

The Allstate Corporation - Earnings Call Presentation Fourth Quarter 2013



Allstate®

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Thursday, February 6, 2014



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 2012 Form 10-K, our Form 10-Q for the quarter ended September 30, 2013, the last slide of this presentation, and in our most recent earnings release, available on our website, 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, under the “Quarterly Investor Info” link and “Conference Call Archive” link.



Excellent 2013 Return on Equity and Policy Growth

	Three months ended December 31,			Twelve months ended December 31,		
	<u>2013</u>	<u>2012</u>	<u>% Change</u>	<u>2013</u>	<u>2012</u>	<u>% Change</u>
(\$ in Millions, PIF in thousands, except per share data)						
Consolidated revenues	\$8,792	\$8,547	2.9%	\$34,507	\$33,315	3.6%
<i>Allstate Protection policies in force⁽¹⁾</i>				33,336	32,856	1.5
Income available to common shareholders:						
Net income	810	394	105.6	2,263	2,306	(1.9)
<i>per diluted common share</i>	1.76	0.81	117.3	4.81	4.68	2.8
Operating income	781	289	170.2	2,670	2,148	24.3
<i>per diluted common share</i>	1.70	0.59	188.1	5.68	4.36	30.3
Book value per common share:						
Reported				45.31	42.39	6.9
Excluding the impact of unrealized net capital gains and losses on fixed income securities				42.55	37.14	14.6
Return on Equity:						
Net Income				11.0%	11.9%	(0.9)pts
Operating Income				14.5%	12.4%	2.1pts

⁽¹⁾ Excludes Good Hands Roadside Members of 1,585,000 - an increase of 715,000 over December 2012



Continued to Effectively Execute Our Strategy to Provide Competitively Unique Offerings to Distinct Consumer Segments

2013 Priorities

Grow insurance premiums
Maintain auto profitability
Raise returns in the homeowners and annuity businesses
Proactively manage investments
Reduce our cost structure

Encompass	YE 2013
NWP Growth Var. to PY	8.4%
PIF Growth Var. to PY	6.5%
Recorded CR	95.9
Underlying CR	93.7

Answer Financial	YE 2013
Non-Proprietary Premium Growth to PY	8.2%

Local Advice and Assistance

Self-Serve



Brand Neutral

Brand Sensitive

Allstate Brand	YE 2013		
	Auto	Home	Total
NWP Growth Var. to PY	2.2%	3.8%	3.0%
PIF ⁽¹⁾ Growth Var. to PY	1.5%	(2.2)%	0.4%
Recorded CR	94.5	77.9	89.9
Underlying CR	94.4	62.7	85.8

Esurance	YE 2013
NWP Growth Var. to PY	27.9%
PIF Growth Var. to PY	26.7%
Recorded CR	117.5
Underlying CR	111.7

⁽¹⁾ Excludes Good Hands Roadside Members of 1,585,000 - an increase of 715,000 over December 2012



Operating Priorities for 2014

Our priorities have evolved to reflect success in achieving return improvement goals established in 2011 and a focus on balancing growth and returns

2013 Priorities
1. Grow insurance premiums
2. Maintain auto profitability
3. Raise returns in the homeowners and annuity businesses
4. Proactively manage investments
5. Reduce the cost structure

2014 Priorities
1. Grow insurance policies in force
2. Maintain the underlying combined ratio
3. Proactively manage our investments to generate attractive risk-adjusted returns
4. Modernize the operating model
5. Build long-term growth platforms

Our 2014 full-year outlook is an underlying combined ratio in the range of 87 to 89



Profitability Strong Throughout 2013, with the Underlying Combined Ratio Better Than our Full-Year Outlook Range

Business Unit Results

(\$ in Millions, except ratios)

	<u>2013</u>	<u>Var to PY</u>	<u>Q4 2013</u>	<u>Var to PY</u>
<u>Property-Liability</u>				
Earned Premium	\$27,618	3.3%	\$7,014	4.0%
Combined Ratio				
- Recorded	92.0	(3.5)pts	88.7	(13.0)pts
- Underlying	87.3	0.1pts	87.5	0.8pts
Catastrophe Losses	\$1,251	(46.7)%	\$117	(89.0)%
Net Investment Income	1,375	3.7%	382	5.5%
Net Income ⁽¹⁾	2,754	39.9%	865	208.9%
Operating Income ⁽¹⁾	2,467	35.2%	793	296.5%
<u>Allstate Financial</u>				
Premiums & Contract Charges	\$2,352	5.0%	\$610	7.8%
<i>Memo: LBL Contribution</i>	341	--	89	7.2%
Net Investment Income	2,538	(4.1)%	637	(4.2)%
Operating Costs	565	(1.9)%	145	(4.6)%
Net Income ⁽¹⁾	95	(82.4)%	119	(28.3)%
Operating Income ⁽¹⁾	588	11.2%	160	11.1%

Combined Ratio

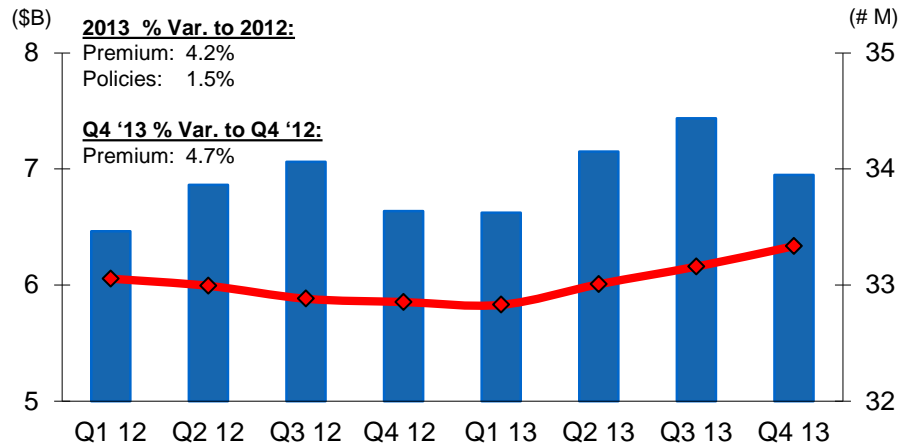
<u>By Brand</u>	<u>2013</u>	<u>Var to PY</u>	<u>Q4 2013</u>	<u>Var to PY</u>
		(pts)		(pts)
<u>Allstate</u>				
Recorded	89.9	(3.9)	87.3	(12.6)
Underlying	85.8	(0.2)	86.1	0.7
<u>Encompass</u>				
Recorded	95.9	(10.6)	86.1	(38.3)
Underlying	93.7	(2.3)	91.8	(5.3)
<u>Esurance</u>				
Recorded	117.5	(2.4)	116.7	(0.7)
Underlying	111.7	3.5	111.9	4.0

⁽¹⁾ Available to common shareholders

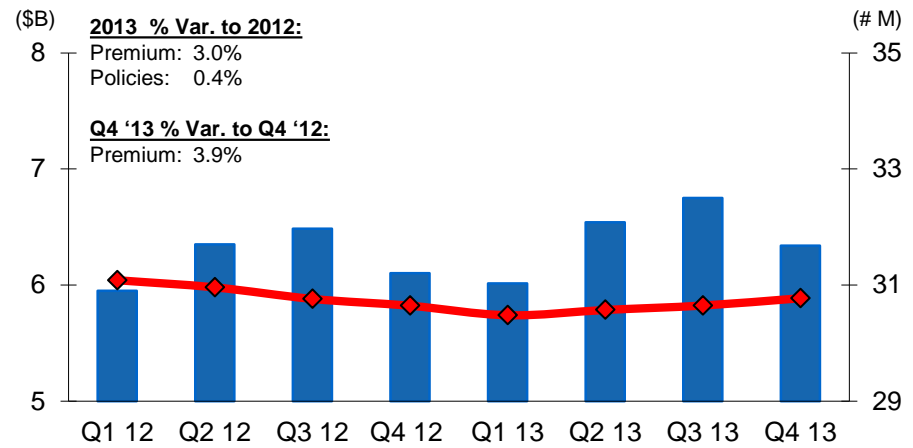


Written Premium Grew 4.2% in 2013, with Contributions from All Brands

Allstate Protection

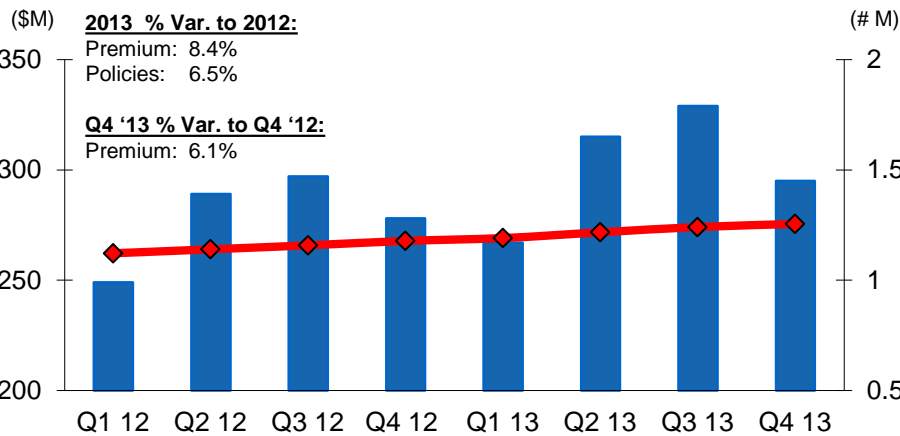


Allstate Brand

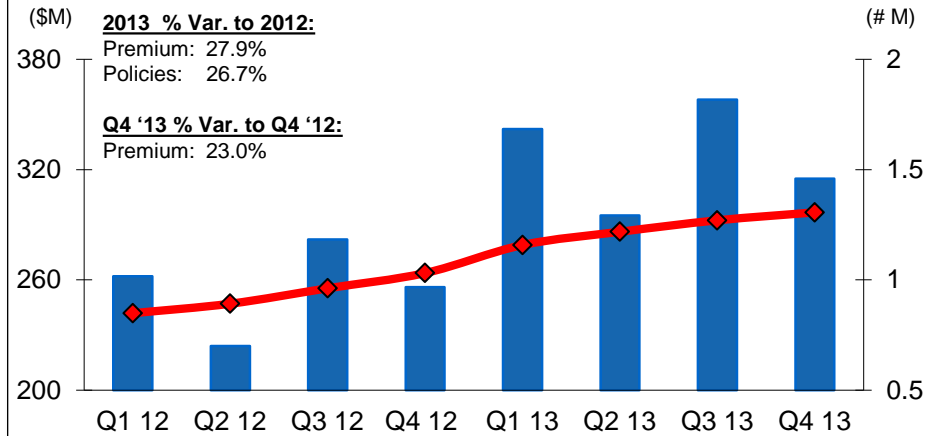


■ Net Written Premium ◆ Policies in Force

Encompass Brand



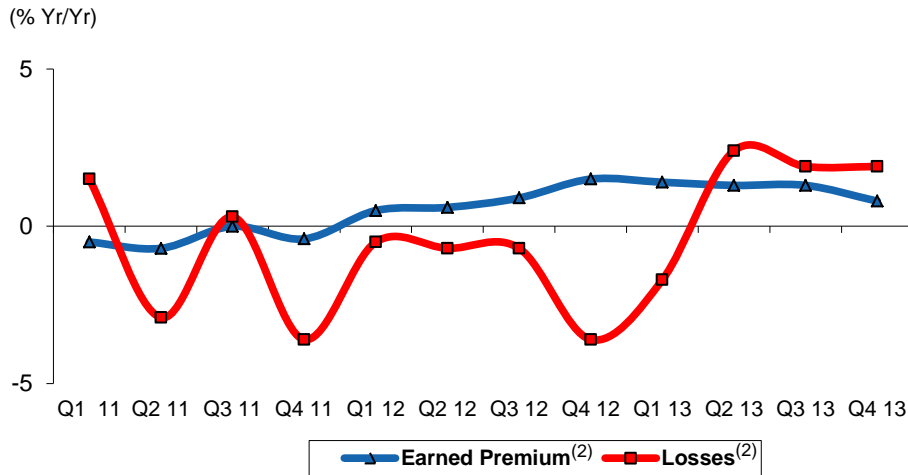
Esurance Brand



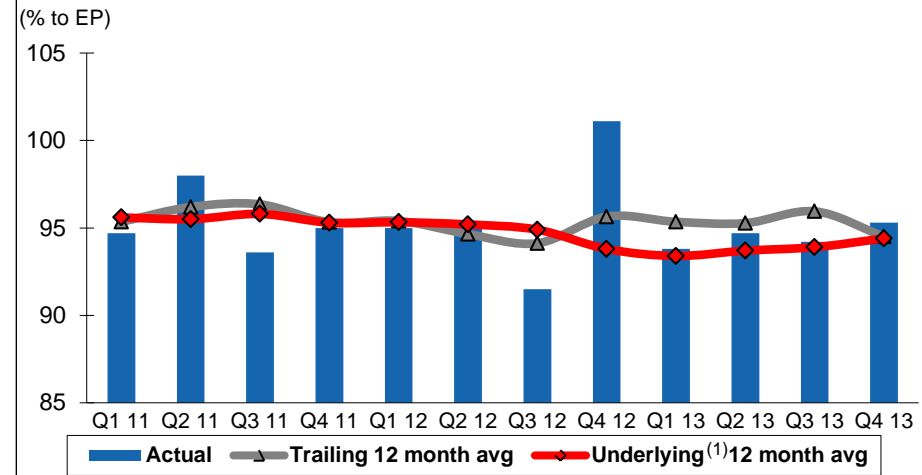


Allstate Brand Auto Margins Stable and Homeowners Margins Improved

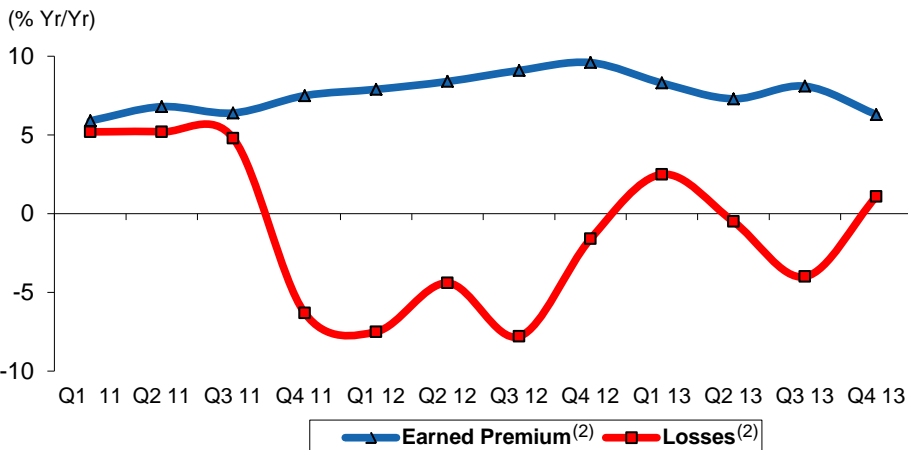
Auto Underlying Margin Trend⁽¹⁾



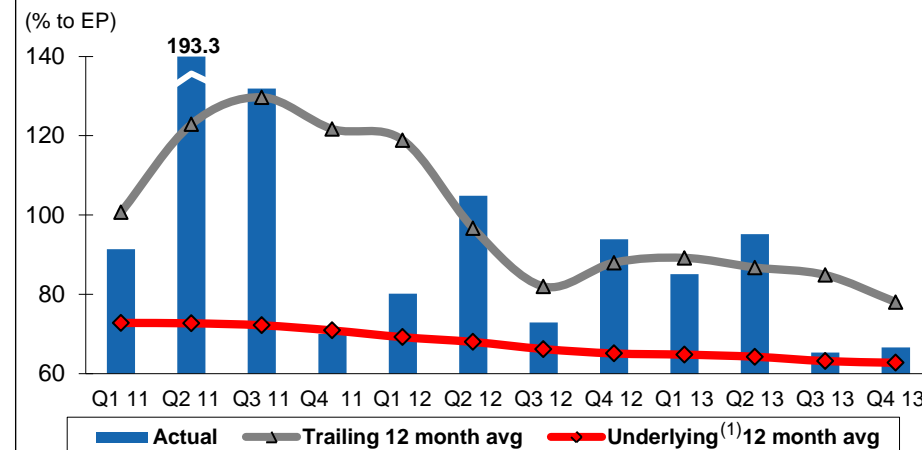
Auto Combined Ratio



Homeowners Underlying Margin Trend⁽¹⁾



Homeowners Combined Ratio



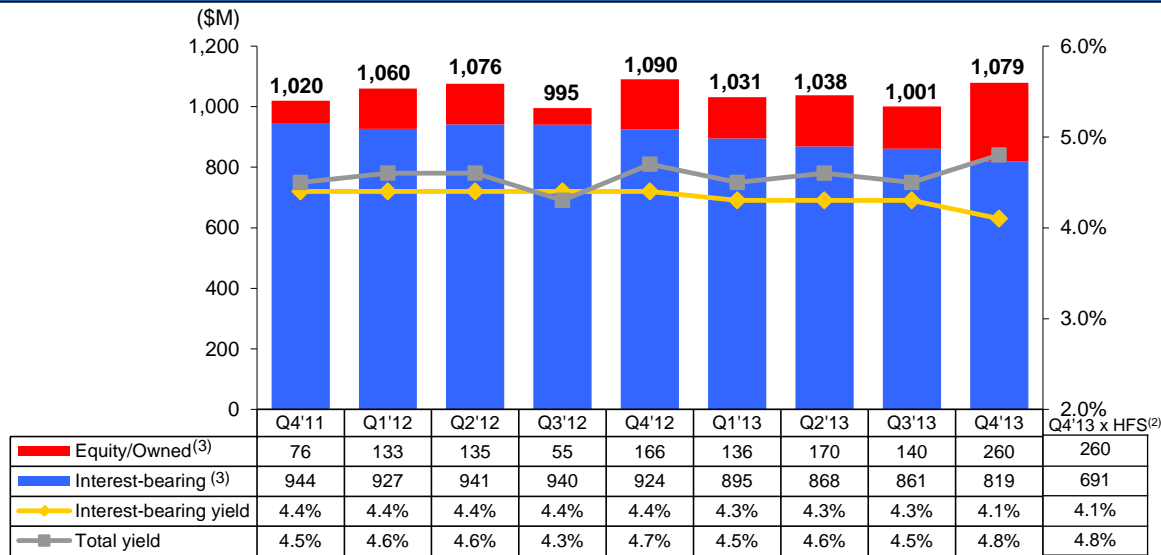
⁽¹⁾ Excludes Catastrophe Losses and Prior Year Reserve Reestimates

⁽²⁾ Based on year-over-year percentage change in average earned premium and average losses excluding the effect of catastrophes and prior year reserve reestimates

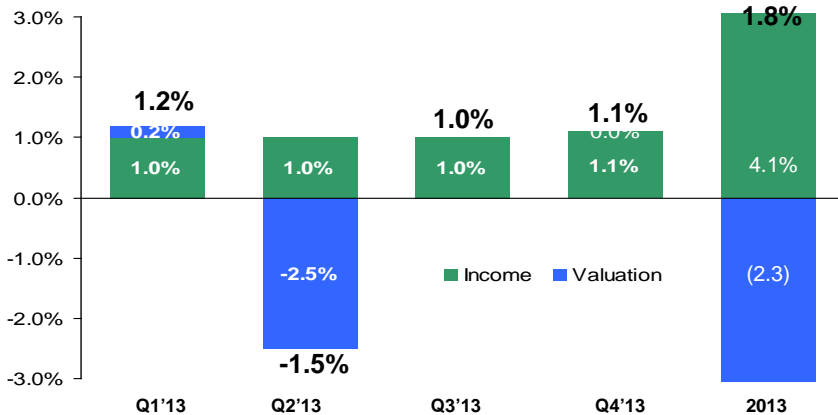


Investment Results Reflect Progress on Strategic Priorities

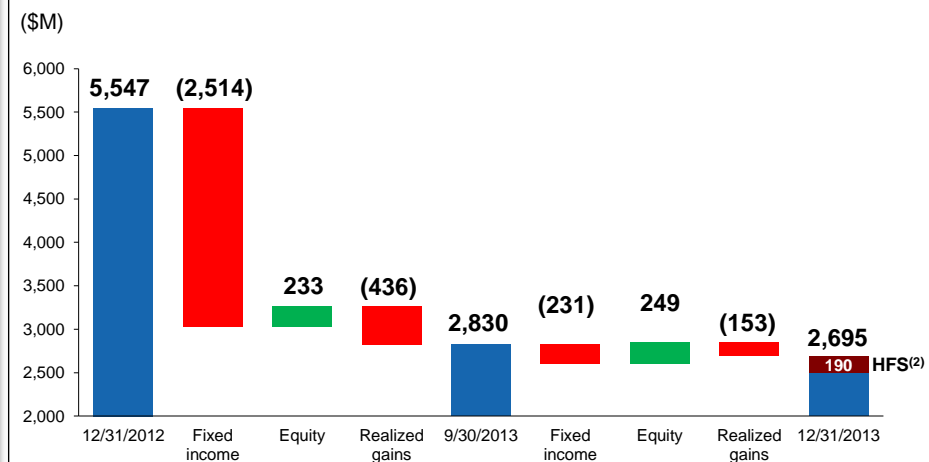
Investment Income and Pre-tax yield (1)



Portfolio Total Return



Attribution of Change in Unrealized Gains

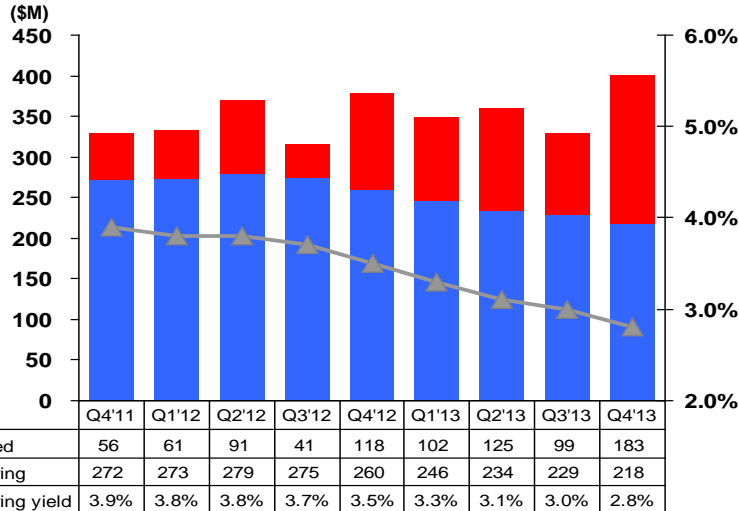




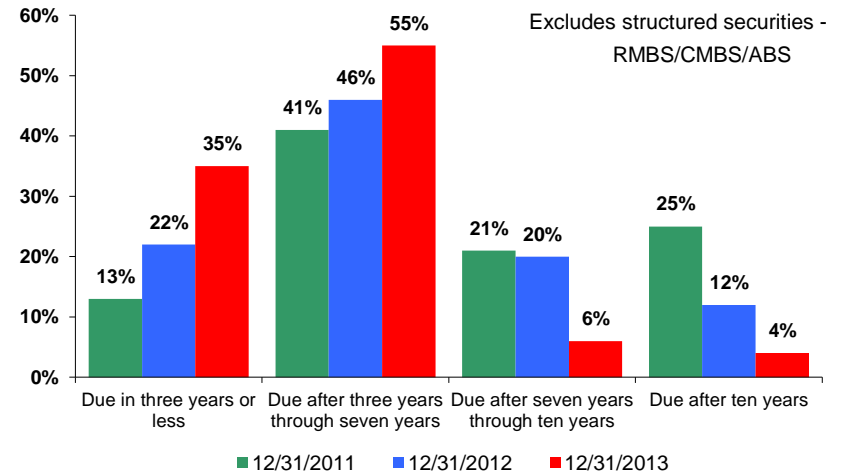
Continued Focus on Delivering More Attractive Risk-Adjusted Returns

Property-Liability (49% of x-LBL total portfolio)

Investment Income and Yields⁽¹⁾

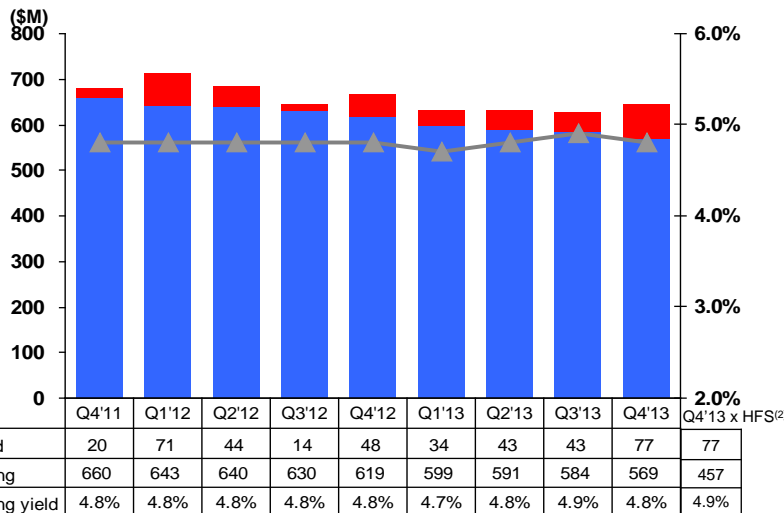


Fixed Income by Scheduled Maturity Date

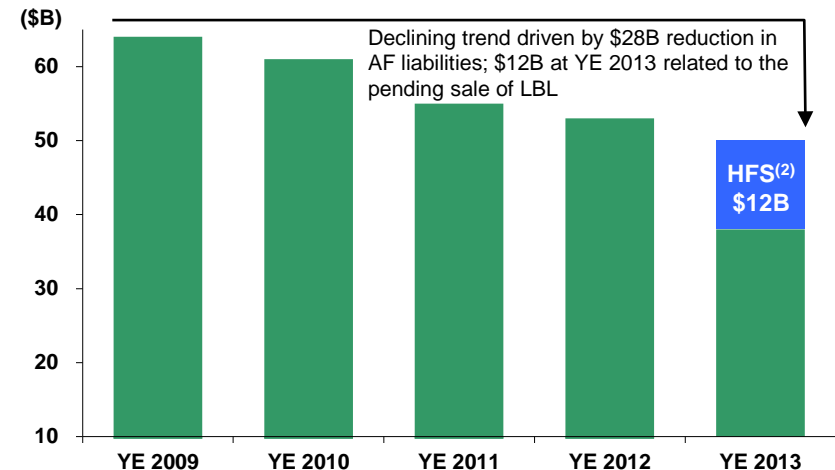


Allstate Financial (48% of x-LBL total portfolio)

Investment Income and Yields⁽¹⁾



Total Portfolio at Amortized Cost

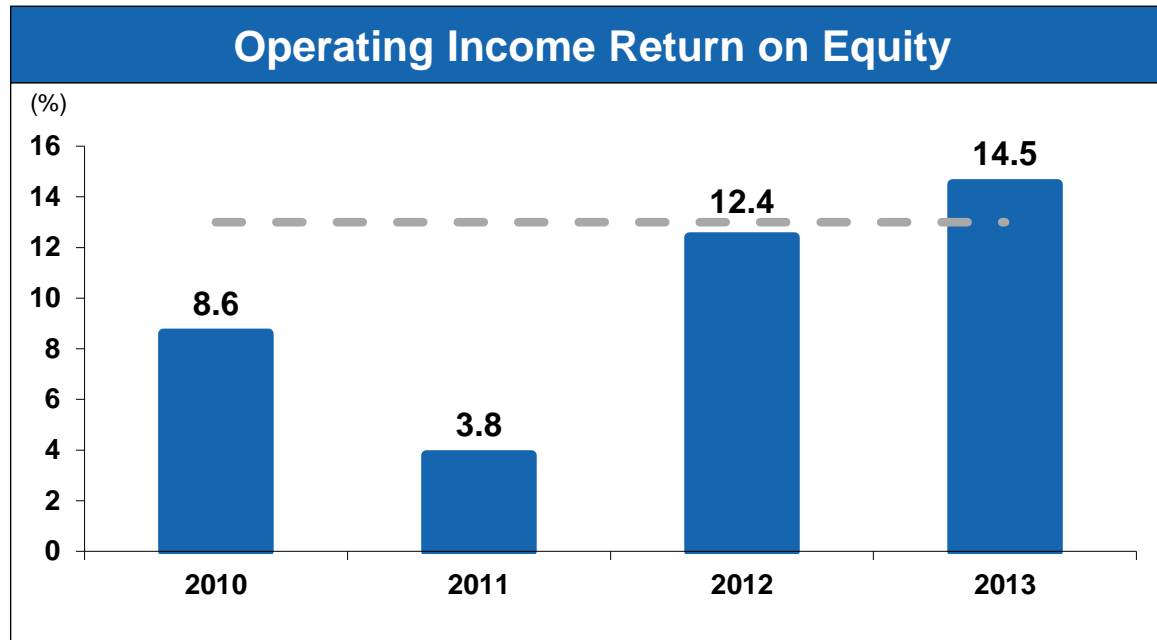




Achieved Operating Income ROE Goal of 13%

2011 Investor Day Goals

- Improve homeowners underlying combined ratio to the low 60s
- Maintain auto profitability at historical levels
- Maintain investment portfolio yield
- Improve operating income ROE in Allstate Financial to 9 – 10%
- Aggressively manage capital





Capital Management Plan Improves Financial Strength & Strategic Flexibility

Capital Position

(\$ in billions, except per share data)

	<u>12/31/12</u>	<u>12/31/13</u>
Debt: Long-Term		
- Senior Debt / Other	5.1	4.1
- Subordinated "Hybrid" Debt	1.0	2.1
Statutory Surplus		
- Property-Liability	13.7	15.2 est.
- Allstate Financial	3.5	3.0 est.
Total	17.2	18.2 est.
Holding Company Assets	2.1	2.6
Shareholders' Equity		
- Common	\$20.6	\$20.7
- Preferred	--	0.8
Book Value per Common Share	42.39	45.31
Return on Common Shareholders' Equity		
- Net Income	11.9%	11.0%
- Operating Income	12.4%	14.5%

- Returned \$564 million to common shareholders during the quarter
 - Repurchased 1.8% of outstanding shares (8.4 million); \$139 million remained on authorization at 12/31/13
 - Paid \$0.25 per share quarterly dividend
- Issued 5,400 shares of 6.625% Noncumulative Perpetual Preferred Stock, Series D; gross proceeds of \$135 million
- During the quarter, Allstate Life Insurance Company returned \$500 million of capital to Allstate Insurance Company



This presentation contains a forward-looking statement about our outlook for the Property-Liability underlying combined ratio. This statement is made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those described in the forward-looking statement for a variety of reasons, including the following:

- Premiums written and premiums earned, the denominator of the underlying combined ratio, may be materially less than projected. Policyholder attrition may be greater than anticipated resulting in a lower amount of insurance in force.

We undertake no obligation to publicly correct or update any forward-looking statements.



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