

**The Allstate Corporation Annual Meeting  
Report to Shareholders by  
Thomas J. Wilson, Chairman and Chief Executive Officer**

May 24, 2016

Allstate has a fabulous history, but an even more exciting future. We have a business model that delivers excellent products and services while generating exceptional financial returns. A winning strategy based on providing differentiated value propositions to the four consumer segments of the property-casualty business. A reputation for trustworthiness and innovation. Excellent market presence and consumer awareness. Outstanding brands with Allstate and Esurance. \$20 billion of shareholder equity and a \$79 billion investment portfolio that is proactively managed to optimize risk and return.

Over the last five years, total shareholder return has been a strong 116.3%, exceeding the S&P 500 Index return of 79.8% and the S&P Property & Casualty Index return of 108.6%.

Our 41,000 talented and dedicated employees and 35,000 agency owners, exclusive financial specialists and licensed sales professionals serve 16 million households in virtually every community in America. The company, employees and agency owners are aligned around a single objective, Our Shared Purpose, which is to help protect people from life's uncertainties and prepare them for the future.

Since we have already discussed last year's results and the recently released first quarter results, this morning I want to talk about the future of Allstate. Not Allstate tomorrow, not next quarter, but far into the future, for we are building a legacy that will last beyond any of us.

Recently, I heard Professor Rob Wolcott of Northwestern say that "The change we face today is the least amount of change we will face in our lifetimes." I was hoping for a break. Then I realized he is absolutely correct.

Think about the change each of us has seen in the last 20 years. Even five. Each day, change builds on change. That change creates new opportunities and that creates even more change.

With Allstate's legacy and strength, we cannot, however, be satisfied with simply reacting to change. We must shape change to create opportunities.

Change, of course, does not occur in a vacuum. As the external environment and our customers change, so must we. We are helping our agencies change and be trusted advisors by using technology and data. We are empowering them to utilize data, rather than just collecting it, and to provide advice to help customers achieve their goals. We are using data and analytics to build an integrated digital enterprise, which is allowing us to reshape critical processes like claims. For example, last year we introduced technology – which we helped develop – that uses 17 cameras to automatically assess hail damage accurately, doing in minutes what used to take hours.

That's better for the customer, and it's better for us.

Today, over 1 million customers get a more accurate price and an improved driving experience through Drivewise® and DriveSense®, our in-car telematics technology.

Allstate has a reputation as an outstanding corporation. One that innovates. One that makes a difference. We help millions of customers when disaster strikes. Ten of thousands of families count on us for their economic well-being. Shareholders have entrusted us with a company whose shares are worth \$25 billion. We appreciate that trust, and every single day, we change to make Allstate an even better corporation and investment.

We must keep that focus, because more fundamental change is coming. The role of the corporation will be different in the future than it is today.

When I say the word “corporation,” what words come to mind? Probably some good ones – big, sophisticated, powerful. But probably some more judgmental ones as well – cold, only about profit, maybe even heartless. To some extent, there is a grain of truth in all of these adjectives. And it makes sense.

When corporations were created 500 years ago, they had a very narrow purpose – to develop new markets like North America and India for sovereign European nations. Over the years, as society has changed, so has the role of corporations. Corporations have changed to serve a broader and different purpose for the economy and society.

After World War II, we needed to rebuild Europe, facilitate trade and create global marketplaces. New technology needed to be spread around the world. Sophisticated capital markets were needed to drive productivity, allocate capital and support prosperity.

Corporations today have the attributes they do because that is what society needed them to be. But the future will be different than the present, with different challenges and different expectations of corporations.

I briefly discussed the “22nd Century Corporation” at last year’s annual meeting. Since then, we have further developed this concept. This morning, I want to discuss how Allstate is leading the way to defining the 22nd Century Corporation.

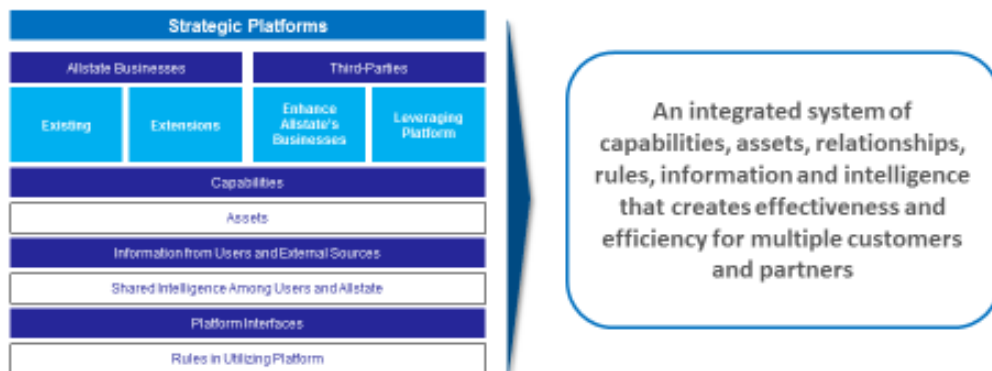
Now, some people think we should be talking about the about the 21st Century, not the 22nd Century. If we want to shape change rather than simply react, however, we have to think farther into the future. This is particularly true given the increasing pace of change. It’s a little daunting, but that’s reality.

So how is the 22nd Century Corporation different from what we have today? 22nd Century Corporations will create value differently than today’s corporations.

Consider how we bring products to market. Today, the process goes something like this: We think of a new product, we assign someone to lead the effort, we build a process to deliver that product, we create packaging and branding around that product, and we launch it into the market. It’s all very well-defined, focused and linear. One step follows another. We control the process from the beginning to the end.

It’s a good process, and it’s served us well over the years, but it has limitations. That business model isn’t as flexible as needed to cope with rapid and accelerating change. It’s an approach that is appropriate for a modestly changing world. It will not work in a world of increasing change where software development progresses in weeks, rather than years . . . where people get news as it unfolds via social media, rather than waiting for the next morning’s newspaper.

To operate in that world, the 22nd Century company will need to be defined by the strategic platforms it uses to deliver products and services as much as by the products and services themselves. It will be about what it facilitates, not just what it makes and sells.



What, exactly, is a strategic platform? A strategic platform is both complicated and simple. It is a system of proprietary and third-party assets, brands, capabilities, relationships, intelligence and shared information. This system is easily accessible and integrated through technology and is governed by usage rules. Strategic platforms are broad and flexible, and can be used for multiple purposes by many customers and partners.

This sounds complex, but it is not unfamiliar to you. You already use strategic platforms today. I'd guess almost everyone in this room uses Facebook or Twitter or Uber or has friends or relatives that do.

Facebook is a platform that allows people to connect with each other for a variety of reasons. It started as a way to keep up with friends and family. Users decide what and when they want to let others know about themselves, and Facebook has built-in intelligence that uses that information to make their experience better. There are rules around how people can use Facebook.

Facebook has other uses, as well. The same technology, business system and set of rules enable businesses to communicate with their customers. Many Allstate agencies use Facebook as a key marketing tool. They use fan pages to discuss their agency – or to show customer testimonials.

Facebook is a platform rather than just a product because it has proprietary technology, relationships and linkages to other companies, built-in information and intelligence, and well-defined usage rules.

Platforms are also more valuable because other people use them. Inviting other people and companies to use or even shape a platform makes it better for everybody. Think of the Apple app store. There are 1.5 million apps on it. That means that – instead of just the people who work at Apple trying to come up with good ideas – Apple's got hundreds of thousands of programmers out there thinking of ways to create value for their customers.

Today, Allstate is really a product and services company. In the near future, we will continue to get most of our revenue from products such as auto and home insurance and our \$79 billion

investment portfolio. That said, as we look forward, our future business model will be based on strategic platforms. That will enable us to better take advantage of the opportunities that rapid change creates and allow us to create change.

Investment markets value platform companies at higher multiples than product companies because they have more ways to create value in the face of change – in essence, a longer runway. This creates additional value for shareholders.

The second way a 22nd Century Corporation will be different is in the nature of its relationships with customers, employees and partners. We're leading the way in redefining those relationships. Customers don't like the way companies have increased the ways in which they charge them for service. They feel like they should not have to pay for everything a company does for them.

We are building 22nd Century local agencies that will not have to charge for every interaction because they will be powered by data analytics and technology. We will provide a local, friendly touch that is highly efficient and effective. The trusted advisor initiative is changing the relationship between local agency staff and customers. We will be less transactional and more relationship-based, more continuous and broader.

One outcome of this will be to have more multi-product relationships. We will know customers and their families personally and help them use their hard-earned money wisely. In return, they will repay us with loyalty and tell their friends that Allstate is the place to be.

The agency network is responding very positively to the changes we're putting in place. Two weeks ago, we had 4,000 agency owners in Las Vegas, where we discussed helping them create 22nd Century agencies. The reception was simply outstanding!

22nd Century Corporations will also treat employees differently. To win in the future, our strategy must include attracting, motivating and retaining the best people. Good people lead to good service. Motivated and engaged people embrace change and work passionately to make Allstate stronger and more successful.

We must compete for that talent. There was a time when corporations took the approach that "we pay and you do." Maybe that worked in the old days, but it doesn't work now and won't work in the future. We now live in a world of infinite choice. In 1919, Henry Ford said, "Any customer can have a car painted any color that he wants, so long as it is black." Today, there are more than 60,000 colors of car paint available.

For employees, there's a lot of choice too: Allstate, Google, Uber, Microsoft, State Farm, Progressive and GEICO. Today, you do not even have to work where you live.

To put it another way, 22nd Century Corporations have to start treating employees like customers. We're selling them opportunities and in return, they're paying us with talent, passion, time and creativity.

This year, we are raising the minimum starting compensation amounts for U.S. employees to the equivalent of \$15 per hour. This is good business, not politics. At the same time, we began restructuring U.S. employee pension and medical benefit costs over the last several years to begin equalizing benefits amongst employees. These changes will result in reduced turnover

and more motivated and productive employees who give customers great service. It will also keep the overall cost structure competitive.

22nd Century Corporations will also play a broader role in society. As change has accelerated, our public institutions and not-for-profits haven't been able to keep up with the good and bad that come from change. Corporations can and should play a role in closing the gap. Corporations can and must be a force for good. Corporations have the capabilities, people and resources to make a positive difference in the world.

Here at Allstate, we're very proud of all the good we do – WE Day, where we help get kids involved in driving positive change; our work to help stop domestic violence like Purple Purse; and teen safe driving.

When we started our teen safe driving effort 10 years ago, we set a goal of reducing teen deaths from driving by 50%. Today, it is 50% lower than a decade ago. That is seven teenagers each and every day who remain a part of our future.

We did not accomplish this alone, but are proud of our part in making a real difference. It is in keeping with our legacy of doing good for the communities where we live and work. We support over 4,000 organizations and The Allstate Foundation, Allstate, its employees and agency owners gave \$36 million to support local communities in 2015.

Today, about half of Allstate agency owners are active in their local communities in nearly every community in America. We supported more than 3,000 of them last year with Agency Hands in the Community grants.

In the future, Allstate as a 22nd Century Corporation will do even more. Our goal is to have over 80% of agency owners involved in their local communities. This also ties back to providing more than a job to our employees. Allstater devoted 230,000 hours in 2015 to help the less privileged. After doing this, they come back more motivated and with a broader perspective on the world. This is a part of the value proposition that employees get from being an Allstater, a chance to make a difference.

Let me close by painting a view of what this future means for Allstate. This is a special company. Being an Allstater is more than a job. It's a way of life. People join the Allstate team for a chance to build something – and together, we are doing just that.

We're going to build even greater things going forward. As a 22nd Century Corporation, we will create value for customers, employees, agency owners, our communities and shareholders. We will have increased revenues because customers will use us for more of their protection needs and will be loyal to us. Customers will buy from us because of who we are, not just what we sell and at what price. We will have strengthened a core element of our business model, the Allstate agency network. That Allstate agencies are part of the bedrock of local communities.

Our customers will be connected to us wherever they go with Drivewise and DriveSense. These telematics offer many platforms that others use to provide even more services to customers while they are in their cars. Employees will be motivated and passionate about building a new type of company. This will reduce employee turnover and ensure we have the best people. We will find energy and passion by knowing that we are making a difference in our communities. That Allstate is revered by customers as a force for good.

In the future, some of our current competitors will go by the wayside. They will fall prey to the siren song, "We are good enough."

Change sneaks up on people. It comes gradually, then suddenly. Gradually, we will distance ourselves from GEICO, Progressive, the regional mutual companies and State Farm. Then suddenly, some of them will no longer be relevant to our customers.

Allstate will be, because we chose not only to embrace the future, but to create it.