



# The Allstate Corporation

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First Quarter 2015 Earnings Presentation  
May 6, 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.



## Broad-Based Business Model Continues to Generate Profitable Growth

- **Strategy to provide a broad range of unique offerings to each customer segment is working**
  
- **Results reflect progress on 2015 Operating Priorities:**
  - **Grow insurance policies in force**
  - **Maintain the underlying combined ratio**
  - **Proactively manage our investments**
  - **Modernize the operating model**
  - **Build long-term growth platforms**



# Diversified Portfolio of Businesses Delivered Continued Strong Growth and Returns

(\$ in millions, except policy and per share data)	Three months ended March 31,		
	2015	2014	Change
Allstate Protection policies in force	34,365	33,490	2.6%
Allstate Protection net written premium	\$7,306	\$6,969	4.8%
Property-Liability recorded combined ratio	93.7	94.7	(1.0)pts
Property-Liability underlying combined ratio	89.0	88.4	0.6pts
<b>Income available to common shareholders:</b>			
Net income	648	587	10.4%
<i>per diluted common share</i>	<i>1.53</i>	<i>1.30</i>	<i>17.7%</i>
Operating income	616	588	4.8%
<i>per diluted common share</i>	<i>1.46</i>	<i>1.30</i>	<i>12.3%</i>

- **Allstate brand driving growth while Esurance and Encompass impacted by margin improvement actions**
  - Allstate brand auto and homeowners growth rates increased
  - Esurance growth purposefully slowed, Encompass declining as a result of profitability actions
  
- **Reported combined ratio of 93.7 benefited from lower catastrophe losses**
  - Allstate brand auto combined ratio of 96.8 was impacted by higher frequency, severity, and prior year reserve reestimates
  - Allstate brand homeowners recorded combined ratio of 78.7
  - Esurance combined ratio improved but also impacted by higher auto frequency
  - Encompass combined ratio benefitted from lower catastrophe losses
  - Underlying combined ratio was in the range of the full year outlook of 87 - 89
  
- **Proactive investment strategy providing good returns in low interest rate environment**
  - Net investment income rose 2.0% in the first quarter, excluding prior year quarter Lincoln Benefit Life Company results
  - Strong limited partnership returns in the first quarter
  - Maintained shorter duration in Property-Liability portfolio



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



**Brand Neutral**

**Aggressively Improving Profitability**

**Encompass brand Q1 2015 results**

PIF Growth	-0.2%
Net Written Premium Growth	-1.4%
Recorded Combined Ratio	95.6
Underlying Combined Ratio	90.6

**Growing Largest U.S. Online Agency**

**Answer Financial Q1 2015 results**

Non-Proprietary Premium Growth	7.2%
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**Local Advice and Assistance**

**Self-Serve**

**Growing While Maintaining Margins**

**Allstate brand Q1 2015 results**

	Auto	Home	Other Personal Lines	Total
PIF <sup>(1)</sup> Growth	3.2%	0.8%	2.6%	2.4%
Net Written Premium Growth	5.7%	2.8%	1.7%	4.9%
Recorded Combined Ratio	96.8	78.7	89.3	92.2
Underlying Combined Ratio	95.6	64.5	82.1	87.4

**Slowing Growth to Ensure Long-Term Value Creation**

**Esurance brand Q1 2015 results**

PIF Growth	8.9%
Net Written Premium Growth	8.6%
Recorded Combined Ratio	117.8
Underlying Combined Ratio	116.5
<i>Memo: Underlying Loss Ratio</i>	78.2



**Brand Sensitive**



<sup>(1)</sup> Excludes Good Hands Roadside Members of 2,118,000, an increase of 384,000 over March 2014



## Operating model simplification

- Technology system simplification
- Continuous improvement processes

## Allstate Exclusive Agencies

- Reducing low value-added activities to increase advisory capacity

## Growing Esurance

- Geographic and product expansion
- Advertising spend above a long-term sustainable level relative to premiums

## Building connected customer platform

- Expanding Allstate Drivewise<sup>®</sup> and Esurance DriveSense<sup>®</sup>
- Allstate Roadside Services innovation



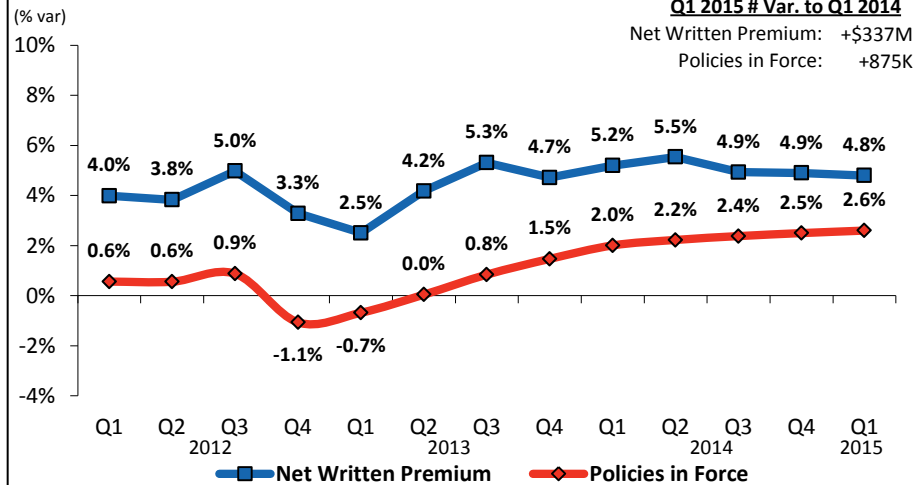
# Balanced First Quarter Property-Liability Financial Results

## Property-Liability Results

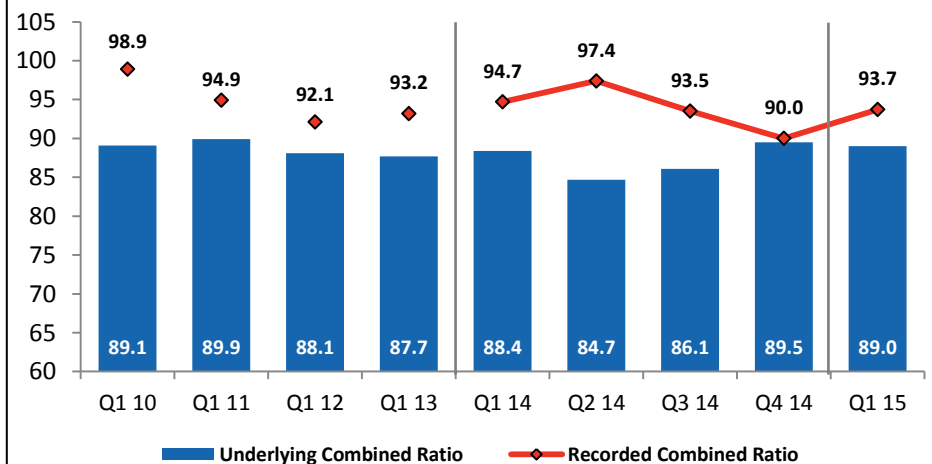
(\$ in millions, except ratios)

	Q1	Var PY
<b>Earned Premium</b>	<b>\$7,426</b>	<b>5.1%</b>
<b>Combined Ratio</b>		
- Recorded	93.7	(1.0)pts
- Underlying	89.0	0.6pts
<b>Catastrophe Losses</b>	<b>\$294</b>	<b>(33.9)%</b>
<b>Net Investment Income</b>	<b>358</b>	<b>14.7%</b>
<b>Net Income<sup>(1)</sup></b>	<b>538</b>	<b>9.1%</b>
<b>Operating Income</b>	<b>555</b>	<b>18.6%</b>

## Allstate Protection Premium and Policy Growth



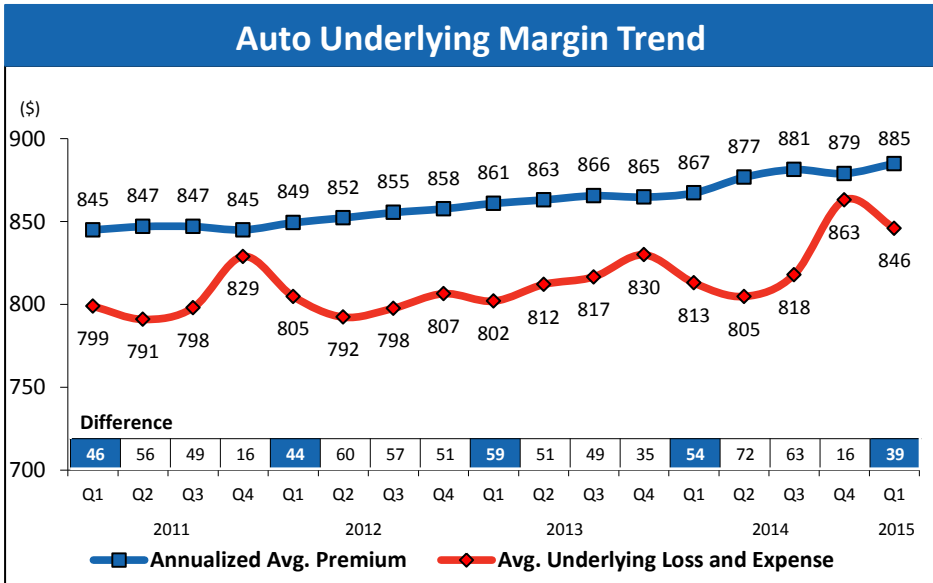
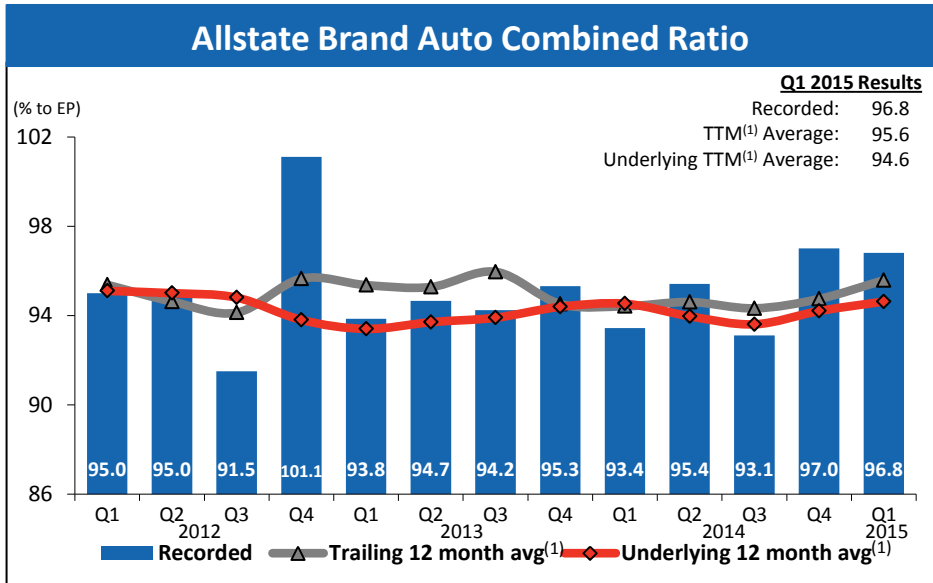
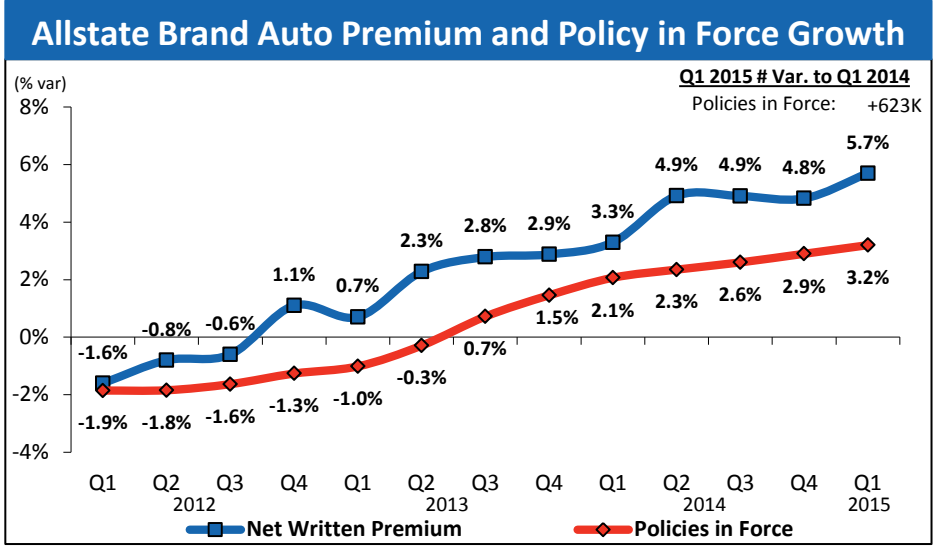
## Property-Liability Combined Ratio



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



# Allstate Brand Auto Generating Good Underwriting Results

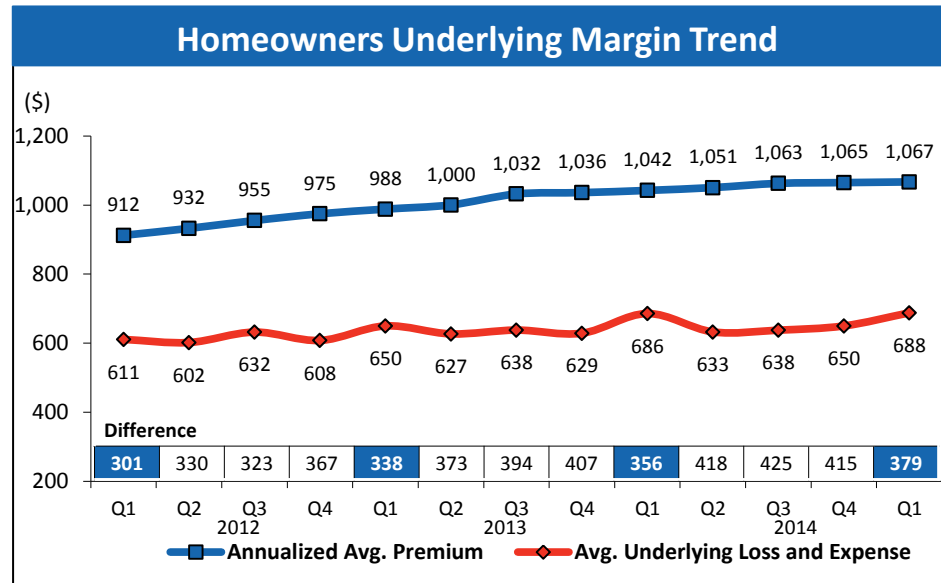
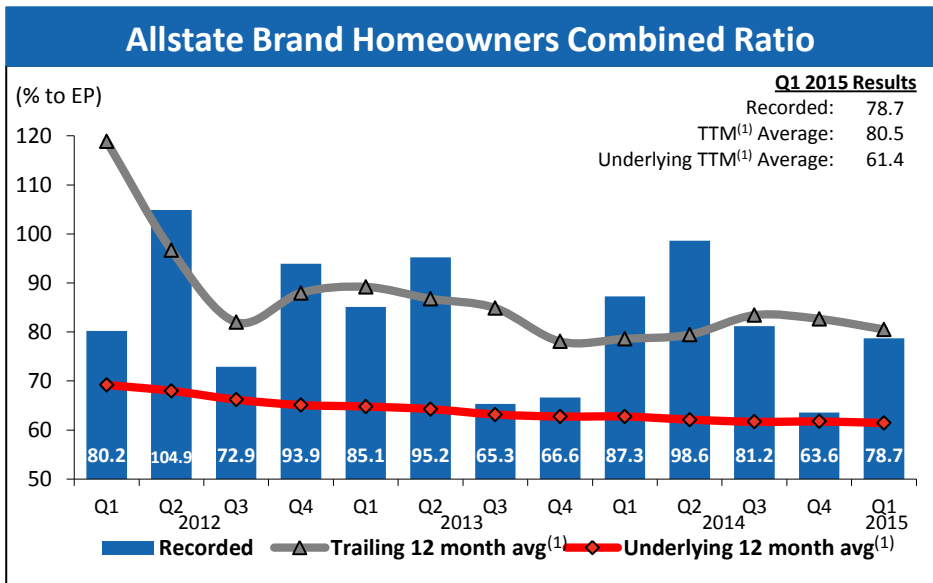
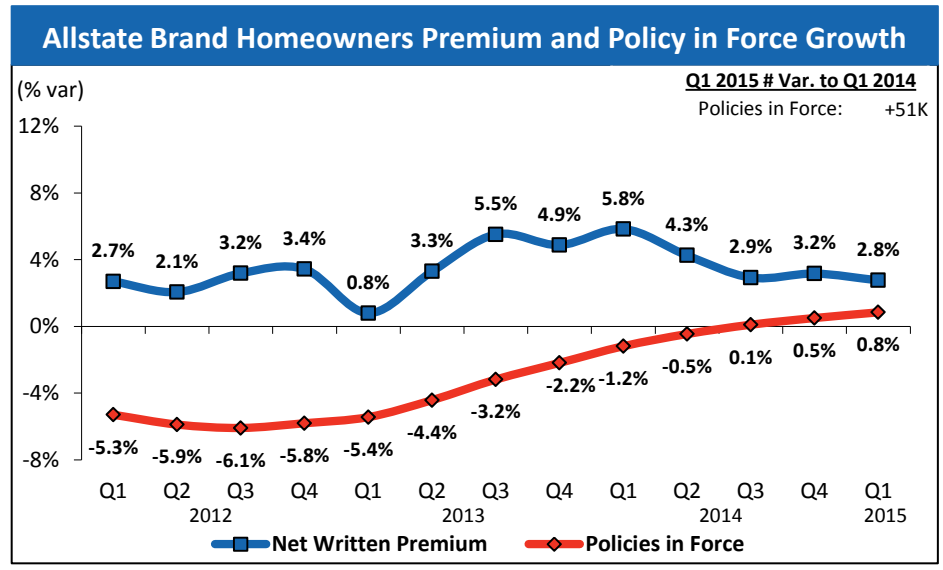


<sup>(1)</sup> Average of the four most recent quarters





# Allstate Brand Homeowners a Competitive Advantage

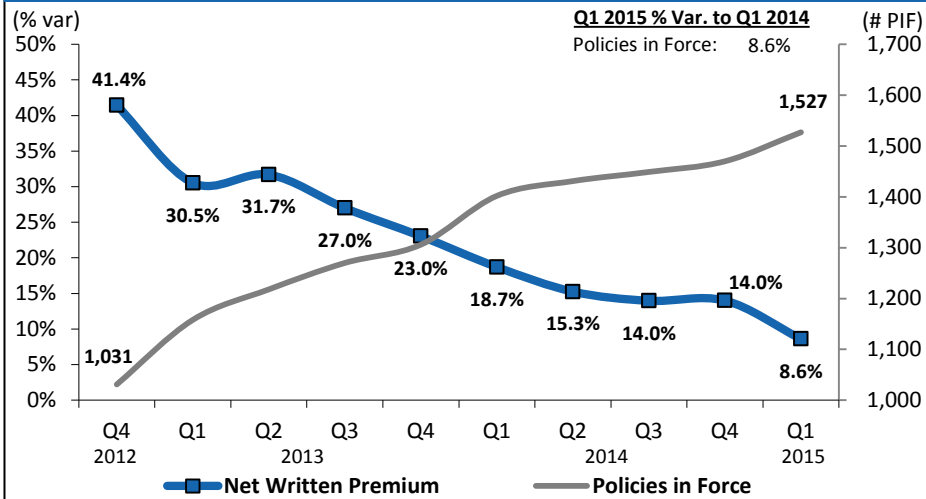


<sup>(1)</sup> Average of the four most recent quarters

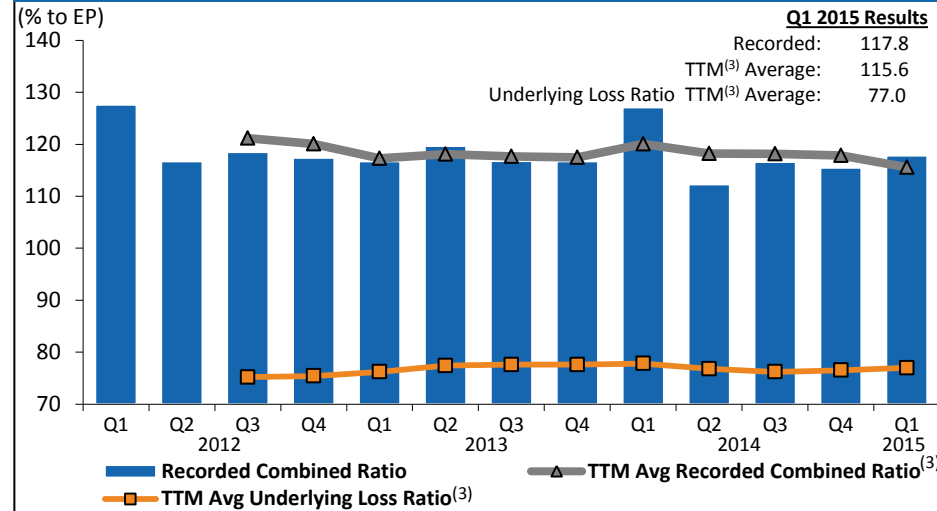


# Esurance Growth Purposefully Slowed, Encompass Declining As a Result of Profit Improvement Actions

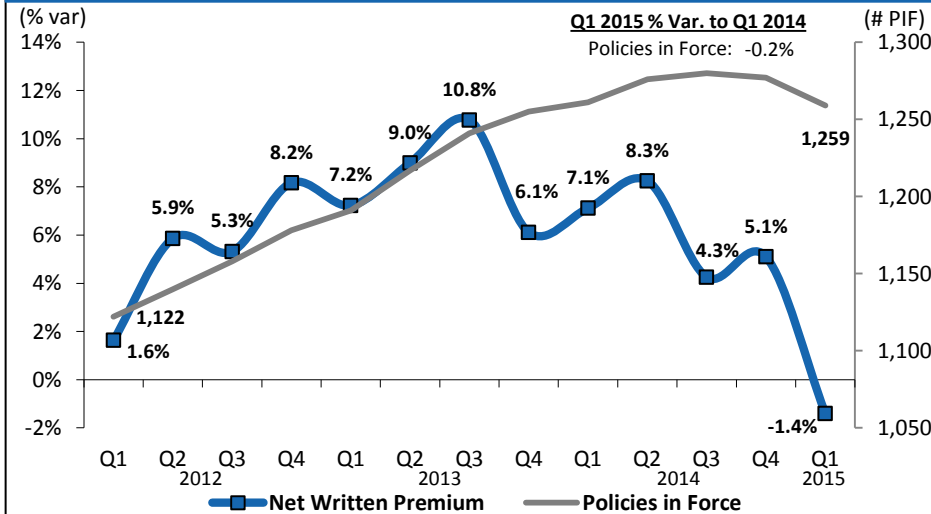
## Esurance Brand<sup>(1)</sup> Premium and Policy in Force Growth



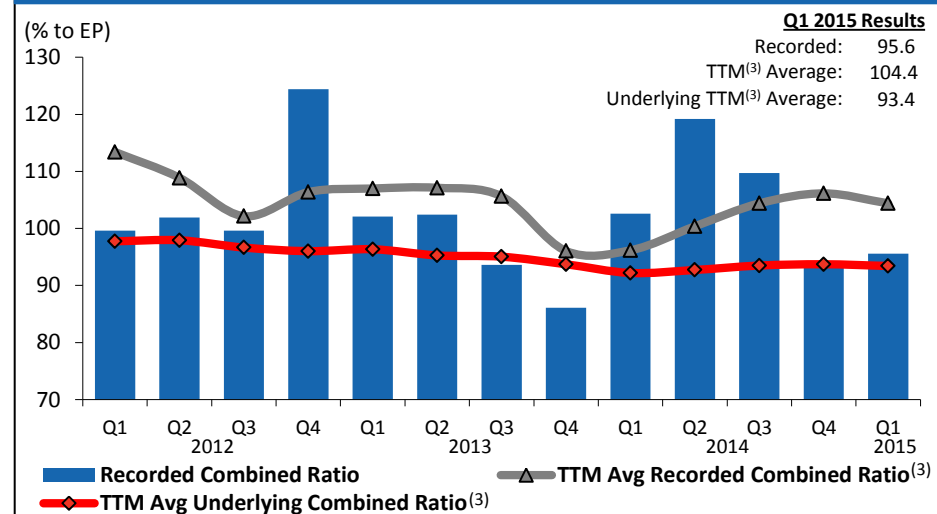
## Esurance Brand<sup>(1)</sup> Combined Ratio and Underlying Loss Ratio



## Encompass Brand Premium and Policy in Force Growth



## Encompass Brand Combined Ratio



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

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

<sup>(3)</sup> Average of the four most recent quarters



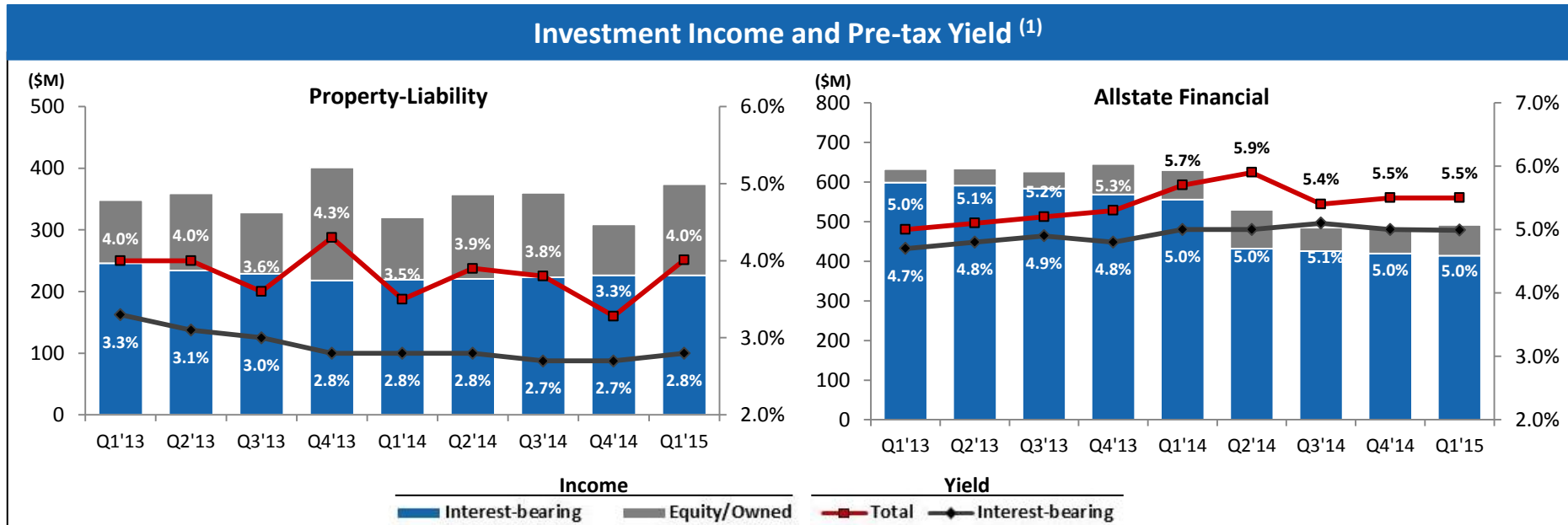
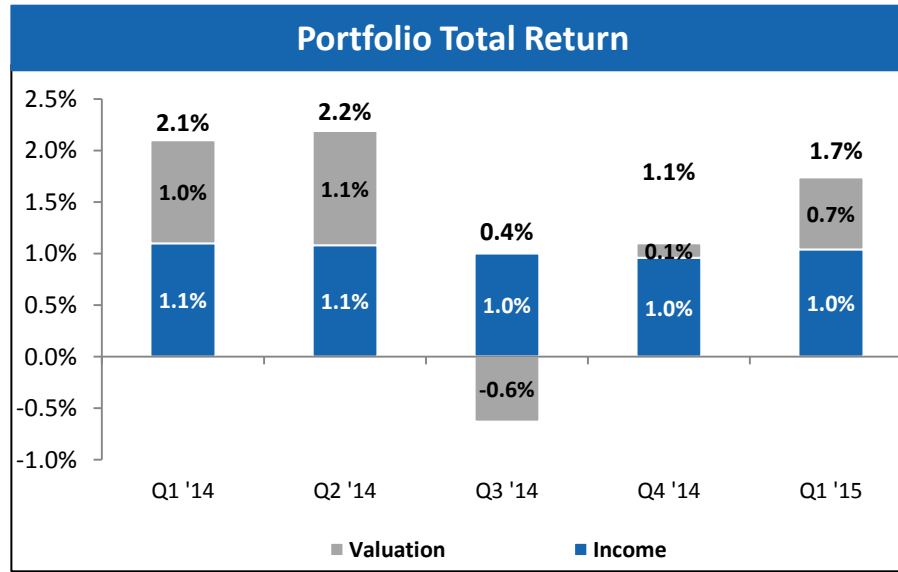
# Life and Annuities Operations Focused on Allstate Agency Channel Following the Sale of LBL

- Continuing to integrate Allstate Financial into the Allstate Brand customer value proposition
- Continued reduction in spread-based businesses driving a \$360M reduction in annuity reserves and contractholder funds during the first quarter of 2015
- Operating income decline in Q1 2015 driven primarily by the disposition of Lincoln Benefit Life (LBL)

Allstate Financial Results		
(\$ in millions)	Q1	Var PY
<b>Premiums &amp; Contract Charges</b>	<b>\$537</b>	<b>(11.5)%</b>
<i>Excluding impact of LBL</i>	<i>N/A</i>	<i>2.9%</i>
<b>Net Investment Income</b>	<b>484</b>	<b>(24.4)%</b>
<i>Excluding impact of LBL</i>	<i>N/A</i>	<i>(5.8)%</i>
<b>Operating Costs</b>	<b>123</b>	<b>4.2%</b>
<b>Net Income<sup>(1)</sup></b>	<b>183</b>	<b>13.0%</b>
<b>Operating Income</b>	<b>134</b>	<b>(29.1)%</b>
<i>Excluding impact of LBL</i>	<i>N/A</i>	<i>(13.5)%</i>
<b>Op Income Return on Attributed Capital</b>	<b>8.5%</b>	<b>-0.9pts</b>



# Proactively Managing Investments



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

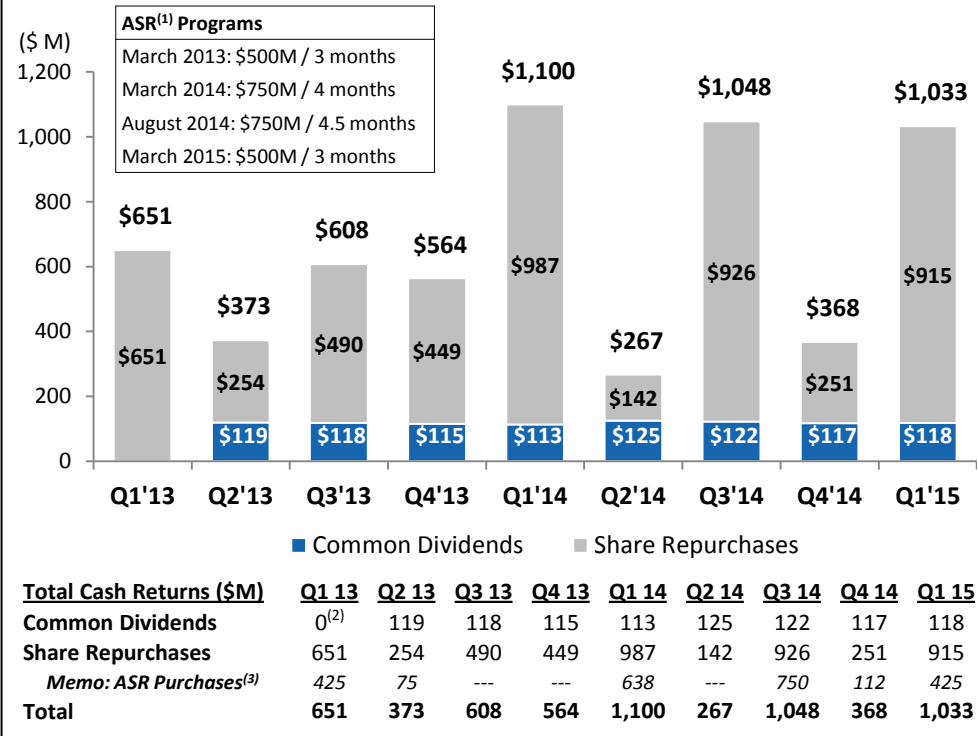


# Strong Capital Position and Excellent Shareholder Returns

## Capital Position

	<u>3/31/15</u>	<u>3/31/14</u>	<u>3/31/13</u>
<b>Book Value per Common Share</b>	\$49.19	\$46.70	\$43.46
<b>Return on Common Shareholders' Equity</b>			
- Net Income	13.7%	10.4%	11.3%
- Operating Income	13.0%	14.4%	11.9%

## Cash Returns to Common Shareholders



<u>Total Cash Returns (\$M)</u>	<u>Q1 13</u>	<u>Q2 13</u>	<u>Q3 13</u>	<u>Q4 13</u>	<u>Q1 14</u>	<u>Q2 14</u>	<u>Q3 14</u>	<u>Q4 14</u>	<u>Q1 15</u>
<b>Common Dividends</b>	0 <sup>(2)</sup>	119	118	115	113	125	122	117	118
<b>Share Repurchases</b>	651	254	490	449	987	142	926	251	915
<i>Memo: ASR Purchases<sup>(3)</sup></i>	425	75	---	---	638	---	750	112	425
<b>Total</b>	<b>651</b>	<b>373</b>	<b>608</b>	<b>564</b>	<b>1,100</b>	<b>267</b>	<b>1,048</b>	<b>368</b>	<b>1,033</b>

- Returned \$1.0 billion in cash to common shareholders in the first quarter of 2015
  - Completed 2014 \$2.5 billion common share repurchase authorization in February
  - Initiated new \$3 billion common share repurchase authorization, including a \$500 million accelerated share repurchase program
  - As of March 31, 2015, \$2.4 billion remained on our common share repurchase program
- Finalized 2015 catastrophe reinsurance program, excluding Florida, which is expected to be placed in Q2 2015

<sup>(1)</sup> ASR = Accelerated Share Repurchase

<sup>(2)</sup> Q1 2013 dividend was paid in Q4 2012

<sup>(3)</sup> Excludes forward contracts on ASR from upfront payment in the quarter the ASR is executed



## 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.



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