

Annual Dividend Policy

In February, 2006, Progressive's Board of Directors approved a plan to change its policy of paying a fixed quarterly dividend to a policy paying an annual variable dividend, payable shortly after the close of each year, beginning with the 2007 dividend. This change is an effort to align Progressive's capital policy with its business model, which is designed to produce profitable growth over reasonable periods and to support that growth from operating earnings. As a result, there will be no quarterly dividends paid during calendar year 2007.

This annual dividend will be based on a target percentage of after-tax underwriting income, multiplied by a companywide performance factor ("Gainshare factor"). The target percentage will be determined by our Board of Directors on an annual basis and announced to shareholders and the public. For 2007, the Board established that the variable dividend will be based on 20% of after-tax underwriting profit. The Gainshare factor can range from zero to two and will be determined by comparing our operating performance for the year to certain predetermined profitability and growth objectives approved by the Board. The Gainshare factor is the same factor used to determine payments under the variable cash bonus program currently in place for our employees, referred to as our "Gainsharing Program."

See our [monthly financial releases](#) for the year-to-date Gainshare factor and full details of our underwriting performance.