

**The Allstate Corporation Annual Meeting  
Report to Shareholders by  
Thomas J. Wilson, Chairman, President and CEO**

**May 22, 2012**

Let's turn to the state of our company. I will begin by reviewing our strategy and then discuss our operational results since last year. Our focus since we were last together has been to broaden our strategic platform to serve a wide array of customers and improve our operational capabilities and performance. Those of you who were here last year will remember we discussed our strategy using this "four square" visual that identifies the key dimensions impacting customer choice in insurance.

Our overall strategy is to provide unique products and services to different customer segments. We segment customers based on two factors. The first is their desire for help or advice. So that's the horizontal axis. At the left end of this spectrum are those who want help and advice in buying insurance. This is where our local agencies provide important and valued service for people. At the opposite end of the spectrum are people that prefer to do the work themselves. They are self-serve customers. They typically interact with insurance companies on the web or through a call center. Consumers also have a range of views on how different they think insurance products and companies are, and this is reflected on the vertical axis. Many consumers believe there is a difference among insurance products and companies. They tend to be more brand and quality sensitive and typically are the people who believe that you get what you pay for. Others believe that all insurance companies are the same, and so price is a key decision factor. They're at the top of the vertical line. We call them brand neutral.

The Allstate Agencies have a very strong competitive position serving customers in the lower left who want local assistance along with a differentiated set of products. These customers tell us they highly value their relationship with a local agency, are interested in high quality products and want to have all of their protection needs met with one relationship. This is the core of our company.

Encompass is our business offering for local independent agencies. These customers want local advice and assistance but don't really see much difference among insurance companies.

As you know, since we were together last year, we acquired Esurance and Answer Financial in October of 2011 to give us branded positions that target the self-serve customers. Esurance meets the needs of customers who prefer self service but want differentiated insurance offerings. Esurance competes in this growing segment directly against Geico and Progressive Direct, both of whom are spending a significant amount on advertising. Answer Financial serves customers who prefer self-service and see little differentiation between insurance offerings. These acquisitions will generate a good return for shareholders.

Over the last seven months, we have made good progress in both growing and improving this business. We launched a new advertising program for Esurance in December and are moving quickly to capture operational improvements. This acquisition makes us the only personal lines company that has a unique offering for each of the four consumer segments.

As we enhanced our strategic platform, we have improved our core operations as well. The Allstate Agency business has raised customer service levels, launched new products, improved results in the underperforming homeowners insurance line and is working hard to make our agencies more successful and valuable. One important measure of customer service is our Agency Loyalty Index, which is a measure of a customer's satisfaction with his or her local agency. In 2011, this index increased by about 5% for the second year in a row. That's a substantial improvement. The customers in the segment served by Allstate agencies want their protection needs handled by one relationship, therefore it is important that we have a range of differentiated products available.

This year we expanded our claim satisfaction guarantee on auto insurance to an additional 37 states<sup>1</sup>, effectively giving us a national footprint. This product guarantees customers that they will be completely satisfied with their paid auto claim experience or they will be credited with a payment equal to their auto premium. We are the only insurance company that offers this highly differentiated product.

We also improved our life insurance, motorcycle and renters protection offerings, all of which grew in 2011. We are making progress improving returns in the homeowners insurance line. As a result of an unprecedented level of severe weather losses over the last 4 years, this business has not generated appropriate returns. The steps necessary to earn an adequate return in homeowners are difficult for both our customers and agencies and have negatively impacted our auto insurance market share. That said, these actions are necessary to protect the long-term viability of Allstate and improve shareholder value. We continue to make good progress on what is a difficult challenge and will make this line of insurance a competitive advantage that drives growth. We also made progress in positioning Allstate Agencies for the future.

I'd like to share a brief video of just how much our local agencies do for customers.

As you can see, being an Allstate Agency Owner is more than a job. It is a way of life focused on three objectives:

- A life helping customers realize their hopes and dreams;
- A life building successful businesses; and,
- A life improving their communities.

---

<sup>1</sup> 37 states in 2012. 41 total.

Serving customers as effectively as possible is core to agency success. We are listening to agency owners' growth needs and upgrading the tools they need to deliver assistance and providing a broad range of protection and retirement products that differentiate them from the competition.

Secondly, agency owners build businesses embedded in their local communities, and are integral to a system that provides jobs for over 70,000 people. We want our agencies to thrive as businesses. When they succeed, we succeed.

In consultation with over 300 individual agency owners and the Allstate Agency National Advisory Board, we have modified the agency compensation program to enable them to be more successful. This new program rewards performance and provides resources for growth. Total compensation paid to agencies under the new program is expected to be at or higher than the current program. We are also working to make sure agencies have the capabilities to serve all of our customers' needs. The central message to our agency owners is "everybody counts". Large agencies, smaller agencies and new agencies. We are here to help all of our agencies do a better job of helping customers.

I would like to recognize Jim Towns, the co-chairman of the Agency Executive Council that works with us to help our agencies succeed. As a very successful agency owner himself, I know his time is valuable and we appreciate his commitment to Allstate.

To accelerate our collective success, we had our first ever National Forum with about 4,400 agencies in attendance in Las Vegas two weeks ago. That's about 44% of the entire agency force. The goal was to educate and inspire. So far over 1,000 agencies have responded to a post-meeting survey and the results are fantastic. 92 percent were very satisfied or satisfied with the Forum. 88 percent feel engaged and positive about the company and their role in its future. 80 percent feel the company's leaders understood the agency owners' perspectives and challenges. 82 percent feel appreciated and respected as a business owner. In all, it was a great week for all of us to support the success of Agency Owners.

Allstate Agencies also serve their communities as you saw in the video. Each year Allstate donates millions of dollars to non-profits on behalf of local agencies to support their roles as community leaders.

We made progress since last year's meeting in improving results at Allstate Financial, which is focused on providing products to the customer segment served by Allstate Agencies. Last year we launched a new simple issue term life policy for these customers. Overall, life unit sales through Allstate Agencies were up 33% last year. The highly profitable worksite business continued to grow as well. The annuity business remains challenged by low interest rates so we are reducing its size and working to raise returns.

Investment results were strong for the third year in a row. We proactively manage risk and return in a difficult economic climate and volatile financial markets. We have an

excellent Investment team which balances our desire for returns while closely managing risk.

Over the last year, we continued to build the corporation's performance capacity. Our health and wellness programs are state of the art and drive both engagement and performance. We have a strong leadership team that is comprised of sixteen diverse leaders who have been with the company on average for 11 years. About half have been here less than 5 years and some over 30 years. It is a great mix of talent and experiences. Our team is strong and focused.

We are off to a good start in 2012.

- In the first quarter, net income was \$766 MM, up 46% from 2011.
- Operating income was \$710 MM, up 44%.
- The underlying property liability combined ratio was 88.1, 1.8% better than the same quarter a year ago.
- Book value reached a record \$38.57 per share.
- The quarterly dividend was increased by 5% to 22 cents per share.

It appears the market has taken notice of this with the stock appreciation outperforming peers so far in 2012.

In summary, significant strategic and operational progress has been made since we were together last year. Your board has also made improvements in corporate governance. The changes provide more shareholder access, increased alignment between pay and performance and improved board governance.