



# The Allstate Corporation

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Second Quarter 2015 Earnings Presentation  
August 4, 2015

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



## Forward-Looking Statements and Non-GAAP Financial Information

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 2014 Form 10-K, 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), under the “Quarterly Investor Info” link.

This presentation also contains some non-GAAP measures. You can find the reconciliation of those measures to GAAP measures within our most recent earnings release and investor supplement. These materials are available on our website, [allstateinvestors.com](http://allstateinvestors.com), under the “Quarterly Investor Info” link.



## Allstate Maintains Focus on Profitability

- Operating profit of \$262 million declined due to increased auto losses
- Comprehensive auto profit improvement plan has been implemented to meet full year combined ratio goal
- Progress was made on the four other 2015 Operating Priorities
- Overall operating income return on equity was 11.9% and shareholders have received cash of \$3.1 billion over the last twelve months

(\$ in millions, except per share data)	Three months ended June 30,			Six months ended June 30,		
	2015	2014	Change	2015	2014	Change
<b>Income available to common shareholders:</b>						
Net income	\$326	\$614	(46.9)%	\$974	\$1,201	(18.9)%
<i>per diluted common share</i>	<i>0.79</i>	<i>1.39</i>	<i>(43.2)%</i>	<i>2.33</i>	<i>2.69</i>	<i>(13.4)%</i>
Operating income	262	445	(41.1)%	878	1,033	(15.0)%
<i>per diluted common share</i>	<i>0.63</i>	<i>1.01</i>	<i>(37.6)%</i>	<i>2.10</i>	<i>2.31</i>	<i>(9.1)%</i>
<b>Total Revenues</b>	<b>8,982</b>	<b>8,860</b>	<b>1.4%</b>	<b>17,934</b>	<b>17,544</b>	<b>2.2%</b>
Property-liability insurance premiums	7,549	7,204	4.8%	14,975	14,268	5.0%
Net investment income	789	898	(12.1)%	1,639	1,857	(11.7)%
<b>Return on common shareholders' equity</b>						
Net income available to common shareholders				12.4%	11.4%	1.0 pts
Operating income				11.9%	13.7%	(1.8) pts



# Comprehensive Strategy to Provide Differentiated Customer Value Propositions to Unique Consumer Segments

## 2015 Operating Priorities

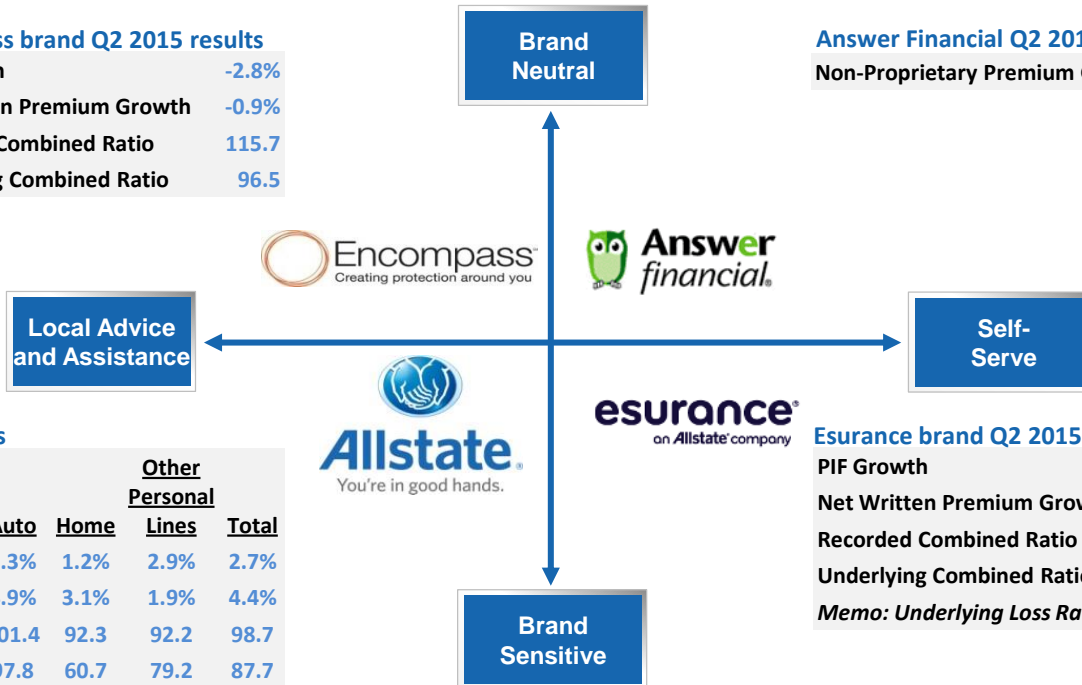
- Grow Insurance Policies in Force
- Maintain the Underlying Combined Ratio
- Proactively Manage Investments
- Modernize the Operating Model
- Build Long-term Growth Platforms

### Encompass brand Q2 2015 results

PIF Growth	-2.8%
Net Written Premium Growth	-0.9%
Recorded Combined Ratio	115.7
Underlying Combined Ratio	96.5

### Answer Financial Q2 2015 results

Non-Proprietary Premium Growth	16.0%
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### Allstate brand Q2 2015 results

	Auto	Home	Other Personal Lines	Total
PIF <sup>(1)</sup> Growth	3.3%	1.2%	2.9%	2.7%
Net Written Premium Growth	4.9%	3.1%	1.9%	4.4%
Recorded Combined Ratio	101.4	92.3	92.2	98.7
Underlying Combined Ratio	97.8	60.7	79.2	87.7

### Esurance brand Q2 2015 results

PIF Growth	6.4%
Net Written Premium Growth	9.1%
Recorded Combined Ratio	110.2
Underlying Combined Ratio	106.7
<i>Memo: Underlying Loss Ratio</i>	74.3

<sup>(1)</sup> Excludes Good Hands Roadside Members of 2,139,000, an increase of 268,000 over June 2014

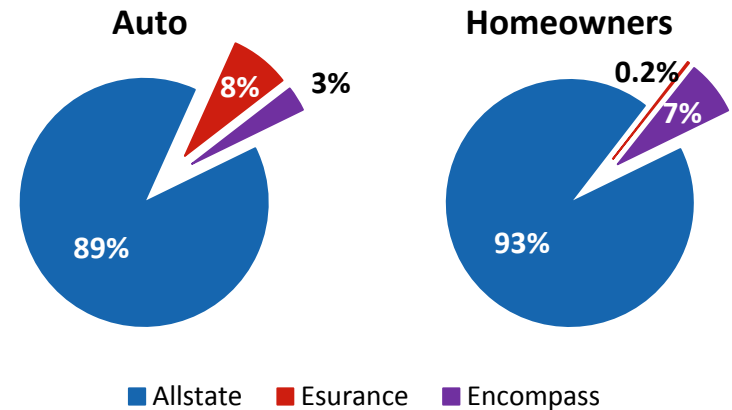


# Second Quarter Property-Liability Financial Results

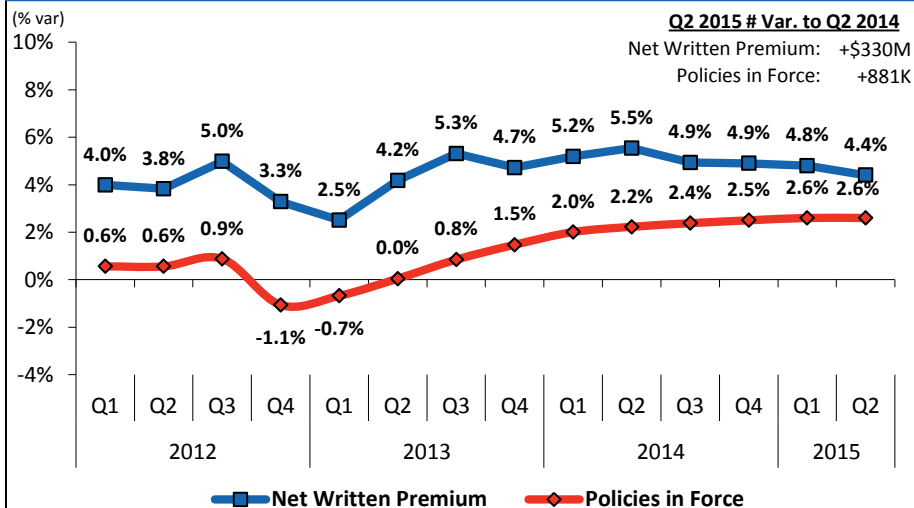
## Property-Liability Results

(\$ in millions, except ratios)	Q2	Var PY	YTD	Var PY
Net Written Premium	\$7,877	4.4%	\$15,183	4.6%
Policies in Force (000)	34,624	2.6%		
Catastrophe Losses	\$797	(14.9)%	\$1,091	(21.0)%
<b>Combined Ratio</b>				
- Recorded	100.1	2.7pts	96.9	0.8pts
- Underlying	89.1	4.4pts	89.1	2.5pts
Net Investment Income	292	(16.8)%	650	(2.0)%
Net Income <sup>(1)</sup>	222	(59.9)%	760	(27.4)%
Operating Income	198	(45.6)%	753	(9.5)%

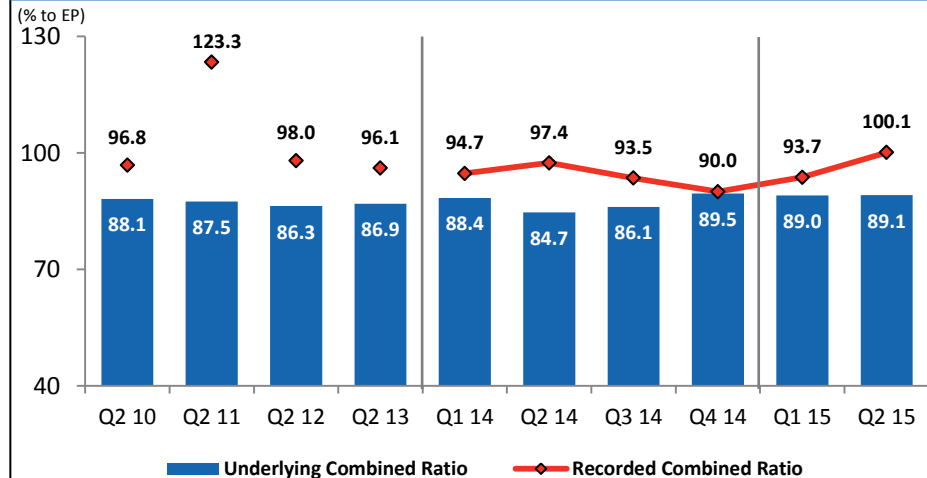
## Earned Premium Distribution by Brand<sup>(2)</sup>



## Allstate Protection Premium and Policy Growth



## Property-Liability Combined Ratio



<sup>(1)</sup> Available to common shareholders  
<sup>(2)</sup> Based on second quarter 2015 earned premium  
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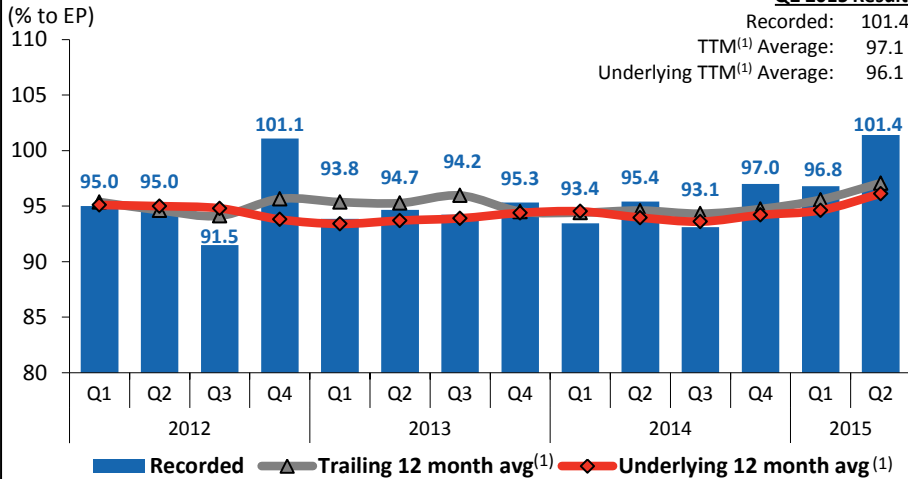


# Allstate Brand Auto Combined Ratio Elevated, Allstate Brand Homeowners is a Competitive Advantage

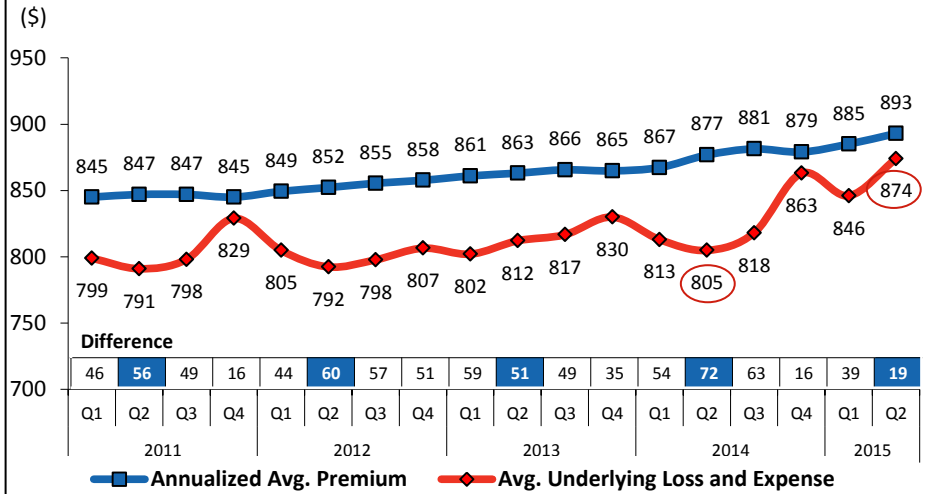
## Allstate Brand Auto Combined Ratio

**Q2 2015 Results**

Recorded: 101.4  
TTM<sup>(1)</sup> Average: 97.1  
Underlying TTM<sup>(1)</sup> Average: 96.1



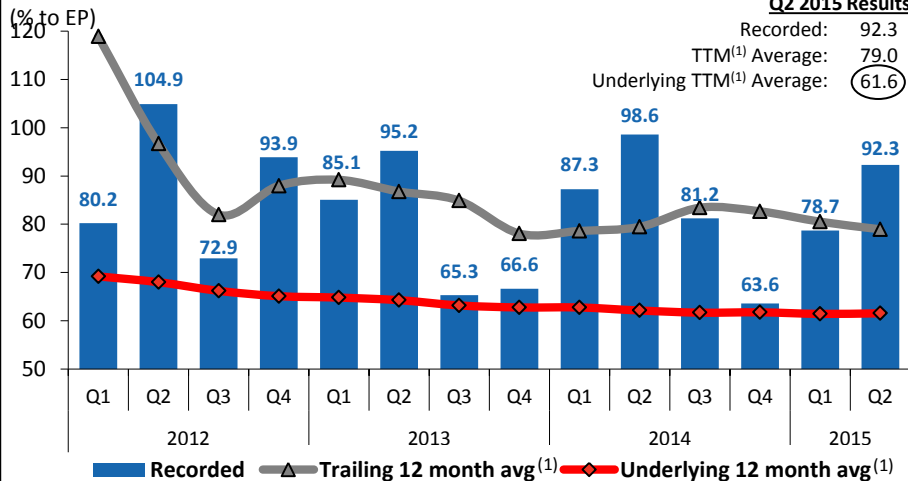
## Auto Underlying Margin Trend



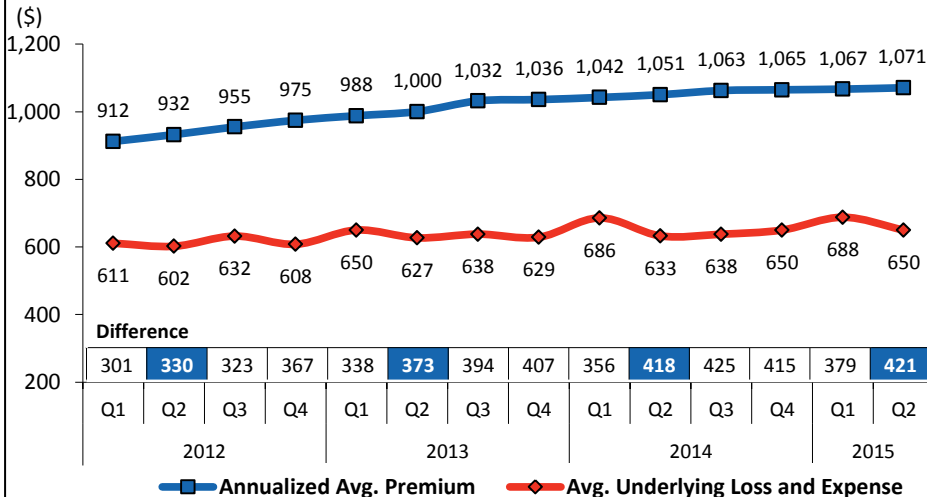
## Allstate Brand Homeowners Combined Ratio

**Q2 2015 Results**

Recorded: 92.3  
TTM<sup>(1)</sup> Average: 79.0  
Underlying TTM<sup>(1)</sup> Average: 61.6



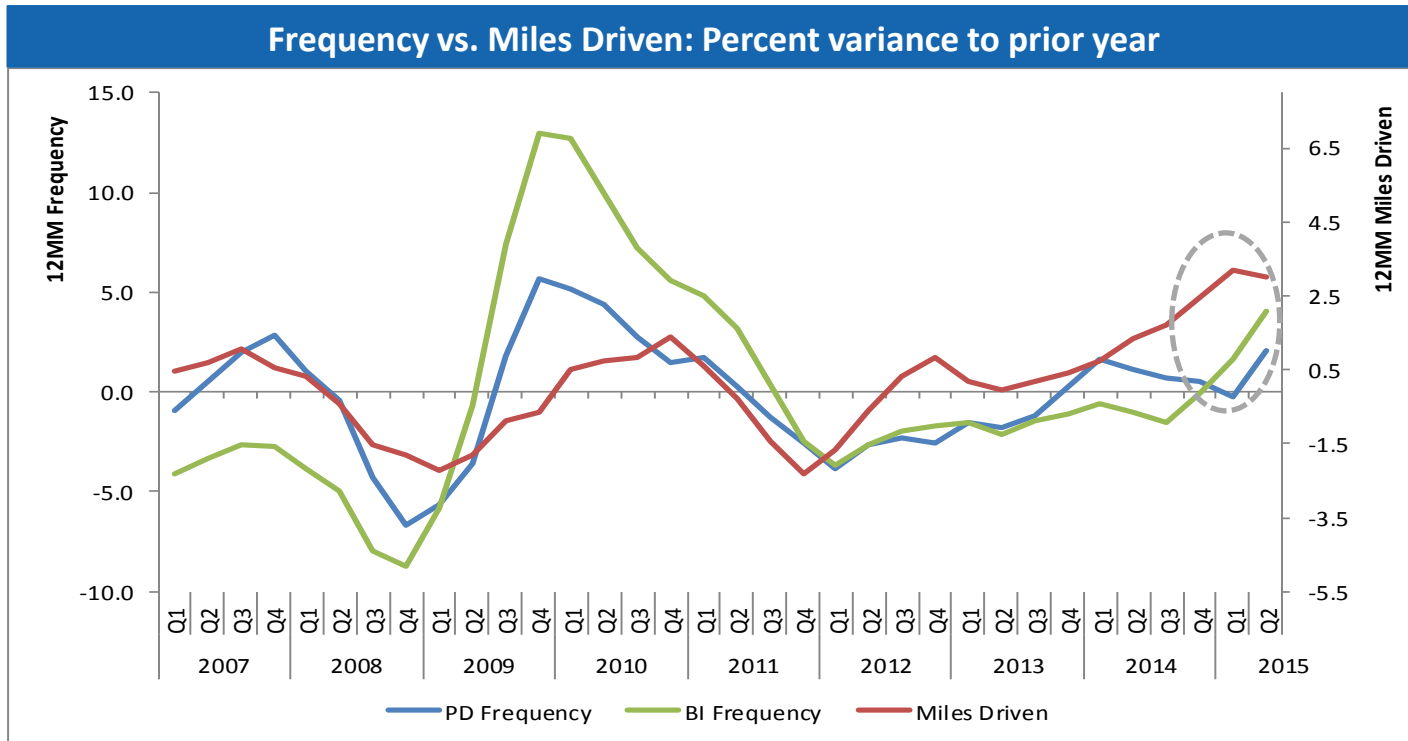
## Homeowners Underlying Margin Trend





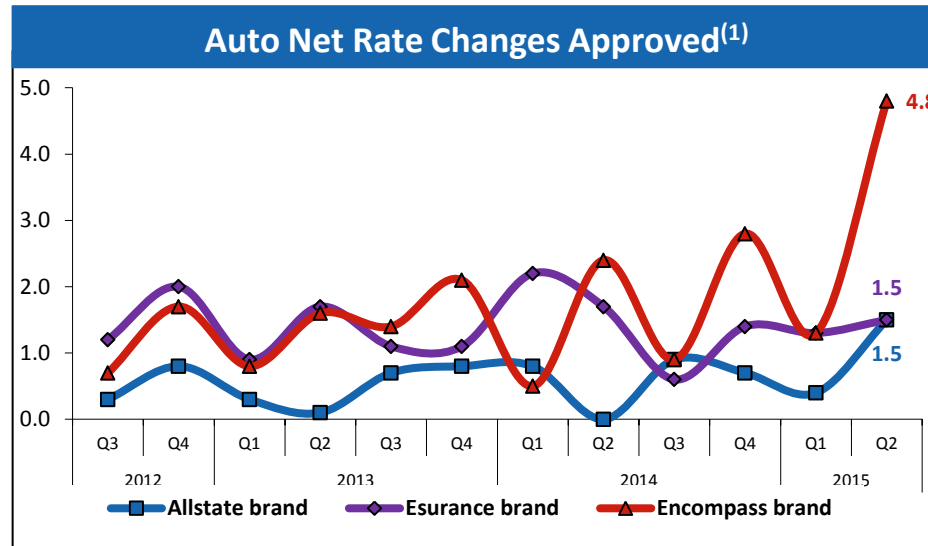
## Broad-Based Increase in Auto Losses

- Frequency increases have been observed broadly across geographies, segments, rating plans and customer tenure
- Macroeconomic indicators with historically tight correlation to Allstate's auto frequency continue to be the principal driver of this trend
- Recent growth in new business increased auto losses, as new auto business typically has higher relative frequency, but is not the primary driver of the higher Allstate brand auto combined ratio





# Actions to Improve Auto Returns in Place Across All Three Underwriting Brands



## Allstate brand

- Responding quickly to loss trends with broad-based rate increases
- Leveraging data and analytics to target local market, segment-specific rate and underwriting actions
- Expense improvement actions including reducing advertising, technology, professional services and employee-related costs

## Esurance

- Targeting rate and underwriting adjustments in underperforming states
- Lowering advertising investment to slow growth while improving returns

## Encompass

- Accelerating rate increases and underwriting actions broadly
- Increasing focus on agency segmentation

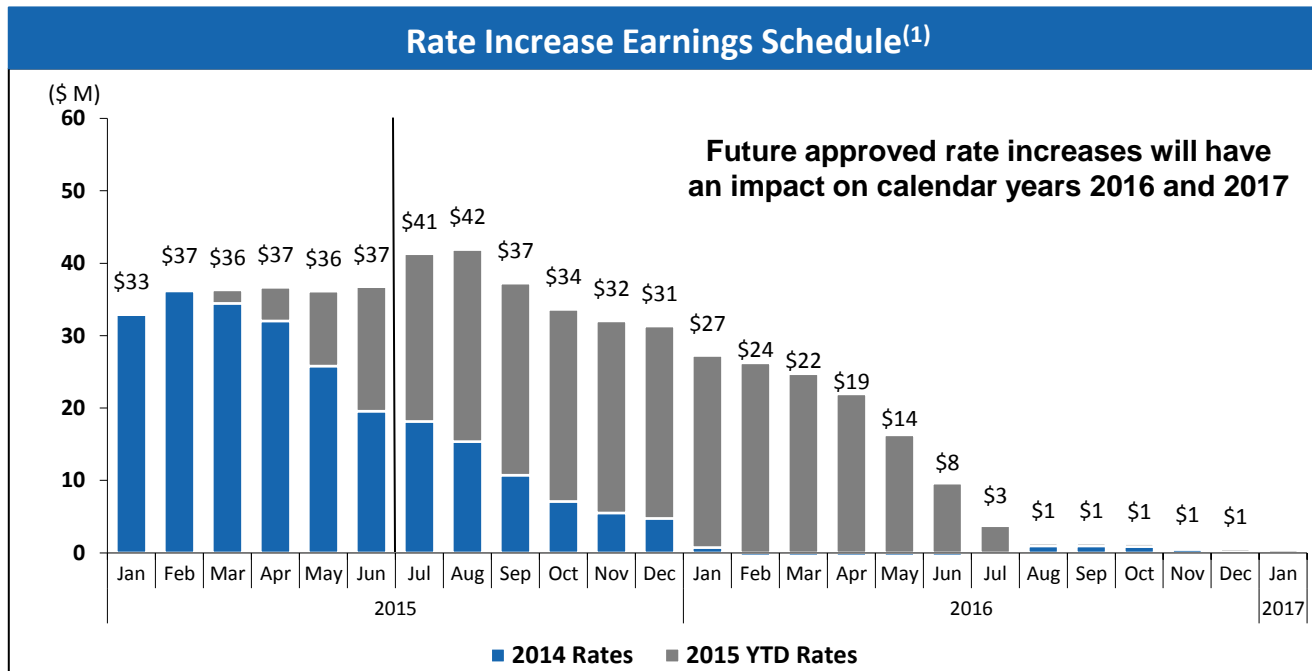
<sup>(1)</sup> Impact of net rate changes approved on prior year-end premiums written.  
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# Impact of YTD 2015 Rate Increases Begins to Materialize in Third Quarter 2015

- Allstate brand 2015 auto rate increases approved through June 30 are projected to generate a total of approximately \$323 million in premium earned
- Of the total, approximately \$155 million of 2015 year-to-date rate increases will earn in the second half of 2015



<sup>(1)</sup> Actual amounts realized will be based on retention and mix of customers.



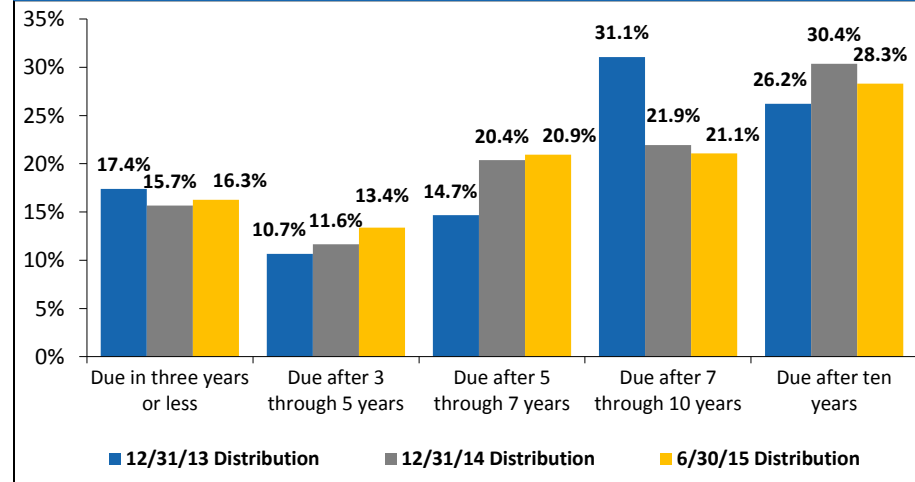
# Allstate Life Continues Strategic Integration with Allstate Brand Customer Value Proposition

- Operating income was consistent with recent quarters. Decline from historically high prior year quarter driven primarily by lower investment spread and higher mortality
- Shortening investment portfolio duration in anticipation of rising interest rates will reduce run-rate earnings level in second half of 2015

## Allstate Financial Results

(\$ in millions)	Q2	Var PY	YTD	Var PY
Premiums & Contract Charges	\$536	3.5%	\$1,073	(4.6)%
Net Investment Income	489	(9.1)%	973	(17.4)%
Operating Costs	118	5.4%	241	4.8%
Net Income <sup>(1)</sup>	179	23.4%	362	17.9%
Operating Income	139	(15.8)%	273	(22.9)%
Operating Income Return on Attributed Capital	8.4%	-1.4pts		

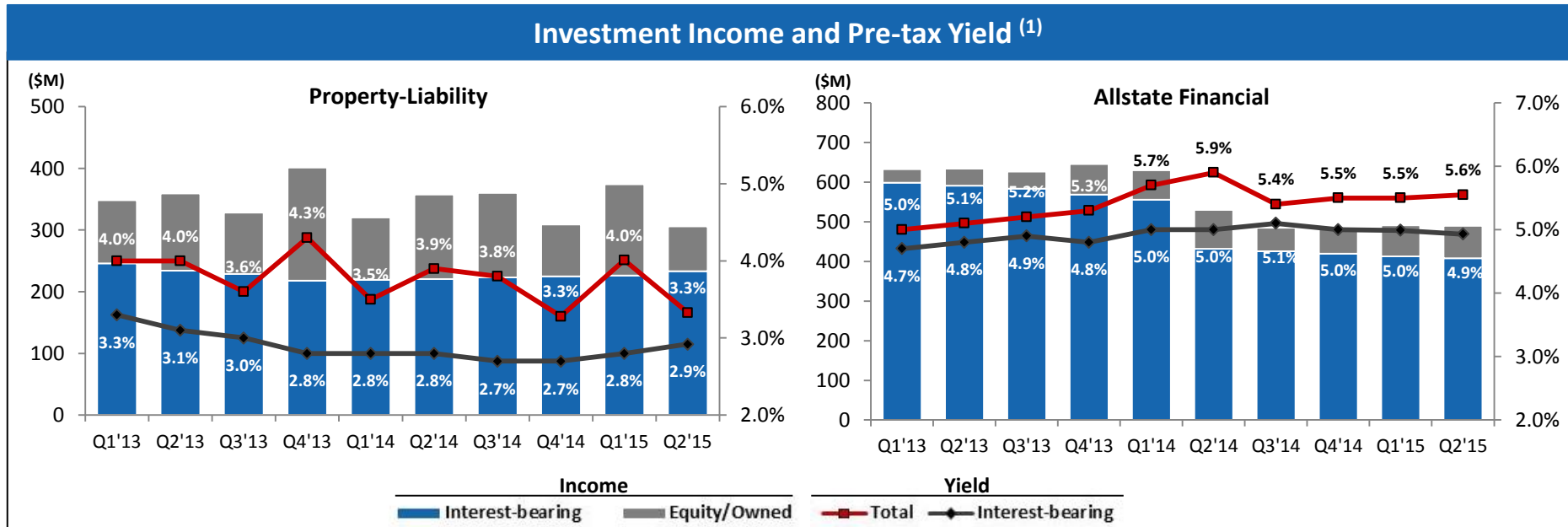
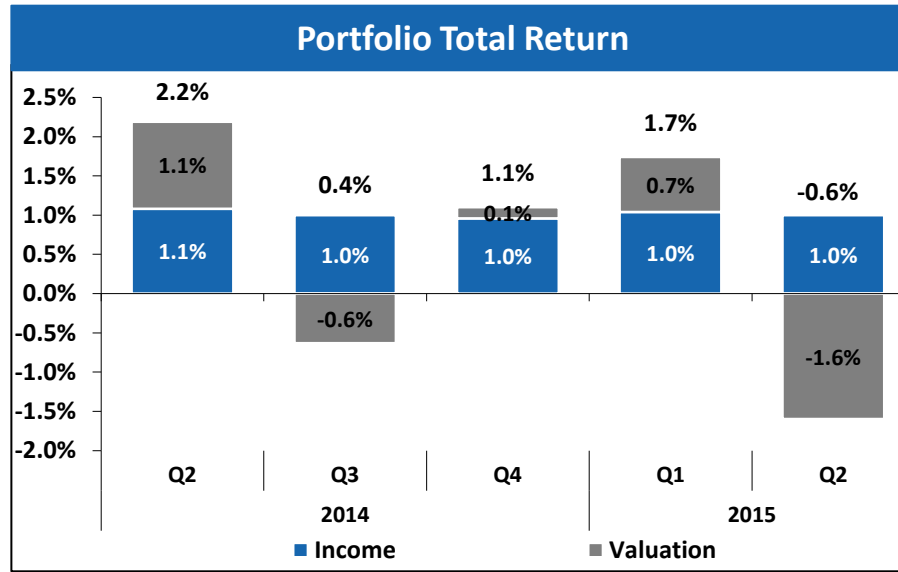
## AF Fixed Income by Scheduled Maturity Date



<sup>(1)</sup> Available to common shareholders



# Proactively Managing Investments



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



## Strong Capital Position and Excellent Cash Returns to Shareholders

<b>Capital Position</b>			
	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/13</u>
Book Value per Common Share	\$47.96	\$47.97	\$41.63
<i>Excluding the impact of unrealized net capital gains and losses on fixed income securities</i>	<i>\$45.02</i>	<i>\$44.13</i>	<i>\$38.47</i>
<b>Return on Common Shareholders' Equity</b>			
- Net Income	12.4%	11.4%	11.6%
- Operating Income	11.9%	13.7%	12.3%
Deployable Holding Company Assets (\$B)	\$3.4	\$3.6	\$2.4
Common shares outstanding (millions)	402	434	465

- Returned \$642 million in cash to common shareholders in the second quarter of 2015
  - Completed \$500 million accelerated share repurchase program in May
  - Paid \$125 million in common share dividends
  - As of June 30, 2015, \$1.9 billion remained on our \$3 billion common share repurchase agreement
- Finalized 2015 Florida catastrophe reinsurance program



## Forward-Looking Statements

This presentation contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. We believe these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements include risks related to: (1) adverse changes in the nature and level of catastrophes and severe weather events; (2) impacts of catastrophe management strategy on premium growth; (3) regulatory changes, including limitations on rate increases and requirements to underwrite business and participate in loss sharing arrangements; (4) market convergence and regulatory changes on our risk segmentation and pricing; (5) the cyclical nature of the property and casualty business; (6) unexpected increases in the severity or frequency of claims; (7) reestimates of reserves for claims; (8) adverse legal determinations regarding discontinued product lines and other legal and regulatory actions; (9) changes in underwriting and actual experience; (10) the influence of changes in market interest rates on spread-based products; (11) changes in estimates of profitability on interest-sensitive life products; (12) reducing our concentration in spread-based business and exiting certain distribution channels; (13) changes in tax laws; (14) our ability to mitigate the capital impact associated with statutory reserving requirements; (15) compliance and operational issues relating to dispositions and acquisitions of businesses; (16) market risk and declines in credit quality relating to our investment portfolio; (17) our subjective determination of the fair value of our fixed income and equity securities and the amount of realized capital losses recorded for impairments of our investments; (18) competition in the insurance industry; (19) conditions in the global economy and capital markets; (20) losses from legal and regulatory actions; (21) restrictive regulation and regulatory reforms; (22) the availability of reinsurance at current levels and prices; (23) credit risk of our reinsurers; (24) a downgrade in our financial strength ratings; (25) the effect of adverse capital and credit market conditions; (26) failure in cyber or other information security systems; (27) the impact of a large scale pandemic, the threat of terrorism or military action; (28) possible impairments in the value of goodwill; (29) changes in accounting standards; (30) the realization of deferred tax assets; (31) restrictions on our subsidiaries’ ability to pay dividends; (32) restrictions under the terms of certain of our securities on our ability to pay dividends or repurchase our stock; (33) changing climate conditions; (34) loss of key vendor relationships or failure of a vendor to protect confidential information; and (35) failure to protect intellectual property. Additional information concerning these and other factors may be found in our filings with the Securities and Exchange Commission, including the “Risk Factors” section in our most recent Annual Report on Form 10-K. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statement.



**Allstate**®

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