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AUTONOMOUS

24 October 2023	Allstate Corp. (ALL US)	Insurance

Price: USD 121.83
Price Target: USD 90.00

Underperform

ALLSTATE CORP.

Home is Where the Heartache Is



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WHY READ?

We think the myopic focus on auto margins has distracted from Allstate's real inflation problem: the homeowners business. We expect the fix to be slow and painful, resulting in a long period of negative policy growth without any share repurchases. The relative valuation argument favors Progressive. We think normalized earnings power at Progressive is higher than the $13 we estimate for Allstate, so there isn't much of a long term multiple spread at all.

- **Capital Deficit Lacks Organic Fixes:** We think that Allstate has a capital deficit ($4-8b), a problem exacerbated by the lack of capital generation coming from the P&C ops. Quick fixes (ie reinsurance) will not only cause a large amount of earnings dilution (we estimate ~10%) and will complicate the company's ability to generate capital to replenish P&C surplus. We expect Holdco coverage ratios to look increasingly tight over the next several quarters. We don't anticipate the buyback to resume for the next several years.

- **The Ultimate Result? A Smaller Company:** Allstate's capital position and homeowners profitability look startlingly similar to the post-Katrina period, which led to seven years of PIF reduction. We estimate that the remediation actions Allstate has announced thus far in New Jersey, New York, and California will create a 6% auto PIF headwind and 3% home PIF headwind. Down the road, we'd expect the company to reassess its severe convective storm cat mix as well which would lead to PIF pressure in some of Allstate's most successful states, most notably Texas.

- **Not Much For an Activist To Do:** In recent years, Allstate's taken correct steps to manage down its expense ratio and expand its distribution. The only corporate action that would make sense to us would be a sale of the Benefits and Warranty businesses but the proceeds (likely sub $4bn) would need to help with the P&C capital deficit, a dilutive proposition. In the coming quarters, we'd like to hear more from the company around succession planning given that the current CEO, who has had a long but mixed track record, recently turned 65.

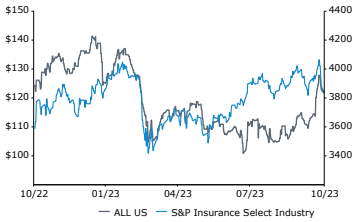
Key valuation data ($)	2021A	2022A	2023E	2024E	2025E
Adjusted EPS	13.48	(0.88)	(4.30)	3.40	7.60
Reported EPS	17.54	(3.19)	(5.33)	1.20	5.43
Adjusted P/E (x)	9.0	(138.7)	(28.3)	35.9	16.0
Reported P/E (x)	6.9	(38.2)	(22.8)	101.8	22.4
P/B (x)	1.4	1.9	2.8	3.0	2.9
P/TBV	1.6	2.4	4.0	4.4	4.2

Source: Autonomous Research, Bloomberg

Equity metrics

Close Date	23-Oct-2023
ALL US Close Price (USD)	121.83
Price Target (USD)	90.00
Upside/(Downside)	(26)%
52-Week Range	142.15/100.57
SPSIINS	3,844.31
FYE	Dec
Div Yield	2.9%
Market Cap (USD) (M)	31,868
EV (USD) (M)	41,023

Price Performance, 1YR



See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information.
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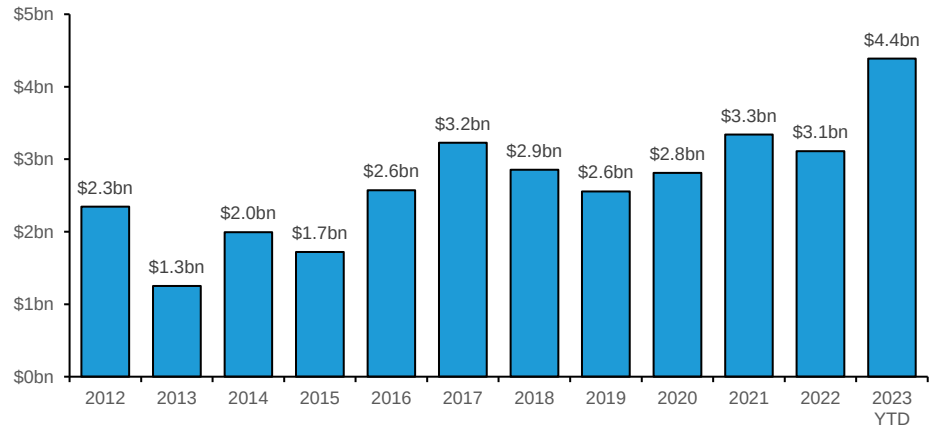
Home is Allstate's Largest Problem

Auto underwriting has received most of the attention at Allstate and for good reason. Even after several rounds of rate increases, the Allstate brand auto earnings shortfall this year is ~$2bn versus 2021 levels. However, we're increasingly getting the impression that auto is of secondary concern to the homeowners business, especially in the context of assessing Allstate's capital situation. We think Allstate's cat budget has increased by over 50% over the past two years owing to inflation and changing weather, an enormous headwind to the P&C company's ability to generate earnings.

Allstate's $4.3bn of 1H23 cats far eclipsed any full year cat result in recent memory, and the company is on pace to incur over $6bn of 2023 cat losses — double the trailing six-year average **(Chart 1)**. While it's easy to chalk that up as bad luck, the reality is that the inflationary factors that have driven up repair/replacement costs on attritional home losses +10%/+22%/+11% for Allstate in 2021/2022/2023 are even more relevant for catastrophes when there's an added demand surge component.

Chart 1: Allstate's natural catastrophe losses have skyrocketed YTD due to inflationary pressures that are unlikely to subside overnight.

ALL catastrophe losses ($bn)



Source: Company filings, Autonomous Research

Rising secondary perils comprise Allstate's largest cat risk

Verisk recently released its 2023 modeled average annual industry insured cat loss (AAL) estimating a run-rate for $85bn of North America catastrophe losses, a 38% increase versus the 2020 forecast. By far the biggest driver of the increase is the expected cat contribution from severe thunderstorms, known as secondary perils in insurance parlance, and Allstate's largest source of cat risk **(Table 1)**.

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Table 1: We estimate that severe convective storms - susceptible to sustained inflationary pressures - account for over 50% of North American cat losses

Verisk Insurable Gross Aggregate Average Annual Losses (AAL)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Global AAL ($bn)	72.6	74.4	80.0	78.7	85.7	91.8	99.6	106.3	123.0	133.0
Global severe convective storm share of AAL (%)	31%	31%	29%	32%	34%	33%	31%	31%	36%	39%
Global severe convective storm AAL ($bn)	22.5	23.1	23.2	25.2	29.1	30.3	30.9	33.0	44.3	51.9
North American AAL ($bn)	42.0	47.1	49.0	48.8	51.9	57.4	61.9	66.0	80.6	85.3

Source: Verisk, Autonomous Research

The annual modeled industry impact of severe thunderstorms is $25bn... or an even larger figure under Allstate's loose cat definition

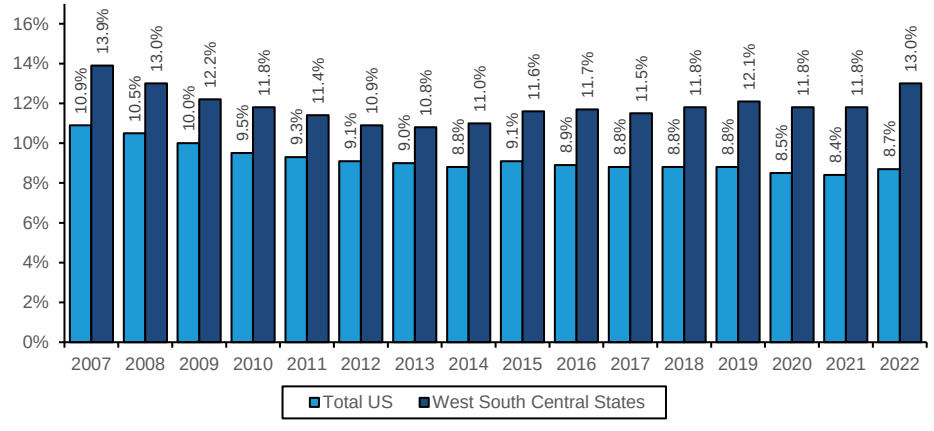
Last year, Verisk estimated an insurable gross aggregate average annual loss in the contiguous United States from hail, wind and tornado resulting from all severe thunderstorm events is approximately $25bn. However, we note this estimate only captures losses from storms that inflict losses greater than $25mm on the industry. Verisk claims data suggests that, on average, 52% of storm losses can be attributed to events that don't meet this threshold. We mention this because Allstate's catastrophe definition is much broader than the competitors and reflects any event that produces losses in excess of $1mm and involves multiple policyholders. Thus, it's safe to assume that the $25bn severe thunderstorm industry cat projection is much larger under Allstate's cat definition.

Deriving Allstate's Share of Storm Losses

We assume that Allstate's market share of severe thunderstorm cats is ~10%, above its 9% US homeowners market share, because of where the company is indexed. Allstate has a large footprint in Tornado Alley, which contributes a significant amount of severe thunderstorm losses at both high and low return periods **(Chart 2)**. Texas, in particular — where Verisk models an annual aggregate severe thunderstorm cat loss >$5bn — is Allstate's largest state with a 14% homeowners market share **(Chart 3)**.

Chart 2: Allstate is over-indexed to Tornado Alley states where severe convective storm losses are concentrated.

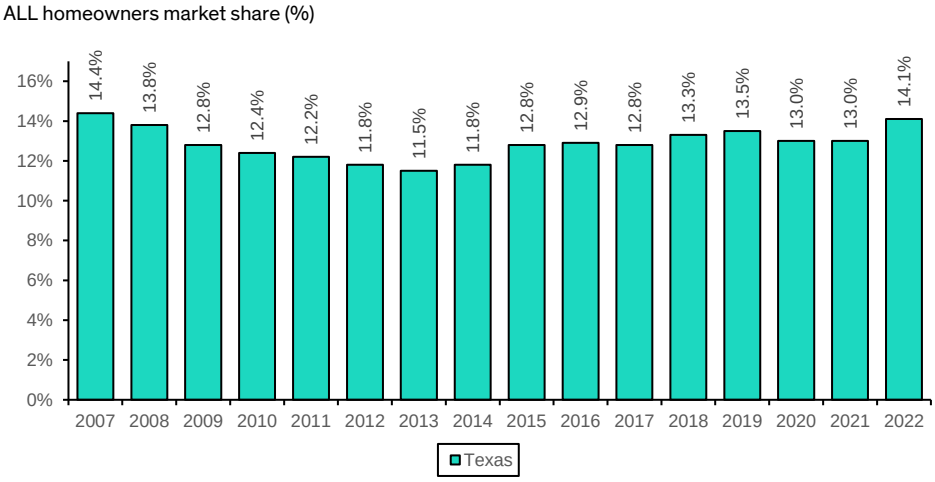
ALL homeowners market share (%)



West South Central states include Arkansas, Louisiana, Oklahoma, and Texas.
Source: SNL Financial, company filings, Autonomous Research

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Chart 3: Allstate's is particularly over-exposed to Texas, which accounts for the largest share of Allstate's homeowners book on a single-state basis.



Source: SNL Financial, company filings, Autonomous Research

Taken together, we think Allstate's go forward cat budget is closer to the 2023 experience than the 2017-2022 experience

We think consensus is closer to the $3bn historical cat average than the nearly $5bn cat number we derive resulting in a ~$5 per share overestimation of Allstate's earnings power **(Table 2)**. The higher cat load, combined with our expectation for continued weak auto earnings, will likely limit capital generation at Allstate over the next few years **(Table 3)**.

Table 2: Accounting for Allstate's concentration in Tornado Alley states, we derive a $3bn severe convective storm loss budget.

Derivation of Allstate's 2022 US Severe Convective Storm (SCS) Losses ($bn)	
2022 Verisk North American SCS AAL	25.0
+ 50% increase to reflect Allstate's broader cat definition	12.5
Adjusted 2022 North American SCS AAL	37.5
Estimated personal lines share of adjusted 2022 North American SCS AAL (%)	85%
Estimated Allstate adjusted 2022 North American SCS AAL market share (%) [1]	10%
Allstate 2022 North American SCS cat loss budget	**3.2**

[1] *Assumes market share slightly in excess of 9% nationwide marketshare given outsized exposure to Texas.*
Source: Verisk, company filings, Autonomous Research

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Table 3: We model a nearly $5bn go-forward total cat budget, which reduces consensus earnings power expectations by ~$5.

Derivation of Allstate's Go-Forward Cat Loss Budget ($bn)	
SCS	3.2
Hurricanes & tropical storms [1]	0.7
Wildfires [1]	0.1
Other events [1]	0.7
Prospective go-forward total Allstate cat loss budget	**4.6**
2017-2022 average Allstate cat loss budget	*3.0*

[1] *Assumes +30% inflation increase on 2017-2022 historical average cat losses.*
Source: Verisk, company filings, Autonomous Research

Assessing Homeowners and Capital

Homeowners is a reasonably capital intensive product because rating agencies require companies to hold surplus against a 1-in-100 modeled cat event. In 2012, Allstate CEO, Tom Wilson, stated on an earnings call that there was $6bn of capital backing the business and another ~$3bn of reinsurance limit. After accounting for replacement cost inflation and modest growth in Allstate's homeowners book, partially offset by a ~$4bn increase in reinsurance protection, we estimate that Allstate's capital requirement for the home business has roughly doubled since to $12bn **(Table 4)**.

Table 4: We derive a $12bn capital requirement for the homeowners business, leaving an $8bn deficit for Allstate's remaining businesses.

Derivation of Allstate Homeowners Segment Capitalization & Group Deficit ($bn)	
2012 homeowners policies in force (mm)	*5.9*
2023 homeowners policies in force (mm)	*6.6*
2012 net homeowners capital	6
2012 reinsurance limit	3.5
2012 gross homeowners capital	9.5
Multiplied by:	
(A) 0.7mm increase in policies in force	112%
(B) 2023 vs. 2012 Verisk 1-100 modeled aggregate loss	181%
2023 estimated gross homeowners capital	**19.3**
Less: 2023 reinsurance limit	(7)
2023 estimated net homeowners capital	**12.3**
Less: 2023 group tangible equity & preferreds	15.4
Capital backing non-homeowners businesses	**3.1**
2023 estimated auto premiums	33.1
Auto capital required implied @ 3:1 premium:surplus	11.0
Less: Capital backing non-homeowners businesses	3.1
Total Allstate capital deficit	**8.0**

Source: Company filings, Autonomous Research

At the end of 2021 when Allstate had ~$21bn of stat capital, this would have left a sufficient $10bn to support the auto book. However, the capital erosion since then has been staggering, with the company ending the second quarter with just $13.6bn of statutory surplus. Back of the envelope math (assuming personal auto is capitalized at 3:1 premium surplus) would point

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to an $8bn capital deficit in the most recent quarter.

In our view, the precise size of the deficit is not so important, the main point is that something has to be done. The limited scope for medium term capital generation puts a spotlight on the deficit and thus we'd argue that a smaller $4bn assumed deficit should bring no less sense of urgency in addressing this issue.

HoldCo Capital Starved in Medium Term

Weak auto underwriting and higher home cat losses should continue to limit Allstate's ability to organically fix any capital deficit. Allstate's statutory dividend capacity for 2023 is $1.2bn, a figure we don't expect to change materially in 2024 or 2025. That's about sufficient to cover a year's worth of fixed charges. However, Allstate hasn't taken out any dividends over the past twelve months, and it's safe to say that Allstate would prefer not to with P&C capital almost 40% below YE21 levels. That leaves Allstate with holding company cash resources that cover just 2.5 years of fixed charges, and that's ignoring the ~$1bn of debt maturities in 2024 and 2025 **(Table 5)**.

Table 5: We estimate Allstate has enough holdco resources to cover under three years of fixed costs without any debt paydown.

Allstate Total Available Capital Assessment	
Available capital	**($bn)**
2Q23 statutory capital	13.6
2Q23 holdco cash	3.3
FY23 statutory dividend capacity	1.2
Assumed fixed charges	**($bn)**
1 year interest exp	0.3
1 year preferred div	0.1
1 year common div	1.1
1 year fixed charges	1.4
Allstate upcoming debt maturities	**($bn)**
2024 debt maturities	0.4
2025 debt maturities	0.6

Source: Company filings, Autonomous Research

The most logical path forward is a short-term reinsurance fix

In the best-case scenario, we think it will take Allstate more than two years to rebuild its TAC by $4bn which points to a long period of no buybacks. While we expect a $1bn P&C operating loss in 2023 and a $800mm operating gain in 2024 with improvement expected from auto and lower cats, we think P&C capital generation will remain negative. Furthermore, it's difficult to have much confidence in those projections. Nearly two years into Allstate's aggressive auto pricing actions, loss ratios have yet to inflect with inflation running rampant. Furthermore, as discussed above, cat losses appear to be settling into a startling new normal **(Table 6)**.

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Table 6: Given Allstate's current capital constraints, we expect 2028 earnings power to be limited to ~$13.

Illustrative Allstate Model						
($mm)	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Home premium	11,735	12,207	12,688	13,177	13,416	13,646
Auto premium	32,576	36,120	38,262	40,152	40,943	41,750
Other	3,493	3,493	3,493	3,493	3,493	3,493
Property Liability premium	47,804	51,821	54,444	56,822	57,852	58,889
Home PIF (k)	7,194	6,994	6,794	6,594	6,394	6,194
Home premium/policy ($)	$1,631	$1,745	$1,868	$1,998	$2,098	$2,203
Auto PIF (k)	25,520	25,265	25,012	24,762	24,514	24,269
Auto premium/policy ($)	$1,276	$1,430	$1,530	$1,622	$1,670	$1,720
Underlying CR (%)	94.0%	93.0%	91.0%	90.0%	89.0%	89.0%
Cats (%)	13.2%	9.1%	9.3%	8.5%	8.1%	8.0%
Reported CR (%)	107.3%	102.1%	100.3%	98.5%	97.1%	97.0%
Property Liability underwriting earnings	(2,792)	(864)	(110)	682	1,342	1,413
Protection Services earnings	169	169	169	169	169	169
Health & Benefits earnings	256	256	256	256	256	256
Corporate earnings	(400)	(400)	(400)	(400)	(400)	(400)
Net investment income	1,737	1,858	1,988	2,068	2,109	2,152
Headwind from higher reinsurance costs	0	(240)	(400)	(400)	(400)	(400)
Operating earnings	**(1,030)**	**779**	**1,503**	**2,375**	**3,077**	**3,190**
Weighted average shares outstanding	262.6	262.6	262.6	262.6	258.0	238.8
Adjusted EPS	**($3.92)**	**$2.97**	**$5.72**	**$9.04**	**$11.92**	**$13.36**
Adjusted shareholders equity	15,361	15,040	15,443	16,718	17,695	17,285
Buybacks		0	0	0	(1,000)	(2,500)
Dividends	(550)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)
Gross home required capital	19	(581)	(1,181)	(1,781)	(2,381)	(2,981)
Less: Reinsurance limit	(7,000)	(10,000)	(12,000)	(12,000)	(12,000)	(12,000)
Net required home capital	(6,981)	(10,581)	(13,181)	(13,781)	(14,381)	(14,981)
Auto required capital	10,821	11,884	12,527	13,094	13,331	13,573
Capital deficit	**11,521**	**13,737**	**16,097**	**17,405**	**18,744**	**18,692**

Source: Company filings, Autonomous Research

At the recent Barclays conference, Allstate's CFO stated that "our capital model incorporates layers of capital to absorb stress from infrequent and low probability events without impacting our operating, strategic or financial flexibility." It's hard for us to imagine that this statement still holds. Historically, Allstate's capital model has worked to limit aggregate annual net loss exposure to hurricanes, earthquakes and wildfires to $2.5bn in a 1-100-year loss. Financial flexibility has already been hindered by normal operations, so it's hard for us to imagine Allstate being able to withstand another $2.5bn of erosion to its insurance capital base. On that same call, the CFO acknowledged that he's looking for capital markets solutions to replenish capital (i.e. reinsurance).

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Reinsurance solutions would be expensive, compromising the return to generating capital

Allstate has a number of reinsurance programs, but the centerpiece is the Nationwide Program, which provides coverage of up to $7bn of catastrophe losses less a $500mm retention across all states excluding Florida. The limit placed under this program has doubled since 2018 while the total cost of reinsurance has almost tripled to ~$1bn per year, or over 10% of limit placed **(Table 7)**.

Table 7: Allstate's rising reinsurance program costs have outpaced its limit over the past five years.

Allstate Nationwide Reinsurance Program History ($bn)

	2018	2019	2020	2021	2022	2023
Nationwide limit	4.5	4.9	5.0	5.6	7.0	7.0
PML	2.0	2.0	2.0	2.5	2.5	2.5
Cost	0.3	0.4	0.4	0.6	0.8	0.9
Rate-on-line (%)	7.6%	7.8%	8.5%	10.0%	11.3%	13.2%

Source: Company filings, Autonomous Research

At the Barclays conference, the reinsurance solution the CFO discussed was an aggregate loss cover at the tail. Since this coverage would be aggregate loss (not just catastrophe), we would suspect that it would be more costly than the nationwide limit. We speculated that the capital deficit could be as high as $7bn, but even if we assume that Allstate lowers its required capital by $4bn, at a 10% ROL, we estimate that a reinsurance solution would be 10% dilutive to consensus 2024 estimates **(Table 8, Table 9)**.

Table 8: Freeing up an additional $4bn of capital would increase reinsurance costs by $400mm...

Capital Stress Test

Additional Cover Purchased	Rate-on-Line Scenario			
	8%	10%	12%	14%
$2bn cover	$160mm	$200mm	$240mm	$280mm
$4bn cover	$320mm	$400mm	$480mm	$560mm
$6bn cover	$480mm	$600mm	$720mm	$840mm
$7bn cover	$560mm	$700mm	$840mm	$980mm

Source: Company filings, Autonomous Research

Table 9: ...which would also dilute consensus 2024 EPS estimates by 10%.

2024 Consensus EPS Stress Test

Additional Cover Purchased	Rate-on-Line Scenario			
	8%	10%	12%	14%
$2bn cover	4%	5%	6%	7%
$4bn cover	8%	10%	12%	14%
$6bn cover	12%	15%	18%	22%
$7bn cover	14%	18%	22%	25%

Source: Company filings, Bloomberg, Autonomous Research

Longer Term, We Envision a Smaller Allstate

Rate action at Allstate has historically resulted in multi-year losses of market share. The most recent instance was 2015-2017 when Allstate and the industry took across-the-board increases in auto.

But for the home business, the last instance was the post-Katrina time period from 2005-2011. Hurricane Katrina resulted in $3.2bn of losses for Allstate with hardly any reinsurance recoveries and vastly reshaped the company's homeowners strategy. In the immediate aftermath (2006-2008) Allstate bought up a significant amount of reinsurance and reduced peak zone cat exposure (namely Florida, New York, and California). Over that time period, annual reinsurance costs increased from $111mm per year to $811mm per year and Allstate's homeowners national market share declined from 11.8% to 10% with overall home PIF declining 9% **(Table 10)**.

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Table 10: Allstate significantly rebalanced its homeowners book post-Katrina, with exposure reductions in peak cat zones significantly eroding the company's market share.

Effects of Significant Reunderwriting Periods on Allstate Market Shares

Time period	Action/Market Share Shift	States	Lines	Lost policies
Post Katrina (2005-2008)	**Reduced peak zone exposure**	**California, Florida, New York**	**Home**	**1mm home PIF**
New York home:	19.9% to 18.5%			
New York auto:	19.7% to 21.4%			
California home:	15.1% to 12.2%			
California auto:	10.3% to 10.2%			
Florida home:	8.1% to 2.9%			
Florida auto:	17.6% to 17.4%			
Non-modeled Cats (2008-2011)		**Broad-based**	**Home**	**1mm home PIF**
Southern Plains personal lines:	7.3% to 6.2%			
Mountain states personal lines:	6.7% to 5.8%			
Midwest personal lines:	5.4% to 5.1%			
CA, FL & NY Auto Retrench (2009-2012)		**Several states**	**Auto**	**1 mm auto PIF**
New York auto:	21.4% to 18%			
California auto:	17% to 16%			
Florida auto:	14.4% to 14.8%			
Auto Hard Market (2015-2017)		**Broad-based**		**1 mm auto PIF**
Personal lines:	10.5% to 10.1%			
Auto Hard Market (2021-Current)		**Broad-based**		**1mm auto PIF**

Source: Company filings, SNL Financial, Autonomous Research

The peak zone retrenchment wasn't the end of the repricing, however. The next three years (2008-2011) involved more broad-based repricing to account for non-modeled catastrophes over which time Allstate saw another 1mm reduction in home PIF. In total, Allstate had reductions to its home PIF count for 27 consecutive quarters from 2Q06 to 1Q13, resulting in a book 22% smaller than it was pre-Katrina **(Table 11)**.

Table 11: Allstate's repricing actions for both modeled and non-modeled losses results in a 22% hit to its homeowners' policy count over a ~7 year time frame, from which the company has still yet to recover.

Allstate Homeowners Statistics Post-Katrina vs. Today

Year	Home CR	Statutory Surplus	Home PIF
2005	133.5%	$14.8bn	7.8mm
2023	133.9%	$13.6bn	6.1mm

Source: Company filings, Autonomous Research

We view Allstate's homeowners profitability and balance sheet situation today as similarly dire to the post Katrina experience. While Katrina's income statement impact was unprecedented at the time, we note that Allstate's YTD home combined ratio is pretty similar to the 2005 result. Moreover, Allstate actually has less P&C stat surplus today than it did at the end of 2005.

The knee-jerk to Allstate's profitability issues has been retrenchment in several markets. Allstate has already announced targeted reductions in New York, New Jersey, and California auto that based on past retrenchments we think could cause a loss of almost 7% of Allstate Brand auto policies. Additionally, Allstate has stopped writing new business on California home (which is 7% of home policies), and we think the five-year impact of that action could be a 3% homeowners PIF headwind **(Table 12)**.

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Table 12: Working off of Allstate's retrenchment in the California auto market, we estimate a pullback in California homeowners could result in a 3% PIF headwind.

Autonomous Allstate Home and Auto PIF Bleed Calculations

		A	B	B/A = C	D	C*D
	Premium ($mm)	Current market share (%)	Assumed market share loss (%)	Assumed customer loss (%)	Assumed lost premium (%)	Assumed lost policies (%)
California auto	3,508	10.7%	4.0%	36.4%	11.8%	4.3%
New York auto	2,428	15.9%	3.0%	18.8%	8.2%	1.5%
New Jersey auto	928	11.0%	3.0%	27.3%	3.1%	0.9%
CA/NY/NJ share of auto	**3,356**					**6.7% of auto policies lost**
California home	**792**	**6.3%**	**3%**	**47.6%**	**6.6%**	**3.1% of home policies lost**

Source: Company filings, SNL Financial, Autonomous Research

Over the medium term, we'd also expect Allstate to examine its non-modeled cat footprint. Since 2013, West South Central states (most notably Texas) has been one of the key market share growth areas for Allstate personal lines where premium has grown by $3bn. From 2008 to 2012 when Allstate last took rate in homeowners in this region for non modeled cats the company's market share declined from 14% to 11%.

The Normalized Earnings Power Argument Clearly Favors Progressive

The bull case on Allstate often refers to the company's ability to fix auto and return to $13+ of earnings power, while acknowledging that will take time. As that process is happening, we think capital constraints and weak capital generation will limit share repurchase and underwriting actions to address cat exposures will lead to sharp declines in customers.

On the other hand, over that same period of time, Progressive should be growing its customer base and expanding its normalized earnings power as auto margins are closer to target and with the company far less burdened by a homeowners issue. We suspect that Progressive's normalized earnings power will actually be higher than Allstate's when this period of margin restoration is over **(Table 13)**.

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Table 13: With expectations for $15 of 2028 earnings power at Progressive, the relative spread versus Allstate no longer works in Allstate's favor.

Illustrative Progressive Model						
($mm)	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Home premium	2,802	3,148	3,537	3,974	4,381	4,830
Auto premium	45,684	56,269	66,763	76,330	86,482	97,984
Other	9,852	10,640	11,491	12,411	13,404	14,476
Total premium	58,338	70,057	81,791	92,715	104,267	117,290
Home PIF (k)	3,139	3,296	3,461	3,634	3,815	4,006
Home premium/policy ($)	$893	$955	$1,022	$1,094	$1,148	$1,206
Auto PIF (k)	19,605	22,154	25,034	27,787	30,566	33,623
Auto premium/policy ($)	$2,330	$2,540	$2,667	$2,747	$2,829	$2,914
Underlying CR (%)	94.0%	92.3%	91.5%	91.0%	90.5%	90.5%
Cats (%)	3.6%	3.0%	3.0%	3.0%	3.0%	3.0%
Reported CR (%)	97.4%	95.3%	94.5%	94.0%	93.5%	93.5%
Underwriting earnings	1,213	2,634	3,599	4,450	5,422	6,099
Corporate earnings	(240)	(240)	(240)	(240)	(240)	(240)
Net investment income	1,363	1,963	2,454	2,650	2,809	2,950
Headwind from higher reinsurance costs						
Operating earnings	**2,337**	**4,357**	**5,813**	**6,860**	**7,991**	**8,809**
Weighted average shares outstanding	586.0	586.0	586.0	586.0	586.0	586.0
Adjusted EPS	**$3.99**	**$7.44**	**$9.92**	**$11.71**	**$13.64**	**$15.03**
Adjusted shareholders equity	0	3,257	7,970	13,730	19,621	24,830
Buybacks		0	0	0	(1,000)	(2,500)
Dividends	(550)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)

Source: Company filings, Autonomous Research

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AUTONOMOUS TICKER TABLE

			23 Oct 2023			Adjusted EPS			Adjusted P/E (x)		
			Closing	Price							
Ticker	Rating		Price	Target		2022A	2023E	2024E	2022A	2023E	2024E
ALL US	UP	USD	121.83	**90.00**	USD	(0.88)	**(4.30)**	**3.40**	(138.7)	(28.3)	35.9
OLD				97.00			(4.22)	7.97			
SPSIINS			3,844.31			--	--	--	--	--	--

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

OP - Outperform, N - Neutral, UP - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Autonomous estimates and analysis.

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To derive a fair value, we use a common valuation approach for each sector/sub-sector: for banks, insurers, and mortgage originators we use a DCF based sum-of-the-parts valuation; for payment and processing companies, mortgage tech companies, and traditional asset managers we use a target P/E approach; for alternative asset managers we take the average of a fee stream sum-of-the-parts and an "in ground" and un-invested capital value model. These approaches to fair values drive the price target exactly in most circumstances. Only where there is an identifiable exogenous event that could occur on a twelve-month time-frame can a target price diverge from the fair value (e.g. a potential take-over from an identifiable bidder or a potential capital impact from a possible regulatory change).

RISKS

Allstate Corp.

The main risks to our Underperform rating on ALL are 1) better-than-expected policy growth resulting in top-line growth in a negative industry pricing environment, 2) significant improvements to margins in its independent agency following the Nat Gen acquisition, and 3) duration adjustments improving the yield in the P&C business, thereby reducing interest rate exposure.

Allstate Corp.

The main risks to our Underperform rating on ALL are 1) better-than-expected policy growth resulting in top-line growth in a negative industry pricing environment, 2) significant improvements to margins in its independent agency following the Nat Gen acquisition, and 3) duration adjustments improving the yield in the P&C business, thereby reducing interest rate exposure.

Progressive Corp

The main risks to our Outperform rating on PGR are 1) an unexpected deceleration in policy-in-force growth, 2) an unexpected deceleration in moderation of severity, and 3) a deceleration of written premium per policy growth.

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- Market-Perform: Stock will perform in line with the market index to within +/-15 pp

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- Underperform: Stock will trail the performance of the market index by more than 15 pp

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Not Rated: The stock Rating, Target Price and/or estimates (if any) have been suspended temporarily.

Autonomous brand

The Autonomous brand rates stocks as indicated below. As our benchmarks we use the Bloomberg Europe 500 Banks And Financial Services Index (BEBANKS) and Bloomberg Europe Dev Mkt Financials Lrg & Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 500 Insurance Index (BEINSUR) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, and the Bloomberg Emg Mkt Financials Large, Mid & Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments. Ratings are stated relative to the sector (not the market).

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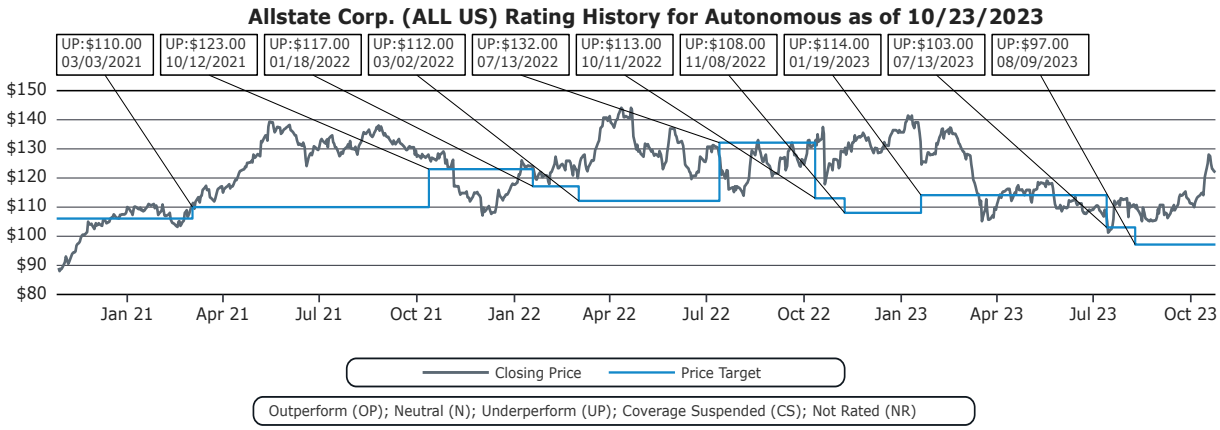
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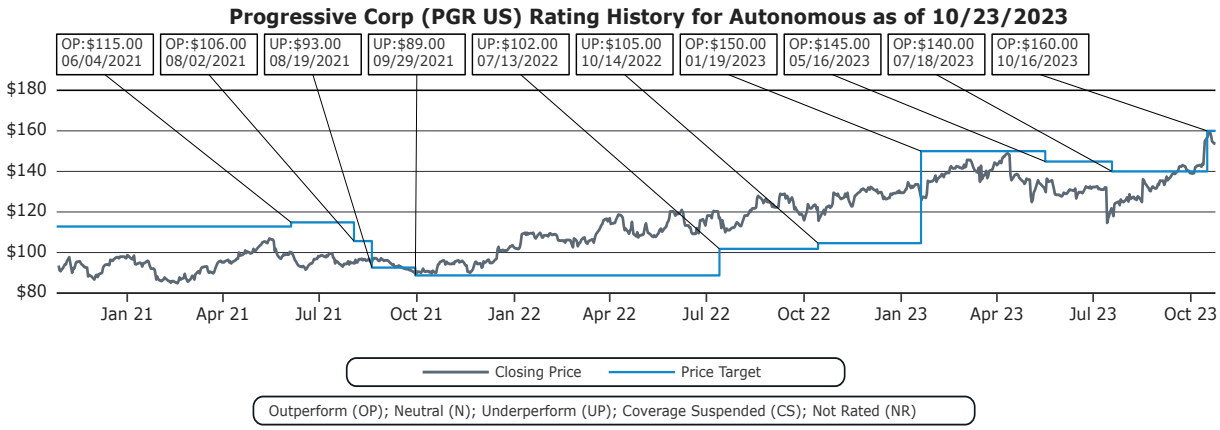
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Outperform	BUY	387	48.44%	1	0.26%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	289	36.17%	0	0.00%
Underperform	SELL	123	15.39%	0	0.00%

* These figures represent the number and percentage of companies in each category to whom Bernstein and Autonomous provided investment banking services.
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PRICE CHARTS/ RATINGS AND PRICE TARGET HISTORY





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