

***The Allstate Corporation – Earnings Call Presentation  
Second Quarter 2013***



**Allstate**®

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**Thursday, August 1, 2013**



## Forward-Looking Statements and Risk Factors

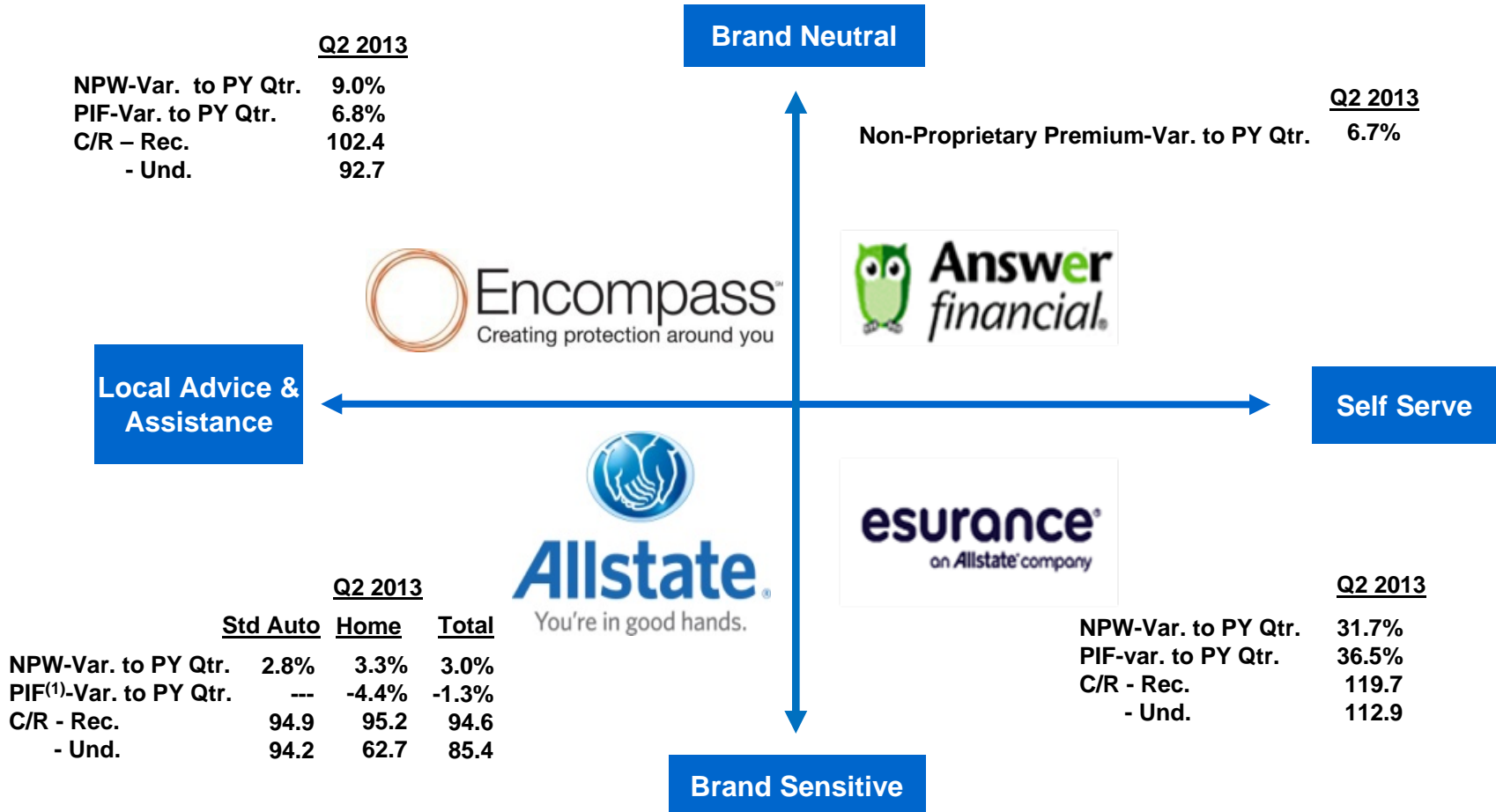
This presentation may contain forward-looking statements about our outlook for the Property-Liability combined ratio excluding the effect of catastrophes, prior year reserve reestimates, business combination expenses, and the amortization of purchased intangible assets for 2013, our investment portfolio, the reduction of our cost structure, the closing on the sale of Lincoln Benefit Company by year-end, and the impact of changes in the retirement and life insurance benefits on shareholders' equity. 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 current Form 10-Q for the quarter ended June 30, 2013, 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 and "Conference Call Archive" link. Forward-looking 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.
- Regulatory reforms and any additional legislative changes or regulatory requirements on the financial services industry may make it more expensive for us to conduct our business, or limit our ability to grow or to achieve profitability.
- The actions we have taken to reduce the sensitivity of our investment portfolio to a rise in interest rates may not be effective.
- Closing on the sale of Lincoln Benefit Life Company is subject to regulatory approvals which could affect the estimated closing date.
- Limits on the ability of our insurance company subsidiaries to pay dividends could adversely affect holding company liquidity and the ability to distribute deployable capital.
- Fluctuations in market interest rates may affect the discount rate used in determining the actual impact of the benefit changes.
- Changes in the capital market valuations may affect the value of benefit plan assets.

We undertake no obligation to publicly correct or update any forward-looking statements. This news release contains unaudited financial information.



# Allstate Strategy... Offer Unique Products and Services to Distinct Consumer Segments



(1) Excludes Good Hands Roadside Members of 1,272,000 - an increase of 616,000 over June 2012.



# Q2 2013 . . . Continued Progress on Strategy and Priorities

## **2013 Priorities**

### ➤ **Grow insurance premiums**

- Overall net premiums written increased 4.2% from Q2 2012, with all brands contributing
- New business and retention results improving for Allstate brand standard auto and homeowners
- Allstate Financial premiums and contract charges grew 3.6% from Q2 2012, 4.8% for underwritten products

### ➤ **Maintain auto profitability**

- Allstate brand standard auto combined ratio of 94.9, an underlying combined ratio of 94.2
- Esurance combined ratio of 119.7, an underlying combined ratio of 112.9; remains elevated due to higher new business growth, increased bodily injury severities and higher than expected discount utilization
- Encompass combined ratio of 102.4, an underlying combined ratio of 92.7, a 4.3 point improvement from Q2 2012; further profit improvement actions required

### ➤ **Raise returns in the homeowners and annuity businesses**

- Improved Allstate brand homeowners profitability with a combined ratio of 95.2 and an underlying combined ratio of 62.7
- Annuity returns improved slightly; remain pressured by continued low interest rates

### ➤ **Proactively manage investments**

- Portfolio positioning to shorten property-liability portfolio duration partially mitigated impact of Q2 rising interest rates
- Total return on investment portfolio ... -1.5% for Q2 2013

### ➤ **Reduce the cost structure**

- Closing of call center
- Pension and benefit changes announced in July
- Property-liability expense ratio increased due to higher technology and marketing expenses



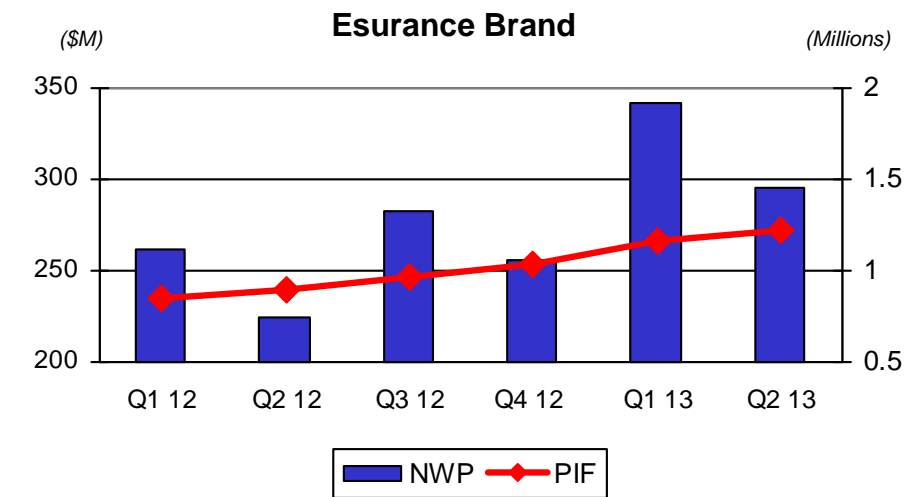
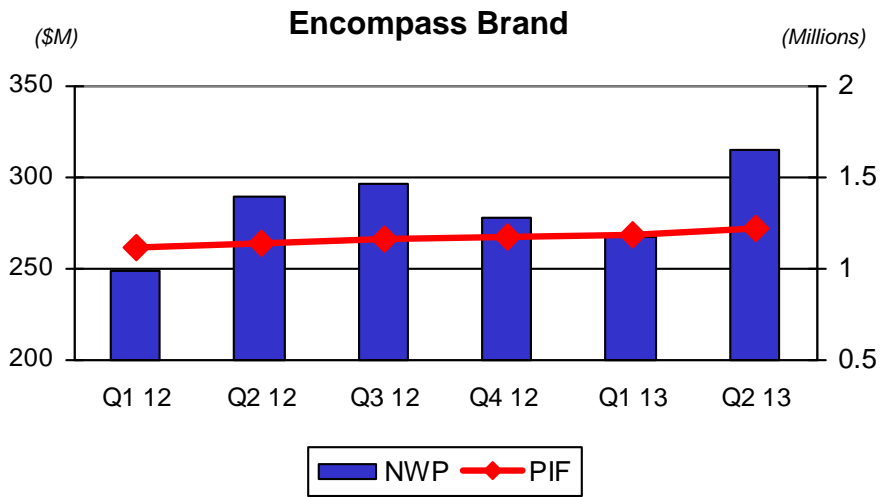
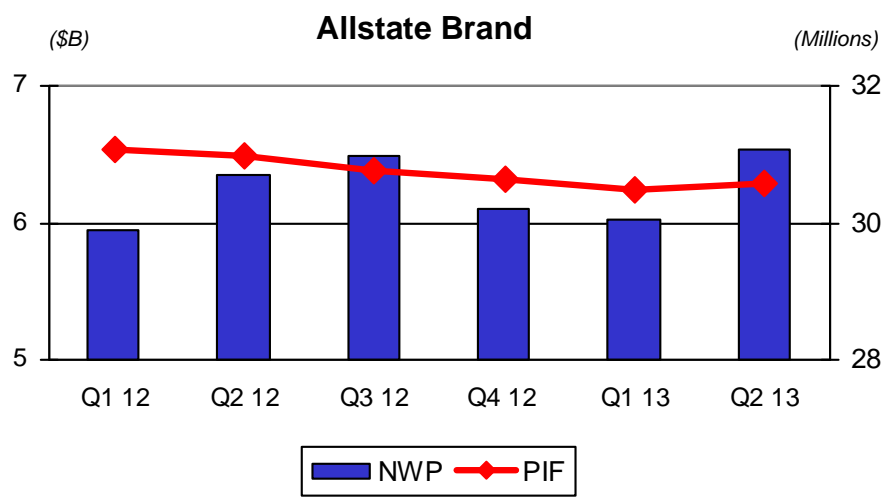
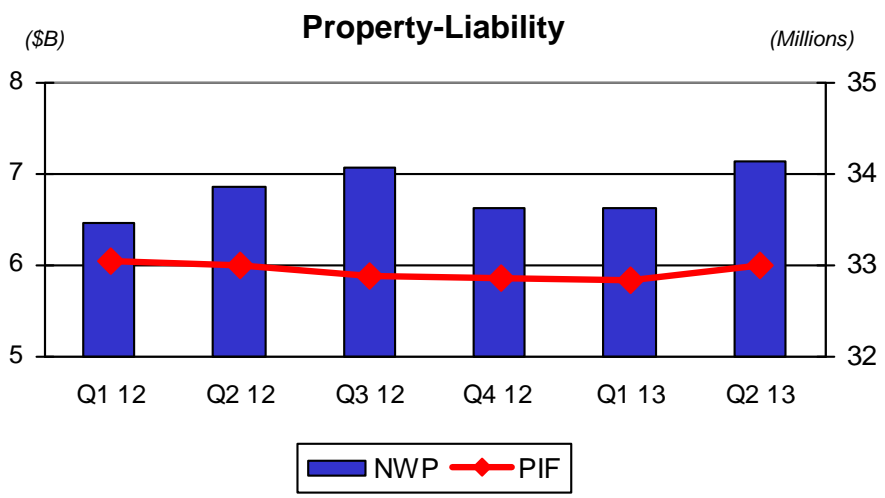
# Q2 2013 Profitability Remained Solid

	<u>Net Income</u> <sup>(1)</sup>		<u>Operating Income</u>		
	<u>Q2 2013</u>	<u>Var. to PY</u>	<u>Q2 2013</u>	<u>Var. to PY</u>	
Consolidated	\$434M	2.6%	\$529M	22.5%	
Per Diluted Common Share	0.92	7.0%	1.12	28.7%	
Return on Equity	11.6%	0.6pts	12.3%	0.9pts	
Property-Liability	617M	74.3%	433M	21.3%	
Allstate Financial	190M	43.9%	157M	13.8%	
<hr/>					
<u>Property-Liability</u>			<u>Combined Ratio</u>		
Earned Premium	\$6,862M	2.9%			
Combined Ratio - Rec.	96.1	-1.9 pts.	<u>By Brand</u>	<u>Q2 2013</u>	<u>Var. to PY</u>
- Und.	86.9	0.6 pts.			(Pts.)
Catastrophe Losses	\$647M	-\$172M	<u>Allstate</u>		
Net Investment Income	\$343M	-2.6%	Recorded	94.6	-2.4
			Underlying	85.4	0.3
<u>Allstate Financial</u>			<u>Encompass</u>		
Premiums & Contract Charges	\$579M	3.6%	Recorded	102.4	0.5
Benefit Spread	145M	\$7M	Underlying	92.7	-4.3
Investment Spread	192M	\$31M			
Net Investment Income	633M	-4.5%	<u>Esurance</u>		
Operating Costs	140M	\$5M	Recorded	119.7	3.0
			Underlying	112.9	6.9

(1) Available to common shareholders.



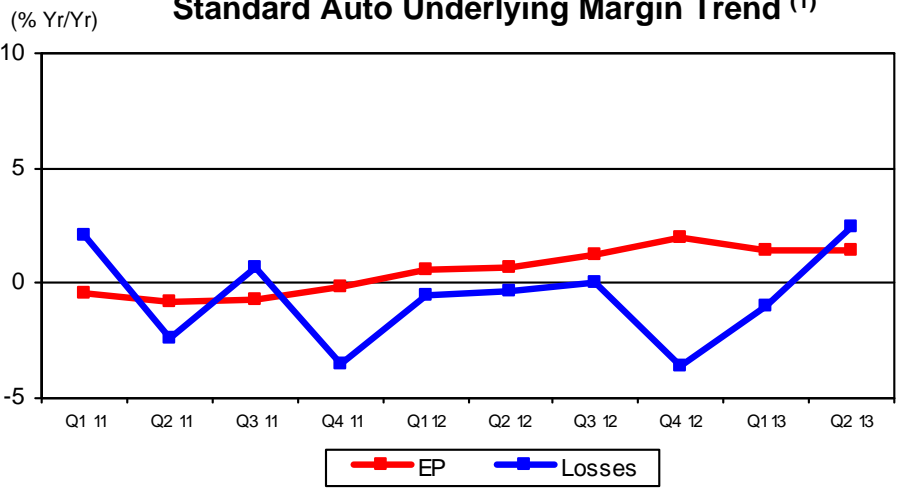
# Grow Insurance Premiums ... Positive Contributions from all Brands



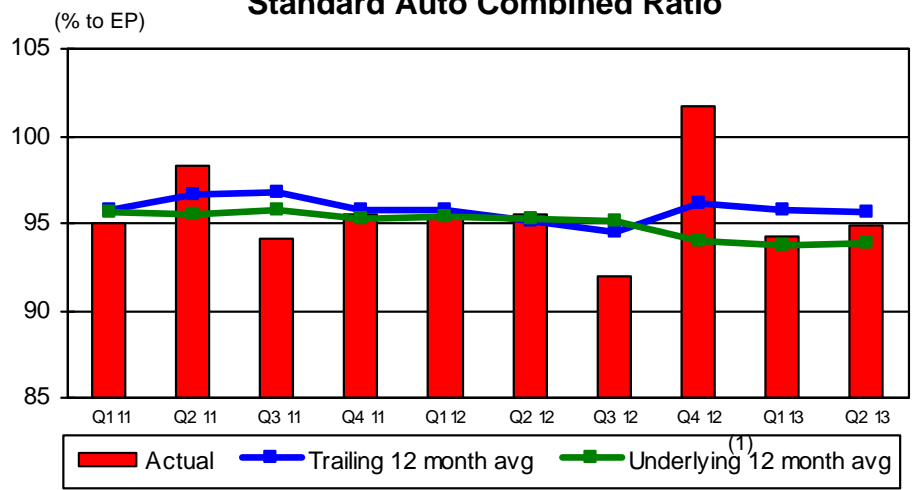


# Margins Maintained for Allstate Brand Standard Auto and Homeowners

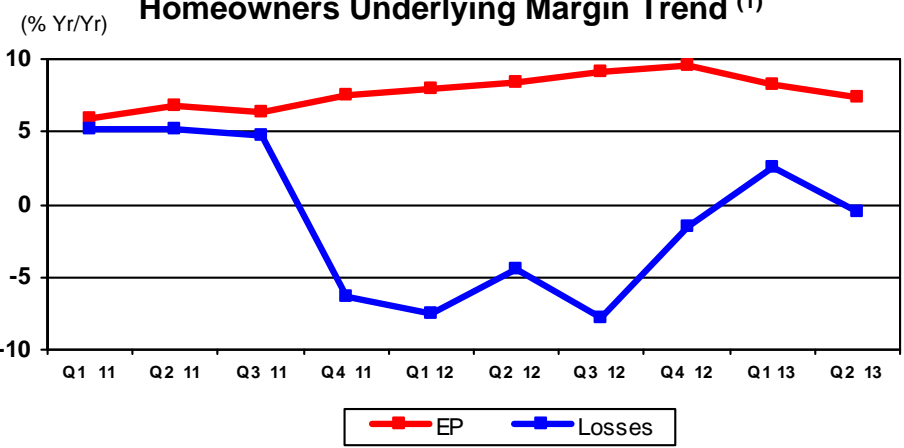
### Standard Auto Underlying Margin Trend (1)



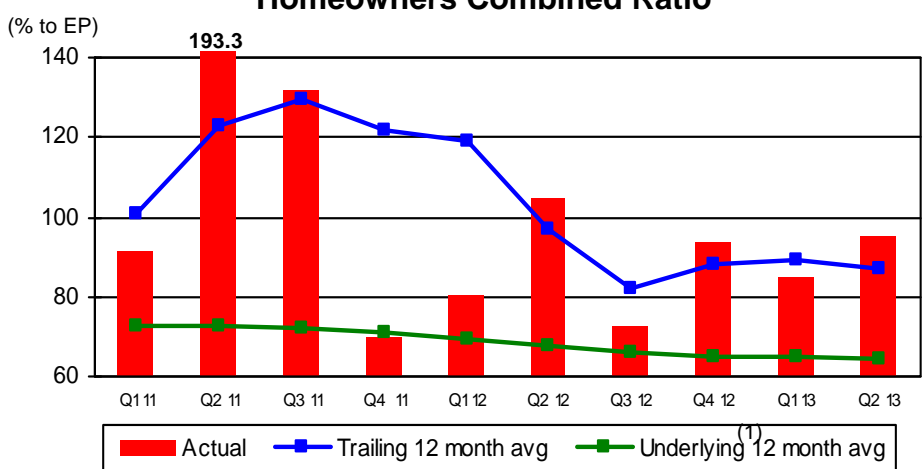
### Standard Auto Combined Ratio



### Homeowners Underlying Margin Trend (1)



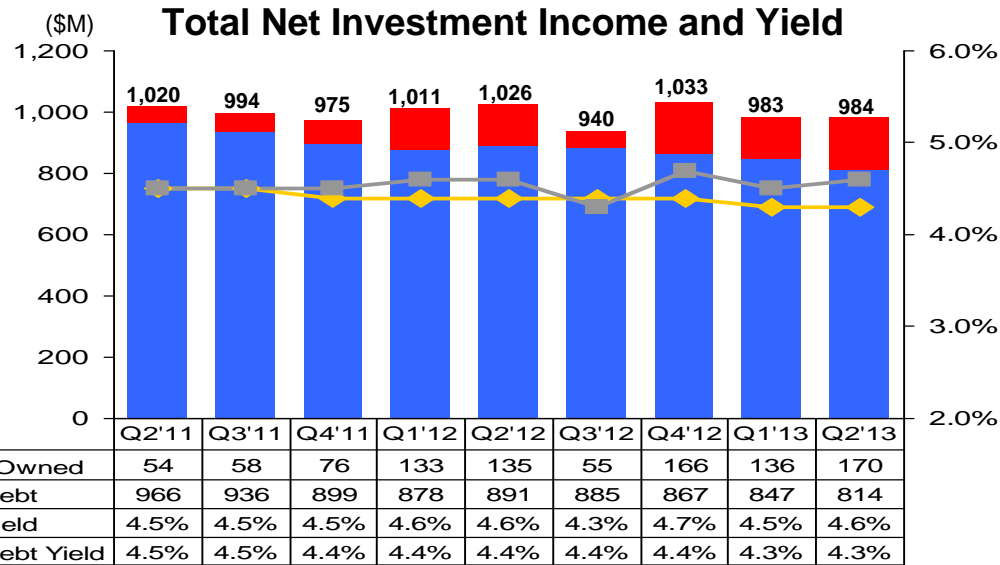
### Homeowners Combined Ratio



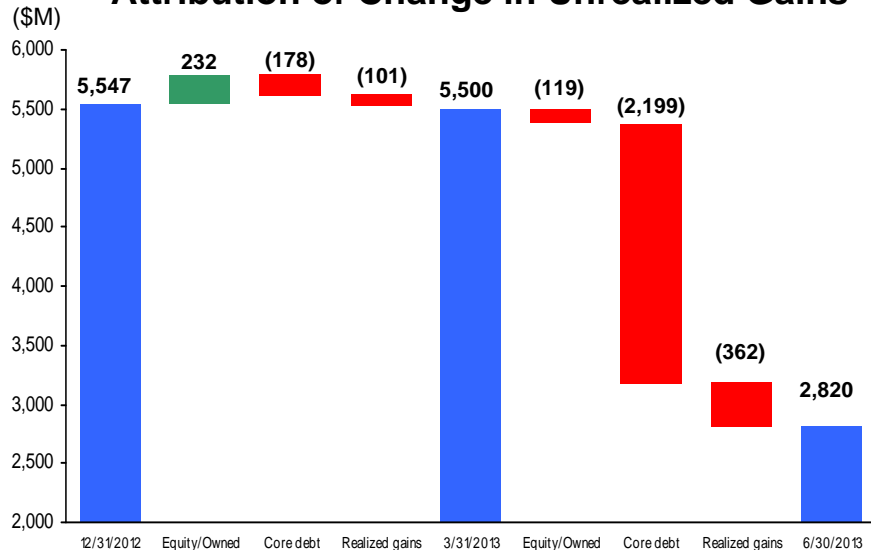
(1) Excludes Catastrophe Losses and Prior Year Reserve Reestimates



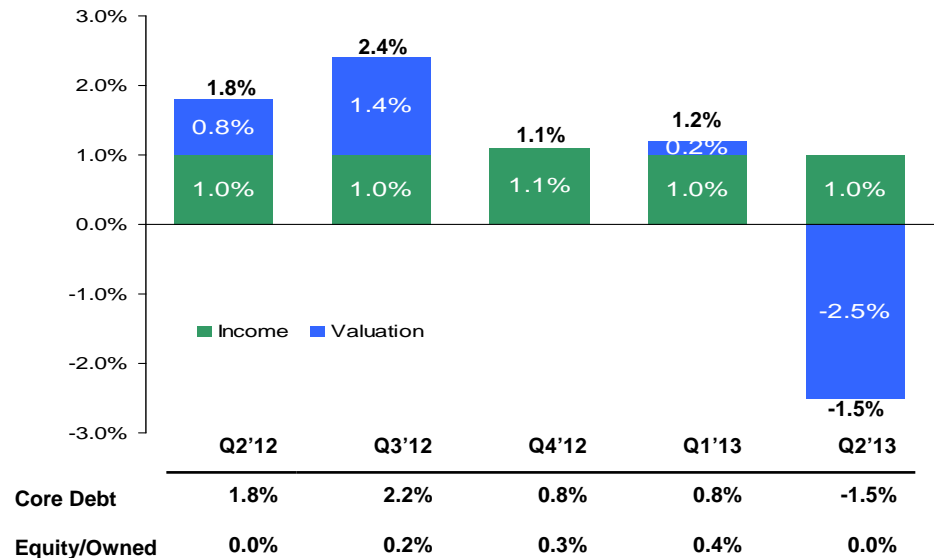
# Proactively Managing Investments ... Results Reflect Progress on Strategic Priorities and Impact of Rising Interest Rates



### Attribution of Change in Unrealized Gains



### Portfolio Total Return

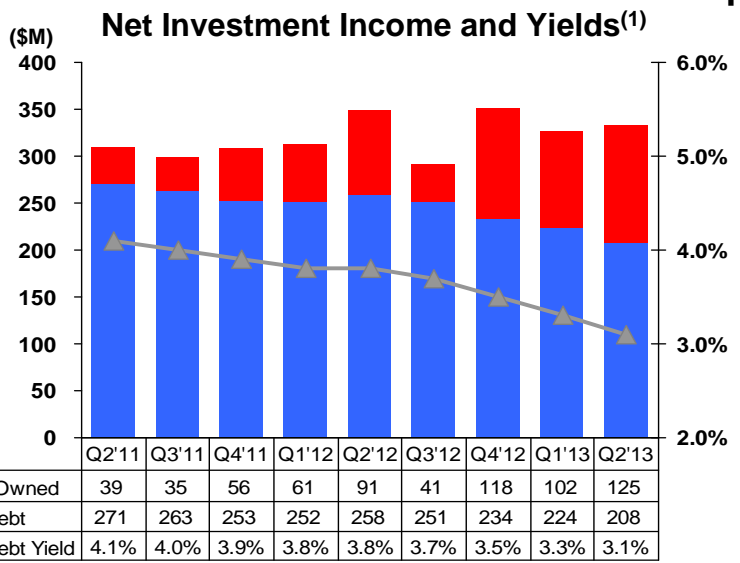




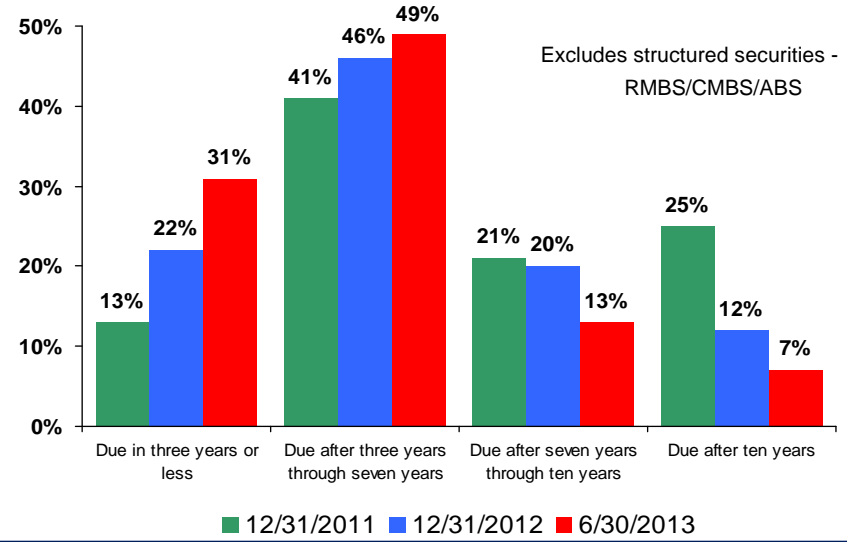


# Focus on Delivering More Attractive Risk Adjusted Returns

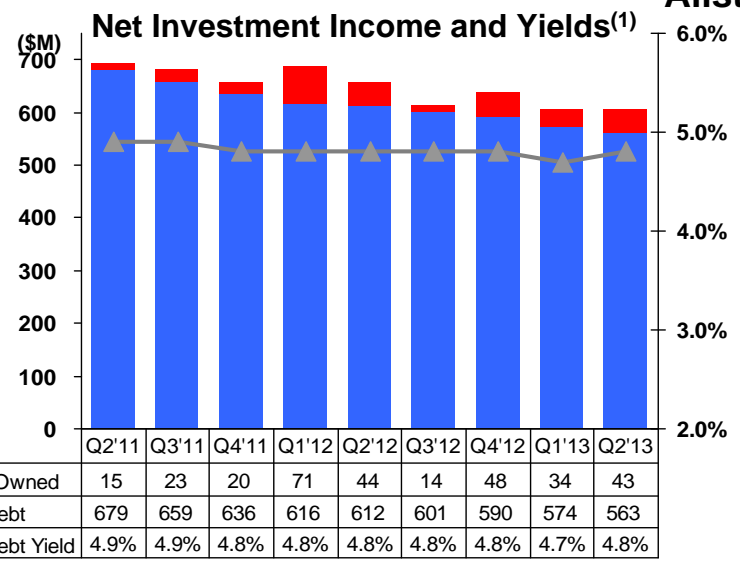
## Property-Liability



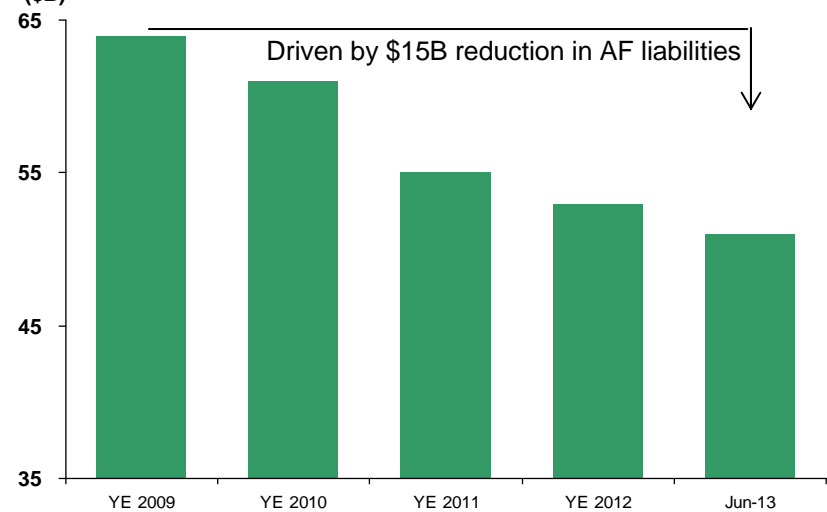
## Fixed Income by Scheduled Maturity Date



## Allstate Financial



## Total Portfolio at Amortized Cost



<sup>(1)</sup> Net investment income and yields exclude prepayment premiums and litigation proceeds



# Capital Management ... Recent Transactions

- **Capital management plan initiated in the second quarter to enhance financial flexibility and take advantage of low rate environment**
  - Repurchased \$1.83 billion principal amount of debt, recognizing \$312 million after-tax loss on debt extinguishment
  - Issued \$500 million 3.15% senior notes due 2023; \$500 million 4.50% senior notes due 2043 and \$287.5 million liquidation value of 5.625% noncumulative perpetual preferred stock
  - Expect to issue additional ~\$2 billion of perpetual preferred stock and subordinated “hybrid” debt to complete debt refinancing, prefund 2014 maturities and complete funding of 2013 share repurchase program
  
- **Subsequent Events**
  - Amended pension plans to adopt a new cash balance benefit formula for all employees effective January 1, 2014
  - Eliminated certain life insurance benefits currently provided to eligible employees effective January 1, 2014 and effective January 1, 2016 for all retirees who retired after 1989
  - Entered into a definitive agreement on July 17<sup>th</sup> to sell Lincoln Benefit Life Company, its life insurance business generated through independent master brokerage agencies, and all of its deferred fixed annuities (38% of Allstate Financial deferred annuities) and accident and health business. The transaction which is expected to close by year end, subject to regulatory approval, is expected to free up \$1 billion in deployable capital.

### ***Estimated Impact of Subsequent Events\****

<b><i>(\$ Millions)</i></b>	<b><i><u>Net Income</u> After-Tax</i></b>	<b><i><u>AOCI</u> After-Tax</i></b>	<b><i><u>Shareholders’ Equity</u></i></b>
Pension Changes	---	715	715
Retiree Life	120	55	175
Sale of LBL	<u>(500)</u>	<u>(125)</u>	<u>(625)</u>
Total Impact	(380)	645	265

\*Uses mid-point of estimated ranges.



# Strong Capital Position

- Initiated execution of capital management plan to repurchase and refinance existing debt using senior debt, subordinated debt, perpetual preferred stock, and cash
- Repurchased 19.2 million common shares during the first half, 4.9 million in the second quarter
  - \$1.08 billion remains on share repurchase authorization at June 30, 2013

## **Capital Position**

<i>(\$ in billions, except per share data)</i>	<b><u>6/30/12</u></b>	<b><u>12/31/12</u></b>	<b><u>3/31/13</u></b>	<b><u>6/30/13</u></b>
Shareholders' Equity				
- Common	\$19.5	\$20.6	\$20.6	\$19.6
- Preferred	---	---	---	0.3
Book Value per Common Share	39.73	42.39	43.46	41.63
Debt – Long-Term				
- Senior Debt	5.0	5.0	5.0	4.2
- Subordinated “Hybrid” Debt	1.0	1.0	1.5	1.3
Statutory Surplus				
- Property-Liability	12.9	13.7	13.6	13.6 est.
- Allstate Financial	3.6	3.5	3.6	3.4 est.
Total	16.5	17.2	17.2	17.0 est.
Holding Company Level Assets	2.3	2.1	2.7	2.4
<b><u>ROE – Twelve Months Ended</u></b>				
- Net Income	11.0%	11.9%	11.3%	11.6%
- Operating Income	11.4%	12.4%	11.9%	12.3%



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# ***Appendix***



# Grow Insurance Premiums . . . Continued Progress Made

	<u>Net Written Premium</u>		<u>Policies in Force</u>		
	<u>Q2 2013</u>	<u>Var. to PY</u>	<u>June 2013</u>	<u>Var. To 3/13</u>	<u>6/12</u>
	(\$M)	(%)	(000)	(%)	(%)
Property-Liability	7,151	4.2	33,008 <sup>(2)</sup>	0.5	---
-----					
<u>Allstate Brand</u>					
Standard Auto	4,012	2.8	18,546	0.8	---
Non-Standard	158	-9.2	609	-2.2	-9.5
Homeowners	1,693	3.3	6,097	-0.6	-4.4
All Other	<u>678</u>	6.8	<u>5,321</u>	-0.1	-0.9
Total Allstate Brand	6,541	3.0	30,573	0.3	-1.3
Memo: Emerging Businesses <sup>(1)</sup>	741	8.3	6,212	0.5	-0.2
Canada <sup>(1)</sup>	319	9.6	1,031	2.6	7.8
<u>Encompass</u>	315	9.0	1,217	2.2	6.8
<u>Esurance</u>	295	31.7	1,218	5.2	36.5

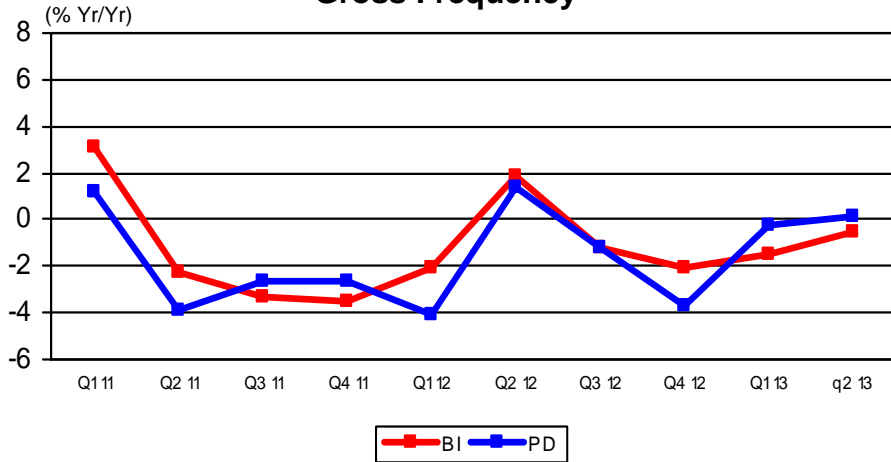
(1) Included in Allstate Brand

(2) Excludes 1,272,000 Good Hands Roadside members

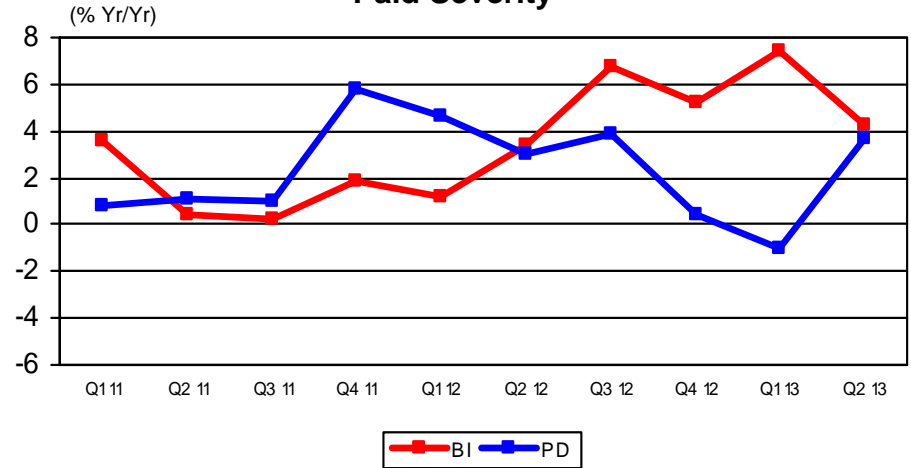


# Margins Maintained in Standard Auto

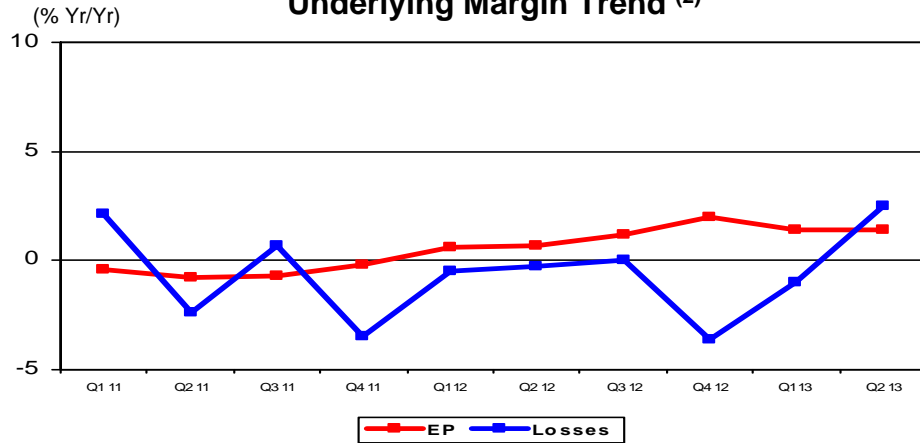
### Gross Frequency



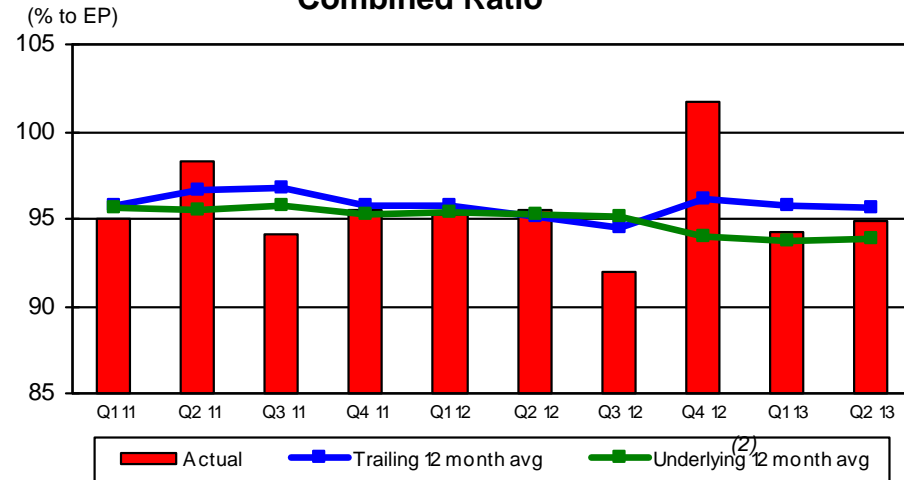
### Paid Severity (1)



### Underlying Margin Trend (2)



### Combined Ratio

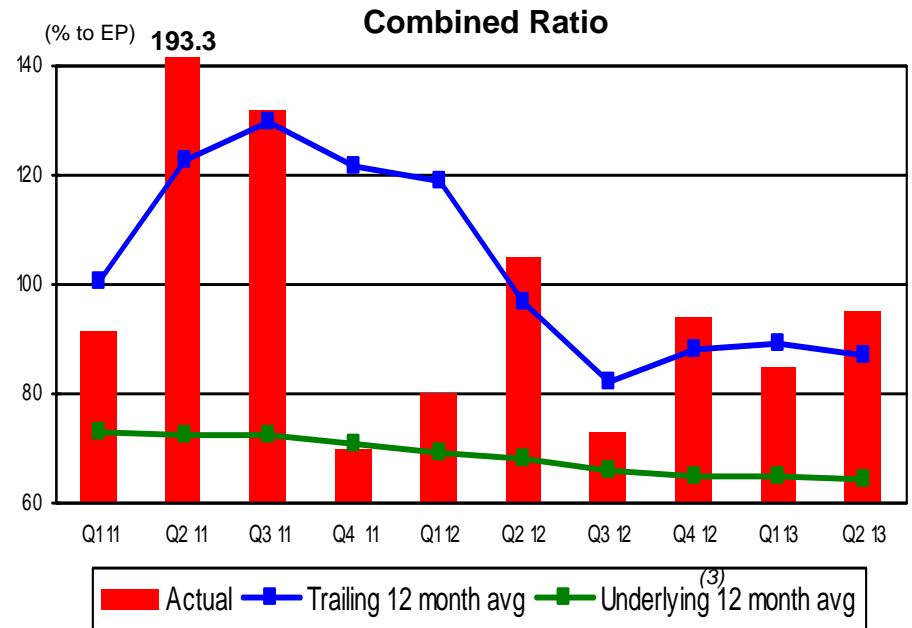
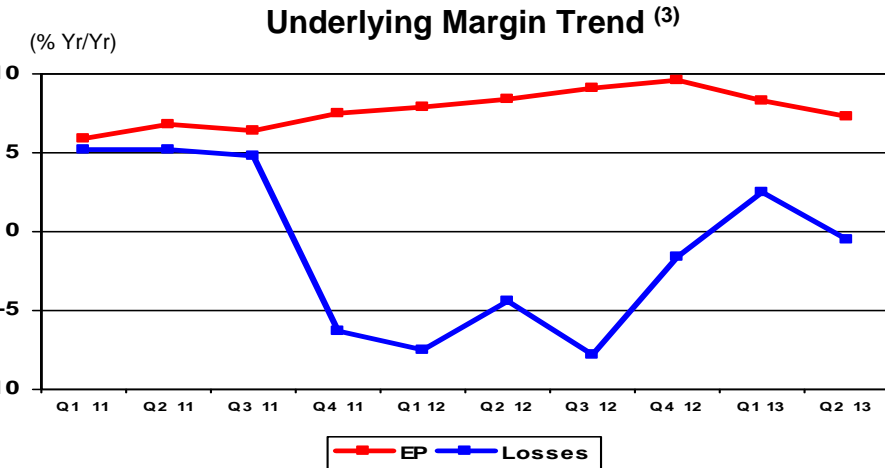
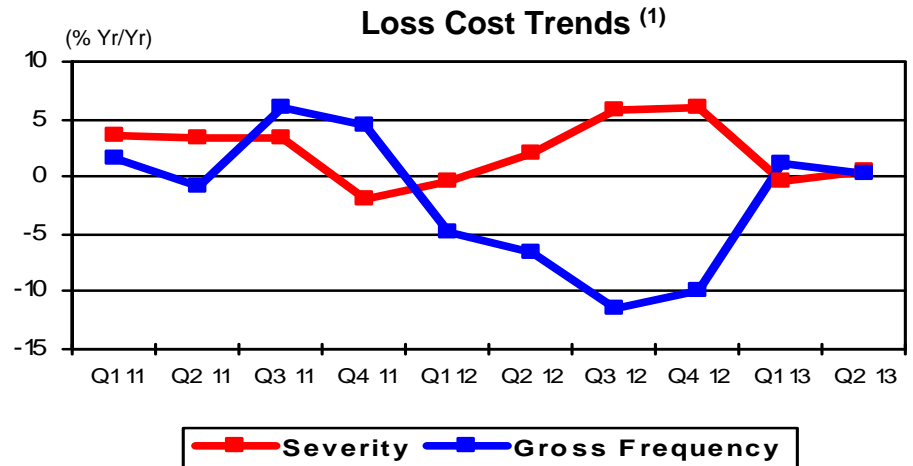


(1) Paid Severity is for Allstate Brand Total Auto. Gross Frequency, Underlying Margin Trend, and Combined Ratio Charts are for Allstate Brand Standard Auto  
 (2) Excludes Catastrophe Losses and Prior year Reserve Reestimates



# Homeowners Underlying Profitability Improves

	Q2 <u>2013</u>	Q2 <u>2012</u>	Variance
Earned Premium (\$ millions)	\$1,525	\$1,487	2.6%
Underlying Combined Ratio (%)	62.7	64.6	-1.9 pts
Catastrophe Losses <sup>(2)</sup>	32.5	40.2	-7.7 pts
Non-cat Pr. Yr. Reserve Reest.	---	<u>0.1</u>	-0.1 pts
Combined Ratio	95.2	104.9	-9.7 pts



Data for Allstate Brand homeowners

(1) Excluding Catastrophe Losses

(2) Includes Prior Year Catastrophe Reserve Reestimates

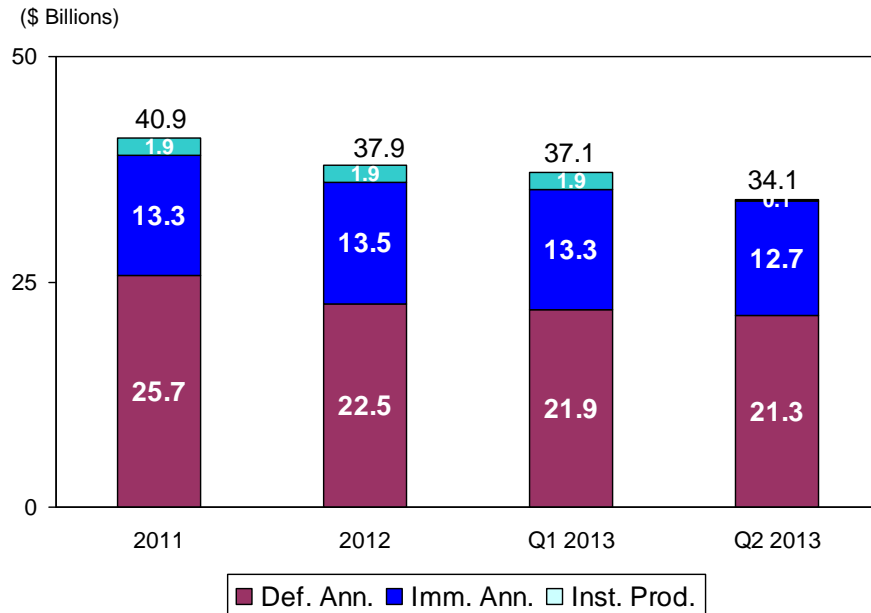
(3) Excludes Catastrophe Losses and Prior Year Reserve Reestimates





# Raising Returns in Annuities Remains a Challenge

## Reserves and Contractholder Funds On Annuities and Institutional Products



## Operating Income Return on Attributed Equity

	<u>Q2</u> <u>2013</u> %	<u>Q4</u> <u>2012</u> %
Life	8.6	9.0
Accident & Health	15.5	12.7
Deferred Annuities	11.3	9.8
Immediate Annuities	0.7	2.4
Sub Total Annuities	6.2	6.5
Allstate Financial	8.0	8.0