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November 20, 2014

Allstate's homeowner rolls grow for 1st time since 2006

October 30, 2014, By Becky Yerak, ChicagoTribune.com (Excerpt)

Allstate headquarters in Northbrook.

Allstate accomplished something in the third quarter it hasn't done since 2006: grow the number of homeowners' policies on its books.

After Hurricane Katrina in 2005, the Northbrook-based home and auto insurer reduced its exposure to such catastrophe-prone areas as Florida and Louisiana. Allstate historically also has shown a willingness to cede market share to maintain its profit margins.

As a result, the number of homeowners' policies on its books has fallen for years. In recent quarters, however, that decline has slowed, and, in the quarter ended Sept. 30, Allstate grew its homeowners' policies count, to 6.082 million from 6.077 million. Its peak was 7.8 million.
"While it is by a small number of policies, it is pretty widespread; widespread geographically and widespread in terms of being both favorable new business and retention," Matt Winter, head of Allstate's personal insurance lines, told analysts during a Thursday earnings call. "We now have 21 states that are growing year-over-year" in the number of homeowners.

Allstate's Esurance arm continues to lose money. Allstate bought the online seller of coverage in 2011 for $1 billion to better take on Geico and Progressive. Esurance had policy growth of 14 percent in the quarter, but that growth rate has slowed from a 32 percent policy growth rate in the same period a year ago as Allstate tries to improve the unit's profits, including by charging higher prices for coverage.

"We like the deal," Allstate Chief Executive Tom Wilson said in response to an analyst question about Esurance. "We're glad we paid a lot of money for it, and we are even happier that it has turned out to be growing, and we're going to make money on it."

One analyst asked about Allstate's spending on stock buybacks and dividends.

In the third quarter, it paid $122 million in common stock dividends and bought back $926 million in common stock.

For perspective, it had operating income of nearly $600 million in the third quarter.

"We have plenty of capital and are feeling good about our returns," CEO Wilson replied.

Another analyst asked why Allstate — which has driver-monitoring programs, including mobile apps and devices that plug into cars, that offer potential discounts — doesn't strike a deal with an automaker to work on connected cars.

"The average age of the fleet is 11 years old," Wilson said. "So there are a whole bunch of people out there driving that we would like to offer them the opportunity to get more sophisticated pricing as opposed to waiting until they buy a new car."

But Wilson said Allstate is "actively in conversations with everybody," including automakers and telecommunications companies, about driver-monitoring programs, commonly called "telematics."

After the market closed Wednesday, Allstate reported higher-than-expected third-quarter profits as it generated more in premiums.

At midday Thursday, Allstate shares were up 1.4 percent to $63.89, beating the wider market.

Click here to read the full article online: http://www.chicagotribune.com/business
The Allstate Corporation’s Earnings Results: 3 Key Takeaways

October 31, 2014, By Motley Fool, NASDAQ.com (Excerpt)

The Allstate Corporation, a $27 billion property and insurance company with a focus on home and auto insurance, presented solid third quarter results on Thursday.

The insurance business reported earnings, which beat consensus estimates, delivered another quarter of strong net written premium growth and combined ratios, but also reported higher catastrophe losses that weighed on Allstate’s operating income.

1. Earnings beat

Allstate reported operating earnings of $1.39 per share, which beat consensus estimates of $1.33 per share. Allstate’s earnings beat follows similarly strong results at The Travelers Companies and The Hartford Financial Services Group, which both reported third quarter earnings beats as well.

Though catastrophe losses affected Allstate’s third quarter profitability by $517 million compared against just $128 million in the year ago quarter, Allstate’s results nonetheless indicate a strongly performing insurance franchise.

2. Robust premium growth and combined ratios

Probably the biggest takeaway from Allstate’s third quarter results was, that the company was affected by catastrophe losses that were four times larger than last year.

Despite that, Allstate was able to achieve a property-liability underwriting gain of $474 million in the most recent quarter. Its combined ratio has slightly improved sequentially to 93.5%, which compares against 97.4% in 2Q 2014 and against 90% in 3Q 2013. Allstate’s underlying combined ratio, which adjusts for non-recurring items like catastrophe losses, however, remained in the mid-80% neighborhood with 86.1%.

Allstate also benefited from premium momentum in the most recent quarter. Allstate’s third quarter saw 4.9% premium growth to $7.8 billion in its property-liability business, which added to the positive premium trend Allstate has seen over the course of last year.
3. Capital deployment
Companies often resort to share repurchases to supplement a dividend that's paid to shareholders.

The initiation or increase of a dividend usually signals to investors that a company intends to keep paying regular cash, which is why dividends are viewed as a permanent commitment.

Share repurchases, on the other hand, are often supplementing dividend payments, and are mostly opportunistic in nature.

And Allstate remains committed to going full-in on delivering value for shareholders via the deployment of both dividends and share buybacks. As Thomas J. Wilson, chairman, president and CEO of The Allstate Corporation, said relating to Allstate's third quarter results:

“Shareholders continued to realize good returns, with an operating income return on equity of 13% and $1.05 billion of dividends and share repurchases in the third quarter.”

And that's exactly what shareholders want to hear. Not only did the company perform well with a 13% return on equity, but management is more than willing to share those gains with shareholders. Year-to-date, Allstate returned $2.42 billion to investors, which is some serious cash.

In the most recent quarter, Allstate bought back its own shares for a total consideration of $926 million, and the company is determined to continue to deploy capital for the benefit of shareholders in the future.

Furthermore, Allstate's management is shareholder friendly, funneling substantial amounts of money back to shareholders in both dividends (with a 1.8% yield, according to S&P Capital IQ ) and share repurchases. With further premium momentum, solid combined ratios, and a focus on capital deployment, Allstate remains an interesting insurance investment after its latest results release.

Click here to read the full article online: http://www.nasdaq.com/article
Los Angeles, CA-- In a case that's been characterized as wage theft by the plaintiff's legal team, a California labor lawsuit has been granted favor by the United States Court of Appeals for the Ninth Circuit after the latter determined a class-action lawsuit against Allstate Insurance Company (Allstate) can move forward. The insurance juggernaut had attempted to quash the suit.

Under California and labor law, non-exempt employees are to be paid overtime for any work performed above 40 hours per week or beyond 5 days per week, as well as extra pay for missed meal breaks and rest periods as mandated by the California labor code, if an employee is required to work through a rest period or meal break.

However, according to the California labor lawsuit, policy and protocol observed by Allstate effectively discourages managers from paying overtime, allegedly due to incentives afforded Allstate managers to stay within mandated budgets. Such incentives, according to the lawsuit, included paid bonuses to managers who kept within budgetary parameters.

Plaintiffs claimed that such incentives for managers to stay on budget - not to mention the pursuit of a good performance review that might hinge on a manager's capacity to stay within budgetary guidelines - dissuaded managers from recording overtime hours.

"The complaint alleges that Allstate's managers are required to stay within an annual budget that includes overtime compensation, and that the performance evaluations and bonuses paid to managers are dependent on how closely they conform to the budget," said attorney Alexander R. Wheeler, of the R. Rex Parris Law Firm, which represents the plaintiffs. "This would mean that a manager would have a disincentive to approve and report overtime, the class claims."

That's a violation of California labor employment law.

Plaintiffs allege that managers would witness workers performing tasks off the clock and outside of their normal work hours, but make no inquiry as to whether or not overtime was to be requested. The California labor lawsuit also suggests that repeated requests for overtime were seen as a performance issue, rather than incidents that suggested claims adjusters were given too much work to complete within the allotted hours.
Rather than suggest a requisition for overtime, an employee might be counseled as to alternative work methods through better training and increased efficiency in order to avoid overtime hours. However, given the incentives allegedly afforded by the defendant to stay within budget suggests Allstate managers did not have the best interests of their underlings at heart, but rather their own and those of the defendant.

"The potential recovery in this case is expected to be in the hundreds of millions for wage theft by Allstate," said R. Rex Parris, founding partner of the R. Rex Parris Law Firm. "Casualty adjuster Jack Jimenez brought the suit in 2010 on behalf of any claims adjuster working for the insurer in the state of California since Sept. 29, 2006."

California state labor laws are clear with regard to the requirement to pay overtime for non-exempt workers. While an employer always has the right to offer training in order to improve efficiency in an effort to avoid overtime, an employer does not have the right to deny an employee overtime pay for extra hours worked, when the overtime was unavoidable.


Click here to read the full article online: [http://www.lawyersandsettlements.com](http://www.lawyersandsettlements.com)
Allstate EVP of Marketing, Innovation and Corporate Relations discusses the variations in campaigns and social responsibility

In this age of the constant brand refresh, companies like Allstate are becoming increasingly rare. Allstate's two main campaigns, both playing off of the motto "You're in Good Hands with Allstate," have been around for an eternity by advertising industry standards, and yet in many ways, they're fresher than ever. So how does Allstate manage to "stay the course" when other brands are constantly reengineering their messages?

To get these answers, I connected with Sanjay Gupta, Executive Vice President of Marketing, Innovation and Corporate Relations at Allstate Insurance Company. Sanjay knows a thing or two about reaching out to people, and his penchant for teamwork netted him an Officers Award at the CMO Awards, presented by The CMO Club. His advice for his fellow marketers is to find the brand story that resonates and then stick with it.

Importantly and perhaps somewhat surprising to digital evangelists, Gupta also points out that TV still plays a powerful role in Allstate's marketing mix. Sure digital is growing but as Gupta notes, "people still watch TV – a lot of TV." The key, as you will see, is that Allstate is also focused on creating "new and different things" to talk about from a product standpoint, so even though the messengers and the media remain fairly constant, the messages remain fresh.

**Q: Insurance companies are among the biggest spenders in general and on TV specifically. Collectively you can't all be wrong so TV must still be working for brands like Allstate. What role does TV play in your marketing mix and do you see that changing in the near term?**

It allows us to tell our brand story. For example, last year we debuted a powerful brand ad titled, "We Still Climb," that helped us launch our new brand idea that Allstate doesn't just protect people when something goes wrong, but also helps them to live a good life every day. As part of that effort, we're leveraging our TV advertising to highlight Allstate's innovative products and features – including proven ones like our Safe Driving bonus checks, as well as new ones such as our QuickFoto Claim and Drivewise smart phone apps.

As far as our marketing mix goes, people still watch TV – a lot of it. Though we continue to increase the percentage of our digital media as consumer media consumption evolves, we've found that a combination of media types usually yields the best results.
Q: You have two very different campaigns with Mayhem and Dennis Haysbert ads. What is the strategy behind these two initiatives and from a measurement standpoint, are you able to distinguish the results of them individually versus the collective impact they have on the brand? The good news is they work very well together, each campaign complementing and working off one another. Mayhem disrupts – reminding people that all insurance is not the same so people need to be careful in terms of who they choose for their protection needs, while Dennis reinforces why Allstate is the compelling choice to protect everything that's important to you. While we know that each campaign continues to work very well individually, collectively the effect is even greater. And of course, both fall under Allstate's overriding message "You're in Good Hands with Allstate."

Q: A lot of marketers change campaigns every couple of years. This doesn't seem to be the case in the insurance category and certainly not with Allstate. Why is that? Are there specific signals you look for to determine if just an ad or an entire campaign has worn out its welcome? If you have a campaign that continues to prove successful, and becomes even more successful with time, then changing for change sake is not what's best for the brand and the business. Of course we measure and constantly watch for wear out and diminishing effectiveness. But part of the reason "You're in Good Hands" has remained one of the most recognized taglines in America is because we haven't changed it in 50 years.

Even though we've had some real duration with the look and feel and of our campaigns over the last several years, we are constantly introducing new features and different ways in which we tell our story about Allstate while also leveraging the equity that Dennis and Mayhem have built. So we not only leverage Dennis and Mayhem, but for example last year we featured several well-known home experts/TV personalities in our ads who provided helpful maintenance and do-it-yourself tips. We delivered the message that Allstate homeowners insurance offers more, and highlighted product features like claim-free rewards as well as helpful tools and perks at our Good Life Hub that allow customers to get more out of their insurance every day.

And this year we're talking about Allstate "House and Home" coverage where we're offering our Claim Rate Guard and Claim Free Rewards. So we're constantly talking about new and different things. In fact we just launched a campaign aimed at New Households that highlights a lot of great new services and features from Allstate, but it still looks and feels familiar. We're still able to leverage the equity of Dennis' voice in some cases, or of course use Dennis or Mayhem in pure form. So we're doing things new and different, but we have terrific equity in both of those assets and we'll continue to maximize them in our current and upcoming campaigns.

Click here to read the full article online: http://www.psfk.com

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Maryland Insurers Using 'Price Optimization' Ordered to File Corrective Action Plan

The Maryland Insurance Administration (MIA) issued a bulletin alerting insurers that the use of "price optimization" in Maryland is in violation of §27-212(e)(1) of the state's Insurance Article.

MIA said it is requiring insurers that currently utilize price optimization to rate insurance policies in Maryland to file a corrective action plan with MIA by no later than Jan. 1, 2015.

MIA told Insurance Journal that "although the MIA is aware that at least some carriers' rate filings have incorporated price optimization, we do not yet know the full extent of the practice."

"Personal auto and homeowners appear to be the lines where the practice is most prevalent," MIA said in a statement. "The practice also has been noted in some commercial property filings.

The MIA will continue to scrutinize rate filings for unfairly discriminatory practices, including the use of price optimization."

"It has come to the attention of the Maryland Insurance Administration that some insurers are using 'price optimization' to rate insurance policies in Maryland," the bulletin stated.

According to the bulletin, price optimization refers to the practice of varying rates based on factors other than the risk of loss — such as the likelihood that policyholders will renew their policies and the willingness of certain policyholders to pay higher premiums than other policyholders.

"The MIA has determined that the use of price optimization results in rates that are unfairly discriminatory in violation of the §27-212(e)(1) of the Insurance Article," the bulletin stated. "As a result, insurers may not use price optimization to rate policies in Maryland."

The purpose of price optimization is to move away from traditional cost-based rating to take advantage of consumers' "price elasticity" in the market by charging the most that the market will bear without losing business.

"One of the ways that insurers use price optimization is to analyze patterns of behavior of policyholders to try to predict whether a policyholder is likely to switch to another insurer if the insurer increases premiums," the bulletin stated.

"This may involve the use of a 'retention model.' If an insurer's analysis indicates that a policyholder is likely to switch to another insurer, that policyholder will be charged a lower premium than a policyholder who is considered unlikely to switch to another insurer."

The bulletin cites one advocate of price optimization who said the research shows if P/C insurers adopt advanced pricing strategies that consider customer elasticity differences, they can boost their revenue by roughly 3 percent and returns-on-equity by 1 percent, on average.

Price optimization involves varying rates based on factors that are unrelated to risk of loss, such as price elasticity or the willingness of an insured to accept a premium increase, according to the bulletin, and "consequently, the use of price optimization may result in two insureds with like risk characteristics being charged different premiums, which is a violation of §27-212(e)(1) of the Insurance Article."

Source: The Maryland Insurance Administration

Click here to read the full article online: http://www.insurancejournal.com
Phoenix, AZ-- An independently owned and operated Allstate Insurance office will celebrate its relocation to Arcadia Thursday, Nov. 6, as the larger company is set to expand across Phoenix by hiring 75 new employees.

Julie Jakubek, who has owned an Allstate agency for the past 18 years, relocated her office to Phoenix's Arcadia neighborhood from Scottsdale six months ago after her lease expired. As part of the move she added two new employees.

Allstate also is looking to expand in Arizona by adding 75 new employees in the last months of 2014, according to a company statement. Of the 75 new hires, 25 will be agency owners and 50 will be licensed sales producers.
Good hands, great data
October 30, 2014, By Jennifer Alsever, Fortune.com (Excerpt)

A hard look at how data could be better used internally has helped insurance company Allstate tighten its operations and reduce its risk. Wall Street seems to agree.

In July 2011, Floyd Yager, then senior vice president of analytics at Allstate Insurance, huddled in a conference room with Suren Gupta, the company's chief information officer. Yager had an idea. He had heard about open source software called Hadoop that could process millions of datasets in amazing speed on a just a dozen computers. Yager had a small team that could mine this information but he needed Gupta's buy in: the computers, the storage, the network and the capacity to go forth. Could the company's information technology department work with him to get it done?

Gupta wasn't sure Hadoop was necessary. For decades Allstate used smaller chunks of data to dissect its customers to analyze risk and pricing. "Why do you need so much data?" he asked. "And what would you even do with it?" The potential, Yager explained, could be big.

The faster processing technology meant Allstate could look at millions of data points instead of thousands and sort through them in a matter of hours instead of months. The insurance giant could dig through troves of customer information - policies, claims, quotes - to uncover patterns and make more precise predictions about what customers really wanted. It would be able to pinpoint which customers might switch to the competition, which price points worked to attract new ones, which home policies required physical inspections or which claims were fraudulent. The list could be endless.

At the time, Allstate executives faced big problems. The Northbrook, Ill. insurer shed customers after cutting coverage in hurricane-prone regions. Fraud was rampant in New York and Florida and agency compensation in flux. That year, the company lost $625 million, its market share slipped and its stock hit a low of $22.70 per share, marking a steep slide from $65 in late 2005.

Investors criticized CEO Thomas Wilson despite efforts to right the ship with a cost-cutting reorganization. Yet much of the problems were out of Wilson's control: Allstate had been hit by payouts for big storms, agency compensation changes were controversial, and the planned retirement of senior executives looked to outsiders like a management exodus. "That criticism of Wilson wasn't entirely fair," says Paul Newsome, an analyst at investment banking brokerage Sandler O'Neil and Partners.

Then came another bit of bad news: the abrupt departure of Joseph Lacher, the president in charge of turning around the home and auto insurance operations. The departure stunned investors. Says Meyer Shields of the investment banking firm Keefe, Bruyette & Woods: "Everyone saw a company in disarray."

That was three years ago, about the same time buzz began percolating over this new idea of big data and the dizzying amounts of terabytes and zettabytes proliferating inside companies and from social media and mobile phones. Then, and even now, few companies fully understand how to best use those bits and bytes. They furiously collect and store the information, only to do nothing with it.

The real gold was already piled up inside company databases and data storage facilities: years' worth of customer information, transaction history, policy pricing, quotes and claims. Yager had spent his 25-year career at Allstate crunching that kind of data but it was always to develop rating plans and make underwriting decisions - in essence determining who to insure and at what price.
The rise of Hadoop and big data offered something new: Instead of looking at small samples of data, the insurer could for the first time look at the entirety of its customer base at once. It could segment it and precisely know what Allstate customers look like and what kind of risk the company was really taking on. Allstate could now use that data to drive decision-making elsewhere in the business, from identifying fraudulent claims to developing better marketing and sales campaigns. Instead of sending direct mail to every customer, for instance, Allstate can use customer data to target only those people most likely to act. "The growing processing power allows us to see so much more," Yager says.

Analytics can show execs in real time why new customers chose the insurer, offering a game plan for Allstate to replicate. For Allstate to take advantage of data, executives needed to start asking how analytics could answer their questions and drive their decision-making.

Today, Allstate has an entire data science department staffed with 60 people who work hand-in-hand with some 200 managers across the company in claims, sales and marketing on other projects. Allstate is still recruiting and training and on track to double the department's size again this year.

Allstate executives contend their predictive algorithms are just beginning to make a difference; they've already led to better rating plans, faster growth in auto policies and better customer retention. Shields, who was skeptical of Allstate in 2011, believes that big data helped the company's turnaround. "It means much less guesswork," he says. "It's now the lifeblood of the business."

Click here to read the full article online: [http://fortune.com](http://fortune.com)

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**Update From the Allstate Agents Litigation Website**

*Romero v. Allstate*

*October 24, 2014*

In the October 11 update, we mentioned that the parties were required to submit briefs on October 20 concerning the structure of the trials that Judge Buckwalter has scheduled concerning the validity of the Release. While the judge has determined that juries will decide, not on a class basis, whether the Release that the named Plaintiffs signed is valid, he has not resolved questions such as: how many Plaintiffs will testify at each trial? which party will present its evidence first at the trial? will the jury issue a verdict immediately after the testimony is presented as to each Plaintiff or wait until all evidence is presented at a trial before issuing a verdict as to all plaintiffs who testify at that trial? These structural issues are addressed in the briefs presented by Plaintiffs and by Allstate.

We will of course post Judge Buckwalter's decision after it is issued.

Updates on this case can be viewed at [www.allstatecase.com](http://www.allstatecase.com)
Chicago City Treasurer Stephanie D. Neely to Join Allstate as Vice President, Treasury

NORTHBROOK, Ill. -- The Allstate Corporation (NYSE: ALL) today announced that Chicago City Treasurer Stephanie D. Neely will join the company as its vice president, treasury, effective December 1. She will be responsible for the strategic direction and management of liquidity, capital, ratings and corporate structure issues.

"We are pleased that Stephanie is joining Allstate and look forward to benefiting from her financial management expertise and broad leadership capabilities, which she demonstrated most recently in pioneering financial literacy programs on behalf of the city of Chicago and its schools," said Steven E. Shebik, chief financial officer.

"I am thrilled to be a part of Allstate given its growth, strong business opportunities and community leadership, particularly here in my hometown of Chicago," Neely said. "I'm looking forward to joining Allstate and contributing to its continued financial success."

Neely has more than two decades of financial services experience. As treasurer and chief investment officer for the city of Chicago for eight years, she has raised financial reporting standards and broadened Chicago's financial literacy, community outreach and other programs.

Neely began her career as a financial analyst with Smith Barney and assistant vice president at Paine Webber. She subsequently held municipal finance management positions at First Chicago/Bank One Capital Markets and other firms, and served as vice president of the institutional sales team for Northern Trust Global Investments from 2005 to 2006. Neely earned her bachelor's degree from Smith College and an MBA from the University Of Chicago Booth School Of Business.

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