

EXHIBIT A

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2017CH10676

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

DONNA BIEFELDT and IBEW LOCAL 98)
PENSION FUND, Derivatively and on Behalf)
of THE ALLSTATE CORPORATION,)

Plaintiff,)

vs.)

THOMAS J. WILSON, MATTHEW E.)
WINTER, JUDITH A SPRIESER, ANDREA)
REDMOND, KERMIT R. CRAWFORD,)
SIDDHARTH N. MEHTA, MICHAEL L.)
ESKEW, MARY ALICE TAYLOR, JOHN W.)
ROWE, F. DUANE ACKERMAN, JACK M.)
GREENBERG, HERBERT L. HENKEL, and)
ROBERT D. BEYER)

Defendants,)

- and -)

THE ALLSTATE CORPORATION, a)
Delaware corporation,)

Nominal Defendant.)

Case No. 2017-CH-10676
(Consolidated)

CONSOLIDATED AMENDED
SHAREHOLDER DERIVATIVE
COMPLAINT FOR BREACH OF
FIDUCIARY DUTY, CORPORATE WASTE
AND UNJUST ENRICHMENT

DEMAND FOR JURY TRIAL

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OVERVIEW OF THE ACTION

1. This is a shareholder derivative action on behalf of The Allstate Corporation (“Allstate” or the “Company”) against current and former members of its board of directors and its former President for breach of loyalty, corporate waste and unjust enrichment.

2. Defendants are Allstate’s directors – defendants Thomas J. Wilson (“Wilson”), Kermit R. Crawford (“Crawford”), Michael L. Eskew (“Eskew”), Siddharth N. Mehta (“Mehta”), Andrea Redmond (“Redmond”), and Judith A. Sprieser (“Sprieser”); Allstate’s former directors – defendants John W. Rowe (“Rowe”), Mary Alice Taylor (“Taylor”), Jack M. Greenberg (“Greenberg”), F. Duane Ackerman (“Ackerman”), Herbert L. Henkel (“Henkel”) and Robert D. Beyer (“Beyer”); and Allstate’s former President – defendant Matthew E. Winter (“Winter”) (together, “defendants”).

3. Nominal defendant Allstate is a personal lines insurance company, offering homeowners, renters, motorcycle and automobile insurance. The Company sells personal lines insurance through three brands: Allstate Insurance, Esurance and Encompass. The “Allstate” brand is the Company’s largest business segment, accounting for 90% of its total insurance business, and automobile insurance is the “Allstate” brand’s largest business segment.

4. Before 2013, the Company experienced several years of declines in policies-in-force in the Allstate brand automobile insurance line. To overcome this situation, defendants embarked upon an aggressive plan to grow the Company’s policies-in-force and revenues in its automobile insurance segment. Rather than simply chase an increase in market share at the expense of profitability, however, defendants claimed that Allstate’s plan was to grow automobile policies-in-force and revenues while maintaining profitability.

5. In truth, the Company’s new business was of lower quality and carried increased risks of loss, which, in turn, caused a dramatic increase in the frequency of automobile insurance claims.

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In fact, by the fall of 2014, Allstate had experienced two consecutive months of drastically increased claims. By contrast, before the fall of 2014, the Company's Allstate brand automobile insurance business had enjoyed flat or declining frequency of claims.

6. Rather than disclose this spike in claims frequency, defendants first caused Allstate to deny that there was any increase in claims frequency at all. Then, as the spike continued and could no longer be denied, defendants caused the Company to make false and misleading statements regarding the cause of the dramatic increase. For example, on October 29, 2014, Allstate issued an earnings release entitled "Allstate Reports Broad-Based Growth and Strong Profitability," stating "[t]he Allstate brand grew insurance policies in force by 572,000, or 1.9% in the third quarter of 2014 compared to the prior year quarter, after reflecting a comprehensive plan to generate profitable growth." Likewise, on October 30, 2014, commenting on claims frequency during a conference call for Allstate shareholders and market analysts, Allstate's President, defendant Winter, stated "our frequency so far has been extremely favorable to [the] prior year" and is "within our historical ranges . . . so our frequency trends have been good."

7. Defendants' positive statements concealed the true facts – that Allstate was experiencing a spike in claims frequency for automobile policies – and caused the price of Allstate stock to increase from around \$63.23 per share on October 28, 2014 to over \$67.61 per share by December 1, 2014. While Allstate stock traded at these artificially inflated prices, on November 26, 2014, Allstate's Chief Executive Officer ("CEO") and Chairman, defendant Wilson, exercised options that were not due to expire until 2019 and cashed out 224,439 shares of his personal Allstate stock for \$15,151,877 in unlawful insider trading proceeds. This was Wilson's first stock sale in nearly ten years.

8. Two months later, on February 4, 2015, defendants caused Allstate to report its fourth quarter and year end fiscal 2014 results. In the earnings release entitled "Allstate Sustains Growth

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and Profitability,” defendants acknowledged that Allstate had experienced an “increase in claim frequency in the first two months of the quarter [October and November],” but blamed the increase on “precipitation in select markets and general economic trends” and not on the quality of new automobile policies and/or the Company’s new, aggressive premium growth program. For example, during a February 5, 2015 conference call defendant Winter stated:

Third point is: what’s driving it and what’s not driving it [claims frequency]. Let me start with what is not driving it. Number one, we saw nothing to indicate that it’s a quality of business issue or that it’s being driven by growth, which is a natural question that you would have, since, I hope, sometime during the call, we talk about the growth we’re achieving in the auto business.

9. Similarly, in Allstate’s Annual Report filed on U.S. Securities and Exchange Commission (“SEC”) Form 10-K, dated February 19, 2015, defendants again blamed the spike in claims frequency during the first two months of the fourth quarter 2014 (October and November) on “improved unemployment rates leading to higher miles driven and areas that experienced higher precipitation.”

10. Due to defendants’ materially false and misleading statements and/or omissions regarding the cause of the spike in automobile claims frequency, Allstate stock continued to trade at artificially inflated prices. While Allstate shares traded at these prices, defendants Greenberg, Sprieser and Taylor sold 14,500 shares of their personal Allstate stock for unlawful insider trading proceeds of \$1,012,995.

11. On May 5, 2015, Allstate reported a second consecutive quarter of elevated claims frequency, but again claimed that the cause was external. In an earnings release entitled “Allstate’s Broad-Based Business Model Generates Profitable Growth,” defendants stated “[a]uto losses were elevated in the first quarter [ended March 31, 2015], reflecting seasonal winter weather and higher non-weather levels of frequency and severity in all three brands where we underwrite risk.”

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Likewise, during a May 6, 2015 conference call for Allstate shareholders and market analysts, defendant Winter stated:

As we talked about last quarter actually, the frequency pressure is a combination of miles driven and weather. . . . That pattern (technical difficulty) seemed to hold up again this quarter.

But we want[ed] to validate that and verify it. . . . [So] we did a very intense deep dive into our business to ensure that the increases in frequency we are seeing are proportional and consistent across multiple segments of the business no matter how you cut it, to make sure in effect that these aren't our problems but are in fact external.

* * *

And all of that review showed that this trend is externally driven primarily by miles driven.

* * *

So you look at all of that and you come to the conclusion that in fact this is an external trend.

12. As a result of the disclosure of a continuation of the negative claims frequency trend, Allstate's stock price declined from \$70.00 per share on May 5, 2015 to \$67.31 per share on May 6, 2015. However, because of defendants' materially false and misleading statements and/or omissions regarding the cause of the negative trends, the price of Allstate stock remained artificially inflated. Shortly thereafter, on May 26, 2015, defendant Wilson exercised more options and sold 92,786 shares of his personal Allstate stock for \$6,256,560 in unlawful insider trading proceeds.

13. Defendants' efforts to conceal the true cause of the Company's adverse automobile claims frequency trends continued until early August 2015. Then, on August 3, 2015, Allstate stunned shareholders by reporting disappointing financial results that reflected a third consecutive quarter of the negative trend of increased claims frequency. The Company also reported dismal quarterly operating income of \$262 million, or 57% less than the prior quarter, and disappointing operating earnings per share of \$0.63, or 35% less than consensus analysts' estimates. In the August 3, 2015 earnings release, defendant Wilson attributed the dismal operating earnings per share

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to “increased frequency and severity of auto accidents,” which also “negatively impacted” loss and combined ratios. Further, in the earnings release, defendant Wilson admitted for the first time that “recent growth in Allstate brand auto policies in force did increase frequency, since new business typically has higher relative frequency.” Defendant Wilson added that Allstate had responded with “tighter underwriting standards.”

14. On this news, the trading price of Allstate shares plunged, falling over 10%, from \$69.38 per share on August 3, 2015 to \$62.34 per share on August 4, 2015, wiping out more than \$2 billion in once valuable shareholders’ equity. In the wake of these revelations, Allstate shareholders sued. As a result, the Company has been named as a primary defendant in a costly and expensive class action lawsuit for alleged violations of the anti-fraud provisions of the federal securities laws, thereby exposing Allstate to potentially hundreds of millions of dollars in potential cost, damages and injuries. *See Carpenters Pension Trust for N. California v. The Allstate Corp.*, No. 16-C-10510 (N.D. Ill.) (“Securities Action”).

15. Worse yet for the Company, on February 27, 2018, the U.S. District Court for the Northern District of Illinois (“District Court”) upheld the complaint filed in the Securities Action. In its Memorandum Opinion and Order (“Opinion”), the District Court rejected the defendants’ lack of falsity and scienter arguments, concluding that in their complaint “[p]laintiffs provide numerous allegedly misleading factual statements” and “have adequately pled scienter.” Opinion at 6, 12. Now Allstate must defend itself at trial against damages claims seeking hundreds of millions of dollars for the Company’s violations of §10(b) of the Securities Exchange Act of 1934.

16. Notwithstanding these adverse developments, the Allstate Board of Directors (the “Board”) has not taken legal action against the directors and officers responsible for this debacle. Nor will they, or can they, because defendants, and each of them, face a substantial risk of liability

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for breaching their fiduciary duty of loyalty for misrepresenting the cause of the spike in automobile claims frequency and its adverse impact on Allstate's profitability.

17. By this action, plaintiffs seek to vindicate Allstate's rights against its wayward fiduciaries.

JURISDICTION AND VENUE

18. This Court has jurisdiction under 735 ILCS 5/2-209 because each defendant is either a corporation that conducts business in and maintains its principal place of business in Cook County, Illinois or is an individual who resides in and/or has sufficient minimum contacts with Illinois so as to render the exercise of jurisdiction by the Illinois courts permissible under traditional notions of fair play and substantial justice, and because a substantial portion of the omissions and wrongful acts occurred in Cook County, Illinois.

19. Venue is proper in this Court because Allstate is headquartered in Cook County, Illinois. Moreover, each of the individual defendants has had extensive contacts with Cook County, Illinois as a director and/or officer of Allstate, one or more of the individual defendants resides in Cook County, Illinois, and a substantial portion of the omissions and wrongful acts occurred in Cook County, Illinois.

THE PARTIES

20. Plaintiffs Donna Biefeldt and IBEW Local 98 Pension Fund are and continuously have been shareholders of Allstate since at least January 2012 and January 2006, respectively. Plaintiffs will adequately represent Allstate's interests in the derivative claims.

Nominal Defendant

21. Nominal defendant Allstate is a Delaware corporation with principal executive offices located at 2775 Sanders Road, Northbrook, Illinois 60062. Allstate is one of the most recognized brand names in the United States that employs over forty thousand (40,000) people. Allstate maintains robust internal controls, disclosure controls and procedures, and information systems. At

least quarterly, Allstate conducts an evaluation of the effectiveness of its disclosure controls and procedures. Without fail, those disclosure controls and procedures are found to be effective. And Allstate continues to enhance technology to improve customer service, facilitate the introduction of new products and services, improve the handling of claims and reduce infrastructure costs related to supporting agencies.

Defendants

22. Defendant Thomas J. Wilson has served as a director of Allstate since 2008. He also has served as CEO of the Company since 2007 and President since February 2018. Wilson received at least \$29.5 million in salary, bonus and other incentive-based compensation not justified by the Company's performance while under his stewardship. While Allstate stock sold at artificially inflated prices, Wilson sold 317,225 shares of Allstate stock for unlawful insider trading proceeds of \$21,408,437.

23. Defendant Andrea Redmond has served as a director of Allstate since 2010. She also has served on the Compensation and Succession Committee of the Allstate Board. Redmond received at least \$492,668 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under her stewardship.

24. Defendant Judith A. Sprieser has served as a director of Allstate since 1999. She also has served on the Audit and Risk and Return Committees of the Allstate Board. Sprieser received at least \$544,615 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under her stewardship. While Allstate stock sold at artificially inflated prices, Sprieser sold 4,000 shares of Allstate stock for unlawful insider trading proceeds of \$283,440.

25. Defendant Kermit R. Crawford has served as a director of Allstate since 2013. He also has served on the Audit Committee of the Allstate Board. Crawford received at least \$480,305

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in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his stewardship.

26. Defendant Siddharth N. Mehta has served as a director of Allstate since 2014. He also has served on the Audit and Risk and Return Committees of the Allstate Board. Mehta received at least \$520,542 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his stewardship.

27. Defendant Michael L. Eskew has served as a director of Allstate since July 2014. He also has served on the Audit and Compensation and Succession Committees of the Allstate Board. Eskew received at least \$420,682 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his stewardship.

28. Defendant John W. Rowe served as a director of Allstate from 2012 until May 2018. He also has served on the Compensation and Succession Committee of the Allstate Board. Rowe received at least \$512,631 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his stewardship.

29. Defendant Mary Alice Taylor served as a director of Allstate from 2000 until May 2018. She also has served on the Audit and Risk and Return Committees of the Allstate Board. Taylor received at least \$495,758 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under her stewardship. While Allstate stock sold at artificially inflated prices, Taylor sold 4,000 shares of Allstate stock for unlawful insider trading proceeds of \$276,000.

30. Defendant Jack M. Greenberg served as a director of Allstate from February 2002 to May 2015. Greenberg received at least \$314,492 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his

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stewardship. While Allstate stock sold at artificially inflated prices, Greenberg sold 6,500 shares of Allstate stock for unlawful insider trading proceeds of \$453,555.

31. Defendant F. Duane Ackerman served as a director of Allstate from November 1999 to May 2015. Ackerman received at least \$320,678 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his stewardship.

32. Defendant Robert D. Beyer served as a director of Allstate from September 2006 to May 2016. Beyer received at least \$517,027 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his stewardship.

33. Defendant Herbert L. Henkel served as a director of Allstate from March 2013 to May 2017. Henkel received at least \$480,305 in directors' fees, consisting of cash and incentive stock awards, from Allstate not justified by the Company's performance while under his stewardship.

34. Defendant Matthew E. Winter served as Allstate's President from January 2015 until February 2018. He previously served as President of Allstate Personal Lines from February 2012 to January 2015. Winter received at least \$10.7 million in salary and incentive-based compensation not justified by the Company's performance while under his stewardship.

THE FIDUCIARY DUTIES OF ALLSTATE'S DIRECTORS AND OFFICERS

35. By reason of their positions as Allstate's directors and/or officers and because of their ability to direct and control the Company's business and corporate affairs, defendants owed Allstate and its shareholders a fiduciary duty to use their utmost ability to control and manage Allstate in an honest and lawful manner. Towards this end, Allstate's directors and officers owed the Company and its shareholders fiduciary duties to exercise good faith and loyal and reasonable supervision over the Company's management, policies, practices and internal controls.

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36. As Allstate's directors and officers, defendants owed Allstate a fiduciary duty of loyalty, which in the context of this action, includes a duty of candor. As such, defendants as well as Allstate, were duty bound to speak the entire truth whenever they undertook to say anything about the Company's financial condition and/or results to the public. In particular, Allstate's directors, as the highest authority with the Company, were required to exercise vigilance in preventing false statements from being made in Allstate's name and ultimately to correct such known false statements, whether made directly by Allstate or through its senior representatives.

37. Defendants' fiduciary duties also required them to, among other things: (i) ensure that the Company complied with its legal obligations and requirements, including acting only within the scope of legal authority and disseminating truthful and accurate statements to the investing public; (ii) conduct the affairs of the Company in an efficient, businesslike manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to lawfully maximize the value of the Company's stock; (iii) properly and accurately guide investors and analysts as to the true financial condition of the Company at any given time, including making accurate statements about the Company's financial results and internal controls; (iv) remain fully informed as to how Allstate conducted its operations and, upon receipt of notice or information of untrue corporate statements, imprudent or unsound conditions, make reasonable inquiry in connection therewith and take steps to correct such conditions or practices and make and correct such disclosures as are necessary to comply with their fiduciary duty of candor and loyalty under Delaware law; (v) ensure that Allstate was operated in a diligent, honest and prudent manner in compliance with all applicable laws, rules and regulations, including the federal securities laws, rules and regulations; and (vi) refrain from breaching their duty of loyalty to the Company by adopting practices and procedures and controls inconsistent with their fiduciary duty of loyalty.

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38. The Audit Committee Charter of the Allstate Board confirms the oversight responsibility of the directors. More specifically, the Audit Committee Charter provides, in relevant part, as follows:

**The Allstate Corporation
Audit Committee Charter**

* * *

IV. Duties and Responsibilities.

A. Review financial statements and other financial information.

1. *The Committee reviews* and discusses with management, its chief audit executive, and the independent registered public accountant *the Corporation's annual audited and quarterly financial statements*, including management's discussion and analysis of financial condition and results of operations and risk factors.

* * *

5. The Committee recommends to the Board whether the audited financial statements should be included in the Corporation's annual report on Form 10-K.

6. *The Committee discusses* the Corporation's process for preparing earnings releases, as well as *its processes for providing financial information* and earnings or *earnings-related guidance to analysts and rating agencies*, generally (*including the types of information to be disclosed and types of presentations to be made*).

**ALLSTATE'S SOPHISTICATED INTERNAL CONTROLS FOR TIMELY
DISSEMINATION OF ACTIONABLE MATERIAL FINANCIAL
INFORMATION TO KEY DECISION-MAKERS**

39. According to defendants, at all relevant times, Allstate operated as a robust and sophisticated enterprise with an effective control system around issues disclosure and financial reporting. The framework surrounding the Company's internal controls emphasizes how effective Allstate's process is to identify not only the downside, but also the upside, or opportunities that can be seized to enhance profitability and returns. This framework provided multiple channels allowing for the timely flow of material information, such as growth strategy, business performance, claims frequency, shareholder advocacy and corporate reputation among other things, throughout all levels

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of the Company, including its Board. For example, defendants knew that the Company's internal control of financial reporting require continual effort and dialogue among the Board and senior management on how to address challenges, such as revenue growth and claims frequency. Thus, in an effort to enhance communication and to maintain and adhere to its control responsibility, the Company's Corporate Governance Guidelines, Corporate Governance Practices and Committee Charters strongly encouraged individual Board members to engage and communicate with top management and to act in an advisory capacity to top management.

40. Effective internal controls were built into the operation and management process of Allstate. For example, defendant Wilson as Chair of the Board and defendants Sprieser and Ackerman in their roles as lead directors were blessed with the responsibility to regularly ensure that information important to the Board or a Committees understanding of the business to be conducted at meetings was distributed to members in advance of the six scheduled Board meetings each year. All defendants were then required to review such material in advance, attend each meeting and actively participate. According to the Company's annual and quarterly filings for the relevant period, information related to the risk of claims and underwriting, along with the impact of claims frequency was deemed material information and thus important to the Board and Committees.

41. The Company represented in its 2015 Proxy Statement, filed with the SEC on April 6, 2015, that: (1) the Allstate Board met 6 times in 2014; (2) attendance at Board and committee meetings during 2015 averaged 97% for directors as a group; and (3) the Board also has regular first-hand exposure to senior leadership and high-potential officers through working and informal meetings throughout the year.

42. Notably, the Company then represented in its 2016 Proxy Statement, filed with the SEC on April 11, 2016, that: (1) the Allstate Board met 9 times in 2015; (2) attendance at Board and committee meetings during 2015 averaged 99% for directors as a group; and (3) the Board also has

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regular and direct exposure to senior leadership and high-potential officers through working and informal meetings held throughout the year. Thus, defendants were continually apprised of and well aware of the adverse impact of claims frequencies on the Company's profitability.

43. Further, defendants Sprieser, Beyer, Crawford, Taylor, Mehta and Eskew, all of whom are either current or former members of the Audit Committee, were responsible for reviewing Allstate's risk, such as increased claims frequency, at least four times annually, overseeing Allstate's internal controls related to key risks and major financial risk exposure, such as impacts of claims frequency, reviewing risk factors included in the Form 10-K, assisting the Board in oversight of the integrity of financial statements including reviews of Allstate's financial statements and discussing with management and the Board the Company's annual and quarterly financial statements and the process to disseminate the information to shareholders. The Company represented in its 2015 and 2016 Proxy Statements that the Audit Committee met nine times in 2014 and nine times in 2015 and that a number of Allstate executives, including the CEO and CFO participated routinely in Audit Committee meetings.

44. Similarly, defendants Beyer, Sprieser, Henkel, Perold, Taylor and Mehta, all of whom were either current or former members of the Risk and Return Committee, were responsible for reviewing Allstate's risk at least five times annually and review extremely low frequency scenarios at least annually. Specifically, the Risk and Return Committee members were tasked to identify and evaluate Allstate's risk and return trade-offs and overall balance, review the Company's risk and return positions quarterly, review risk factors included in the Form 10-K, review regulatory disclosures regarding risk, including those in Allstate's annual report and oversee the effectiveness of Allstate's ERRM framework and governance structure. Further, Risk and Return Committee members routinely coordinated with the Audit Committee and assisted in fulfilling its responsibility for oversight risk assessment and risk management process. The Company represented in its 2015

and 2016 Proxy Statements that Risk and Return Committee met 5 times in 2014 and 5 times in 2015 and that a number of Allstate's executives, including the CEO and CFO, participate in Risk and Return Committee meetings.

45. At all relevant times, defendants held out Allstate's internal contracts and procedures around financial reporting and other material activities as effective; and, as such, should be taken at their word that all material information around Allstate's financial condition, financial results and financial statements was timely disseminated to Allstate's key decision makers such as defendants.

46. For example, in Allstate's Annual Report on SEC Form 10-K for the year ended December 31, 2014, defendants Wilson, Ackerman, Beyer, Crawford, Eskew, Greenberg, Henkel, Mehta, Redmond, Rowe, Sprieser and Taylor represented that the Company's disclosure controls over financial reporting and internal controls and procedures were effective, stating:

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the principal executive officer and the principal financial officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that material information required to be disclosed in our reports filed with or submitted to the Securities and Exchange Commission under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities Exchange Act and made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2014 based on the criteria related to internal control over financial reporting described in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on

our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued their attestation report on the Company's internal control over financial reporting, which is included herein.

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended December 31, 2014, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

47. In committing the wrongful acts complained of herein, defendants pursued or joined in the pursuit of a common course of conduct and acted in concert with one another in furtherance of a common plan or design. In addition to the wrongful conduct complained of herein giving rise to primary liability, defendants further aided and abetted and/or assisted each other in breach of their fiduciary duties.

48. Each of the defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such action to substantially assist the commission of the wrongdoing complained of herein, each defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

FACTUAL ALLEGATIONS

49. Nominal defendant Allstate is a personal lines insurance company. The Company sells automobile insurance products under three different brand names: Allstate, Esurance and Encompass. The Allstate brand is the Company's largest and most profitable, making up about 90% of Allstate's entire automobile written premiums for 2015.

50. Before 2013, the Company experienced several years of declines in policies-in-force in the Allstate brand automobile insurance line. To overcome this situation, defendants caused

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Allstate to embark upon an aggressive campaign to boost growth in automobile policies without sacrificing profitability. However, by October 2014, Allstate had experienced a significant spike in automobile claims frequency as a result of its aggressive premium growth program. Defendants initially concealed this increase, but when it continued and could no longer be denied, they disclosed the spike but concealed that it and the resulting lower margins were caused in substantial part by the new automobile insurance growth.

51. More specifically, on October 29, 2014, Allstate reported its results for the third quarter of 2014 in a press release entitled “Allstate Reports Broad-Based Growth and Strong Profitability.” The release highlighted not only Allstate’s growth in policies-in-force but also the purported profitability of the new growth. Specifically, the release stated, in part: “The Allstate brand grew insurance policies in force by 572,000, or 1.9% in the third quarter of 2014 compared to the prior year quarter, after reflecting a comprehensive plan to generate profitable growth. This growth was driven by an increase of 504,000 Allstate auto policies, 2.6% higher than the third quarter of 2013”

52. On October 30, 2014, defendants hosted a conference call for Allstate shareholders and market analysts. During the call, defendants Wilson and Winter, with the consent of their co-defendants, continued to emphasize Allstate’s purported ability to grow automobile policies without compromising profitability. For instance, defendant Wilson stated: “We continue to have broad-based auto policy growth, which is 2.6% higher than the prior year.” Wilson also stated that “[t]he underlying combined ratio for [the] third quarter was 86.1, which brings that year-to-date total then for the first nine months to 86.4 which is better than the full-year outlook range of 87 to 89 that we provided in February.”

53. Defendants further asserted claims frequency trends were “lower” and “extremely favorable” while reaffirming that they were not trading off profitability to obtain growth. For

example, when a market analyst asked: “With gas [prices] sub \$3 [per gallon] in a lot of areas, are you pricing for increased frequency yet or [are] you waiting to see what will happen?” defendant Wilson said that Winter’s team “has proven their ability to micro-target that stuff” and asked Winter “to make a comment about frequency and profitability.” Defendant Winter stated they did not expect gas prices to “be a core driver” and said “our frequency so far has been extremely favorable to [the] prior year,” adding, “so our frequency trends have been good.” Winter assured investors that defendants “stay on top of” frequency trends and “have a pretty long-term history of managing our margins well and keeping an eye on both frequency and severity and reacting accordingly.”

54. The October 2014 statements were materially false and misleading when made. The true facts, which were concealed and known to or recklessly disregarded by defendants, were: (i) despite choosing to emphasize favorable frequency trends, with Winter stating that “our frequency so far has been extremely favorable to [the] prior year,” Allstate had just experienced a spike in frequency throughout October 2014 that contributed to the largest and most financially impactful quarterly increase at Allstate in several years and reversed long-standing trends of flat or declining frequency and stable operating ratios; and (ii) defendants had not achieved “profitable growth” to avoid reducing returns in automobile coverage, but had underwritten less profitable and riskier business, which was causing a spike in claims frequency that would reduce overall margins and worsen the Allstate brand automobile insurance underlying combined ratio as claims from the new policies were processed. Based on Allstate’s proper corporate governance procedures, which, according to the defendants, existed and were effective, the information making the statements materially false and misleading would have been shared at the board meetings prior to October 29, 2014.

55. After defendants’ disclosure, Allstate’s stock price advanced from around \$63.23 per share on October 28, 2014 to over \$67.61 by December 1, 2014. While Allstate stock traded at

artificially inflated prices, on November 26, 2014, defendant Wilson exercised options that were not due to expire until 2019 and cashed out 224,439 shares of his personal Allstate stock for \$15,151,877 in unlawful insider trading proceeds. This was Wilson's first stock sale in nearly ten years.

56. On February 4, 2015, Allstate announced its results for the fourth quarter and year end 2014 in a press release entitled "Allstate Sustains Growth and Profitability." In the release, defendants admitted that automobile claims frequency had spiked, but specifically blamed it solely on external factors. The release emphasized the success of Allstate's growth strategy and quoted Wilson as stating: "'Our strategy to serve customers with unique value propositions enabled the property-liability businesses to increase policies in force across all three underwritten brands by 840,000, which led to a \$1.5 billion increase in premiums written in 2014.'" The release also disclosed the increase in frequency of claims, stating that "[a]n increase in claim frequency in the first two months of the quarter adversely impacted the combined ratio for auto insurance, with the Allstate brand auto combined ratio rising to 97.0[, which] was 1.7 points higher than the prior year," but the release identified only external factors as the cause, and specifically the "impact of precipitation in select markets and general economic trends." The release also quoted defendant Wilson as stating that "'[t]he underlying combined ratio was at the favorable end of the full-year outlook range, as the negative impact of adverse fourth quarter frequency on auto margins was more than offset by our focus on profitable growth.'"

57. On February 5, 2015, Allstate hosted a conference call for Allstate shareholders and market analysts. During the call, defendants Wilson and Winter, with the consent of their co-defendants, continued to misrepresent the success of the new business growth, with Wilson stating that "[f]ourth-quarter auto margins were off somewhat," but maintaining that "[f]inancial results for the year were excellent," while emphasizing "[a]uto policy growth of 2.9% versus the prior year . . . driven by strong new business results and stable retention."

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58. Defendants blamed the spike in frequency on purely external factors while claiming that new business was not a cause. For example, when a market analyst asked what caused the increased automobile claims frequency, defendant Wilson said that defendant Winter “has been waiting anxiously for your question, because he’s spent [an] untold number of hours over the last really three months since we saw a tick-up in October. So we were on this early, and he can give you all the specifics.” Defendant Winter reassured shareholders by stating: “Let me start with what is not driving it. Number one, we saw nothing to indicate that it’s a quality of business issue or that it’s being driven by growth, which is a natural question that you would have . . .” Winter explained the detailed analysis they conducted and repeated that they “saw nothing in there that would indicate it was a quality of business or a growth-related issue.” Winter attributed the spike in frequency to “two factors [that] traditionally drive PD frequency: miles driven and precipitation.”

59. The February 2015 statements were materially false and misleading when made. The true facts, which were concealed by and known to, or recklessly disregarded by, defendants, were: (i) despite defendants’ assurances that they had thoroughly studied the frequency increases and had “spent untold . . . hours” analyzing the causes, and despite their definitive statements that there was “nothing” to indicate anything but external factors were responsible, in truth, the spike in Allstate’s frequency trends was being driven in substantial part by the new business growth; (ii) Allstate’s new business was not “strong,” “profitable” and “favorable,” nor was it offsetting negative frequency trends, but, in fact, it was driving in substantial part the negative trends; (iii) defendants knew the spike in frequency was related to the new business growth and likely to recur, which is why defendant Wilson cashed out \$15.1 million worth of his own stock years before his options were set to expire; and (iv) Allstate’s growth in automobile policies was the result of underwriting less profitable and riskier business, which was causing a spike in claims frequency that would reduce overall margins and worsen the Allstate brand automobile insurance underlying combined ratio as

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claims from the new policies were processed, which was reflected in the largest spike in claims frequency in nearly five years and reflective of a deterioration in the quality of the business. Based on Allstate's proper corporate governance procedures, which, according to the defendants, existed and were effective, the information making the statements materially false and misleading would have been shared at the board meetings prior to February 4, 2015.

60. As a result of the disclosure of negative frequency trends, Allstate's stock price dropped from a close of \$72.58 per share on February 4, 2015 to a close of \$70.93 per share on February 6, 2015. However, because of defendants' materially false and misleading statements and/or failure to disclose the full truth regarding the cause of the negative trends, the price of Allstate stock remained artificially inflated.

61. On February 19, 2015, Allstate filed its Annual Report on SEC Form 10-K for the year ended December 31, 2014. Defendants Wilson, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel and Beyer each signed the Form 10-K. The Form 10-K emphasized not only Allstate's new growth in policies-in-force but also the purported profitability of the new growth. Specifically, the Form 10-K stated, in relevant part:

Allstate is focused on the following priorities in 2015:

- grow insurance policies in force;
- maintain the underlying combined ratio;
- proactively manage investments to generate attractive risk adjusted returns;

* * *

The most important factors we monitor to evaluate the financial condition and performance of our company include:

- For Allstate Protection: premium, the number of policies in force ("PIF"), new business sales, retention, price changes, claim frequency (rate of claim occurrence per policy in force) and severity (average cost per claim), catastrophes, loss ratio, expenses, underwriting results, and relative competitive position.

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* * *

2014 HIGHLIGHTS

- Consolidated net income available to common shareholders was \$2.75 billion in 2014 compared to \$2.26 billion in 2013. Net income available to common shareholders per diluted common share was \$6.27 in 2014 compared to \$4.81 in 2013.

* * *

- Total revenues were \$35.24 billion in 2014 compared to \$34.51 billion in 2013.
- Property-Liability premiums earned totaled \$28.93 billion in 2014, an increase of 4.7% from \$27.62 billion in 2013.

* * *

- Book value per diluted common share (ratio of common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was \$48.24 as of December 31, 2014, an increase of 6.5% from \$45.31 as of December 31, 2013.

62. Addressing the Allstate brand in particular, the Form 10-K further stated, in relevant part, as follows:

The Allstate Corporation is the largest publicly held personal lines insurer in the United States. . . .

Allstate has four business segments:

- Allstate Protection
- Discontinued Lines and Coverages
- Allstate Financial
- Corporate and Other

To achieve its goals in 2015, Allstate is focused on the following priorities:

- grow insurance policies in force;
- *maintain the underlying combined ratio;*
- proactively manage investments to generate attractive risk adjusted returns;
- modernize the operating model; and
- build long-term growth platforms.

* * *

Allstate Protection outlook

* * *

Premiums written is the amount of premiums charged for policies issued during a fiscal period.

* * *

Allstate brand auto premiums written totaled \$17.50 billion in 2014, a 4.5% increase from \$16.75 billion in 2013. Factors impacting premiums written were the following:

- 2.9% or 554 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013.
- 10.3% increase in new issued applications to 3,033 thousand in 2014 from 2,749 thousand in 2013.
- 2.4% increase in average premium in 2014 compared to 2013.
- 0.3 point increase in the renewal ratio in 2014 compared to 2013.

63. On April 6, 2015, Allstate issued its Proxy Statement for the 2015 Annual Meeting of Shareholders (“2015 Proxy”). Defendants Wilson, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel and Beyer each signed the 2015 Proxy. In the 2015 Proxy, defendants Wilson, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel and Beyer solicited shareholders’ votes to, among other things, re-elect themselves to the Board.

64. In the 2015 Proxy, defendants also highlighted the purported growth in and profitability of Allstate’s new business, stating:

Allstate grew across brands and customer segments in 2014 while generating excellent profitability despite a significant increase in losses from severe weather from historically low levels in 2013. The combination of a unique strategy and strong operational results improved Allstate’s competitive position and created value for stockholders. The Allstate brand increased both auto and homeowners policies, reflecting the execution of a comprehensive growth plan.

65. The Form 10-K and 2015 Proxy were materially false and misleading when made. The true facts, which were concealed by and known to, or recklessly disregarded by, defendants,

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were: (i) the spike in Allstate's frequency trends was being driven in substantial part by the new business growth; (ii) Allstate was not generating excellent profitability; and (iii) Allstate's growth in automobile policies was the result of underwriting less profitable and riskier business, which was causing a spike in claims frequency that would reduce overall margins and worsen the Allstate brand automobile insurance underlying combined ratio as claims from the new policies were processed, which was reflected in the largest spike in claims frequency in nearly five years and reflective of a deterioration in the quality of the business. Based on Allstate's proper corporate governance procedures, which, according to the defendants, existed and were effective, the information making the statements materially false and misleading would have been shared at the board meetings prior to February 19, 2015.

66. As a result of defendants' materially false and misleading statements and/or failure to disclose the full truth regarding the cause of the negative trends, the price of Allstate stock remained artificially inflated. While Allstate shares traded at these prices, defendants Greenberg, Sprieser and Taylor sold 14,500 shares of their personal Allstate stock for unlawful insider trading proceeds of \$1,012,995.

67. On May 5, 2015, Allstate announced its results for the first quarter of 2015 in a press release entitled "Allstate's Broad-Based Business Model Generates Profitable Growth." The release disclosed the continuation of the negative trend in frequency, stating that "Allstate brand bodily injury frequency increased 6.8%" and "[p]roperty damage frequency increased 2.1%" on a year-over-year basis. Despite the continued increase in frequency, the release continued to divert blame away from new business growth, with Wilson stating: "Allstate's strategy of building a broad-based business model continued to generate profitable growth The Allstate brand had good growth and returns in auto"

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68. On May 6, 2015, Allstate hosted a conference call for Allstate shareholders and market analysts. During the call, defendants Wilson and Winter, with the consent of their co-defendants, reemphasized to shareholders that Allstate’s business model “enables us to generate profitable growth despite a changing economic and competitive environment.” For example, when a market analyst said he was confident Allstate could maintain automobile margins, but was “less confident that you could continue to grow PIF [(policies-in-force)] at the current rate,” and he asked if they planned to take pricing actions that could “lose some PIF [growth] momentum,” defendants Wilson and Winter responded:

[WILSON:] . . . [T]he first thing you have to get through: is this our problem or is this everybody’s problem? If it is our problem then obviously the actions we take will be different and the impact on shareholder value and long-term value creation is different than if it’s everybody’s problem.

If it is everybody’s problem then the actions we take and the impact on both growth, profitability, customer satisfaction, ability to expand the agency is completely different. So we feel like this is at this point everybody’s problem, Matt can help you understand why we believe that is the case.

* * *

[WINTER:] . . . Let me expand a little bit on what Tom just said. As we talked about last quarter actually, the frequency pressure is a combination of miles driven and weather. And I believe I said last quarter we thought that miles driven was about three times as influential as the weather. That pattern (technical difficulty) seemed to hold up again this quarter.

But we want to validate that and verify it. And as Pat [Macellaro] referred to in his opening remarks, we did a very intense deep dive into our business to ensure that the increases in the frequency we are seeing are proportional and consistent across multiple segments of the business no matter how you cut it, to make sure in effect that these aren’t our problems but are in fact external.

And so we looked at new and renewal business, we looked at higher growth states versus lower growth states. We looked across quality characteristics, we looked across driver age, household composition, insurance scores, full coverage versus liability across different rating plans to see whether or not perhaps rating plans had influenced it.

And all of that review showed that this trend is externally driven primarily by miles driven.

* * *

So we validated it with our internal data, we validated with external data and then we look[ed] at other sources to ensure that that in fact is true.

* * *

So you look at all of that and you come to the conclusion that in fact this is an external trend. So given that it is an external trend we believe that our competitors will react to it the same way we will react to it. I don't think they will react to it with the level of sophistication and granularity we might or in the exact same ways, but they will have to react to the trends.

69. The May 2015 statements were materially false and misleading when made. The true facts, which were concealed by and known to, or recklessly disregarded by, defendants, were: (i) Allstate's increased frequency was not "everybody's problem" and a purely external trend, but was specific to Allstate, as the increased frequency at Allstate was being driven in substantial part by its new business growth; (ii) despite defendants' assurances that they had done a deep dive to ensure the negative frequency trends were the result of solely external factors, the negative frequency trends were not being driven solely by external factors, but also by the new business growth; (iii) contrary to defendants' statements that they had not seen "anything" to suggest internal factors (such as new business growth) were impacting the negative frequency trends, Allstate's negative frequency trends were in fact being adversely impacted by higher claims frequency in the new business, which meant it would take several quarters to attempt to resolve; and (iv) contrary to defendants' assurances, automobile policy growth was not driven by profitable, "quality" new business, but by new business that was considerably more risky and less profitable, which was causing claims frequency to increase. Based on Allstate's proper corporate governance procedures, which, according to the defendants, existed and were effective, the information making the statements materially false and misleading would have been shared at the board meetings prior to May 5, 2015.

70. As a result of the disclosure of a continuation of the negative frequency trend, Allstate's stock price declined from \$70.00 per share on May 5, 2015 to \$67.31 per share on May 6,

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2015. However, because of defendants' materially false and misleading statements and/or omissions regarding the cause of the negative trends, the price of Allstate stock remained artificially inflated. Shortly thereafter, on May 26, 2015, defendant Wilson exercised more options and sold 92,786 shares of his personal Allstate shares for \$6,256,560 in unlawful insider trading proceeds.

71. Defendants' efforts to conceal the true cause for the adverse automobile claims frequency trends, which Allstate had encountered since October 2014, continued until August 2015. Then, on August 3, 2015, defendants shocked Allstate shareholders by reporting disappointing financial results that reflected a third consecutive quarter of the negative trend of increased claims frequency. The Company also reported dismal quarterly operating income of \$262 million, or 57% less than the prior quarter, and disappointing operating earnings per share of \$0.63, or 35% less than consensus analysts' estimates. In the August 3, 2015 earnings release, defendant Wilson attributed the dismal operating earnings per shares to "increased frequency and severity of auto accidents," which also "negatively impacted" loss and combined ratios. Further, in the earnings release defendant Wilson admitted for the first time that "recent growth in Allstate brand auto policies in force did increase frequency, since new business typically has higher relative frequency." Defendant Wilson added that Allstate had responded with "tighter underwriting standards." On this news, the trading price of Allstate shares plunged, falling over 10%, from \$69.38 per share on August 3, 2015 to \$62.34 per share on August 4, 2015, wiping out more than \$2 billion in once valuable shareholders' equity.

72. In the wake of these revelations, Allstate shareholders sued. As a result, the Company has been named as a primary defendant in a complex class action lawsuit for alleged violations of §10(b) of the Securities Exchange Act of 1934. Worse yet for the Company, on February 27, 2018, the District Court issued an Opinion upholding the complaint filed in the Securities Action against Allstate and its Chairman and President, defendants Wilson and Winter. In

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the Opinion, the District Court found that in their complaint “[p]laintiffs provide numerous allegedly misleading factual statements,” and “have adequately pled scienter.” Opinion at 6, 12.

73. Citing a “few illustrative examples” of defendants’ false and misleading factual statements, the District Court continued:

Plaintiffs bring this complaint on behalf of a class of investors that purchased Allstate common stock between October 29, 2014, and August 3, 2015 (“plaintiffs”). Plaintiffs claim that defendants are liable under Sections 10(b) and 20(a) for material false statements and omissions regarding the cause of an alleged spike in auto insurance claims frequency.

* * *

According to defendants, plaintiffs have failed to identify any statements that were false or misleading, primarily because defendants’ statements regarding the reasons for an increase in auto claims frequency were opinions, not determinable facts. *See Omnicare, Inc. v. Laborers Dist. Council Const. Indus. Pension Fund*, 135 S.Ct. 1318, 1325 (2015) (“Most important, a statement of fact (‘the coffee is hot’) expresses certainty about a thing, whereas a statement of opinion (‘I think the coffee is hot’) does not.”). ***The court disagrees. Plaintiffs provide numerous allegedly misleading factual statements, but the court need not address them all. A few illustrative examples will suffice.***

Plaintiffs allege that during an October 30, 2014, earnings call an analyst asked Wilson and Winter whether Allstate was pricing for increased claims frequency. In response, Winter allegedly stated that, “our frequency so far has been extremely favorable to prior year” and, “our frequency trends have been good.” According to plaintiffs, however, Allstate had experienced an increase in claims frequency in October 2014, and Wilson and Winter later admitted during a February 5, 2015, earnings call that they had noticed a “tick-up” in claims frequency in October 2014, which they had spent an “untold number of hours” analyzing. During that call Winter allegedly told investors that defendants “saw nothing to indicate that [the increase in claims frequency] was driven by growth,” and instead attributed the increase to “miles driven and precipitation,” assuring investors that defendants were not “concerned that it [was] a quality issue” and was not particular to Allstate. ***Defendants’ failure to mention Allstate’s reduction in underwriting standards makes these statements misleading.***

* * *

Plaintiffs further allege that on May 5, 2015, Allstate reported a second quarter of increasing claims frequency, but continued to blame external factors such as adverse weather for the increase. Then, during an earnings call the next day, Allstate’s Vice President of Investor Relations stated that, “[b]ased on our analysis we continue to be comfortable with the quality of both our new and renewal business” and that defendants’ “analysis also reinforces our conclusion that recent

frequency fluctuations are due primarily to macroeconomic trends in weather.” In addition to these statements, Wilson allegedly told investors that defendants felt that the increase was “everybody’s problem,” not just Allstate’s. Further still, Winter allegedly stated that “[a]s we talked about last quarter actually, the frequency pressure is a combination of miles driven and weather.” Winter then allegedly assured investors that defendants had conducted an extensive review of the increased claims frequency, and after “a very intense deep dive into our business” to ensure “that these aren’t our problems but are in fact external,” defendants’ “review showed that this trend is externally driven primarily by miles driven.”

Defendants argue that their explanations regarding the extensive work they did to reach their conclusions, some of which were conflicting, would have caused a reasonable investor to understand that defendants’ conclusions were somewhat uncertain, and their statements were therefore not misleading. Defendants’ argument misses the point. *Even if a reasonable investor understood defendants’ conclusions to be uncertain, that understanding would have been based on incomplete information because defendants did not disclose that Allstate decreased its underwriting standards while simultaneously asserting that the increase in claims frequency was attributable to external factors.*

* * *

In determining whether plaintiffs have adequately pled scienter, the court “must consider the complaint in its entirety, as well as other sources courts ordinarily examine when ruling on Rule 12(b)(6) motions to dismiss, in particular, documents incorporated into the complaint by reference, and matters of which a court may take judicial notice.” *Tellabs*, 551 U.S. at 322 (internal citations omitted). In doing so, the court asks “whether *all* of the facts alleged, taken collectively, give rise to a strong inference of scienter, not whether any individual allegation, scrutinized in isolation, meets that standard.” *Id.* at 323 (emphasis supplied) (internal citations omitted). Additionally, “in determining whether the pleaded facts give rise to a ‘strong’ inference of scienter, the court must take into account plausible opposing inferences.” *Id.* Even still, “[t]he inference that the defendant acted with scienter need not be irrefutable, *i.e.*, of the smoking-gun genre, or even the most plausible of competing inferences.” *Id.* at 324 (internal quotation marks omitted).

i. Wilson

Defendants argue that plaintiffs have failed to meet the PSLRA’s heightened requirements because Wilson’s stock sales are indicative of estate planning and investment diversification, they occurred long before Allstate’s August 3, 2015, disclosures, Allstate’s stock continued to rise after the sales, the two transactions did not result in the sale of a substantial portion of Wilson’s overall holdings, and stock sales by only one manager do not give rise to a strong inference of scienter. *Defendants are incorrect for a number of reasons.*

* * *

ii. Winter

Defendants argue that plaintiffs have failed to meet the PSLRA's heightened requirements as to Winter because Wilson's stock sales cannot be the basis for an inference of scienter against Winter. *Even still, plaintiffs have adequately alleged that Winter, who served as Allstate's CEO and President of Allstate Financial, then took over for Wilson as President in 2015, had direct involvement in and knowledge of Allstate's undisclosed plan to reduce its underwriting standards.* See *Desai v. Gen. Growth Properties, Inc.*, 654 F. Supp. 2d 836, 860 (N.D. Ill. 2009) ("While a court cannot 'presume' scienter, a strong inference of scienter may still be credited where it is almost inconceivable that an individual defendant would be unaware of the matters at issue."). Plaintiffs also allege that Winter played an active role in earnings calls, during which he assured investors that the increased claims frequency was due to external factors. Additionally, plaintiffs allege that Winter admitted during an August 4, 2015, earnings call that the reduced underwriting standards contributed to the increased claims frequency, and that such an impact was expected. Given these admissions, plaintiffs' claim that Winter's statements attributing the increase in claims frequency to external factors were made with an intent to deceive investors is "cogent and at least as compelling as any opposing inference one could draw from the facts alleged." *Tellabs*, 551 U.S. at 324.

* * *

For the reasons stated above, defendants' motion to dismiss (Doc. 54) is denied on all counts.

Opinion at 2, 6-9, 11 and 14.

74. While the District Court focused primarily on the false and misleading statements that defendants Wilson (a director) and Winter made during earnings conference calls, in fact, Allstate's other directors made the same or substantially the same false and misleading factual statements in the Company's shareholder reports and earnings releases filed on SEC Form 8-K. During each reporting periods, at least one-half of the Allstate Board also discussed the Company's "processes for providing financial information and earnings or earnings-related guidance to analysts," "including the types of information to be disclosed and the types of presentations to be made," which defendants Wilson and Winter would subsequently convey during the Company's quarterly earnings conference calls for securities analysts. See Audit Committee Charter IV.A.6.

75. For example, in Allstate's October 29, 2014 Form 8-K, attaching the Company's third quarter 2014 earnings press release, defendants Beyer, Crawford, Eskew, Mehta, Sprieser, Taylor and Wilson stated: "The Allstate brand grew insurance policies in force by 572,000, or 1.9% in the

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third quarter of 2014 compared to the prior year quarter, after reflecting a comprehensive plan to generate profitable growth.” Similarly, in the Company’s February 4, 2015 Form 8-K, attaching the Company’s fourth and full year 2014 earnings press release, defendants Beyer, Crawford, Eskew, Mehta, Sprieser, Taylor and Wilson stated: “An increase in claim frequency in the first two months of the quarter adversely impacted the combined ratio for auto insurance, with the Allstate brand auto combined ratio rising to 97.0. This was 1.7 points higher than the prior year. The impact of precipitation in select markets and general economic trends will both be reflected in pricing as necessary to maintain adequate returns.” And in Allstate’s May 5, 2015 Form 8-K, attaching the Company’s second quarter 2015 earnings press release, defendants Beyer, Crawford, Eskew, Mehta, Taylor and Wilson again, stated: “Allstate’s strategy of building a broad-based business model continued to generate profitable growth The Allstate brand had good growth and returns in auto.”

DAMAGE TO ALLSTATE

76. As detailed above, defendants’ misconduct has exposed Allstate to substantial damages, injuries and losses. In addition to the Company’s potentially enormous liability for damages in the Securities Action, Allstate’s reputation as a good corporate citizen and goodwill have been irreparably tarnished.

77. Defendants, however, have not fared nearly so badly. Despite Allstate’s dismal performance while under their stewardship, they have collectively pocketed more than \$45 million in executive compensation and directors’ fees. In addition, defendants Wilson, Sprieser, Taylor and Greenberg profited handsomely by selling 331,725 of their personal Allstate shares for \$22,421,432 in unlawful insider trading proceeds.

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78. This notwithstanding, however, the Allstate Board has not, and will not, bring legal action against the directors and officers responsive for this debacle. By this action, plaintiff seeks to vindicate Allstate's rights against its wayward fiduciaries.

DERIVATIVE ALLEGATIONS

79. Plaintiffs incorporate ¶¶1-78.

80. Plaintiffs bring this action derivatively on behalf of Allstate to redress injuries suffered, and to be suffered, by Allstate as a result of defendants' breaches of fiduciary duty, corporate waste and unjust enrichment. Plaintiffs will adequately and fairly represent the interests of Allstate in enforcing and prosecuting these derivative claims.

81. The current Board of Allstate consists of the following ten individuals: defendants Crawford, Eskew, Mehta, Redmond, Sprieser, and Wilson and non-defendants Jacques P. Perold, Perry M. Traquina, Margaret M. Keane, and Gregg M. Sherrill. A pre-suit demand upon the Allstate Board is excused in this case because at least a of majority of its members are disabled from fairly, independently and objectively considering any pre-suit demand that plaintiffs may have made.

82. First, the members of the Allstate Board participated in, approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from Allstate's shareholders or recklessly disregarded the wrongs complained of herein, and are therefore not disinterested parties. As a result of their access to and review of internal corporate documents, or conversations and connections with other corporate officers, employees and directors and attendance at management and/or Board meetings, each of the defendants knew, or recklessly disregarded, adverse, material non-public information regarding Allstate's claims frequency problem and its adverse impact on the Company's profitability. Therefore, a majority of the members of the Allstate Board cannot exercise independent objective judgment in deciding whether to bring this

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action or whether to vigorously prosecute this action because each of its members participated personally in the wrongdoing or are dependent upon other defendants who did.

83. Second, demand is futile as to defendant Wilson because he participated on conference calls during which he, defendant Winter and others denied growth was a factor in the negative impact Allstate was experiencing in its Allstate brand automobile insurance frequency trends. Defendant Wilson never corrected or provided the information that the increase in policies-in-force resulting from the growth-first strategy was expected to and did bring a 0.5 to 1.0 point increase in the Allstate brand automobile insurance loss ratio, combined ratio and/or the underlying combined ratio. Defendant Wilson also failed to disclose during these calls that underwriting standards were a core problem with the growth in policies-in-force.

84. Third, defendants Crawford, Eskew, Mehta, Redmond, Sprieser, and Wilson breached their fiduciary duties of loyalty by allowing improper statements in the Company's press releases and SEC filings and making improper statements in the Company's SEC filings about the expected results of the Company's growth-first strategy, and specifically, the expected and actual increase in the Company's Allstate brand automobile insurance claims frequency, loss ratio, combined ratio and/or underlying combined ratio associated with the Company's policies-in-force growth in the Allstate brand automobile insurance line.

85. Fourth, a majority of the members of Allstate's Board has demonstrated an unwillingness and/or inability to act in compliance with their fiduciary obligations and/or to sue themselves and/or their fellow directors and allies in the top ranks of the corporation for the violations of law complained of herein. These are people they have developed professional relationships with, who are their friends and with whom they have entangling financial alliances, interests and dependencies. Therefore, defendants Crawford, Eskew, Mehta, Redmond, Sprieser and Wilson are not able to and will not vigorously prosecute any such action.

86. Fifth, any suit by the directors of Allstate to remedy the misconduct alleged herein would likely expose defendants Crawford, Eskew, Mehta, Redmond, Sprieser and/or Wilson to liability for damages under the federal securities laws, which could result in additional and/or new civil and/or criminal actions being filed against one or more of the defendants. As a result, at least a majority of the members of the Allstate Board are conflicted in making a fair, objective and/or independent determination whether to sue themselves.

87. Sixth, a majority of the members of Allstate's Board have benefited, and will continue to benefit, from the wrongdoing herein alleged and have engaged in such conduct to preserve their positions of control and the perquisites derived thereof and are incapable of exercising independent objective judgment in deciding whether to bring this action. Therefore, a demand upon the Allstate Board is excused as futile.

88. Seventh, defendants Crawford, Eskew, Mehta, and Sprieser served as members of the Audit Committee. As such, these defendants were responsible for reviewing the adequacy of Allstate's internal controls, reviewing the integrity of Allstate's annual and quarterly financial results and financial statements, and reviewing Allstate's annual and quarterly earnings press releases. Nonetheless, defendants Crawford, Eskew, Mehta and Sprieser breached their fiduciary duties, along with the entire Allstate Board, by causing Allstate to make false and misleading statements to shareholders in the Company's earnings releases and SEC filings. As a result, defendants Crawford, Eskew, Mehta and Sprieser are not disinterested and face a substantial likelihood of liability that renders a pre-suit demand upon them futile.

89. Eighth, defendants Beyer, Henkel, Mehta and Sprieser, as members of the Risk and Return Committee, had the duty to identify and evaluate risks inherent in the Company's business, strategy, capital structure and operating plans. The Risk and Return Committee's Charter also provides that it is to assist the Audit Committee in fulfilling its responsibility to the Board in the

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oversight of risk assessment and risk management processes. Allstate is in the insurance business, which is ultimately a business based on assessing risks. Defendants Beyer, Henkel, Mehta and Sprieser were responsible for knowingly or recklessly allowing defendants to set a strategy for the Company that had the expected risk of negatively impacting the Allstate branded automobile insurance frequency ratios, loss ratio, combined ratio and/or the underlying combined ratio and, thus, the resulting improper statements related to the Company's earnings guidance and financial and disclosure controls. Despite their knowledge or reckless disregard, defendants Beyer, Henkel, Mehta and Sprieser caused the detrimental growth-first strategy to go forward and allowed the improper statements. Accordingly, these defendants breached their fiduciary duty of loyalty and good faith because they participated in the wrongdoing described herein. Thus, defendants Beyer, Henkel, Mehta and Sprieser face a substantial likelihood of liability for their breach of fiduciary duties, so any demand upon them is futile.

90. Ninth, Allstate has been and will continue to be exposed to significant losses due to the wrongdoing complained of herein, yet the Allstate Board has not filed any lawsuits against defendants or others who were responsible for that wrongful conduct to attempt to recover for Allstate any part of the damages Allstate has suffered and will suffer thereby.

91. Tenth, defendant Wilson is employed full time by the Company and has received, and will continue to receive substantial monetary compensation as a result of that employment. Defendant Wilson will act to preserve and not threaten his position of control and the perquisites thereof; and, therefore, is incapable of exercising independent objective judgment in deciding whether to bring this action.

92. Eleventh, defendant Wilson is named as a defendant in the securities class action and faces a substantial likelihood of liability in that action. The securities class action has proceeded past

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the motion to dismiss phase and any decision by defendant Wilson to pursue the claims in this action would be contrary to the defenses he will make in the securities class action.

FIRST CAUSE OF ACTION

**For Breach of Fiduciary Duty
Against All Defendants**

93. Plaintiffs incorporate ¶¶1-92.

94. By their wrongful acts and omissions, defendants Wilson, Winter, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel and Beyer breached their fiduciary duty of loyalty by making materially false statements and/or omissions regarding Allstate's claims frequency problem and its adverse impact on the Company's profitability. Similarly, defendants Wilson, Winter, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel and Beyer breached their fiduciary duties to direct Allstate's business and affairs in accordance with the laws, rules and regulations applicable to its business, including the federal securities laws, rules and regulations.

95. As a result of defendants' faithless misconduct, Allstate has suffered millions in damages, injuries and losses.

96. Plaintiffs, on behalf of Allstate, have no adequate remedy at law.

SECOND CAUSE OF ACTION

**For Corporate Waste
Against All Defendants**

97. Plaintiffs incorporate ¶¶1-92.

98. By their wrongful acts and omissions, defendants Wilson, Winter, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel and Beyer wasted Allstate's valuable corporate assets by, among other things, causing the Company to pay improper compensation, including salaries, bonuses, fees, and other incentive-based benefits to themselves and other Allstate insiders who breached their fiduciary duties owed to Allstate. Allstate received no

benefit from these improper payments. As a result, defendants damaged Allstate and are liable to the Company for corporate waste.

99. Plaintiffs, on behalf of Allstate, have no adequate remedy at law.

THIRD CAUSE OF ACTION

**For Unjust Enrichment
Against All Defendants**

100. Plaintiffs incorporate ¶¶1-92.

101. By their wrongful acts and omissions, defendants Wilson, Winter, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel and Beyer were unjustly enriched at the expense of and to the detriment of Allstate.

102. All the payments and benefits provided to defendants were at the expense of Allstate. The Company received no benefit from these payments.

103. Plaintiffs, on behalf of Allstate, seek restitution from defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits and other compensation obtained by these defendants, and each of them, from their wrongful conduct and fiduciary breaches.

104. Plaintiffs, on behalf of Allstate, have no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs demand judgment as follows:

A. Awarding money damages against all defendants, jointly and severally, for all damages, injuries and losses suffered, and to be suffered, as a result of the acts and transactions complained of herein, together with pre-judgment interest, to ensure that defendants do not participate therein or benefit thereby;

B. Directing all defendants to account for all damages caused by them and all profits, special benefits and unjust enrichment they have obtained as a result of their unlawful conduct,

including all salaries, bonuses, fees and insider sales proceeds, and imposing a constructive trust thereon;

C. Directing Allstate to take all necessary actions to reform and improve its corporate governance and internal control procedures to comply with applicable law, including, but not limited to, the federal securities laws, rules and regulations, and state corporation laws regarding fiduciary duties;

D. Awarding punitive damages;

E. Awarding costs and disbursements of this action, including reasonable attorneys', accountants' and experts' fees; and

F. Granting such other and further relief as this Court may deem just and proper.

JURY DEMAND

Plaintiffs demand a trial by jury.

DATED: August 10, 2018

CHARLES F. MORRISSEY
DARNELL R. DONAHUE
CASSIE R.S. STOCKERT
Firm I.D. No. 61390

/s/ Darnell Donahue

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Pension Fund

VERIFICATION

I, Steven R. Wedeking, hereby declare as follows:

I am an attorney with Robbins Arroyo, counsel for plaintiff Donna Biefeldt. I have read the foregoing Consolidated Amended Shareholder Derivative Complaint for Breach of Fiduciary Duty, Corporate Waste and Unjust Enrichment and know the contents thereof. I am informed and believe the matters therein are true and on that ground allege that the matters stated therein are true.

I make this Verification because plaintiff Donna Biefeldt and plaintiff IBEW Local 98 Pension Fund are absent from the county of San Diego, where I maintain my office.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 10th day of August 2018, at San Diego, CA.



STEVEN R. WEDEKING

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CERTIFICATE OF SERVICE

The undersigned, an attorney, hereby certifies pursuant to Section 1-109 of the Illinois Code of Civil Procedure that the **Consolidated Amended Shareholder Derivative Complaint for Breach of Fiduciary Duty, Corporate Waste and Unjust Enrichment** was served upon defendants' counsel identified below by transmitting a true, correct and complete copy via electronic mail on this August 10, 2018.

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