

# Alleghany

Investor Day

November 8, 2018

# Agenda

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	Topic	Presenters
8:00 AM	Welcome	<b>Kerry Jacobs</b> – VP, Finance and CRO, Alleghany Corporation
8:05 AM	Alleghany Overview	<b>Weston Hicks</b> – President and CEO, Alleghany Corporation
8:30 AM	TransRe	<b>Michael Sapnar</b> – President and CEO, Transatlantic Holdings
9:00 AM	RSUI	<b>Dave Leonard</b> – Chairman and CEO, RSUI Group
9:25 AM	CapSpecialty	<b>Stephen Sills</b> – Chairman and CEO, CapSpecialty
9:45 AM	(Re)insurance Summary	<b>Joe Brandon</b> – Executive Vice President, Alleghany Corporation
10:05 AM	Break	
10:20 AM	Alleghany Capital	<b>David Van Geysel</b> – President and CEO, Alleghany Capital Corporation <b>Udi Toledano</b> – Chairman, Alleghany Capital Corporation
11:05 AM	Alleghany Capital CEO Panel	<b>David Van Geysel</b> – President and CEO, Alleghany Capital Corporation <b>Judd Zebersky</b> – President and CEO, Jazwares <b>Rick Cooper</b> – President and CEO, W&W AFCO Steel
11:50 AM	Financial Update	<b>Jack Sennott</b> – Senior Vice President and CFO, Alleghany Corporation
12:15 PM	Closing Remarks & Q&A	<b>Weston Hicks</b> – President and CEO, Alleghany Corporation
12:30 PM	Lunch with Alleghany Executives and ACC CEOs	

## Forward-Looking Statements

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*This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but instead represent only Alleghany’s belief regarding future events, many of which, by their nature, are inherently uncertain and outside Alleghany’s control. Except for Alleghany’s ongoing obligation to disclose material information as required by federal securities laws, Alleghany is not under any obligation (and expressly disclaims any obligation) to update or alter any projections, goals, assumptions, or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise. Factors that could cause Alleghany’s actual results and experience to differ, possibly materially, from those expressed in the forward-looking statements include the factors set forth in Alleghany’s most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the United States Securities and Exchange Commission and made available on Alleghany’s website at [www.alleghany.com](http://www.alleghany.com).*

# **Alleghany Overview**

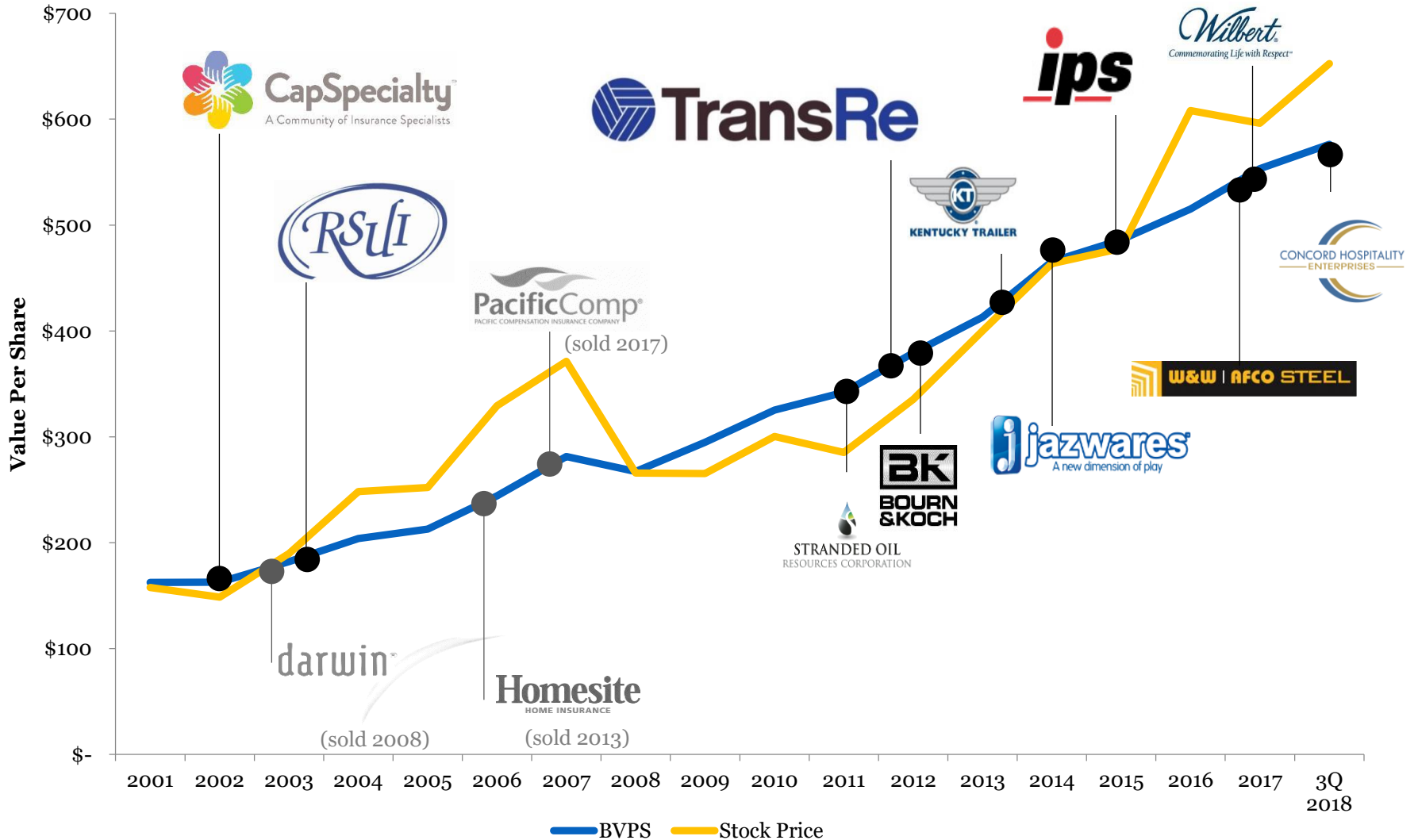
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**Weston Hicks**

# From Railroads to Financial Services



# Acquisition History Since 2000



Note: As of September 30, 2018. Jazwares shown in 2014 when initial interest was acquired. Majority position acquired in 2016.

# Capital Allocation as of September 30, 2018

(\$ in millions)

<b>Consolidated:</b>		
Stockholders' Equity	\$ 8,595	89.6%
Parent Company Debt	993	10.4%
<b>Total Capital</b>	<b>\$ 9,588</b>	<b>100.0%</b>

<b>Alleghany Capital:</b>		
Bourn & Koch	\$ 69	0.7%
Kentucky Trailer	52	0.5%
IPS	86	0.9%
Jazwares	235	2.5%
W&W	252	2.6%
Wilbert	75	0.8%
Corporate and other	87	0.9%
<b>Total Alleghany Capital</b>	<b>\$ 856</b>	<b>8.9%</b>

<b>(Re)insurance:</b>		
TransRe	\$ 5,168	53.9%
Ownership of CapSpecialty	(86)	(0.9%)
TransRe (excl. CapSpecialty)	5,082	53.0%
RSUI	1,809	18.9%
CapSpecialty	392	4.1%
<b>Total (Re)insurance</b>	<b>\$ 7,283</b>	<b>76.0%</b>

<b>Other:</b>		
Cash and marketable securities <sup>(1)</sup>	\$ 1,365	14.2%
Stranded Oil	119	1.2%
Alleghany Properties	41	0.4%
Other items, net	(75)	(0.8%)
<b>Total Other</b>	<b>\$ 1,450</b>	<b>15.1%</b>

Note: Based on September 30, 2018 year to date financials

(1) Cash and public investments excludes cash at the TransRe holding company (\$56.1 million at 09/30/2018), which is included in TransRe capital.

## Alleghany's Time Tested Business Model

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Quasi-autonomous operating structure

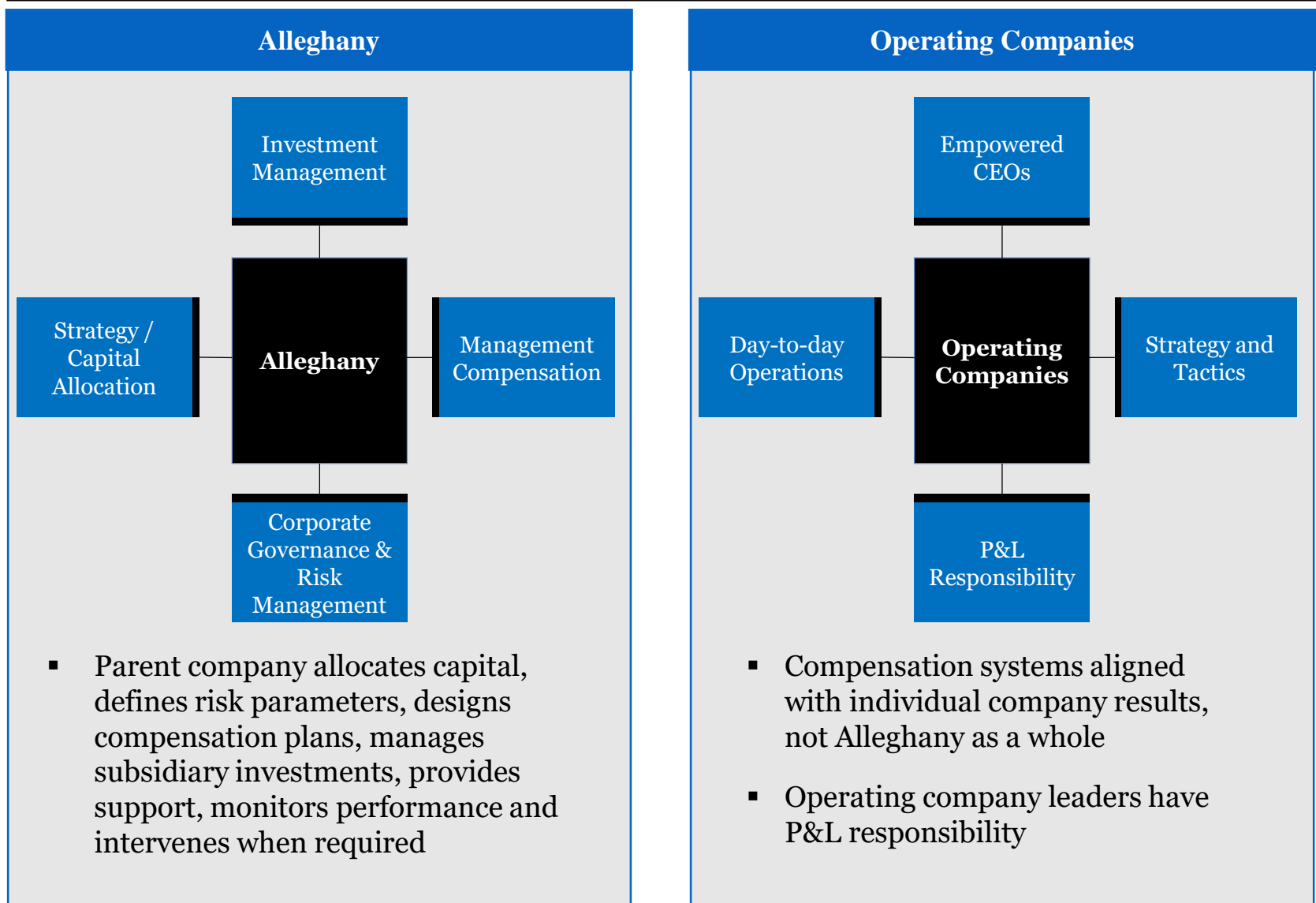
Long-serving executive leadership

Investment-oriented holding company

Focus on *long-term* compounding of book value

**89 Year History as a Public Company**

# Quasi-Autonomous Operating Structure



## **Executive Leadership Tenure Aligned With Long-Term Horizon**

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✓ Otis & Mantis Van Sweringen (1929) – ***Founders***

✓ Robert Young (1937-1958) – ***21 years***

✓ Allan Kirby (1958-1967) – ***9 years***

✓ F.M. Kirby (1967-1992) – ***25 years***

✓ John J. Burns, Jr. (1992-2004) – ***12 years***

✓ Weston M. Hicks (2004-present) – ***14+ years***

# Holding Company Cash Flow Sources and Uses

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1/1/2014 – 2018F (\$ in millions)

## Major Sources:

TransRe Dividends	\$	1,450
RSUI Dividends		650
		<hr/>
	\$	2,100

## Major Uses:

Alleghany Capital	\$	692
Special Dividend		154
Share Repurchases		990
		<hr/>
	\$	1,836

Note: Share repurchases through October 31, 2018. Includes TransRe and RSUI 4Q dividends of \$100 million in total.

## Insurance Operating Strategy

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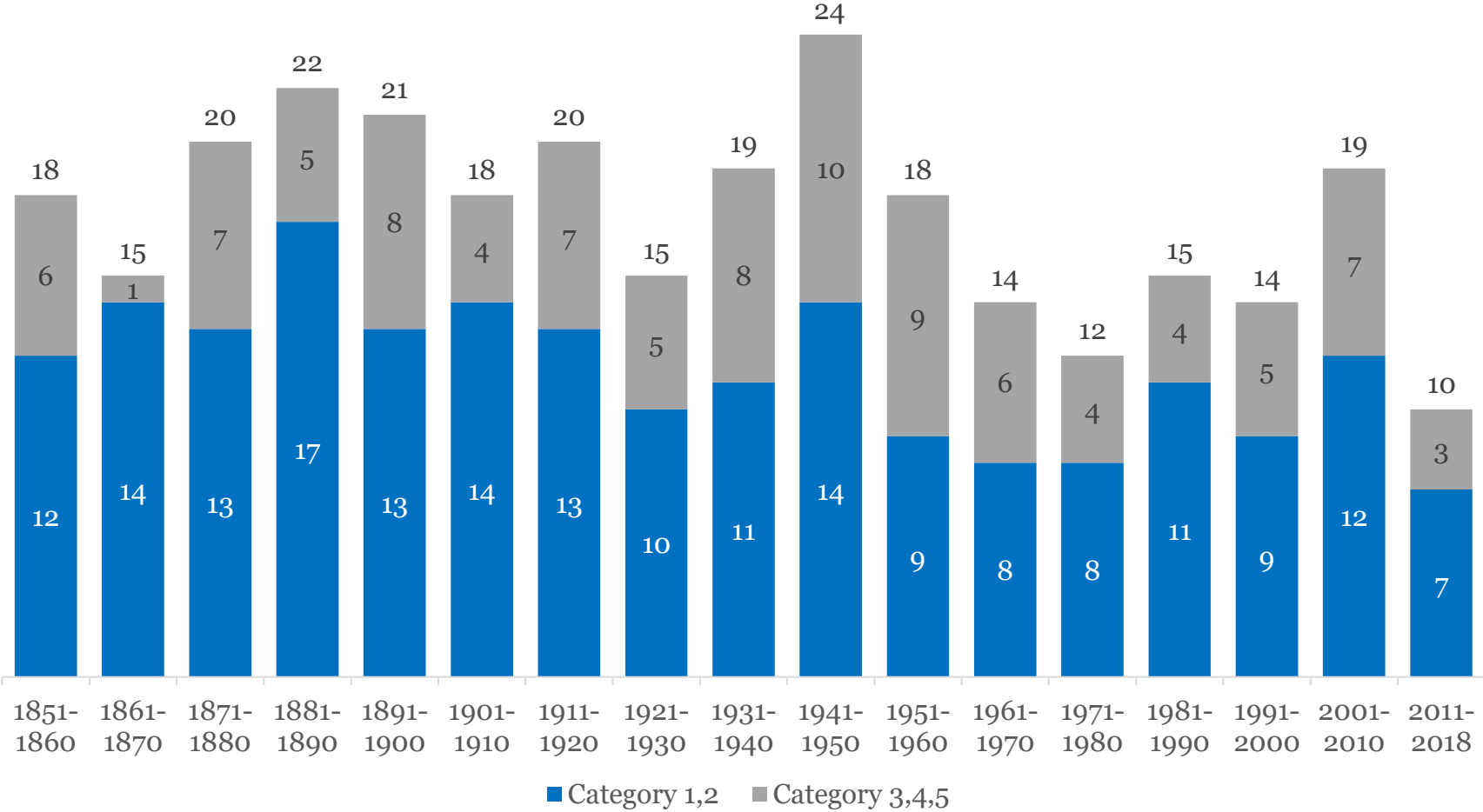
- 1) Underwrite for profit
- 2) Grow only when market allows for profitable growth
- 3) Invest for total return
- 4) Acquire quality businesses at reasonable prices
- 5) Hold significant liquidity positions for potential opportunities
- 6) Maintain conservative risk profile

## Challenges

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- 1) Rising interest rates
- 2) High asset prices (public and private)
- 3) Industry consolidation
- 4) Return to normal catastrophes
- 5) Myopic property pricing

# Mainland U.S. Landfalling Hurricanes by Decade



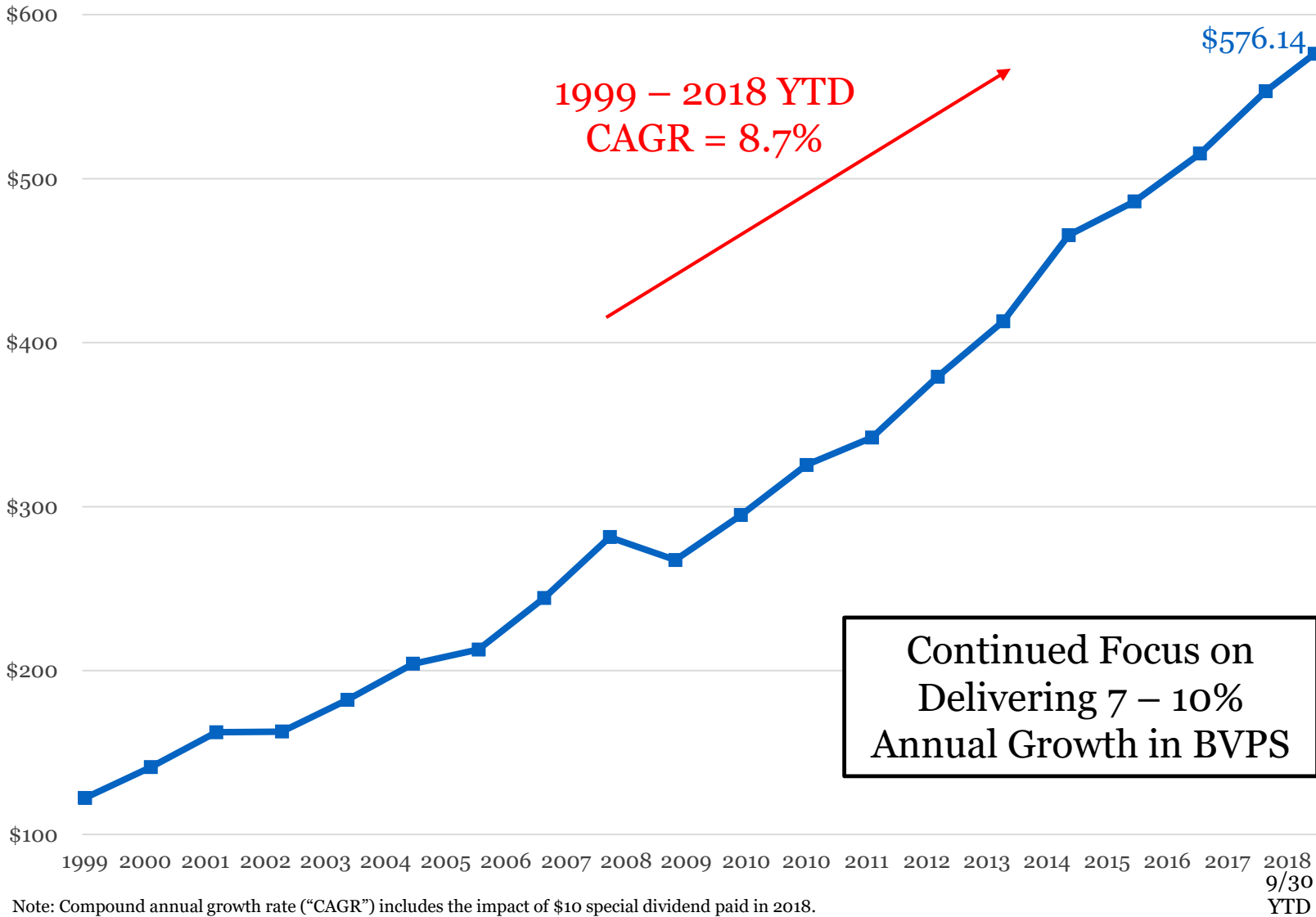
Source: National Oceanic and Atmospheric Administration and Weather Underground.

## Opportunities

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- 1) (Re)insurance subsidiaries well-positioned for profitable growth
- 2) Superior equity portfolio performance offsets rising interest rate impact on bond portfolio
- 3) Accelerating investment income growth
- 4) Increasing contribution from ACC businesses
- 5) Opportunistic capital allocation

# Delivering Consistent BVPS Growth



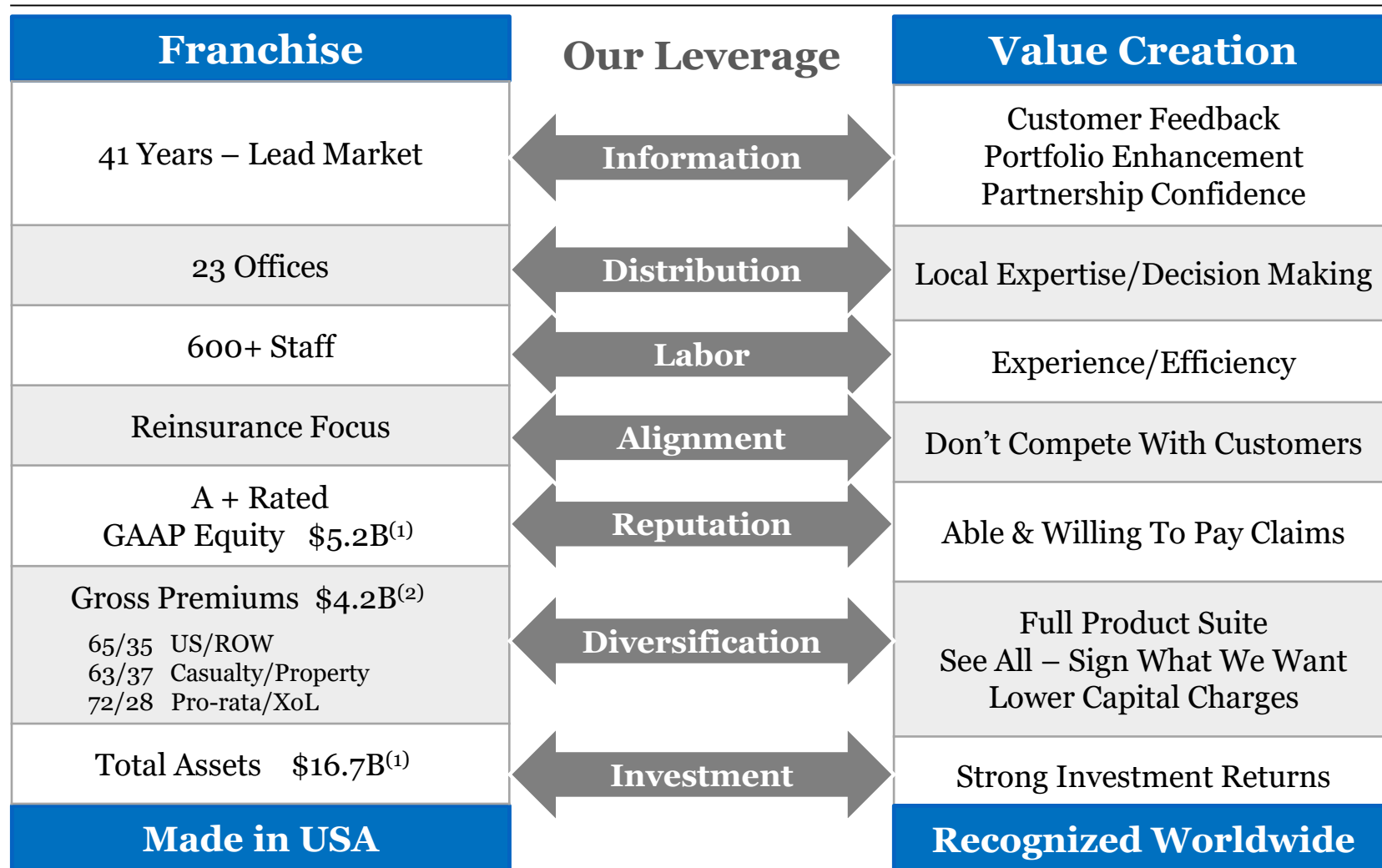
**TransRe**

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**Mike Sapnar**



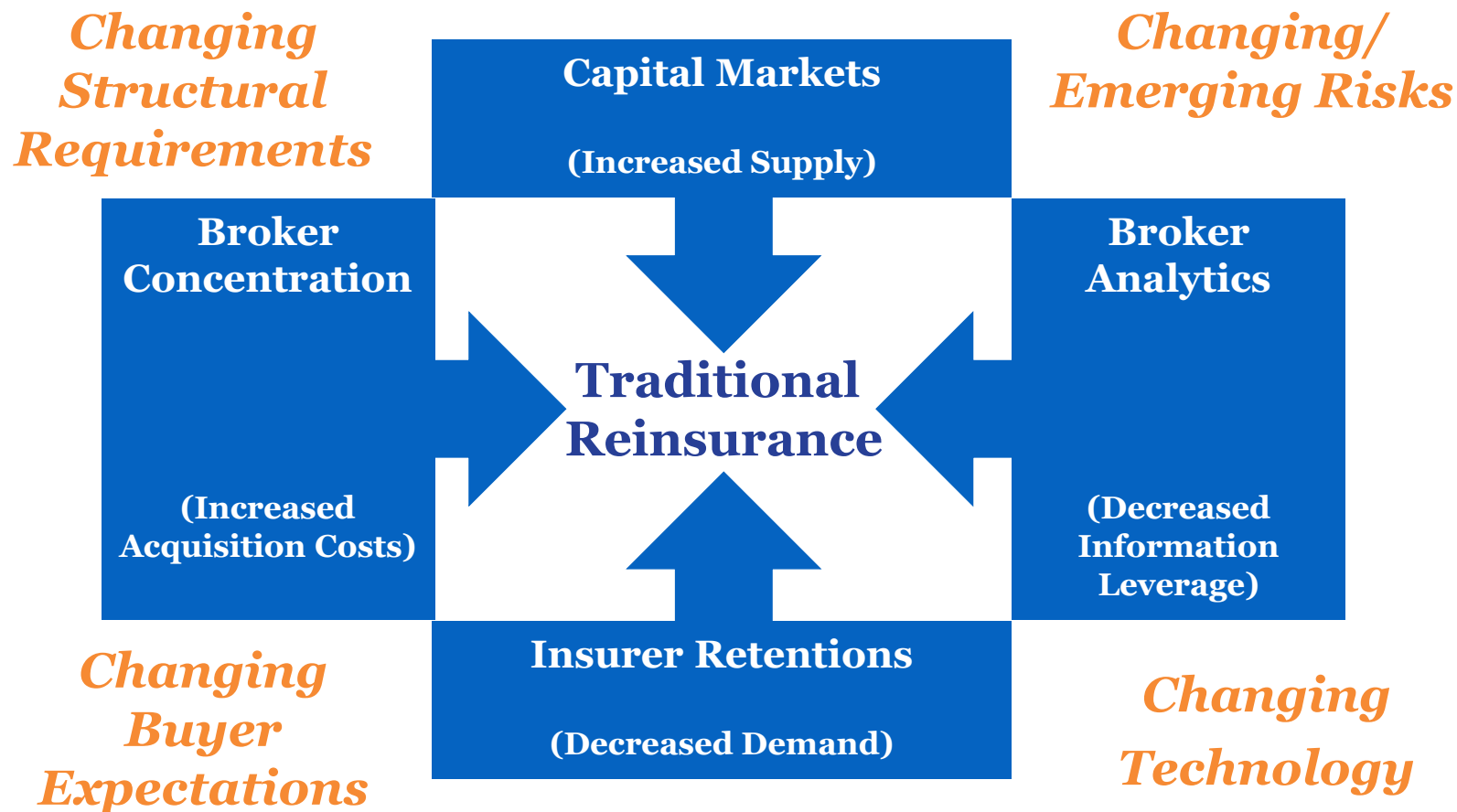
# TransRe – Introduction/Overview



(1) 9/30/2018, (2) 2017

**Translates Strengths Into Results**

# P&C Reinsurance Market Conditions



**Pressure From All Directions**

## TransRe – We Have What We Need To Adapt & Thrive

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**If You Don't Have These...**



**...You Can't Do These**

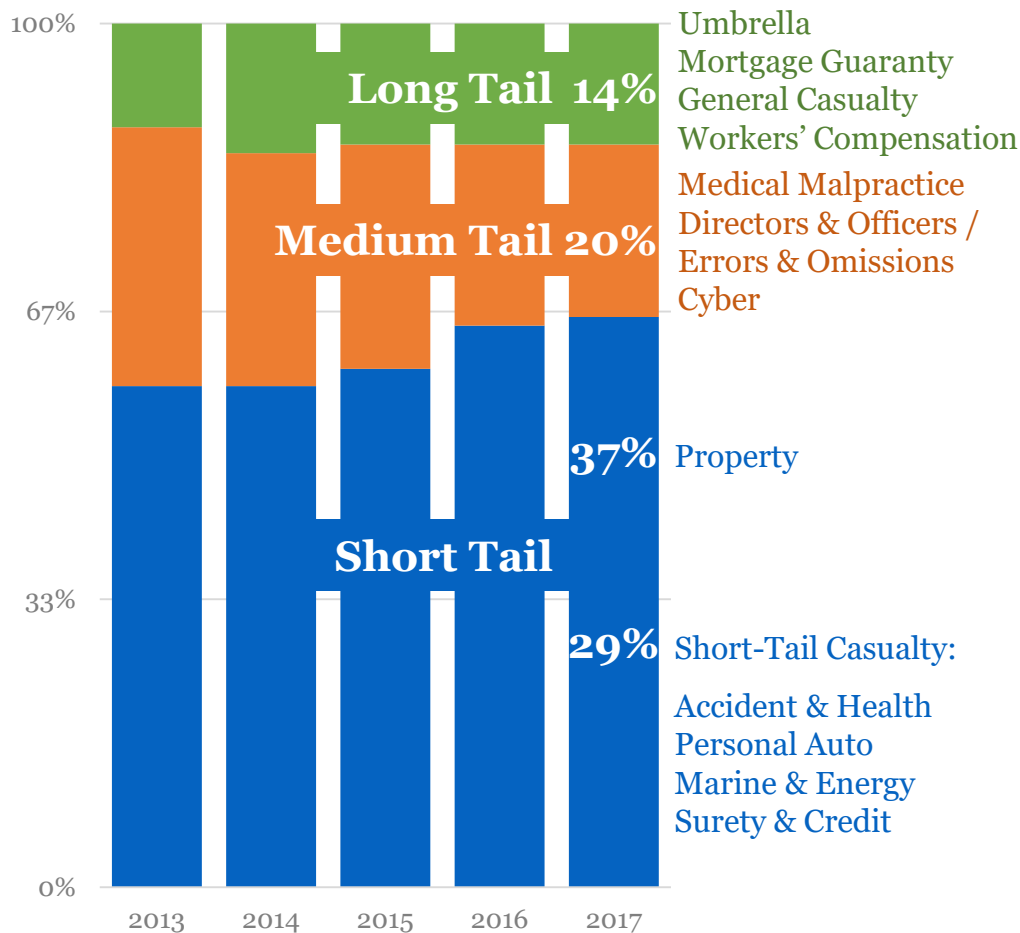
- **Collect & Use Superior Information**
- **Build & Maintain First Class Portfolio**
- **Sell & Leverage Value Add To Capital Partners**

**Traditional Re Balance Sheet – Never More Important**

# Structure + Expertise = Strength Through Diversity

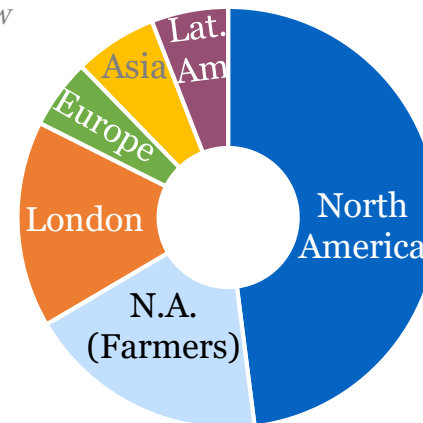
## Tail Of Business Mix

Gross Written Premiums



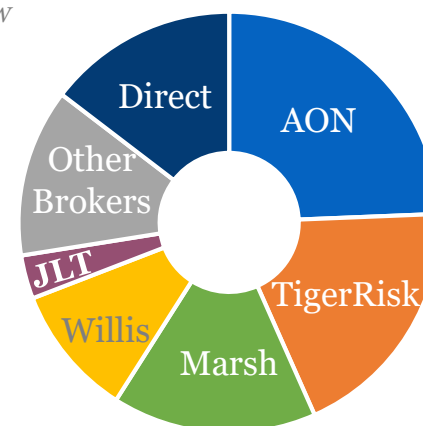
## Geographic Mix

2017 GPW



## Distribution Mix

2017 GPW

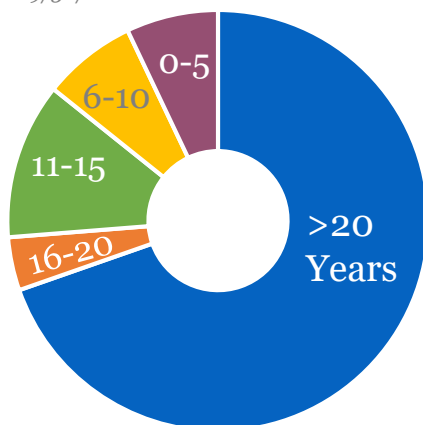


**No Over-Reliance on Single Class, Region or Broker**

# Balance Sheet & Expertise Focus Brings Benefits

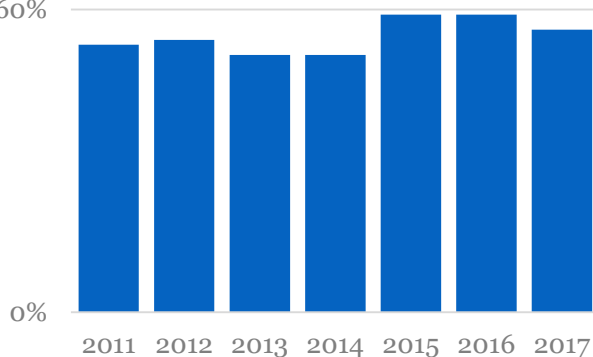
## Customer Longevity

In-force, at 9/30/2018



## Lead or Co-Lead

In-force, at 9/30/2018  
60%



## Benefits

- Set/Influence Terms –  
*‘Good Housekeeping Seal of Approval’*
- Access To Private Placements
- Early View Of Open Market Placements
- Write What We Want –  
*‘Win Jump Balls’*

**High Quote To Bound Ratios**

**High Authorized To Signed Ratios**

- Differentiated Terms
- Better Access To Ongoing Data Flows

**Being A Recognized ‘Lead’ Market Is Important**

## Convert Data Into Superior Information

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### ● Deliver Treaty And Facultative Data Into Our Proprietary Analytics Engines:

**TIRS** Central Underwriting System

**Single View Of Global Data**

**TRIPPS** Property Cat Pricing/Portfolio Mgt.

**Real-time Portfolio Impact Of Each Deal**

**MAP** Mortgage Data Warehouse

**Individual-Loan-Level Portfolio Monitoring**

**EDA** Casualty Entity Analytics

**Entity-Level Exposure Aggregation**

### ● Use New Tools To Improve Speed/Granularity of Insight/Output

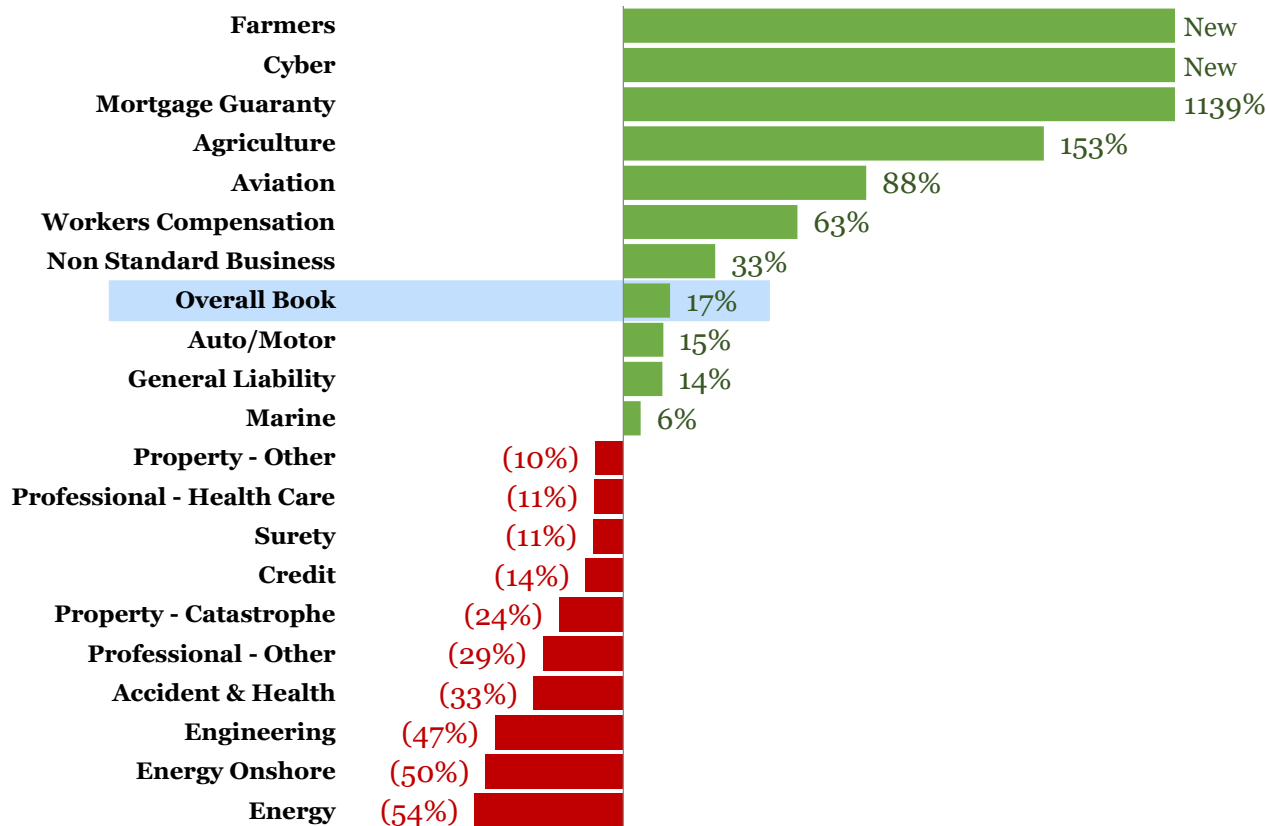
### ● Leverage Improved Data/Insights To Write Old Lines In New Ways

<p><b>Deliver Insights To Decision Makers, At Decision Time</b></p>
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# Use Superior Information To Prudently Pursue Opportunities

## 2013-2017 Line of Business Net Changes

Net Written Premiums



**Navigate Market Decisions More Effectively**

## Value Proposition Attracts Partners

### Balance Sheet Highlights

At 9/30/2018, \$ in billions

Assets		Liabilities & Equity	
Investments			
Equities	\$2.4	Loss & LAE	\$9.1
Fixed Income	10.0	Unearned Premiums	1.5
Short-term	0.2	Senior Notes	0.4
Other	0.4	Other Liabilities	0.5
Cash	0.5	<b>Stockholders' Equity</b>	<b>5.2</b>
Reinsurance Recoverables	0.9		
Other Assets	2.3		
	<u>\$16.7</u>		<u>\$16.7</u>

**Standard & Poor's**      **A+    Stable**

**A. M. Best**              **A+    Stable**

**Moody's**                  **A1    Stable**

### Capital Partners On Board

<b>Pangaea</b> (Property Sidecars)	<b>+\$850m</b> (Limits)
<b>Bowline Re</b> (Indexed Cat Bond)	<b>\$250m</b> (Limit)
<b>Pillar</b> (Collateralized Cat)	<b>~\$1.0B</b> (AuM)
<b>TRUMA</b> (Mortgage MGU)	<b>+\$250m</b> (YTD Limit Deployed)
<b>Gen Re</b> (North America Broker MGU)	<b>+\$450m</b> (Current In Force)

### Benefits Realized

**Improved Customer Relevance**  
**Tight Cat Aggregate Management**  
**Lower Capital Requirements**

**Capital Partners Deliver Capital Leverage, Fee Income**

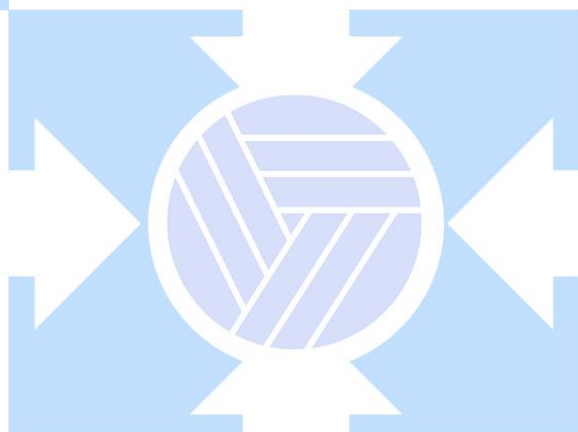
# A Track Record of Taking the Initiative(s)

## 1. Enhance Structure

**AIG Commutation (2013)**  
**Gen Re (2016)**  
**Maiden Re (2018)**  
**Luxembourg (2019)**

## 2. Enhance Analytics

**TIRS (UW platform) (1996)**  
**TRIPPS (property) (2016)**  
**EDA (casualty) (2018)**  
**MAP (mortgage) (2018)**



## 3. Attract Capital

**Pangaea (2012)**  
**Pillar (2013)**  
**TRUMA (2017)**  
**Bowline Re (2018)**

## 4. Pursue Opportunities

**Cyber (2015)**  
**Blue Marble Micro (2015)**  
**Flood (2016)**  
**Insurtech (2016)**

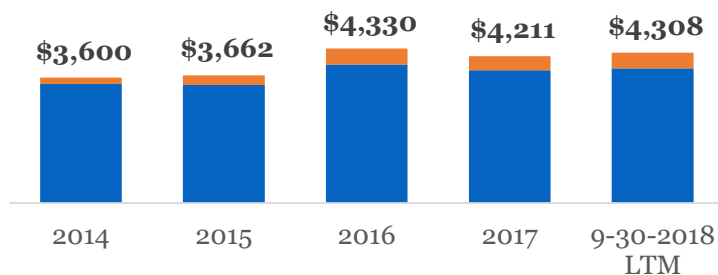
**Lever Strengths into Opportunities and Profits**

# 2014 – 2018 Financial Results

## Gross Premiums Written

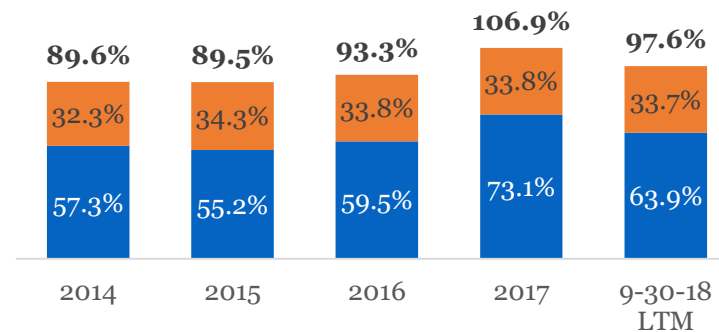
(\$ millions)

■ Net ■ Ceded



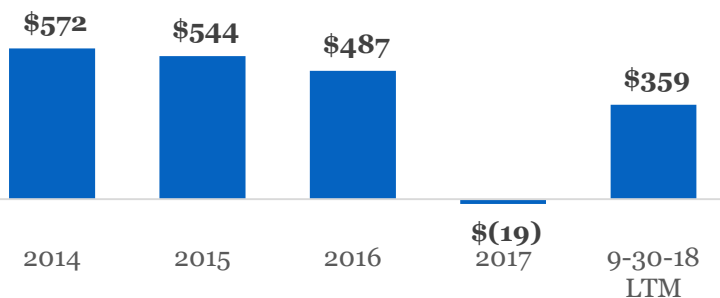
## Combined Ratio

■ Expense Ratio ■ Loss & LAE Ratio



## Pre-Tax Operating Result

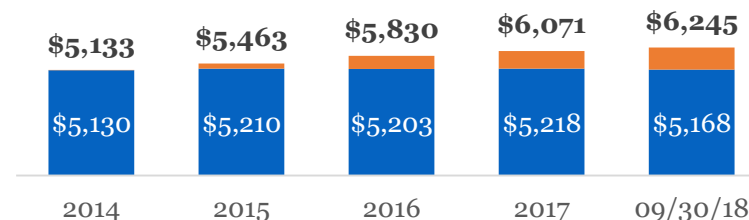
(\$ millions)



## Book Value Plus Dividends

(\$ millions)

■ Book Value ■ Cumulative Net Dividends<sup>(1)</sup>



## Prudent Management Through Difficult Market Conditions

(1) Cumulative net dividends shown represent cumulative dividends in the period depicted (2014 – 9/30/18) and exclude prior period dividends to Alleghany.

## Key Takeaways

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- Well Diversified, Lead Reinsurance Market
- Delivers Attractive Long Term Book Value Growth
- Strong Balance Sheet
- Strong Infrastructure
- Strong Data Analytics
- Leverage Market Position With Third Party Capital
- Leverage Knowledge And Relationships To Create Fee Income
- Well Positioned – For Future Opportunities

**“Capital will find the most efficient way to risk”**

**RSUI**



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**Dave Leonard**

## Business Overview

### 30 YEARS Dedicated to Wholesale Specialty Insurance

#### Specialty Insurance

Focus on lines where underwriting expertise and experience differentiate results

Entrepreneurial and contrarian approach to underwriting

Writing business in both non-admitted and admitted companies

#### Wholesale Only





Dedicated to our sole distribution channel

Source deals that fit our risk appetite (severity loss potential, unique exposures, unusual hazards, difficult to insure operations, large limit capacity requirements)

Serve as our marketing function to retail insurance agents

RSUI	→	<b>121</b> WHOLESALE PRODUCERS
<b>2</b> LOCATIONS	→	<b>472</b> LOCATIONS
<b>382</b> EMPLOYEES	→	<b>2,665</b> BROKERS

# Business Overview

Property	Umbrella / Excess	Management Liability	Binding Authority
 <p><b>\$362m</b> 2017 GPW</p> <p><b>34%</b> of Portfolio</p>	 <p><b>\$174m</b> 2017 GPW</p> <p><b>16%</b> of Portfolio</p>	 <p><b>\$149m</b> 2017 GPW</p> <p><b>14%</b> of Portfolio</p>	 <p><b>\$143m</b> 2017 GPW</p> <p><b>14%</b> of Portfolio</p>
<ul style="list-style-type: none"> <li>- Ground up, primary and excess commercial property business with \$100 million in risk capacity (4 walls).</li> <li>- Preference for business that can be “underwritten from the desk” like institutional, public entity, real estate, habitational, hospitality, and natural catastrophe risks.</li> </ul>	<ul style="list-style-type: none"> <li>- Specialty book with up to \$30 million in limits per risk.</li> <li>- Common classes are contractors, manufacturers, wholesalers, distributors, and certain public entities.</li> </ul>	<ul style="list-style-type: none"> <li>- Both primary and excess risks with capacity up to \$20 million. The risks include public, not-for-profit, and private organizations.</li> <li>- Policies typically include Employment Practices Liability.</li> </ul>	<ul style="list-style-type: none"> <li>- Combined Property and Casualty contracts underwritten through 26 appointed Managing General Agents with limited statements of authority for core Specialty Insurance classes.</li> <li>- Premium mix 36% property, 64% casualty.</li> </ul>

## Business Overview

### Professional Liability

**\$133m**

2017 GPW

**13%**

of Portfolio

- Both primary and excess risks with capacity up to \$10 million.
- Risks are predominantly written claims made.
- Common classes include Miscellaneous Medical, Miscellaneous, Architects and Engineers, Lawyers, Insurance Agents and Brokers, Real Estate Agent and Brokers, Environmental, Network Security / Privacy, Physicians Surgeons & Dentists, and Media.

### Alternative Structures

**\$56m**

2017 GPW

**5%**

of Portfolio

- Unusual insurance risks that require specialized analysis and underwriting. Available to our producers to consider risks that are truly unique.
- Includes Assumed Property Reinsurance and Property Retrocession, primarily non-correlated to our Property portfolio; Solar Panel Warranty coverage, and Crop Reinsurance.

### General Liability

**\$40m**

2017 GPW

**4%**

of Portfolio

- Primarily low frequency/high severity risks with limits of up to \$2 million.
- Common classes are specialty contractors, manufacturers, wholesalers, and distributors.

## Franchise Value

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### **Employer of Choice**

- Corporate culture that attracts, values and retains the best employees
  - Creates stability of results and relationships with customers
  - Annual turnover is around 6%, including retirements
- Incentives and compensation closely aligned to underwriting profit, no premium targets
- Underwriters who are specifically focused on underwriting severity risks at an underwriting profit
- Claims staff with adjusters who are dedicated to specific lines of business we underwrite

# Franchise Value

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## Technology and Data

- Technology is a core competency and is generally not outsourced, delivering a sustainable competitive differentiation
- Efficient and detailed analytics support of our operations based on 30 years of our own Specialty Insurance data
- Property catastrophe accumulation management/control process is well established and supported by proprietary models

# Franchise Value

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## Market Position

- Diversified portfolio, split between property and casualty business; no legacy pollution or asbestos liabilities
- Relevant size to our wholesale customers. We estimate we are in the top five markets for most of our product lines for our largest our producers

## Franchise Value

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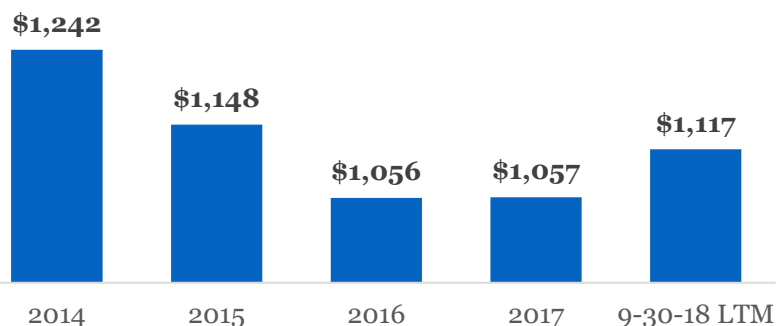
### Cycle Management

- Nimble | Can react virtually instantaneously to market opportunities
- We have the ability to quickly scale our operations up or down depending on market circumstances without disruption of our service or workforce; capability exists in people, systems and capital
- Expense control is embedded in our structure and business model; variable acquisition cost structure supports cycle management

# 2014 – 2018 Financial Results

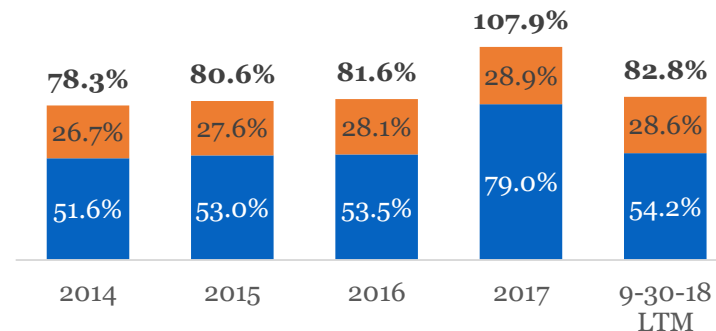
## Gross Premiums Written

(\$ in millions)



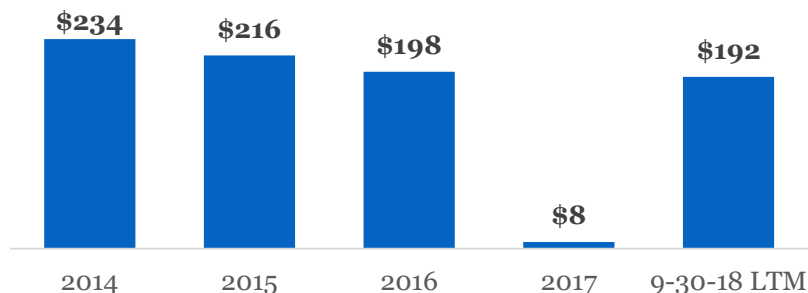
## Combined Ratio

Expense Ratio    Loss & LAE Ratio



## Pre-Tax Operating Result

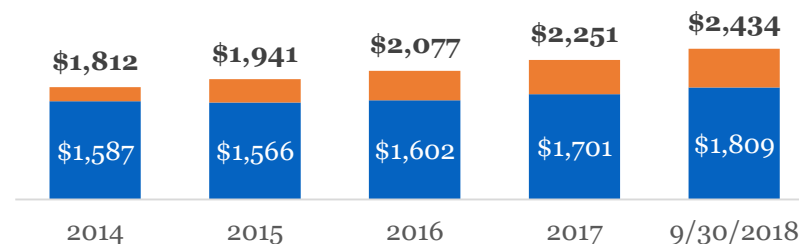
(\$ in millions)



## Book Value Plus Dividends

(\$ in millions)

Book Value    Cumulative dividends paid<sup>(1)</sup>



**Strong Profitable Business**

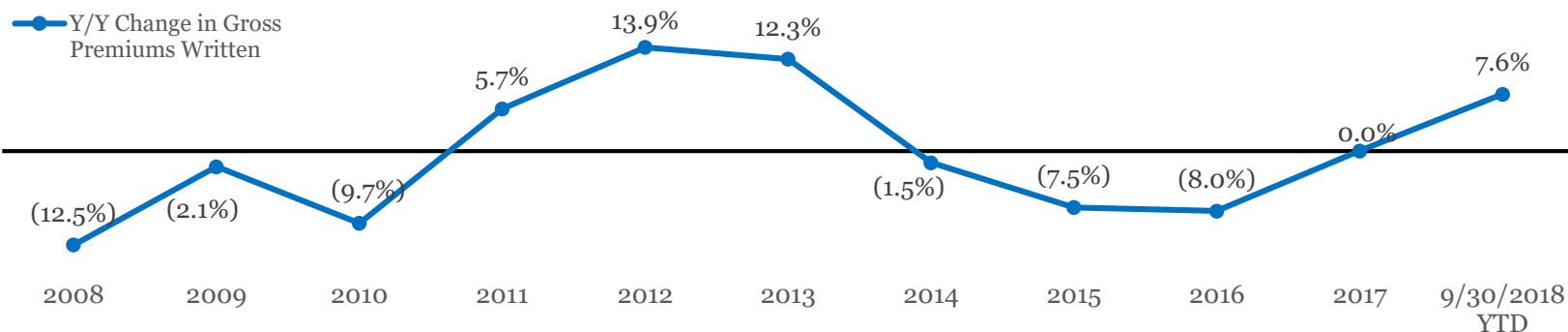
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## Effectively Managing Through Cycles

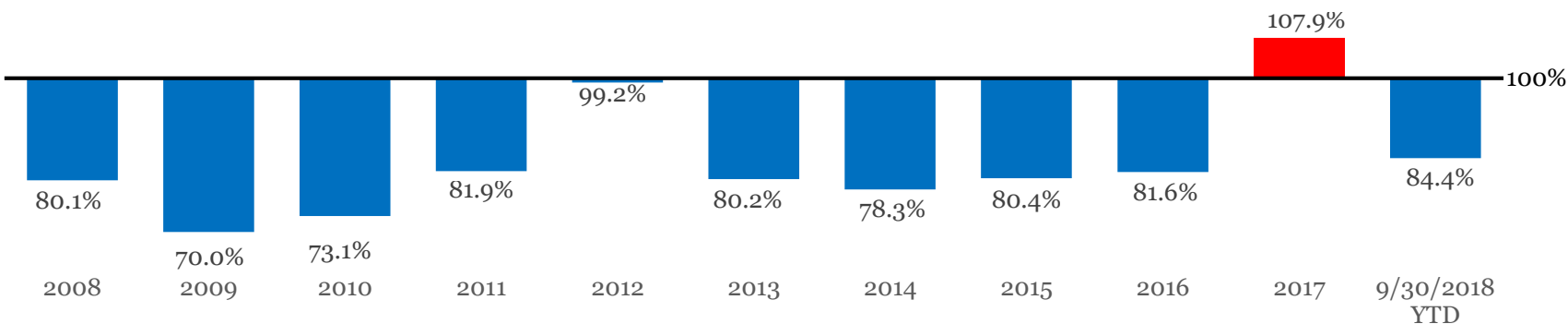
Throughout market cycles, RSUI has been able to produce an underwriting profit and grow book value

- Proven ability to grow premiums when conditions are favorable
- Equally as disciplined in allowing portfolio to shrink

### Gross Premiums Written



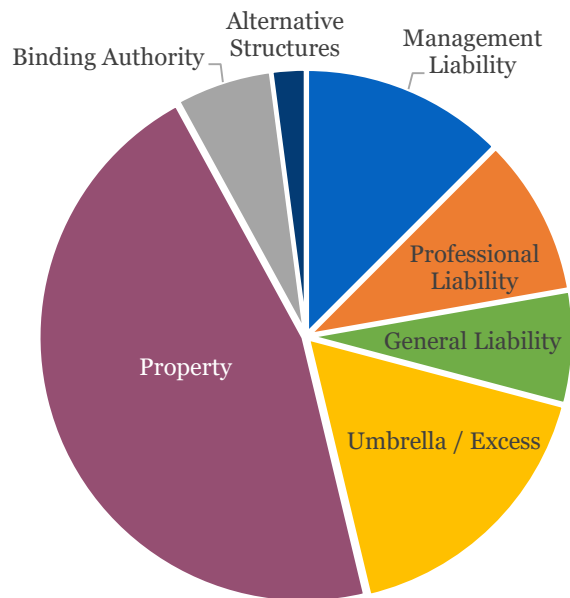
### Combined Ratio



# Diverse and Profitable Book of Business

## Gross Premiums Written

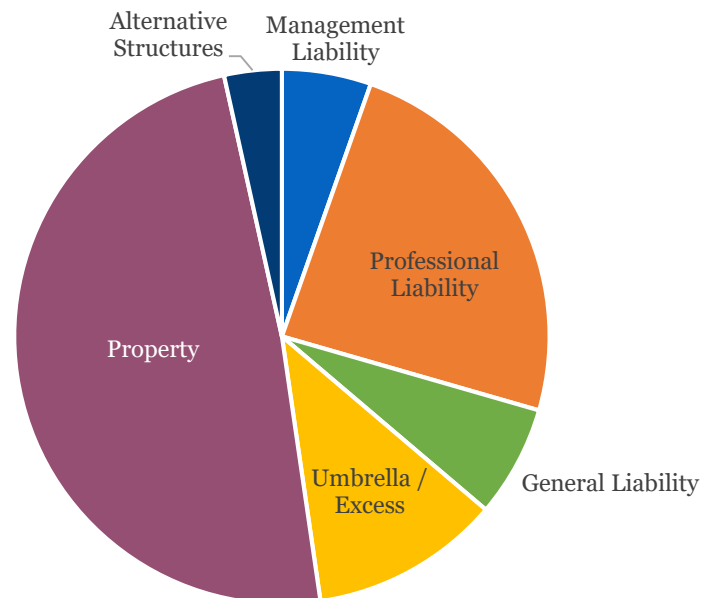
(Cumulative data for 2003 – 2018 YTD period)



**Cumulative GPW: \$17,468mm**

## Underwriting Profit

(Cumulative data for 2003 – 2018 YTD period)



**Cumulative Underwriting Profit: \$1,717mm**

# RSUI and the Specialty Market

## HEAD WINDS

Competing against “undemanding capital” along with what seems to be a higher tolerance among competitors for “underperformance”

Competitors are accepting cat exposure based on a delusional view of the exactness of models and belief the storm activity for the past decade is the long-term norm

Alternative capital is facing saturation in the catastrophe reinsurance segment and is fueling MGAs making moves into primary insurance

Underwriting authorities at MGAs getting broader based on a belief in “improved analytics” differentiating results

## TAIL WINDS

Our relationships with our Wholesalers

RSUI provides “Content” (claims handling, ease of doing business, service, IT support, underwriting expertise, relationships)

Operating in a “less hostile” market; renewal rate increases are available

New business submissions are up for our Wholesalers and we are benefiting with opportunities to write new accounts across our product lines

Disruptions in competitors’ leadership and underwriting teams

Economic conditions

## Key Takeaways

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RSUI **does not require the traditional “hard market”** to grow book value over the cycle. We also do not need a “hard market” to adjust our rates to adequate levels. Our portfolios are not “broken.”

We **value our employees very highly** and believe that RSUI people are our sustainable competitive advantage. They differentiate us from other carriers. Sustaining and nurturing our culture is a management focus.

We **have the capacity and capability to grow meaningfully in any product line given proper market conditions**. We are just as willing to decrease writings in our product lines if our underwriters do not find terms and conditions acceptable.

Our **claims department differentiates** us from our competitors. Further differentiation over the cycle comes from talent and experience of people; relationships with customers; responsiveness and service; and reputation of our firm.

**CapSpecialty**

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**Stephen Sills**

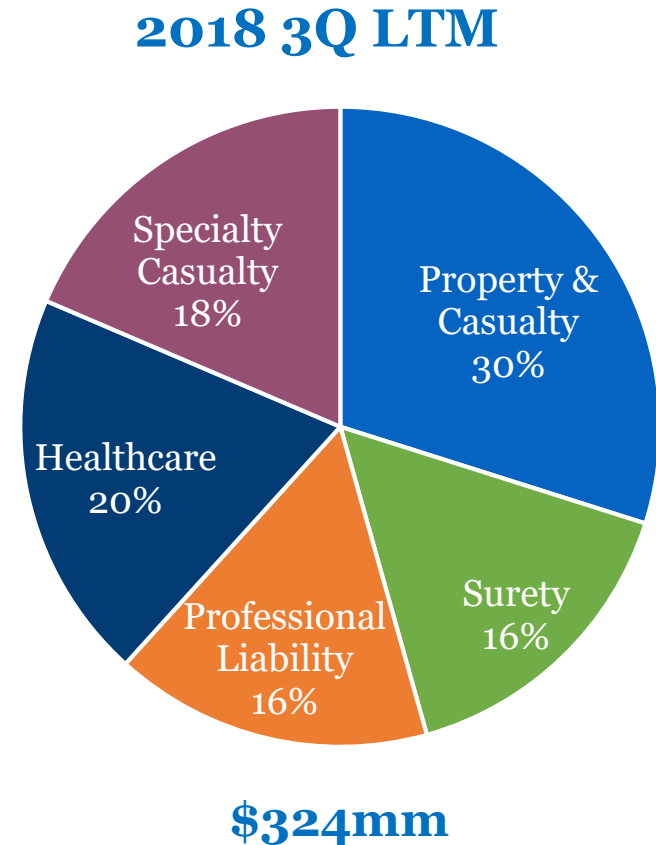
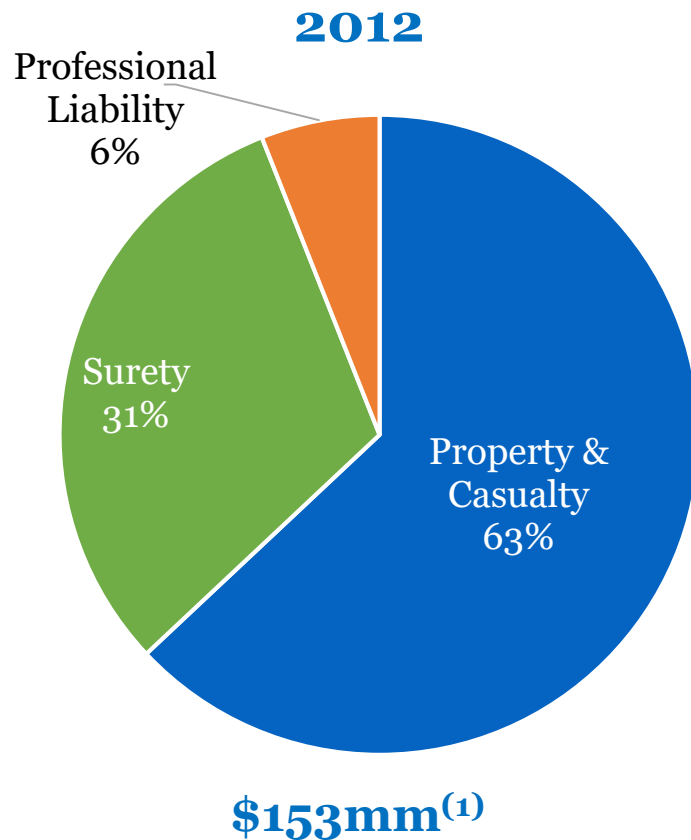


## **Our Mission**

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**To be the preferred specialty  
insurance and surety company  
for small and mid-sized  
businesses in the U.S**

## CapSpecialty is a Different Company Today



<sup>1</sup> Excludes GPW from discontinued operations of \$4.6mm.

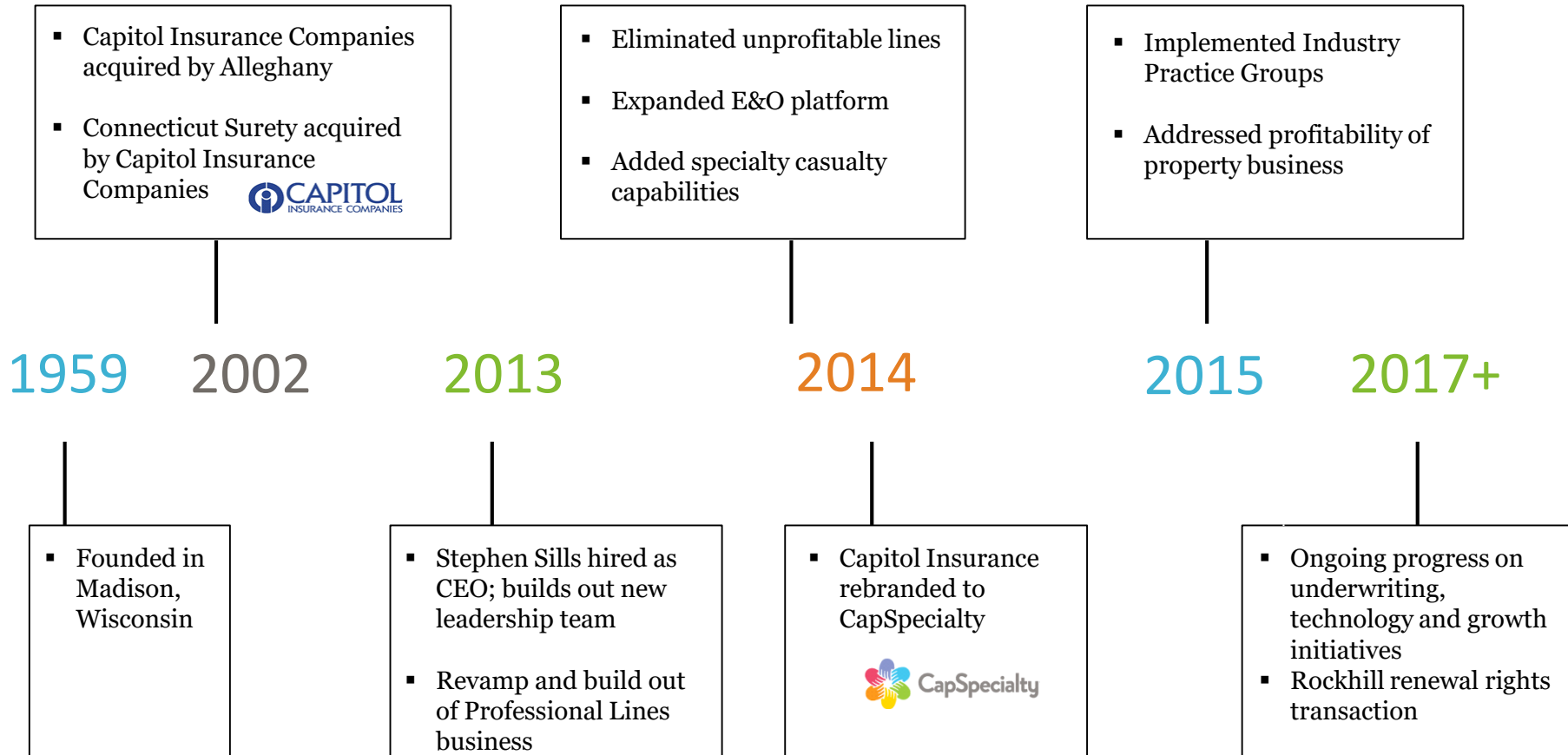
**CapSpecialty has evolved into a well-diversified, specialty company**

## What Makes Us CapSpecialty

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- Our core values
- Niche product focus for small and mid-size businesses
- Recognized experts in select classes
- Ease of doing business
- Select distribution

# CapSpecialty Timeline



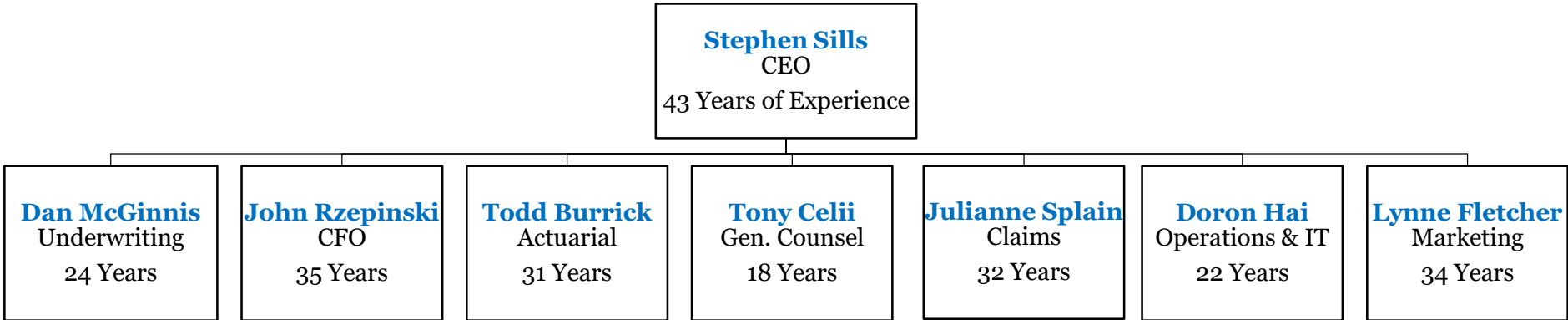
## Where Are We Focused?

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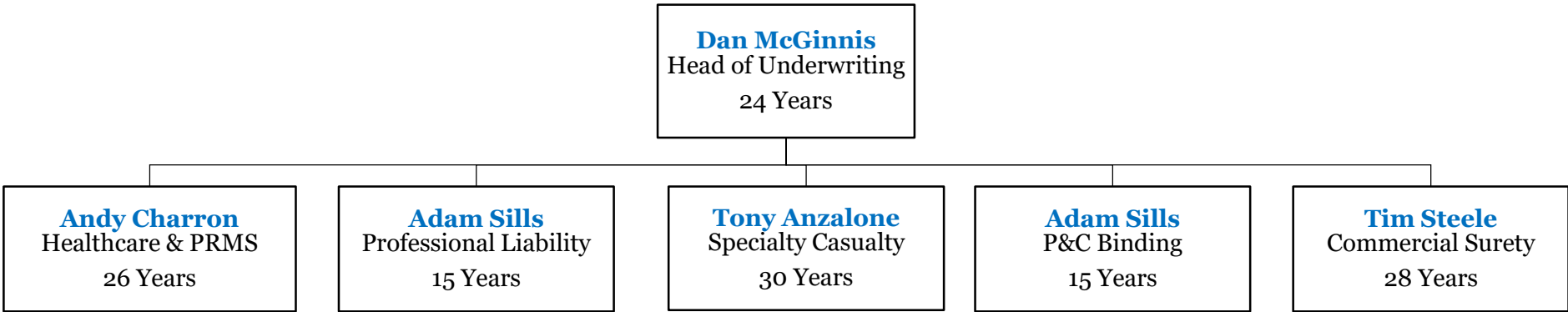
- Profitable Growth
  - Three consecutive years of underwriting profit
  - Prudent reserving approach established
  - Loose bricks
  - Distribution aligned with our underwriting appetite
  - Sharp focus on industry segments
- Expense Management
  - Efficiency improvements through technology
  - Conscientious spending
  - Expense ratio reduced 11.6 points since 2012
- Technology Optimization
  - Development & Implementation of DragonX Excess Casualty platform
  - Streamlined/updated legacy systems
  - Investing in modernizing/digitizing technology to significantly improve the customer experience

# Recognized Experts

## Management Team



## Underwriting Leadership



**Strong energetic team with proven track record**

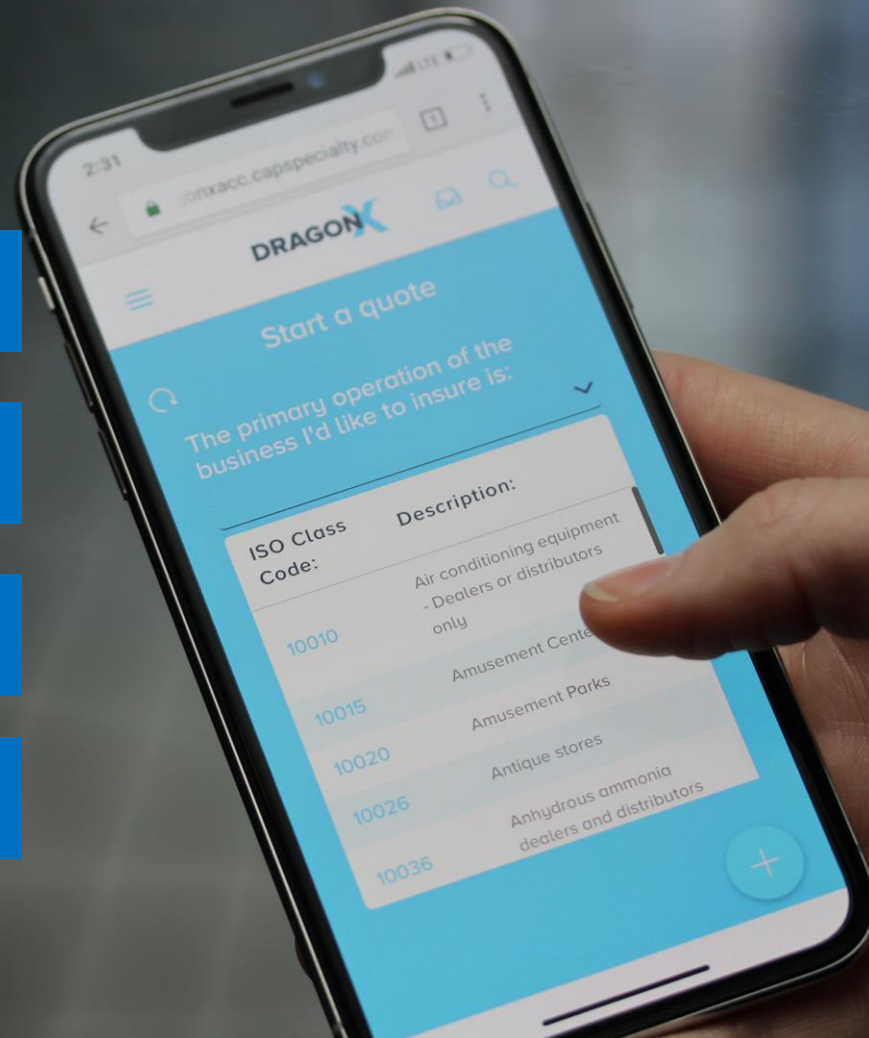
## Ease of Doing Business

**Responsiveness**

**Clarity of appetite**

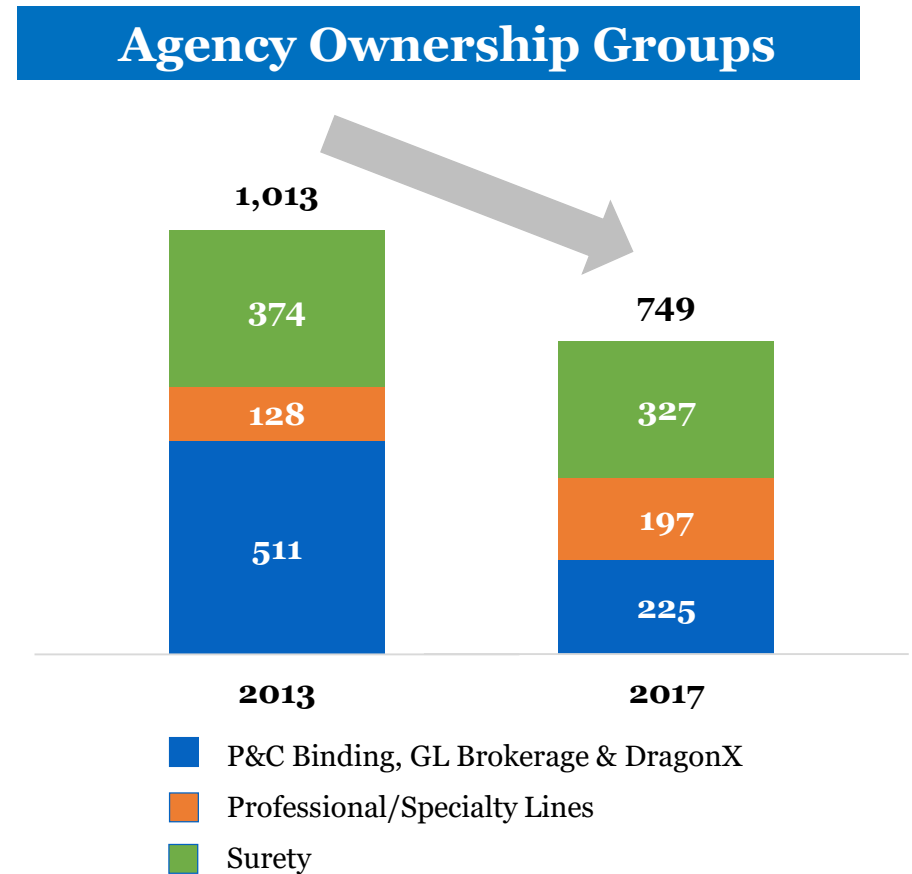
**Distribution-focused  
technology**

**Industry focus**



## Select Distribution Strategy

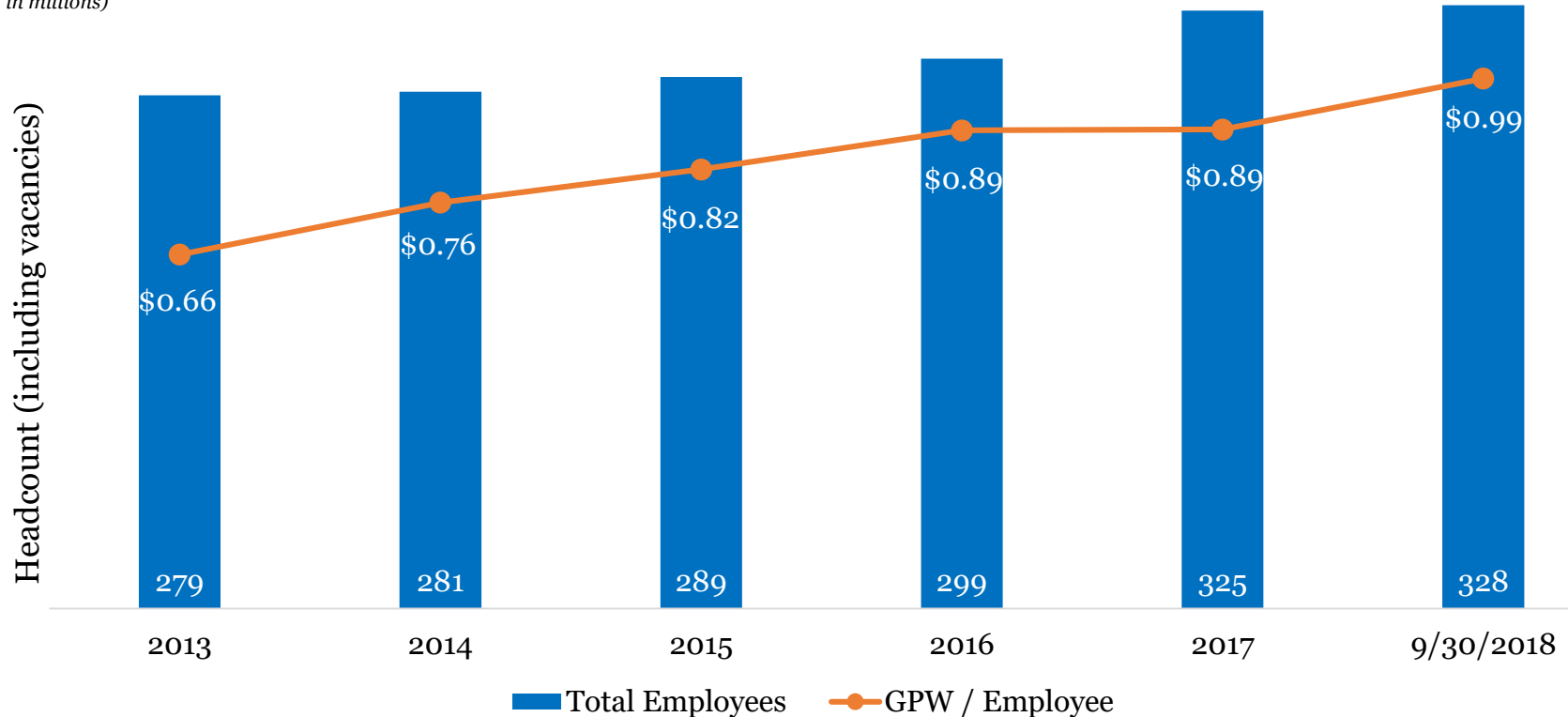
- Not everything to everybody
- Limited distribution
- Territorial accountability
- Agents who live our values



## Funding Growth Through Operating Efficiency...

### Gross Premiums Written per Employee

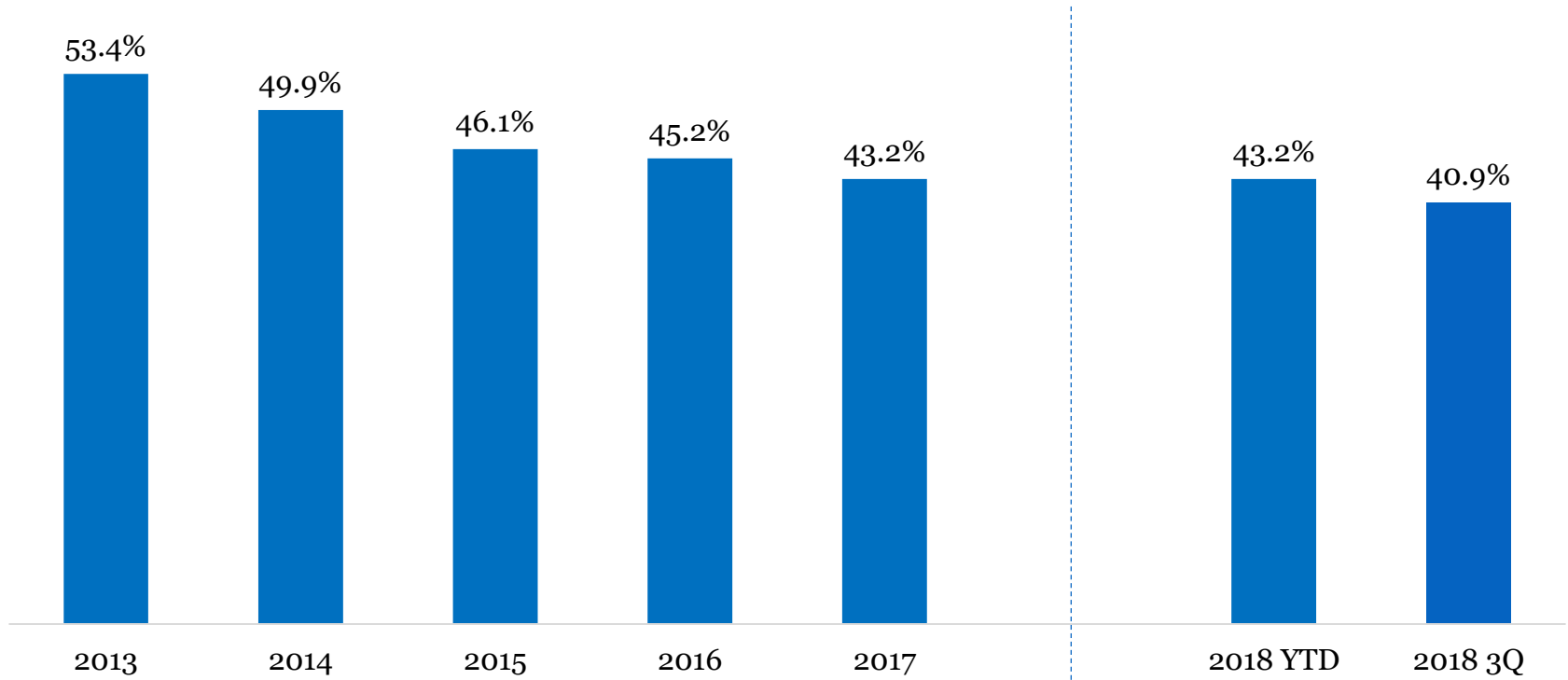
(\$ in millions)



**Operational enhancement and choices about where to focus effort have enabled us to run the legacy business lines and fund build-out of the new lines**

## ...Continues to Lower Expense Ratio

### GAAP Expense Ratio



**While YTD 2018 expense ratio is impacted by Rockhill transaction, progress toward a more efficient expense structure continues**

## Snapshot of Our Underwriting Segments

Segment (GPW \$mm)	Products	Distribution	Average Limit (Primary & Excess)	Average Premium	YTD Growth Rate	Technical Underwriting Ratio
Property & Casualty (\$97mm)	GL & Property Package	Binding Authority	\$ 1.03	\$ 1,700		
	Kiosk Liability	Direct Writing Agency	\$ 1.19	\$ 250		
	Dragon X Excess Casualty	Brokerage & Binding	\$ 3.27	<\$ 3,500		
					<b>2.6%</b>	<b>97.7%</b>
Healthcare (\$64mm)	Misc Medical Facilities	Brokerage & Binding	\$ 1.18	\$ 7,800		
	Human Services Package	Brokerage	\$ 1.71	\$ 30,000		
	PRMS	Direct Writing Agency	\$ 1.00	\$ 4,800		
					<b>12.6%</b>	<b>91.7%</b>
Specialty Casualty (\$60mm)	Environmental Liability	Brokerage	\$ 1.46	\$ 6,500		
	Construction Casualty	Brokerage	\$ 1.03	\$ 11,500		
	P&C Brokerage	Brokerage	\$ 1.37	\$ 23,000		
					<b>65.6%</b>	<b>98.9%</b>

Notes: GPW and Underwriting ratios based on 9/30/18 LTM. Growth rate is for the 9/30/18 YTD period. Technical Underwriting Ratio = Underwriting profit including loss and loss adjustment expense and direct underwriting expenses, but before the impact of allocating overhead expenses.

## Snapshot of Our Underwriting Segments (continued)

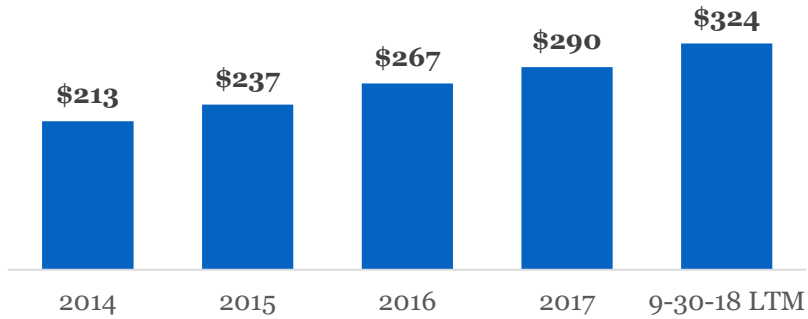
Segment (GPW \$mm)	Products	Distribution	Average Limit (Primary & Excess)	Average Premium	YTD Growth Rate	Technical Underwriting Ratio
<b>Professional Lines</b> (\$52mm)	Miscellaneous E&O	Brokerage	\$ 1.35	\$ 4,000		
	Cyber Liability	Brokerage	\$ 1.34	\$ 4,300		
	Professional E&O	Brokerage	\$ 1.75	\$ 17,500		
					<b>17.2%</b>	<b>75.8%</b>
<b>Surety</b> (\$51mm)	Standard Commercial	Brokerage	\$ 0.11	<\$ 1,000		
	Non-standard Commercial	Brokerage	\$ 0.02	\$ 2,100		
					<b>4.8%</b>	<b>70.3%</b>
<b>All Segments (and Discounted Ops) Technical Underwriting Ratio</b>						<b>87.6%</b>
<b>Allocated Overhead Expense Ratio</b>						<b>10.3%</b>
<b>Combined Ratio</b>						<b>97.9%</b>

Notes: GPW and Underwriting ratios based on 9/30/18 LTM. Growth rate is for the 9/30/18 YTD period. Technical Underwriting Ratio = Underwriting profit including loss and loss adjustment expense and direct underwriting expenses, but before the impact of allocating overhead expenses.

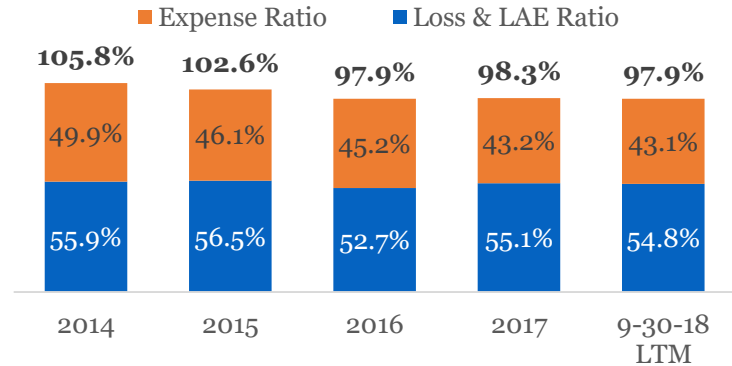
# 2014 – 2018 Financial Results

## Gross Premiums Written

(\$ in millions)

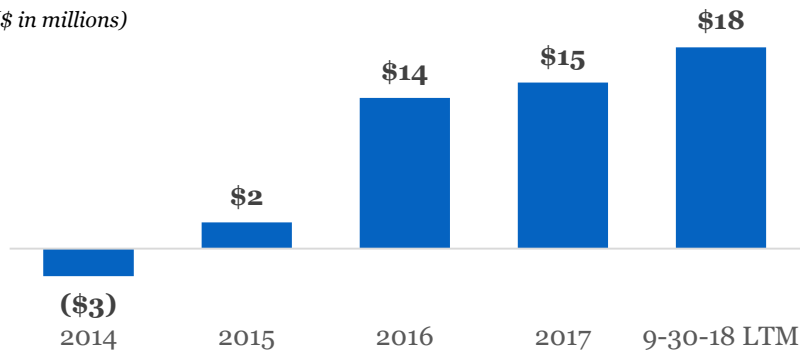


## Combined Ratio



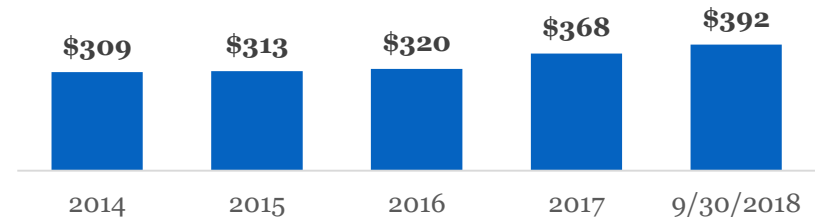
## Pre-Tax Operating Result

(\$ in millions)



## Book Value

(\$ in millions)



**Strong Topline Growth, Expense Management and Underwriting Discipline Have Lead to Steadily Improving Operating Results**

## Key Takeaways

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- A team of experts that know how to profitably grow in a competitive market
- Growing in high margin specialty lines
- Focused on small and mid-sized businesses
- Started a foundational insurtech platform for excess casualty
- Through growth, technology and careful planning, management has reduced the expense ratio 11.6 points since 2012
- Shifting to wholesale, surplus lines in all segments except for surety enables greater efficiency through product and rating simplicity (from 46% surplus lines in 2013 to 78% in 2018; from 72% wholesale in 2013 to 100% in 2018)




## **(Re)insurance Summary**

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**Joe Brandon**

# (Re)insurance Operations Today

(\$ in millions)

	Cash & Investments	Stockholders' Equity	Years Held	Holding Period		
				Net Premiums Written	Underwriting Profit	Combined Ratio
 <b>TransRe</b>	\$13,372 2.6x	\$5,168	6	\$23,624	\$1,267	94.5%
	3,802 2.1x	1,809	15	10,921	1,717	83.6%
 <b>CapSpecialty</b> <small>A Community of Insurance Specialists</small>	785 2.0x	392	16	3,102	(29)	101.0%
<b>Total (Re)insurance</b>	\$17,873 2.5x	7,283 <sup>(1)</sup>				

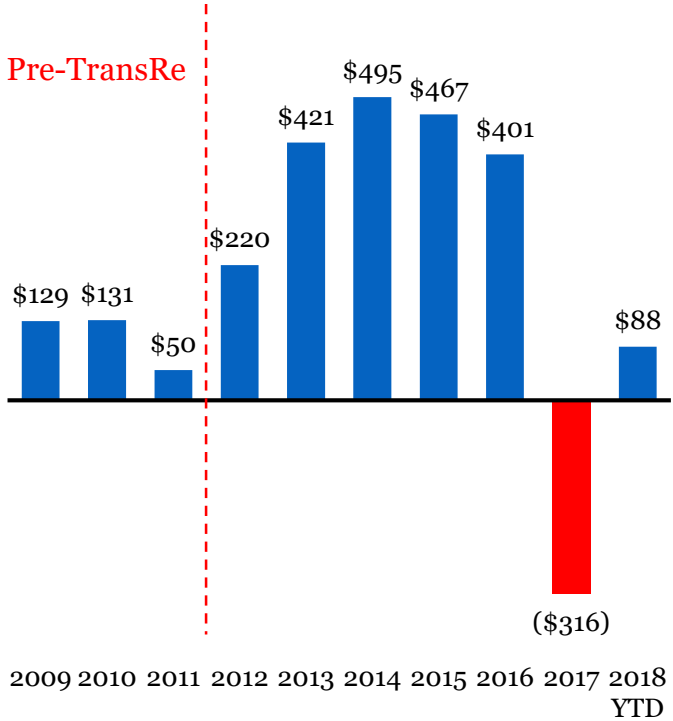
Note: Financial data through September 30, 2018.

(1) Net of intercompany eliminations.

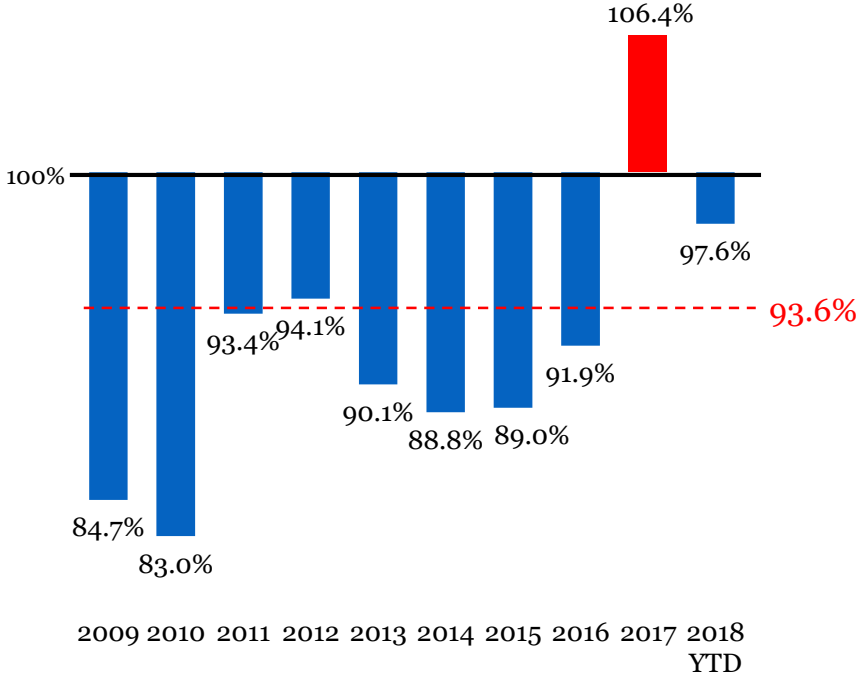
# Consolidated Underwriting Results for Past 10 Years

## Underwriting Profit

(\$ in millions)



## Combined Ratio

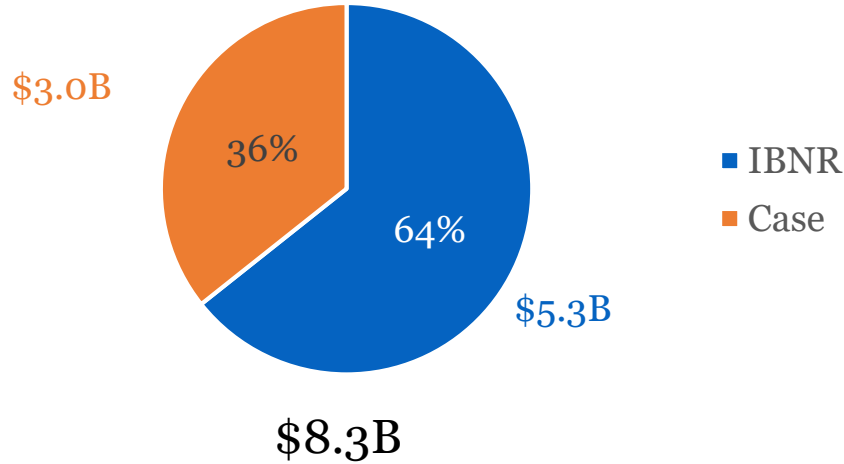


**10-Year Underwriting Profits of \$2.1 B and Combined Ratio of ~93.6%**

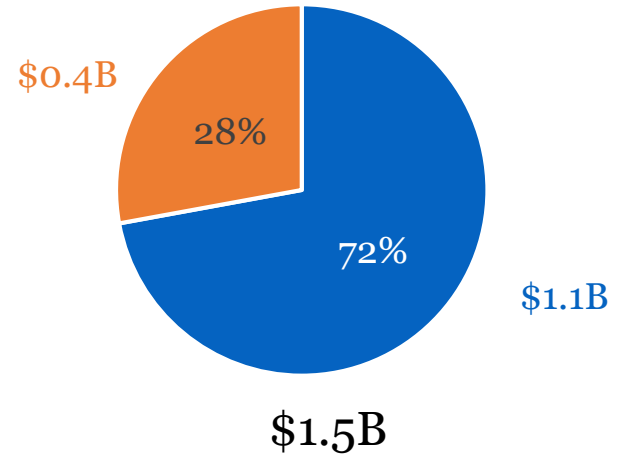
Note: 2018 YTD as of 9/30/18. Underwriting profit is a non-GAAP financial measure. Refer to the appendix for further information.

# Significant Net IBNR Loss Reserves

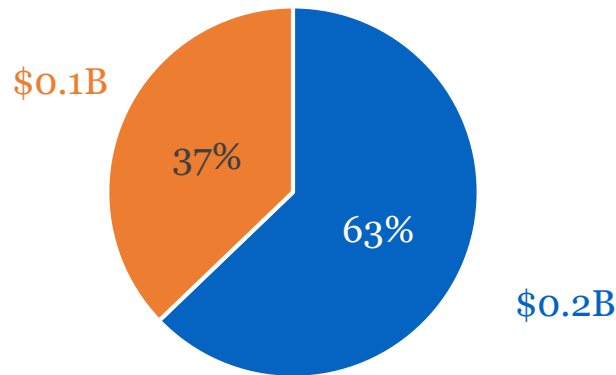
## TransRe



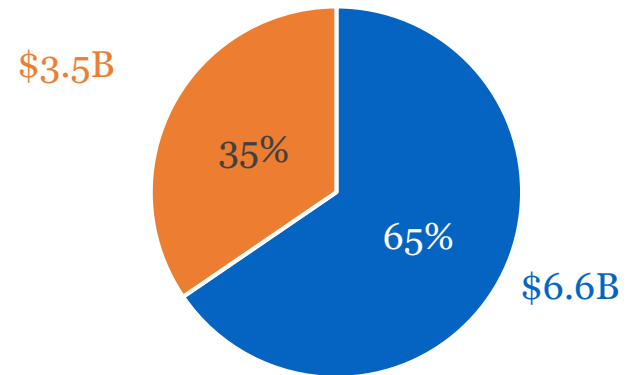
## RSUI



## CapSpecialty



## Total

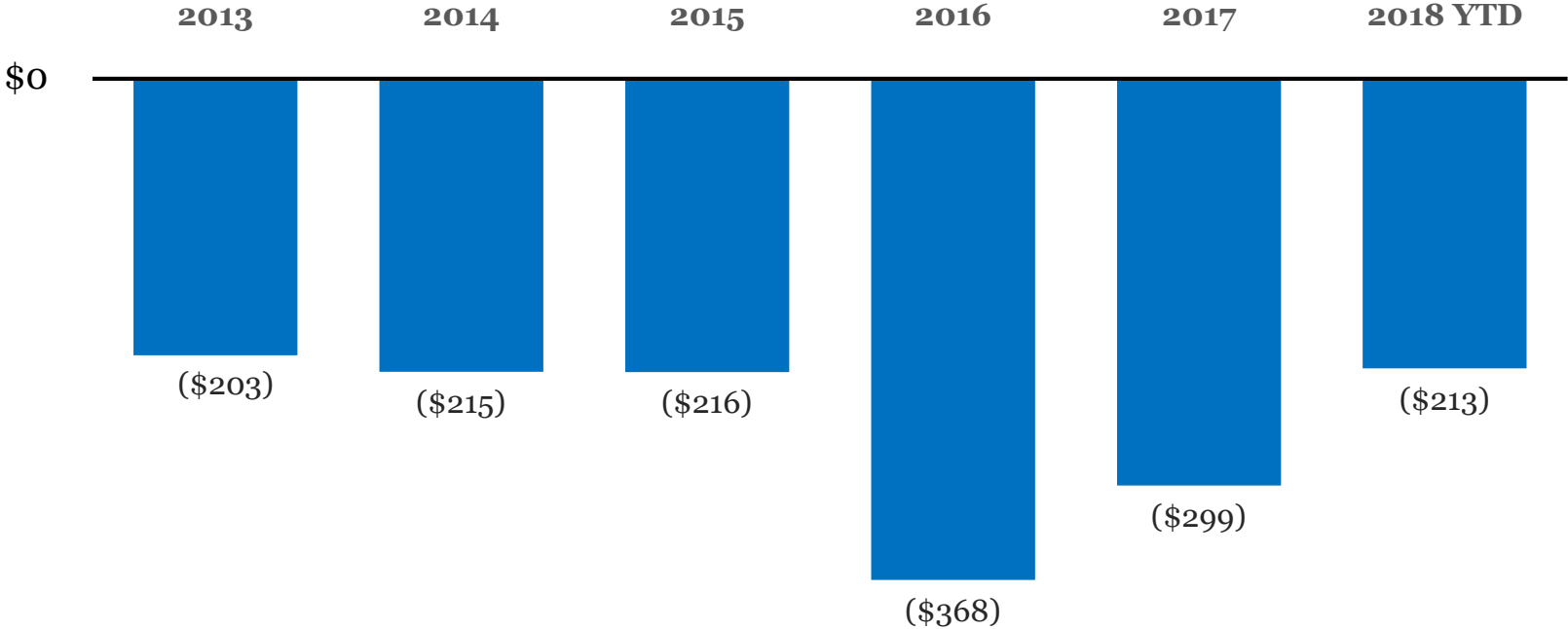


Note: As of September 30, 2018. **\$0.3B**

**\$10.1B**

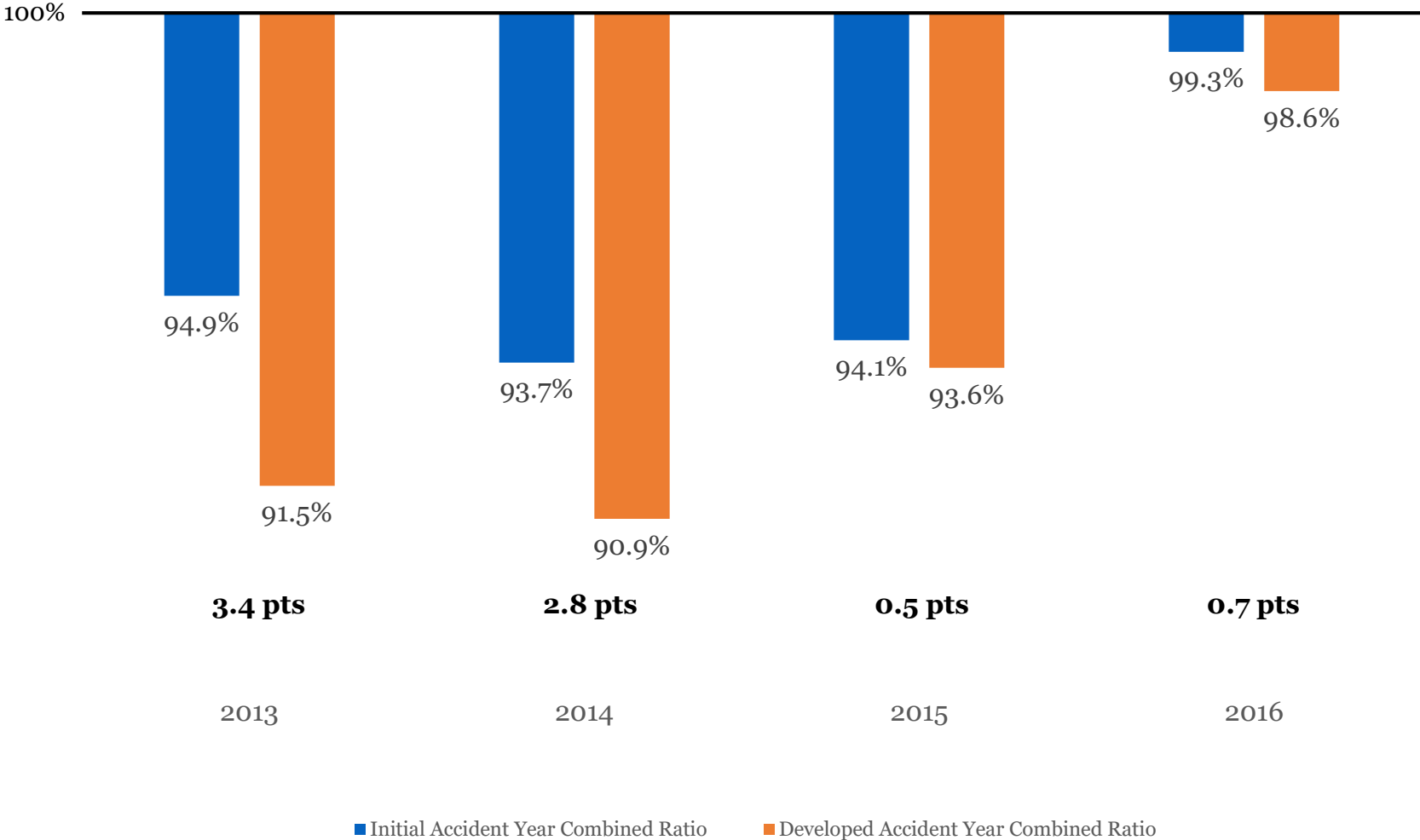
# Consistent Favorable Calendar Year Development

(\$ in millions)



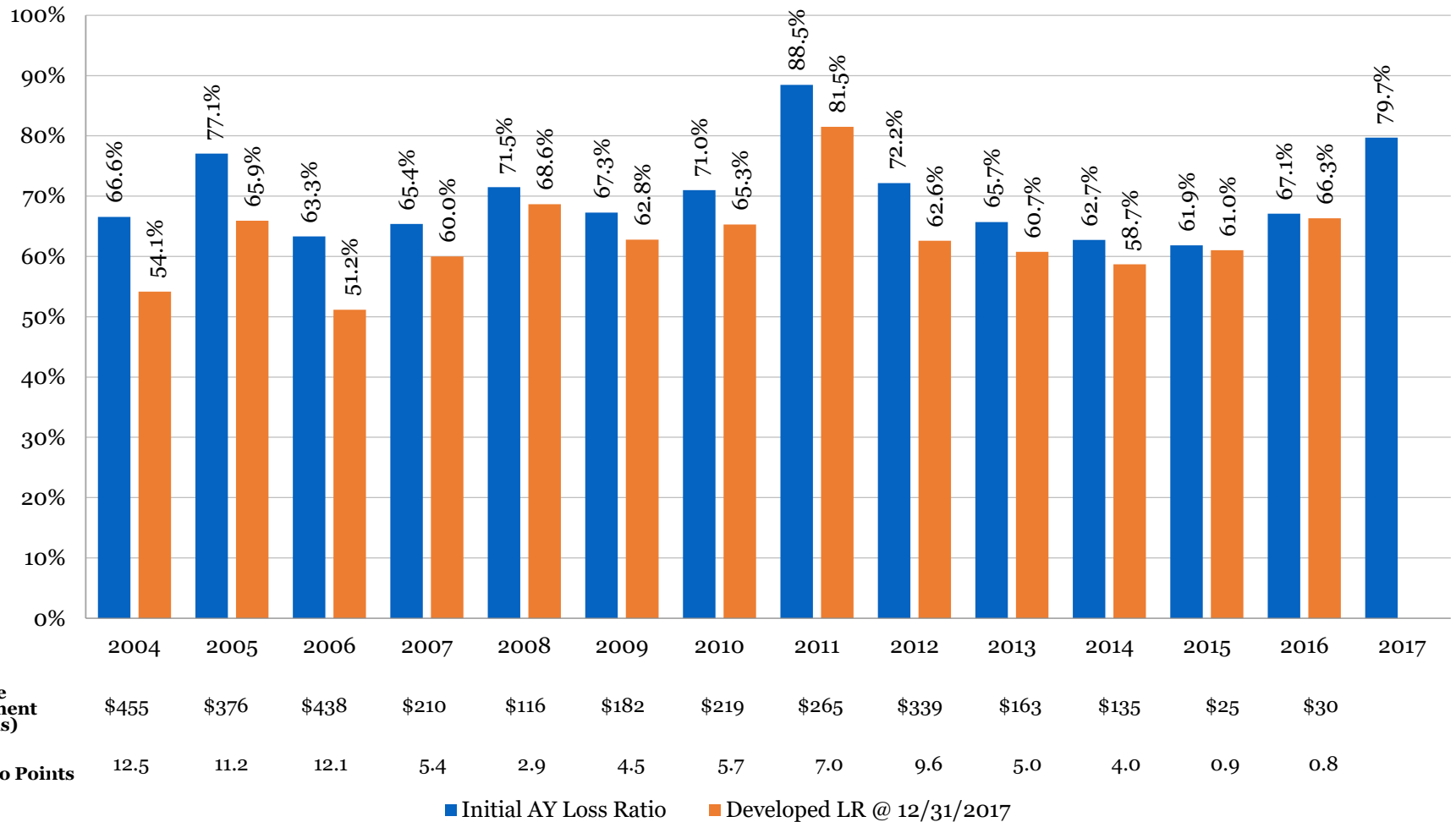
	2013	2014	2015	2016	2017	30-Sep-18 YTD	Average
Combined Ratio points	(4.8%)	(4.9%)	(5.1%)	(7.4%)	(6.0%)	(5.8%)	(5.7%)
% of prior year balance Net loss reserves	(1.9%)	(2.0%)	(2.1%)	(3.8%)	(3.0%)	(2.1%)	(2.5%)

# Consolidated Accident Year Development



Note: As of December 31, 2017.

# TransRe Accident Year Loss Reserve Development



**Favorable Development (\$millions)**

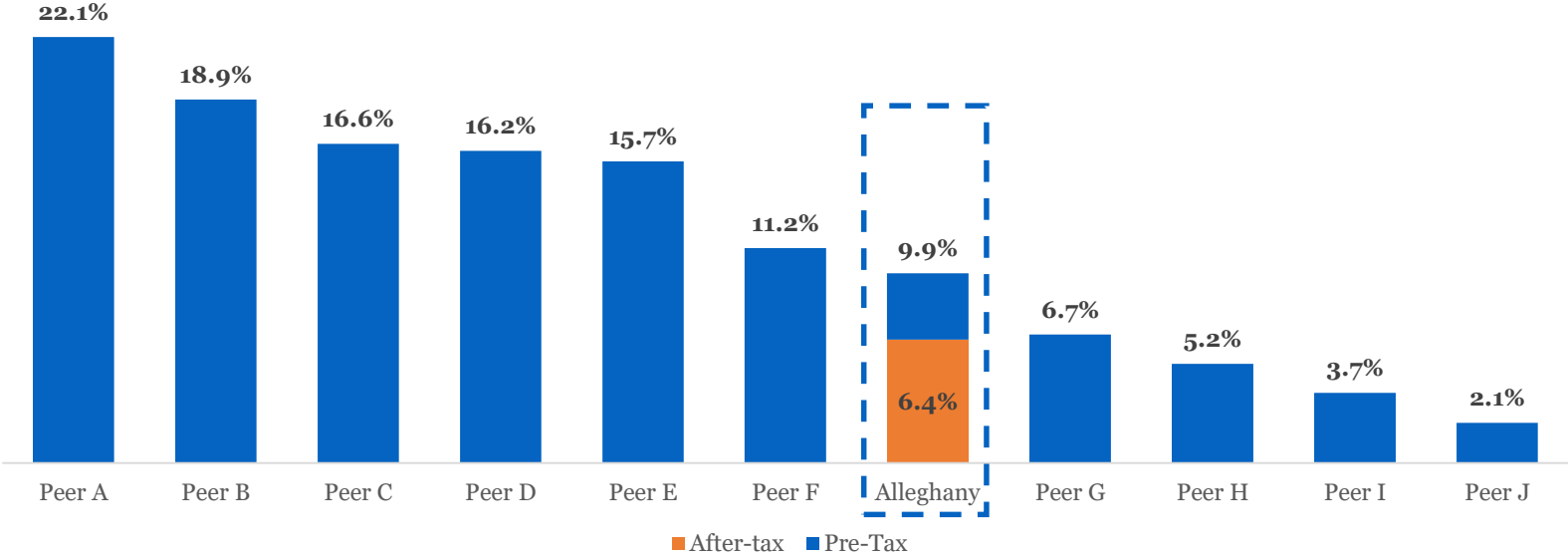
**Loss Ratio Points**

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
\$455	\$376	\$438	\$210	\$116	\$182	\$219	\$265	\$339	\$163	\$135	\$25	\$30	
12.5	11.2	12.1	5.4	2.9	4.5	5.7	7.0	9.6	5.0	4.0	0.9	0.8	

■ Initial AY Loss Ratio    ■ Developed LR @ 12/31/2017

# 2017 Cat Losses vs. North American Peers

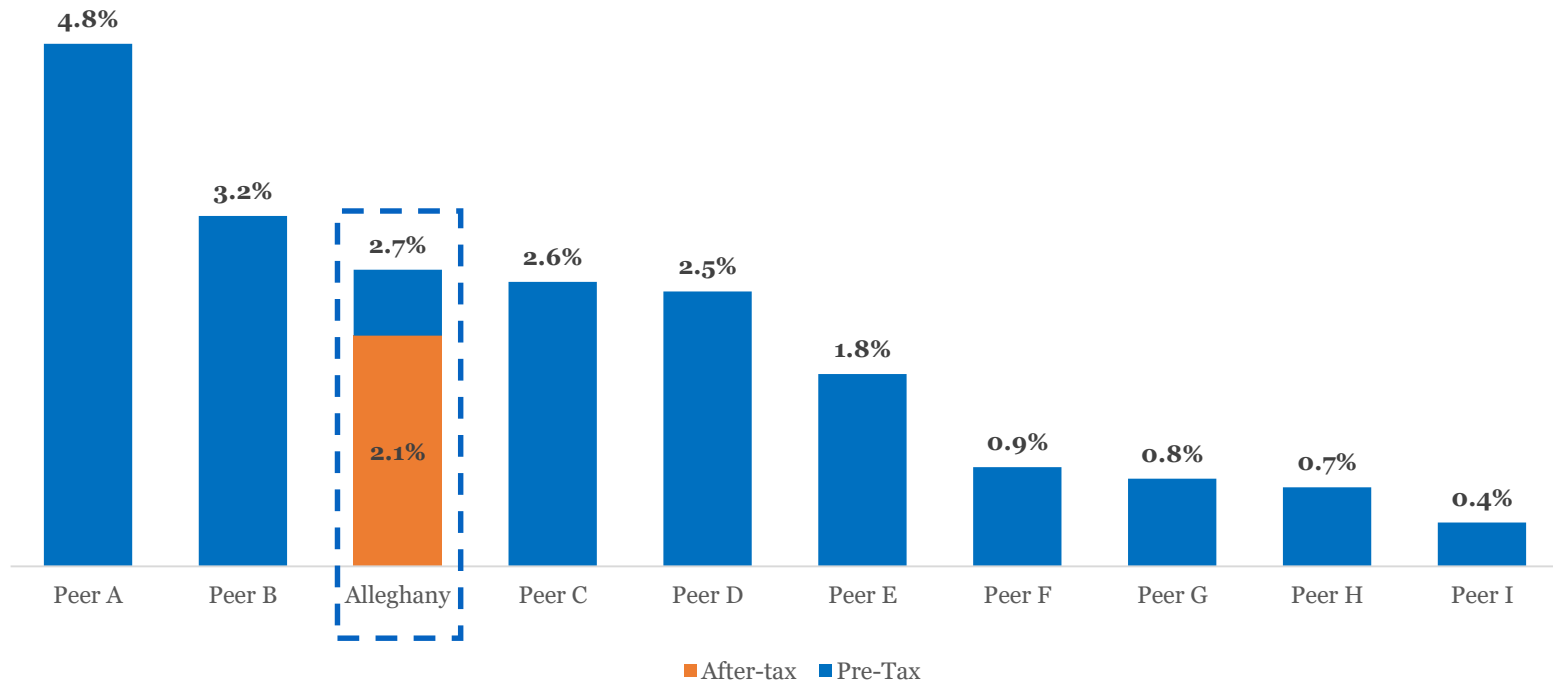
## Pre-Tax Cat Losses as % of Equity



**Alleghany's 2017 Catastrophe Losses Compare Favorably to Peers**

# 3Q 2018 Cat Losses vs. North American Peers

## Pre-Tax Cat Losses as % of Equity



## **Incentive Compensation**

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- Senior management's incentive compensation is tied to their respective operation's underwriting profits and growth in book value
- Annual incentive compensation based on underwriting results
- Long-term awards tied to underwriting profits and growth in book value
  - Management shares in both profits and losses
  - Serves as retention vehicle
- No incentive to grow premium
- Think and act like long-term owners of their companies

**Incentive Compensation Directly Tied to Profitability**

## **Risk Management and Corporate Governance**

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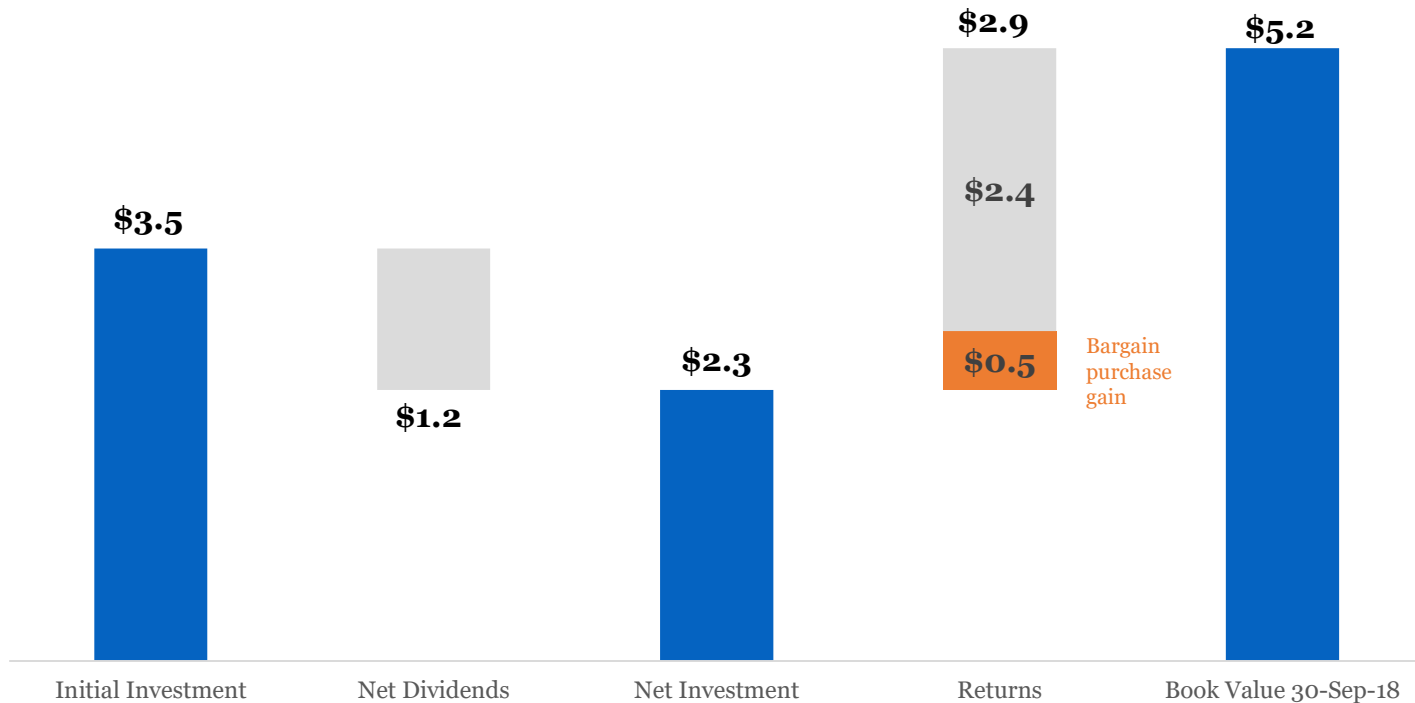
- Risk assessment and management coordinated at the parent
- Catastrophe exposures across entities modeled on a consolidated basis
- Quarterly subsidiary meetings include in-depth reviews by line, including price monitoring
- Regular actuarial loss reserve reviews (both internal and external)
- Reinsurance security committee reviews reinsurer credit risk and sets tolerances on a consolidated basis
- Sharp focus on aggregations and tail risk

# TransRe

## Investment Performance Over Time

(\$ in billions)

**IRR = 10.4%**

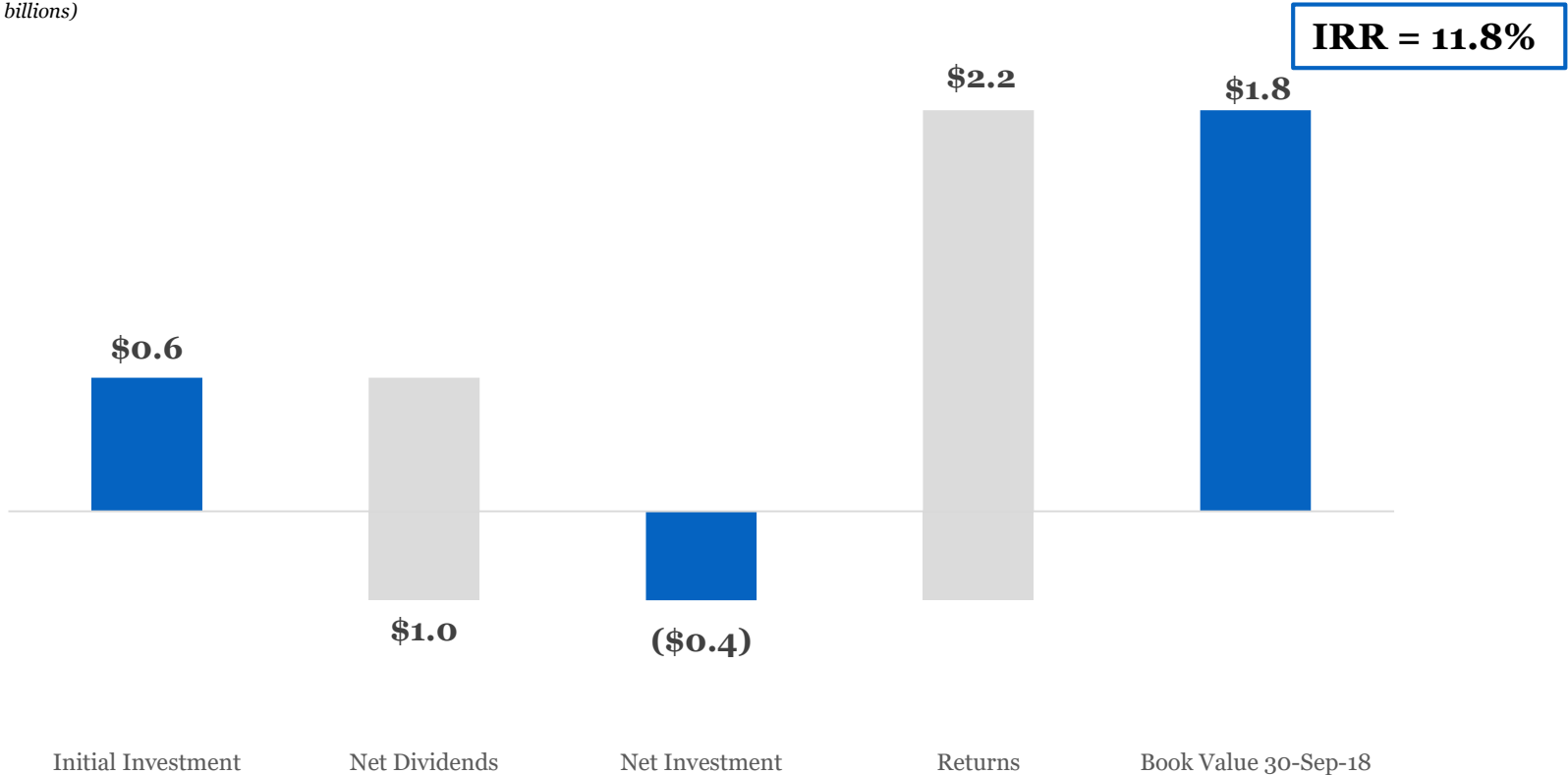


**After 6.5 years as part of Alleghany, TransRe has delivered \$1.2 billion in net dividends, a 10.4% pre-tax IRR and has a book value of \$5.2 billion vs. Alleghany net investment of \$2.3 billion**

# RSUI

## Investment Performance Over Time

(\$ in billions)



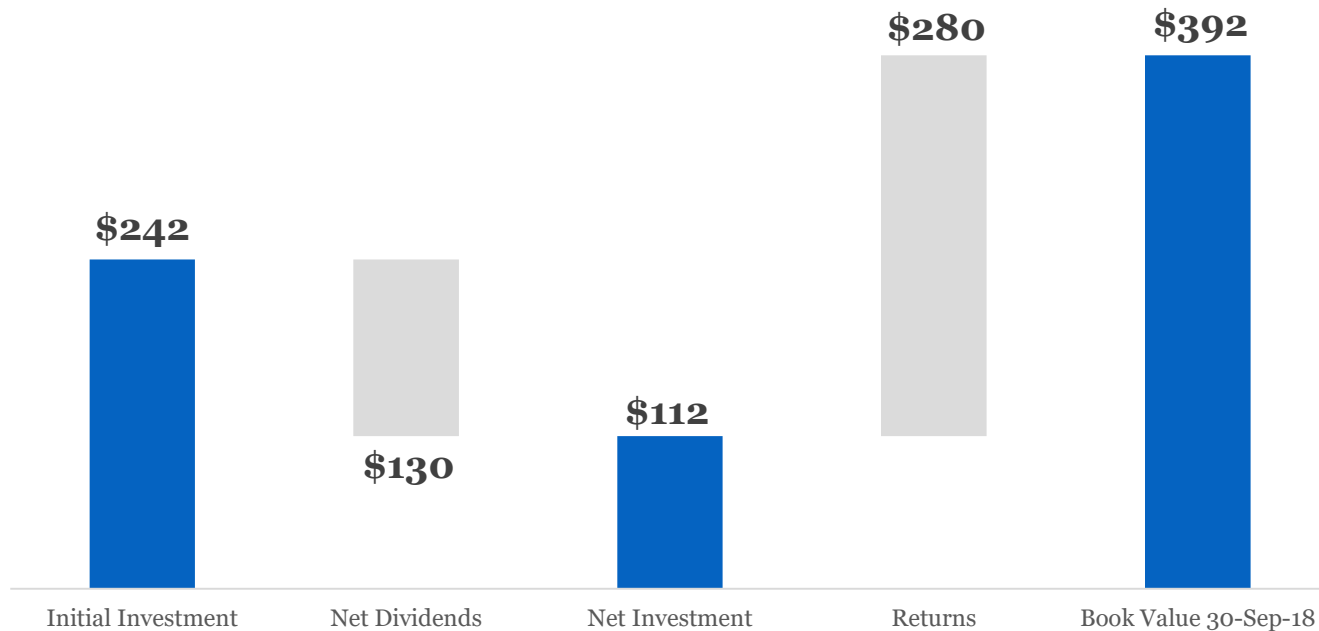
**Since Alleghany acquired and capitalized RSUI in 2003 for \$628 million, RSUI has delivered \$1.0 billion in net dividends, an 11.8% pre-tax IRR and has a book value of \$1.8 billion**

# CapSpecialty

## Investment Performance Over Time

(\$ in millions)

**IRR = 5.7%**

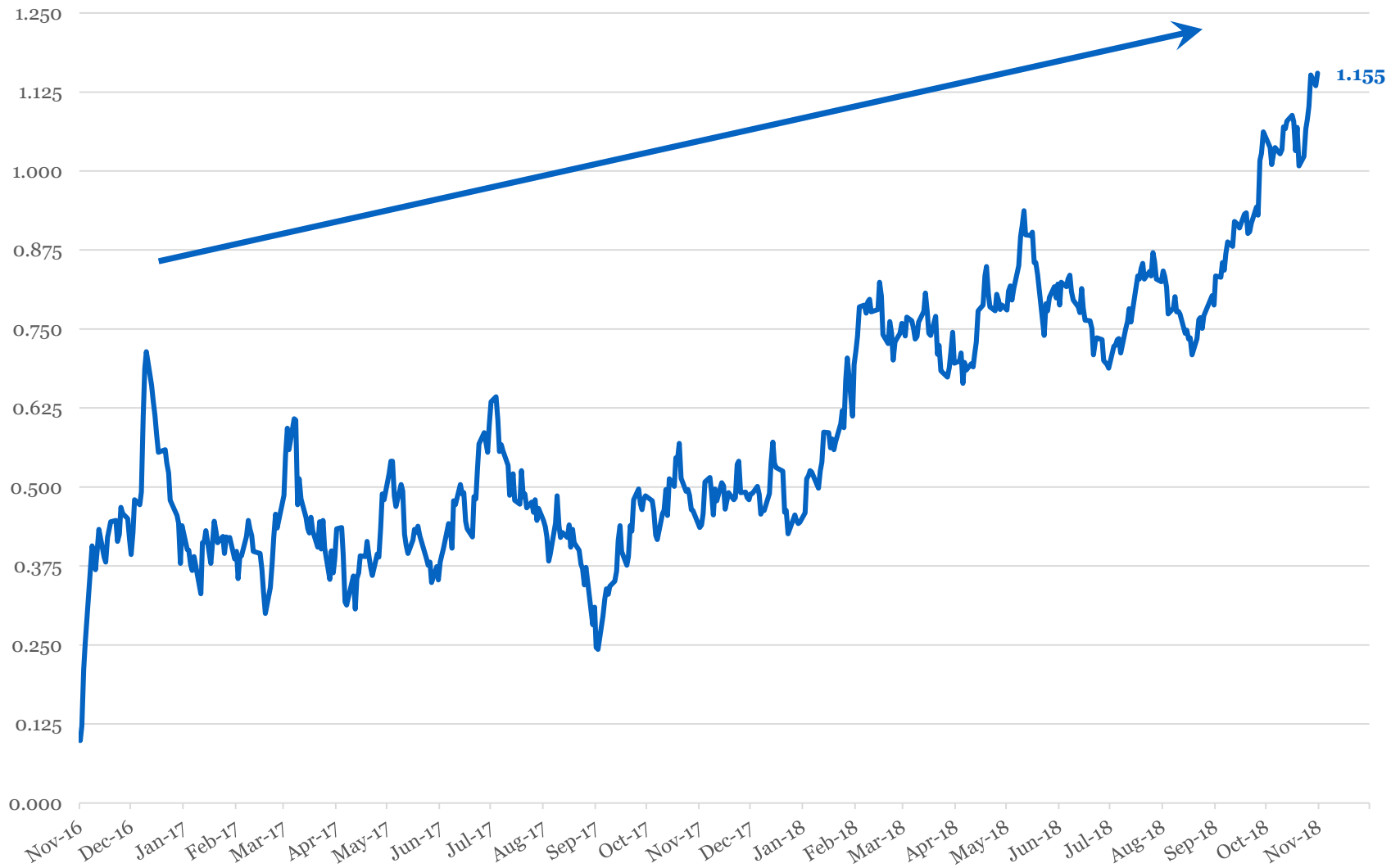


**Since Alleghany acquired CapSpecialty in 2002 for \$242 million, CapSpecialty has delivered \$130 million in net dividends, a 5.7% pre-tax IRR and has a book value of \$392 million vs. Alleghany's net investment of \$112 million**

# (Re)insurance Subsidiaries – Pre-Tax IRR

	Investment-to-Date Pre-Tax IRR
<b>Current Operations:</b>	
TransRe	10.4%
RSUI	11.8%
CapSpecialty	5.7%
<b>Realized Returns:</b>	
Darwin	28.9%
Homesite	6.2%
PacificComp	(7.9%)
<b>Total</b>	<b>9.7%</b>

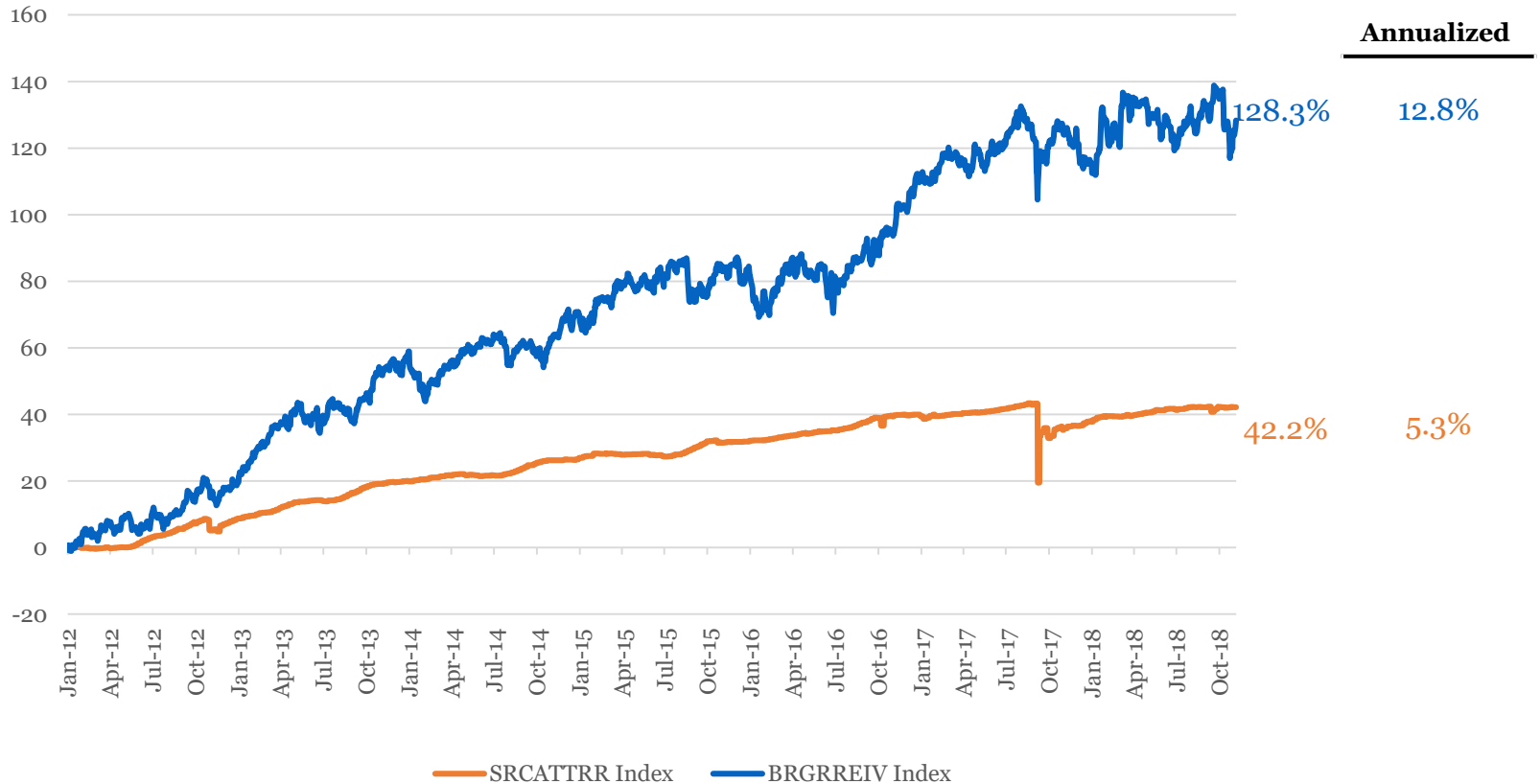
# Rising Real Interest Rates



Source: Bloomberg and Company filings, Generic Inflation Indexed US 10 Year Government Bond

# Real Returns Since 2012 – Reinsurers vs. Cat Bonds

Real Returns of Bloomberg Reinsurance Index vs. Swiss Re Cat Bond Index Since January 2012<sup>(1)</sup>



Source: Bloomberg

(1) Normalized vs. CPI index to exclude inflation. January 2012 through November 6, 2018.

## Key Takeaways

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- TransRe and RSUI are market leaders and disciplined underwriters
- CapSpecialty has made meaningful progress towards its goal of becoming a preferred specialty insurer for small and mid-sized businesses
- Strong balance sheet, disciplined underwriting, patience and perseverance will generate opportunities in the long run
- Tax reform is a significant benefit for Alleghany
- Third party capital is a true competitor for cat business, but not exempt from need to make appropriate long-term profits
- Scale continues to be increasingly important for reinsurers

## **Alleghany Capital Corporation**

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**David Van Geyzel**  
**Udi Toledano**

# Vision & Values

To partner with entrepreneurial management teams to grow and enhance their businesses over the long term



## Competitive Advantage/Strategy

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- Our **competitive advantage** is built upon our ability to provide middle market companies with:
  - permanent capital and a long-term investment horizon
  - an entrepreneurial, quasi-autonomous operating structure
  - the resources and backing of a public company with \$25 billion in assets and multiple operating businesses under Alleghany Capital
- Leveraging this competitive advantage, our **strategy** is to:
  - acquire platform companies in a diverse set of industries that are either (i) #1 or #2 in durable niche sectors or (ii) rapid share gainers in large fragmented markets
  - assist our management teams in strengthening competitive positioning, accelerating growth (organically and through add-on acquisitions), and improving returns
  - deploy excess cash flow and new capital into additional platform investments









*Middle Market Growth Supported and Accelerated by Public Company Resources*

## Operating/Governance Model

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- Our decentralized, **quasi-autonomous** structure:
  - drives accountability as our management/co-owner partners run discrete businesses
  - enables front-line decision making by those closest to customers
  - preserves entrepreneurial nimbleness and innovation
  - enhances growth through prudent risk-taking
- We **partner** with management in the development of strategy, objectives, capital allocation, and key personnel decisions. Our governance model includes:
  - ongoing dialogue on strategy, opportunities, and risks
  - monthly reporting, quarterly board meetings, and an annual budgeting process
  - outside industry board members/operating partners
- Portfolio company **incentives** are tailored to each industry, but share a focus on increasing return on equity and improving long-term competitive positioning
- We have a developing **growth template** that is focused on a set of principles that can be applied to multiple industries and are beginning to leverage **group purchasing** to reduce expenses on certain common items across our portfolio

## Platform Companies

Company	Description
<b>Industrial</b>	
 	<p>Manufactures specialty machine tools and, through DTI, supplies waterjet cutting consumables</p>
	<p>Manufactures highly-engineered custom trailers and truck bodies for a variety of niche markets</p>
	<p>Fabricates and erects heavy structural steel for bridges and large structures</p>
	<p>Supplies products and services to the funeral and precast concrete markets</p>
<b>Non-Industrial</b>	
	<p>Manages and develops hotels in the U.S. and Canada</p>
	<p>Provides technical consulting for the biopharmaceutical and other highly-complex manufacturing environments</p>
	<p>Global toy, entertainment, and musical instrument company</p>

# Platform Company Positioning

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**#1 Positions  
in Niche Markets**



**Share Gainers in Large  
Fragmented Markets**



## Industry Size:

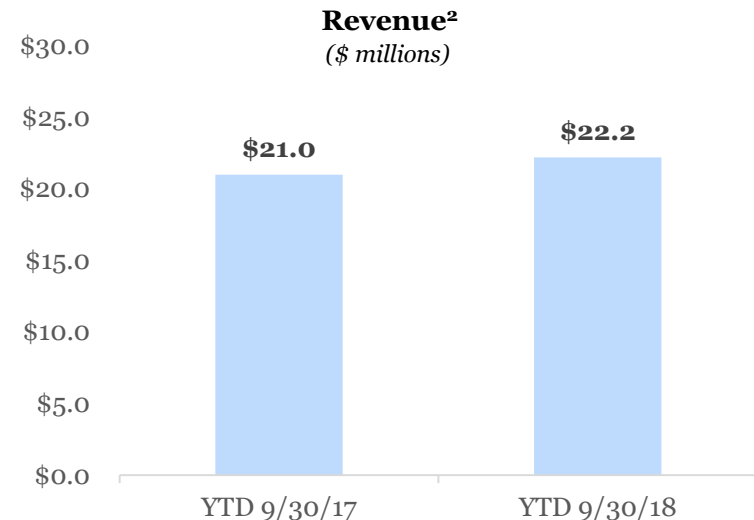
- \$85 billion global, \$8 billion U.S. machine tool industry<sup>1</sup>

## Secular Trends:

- Growth in factory automation
- Increasing use of super hard materials and composites
- New cutting technologies and growth of additive manufacturing

## Initiatives Since Acquisition:

- Expanded in-house and external sales functions while accelerating R&D and new product development
- Instituted business segmentation and lean manufacturing programs
- Acquired DTI, entering the waterjet market and expanding into super hard materials



1. Oxford Economics and Gardner Business Media as of May 2018.

2. Classified as "Noninsurance Revenue" on Alleghany's Consolidated Statement of Earnings.

## Industry Size:

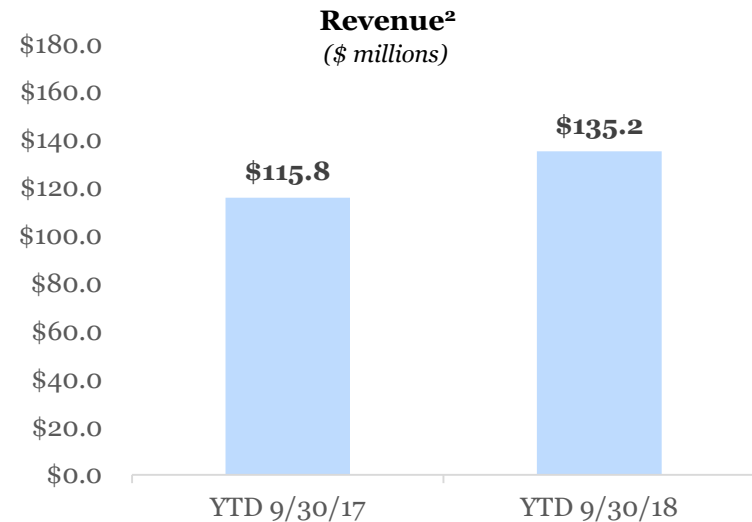
- \$10 billion U.S. truck trailer manufacturing industry<sup>1</sup>

## Secular Trends:

- Geographic population shifts driven by aging populations, tax laws, and the changing composition of the U.S. economy
- New medical imaging technology
- Growth in e-commerce and consumer package delivery

## Initiatives Since Acquisition:

- Added production of regional moving vans (in addition to 53-foot trailers)
- Launched lean manufacturing program
- Built #1 position in mobile medical imaging trailers through two acquisitions
- Consolidated facilities to increase productivity and margins



1. IBISWorld as of December 2017.

2. Classified as "Noninsurance Revenue" on Alleghany's Consolidated Statement of Earnings.

### Industry Size:

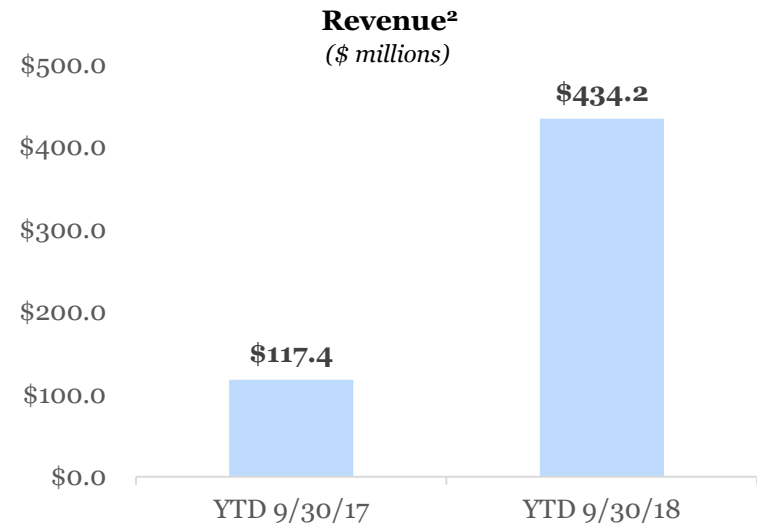
- \$17 billion U.S. non-residential structural steel fabrication industry<sup>1</sup>

### Secular Trends:

- Aging or functionally obsolete U.S. infrastructure (especially overpasses and bridges)
- Geographic population shifts driving need for new highways and public infrastructure
- Demand for new facilities driven by technology, aerospace/defense, and manufacturing industries

### Initiatives Since Acquisition:

- Expanded into large West Coast market
- Became largest steel bridge fabricator in the U.S. through the acquisition and integration of Hirschfeld Industries



1. Houlihan Lokey April 2017 Industry Analysis.  
 2. Revenue includes post-acquisition results of W&W commencing 4/28/17 and Hirschfeld commencing 2/7/18. Classified as “Noninsurance Revenue” on Alleghany’s Consolidated Statement of Earnings.

## Industry Size:

- \$7 billion U.S. funeral products industry and \$5 billion North American precast concrete market<sup>1</sup>

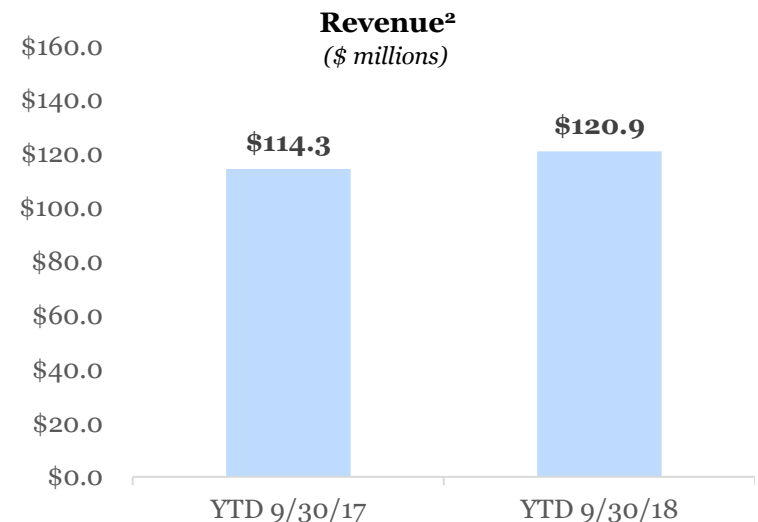
## Secular Trends:

- Aging baby boomer generation
- Growth in cremation and precast concrete markets
- Supplier consolidation
- Increasing personalization

## Initiatives Since Acquisition:

- Introduced new products focused on cremation and personalization trends
- Continued tuck-in acquisition strategy
- Expanded international sourcing

1. Service Corporation International, NFDA 2017 General Price List Survey and Alleghany Capital estimates; National Precast Concrete Association (NPCA).
2. Wilbert is accounted for under the equity method of accounting and its net earnings attributable to Alleghany are included within "Net Investment Income" on Alleghany's Consolidated Statement of Earnings.



## Industry Size:

- \$2 billion U.S. third-party management service industry (based on Net Revenue)<sup>1</sup>

## Secular Trends:

- Growth in global travel driven by expanding global middle class
- Outsourcing of hotel management
- Expansion of lifestyle brands driven by millennials
- Geographic population shifts

## Initiatives Since Acquisition:

- Integrating into Allegheny strategic planning and budgeting process
- Prioritizing growth opportunities given backing of Allegheny Capital



**Geographic Presence**



Note: Concord Hospitality Enterprises was acquired on 10/1/18.

1. *HotelAnalyst* report as of July 2017 and Allegheny Capital estimates.

## Industry Size:

- \$15 billion engineering, procurement, construction management and validation (“EPCMV”) industry<sup>1</sup>

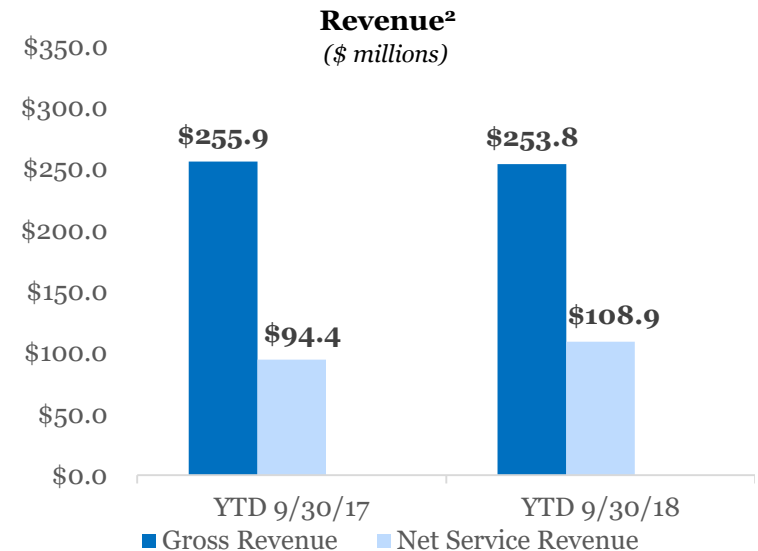
## Secular Trends:

- Growth in the global biopharma industry driven by aging populations, increasing access to care, and technology advances
- Pharmaceutical and biotech companies outsourcing EPCMV functions

## Initiatives Since Acquisition:

- Expanded presence in European market
- Added new offices in the U.S.
- Co-developed innovative modular iCON platform

1. Per Management estimates.
2. GAAP revenue (i.e. Gross Revenue) is comprised of Net Service Revenue (“NSR”) for professional services rendered and pass-thru costs billed to customers. GAAP revenue is classified as “Noninsurance Revenue” on Alleghany’s Consolidated Statement of Earnings.



### Industry Size:

- \$89 billion global, \$21 billion U.S. toy industry<sup>1</sup>

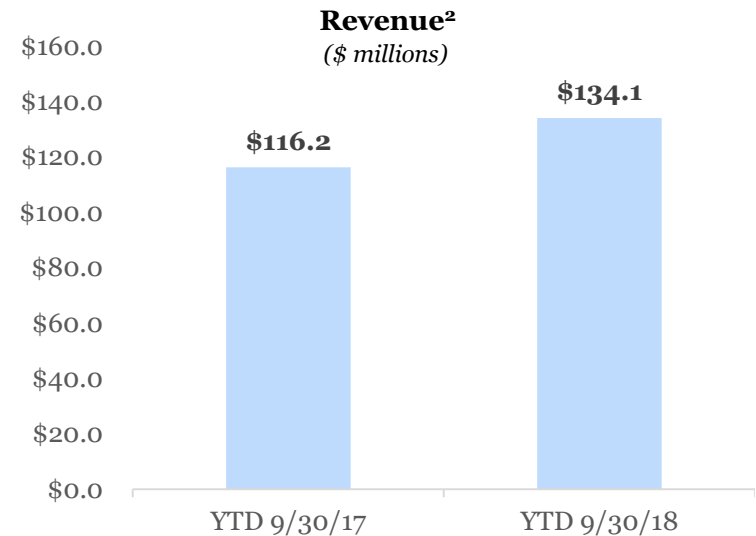
### Secular Trends:

- Confluence of traditional toys, content, social media, and video games
- Industry consolidation following the Toys “R” Us liquidation
- Expanding global middle class

### Initiatives Since Acquisition:








- Scaling sales & marketing, design, and licensing capabilities globally
- Completed tuck-in brand acquisitions:

- First Act 
- Zag Toys 
- Russ Berrie 



1. The NPD Group by the Toy Association as of September 2018.  
 2. Classified as “Noninsurance Revenue” on Alleghany’s Consolidated Statement of Earnings.

# Board Composition

	Alleghany	Management	Non-Management Directors
Alleghany Capital	Weston Hicks Jack Sennott Chris Dalrymple	<b>David Van Geyzel</b> President & CEO	<b>Udi Toledano</b> Chairman
	Udi Toledano David Van Geyzel Rob Hulick	<b>Terry Derrico</b> President	<b>Dennis Bray:</b> President & CEO of Contour Precision Group, former CEO of Cincinnati Incorporated
	Jack Sennott Udi Toledano David Van Geyzel	<b>Dave Goswami</b> CEO & Managing Director	<b>Dave Kornblatt:</b> Former CFO of Triumph Group, Carpenter Technology Corporation, and York International (all NYSE-listed companies)
	Jack Sennott Udi Toledano David Van Geyzel	<b>Judd Zebersky</b> President & CEO <b>Laura Zebersky</b> CCO & EVP	
	Udi Toledano David Van Geyzel John Daly	<b>Gary Smith</b> President & CEO	<b>Chris Ayers:</b> Former President of WireCo and EVP of Alcoa and Precision Castparts <b>Randy Bloch:</b> Owner & CEO of Horsemen's Track and Equipment
	Udi Toledano David Van Geyzel Rich Albano	<b>Rick Cooper</b> President & CEO	<b>Chris Ayers:</b> Former President of WireCo and EVP of Alcoa and Precision Castparts
	Udi Toledano David Van Geyzel	<b>Joe Suhor</b> Chairman <b>Dennis Welzenbach</b> President	<b>Mark Bates:</b> Owner, CEO, and President of Norwalk-Wilbert Vault Company <b>Terry Christenberry:</b> Managing Director at CC Capital Advisors
	Udi Toledano David Van Geyzel	<b>Mark Laport</b> President & CEO	<b>Glyn Aepfel:</b> Board member of Simon Property Group (NYSE:SPG) and AvalonBay Communities (NYSE:AVB) <b>Richard Branca:</b> President of Branca Properties Inc. and Bergen Engineering Company

## New Platforms: Investment Criteria

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- We look to acquire majority positions – or minority positions that will eventually lead to majority control – in companies that have the following attributes:
  - leading and improving competitive positioning in niche markets
  - established track-records of earnings growth through cycles
  - limited risk of technological obsolescence
  - scalable positions in fragmented industries
  - \$15 to \$50 million in EBIT
  - headquarters in North America

# Alleghany Capital Positioning

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## Privately Held Business: Status Quo

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- Succession issues and concentration of net worth
- Limited financial resources for expansion outside of debt and owner reinvestment



## Sell to a Competitor/Strategic Acquirer

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- Corporate culture and legacy often lost in integration with acquirer
- Loss of management control
- Potential workforce and facility consolidation



## Sell to a Private Equity Fund

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- Private equity 3-5 year cycle
- Significant debt
- Limited focus on long-term investments

## Sell to a Family Office

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- Limited follow-on capital driven by diversification mandates
- Changing investment goals as family office priorities evolve



## Alleghany Capital

Permanent  
Capital

Quasi-autonomous  
Operating Model

Prudent  
Leverage

Follow-on Growth  
Capital

Public Company  
Resources

## Strengthening Competitive Positioning and Accelerating Growth

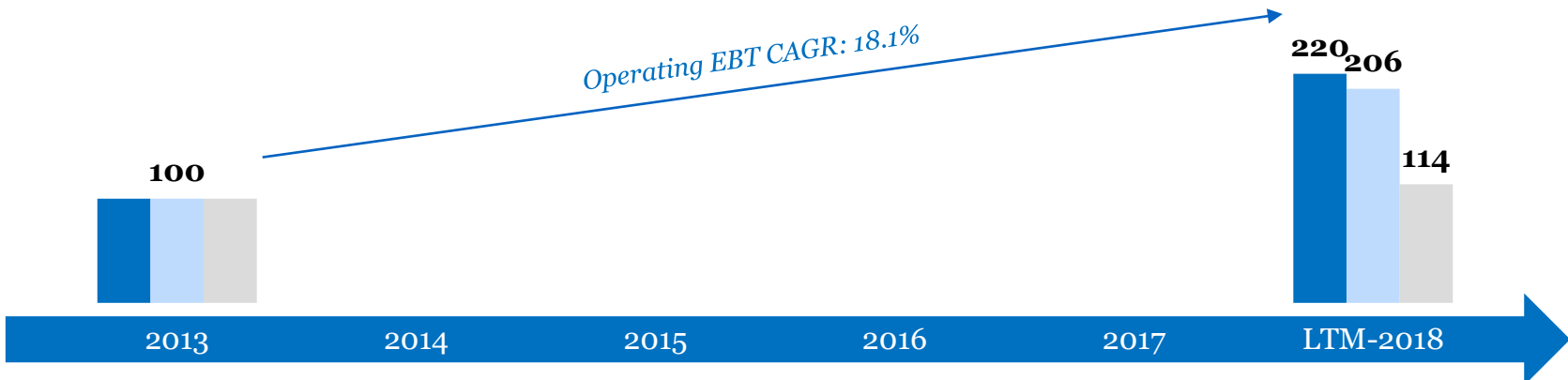
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- We work with and encourage our management partners to expand sales coverage, initiate continuous operating improvement programs, and pursue focused R&D
- Alleghany Capital supports investments in:
  - Talent
  - New geographies and products
  - Lean process improvement
  - Facilities and automation
  - R&D/localized innovation
  - Systems
- Alleghany Capital is heavily involved in developing a robust add-on acquisition strategy and integration capacity at its companies
- Alleghany Capital disseminates best practices across the portfolio

# Case Study

## Operating EBT Growth (Indexed, Base 100)

■ Operating EBT   ■ Book Equity   ■ ACC Net Equity Investment



<p>Alleghany Capital acquired control of <b>Kentucky Trailer</b> (“KT”) in Jan 2014. KT had a leading position in 53-foot moving trailers, a top 5 position in mobile medical trailers, and a growing specialty vehicle business.</p>	<p>Acquired <b>Advanced Mobility &amp; Shelter Technologies</b>, becoming the leader in U.S. mobile medical trailers. Added <b>truck body manufacturing</b> and began producing innovative <b>Load it Once</b> system.</p>	<p>Acquired <b>Smit Mobile Equipment</b>, expanding KT’s mobile medical segment into the European market.</p>	<p>Launched <b>procurement initiative</b> and instituted <b>daily P&amp;L</b> for operating plants.</p>	<p>Completed 2-to-1 facility consolidation to improve <b>productivity</b> and <b>growth capacity</b> in specialty vehicle segment.</p>
<p>Implemented a <b>lean manufacturing</b> program and ramped production of <b>truck bodies</b>, which are used for local moves. Expanded business with package delivery customers.</p>				

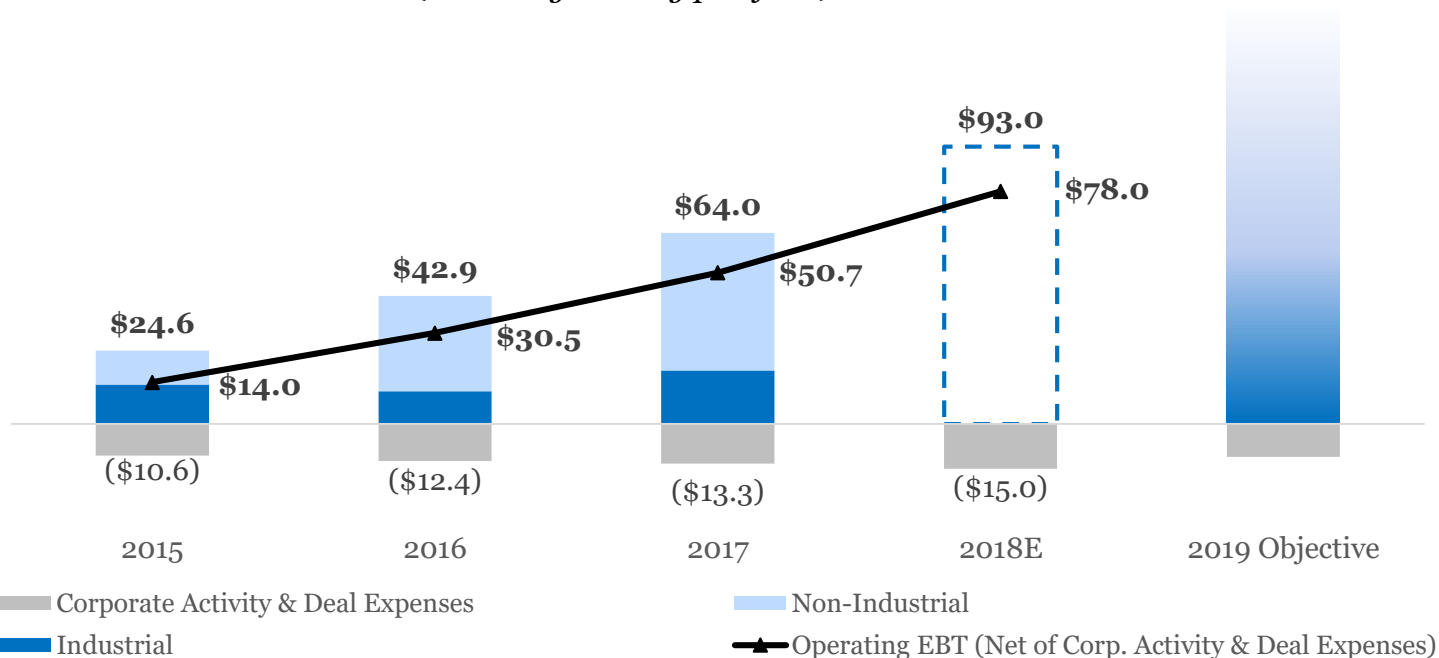


Note: KT Operating EBT represents 100% ownership.

# Earnings Growth History

(\$ millions)

## Operating EBT<sup>1</sup> – 100% Basis (assuming existing portfolio)

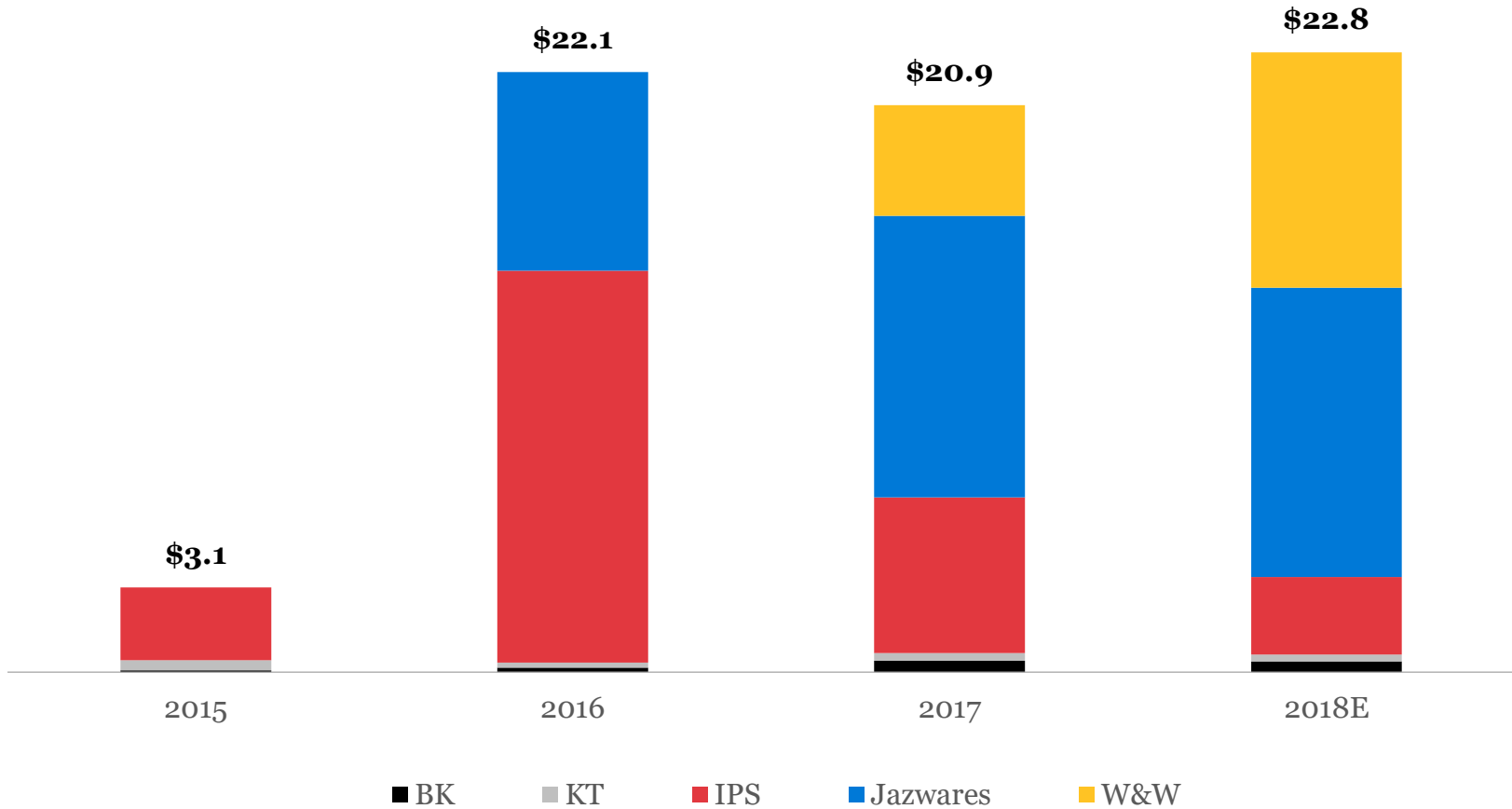


ACC Share of Op. EBT <sup>2</sup>	\$11.4	\$22.9	\$35.6	\$61.1
Avg. Book Equity – ACC Share	\$219.8	\$364.6	\$574.2	\$782.1
Avg. Net Equity Invested <sup>3</sup> – ACC Share	\$177.9	\$280.1	\$454.2	\$621.5

- Operating earnings before income taxes (“Operating EBT”) represents noninsurance revenue less all operating expenses, and does not include: (i) amortization of intangible assets; (ii) change in the fair value of equity securities; (iii) net realized capital gains; (iv) other than temporary impairment (“OTTI”) losses; and (v) income taxes.
- ACC Share of Operating EBT includes Corporate Activity and Deal Expenses.
- Net Equity defined as cumulative gross investment less cumulative dividends paid to Alleghany Capital.

# Acquisition Accounting Impact of Intangibles Amortization

(\$ millions)



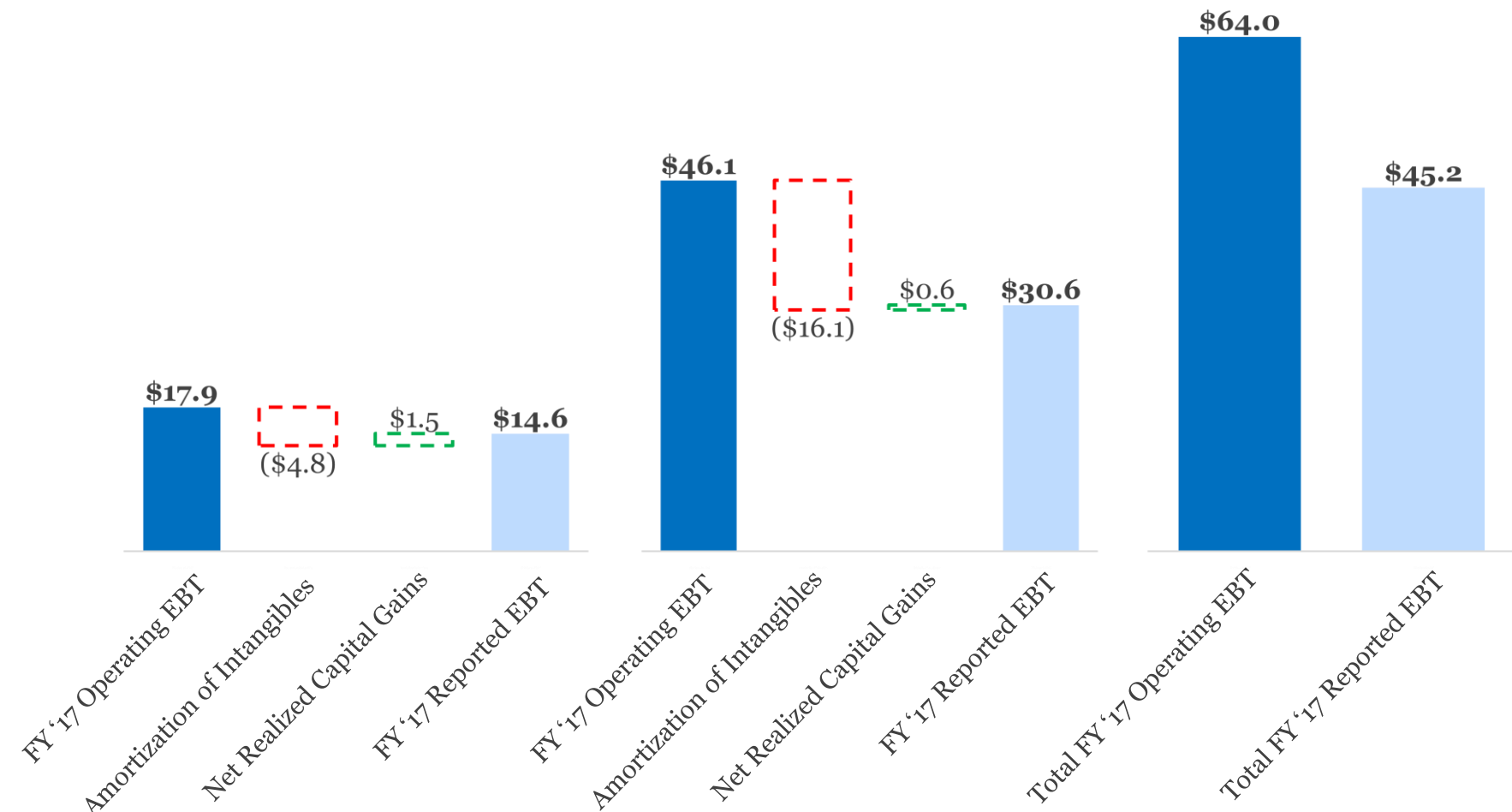
# FY 2017 Intangibles Amortization Impact

(\$ millions)

## Industrial

## Non-Industrial

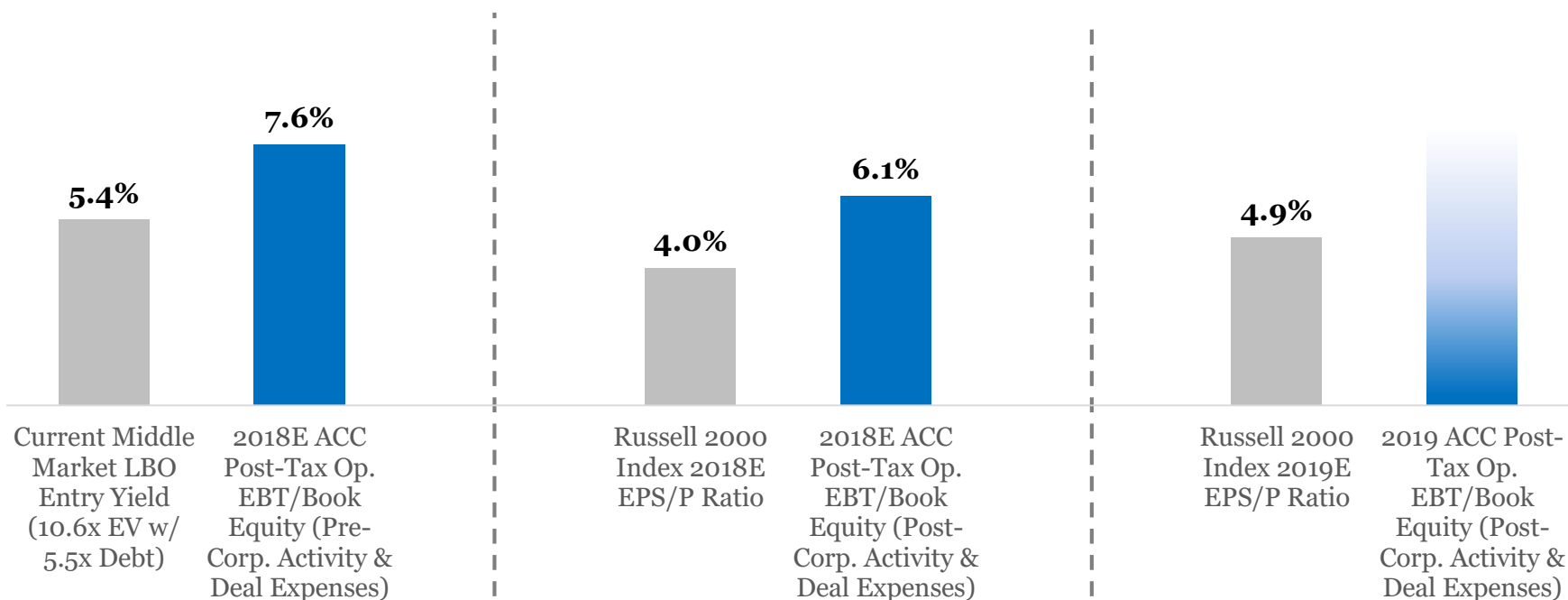
## Total



Note: All figures exclude Corporate & other.

# Portfolio Return Metrics

## Operating EBT (Post-Tax) / Book Equity



	Debt-to-Capital
<b>Alleghany Capital</b>	<b>17.9%</b>
Russell 2000	52.7%
Middle Market LBO	51.9%

1. LBO statistics per S&P Global Market Intelligence. Russell 2000 P/E and Debt-to-Capital per Bloomberg using November 5, 2018 closing prices.
2. Middle Market LBO Yield is shown before PE Fund compensation and carried interest, so should be compared with Alleghany Capital (Pre-Corp. Expenses).
3. ACC EBT / Book Equity ratios calculated using a 26% tax rate.

## Other Related Statistics as of September 30, 2018

(\$ millions)

Debt		Tax Shield from Basis Step-ups	
<b>Total Debt</b>	\$197.7	<b>Total Tax Shield at 25.0% Tax Rate</b>	\$132.3
<b>Total Net Debt<sup>1</sup></b>	\$168.5	<b>Present Value at 7.0%</b>	\$69.7
<b>Total Book Equity<sup>2</sup></b>	\$907.5	<b>Present Value at 10.0%</b>	\$59.3
<b>Total Debt-to-Capital</b>	17.9%		
<b>Total Net Debt-to-2018E EBITDA<sup>3</sup></b>	1.4x		

### *Low Relative Leverage and Significant Long-term Tax Benefits*

1. Total Net Debt is defined as total debt less cash.
2. Book equity represents combined Alleghany share of the equity of the portfolio companies excluding Concord Hospitality and Corporate equity, plus the equity attributable to noncontrolling interests (i.e. redeemable noncontrolling interests).
3. EBITDA is a non-GAAP financial measure and is defined as net earnings (loss) plus interest expense, income taxes, depreciation expense and amortization expense.

# Looking Forward

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## Risks/Mitigants

- Frothy deal environment
  - Investment criteria discipline with a focus on competitive advantages and quality growth
  - Focus on secular trends and portfolio company bolt-ons with synergies
- Economic cycle
  - Diversification of end markets
  - Focus on platforms that can take advantage of downturns with Alleghany Capital backing

## Opportunities

- Organic growth opportunities and innovation across our portfolio (new markets, new geographies, new products)
- Bolt-on and strategic acquisitions at the portfolio company level
- Momentum with continuous improvement programs
- New platforms

## **Alleghany Capital CEO Roundtable**

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**David Van Geyzel**  
**Judd Zebersky**  
**Rick Cooper**

# CEO Roundtable

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**Judd Zebersky**

President and Chief Executive Officer



**Rick Cooper**

President and Chief Executive Officer

## Discussion Topics

- Business, history, and differentiated position
- Impact of Alleghany model
- Current market conditions
- Industry growth trends

# Jazwares Video Presentation

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**Judd Zebersky**  
President and Chief Executive Officer

## W&W | AFCO Recent Projects

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**Rick Cooper**  
President and Chief Executive Officer

# Boeing 777X Composite Wing Facility

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# Boeing Static Test Facility

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# Tesla Gigafactory

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# Intel Corporation – Production Facility

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# Tower A – Hudson Yards

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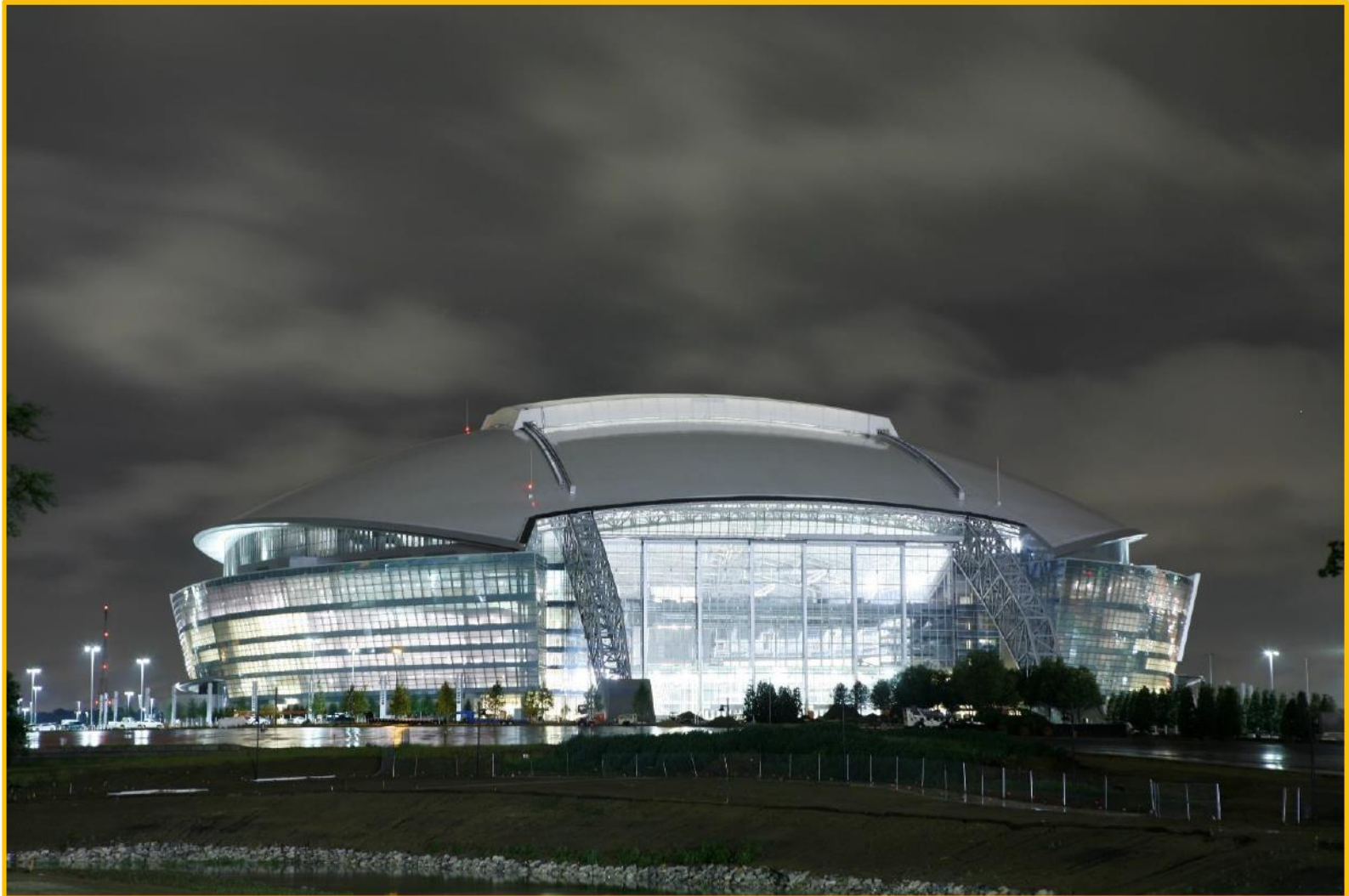
# New York Times Headquarters

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# Dallas Cowboys Stadium

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# Fontainebleau Resort & Casino

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# Cerro Verde – Mining Facility

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# Stan Musial Veterans Memorial Bridge

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# Big Rock Interchange



# BNSF Railroad Trusses



# Dallas North Tollway

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# Tappan Zee Bridge

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# CEO Roundtable

---



**Judd Zebersky**

President and Chief Executive Officer



**Rick Cooper**

President and Chief Executive Officer

## Discussion Topics

- Business, history, and differentiated position
- Impact of Alleghany model
- Current market conditions
- Industry growth trends

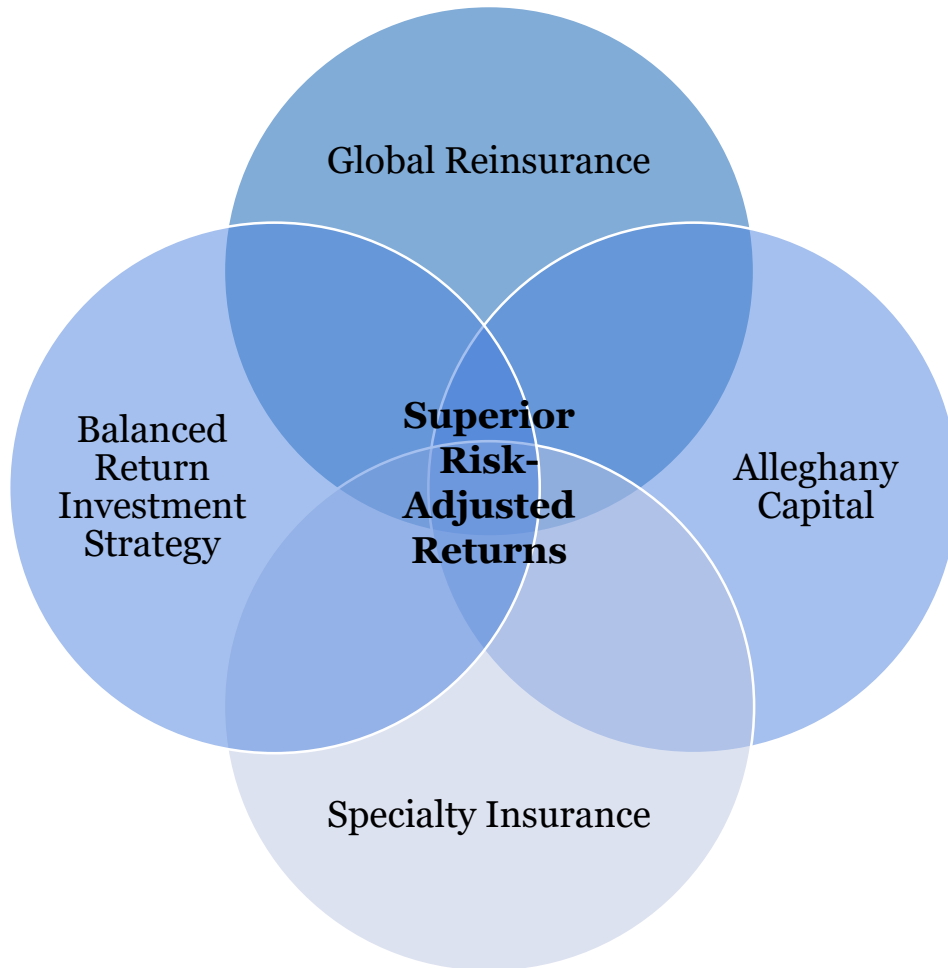
## **Financial Update**

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**Jack Sennott**

# Financial Strategy

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## **Financial Objective:**

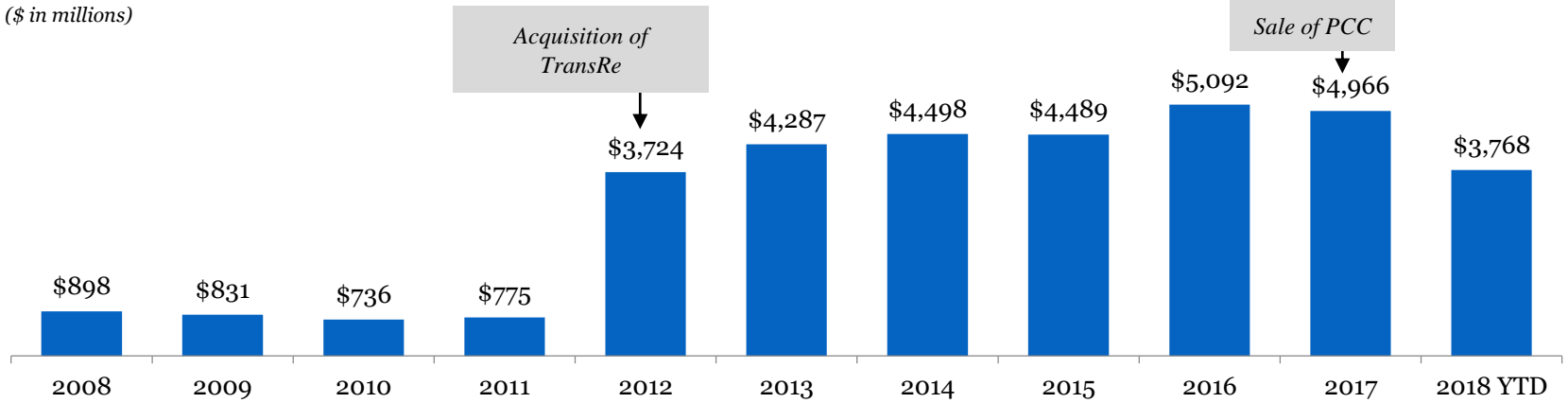
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**Increase common stockholders' equity per share over the long term at rates of 7-10% without employing excessive amounts of financial leverage or taking imprudent risks.**

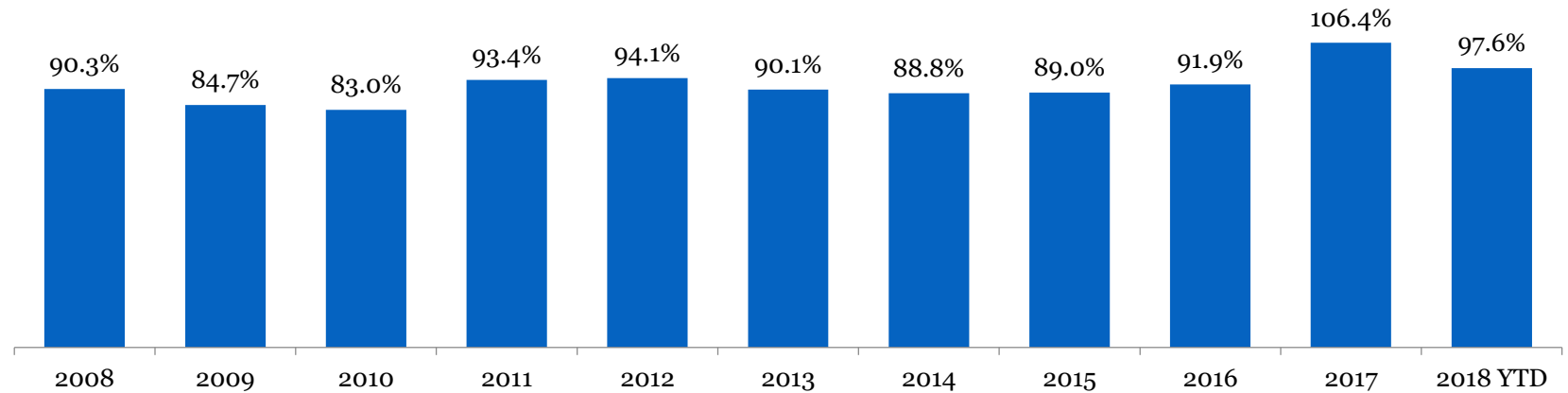
# Strong Underwriting Results

## Net Premiums Written

(\$ in millions)



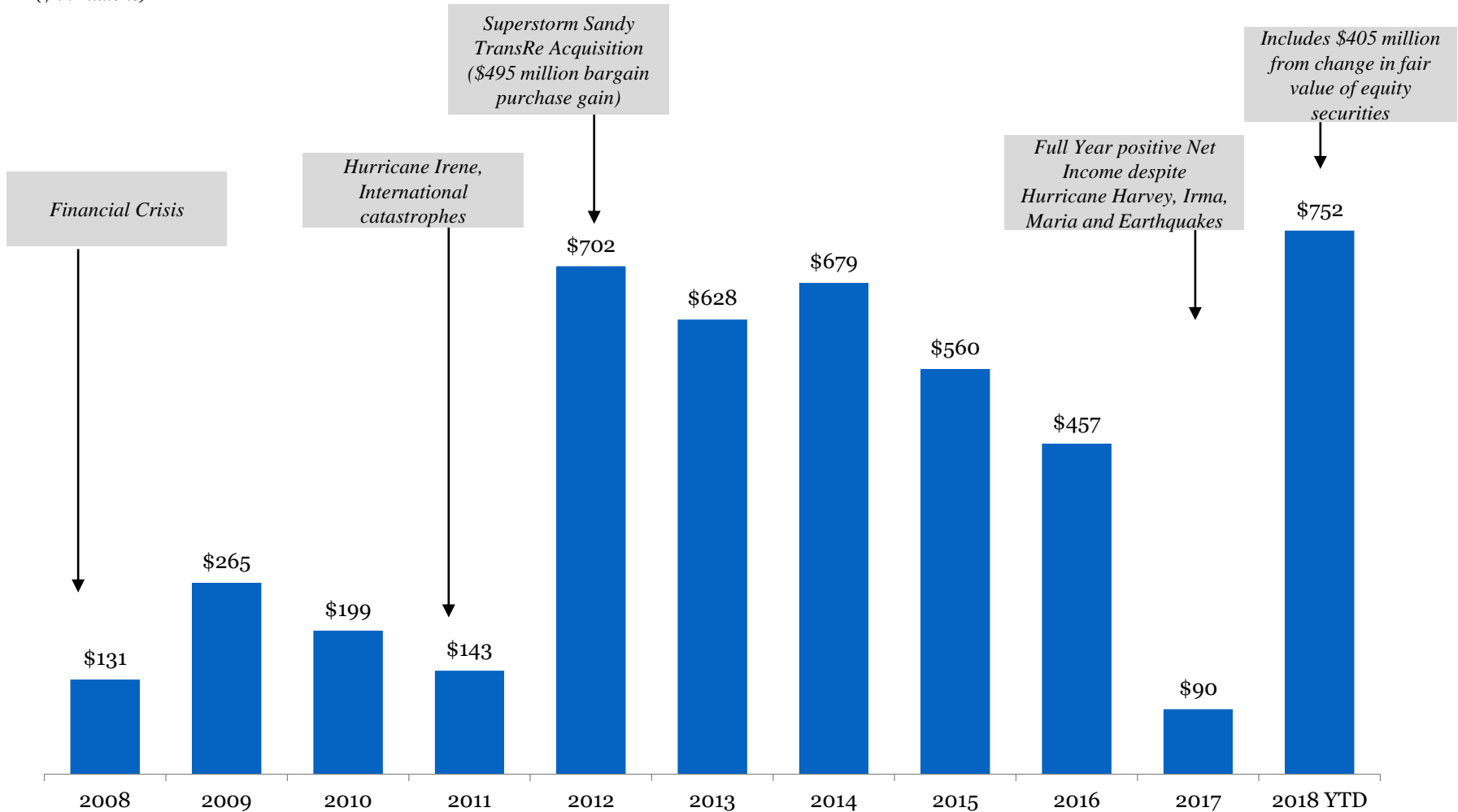
## Combined Ratio



Note: TransRe included beginning 3/6/2012. 2018 YTD is as of 9/30/18.

# Positive Net Earnings Despite Significant External Events

(\$ in millions)

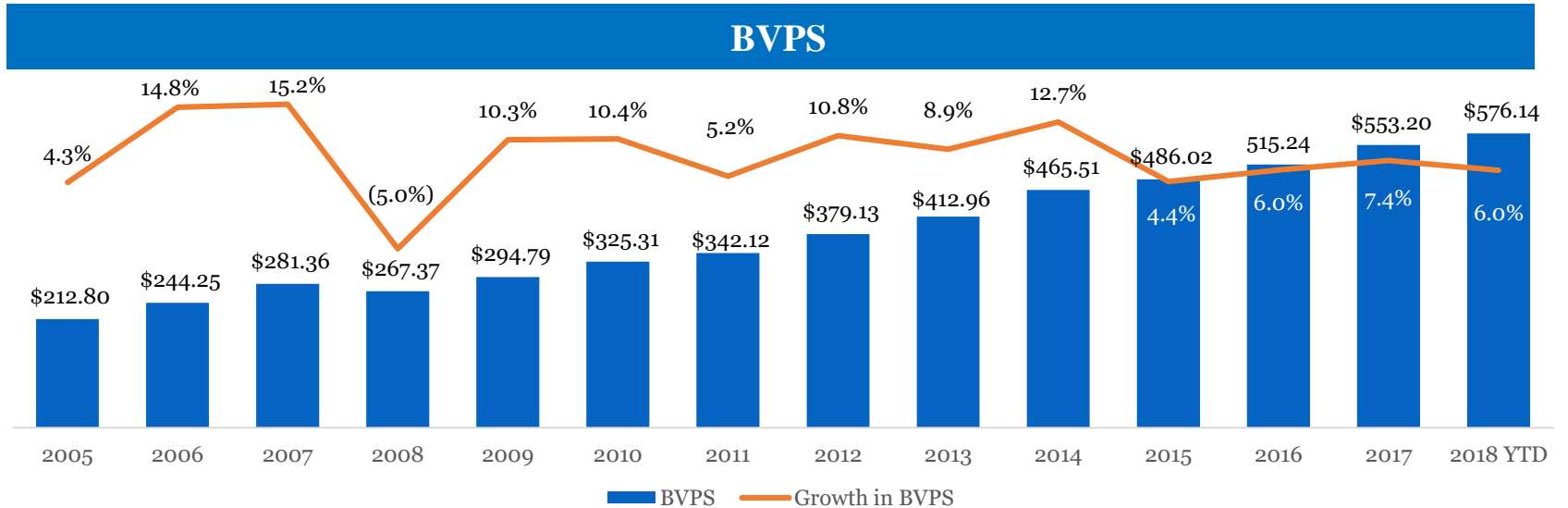
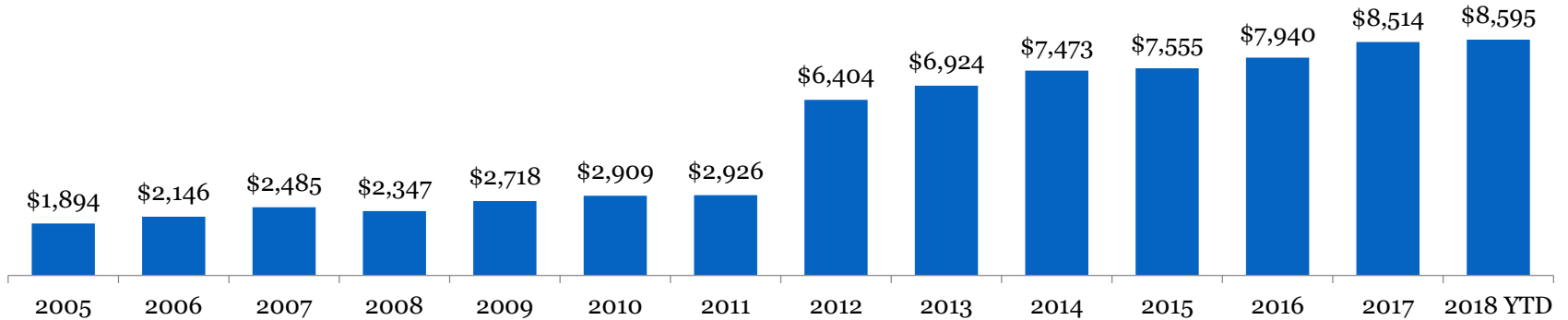


Note: Reflects earnings attributable to Alleghany stockholders. 2018 YTD is as of 9/30/18.

# Steady Growth in Book Value Per Share

## Common Stockholders' Equity Attributable to Alleghany Stockholders

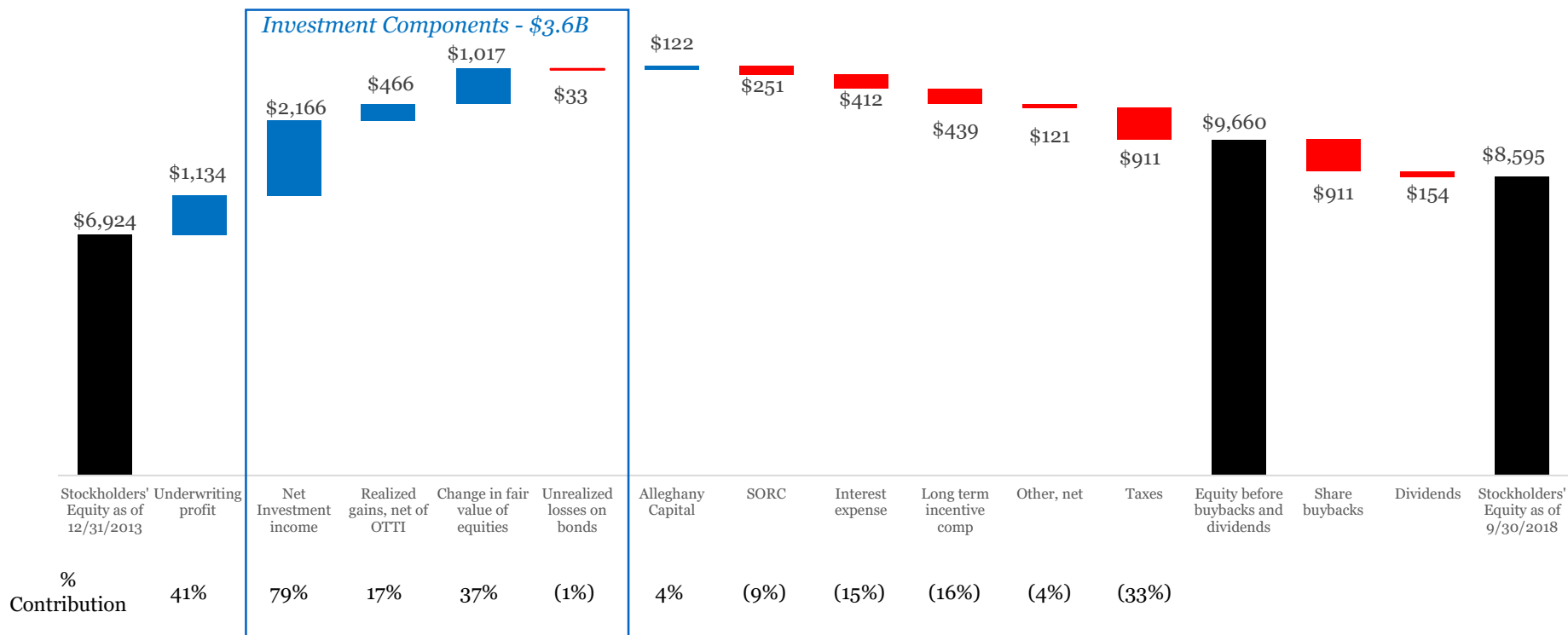
(\$ in millions)



Note: 2018 YTD BVPS growth adjusts for the special \$10 / share dividend paid in 2018.

# Sources and Uses of Capital by Component – 2013 to 2018 YTD

(\$ in millions)



**Book Value Growth Has Been Driven By Investment Gains over the Past Five Years**

Note: Share repurchases do not include \$79 million of shares repurchased in October.

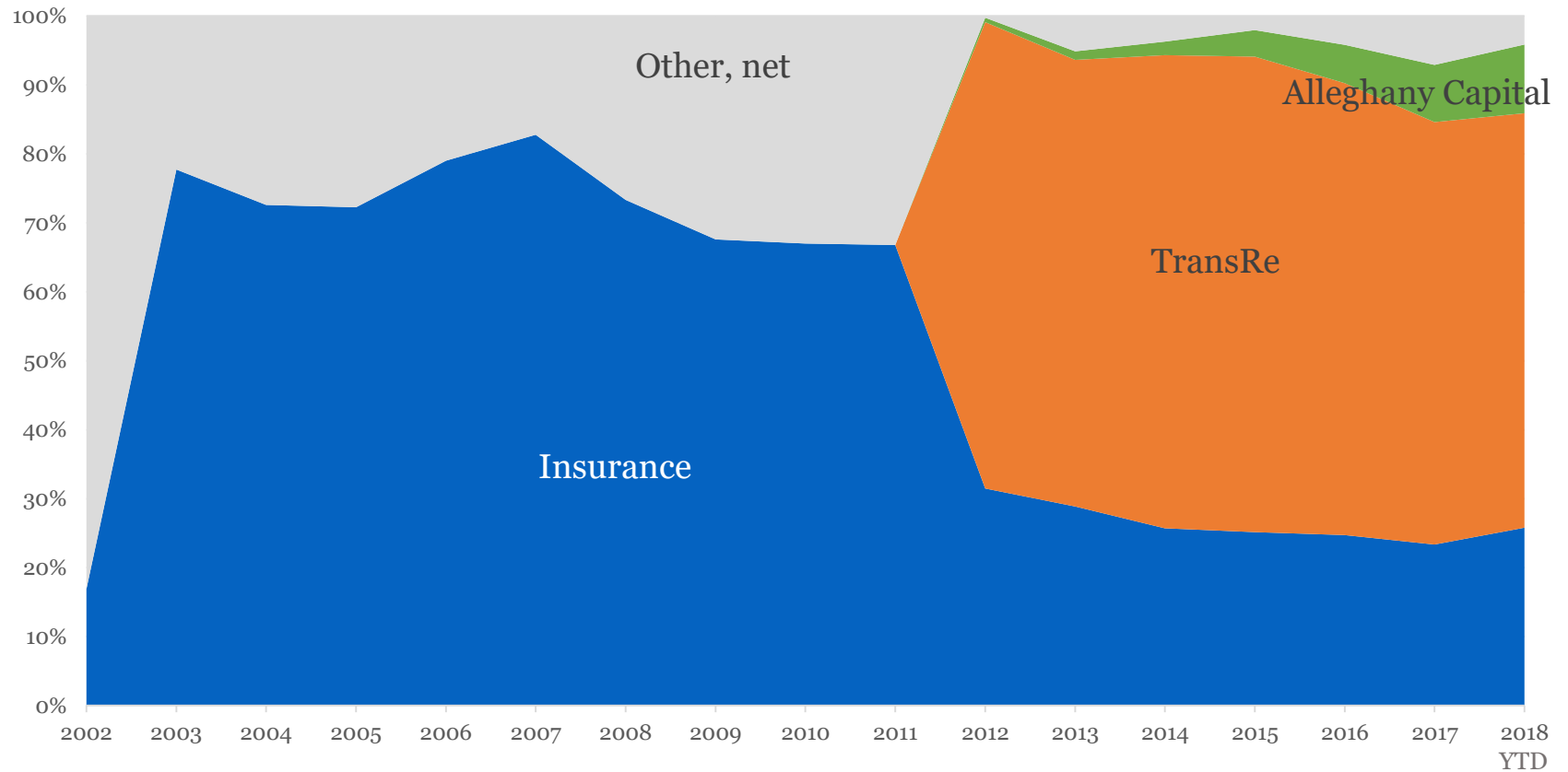
# Holding Company Liquidity Roll-Forward – 2013 to 2018 FY Forecast

<i>(\$ in millions)</i>																
Holding Company	2014		2015		2016		2017		2018 YTD		4Q Forecast		2018 Total		Total	
Beginning of Period Cash & Marketable Securities	\$	840	\$	1,032	\$	821	\$	1,047	\$	1,383	\$	1,421	\$	1,383	\$	840
Dividends Received (TransRe + RSUI)		525		400		475		300		300		100		400		2,100
Contributed Capital (Insurance)		-		-		(24)		(4)		-		-		-		(28)
Dividends Received (ACC operating companies)		14		13		19		20		20		7		27		93
Contributed Capital (ACC)		(75)		(90)		(122)		(236)		(169)		-		(169)		(692)
Contributed Capital (SORC)		(97)		(88)		(25)		(13)		(14)		(8)		(22)		(245)
Share Repurchases		(301)		(244)		(68)		(16)		(282)		(79)		(361)		(990)
Special Dividends		-		-		-		-		(154)		-		(154)		(154)
Change in Unrealized gain (loss) - Equity Portfolio		27		(66)		84		106		105		(103)		2		153
Proceeds from Sale of PacificComp		-		-		-		158		-		-		-		158
Other, net		99		(136)		(113)		21		232		(15)		217		88
End of Period Cash & Marketable Securities		1,032		821		1,047		1,383		1,421		1,323		1,323		1,323

Note: Share buybacks and parent equity portfolio unrealized loss forecast reflect actuals through 10/31/18.

(1) Largely reflects conversion of partnership interests in Ares to common units in 2017.

# Allocation of Stockholders' Equity Over Time



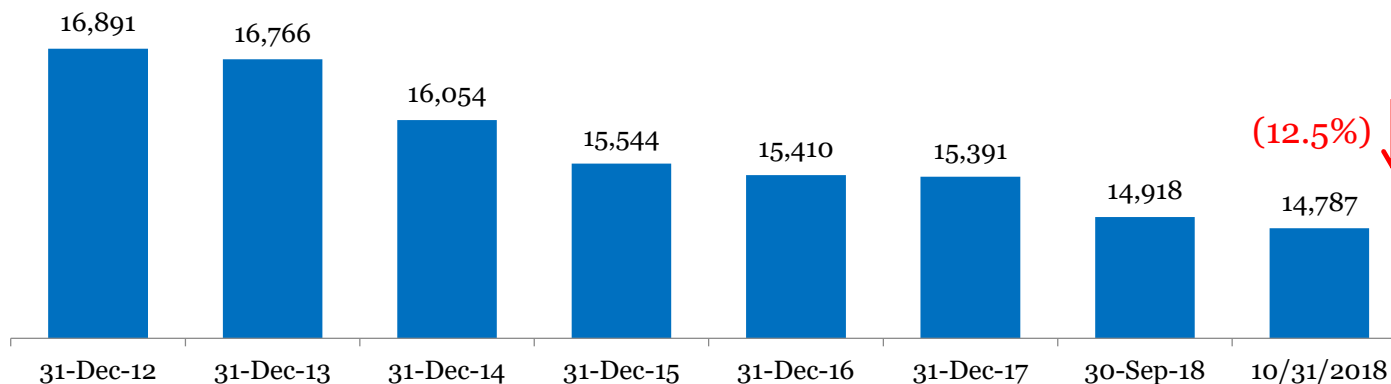
**Alleghany's Portfolio of Businesses is Increasingly Diverse  
Alleghany Capital is Becoming a Meaningful Portion of the Allocation**

## Return of Capital - Outstanding Shares and Share Repurchases

- Shares outstanding have been reduced by ~12.5% since January 1, 2013
- Repurchased shares have appreciated ~\$261 million<sup>(1)</sup> above the average repurchase price
- Special dividend of \$154 million
- Total capital returned to shareholders of \$1.2 billion since January 1, 2013

### Outstanding Shares

(Thousands of shares)

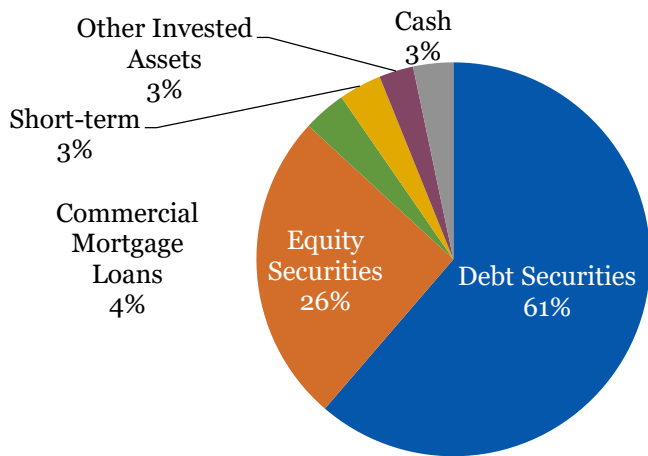


	2013	2014	2015	2016	2017	2018 YTD	Total
Number of shares repurchased (thousands)	113	732	521	142	30	611	<b>2,149</b>
Average price per share	\$356.92	\$410.27	\$468.45	\$480.49	\$540.25	\$591.17	<b>\$479.43</b>
Total repurchases (\$ millions)	\$40	\$300	\$244	\$68	\$16	\$361	<b>\$1,030</b>
Current authorization remaining (\$ millions):							<b>\$402</b>

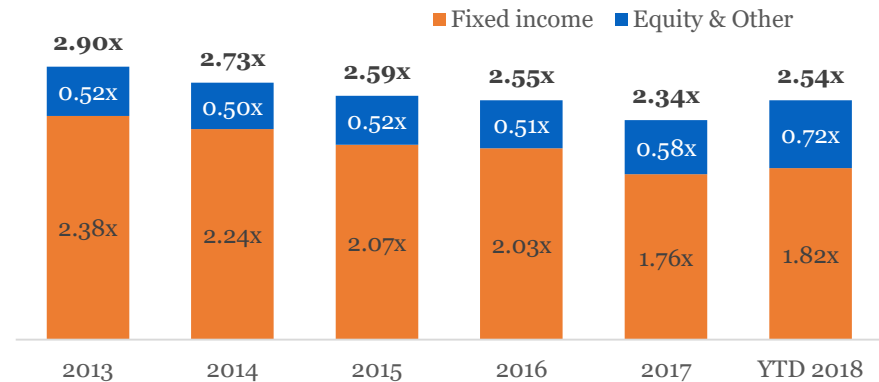
(1) Market data based on share price of \$600.68 as of October 31, 2018.

# Investments Are A Significant Part of Our Earnings Power

$$\frac{\text{Total Cash \& Investments}}{\text{Total Equity}} = \frac{\$19.7 \text{ billion}}{\$7.7 \text{ billion}^{(1)}} = 2.54x \text{ investment leverage}^{(1)}$$



## Investment Leverage



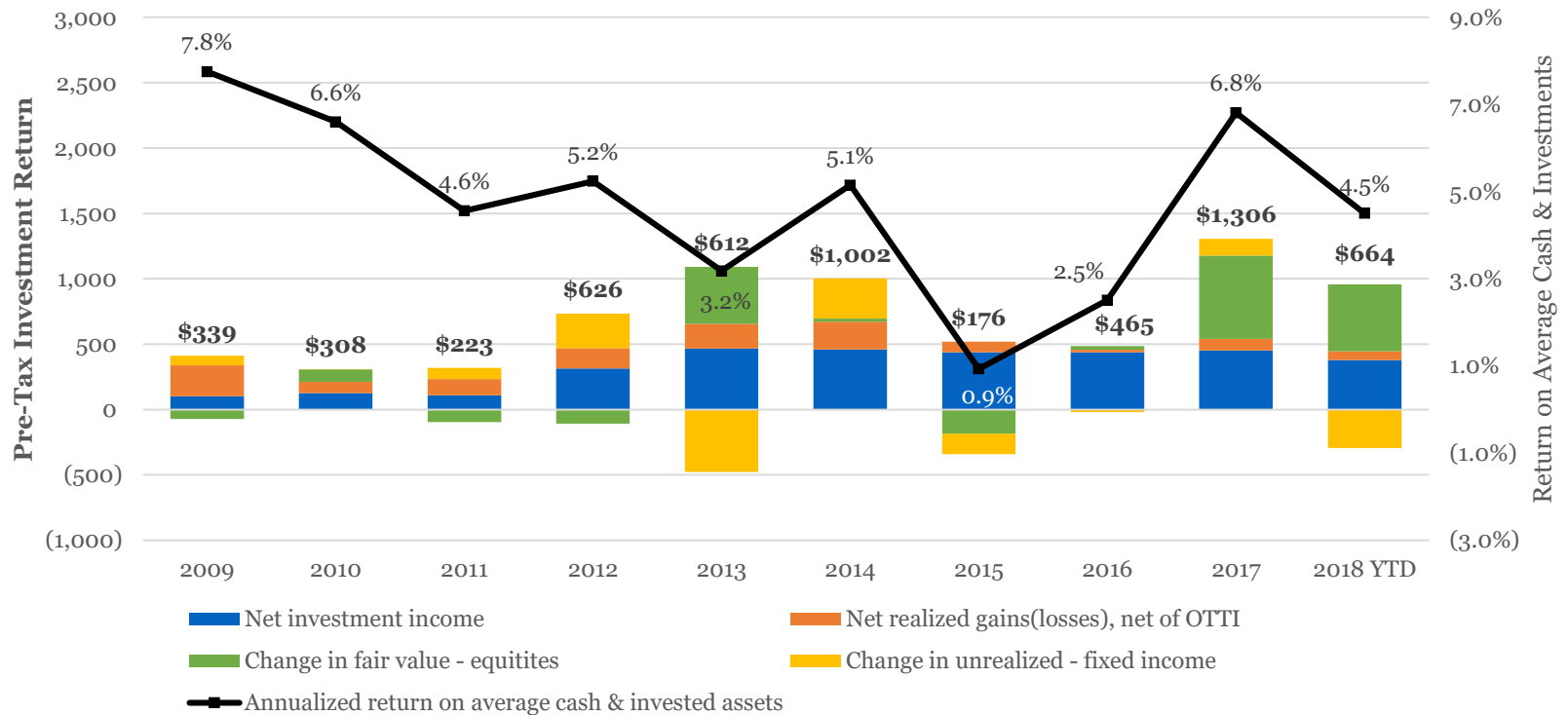
**Portfolio is structured to meet (re)insurance obligations, withstand macroeconomic headwinds and avoid permanent loss of capital**

(1) Portfolio as of September 30, 2018. Figures adjusted to exclude Allegheny Capital subsidiaries.

# Allegheny Has Generated Strong Investment Performance

## 10 Year Investment Results (Pre-tax)

(\$ in millions)



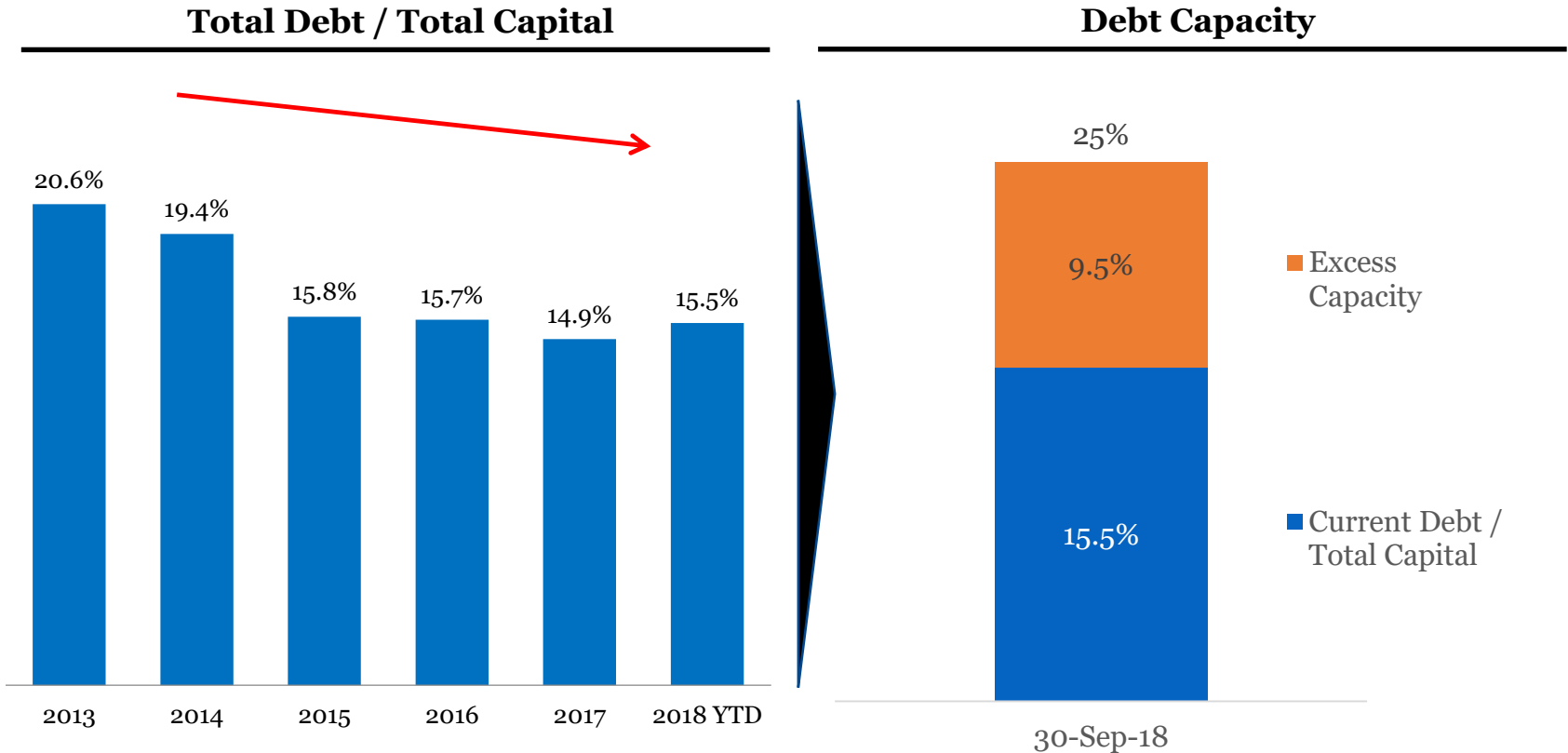
**Investments Contribute Meaningfully to Allegheny's Book Value Growth Over Time**

## Other Investments

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- Alleghany Properties
  - Wholly owned subsidiary that owns and manages certain properties in the Sacramento, CA region
  - \$41 million carrying value
  
- Ares
  - Alleghany acquired 6.25% equity stake in Ares, a leading global alternative asset manager, in July 2013
  - Recently limited partner interests converted to publicly traded common units
  - Current holdings 7.2 million shares carried at \$166 million
  
- Stranded Oil
  - Wholly-owned exploration and production company focused on enhanced oil recovery headquartered in Golden, CO
  - Formed 2011
  - \$119 million carrying value

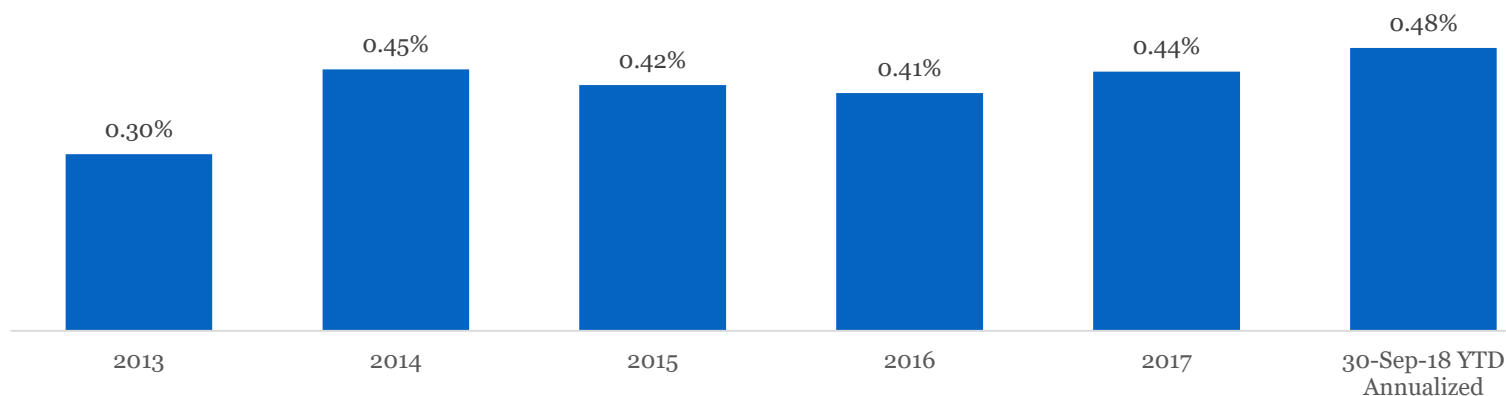
# Low Financial Leverage and Significant Debt Capacity



**Allegheny has significant flexible debt capacity with approximately \$1.28 billion in debt capacity below 25% debt / total capital**

# Alleghany Is an Efficient Manager of Investments

## Alleghany Management Expenses / AUM Adjusted



(\$ in millions)

	as of and for the year ended December 31,					30-Sep-18
	2013	2014	2015	2016	2017	YTD
<u>Assets Under Management</u>						
Equities	\$ 2,229	\$ 2,815	\$ 3,006	\$ 3,110	\$ 4,100	\$ 5,029
Fixed Income (incl. CMLs)	14,803	14,599	13,784	13,578	13,380	12,767
Short term Investments	1,318	716	366	778	578	691
Other Invested Assets	<u>642</u>	<u>706</u>	<u>677</u>	<u>645</u>	<u>743</u>	<u>556</u>
Invested Assets	18,992	18,836	17,833	18,111	18,801	19,043
Cash	498	605	475	594	838	647
Equity in ACC	162	217	292	441	706	856
Equity in SORC	47	137	206	149	143	119
Equity in Alleghany Properties	<u>37</u>	<u>36</u>	<u>37</u>	<u>34</u>	<u>32</u>	<u>41</u>
Assets Under Management	\$ 19,736	\$ 19,831	\$ 18,843	\$ 19,329	\$ 20,520	\$ 20,706
<u>Management Expenses</u>						
Corporate administration	\$ 36	\$ 47	\$ 47	\$ 43	\$ 47	\$ 41
Asset management costs	20	29	27	26	28	25
ACC corporate & ACC M&A fees	<u>3</u>	<u>13</u>	<u>6</u>	<u>9</u>	<u>15</u>	<u>9</u>
Management Expenses	\$ 60	\$ 89	\$ 79	\$ 79	\$ 90	\$ 75
Alleghany corporate costs / AUM adjusted	0.30%	0.45%	0.42%	0.41%	0.44%	0.48%

## Summary Thoughts on Valuation

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- Given the diversity in income streams, a sum of the parts valuation is a practical way to think about Alleghany's value
- Price to book multiples on deployed capital for the insurance and reinsurance businesses make sense and are aligned with our long-term value creation targets
- Alleghany Capital businesses are impacted in the short-term by purchase GAAP accounting adjustments. We believe Operating EBT is a good proxy for the economic returns of ACC
- Price to earnings (Operating EBT) multiples capture the earnings power of Alleghany Capital
- For Alleghany Capital, the Russell 2000 (smaller market cap companies) is a good valuation benchmark
- Holding company liquidity may lessen overall returns in the near term but allows us to capitalize on market disruption opportunities

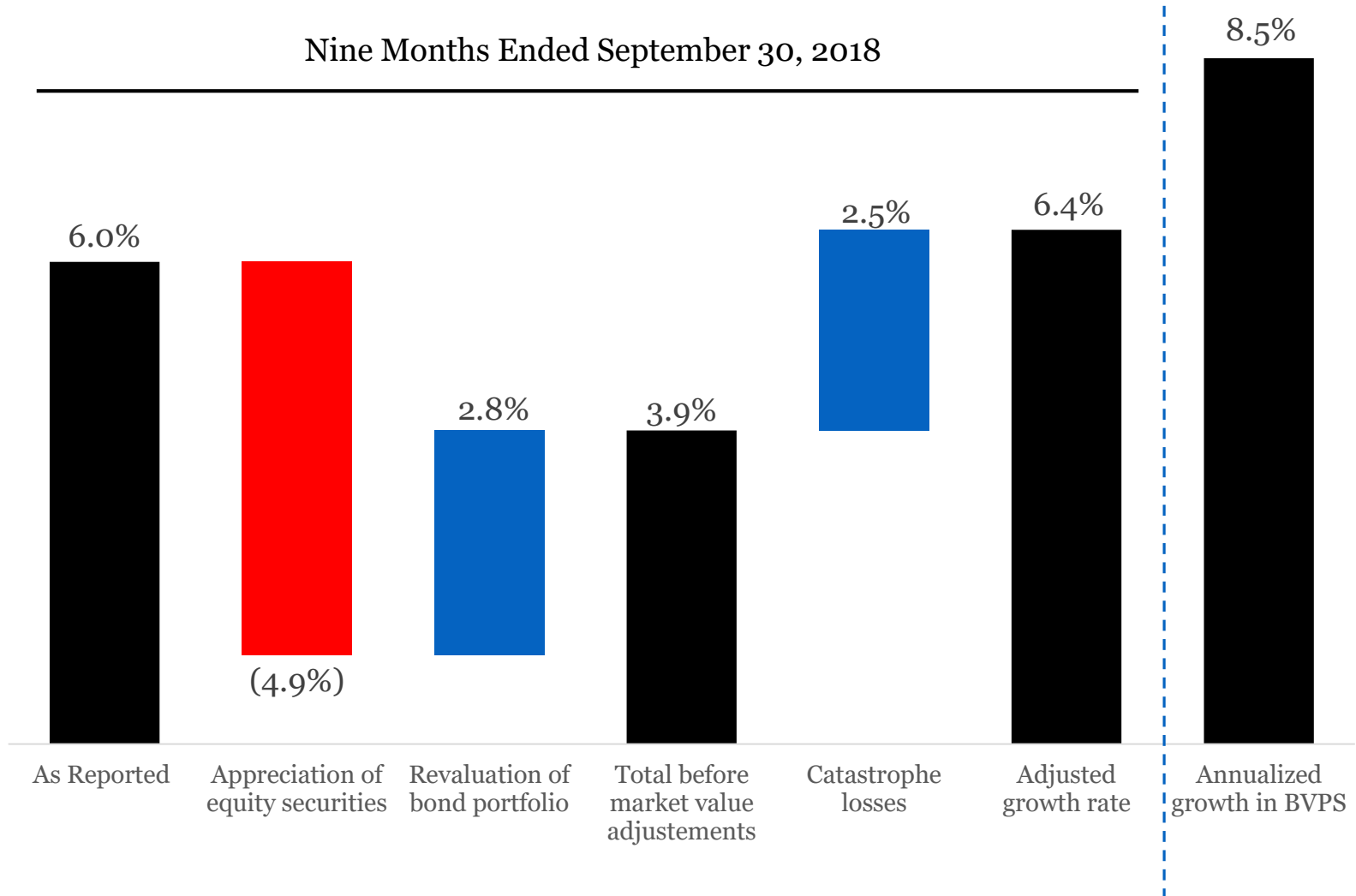
## **Closing Remarks & Q&A**

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**Weston Hicks**

# Analysis of Growth in Book Value Per Share Plus Dividends

Nine Months Ended September 30, 2018



## Summary

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- Long-term focus with track record of consistent growth in book value per share
- TransRe, RSUI and CapSpecialty are all strong franchises in their respective market segments
- Alleghany Capital nearing critical mass with prospect of improved earnings contribution
- Holding company conservatively capitalized with significant optionality
- Reiterating long-term goal of 7-10% growth in book value per share

Alleghany

# **Appendix I**

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## Financial Statements

# Alleghany Condensed Balance Sheet

(\$ millions)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
<b>Assets</b>		
Investments:		
Securities at fair value:		
Equity securities	\$ 5,028.6	\$ 4,099.5
Debt securities	12,071.2	12,721.4
Short-term investments	690.6	578.1
	<u>17,790.4</u>	<u>17,399.0</u>
Commercial mortgage loans	695.9	658.4
Other invested assets	556.4	743.3
Total investments	19,042.7	18,800.7
Cash	646.9	838.4
Reinsurance recoverables	1,768.8	1,746.5
Goodwill	346.0	334.9
Intangible assets, net of amortization	465.8	459.0
All other assets	3,525.7	3,204.8
Total assets	<u>\$ 25,795.9</u>	<u>\$ 25,384.3</u>
<b>Liabilities and Stockholders' Equity</b>		
Loss and loss adjustment expenses	\$ 11,854.9	\$ 11,871.3
Unearned premiums	2,300.8	2,182.3
Senior Notes and other debt	1,581.7	1,484.9
All other liabilities	1,324.9	1,225.2
Total liabilities	17,062.3	16,763.7
Redeemable noncontrolling interest ("RNCI")	138.5	106.5
Total stockholders' equity attributable to Alleghany stockholders	<u>8,595.1</u>	<u>8,514.1</u>
Total liabilities, RNCI and stockholders' equity	<u>\$ 25,795.9</u>	<u>\$ 25,384.3</u>

# Alleghany Income Statement

(\$ in millions, except per share data)

	<b>For the Nine Months Ended September 30,</b>	
	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Net premiums earned	\$ 3,670.2	\$ 3,692.8
Net investment income	377.7	321.9
Change in the fair value of equity securities	512.8	-
Net realized capital gains	67.2	101.8
Other than temporary impairment losses	(0.5)	(13.1)
Noninsurance revenue	<u>1,032.7</u>	<u>650.4</u>
<b>Total revenues</b>	<b>5,660.1</b>	<b>4,753.8</b>
<b>Costs and Expenses</b>		
Net loss and loss adjustment expenses incurred	2,366.5	2,926.0
Commissions, brokerage and other underwriting expenses	1,216.0	1,220.4
Other operating expenses	1,023.5	678.2
Corporate administration	41.0	26.6
Amortization of intangible assets	16.8	14.2
Interest expense	<u>66.0</u>	<u>62.7</u>
<b>Total costs and expenses</b>	<b>4,729.8</b>	<b>4,928.1</b>
Earnings (losses) before income taxes	930.3	(174.3)
Income taxes	<u>171.2</u>	<u>(116.3)</u>
Net earnings (losses)	759.1	(58.0)
Net earnings attributable to noncontrolling interest	<u>7.5</u>	<u>5.2</u>
Net earnings (losses) attributable to Alleghany stockholders	<u>\$ 751.6</u>	<u>\$ (63.2)</u>
Basic earnings (losses) per share attributable to Alleghany stockholders	\$ 49.55	\$ (4.10)
Diluted earnings (losses) per share attributable to Alleghany stockholders	49.53	(4.10)
<b>SUPPLEMENTAL INFORMATION</b>		
Premiums written:		
Gross premiums written	\$ 4,406.7	\$ 4,342.7
Net premiums written	3,768.3	3,786.5
Net loss and loss adjustment expenses incurred:		
Current year	2,579.3	3,099.0
Prior years	<u>(212.8)</u>	<u>(173.0)</u>
	<b>\$ 2,366.5</b>	<b>\$ 2,926.0</b>
Loss and loss adjustment expense ratio	64.5%	79.2%
Expense ratio	<u>33.1%</u>	<u>33.0%</u>
Combined ratio	<u>97.6%</u>	<u>112.2%</u>

# Financial Results – 10 Year Summary<sup>(1)</sup>

(\$ in millions, except per share data)

	As of and for the Year Ended December 31,										As of and For the Nine Months Ended
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	September 30, 2018
Net invested assets per share	\$ 455.05	\$ 482.43	\$ 512.53	\$ 539.38	\$ 1,016.56	\$ 1,055.08	\$ 1,099.10	\$ 1,086.48	\$ 1,118.02	\$ 1,179.57	\$ 1,213.80
Percent increase (decrease)	0.2%	6.0%	6.2%	5.2%	88.5%	3.8%	4.2%	(1.1%)	2.9%	5.5%	2.9%
Book value per common share <sup>(2)</sup>	\$ 267.37	\$ 294.79	\$ 325.31	\$ 342.12	\$ 379.13	\$ 412.96	\$ 465.51	\$ 486.02	\$ 515.24	\$ 553.20	\$ 576.14
Percent increase (decrease)	(5.0%)	10.3%	10.4%	5.2%	10.8%	8.9%	12.7%	4.4%	6.0%	7.4%	4.1%
Net premiums written	\$ 898.2	\$ 830.8	\$ 736.2	\$ 774.7	\$ 3,723.9	\$ 4,287.4	\$ 4,497.5	\$ 4,489.2	\$ 5,091.8	\$ 4,965.9	\$ 3,768.3
Underwriting profit (loss)	\$ 92.1	\$ 129.2	\$ 130.9	\$ 49.5	\$ 220.3	\$ 420.7	\$ 494.8	\$ 466.6	\$ 401.3	\$ (316.4)	\$ 87.7
Net investment income	130.2	101.9	125.0	108.9	313.0	465.7	459.9	438.8	438.5	451.0	377.7
Net realized capital gains <sup>(3)</sup> net of other than temporary impairment losses	(92.2)	234.5	85.0	123.5	155.0	188.1	210.8	80.0	18.0	90.3	579.5
Total investment results	\$ 38.0	\$ 336.4	\$ 210.0	\$ 232.4	\$ 468.0	\$ 653.8	\$ 670.7	\$ 518.8	\$ 456.5	\$ 541.3	\$ 957.2
Net earnings (losses) attributable to Alleghany stockholders	130.8	264.8	198.5	143.3	702.2	628.4	679.2	560.3	456.9	90.1	751.6
Special dividend <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	(154.0)
Other changes in CSE	(268.4)	105.5	(7.2)	(126.5)	2,775.9	(108.4)	(129.6)	(479.0)	(71.7)	484.1	(516.6)
Increase (decrease) in CSE	\$ (137.6)	\$ 370.3	\$ 191.3	\$ 16.8	\$ 3,478.1	\$ 520.0	\$ 549.6	\$ 81.3	\$ 385.2	\$ 574.2	\$ 81.0
Diluted EPS	\$14.83	\$28.50	\$21.85	\$16.20	\$45.48	\$37.44	\$41.40	\$35.13	\$29.59	\$5.85	\$49.53
Diluted Operating EPS	\$21.62	\$11.66	\$15.77	\$7.10	\$38.95	\$30.15	\$33.04	\$31.86	\$28.83	\$2.04	20.03
<b>Combined Ratio</b>	<b>90.3%</b>	<b>84.7%</b>	<b>83.0%</b>	<b>93.4%</b>	<b>94.1%</b>	<b>90.1%</b>	<b>88.8%</b>	<b>89.0%</b>	<b>91.9%</b>	<b>106.4%</b>	<b>97.6%</b>

Note:

(1) Amounts have been adjusted for subsequent common stock dividends.

(2) 2018 amount reflects a reduction of \$154.0 million (\$10 per share) related to the payment of a special dividend on March 15, 2018.

(3) Includes changes in fair value of equity securities commencing in the first quarter of 2018. See Note 1(c) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of Alleghany's Form 10-Q for additional information regarding the adoption of certain new investment accounting guidance.

## **Appendix II**

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### Non-GAAP Financial Measures

## **Non-GAAP Financial Measures**

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*This document and the remarks made during the presentation today may also contain non-GAAP financial measures. Reconciliations of these non-GAAP financial measures to the most direct comparable GAAP measures and related information are provided in our financial supplement and Form 10-K and 10-Q filings, which are available on our website at [www.alleghany.com](http://www.alleghany.com), and below.*

### **Operating Earnings Before Income Taxes**

*Operating earnings before income taxes represents noninsurance revenue less all operating expenses, and does not include: (i) amortization of intangible assets; (ii) change in the fair value of equity securities; (iii) net realized capital gains; (iv) OTTI losses; and (vii) income taxes. Because operating earnings before income taxes excludes income taxes, change in the fair value of equity securities, net realized capital gains, OTTI losses and amortization of intangible assets, it provides an indication of economic performance that is not affected by investment activity, levels of effective tax rates or levels of amortization resulting from acquisition accounting. Alleghany uses operating earnings before income taxes as a supplement to earnings before income taxes, the most comparable GAAP financial measure, to evaluate the performance of certain of its noninsurance operating subsidiaries and investments. A reconciliation of operating earnings before income taxes to earnings before income taxes is presented on pages 15 and 16 of the 3Q 2018 financial supplement.*

## Non-GAAP Financial Measures

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### ***Underwriting Profit***

*Underwriting profit represents net premiums earned less net loss and LAE and commissions, brokerage and other underwriting expenses, all as determined in accordance with GAAP, and does not include net investment income, net realized capital gains, OTTI losses, other revenue, other operating expenses, corporate administration, amortization of intangible assets and interest expense. Alleghany consistently uses underwriting profit as a supplement to earnings before income taxes, the most comparable GAAP financial measure, to evaluate the performance of its segments and believes that underwriting profit provides useful additional information to investors because it highlights net earnings attributable to a segment's underwriting performance. Earnings before income taxes may show a profit despite an underlying underwriting loss, and when underwriting losses persist over extended periods, a reinsurance or an insurance company's ability to continue as an ongoing concern may be at risk.*