



# The Allstate Corporation

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First Quarter 2020 Earnings Presentation  
May 6, 2020

**Allstate**<sup>®</sup>  
You're in good hands.



## Company Participants

Tom Wilson, Chair, President and Chief Executive Officer  
Don Civgin, Vice Chair  
Mario Rizzo, Chief Financial Officer  
Glenn Shapiro, President of Personal Property-Liability  
John Dugenske, President of Investments and Financial Products  
John Pintozzi, Controller and Chief Accounting Officer  
Mark Nogal, Director of Investor Relations

This presentation contains forward-looking statements and information. Additional information on factors that could cause results to differ materially from those projected in this presentation is available in the 2019 Form 10-K, in 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.

This presentation also contains some 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 or investor supplement. These materials are available on our website, [www.allstateinvestors.com](http://www.allstateinvestors.com), under the “Financials” link.



# Allstate Acted Quickly and Led the Industry in Helping Customers

## Customers

- Shelter-in-Place Payback of over \$600 million
- Special Payment Plan provides payment flexibility
- Expanded coverage to support commercial use of vehicles
- Free Allstate Identity Protection for remainder of year (all U.S. residents)

## Business Processes

- Executed business continuity plans
- Expanded virtual sales and service support capabilities
- Leveraged digital innovations for safety and effectiveness (QFC, Virtual Assist, inspections)

## Employees and Agents

- Maximized work from home across brands and global locations
- Relaxed Allstate agency requirements (hours and new sales requirements)
- Introduced leave for pandemic medical volunteers
- Modified agency compensation programs to stabilize cash flow

## Financial Position

- \$3.4 billion of holding company assets and liquidity in excess of \$8 billion
- Reduced equity holdings by \$4 billion in February 2020
- Executing share repurchase program

## Communities

- Allstate Foundation contributed \$5 million to support local communities, domestic violence victims, youth in need and first responders
- Doubled employee and agency donation match



# Allstate's Strategy Drives Profitable Growth

## Increase Personal Property-Liability Market Share



- Differentiated Products
- Sophisticated Pricing
- Claims Expertise
- Integrated Digital Enterprise



Leveraging Allstate Brand and Capabilities



## 2020 Operating Priorities

- Better Serve Customers
- Grow Customer Base
- Achieve Target Returns on Capital
- Proactively Manage Investments
- Build Long-Term Growth Platforms

## Expand Protection Businesses



- Circle of Protection for Customers
- Innovative Growth Platforms
- Broad Distribution
- Support Property-Liability Businesses





# Allstate Had Strong Operating and Financial Results

- Revenues of \$10.1 billion reflects realized capital losses
- Adjusted net income\* increased to \$1.1 billion (\$3.54 per share) due to strong underwriting results
- Adjusted net income return on common shareholders' equity\* of 18.2% for the latest 12 months

(\$ in millions, except per share data and ratios)	Three months ended March 31,		
	2020	2019	Change
<b>Total revenues</b>	<b>\$10,076</b>	<b>\$10,990</b>	<b>(8.3)%</b>
Total revenues (excl. realized capital gains and losses)	10,538	10,328	2.0%
Property-Liability insurance premiums	8,881	8,507	4.4%
Net investment income	421	648	(35.0)%
Realized capital gains and losses	(462)	662	NM
<b>Income applicable to common shareholders:</b>			
Net income	513	1,261	(59.3)%
<i>per diluted common share</i>	1.59	3.74	(57.5)%
Adjusted net income*	1,140	776	46.9%
<i>per diluted common share*</i>	3.54	2.30	53.9%
<b>Return on common shareholders' equity (trailing twelve months)</b>			
Net income applicable to common shareholders	18.0%	10.8%	7.2 pts
Adjusted net income*	18.2%	13.5%	4.7 pts

NM = not meaningful



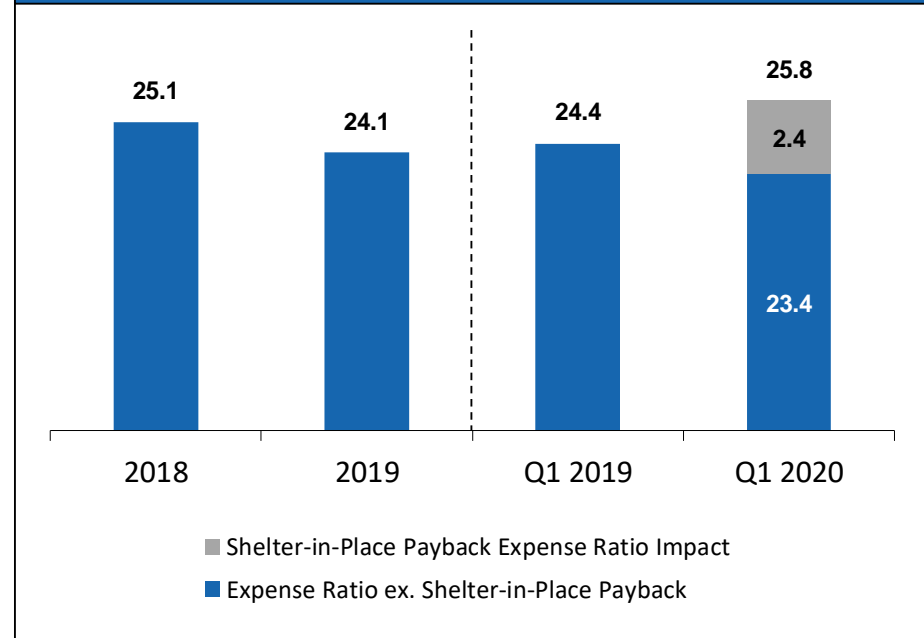
# Property-Liability Results Remain Strong

- Policy and premium growth continued with strong recorded and underlying profitability
- Underwriting income of \$1.3 billion increased by \$645 million compared to the prior year quarter
  - Improvement driven by lower catastrophe losses, increased premiums earned and lower auto accident frequency, partially offset by higher severity and Shelter-in-Place Payback expense
- Expense ratio excluding the Shelter-in-Place Payback expense of 23.4 and improved by 1.0 point compared to the prior year quarter

## Property-Liability Results

(\$ in millions)	Q1 2020	Q1 2019	Var PY
Net Premiums Written	\$8,592	\$8,327	3.2%
Premiums Earned	8,881	8,507	4.4%
Policies in Force (in thousands)	33,585	33,387	0.6%
Underwriting Income	1,345	700	92.1%
Catastrophe Losses	211	680	(69.0)%
Shelter-in-Place Payback expense	210	-	NM
(% to premiums earned)			
Loss Ratio	59.1	67.4	(8.3) pts
Expense Ratio	25.8	24.4	1.4 pts
<i>Expense Ratio ex. Shelter-in-Place Payback</i>	<b>23.4</b>	<b>24.4</b>	<b>(1.0) pts</b>
Combined Ratio	84.9	91.8	(6.9) pts
Underlying Combined Ratio*	82.2	84.2	(2.0) pts

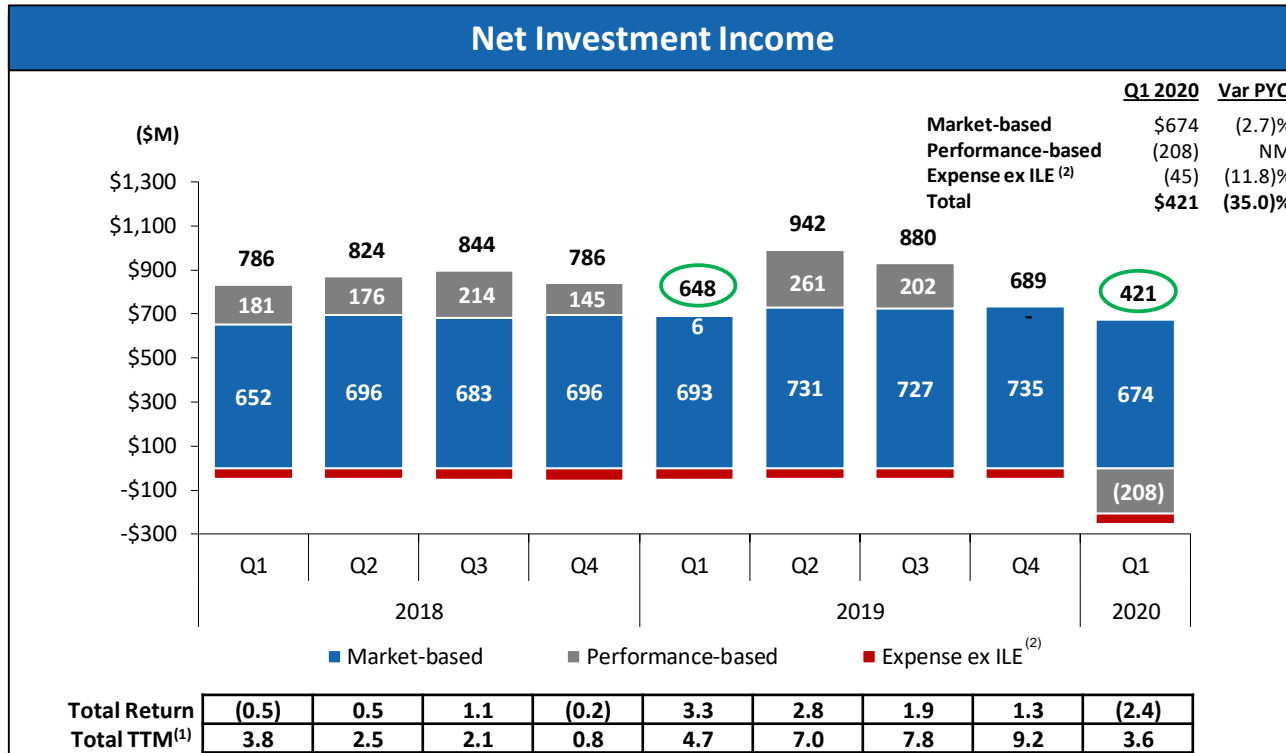
## Property-Liability Expense Ratio





# Investment Income Reflects Market Decline and Lower Performance-based Results

- First quarter GAAP total return reflects investment valuation declines and lower net investment income



- Performance-based losses included investment-specific write-downs and adjustments to reflect significant equity market decline
  - \$137 million write-downs on four underperforming private equity investments
  - Limited partnership interests included updated valuation adjustments where measurable
    - Valuations are generally recorded on a one-quarter lag, which for this period is fourth quarter 2019 financial statements
    - Limited partnerships holding publicly traded investments reduced by \$52 million to reflect 3/31/2020 market prices
    - Excluded \$195 million of valuation increases from fourth quarter 2019 partnership financial statements

<sup>(1)</sup> Trailing twelve months

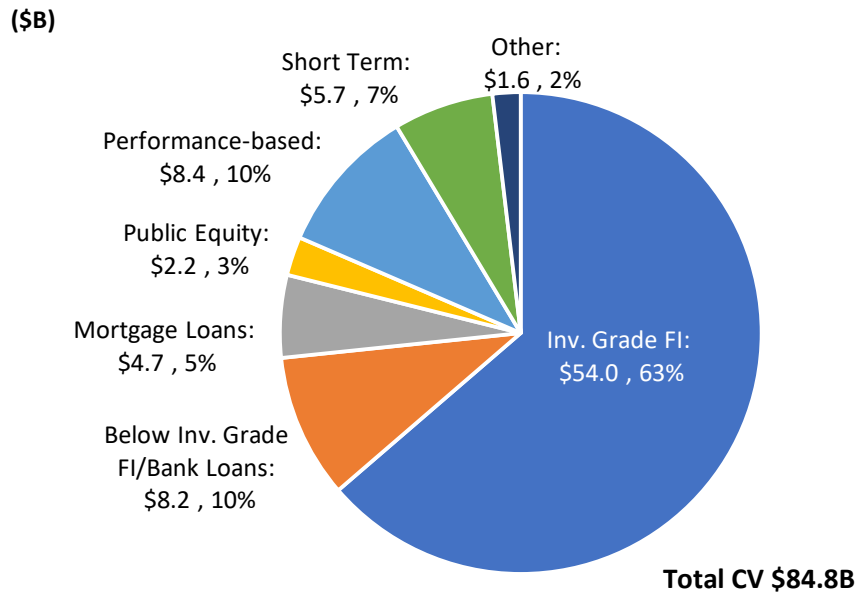
<sup>(2)</sup> Investee level expenses (ILE) comprise asset level operating expenses are netted against market-based and performance-based income. Beginning January 1, 2020, depreciation previously included in ILE is reported as realized capital gains or losses



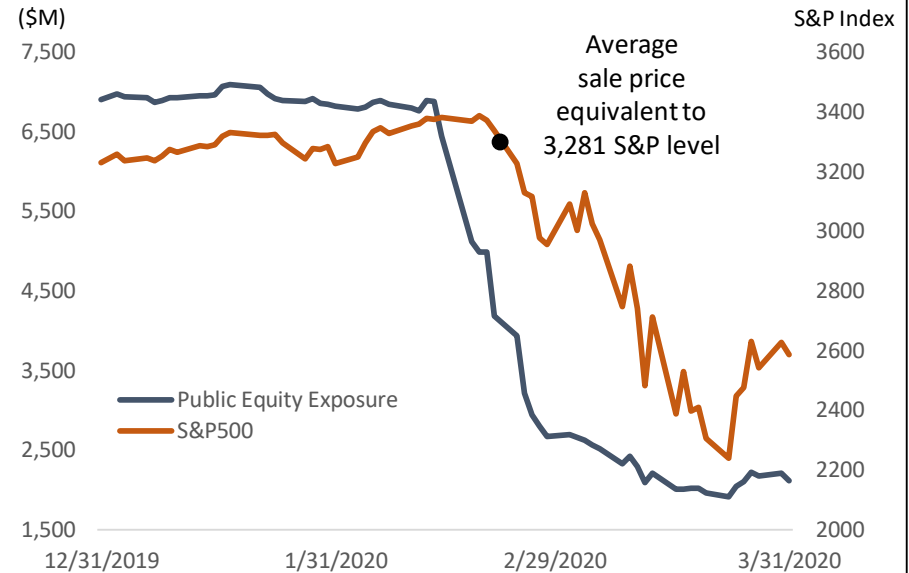
# Proactive Portfolio Management Enhanced Returns

- **Portfolio positioning mitigated impact of market downturn**
  - **Predominantly investment grade portfolio with substantial liquidity**
  - **Extended fixed income portfolio duration in 2018 and 2019, enhancing income and return**
  - **Conservatively positioned in pandemic sensitive sectors (e.g. energy, retail, restaurants, lodging)**
  - **Reduced public equity exposure by approximately \$4 billion in February 2020, limiting losses**

### Portfolio Allocation as of March 31, 2020 <sup>(1)</sup>



### Equity Exposure Reduction in Q1 2020



<sup>(1)</sup> Fixed income ETFs are included in their respective risk category (investment grade or below investment grade fixed income). As of Q1 2020 and Q4 2019, FIETFs totaled \$1.39B and \$1.79B, respectively, and were included in equity securities in our consolidated balance sheet

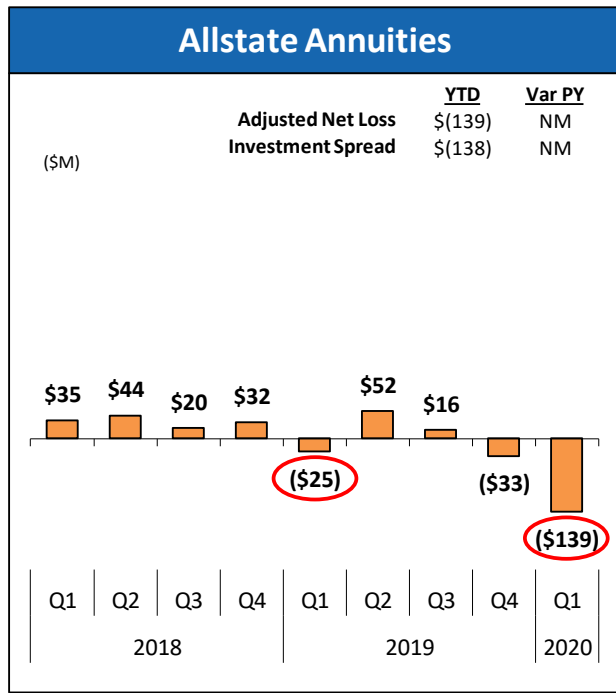
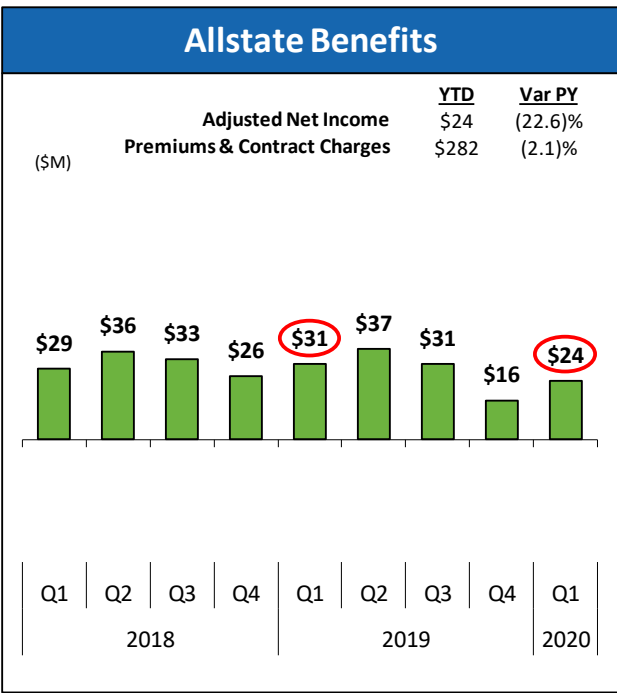
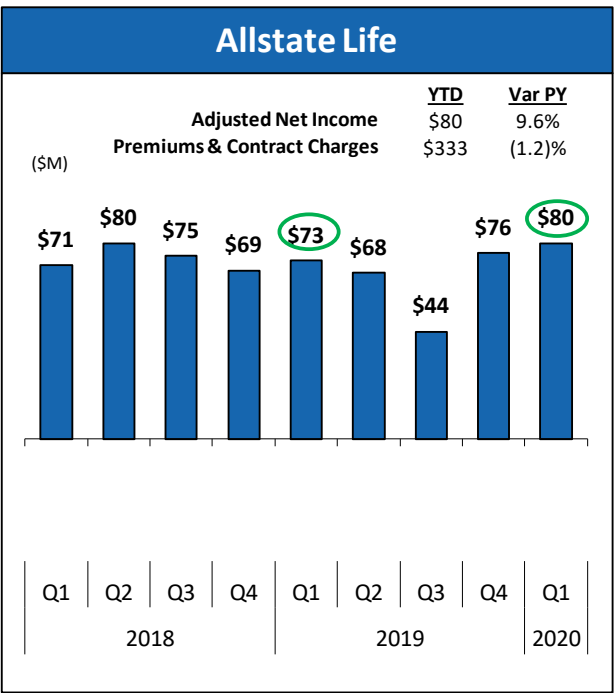




# Allstate Life and Benefits Generated Attractive Returns; Allstate Annuities Had A Substantial Loss

- Allstate Life adjusted net income of \$80 million increased \$7 million from the prior year quarter, driven by lower operating costs and expenses
- Allstate Benefits adjusted net income of \$24 million was \$7 million lower than the prior year quarter
- Allstate Annuities adjusted net loss of \$139 million in the first quarter primarily related to losses on performance-based investments from lower limited partnership valuations

## Adjusted Net Income



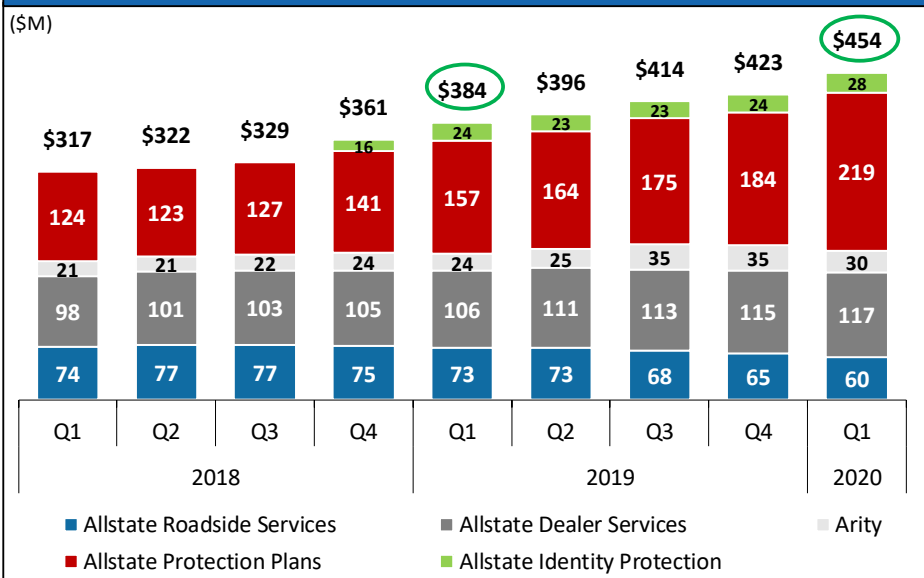
NM = not meaningful



# Service Businesses Growth Continues; Adjusted Net Income Improves

- Policies in force increased 35.4% to 113.7 million, primarily due to Allstate Protection Plans
- Revenues<sup>(1)</sup> of \$454 million increased 18.2% to the prior year quarter, driven by Allstate Protection Plans
- Adjusted net income of \$37 million in the quarter increased \$26 million compared to prior year quarter
  - Increase driven by growth at Allstate Protection Plans and improved profitability at Allstate Roadside Services

### Service Businesses Revenues <sup>(1)</sup>



### Service Businesses Results

	Q1 2020	Var PY
(\$ in millions)		
Revenues <sup>(1)</sup>	\$454	18.2%
Adjusted Net Income	\$37	\$26
Allstate Protection Plans	34	20
Arity	(3)	(1)
Allstate Roadside Services	2	8
Allstate Dealer Services	7	1
Allstate Identity Protection	(3)	(2)
Policies in Force (in thousands)	113,728	35.4%

<sup>(1)</sup> Service Business Revenues exclude the impact of realized capital gains and losses



## Attractive Returns and Strong Capital Position

- **Strong capital and liquidity position**
  - Deployable holding company assets of \$3.4 billion
  - Highly liquid securities generally saleable within one week of \$8.8 billion
- **Adjusted net income return on equity\* of 18.2%**
- **Returned \$670 million to common shareholders in the first quarter**
  - Share repurchases of \$511 million
  - Common dividends of \$159 million

<b>Capital Position</b>		
	<u>3/31/2020</u>	<u>12/31/19</u>
Total Shareholders' Equity (\$ in billions)	\$24.17	\$26.00
Debt-to-Capital Ratio	21.5%	20.3%
Book Value per Common Share	\$69.67	\$73.12
Deployable Holding Company Assets (\$ in billions)	\$3.41	\$2.30
Amount Remaining on Share Repurchase Authorization – To Be Completed by End of 2021 (\$ in billions)	\$2.75	-



## Factors Impacted by Coronavirus and Potential Impact <sup>(1)</sup>

### Profit

- Lower loss costs due to fewer accidents reflecting a reduction in miles driven
- Increased severity per claim with higher speed accidents
- Extension of payment terms likely to increase bad debt expense
- Higher severity if auto parts prices increase because supply chain is disrupted or auto manufacturers raise prices

### Growth

- Lower required rate increases due to reduced loss costs
- Customer actions, including Shelter-in-Place Payback, should have positive retention impact
- Varied impacts on new business
  - Lower vehicle sales
  - Increased unemployment
  - Projected higher shopping rates
- Consumer interest in telematics is increasing; Drivewise<sup>®</sup> and Milewise<sup>®</sup> are well positioned

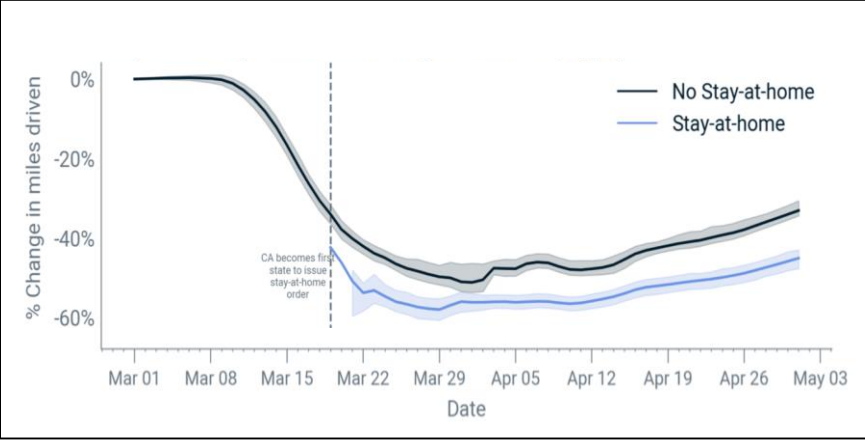
<sup>(1)</sup> Grid is for illustrative purposes only; does not include all potential impacts



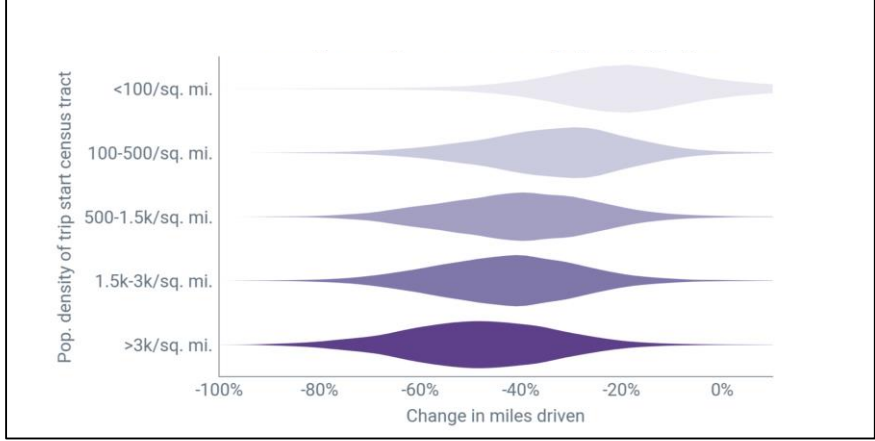
# Arity's Telematics Platform Provides Unique Insights Into Driving Behavior

- Broad telematics ecosystem used to assess coronavirus operating environment
  - 23+ million vehicles
  - 3.5 billion trips; 38 billion miles; Feb 2, 2020 to May 1, 2020

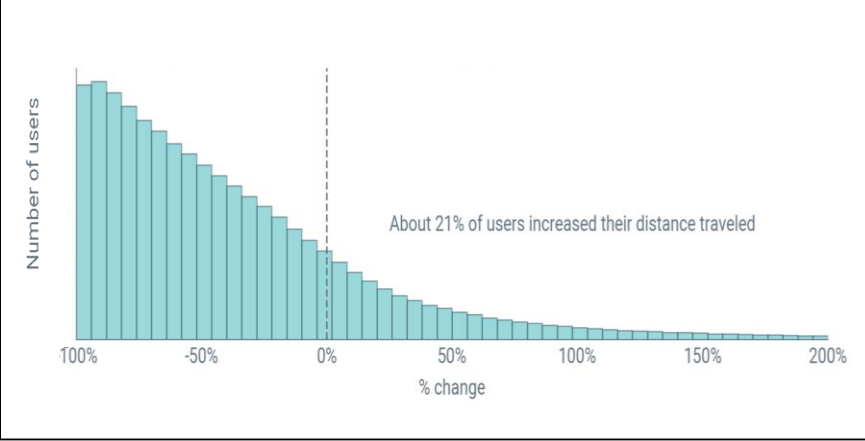
## Stay At Home States Have Greater Reductions



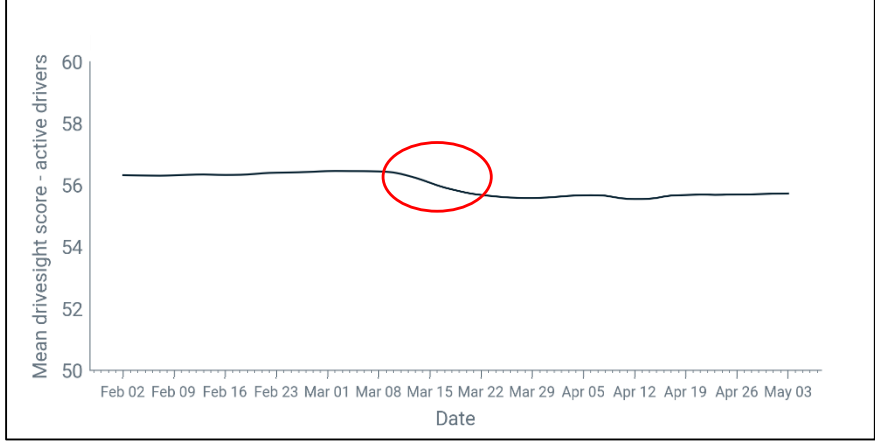
## Urban Driving Declines More Than Rural



## Some drivers are driving more



## Driving Safety Score Has Declined



Note: These insights are based on representative samplings of data from Arity's multi-source dataset. That dataset includes anonymized and aggregated driving behavior data from multiple insurance and non-insurance sources and is not solely reflective of any Arity affiliate companies or any other particular source or industry. The data is collected via both mobile app and on-board device methods.



# Utilizing Scenarios for Pandemic Crisis to Balance Risk and Return

- Scenario planning provides a framework to:
  - Understand potential outcomes and the impact on our businesses
  - Identify actions that should and should not be taken
  - Enhance ability to forecast
- Two primary drivers of future environment: severity of the pandemic and economic impact

		Duration and Virulence of Coronavirus	
		Limited	Ongoing
Economic Impact	Disruptive	<p><b><u>Sigh of Relief</u></b></p> <ul style="list-style-type: none"><li>Improved treatment</li><li>Reduced restrictions</li><li>Economy bounces back quickly</li><li>Fiscal policy increases inflation</li></ul>	<p><b><u>Under Siege</u></b></p> <ul style="list-style-type: none"><li>Extended lockdowns</li><li>Recovery with fiscal stimulus</li><li>Widespread consumer behavior changes</li><li>Sustained global recession</li></ul>
	Severe	<p><b><u>Sucker Punched</u></b></p> <ul style="list-style-type: none"><li>Strict lockdown measures</li><li>Unemployment remains elevated</li><li>U.S. economy back to 'normal' early 2021</li><li>Changes to consumer behavior</li></ul>	<p><b><u>Devastated by the Virus</u></b></p> <ul style="list-style-type: none"><li>Repeated national lockdowns over 2 years</li><li>Widespread business bankruptcies</li><li>Decline in GDP greater than Great Depression</li><li>Fundamental change in consumer behavior</li></ul>



### Potential Impact

- 1. Revenue growth will be constrained**
- 2. Investment markets will be volatile**
- 3. Coronavirus will accelerate utilization of technology**
- 4. Higher consumer value placed on quality and breadth of protection**

### Actions

- 1. Accelerate Transformative Growth**
- 2. Evaluating strategic asset allocation**
- 3. Increased focus on telematics and Integrated Digital Enterprise**
- 4. Expand protection offerings**







## 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 the amount of realized capital losses recorded for impairments of our investments; (8) the impact of changes in market interest rates or performance-based investment returns on our annuity business; (9) the impact of changes in reserve estimates and amortization of deferred acquisition costs on our life, benefits and annuity businesses; (10) our participation in indemnification programs, including state industry pools and facilities; (11) our ability 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 plan; (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 level 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 and credit markets; (24) a large scale pandemic, such as the Novel Coronavirus Pandemic or COVID-19 and its impacts, or occurrence of terrorism or military actions; (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.