



Allstate

Financials Committee

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NYSE: ALL

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I. Investment Narrative

Financials Committee – Allstate Corp



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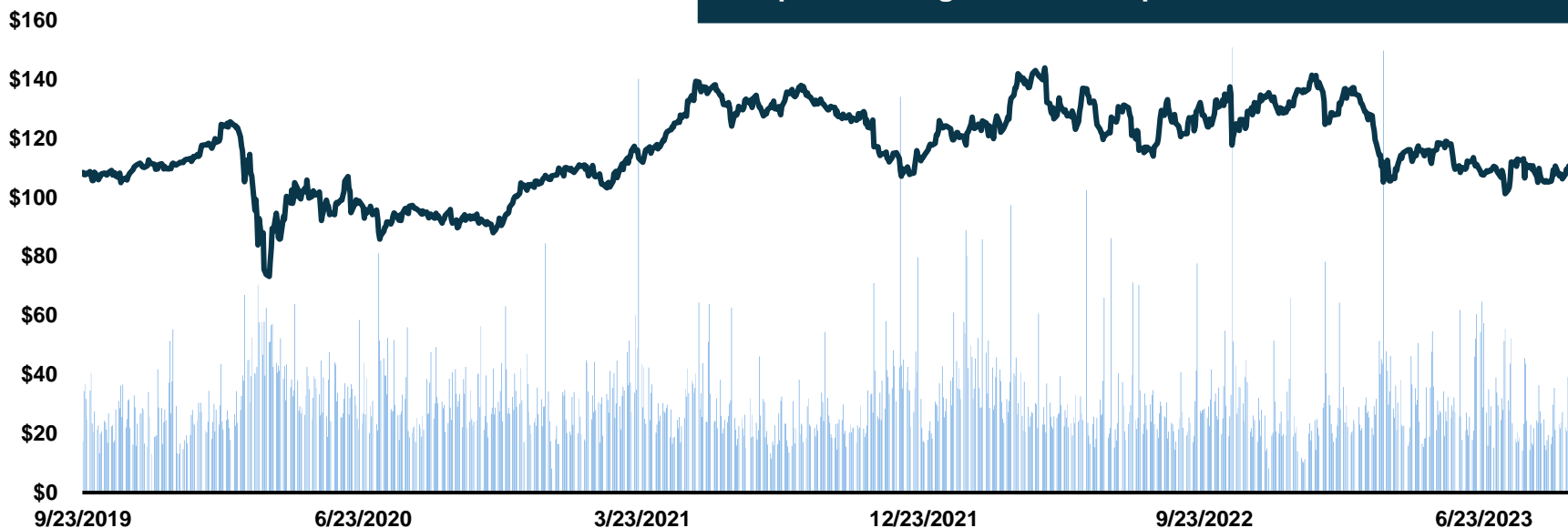


Market Cap	\$28.45 B
Last Close (9/22/23)	\$114.09
52 Week Range	\$100.57-\$142.15
LTM Revenue	\$54.83 B

- Allstate Corp is a leading Auto & Home Insurer that operates primarily in the United States, with about 10% in Auto Insurance market share
- Recommendation: BUY with PT of \$144.61, representing an upside of 27% from 9/22 close of \$114.09 at a 5% weight

Investment Thesis Introduction

1. Allstate was caught behind the ball in raising premiums to offset higher claims expenses due to auto inflation
2. Allstate is now implementing rate increases while limiting writing unprofitable policies to restore auto margins
3. Normalizing catastrophe losses from elevated levels (highest since 2011), the slow shift toward a direct vs agent model, and continued usage of telematics provide further upside through loss and expense reduction



II. Company Overview

Financials Committee – Allstate Corp

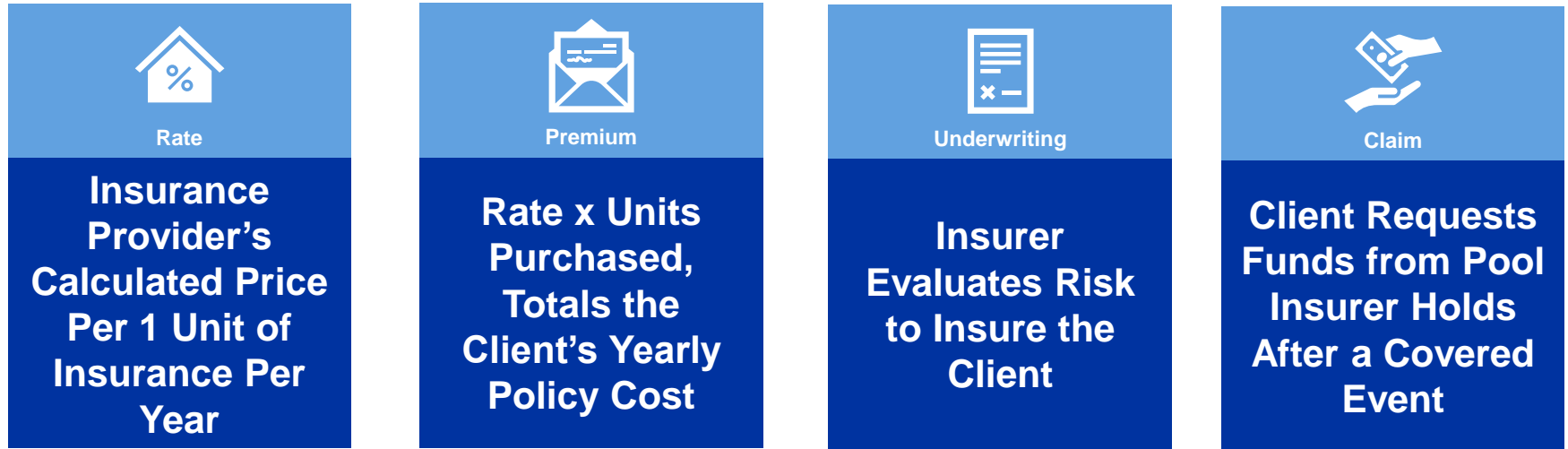


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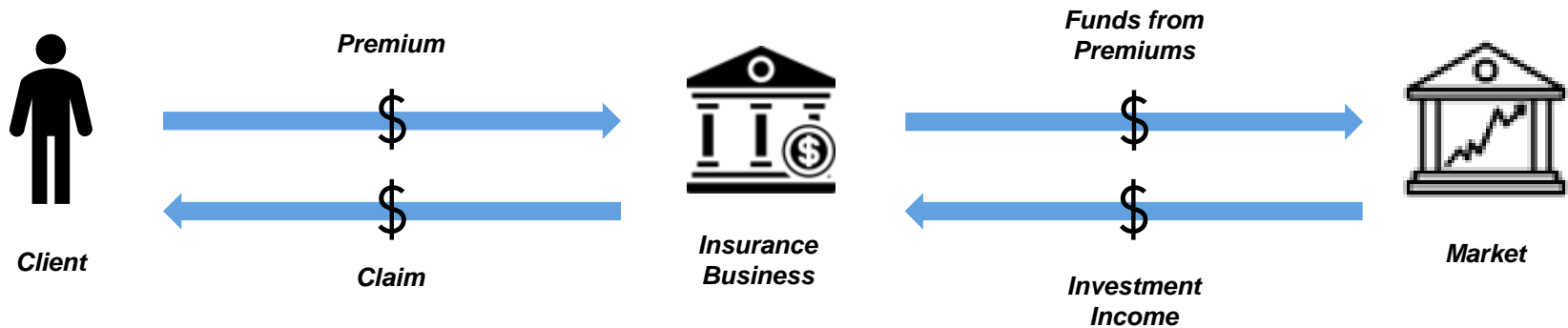


How Insurance Companies Make Money

The Elements of Insurance




Collect, Invest, and Pay Out



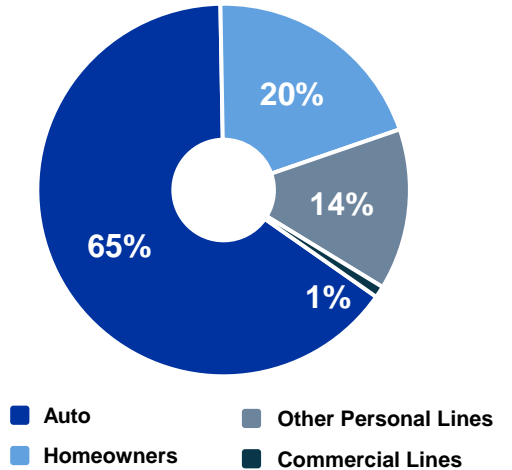


Allstate Is Primarily An Auto + Home Insurer

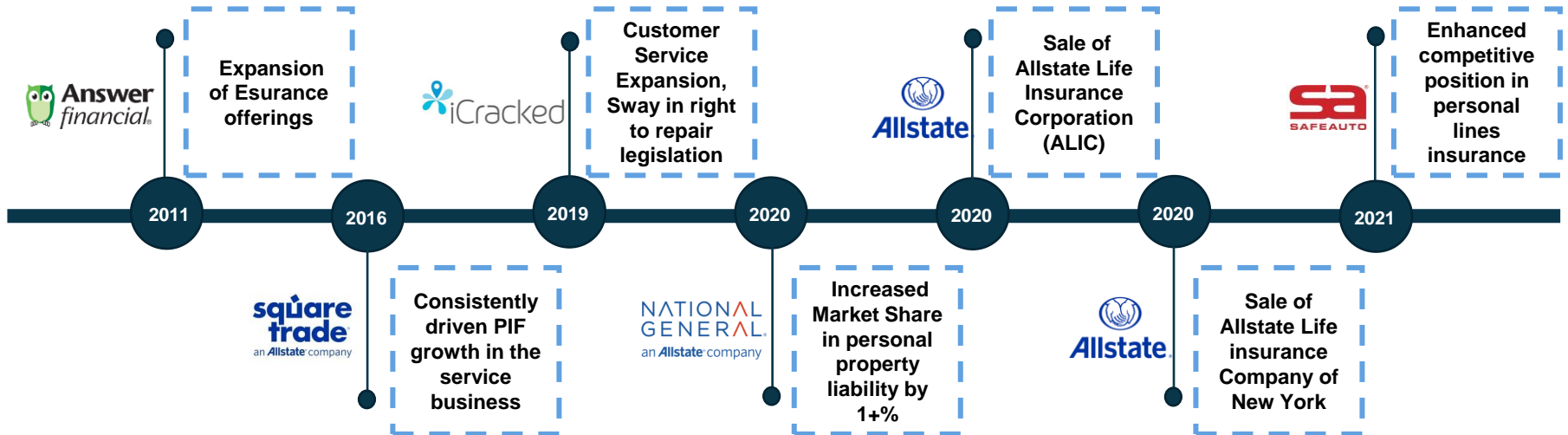
Allstate Segment Breakdown

Allstate Protection	Protection Services	Health and Benefits
85.4% of Revenue	4.8% of Revenue	4.4% of Revenue
20.4% Policies In Force	77.3% Policies In Force	2.30% Policies In Force
92% Earned Premiums 	Protection Plans Dealer Services Roadside Identity Protection	Life Accident Critical Illness Short-Term Disability

Exposure by Policies in Force



A Strong History of Strategic Acquisitions



III. Industry Overview

Financials Committee – Allstate Corp

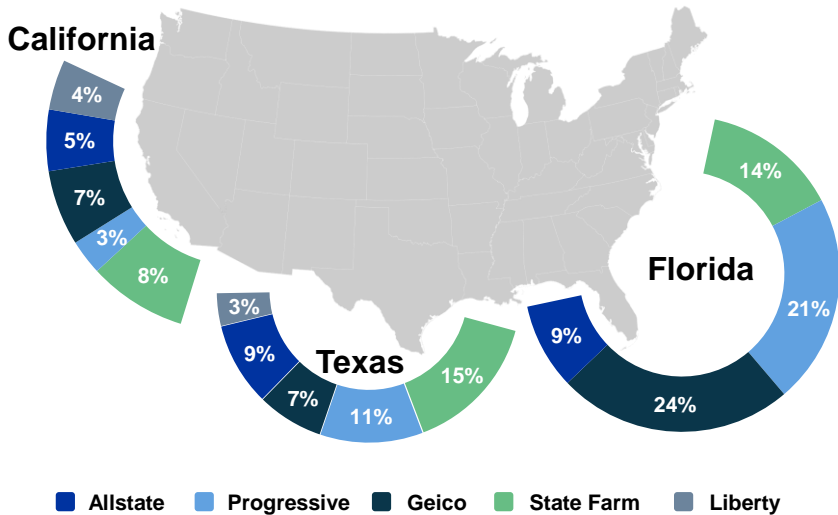


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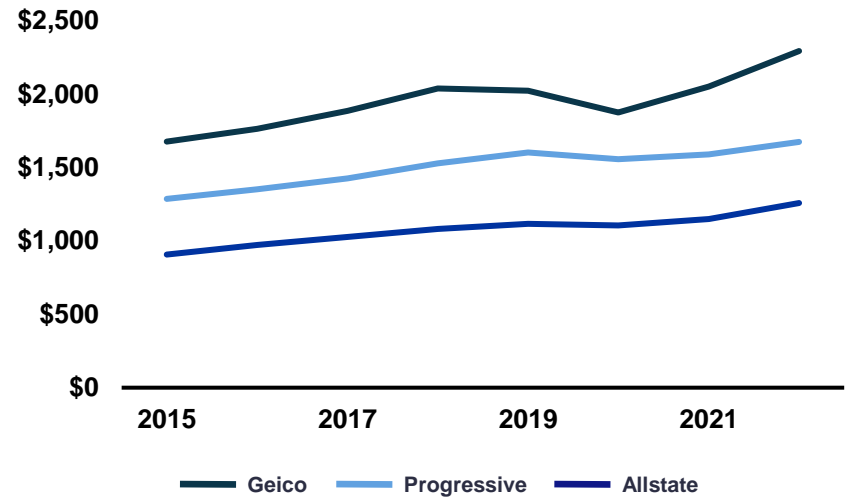


The Industry Structure For A Commodity Product

Stiff Competition in Few Major States¹

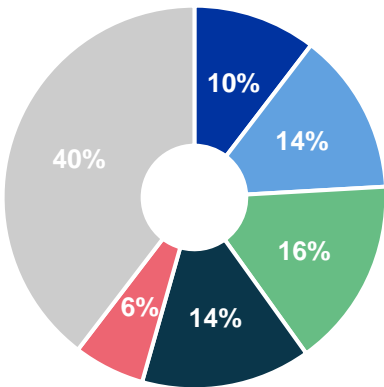


Auto Premiums Charged by Providers on Average²

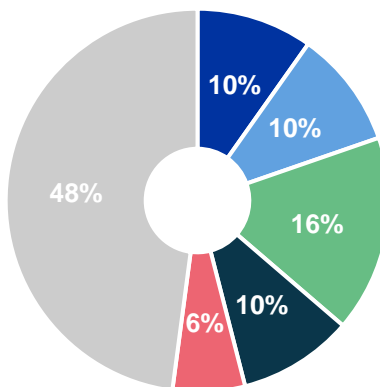


Highly Fragmented Industry Competing on Price³

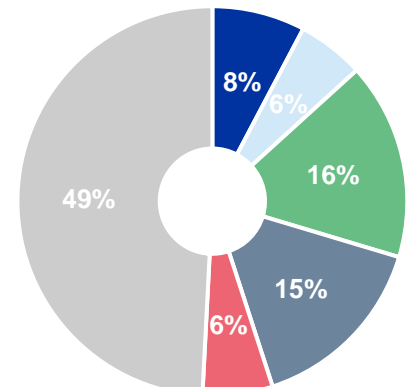
Private Passenger Auto



Personal Lines



Homeowner



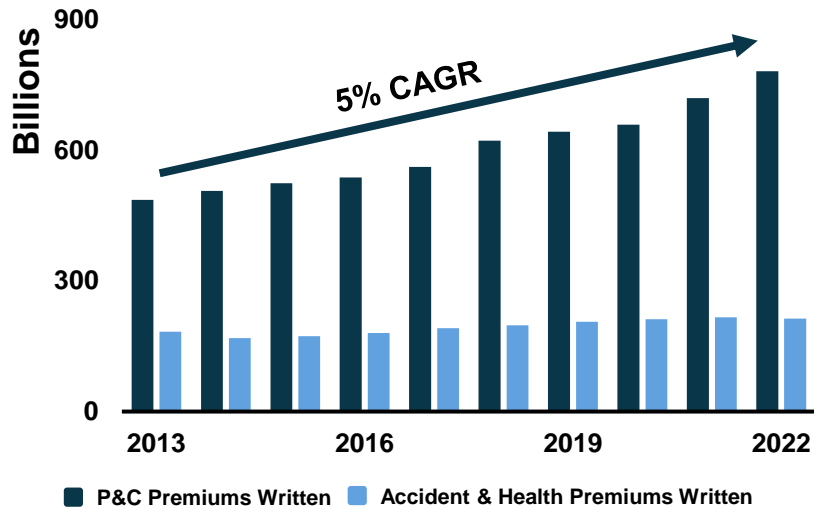
■ Allstate
 ■ Progressive
 ■ Geico
 ■ State Farm
 ■ USAA
 ■ Farmers
 ■ Liberty
 ■ Others

(1) 2021 California Property and Casualty Market Share Report, 2021 Texas Department of Insurance, 2021 Florida Office of Insurance Regulation Auto (2) 2015-2022 Geico, Progressive, Allstate 10-K Reports (3) 2022 Allstate 10-K Report

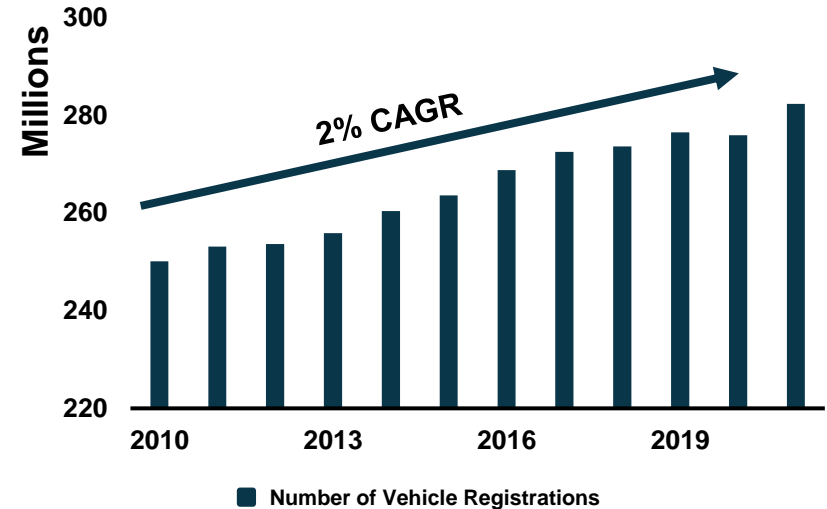


Everyone Needs Insurance

Property & Casualty Insurance Shows Strong Growth¹

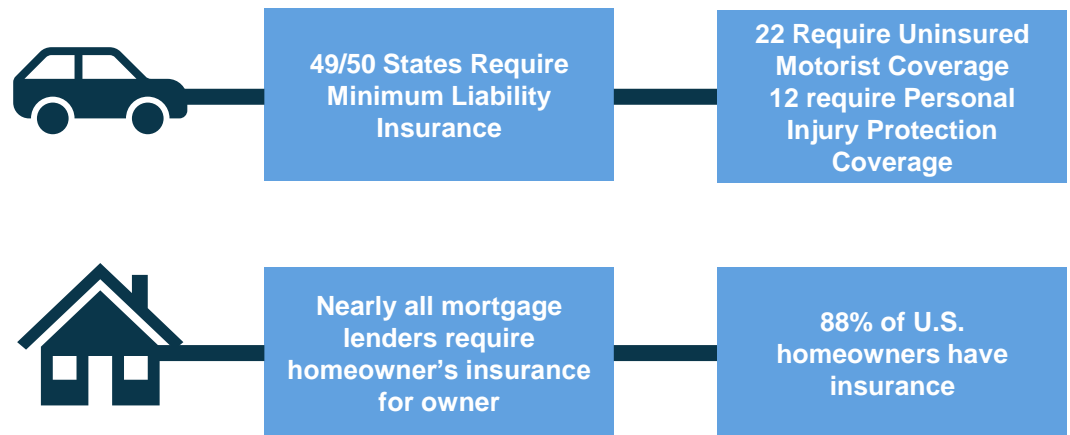
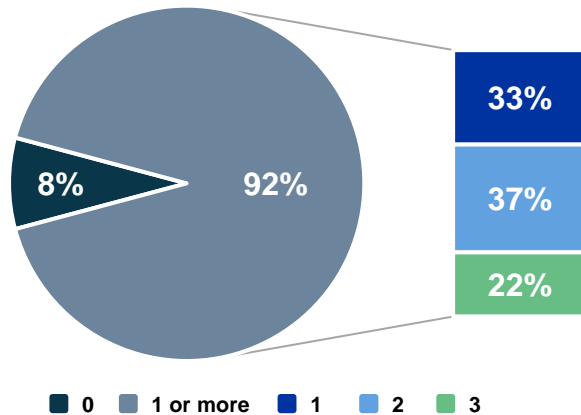


Vehicle Registration Growth²



Auto and Home Demand Driven by Mandatory Regulations for Customers

Car Ownership in U.S. Households by %³



(1) 2022 Federal Insurance Office Annual Report, (2) U.S. Department of Transportation Statistics Reports, (3) U.S. Census Bureau 5-Year American Community Survey

IV. Investment Thesis

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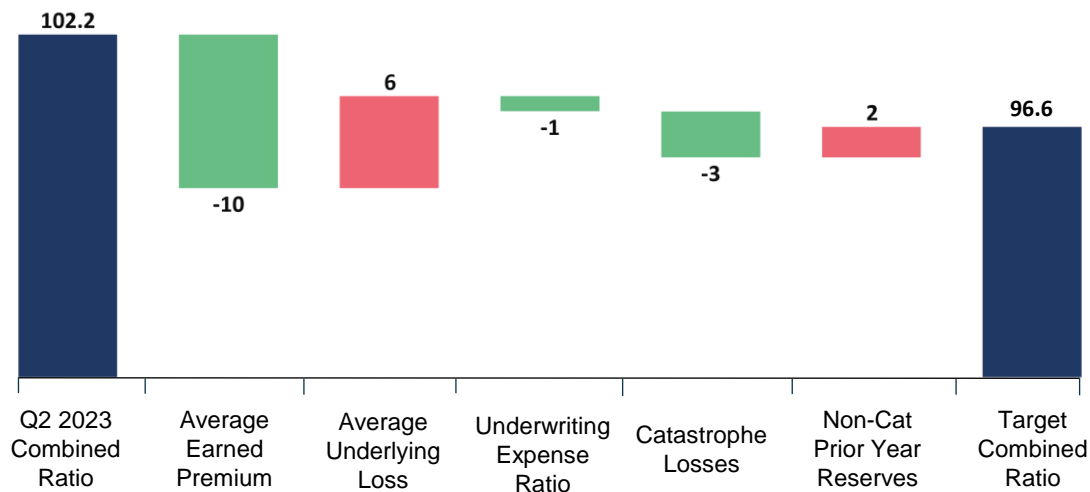
Management Is Focused On Improving Auto Margins

Allstate's Comprehensive Plan¹

Rate Increases	Expense Reductions	Underwriting Actions	Enhancing Claims Ops
Rate increases for Allstate brand in 2022 resulted in premium impact of 16.9%	Decreased Property-Liability underwriting expense ratio by 2.5 points since Q2 2022	Restricting new business in underperforming states (e.g., exiting traditional comml. Insurance in 5 states in 2023)	Accelerating settlements of injury claims
Since beg. of 2023, rate increases for Allstate brand have resulted in premium impact of 8.6%	Temporarily reduced advertising spend to reduce new business volume	Removing restrictions in states and segments that are achieving target margins	Negotiating improved vendor service and parts agreements
Rate increases so far in 2023 are expected to raise annualized written premiums by \$2.2B	Future cost reductions from digitization, sourcing, and distribution	Customers increasingly utilizing Allstate's telematics pricing system	Digitizing claims processes through innovative products such as MyClaim

These Initiatives Strive for a Mid 90s Combined Ratio Target²

Beginning in 2023, Management's annual cash incentive awards will include a 10% weight applied to progress made on Allstate's Transformative Growth strategic objective – which is significantly impacted by ongoing auto concerns³



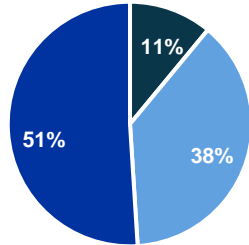
(1) Company Filings (2) ALL 2Q 2023 Earnings Presentation (3) 2023 Allstate Annual Stockholders Meeting



We Are Confident In Management's Strategy

The Regulatory Environment for Raising Price¹

2022 Statutory Direct Written Premiums Per State Law



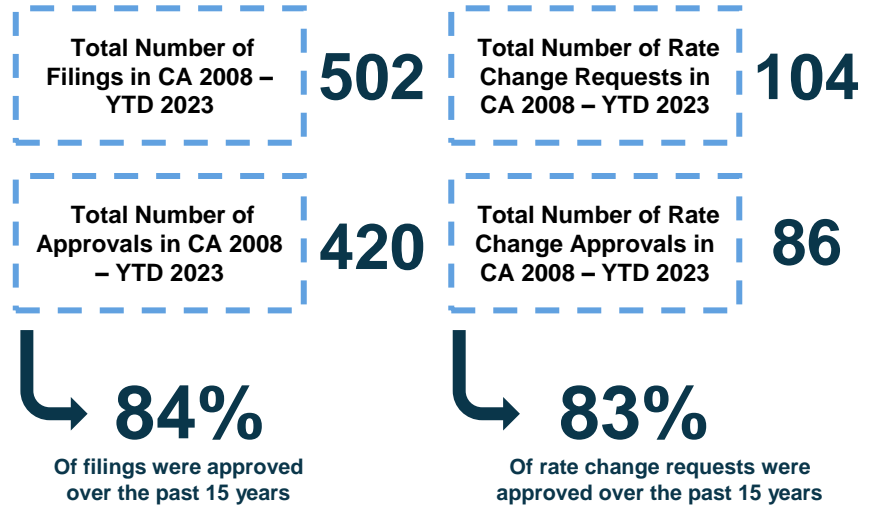
■ Prior Approval ■ Use-and-file ■ File-and-use

Prior Approval – Reg. must approve before insurer can use (21 states)

File-and-Use – Insurers do not have to wait for approval to use, but must file prior to using (20 states)

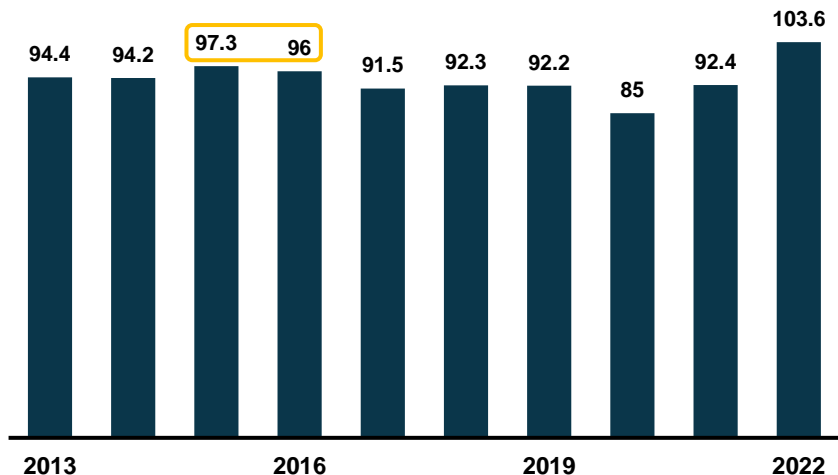
Use-and-File – Insurer must file rate within a certain time after they begin using the rate (9 states)

California Regulatory Case Study²



Management Has Successfully Navigated Similar Environments³

Allstate Brand Auto Underlying Combined Ratio



2015-2016 Actions

Executed rate increases >\$2.5B across all underwriting brands

Underwriting targeted underperforming segments

Cost Reductions to improve expense ratio + Enhanced claims efficiency

Actions To Date

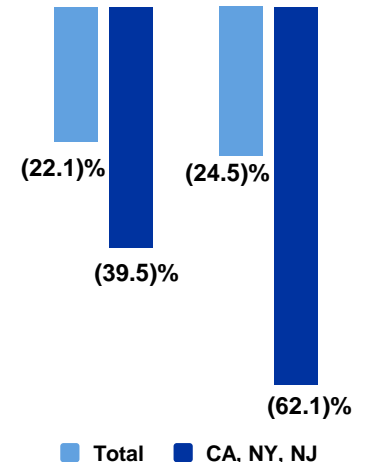
Rate increases of 16.9% in 2022, and 7.5% through first six months of 2023

Restricting business in underperforming states

Reduced advertising spend by 55% in Q2 YoY

Writing Less Policies⁴

ALL Auto New Issued Applications
% Variance to Prior Year



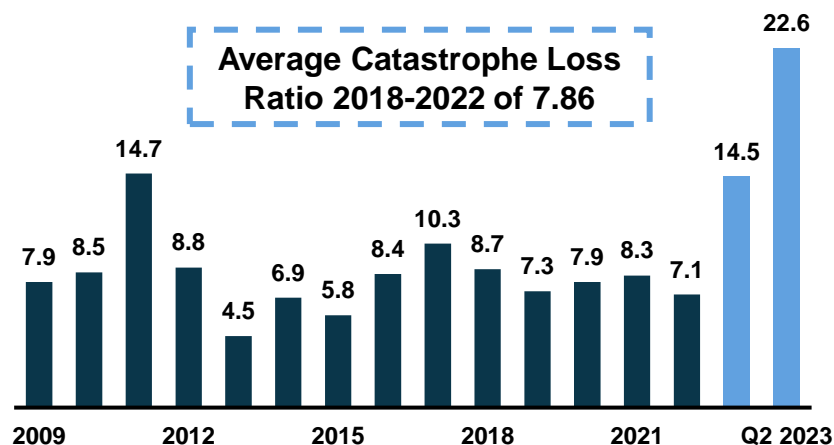
(1) AllState 2022 10-k (2) California Department of Insurance (3) SEC Archives – Allstate Special Topic Call Materials (4) AllState Q2 2023 Earnings Presentation



Premiums Will Outpace Claims Going Forward

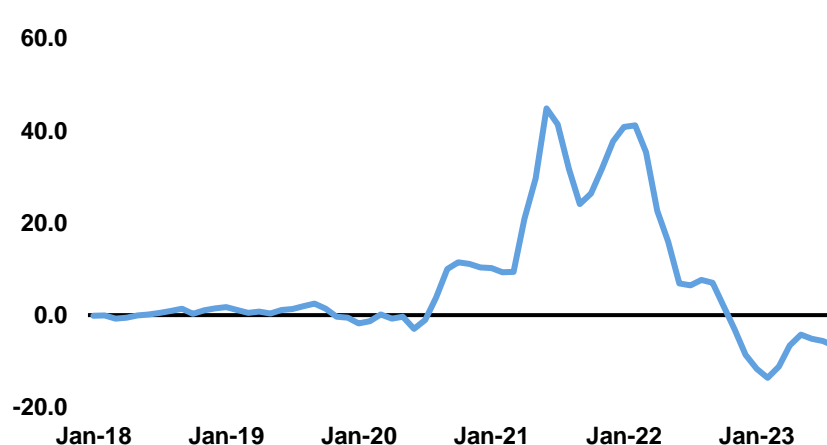
Impact of Catastrophe Losses on Combined Ratio

Catastrophe Loss Ratio (Cat Loss / Premiums Earned)¹



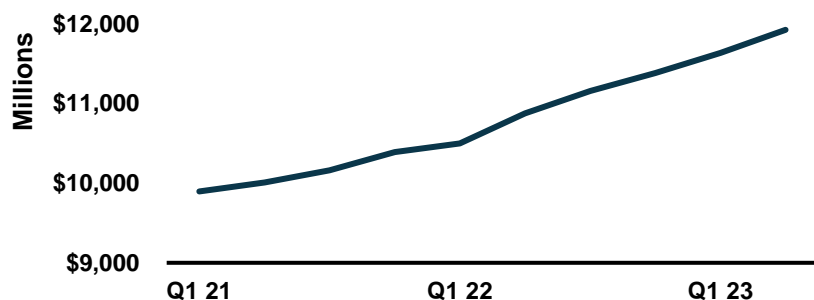
Increases In Claims Severity Will Moderate

CPI Used Cars and Trucks in U.S. City Average YOY²



Earned Premiums Lag Rate Increases

Premiums Earned³

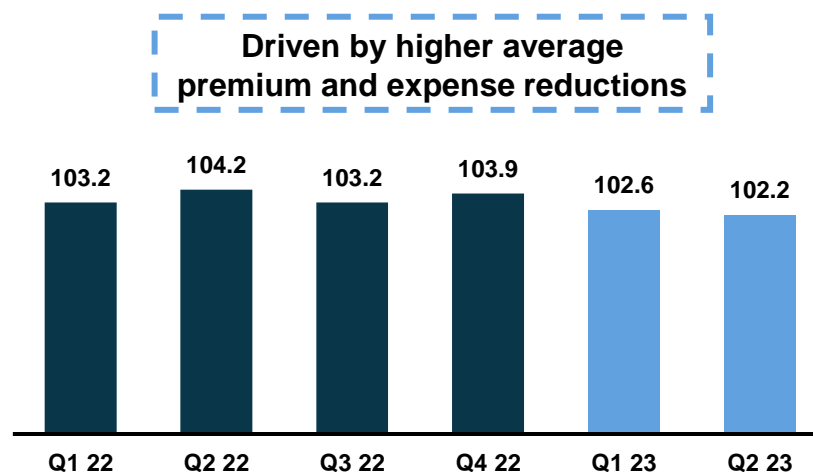


“Growth in average premium per policy is accelerating due to implemented rate increases, but the impact to earned premium per policy is on a lag due to the 6-month policy term.”

-Mario Rizzo, Allstate Corp President Property-Liability⁴

Improved Combined Ratio from Prior Year

Underlying Combined Ratio¹

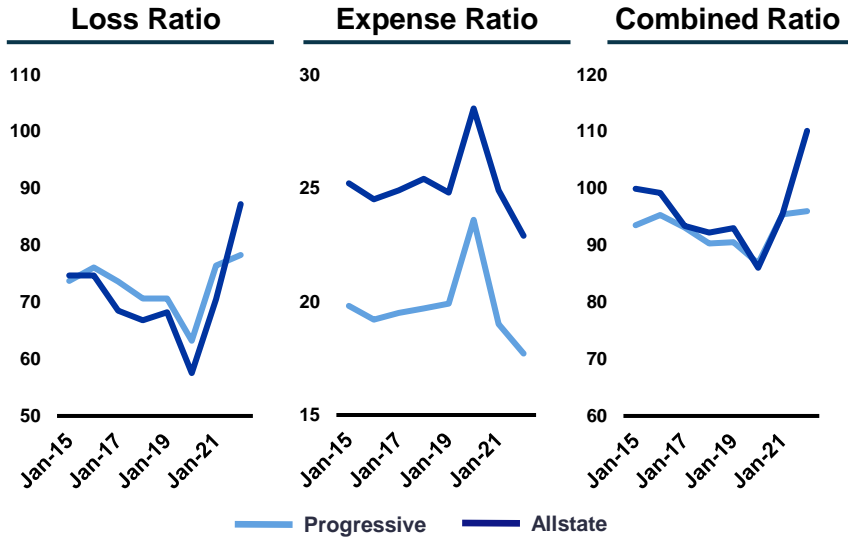


(1) Q2 2023 Earnings Call Presentation (2) U.S. Bureau of Labor Statistics (3) Allstate Corp 10K (4) Q4 2022 Earnings Call



Historical Performance Can Be Re-Achieved

Historical Ratios Provide Performance Goals¹



An Improving Expense Ratio¹

- ALL is a top 5 personal lines carrier in the independent agency distribution channel
- ~8,400 exclusive agents (this number has decreased every year since 2009, when ALL employed 12,300 exclusive agents)
- 1 in every 3 new policies is written through direct distribution channel (in comparison to just 2.4% in 2009)

Progressive's Telematics²

- 1996:** Autograph (Usage-Based Insurance is most predictive rating variable)
- 2004:** TripSense
- 2008:** MyRate (Share of Personal Auto customers using UBI increased 40% since 2019)
- 2010:** Snapshot (Enables rate accuracy to be pushed to where it matters most: new business quotes)
- 2016:** Snapshot app

Allstate's Telematics³

Allstate's innovative focus on telematics has allowed it to be a frontrunner in the space, with over 2.5M telematics policies

- 2010:** ALL launches first device-based telematics program (ALL already has >500K continuously connected users)
- 2014:** First in market to launch smartphone-based app
- 2015:** ALL creates Arity, a subsidiary focused on telematics
- 2016:** Rapid state launches of pay-per-mile program
- 2018:** Rapid state launches of pay-per-mile program

(1)Company 10-k filings (2)Q422 Telematics Innovation at PGR IR call (3) As of 6/2022, "Telematics Has Kept the Promise: Allstate's Journey Continues" by David MacInnis, Allstate VP

V. Valuation

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Recommending a BUY on ALL



DCF Valuation

Long Term Growth Rate Method - 10 Yr. DCF	
Terminal Value	\$ 49,693
PV of Terminal Value	\$ 20,542
PV of Free Cash Flow	\$ 20,364
Implied Equity Value	\$ 40,906
Diluted Shares Outstanding	263
Implied Share Price	\$ 155.77
<i>Upside / (Downside)</i>	36.54%
<i>PV TV as a % of the Equity Value</i>	50.22%
Implied Terminal P/E Multiple	14.63x

Terminal Multiple P/E - 10 Yr. DCF	
Terminal Value	\$ 40,762
PV of Terminal Value	\$ 16,850
PV of Free Cash Flow	\$ 20,364
Implied Equity Value	\$ 37,214
Diluted Shares Outstanding	262.6
Implied Share Price	\$ 141.71
<i>Upside / (Downside)</i>	24.21%
Implied Long Term Growth Rate	-0.19%

Blended Price Target	
Price Target - Terminal Multiple	\$ 141.71
Price Target - LTGR	\$ 155.77
Price Target - 2-Yr Fwd Multiple	\$ 136.34
Blended Price Target	\$ 144.61
Current Share Price	\$ 114.09
<i>Upside</i>	27%

2-Year Forward P/E Multiple Valuation

Multiples Valuation	
2025 Net Income	\$3,532.92
2025 DSO	256.82
2025 Diluted EPS	\$ 13.63
Applied 2-Yr Fwd PE Multiple	10.0x
Implied Share Price	\$136.34
Current Share Price	\$114.09
<i>Upside</i>	19%
PGR 2-Yr Fwd P/E	15.5x
2018-2022 Average ALL P/E	9.1x
Comps 2-Yr Fwd Median P/E	8.1x
Comps 2-Yr Fwd Average P/E	9.3x

DCF Sensitivity Analysis

Implied Share Price - Terminal Multiple P/E						
		Discount Rate				
		8.00%	9.00%	10.00%	11.00%	12.00%
Terminal Multiple	6.00x	\$ 123.09	\$ 116.10	\$ 109.63	\$ 103.64	\$ 98.09
	8.00x	\$ 135.77	\$ 127.74	\$ 120.33	\$ 113.48	\$ 107.14
	10.00x	\$ 148.45	\$ 139.38	\$ 131.02	\$ 123.31	\$ 116.19
	12.00x	\$ 161.12	\$ 151.02	\$ 141.71	\$ 133.14	\$ 125.24
	14.00x	\$ 173.80	\$ 162.66	\$ 152.41	\$ 142.98	\$ 134.29

Implied Share Price - Discount Rate/Long Term Growth Rate						
		Discount Rate				
		8.00%	9.00%	10.00%	11.00%	12.00%
Long Term Growth Rate	0.00%	\$ 182.13	\$ 160.40	\$ 143.06	\$ 128.90	\$ 117.14
	1.00%	\$ 197.11	\$ 171.19	\$ 151.06	\$ 134.98	\$ 121.84
	1.50%	\$ 206.32	\$ 177.67	\$ 155.77	\$ 138.50	\$ 124.53
	2.00%	\$ 217.07	\$ 185.07	\$ 161.07	\$ 142.41	\$ 127.48
	2.50%	\$ 229.78	\$ 193.61	\$ 167.08	\$ 146.78	\$ 130.75

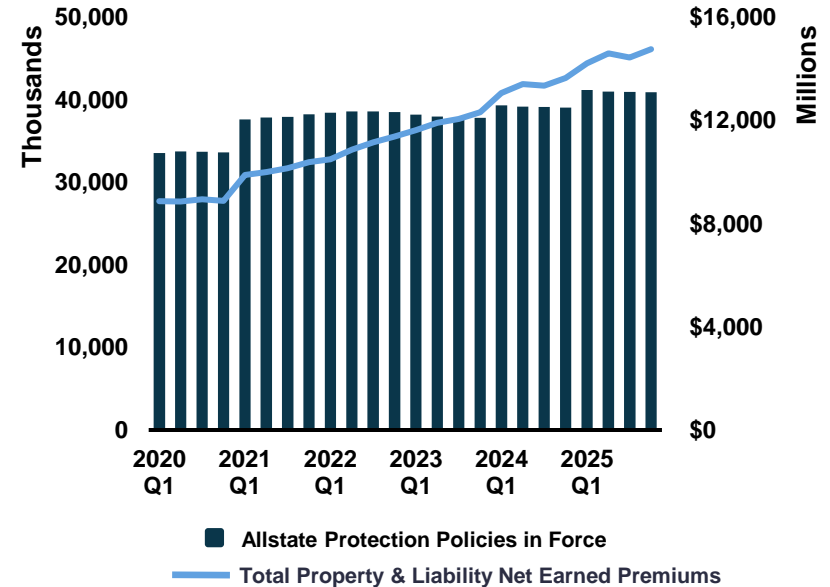


Model Drivers & Our Thesis In The Model

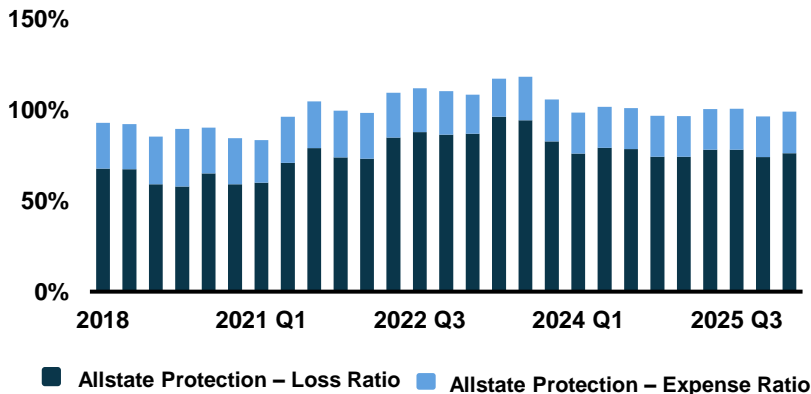
Model Drivers and Assumptions

- Policies in force decrease slightly in the near term as ALL holds off on writing new policies at unprofitable rates
- Premiums earned per policy increase ~HSD to ~LSD over the course of 2023 and 2024 due to rate increases before moderating in 2025 and beyond
- Catastrophe losses moderate, particularly in Allstate Home, as close-to-record cat losses return to normalized, historical levels
- Operating expenses ratio forecasted between 22% and 23%, once aggressive cost measures subside but ALL realizes greater structural efficiency through telematics and direct growth

Premiums Earned and Policies In Force

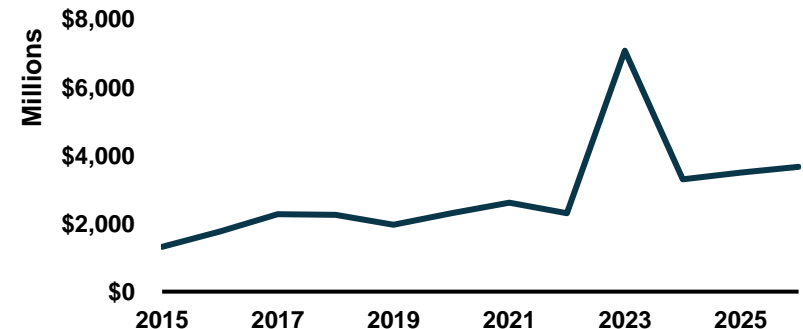


Allstate Protection Combined Ratio



Catastrophe Loss Normalization in the Model

Effect of Catastrophe Losses on Allstate Protection – Home



VI. Appendix

Financials Committee – Allstate Corp

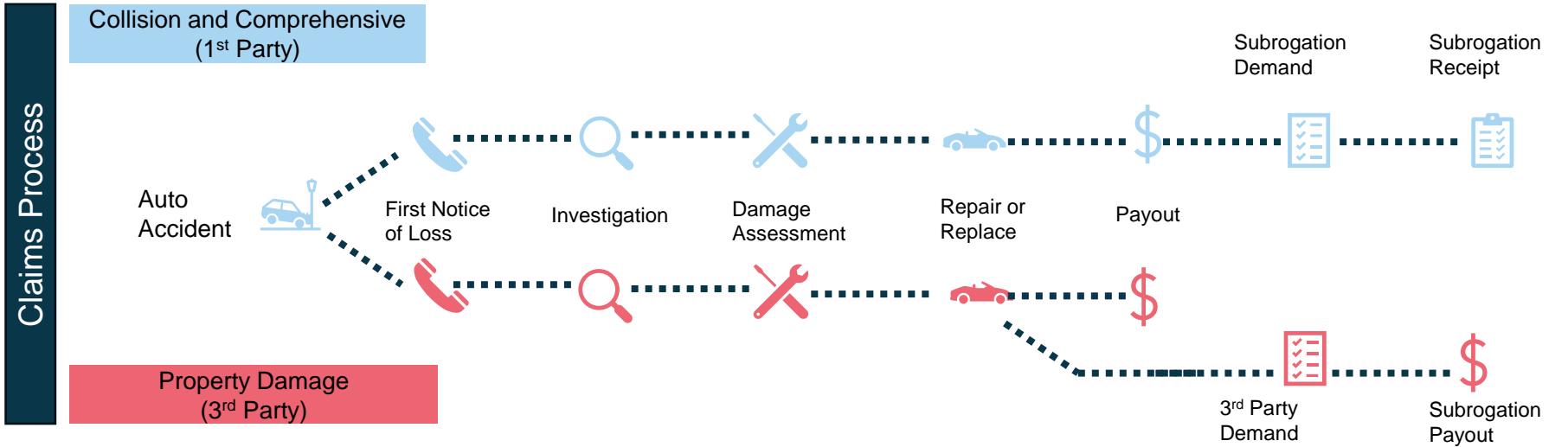


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Auto Claims Process

Physical Damage Process



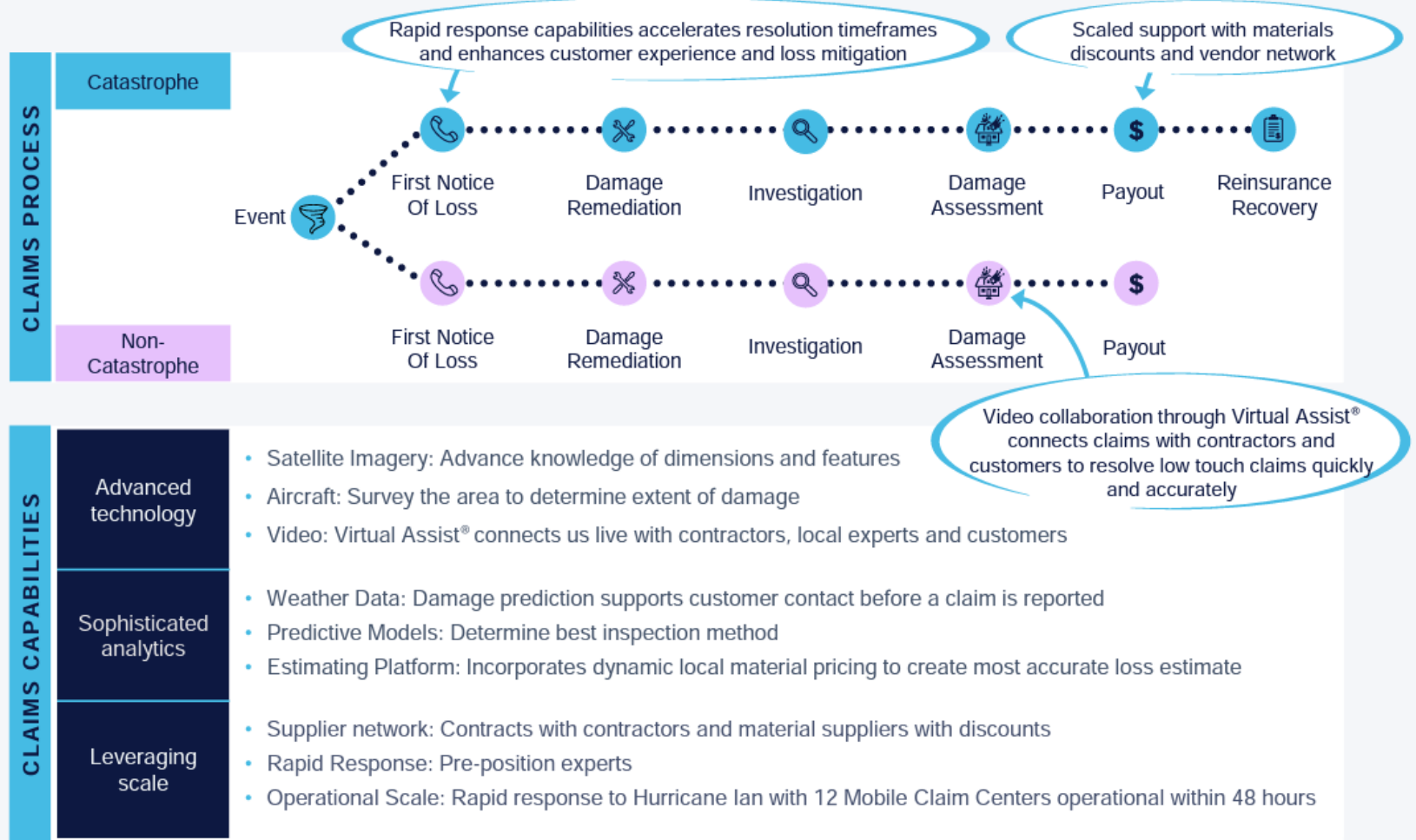
Reserving Process

Reserving Process	Open notice count	Close without payment if no liability	Close with payment	Estimate subrogation / Evaluate 3rd party demand	Collect subrogation / Pay 3rd party demand
	Developmental reserve and IBNR established based on historical data and patterns; continuously reevaluated to ensure adequacy				
	Lower degree of actuarial judgement compared to injury claims since 75% of ultimate losses are historically paid within 3 months after first notice of loss				



Homeowners' Claims Process

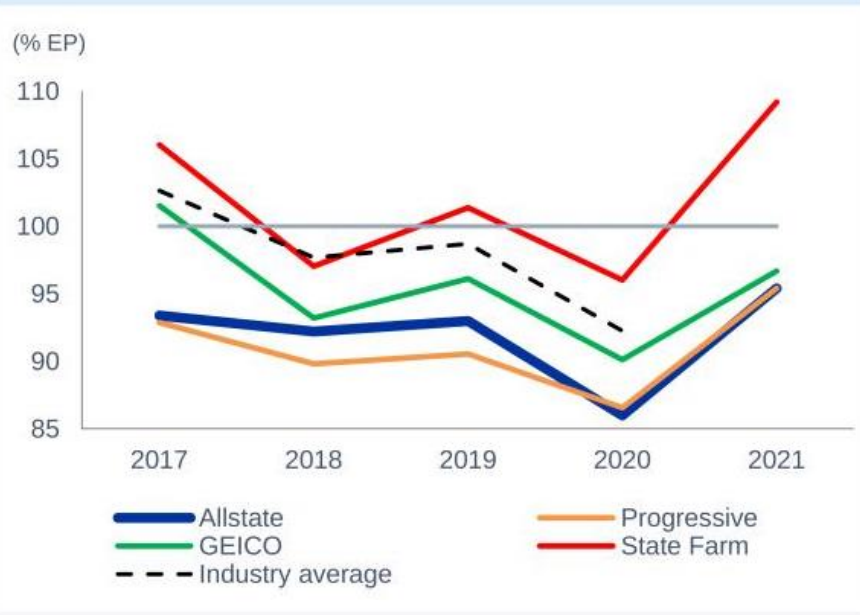
Accurate and Efficient Home Insurance Claims Practices Leverage Technology, Analytics and Scale





Auto Industry Ratios And Rate Activity 2019-2021

Auto insurance industry combined ratios⁽¹⁾



Auto Insurance Loss Ratios

- Statutory loss ratios escalated throughout 2021
- Impact widespread across the industry with the top 4 market share holders experiencing loss ratio deterioration ranging between 8.0-11.8 % points from 3Q21 vs. 3Q19
- In response, most major carriers have significantly raising auto rates since late 2021

Private Passenger Auto Insurance - Industry Loss Ratio⁽¹⁾



Estimated Cumulative Rate Activity⁽¹⁾⁽²⁾

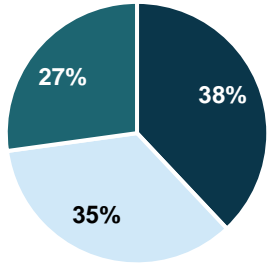
Carrier	2019	2020 – Q2 2021	Q3 2021 – Q1 2022
Allstate brand ⁽³⁾	3.0%	-2.7%	5.4%
State Farm	-3.0%	-7.7%	2.0%
GEICO	-0.1%	1.1%	4.8%
Progressive	-1.0%	-4.0%	7.6%
Liberty Mutual	0.7%	1.1%	2.7%
Travelers	1.0%	-1.1%	2.0%
Nationwide	0.8%	2.4%	1.2%



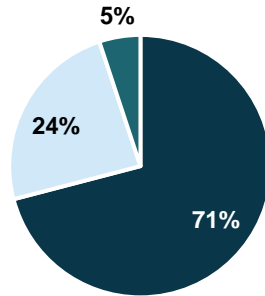
So Why Has Progressive Outperformed Peers?



2022



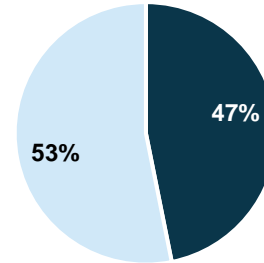
2020



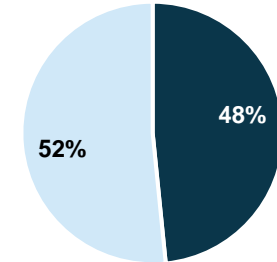
■ Independent Agents ■ Exclusive Agents ■ Direct



2022



2020

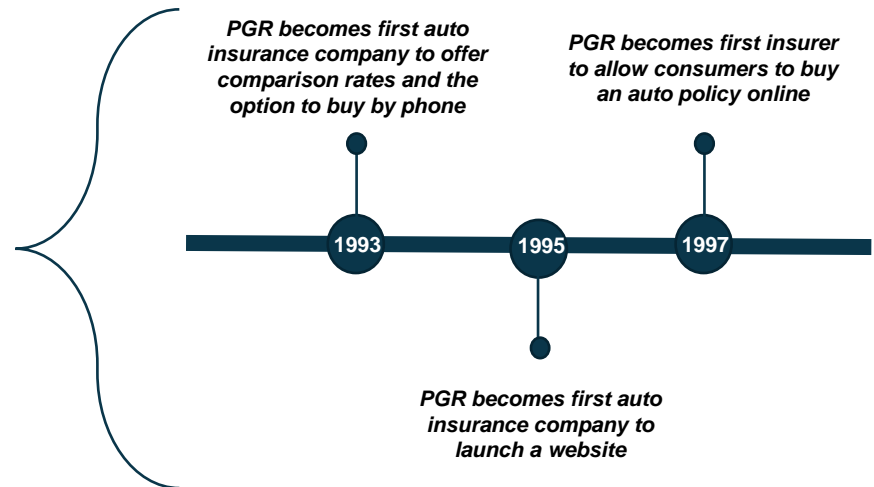


■ Agency ■ Direct

Adopting the Direct Model earlier than competitors gave PGR an edge due to lower expenses from reduced agent compensation

In 1998, direct distribution accounted for 10-15% of the written policies, with the internet contributing 2% of these sales.

By 2018, Progressive wrote 50% of their policies through the direct distribution channel, including on the internet, through mobile devices, and over the phone





Statutory Capital and RBC

Overview of Statutory Capital

Under state insurance laws, insurance companies are required to maintain paid up capital of not less than the minimum capital requirement applicable to the types of insurance they are authorized to write. Insurance co. are also subject to Risk-based capital requirements adopted by state insurance regulators.

Statutory capital = the amount of capital and/or surplus required in order for an insurance company to obtain and retain a license to do business¹

Example of Capital and Surplus Requirements in California³

Capital and Surplus

For property and casualty insurance companies:

- Statutory minimum paid-in capital is \$1,000,000 to \$2,600,000
- Statutory minimum surplus is \$1,000,000 to \$2,800,000
- (See Insurance Code sections 700.01 through 700.05, inclusive)

For life and disability insurance companies:

- Statutory minimum paid-in capital is \$2,500,000
- Statutory minimum surplus is \$2,500,000
- (See Insurance Code Sections 10510, 10511, 10512 and 700.02 and 700.05)

Risk-based capital = Imposed by regulators, a statutory minimum level of capital that is based on 2 factors: 1) An insurance company's size; 2) inherent riskiness of its financial assets and operations²

NAIC's RBC Formulation Basic Components

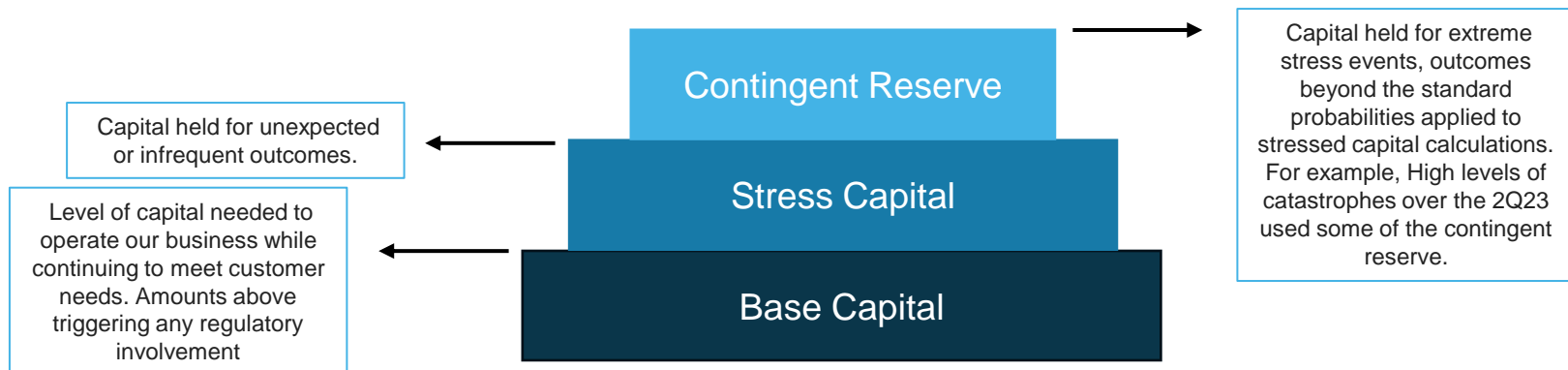
There are now separate RBC formulas for each of the primary insurance lines of business: 1) life and fraternal; 2) P/C; and 3) health. Differences in RBC across lines of business reflect differences in the economic environments facing these companies

The generic RBC formula works by:

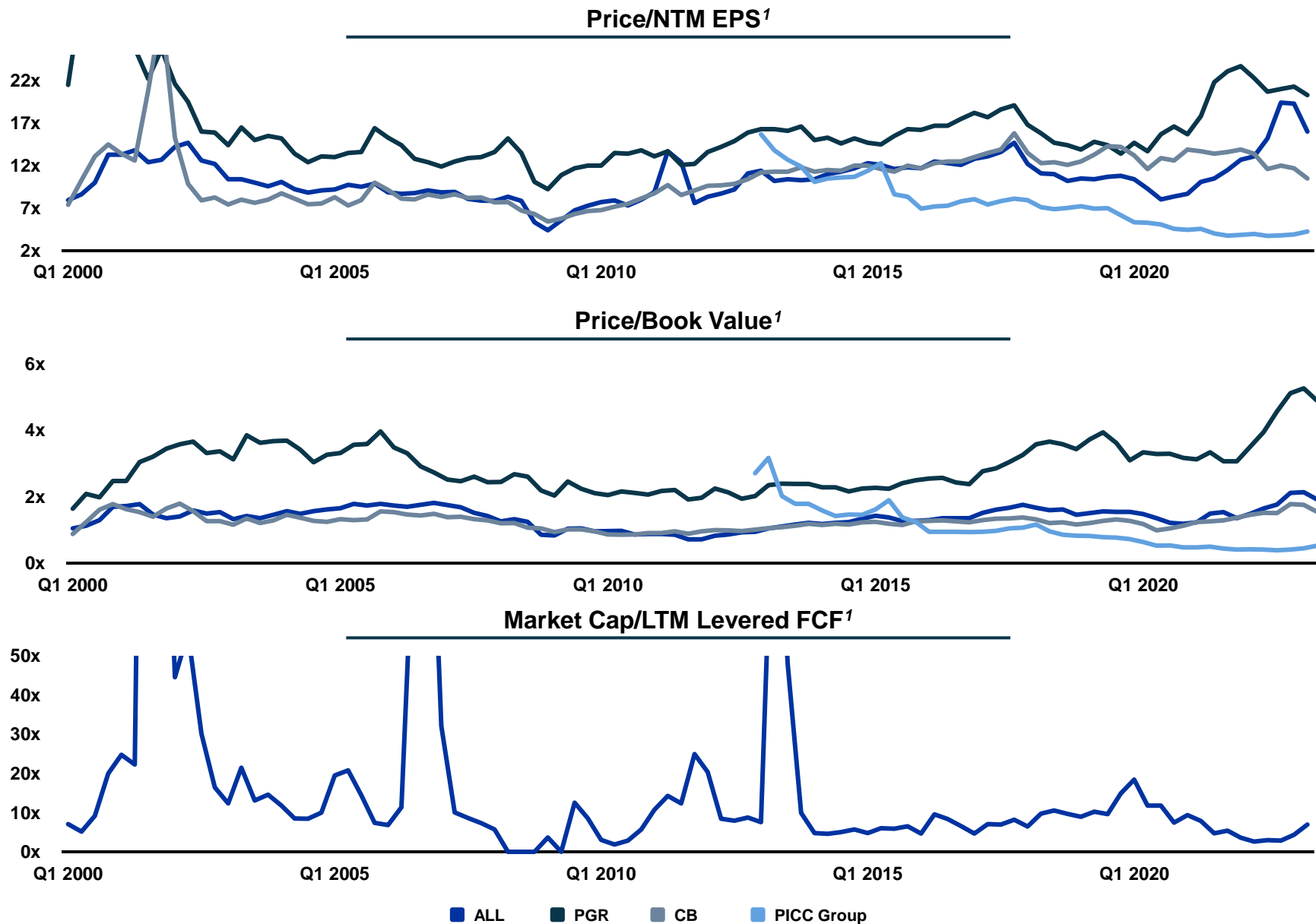
- Adding up the main risks insurance companies commonly face.
- Considering potential dependencies among these risks.
- Allowing for the benefits of diversification.

How Allstate Thinks About Capital Management

I think it's important to go back to really how we're managing capital through what we consider to be a very detailed and sophisticated economic capital framework that **quantifies enterprise risk and establishes our targets**...that includes inputs from regulatory capital models, rating agencies and then our own risk models to help to quantify stress events, and **we built those models really off of their risk models that are used to regulate banks** – Jesse Merten, Allstate CFO



Industry Multiples



(1) CapIQ

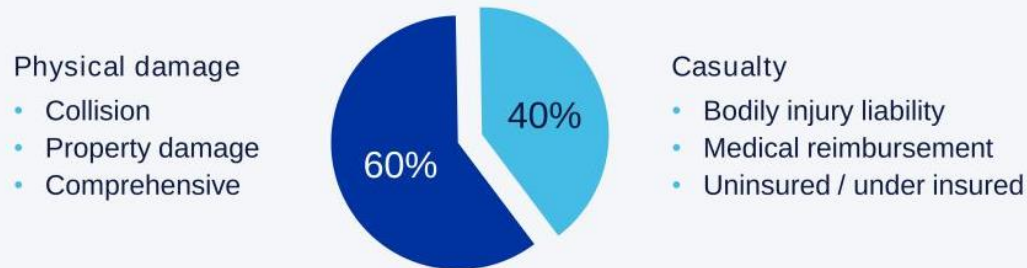


Auto Rising Loss Costs Due to Inflation

Allstate.

Physical damage and casualty severity have risen due to inflationary impacts

Auto insurance loss costs over the past 5 years are comprised of approximately 60% physical damage and 40% casualty claims



Physical damage severity

+6
points

Impact on underlying combined ratio* since 2019

Used car values/capitation (~60% of the increase)

- Used car values have increased 68% since year end 2018

Higher impact accidents (~20% of the increase)

- Increased collision losses have resulted in more total losses compounded by higher values

Parts and labor (~20% of the increase)

- Higher parts prices and labor market pressure are increasing the price of repairs

Casualty severity

+4
points

Impact on underlying combined ratio* since 2019

More severe injuries

- Harder impacts crashes are correlated with more severe injuries

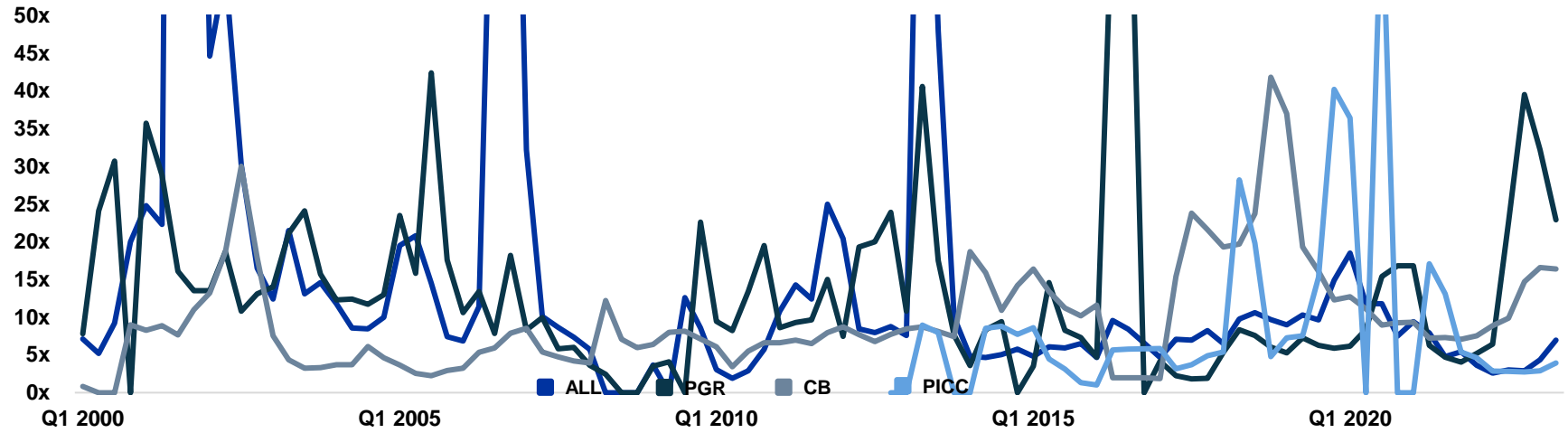
Medical inflation and consumption

- Higher treatment costs impact medical costs and liability settlements

Legal environment

- Increased attorney involvement and higher representation increases payouts

P / LTM Levered FCF



Multiples Info



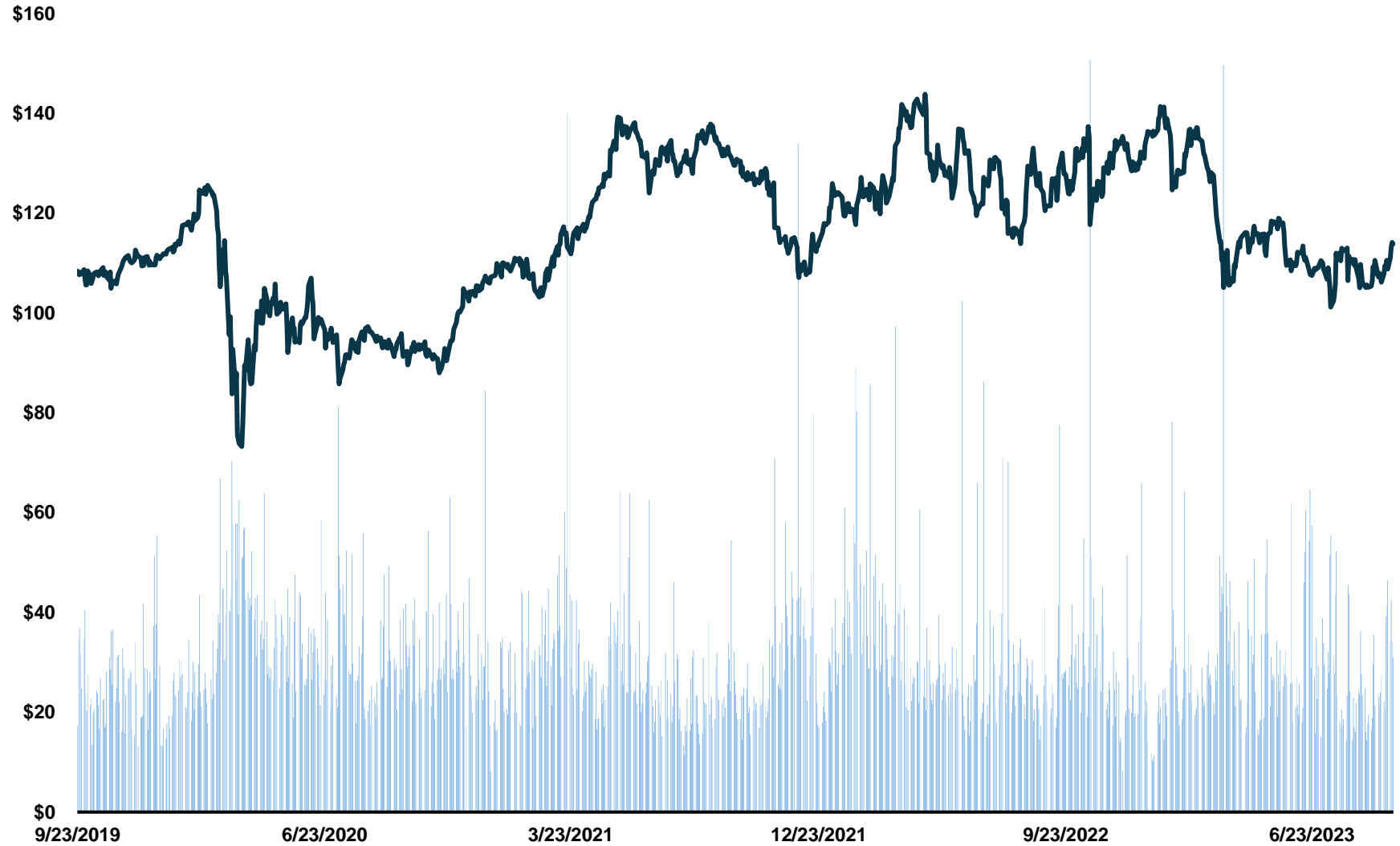
Multiples Valuation	
2025 Net Income	\$ 3,533
2025 DSO	256.82
2025 Diluted EPS	\$ 13.63
Applied 2-Yr Fwd PE Multiple	10.0x
Implied Share Price	\$136.34
Current Share Price	\$114.09
<i>Upside</i>	19%
PGR 2-Yr Fwd P/E	15.5x
2018-2022 Average ALL P/E	9.1x
Comps 2-Yr Fwd Median P/E	8.1x
Comps 2-Yr Fwd Average P/E	9.3x

Visible Alpha Consensus	
NTM Consensus Diluted EPS	8.22
2024 Consensus Diluted EPS	12.07
2025 Consensus Diluted EPS	15.97
Current NTM P/E	13.9x
Current 2024 P/E	9.5x
Current 2025 P/E	7.1x

Sell-side reports use between 10-13x forward PE multiples



ALL 4-Year Stock Chart





David MacInnis, PhD

Vice President – Product Management of Telematics & Usage Based Insurance

- Responsible for Allstate’s Drivewise & Milewise and Esurance’s DriveSense telematics programs. Oversaw the development of Transformative Growth telematics product that focused on connection flexibility while moving Allstate towards increased pricing sophistication with our component score strategy
- Drivewise is the largest telematics program in North America and Allstate grew Milewise to be the largest pay per mile product in the market. These programs, including DriveSense, had over 2.3M continuous active connections
- Responsible for the Product Development, Features and User Experience, Go-to-Market, Operations, 3rd Party Data, UBI Enablement, Data and Analytic teams
- Operational budget of over \$120M
- Liaison into other parts of the organization for telematics support and guidance such as Claims, Actuarial, Underwriting, Distribution, and Marketing & partner with telematics service provider, Arity