PROGRESSIVE

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April 10, 2006

Nancy Morris
Secretary
US Securities & Exchange Commission
100 F Street, NE
Washington DC 20549-9303

Re: Executive Compensation and Related Party Disclosure Proposal
File No. S7-03-06

Dear Ms. Morris:

This letter presents the comments of The Progressive Corporation (NYSE: PGR) concerning the captioned matter.

I. Deferred Compensation Arrangements

A. Total Deferred Compensation Figure

The proposed regulations would require companies to disclose the balances of deferred compensation accounts that have accumulated over the years on behalf of the named executive officers. We understand that certain companies may use these deferral arrangements to supplement current compensation (for example, by making additional contributions into the plan or by paying interest or guaranteeing specific rates of return on the deferred amounts). In those cases, we agree that transparent descriptions of the operation of such plans should be presented to investors, together with the cumulative financial impact on the company and the named executive officers.

We strongly disagree, however, that all deferred compensation plan balances should be disclosed to investors. We believe that there is a class of deferred compensation plans that act merely as tax-deferred savings and investment mechanisms for executives, without further financial contribution from, or returns guaranteed by, the company, which should be explicitly exempted from a public disclosure requirement. Under such plans, the company permits the executive to defer the receipt and federal taxation of compensation earned or equity awards that have been granted, and the company contributes an equivalent amount of assets into a trust (sometimes referred to as a "rabbi trust"). From that point forward, the executive is responsible for how the account is managed (within limits set forth in the plan) and assumes the full risk of investment performance, but the company offers no guarantees of future income or investment returns on the executive's account.

Assuming that the deferred income and equity grants were properly reported in proxy statements for each year in which the executive was a named executive officer, we believe that it is inappropriate for the Commission to require public disclosure of the total assets accumulated by such an executive over the years under such plans. These plans do not create the risk that the company is covertly providing income to its executives, which would certainly require shareholder attention. Other than overseeing the operation of the plan and agreeing to make distributions after the deferral period in accordance with the executive's elections, the company has no ongoing involvement in, and has provided no guaranteed return on, the deferred account after the time of the deferral. Moreover, these balances often represent years of personal saving and investment decisions made by the participating executive, as well as income deferred in years prior to the individual becoming a named executive officer, which are by their nature very sensitive, personal financial data that have never been previously subject to disclosure. The amounts that the executives have accumulated in such plans over time should be treated no differently than any other personal savings or investment account that might have been funded from their income over the years. We believe that requiring disclosure of balances under such deferral plans does not appropriately balance the executive's right to privacy with the shareholders right to receive material information about the company.

Specifically, we propose that the final regulations should exempt from disclosure account balances under any deferred compensation arrangements that satisfy the following conditions:

- The company must have made all appropriate disclosures under the proxy rules at the time that the applicable income would have been earned, if not for the deferral, or that the applicable equity awards were granted, if the individual in question was a named executive officer for the period in question.

- During the deferral period, either under the terms of the plan or in practice, the company <u>may not</u>:
    - subsidize the purchase of investments in the plan (including, without limitation, company stock) at below market prices;
    - make matching or other additional contributions to the executive's account, either in the year of deferral or thereafter, unless such contributions are or were disclosed as income in the proxy statement in the appropriate year;
    - make investment decisions in the account (although it may provide a number of investment choices under the plan from which the executive chooses);
    - pay interest on the account or guarantee any particular rate of return, whether above market or otherwise; or
    - guarantee the account against investment losses.

- The company must set aside assets in a trust at the time of the deferral to facilitate the company's future payment obligations to the executive, which assets are then invested in the investments that are selected by the executive. The company, of course, will be committed under the plan to pay the appropriate amounts to the executive at the end of the deferral period selected by the executive.

With such an exemption in place, shareholders would receive information on any deferral plan balances where the company has provided some element of guarantee or enhancement over the years. In circumstances where the deferral account acts merely as a tax-advantaged savings mechanism, and the company has not provided any enhancements or guaranteed returns, the executive's privacy would be appropriately protected, with no further disclosures being made after the year in which the compensation was earned and reported.

B. Inclusion of Deferred Compensation Earnings in "All Other Compensation"

For many of the same reasons, we believe that "earnings" on deferred compensation plans described above should be exempt from disclosure as "All Other Compensation" in the summary compensation table under the proposed regulations. For purposes of this discussion, we assume that such "earnings" would include annual changes in value of the underlying investments, and would not be limited to interest or dividend income on those investments. For those deferred compensation plans that are described above, however, such earnings cannot be viewed as a component of an executive's annual compensation provided by the company since the change in value results solely from market-based investment choices made by the executive, and the company has no role in the annual growth (if any) of the account, either by making additional contributions or by guaranteeing investment returns. Including "earnings" from those deferred accounts in the "All Other Compensation" column would, in our view, exaggerate the amount of compensation paid to the executive during the year, with a resulting distortion of the "Total Compensation" paid.

Conversely, under the plans described above, in any given year, the value of the underlying assets can decrease and, depending on the investments selected by the executive, this decline may be substantial. In this case, the "earnings" on the account would be negative, which would cause a potentially significant reduction in the amount of, and thereby significantly understate, "All Other Compensation" and "Total Compensation" reported for that named executive for the year in question. We believe that requiring such market-based fluctuations in the account value to be included in "All Other Compensation" would be misleading to investors.

Again, by way of contrast, such disclosures may very well be warranted if a company guarantees a specified return on the account or makes additional deposits during the year to supplement earnings.

II. <u>CEO/CFO Certification</u>

As currently proposed, the required compensation disclosures would be subject to the CEO/CFO certification process. While we do not believe that this is problematic for most of the required disclosures (e.g., factual statements regarding compensation earned, equity awards, plan descriptions, compensation philosophies and policies, etc.), there are elements of the required disclosures that involve the procedures, deliberations and decisions of the compensation committee (including, without limitation, disclosures of the rationale for using specific types of compensation and the reasons for allocating compensation between various plans or types of awards) that are beyond the purview of either the CEO or the CFO. Accordingly, the CEO and CFO will not have personal knowledge upon which to base such certifications, unless the CEO and CFO were to become more involved in the compensation committee's decision-making process (which does not seem to us to be advisable). As a result, we believe that discussions that are specific to the compensation committee's deliberations and determinations should not be subject to CEO/CFO certifications.

III. <u>Performance Graph</u>

We believe that the performance graph provides shareholders with a valuable context in which to understand and evaluate executive compensation disclosures. The absence of such a performance metric from the proxy statement would leave shareholders to review compensation in a vacuum. Accordingly, we encourage you to retain the performance graph or a similar, easy-to-understand measure of company performance.

Please do not hesitate to contact me if you have any questions concerning these comments. I can be reached at 440-395-3696 or by email at Chuck_Jarrett@Progressive.com.

Sincerely,

Charles E. Jarrett

Charles E. Jarrett
Vice President, Secretary and
Chief Legal Officer