



# Bank of America/Merrill Lynch Insurance Conference

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**The Allstate Corporation**



# Safe Harbor

**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 2009 Form 10-K, Form 10-Q for the third quarter 2010, and in our most recent earnings release, available on our website, [allstate.com](http://allstate.com). This presentation also contains some non-GAAP measures. You can find the reconciliation of those measures to GAAP measures on the Investor Relations portion of our website, [allstate.com](http://allstate.com), under the “Quarterly Investor Info” link.**



# What We'll Cover

- **2010 results**
- **Allstate Protection overview**
- **2011 priorities**



# 2010 Results

- **Book value per share improved 14.5% to \$35.32**
  - Shareholders' equity grew to \$19 billion
  - Repurchased shares totaling \$160 million
  
- **Underlying combined ratio within full year outlook**
  - Growth initiatives accelerated new business throughout the year
  - Renewal rates declined due to profitability actions in several large states
  - Homeowners average premium increased 7%
  
- **Allstate Financial results improved**
  - 'Focus to Win' cost restructuring completed
  - Winding down Allstate Bank
  - Operating earnings of \$476 million
  - Growth of Allstate Benefits
  
- **Investment portfolio in a strong position**
  - Held exposure to corporate credit and undervalued structured securities
  - Reduced exposure to municipal fixed income and commercial real estate
  - Hedged against rising interest rates
  - Net investment income down 7.7%

# Leading Franchise in Consumer Protection



- **Strong Brand**
- **Comprehensive Distribution**
- **Broad Products and Services**
- **Large Scale**
- **Financial Strength**



# Allstate's Corporate Operating Priorities

- **Consumer focus**
- **Operational excellence**
- **Enterprise risk and return**
- **Capital management**



# Allstate Protection Businesses





# Allstate Protection – Priorities

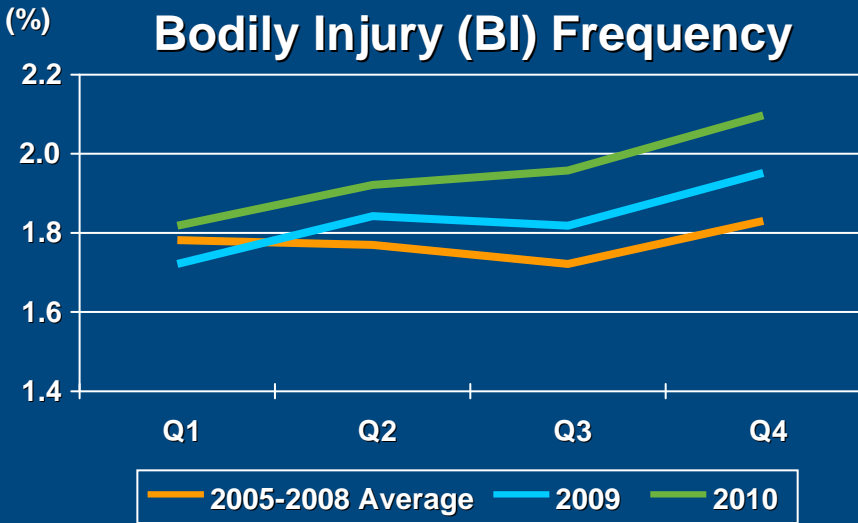
## Exclusive Agency

- **Maintain Auto profitability**
- **Improve Homeowners profitability**
- **Position businesses for growth**
  - **Strengthen execution of core value proposition**
  - **Sharpen distribution effectiveness**
  - **Raise customer loyalty**

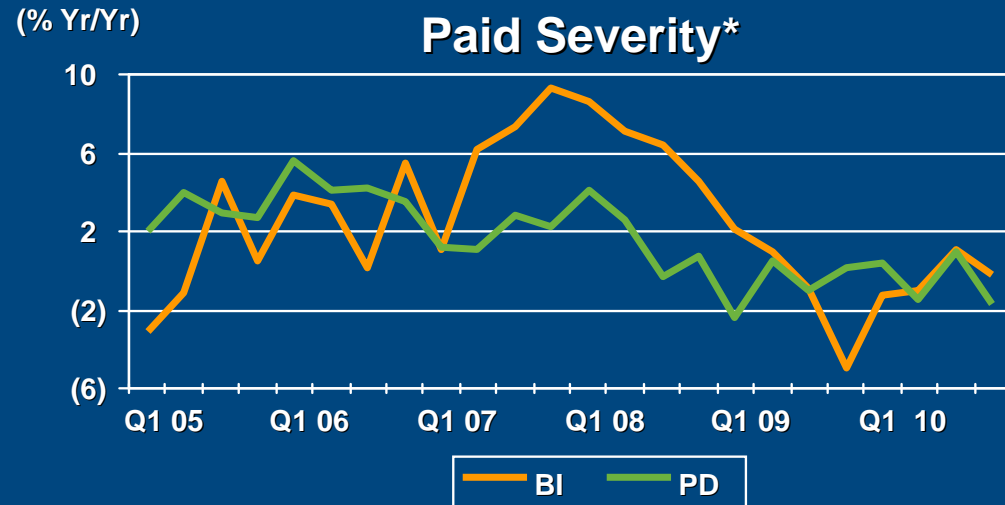
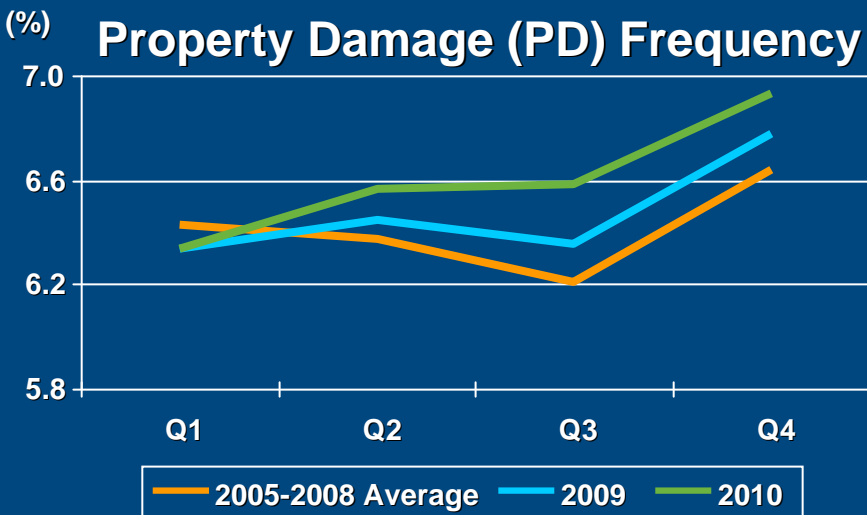




# Auto Frequency & Severity Trends



- Frequency highest in last six years
- Severities stable



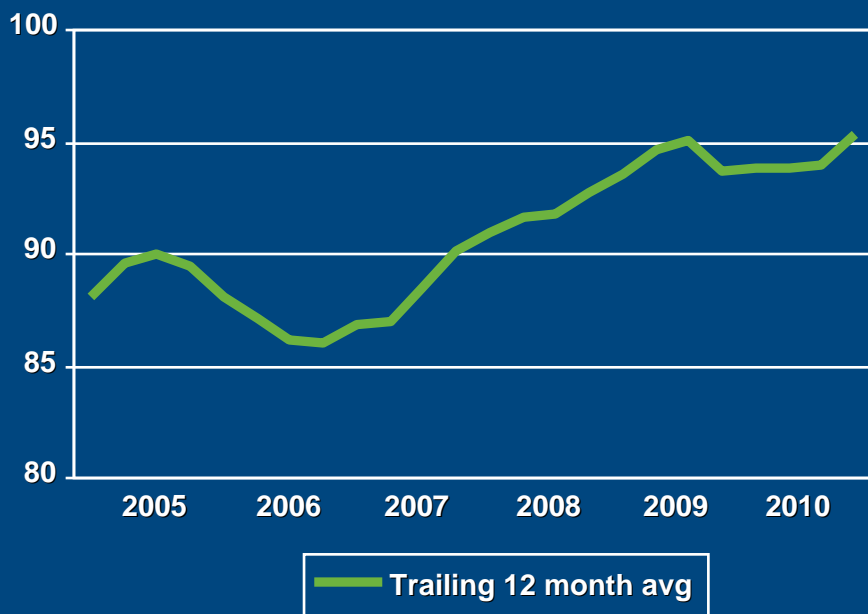
\*Paid Severity is for Allstate Brand Total Auto.

Frequency Charts are for Allstate Brand Standard Auto.



# Standard Auto Profitability

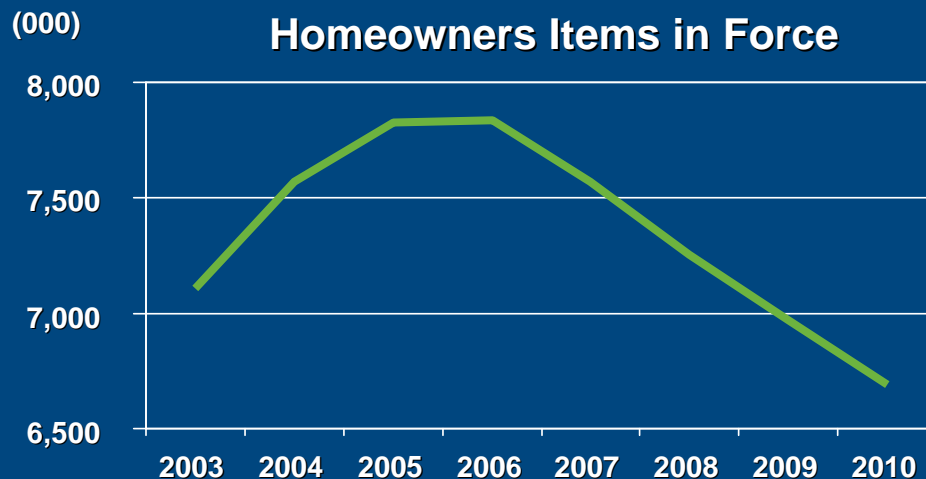
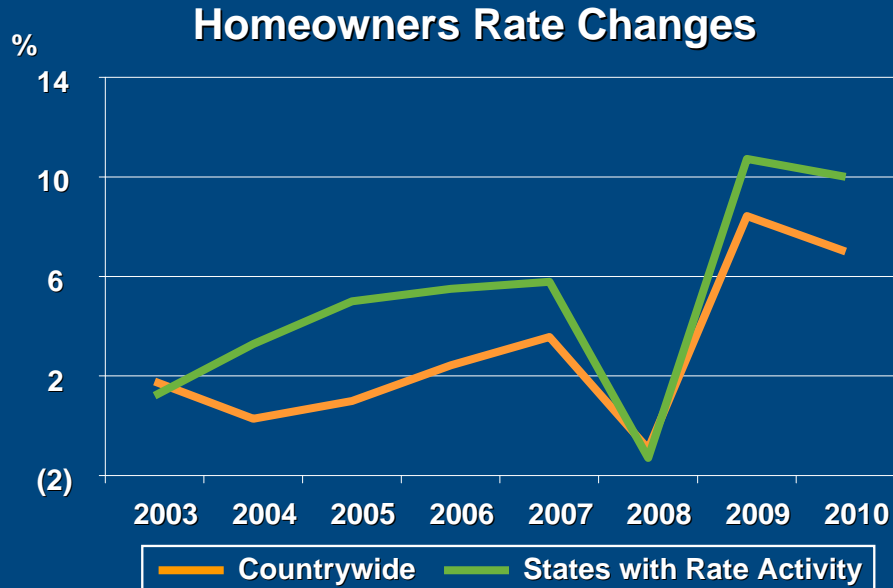
## Allstate Brand Standard Auto Combined Ratio



- Combined ratio (trailing 12 month avg) has flattened
- Frequency headwind
- NY and FL injury frequencies pressuring 2010 and 2011
- Committed to maintaining Auto profitability



# Improving Profitability and Managing Exposure in Homeowners

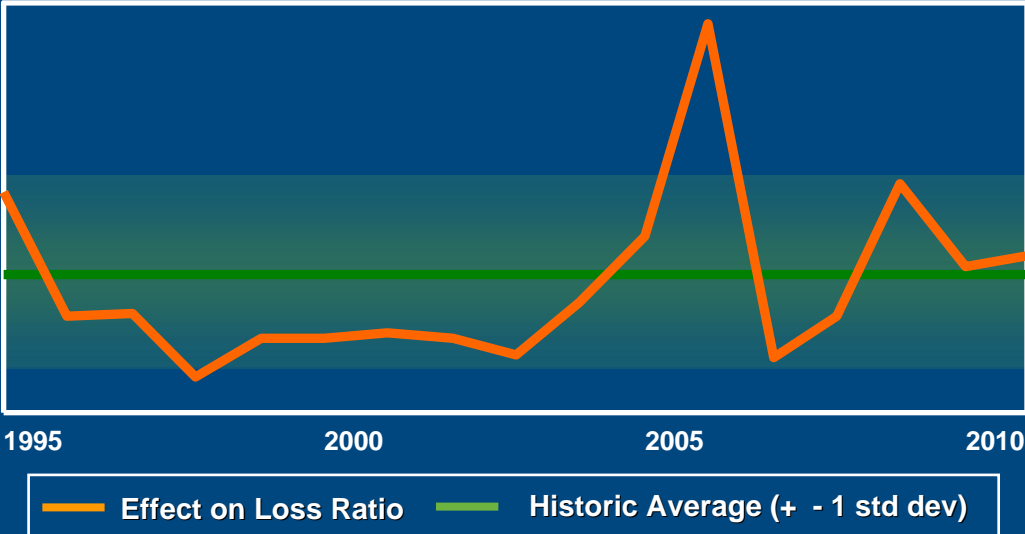


- Increasing rates to improve profitability
- Reducing exposures in high loss areas
- Expanding use of underwriting and coverage tools



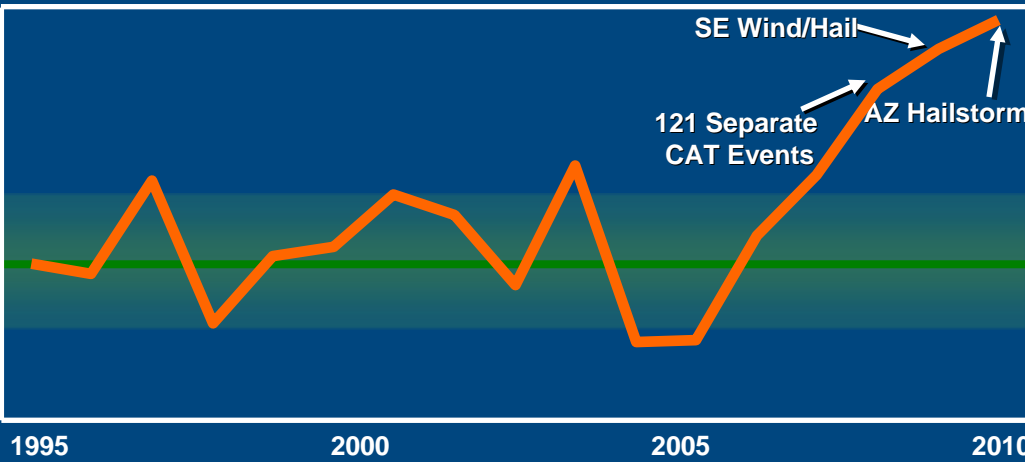
# Catastrophe Losses at Historic Levels?

### Total Catastrophe Losses



- Recent catastrophe losses within historic range
- CATs x hurricanes & earthquakes well above average; outside historic range
- Pricing and underwriting actions reflect recent trends

### Excluding Hurricanes & Earthquakes





# Allstate Protection – Priorities

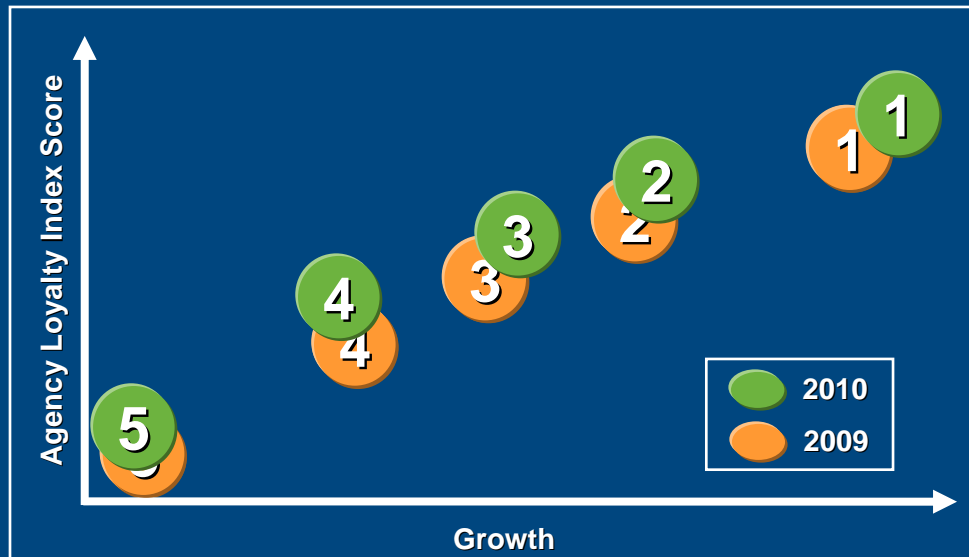
## Exclusive Agency

- **Maintain Auto profitability**
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  - **Sharpen distribution effectiveness**
  - **Raise customer loyalty**



# Improving Distribution Effectiveness

## Agency Performance by Agency Loyalty Index Quintile

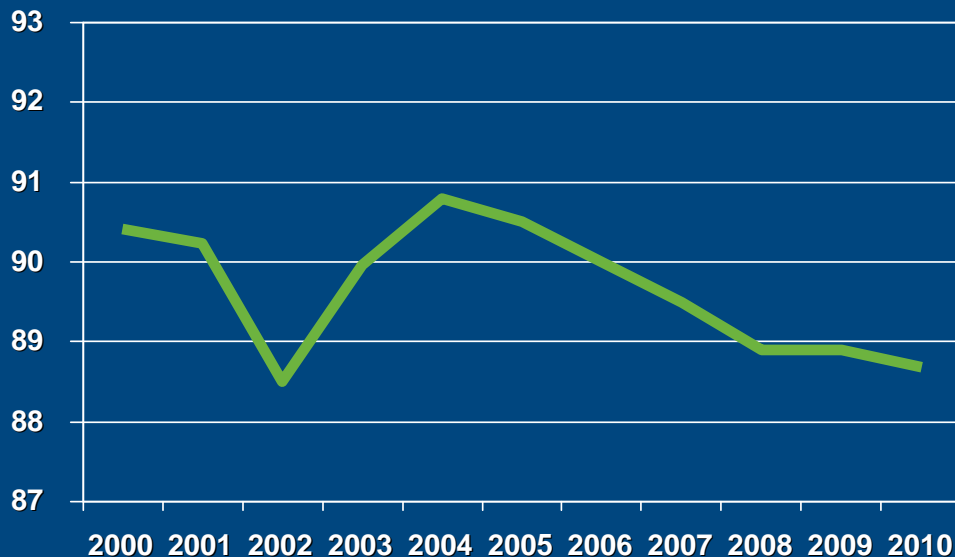


- **Highest groups have excellent results**
  - Growth
  - Retention
  - Cross-sales
  - Allstate Financial production
- **Working to move lower groups upward**
  - Training
  - Incentives
  - Attrition/Replacement



# Retention Changes Flattening

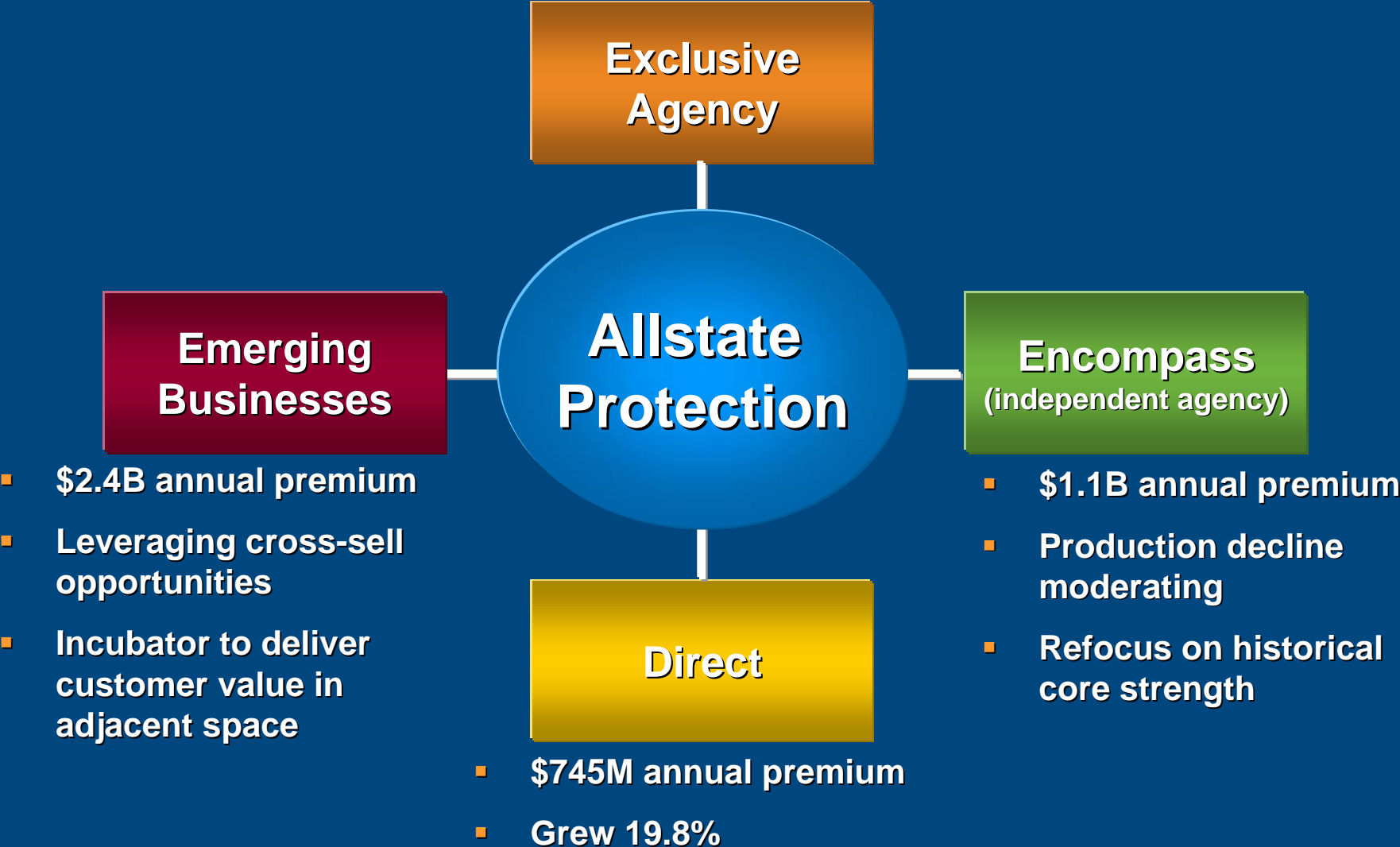
**Allstate Brand  
Standard Auto Retention**



- **Active focus on improving retention**
  - Cross-sell
  - Multi-line discounts
  - Sharpen distribution
  - Increase focus on value proposition
- **FL and NY profitability actions have potential to impact aggregate number**



# Allstate Protection Businesses







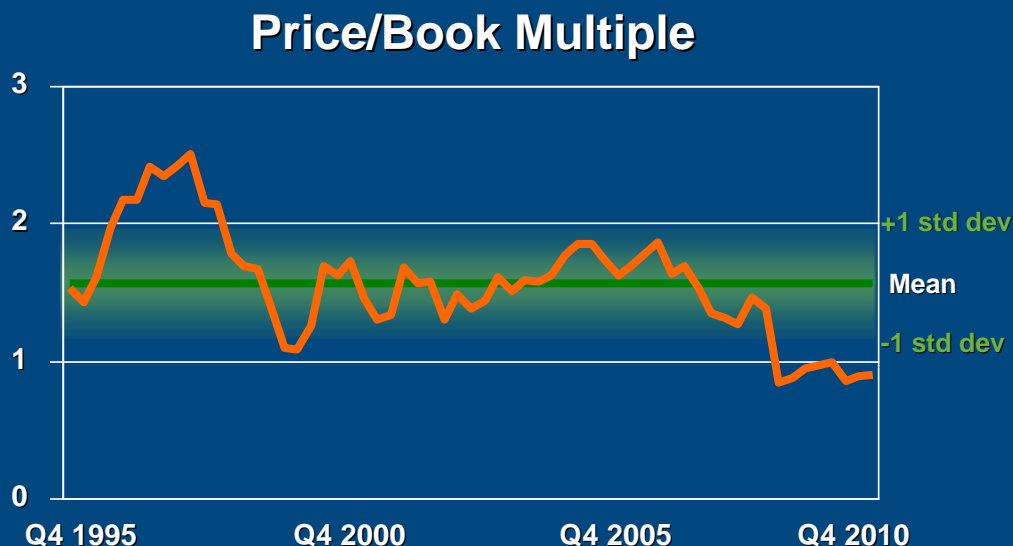
# Allstate Protection 2011 Priorities

- **Maintain Auto profitability**
- **Improve Homeowners profitability**
- **Position businesses for growth**
  - Strengthen execution of core value proposition
  - Sharpen distribution effectiveness
  - Raise customer loyalty
- **Continue to strengthen non-exclusive agency businesses**



# Allstate – An Attractive Investment

- **Leading franchise in consumer protection and retirement**
- **Competitively differentiated strategy**
- **History of solid capital management**
- **Valuation has significant upside potential**





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