



# The Allstate Corporation

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Third Quarter 2014 Earnings Presentation  
October 30, 2014

**Allstate**<sup>®</sup>  
You're in good hands.



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 2013 Form 10-K, our Form 10-Q for the quarter ended September 30, 2014, in our most recent earnings release, and at the end of these slides. These materials are available on our website, [allstateinvestors.com](http://allstateinvestors.com). This presentation also contains some non-GAAP measures. You can find the reconciliation of those measures to GAAP measures on our website, [allstateinvestors.com](http://allstateinvestors.com), under the “Quarterly Investor Info” link.



# Allstate Reports Broad Based Growth and Strong Profitability

- Strong growth which is diversified amongst brands and customer segments
- Generating excellent profitability:
  - Combined ratio is attractive, despite severe weather and growth investments
  - Allstate Financial profits reflect successful repositioning
  - Good investment returns supported by higher limited partnership income
- Progress on all five 2014 operating priorities
- Strong cash returns to shareholders

| (\$ in millions, except per share data)         | Three months ended<br>September 30, |         |             | Nine months ended<br>September 30, |          |             |
|---|-------------------------------------|---------|-------------|------------------------------------|----------|-------------|
|   | 2014                                | 2013    | %<br>Change | 2014                               | 2013     | %<br>Change |
| <b>Allstate Protection net written premium</b>  | \$7,805                             | \$7,438 | 4.9%        | \$22,321                           | \$21,214 | 5.2%        |
| <b>Income available to common shareholders:</b> |                                     |         |             |                                    |          |             |
| <b>Net income</b>                               | 750                                 | 310     | 141.9       | 1,951                              | 1,453    | 34.3        |
| <i>per diluted common share</i>                 | 1.74                                | 0.66    | 163.6       | 4.42                               | 3.07     | 44.0        |
| <b>Operating income</b>                         | 598                                 | 713     | (16.1)      | 1,631                              | 1,889    | (13.7)      |
| <i>per diluted common share</i>                 | 1.39                                | 1.53    | (9.2)       | 3.69                               | 3.99     | (7.5)       |



# Strategy to Provide Unique Offerings to Each Consumer Segment is Working

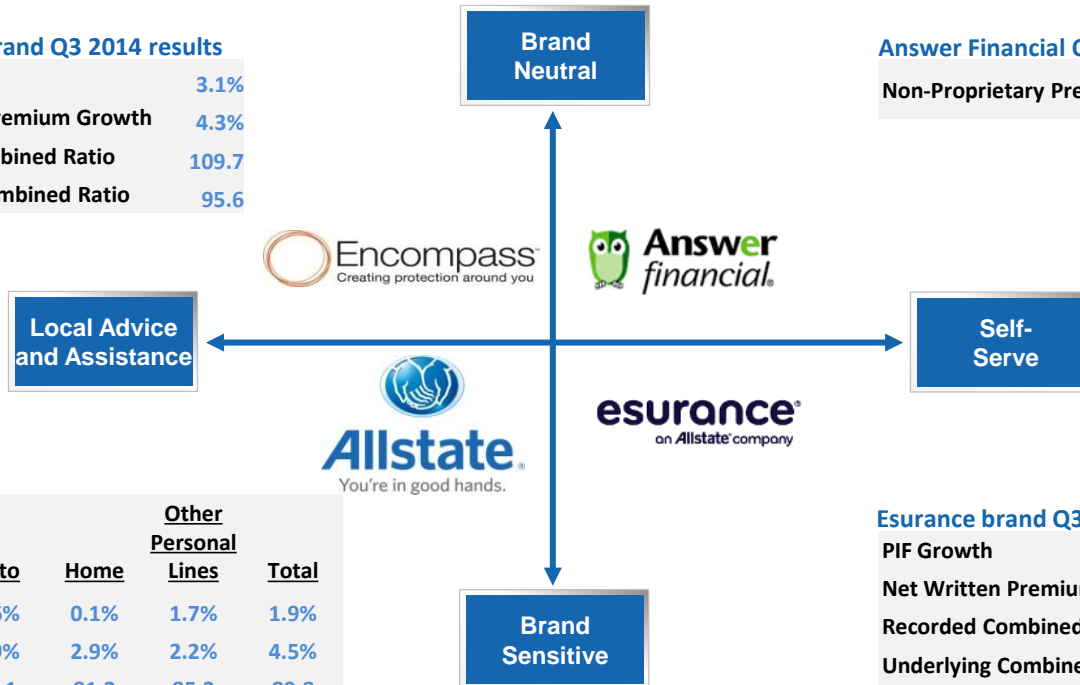
| Q3 2014 Property-Liability Results |      |
|------------------------------------|------|
| Policy in Force Growth             | 2.4% |
| Net Written Premium Growth         | 4.9% |
| Recorded Combined Ratio            | 93.5 |
| Underlying Combined Ratio          | 86.1 |

### Encompass brand Q3 2014 results

|                            |       |
|----------------------------|-------|
| PIF Growth                 | 3.1%  |
| Net Written Premium Growth | 4.3%  |
| Recorded Combined Ratio    | 109.7 |
| Underlying Combined Ratio  | 95.6  |

### Answer Financial Q3 2014 results

|                                |      |
|--------------------------------|------|
| Non-Proprietary Premium Growth | 9.8% |
|--------------------------------|------|



### Allstate brand Q3 2014 results

|                            | Auto | Home | Other Personal Lines | Total |
|----------------------------|------|------|----------------------|-------|
| PIF <sup>(1)</sup> Growth  | 2.6% | 0.1% | 1.7%                 | 1.9%  |
| Net Written Premium Growth | 4.9% | 2.9% | 2.2%                 | 4.5%  |
| Recorded Combined Ratio    | 93.1 | 81.2 | 85.3                 | 89.8  |
| Underlying Combined Ratio  | 92.9 | 60.0 | 77.6                 | 84.2  |

### Esurance brand Q3 2014 results

|                                    |       |
|------------------------------------|-------|
| PIF Growth                         | 14.1% |
| Net Written Premium Growth         | 14.0% |
| Recorded Combined Ratio            | 116.6 |
| Underlying Combined Ratio          | 112.3 |
| <i>Memo: Underlying Loss Ratio</i> | 75.3  |

Results shown are for Q3 2014; growth rates are Q3 2014 compared to Q3 2013

<sup>(1)</sup> Excludes Good Hands Roadside Members of 1,996,000, an increase of 557,000 over September 2013



## Continued Progress on All Five 2014 Operating Priorities

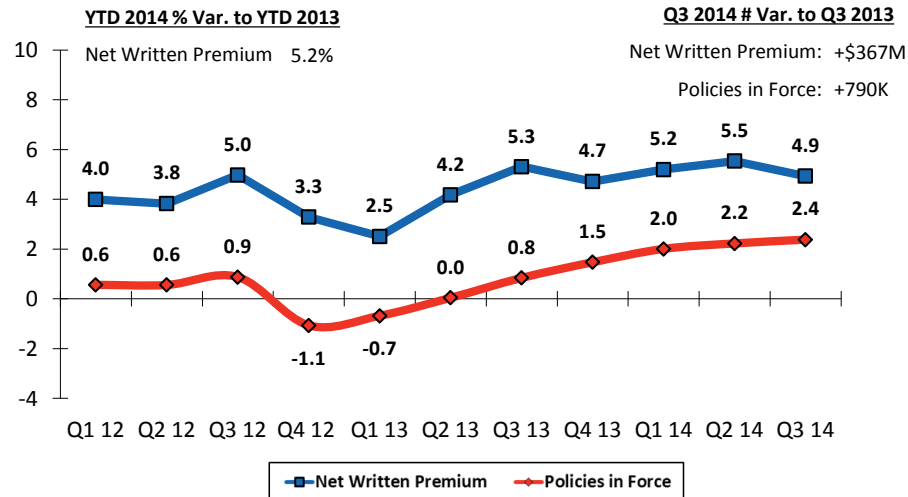
- **Insurance policy in force growth is diversified amongst brands and customer segments**
  - Allstate brand is executing a comprehensive growth plan
  - Esurance continues to have high growth but the rate of increase has declined
  - Encompass growth slowing in line with profit improvement actions
  
- **Underlying combined ratio of 86.4 for first nine months is better than the full-year outlook of 87 - 89**
  - Allstate brand auto and homeowners generating strong returns
  - Esurance underlying loss ratio improving
  - Encompass requires further improvement
  
- **Investment returns were good**
  - Total return of 0.4% for the third quarter and 4.7% year-to-date, reflecting proactive risk and return management
  - Lower income due to Lincoln Benefit Life sale, partially offset by strong limited partnership income
  
- **Modernize the operating model**
  - Improving effectiveness and efficiency by simplifying technology applications and utilizing continuous improvement processes
  
- **Build long-term growth platforms**
  - Allstate's agencies focused on trusted advisor role and expanding into additional local markets
  - Continued to invest in the Drivewise® telematics offering
  - Increasing Esurance's market share through branding, a broader product offering and expanded geographic reach



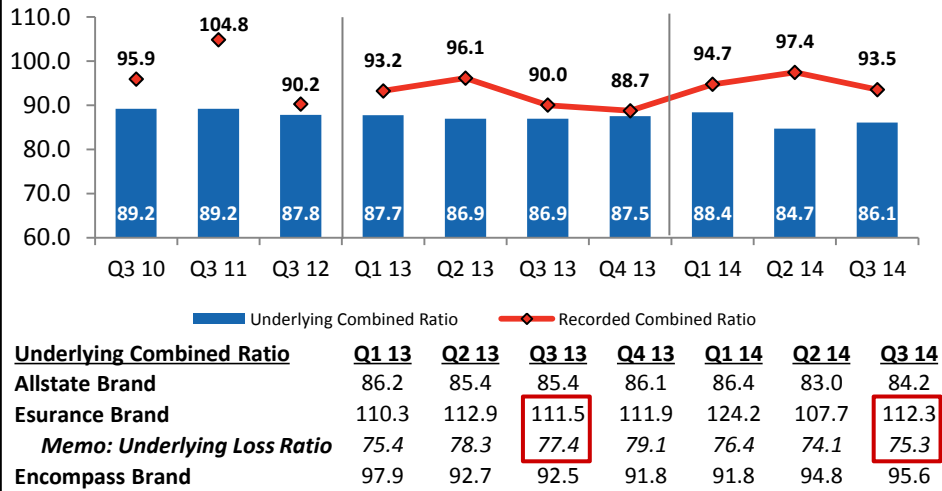
# Underlying Combined Ratio Better Than Full-Year Outlook Range

| Property-Liability Results      |         |         |          |         |
|---------------------------------|---------|---------|----------|---------|
| (\$ in Millions, except ratios) | Q3      | Var PY  | YTD      | Var PY  |
| Earned Premium                  | \$7,307 | 4.8%    | \$21,575 | 4.7%    |
| Combined Ratio                  |         |         |          |         |
| - Recorded                      | 93.5    | 3.5pts  | 95.2     | 2.1pts  |
| - Underlying                    | 86.1    | -0.8pts | 86.4     | -0.8pts |
| Catastrophe Losses              | 517     | NM      | 1,898    | 67.4%   |
| Net Investment Income           | 344     | 11.3%   | 1,007    | 1.4%    |
| Net Income <sup>(1)</sup>       | 714     | 8.8%    | 1,761    | -6.8%   |
| Operating Income                | 553     | -19.3%  | 1,385    | -17.3%  |

## Allstate Protection Premium and Policy Growth



## Property-Liability Combined Ratio

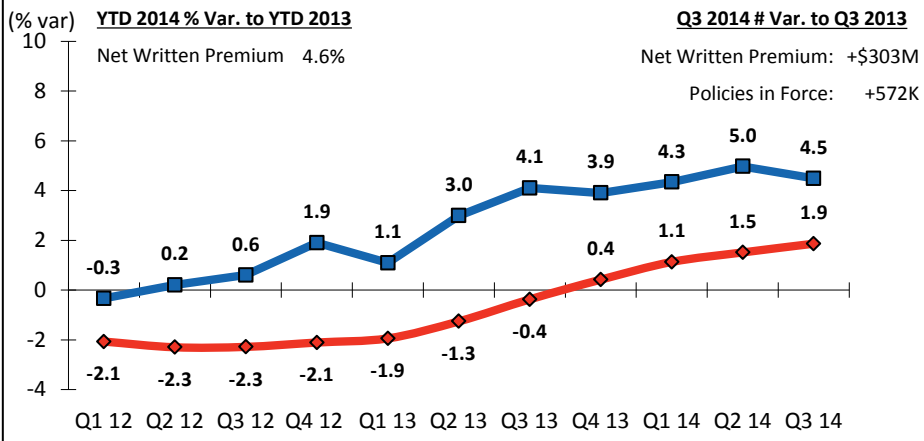


<sup>(1)</sup> Available to common shareholders  
Earnings Release Presentation – October 30, 2014

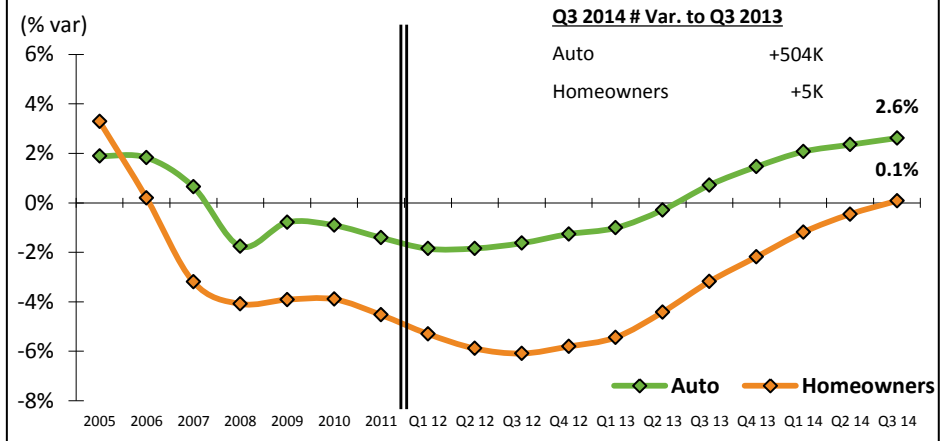


# Growth Continued in Q3, with Contributions from All Brands

## Allstate Brand

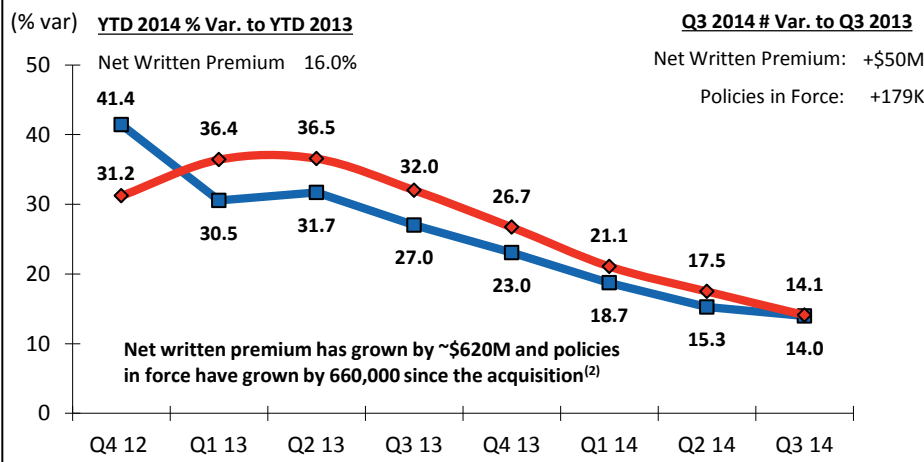


## Allstate Brand Auto & Homeowners PIF Trends

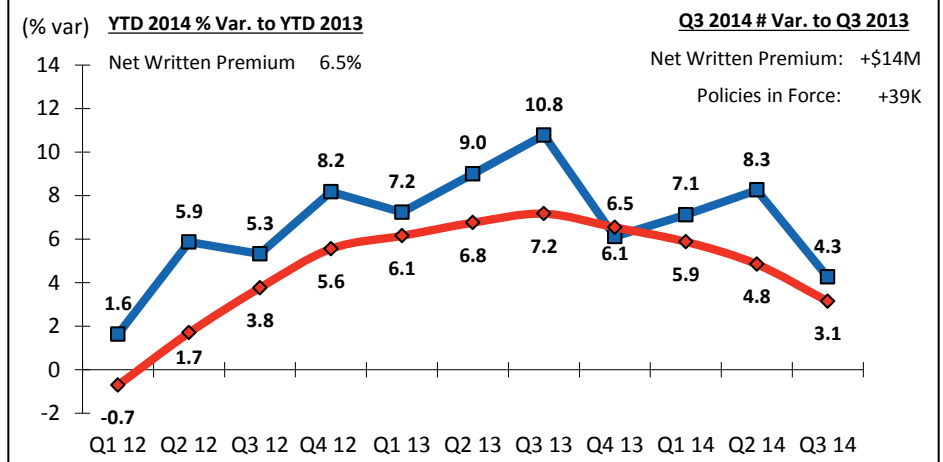


■ Net Written Premium    ◆ Policies in Force

## Esurance Brand<sup>(1)</sup>



## Encompass Brand



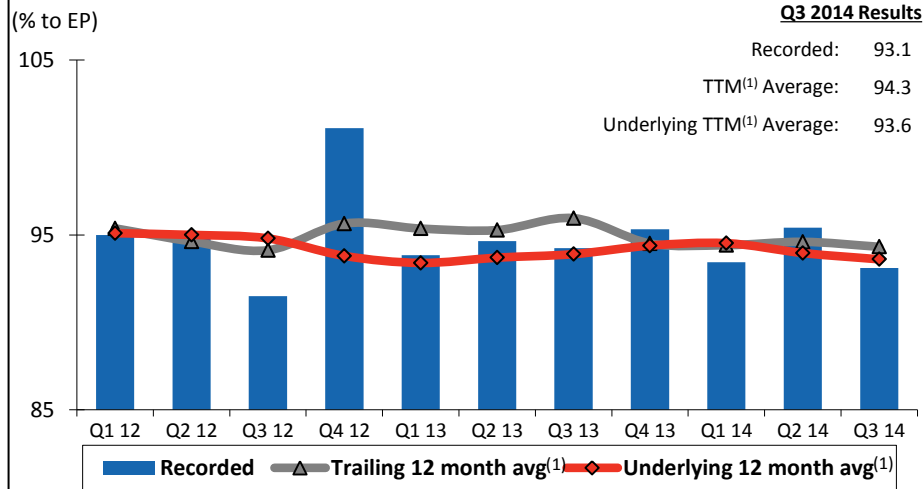
<sup>(1)</sup> Esurance acquired Q4 2011

<sup>(2)</sup> Net written premium variance to size of Esurance at purchase; policies in force variance to Q4 2011

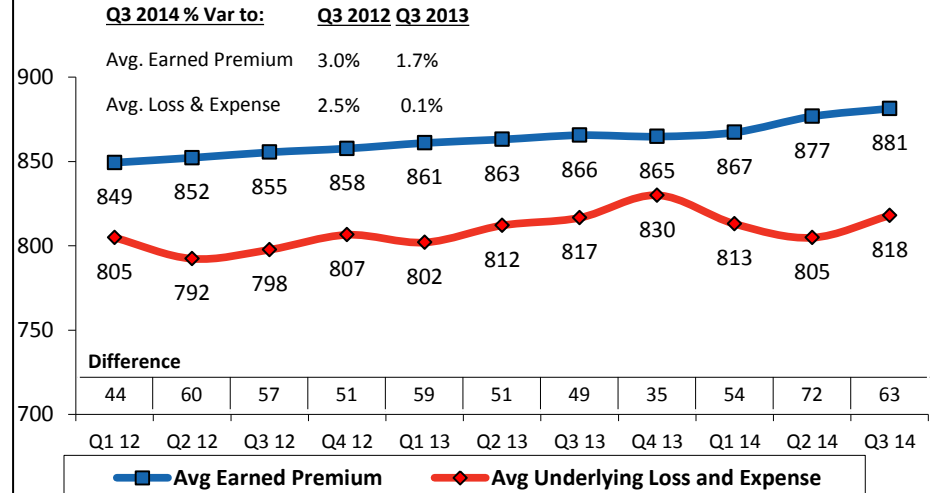


# Strong Underlying Profitability Trends

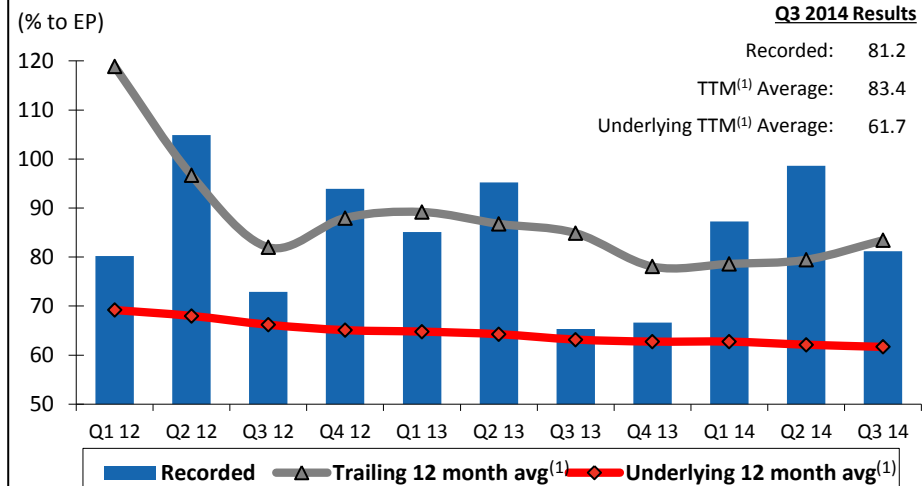
## Allstate Brand Auto Combined Ratio



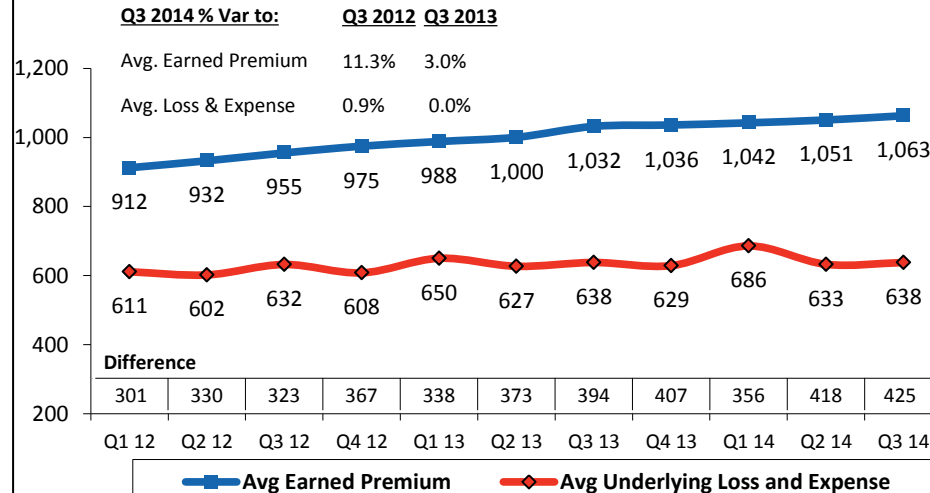
## Auto Underlying Margin Trend



## Allstate Brand Homeowners Combined Ratio



## Homeowners Underlying Margin Trend



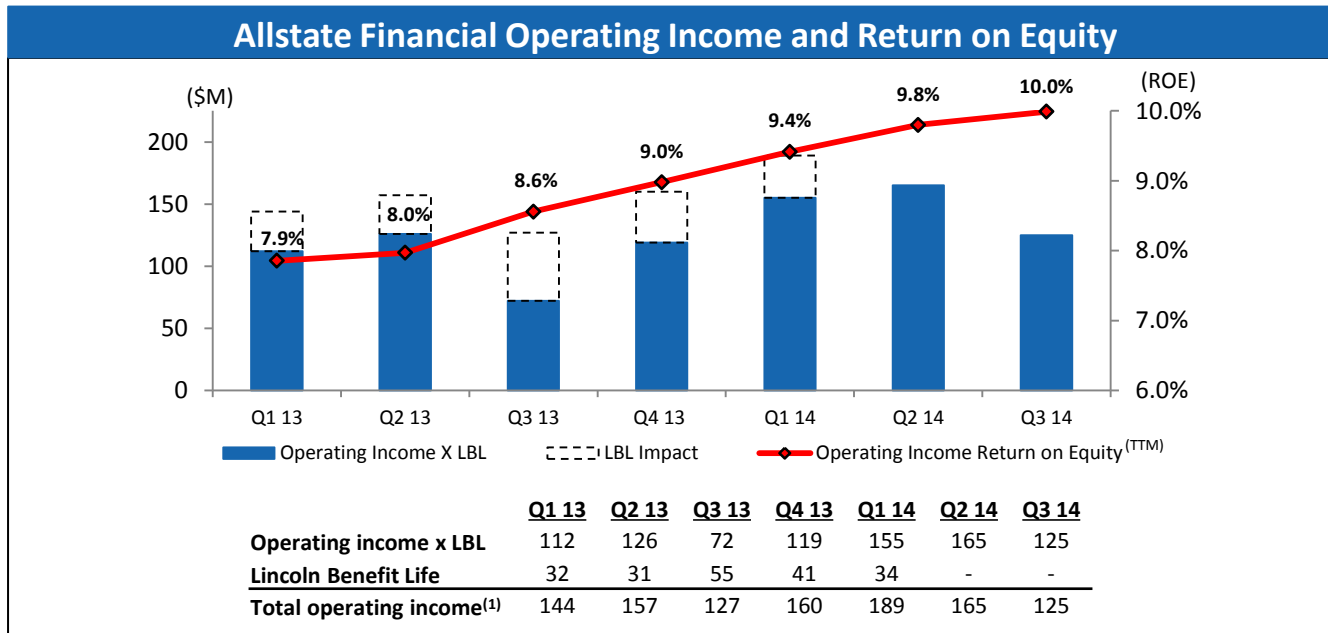
<sup>(1)</sup> Average of the four most recent quarters





# Allstate Financial Becoming A More Strategically Integrated Part of the Allstate Brand

- Integration to Allstate Brand's customer value proposition requires a comprehensive, multi-year effort
- Balance sheet diminishing in size on smaller annuity business
- Investment income very strong past four quarters, reflecting higher limited partnership income
- Expense levels lower
- Substantial capital distributed to parent

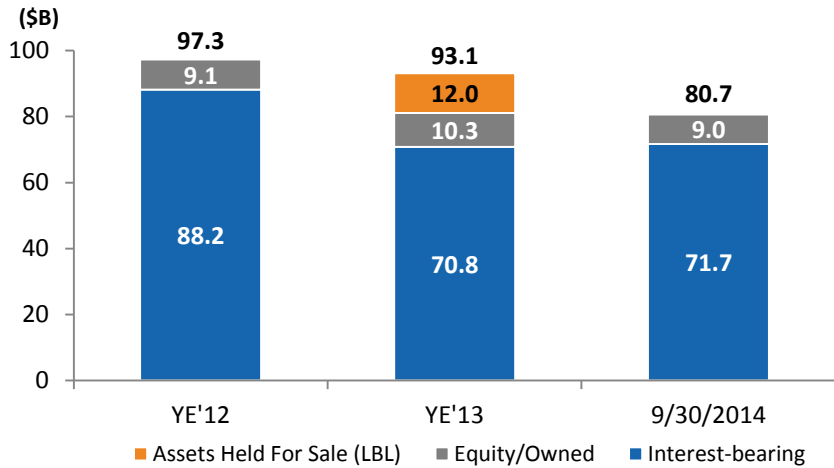


<sup>(1)</sup>The annual review of Allstate Financial DAC and reserve assumptions resulted in a \$44 million unfavorable, after-tax impact in Q3 2013 and a \$4 million unfavorable, after-tax impact in Q3 2014

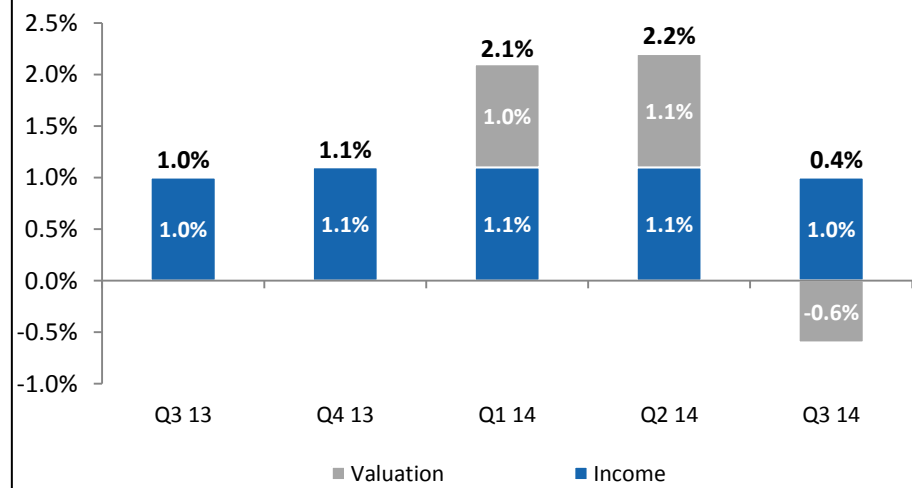


# Shifting Investment Portfolio to Higher Returning Mix

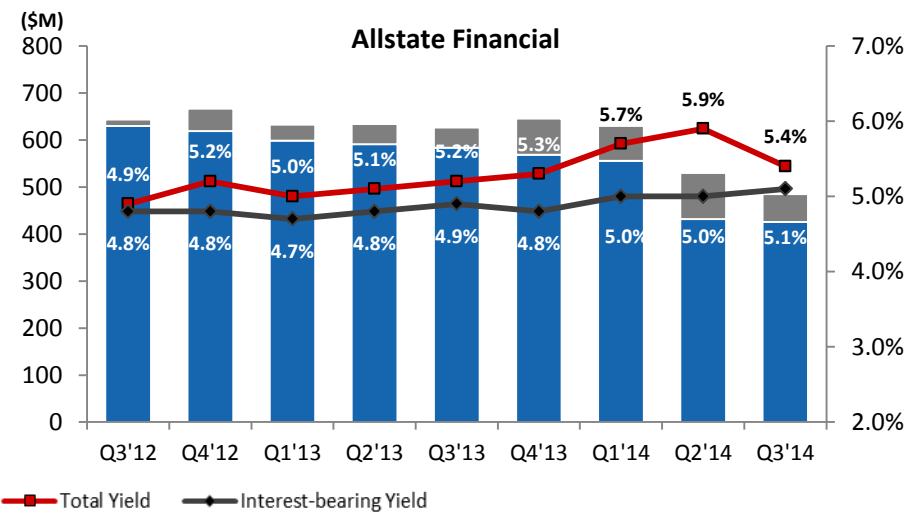
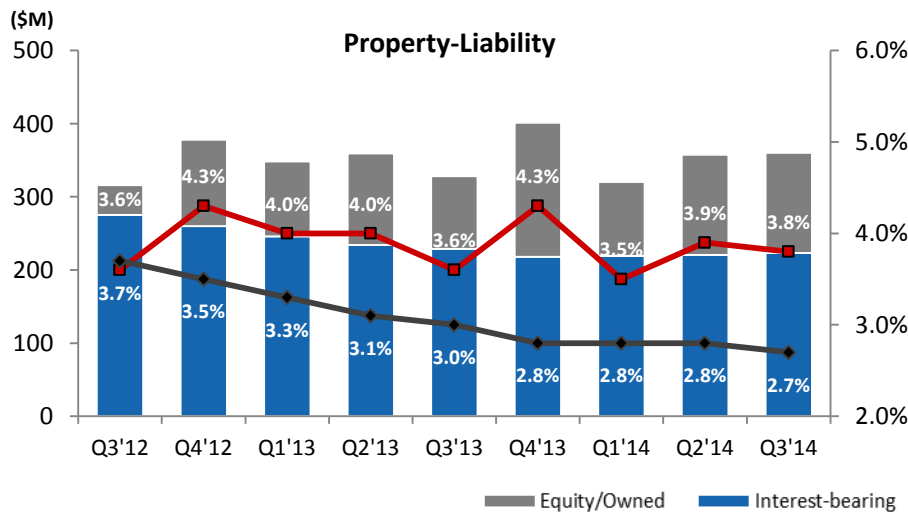
### Investment Portfolio Position



### Portfolio Total Return



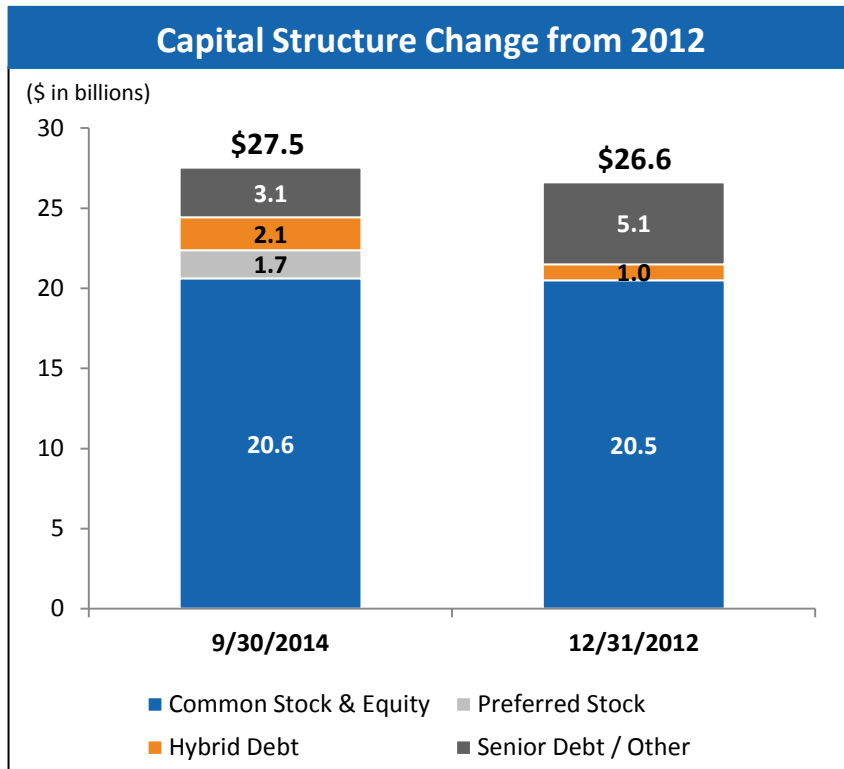
### Investment Income and Pre-tax Yield <sup>(1)</sup>



<sup>(1)</sup> Investment income and yield excludes prepayment fee income, litigation proceeds and investment expenses.



# Capital Position is Strong



### Capital Position

(\$ in billions, except per share data)

|  |                      | <u>9/30/14</u> | <u>9/30/13</u> |
|--|----------------------|----------------|----------------|
| <b>Shareholders' Equity</b>                  | - Common             | \$20.6         | \$20.1         |
|  | - Preferred          | 1.7            | 0.7            |
| <b>Statutory Surplus</b>                     | - Property-Liability | \$15.1 est.    | \$13.9         |
|  | - Allstate Financial | 2.9 est.       | 3.4            |
|  | <b>Total</b>         | 18.0 est.      | 17.3           |
| <b>Holding Company Assets</b>                |                      | \$2.3          | \$2.8          |
| <b>Book Value per Common Share</b>           |                      | \$48.28        | \$43.49        |
| <b>Return on Common Shareholders' Equity</b> | - Net Income         | 13.6%          | 9.0%           |
|  | - Operating Income   | 13.0%          | 12.0%          |

- **Provided \$1.05 billion in cash returns to common shareholders during the third quarter; \$2.42 billion during first nine months**
  - Paid \$122 million in common stock dividends in the third quarter
  - Repurchased \$926 million in common shares in the third quarter and initiated second \$750 million accelerated share repurchase program, to be completed no later than December 15, 2014
- **Repaid \$650 million of 5.0% Senior Notes in August**
  - Debt to capital ratio of 18.9% compared with 23.0% in the prior year quarter
- **Book value per diluted common share was \$48.28 at September 30, 2014, an increase of 11.0% from a year ago**



## Forward-Looking Statements and Risk Factors

This presentation may contain forward-looking statements about our outlook for the Property-Liability combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets for 2014. These statements are subject to the Private Securities Litigation Reform Act of 1995 and are based on management's estimates, assumptions and projections. Actual results may differ materially from those projected based on the risk factors described below.

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.

Unanticipated increases in the severity or frequency of standard auto insurance claims may adversely affect our underwriting results. Changes in the severity or frequency of claims may affect the profitability of our Allstate Protection segment. Changes in bodily injury claim severity are driven primarily by inflation in the medical sector of the economy and litigation. Changes in auto physical damage claim severity are driven primarily by inflation in auto repair costs, auto parts prices and used car prices. The short-term level of claim frequency we experience may vary from period to period and may not be sustainable over the longer term. A decline in gas prices, increase in miles driven, and higher unemployment are examples of factors leading to a short-term frequency change. A significant long-term increase in claim frequency could have an adverse effect on our underwriting results.

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



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You're in good hands.