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The Allstate Corporation

Definitions of GAAP Operating Ratios and Definitions and Reconciliations of Non-GAAP and Operating Measures

First Quarter 2011

This document sets forth definitions of operating ratios that are based on financial statements prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as well as definitions and reconciliations of performance measures that are not based on GAAP ("non-GAAP") and operating measures. We believe that investors' understanding of Allstate's performance is enhanced by the disclosure of the following measures:

Our methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

DEFINITIONS OF GAAP OPERATING RATIOS AND IMPACTS OF SPECIFIC ITEMS ON THE GAAP OPERATING RATIOS

Claims and claims expense ("loss") ratio is the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.

Expense ratio is the ratio of amortization of deferred policy acquisition costs ("DAC"), operating costs and expenses and restructuring and related charges to premiums earned.

Combined ratio is the ratio of claims and claims expense, amortization of DAC, operating costs and expenses and restructuring and related charges to premiums earned. The combined ratio is the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income (loss) as a percentage of premiums earned, or underwriting margin.

Effect of Discontinued Lines and Coverages on combined ratio is the ratio of claims and claims expense and other costs and expenses in the Discontinued Lines and Coverages segment to Property-Liability premiums earned. The sum of the effect of Discontinued Lines and Coverages on the combined ratio and the Allstate Protection combined ratio is equal to the Property-Liability combined ratio.

Effect of catastrophe losses on combined ratio is the percentage of catastrophe losses included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.

Effect of prior year reserve reestimates on combined ratio is the percentage of prior year reserve reestimates included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.

Effect of restructuring and related charges on combined ratio is the percentage of restructuring and related charges to premiums earned.

DEFINITIONS AND RECONCILIATIONS OF NON-GAAP MEASURES

Operating income (loss) is net income (loss), excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income (loss),
- valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of DAC and deferred sales inducements ("DSI"), to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives that are not hedged,
- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

Net income (loss) is the GAAP measure that is most directly comparable to operating income (loss).

We use operating income (loss) as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, valuation changes on embedded derivatives that are not hedged, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, operating income (loss) includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in operating income (loss), we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g., net investment income and interest credited to contractholder funds) or replicated investments. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, operating income (loss) excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine operating income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Operating income (loss) is used by management along with the other components of net income (loss) to assess our performance. We use adjusted measures of operating income (loss) and operating income (loss) per diluted share in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income (loss), operating income (loss) and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses operating income (loss) as the denominator. Operating income (loss) should not be considered as a substitute for net income (loss) and does not reflect the overall profitability of our business.

The following table reconciles operating income and net income for the three months ended March 31, 2011 and 2010.

For the three months ended March 31,	**Property-Liability**		**Allstate Financial**		**Consolidated**		**Per diluted share**	
($ in millions, except per share data)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Operating income	$ 427	$ 286	$ 116	$ 139	$ 497	$ 375	$ 0.93	$ 0.69
Realized capital gains and losses	57	(190)	39	(162)	96	(348)		
Income tax (expense) benefit	(19)	67	(14)	57	(33)	122		
Realized capital gains and losses, after-tax	38	(123)	25	(105)	63	(226)	0.12	(0.42)
Valuation changes on embedded derivatives that are not hedged, after-tax	--	--	8	--	8	--	0.02	--
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(26)	(2)	(26)	(2)	(0.05)	--
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	--	--	1	(18)	1	(18)	--	(0.03)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	3	1	(12)	(11)	(9)	(10)	(0.02)	(0.02)
(Loss) gain on disposition of operations, after-tax	--	--	(15)	1	(15)	1	(0.03)	--
Net income	$ 468	$ 164	$ 97	$ 4	$ 519	$ 120	$ 0.97	$ 0.22

Underlying operating income (loss) is net income (loss), excluding:

- catastrophe losses, after-tax,
- prior year non-catastrophe reserve reestimates, after-tax,
- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income (loss),
- valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of DAC and DSI, to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives that are not hedged,
- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

Net income (loss) is the GAAP measure that is most directly comparable to underlying operating income (loss).

We use underlying operating income (loss) as a measure to analyze and evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of catastrophe losses, prior year non-catastrophe reserve reestimates, realized capital gains and losses, valuation changes on embedded derivatives that are not hedged, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. Realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, underlying operating income (loss) includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in underlying operating income (loss), we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, underlying operating income (loss) excludes the effect of items that tend to be highly variable from period to period. A byproduct of excluding these items to determine underlying operating income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. We believe it is useful for investors to evaluate net income (loss), operating income (loss), underlying operating income (loss) and their components separately and in the aggregate when reviewing and evaluating our performance. We provide it to facilitate a comparison to our outlook on the combined ratio excluding the effect of catastrophe losses and prior year reserve reestimates. Underlying operating income (loss) should not be considered as a substitute for net income (loss) and does not reflect the overall profitability of our business.

The following table reconciles underlying operating income and net income for the three months ended March 31, 2011 and 2010.

For the three months ended March 31,	**Property-Liability**		**Allstate Financial**		**Consolidated**		**Per diluted share**	
($ in millions, except per share data)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Underlying operating income	$ 638	$ 702	$ 116	$ 139	$ 708	$ 791	$ 1.32	$ 1.46
Catastrophe losses, after-tax	(216)	(421)	--	--	(216)	(421)	(0.40)	(0.78)
Prior year non-catastrophe reserve reestimates, after-tax	5	5	--	--	5	5	0.01	0.01
Operating income	$ 427	$ 286	$ 116	$ 139	$ 497	$ 375	$ 0.93	$ 0.69
Realized capital gains and losses	57	(190)	39	(162)	96	(348)		
Income tax (expense) benefit	(19)	67	(14)	57	(33)	122		
Realized capital gains and losses, after-tax	38	(123)	25	(105)	63	(226)	0.12	(0.42)
Valuation changes on embedded derivatives that are not hedged, after-tax	--	--	8	--	8	--	0.02	--
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(26)	(2)	(26)	(2)	(0.05)	--
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	--	--	1	(18)	1	(18)	--	(0.03)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	3	1	(12)	(11)	(9)	(10)	(0.02)	(0.02)
(Loss) gain on disposition of operations, after-tax	--	--	(15)	1	(15)	1	(0.03)	--
Net income	$ 468	$ 164	$ 97	$ 4	$ 519	$ 120	$ 0.97	$ 0.22

Underwriting income (loss) is calculated as premiums earned, less claims and claims expense ("losses"), amortization of DAC, operating costs and expenses and restructuring and related charges as determined using GAAP. Management uses this measure in its evaluation of the results of operations to analyze the profitability of our Property-Liability insurance operations separately from investment results. It is also an integral component of incentive compensation. It is useful for investors to evaluate the components of income separately and in the aggregate when reviewing performance. Net income (loss) is the most directly comparable GAAP measure. Underwriting income (loss) should not be considered as a substitute for net income (loss) and does not reflect the overall profitability of our business. The following table reconciles Property-Liability underwriting (loss) income to Property-Liability net income.

($ in millions)	Three months ended March 31, 2011	Three months ended March 31, 2010
Premiums earned	$ 6,448	$ 6,503
Claims and claims expense	(4,476)	(4,792)
Amortization of DAC	(904)	(925)
Operating costs and expenses	(730)	(704)
Restructuring and related charges	(11)	(11)
Underwriting income	327	71
Net investment income	284	304
Realized capital gains and losses	57	(190)
Income tax expense	(200)	(21)
Net income	$ 468	$ 164

Combined ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between two GAAP operating ratios: the combined ratio and the effect of catastrophes on the combined ratio. The most directly comparable GAAP measure is the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends in our Property-Liability business that may be obscured by catastrophe losses. These catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude and can have a significant impact on the combined ratio. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. The combined ratio excluding the effect of catastrophes should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business. The following table reconciles the Property-Liability combined ratio excluding the effect of catastrophes to the combined ratio.

	Three months ended March 31, 2011	Three months ended March 31, 2010
Combined ratio excluding the effect of catastrophes	89.7	88.9
Effect of catastrophe losses	5.2	10.0
Combined ratio	94.9	98.9

Combined ratio excluding the effect of catastrophes and prior year reserve reestimates ("underlying combined ratio") is a non-GAAP ratio, which is computed as the difference between three GAAP operating ratios: the combined ratio, the effect of catastrophes on the combined ratio and the effect of prior year non-catastrophe reserve reestimates on the combined ratio. The most directly comparable GAAP measure is the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends in our Property-Liability business that may be obscured by catastrophe losses and prior year reserve reestimates. These catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide it to facilitate a comparison to our outlook on the combined ratio excluding the effect of catastrophe losses and prior year reserve reestimates. The combined ratio excluding the effect of catastrophes and prior year reserve reestimates should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business. The following table reconciles the Property-Liability combined ratio excluding the effect of catastrophes and prior year reserve reestimates to the combined ratio.

	Three months ended March 31,	
	2011	2010
Combined ratio excluding the effect of catastrophes and prior year reserve reestimates ("underlying combined ratio")	89.9	89.1
Effect of catastrophe losses	5.2	10.0
Effect of prior year non-catastrophe reserve reestimates	(0.2)	(0.2)
Combined ratio	94.9	98.9
Effect of prior year catastrophe reserve reestimates	(0.5)	(0.2)

Operating income (loss) return on shareholders' equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month operating income (loss) by the average of shareholders' equity at the beginning and at the end of the 12-months, after excluding the effect of unrealized net capital gains and losses. Return on shareholders' equity is the most directly comparable GAAP measure. We use operating income (loss) as the numerator for the same reasons we use operating income (loss), as discussed above. We use average shareholders' equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of shareholders' equity primarily attributable to the company's earned and realized business operations because it eliminates the effect of items that are unrealized and vary significantly between periods due to external economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income (loss) and return on shareholders' equity because it excludes the effect of items that tend to be highly variable from period to period. We believe that this measure is useful to investors and that it provides a valuable tool for investors when considered along with net income (loss) return on shareholders' equity because it eliminates the after-tax effects of realized and unrealized net capital gains and losses that can fluctuate significantly from period to period and that are driven by economic developments, the magnitude and timing of which are generally not influenced by management. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine operating income (loss) return on shareholders' equity from return on shareholders' equity is the transparency and understanding of their significance to return on shareholders' equity variability and profitability while recognizing these or similar items may recur in subsequent periods. Therefore, we believe it is useful for investors to have operating income (loss) return on shareholders' equity and return on shareholders' equity when evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income (loss) return on shareholders' equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's utilization of capital. Operating income (loss) return on shareholders' equity should not be considered as a substitute for return on shareholders' equity and does not reflect the overall profitability of our business.

The following table reconciles return on shareholders' equity and operating income return on shareholders' equity.

($ in millions)	For the twelve months ended March 31, 2011	2010
Return on shareholders' equity		
Numerator:		
Net income	$ 1,327	$ 1,248
Denominator:		
Beginning shareholders' equity	$ 17,560	$ 12,242
Ending shareholders' equity	19,312	17,560
Average shareholders' equity	$ 18,436	$ 14,901
Return on shareholders' equity	7.2%	8.4%

	For the twelve months ended March 31, 2011	2010
Operating income return on shareholders' equity		
Numerator:		
Operating income	$ 1,661	$ 1,802
Denominator:		
Beginning shareholders' equity	$ 17,560	$ 12,242
Unrealized net capital gains and losses	(84)	(3,767)
Adjusted beginning shareholders' equity	17,644	16,009
Ending shareholders' equity	19,312	17,560
Unrealized net capital gains and losses	1,079	(84)
Adjusted ending shareholders' equity	18,233	17,644
Average adjusted shareholders' equity	$ 17,939	$ 16,827
Operating income return on shareholders' equity	9.3%	10.7%

Book value per share, excluding the impact of unrealized net capital gains and losses on fixed income securities, is a ratio that uses a non-GAAP measure. It is calculated by dividing shareholders' equity after excluding the impact of unrealized net capital gains and losses on fixed income securities and related DAC, DSI and life insurance reserves by total shares outstanding plus dilutive potential shares outstanding. Book value per share is the most directly comparable GAAP measure.

We use the trend in book value per share, excluding the impact of unrealized net capital gains and losses on fixed income securities, in conjunction with book value per share to identify and analyze the change in net worth attributable to management efforts between periods. We believe the non-GAAP ratio is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period and are generally driven by economic developments, primarily capital market conditions, the magnitude and timing of which are generally not influenced by management, and we believe it enhances understanding and comparability of performance by highlighting underlying business activity and profitability drivers. We note that book value per share, excluding the impact of unrealized net capital gains and losses on fixed income securities, is a measure commonly used by insurance investors as a valuation technique. Book value per share, excluding the impact of unrealized net capital gains and losses on fixed income securities, should not be considered as a substitute for book value per share, and does not reflect the recorded net worth of our business.

The following table reconciles book value per share and book value per share, excluding the impact of unrealized net capital gains and losses on fixed income securities.

($ in millions, except per share data)	As of March 31, 2011	As of March 31, 2010
Book value per share		
Numerator:		
Shareholders' equity	$ 19,312	$ 17,560
Denominator:		
Shares outstanding and dilutive potential shares outstanding	529.0	544.3
Book value per share	$ 36.51	$ 32.26
Book value per share, excluding the impact of unrealized net capital gains and losses on fixed income securities		
Numerator:		
Shareholders' equity	$ 19,312	$ 17,560
Unrealized net capital gains and losses on fixed income securities	678	(309)
Adjusted shareholders' equity	$ 18,634	$ 17,869
Denominator:		
Shares outstanding and dilutive potential shares outstanding	529.0	544.3
Book value per share, excluding the impact of unrealized net capital gains and losses on fixed income securities	$ 35.22	$ 32.83

DEFINITION AND RECONCILIATION OF OPERATING MEASURE

Premiums written is the amount of premiums charged for policies issued during a fiscal period. Premiums earned is a GAAP measure. Premiums are considered earned and are included in financial results on a pro-rata basis over the policy period. The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums on our Condensed Consolidated Statements of Financial Position. A reconciliation of premiums written to premiums earned is presented in the following table.

($ in millions)	Three months ended March 31, 2011	Three months ended March 31, 2010
Premiums written	$ 6,215	$ 6,258
Decrease in Property-Liability unearned premiums	234	245
Other	(1)	--
Premiums earned	$ 6,448	$ 6,503