

# The Allstate Corporation



Barclays Global Financial Services Conference

Tom Wilson, Chair, President and Chief Executive Officer

09.14.2021

**Allstate**



## Forward-looking Statements and Non-GAAP Financial Information

This presentation contains forward-looking statements and information. This presentation also contains non-GAAP measures that are denoted with an asterisk. You can find the reconciliation of those measures to GAAP measures within our most recent earnings release and investor supplement.

Additional information on factors that could cause results to differ materially from this presentation is available in the 2020 Form 10-K, Form 10-Q for June 30, 2021, our most recent earnings release, and at the end of these slides. These materials are available on our website, [www.allstateinvestors.com](http://www.allstateinvestors.com), under the “Financials” link.



# Allstate Focuses on Execution, Innovation and Sustainable Value Creation

## Execution

### Customers

- Broad protection solutions
  - Substantial expansion of Protection Services
  - 37.9 million personal property-liability policies in force

**180+**  
Million  
Policies in Force

### Financial Results

- Industry-leading insurance margins
- Attractive risk-adjusted investment returns

**15.6%**  
ROE\* Average<sup>(1)</sup>

### Shareholders

- Attractive shareholder returns

**14.9%**  
5 Year Annualized TSR<sup>(2)</sup>

## Innovation

### Transformative Growth

- Transitioning to a digital platform with low-cost protection through affordable, simple and connected solutions

### Connected Car

- Broad and aggressive approach to auto insurance telematics
- Leading telematics business (Arity) with an expanding Total Addressable Market

### Corporate Citizenship

- Focused on climate change, privacy and equity

## Sustainable Value Creation

### Capital Management

- Repurchased 25% and 50% of common shares over the last 5 and 10 years
- Successful utilization of acquisitions to increase profitable growth

**Top 15%**  
In S&P 500 Cash  
Returns To Shareholders<sup>(3)</sup>

### Governance

- Experienced and diverse management and board

**1 of 10**  
ISS Governance Rating<sup>(4)</sup>

<sup>(1)</sup> Average adjusted net income return on equity\* over the past 5 years (12/31/2020 – 12/31/2015)

<sup>(2)</sup> Annualized total shareholder return calculated for 6/30/16 – 6/30/21 period

<sup>(3)</sup> Reflects total yield of cash returned compared to the average market cap over the past 5 years

<sup>(4)</sup> Institutional Shareholder Services

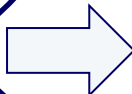


# Allstate's Strategy To Increase Shareholder Value Through Execution, Innovation and Sustainable Value Creation

## Increase Personal Property-Liability Market Share



Leveraging Allstate brand, customer base and capabilities



## Expand Protection Services



## First Half 2021 Highlights

### Execution

#### Customers

- Increased Property-Liability market share by ~1 point through National General acquisition
- Expansion of Protection Plans product offering and availability

#### Financial Results

- Revenues increased 23.8% from prior year
- Attractive returns with adjusted net income return on equity\* of 23.8% for last twelve months

#### Shareholders

- Increased dividend by 50%
- Initiated \$5 billion common share repurchase program

### Innovation

- Transformative Growth implementation progressing
- Rapid growth of auto insurance telematics offerings

### Sustainable Value Creation

- Enhanced Independent Agent channel competitive position and business platform
- Announced divestiture of lower growth and return life & annuities businesses

- Transformative Growth is a multi-year initiative to increase personal property-liability market share by building a low-cost digital insurer with broad distribution

## Expand Customer Access

- Multi-faceted longitudinal plan to transform distribution
  - Transition Allstate agents to higher growth and lower cost models
  - Expand Allstate direct sales with lower pricing and enhanced capabilities
  - Enhance independent agent distribution through National General

## Improve Customer Value

- Lower cost structure to improve competitive win rate without impacting margins
- Redesigning products and leveraging industry-leading telematics offering

## Increase Sophistication and Investment in Customer Acquisition

- Improving customer acquisition costs relative to lifetime value
- Launched new branding supported by increased investment

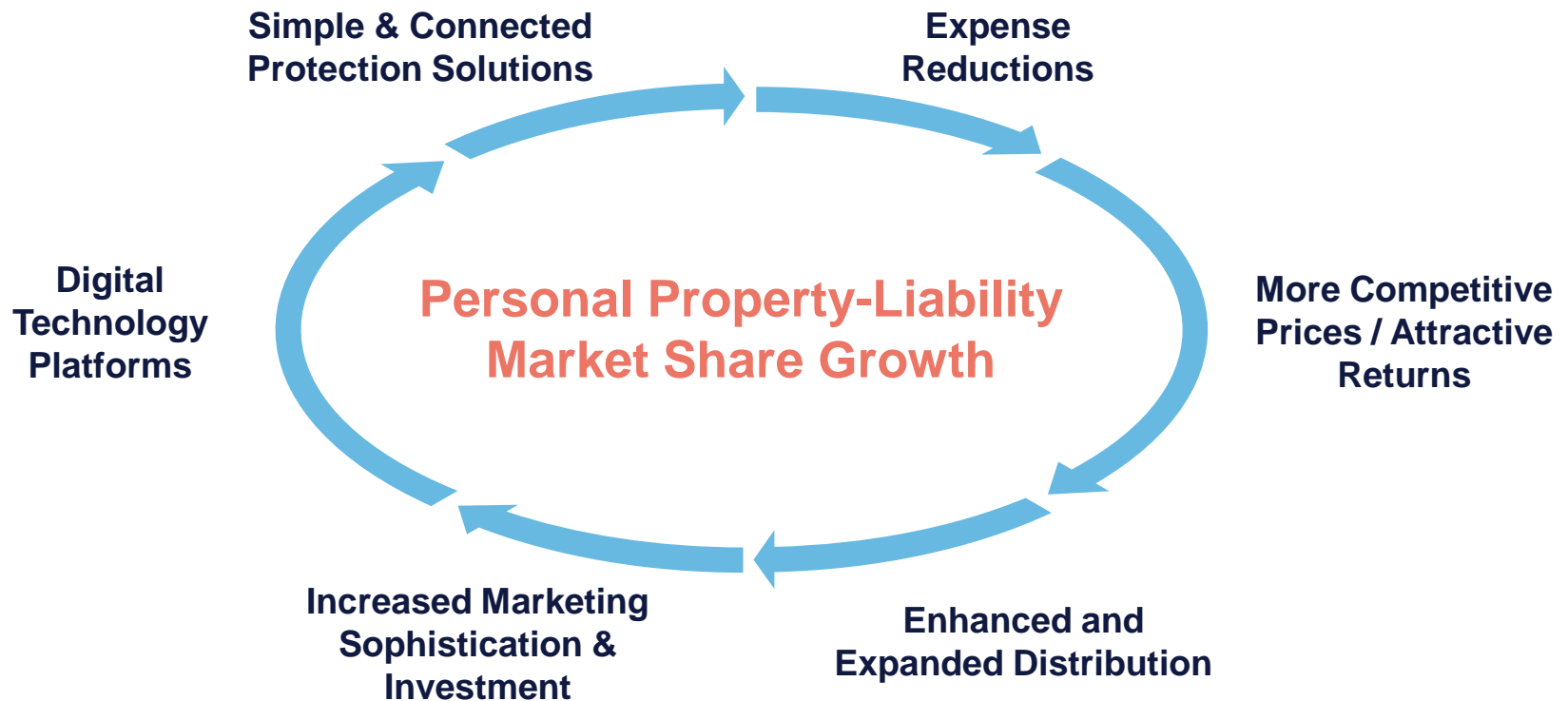
## Deploy New Technology Ecosystem

- Operationalizing new technology ecosystem
- Deliver ease of use and self-service capabilities with adaptability at lower costs



# Transformative Growth to Increase Personal Property-Liability Market Share

- Components of Transformative Growth work together to increase market share
- Distribution platform transformation supports higher growth
  - Allstate Exclusive Agents – Evolving compensation structure to incentivize growth and developing new agent models with lower cost structure
  - Allstate Direct Sales – Expanding sales capabilities supported by direct channel pricing
  - Independent Agents – Broadening middle market portfolio and increasing engagement

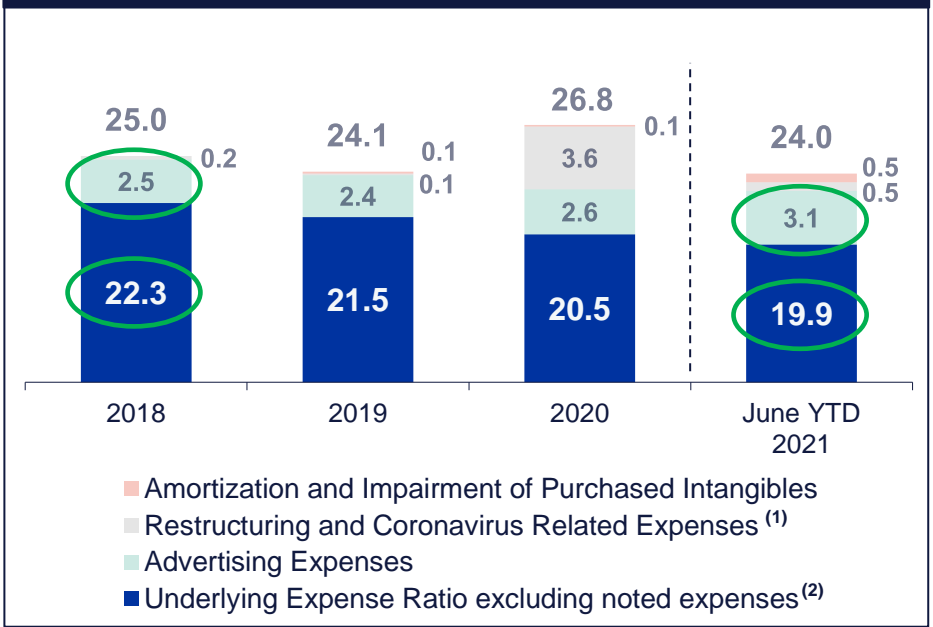




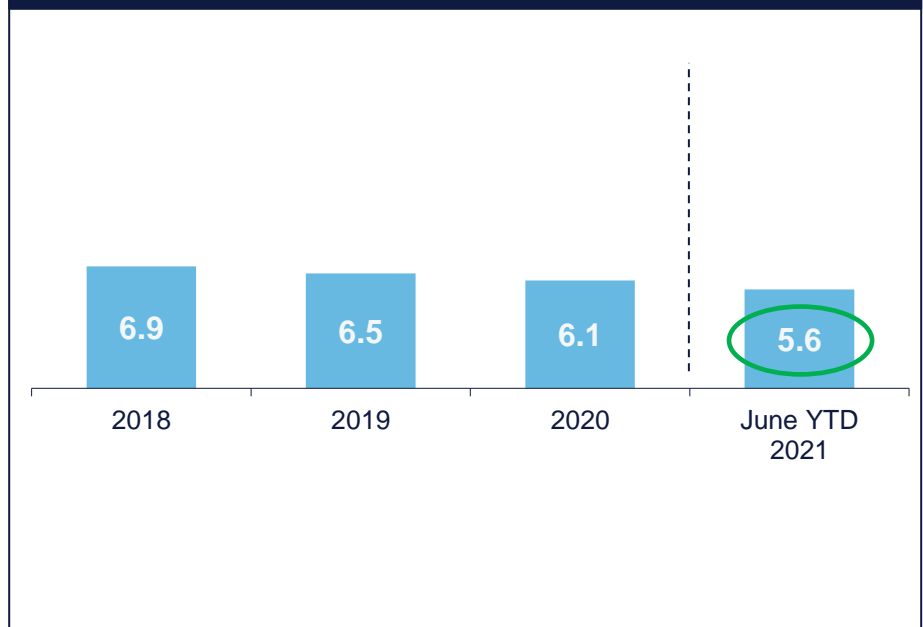
# Cost Reductions To Improve Competitive Price Position

- Cost reductions provide operational flexibility to improve customer value and invest in growth
- Significant reduction in underwriting and claims expense ratios has occurred since 2018
  - Improved efficiencies across brands and support functions with headcount reductions
  - Innovation and digital processes (QuickFoto Claim®, Virtual Assist® and aerial imagery) lower expenses while improving customer experience

### Property-Liability Underwriting Expense Ratio



### Claims Expense Ratio Excluding Catastrophes<sup>(3)</sup>



<sup>(1)</sup> Coronavirus related expenses include Shelter-In-Place Payback expense and bad debt expense related to the Special Payment plan offered to customers as a result of the Coronavirus

<sup>(2)</sup> Reflects underwriting expense ratio excluding amortization and impairment of purchased intangibles, restructuring, Coronavirus-related, and advertising expenses

<sup>(3)</sup> Property-Liability claims expense ratio incorporates unallocated claims expenses; excludes allocated claims expenses and catastrophes

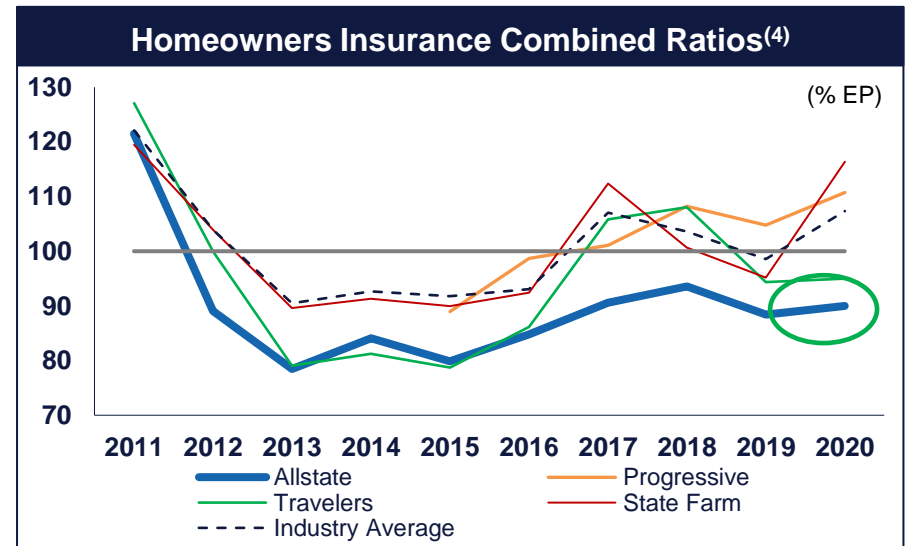
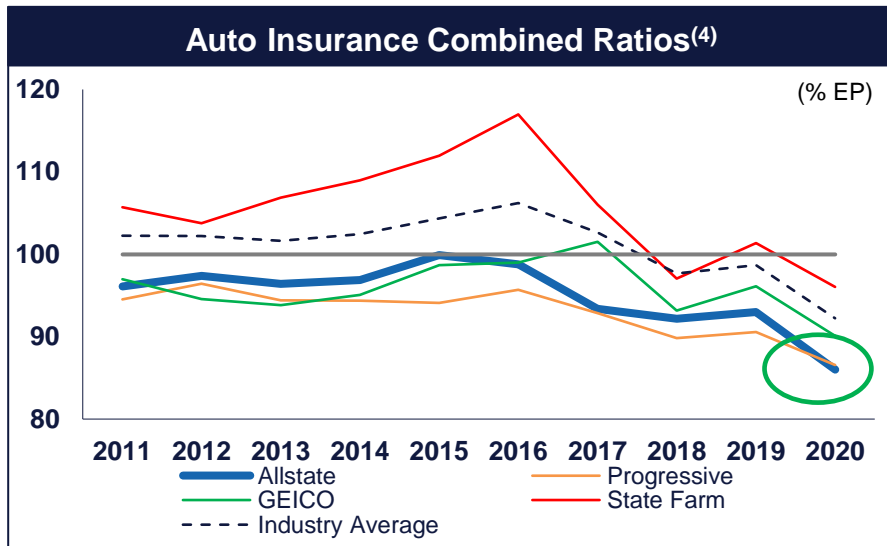


# Sustained Industry-Leading Insurance Margins Demonstrates Strong Execution

- Historical performance has supported attractive returns on required capital

| Allstate Protection<br>Combined Ratio <sup>(1)</sup> | Operating<br>Range | Actual Results |          |      |      |                     |
|------------------------------------------------------|--------------------|----------------|----------|------|------|---------------------|
|                                                      |                    | 10 Yr Avg      | 5 Yr Avg | 2019 | 2020 | 2021 <sup>(2)</sup> |
| Auto Insurance                                       | Mid 90s            | 95             | 93       | 93   | 86   | 87                  |
| Homeowners Insurance <sup>(3)</sup>                  | Mid 60s            | 64             | 62       | 64   | 62   | 69                  |

- Allstate Protection auto and homeowners insurance underwriting margins are also among the best in the industry
  - Auto insurance favorable combined ratio gap to industry of 6.0 points on average since 2011
  - Homeowners insurance averaging approximately \$1 billion of underwriting income annually since 2012, including impact of catastrophe losses
  - Homeowners insurance generated \$8.7 billion of underwriting income since 2012 with the rest of the industry generating a \$5 billion underwriting loss over the same timeframe



<sup>(1)</sup> GAAP results. 2011-2015 does not reflect change in pension accounting

<sup>(2)</sup> Six months ended June 30, 2021

<sup>(3)</sup> Homeowners underlying combined ratio excludes the effect of catastrophes, prior year reserve reestimates and amortization or impairment of purchased intangibles

<sup>(4)</sup> Industry and competitor information: Statutory results per S&P Global Market Intelligence; Allstate information: GAAP results. 2011-2015 does not reflect change in pension accounting





# Strategic Acquisitions Expand Breadth of Product Offerings and Distribution

- Invested \$6.2 billion over the past 5 years on strategic acquisitions enabling growth by expanding total addressable market

## Business



an Allstate company

Purchase Price: \$4.0 Billion  
(January 2021)

## Capabilities

- Expands market presence in IA channel with middle-market product introduction
- Cost synergies from Encompass integration are exceeding forecasts
- Leveraging track record of integration success through recently announced SafeAuto acquisition

## TAM<sup>(1)</sup>

**\$125**  
Billion

IA Channel Personal Lines Premium<sup>(2)</sup>



PROTECTION PLANS

Purchase Price: \$1.4 Billion  
(January 2017)

- Expands consumer protection solutions
- Compound annual growth rate in revenue of 45% since acquisition with policies in force increasing 4.7x
- Adjusted net income of \$155 million over the latest twelve months

**\$60**  
Billion

Consumer Electronics, Device Protection and Furniture Markets<sup>(3)</sup>



Built internally;  
Enhanced with National General acquisition

- Telematics data and analytics company with capabilities across insurance value chain
- 27 million connected drivers, generating over 800 trips per second with cumulative miles collected exceeding 1/2 trillion

**\$15**  
Billion

Telematics, Marketing and Lead Platforms<sup>(3)</sup>



IDENTITY PROTECTION

Purchase Price: \$525 Million  
(October 2018)

- Diversifies personal protection offerings into people's digital lives
- Policies in force increasing 2.9x since acquisition

**\$4**  
Billion

Personal Identity Protection Market<sup>(3)</sup>

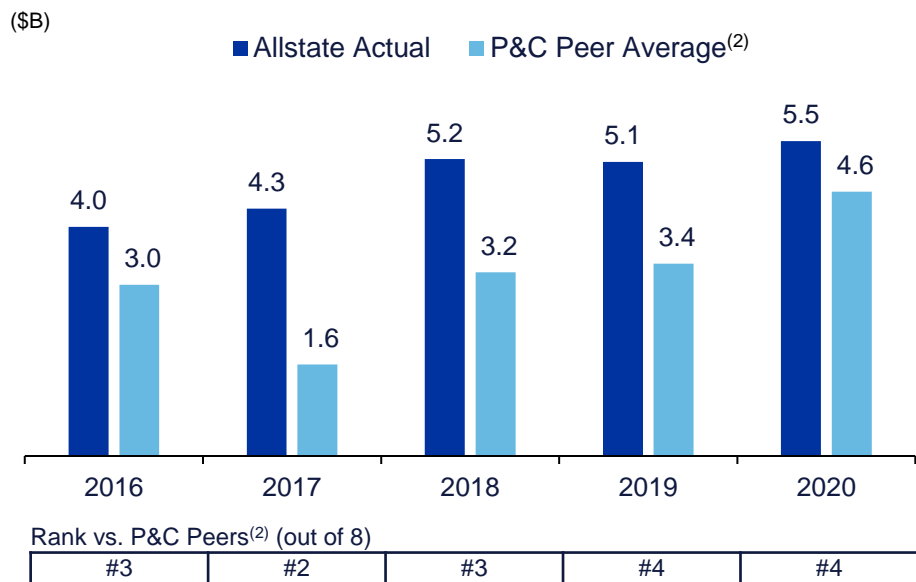
<sup>(1)</sup> Total addressable market; <sup>(2)</sup> IA channel personal lines written premium from internal estimates and SNL Financial; <sup>(3)</sup> Based on Allstate internal analysis



# Allstate Generates Significant Cashflow Increasing Shareholder Value

- Allstate’s diversified portfolio of businesses and excellent execution generate strong cashflows from operations
  - Cashflow consistently exceeds P&C peer average
- Internal rate of return (“IRR”) over the past five years<sup>(1)</sup> is 15.9%
  - IRR reflects stock price appreciation and cash returns to shareholders from share repurchases and common dividends
  - Allstate exceeds P&C peer average and in-line with S&P 500 driven by significant cash returns to shareholders

## Net Cashflow from Operating Activities



## 5 Year Internal Rate of Return<sup>(1)</sup>

|                                            | IRR          | Rank vs. Peers <sup>(2)</sup> (Out of 8) | Percentile vs. S&P 500 |
|--------------------------------------------|--------------|------------------------------------------|------------------------|
| <b>Allstate:</b>                           | <b>15.9%</b> | <b>#3</b>                                | <b>47%</b>             |
| Capital Appreciation                       | 8.3%         | #4                                       | 39%                    |
| Distributions                              | 7.6%         | #2                                       | <b>85%</b>             |
| <b>P&amp;C Peer Average<sup>(2)</sup>:</b> | <b>12.3%</b> |                                          |                        |
| Capital Appreciation                       | 7.3%         |                                          |                        |
| Distributions                              | 4.9%         |                                          |                        |

<sup>(1)</sup> Represents the internal rate of return over the 5-year period (6/30/16 – 6/30/21) including stock price appreciation and cash returns to shareholders through share repurchases and common shareholder dividends

<sup>(2)</sup> P&C comparables includes North American P&C companies with a market cap in excess of \$15 billion



# Allstate Is an Attractive Investment

- Allstate has delivered superior financial performance relative to peers and the broader market
- Committed to accelerating growth with attractive financial returns

## Financial Metrics - Allstate vs. Industry (5 years)

| <u>Valuation Metric</u>                 | <u>Allstate Actual</u> | <u>Rank vs. 10 Peers<sup>(5)</sup></u> | <u>Percentile vs. S&amp;P 500</u> |
|-----------------------------------------|------------------------|----------------------------------------|-----------------------------------|
| Operating EPS CAGR                      | 23.2%                  | #3                                     | 91%                               |
| Operating RoAE                          | 15.6%                  | #2                                     | 57%                               |
| Cash Yield <sup>(1)</sup>               | 7.3%                   | #2                                     | 89%                               |
| Total Shareholder Return <sup>(2)</sup> | 14.9%                  | #3                                     | 52%                               |
| Revenue Growth <sup>(3)</sup>           | 4.1%                   | #7                                     | 49%                               |
| Price / Earnings <sup>(4)</sup>         | 10.2x                  | #8                                     | 10%                               |
| Price-to-Book Value                     | 1.5x                   | #5                                     | N/A                               |

Source: FactSet; SNL; Note: Market data as of 6/30/21; 5-year CAGR period or financial metrics measured from 2015 – 2020 financial periods

<sup>(1)</sup> Represents annual dividends + buybacks divided by average market cap

<sup>(2)</sup> Annualized total shareholder return calculated for 6/30/16 – 6/30/21 period

<sup>(3)</sup> Represents net premiums earned for Insurance peers and revenue for S&P 500; Allstate NPE represents sum of P&C and Accident and Health net premiums and contract charges

<sup>(4)</sup> Based on price as of 6/30/21 and 2022 analyst consensus operating EPS estimates per FactSet

<sup>(5)</sup> P&C comparables includes North American P&C companies with a market cap of \$4 billion or greater





# Forward-looking Statements

- This presentation contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. We believe these statements are based on reasonable estimates, assumptions and plans. If the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements include risks related to:
  - Insurance and Financial Services (1) unexpected increases in claim frequency and severity; (2) catastrophes and severe weather events; (3) limitations in analytical models used for loss cost estimates; (4) price competition and changes in underwriting standards; (5) actual claims costs exceeding current reserves; (6) market risk and declines in credit quality of our investment portfolio; (7) our subjective determination of fair value and amount of credit losses for investments; (8) changes in market interest rates or performance-based investment returns impacting our annuity business; (9) changes in reserve estimates and amortization of deferred acquisition costs impacting our life, benefits and annuity businesses; (10) our participation in indemnification programs, including state industry pools and facilities; (11) inability to mitigate the capital impact associated with statutory reserving and capital requirements; (12) a downgrade in financial strength ratings; (13) changes in tax laws;
  - Business, Strategy and Operations (14) competition in the insurance industry and new or changing technologies; (15) implementation of our transformative growth strategy; (16) our catastrophe management strategy; (17) restrictions on our subsidiaries’ ability to pay dividends; (18) restrictions under terms of certain of our securities on our ability to pay dividends or repurchase our stock; (19) the availability of reinsurance at current levels and prices; (20) counterparty risk related to reinsurance; (21) acquisitions and divestitures of businesses; (22) intellectual property infringement, misappropriation and third-party claims;
  - Macro, Regulatory and Risk Environment (23) conditions in the global economy and capital markets; (24) a large-scale pandemic, such as the Coronavirus and its impacts, or occurrence of terrorism, military actions or social unrest; (25) the failure in cyber or other information security controls, or the occurrence of events unanticipated in our disaster recovery processes and business continuity planning; (26) changing climate and weather conditions; (27) restrictive regulations and regulatory reforms, including limitations on rate increases and requirements to underwrite business and participate in loss sharing arrangements; (28) losses from legal and regulatory actions; (29) changes in or the application of accounting standards; (30) loss of key vendor relationships or failure of a vendor to protect our data or confidential, proprietary and personal information; (31) our ability to attract, develop and retain key personnel; and (32) misconduct or fraudulent acts by employees, agents and third parties.
- Additional information concerning these and other factors may be found in our filings with the Securities and Exchange Commission, including the “Risk Factors” section in our most recent annual report on Form 10-K. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statement.