

**EXHIBIT B**

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CIRCUIT COURT OF  
COOK COUNTY, ILLINOIS  
CHANCERY DIVISION  
CLERK DOROTHY BROWN

Firm No. 61390

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

DONNA BIEFELDT, Derivatively on Behalf )  
of THE ALLSTATE CORPORATION, )

Plaintiff, )

v. )

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

No.

Defendants, )

-and- )

THE ALLSTATE CORPORATION, a )  
Delaware corporation, )

Nominal Defendant. )

**VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT FOR  
BREACH OF FIDUCIARY DUTY AND UNJUST ENRICHMENT**

Plaintiff, DONNA BIEFELDT, Derivatively on behalf of Nominal Defendant The Allstate Corporation, by and through her attorneys, MORRISSEY & DONAHUE, LLC and ROBBINS ARROYO, LLP, submits this Verified Stockholder Derivative Complaint for Breach of Fiduciary Duty and Unjust Enrichment. Plaintiff's allegations are based on information and belief, except as to the allegations specifically pertaining to plaintiff that are based on personal knowledge. Plaintiff's allegations are also based on the investigation of plaintiff's counsel, including, among other things, a review of public filings with the U.S. Securities and Exchange Commission ("SEC"), news reports, press releases, and other information from publicly available sources.

**NATURE AND SUMMARY OF THE ACTION**

1. This is a stockholder derivative action brought by plaintiff on behalf of nominal defendant The Allstate Corporation ("Allstate" or the "Company") against certain of its officers and directors for breach of fiduciary duty, unjust enrichment, and violations of law. These wrongs resulted in hundreds of millions of dollars in damages to Allstate's reputation, goodwill, and standing in the business community. Moreover, these actions have exposed the Company to hundreds of millions of dollars in potential liability for violations of state and federal law.

2. Allstate sells insurance through its three property liability brands that represent different customer value propositions: Allstate Insurance, Esurance, and Encompass. The Allstate brand is targeted to customers that prefer to have one insurance relationship for all their protection needs and, therefore, tend to bundle policies. The Allstate brand accounts for 90% of the Company's insurance business. Auto insurance is the Allstate brand's biggest line of business.

3. Before 2013, Allstate experienced several years of declines in policies in force ("PIF")<sup>1</sup> in the Allstate brand auto insurance line and GEICO passed Allstate as the nation's second largest auto insurer.

4. After the several years of declining auto PIF, in 2013 defendants made growth the number one priority for Allstate. The easiest way to achieve this growth was for Allstate to increase renewals and new policies by loosening underwriting standards. Lowering underwriting standards comes with risks, however. In particular, lowering underwriting standards can

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<sup>1</sup> PIF means the number of active auto insurance policies at a given time. Policy counts are based on items rather than customers. A multi-car customer would generate multiple item (policy) counts, even if all cars were insured under one policy. A decrease in PIF represents a decrease in polices for which Allstate receives or is to receive payment from customers.

increase PIF but it can also increase the frequency and cost of claims. Because the insurance business is a small margin business, any changes in frequency or cost of claims can greatly affect profitability.

5. Allstate's fiduciaries adopted this growth path. As expected, PIF grew, which the Individual Defendants (as defined herein) touted in press releases, SEC filings, and analyst calls. The Individual Defendants, however, did not disclose that the source of the growth was the loose underwriting standards. The Individual Defendants also failed to disclose that they expected the growth to have a 0.5 to 1.0 point negative impact on the Company's underwriting profitability numbers.

6. By the fourth quarter of 2014, the aggressive growth strategy instituted by defendants was negatively impacting the Company. The Company experienced an increase in claim frequency in October and November 2014 in the Allstate brand auto insurance line of business. Because of the razor thin margins in the insurance business, the numbers were closely monitored at Allstate. The uptick in frequency was apparent in almost real time with claim counts reported daily and the frequency issue looked at "hourly."

7. Rather than disclose this uptick in frequency, in an October 30, 2014 conference call, defendant Matthew E. Winter ("Winter") claimed that "our frequency so far has been extremely favorable to prior year" and "...our frequency trends are – have been good."

8. When the fourth quarter 2014 results were released, however, defendants could no longer hide the claims frequency problems in the Allstate brand auto insurance line. Fourth quarter 2014 saw a 4.7% increase in the rate of change in bodily injury paid claims frequency for Allstate brand auto insurance compared to 4.7% decrease in fourth quarter 2013. The rate of change in bodily injury claims frequency also increased 4% compared to a 1.7% decrease in

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fourth quarter 2013. Both frequencies would continue at elevated levels for the next several quarters.

9. The fourth quarter results also showed a corresponding increase in the Allstate brand auto Combined Ratio which is the measure of profitability in insurance underwriting. An increase in the Combined Ratio equals a reduction in profitability. If the Combined Ratio is greater than 100, then the Company has a negative underwriting margin and is losing money on that line of insurance. Prior to defendants' decision to make growth the number one business priority, the Combined Ratio had remained relatively steady. The fourth quarter 2014 Combined Ratio increased to 97.0 compared to 95.3 for the fourth quarter of 2013. The Combined Ratio for the next several quarters also increased compared to the prior year. The Combined Ratio for the first quarter of 2015 increased to 96.8 compared to 93.4 for the first quarter 2014. The Combined Ratio for the second quarter of 2015 increased to 101.4 compared to 95.4 for the second quarter of 2014. The Combined Ratio for the third quarter of 2015 increased to 98.8 compared to 93.1 for the third quarter of 2014.

10. Until August 3, 2015, the Individual Defendants blamed the deterioration in claim frequency and Combined Ratio on external factors, giving the impression that the increases in claim frequency and Combined Ratio were only temporary. Defendant Winter specifically stated the increase in the Combined Ratio was not being driven by the new growth.

11. The Individual Defendants, however, would eventually disclose that they had expected the new business resulting from their growth first business strategy to account for 0.5 to 1.0 point increase in the Combined Ratio and that it in fact did. This impact was called the "new business penalty" and it represented a material portion of the increase in the Combined Ratio.

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12. The new business penalty accounted for: 29.4% to 58.8% of the increase in the Combined Ratio for the fourth quarter of 2014 compared to the fourth quarter of 2013; 11.7% to 29.4% of the increase in the Combined Ratio for the first quarter of 2015 compared to the first quarter of 2014; 8.3% to 16.6% of the increase in the Combined Ratio for the second quarter of 2015 compared to the second quarter of 2014; and 8.7% to 17.5% of the increase in the Combined Ratio for the third quarter of 2015 compared to the third quarter of 2014.

13. In the wake of the disclosure that new business was a substantial part of the increase in the Combined Ratio, Allstate's stock plunged more than 10%, or \$7.04 per share on August 4, 2015, to close at \$62.34 compared to the previous trading day's closing of \$69.38, erasing over \$2.8 billion in market capitalization.

14. Further, as a direct result of this unlawful course of conduct, the Company is now the subject of a consolidated federal securities class action lawsuit filed in the U.S. District Court for the Northern District of Illinois on behalf of investors who purchased Allstate stock.

#### **JURISDICTION AND VENUE**

15. This Court has jurisdiction over each defendant named herein pursuant to 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; a substantial portion of the omissions and wrongful acts occurred in Cook County, Illinois; and/or is an individual who 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.

16. Venue is proper in Cook County, Illinois pursuant to 735 ILCS 5/2-101, *et. seq.*, because one or more of the defendants either resides in or maintains its principal place of business in Cook County, Illinois; a substantial portion of the omissions and wrongful acts

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complained of herein, including the defendants' primary participation in the wrongful acts and violation of fiduciary duties owed to Allstate's stockholders, occurred in Cook County, Illinois; and defendants wrongfully received substantial compensation in Cook County, Illinois; and/or defendants were doing business in Cook County at all times pertinent hereto.

### **THE PARTIES**

#### **Plaintiff**

17. Plaintiff Donna Biefeldt was a stockholder of Allstate at the time of the wrongdoing complained of, has continuously been a stockholder since that time, and is a current Allstate stockholder.

#### **Nominal Defendant**

18. Nominal defendant Allstate is a Delaware corporation with principal executive offices located at 2775 Sanders Road, Northbrook, Illinois. Allstate is the holding company for Allstate Insurance Company and its business is conducted principally through Allstate Insurance Company, Allstate Life Insurance Company, and other subsidiaries. Allstate is primarily engaged in the property-liability insurance business and the life insurance, retirement, and investment products business. The Company offers its products in the United States and Canada. As of December 31, 2016, Allstate had approximately 43,500 full- and part-time employees.

#### **Defendants**

19. Defendant Thomas J. Wilson ("Wilson") is Allstate's Chief Executive Officer and has been since January 2007, Chairman of the Board of Directors (the "Board") and has been since May 2008, and a director and has been since September 2006. Defendant Wilson was also Allstate's President from January 2005 to January 2015, and Chief Operating Officer from June 2005 to January 2007. Defendant Wilson was Allstate's President of Allstate Protection from

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2002 to 2006, and Chairman and President of Allstate Financial from 1999 to 2002. Defendant Wilson served Allstate in various executive capacities since 1995. Defendant Wilson is named as a defendant in a related securities class action complaint that alleges he violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"). Defendant Wilson knowingly, recklessly, or with gross negligence made improper statements in the Company's press releases and public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Wilson the following compensation as an executive:

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Year	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value	All Other Compensation	Total
2015	\$1,191,346	\$4,599,968	\$4,599,996	\$2,888,136	\$532,116	\$62,131	\$13,873,693
2014	\$1,141,346	\$3,849,997	\$3,850,001	\$4,073,075	\$2,632,215	\$94,751	\$15,641,385

20. Defendant Steven E. Shebik ("Shebik") is Allstate's Executive Vice President and Chief Financial Officer and has been since February 2012. Defendant Shebik was also Allstate's Senior Vice President and Chief Financial Officer of Allstate Investments from January 2009 to February 2012; Senior Vice President and Chief Financial Officer of the Allstate Protection segment from 2005 to December 2008; Senior Vice President and Chief Financial Officer of the Allstate Financial segment from 2003 to 2005; and Senior Vice President, Accounting, Financial Systems & Integration from 2002 to 2003. Defendant Shebik served Allstate in various

executive capacities since 1995. Defendant Shebik knowingly, recklessly, or with gross negligence made improper statements in the Company's press releases and public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Shebik the following compensation as an executive:

Year	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value	All Other Compensation	Total
2015	\$750,000	\$1,124,996	\$1,124,999	\$850,000	\$185,312	\$28,180	\$4,063,487
2014	\$652,500	\$900,001	\$899,998	\$883,619	\$827,696	\$26,960	\$4,190,774

21. Defendant Winter is Allstate's President and has been since January 2015. Defendant Winter is also President of Allstate Insurance Company and Chief Executive Officer of Allstate Life Insurance Company and has been since January 2015. Defendant Winter was Allstate's President of Allstate Personal Lines from December 2013 to January 2015; President of Allstate Auto, Home, and Agencies from February 2012 to December 2013; and President and Chief Executive Officer of Allstate Financial from October 2009 to February 2012. Defendant Winter is named as a defendant in a related securities class action complaint that alleges he violated sections 10(b) and 20(a) of the Exchange Act. Defendant Winter knowingly, recklessly, or with gross negligence made improper statements in the Company's press releases and public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of

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change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Winter the following compensation as an executive:

Year	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value	All Other Compensation	Total
2015	\$799,423	\$1,550,034	\$1,550,004	\$1,600,000	\$80,745	\$79,399	\$5,659,605
2014	\$766,539	\$1,312,484	\$1,312,504	\$1,500,000	\$139,076	\$39,016	\$5,069,619

22. Defendant Judith A. Sprieser ("Sprieser") is Allstate's Lead Director and has been since May 2015, and a director and has been since July 1999. Defendant Sprieser is also a member of Allstate's Risk and Return Committee and has been since at least April 2014. Defendant Sprieser was the Chairman of the Audit Committee and a member of that committee from at least April 2014 to May 2015. Defendant Sprieser knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Sprieser the following compensation as a director:

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<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$148,407	\$150,035	\$298,442
2014	\$96,153	\$150,020	\$246,173

23. Defendant Mary Alice Taylor ("Taylor") is an Allstate director and has been since May 2000. Defendant Taylor was also an Allstate director from March 1996 to October 1998. Defendant Taylor is the Chairman of Allstate's Audit Committee and has been since May 2015, a member of that committee and has been since at least April 2014, and a member of the Risk and Return Committee and has been since at least April 2016. Defendant Taylor knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Taylor the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$120,453	\$150,035	\$270,488
2014	\$75,250	\$150,020	\$225,270

24. Defendant Andrea Redmond ("Redmond") is an Allstate director and has been since January 2010. Defendant Redmond knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto

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insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Redmond the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$117,363	\$150,035	\$267,398
2014	\$75,250	\$150,020	\$225,270

25. Defendant John W. Rowe ("Rowe") is an Allstate director and has been since February 2012. Defendant Rowe knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Rowe the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$125,000	\$150,035	\$275,035
2014	\$87,576	\$150,020	\$237,596

26. Defendant Kermit R. Crawford ("Crawford") is an Allstate director and has been since January 2013. Defendant Crawford is also a member of Allstate's Audit Committee and

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has been since at least April 2014. Defendant Crawford knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Crawford the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$105,000	\$150,035	\$255,035
2014	\$75,250	\$150,020	\$225,270

27. Defendant Siddharth N. Mehta ("Mehta") is an Allstate director and has been since February 2014. Defendant Mehta is also the Chairman of Allstate's Risk and Return Committee and has been since May 2016, a member of that committee since at least April 2015, and a member of the Audit Committee since at least April 2015. Defendant Mehta knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss

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Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Mehta the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$105,000	\$150,035	\$255,035
2014	\$77,970	\$187,537	\$265,507

28. Defendant Michael L. Eskew ("Eskew") is an Allstate director and has been since July 2014. Defendant Eskew is also a member of Allstate's Audit Committee and has been since January 2015. Defendant Eskew knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Eskew the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$105,000	\$150,035	\$255,035
2014	\$40,635	\$125,012	\$165,647

29. Defendant F. Duane Ackerman ("Ackerman") was Allstate's Lead Director from May 2014 to May 2015, and a director from November 1999 to May 2015. Defendant Ackerman was also a member of Allstate's Audit Committee in at least April 2014. Defendant Ackerman knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of

the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Ackerman the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>All Other Compensation</b>	<b>Total</b>
2015	\$65,000	-	\$10,000	\$75,000
2014	\$95,658	\$150,020	-	\$245,678

30. Defendant Jack M. Greenberg ("Greenberg") was an Allstate director from February 2002 to May 2015. Defendant Greenberg knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Greenberg the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>All Other Compensation</b>	<b>Total</b>
2015	\$62,500	-	\$10,000	\$72,500
2014	\$91,972	\$150,020	-	\$241,992

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31. Defendant Herbert L. Henkel ("Henkel") was an Allstate director from March 2013 to May 2017. Defendant Henkel was also a member of Allstate's Risk and Return Committee from at least April 2014 to at least April 2017. Defendant Henkel knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Henkel the following compensation as a director:

<b>Fiscal Year</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards</b>	<b>Total</b>
2015	\$105,000	\$150,035	\$255,035
2014	\$75,250	\$150,020	\$225,270

32. Defendant Robert D. Beyer ("Beyer") was an Allstate director from September 2006 to May 2016. Defendant Beyer was also the Chairman of Allstate's Risk and Return Committee and a member of that committee from May 2013 to May 2016. Defendant Beyer was a member of the Audit Committee from at least April 2014 to at least April 2015. Defendant Beyer knowingly or recklessly made improper statements in the Company's public filings that did not disclose that the Company's: (i) new business and PIF growth obtained as a result of the defendants' focus on growth was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto

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insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; and (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected. Allstate paid defendant Beyer the following compensation as a director:

Fiscal Year	Fees Paid in Cash	Stock Awards	Total
2015	\$125,000	\$150,035	\$275,035
2014	\$91,972	\$150,020	\$241,992

33. The defendants identified in ¶¶19-21 are referred to herein as the "Officer Defendants." The defendants identified in ¶¶19, 22-32 are referred to herein as the "Director Defendants." The defendants identified in ¶¶22-23, 26-29, 32 are referred to herein as the "Audit Committee Defendants." The defendants identified in ¶¶22, 27, 31-32 are referred to herein as the "Risk and Return Committee Defendants." Collectively, the defendants identified in ¶¶19-32 are referred to herein as the "Individual Defendants."

**DUTIES OF THE INDIVIDUAL DEFENDANTS**

**Fiduciary Duties**

34. By reason of their positions as officers and directors of the Company, each of the Individual Defendants owed and owe Allstate and its stockholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage Allstate in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of Allstate and not in furtherance of their personal interest or benefit.

35. To discharge their duties, the officers and directors of Allstate were required to exercise reasonable and prudent supervision over the management, policies, practices, and

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controls of the financial affairs of the Company. By virtue of such duties, the officers and directors of Allstate were required to, among other things:

(a) provide accurate and truthful information about the Company's business prospects regarding the negative impact defendants' aggressive growth strategy was having on the Company's rate of change in bodily injury claims frequency and rate of change in bodily injury claims paid frequency which in turn negatively impacted Loss Ratio, Combined Ratio, and underwriting profits; especially given the negative impact was expected;

(b) conduct the affairs of the Company in an efficient, business-like manner in compliance with all applicable laws, rules, and regulations so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock; and

(c) remain informed as to how Allstate conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, make reasonable inquiry in connection therewith, and take steps to correct such conditions or practices and make such disclosures as necessary to comply with applicable laws.

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**Breaches of Duties**

36. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as officers and directors of Allstate, the absence of good faith on their part, and a reckless disregard for their duties to the Company that the Individual Defendants were aware or reckless in not being aware posed a risk of serious injury to the Company.

37. The Individual Defendants breached their duty of loyalty and good faith by allowing defendants to cause, or by themselves causing, the Company to engage in an aggressive

growth strategy to increase PIF despite expecting the growth to adversely affect the Company's bodily injury claims frequency, bodily injury claims paid frequency, Loss Ratio, Combined Ratio, Underlying Combined Ratio, and underwriting income; issue improper statements about the reasons for the Company's increased bodily injury claims frequency, increased bodily injury claims paid frequency, deteriorating Loss Ratio, Combined Ratio, and Underlying Combined Ratio; and other improper practices that wasted the Company's assets and caused Allstate to incur substantial damage.

38. The Individual Defendants, because of their positions of control and authority as officers and/or directors of Allstate, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein. The Individual Defendants also failed to prevent the other Individual Defendants from taking such illegal actions. As a result, and in addition to the damage the Company has already incurred, Allstate has expended, and will continue to expend, significant sums of money.

**Additional Duties of the Audit Committee Defendants**

39. In addition to these duties, under its Charter, the Audit Committee Defendants, defendants Ackerman, Beyer, Crawford, Eskew, Mehta, Sprieser, and Taylor, owed specific duties to Allstate to assist the Board in overseeing "[t]he integrity of financial statements and other financial information" and "[t]he Corporation's system of internal control over accounting and financial reporting and disclosures, enterprise risk, and ethics, and compliance with legal and regulatory requirements."

40. Moreover, the Audit Committee's Charter provides the Audit Committee with "other powers," including the responsibility to:

**A. Review financial statements and other financial information.**

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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.

2. The Committee reviews major changes or issues affecting the Corporation's auditing and accounting principles, policies, and practices, and financial statement presentations including critical accounting estimates (with comparisons to the critical accounting estimates of other companies in the industry) and analyses of the effects of alternative generally accepted accounting principle (GAAP) methods on the financial statements. They also review analyses prepared by management or the independent registered public accountant setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

\* \* \*

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).

\* \* \*

**B. Review the Corporation's system of internal control and disclosure controls, enterprise risk, ethics and compliance, and procedures for receipt, retention, and treatment of complaints and concerns pursuant to the requirements of the Sarbanes-Oxley Act.**

1. The Committee reviews the adequacy of internal control over financial reporting and disclosure controls and procedures that could significantly affect the Corporation's financial statements or MD&A and any special audit steps adopted in light of material control deficiencies.

2. The Committee reviews and discusses with management and the independent registered public accountant significant deficiencies or material weaknesses in internal control over statutory financial reporting of the Corporation's insurance company subsidiaries and such other matters as the Committee may deem appropriate in connection with statutory financial reporting.

3. The Committee reviews disclosures made to the Committee by the Corporation's chief executive officer and chief financial officer during their certification process for the annual and quarterly financial reports about any significant deficiencies in the design or operation of internal controls over financial reporting or material weaknesses in such controls and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

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4. The Committee reviews risks discussed by the Risk and Return Committee for consideration in its review of the Corporation's control environment.

5. The Committee discusses guidelines and policies that govern the process by which risk assessment and risk management is handled, including the Corporation's major financial risk exposures and the steps management has taken to monitor and control them.

\* \* \*

**D. Evaluate the qualifications, performance, and independence of the internal audit function.**

1. The Committee is responsible for the functional oversight of the Corporation's internal audit function.

**Additional Duties of the Risk and Return Committee**

41. In addition, under its Charter, the Risk and Return Committee Defendants, defendants Beyer, Henkel, Mehta and Sprieser, owed specific duties to Allstate to assist the Board in:

[F]ulfilling its oversight of management's responsibility for the Corporation's risk and return management structure and governance in the following areas: (i) identification and evaluation of risks inherent in the Corporation's business, strategy, capital structure, and operating plans, (ii) identification and evaluation of opportunities to create and deploy risk capacity to improve returns, (iii) processes, guidelines, and policies for monitoring risks and returns, and (iv) organization and performance of the Corporation's enterprise risk and return management ("ERRM") function.

42. Moreover, the Risk and Return Committee "assists the Audit Committee in fulfilling its responsibility to the Board in the oversight of risk assessment and risk management processes."

43. The Risk and Return Committee has the following additional duties:

- The review of the Corporation's operating plan from a risk and return perspective, including its current and emerging potential exposure to risks of various types and expected returns.
- The quarterly review of Allstate's chief risk officer's report on risk exposures, including insurance, investment, financial, strategic, and operational risks,

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against risk measurement methodologies, if available, and the steps management has taken to identify, monitor, and plan for such exposures.

\* \* \*

- The annual evaluation of the Corporation's strategy from a risk and return perspective, including consideration of risk and return principles, risk and return appetite, risk mitigation, and underlying assumptions, as well as strategic alternatives.

\* \* \*

- The evaluation of the effectiveness of the Corporation's governance structure, guidelines, policies, and processes for risk and return management.

44. The Risk and Return Committee is also supposed to coordinate with the Audit Committee and assist the Audit Committee in "fulfilling its responsibility for oversight of risk assessment and risk management processes." The Risk and Return Committee "oversees management's provision of information to the Audit Committee regarding Allstate's risk control environment on a quarterly basis, including Allstate's chief risk officer's quarterly report on risk exposures."

**CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

45. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their common plan or design. In addition to the wrongful conduct herein alleged as giving rise to primary liability, the Individual Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

46. During all times relevant hereto, the Individual Defendants, collectively and individually, initiated a course of conduct that was designed to and did: (i) deceive the investing public, including stockholders of Allstate, regarding the Individual Defendants' management of Allstate's operations and issue improper statements about the reasons behind the Company's

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deteriorating underwriting profitability in the Allstate brand auto insurance portion of the business, the increase in the Company's bodily injury claims frequency and bodily injury claims paid frequency; and (ii) enhance the Individual Defendants' executive and directorial positions at Allstate and the profits, power, and prestige that the Individual Defendants enjoyed as a result of holding these positions. In furtherance of this plan, conspiracy, and course of conduct, the Individual Defendants, collectively and individually, took the actions set forth herein.

47. The Individual Defendants engaged in a conspiracy, common enterprise, and/or common course of conduct. During this time, the Individual Defendants caused the Company to issue improper financial statements.

48. The purpose and effect of the Individual Defendants' conspiracy, common enterprise, and/or common course of conduct was, among other things, to disguise the Individual Defendants' violations of law, breaches of fiduciary duty, and unjust enrichment; and to conceal adverse information concerning the Company's operations, financial condition, and future business prospects.

49. The Individual Defendants accomplished their conspiracy, common enterprise, and/or common course of conduct by causing the Company to purposefully or recklessly release improper statements. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants was a direct, necessary, and substantial participant in the conspiracy, common enterprise, and/or common course of conduct complained of herein.

50. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each Individual Defendant acted with knowledge of the primary wrongdoing, substantially assisted in the accomplishment of that

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wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

### **FACTUAL BACKGROUND**

51. Insurance underwriting is the process of determining risk for potential clients. The goal of underwriting is to determine whether an insurer should accept an individual as a client and, if accepted, how much that client should pay for the insurance protection. Factors in auto insurance underwriting can include the age of the driver, the driver's accident history, number of tickets, the car being insured, previous claims, and the area where the potential insured lives. Loosening underwriting standards can increase growth by accepting additional clients but it can also increase risk. Tightening underwriting standards can reduce overall risk but may result in less or even negative growth.

52. The measure of underwriting profitability used by Allstate is the Combined Ratio and the difference between 100% and the Combined Ratio represents underwriting margin. The Combined Ratio is the sum of the Loss Ratio and the Expense Ratio. The Loss Ratio is the ratio of claims and claims expense to premiums earned. The Loss Ratio includes the cost of paying claims. The Expense Ratio is the ratio of amortization of deferred policy acquisition costs, operating costs and expenses, and restructuring and related charges to premiums earned. Since the Combined Ratio is the sum of the Loss Ratio and the Expense Ratio, an increase in either the Loss Ratio or the Expense Ratio increases the Combined Ratio.<sup>2</sup> An increase in the Loss Ratio, Combined Ratio, or the Underlying Combined Ratio reflects a negative impact on that ratio.

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<sup>2</sup> Allstate also uses the Underlying Combined Ratio which is the Combined Ratio excluding the effect of catastrophes, prior year reserve reestimates, and amortization of purchased intangible assets.

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53. One of the factors impacting the Loss Ratio is claim frequency. Claim frequency is the rate of claim occurrence per PIF. Bodily injury paid claims frequency is a representation of the number of bodily injury claims that are paid. Generally an increase in bodily injury claims frequency leads to an increase in bodily injury claims paid frequency. An increase in bodily injury claims paid frequency increases the Loss Ratio and the corresponding Combined Ratio. More simply, increased bodily injury claim frequency and severity equals less profitability.

54. Prior to 2014, the Company experienced relatively consistent and often negative rates of change in the Allstate brand auto bodily injury claims frequency and the Allstate brand auto bodily injury claims paid frequency. The Allstate brand auto Loss Ratio, Combined Ratio, and Underlying Combined Ratio were also relatively stable and consistent. The Combined Ratio was generally below 96.

55. According to Allstate's April 7, 2014 Proxy Statement issued by defendants Ackerman, Beyer, Crawford, Greenberg, Henkel, Mehta, Redmond, Rowe, Sprieser, Taylor, and Wilson, defendants set "Grow[ing] insurance premiums" as the number one goal for Allstate in 2013.

56. Following the decision to make policy growth the number one priority, Allstate experienced improved growth in the Allstate brand auto insurance segment. There was a 1.5% increase PIF as of December 31, 2013, compared to December 31, 2012; a 2.9% increase in PIF as of December 31, 2014, compared to December 31, 2013; and a 2.1% increase in PIF as of December 31, 2015, compared to December 31, 2014.

57. Since claims frequency takes into account PIF, an increase in PIF should not change claims frequency if the underwriting standards used to grow PIF are the same as the underwriting standards used for the pre-growth policies. But if looser underwriting standards are

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used to grow PIF, then there is an expected corresponding increase in claims frequency. As explained herein, however, because the Company loosened underwriting standards, claim frequency increased.

**IMPROPER STATEMENTS**

58. As explained above, the Allstate brand auto insurance line is vital to the Company. Thus, investors pay close attention to any changes in the Allstate brand auto insurance PIF numbers, claims frequency, Loss Ratio, Combined Ratio, and Underlying Combined Ratio. Defendants caused Allstate to make improper statements regarding the causes for uptick in the claim frequency numbers and the increases in the Combined Ratio, Loss Ratio, and/or Underlying Combined Ratio in the Allstate brand auto insurance line by failing to disclose the PIF growth they were touting resulted from loosened underwriting standards that they expected to have a 0.5 to 1.0 negative impact on the Combined Ratio, Loss Ratio, and/or Underlying Combined Ratio. Instead defendants blamed the problems on temporary external factors.

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59. On October 29, 2014, Allstate issued a press release titled "Allstate Reports Broad-Based Growth and Strong Profitability." The Company stated:

- 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, and a modest increase of 5,000 or 0.1% in Allstate homeowners policies.

\* \* \*

In this news release, we provide our outlook range on the Property-Liability 2014 underlying combined ratio.

60. On October 29, 2014, Allstate filed its Quarterly Report on Form 10-Q for the third quarter ended September 30, 2014, with the SEC, providing investors information about the Company's operations and finances.

61. Allstate held a conference call with analysts and investors on October 30, 2014, to discuss Allstate's earnings and operations for the third quarter of fiscal 2014. Defendant Wilson stated:

We continue to have broad-based auto policy growth, which is 2.6% higher than the prior year.

62. In response to this question from an analyst: "And the follow-up is on auto. With gas sub \$3 in a lot of areas, are you pricing for increased frequency yet? Or you're waiting to see what will happen?" Defendant Wilson stated:

Frequency has all kinds of components in it, right? It's got miles driven, it's got who drives the car, it's got -- that's affected by a lot things including gas prices. The biggest driver historically, from our analysis, which is kind of hard to get between that, is really on the economic growth.

So people are working, unemployment rates are down, economic activity is up, people are going to restaurants, they're driving places. And so as you look at the progress, and of course, unemployment and economic activity has trended up for the last 3 or 4 years. Matt's team has reflected that into the results, and you see we've been able to maintain ratios. Gas prices may have an impact on mileage driving. And we track it. It's not as close, right? Because gas prices aren't really that significant a cost that they keep people from driving. So if you're paying \$4 a gallon and you suddenly pay \$3 a gallon, even if you're getting 10 miles per gallon, you're saving \$0.10 a mile. It's not really a barrier to people going places. That said, you tend to get more like summer driving vacations and stuff like that. I would just say Matt's team has proven their ability to micro-target that stuff and drive it in a way there. So Matt, if you want to make comment about frequency and profitability?

63. Defendant Winter then stated:

Sure. Thanks, Tom. I don't really have much to add as far as the gas price impact. As Tom said, it's something we'll watch and watch carefully. But we don't expect it to be a core driver. *That being said, our frequency so far has been extremely favorable to prior year. It's within our historical ranges, it's broad geographically. So our frequency trends are -- have been good.* We stay on top

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of them, as Tom says. This is a national business managed very locally. And so even if the change in gas prices drives behavior and miles driven in some small geographies, it will be geographically specific. It won't be widespread. And so we'll manage it that way, and we'll continue to do what the company has been quite good at doing. As you see on page 7 of our presentation, we have a pretty long-term history of managing our margins well and keeping an eye on both frequency and severity and reacting accordingly. So it's something to watch, but not something to obsess over.

64. Later in the call, defendant Winter also indicated they constantly monitored bodily injury numbers and everything was normal. Specifically he stated:

Obviously, PIF and [bodily injury] are things that we watch constantly. They tend to be somewhat volatile. And they move around and bounce around. And if they're not managed carefully, they can get out of control. We watch them carefully and we react in a variety of different ways, depending upon the geography. In some cases, it's pricing action, it's -- in other cases, it's underwriting actions. In other cases, it's managing where we're growing and where we're not. And so we'll continue to manage those 2 coverages fairly aggressively. We're not seeing anything get out of control from our perspective, I can say that. *We're seeing normal volatility that we would expect. But we're not seeing anything out of control.*

65. On December 9, 2014, Allstate participated in the Goldman Sachs U.S. Financial Services Conference, where defendants Shebik and Wilson presented on behalf of the Company during which they touted the growth in the Allstate brand auto insurance line. At the beginning of his remarks, defendant Wilson indicated that the goal for participating in the conference was to "help you understand how we create shareholder value." Defendant Wilson touted Allstate's ongoing efforts to grow the Allstate brand auto insurance line stating "Allstate brand auto has been growing year-over-year since the second half of 2013." Defendant Wilson went on to say: "The Allstate brand auto combined ratio as shown in the chart on the upper right-hand side of the slide. *As you can see, it's consistently profitable, with the combined ratio of below 96%...*" During the conference, defendant Shebik indicated "...people have been having a few issues in a handful of states in terms of [personal injury protection] or [bodily injury] coverages. We

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haven't seen really that much. We've seen much more of an increase consistent with what you assume from the normal trends in the [consumer price index]."

66. The above statements were improper because they omitted material information concerning the increase in the Company's bodily injury claims and bodily injury claims paid frequencies. By the date of each of the statements, defendants had already seen an uptick in the frequency rates for October 2014. The statements also omitted that the PIF growth was expected to detrimentally impact the Loss Ratio, Combined Ratio, and Underlying Combined Ratio by 0.5 to 1.0 point.

67. On February 4, 2015, Allstate issued a press release titled "Allstate Sustains Growth and Profitability." The press release disclosed the increases in claim frequency and the Combined Ratio but attributed the increase to only precipitation and unspecified economic trends. The Company stated:

Operating performance in the fourth quarter reflected a continuation of the year's growth trajectory and auto margins that were impacted by higher claim frequency. Growth in Allstate brand policies in force continued its positive momentum, with auto insurance policies 2.9% higher than the prior year and homeowner policies beginning to grow as a broad set of initiatives to improve returns have now been implemented.

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.

68. Allstate held a conference call with analysts and investors on February 5, 2015, to discuss Allstate's earnings and operations for the fourth quarter and year end of fiscal 2014. During the call, defendant Wilson touted the growth in the auto insurance business stating: "The Allstate brand had accelerating growth throughout the year as auto insurance built up momentum...." While defendant Wilson admitted "[f]ourth quarter auto margins were off

somewhat...," the participants on the call downplayed this significance of the emerging trend in the auto Loss Ratio and failed to disclose that growth was a factor in the increase in the Combined Ratio. During the call, Patrick Macellaro, Allstate's Vice President of Investor Relations stated:

However, average underlying losses and expenses per policy, shown by the red line, increased 4% in the fourth quarter compared with the fourth quarter of 2013. This increase was the result of higher levels of accident frequency experienced in the first 2 months of the quarter, which was driven by a combination of increased economic activity and non-catastrophe weather.

69. In responding to a question about the auto Loss Ratio for the fourth quarter, defendant Wilson admitted that they had seen an uptick in frequency in October 2014. Specifically, defendant Wilson stated:

...Thank you for the question. Matt [Winter] has been waiting anxiously for your question because *he spent untold number of hours over the last, really, 3 months since we saw a tick-up in October. So we were on this early, and he can give you all the specifics.*

70. Defendant Winter then specifically denied that growth caused the uptick in the Loss Ratio and claims frequency. In particular, defendant Winter stated:

So there is some seasonality in the fourth quarter in the combined ratio. That's one. Second, as I believe Pat mentioned and I believe it was also highlighted in the release, when we talk about the uptick in frequency in the fourth quarter, we noted that there was an uptick in 2 out of the 3 months. It was an uptick in October and November that seemed to moderate, and we had the December that was more in line with prior trends. So we had a 2- out of 3-month tick-up. Third point is what's driving it and what's not driving it. Let me start with what's 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 some time during the call we talk about the growth we're achieving in the auto business....* I think we are, I use a phrase, appropriately paranoid. I think we get paid to worry a lot and to focus intensely a lot, *but in no way are we panicked or in no way are we concerned that it's a quality issue*, and we'll continue to manage it the way we do and have done for many, many years.

71. When asked by an analyst if there was a "third factor" concerning why the Company experienced an uptick in the claims frequency, defendant Winter implied there was not, instead stating: "We're confident that we have analyzed this to death, some might say. We understand the drivers." Defendant Wilson confirmed defendant Winter's response.

72. When another analyst asked defendant Winter: "[O]n the frequency issue, you said that the frequency recovered in December. Was that also the case in January?" defendant Wilson stated: "We just closed the month end. Let's just say that, obviously, we were looking at it on the first...." Defendant Winter finished defendant Wilson's response stating: "An hourly basis." Defendant Wilson then stated: "We get claim counts daily, so let's just say we looked at it."

73. On February 12, 2015, Allstate participated in the Bank of America Merrill Lynch 2015 Insurance Conference, where defendants Shebik and Wilson presented on behalf of the Company. At the beginning of his remarks, defendant Wilson indicated that the goal for participating in the conference was to "...help you understand our strategy and how we create shareholder value." In discussing growth, defendant Wilson stated: "You can see the upward trend in the Allstate brand auto insurance starting in early 2013 by the green line in the chart on the right." In discussing the Combined Ratio for Allstate brand auto insurance, defendant Wilson stated "[t]he auto insurance combined ratio is shown in green, *and it's consistently below 96....*"

74. On February 19, 2015, Allstate filed its Annual Report on Form 10-K for the 2014 fiscal year ended December 31, 2014, with the SEC, providing investors information about the Company's operations and finances. Defendants Wilson, Shebik, Sprieser, Taylor, Redmond, Rowe, Crawford, Mehta, Eskew, Ackerman, Greenberg, Henkel, and Beyer signed the Form 10-

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K on behalf of the Company. The Form 10-K did not disclose that the new business growth in the Allstate branded auto insurance line was a cause for the increase in claim frequency or Allstate brand auto Loss Ratio. The Form 10-K stated:

*Auto loss ratio* for the Allstate brand increased 0.7 points in 2014 compared to 2013, primarily due to increased catastrophe losses.

\* \* \*

Claim frequency in the bodily injury coverages in 2014 was comparable to 2013. Claim frequency in the property damage coverages increased 0.5% in 2014 compared to 2013. We experienced increased property damage frequency in first quarter 2014 due to severe winter weather experienced in the Midwest and East and in the first two months of fourth quarter 2014 in geographically widespread areas with improved unemployment rates leading to higher miles driven and areas that experienced higher precipitation. Otherwise, frequencies in bodily injury and property damage performed within historical ranges. Bodily injury and property damage coverage paid claim severities increased 2.7% and 4.1%, respectively, in 2014 compared to 2013. Severity results in 2014 increased in line with historical Consumer Price Index trends. Claim frequencies in the bodily injury and property damage coverages decreased 1.1% and increased 0.3%, respectively, in 2013 compared to 2012.

75. On April 6, 2015, defendants Ackerman, Beyer, Crawford, Eskew, Greenberg, Henkel, Mehta, Redmond, Rowe, Sprieser, Taylor, and Wilson caused Allstate to issue a Proxy Statement in connection with the 2015 Annual Stockholders meeting, scheduled for May 19, 2015 (the "2015 Proxy"). In the 2015 Proxy, defendants solicited stockholder votes to, among other things reelect themselves to the Board. Defendants issued improper statements in the 2015 Proxy.

76. The 2015 Proxy stated the number 1 priority was to "Grow insurance policies in force" and that the number 2 priority was to "Maintain the underlying combined ratio." The 2015 Proxy also stated:

- The Board expanded its efforts to develop a thorough understanding of the company's leadership depth and culture. Board members have regular interaction with senior management, an annual interactive dialogue with other high-performing officers, and participate in ethics discussions with officers.

\* \* \*

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.

77. On May 5, 2015, Allstate filed its Quarterly Report on Form 10-Q for the first quarter ended March 31, 2015, with the SEC, providing investors information about the Company's operations and finances. The Form 10-Q touted the PIF growth and provided reasons for the increase in the Allstate brand auto Loss Ratio but did not disclose the PIF growth was a factor in the increased Loss Ratio. The Form 10-Q stated:

Allstate is focused on the following priorities:

- grow insurance policies in force;
- maintain the underlying Combined Ratio;

\* \* \*

Allstate brand auto premiums written totaled \$4.54 billion in the first quarter of 2015, a 5.7% increase from \$4.29 billion in the first quarter of 2014. Factors impacting premiums written were the following:

- 3.2% or 623 thousand increase in PIF as of March 31, 2015 compared to March 31, 2014.
- 10.9% increase in new issued applications to 792 thousand in the first quarter of 2015 from 714 thousand in the first quarter of 2014.

\* \* \*

*Auto loss ratio for the Allstate brand increased 3.8 points in the first quarter of 2015 compared to the first quarter of 2014, primarily due to higher claim frequency and severity and unfavorable reserve reestimates, partially offset by increased premiums earned.*

\* \* \*

Claim frequency (rate of claim occurrence per policy in force) in the bodily injury and property damage coverages increased 6.8% and 2.1%, respectively, in the

first quarter of 2015, compared to the first quarter of 2014. The increase in bodily injury frequency reflects favorable frequency results in the prior year period as well as increases broadly across the country. Quarterly fluctuations in bodily injury frequency can be volatile. On a 12 month moving basis, for the period ended March 31, 2015, the year over year increase was 1.7%. The increase in property damage frequency was impacted in part by adverse winter weather experienced predominately in the east, as well as higher frequency trends broadly across the country. The first quarter of 2014 was also adversely impacted by winter weather.

Bodily injury and property damage coverage paid claim severities (average cost per claim) increased 3.9% and 4.8%, respectively, in the first quarter of 2015 compared to first quarter of 2014.

78. On May 5, 2015, Allstate issued a press release titled "Allstate's Broad-Based Business Model Generates Profitable Growth." The press release indicated adverse weather and prior year reserve estimates caused the increase in the Allstate brand Combined Ratio. The Company stated:

Auto losses were elevated in the first quarter, reflecting seasonal winter weather and higher non-weather levels of frequency and severity in all three brands where we underwrite risk. Allstate brand auto had a first quarter combined ratio of 96.8, and an underlying combined ratio of 95.6, which was 1.8 points unfavorable to the prior year quarter. Allstate brand bodily injury frequency increased 6.8% from low levels in the first quarter of 2014. Property damage frequency increased 2.1%, and was impacted in part by adverse winter weather experienced predominantly in the east, as well as higher frequency trends broadly across the country. Prior year reserve reestimates negatively impacted the Allstate brand auto recorded combined ratio by 0.8 points in the first quarter of 2015, with approximately half due to litigation settlement accruals. While losses were elevated in the quarter, Allstate brand auto continued to generate a good combined ratio. Price increases in auto insurance originally planned for later in 2015 have been accelerated due to increased non-weather related loss trends.

79. Allstate held a conference call with analysts and investors on May 6, 2015, to discuss Allstate's earnings and operations for the first quarter of fiscal 2015. The Company participants on the call discussed the extensive investigation into the increase in claim frequency and indicated the causes were external and not a result of new business growth. Defendants Wilson, Winter, and Shebik participated on the call. During the call, Patrick Macellaro stated:

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[B]odily injury frequency increased 6.8% compared with the first quarter of last year.

As you'd expect, we've continued to dig into the drivers of increased frequency since the trends began to emerge in the fourth quarter of last year. Leverage our data and analytic capabilities to continuously analyze our business from the macro level down to the micro segments that our local teams used to underwrite in price.

Some examples of items we've been investigated include the impact of new to renewal loss ratio relativities, often referred to as the new business penalty form writing higher volumes in new business, state mix and geographic mix within states, higher growth books of business versus stable or moderately growing books, monoline versus multiline, liability only versus full coverage, and quality characteristics such as insurance core, driver age and household composition.

Based on our analysis, we continue to be comfortable with the quality of both our new and renewal business.

This analysis also reinforces our conclusion that recent frequency fluctuations are due primarily to macroeconomic trends in weather. And that while we believe industry-wide auto frequency will continue its long-term downward slope overtime, there will be periods of variability within that trend that are driven by external factors.

80. Defendant Winter discussed the frequency trends and stated:

...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 3x as influential as the weather, that pattern seems to pulled up again, this quarter. But we want to validate that and verify it and as Pat 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're 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 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, the rating plans had influenced it. *And all of that review has 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.*

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81. In responding to another analyst question about the claims frequency issues, Chief Financial Officer defendant Shebik stated:

We can answer the question which Matt [Winter] talked extensively about, which is, we don't see anything in the way we have done our business. And we have the ability to slice and dice our data, as if we were our own competitor, right. So we can slice and dissect them whole bunch of ways, and we do think it's comprehensive.

82. Defendant Winter then stated:

The second piece was -- I'm sorry, where we're seeing miles driven. Miles driven is essentially, I think, Tom [Wilson] in the last call referred to it as an indicator of economic activity. And I think that's really a way to view it. And so it's been very consistent when you look at miles driven in those regions of the country that have seen an increase in overall economic activity, lowered unemployment rate or higher investment or higher home construction. There is a whole bunch of different ways of looking at it. But economic activity has spurred miles driven, which has spurred frequency.

83. On August 3, 2015, Allstate filed its Quarterly Report on Form 10-Q for the second quarter ended June 30, 2015, with the SEC, providing investors information about the Company's operations and finances. The Form 10-Q stated:

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 brand auto premiums written totaled \$4.59 billion in the second quarter of 2015, a 4.9% increase from \$4.38 billion in the second quarter of 2014, and \$9.12 billion in the first six months of 2015, a 5.3% increase from \$8.67 billion in the first six months of 2014. Factors impacting premiums written were the following:

- 3.3% or 653 thousand increase in PIF as of June 30, 2015 compared to June 30, 2014. Allstate brand auto PIF increased in 45 states, including our largest 10 states, as of June 30, 2015 compared to June 30, 2014.
- 6.2% increase in new issued applications to 818 thousand in the second quarter of 2015 from 770 thousand in the second quarter of 2014, and 8.5% increase to 1,610 thousand in the first six months of 2015 from 1,484 thousand in the first six months of 2014.

\* \* \*

- Profit improvement actions include rate increases, underwriting guideline adjustments, and targeted expense reductions.
- We regularly monitor profitability trends and take appropriate underwriting and pricing actions to maintain adequate returns. Given current loss cost trends, we anticipate increasing the level of rate increases being pursued. Approximately 47% of the Allstate brand auto rates approved through June 2015 are estimated to be earned in the second half of 2015.

### THE TRUTH EMERGES

84. On August 3, 2015, Allstate issued a press release titled "Allstate Maintains Focus on Profitability." The press release quoted defendant Wilson admitting for the first time that the new growth in PIF over the previous few years negatively impacted claim frequency. Specifically, defendant Wilson stated "recent growth in Allstate brand auto policies in force did increase frequency...."

85. Allstate held a conference call with analysts and investors on August 4, 2015, to discuss Allstate's earnings and operations for the second quarter of fiscal 2015. At the time, Allstate's auto Loss Ratio and Combined Ratio were continuing to deteriorate. Defendant Winter admitted that a significant portion of the deterioration of the auto Loss Ratio was the result of new business written since growth in PIF became the number one priority. Specifically, defendant Winter stated:

*As you know, new business normally runs with a higher frequency level than renewable customers. We often refer to this as a new business penalty.*

\* \* \*

*So we analyzed how the volume of new auto business we've written in the past 2 years has impacted our results. And our analysis indicated that the new business growth rate is having between half a point and a point impact on the auto loss ratio.*

*This impact was expected and manageable.*

86. Defendant Winter also indicated that underwriting was part of the problem stating:

In conjunction with our broad rate increases, we are also engaged in very targeted and segmented rate actions and the underwriting changes wherever we identify specific underperforming segments of business.

87. Later in the call, defendant Winter stated:

A third lever that we're engaging in this effort, because we are, in fact, tightening some of our underwriting parameters, providing some increased focus on correct class programs and we'll continue to use underwriting in conjunction with that.

88. The slides presented on the conference call included a slide called: "Broad-Based Increase in Auto Losses." The slide indicated "Recent growth in new business increased auto losses, as new auto business typically has higher relative frequency...." The inclusion of new growth as a factor shows it was material factor.

89. Based on the disclosure that the new business growth rate negatively impacted the auto Loss Ratio by 0.5 to 1.0 point, the resulting negative impact on the Combined Ratio was as follows.

(a) The increase in Combined Ratio in fourth quarter 2014 compared to fourth quarter 2013 was 1.7. The 0.5 to 1.0 of the increase due to new business was 29.4% to 58.8% of the total increase.

(b) The increase in the Combined Ratio in first quarter 2015 compared to first quarter 2014 was 3.4. The 0.5 to 1.0 of the increase due to new business was 11.7% to 29.4% of the total increase.

(c) The increase in Combined Ratio in second quarter 2015 compared to fourth quarter 2014 was 6.0. The 0.5 to 1.0 of the increase due to new business was 8.3% to 16.6% of the total increase.

(d) The increase in Combined Ratio in third quarter 2015 compared to third quarter 2014 was 5.7. The 0.5 to 1.0 of the increase due to new business was 8.7% to 17.5% of the total increase.

90. On this news, Allstate's market capitalization plunged more than 10%, or \$7.04 per share, on August 4, 2015, to close at \$62.34 compared to the previous trading day's closing of \$69.38, erasing over \$2.8 billion in market capitalization in a single day.

91. Allstate improved its auto insurance Loss Ratio, Combined Ratio, and Underlying Combined Ratio, in part, by reversing the growth in auto insurance PIF. One of the Company's efforts to reduce the Loss Ratio was to make underwriting standards more restrictive which revealed that underwriting standards in obtaining the growth in PIF from 2013 to 2015 had been an issue in the increased ratios and frequencies.

92. Allstate held a conference call with analysts and investors on November 3, 2015, to discuss Allstate's earnings and operations for the third quarter of fiscal 2015. During the call, defendant Wilson admitted that new business has a higher Loss Ratio than renewal business. Defendant Wilson also admitted underwriting standards were a factor in the higher Loss Ratio attributed to new business. Defendant Wilson stated:

We also made progress in improving auto insurance returns. As you know, in the first quarter of last year, the combined ratio on this business began to rise, which reflected an increased frequency of losses and higher severity per claim.

\* \* \*

We also made underwriting standards more restrictive, which has the effect of reducing the higher-loss ratio of new business. As a result, Allstate brand's auto policy growth declined at 3.1%.

93. Allstate held a conference call with analysts and investors on February 4, 2016, to discuss Allstate's earnings and operations for the fourth quarter of fiscal 2015. During the call, defendant Wilson indicated part of the plan to fix the Loss Ratio problem was to slow growth because new business has a higher Loss Ratio. Defendant Wilson stated:

The comprehensive program we implemented shortly after a significant increase in auto accident frequency and claim severity includes seeking higher approval for auto insurance prices, making changes to our underwriting standards to slow new business growth and addressing underperforming segments, which is both of those, and reducing expenses.

\* \* \*

We intentionally slowed auto insurance growth in 2015 to improve auto margins. The new business typically has a higher loss ratio than more tenured business.

94. On the call, defendant Winter also admitted new business volume and quality impact frequency. Defendant Wilson stated:

Frequency is driven by primarily miles-driven but also weather, distracted driving, new business volume, new business quality and underwriting.

**REASONS THE STATEMENTS WERE IMPROPER**

95. The statements referenced above were each improper when made because they failed to disclose and misrepresented the following material, adverse facts, which the Individual Defendants knew, consciously disregarded, or were reckless in not knowing:

(a) that due to the growth first strategy, the Company was experiencing a known but undisclosed negative impact in the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, and 0.5 to 1.0 point increase in the Allstate brand auto insurance Loss Ratio, Combined Ratio, and/or Underlying Combined Ratio;

(b) that defendants had expected the PIF growth to have a corresponding detrimental impact on the ratios and even had a name for it: the new business penalty;

(c) that one of the drivers of the new business penalty was underwriting standards; and

(d) as a result of the foregoing, the previous representations concerning the causes for the increases in the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Allstate brand auto insurance Loss Ratio, Combined Ratio, and/or Underlying Combined Ratio were improper.

**DAMAGES TO ALLSTATE**

96. As a result of the Individual Defendants' improprieties, Allstate disseminated improper, public statements concerning the cause of the problems in Allstate brand auto insurance business. These improper statements have devastated Allstate's credibility as reflected by the Company's almost \$29 billion, or 10%, market capitalization loss.

97. Allstate's performance issues also damaged its reputation within the business community and in the capital markets. In addition, the Company stands to incur higher marginal costs of capital and debt because the improper statements disseminated by the Individual Defendants have materially increased the perceived risks of investing in and lending money to the Company.

98. Further, as a direct and proximate result of the Individual Defendants' actions, Allstate has expended, and will continue to expend, significant sums of money. Such expenditures include, but are not limited to:

(a) costs incurred from defending and paying any settlement in the class action for violations of federal securities law; and

(b) costs incurred from compensation and benefits paid to the defendants who have breached their duties to Allstate.

**DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

99. Plaintiff brings this action derivatively in the right and for the benefit of Allstate to redress injuries suffered, and to be suffered, by Allstate as a direct result of breaches of fiduciary duty and unjust enrichment, as well as the aiding and abetting thereof, by the Individual Defendants. Allstate is named as a nominal defendant solely in a derivative capacity. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

100. Plaintiff will adequately and fairly represent the interests of Allstate in enforcing and prosecuting its rights.

101. Plaintiff was a stockholder of Allstate at the time of the wrongdoing complained of, has continuously been a stockholder since that time, and is a current Allstate stockholder.

102. The current Board of Allstate consists of the following ten individuals: defendants Crawford, Eskew, Mehta, Redmond, Rowe, Sprieser, Taylor, and Wilson and non-defendants Jacques P. Perold and Perry M. Traquina. Plaintiff has not made any demand on the present Board to institute this action because such a demand would be a futile, wasteful, and useless act, as set forth below.

**Demand Is Excused Because Defendants Crawford, Eskew, Mehta, Redmond, Rowe, Sprieser, Taylor, and Wilson Face a Substantial Likelihood of Liability for Their Misconduct**

103. Demand is futile as defendant Wilson because he participated on conference calls during which defendant Winter and others denied growth was a factor in the negative impact Allstate was experiencing in its Allstate brand auto frequency trends, Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio. Defendant Wilson never corrected nor provided the information that the increase in PIF resulting from the growth first strategy was expected to

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and did bring a 0.5 to 1.0 point increase in the Allstate brand auto 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 PIF.

104. As alleged above, defendants Crawford, Eskew, Mehta, Redmond, Rowe, Sprieser, Taylor, 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; specifically the expected and actual increase in the Company's Allstate brand auto claims frequency, Loss Ratio, Combined Ratio, and/or Underlying Combined Ratio associated with the Company's PIF growth in the Allstate brand auto insurance line.

105. Defendants Crawford, Eskew, Mehta, Sprieser, and Taylor, as members of the Audit Committee, reviewed and approved the improper statements and earnings guidance. The Audit Committee's Charter provides that it is responsible for compliance with accounting, legal, and regulatory requirements. Thus, the Audit Committee Defendants were responsible for knowingly or recklessly allowing the improper statements related to the Company's earnings guidance and financial and disclosure controls. Despite their knowledge or reckless disregard, defendants Crawford, Eskew, Mehta, Sprieser, and Taylor caused these improper statements. Accordingly, these defendants breached their fiduciary duty of loyalty and good faith because they participated in the wrongdoing described herein. Thus, defendants Crawford, Eskew, Mehta, Sprieser, and Taylor face a substantial likelihood of liability for their breach of fiduciary duties so any demand upon them is futile.

106. Defendants Mehta and Sprieser, as members of the Risk and Return Committee, had the duty to identify and evaluate of risks inherent in the Corporation's business, strategy,

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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 oversight of risk assessment and risk management processes. Allstate is in the insurance business which is ultimately a business based on assessing risks. Thus, the Risk and Return Defendants were responsible for knowingly or recklessly allowing the defendants to set a strategy for the Company that had the expected risk of negatively impacting the Allstate branded auto frequency ratios, Loss Ratio, Combined Ratio, and/or Underlying Combined Ratio; and the resulting improper statements related to the Company's earnings guidance and financial and disclosure controls. Despite their knowledge or reckless disregard, defendants Mehta and Sprieser caused the detrimental growth first priority 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 Mehta and Sprieser face a substantial likelihood of liability for their breach of fiduciary duties so any demand upon them is futile.

107. Here, in addition to the affirmative decisions made and actions taken as members of Allstate's Board, demand is futile because defendants Crawford, Eskew, Mehta, Redmond, Rowe, Sprieser, Taylor, and Wilson face a substantial likelihood of liability for failing to act in the face of known risks to the Company's lifeblood—Allstate brand auto insurance. Allstate's Proxy Statement issued on April 12, 2017 (the "2017 Proxy") by defendants Crawford, Eskew, Mehta, Redmond, Rowe, Sprieser, Taylor, and Wilson acknowledges these defendants were responsible for oversight of auto insurance profits. The 2017 Proxy listed Board strategies including the 2015 strategy of "[o]versight of auto insurance profit improvement plan in response to the historic rise in auto loss costs across the industry."

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108. The principal professional occupation of defendant Wilson is his employment with Allstate, pursuant to which he has received and continues to receive substantial monetary compensation and other benefits as alleged above. Accordingly, defendant Wilson lacks independence from defendants Crawford, Eskew, Mehta, Redmond, Rowe, Sprieser, and Taylor due to his interest in maintaining his executive position(s) at Allstate. This lack of independence renders defendant Wilson incapable of impartially considering a demand to commence and vigorously prosecute this action. Allstate paid defendant Wilson the following compensation:

Year	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value	All Other Compensation	Total
2015	\$1,191,346	\$4,599,968	\$4,599,996	\$2,888,136	\$532,116	\$62,131	\$13,873,693
2014	\$1,141,346	\$3,849,997	\$3,850,001	\$4,073,075	\$2,632,215	\$94,751	\$15,641,385

Accordingly, defendant Wilson is incapable of impartially considering a demand to commence and vigorously prosecute this action because he has an interest in maintaining his principal occupation and the substantial compensation he receives in connection with that occupation. Demand is futile as to defendant Wilson.

**COUNT I**  
***Breach of Fiduciary Duty***  
**(Individual Defendants)**

109. Plaintiff incorporates by reference Paragraphs 1 through 108 above as though fully set forth herein.

110. The Individual Defendants owed and owe Allstate fiduciary obligations. By reason of their fiduciary relationships, the Individual Defendants owed and owe Allstate the highest obligation of good faith, fair dealing, loyalty, and due care.

111. The Individual Defendants and each of them, violated and breached their fiduciary duties of candor, good faith, and loyalty. More specifically, the Individual Defendants

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violated their duty of good faith by creating a culture of lawlessness within Allstate, and/or consciously failing to prevent to Company from engaging in the unlawful acts complained of herein.

112. The Officer Defendants either knew, were reckless, or were grossly negligent in disregarding the illegal activity of such substantial magnitude and duration. The Officer Defendants either knew, were reckless, or were grossly negligent in not knowing: (i) the aggressive growth strategy undertaken at Allstate in 2013 and subsequent PIF growth would and was causing a negative impact on the Company's rate of change in bodily injury claims frequency for Allstate brand auto insurance, rate of change in bodily injury paid claims frequency for Allstate brand auto insurance, Loss Ratio for Allstate brand auto insurance, Combined Ratio for Allstate brand auto insurance, and the Underlying Combined Ratio for Allstate brand auto insurance; (ii) that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was expected; and (iii) that statements that did not disclose that at least 0.5 to 1.0 point of the increase in the Loss Ratio, Combined Ratio, and/or the Underlying Combined Ratio was caused by new business growth were improper.

113. The Director Defendants as directors of the Company owed Allstate the highest duty of loyalty. These defendants breached their duty of loyalty by recklessly permitting the improper activity concerning the aggressive growth strategy at the Company and permitting the improper statements that did not disclose the negative impact the growth was having on Allstate's profitability. The Director Defendants knew or were reckless in not knowing that: (i) public statements being made regarding the reasons behind the Company's increase in frequency

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rates and Loss Ratio, Combined Ratio, and Underlying Combined Ratio, were improper. Accordingly, the Director Defendants breached their duty of loyalty to the Company.

114. The Audit Committee Defendants breached their fiduciary duty of loyalty by approving the statements described herein which were made during their tenure on the Audit Committee, which they knew or were reckless in not knowing contained improper statements and omissions. The Audit Committee Defendants completely and utterly failed in their duty of oversight and in their duty to appropriately review financial results, as required by the Audit Committee Charter in effect at the time.

115. The Risk and Return Committee Defendants breached their fiduciary duty of loyalty by knowingly or recklessly allowing the aggressive growth strategy detailed herein which was embarked on during their tenure on the Risk and Return Committee, which they knew or were reckless in not knowing had an associated negative impact on the Company's profitability. The Risk and Return Committee Defendants completely and utterly failed in their duty of oversight and in their duty to identify and evaluate said risks, as required by the Risk and Return Committee Charter in effect at the time.

116. As a direct and proximate result of the Individual Defendants' breaches of their fiduciary obligations, Allstate has sustained significant damages, as alleged herein. As a result of the misconduct alleged herein, these defendants are liable to the Company.

117. Plaintiff, on behalf of Allstate, has no adequate remedy at law.

**COUNT II**  
***Unjust Enrichment***  
**(Individual Defendants)**

118. Plaintiff incorporates by reference Paragraphs 1 through 117 above as though fully set forth herein.

119. By their wrongful acts and omissions, the Individual Defendants were unjustly enriched at the expense of and to the detriment of Allstate because they received and retained compensation and director remuneration while breaching their fiduciary duties owed to Allstate, retained said financial benefits to the detriment of Allstate and retention of said financial benefits violates fundamental principles of justice, equity, and good conscience.

120. Plaintiff, as a stockholder and representative of Allstate, seeks restitution from the Individual Defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits, and other compensation obtained by the Individual Defendants and establishing a constructive trust over said compensation because it is unfair to permit the Individual Defendants to retain possession of said compensation based on their wrongful conduct and their breach of their fiduciary duties owed to Allstate.

121. Plaintiff, on behalf of Allstate, has no adequate remedy at law.

**PRAYER FOR RELIEF**

WHEREFORE, plaintiff, on behalf of Allstate, prays that the Court enter Judgment in her favor as follows:

A. Against all of the defendants and in favor of the Company for the amount of damages sustained by the Company as a result of the defendants' breaches of fiduciary duties, and to remedy defendants' unjust enrichment;

B. Awarding to restitution to Allstate from defendants, and each of them, and ordering disgorgement of all profits, benefits, and other compensation obtained by the defendants and establishing a constructive trust over all such compensation being wrongfully retained by the defendants;

C. Directing Allstate to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect Allstate and its stockholders from a repeat of the damaging events described herein, including,

but not limited to, putting forward for stockholder vote, resolutions for amendments to the Company's By-Laws or Articles of Incorporation and taking such other action as may be necessary to place before stockholders for a vote of the following Corporate Governance Policies:

1. a proposal to strengthen the Company's controls over financial reporting;
  2. a proposal to strengthen the Board's oversight of underwriting standards related to any plan to grow PIF;
  3. a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater stockholder input into the policies and guidelines of the Board;
  4. a provision to permit the stockholders of Allstate to nominate at least three candidates for election to the Board; and
  5. a proposal to strengthen Allstate's oversight of its disclosure procedures
- D. Awarding plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and
- E. Granting such other and further relief as the Court deems just and proper.

**JURY DEMAND**

Plaintiff demands trial by jury on all issues so triable.

Respectfully submitted,

MORRISSEY & DONAHUE, LLC

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Dated: August 3, 2017

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