, loss adjustment expenses, and underwriting expenses, and to earn a profit. Pricing involves the acquisition and analysis of historical data regarding vehicle accidents, other insured events, and associated losses, and the projection of future trends for such accidents and events, loss costs, expenses, and inflation, among other factors, for each of our products in multiple risk tiers and many different markets. Our ability to price accurately is subject to a number of risks and uncertainties, including, without limitation: • the availability of sufficient, reliable data • our ability to conduct a complete and accurate analysis of available data • uncertainties inherent in estimates and assumptions, generally **- 13-** • our ability to timely recognize changes in trends and to predict both the severity and frequency of future losses with reasonable accuracy • our ability to predict changes in operating expenses with reasonable accuracy • our ability to reflect changes in reinsurance costs in a timely manner • the development, selection, and application of appropriate rating formulae or other pricing methodologies • our ability to innovate with new pricing strategies and the success of those strategies • our ability to implement rate changes and obtain any required regulatory approvals on a timely basis • our ability to predict policyholder retention accurately • unanticipated court decisions, legislation, or regulatory actions • the frequency, severity, duration, and geographic location and scope of severe weather **,** and other catastrophe events, which may be becoming more severe and less predictable as a result of climate change • our ability to understand the impact of ongoing changes in our claim settlement practices • changing vehicle usage and driving patterns, which may be influenced by epidemics, pandemics, other widespread health risks **,** or changes in oil and gas prices **,** among other factors, changes in residential occupancy patterns, and the sharing economy • advancements in vehicle or home technology or safety features, such as accident and loss prevention technologies or the development of autonomous or partially autonomous vehicles • unexpected changes in the medical sector of the economy, including medical costs and systemic changes resulting from national or state health care laws or regulations • unforeseen disruptive technologies and events • the ability to understand the risk profile of significant customers, such as transportation network companies • unanticipated changes in auto repair costs, auto parts prices, used car prices, or construction requirements or labor and materials costs, or the imposition and impacts of tariffs We are seeing new insurance regulations, various legislative and regulatory challenges, political initiatives, and other societal pressures that seek to limit or prohibit the use of specific rating factors in insurance policy pricing such as credit, education, and occupation. In our view, these efforts have the potential to significantly undermine the effectiveness of risk- based pricing. If we are unable to use rating factors that have been shown empirically to be highly predictive of risk, we may not be able to as accurately match insurance rates to the applicable risks, which may significantly adversely impact our insurance operating results. The realization of one or more of these risks may result in our pricing being based on inadequate or inaccurate data or inappropriate analyses, assumptions, or methodologies, and may cause us to estimate incorrectly future changes in the frequency or severity of claims. As a result, we could underprice risks, which would negatively affect our underwriting profit margins, or we could overprice risks, which could reduce our competitiveness and growth prospects. In either event, our financial condition, cash flows, and results of operations could be materially adversely affected. In addition, underpricing insurance policies over time could erode the capital position of one or more of our insurance subsidiaries, thereby constraining our ability to write new business. ~~- 13-~~ Our success depends on our ability to establish accurate loss reserves. Our financial statements include loss reserves, which represent our best estimate as of the date of the financial statements of the amounts that our insurance subsidiaries ultimately will pay on claims that have been incurred, and the related costs of adjusting those claims. There is inherent uncertainty in the process of establishing property and casualty insurance loss reserves, which can arise from a number of factors which are, or can be, affected by both internal and external events including: • the difficulty in predicting the rate and direction of changes in frequency and severity trends, including the effects of inflationary pressures or other factors, for multiple products in multiple markets • unexpected changes in medical costs, auto repair costs, or the costs of construction labor and materials, and the imposition and impacts of tariffs • labor shortages, which can impact loss expenses directly through higher labor costs, and indirectly through delays in services and through lower quality, as companies hire less experienced workers, to perform services • unanticipated changes in governing statutes and regulations • new or changing interpretations of insurance policy provisions and coverage- related issues by courts • the effects of changes in our claims settlement practices • our ability to recognize fraudulent or inflated claims • the accuracy of our estimates regarding claims that have been incurred but not recorded as of the date of the financial statements, including those arising from severe weather or other catastrophe events • the accuracy and adequacy of actuarial techniques and databases used in estimating loss reserves **- 14-** • the accuracy of the modeling tools that we use, which rely on the assumption that past loss development patterns will persist into the future • the accuracy and timeliness of our estimates of loss and loss adjustment expenses as determined for different categories of claims The ultimate paid losses and loss adjustment expenses may deviate, perhaps substantially, from point- in- time estimates of such losses and expenses, as reflected in the loss reserves included in our financial statements. Consequently, ultimate losses paid could materially exceed reported loss reserves and have a material adverse effect on our financial condition, cash flows, or results of operations. Our insurance operating results have been and will likely continue to be materially adversely affected by severe weather or other catastrophe events, and climate change may be exacerbating these events and their impacts. Our insurance operating results have periodically been, and in the future will likely continue to be, materially adversely affected by natural events, such as hurricanes, tornadoes, windstorms, floods, earthquakes, hailstorms, severe winter weather, and fires, or by other events, such as explosions, terrorist attacks, cyber- attacks, epidemics, pandemics **,** or other widespread health risks, riots, and hazardous material releases. The frequency, severity, duration, and geographic location and scope of such events are inherently unpredictable. Moreover, climate change may be contributing to the increase in frequency of severe weather events and other natural disasters, how long they last, and how much insured damage they cause, and may change where the events occur. Catastrophe losses have in the past, and may in the future, adversely affect the profitability of our Property segment more than they affect the profitability of our other businesses. In addition, our Property business has a concentration of policies in force in states with significant exposure to hurricanes and hailstorms and its results have in the past been impacted by catastrophe events in these states to a greater relative degree than other insurers. The extent of insured losses from a catastrophe event is a function of our total insured exposure in the area affected by the event, the nature, severity, and duration of the event, and the extent of reinsurance that we have obtained with respect to such an event. We use catastrophe modeling tools to help estimate our exposure to such events to price our products and to estimate our losses arising from catastrophe events. Those tools are based on historical data and other assumptions that limit their reliability and predictive value, and they may become even less reliable due to climate change. Therefore, our forecasting efforts may generate projections that prove to be materially inaccurate. As a result, an increase in the frequency, severity or duration, or unanticipated changes in geographic location or scope, of severe weather or other catastrophes could materially adversely affect our financial condition, cash flows, and results of operations. Our success will depend on our ability to continue to accurately predict our reinsurance needs, obtain sufficient reinsurance coverage for our Property and other businesses at reasonable cost, and collect under our reinsurance contracts. Our Property business relies on reinsurance contracts, state reinsurance funding, and catastrophe bonds (collectively, " reinsurance arrangements ") to reduce its exposure to certain catastrophe events. We also use reinsurance contracts to reinsure ~~- 14-~~ portions of our Commercial Lines ~~businesses~~ -- **business** , including our workers' compensation and business owners' policies and the transportation network company business, as well as our umbrella insurance business. See Item 1, Business – Reinsurance for further discussion. Reinsurance arrangements are often subject to a threshold below which reinsurance does not apply (often called the retention), so that we are responsible for all losses below the threshold from a covered event. Also, reinsurance policies typically have an aggregate dollar coverage limit, and, therefore, we are further exposed to the extent that our claims liabilities arising from a covered event exceed our reinsurance coverage. In addition, although the reinsurer is liable to us to the extent of the contractual reinsurance coverage, we remain liable under our policies to the insured as the direct insurer on all risks reinsured. As a result, we are subject to the risk that reinsurers will be unable to pay, or will dispute, our reinsurance claims, and this risk may be heightened to the extent climate change or other factors cause higher than anticipated losses for a reinsurer across its businesses. Further, the availability and cost of reinsurance are subject to prevailing reinsurance market conditions, which have been, and in the future could be, adversely impacted by the underwriting capacity of the reinsurance industry. That underwriting capacity can be influenced by several factors, including industry losses, changes in legal and regulatory guidelines, the occurrence of significant reinsured events, such as weather- related catastrophes, among other things. Depending on the impact of any of these factors, we may not be able to obtain reinsurance coverage in the future at all or with commercially reasonable rates, terms **,** and conditions. The unavailability and / or increased cost of reinsurance could adversely affect our business volume, profitability, or financial condition. **- 15-** III. Operating Risks Our business depends on the secure and uninterrupted operation of our systems, facilities **,** and business functions and the operation of various third- party systems. Our business is highly dependent upon our ability to perform necessary business functions in an efficient and uninterrupted manner. The shut- down, disruption, degradation **,** or unavailability of one or more of our systems or facilities, or the inability of large numbers of our employees to communicate in a largely work- from- home environment, for any reason **,** could significantly impair our ability to perform critical business functions on a timely basis. In addition, many of our critical business systems interface with and depend on third- party systems. An interruption or degradation of service from a third- party system for any reason, or a determination by a vendor to abandon or terminate support for a system, product, obligation, or service that is significant to our business, could significantly impair our ability to perform critical business functions, including, but not limited to, impeding customer interactions, preventing access to company or customer data, and interfering with our ability to send or accept electronic payments through credit card or debit card networks and the Automated Clearing House, among other payment systems. If sustained or repeated, and if an alternate system, process, or vendor is not immediately available to us, such events could result in a deterioration of our ability to write and process policies, provide high **-** quality customer service, resolve claims in a timely manner, make payments when required, or perform other necessary business functions. Also, system redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Any such event could have a material adverse effect on our financial results and business prospects, as well as cause damage to our reputation, brand **,** and customer goodwill. Catastrophe events that affect one of our larger office locations, a significant technology / data center, critical communications facilities, or one or more of our key vendors, may heighten this risk. Our business could be materially adversely affected by a security breach or other attack involving our technology systems or the systems of one or more of our vendors. Our business requires that we develop and maintain large and complex technology systems, and that we rely on third- party systems and applications, to run our operations and to store the significant volume of data that we acquire, including the personal information of our customers and employees and our intellectual property, trade secrets, and other sensitive business and financial information. All of these systems are subject to " cyber- attacks " by third parties with substantial computing resources and capabilities, which are becoming more frequent and more sophisticated, and to unauthorized or illegitimate actions by employees, consultants, agents, and other persons with legitimate access to our systems. Such attacks or actions may include attempts to: • **access our systems •** steal, corrupt, or destroy data, including our intellectual property, financial data, or the personal information of our customers, employees, or other individuals • misappropriate funds or extract ransom payments • commit fraud • disrupt or shut down our systems • deny customers, agents, brokers, or others access to our systems • infect our systems with viruses or malware ~~- 15-~~ Some of our systems **and operations** rely on third- party vendors, through either a connection to, or an integration with, those third ~~–~~ parties' systems **or contracted personnel** . This approach **has increased, and** may **continue to** increase **,** the risk of loss, corruption, or unauthorized **access to or** publication of our information or the confidential information of our customers and employees or other cyber- ~~attack~~ **attacks** , and although we may review and assess third- party vendor ~~cyber security~~ **cybersecurity** controls, our efforts may not be successful in preventing or mitigating the effects of such events. Third- party risks may include, among other factors, the vendor' s lax security measures, data location uncertainty, and the possibility of data storage in inappropriate jurisdictions where laws or security measures may be inadequate. We undertake substantial efforts **and expend significant resources** to protect our systems and sensitive or confidential information. Our information security efforts are designed to evolve with the changing security threat environment through ongoing assessment and measurement. This includes internal processes and technological defenses that are preventative or detective, and other controls designed to provide multiple layers of security protection. In addition, we seek to protect the security and confidentiality of information provided to our vendors under cloud computing or other arrangements through appropriate risk evaluation, security and financial due diligence, contracts designed to require high security and confidentiality standards, and review of third- party compliance with the required standards. **- 16- Our** ~~While we expend significant resources on these defensive measures, our~~ systems are being threatened on a regular basis and our efforts may be insufficient to prevent or defend against an attack. We **, and certain of our third- party vendors,** have experienced **attacks and** incidents in the past, and there can be no assurance that we **, or any vendor,** will be successful in preventing future attacks **or incidents** or detecting and stopping them once they have begun **. Cybersecurity risks rapidly evolve and are complex, so we must continually adapt and enhance our processes and technological defenses. As we do this, we must make judgments about where to invest resources to most effectively protect ourselves from cybersecurity risks. These are inherently challenging judgements and we can provide no assurance that processes and technological defenses that we implement will be effective** . Our business could be significantly damaged by a security breach, data loss or corruption, or cyber- attack. In addition to the potentially high costs of investigating and stopping such an event and implementing necessary fixes, we could incur substantial liability if confidential customer or employee information is stolen. In addition, such an event could cause a significant disruption of our ability to conduct our insurance operations, adversely affect our competitive position if material trade secrets or other confidential information are stolen, and have severe ramifications on our reputation and brand, potentially causing customers to refrain from buying insurance from us or other businesses to refrain from doing business with us. Therefore, the occurrence of a security breach, data loss or corruption, or cyber- attack, if sufficiently severe, could have a material adverse effect on our business results, prospects, and liquidity. We must maintain a brand and reputation that is recognized and trusted by consumers. We have made significant investments in our brand over many years ~~,~~ and we believe it is critical to our business that consumers recognize and trust the Progressive brand. We undertake distinctive advertising and marketing campaigns and other efforts to maintain and improve brand recognition, enhance perceptions of us, generate new business, and increase the retention of our current customers. We believe that maintaining and improving the effectiveness of our advertising and marketing campaigns relative to those of our competitors is particularly important given the significance of brand and reputation in the marketplace and the continuing high level of advertising and marketing efforts and related expenditures within the insurance market. If our marketing campaigns are unsuccessful or are less effective than those of competitors, or if our reliance on a particular spokesperson or character is compromised, our business could be materially adversely affected. Our brand and reputation also could be adversely affected by situations that reflect negatively on us, whether due to our business practices, adverse financial developments, perceptions of our corporate governance or how we address employee matters and concerns or environmental or social responsibility initiatives, investments in our portfolio, the conduct of our officers, directors, or employees, or other causes. It may also be harmed by the actions of third parties that are generally outside of our control, including agents, significant customers **,** or other businesses with which we do business or in which we invest, such as third- party providers that interface with our customers, unaffiliated insurers and other companies whose products we offer or make available to our customers, or other causes. The negative impacts of these or other events may be aggravated as consumers, regulators, and other stakeholders increase or change their expectations, or adopt conflicting expectations, regarding the conduct of large public companies, environmental, social **,** and governance (ESG) standards, **and** sustainability ~~efforts,~~ and corporate responsibility **efforts. These expectations and standards are continually evolving and not always clear** . Our practices may not change in the ~~particulars~~ **manner** or at the rate **that our various** stakeholders expect. These impacts may be further complicated such that perceptions are formed through rapid and broad interactions using ~~modern communication and~~ social media **and other communication** tools over which we have no control. **Additionally, we may fail to meet our related commitments, targets, or aspirations in these areas, and also could determine that it is in the best interest of the company and our shareholders to prioritize other business priorities ahead of our efforts in these areas.** Any such negative impact or event could decrease demand for our products or services, create difficulties in our ability to recruit and retain employees, negatively impact our stock price, and lead to greater regulatory scrutiny of our businesses. Our success depends on our ability to innovate effectively and respond to our competitors' initiatives. Our ability to develop and implement innovative products and services, which may include technological advances, that are accepted and valued by our customers and independent agents is critical to maintaining and enhancing our competitive position. ~~- 16-~~ Innovations must be implemented in compliance with applicable insurance regulations and may require extensive modifications to our systems and processes and extensive coordination with and reliance on the systems of third parties. Technological and societal changes may lead to changes in customers' preferences as to how they want to interact with us. As a result, if we do not handle these transitions effectively and bring such innovations to market with the requisite speed and agility, the quality of our products and services, our relationships with our customers and agents, and our business prospects, may be materially adversely affected. In addition, innovations by competitors or other market participants may increase the level of competition in the industry. If we fail to respond appropriately in a timely manner to those innovations and also to the evolving customer preferences, our competitive position and results may be materially adversely affected. **- 17-** We must effectively manage complexity as we develop and deliver high- quality products and customer experiences. Ongoing competitive, technological, regulatory, informational, and other developments result in significant levels of complexity in our products and in the systems and processes we use to run our businesses, and the speed of some of these developments **have increased, and** may ~~be~~ **continue to** ~~increasing~~ **increase** . Risks associated with these developments include: • our increasing reliance on third- party systems including " cloud computing " environments and software as a service applications • the development of new modes of communication • changing insurance shopping trends • our understanding of the operations and needs of significant customers • ~~challenges in using machine learning and artificial intelligence in our business processes in a responsible, compliant and effective manner •~~ the availability and uses of very large volumes of data ~~(i. e., " big data ")~~ and the challenges relating to analyzing those data sets, including the availability of sufficient internal and external talent that understand and can manage the complexity and related risks Complexity may, among other potential difficulties, create barriers to innovation or the provision of high- quality products and customer and agent experiences with the speed and agility that may be required; require us to modify our business practices, adopt new systems **or technology** , or replace outdated systems or **technology, or** upgrade systems **or technology** to enhance the scale, performance or functionality, each at significant expense; and lead to increased difficulty in executing our business strategies. Our ability to attract, develop, and retain talent, including employees, managers, and executives, and to maintain appropriate staffing levels, is critical to our success. Our success depends on our ability to attract, develop, compensate, motivate, and retain talented employees, including executives, other key managers, and employees with strong technological, analytical, and other skills and know- how necessary for us to run our insurance businesses, investment operations, and corporate functions, ~~and to~~ assess potential expansion into new products and business areas **, and adapt to technological trends in our industry** . Our loss of certain officers and key employees, or the failure to attract or retain talented executives, managers, and employees with diverse backgrounds, skills, knowledge **,** and experiences, could have a material adverse effect on our business. These risks may be heightened when United States labor markets, or key segments of those markets, are especially competitive. Our workplace policies or perceptions of those policies by current and potential employees, including policies with respect to remote and hybrid work or protocols for in- person work, could impact our ability to attract and retain talent with needed skills, knowledge **,** and experiences ~~. This risk may be heightened during periods in which an epidemic, a pandemic or other widespread health risk exists~~ . In addition, we must forecast sales and claims volume and other factors in changing business environments (for multiple products and business units and in many geographic markets) with reasonable accuracy, and we must adapt to increases in business due to additions of or expansions with significant customers, such as transportation network companies. In any such case, we must adjust our hiring and training programs and staffing levels appropriately. Our failure to recognize the need for such adjustments, or our failure or inability to react on a timely basis, could lead either to over- staffing or under- staffing in one or more business units or locations. In either such event, our financial results, customer relationships, employee morale, and brand could be materially adversely affected. We use third- party labor to meet a portion of our staffing needs. Any significant loss in access to qualified external talent on a cost- effective basis could have an adverse effect on our business. Competitive labor markets can cause increased costs for third- party labor and those increases may be material. ~~- 17-~~ Our success also depends, in large part, on our ability to maintain and improve the staffing effectiveness and culture that we have developed over the years. Our ability to do so may be impaired as a result of litigation against us, other judicial decisions, legislation or regulations, or other factors in the employment marketplace, as well as our failure to recognize and respond to changing trends and other circumstances that affect our employees or our culture, including any impact arising from an increase in remote **and hybrid** workers relative to historic levels. In such events, the productivity of our workers and the efficiency of our operations could be adversely affected, which could lead to an erosion of our operating performance and margins. **- 18-** Misconduct or fraudulent acts by employees, agents, and third parties may expose us to financial loss, disruption of business, and / or regulatory assessments. Our company and the insurance industry are inherently susceptible to past and future misconduct or fraudulent activities by employees, agents, vendors, customers, and other third parties. These activities could include: • Fraud against our company, employees, and customers • Unauthorized acts or representations, unauthorized use or disclosure of personal or proprietary information, deception, and misappropriation of funds, or other benefits We have policies and procedures in place to promote ethical conduct and compliance with law by our employees, but these policies and procedures may not be fully effective. As a result, we could be exposed to financial loss, disruption of business, and regulatory assessments. These impacts have the potential to have a material adverse effect on our business. We compete in property and casualty insurance markets that are highly competitive. The markets in which we sell insurance are highly competitive. We face vigorous competition from large, well- capitalized national and international companies, as well as smaller regional insurers. Other companies, potentially including existing insurance companies, vehicle manufacturing companies, so- called “ insurtech ” companies, and other well- financed companies seeking new opportunities, or new competitors with technological or other innovations, also have entered these markets and may continue to do so in the future. Many of our competitors have substantial resources, experienced management, and strong marketing, underwriting, ~~and~~ pricing **, and technological** capabilities. The property and casualty insurance industry is a relatively mature industry, in which brand recognition, marketing skills, innovation, operational effectiveness, pricing, scale, and cost control are major competitive factors. If our competitors offer similar insurance products at lower prices, offer such insurance products bundled with other products or services that we do not offer, are permitted to offer their products under different legal and regulatory constraints than those that apply to us, or engage in other successful competitive initiatives, our ability to generate new business **,** or to retain a sufficient number of our existing customers **,** could be compromised. In addition, because auto insurance constitutes a significant portion of our overall business, we may be more sensitive than other insurers to, and more adversely affected by, trends that could decrease auto insurance rates or reduce demand for auto insurance over time, such as advances in vehicle technology, autonomous or semi- autonomous vehicles, or vehicle- sharing arrangements. We may also be adversely affected in our Commercial Lines business, which represents a significant portion of our growth potential, by trends or events that decrease the demand for services offered by, or decrease the profitability of, the commercial auto market, including trucking businesses and **ride-** ~~ridesharing~~ ---- **sharing** services. We expect similar, and perhaps greater, competitive pressures with respect to any new insurance or non- insurance businesses that we decide to enter in the future. In such cases, we would be selling products or services that are new to us, while our competitors could include large, well- financed companies with significant product and marketing experience in such businesses. Historically, the auto and property insurance markets have been described as cyclical, with periods of relatively strong profitability being followed by increased pricing competition among insurers. This price competition, which is sometimes referred to as a “ soft market, ” can adversely affect revenue and profitability levels. As insurers recognize this situation (which can occur at different times, for different products and for different companies), the historical reaction has been for insurers to raise their rates (sometimes referred to as a “ hard market ”) in an attempt to restore profitability to acceptable levels. As more insurers react in this way, profit levels in the industry may increase to a point where some insurers begin to lower their rates, starting the cycle over again. The ability to discern at any point in time whether we are in a “ hard ” or “ soft ” market is often difficult, as such a conclusion represents an assessment of innumerable data points including, among others, the operating results of, and the dynamic competitive actions taken by, us and many competitors in multiple markets involving a variety of products. Often, detailed information on our competitors becomes available on a delayed basis, and the nature of the market becomes apparent only in retrospect. Our ability to predict future competitive conditions is also constrained as a result. ~~- 18-~~ The highly competitive nature of the insurance marketplace could result in consolidation within the industry, or in the failure of one or more competitors. The concentration of insurance business in a reduced number of major competitors could significantly increase the level of competition in a manner that is not favorable to us. In addition, in the event of a failure of a major insurer or a state- sponsored catastrophe fund, our company and other insurance companies may be required by law to absorb the losses of the failed insurer or fund, resulting in a potentially significant increase in our costs. We might also be faced with an unexpected surge in new business from a failed insurer’ s former policyholders. Such events could materially adversely affect our financial results, brand, and future business prospects. **- 19-** Our success depends on our ability to adjust claims accurately. We must accurately evaluate and pay claims that are made under our insurance policies. Our failure to pay claims fairly, accurately, and in a timely manner, or to deploy claims resources appropriately and in a cost- effective manner, could result in unanticipated costs to us, lead to material litigation, undermine customer goodwill and our reputation in the marketplace, and impair our brand and, as a result, materially adversely affect our competitiveness, customer retention, financial results, prospects, and liquidity. We are subject to a variety of complex laws and regulations. Our insurance businesses operate in highly regulated environments. Our insurance subsidiaries are subject to regulation and supervision by state insurance departments in all 50 states, the District of Columbia, **Puerto Rico,** Bermuda, **and** Canada ~~,~~ **and** its provinces ~~, and Puerto Rico~~ . Each jurisdiction has a unique and complex set of laws and regulations. In addition, certain United States federal laws impose additional requirements on businesses, including insurers, in a wide range of areas, such as the use of credit information, methods of customer communications, employment practices, and the reimbursement of certain medical costs incurred by the government. Our insurance subsidiaries’ ability to implement business plans and remain competitive while complying with these laws and regulations, and to obtain necessary regulatory action in a timely manner, is and will continue to be critical to our success. Most jurisdictions impose restrictions on, or require prior regulatory approval of, various actions by regulated insurers, which may adversely affect our insurance subsidiaries' ability to operate, innovate, and obtain necessary rate adjustments in a timely manner. Compliance with laws and regulations often results in increased costs, which can be substantial ~~,~~ to our insurance subsidiaries. These costs, in turn, may adversely affect our profitability or our ability or desire to grow or operate our business in the applicable jurisdictions. Our compliance efforts are further complicated by changes in the laws or regulations that apply to us and in the regulatory and judicial interpretations of those laws, including more expansive regulatory authority. The pace of change, together with shorter time frames between enactment or promulgation and effectiveness of the changes, increases this risk. In addition, some regulators have requested detailed information regarding, or have expressed an expectation that insurers will provide additional ~~,~~ credits for premiums paid during the COVID- 19 pandemic. Insurance laws and regulations may, among other things, limit an insurer' s ability to underwrite and price risks accurately, prevent the insurer from obtaining timely rate changes to respond to increased or decreased costs, delay or restrict the ability to discontinue or exit unprofitable businesses or jurisdictions **, impose marketing restrictions or requirements related to the use of artificial intelligence and third- party data** , prevent insurers from terminating policies under certain circumstances, dictate or limit the types of investments that an insurance company may hold, and impose specific requirements relating to information technology systems and related cybersecurity risks. As a result, we have been, and may in the future be, limited in our ability to respond to evolving business conditions. Moreover, inconsistencies in requirements among the various states **,** or between state and federal requirements **,** may further complicate our compliance efforts, potentially resulting in additional costs for us. In addition, laws in certain jurisdictions mandate that insurance companies pay assessments in a number of circumstances, including potentially material assessments to pay claims upon the insolvency of other insurance companies or to cover losses in government- provided insurance programs for high- risk auto and homeowners **'** coverages. These assessments could have a material adverse impact on our profitability. Data privacy and security regulations impose complex compliance and reporting requirements and challenges. **Various** ~~For example, the California Consumer Privacy Act (CCPA), which was passed by a consumer initiative in 2018, was amended in 2020 by the California Privacy Rights Act (CPRA) to afford California residents additional rights. The majority of the CCPA provisions went into effect on or before January 1, 2023, and regulations for the CPRA are still forthcoming. Other~~ jurisdictions have enacted or are considering privacy and security legislation or regulations. Each jurisdiction' s unique requirements, and the variations across the jurisdictions, present further ongoing compliance challenges. Compliance with these laws and regulations ~~- 19 -~~ will result in increased costs, which may be substantial and may adversely affect our profitability or our ability or desire to grow or operate our business in certain jurisdictions . There has also been increased regulatory...... financial condition, and results of operations . The actual or alleged failure to comply with this complex variety of laws and regulations by us or other companies in the insurance, financial services, or related industries, also could result in actions or investigations by regulators, state attorneys general, federal officials, or other law enforcement officials. Such actions and investigations, and any determination that we have not complied with an applicable law or regulation, could potentially lead to significant monetary payments, fines and penalties, adverse publicity and damage to our reputation in the marketplace or our brand, and in certain cases, revocation of a subsidiary' s authority to do business in one or more jurisdictions. In addition, The Progressive Corporation and its subsidiaries could face individual and class action lawsuits by insureds and other parties for alleged violations of certain of these laws or regulations. **- 20-** New legislation or regulations may be adopted in the future that could materially adversely affect our operations or ability to write business profitably in one or more jurisdictions. Lawsuits challenging our business practices, and those of our competitors and other companies, are pending and more may be filed in the future. The Progressive Corporation and / or its subsidiaries are named as defendants in class actions, collective actions, representative actions **,** and other lawsuits challenging various aspects of the subsidiaries' business operations. ~~These~~ **Certain pending** lawsuits **are described in Note 12 – Litigation in** ~~have included cases alleging damages as a result of, among other~~ -- **the Annual Report** ~~things, our subsidiaries' methods used for evaluating and paying medical or injury claims or benefits (including certain bodily injury, personal injury protection, uninsured motorist / underinsured motorist (UM / UIM), and medical payment claims) and for reimbursing medical costs incurred by Medicare / Medicaid beneficiaries; other claims handling practices and procedures, including challenges relating to our network of repair facilities, our methods used for estimating physical damage to vehicles for repair purposes and for evaluating the actual cash value of total loss vehicles, including our application of a negotiation adjustment in calculating total loss valuations, our payment of fees and taxes, our subrogation and salvage practices, and our handling of diminution of value claims; our assessment of fees related to insufficient funds or reversed payments; interpretations of the provisions of our insurance policies; our insurance product design; our premium actions in response to the COVID- 19 pandemic; rating practices; certain marketing, sales, services, implementation and renewal practices and procedures, including with respect to accessibility; our Snapshot program; certain relationships with independent insurance agents; patent matters; alleged violation of the Telephone Consumer Protection Act; commercial disputes, including breach of contract; and certain employment practices, including claims relating to pay practices and fair employment practices, among other matters~~ . Additional litigation may be filed against us in the future challenging similar or other of our business practices or operations. In addition, lawsuits have been filed against our competitors and other businesses or entities, and other such lawsuits may be filed in the future, and even though we are not a party to such litigation, the results of those lawsuits nevertheless may create additional risks for, and / or impose additional costs and / or limitations on, our subsidiaries' business practices or operations. Lawsuits against us often seek significant monetary damages and injunctive relief. The potential for injunctive relief can threaten our use of important business practices. In addition, the resolution of individual or class actions, collective actions **,** and representative action litigation in insurance, in related fields **,** or in matters broadly applicable to business operations, may lead to the development of judicial regulation, resulting in material increases in our costs of doing business. Litigation is inherently unpredictable. Adverse court decisions **,** or significant settlements of pending or future cases **,** could have a material adverse effect on our financial condition, cash flows, and results of operations. For further information on the risks of pending litigation, see Note 12 – Litigation in the Annual Report. ~~- 20-~~ Our long- term business strategy and efforts to acquire or develop new products or enter new areas of business may not be successful and may create enhanced risks. We are making business decisions and undertaking certain investments and strategies in connection with our long- standing strategy of growing as fast as we can as long as we can provide high- quality customer service at or below a companywide 96 combined ratio on a calendar- year basis. Our focus on achieving our target underwriting profitability takes precedence over growth. Additionally, we have acquired and are developing, and may develop or acquire in the future, new insurance products, including those that insure risks that we have not previously insured, contain new coverages, or change coverage terms, as well as new non- insurance products and services. These new products and services may not be as profitable as our existing products and may not perform as well as we expect. In addition, new insurance products may entail new risks for us, including, without limitation, higher coverage limits and unfamiliar pricing, claims resolution, and loss reserving practices. Other new products and services may likewise change our risk exposures. The business systems, data, and models we use to manage those exposures may be less accurate or less effective than those we use with existing products. We are evaluating other business models, both insurance and non- insurance related, and we have made, and are considering making additional, investments, in different business areas. These activities may take the form of internal development, equity investments, strategic mergers or acquisitions, joint ventures, or strategic partnerships. These new ventures may require us to make significant expenditures, which may negatively impact our results in the near term, and if not successful, could materially and adversely affect our results of operations. While at the onset of the venture we would expect these projects to provide long- term value, there can be no assurance that our expectations will be realized. Intellectual property rights could affect our competitiveness and our business operations. There has been a proliferation of patents, both inside and outside the insurance industry, that significantly impacts our businesses. The existence of such patents, and other claimed intellectual property rights, from time to time has resulted in legal challenges to certain of our business practices by other insurance companies and non- insurance entities alleging that we are violating their rights. Such legal challenges could result in costly legal proceedings, substantial monetary damages, or expensive changes in our business processes and practices. Similarly, we may seek or obtain patent protection for innovations developed by us. However, we may not be able to obtain patents on these processes and practices, and defending our patents and other intellectual property rights against challenges, and enforcing and defending our rights, including, if necessary, through litigation, can be time consuming and expensive, and the results are inherently uncertain, which can further complicate business plans. ~~us~~ . ~~Intellectual property ownership rights~~ **There has also been increased regulatory scrutiny of the use of “ big data ” techniques** , **machine learning** ~~including those associated with related copyrights,GenAI~~ ,and **artificial intelligence** ~~other AI outputs,have not been fully interpreted by courts or regulations~~ . **It** ~~Additionally,it~~ is likely that we will be subject to new ~~AI- focused~~ regulations that could **materially adversely affect** ~~impose varied compliance and reporting requirements and challenges that could impact~~ our operations or ability to write business profitably in one or more jurisdictions.For example,the National Association of Insurance Commissioners (NAIC) has adopted guiding principles on **artificial intelligence** ~~AI,as well as a model bulletin~~ ,to inform and articulate general expectations for businesses,professionals ~~,~~ and stakeholders across the insurance industry as they implement ~~AI~~ **artificial intelligence** tools to facilitate operations. ~~Alaska recently adopted the NAIC model bulletin and,while~~ **While not** ~~the model bulletin is only~~ effective ~~as~~ **until** adopted by ~~each~~ **a** specific state,we expect these guidelines to be adopted by at least some ~~additional~~ states.In addition,regulators have recently requested information from insurers on their use of algorithms **,artificial intelligence** and ~~AI~~ **machine learning** . ~~Colorado issued~~ **We cannot predict what,if any,regulatory actions may be taken with regard to “ big data,” but any limitations could have** a ~~first- in- the~~ **material impact on our business,business processes,financial condition,and results of operations** IV. Market Risks The performance of our fixed- income and equity investment portfolios is subject to a variety of investment risks. Our investment portfolio consists principally of fixed- income securities and common equities. General economic conditions and other factors beyond our control, can adversely affect the value of our investments, and the amount and realization of investment income, or result in realized or unrealized investment losses. Our fixed- income portfolio is actively managed by our investment group and includes short- term investments, fixed- maturity securities, and preferred stocks. The performance of the fixed- income portfolio is subject to a number of risks, including: • Interest rate risk – the risk of adverse changes in the value of fixed- income securities as a result of increases in market interest rates. • Investment credit risk – the risk that the value of certain investments may decrease due to a deterioration in the financial condition, operating performance, or business prospects of, the regulatory environment applicable to, or the liquidity available to, one or more issuers of those securities or, in the case of asset- backed securities, due to the deterioration of the loans or other assets that underlie the securities. • Concentration risk – the risk that the portfolio may be too heavily concentrated in the securities of one or more issuers, sectors, or industries, which could result in a significant decrease in the value of the portfolio in the event of a deterioration of the financial condition or performance of, the regulatory environment applicable to, or outlook for, those issuers, sectors, or industries. • Prepayment or extension risk – applicable to certain securities in the portfolio, such as residential mortgage- backed securities and other bonds with call provisions, prepayment risk is the risk that, as interest rates change, the principal of such securities may be repaid earlier than anticipated, requiring that we reinvest the proceeds at less attractive rates. **- 22-** Extension risk is the risk that a security may not be redeemed when anticipated, adversely affecting the value of the security and preventing the reinvestment of the principal at higher market rates. • Liquidity risk – discussed separately below. ~~- 21-~~ In addition, the success of our investment strategies and asset allocations in the fixed- income portfolio may vary depending on the market environment. The fixed- income portfolio’ s performance also may be adversely impacted if, among other factors: credit ratings assigned to such securities by nationally recognized statistical rating organizations are based on incomplete or inaccurate information or otherwise prove unwarranted; or our risk mitigation strategies are ineffective for the applicable market conditions. Our common equity portfolio is primarily managed externally to track the Russell 1000 Index, although from time to time we may choose to add exchange- traded funds or similar securities designed to track the Russell 1000 or the Standard &

Poor' s 500 (S & P 500) Index. Our equity investments are subject to general movements in the values of equity markets and to the changes in the prices of the securities we hold. An investment portfolio or exchange- traded fund that is designed to track an index, such as the Russell 1000 or S & P 500, is not necessarily less risky than other equity investment strategies. Our equity investment strategies may not successfully replicate the performance of the Indexes that they seek to track. Equity markets, sectors, industries, and individual securities may be subject to high volatility and to long periods of depressed or declining valuations, and they are also subject to most of the same risks that affect our fixed- income portfolio, as discussed above. In addition, even though the Russell 1000 and S & P 500 Indexes are generally considered to be broadly diversified, significant portions of each index may be concentrated in one or more sectors, reducing our ability to manage our concentration risk through sector diversification. If the fixed- income or equity portfolios, or both, were to suffer a substantial decrease in value, our financial position, and results of operations could be materially adversely affected. Under these circumstances, our income from these investments could be materially reduced, and declines in the value of our securities could further reduce our reported earnings and capital levels. A decrease in value of an insurance subsidiary' s investment portfolio could also put the subsidiary at risk of failing to satisfy regulatory minimum capital requirements and could limit the subsidiary' s ability to write new business. In any such event, our business could be materially adversely affected and our financial flexibility could be substantially constrained. See Management' s Discussion and Analysis of Financial Condition and Results of Operations – IV. Results of Operations – Investments in the Annual Report for additional discussion of the composition of our investment portfolio as of December 31, ~~2022~~ **2023** , and of the market risks associated with our investment portfolio. New regulations and societal pressures relating to ESG and other public policy matters could negatively impact our returns or cause us to change our investing strategies in ways that could negatively impact our results. The value of securities held in our portfolio could be materially adversely impacted as issuers or the businesses or assets underlying such securities are faced with new, potentially conflicting, laws or regulations or initiatives by regulators, investors, activists, or others, including those addressing ESG, sustainability ~~and~~ **, or** other public policy concerns. For example, the universe of securities that we are permitted to hold could be significantly narrowed by insurance regulators if we are prohibited from investing in certain industries or types of companies or we could be required to make additional disclosures when we acquire any such securities. Similarly, we could also face pressures from other stakeholders that seek to influence our investment decisions. These factors could cause a decline in the value of investments held in our portfolio, or cause us to change our investment strategy, which could increase our costs or reduce our returns relative to returns from other available investment opportunities. ~~The elimination of the London Interbank Offered Rate (LIBOR) may adversely affect the interest rates on and value of certain floating rate securities and other instruments that we hold. LIBOR, a common benchmark interest rate (or reference rate) used to set and make adjustments to interest rates for certain floating rate securities and other financial instruments, is being phased out over time. Although instruments issued since 2022 should no longer tie interest rates to LIBOR, securities issued in 2021 and earlier and held in our portfolio may continue to do so. As the phase out continues, these legacy securities may be adversely affected if they either do not provide for the automatic substitution of another reference rate, convert to another reference rate that has material differences from LIBOR, or convert to another reference rate or a fixed rate that could be less favorable to us. In December 2022, the Board of Governors of the Federal Reserve System issued a final rule that identified the Secured Overnight Financing Rate (SOFR) plus a tenor spread adjustment as the replacement rate for LIBOR on securities governed by U. S. law that do not specify a clearly defined successor benchmark. Outstanding securities and contracts that could be affected include certain preferred stocks and other floating- rate securities, fixed- rate securities that may convert to LIBOR- based floating rate instruments in the future, and any other assets or liabilities whose value is tied to LIBOR. Any uncertainty regarding the reliability of LIBOR as a benchmark interest rate, or the potential transition from LIBOR to SOFR or another reference rate, until the end of the phase- out period could also adversely affect the value of those instruments. - 22-~~ V. Liquidity Risk The inability to access our cash accounts or to convert investments into cash on favorable terms when we desire to do so may materially and adversely affect our business, cash flows **,** and capital position. We rely on our ability to access our cash accounts at banks and other financial institutions to operate our business. If we are unable to access the cash in those accounts as needed, whether due to our own systems difficulties, an institution- specific issue at the bank or financial institution (such as a cybersecurity breach or severe weather or other catastrophe impacting their operations), a broader disruption in banking, financial **,** or wire transfer systems, or otherwise, our ability to pay insurance claims and other financial obligations when due and otherwise operate our business could be materially adversely affected. Likewise, our investment portfolios are subject to risks inherent in the nation' s and world' s capital markets, including the United States **,** continuing to honor its outstanding debt and other obligations. Any disruption in the functioning of those markets or in our ability to liquidate investments or specific categories of investments on favorable terms when desired, or a default by the United States in its obligations, could impair our ability to pay claims or other financial obligations when due and could result in a significant decline in the value of our investment portfolio and have a material adverse impact on our cash flows and **- 23-** capital position. Any such event or series of such events could also result in significant operational difficulties, reputational harm **,** and adverse actions by regulators and have a material adverse effect on our financial condition, cash flows, and results of operations. VI. Credit and Other Financial Risks Our financial condition may be adversely affected if one or more parties with which we enter into significant contracts or transact business (including under certain government programs) become insolvent, experience other financial difficulties, or default in the performance of contractual or reimbursement obligations. Our business is dependent on the performance by third parties of their responsibilities under various contractual or service arrangements and government programs. These include, for example, agreements with other insurance carriers to sell their products to our customers in bundled packages or otherwise, arrangements for transferring certain of our risks (including indemnification and self- insured retention obligations of Commercial Lines customers, reinsurance arrangements used by us, our corporate insurance policies, and the performance of state reinsurance facilities / associations), and reimbursement obligations under various state or federal programs, such as the

Michigan Catastrophic Claims Association or the National Flood Insurance Program. ~~In addition, from time to time, we enter into significant financial transactions, such as derivative instruments, with major banks, other financial institutions, or security clearinghouses.~~ If one or more of these parties were to default in the performance of, or otherwise become unwilling or unable to satisfy, their obligations to us under the applicable contracts or regulatory framework, we could suffer significant financial losses, a reduction in our capital levels, or other problems, which in turn could materially adversely affect our financial condition, cash flows, or results of operations and cause damage to our brand and reputation. Our insurance subsidiaries may be limited in the amount of dividends that they can pay, which in turn may limit our ability to repay indebtedness, make capital contributions to other subsidiaries or affiliates, pay dividends to shareholders, repurchase securities, or meet other obligations. The Progressive Corporation is a holding company with no business operations of its own. Consequently, if its subsidiaries are unable to pay dividends or make other distributions, or are able to pay only limited amounts, The Progressive Corporation may be unable to make payments on its indebtedness, make capital contributions to or otherwise fund its subsidiaries or affiliates, pay dividends to its shareholders, or meet its other obligations. Each insurance subsidiary' s ability to pay dividends may be limited by one or more of the following factors: • insurance regulatory authorities require insurance companies to maintain specified minimum levels of statutory capital and surplus • insurance regulations restrict the amounts available for distribution based on either net income or surplus of the insurance company • competitive pressures require our insurance subsidiaries to maintain high financial strength ratings • in certain jurisdictions, prior approval must be obtained from regulatory authorities for the insurance subsidiaries to pay dividends or make other distributions to affiliated entities, including the parent holding company ~~- 23- The terms of our outstanding preferred shares prohibit us from paying a dividend on our common shares in certain circumstances. The terms of our outstanding preferred shares prohibit us from declaring or paying dividends or distributions on our common shares while our preferred shares are outstanding, unless all accrued and unpaid dividends on the preferred shares, including the full dividends for all current dividend periods, have been declared and paid or a sum sufficient for payment thereof set apart, subject to certain exceptions.~~ If we are unable to obtain capital when necessary to support our business, our financial condition, and our ability to grow could be materially adversely affected. We may need to acquire additional capital **,** from time to time **,** as a result of many factors **,** ~~. These could include~~ **including** increased regulatory requirements, unprofitable insurance or investment operations, or significant growth in the insurance premiums that we write, among ~~others~~ - **other factors** . If we are unable to obtain capital at favorable rates when needed, whether due to our results, volatility **,** or disruptions **,** in debt and equity markets **due to factors** beyond our control, or other reasons, our financial condition could be materially adversely affected. In such an event, unless and until additional sources of capital are secured, we may be limited in our ability, or unable, to service our debt obligations, pay dividends, grow our business, pay our other obligations when due **,** or engage in other corporate transactions. Such a deterioration of our financial condition could adversely affect the perception of our company by insurance regulators, potentially resulting in regulatory actions, and the price of our equity or debt securities could fall significantly. Our access to capital markets, ability to obtain or renew financing arrangements, obligations to post collateral under certain derivative contracts, and business operations are dependent on favorable evaluations and ratings by credit and other rating agencies. Our credit and financial strength are evaluated and rated by various rating agencies, such as Standard & Poor' s, Moody' s Investors Service, Fitch Ratings, and A. M. Best. Downgrades in our credit ratings could adversely affect our ability to access the capital markets and / or lead to increased borrowing costs in the future (although the interest rates we pay on our current indebtedness would not be affected), as would adverse recommendations by equity analysts at the various brokerage houses and investment firms. Perceptions of our company by other businesses and consumers could also be significantly impaired. In **- 24-** addition, from time to time we may enter into certain derivative transactions providing that a downgrade could trigger contractual obligations requiring us to post substantial amounts of additional collateral or allow a third party to liquidate the derivative transaction. **Various rating agencies may** ~~Standard & Poor' s is considering changes~~ - **change their** ~~to its process~~ **processes** for credit ratings for the insurance industry **, including changes to their approach to assessing capital adequacy, the creditworthiness of issuers of certain fixed- income securities, or the equity capital content of certain non-debt securities** , and we are unable to predict the impact to our credit ratings or our ability to raise capital at favorable rates, of any change that they may ultimately adopt. Downgrades in the ratings of our insurance subsidiaries could likewise negatively impact our operations, potentially resulting in lower or negative premium growth. In any such event, our financial performance could be materially adversely affected. Our dividend policy ~~may~~ **will likely** result in varying amounts being paid to our common shareholders, or no payment in some periods, and the dividend policy ultimately may be changed in the discretion of the Board of Directors. We have announced our intention to pay a dividend on our common shares on a quarterly basis and to consider paying a variable dividend on at least an annual basis. The frequency and amount of dividends, if any, may vary, perhaps significantly, from the amounts paid in preceding periods ~~. For example, the Board decided to not declare an annual- variable common share dividend for 2022~~ . The Board retains the discretion to alter our policy or not to pay such dividends at any time. Such action by the Board could result from, among other reasons, changes in the insurance marketplace, changes in our performance or capital needs, changes in U. S. federal income tax laws, disruptions of national or international capital markets, or other events affecting our liquidity, financial position, or prospects, as described above. Any such change in dividend policy could adversely affect investors' perceptions of the company and the value of, or the total return of an investment in, our common shares. Our investments in certain tax- advantaged projects may not generate the anticipated tax benefits and related returns. We may invest in certain projects that we believe are entitled to tax- advantaged treatment under applicable federal or state law, including renewable energy development, historic property rehabilitation, and affordable housing, and we may make other tax- advantaged investments from time to time. Our investments in these projects are designed to generate a return through the realization of tax credits and, in some cases, through other tax benefits and cash flows from the project. These investments are subject to the risk that the underlying tax credits and related benefits may not be valid, and in some cases previously recorded tax credits can be challenged or are subject to recapture by the applicable taxing authorities if specific requirements are not satisfied. Many of the factors that could lead to the invalidity, challenge, or recapture of tax credits are beyond our control. The inability to realize these tax credits and other tax benefits could have a material adverse impact on our financial condition. ~~- 24-~~ VII. Other Our goal is to maximize the long- term value of the enterprise and we do not manage to short- term earnings expectations, which may adversely affect short- term results. We believe that shareholder value will be increased in the long run if we meet or exceed the financial goals and policies that we establish each year. We do not manage our business to maximize short- term stock performance or the amount of any dividend that may be paid. Due to our focus on the long- term value of the enterprise, we may undertake business decisions and strategies and establish related financial goals that are designed to enhance our longer- term performance and value, while understanding that such decisions and strategies may not always similarly benefit short- term results, such as growth goals, our annual underwriting profit, dividend payouts, or earnings per share. We do not provide earnings estimates to the market and do not comment on earnings estimates by analysts. As a result, our reported results for a particular period may vary, perhaps significantly, from investors' expectations, which could result in significant volatility in the price of our equity or debt securities. Our Property business has caused, and is likely to continue to cause, additional volatility in our consolidated results. We currently report earnings and other operating results on a monthly basis. We **undertook** ~~are undergoing~~ a multi- year financial enterprise resource planning effort to modernize certain of our financial systems and processes. In conjunction with this effort, ~~we are expecting to implement changes to our monthly financial closing processes, including changes to our accounting calendar,~~ in the fourth quarter of 2023 ~~. Our current financial~~ **, we converted our monthly accounting** closing calendar ~~, which generally consists of a 52- week year, with 13- week quarters, and months within each quarter consisting of one 5- week and two 4- week months, will be converted~~ to align with **the** ~~a traditional~~ Gregorian calendar (e. g., January- 31 days, February- 28 / 29 days, March- 31 days). We do not expect that these changes will have a material impact on our reported quarterly and annual results, but they may impact year- over- year comparisons of monthly results **from October 2023 through September 2024** ~~during the first twelve months after the changes are implemented~~. As a result, during this period, we **will** ~~expect to~~ modify and limit the content, and potentially the timing ~~and frequency~~, of public disclosures of our monthly results relative to our historical practice, which could cause additional volatility in our stock price. Due to our focus on the long- term value of the enterprise, similar tradeoffs may be involved in our consideration of the interests of other stakeholders, including our employees, customers, agents, suppliers, and communities, as well as whether and how we respond to or address ESG, sustainability, and corporate responsibility initiatives and other public policy matters that impact us. These types of initiatives and considerations are fast- evolving areas and determining appropriate responses and actions can be uncertain. Different stakeholders often have conflicting perspectives on these initiatives and considerations. Depending on how **- 25-** observers view our responses or our commitment to addressing such matters, we could be subject to criticism, adverse publicity, or campaigns, among other actions, by investors, activists, or others. Consequently, such factors and the related tradeoffs may adversely affect our financial performance or the market prices of our equity or debt securities. Our business and results of operations could be adversely affected by epidemics, pandemics, or other widespread health risks **. Beginning with its emergence in 2020**, ~~including~~ COVID- 19 **increased many of the risks described above and impacted our business, operations, and financial results in a number of ways**. ~~The spread~~ **We have discussed the associated risks and impacts** of COVID- 19 ~~and~~ **in our SEC filings beginning with** its ~~variants throughout~~ **onset in 2020. We believe that** the ~~United States~~ **existing risks** and ~~the international community has had, and could continue~~ **impacts of COVID- 19 are not currently material** to ~~have and a~~ **our business. Any** future epidemic, pandemic **,** or other widespread health risk **, including a new variation of the COVID- 19 virus,** could **exacerbate the** ~~have, a negative impact~~ **impacts** ~~on financial markets, general economic conditions, and certain~~ of **many of the other risk factors described above and adversely affect** our ~~businesses~~ -- **business**. Depending on the duration and severity of ~~the~~ **any such** epidemic, pandemic **,** or other widespread health risk **,** and the nature and extent of governmental responses to it, our ~~businesses~~ -- **business**, our operations, and our financial results could be negatively impacted ~~in a number of ways, including the following: • Demand for our insurance products and our premium revenue could be reduced, perhaps significantly, if customers drive less or are unable to afford insurance, insurance shopping patterns are disrupted, vehicle and home purchases are curtailed, small businesses suspend or discontinue operations, the usage of transportation network company businesses declines, insurance agencies are unable or unwilling to write business, or our competitors offer products or benefits more appealing to customers or agents or more responsive to their needs, among other factors • Our ability to price our products accurately for new and renewal policies could be negatively impacted, as could our ability to respond effectively to the initiatives of our competitors • Claims trends could become more volatile, inflation rates could diverge significantly from our expectations, vehicle and home repair industries could be significantly disrupted, and the availability of medical resources could be limited, potentially resulting in higher claims severity and increased costs to resolve claims • Our ability to resolve claims accurately and efficiently and establish accurate loss reserves could be impaired if we are unable to staff our Claims group appropriately • Legislative or regulatory actions, or court decisions, could impact our business in unexpected ways, including, without limitation, by: requiring us to change the way we price, segment, underwrite, or select risks to insure; altering our- 25- rights and obligations under our issued policies; or imposing payment obligations on us and other insurers in our industry for losses and costs that otherwise would be uninsured • The cumulative costs required by such governmental actions, or of actions taken voluntarily by us to accommodate the needs of customers, including providing credits or other payments to policyholders and billing leniency efforts, such as providing relief from policy cancellations or non-renewals, and related debt write offs, could be substantial • Unexpected changes in consumer behavior or market conditions, as well as deteriorating economic conditions, may reduce the effectiveness of our advertising • Illnesses suffered by key employees could prevent or delay the performance of critical business and financial reporting functions; widespread illnesses suffered by our employees may render us unable to perform normal business functions and operate our business on a day- to- day basis • The continued functioning of our data centers and important information technology and communication systems, as well as the continued performance of and our accessibility to the systems of our various vendors, could be imperiled by widespread~~

~~illnesses, illnesses suffered by key technology personnel, or work limitations or other governmental mandates • Our business continuity plans may prove inadequate to address the business challenges that we confront as these issues develop • Workplace policies adopted in response to an epidemic, pandemic or other widespread health risk may be viewed adversely by our employees or the public, resulting in damage to our reputation and brand • Our vendors and counterparties to various contracts, including key vendors for our insurance, claims and technology operations, reinsurance arrangements and financial counterparties, may not be able to perform or pay the obligations required of them on a timely basis, or at all, due to key employee illnesses, widespread illnesses, adverse financial impact or other challenges that they face arising directly or indirectly from an epidemic, pandemic or other widespread health risk The potential effects of an epidemic, pandemic or other widespread health risk also could exacerbate the impacts of many of the other risk factors, including: litigation claims being brought against the company; the valuation, volatility, and liquidity of our debt and equity investment portfolios; the condition of domestic and global economies and financial markets; our ability to access capital markets at favorable rates, if needed; and our ability to access our cash accounts at banks and other financial institutions to operate our business~~ .