

A DIFFERENT DIRECTION

As a long-term investment, Allstate outperforms the competition. From our June 3, 1993 initial public offering through December 31, 2003, \$1,000 invested in the Standard & Poor's 500 and Standard & Poor's Property & Casualty indices increased in value by \$911 and \$710, respectively. During that time, the same investment in Allstate exceeded those values and increased by \$1,582.

Different from the competition

Conventional wisdom often implies that insurance companies cannot consistently increase revenues and profits at the same time. In a slow growth, competitive business, it has to be one or the other. Starting several years ago, Allstate took a different approach. Two decisions were key:

1 Allstate sharpened its pricing and underwriting skills to attract higher lifetime value households because these customers are more loyal and more likely to buy additional products. This improved our opportunity to generate both revenue and income.



2 The company expanded in the faster-growing financial services market, adding a variety of retirement and savings products. The move met a real need, especially among middle-market customers, while balancing traditional strengths in the slower-but-steady personal lines insurance market.



Difference pays dividends

By rewriting the rules, your company is applying a rare combination: best-in-class pricing and underwriting; a broad portfolio of protection and retirement products; and access through almost every available channel—exclusive agents, exclusive financial specialists, independent agents, non-proprietary channels, 1-800-Allstate and www.allstate.com. And execution has been outstanding. The result: Not growth or profit, but growth and profit. Last year was a good example. Revenues rose 8.7 percent in 2003. Net income per diluted share increased 139.4 percent. And return on equity increased to 14.2 percent in 2003 from 6.5 percent in 2002.

A different opportunity

We recognize past performance is no guarantee of future success so we're not resting on our laurels. Having positioned the company for continued profitable growth, Allstate intends to take full advantage of its experience and its unique opportunities.

The rest of this report details how Allstate is reaching more Americans, managing its capital more effectively and leading more decisively to deliver strong, sustained returns on your investment.

17,000,000

Estimated U.S. private passenger auto drivers protected by Allstate brand insurance.

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Allstate has a relationship with about one of every six American households.



View additional information about strategic risk management and trends shaping retirement at www.allstate.com/direction. Strategic risk management is also discussed in "Property-Liability 2003 Highlights" in the MD&A section of the 2003 Annual Report and Notice of 2004 Annual Meeting and Proxy Statement.

ON OUR WAY