



## The Allstate Corporation

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Investor Call Presentation – Acquisition of National General Holdings Corp.

July 8, 2020

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



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

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 the Allstate 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 Allstate’s non-GAAP measures to GAAP measures within Allstate’s most recent earnings release or investor supplement. These materials are available on the Allstate website, [www.allstateinvestors.com](http://www.allstateinvestors.com), under the “Financials” link. For further information on National General Holdings Corp. non-GAAP and GAAP measures, visit the National General website, [www.nationalgeneral.com](http://www.nationalgeneral.com) under the “My Investor Relations” link.



# Allstate Expands Personal Lines Market Position Through Acquisition of National General Holdings Corp. (“National General”)

- **Allstate to acquire National General for \$4 billion, \$34.50 per common share**
  - Advances Allstate’s strategy to increase market share in personal property-liability with market share increasing by over 1 percentage point
  - Allstate becomes a top 5 personal lines carrier in the independent agent (“IA”) distribution channel by combining Encompass and Allstate’s Independent Agent businesses with National General
  - National General also has a strong position in higher risk or “non-standard” auto insurance
  - Additional IA expansion opportunities exist in standard auto and homeowners insurance
  - Acquisition is accretive to Allstate’s earnings per share and ROE reflecting significant cost synergies
  - No impact on Allstate’s current \$3 billion share repurchase program
  
- **National General primarily provides property-liability and accident and health products through independent agents**
  - \$5.6 billion of gross written premium and net income of \$314 million in 2019
  - Underwrites personal auto, home, and recreational vehicle insurance distributed through approximately 42,300 independent agents with a significant focus on non-standard auto insurance
  - Accident and Health products include stop loss coverage for small businesses and individual short-term policies
  - The second largest Lender-Placed Insurance provider in the U.S.
  - National General has been built through acquisitions over the last 10 years leveraging a flexible technology platform and talented management team



# Transaction Summary

Transaction	<ul style="list-style-type: none"><li>▪ Allstate to acquire 100% of National General Holdings Corp. (NASDAQ:NGHC) in an all cash transaction</li></ul>
Deal Value	<ul style="list-style-type: none"><li>▪ \$4.0 billion transaction value<ul style="list-style-type: none"><li>• \$32.00 per National General share in cash plus up to \$2.50 per share in a pre-closing dividend</li><li>• Multiple of 11.9x last twelve months earnings and 1.78x book value as of March 31, 2020</li><li>• Represents a 64% premium to closing stock price over the latest 30 trading days</li></ul></li></ul>
Consideration Financing	<ul style="list-style-type: none"><li>▪ \$2.2 billion of combined cash resources at Allstate and National General</li><li>▪ \$1.5 billion of new Allstate senior debt</li><li>▪ \$0.3 billion of pre-closing dividend to National General shareholders</li></ul>
Approvals and Timing	<ul style="list-style-type: none"><li>▪ Board of Directors of National General has approved the transaction<ul style="list-style-type: none"><li>• Break up fee of \$132.5 million</li></ul></li><li>▪ Subject to approval by National General shareholders and other customary closing conditions, including regulatory approvals</li><li>▪ A voting agreement has been signed with entities controlling 40% of common shares to vote for the transaction</li><li>▪ Expected to close by Q1 2021</li></ul>



# Allstate's Strategy is to Increase Personal Property-Liability Market Share and Expand Protection Offerings

## Increase Personal Property-Liability Market Share



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



Leveraging Allstate Brand and Capabilities



## Expand Protection Businesses



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



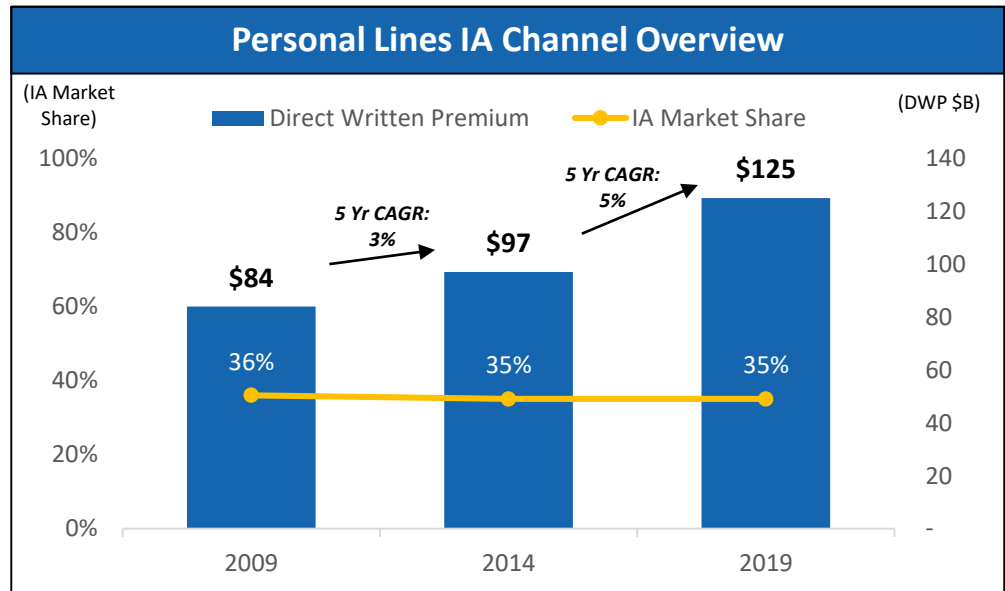
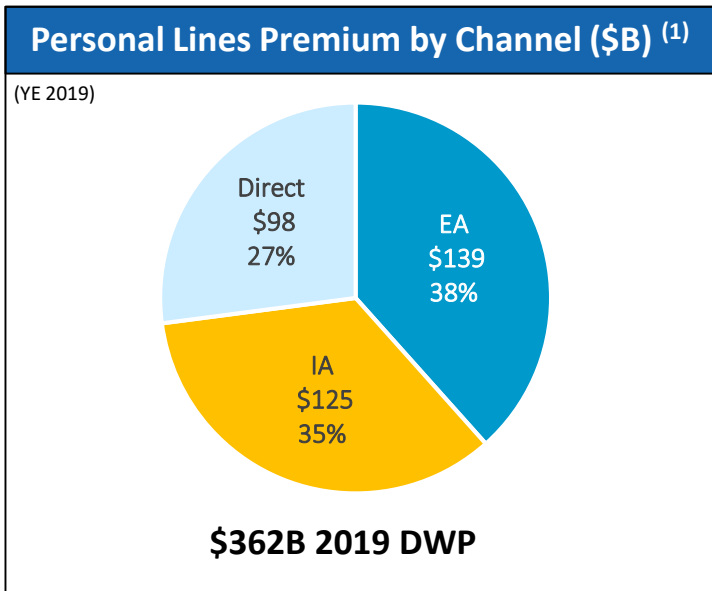
## Acquisition Benefits

- Increased market share
- Top five position in independent agent distribution channel
- Expanded presence in non-standard auto insurance
- Additional growth opportunities
- Improved cost structure and technology
- Experienced management team



# Personal Lines Independent Agent Market is Large and Fragmented

- **Personal lines independent agent channel market is approximately \$125 billion**
  - Independent agent channel share of personal lines market has remained stable at ~35%
  - Five year compound annual written premium growth rate of 5%
- **Leading companies must deliver strong value to consumers and independent agents**
  - Ease of business through simple technology platforms
  - Sophisticated pricing
  - Broad line of protection products and geographic footprint
  - Operational analytics capabilities
- **The independent agent market is highly fragmented, providing an opportunity to grow**
  - Only four insurers have more than 5% market share
  - The next ten insurers combined have less than 30% market share
  - Allstate’s market share in 2019 was less than 1.5%, including both Encompass and Allstate Independent Agents

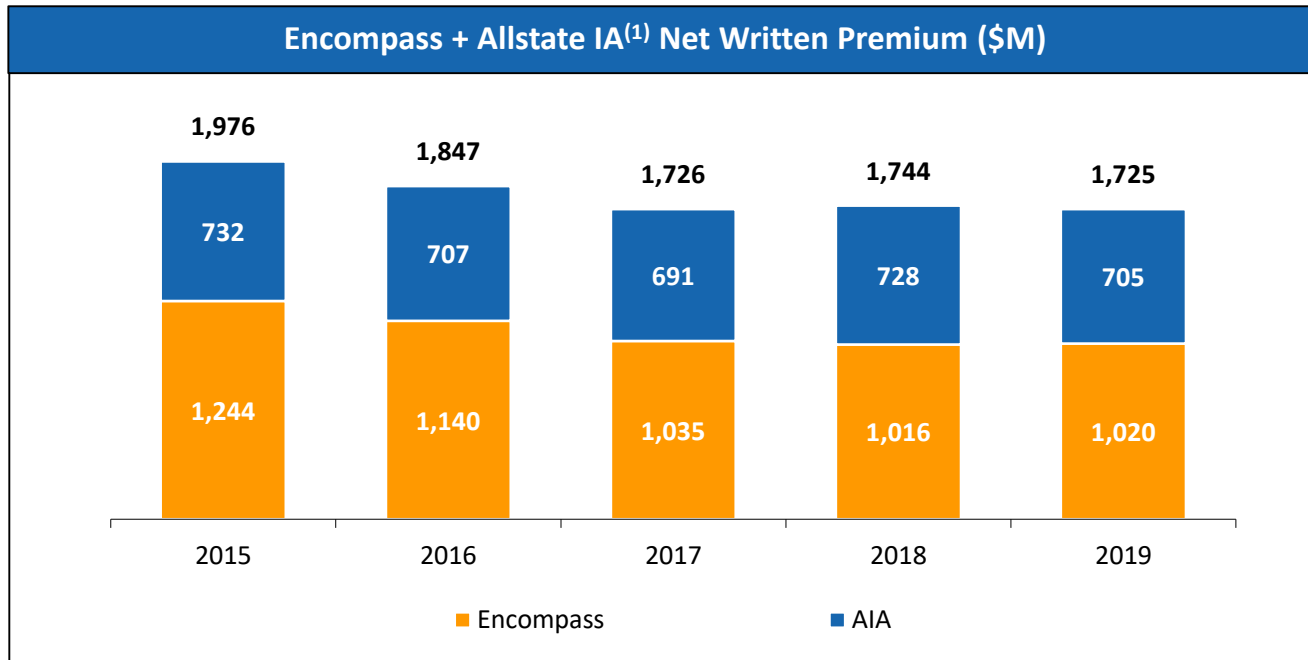


Source: SNL Financial, AM Best and company analysis  
 (1) Nationwide’s \$10B included in EA, transitioning to IA in 2020



# Allstate Has Two Independent Agent Businesses

- **Allstate’s independent agent channel has premiums of \$1.7 billion**
  - Encompass focuses on packaged auto and homeowners insurance sold through independent agents primarily in the eastern U.S. It utilizes a separate technology platform and leverages enterprise pricing and claims expertise
  - Allstate Independent Agents (“AIA”) are typically appointed to provide Allstate branded products in rural areas not suited to Allstate Exclusive Agents
  - Allstate’s market share in 2019 was approximately 1.5%, including both Encompass and AIA
  - Premiums have declined as returns have increased



(1) Includes business assigned to Allstate IA



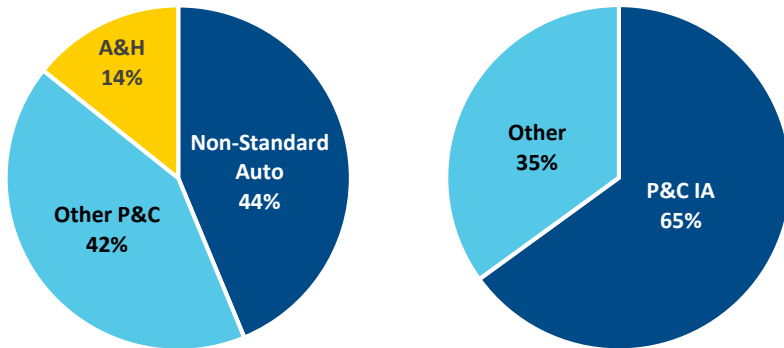
# National General Provides Property-Liability and Accident and Health Products Primarily Through Independent Agents

## 2019 Business Mix (GPW)

### By Product Type

### By Distribution Channel

\$5.6B 2019 GWP



## Consolidated Financial Results (\$B) <sup>(1)</sup>

	2017	2018	2019
<b>Income Statement</b>			
Gross Premium Written	\$ 4.8	\$ 5.4	\$ 5.6
Total Revenues	4.4	4.6	5.2
Net Income (\$M) <sup>(2)</sup>	74	175	314
<b>Balance Sheet</b>			
Total Assets	8.4	9.4	9.8
Total Equity <sup>(3)</sup>	2.0	2.2	2.6
<b>Performance Metrics</b>			
Loss Ratio	71.9%	71.3%	69.3%
Operating Expense Ratio*	26.4%	23.5%	23.7%
<b>Combined Ratio*</b>	<b>98.3%</b>	<b>94.8%</b>	<b>93.0%</b>
<b>Operating ROAE*<sup>(4)</sup></b>	<b>7.9%</b>	<b>14.6%</b>	<b>16.1%</b>

- **Auto insurance represents ~60% of premium with a significant presence in the non-standard auto market**
  - Property-liability offering includes non-standard and standard auto, homeowners, motorcycle and recreational vehicle insurance sold through approximately 42,300 independent agents, affinity groups, and directly to customers
  - Property-liability business built through a combination of organic growth and opportunistic acquisitions
- **Accident and health insurance focused on small group and individual products**
  - A&H products are offered through a network of over 46,200 IAs, owned distribution entities, wholesalers and employers
- **Second largest U.S lender-placed insurance provider with \$342 million of gross written premium in 2019**

Source: Public company disclosures and internal estimates

(1) Includes results from reciprocals

(2) Net income available to common shareholders

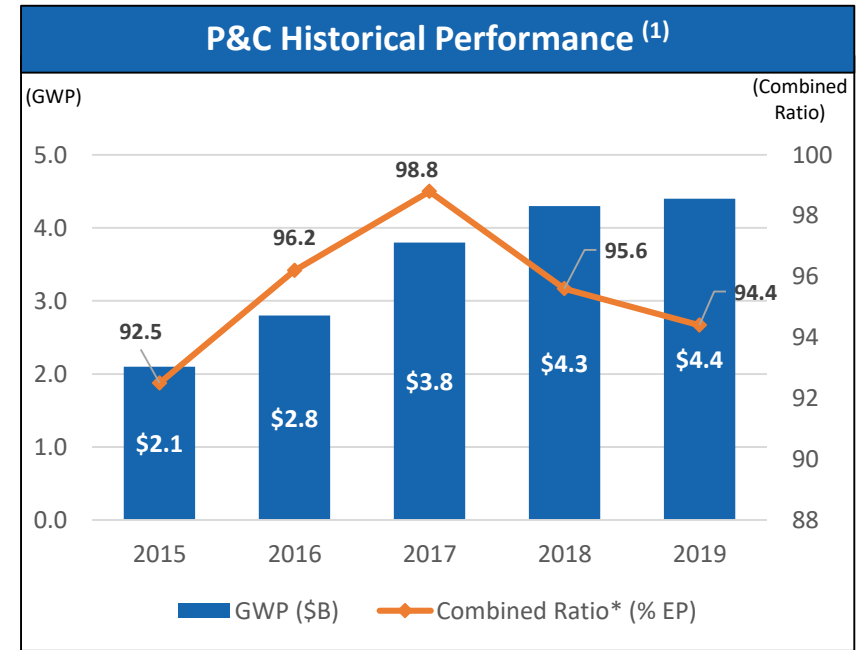
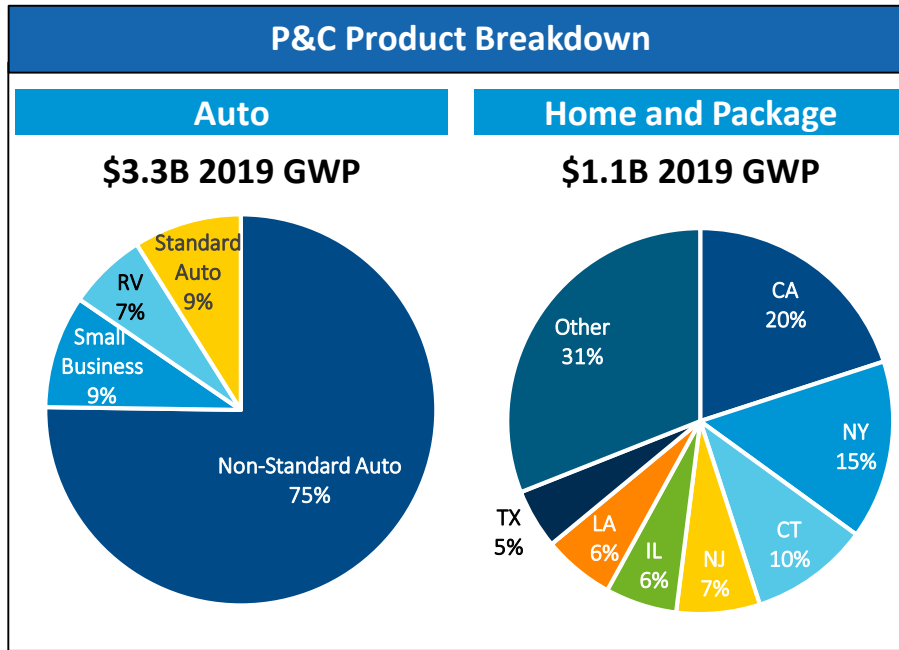
(3) Includes \$450M of preferred stock

(4) As reported. Defined as trailing twelve-month operating earnings divided by average shareholders' equity (excluding preferred equity) for same twelve-month period





# Property and Casualty Segment Primarily Composed of Auto Insurance



- **Auto insurance premiums of \$3.3 billion is mainly non-standard auto insurance, representing ~75% of auto premiums**
  - Allstate has a limited presence in this market segment which represents 20%+ of total industry personal lines auto premiums
  - Returns generated by underwriting margins and fees
- **Homeowners insurance business provides standard and higher value packaged policies**
  - Encompass is primarily focused on package policies for higher value homes
- **Property and casualty business built through acquisitions and consolidations to lower costs and improve profitability**
  - Fully integrated, simple and scalable technology platform
  - Independent agent interface has excellent external ratings
- **Property and casualty business has a consistent track record of profitable growth**

Source: Public company disclosures and internal estimates

(1) Excludes results from reciprocals



# National General Also Has Attractive Accident & Health and Lender-Placed Insurance Businesses

## Accident & Health

- **Two primary businesses; small group stop loss protection and individual products**
  - Small group business targets customers similar to Allstate Benefits and represents ~5% of National General premiums. Sold through independent agents and directly to companies. Profit margin of ~30% over the last 3 years
  - Individual products represents ~6% of the premiums with profit margins of ~16% over last 3 years

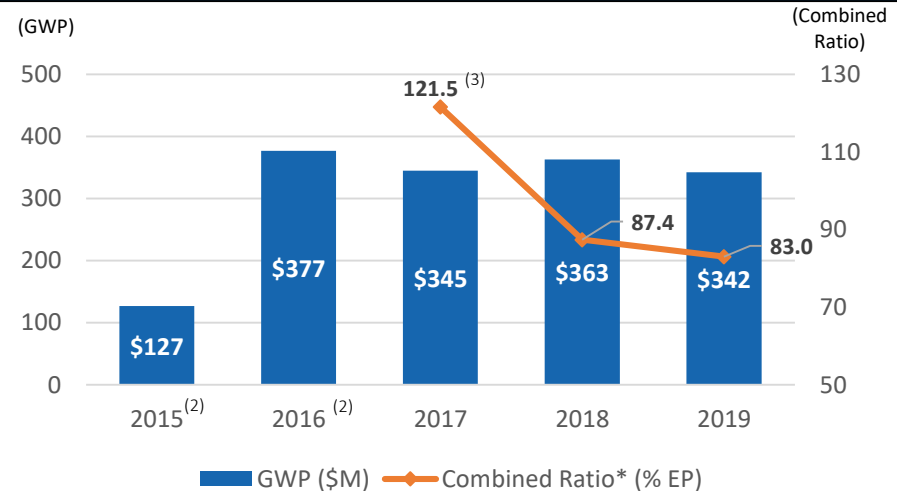
## Lender-Placed Insurance

- **Lender-placed insurance (“LPI”), is an insurance policy placed on behalf of a bank or mortgage servicer on a home**
  - Occurs when insurance has lapsed or where the homeowners’ insurance is insufficient
- **Second largest LPI platform in the U.S. supporting clients of all sizes, acquired in 2015**

### Accident & Health Financial Overview

(\$M)	2017	2018	2019
<b>Gross Premium Written</b>	<b>\$581</b>	<b>\$698</b>	<b>\$769</b>
Net Premium Earned	533	616	663
Other Income <sup>(1)</sup>	156	193	260
<b>Total Underwriting Revenues</b>	<b>\$689</b>	<b>\$809</b>	<b>\$923</b>
<b>Underwriting Income</b>	<b>\$44</b>	<b>\$102</b>	<b>\$136</b>
Net Loss Ratio (%)	59.7%	52.1%	46.9%
Expense Ratio (%)	32.0%	31.4%	32.6%
<b>Combined Ratio (%)</b>	<b>91.7%</b>	<b>83.5%</b>	<b>79.5%</b>

### Lender-Placed Premiums & Profit



Source: Public company disclosures

(1) Other Income is defined as ceding commission income and service and fee income

(2) 2015 and 2016 combined ratios not available

(3) 2017 driven by hurricane activity (Harvey, Irma and Maria)



# National General Becomes Allstate's Independent Agent Platform

## Expense Efficiencies

- Acquisition generates cost synergies while building a platform to drive profitable growth
  - Encompass will be merged into National General
  - Allstate IA relationships will be transitioned to National General over time
  - Significant expense efficiencies to be realized beginning in year one

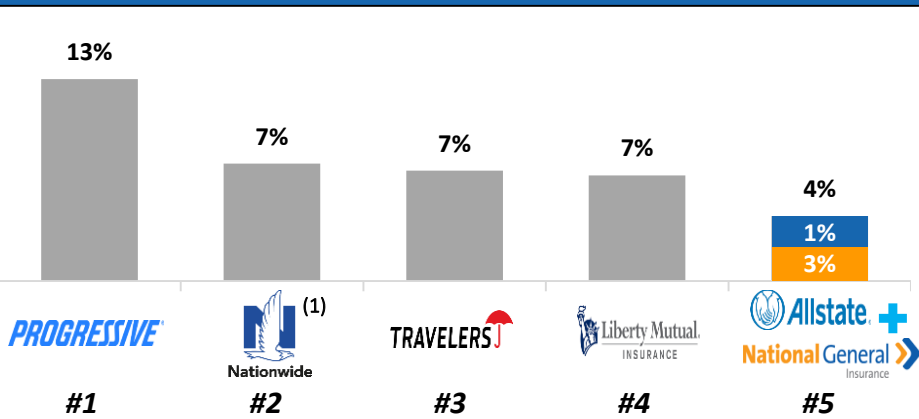
## Broadens Distribution

- Combined Allstate and National General creates a top 5 independent agent carrier
- Product portfolio will be expanded with standard auto and homeowner insurance
- Significant distribution with 42,300 National General and 10,100 Encompass and Allstate IAs

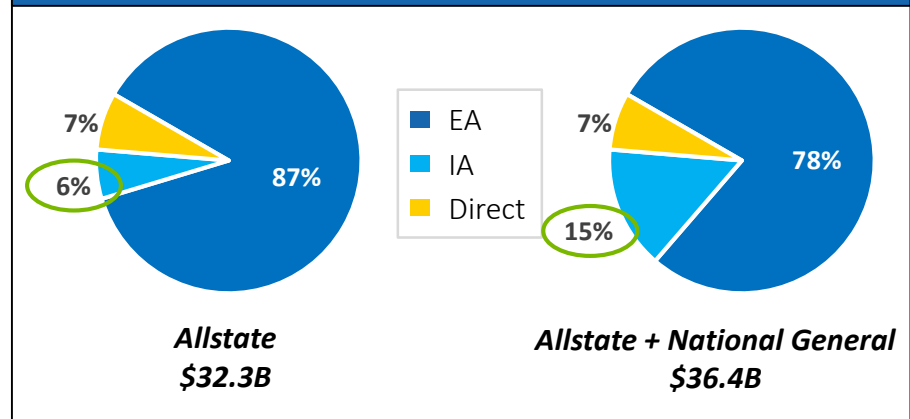
## Other Benefits

- National General investment portfolio managed by Allstate
- Lower combined economic capital requirements

### Independent Agency Personal Lines Market Share



### Premium Distribution Mix by Channel<sup>(2)</sup>



Source: Allstate internal estimates and SNL Financial

(1) Nationwide is added on a pro forma basis, as of July 2020 the company switched to IA distribution

(2) U.S. Total Personal Lines DPW YE 2019 – Esurance sub-group defines direct premiums and IA includes both Encompass + Allstate IA premium



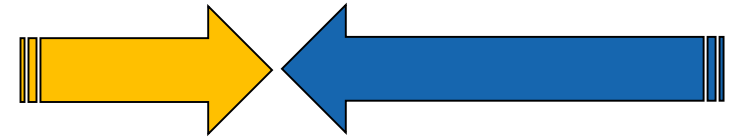
# Combined Organization Creates Stronger Competitor

## National General

## Allstate

### Product

- **Combined entity will have industry-leading capabilities across a full suite of products**
  - National General is an industry-leading non-standard auto insurance carrier and expertise can be used to expand distribution through Allstate agents
  - Allstate has substantial expertise in standard auto and homeowners insurance



### Distribution

- **Combined entity will provide significant coverage of the IA market with existing appointments**
  - National General's independent agency footprint is large with strength in non-standard auto insurance
  - Both companies have strong relationships with national account and alternative distribution partners



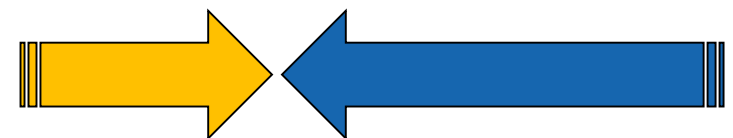
### Technology

- **National General's IA facing technology ranked in the top tier for ease of use and will be used across the combined entity**
  - National General's simple and scalable policy and claims platforms enables integration of Encompass business
  - Allstate's data capabilities, cloud utilization, and cyber-security expertise can strengthen National General's infrastructure



### Data & Analytics

- **Combined entity will have industry leading data availability and capabilities**
  - Allstate has industry leading insurance data and analytics capabilities
  - National General has strong operational and pricing analytics





## Transaction at Compelling Valuation and Efficiently Financed

- Acquisition value of \$34.50 per share in two components:

	<i>Per Share</i>	<i>Total Value</i>
Value in Cash	\$32.00	\$3.7B
Pre-Closing Dividend	\$2.50	\$0.3B
<b>Total</b>	<b>\$34.50</b>	<b>\$4.0B</b>

- Acquisition multiples reflect National General's meaningful earnings and relative low trading multiples:

	<i>Metric</i>	<i>Acquisition Multiple / Premium</i>
Price / LTM Operating Earnings <sup>(1)</sup>	\$2.89	11.9x
Price / Book Value <sup>(1)</sup>	\$19.41	1.78x
Price / Tangible Book Value <sup>(1)</sup>	\$14.82	2.33x
<i>Premium to 30-Day VWAP <sup>(2)</sup></i>	<i>\$21.03</i>	<i>64%</i>

- Efficient cash funding:

Combined Cash Resources	\$2.2B
Senior Debt Financing	\$1.5B

(1) As of March 31, 2020.

(2) 30-day volume weighted average price.



## Acquisition is Financially Attractive

- **Near-term financial results favorably impacted**
  - Expect high single digit earnings accretion in the first year post close<sup>(1)</sup>
  - Anticipate ROE accretion ~100 bps reflecting significant cost synergies
  - Forecasts only assume cost synergies and do not include incremental revenue growth
  
- **The transaction has no impact to current \$3 billion share repurchase program, expected to be completed by the end of 2021**
  
- **Financial benefits are comparable to an increased share repurchase program, but acquisition also enhances long-term growth potential**

(1) Excluding the impact of non-cash amortization of intangible assets.





## 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.