The Allstate Corporation

Definitions and Reconciliations of Non-GAAP Measures

Fourth Quarter 2013

This document sets forth definitions and reconciliations of performance measures that are not based on GAAP ("non-GAAP"). We believe that investors' understanding of Allstate's performance is enhanced by the disclosure of the following non-GAAP measures:

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

Operating revenues is the total revenues excluding realized capital gains and losses. Total revenues is the GAAP measure that is most directly comparable to operating revenues. We use operating revenues 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. Operating revenues should not be considered a substitute for total revenues and does not reflect the overall profitability of our business.

The following table reconciles operating revenues and total revenues.

($ in millions)	Three months ended December 31, 2013	Three months ended December 31, 2012	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Property-liability insurance premiums	$ 7,014	$ 6,744	$ 27,618	$ 26,737
Life and annuity premiums and contract charges	610	566	2,352	2,241
Net investment income	1,026	1,033	3,943	4,010
Operating revenues	8,650	8,343	33,913	32,988
Realized capital gains and losses	142	204	594	327
Total revenues	$ 8,792	$ 8,547	$ 34,507	$ 33,315

Operating income is net income available to common shareholders, 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,
- valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of deferred policy acquisition costs ("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, after-tax,
- business combination expenses and the amortization of purchased intangible assets, after-tax,
- 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 available to common shareholders is the GAAP measure that is most directly comparable to operating income.

We use operating income 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, business combination expenses and the amortization of purchased intangible assets, 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 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, 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. Business combination expenses are excluded because they are non-recurring in nature and the amortization of purchased intangible assets is excluded because it relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, operating income 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 is used by management along with the other components of net income available to common shareholders to assess our performance. We use adjusted measures of operating income and operating income per diluted common share in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income available to common shareholders, operating income 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 as the denominator. Operating income should not be considered a substitute for net income available to common shareholders and does not reflect the overall profitability of our business.

The following tables reconcile operating income and net income available to common shareholders.

($ in millions, except per share data)

For the three months ended December 31,	Property-Liability 2013	Property-Liability 2012	Allstate Financial 2013	Allstate Financial 2012	Consolidated 2013	Consolidated 2012	Per diluted common share 2013	Per diluted common share 2012
Operating income	$ 793	$ 200	$ 160	$ 144	$ 781	$ 289	$ 1.70	$ 0.59
Realized capital gains and losses	128	143	14	56	142	204		
Income tax expense	(42)	(47)	(5)	(19)	(48)	(68)		
Realized capital gains and losses, after-tax	86	96	9	37	94	136	0.21	0.28
Valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(3)	(6)	(3)	(6)	(0.01)	(0.01)
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(3)	(4)	(3)	(4)	(0.01)	(0.01)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	--	--	--	--	--	--	--	--
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	1	--	--	(7)	1	(7)	--	(0.01)
Business combination expenses and the amortization of purchased intangible assets, after-tax	(15)	(16)	--	--	(15)	(16)	(0.03)	(0.03)
(Loss) gain on disposition of operations, after-tax	--	--	(44)	2	(44)	2	(0.10)	--
Loss on extinguishment of debt, after-tax	--	--	--	--	(1)	--	--	--
Net income available to common shareholders	$ 865	$ 280	$ 119	$ 166	$ 810	$ 394	$ 1.76	$ 0.81

For the twelve months ended December 31,	Property-Liability 2013	Property-Liability 2012	Allstate Financial 2013	Allstate Financial 2012	Consolidated 2013	Consolidated 2012	Per diluted common share 2013	Per diluted common share 2012
Operating income	$ 2,467	$ 1,825	$ 588	$ 529	$ 2,670	$ 2,148	$ 5.68	$ 4.36
Realized capital gains and losses	519	335	74	(13)	594	327		
Income tax (expense) benefit	(180)	(114)	(28)	5	(209)	(111)		
Realized capital gains and losses, after-tax	339	221	46	(8)	385	216	0.82	0.44
Valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(16)	82	(16)	82	(0.03)	0.17
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(5)	(42)	(5)	(42)	(0.01)	(0.09)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	--	--	7	4	7	4	0.01	0.01
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	4	3	(11)	(36)	(7)	(33)	(0.01)	(0.07)
Business combination expenses and the amortization of purchased intangible assets, after-tax	(55)	(81)	--	--	(55)	(81)	(0.12)	(0.16)
(Loss) gain on disposition of operations, after-tax	(1)	--	(514)	12	(515)	12	(1.10)	0.02
Loss on extinguishment of debt, after-tax	--	--	--	--	(319)	--	(0.68)	--
Postretirement benefits curtailment gain, after-tax	--	--	--	--	118	--	0.25	--
Net income available to common shareholders	$ 2,754	$ 1,968	$ 95	$ 541	$ 2,263	$ 2,306	$ 4.81	$ 4.68

Underlying operating income is net income, 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,
- 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, after-tax,
- business combination expenses and the amortization of purchased intangible assets, after-tax,
- 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 available to common shareholders is the GAAP measure that is most directly comparable to underlying operating income.

We use underlying operating income 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, business combination expenses and the amortization of purchased intangible assets, 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 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, 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. Business combination expenses are excluded because they are non-recurring in nature and the amortization of purchased intangible assets is excluded because it relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, underlying operating income 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 available to common shareholders 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 available to common shareholders, operating income, underlying operating income 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 should not be considered a substitute for net income available to common shareholders and does not reflect the overall profitability of our business.

The following tables reconcile underlying operating income and net income available to common shareholders.

($ in millions, except per share data)

	For the three months ended December 31,							
	Property-Liability		**Allstate Financial**		**Consolidated**		**Per diluted common share**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Underlying operating income	$ 832	$ 841	$ 160	$ 144	$ 820	$ 930	$ 1.78	$ 1.91
Catastrophe losses, after-tax	(76)	(689)	--	--	(76)	(689)	(0.16)	(1.42)
Prior year non-catastrophe reserve reestimates, after-tax	37	48	--	--	37	48	0.08	0.10
Operating income	$ 793	$ 200	$ 160	$ 144	$ 781	$ 289	$ 1.70	$ 0.59
Realized capital gains and losses	128	143	14	56	142	204		
Income tax expense	(42)	(47)	(5)	(19)	(48)	(68)		
Realized capital gains and losses, after-tax	86	96	9	37	94	136	0.21	0.28
Valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(3)	(6)	(3)	(6)	(0.01)	(0.01)
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(3)	(4)	(3)	(4)	(0.01)	(0.01)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	--	--	--	--	--	--	--	--
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	1	--	--	(7)	1	(7)	--	(0.01)
Business combination expenses and the amortization of purchased intangible assets, after-tax	(15)	(16)	--	--	(15)	(16)	(0.03)	(0.03)
(Loss) gain on disposition of operations, after-tax	--	--	(44)	2	(44)	2	(0.10)	--
Loss on extinguishment of debt, after-tax	--	--	--	--	(1)	--	--	--
Net income available to common shareholders	$ 865	$ 280	$ 119	$ 166	$ 810	$ 394	$ 1.76	$ 0.81

	For the twelve months ended December 31,							
	Property-Liability		**Allstate Financial**		**Consolidated**		**Per diluted common share**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Underlying operating income	$ 3,259	$ 3,183	$ 588	$ 529	$ 3,462	$ 3,506	$ 7.36	$ 7.11
Catastrophe losses, after-tax	(813)	(1,524)	--	--	(813)	(1,524)	(1.73)	(3.09)
Prior year non-catastrophe reserve reestimates, after-tax	21	166	--	--	21	166	0.05	0.34
Operating income	$ 2,467	$ 1,825	$ 588	$ 529	$ 2,670	$ 2,148	$ 5.68	$ 4.36
Realized capital gains and losses	519	335	74	(13)	594	327		
Income tax (expense) benefit	(180)	(114)	(28)	5	(209)	(111)		
Realized capital gains and losses, after-tax	339	221	46	(8)	385	216	0.82	0.44
Valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(16)	82	(16)	82	(0.03)	0.17
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	--	--	(5)	(42)	(5)	(42)	(0.01)	(0.09)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	--	--	7	4	7	4	0.01	0.01
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	4	3	(11)	(36)	(7)	(33)	(0.01)	(0.07)
Business combination expenses and the amortization of purchased intangible assets, after-tax	(55)	(81)	--	--	(55)	(81)	(0.12)	(0.16)
(Loss) gain on disposition of operations, after-tax	(1)	--	(514)	12	(515)	12	(1.10)	0.02
Loss on extinguishment of debt, after-tax	--	--	--	--	(319)	--	(0.68)	--
Postretirement benefits curtailment gain, after-tax	--	--	--	--	118	--	0.25	--
Net income available to common shareholders	$ 2,754	$ 1,968	$ 95	$ 541	$ 2,263	$ 2,306	$ 4.81	$ 4.68

Underwriting income 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 available to common shareholders is the most directly comparable GAAP measure. Underwriting income should not be considered a substitute for net income available to common shareholders and does not reflect the overall profitability of our business. The following table reconciles Property-Liability underwriting income (loss) to Property-Liability net income available to common shareholders.

($ in millions)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2013	**2012**	**2013**	**2012**
Premiums earned	$ 7,014	$ 6,744	$ 27,618	$ 26,737
Claims and claims expense	(4,283)	(5,042)	(17,911)	(18,484)
Amortization of DAC	(984)	(870)	(3,674)	(3,483)
Operating costs and expenses	(942)	(939)	(3,752)	(3,536)
Restructuring and related charges	(11)	(9)	(63)	(34)
Underwriting income (loss)	794	(116)	2,218	1,200
Net investment income	382	362	1,375	1,326
Realized capital gains and losses	128	143	519	335
Income tax expense	(439)	(109)	(1,357)	(893)
Loss on disposition of operations	--	--	(1)	--
Net income available to common shareholders	$ 865	$ 280	$ 2,754	$ 1,968

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 Property-Liability combined ratio.

	Three months ended December 31,		**Twelve months ended December 31,**	
	2013	**2012**	**2013**	**2012**
Combined ratio excluding the effect of catastrophes	87.0	86.0	87.5	86.7
Effect of catastrophe losses	1.7	15.7	4.5	8.8
Combined ratio	88.7	101.7	92.0	95.5

The following table reconciles the Allstate brand homeowners combined ratio excluding the effect of catastrophes to the Allstate brand homeowners combined ratio.

	Three months ended December 31,		**Twelve months ended December 31,**	
	2013	**2012**	**2013**	**2012**
Combined ratio excluding the effect of catastrophes	59.5	61.9	62.3	64.8
Effect of catastrophe losses	7.1	32.0	15.6	23.2
Combined ratio	66.6	93.9	77.9	88.0

Combined ratio excluding the effect of catastrophes, prior year reserve reestimates, business combination expenses and the amortization of purchased intangible assets ("underlying combined ratio") is a non-GAAP ratio, which is computed as the difference between four GAAP operating ratios: the combined ratio, the effect of catastrophes on the combined ratio, the effect of prior year non-catastrophe reserve reestimates on the combined ratio, the effect of business combination expenses and the amortization of purchased intangible assets on 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, prior year reserve reestimates, business combination expenses and the amortization of purchased intangible assets. 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. Business combination expenses and the amortization of purchased intangible assets primarily relate to the acquisition purchase price and are not indicative of our underlying insurance business results or trends. 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 underlying combined ratio. The most directly comparable GAAP measure is the combined ratio. The underlying combined ratio 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 underlying combined ratio to the Property-Liability combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	**2012**	**2013**	**2012**
Combined ratio excluding the effect of catastrophes, prior year reserve reestimates, business combination expenses and the amortization of purchased intangible assets ("underlying combined ratio")	87.5	86.7	87.3	87.2
Effect of catastrophe losses	1.7	15.7	4.5	8.8
Effect of prior year non-catastrophe reserve reestimates	(0.8)	(1.1)	(0.1)	(1.0)
Effect of business combination expenses and the amortization of purchased intangible assets	0.3	0.4	0.3	0.5
Combined ratio	88.7	101.7	92.0	95.5
Effect of prior year catastrophe reserve reestimates	(0.1)	(1.2)	(0.3)	(1.5)

Underwriting margin is calculated as 100% minus the combined ratio.

The following table reconciles the Allstate brand underlying combined ratio to the Allstate brand combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	**2012**	**2013**	**2012**
Underlying combined ratio	86.1	85.4	85.8	86.0
Effect of catastrophe losses	1.8	15.5	4.7	8.9
Effect of prior year non-catastrophe reserve reestimates	(0.6)	(1.0)	(0.6)	(1.1)
Combined ratio	87.3	99.9	89.9	93.8
Effect of prior year catastrophe reserve reestimates	--	(1.2)	(0.3)	(1.6)

The following table reconciles the Encompass brand underlying combined ratio to the Encompass brand combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	**2012**	**2013**	**2012**
Underlying combined ratio	91.8	97.1	93.7	96.0
Effect of catastrophe losses	0.3	34.9	5.2	12.6
Effect of prior year non-catastrophe reserve reestimates	(6.0)	(7.6)	(3.0)	(2.1)
Combined ratio	86.1	124.4	95.9	106.5
Effect of prior year catastrophe reserve reestimates	(1.5)	(0.8)	(0.7)	(2.1)

The following table reconciles the Esurance brand underlying combined ratio to the Esurance brand combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	2012	2013	2012
Underlying combined ratio	111.9	107.9	111.7	108.2
Effect of catastrophe losses	0.3	2.3	0.9	1.6
Effect of business combination expenses and the amortization of purchased intangible assets	4.5	7.2	4.9	10.1
Combined ratio	116.7	117.4	117.5	119.9

The following table reconciles the Allstate brand auto underlying combined ratio to the Allstate brand standard auto combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	2012	2013	2012
Underlying combined ratio	95.9	94.0	94.4	93.8
Effect of catastrophe losses	--	8.9	1.0	3.8
Effect of prior year non-catastrophe reserve reestimates	(0.6)	(1.8)	(0.9)	(1.9)
Combined ratio	95.3	101.1	94.5	95.7
Effect of prior year catastrophe reserve reestimates	(0.3)	(0.1)	(0.3)	(0.2)

The following table reconciles the Allstate brand homeowners underlying combined ratio to the Allstate brand homeowners combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	2012	2013	2012
Underlying combined ratio	60.7	62.4	62.7	65.1
Effect of catastrophe losses	7.1	32.0	15.6	23.2
Effect of prior year non-catastrophe reserve reestimates	(1.2)	(0.5)	(0.4)	(0.3)
Combined ratio	66.6	93.9	77.9	88.0
Effect of prior year catastrophe reserve reestimates	0.9	(4.5)	0.4	(4.9)

The following table reconciles the Encompass brand auto underlying combined ratio to the Encompass brand auto combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	2012	2013	2012
Underlying combined ratio	110.3	112.4	108.0	108.0
Effect of catastrophe losses	(0.6)	9.8	0.3	3.6
Effect of prior year non-catastrophe reserve reestimates	(4.5)	(15.0)	(4.3)	(3.9)
Combined ratio	105.2	107.2	104.0	107.7
Effect of prior year catastrophe reserve reestimates	--	--	(0.5)	--

The following table reconciles the Esurance brand auto underlying combined ratio to the Esurance brand auto combined ratio.

	Three months ended December 31,		Twelve months ended December 31,	
	2013	2012	2013	2012
Underlying combined ratio	111.7	107.9	111.5	108.2
Effect of catastrophe losses	0.3	2.3	0.9	1.6
Effect of business combination expenses and the amortization of purchased intangible assets	4.5	7.2	4.9	10.1
Combined ratio	116.5	117.4	117.3	119.9

Average underlying loss is calculated as the underlying combined ratio (a non-GAAP measure), less the GAAP expense ratio, multiplied by the GAAP average earned premium. We believe that this measure is useful to investors and it is used by management for the same reasons noted above for the underlying combined ratio. The reconciliations of the underlying combined ratio to the comparable GAAP measure are above.

The following table presents the average underlying loss calculation for Allstate brand auto.

	Three months ended	
	Dec 31, 2013	Dec. 31, 2012
Average premium [1]	$ 865	$ 858
Average premium - (% change year-over-year period)	0.8 %	1.5 %
Underlying ratio	95.9	94.0
Less: expense ratio	26.6	25.5
Underlying loss ratio	69.3	68.5
Multiplied by: average premium	$ 865	$ 858
Average underlying loss (incurred pure premium)	$ 599	$ 588
% change in average underlying loss year-over-year period	1.9 %	(3.6) %

The following table presents the average underlying loss calculation for Allstate brand homeowners.

	Three months ended	
	Dec 31, 2013	Dec 31, 2012
Average premium [1]	$ 1,036	$ 975
Average premium - (% change year-over-year period)	6.3 %	9.6 %
Underlying ratio	60.7	62.4
Less: expense ratio	25.0	24.9
Underlying loss ratio	35.7	37.5
Multiplied by: average premium	$ 1,036	$ 975
Average underlying loss (incurred pure premium)	$ 370	$ 366
% change in average underlying loss year-over-year period	1.1 %	(1.6) %

Operating income return on common shareholders' equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month operating income by the average of common 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 common shareholders' equity is the most directly comparable GAAP measure. We use operating income as the numerator for the same reasons we use operating income, as discussed above. We use average common shareholders' equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of common 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 available to common shareholders and return on common 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 return on common 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 return on common shareholders' equity from return on common shareholders' equity is the transparency and understanding of their significance to return on common 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 return on common shareholders' equity and return on common shareholders' equity when evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income return on common 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 return on common shareholders' equity should not be considered a substitute for return on common shareholders' equity and does not reflect the overall profitability of our business.

The following tables reconcile return on common shareholders' equity and operating income return on common shareholders' equity.

($ in millions)	**For the twelve months ended December 31,**	
	2013	**2012**
Return on common shareholders' equity		
Numerator:		
Net income available to common shareholders	$ 2,263	$ 2,306
Denominator:		
Beginning common shareholders' equity	$ 20,580	$ 18,298
Ending common shareholders' equity [1]	20,700	20,580
Average common shareholders' equity	$ 20,640	$ 19,439
Return on common shareholders' equity	11.0%	11.9%

	For the twelve months ended December 31,	
	2013	**2012**
Operating income return on common shareholders' equity		
Numerator:		
Operating income	$ 2,670	$ 2,148
Denominator:		
Beginning common shareholders' equity	$ 20,580	$ 18,298
Unrealized net capital gains and losses	2,834	1,400
Adjusted beginning common shareholders' equity	17,746	16,898
Ending common shareholders' equity	20,700	20,580
Unrealized net capital gains and losses	1,646	2,834
Adjusted ending common shareholders' equity	19,054	17,746
Average adjusted common shareholders' equity	$ 18,400	$ 17,322
Operating income return on common shareholders' equity	14.5%	12.4%

[1] Excludes $780 million of equity related to preferred stock.

The following tables reconcile Allstate Financial segment return on attributed equity and operating income return on attributed equity, including a reconciliation of Allstate Financial segment attributed equity to The Allstate Corporation common shareholders' equity.

($ in millions)	For the twelve months ended December 31, 2013	2012
Allstate Financial segment return on attributed equity		
Numerator:		
Net income available to common shareholders	$ 95	$ 541
Denominator:		
Beginning attributed equity [1]	$ 8,446	$ 7,230
Ending attributed equity	7,273	8,446
Average attributed equity	$ 7,860	$ 7,838
Return on attributed equity	1.2%	6.9%

	For the twelve months ended December 31, 2013	2012
Allstate Financial segment operating income return on attributed equity		
Numerator:		
Operating income	$ 588	$ 529
Denominator:		
Beginning attributed equity	$ 8,446	$ 7,230
Unrealized net capital gains and losses	1,678	842
Adjusted beginning attributed equity	6,768	6,388
Ending attributed equity	7,273	8,446
Unrealized net capital gains and losses	946	1,678
Adjusted ending attributed equity	6,327	6,768
Average adjusted attributed equity	$ 6,548	$ 6,578
Operating income return on attributed equity	9.0%	8.0%

Reconciliation of beginning and ending Allstate Financial segment attributed equity and The Allstate Corporation beginning and ending common shareholders' equity	For the twelve months ended December 31, 2013	2012
Beginning Allstate Financial segment attributed equity	$ 8,446	$ 7,230
Beginning all other equity	12,134	11,068
Beginning Allstate Corporation common shareholders' equity	$ 20,580	$ 18,298
Ending Allstate Financial segment attributed equity	$ 7,273	$ 8,446
Ending all other equity	13,427	12,134
Ending Allstate Corporation common shareholders' equity	$ 20,700	$ 20,580

(1) Allstate Financial attributed equity is the sum of equity for Allstate Life Insurance Company and the applicable equity for American Heritage Life Investment Corporation.

Book value per common 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 common 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 common shares outstanding plus dilutive potential common shares outstanding. We use the trend in book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, in conjunction with book value per common 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 common 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 common share is the most directly comparable GAAP measure. Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, should not be considered a substitute for book value per common 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 December 31, 2013**	**As of December 31, 2012**
Book value per common share		
Numerator:		
Common shareholders' equity	$ 20,700	$ 20,580
Denominator:		
Common shares outstanding and dilutive potential common shares outstanding	456.9	485.5
Book value per common share	$ 45.31	$ 42.39
Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities		
Numerator:		
Common shareholders' equity	$ 20,700	$ 20,580
Unrealized net capital gains and losses on fixed income securities	1,258	2,549
Adjusted common shareholders' equity	$ 19,442	$ 18,031
Denominator:		
Common shares outstanding and dilutive potential common shares outstanding	456.9	485.5
Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities	$ 42.55	$ 37.14