

***The Allstate Corporation – Earnings Call Presentation  
Fourth Quarter 2011***



**Allstate**®

You're in good hands.

**February 2, 2012**



This presentation contains forward-looking statements and information. Additional information on factors that could cause results to differ materially from those projected in this presentation is available in the 2010 Form 10-K, Form 8-K filed June 1, 2011, Form 10-Q for the third quarter 2011, and in our most recent earnings release, available on our website, [allstate.com](http://allstate.com). This presentation also contains some non-GAAP measures. You can find the reconciliation of those measures to GAAP measures on the Investor Relations portion of our website, [allstate.com](http://allstate.com), under the “Quarterly Investor Info” link.



## **Overall Strategy**

- Offer unique protection products to distinct consumer segments.
- Generate long-term shareholder value...2014 operating return on equity goal of 13%.

## **Near-term Priorities**

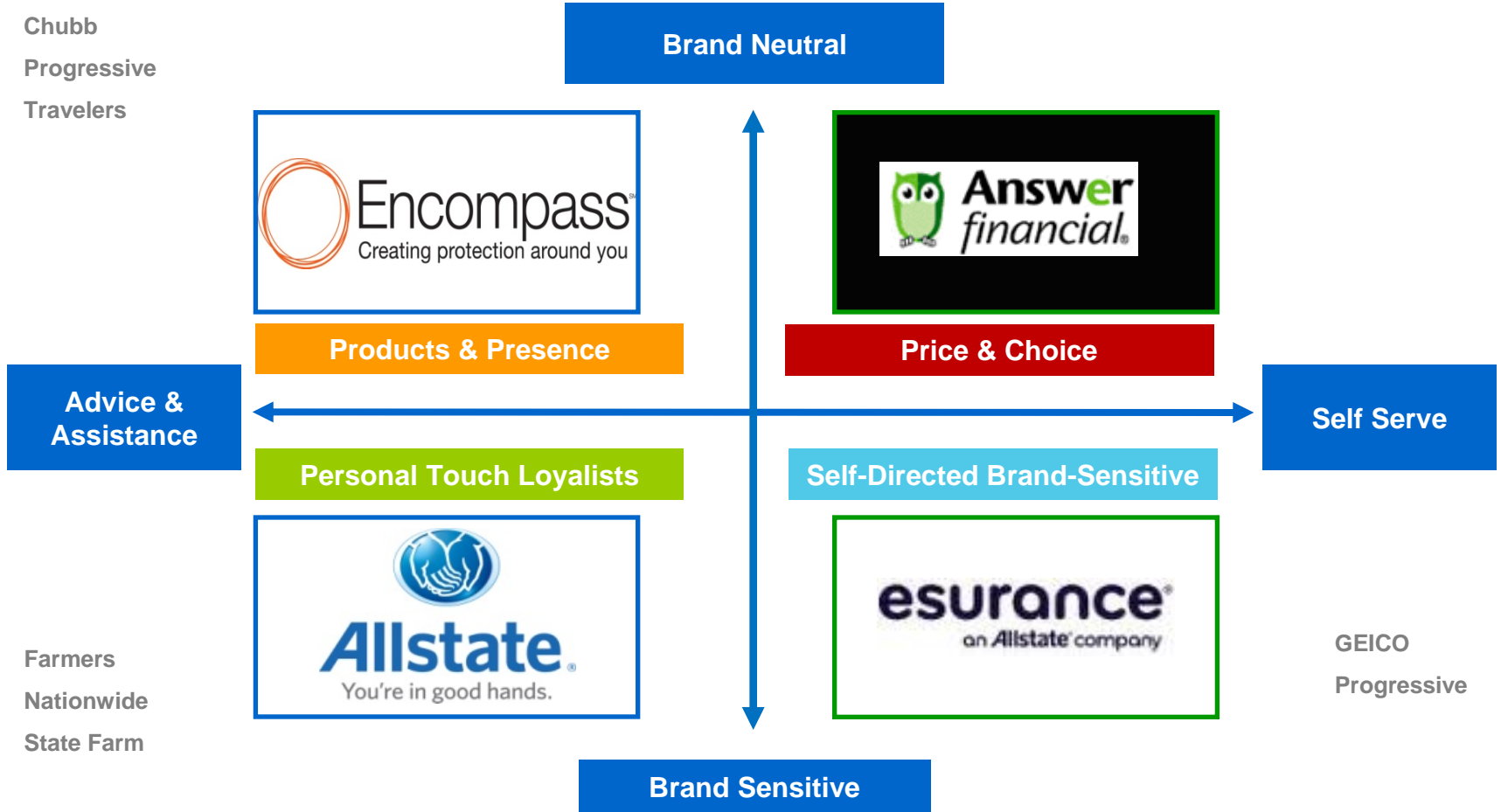
- Maintain standard auto margins
- Improve returns in homeowners and Allstate Financial
- Aggressively manage capital

## **Longer-term Focus**

- Position products and distribution platforms to meet the needs of consumers.



# Unique, Focused Approach to Differentiated Customer Segments





# **2011 Results . . . Continued Progress on Strategy**

## **Consolidated Results**

- Net income of \$788 million for the year despite \$3.8 billion in catastrophe losses
- Fourth quarter net income of \$724 million, operating income of \$750 million

## **Operating Results**

- Maintained auto profitability with combined ratio of 95.7 for 2011
- Improved underlying homeowner profitability
- Underlying combined ratio of 89.3, within full year outlook
- Improved returns in Allstate Financial
- Proactive management in Investments delivered solid income

## **Capital Management**

- Returned almost \$1.4 billion to shareholders through dividends and share repurchases
- Initiated \$1 billion repurchase program in November 2011
- Book value per share of \$36.92, an increase of 4.5% compared to 2010



## **2012 Priorities**

- Maintain Auto profitability
- Raise returns in homeowners and annuity businesses
- Grow insurance premiums
- Proactively manage investments and capital to generate attractive, but balanced shareholder returns



# Property-Liability Impacted by Catastrophes, Underlying Profitability Within Guidance

	2010					2011				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>
<i>Net Written Premium (\$ in millions)</i>										
Total	\$6,258	\$6,640	\$6,767	\$6,242	\$25,907	\$6,215	\$6,611	\$6,728	\$6,426	\$25,980
Standard Auto <sup>(1)</sup>	3,948	4,023	4,028	3,843	15,842	3,984	3,911	3,996	3,812	15,703
Homeowners <sup>(1)</sup>	1,565	1,189	1,610	1,389	5,753	1,225	1,606	1,634	1,428	5,893
All Other <sup>(2)</sup>	1,127	1,046	1,129	1,010	4,312	1,006	1,094	1,098	1,186	4,384
<i>Standard Auto<sup>(1)</sup></i>										
New Issued Applications (% PY)	0.4	(10.9)	2.5	7.8	(0.2)	11.9	(5.2)	(13.2)	(14.3)	(5.8)
Renewal Ratio (%)	89.0	88.8	88.7	88.4	88.7	88.9	89.2	89.1	88.8	89.0
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<i>Combined Ratio</i>	96.8	98.9	95.9	100.8	98.1	94.9	123.3	104.8	90.7	103.4
<i>Underlying Combined Ratio<sup>(2)</sup></i>	88.1	89.1	89.2	92.0	89.6	89.9	87.5	89.2	90.5	89.3
<i>Catastrophes (\$ in millions)</i>										
Recorded	\$636	\$648	\$386	\$537	\$2,207	\$333	\$2,339	\$1,077	\$66	\$3,815
Excl. Prior Year Reserve Reestimates	719	663	428	560	\$2,370	367	2,356	1,124	98	3,945

(1) Allstate Brand      (2) Incl. Esurance beginning Q4 2011

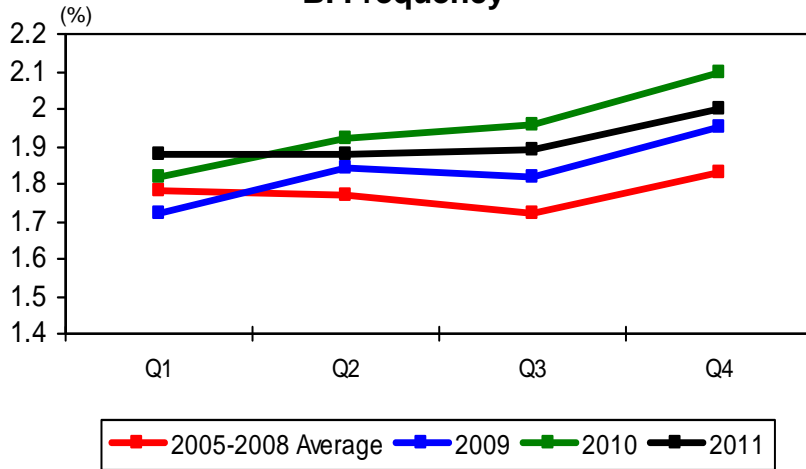
(2) Excludes the effect of catastrophe losses, prior year reserve reestimates, business combination expenses and the amortization of purchased intangible assets

## Full Year 2011 Underlying Combined Ratio Outlook Range of 88-91

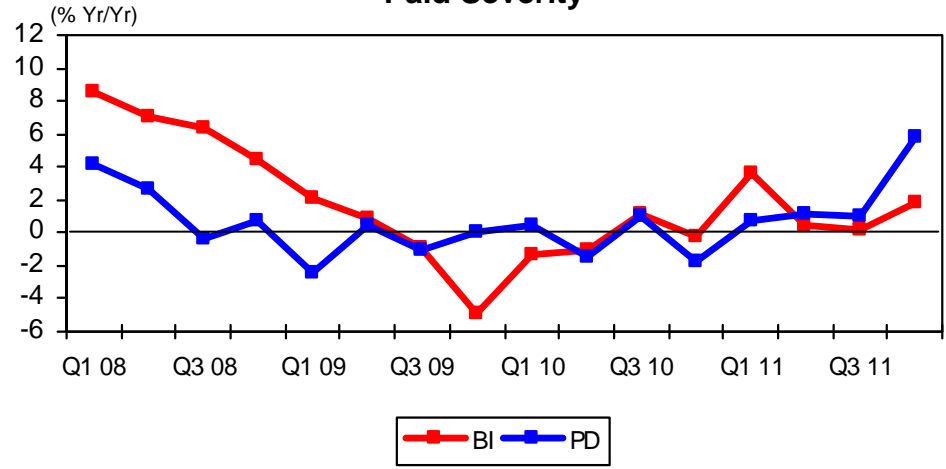


# Strong Margins Maintained in Standard Auto

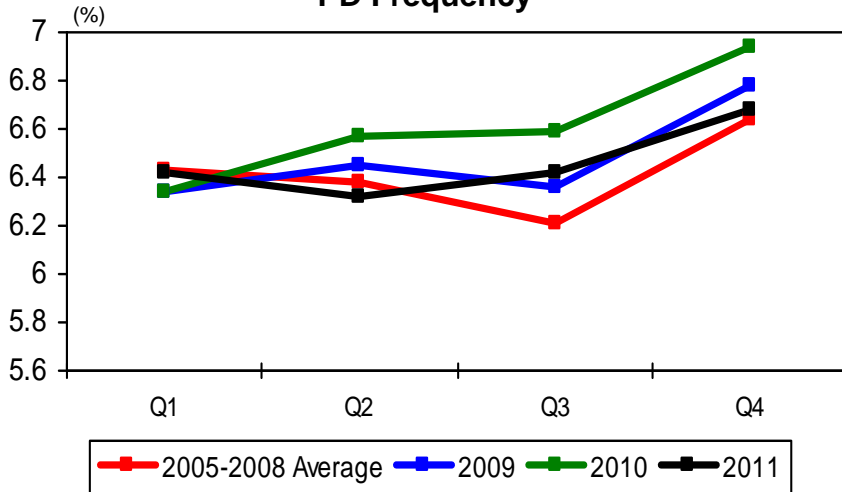
### BI Frequency



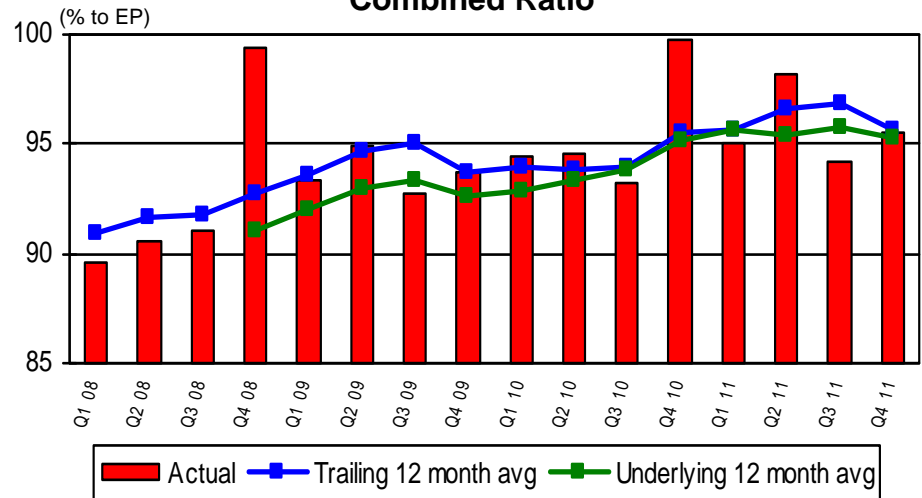
### Paid Severity<sup>(1)</sup>



### PD Frequency



### Combined Ratio

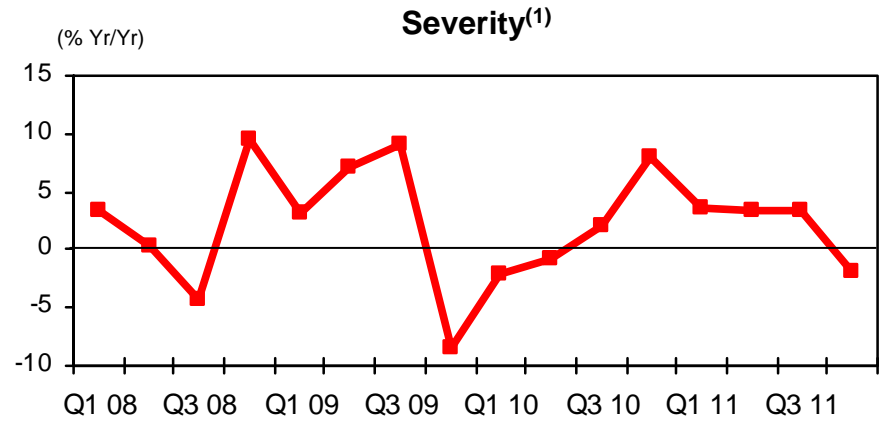
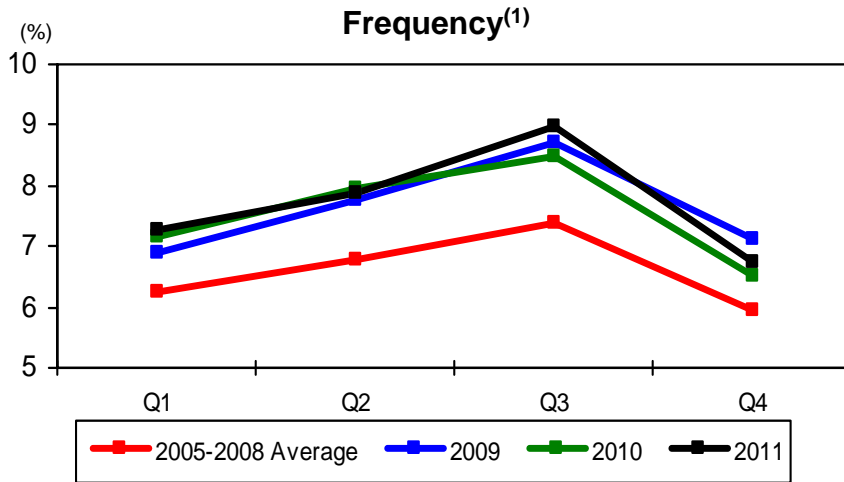


(1) Paid Severity is for Allstate Brand Total Auto.  
 Frequency and Combined Ratio Charts are for Allstate Brand Standard Auto.

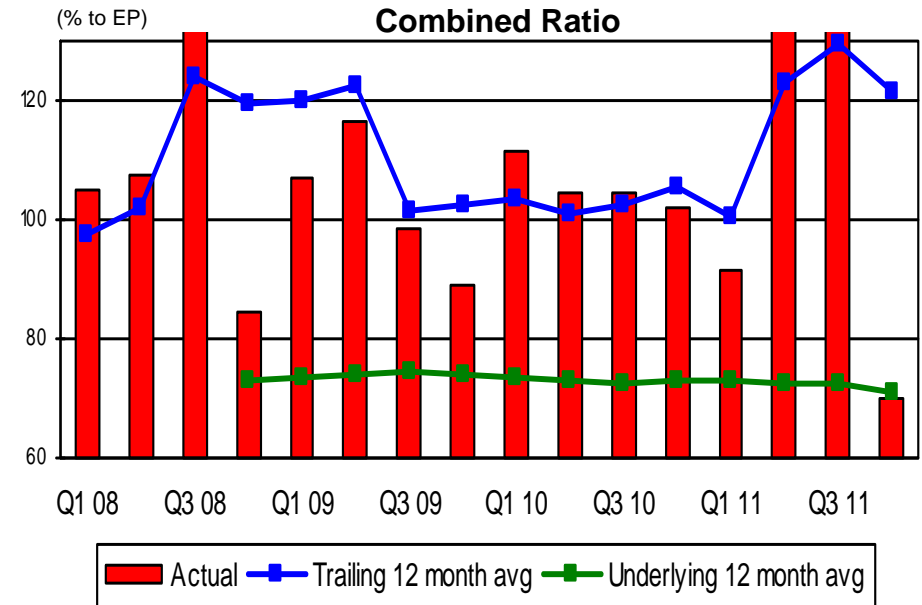




# Homeowners Underlying Profitability Improves



	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Earned Premium (\$ millions)	\$5,835	\$5,693	2.5%
Underlying Combined Ratio (%)	70.9	72.9	(2.0) pts
Catastrophe Losses	50.0	31.3	(18.7) pts
Non-cat Reserve Reestimates	<u>(.7)</u>	<u>(1.4)</u>	<u>(.7) pts</u>
Combined Ratio	121.6	105.6	(16.0) pts



(1) Excluding Catastrophe Losses

Data for Allstate Brand Homeowners



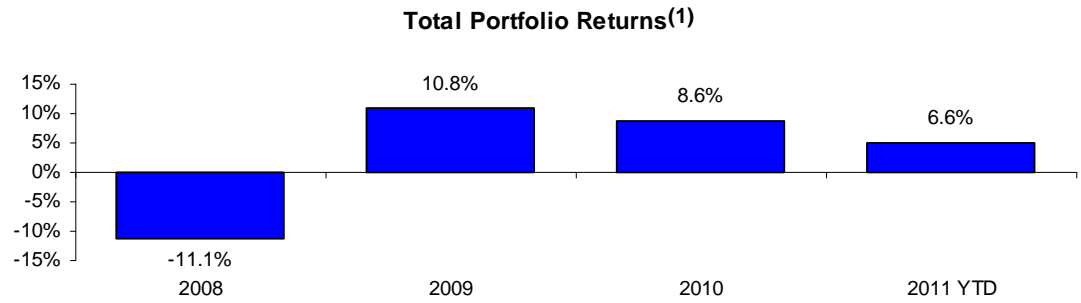
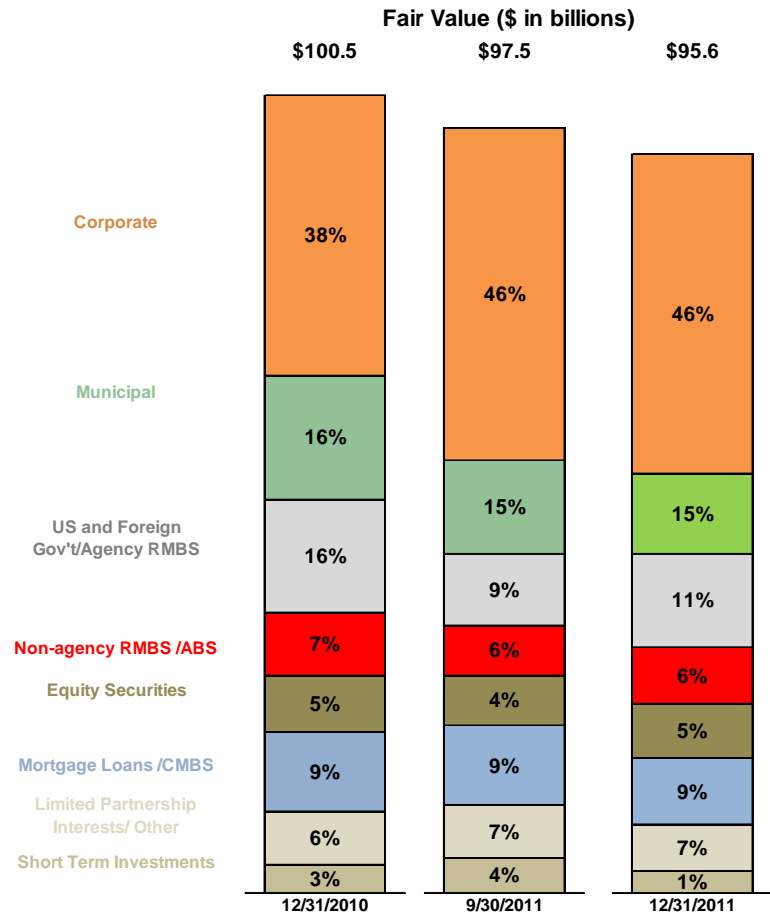
# Allstate Financial Strategy Produces Improved Financial Results

(\$ in millions)

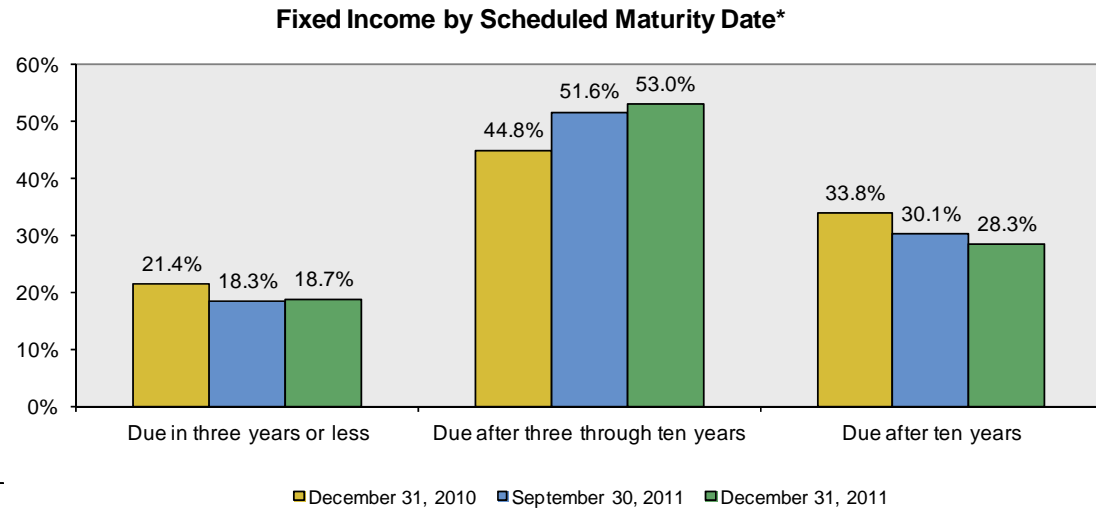
	2010					2011				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>
Total Premiums and Contract Charges	\$544	\$545	\$548	\$531	\$2,168	\$569	\$547	\$552	\$570	\$2,238
Underwritten Products	504	504	513	511	2,032	517	524	529	529	2,099
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Benefit Spread	142	99	141	127	509	155	161	134	179	629
Investment Spread	129	134	127	107	497	131	142	142	115	530
Operating Costs and Expenses	(120)	(116)	(118)	(115)	(469)	(109)	(110)	(105)	(131)	(455)
Operating Income	139	125	108	104	476	116	141	134	138	529
Net Income (Loss)	4	(107)	85	76	58	97	166	183	140	586



# Investment Portfolio Reflects Improved Fixed Income Valuations



(1) Total portfolio returns = (net investment income, realized capital gains and losses, change in unrealized capital gains and losses and change in reported fair values of mortgage loans, limited partnership interests-cost base and bank loans)/average fair value of invested assets



\*Excludes Residential mortgage-backed and asset-backed securities due to potential for prepayment

- The December 31, 2011 portfolio balance was impacted by favorable fixed income valuations partially offsetting expected reductions in the Allstate Financial portfolio.
- 2011 Portfolio management actions to reposition the profile of the fixed income portfolio included shifts out of longer-term, fixed rate and shorter-term, lower yielding securities into intermediate term maturity securities, a continued increase in the allocation to investment grade corporate bonds, and a reallocation of below investment grade exposure from structured securities to high-yield corporate bonds.

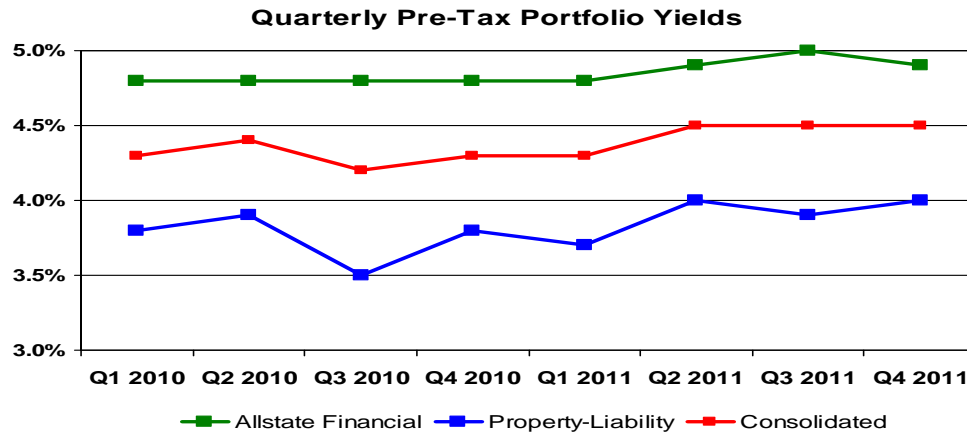


# Income Benefited from Higher Investment Yields; Offset by Smaller Allstate Financial Portfolio

(\$ in millions)

	2010					2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
<b>Net Investment Income - Allcorp</b>	\$1,050	\$1,049	\$1,005	\$998	\$4,102	\$982	\$1,020	\$994	\$975	\$3,971
<b>Property-Liability</b>	\$304	\$310	\$284	\$291	\$1,189	\$284	\$310	\$298	\$309	\$1,201
<b>Net Investment Income variance to prior year</b>	<b>(\$40)</b>	<b>(\$24)</b>	<b>(\$42)</b>	<b>(\$33)</b>	<b>(\$139)</b>	<b>(\$20)</b>	<b>(\$0)</b>	<b>\$14</b>	<b>\$18</b>	<b>\$12</b>
Due to change in Average Assets	20	10	-	(2)	28	-	(6)	(6)	(2)	(14)
Due to yields	(\$60)	(\$34)	(\$42)	(\$31)	(\$167)	(\$20)	\$6	\$20	\$20	\$26
<b>Allstate Financial</b>	\$731	\$723	\$707	\$692	\$2,853	\$684	\$694	\$682	\$656	\$2,716
<b>Net Investment Income variance to prior year</b>	<b>(\$88)</b>	<b>(\$41)</b>	<b>(\$37)</b>	<b>(\$45)</b>	<b>(\$211)</b>	<b>(\$47)</b>	<b>(\$29)</b>	<b>(\$25)</b>	<b>(\$36)</b>	<b>(\$137)</b>
Due to change in Average Assets	(48)	(47)	(44)	(43)	(182)	(45)	(47)	(\$48)	(\$60)	(200)
Due to yields	(\$40)	\$6	\$7	(\$2)	(\$29)	(\$2)	\$18	\$23	\$24	\$63

- Allcorp net investment income declined compared to both fourth quarter 2010 and third quarter 2011 due to expected reductions in the Allstate Financial portfolio which were partially offset by higher yields.





# Capital Gains Reflect Gains on Sales and Improving Impairment Trend

(Pre-tax \$ in millions)	2010					2011				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>
<i>Realized Capital Gains &amp; Losses - Allcorp</i>										
Impairment Write-downs	(\$223)	(\$239)	(\$137)	(\$198)	(\$797)	(\$114)	(\$70)	(\$190)	(\$122)	(\$496)
Change in Intent Write-downs	(32)	(67)	(30)	(75)	(204)	(69)	(16)	(13)	(2)	(100)
Sales	88	145	319	134	686	283	141	692	220	1,336
Derivatives										
Interest Rate	(156)	(281)	(181)	129	(489)	(59)	(52)	(201)	1	(311)
Equity Hedging	(39)	82	(115)	(19)	(91)	(19)	0	1	(21)	(39)
Other	10	(111)	11	69	(21)	11	(1)	(34)	(22)	(46)
Limited Partnerships - EMA	<u>4</u>	<u>20</u>	<u>(11)</u>	<u>76</u>	<u>89</u>	<u>63</u>	<u>55</u>	<u>9</u>	<u>32</u>	<u>159</u>
<b>TOTAL</b>	<b>(\$348)</b>	<b>(\$451)</b>	<b>(\$144)</b>	<b>\$116</b>	<b>(\$827)</b>	<b>\$96</b>	<b>\$57</b>	<b>\$264</b>	<b>\$86</b>	<b>\$503</b>

- The fourth quarter 2011 realized capital gain was lower than the prior year quarter as improving impairment write-downs and gains from the sale of fixed income securities were partially offset by derivative losses and lower limited partnership valuations.
- Compared to prior year, 2011 realized capital gain reflected gains from the sale of fixed income securities, improving impairment write-downs, lower derivative losses and favorable limited partnership valuations.

Unrealized Net Capital Gains & Losses	2010				2011			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Fixed income	\$(1,202)	\$500	\$2,407	\$826	\$950	\$1,912	\$2,459	\$2,734
Equity	371	(102)	260	583	645	625	(95)	160
Other	<u>(18)</u>	<u>2</u>	<u>(17)</u>	<u>(22)</u>	<u>(23)</u>	<u>(29)</u>	<u>(8)</u>	<u>(15)</u>
<b>TOTAL, pre-tax</b>	<b>\$(849)</b>	<b>\$400</b>	<b>\$2,650</b>	<b>\$1,387</b>	<b>\$1,572</b>	<b>\$2,508</b>	<b>\$2,356</b>	<b>\$2,879</b>

- Unrealized net capital gains benefited from lower interest rates, partially offset by widening credit spreads and realized gains due to sales of fixed income securities.



# \$1 Billion Repurchase Program Initiated, Esurance Acquisition Completed

(\$ in billions, except per share data)

<u>Capital Position</u>	<u>9/30/10</u>	<u>12/31/10</u>	<u>3/31/11</u>	<u>6/30/11</u>	<u>9/30/11</u>	<u>12/31/11</u>
Shareholders' Equity	\$19.3	\$19.0	\$19.3	\$18.8	\$18.1	\$18.7
Book Value per Share	35.48	35.32	36.51	35.95	35.56	36.92
Statutory Surplus: AIC*	15.2	15.4	15.9	15.1	14.3	15.0 est
ALIC	3.2	3.3	3.4	3.5	3.7	3.4 est
Holding Company Invested Assets	3.5	3.8	3.7	3.5	3.4	2.2

\*Includes statutory surplus of ALIC

- Share repurchases totaled \$106 million during the fourth quarter of 2011, initiating a \$1 billion share repurchase program authorized in November of 2011.
- A \$200 million dividend from AIC to the holding company was paid during the fourth quarter of 2011.
- Esurance acquisition closed in October 2011.



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