



# The Allstate Corporation

**Special Topic Investor Call**

**Value of Homeowners Insurance**

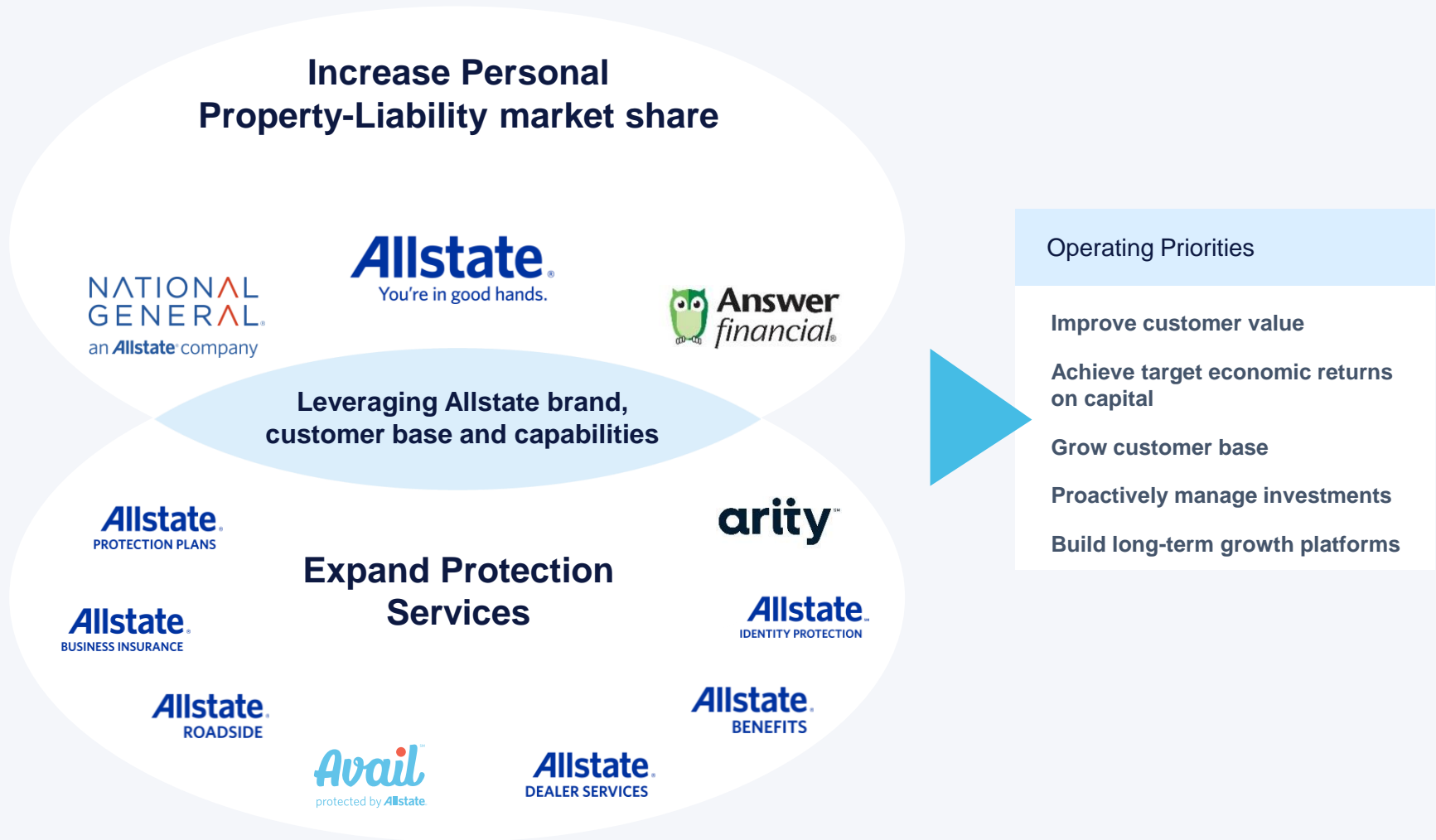
06.16.2022

# 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 2021 Form 10-K, Form 10-Q for March 31, 2022, 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's Strategy to Deliver Transformative Growth and Higher Valuation



Today's discussion

Homeowners insurance is a growth opportunity with attractive returns and moderate volatility

# Innovating in Homeowners Insurance to Create Shareholder Value

## External Variables Impact Industry Trends

Increased severe weather and catastrophe losses challenge business models

- 1970-1990: Moderate catastrophe losses for U.S. of \$1.3 billion annually
- 1990-2020: Dramatic increase in severe weather with catastrophe losses averaging \$20.4 billion annually

Insurance industry adapts but majority of competitors still not profitable

- Industry underwriting losses of \$4.5 billion annually from 2017 - 2021
- Eight of top ten underwriters are unprofitable

## Allstate Innovates (1995 – Today)

Aggressively lowered catastrophe exposure

- Allstate homeowners policies in force declined from approximately 8 million in 2005 to 6 million in 2013, which negatively impacted auto insurance growth
- Helped establish state-based catastrophe risk pools
- Allstate becomes largest U.S. primary purchaser of reinsurance

Generate attractive risk adjusted returns

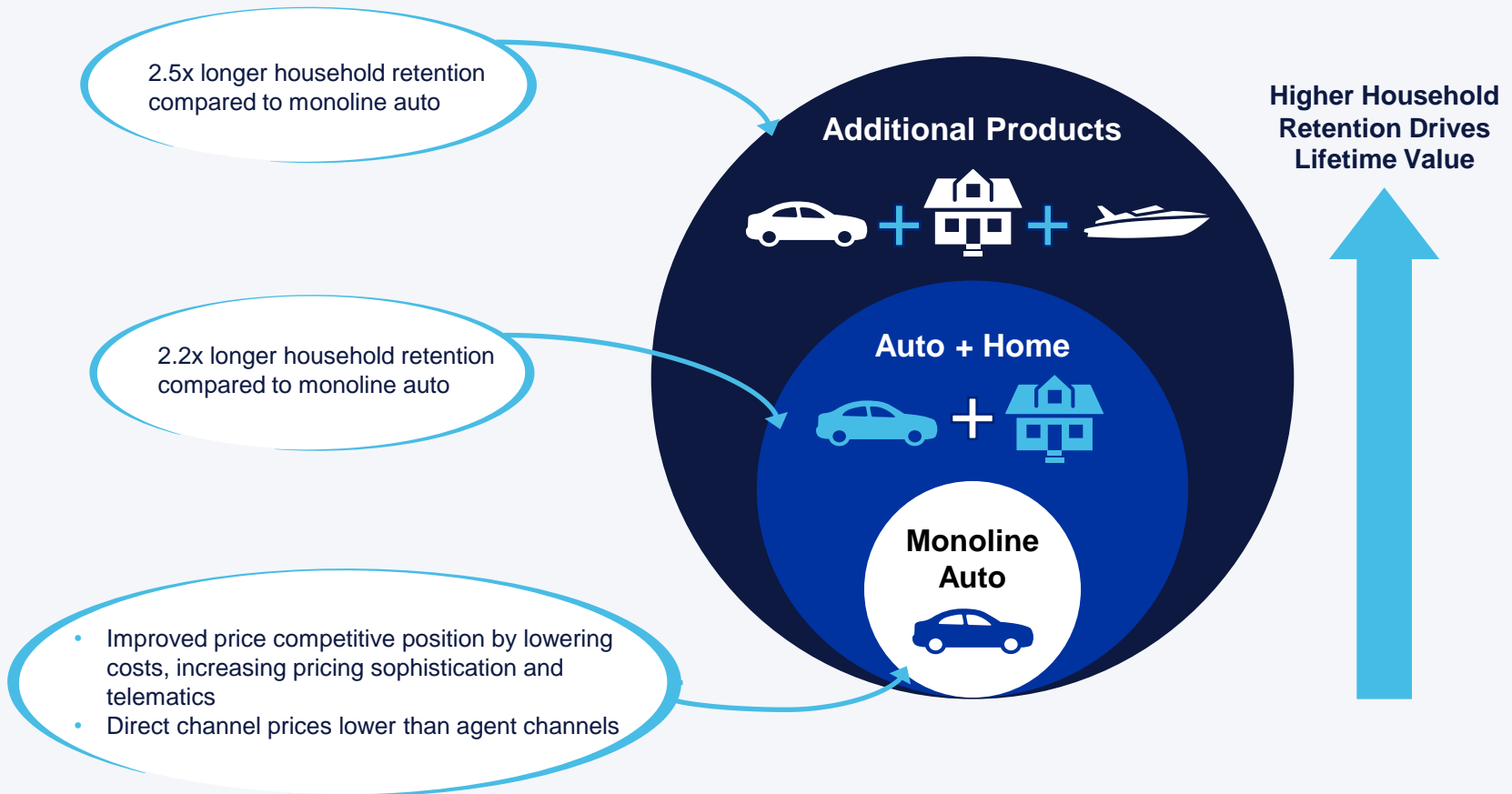
- Increased prices
- Redesigned coverages to cover actual economic losses; age rate roofs
- Enhanced pricing sophistication, underwriting and portfolio management
- Enhanced claims processes using technology, analytics and scale

Expanding a profitable growth business

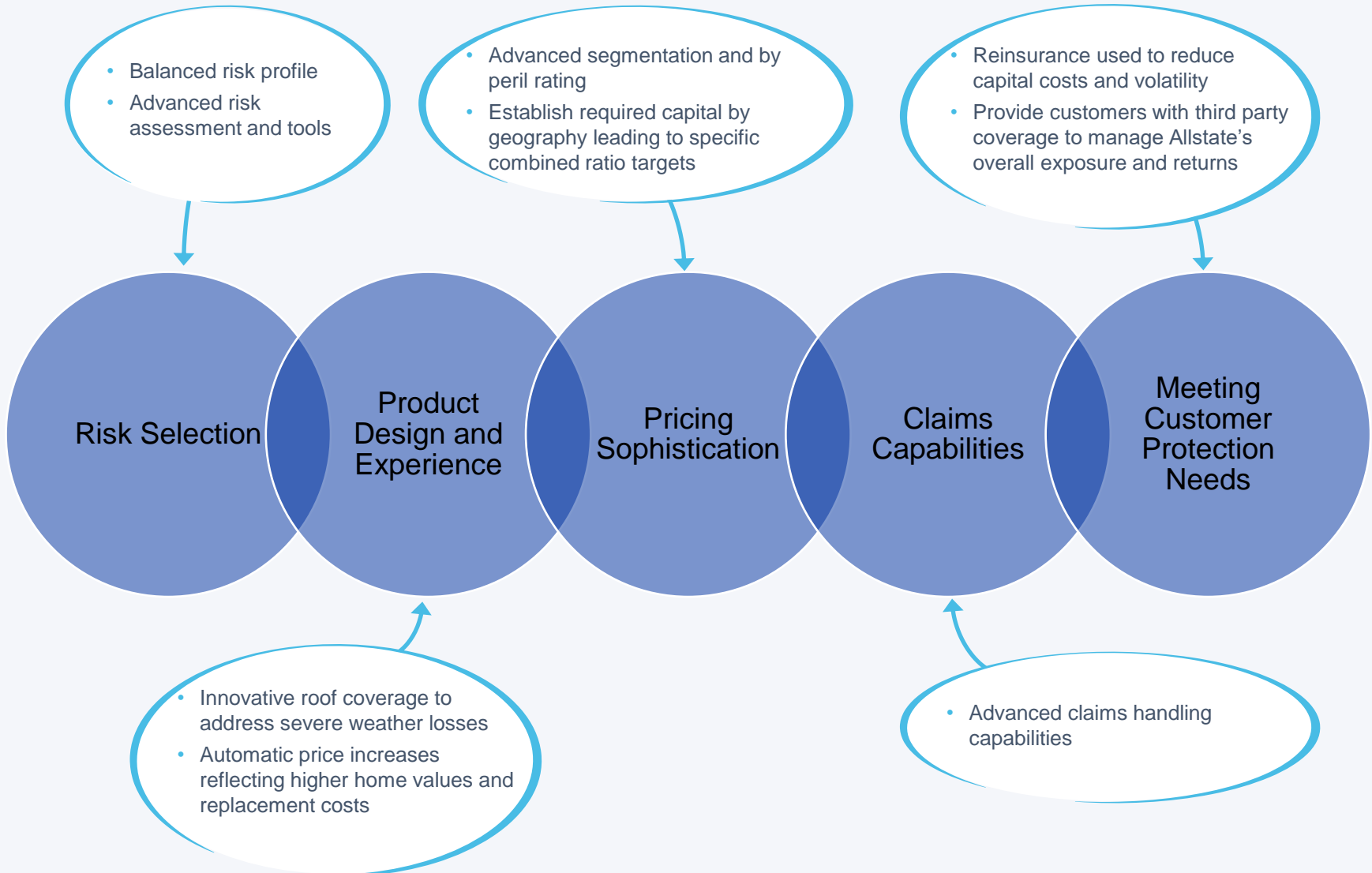
- Homeowners insurance generated average annual adjusted net income<sup>\*(1)</sup> of \$1.2 billion over last 10 years
- Homeowners insurance premiums are expected to grow faster than auto insurance
- National General homeowners business being repositioned to drive growth through independent agents

<sup>(1)</sup>Homeowners adjusted net income reflects after-tax underwriting income, including an allocation of Property-Liability net investment income

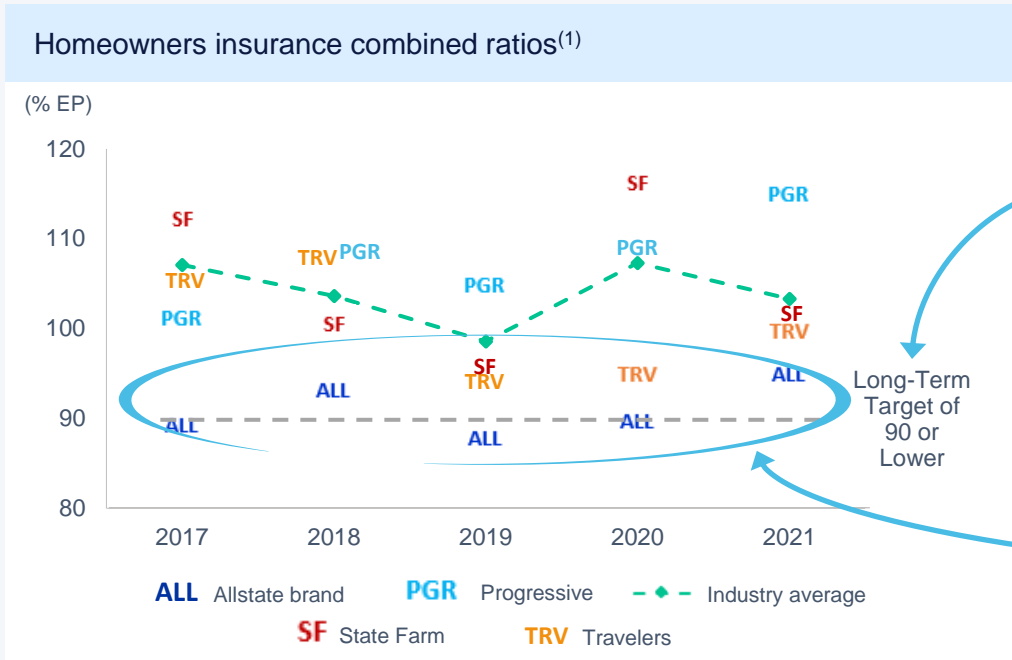
# Allstate's Diverse Product Offering Provides Bundled Savings for Customers and Delivers Higher Lifetime Value



# Integrated Homeowners System Creates Competitive Advantage



# Homeowners Insurance Generates Attractive Returns



Target combined ratio below auto insurance given higher capital requirements

Superior performance

<sup>(1)</sup> Industry and competitor information represents statutory results per S&P Global Market Intelligence. Allstate information represents Allstate brand GAAP results for 2017-2021.

# Competitive Advantage Creates Profitable Growth Opportunity

## Homeowners insurance industry results

Competitors	Market Share <sup>(1)</sup>	U/W Income / (Loss) 2017-2021 (\$B)	Distribution Channel <sup>(2)</sup>	DPW 5 Year Growth CAGR
Allstate <sup>(3)</sup>	8.5%	\$3.3	Captive, IA, Direct	7.7%
State Farm	18.0%	(\$5.1)	Captive	4.6%
Liberty Mutual	6.9%	(\$0.2)	IA, Direct	5.2%
USAA	6.4%	(\$1.8)	Direct	8.6%
Farmers	6.1%	(\$0.9)	Captive	2.7%
Travelers	4.6%	(\$0.4)	IA	10.2%
American Family	4.1%	\$0.1	Captive, Direct	8.5%
Nationwide	3.3%	(\$3.3)	IA	1.6%
Chubb	2.6%	(\$0.9)	IA	3.7%
Progressive	1.8%	(\$0.8)	IA, Direct	19.1%
Total Industry	-	(\$22.5)	-	5.5%

8 of 9 competitors had underwriting losses

Expanding distribution capacity and integrating go-to-market actions

Source: S&P Global Market Intelligence; 5-year growth CAGR measures direct premiums written from 2016 – 2021 financial periods

<sup>(1)</sup>Market share reflects proportion of U.S. industry direct premium written in 2021

<sup>(2)</sup>IA reflects independent agent channel

<sup>(3)</sup>Allstate data reflects GAAP financial information for U/W income and net written premium 5-year CAGR

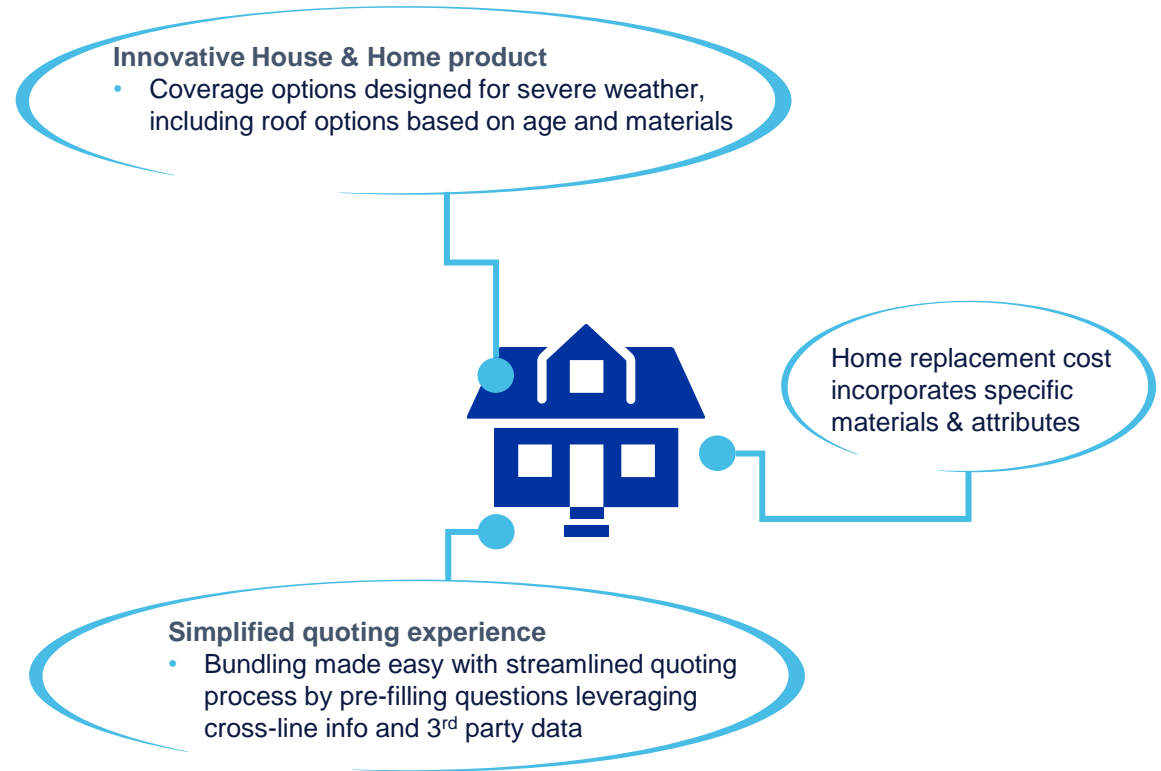


# Sustaining Competitive Advantage Through Innovative Product Design and Advanced Risk Selection

## Enhanced Risk Selection

- **Strategic targeted risk levels by geographic area**
  - Coastal hurricanes
  - Inland tornados and hailstorms
  - Wildfires
- **Coastal risk evaluation scoring**
- **Proprietary risk models inform home inspection decisioning**
- **Aerial imagery incorporated into risk assessment**

## Innovative Product Design and Experience



# Pricing Sophistication Improves Segmentation and Ease of Business

## TRADITIONAL

## ADVANCED



What is expected loss across all perils?

What is expected loss for each individual peril?



Where do you live? (zip code / rating territory)

Where exactly do you live? (latitude/longitude)



What can you tell us about your home?

What do we know about your home and how is it maintained?

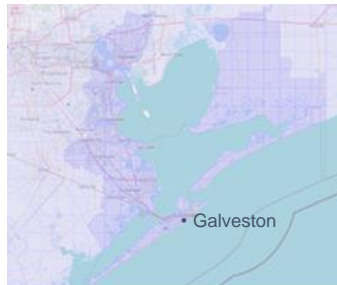
By-peril data and modeling capabilities creates advanced foundation for pricing sophistication

Cost of reinsurance (where allowed) and tail risk incorporated into overall and segmented pricing

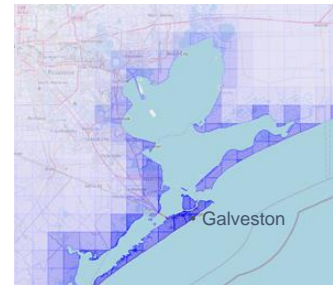
3<sup>rd</sup> party data and technology is leveraged to improve pricing accuracy and allow for simpler customer experience

**Geocoding & Geographic Rating** - Enhancing geographic rating leveraging geospatial variables, extensive historical data and catastrophe insights (wildfire/hurricane)

>30K  
Zip codes in US



~250M (8,000x)  
Geocoded grids



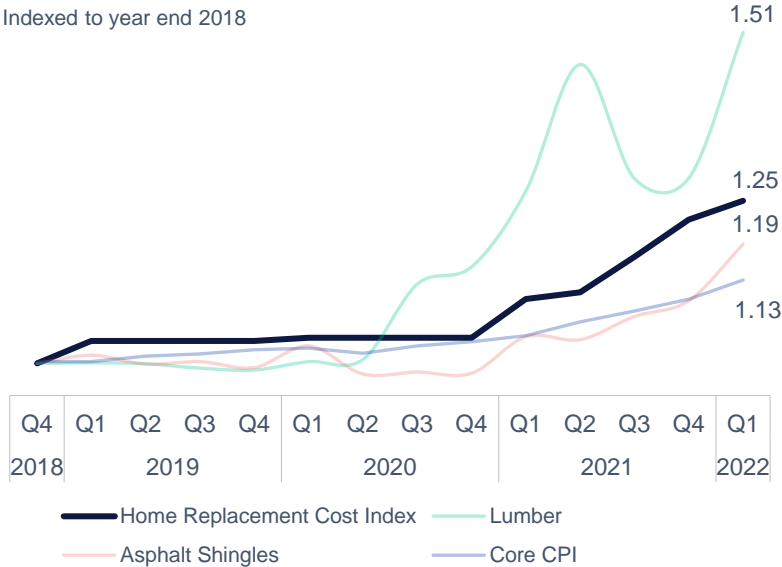
# Homeowners Insurance is a Growth Business

Despite low unit growth, homeowners insurance premiums increasing due to higher home prices and more severe weather

Growth in premiums higher than auto insurance

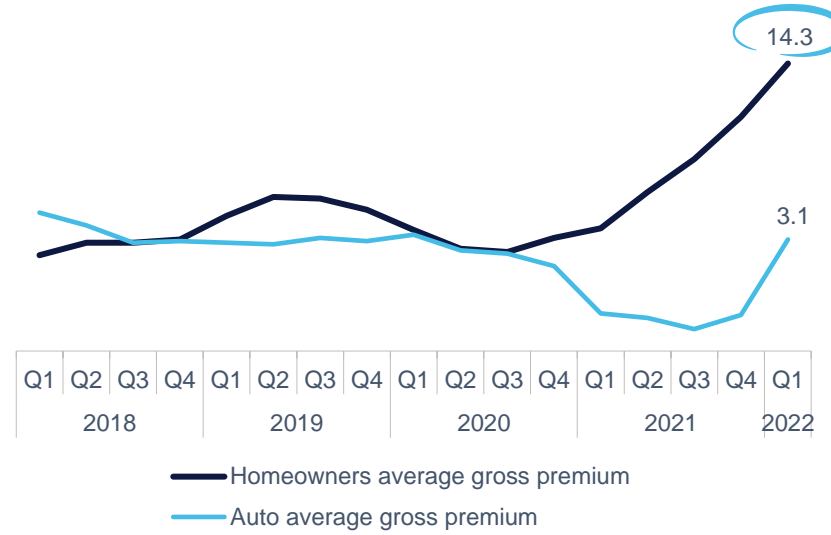
Inflation impacting home values and repair costs<sup>(1)</sup>

Indexed to year end 2018



Increasing average premium per policy<sup>(2)</sup>

(% variance to prior year)

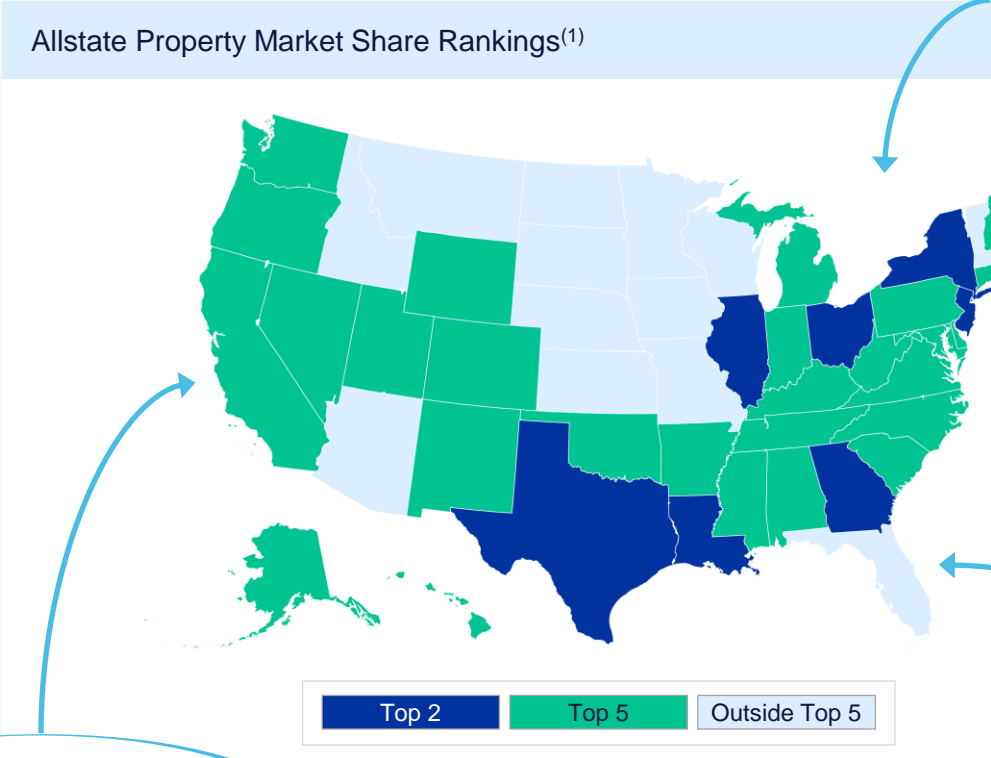


<sup>(1)</sup> Source: U.S. Bureau of Labor Statistics and CoreLogic

<sup>(2)</sup> Reflects Allstate brand premiums; 2018 percent variance to prior year excludes Esurance

# Allstate Meets Customer’s Protection Needs Through Sophisticated Portfolio Management

Allstate Property Market Share Rankings<sup>(1)</sup>



Allstate underwrites risk in areas where return objectives can be achieved and Allstate agents broker \$1.6 billion of property premiums for other companies to provide bundled coverage to customers

California market share has been reduced by more than 50% since 2007 due to wildfire risk

Florida market share less than 3% with separately capitalized companies and stand alone reinsurance program

<sup>(1)</sup> Source: S&P Global Market Intelligence 2021 percent of direct written premiums; Includes homeowners, farmowners, condominium, renters and other personal property lines. Allstate market share excludes third party policies brokered through Ivantage

# Allstate's Accurate and Efficient Claims Resolution Leverages Technology, Analytics and Scale

## Advanced Technology

- **Satellite Imagery:** Advance knowledge of dimensions and features
- **Aircraft:** Survey the area to determine extent of damage
- **Video:** Virtual Assist™ connects us live with contractors, local experts and customers

>80%

Of wind and hail claims handled virtually

## Sophisticated Analytics

- **Weather Data:** Damage prediction before claims are reported enables rapid remediation
- **Predictive Models:** Determine best inspection method
- **Estimating Platform:** Incorporates dynamic local material pricing to create most accurate loss estimate

30%

Savings per average water claim when utilizing loss mitigation network<sup>(1)</sup>

## Leveraging Scale

- **Supplier network:** Contracts with material suppliers and contractors
- **Rapid Response:** Pre-position experts
- **Operational Scale:** Capacity to quickly add resources

95%

Vendor coverage<sup>(2)</sup>

<sup>(1)</sup> Average savings on water claims handled in-network versus out of network

<sup>(2)</sup> Countrywide availability of loss mitigation vendors

# Allstate's Integrated Response Delivers Speed and Accuracy



**Weather Data:** Wind speed and hail diameter known in real time

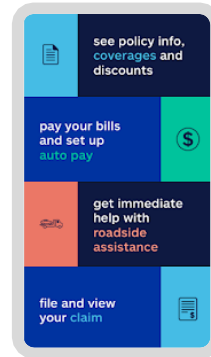


**Imagery:** Precise roofing features and dimensions determined



**Rapid Response:** Catastrophe claim team and external partnerships

**Video:** Real time collaboration to resolve low touch claims quickly and accurately



**Mobile App:** Claim reporting, communication and payment preferences all handled on-line



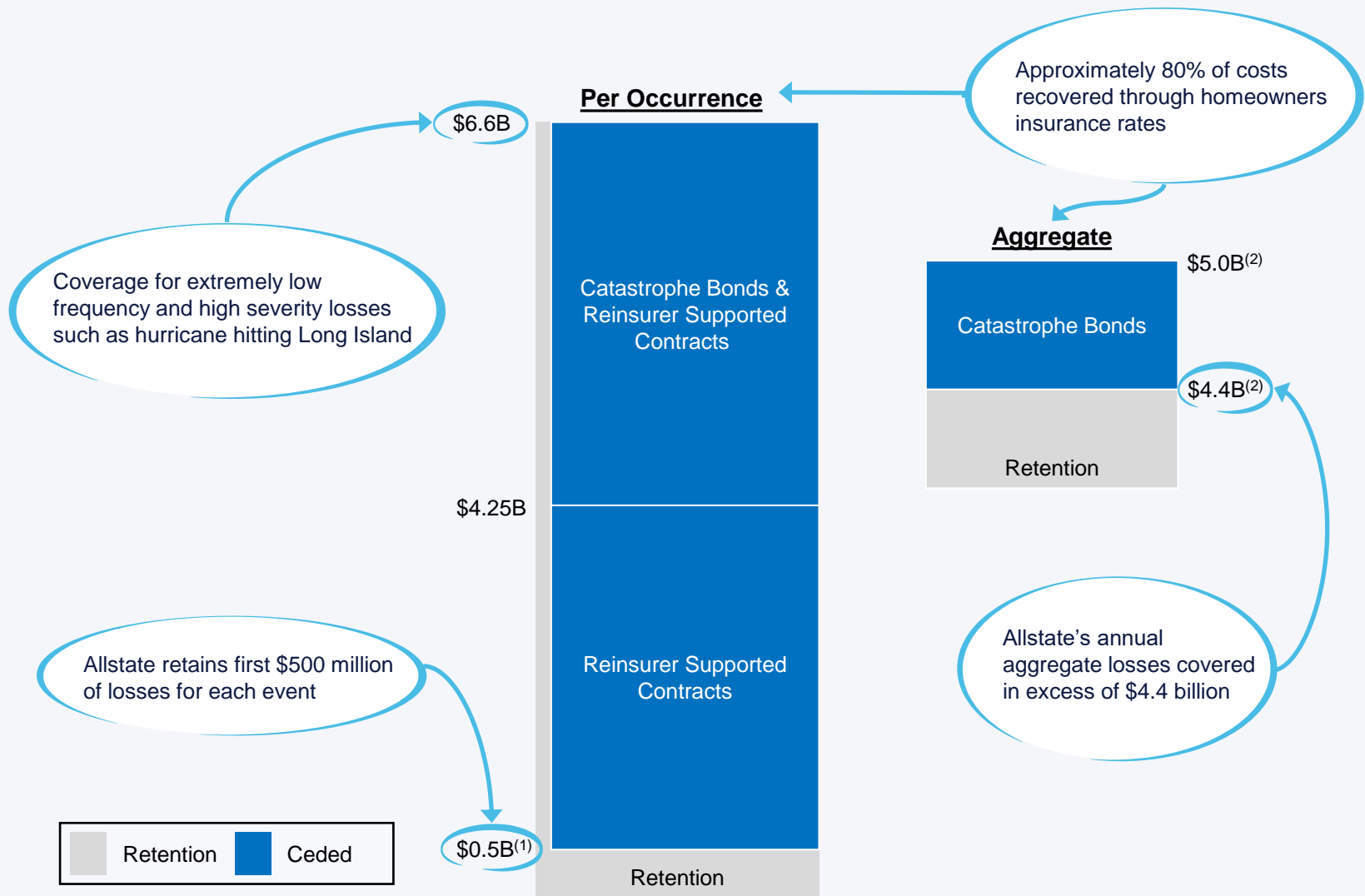
**Technology:** Caring experts use data and technology to manage claim cost accurately

**Scale:** Materials discount and vendor network

**Payments:** More than 80% of payments made electronically through Quick Card Pay

**Claim Resolution**

# Enterprise Risk Managed with Comprehensive Reinsurance Program



<sup>(1)</sup> Traditional contracts placed effective June 1, 2022 are structured with a first event retention of \$750 million and subsequent event retention of \$500 million

<sup>(2)</sup> Annual aggregate cover approximated based on historical catastrophe experience. Details on individual catastrophe bond contracts are available within the Allstate 2022 Reinsurance Update

# Allstate's Homeowners Insurance Generates Attractive Returns with Moderate Volatility

Allstate Property-Liability, homeowners and auto insurance perform in the top quartile

Market generally assigns valuation premium to insurers with consistently low combined ratios

5-year average combined ratio vs. combined ratio volatility





# Allstate's Homeowners Insurance Business is Significantly Undervalued at Current Price to Earnings Ratio



Source: Company financials, SNL Financial, FactSet; Market data as of 5/31/2022; Note: Median excludes Allstate  
<sup>(1)</sup> Utilizes common shares outstanding of 275,707,503 as of March 31, 2022

# Allstate is an Attractive Investment Opportunity

Allstate has delivered superior financial performance relative to peers

Financial metrics - Allstate vs. industry (5 years)			
Valuation metric	Allstate actual	Rank vs. 10 peers <sup>(1)</sup>	Percentile vs. S&P 500
Operating EPS CAGR	21.2%	#3	78%
Operating RoAE	16.8%	#2	57%
Cash yield <sup>(2)</sup>	8.4%	#1	92%
Revenue growth CAGR <sup>(3)</sup>	6.4%	#5	49%
Price / Earnings <sup>(4)</sup>	10.4x	#8	20%

Valuation remains attractive and is below peers and the broader market

Source: FactSet; S&P Global Market Intelligence; Note: Market data as of 12/31/21; 5-year CAGR period or financial metrics measured from 2016 – 2021 financial periods

<sup>(1)</sup> P&C comparables includes North American P&C companies with a market cap of \$4 billion or greater as of year-end 2021

<sup>(2)</sup> Represents annual dividends + buybacks divided by average market cap

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

<sup>(4)</sup> Based on price as of 5/31/22 and 2023 analyst consensus operating EPS estimates per FactSet



# 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.

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. These statements may address, among other things, our strategy for growth, catastrophe, exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation, and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update any forward-looking statements as a result of new information or future events or developments. In addition, forward-looking statements are subject to certain risks or uncertainties that could cause actual results to 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 regulation and 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) our participation in indemnification programs, including state industry pools and facilities; (9) inability to mitigate the impact associated with changes in capital requirements;

(10) a downgrade in financial strength ratings;

Business, Strategy and Operations (11) competition in the industries in which we compete and new or changing technologies; (12) implementation of our transformative growth strategy; (13) our catastrophe management strategy; (14) restrictions on our subsidiaries’ ability to pay dividends; (15) restrictions under terms of certain of our securities on our ability to pay dividends or repurchase our stock; (16) the availability of reinsurance at current levels and prices; (17) counterparty risk related to reinsurance; (18) acquisitions and divestitures of businesses; (19) intellectual property infringement, misappropriation and third-party claims;

Macro, Regulatory and Risk Environment (20) conditions in the global economy and capital markets, including the economic impacts from the recent military conflict between Russia and Ukraine; (21) a large-scale pandemic, the occurrence of terrorism, military actions, or social unrest; (22) the failure in cyber or other information security controls, as well as the occurrence of events unanticipated in our disaster recovery processes and business continuity planning; (23) changing climate and weather conditions; (24) restrictive regulations and regulatory reforms, including limitations on rate increases and requirements to underwrite business and participate in loss sharing arrangements; (25) losses from legal and regulatory actions; (26) changes in or the application of accounting standards; (27) loss of key vendor relationships or failure of a vendor to protect our data, confidential and proprietary information, or personal information of our customers, claimants or employees; (28) our ability to attract, develop and retain talent; and (29) 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.