



# The Allstate Corporation

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Fourth Quarter 2015 Earnings Presentation  
February 4, 2016

**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 Finishes 2015 with Strong Fourth Quarter

- Achieved full-year underlying combined ratio outlook provided in February, 2015
  - Auto insurance profitability was lower than prior year
  - Homeowners insurance had strong results
  - Expense ratio lowered to 25.5 from 26.7
- Catastrophe losses of \$358 million were higher than prior year quarter; in line with historical fourth quarter average
- Operating income of \$1.60 per diluted common share brought full year 2015 to \$5.19 per diluted common share with operating return on equity of 11.6%
- Common shareholders received \$691 million in the fourth quarter and \$3.3 billion for 2015 through common share repurchases and dividends

(\$ in millions, except per share data)	Three months ended Dec. 31,			Twelve months ended Dec. 31,		
	2015	2014	Change	2015	2014	Change
<b>Total Revenues</b>	\$8,691	\$8,759	(0.8%)	\$35,653	\$35,239	1.2%
Property-liability insurance premiums	7,684	7,354	4.5%	30,309	28,929	4.8%
Net investment income	710	779	(8.9%)	3,156	3,459	(8.8%)
<b>Income applicable to common shareholders:</b>						
Net income	460	795	(42.1%)	2,055	2,746	(25.2%)
<i>per diluted common share</i>	1.18	1.86	(36.6%)	5.05	6.27	(19.5%)
Operating income	625	736	(15.1%)	2,113	2,367	(10.7%)
<i>per diluted common share</i>	1.60	1.72	(7.0%)	5.19	5.40	(3.9%)
<b>Return on common shareholders' equity</b>						
Net income applicable to common shareholders				10.6%	13.3%	(2.7)pts
Operating income				11.6%	12.6%	(1.0)pts



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

2015 Property-Liability Results		
	<u>Q4</u>	<u>YTD</u>
▪ Policy in Force Growth		1.3%
▪ Net Written Premium Growth	3.6%	4.2%
▪ Recorded Combined Ratio	92.0	94.9
▪ Underlying Combined Ratio	87.4	88.7

### Encompass brand YE 2015 results

PIF Growth	-8.2%
Net Written Premium Growth	-2.8%
Recorded Combined Ratio	102.0
Underlying Combined Ratio	92.6

Brand Neutral

### Answer Financial YE 2015 results

Non-Proprietary Premium Growth 10.2%



Local Advice and Assistance

Self-Serve



### Allstate brand YE 2015 results

	Auto	Home	Other	
			Personal Lines	Total
PIF Growth	2.1%	1.1%	2.7%	1.7%
Net Written Premium Growth	5.4%	2.7%	1.1%	4.5%
Recorded Combined Ratio	98.9	78.6	87.5	93.4
Underlying Combined Ratio	97.3	60.5	78.8	87.4

Brand Sensitive

### Esurance brand YE 2015 results

PIF Growth	1.4%
Net Written Premium Growth	6.6%
Recorded Combined Ratio	110.3
Underlying Combined Ratio	108.4
Memo: Underlying Loss Ratio	75.4



## Underlying Combined Ratio Outlook Range for 2016

### 2016 Annual Underlying Combined Ratio Outlook of 88 – 90

- Auto insurance profitability improves from 2015
- Modest increases in auto accident frequency and claim severity from 2015
- Homeowner insurance margins return to recent historical levels
- Investments in growth

#### 2015 Operating Priorities

1. Grow insurance policies in force
2. Maintain the underlying combined ratio
3. Proactively manage our investments to generate attractive risk-adjusted returns
4. Modernize the operating model
5. Build long-term growth platforms

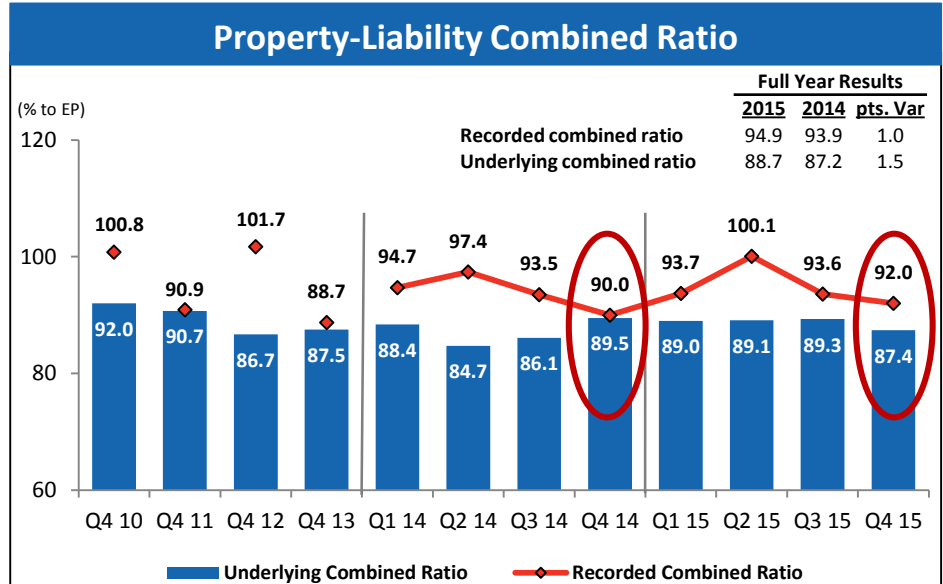
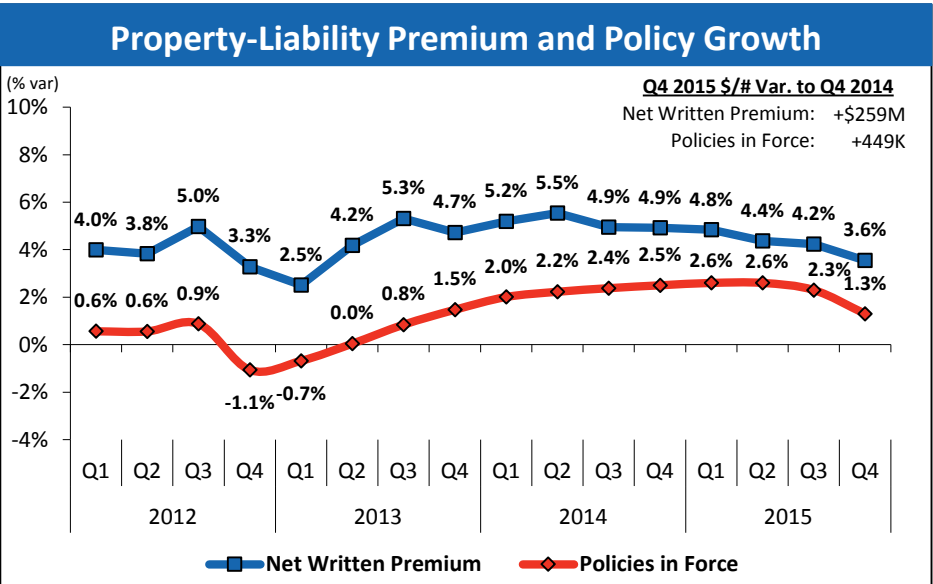
#### 2016 Operating Priorities

1. Better serve our customers through innovation, effectiveness and efficiency
2. Achieve target economic returns on capital
3. Grow insurance policies in force
4. Proactively manage investments
5. Build and acquire long-term growth platforms



# Property-Liability Financial Results

Property-Liability Results				
(\$ in millions, except ratios)	Q4	Var PY	YTD	Var PY
<b>Net Written Premium</b>	\$7,551	3.6%	\$30,871	4.2%
<b>Policies in Force (000)</b>			34,625	1.3%
<b>Catastrophe Losses</b>	\$358	N/M <sup>(1)</sup>	\$1,719	(13.7%)
<b>Combined Ratio</b>				
- Recorded	92.0	2.0pts	94.9	1.0pt
- Underlying	87.4	(2.1)pts	88.7	1.5pts
<b>Net Investment Income</b>	280	(4.8%)	1,237	(4.9%)
<b>Net Income<sup>(2)</sup></b>	493	(26.0%)	1,690	(30.4%)
<b>Operating Income</b>	599	(12.8%)	1,902	(8.2%)



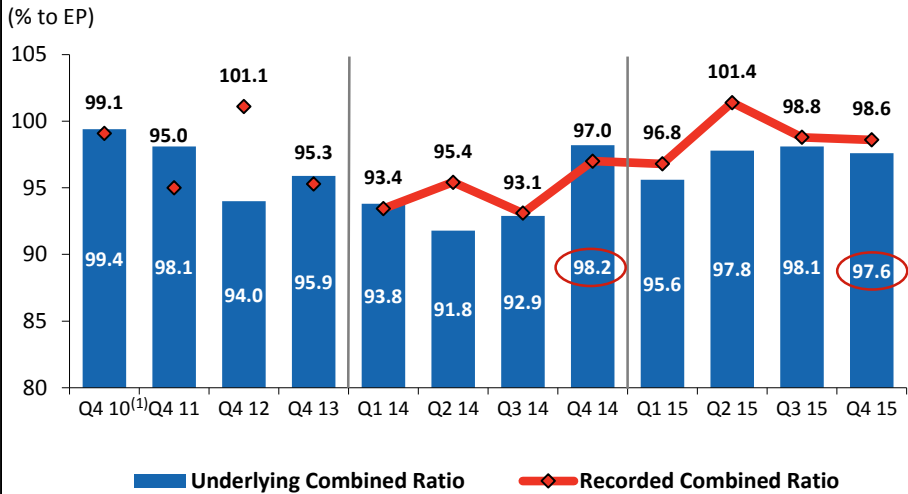
<sup>(1)</sup> N/M=Not meaningful

<sup>(2)</sup> Applicable to common shareholders

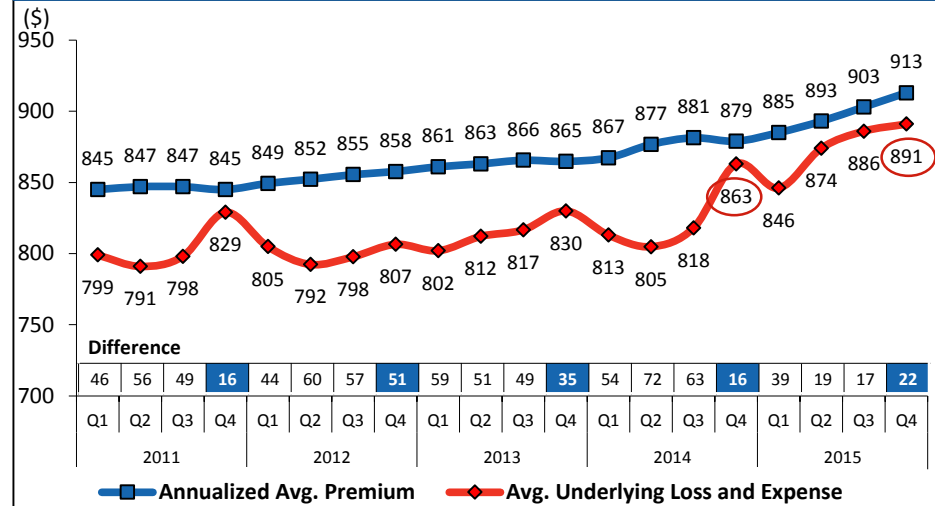


# Lower Allstate Brand Auto Margins Partially Offset by Strong Allstate Brand Homeowner Results

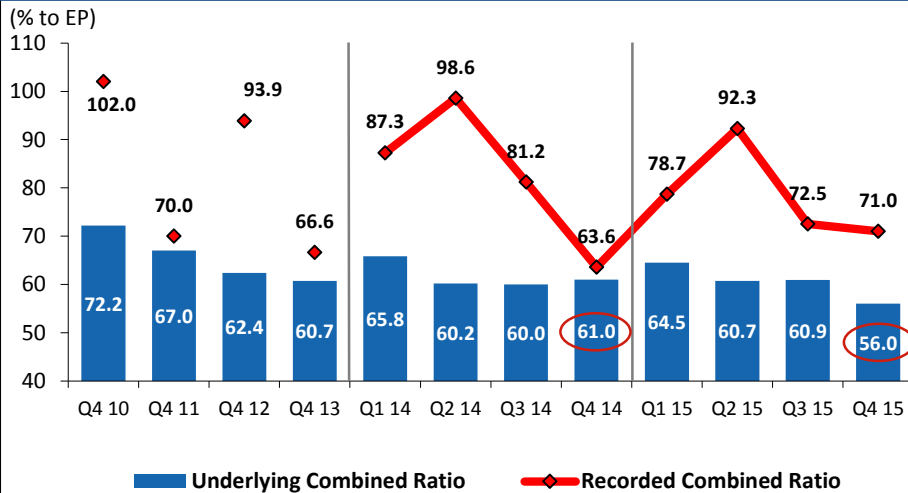
## Allstate Brand Auto Combined Ratio<sup>(1)</sup>



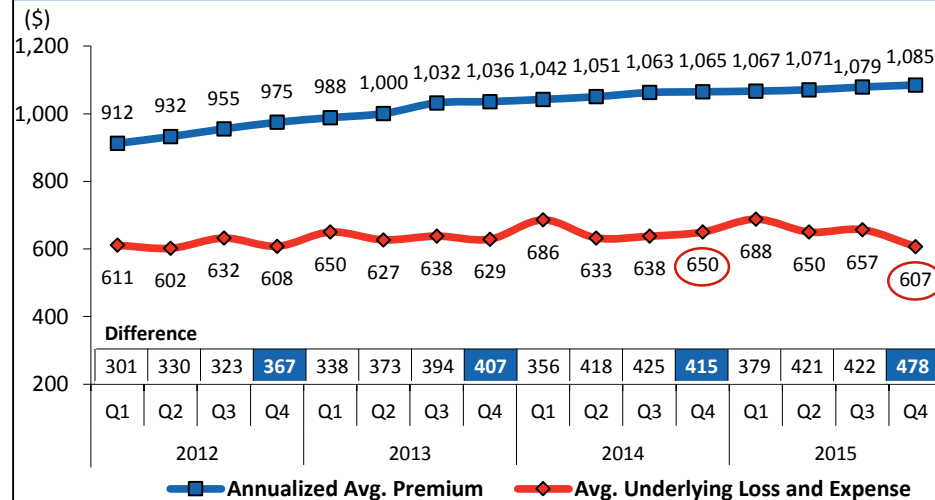
## Auto Underlying Margin Per Policy Trend



## Allstate Brand Homeowners Combined Ratio



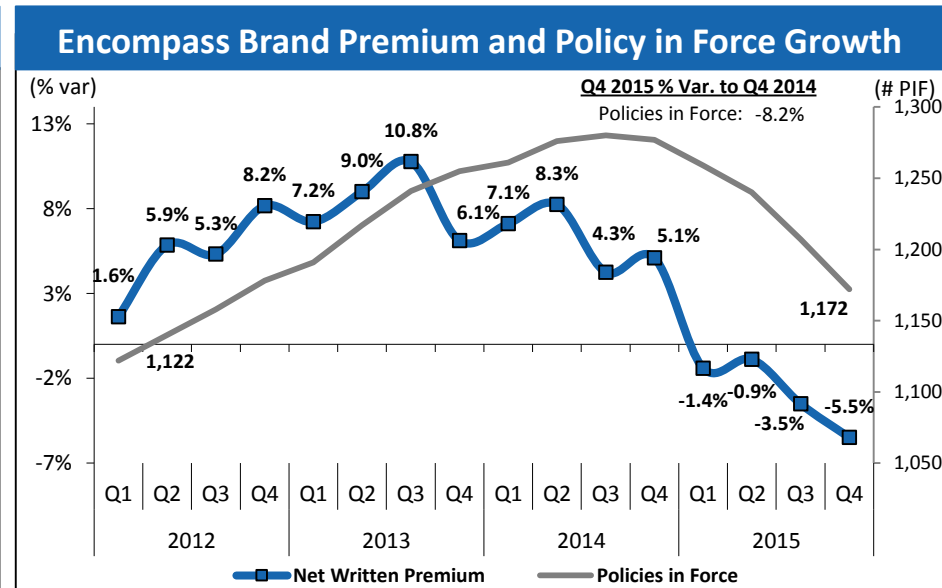
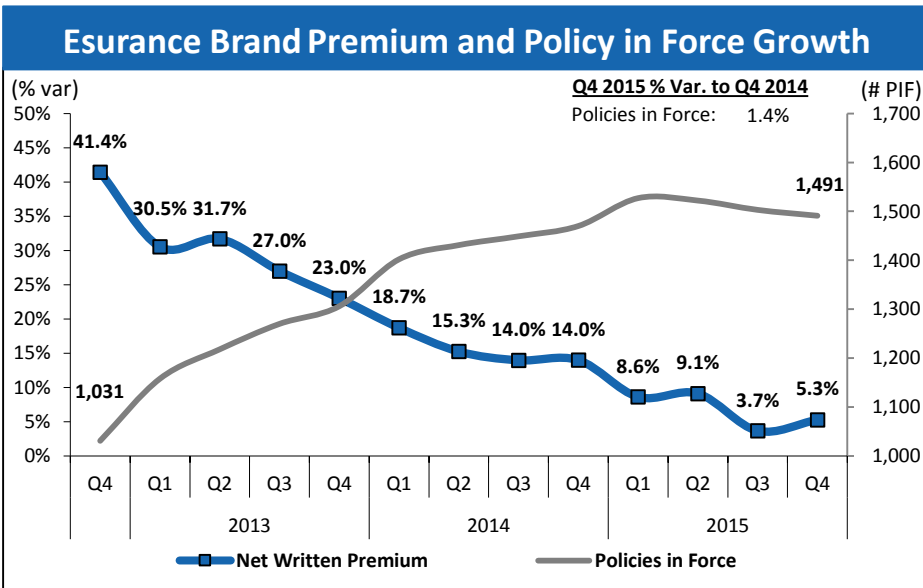
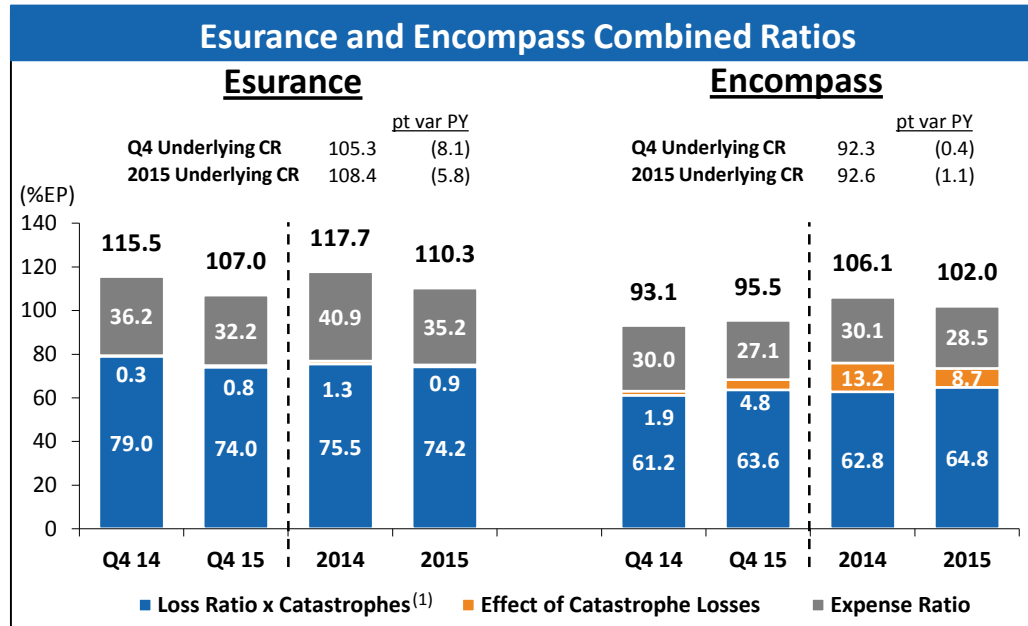
## Homeowners Underlying Margin Per Policy Trend



<sup>(1)</sup>Allstate Brand Auto results prior to 2011 are not adjusted for DAC accounting change adopted in 2012



# Ongoing Profit Improvement Actions Improve Margins at Esurance and Encompass



<sup>(1)</sup>The Loss ratio is the sum of the Loss Ratio excluding Catastrophes and the Effect of Catastrophe Losses  
Earnings Release Presentation – February 4, 2016





# Auto Insurance Profit Improvement Plan

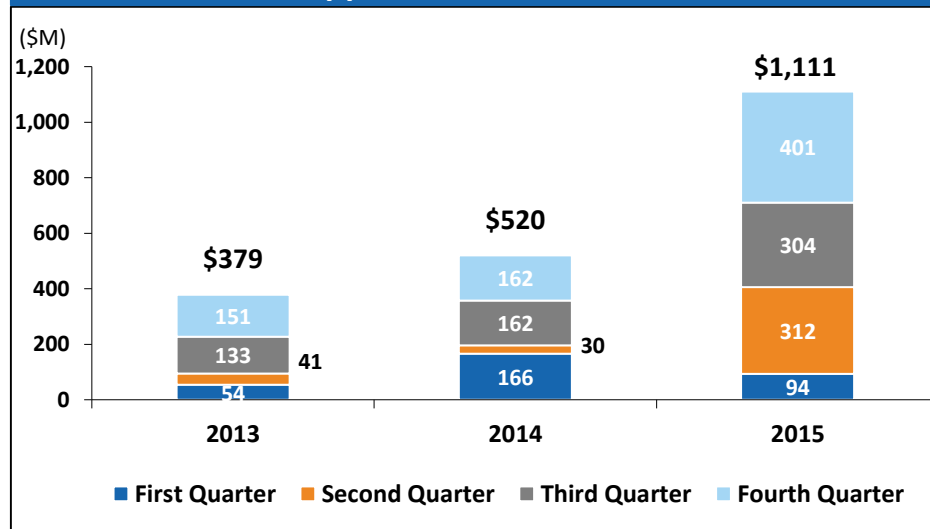
## Profit improvement plan progress:

- Auto insurance rate increases of \$1.1 billion approved across all three underwriting brands
  - Allstate brand approved auto rates in 2015 were worth \$942 million in net written premium<sup>(1)</sup>
  - Allstate, Esurance rate increases earn into income over a twelve-month period; Encompass over 24 months
- Underwriting guideline changes intended to slow new business and target underperforming segments and geographies
- Claims organization focused on operational excellence
- Expense spending reductions resulted in a 1.2 point lower property-liability expense ratio compared to 2014

### Profit Improvement Plan Data Points

	<u>Allstate Brand</u>	<u>Esurance</u>	<u>Encompass</u>
<u>Auto Rates Approved<sup>(1)</sup></u>			
Q4 2015	1.9%	3.0%	2.0%
Year-end 2015	5.3%	7.1%	9.4%
<u>Total Brand Expense Ratio Change from 2014</u>			
Q4 2015	(2.7)pts	(4.0)pts	(2.9)pts
Year-end 2015	(1.0)pts	(5.7)pts	(1.6)pts

### Auto Approved Rate Increases<sup>(1,2)</sup>



<sup>(1)</sup> Actual amounts realized will be based on retention and mix of customers. Approximately 30% of the Allstate brand rate increases approved in 2015 were earned in 2015, with the remainder expected to be earned in 2016 and 2017.

<sup>(2)</sup> Includes Allstate Brand, Esurance Brand, and Encompass Brand.

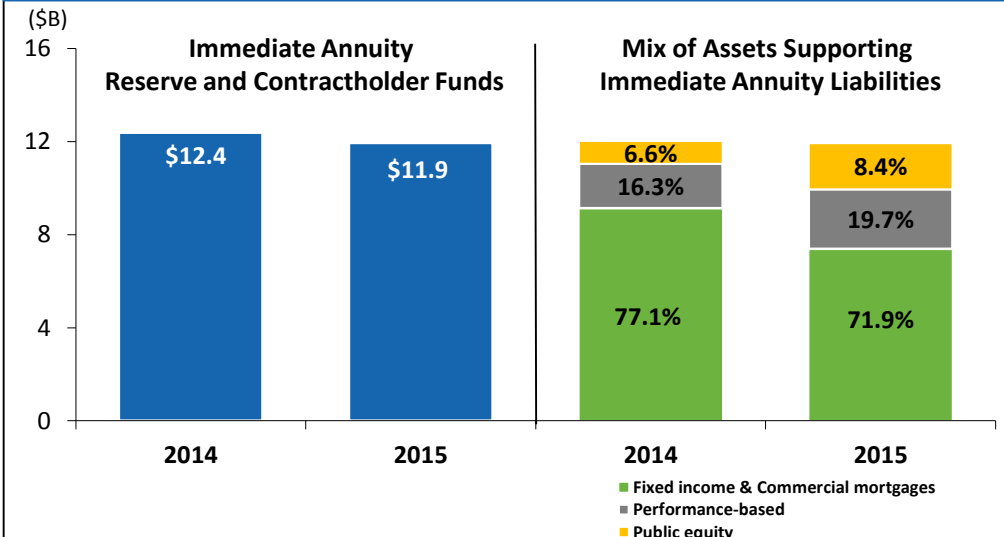


# Allstate Financial Grows Top Line While Income Impacted by Repositioning of Portfolio

- Premium & contract charge growth driven by Allstate Benefits and traditional life
- Operating income decrease for full year 2015 primarily driven by unfavorable life mortality, the sale of Lincoln Benefit Life and lower investment income

Allstate Financial Results					
(\$ in millions)	Q4	Var PY	YTD	Var PY	Var PY xLBL <sup>(1)</sup>
Premiums & Contract Charges	\$547	5.2%	\$2,158	-%	4.2%
Net Investment Income	420	(12.5%)	1,884	(11.6%)	(6.0%)
Operating Costs	119	(1.7%)	472	1.3%	3.1%
Net Income <sup>(2)</sup>	39	(81.3%)	663	5.1%	10.0%
Operating Income	98	(23.4%)	509	(16.1%)	(11.2%)
Operating Income Return on Attributed Capital	7.8%	(1.9)pts			

## Repositioning of Immediate Annuity Investment Portfolio



- Long-duration liability cash flows (40+ years of payments)
- Investment strategy to match near-term cash flows with fixed income and commercial mortgages
- Shareholder risk-adjusted returns are maximized by utilizing equity investments to cover long-term liabilities
- Sold approximately \$2B of long-duration fixed income securities in Q3 of 2015 with a yield of 5.8% to make the portfolio less sensitive to rising interest rates
- Reinvest proceeds over time into higher return performance-based investments
- Immediate impact is lower investment income

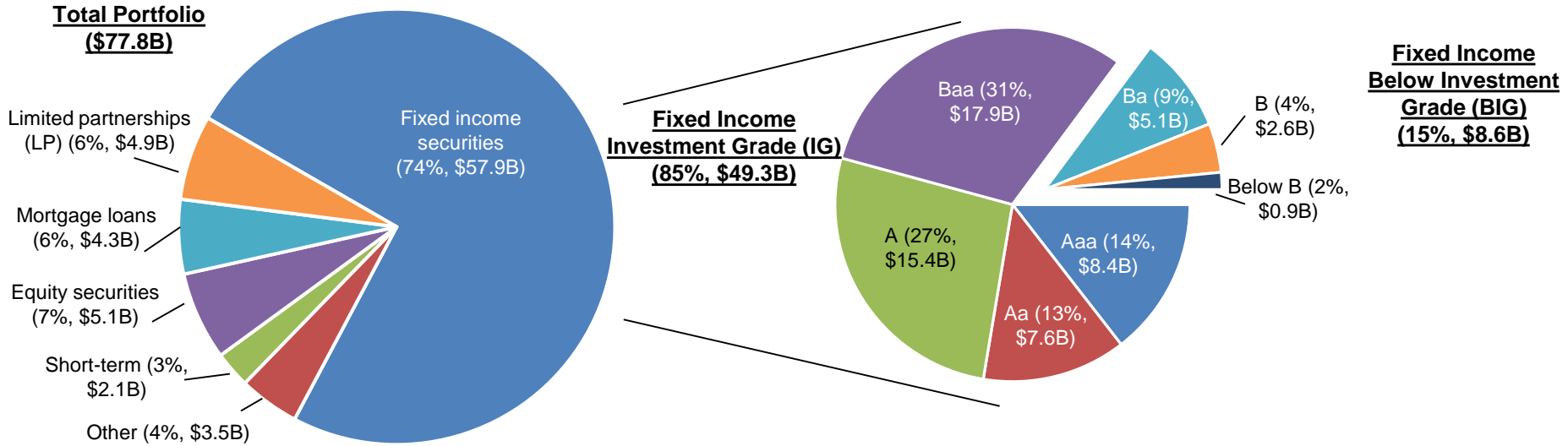
<sup>(1)</sup> LBL=Lincoln Benefit Life, which was sold in 2014

<sup>(2)</sup> Applicable to common shareholders



# Asset mix reflects our risk tolerance and liability profile with continued focus on delivering attractive long-term returns

## Portfolio Composition at 12/31/15



## Portfolio Position by Strategy

Carrying Value (\$ in billions)	Total	Market-Based		Performance-Based	
		Core	Active	Long-Term	Opportunistic
Fixed Income	\$57.9	\$51.2	\$6.7	--	--
Equity	\$5.1	\$4.2	\$0.8	\$0.1	--
Mortgage loans	\$4.3	\$4.3	--	--	--
Limited partnerships	\$4.9	\$0.4	--	\$4.5	--
Short-term	\$2.1	\$1.6	\$0.5	--	--
Other	\$3.5	\$2.8	\$0.1	\$0.5	\$0.1
<b>Total</b>	<b>\$77.8</b>	<b>\$64.5</b>	<b>\$8.1</b>	<b>\$5.1</b>	<b>\$0.1</b>
<i>% of Total</i>		<i>83%</i>	<i>10%</i>	<i>7%</i>	<i>0%</i>

## Energy

(\$ in billions)	Carrying Value	2015 RCGL	Net UNR <sup>1</sup>
<b>Fixed Income</b>	<b>4.3</b>	<b>(0.1)</b>	<b>(0.3)</b>
IG	3.6	--	(0.1)
BIG	0.7	(0.1)	(0.2)
<b>Equity</b>	<b>0.2</b>	--	--
LP	0.4	--	--
<b>Total</b>	<b>4.9</b>	<b>(0.1)</b>	<b>(0.3)</b>
<i>% of Total Portfolio</i>	<i>6.3%</i>		

<sup>1</sup>Net UNR equals net unrealized gain/loss

## Performance-Based Long-Term LP

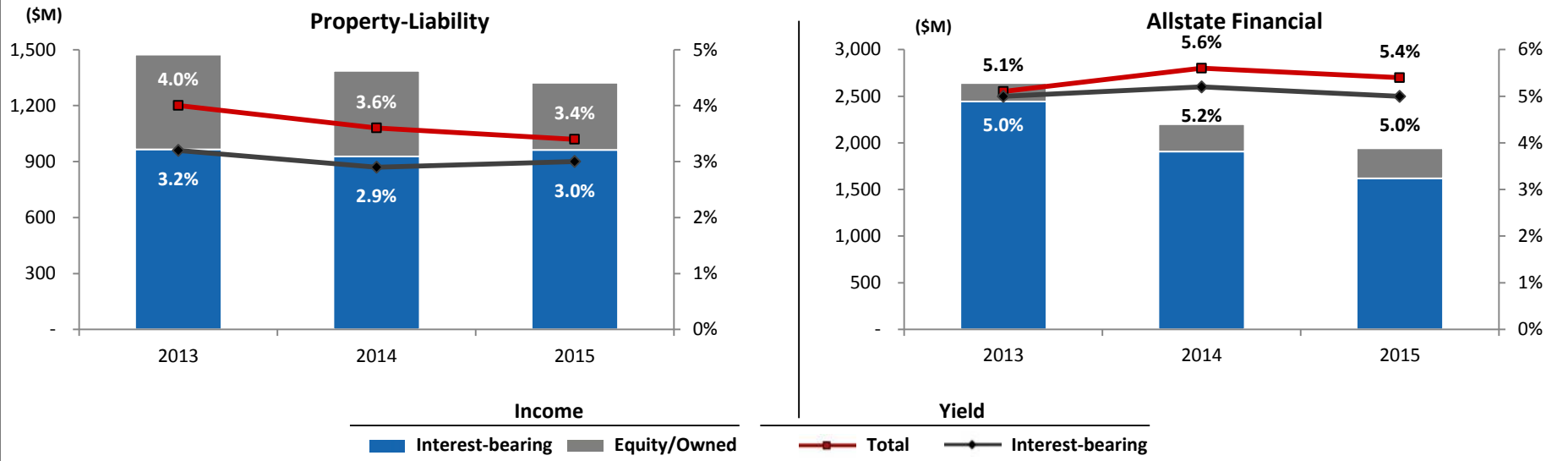
(\$ in billions)	Private Equity <sup>2</sup>	Real Estate	Total PBLT LP
EMA	2.3	1.0	3.3
Cost	1.0	0.2	1.2
<b>Carrying Value</b>	<b>3.3</b>	<b>1.2</b>	<b>4.5</b>
Undistributed income - EMA	0.3	0.1	0.4
Unrecognized valuations-Cost	0.2	0.1	0.3
<b>Full Year 2015 (\$ in millions)</b>			
<b>Inv. Income</b>	<b>401</b>	<b>158</b>	<b>559</b>
<b>Cash distrib.</b>	<b>795</b>	<b>623</b>	<b>1,418</b>

<sup>2</sup>Includes Timber & agriculture-related

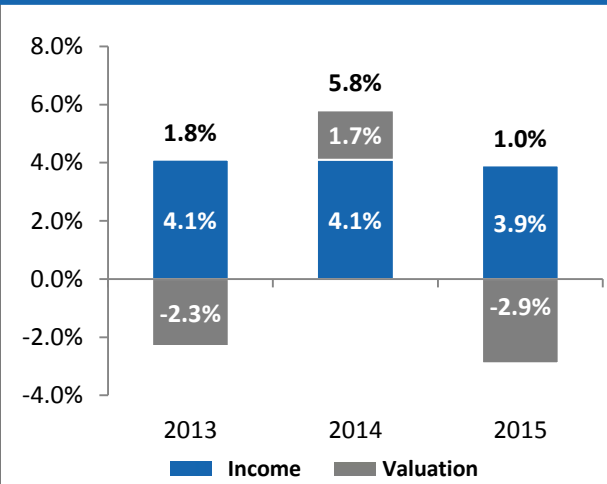


# Stable income contribution to returns was reduced by decline in valuations

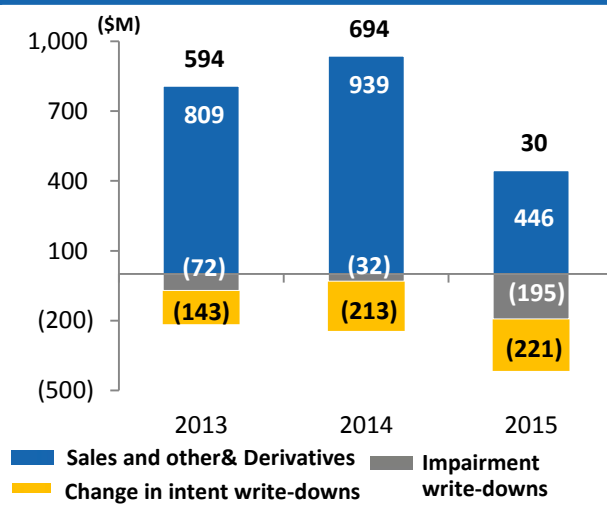
## Investment Income and Pre-tax Yield<sup>(1)</sup>



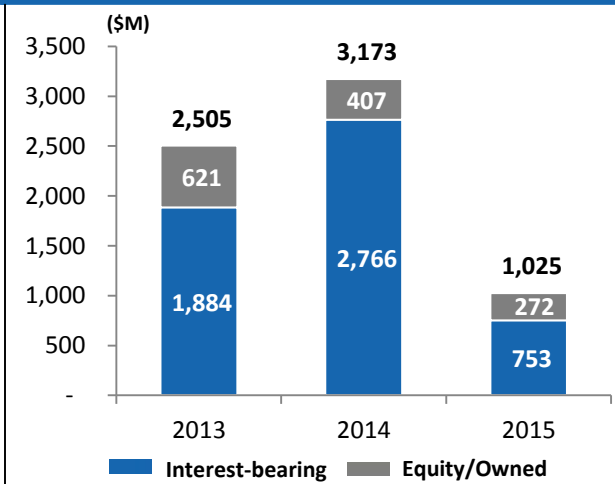
## GAAP Total Return



## Realized Gain / Loss



## Unrealized Gain / Loss<sup>(2)</sup>



<sup>(1)</sup> Yield excludes investment expenses. <sup>(2)</sup> 2013 Unrealized includes assets held for sale



## Strong Capital Position and Cash Returns to Shareholders

Capital Position			
	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>
Book Value per Common Share	\$45.31	\$48.24	\$47.34
<i>Excluding the impact of unrealized net capital gains and losses on fixed income securities</i>	\$42.55	\$44.33	\$46.20
Return on Common Shareholders' Equity			
- Net Income	11.0%	13.3%	10.6%
- Operating Income	14.5%	12.6%	11.6%
Deployable Holding Company Assets (\$B)	\$2.6	\$3.4	\$2.6
Common shares outstanding (millions)	449	418	381

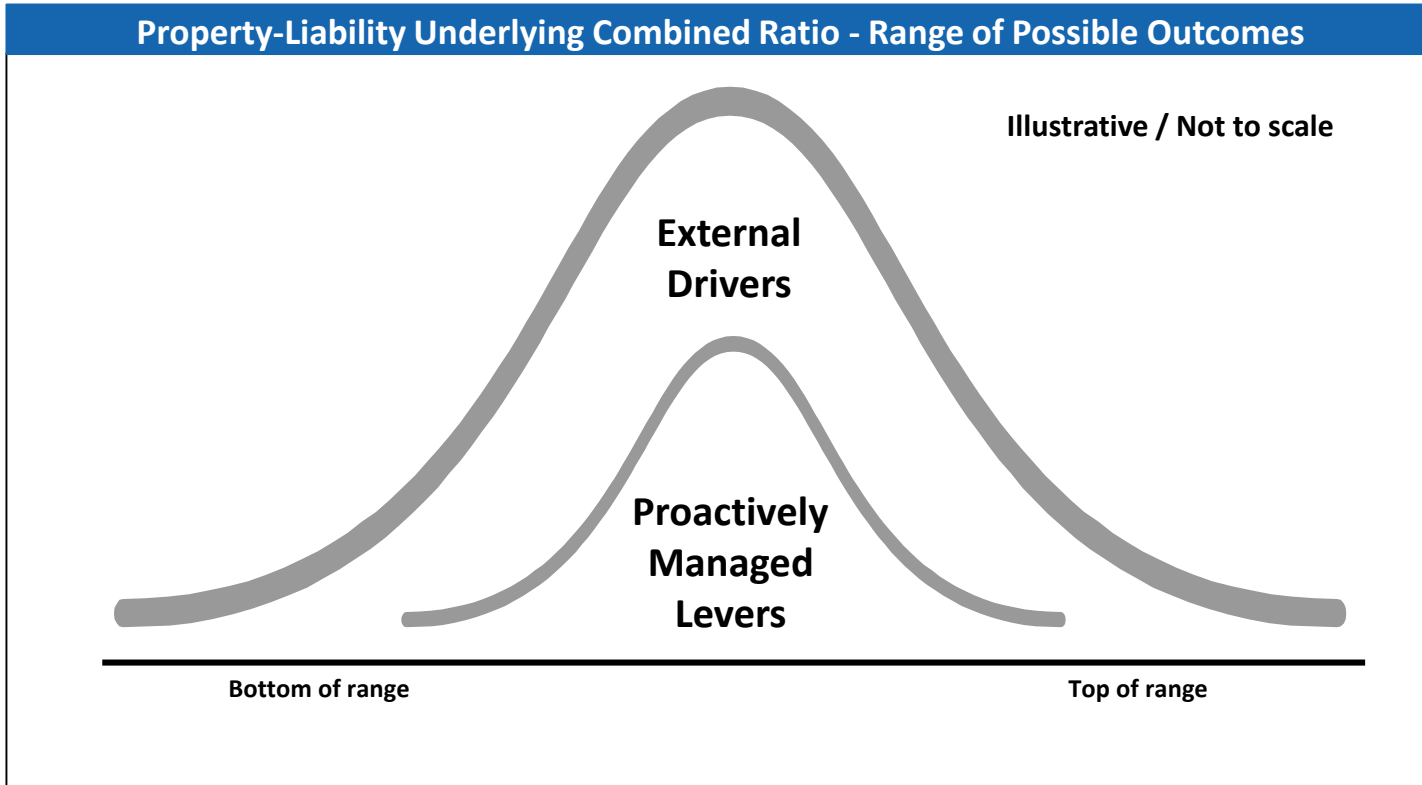
- Returned \$3.3 billion in cash to common shareholders in 2015:
  - Repurchased \$2.8 billion of common shares
  - Paid \$483 million in common shareholder dividends
- Year-to-date common share repurchases have reduced common shares outstanding by 10.2% since year-end 2014
  - Common share repurchases since the beginning of 2010 have reduced common shares outstanding by 34%
- As of December 31, 2015, \$532 million remained on our \$3 billion common share repurchase authorization



# Appendix



# Guidance Range Reflects both Proactive Margin Management and Continued Uncertainty of External Environment

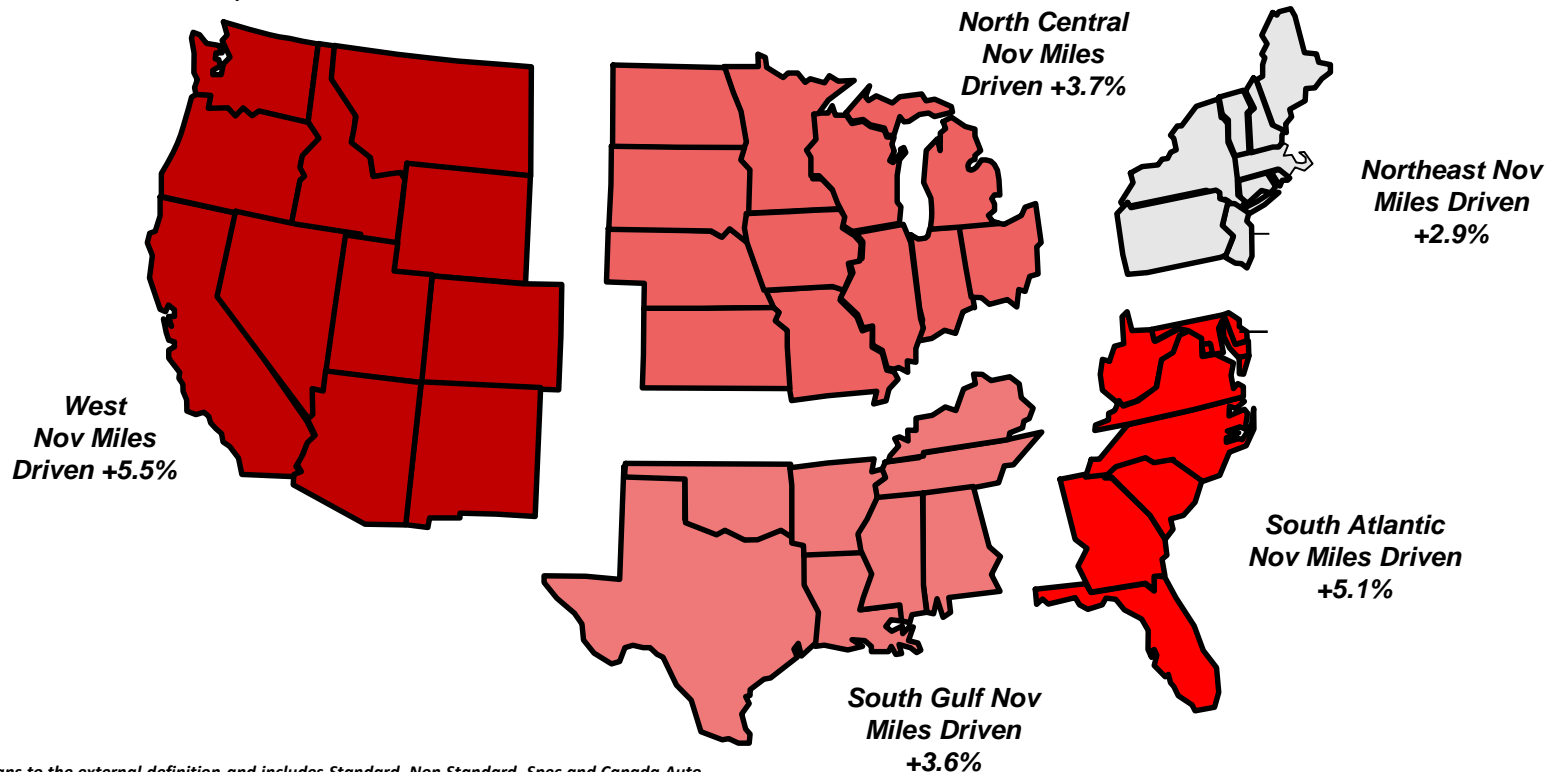


Categories	Average Premium	Frequency	Severity	Expenses
<b>Proactively Managed Levers</b>	<ul style="list-style-type: none"> <li>▪ Rates</li> <li>▪ Correct Classification</li> </ul>	<ul style="list-style-type: none"> <li>▪ New Business Quality, Volume, Geographic Mix</li> <li>▪ Underwriting Actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operational Excellence</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operational Effectiveness</li> <li>▪ Level of Investment</li> </ul>
<b>External Drivers</b>	<ul style="list-style-type: none"> <li>▪ Rate Effectiveness</li> <li>▪ Regulatory Environment</li> <li>▪ Competitive Environment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Miles Driven</li> <li>▪ Weather</li> <li>▪ Distracted Driving</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inflation</li> <li>▪ Age of Fleet</li> </ul>	



## Allstate Brand Auto PD Frequency – Q4 Variance to PY (+7.5%)

- **Frequency trends continue to be influenced by miles driven (miles increase +3.3% in Nov vs. prior year)**
  - In our explanatory models, miles driven has proven to be the most powerful indicator of frequency
  - Regions outlined below align to the Federal Highway Administration definitions
  - Red shading reflects adverse movement of Allstate Brand Auto PD frequency trends across these regions relative to one another (Q4 vs. prior year); darker areas indicate greater frequency pressure
- **A relationship exists when comparing region-specific PD frequency trends with changes in miles driven**
  - The West and South Atlantic regions outpace the countrywide frequency increase (dark red); similarly, miles driven in these locations have increased in excess of the countrywide average
  - North Central and South Gulf are in line with countrywide results for both miles driven and frequency
  - Frequency results in the Northeast have outperformed the countrywide average; miles driven trends in this region increased less than the rest of the country



\*Allstate Brand Auto aligns to the external definition and includes Standard, Non Standard, Spec and Canada Auto  
Note: Miles driven data comes from the Federal Highway Administration: Regions align with their data





## 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**®

You're in good hands.