



The Allstate Corporation



**"I choose  
Allstate."**

—Allstate customer Welvin Williams, of Woodstock, Georgia, pictured with his granddaughter, Kaylee, is grateful Allstate does what's best for his family and business.

2006 Summary Annual Report





I choose Allstate.

### Relationships That Last

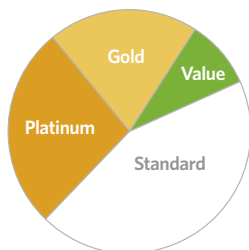
"Allstate and I have been together for 20 years, and we've become family. So when I started my commercial cleaning business 10 years ago, I sat down with my agent, Vince Green, to find the best policies and programs for my family and business. In addition to commercial insurance, we set up a life insurance policy to protect my wife from my company's debt. We also set up a life policy for my son and my new granddaughter, so they could have something of their own. Later Vince told us about Allstate® Your Choice Auto, and we chose the Platinum coverage. When I had a fender bender in my truck, Allstate recognized that I'm human, and they settled my claim quickly without raising my premium. As for my family and my insurance needs, it starts with Allstate. And that's my stand!"

*Allstate customer Welvin Williams finds that Allstate satisfies all his insurance and financial service needs.*

### Growth of Allstate® Your Choice Auto

Many customers choose the higher value options available with Allstate® Your Choice Auto insurance.

**Platinum, Gold and Value options represented a majority of new business in 2006.\***



- ☒ Higher customer satisfaction
- ☒ Customers more likely to refer
- ☒ Better retention
- ☒ Higher average premium

\*Where it was available

### Putting Customers First

Customers count on Allstate to help them feel safe and well-protected. We go beyond that promise. Today, we've redefined insurance coverage as a series of choices consumers make to get the right features and the right coverage at the right price. With the innovative Allstate® Your Choice Auto and Allstate® Your Choice Home policies, they can decide how much—and what kind of—protection they need. Consumers can also qualify for built-in rewards that can save them money. Our Allstate® Treasury-Linked Annuities, which use methods protected by a U.S. patent, let customers earn higher interest rates when rates move up and a competitive, guaranteed rate even if interest rates fall.



Read how Allstate helped Larry McClure, of Portland, Oregon, replace his limited-edition vehicle after a crash in inclement weather, at [www.allstate.com/annualreport/customer](http://www.allstate.com/annualreport/customer).

I choose Allstate.





I choose Allstate.

**"I want the best protection I can have."**

—Dr. Billie Minton and her niece, Stephanie Minton, will always remember Allstate's support following Stephanie's car accident.

I choose Allstate.





I choose Allstate.

## Relationships That Last

"I've been with Allstate since I got my driver's permit. As my life changed, my Allstate agent, Rikki Rhoten, showed me how to protect my property, my businesses, my family and my financial future. Recently, she told me about Allstate® Your Choice Auto insurance and recommended the Platinum protection because she knows I drive newer cars. Looking back, I'm glad I listened. My niece Stephanie was driving my new car when she hit some ice, lost control and went off the road. Thankfully, she was unharmed but the car was totaled. Allstate reimbursed me for the cost of the newest available model of the car and took care of everything. That meant my niece and I could both move on, with no regrets."

*Dr. Billie J. Minton of Kingsport, Tennessee, has been an Allstate customer for 26 years.*

I choose Allstate.





I choose Allstate.

**"I got a brand new car—and first-class service."**

—Allstate customer Larry McClure, of Portland, Oregon, made a smart choice when he signed up for Allstate® Your Choice Auto insurance with the new car replacement option. Larry and Homer are now back on the road, and traveling in style.

I choose Allstate.







I choose Allstate.

## Relationships That Last

"A few years back, I paid the price when my truck was stolen and my insurance at the time didn't cover my entire loss. So when I bought my new, limited edition car, I changed insurance companies and made sure I got the protection I need. My agent, Albert McClure, explained how Allstate® Your Choice Auto with new car replacement would protect me from depreciation and make the claims process easy. He was right. Nine months later, I totaled my car in inclement weather. My first thought was, 'Here I go again.' This time, the claim person was more concerned with my health than anything else. Allstate got me a rental car and looked everywhere for a new car exactly like mine. I ended up with a 2007 model with all the features my original car had. Now, my friends are looking at their own policies, and they're calling Allstate.

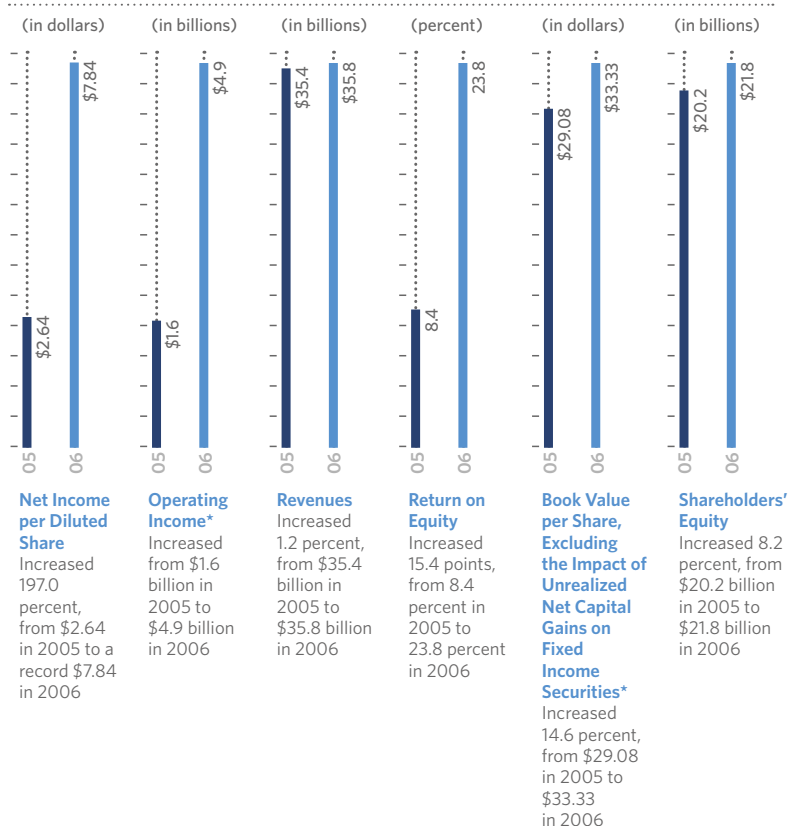
*Allstate customer Larry McClure of Portland, Oregon.*

I choose Allstate.





# In 2006 Allstate grew, achieved record results and strengthened its brand. Highlights include:



\*For a definition of this term, please see the Non-GAAP and Operating Measures card; also available online at [www.allstate.com/annualreport/definitions](http://www.allstate.com/annualreport/definitions).





# Financial Highlights

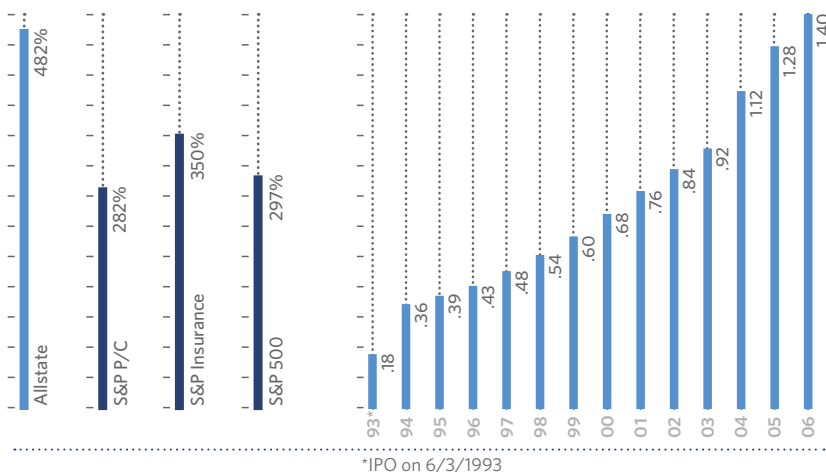
## Long-Term Value

In 2006 Allstate continued to reward shareholders by growing the value of their shares and increasing their income from dividends. The stock price closed 2006 at \$65.11, up 20.4 percent from \$54.07 at the end of 2005. We paid an all-time high annual dividend of \$1.40 per share, a 9.4 percent increase from 2005. Our ability to pay higher dividends for 12 consecutive years reflects the disciplined approach we take to managing capital. In 2006 we also repurchased 30.7 million Allstate shares for \$1.75 billion, or \$57.07 per share. With our \$4 billion repurchase program now complete, Allstate's board authorized us to acquire an additional \$3 billion in shares through the first quarter of 2008.

## Total Shareholder Returns Since IPO on 6/3/1993

## Dividends per Share

(In dollars, adjusted for stock split in 1998)



## Total Shareholder Returns

	Allstate	S&P P/C	S&P Insurance	S&P 500
1 Year, 12/31/2005 - 12/31/2006	23%	13%	11%	16%
2 Years, 12/31/2004 - 12/31/2006	32%	30%	26%	21%
3 Years, 12/31/2003 - 12/31/2006	62%	43%	35%	34%
4 Years, 12/31/2002 - 12/31/2006	92%	80%	64%	72%
5 Years, 12/31/2001 - 12/31/2006	116%	61%	30%	34%
10 Years, 12/31/1996 - 12/31/2006	174%	132%	163%	123%
Since IPO, 6/3/1993 - 12/31/2006	482%	282%	350%	297%



Get in-depth information on Allstate's financial performance, at [www.allstate.com/annualreport/highlights](http://www.allstate.com/annualreport/highlights).

# Financial Highlights







## **Fellow Shareholders:**

You own a portion of an American icon that is more than a financial services company. Allstate is a company of caring individuals who help our customers obtain financial predictability, security and safety in an uncertain world. This team delivered outstanding results in 2006. We continued to grow by focusing on the consumer and earned record profitability. Overall risk levels were reduced in places where changing weather patterns and tough regulatory environments make it difficult to earn an acceptable return. Just as importantly, Allstate is well-positioned for the future, with a strong competitive position and an excellent leadership team.



Edward M. Liddy

Thomas J. Wilson





# Letter to Shareholders

## Our Success

Our year of record profits in 2006 continues our tradition of protecting shareholder capital while earning superior returns. Allstate's market capitalization has tripled from \$11 billion in 1994 to more than \$40 billion at the end of 2006. In the same period, we have returned more than \$19 billion to shareholders through dividends and share repurchases. That means that we have returned nearly two-thirds of our earnings directly to those who chose to invest in us.

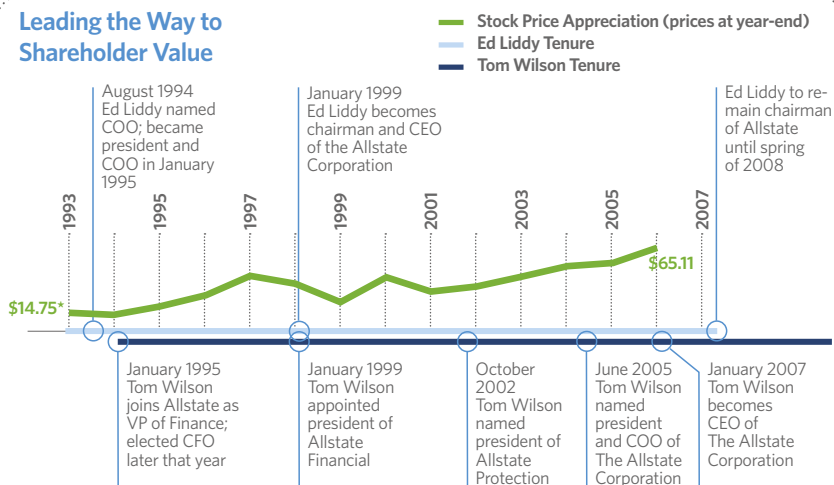
Last year we built on that tradition of success. Our strong operational results generated an unprecedented \$4.9 billion in operating income\* for the corporation as well as record operating income from Allstate Financial. We delivered a 23.8 percent return on equity for shareholders while rewarding our employees with the maximum contribution possible—\$1.50 for every \$1.00 (up to 5 percent of eligible pay) that eligible employees contributed to their profit-sharing plan.

What lies behind these statistics? We were, of course, aided by lower catastrophe losses. But even aside from this welcome relief, our dedicated team of associates performed extremely well by:

- Growing and strengthening the Allstate brand
- Offering innovative products in property-casualty and financial services
- Unveiling the next generation of claim processes and
- Raising customer satisfaction

Upon that foundation, we will build Allstate's future, better serve our customers and provide our people the opportunity to grow and prosper.

### Leading the Way to Shareholder Value



\*Adjusted for stock split in 1998.



Read more online at [www.allstate.com/annualreport](http://www.allstate.com/annualreport).

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## Our Customers

We made progress in becoming a more consumer-focused company in 2006, during what proved to be a difficult year with multiple priorities. “Consumer focus” means listening to our customers, responding and innovating with products and services that exceed their expectations. We followed this path in 2006 with the highly successful roll-out of Allstate® Your Choice Auto and enjoyed premiums and deposits\* of almost \$1 billion with our Allstate® Treasury-Linked Annuities.

Customer loyalty also increased last year—even while we were reducing exposure to mega-catastrophes. We improved our customer loyalty score by increasing and strengthening our customer-contact programs, redesigning welcome packages and sending recognition packages to long-term customers. Our effort to reduce exposure to hurricane and earthquake risk was difficult for our agencies and left some customers unhappy that we could no longer protect their homes. To minimize the impact on these customers, we set up expanded market programs that allowed Allstate agencies to help customers obtain homeowner insurance from other companies.

We will continue to proactively protect and enhance our reputation by investing in additional customer loyalty programs, helping customers find alternative homeowner coverage and seeking legislative solutions to mega-catastrophe risks. We must be successful in these efforts. Customer loyalty and satisfaction will be a key factor in driving future growth.

## Our People

People are the key to our success and constitute a huge competitive advantage for us. Allstaters are honest, smart and caring people who treat others with dignity and respect. Every employee completes ethics and compliance training, which helps to protect and enhance the Allstate brand. Allstate is not simply a leading brand—it is the brand of a leader. And that’s because of our people. We put tremendous focus on recruiting, training, motivating and retaining top-performers so that our company stays strong. Last year we expanded the ranks of our agency owners by more than 500, and they in turn are hiring and expanding their staffs to serve more customers.

We also successfully planned and initiated several key leadership changes, including the seamless transition of CEO responsibilities. George Ruebenson now heads Allstate Protection after successfully leading our claim organization for five years and consistently delivering excellent results. After 11 outstanding years with the company, Casey Sylla decided to retire; we are thrilled to have Jim Hohmann now leading Allstate Financial. Jim was, most recently, president of Conseco, where he helped guide its post-bankruptcy rebuilding.

Another significant transition was the retirement from our board of directors of Edward Brennan, who served as a director from our inception as a public company in 1993 until he reached the mandatory retirement age for board

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# Letter to Shareholders

members in 2006. His great integrity, experience and knowledge were invaluable in setting and keeping us on a successful course.

The diversity of our workforce brings us additional talent and perspective that enables us to better serve our diverse community of customers. We view diversity as an important element of our overall commitment to good corporate citizenship. Taking a stand on issues like teen driving and domestic violence demonstrates our commitment to helping people in need—which is after all the business we're in.

## Our Future

Allstate's past successes provide the resources we need to successfully drive change in our industry for the benefit of our customers and shareholders. We will continue to evolve as a consumer-focused company that protects and prepares customers. Our consumer focus will not just enhance the Allstate brand, it will further differentiate us from the competition. Our people will continue to grow as we invest in them and create a culture that looks outward while rewarding success. As a result, we will continue to deliver outstanding results for our customers, shareholders and communities.

We thank you for your confidence. All of us at Allstate will reward that support with the dedication to making Allstate an even greater company.

Edward M. Liddy  
Chairman

Thomas J. Wilson  
President and Chief Executive Officer

### Message from Edward M. Liddy: Choosing a Leader

*I have shared the last 15 years with Tom Wilson. In that time, I've seen him grow and I've worked with him so that Allstate itself would prosper and grow.*

*Now, with Tom as CEO, we have successfully transitioned to the next generation of leadership.*

*That is how it should be. The true legacy of a CEO lies in how he prepares the company for the leader who comes next. At the end of my tenure, we have moved smoothly to Tom's leadership, continuing the professional values we hold fundamental while searching for new business opportunities.*

*No CEO can do it alone. I'm proud to be among the 70,000 Allstaters that will now work with Tom. Knowing our team as I do, I am confident that we are on the right course: working together, with Tom as our CEO, to enable new levels of achievement.*

*The best is yet to come.*

# Letter to Shareholders





I choose Allstate.



**"I welcome every chance to sit down with customers."**

—Agency owner Stephanie Hebert, of Houma, Louisiana, won Allstate's Ray Lynch Award in 2006 for exceptional community service.

I choose Allstate.





I choose Allstate.

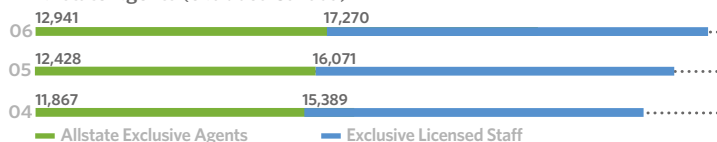
## Reaching Out

"Our agency serves customers from all walks of life, with very different needs. We talk to them about their lives, explain all their options and help them find the protection that suits them best. We also invite them to take advantage of the programs we have in place. Teen drivers save money by taking the defensive driving class we sponsor twice a month. Elderly customers love our drive-through window. And many folks join us for our luncheon seminars to learn more about life insurance and saving for the future. This hands-on approach has helped us build wonderful relationships, support our community—and double the size of our agency over the last five years."

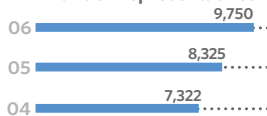
*Stephanie Hebert has been an Allstate agent for 12 years.*

### Our Agency Force

Allstate Agents (excludes Canada)

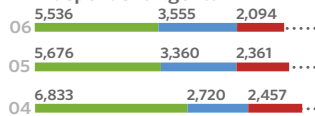


### Growth of Allstate Personal Financial Representatives\*



\*Includes Allstate Exclusive and Independent Agents

### Independent Agents\*



\* Some agents may hold multiple appointments

## Helping Agencies Grow

Allstate's exclusive agents and personal financial representatives have a unique opportunity to serve millions of customers who value our Good Hands® promise. We help agency owners serve customers—and attract new ones—by providing them with innovative products, powerful technology tools and extensive business and marketing support. Across America, agencies are expanding by helping more customers prepare for the financial demands of retirement. Over the next 20 years, 75 million Americans will turn 60, and Allstate has the life insurance, retirement savings, disability and health products to help meet their needs. We also provide products and services through professional independent agents. Our Encompass organization provides Allstate, Encompass and Deerbrook branded products to customers through more than 11,000 independent agencies.



Learn how exclusive agent Roger Francis, of Aurora, Colorado, is helping customers protect and grow their assets, at [www.allstate.com/annualreport/agent](http://www.allstate.com/annualreport/agent).

I choose Allstate.







I choose Allstate.



**"We created a  
good place to  
talk."**

—Roger Francis, an Allstate exclusive agency owner in Aurora, Colorado, redesigned his office to highlight the Allstate brand and create a more customer-friendly environment.

I choose Allstate.





I choose Allstate.

## Reaching Out

"In order to protect a customer's property and assets, we must have an understanding of everything that may be at risk. These are very personal discussions, and we need to make customers feel relaxed and comfortable having them. This year, we followed new guidelines from Allstate and redesigned our office to make it more consistent with the company's strong brand and reputation. Now, customers watch our Good Hands® TV in our lobby. Then, they sit down with licensed agency representatives in a private office to discuss how we can help them protect their assets and make their assets work for them. Customers have responded well to our new look, and so have our employees. Applications have been up 12-15 percent per employee, the size of these applications has grown 15 percent, and our staff is happier coming to work. Our financial services business has really taken off."

*Roger Francis is an Allstate exclusive agency owner in Aurora, Colorado.*

I choose Allstate.





I choose Allstate.



**"I'm helping  
people build a  
better future."**

—Allstate Personal Financial Representative Bob Satterfield from Mount Laurel, New Jersey, helps customers—and children in his community—prepare for a secure financial future.

I choose Allstate.





I choose Allstate.

## Reaching Out

"Through Allstate, I have a powerful network that helps me find new customers, connect with agents and serve my community. I work closely with two Allstate agencies that provide direct access to their customers. Each time they write a new policy, they suggest that clients talk to me about how to protect their financial assets. I also serve on Allstate's National Advisory Board, where I meet with exclusive agents and other personal financial representatives to share ideas and discuss business issues that are important to our success. I also believe in helping children and teens learn the benefits of building good credit. This year Allstate and my local agency helped fund "Junior Achievement in a Day," an event that reached more than 900 children in my community. I spent a day in a third-grade classroom talking about the role businesses play in our community. It's great to work for a company that supports my community activities."

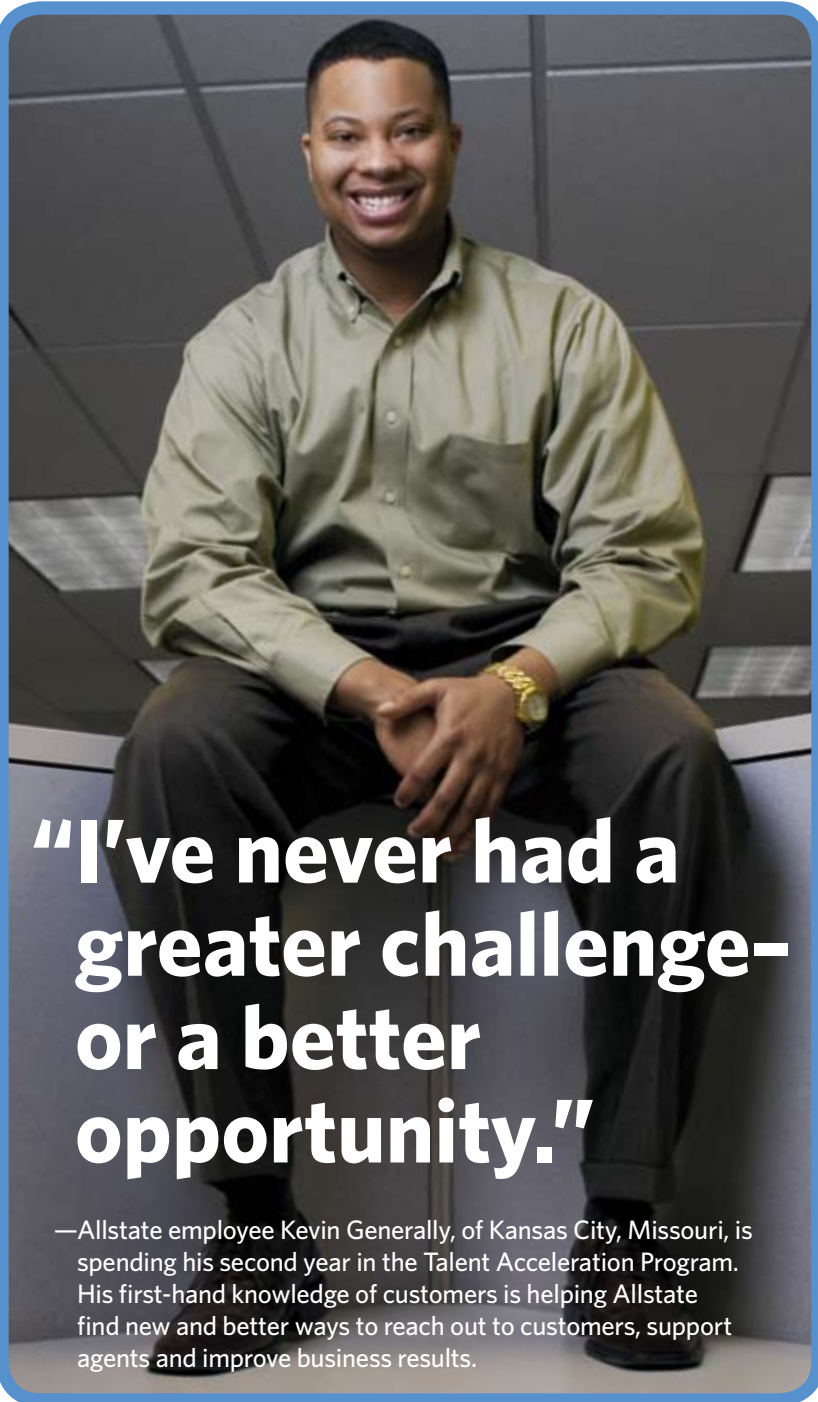
*Allstate Personal Financial Representative Bob Satterfield from Mount Laurel, New Jersey.*

I choose Allstate.





I choose Allstate.



**"I've never had a  
greater challenge-  
or a better  
opportunity."**

—Allstate employee Kevin Generally, of Kansas City, Missouri, is spending his second year in the Talent Acceleration Program. His first-hand knowledge of customers is helping Allstate find new and better ways to reach out to customers, support agents and improve business results.

I choose Allstate.





I choose Allstate.

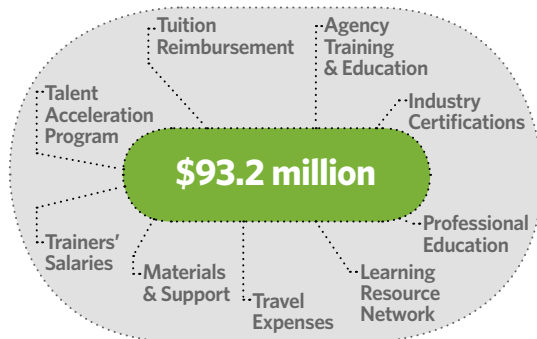
### Making a Difference

"As an Allstate claim adjuster, I spent most of my time on the front line, serving customers and helping them understand their settlements. Last year, I took what I'd learned about customers and applied it in an exciting new way. I joined a marketing team that was exploring how we can connect with our customers more often to listen, identify and meet their needs, and show we truly care. This year, I'm bringing fresh insights to Allstate's human resources service center. I'm managing a team that's dedicated to serving Allstate associates. Together, we're making sure they receive all the support they need—so they can provide the best service to our customers."

*Kevin Generally has been an Allstate employee for five years.*

### Allstate Investment in Professional Education

Every Allstate employee has the opportunity to follow a personal development plan. Allstate offers its associates flexible ways to learn new skills. In 2006, we invested more than \$93 million in professional education and training.



### A Great Place to Work

When people come to work at Allstate, they dedicate themselves to a company that takes care of its customers, values ethics and integrity, and invests in the personal and professional growth of its workforce. In 2006 Allstate continued to invest in a better workplace by adopting a holistic approach to career and life development for its employees. Employees choose from an expanding menu of training, education and leadership development programs to broaden their skills and meet their career goals. In 2007 a new program, *Well & Fit at Allstate*, will help employees evaluate their health and wellbeing and provide personal coaching to reduce medical risks. A new Enterprise Ethics and Compliance program launched in 2006 will help ensure that Allstate continues to foster a culture of compliance and integrity at every level. And the Loyalty Action Workshops held last year have helped employees better understand the voice of the customer, so they can create a better customer experience.



Learn how Daniel Guthrie, of Lindenhurst, Illinois, an Allstate employee who specializes in risk management, gained first-hand experience with customers by working in an Allstate exclusive agency, at [www.allstate.com/annualreport/employee](http://www.allstate.com/annualreport/employee).

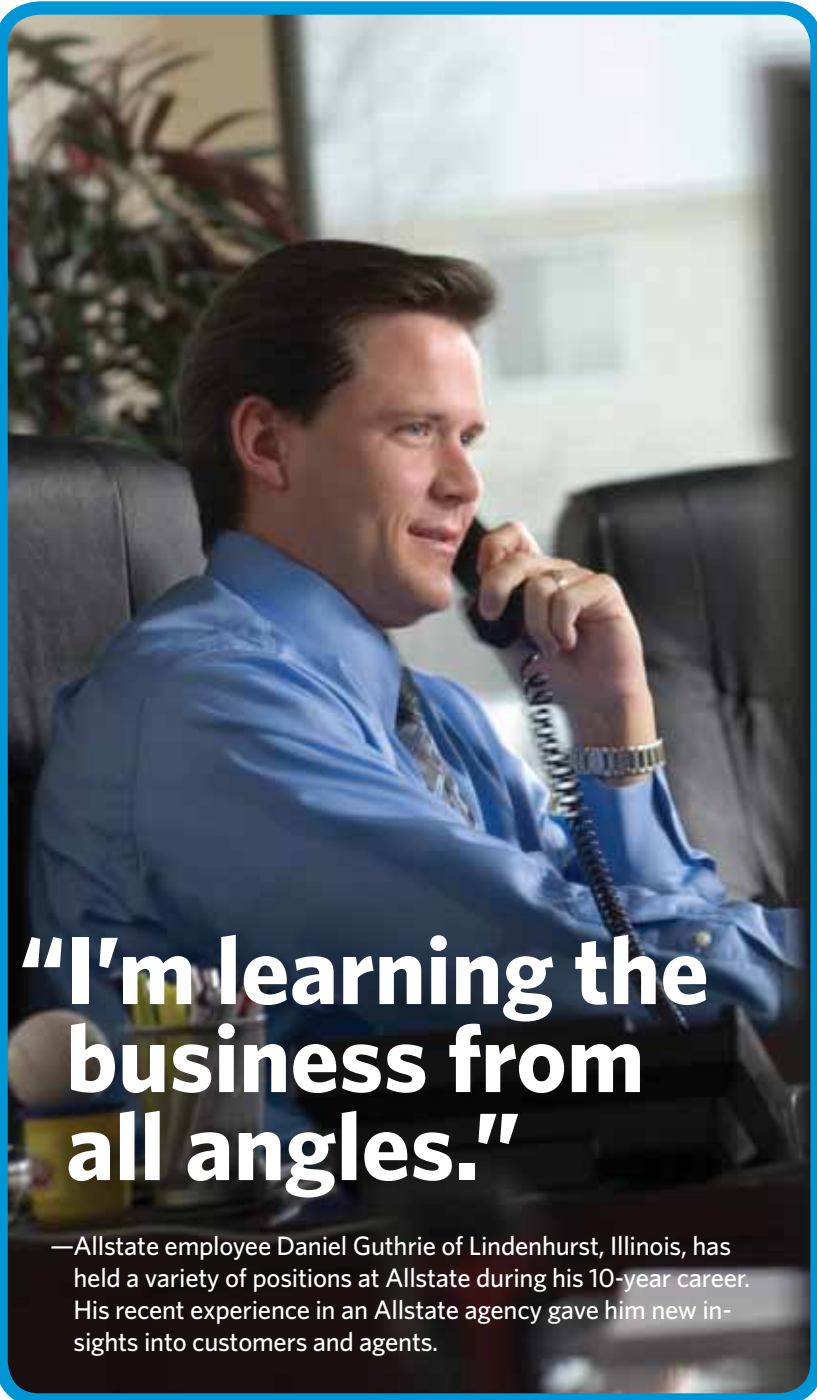
I choose Allstate.







I choose Allstate.



**"I'm learning the business from all angles."**

—Allstate employee Daniel Guthrie of Lindenhurst, Illinois, has held a variety of positions at Allstate during his 10-year career. His recent experience in an Allstate agency gave him new insights into customers and agents.

I choose Allstate.





I choose Allstate.

## Making a Difference

"In 2006, I was given the opportunity to learn new leadership skills—and develop a broader perspective of Allstate and our industry. After eight years in underwriting and risk management, I wanted to challenge myself to see a different side of the business, broaden my experiences and learn how the work I did affected agents and customers. As part of the Talent Acceleration Program, I received my insurance license, joined an Allstate agency and began serving customers. I learned first hand how customers view Allstate, and how important it is for us to provide products that offer value and long-term rewards. I expanded my understanding of what it takes to build and nurture long-term relationships with customers, why the claims process is so critical, and how technology is freeing up agents to spend more time with the people who walk through their doors. Next, I'm moving to a position in sales management; learning this side of the business will give me a new set of experiences and insights. At Allstate, the opportunities just keep coming."

*Daniel Guthrie has been an Allstate employee for ten years.*

I choose Allstate.





I choose Allstate.



**“I help people  
in their time  
of need.”**

—Allstate employee Farrah Goraya of Bolingbrook, Illinois, is a self-proclaimed “customer-experience warrior” who is bringing her focus and customer commitment to different parts of Allstate.

I choose Allstate.





I choose Allstate.

## Making a Difference

"Six years ago, I joined Allstate because it had a reputation for integrity, respect and caring. I began my career at Allstate's Customer Information Center, where I spent my time providing service and support to policyholders in their time of need. Two years ago, I applied for the Talent Acceleration Program, and through it I'm bringing my customer interaction skills to other areas of Allstate. On my first assignment, I was proud to join a marketing team that defined the way we reach out to customers to welcome them aboard. From there, I moved to the claims organization. We're helping our claims people understand how the new tools and technologies we're introducing as part of our Next Gen claims system will help them and our customers. In the process, I've developed new financial and leadership skills, made new friends and contacts and learned how vital teamwork is to Allstate's success."

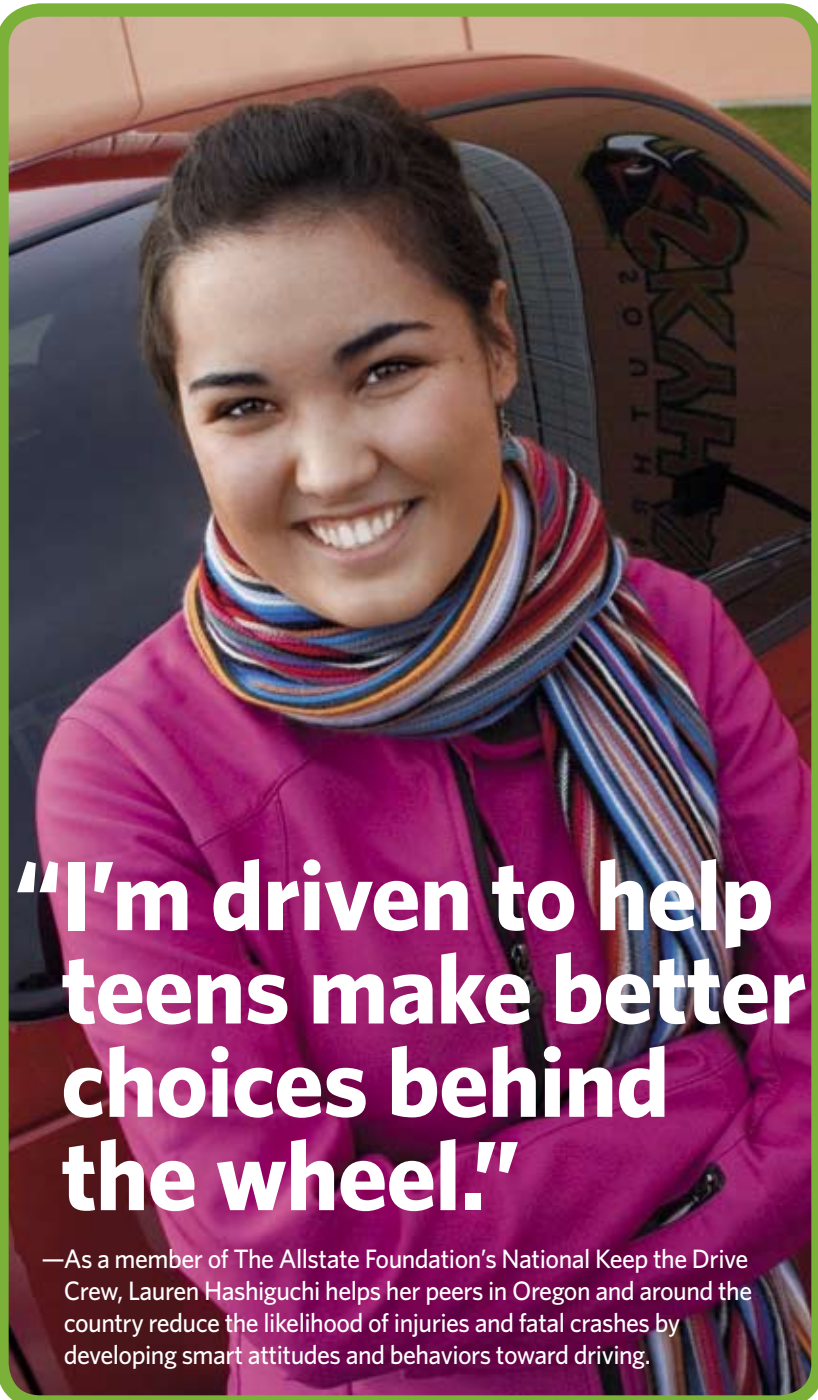
*Allstate employee Farrah Goraya is from Bolingbrook, Illinois.*

I choose Allstate.





I choose Allstate.



**“I’m driven to help  
teens make better  
choices behind  
the wheel.”**

—As a member of The Allstate Foundation’s National Keep the Drive Crew, Lauren Hashiguchi helps her peers in Oregon and around the country reduce the likelihood of injuries and fatal crashes by developing smart attitudes and behaviors toward driving.

I choose Allstate.





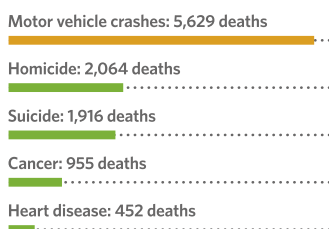
I choose Allstate.

### Smart Choices

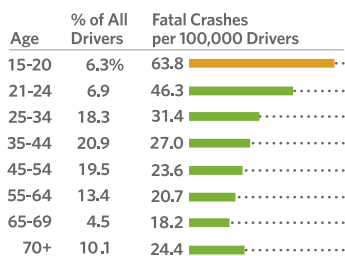
"Too many teens think it's cool to drive fast and take chances behind the wheel. What they don't think about is that their reckless behavior can cause injury, death and a lifetime of pain for families and friends. I lost my grandfather and a friend in crashes involving teen drivers. I'm driven to prevent others from suffering the great losses I've experienced. As a member of the National Keep the Drive Crew, I've learned that my voice can help create change in my school and across the country. I've visited health classes to talk about safe driving and worked at a concert to raise awareness about the dangers of reckless driving. I also joined 45 other teens from around the country at the National Keep the Drive Summit in Chicago. Together, we're changing attitudes and making the roads safer."

*Lauren Hashiguchi is a member of The Allstate Foundation's National Keep the Drive Crew.*

#### Leading Causes of Death for 13- to 19-year-olds in 2004



#### Drivers Involved in Fatal Crashes in 2003



Sources: Insurance Institute for Highway Safety; Centers for Disease Control and Prevention; National Highway Traffic Safety Administration

### Taking a Stand

Allstate takes a strong stand on issues that are important to our customers, the insurance industry and society at large. Safe and smart teen driving is one of them. Catastrophe preparedness is another. As a founding supporter of ProtectingAmerica.org, we are seeking a better way to prepare and protect Americans—and our economy—from the severe consequences of mega-catastrophes. We continue to speak out on important business issues, including legislation that would create an Optional Federal Charter for insurance companies. We believe this would result in greater competition and innovation, to the benefit of consumers. These actions complement The Allstate Foundation's efforts to make communities stronger and safer, to encourage economic independence and to promote greater inclusion and tolerance.



Learn more about Allstate's commitment to good corporate citizenship, at [www.allstate.com/citizenship](http://www.allstate.com/citizenship).

I choose Allstate.







I choose Allstate.



**"We help customers follow their dreams."**

—C-Anne Able and Rita De Castillo of Columbia, South Carolina, work closely with customers to explain why insurance is an important part of their financial welfare and to make sure they have the protection they need.

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I choose Allstate.

## Smart Choices

"Insurance is about service. Customers come to us because we listen to them, share in their experiences and become an extension of their family. As a multi-line agency, we can protect their cars and homes, but also their recreational vehicles, businesses and investments. It's been especially satisfying to help our customers follow and realize their dreams. Rita, who has been with the agency for several months now, has been reaching out to Spanish-speaking customers in our community to share how insurance laws in America are often different than their native country. She explains how insurance works and why it is important to have extra liability coverage. She helps set up payment plans for those who need them and makes sure they understand every detail of their policies. And as an extended family member, Rita often helps our customers with questions about everything from why renter's insurance is important and how to protect their businesses as well as other assets."

*C-Anne Able and Rita De Castillo are Allstate agents from Columbia, South Carolina.*

I choose Allstate.





I choose Allstate.



**"We found  
a safe  
haven  
at the  
Kingsley House."**

—Each year, The Kingsley House helps more than 8,000 New Orleans residents of all ages work through times of dramatic change.

I choose Allstate.





I choose Allstate.

## Smart Choices

When hurricanes Katrina and Rita struck New Orleans, thousands of people faced circumstances that profoundly affected their well-being. Times like these make local services especially critical. Founded in 1896, The Kingsley House operates a variety of adult and family programs that provide a safe haven, foster independence and inclusion and improve quality of life for local residents. In 2006 more than 7,200 residents of 12 parishes throughout Southeast Louisiana participated in its nationally accredited programs. The Kingsley House has helped individuals of all ages connect with essential services and resources that aid their recovery and healing. The Allstate Foundation is proud to help this award-winning organization sustain its ongoing services with a gift from its Disaster Recovery Fund.

*The Kingsley House is located in New Orleans, Louisiana.*

I choose Allstate.





We choose Allstate.



**"We look for growth  
and value."**

—Don and Rosalie Begley, of Omaha, Nebraska, bought Allstate stock more than a decade ago and consider it an important part of their investment portfolio.

We choose Allstate.





We choose Allstate.

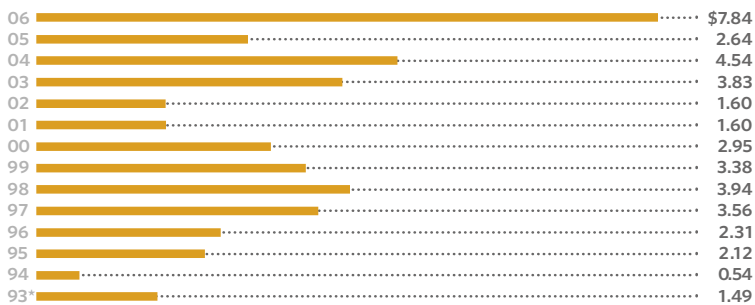
### A Solid Choice

"When we sold our fire equipment business in the 1990s, we put together an investment portfolio to support us as time went on. We decided insurance was a good sector. It's such a vital part of the economy, we knew it would always be available. Our investment counselor recommended Allstate because of its growth prospects, and we're glad he did. We've held Allstate stock for a long time now and the returns have been very good. The value of our investment has increased nearly 500 percent—at a compound rate of 14 percent. We're very happy with the stock's steady growth and dividends, which continued even after Hurricane Katrina. Thanks to the extra income, we've been able to escape the cold Omaha winters, volunteer our time to a variety of community groups and really enjoy our retirement."

*Don and Rosalie Begley have been Allstate shareholders since 1993.*

#### Earnings per Share—Diluted

Net income for the year was a record \$4.99 billion, and we delivered 23.8 percent return on equity to our shareholders. (In dollars, adjusted for stock split in 1998)



\*IPO on 6/3/1993

### Your Choice Reporting

Investors deserve easy access to all the information they need to make well-informed investment decisions. Today, many investors find it more flexible and convenient to go online to evaluate companies and their ongoing performance. Beginning with this year's Annual Report, Allstate will make greater use of online reporting. We will give investors a more content-rich experience, make it faster and easier to find what they need and invite them to share their thoughts. We encourage you to access Allstate's 2006 Annual Report and Corporate Social Responsibility Report online. You will find more discussion—and a convenient search feature that helps you locate the information that interests you most. You can also choose to receive future annual reports and proxy statements online.



Get the information you want on Allstate's financial performance—when you want it—at [www.allstate.com/annualreport/performance](http://www.allstate.com/annualreport/performance).

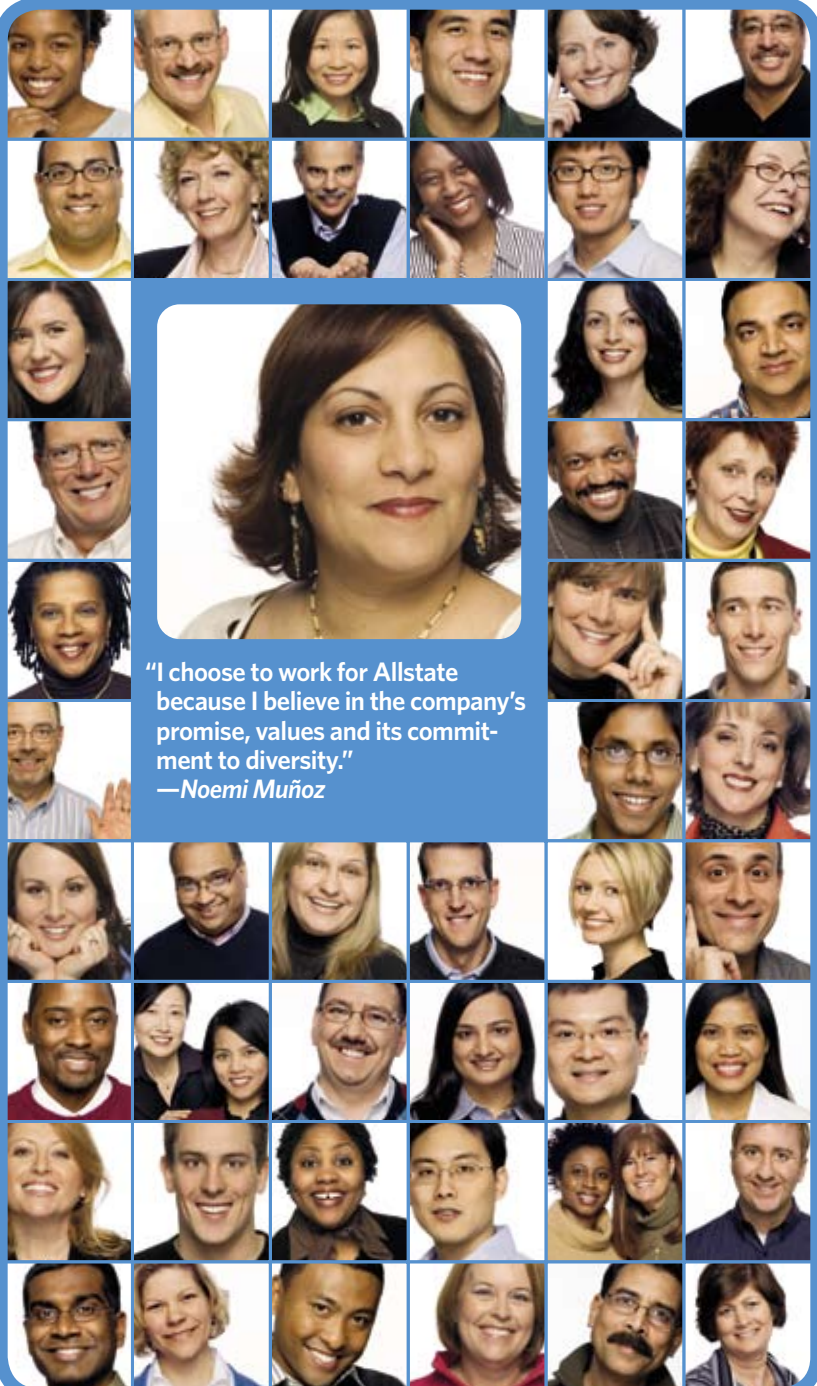
We choose Allstate.







I choose Allstate.



"I choose to work for Allstate  
because I believe in the company's  
promise, values and its commit-  
ment to diversity."  
—Noemi Muñoz

I choose Allstate.



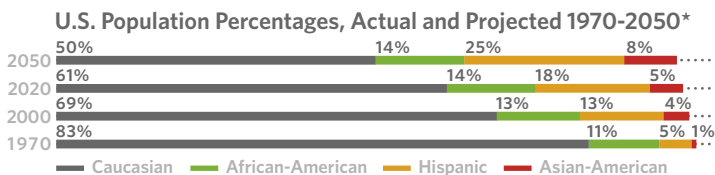


I choose Allstate.

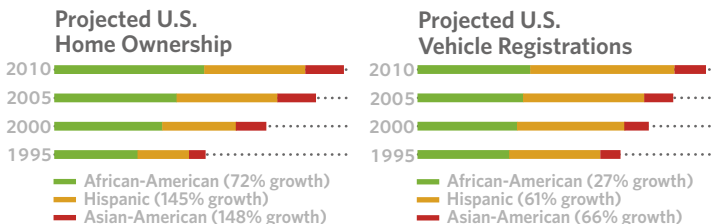
## Understanding the Market

Allstate has grown by serving customers and welcoming employees with different backgrounds and beliefs. That puts us in a good position to benefit from demographic trends that are reshaping the marketplace. By 2050, multicultural households will account for more than 40 percent of the U.S. population. We're connecting with these consumers by understanding what they value most, and how they want Allstate to serve them. We're working with social and civic organizations to lead conversations about diversity, education, economic empowerment and the value of insurance. Today, Allstate is aggressively pursuing business in the multi-cultural marketplace. We plan to continue to focus on and increase the number of households we serve through dedicated efforts aimed at addressing their unique needs.

**This growing multicultural market offers Allstate a significant opportunity.**



\*List not all-inclusive; numbers are approximate due to rounding.



Sources: U.S. Census Data, Mediamark Research Inc. 2004

## Strength in Differences

Respecting our differences is a way of life at Allstate—and a central business strategy. We've become a corporate leader by valuing the range of perspectives of our employees and agents, and by responding to America's changing cultural landscape. At Allstate, every employee participates in *Diversity—Allstate's Competitive Edge*, a curriculum that teaches the benefits of inclusion and the importance of differences. We also extend our values of inclusion and diversity to our suppliers. In 2006, we awarded almost \$200 million of our total measured expenditures to businesses in multiple diversity categories. Together with The Allstate Foundation's commitment to tolerance, inclusion and diversity, we're helping to build a stronger America—one community at a time.



Read more about Allstate's diverse workforce—and why people from different backgrounds choose Allstate—at [www.allstate.com/annualreport/diversity](http://www.allstate.com/annualreport/diversity).

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I choose Allstate.



**"Allstate's supplier diversity program gave our business a great start."**

—Christina Corley  
President and COO  
Zones, Inc.

I choose Allstate.





I choose Allstate.

## **Zones, Inc.**

"Allstate was our first big client. When we launched our IT products distribution business in 1988, Corporate PC Source, now Zones, Inc., was just starting to make a name for itself. Allstate gave us the opportunity to compete for their business—something that's unusual for young companies. We did a significant amount of business with Allstate that first year, which allowed us to gain the purchasing power we needed to attract new clients and grow our business. Over time, we've become a strategic partner that helps Allstate anticipate and fulfill its changing technology needs. Our main integration center is twenty minutes from Allstate, and we work closely to get technology up and running quickly and reliably. Zones is now a public company with 600 employees and more than \$500 million in revenue. And we're extending the same opportunities Allstate gave us to other woman- and minority-owned businesses. We try to source as many products as possible from that community. We also support supplier diversity by serving on the National Minority Supplier Diversity Council. We've had a great start—and now we're helping other businesses get started."

*Christina Corley, President and COO, Zones, Inc.*

I choose Allstate.

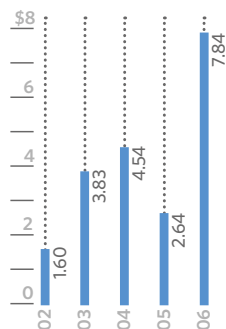




# Smart choices produce long-term value.

## Better

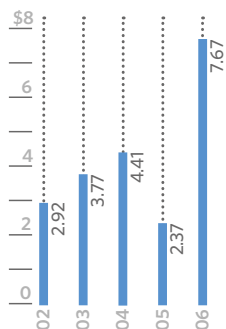
(in dollars)



### Net Income per Diluted Share

This bottom line measure demonstrates net income during the year that's attributable to each share of stock.

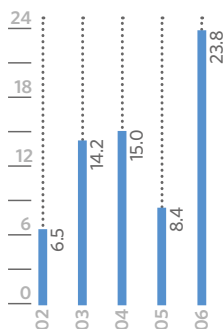
(in dollars)



### Operating Income per Diluted Share\*

Operating income reveals trends in our business that may be obscured by business decisions and economic developments unrelated to the insurance underwriting process.

(percent)

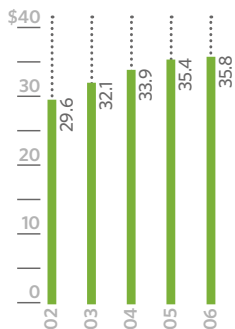


### Return on Equity

Return on equity measures how well Allstate used shareholders' equity to generate net income.

## Bigger

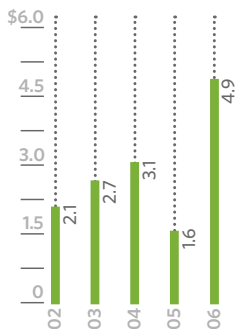
(in billions)



### Revenues

This indicates customer premium and fee payments and total investment results. In 2006 Allstate generated record revenues.

(in billions)

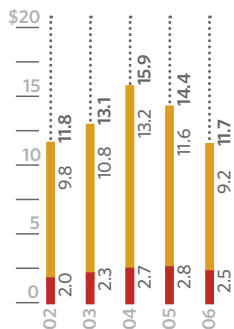


### Operating Income\*

Operating income reveals trends in our business that may be obscured by business decisions and economic developments unrelated to the insurance underwriting process.

## Broader

(in billions)



— Non-proprietary channels

— Proprietary channel

### Premiums and Deposits\*

This measure is used to analyze the production trends for Allstate Financial sales. It shows the progress on meeting the goal of becoming a broader-based company.



Get more financial information at  
[www.allstate.com/annualreport/performance](http://www.allstate.com/annualreport/performance).





## Leadership Team

*Front row from left to right:*

**Joan M. Crockett**  
Senior Vice President,  
Human Resources

**George E. Ruebenson**  
President,  
Allstate Protection

**Edward M. Liddy**  
Chairman

**James E. Hohmann**  
President,  
Allstate Financial

**Thomas J. Wilson**  
President and  
Chief Executive Officer

**Dan Hale**  
Senior Vice President and  
Chief Financial Officer

**Joan H. Walker**  
Senior Vice President,  
Corporate Relations

*Back row from left to right:*

**Michael J. McCabe**  
Senior Vice President and  
General Counsel

**Joseph V. Tripodi**  
Senior Vice President and  
Chief Marketing Officer

**Catherine S. Brune**  
Senior Vice President and  
Chief Information Officer

**Casey J. Sylla**  
Retiring President,  
Allstate Financial

**Michael J. Roche**  
Senior Vice President,  
Property-Casualty Claim  
Service Organization

**Ronald D. McNeil**  
Senior Vice President,  
Protection Distribution

**Eric A. Simonson**  
Senior Vice President and  
Chief Investment Officer

**Frederick F. Cripe**  
Senior Vice President,  
Product Operations



## Leadership Team



Learn more about Allstate's senior management team at  
[www.allstate.com/annualreport/management](http://www.allstate.com/annualreport/management).







## ***Investor-Specific Terms***

**Dividends**—a distribution of profits to shareholders, which is declared by the board of directors and payable on a per share basis.

**Net Income**—the difference between all revenues and expenses (including taxes), which is often called “the bottom line.”

**Return on Equity**—percent of net income on average beginning and ending shareholders’ equity, which measures how well we used shareholders’ equity to generate net income.

**Revenues**—customer premium and fee payments and total investment results.

**Shareholders’ Equity**—the difference between total assets and total liabilities, which indicates the book value of the ownership interest of Allstate’s shareholders.

**Total Shareholder Return**—the change in market value of an Allstate share, including dividends, during a specific time period.

## ***Insurance-Specific Terms***

**Combined Ratio**—the ratio of claims and claims expense, amortization of deferred acquisition costs, operating costs and expenses and restructuring and related charges to premiums earned. The combined ratio is the sum of the loss ratio and the expense ratio.

**Expense Ratio**—the ratio of amortization of deferred acquisition costs, operating costs and expenses and restructuring and related charges to premiums earned.

**Loss Ratio**—the ratio of claims and claims expense to premiums earned.

**Premiums Written**—the amount of property-liability premiums charged for policies issued during a fiscal period. Premiums are considered earned and are included in revenues on a pro-rata basis over the policy period.





# Non-GAAP and Operating Measures

We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP and operating financial measures. Our methods of calculating these measures may differ from those used by other companies and therefore comparability may be limited.

**Operating income** is income before dividends on preferred securities and cumulative effect of change in accounting principle after-tax, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income,
- amortization of deferred policy acquisition costs (DAC) and deferred sales inducements (DSI), to the extent they resulted from the recognition of certain realized capital gains and losses,
- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or

gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

Net income is the GAAP measure most directly comparable to operating income.

We use operating income to evaluate our results of operations. It reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, we retain in operating income periodic settlements and accruals on certain derivative instruments, reported in realized capital gains and losses that do not qualify for hedge accounting, used for economic

hedges and to replicate fixed income securities in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments and by doing so, appropriately reflect trends in our performance. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Therefore, we believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses operating income as the denominator. We use adjusted measures of operating income and operating income per diluted share in incentive compensation. Operating income should not be considered as a substitute for net income and does not reflect the overall profitability of our business.

The following tables reconcile operating income and net income for the years ended December 31.

## Operating income

(\$ in millions, except per share data)						Per diluted share				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Operating income	\$2,075	\$2,662	\$3,091	\$1,582	\$4,888	\$ 2.92	\$ 3.77	\$ 4.41	\$ 2.37	\$ 7.67
Realized capital gains and losses	(924)	196	591	549	286					
Income tax benefit (expense)	326	(62)	(199)	(189)	(100)					
Realized capital gains and losses, after-tax	(598)	134	392	360	186	(0.84)	0.19	0.56	0.54	0.29
DAC and DSI amortization relating to realized capital gains and losses, after-tax	(1)	(30)	(89)	(103)	36	—	(0.05)	(0.13)	(0.16)	0.06
Non-recurring items, after-tax	—	—	—	(22)	(18)	—	—	—	(0.03)	(0.03)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(3)	(15)	(32)	(40)	(36)	(0.01)	(0.02)	(0.04)	(0.06)	(0.05)
Gain (loss) on disposition of operations, after-tax	2	(26)	(6)	(12)	(63)	—	(0.04)	(0.01)	(0.02)	(0.10)
Income before dividends on preferred securities and cumulative effect of change in accounting principle, after-tax	1,475	2,725	3,356	1,765	4,993	2.07	3.85	4.79	2.64	7.84
Dividends on preferred securities of subsidiary trust, after-tax	(10)	(5)	—	—	—	(0.01)	—	—	—	—
Cumulative effect of change in accounting principle, after-tax	(331)	(15)	(175)	—	—	(0.46)	(0.02)	(0.25)	—	—
Net income	\$1,134	\$2,705	\$3,181	\$1,765	\$4,993	\$ 1.60	\$ 3.83	\$ 4.54	\$ 2.64	\$ 7.84

**Book value per share, excluding the impact of unrealized net capital gains on fixed income securities**, is a ratio that uses a non-GAAP measure. It is calculated by dividing shareholders' equity after excluding the impact of unrealized net capital gains on fixed income securities and related DAC and life insurance reserves by total shares outstanding plus dilutive potential shares outstanding. Book value per share is the most directly comparable GAAP measure.

We use the trend in book value per share, excluding unrealized net capital gains on fixed income securities, in conjunction with book value per share to identify and analyze the change in net worth attributable to management efforts between periods. We believe the non-GAAP ratio is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period and are generally driven by economic developments, primarily capital market conditions, the magnitude and timing of which are generally not influenced by

management, and we believe it enhances understanding and comparability of performance by highlighting underlying business activity and profitability drivers. We note that book value per share, excluding unrealized net capital gains on fixed income securities, is a measure commonly used by insurance investors

as a valuation technique. Book value per share, excluding unrealized net capital gains on fixed income securities, should not be considered as a substitute for book value per share, and does not reflect the recorded net worth of our business. The following table shows the reconciliation.

As of December 31, (in millions, except per share data)

Book value per share	2005	2006
Numerator: Shareholders' equity	\$20,186	\$21,846
Denominator: Shares outstanding and dilutive potential shares outstanding	651.0	627.1
Book value per share	\$ 31.01	\$ 34.84
<b>Book value per share, excluding the impact of unrealized net capital gains on fixed income securities</b>		
Numerator: Shareholders' equity	\$20,186	\$21,846
Unrealized net capital gains on fixed income securities	1,255	947
Adjusted shareholders' equity	\$18,931	\$20,899
Denominator: Shares outstanding and dilutive potential shares outstanding	651.0	627.1
Book value per share, excluding the impact of unrealized net capital gains on fixed income securities	\$ 29.08	\$ 33.33

The following table illustrates where premiums and deposits are reflected in

the consolidated financial statements for the years ended December 31.

## Premiums and deposits

(\$ in millions)	2002	2003	2004	2005	2006
Life and annuity premiums*	\$ 1,371	\$ 1,365	\$ 1,045	\$ 918	\$ 899
Deposits to contractholder funds	9,484	10,373	13,616	12,004	10,066
Deposits to separate accounts and other	979	1,357	1,258	1,473	713
Total premiums and deposits	\$11,834	\$13,095	\$15,919	\$14,395	\$11,678

\*Life and annuity contract charges in the amount of \$922 million, \$939 million, \$1,027 million, \$1,131 million and \$1,065 million for 2002, 2003, 2004, 2005 and 2006, respectively, which are also revenues recognized for GAAP, have been excluded from the table above, but are a component of the Consolidated Statements of Operations line item life and annuity premiums and contract charges.