“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.
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.

<table>
<thead>
<tr>
<th>Platinum, Gold and Value options represented a majority of new business in 2006.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Higher customer satisfaction</td>
</tr>
<tr>
<td>✔ Customers more likely to refer</td>
</tr>
<tr>
<td>✔ Better retention</td>
</tr>
<tr>
<td>✔ Higher average premium</td>
</tr>
</tbody>
</table>

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

- **Return on Equity**: Increased 15.4 points, from 8.4 percent in 2005 to 23.8 percent in 2006.

- **Book Value per Share, Excluding the Impact of Unrealized Net Capital Gains on Fixed Income Securities**: Increased 14.6 percent, from $29.08 billion in 2005 to $33.33 billion in 2006.

- **Shareholders’ Equity**: Increased 8.2 percent, from $20.2 billion in 2005 to $21.8 billion in 2006.

- **Shareholders’ Equity**: Increased 8.2 percent, from $20.2 billion in 2005 to $21.8 billion in 2006.

- **Net Income per Diluted Share**: Increased 197.0 percent, from $2.64 in 2005 to a record $7.84 in 2006.

- **Operating Income**: Increased 1.2 percent, from $35.4 billion in 2005 to $35.8 billion in 2006.

- **Revenues**: Increased 1.2 percent, from $35.4 billion in 2005 to $35.8 billion in 2006.

- **Return on Equity**: Increased 15.4 points, from 8.4 percent in 2005 to 23.8 percent in 2006.

- **Shareholders’ Equity**: Increased 8.2 percent, from $20.2 billion in 2005 to $21.8 billion in 2006.

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

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

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.
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

- August 1994: Ed Liddy named COO; became president and COO in January 1995
- January 1999: Ed Liddy becomes chairman and CEO of the Allstate Corporation
- June 2005: Tom Wilson named president and COO of The Allstate Corporation
- January 2007: Tom Wilson becomes CEO of The Allstate Corporation
- $14.75*: Stock Price Appreciation (prices at year-end)

*Adjusted for stock split in 1998.

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

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

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.
“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.
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.

Helping Agencies Grow

Our Agency Force

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<table>
<thead>
<tr>
<th></th>
<th>Allstate Agents (excludes Canada)</th>
</tr>
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<tbody>
<tr>
<td>06</td>
<td>17,270</td>
</tr>
<tr>
<td>05</td>
<td>16,071</td>
</tr>
<tr>
<td>04</td>
<td>15,389</td>
</tr>
<tr>
<td>Allstate Exclusive Agents</td>
<td>9,750</td>
</tr>
<tr>
<td>Exclusive Licensed Staff</td>
<td>7,522</td>
</tr>
</tbody>
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Growth of Allstate Personal Financial Representatives*

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<tr>
<th></th>
<th>06</th>
<th>05</th>
<th>04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allstate Exclusive and Independent Agents</td>
<td>9,750</td>
<td>8,325</td>
<td>7,322</td>
</tr>
<tr>
<td>Independent Agents*</td>
<td>5,536</td>
<td>5,676</td>
<td>6,833</td>
</tr>
</tbody>
</table>
```

*Includes Allstate Exclusive and Independent Agents

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.

Learn how exclusive agent Roger Francis, of Aurora, Colorado, is helping customers protect and grow their assets, at www.allstate.com/annualreport/agent.
"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.
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’m helping people build a better future."

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’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.
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.

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.

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’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.
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 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.
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’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.
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.

<table>
<thead>
<tr>
<th>Leading Causes of Death for 13- to 19-year-olds in 2004</th>
<th>Drivers Involved in Fatal Crashes in 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicle crashes: 5,629 deaths</td>
<td>Age</td>
</tr>
<tr>
<td>Homicide: 2,064 deaths</td>
<td>15-20</td>
</tr>
<tr>
<td>Suicide: 1,916 deaths</td>
<td>21-24</td>
</tr>
<tr>
<td>Cancer: 955 deaths</td>
<td>25-34</td>
</tr>
<tr>
<td>Heart disease: 452 deaths</td>
<td>35-44</td>
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<td></td>
<td>45-54</td>
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<tr>
<td></td>
<td>55-64</td>
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<tr>
<td></td>
<td>65-69</td>
</tr>
<tr>
<td></td>
<td>70+</td>
</tr>
</tbody>
</table>

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.
"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.
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.
“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.
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.
“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.
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.

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.
“I choose to work for Allstate because I believe in the company’s promise, values and its commitment to diversity.”
—Noemi Muñoz
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.

<table>
<thead>
<tr>
<th>U.S. Population Percentages, Actual and Projected 1970-2050*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1970</td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>2020</td>
</tr>
<tr>
<td>2050</td>
</tr>
</tbody>
</table>

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

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.
“Allstate’s supplier diversity program gave our business a great start.”

—Christina Corley
President and COO
Zones, Inc.
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.
Smart choices produce long-term value.

<table>
<thead>
<tr>
<th>Better</th>
<th>Operating Income per Diluted Share*</th>
<th>Return on Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in dollars)</td>
<td>(in dollars)</td>
<td>(percent)</td>
</tr>
<tr>
<td>02</td>
<td>16.0</td>
<td>2.32</td>
</tr>
<tr>
<td>03</td>
<td>3.83</td>
<td>3.77</td>
</tr>
<tr>
<td>04</td>
<td>4.54</td>
<td>4.41</td>
</tr>
<tr>
<td>05</td>
<td>2.64</td>
<td>2.57</td>
</tr>
<tr>
<td>06</td>
<td>7.84</td>
<td>7.67</td>
</tr>
</tbody>
</table>

**Net Income per Diluted Share**
This bottom line measure demonstrates net income during the year that's attributable to each share of stock.

**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.

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

<table>
<thead>
<tr>
<th>Bigger</th>
<th>Broader</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in billions)</td>
<td>(in billions)</td>
</tr>
<tr>
<td>$40</td>
<td>$10</td>
</tr>
<tr>
<td>$30</td>
<td>$15</td>
</tr>
<tr>
<td>$20</td>
<td>$10</td>
</tr>
<tr>
<td>$10</td>
<td>$5</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

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

**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.

**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.

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

Leadership Team

Learn more about Allstate’s senior management team at www.allstate.com/annualreport/management.

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
### 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.
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, operating income per diluted share in incentive compensation plan, and net income per diluted share. 

Non-GAAP and Operating Measures

<table>
<thead>
<tr>
<th>Operating income</th>
<th>Per diluted share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$7,217</td>
</tr>
<tr>
<td>Realized capital gains and losses</td>
<td>(924)</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>326</td>
</tr>
<tr>
<td>Realized capital gains and losses, after-tax</td>
<td>(598)</td>
</tr>
<tr>
<td>(0.84)</td>
<td>0.19</td>
</tr>
<tr>
<td>DAC and DS amortization relating to realized capital gains and losses, after-tax</td>
<td>(1)</td>
</tr>
<tr>
<td>(0.01)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Non-recurring items, after-tax</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax</td>
<td>(15)</td>
</tr>
<tr>
<td>(0.01)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Gain (loss) on disposition of operations, after-tax</td>
<td>2</td>
</tr>
<tr>
<td>(0.01)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Income before dividends on preferred securities and cumulative effect of change in accounting principle, after-tax</td>
<td>1,475</td>
</tr>
<tr>
<td>2.07</td>
<td>3.85</td>
</tr>
<tr>
<td>Dividends on preferred securities of subsidiary trust, after-tax</td>
<td>(10)</td>
</tr>
<tr>
<td>(0.01)</td>
<td>—</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle, after-tax</td>
<td>(31)</td>
</tr>
<tr>
<td>(0.46)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Net income</td>
<td>$1,354</td>
</tr>
<tr>
<td>$160</td>
<td>$383</td>
</tr>
</tbody>
</table>

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 by the sum of the shares outstanding and dilutive potential shares outstanding. 

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

<table>
<thead>
<tr>
<th>Book value per share</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numerator: Shareholders’ equity</td>
<td>$20,186</td>
<td>$21,846</td>
</tr>
<tr>
<td>Denominator: Shares outstanding and dilutive potential shares outstanding</td>
<td>651.0</td>
<td>627.1</td>
</tr>
<tr>
<td>Book value per share</td>
<td>$31.01</td>
<td>$34.84</td>
</tr>
</tbody>
</table>

Book value per share, excluding the impact of unrealized net capital gains on fixed income securities, is calculated by subtracting unrealized net capital gains on fixed income securities from shareholders’ equity and dividing by the sum of the shares outstanding and dilutive potential shares outstanding. 

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

<table>
<thead>
<tr>
<th>Book value per share</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numerator: Shareholders’ equity</td>
<td>$20,186</td>
<td>$21,846</td>
</tr>
<tr>
<td>Unrealized net capital gains on fixed income securities</td>
<td>1,255</td>
<td>947</td>
</tr>
<tr>
<td>Adjusted shareholders’ equity</td>
<td>$19,931</td>
<td>$20,899</td>
</tr>
<tr>
<td>Denominator: Shares outstanding and dilutive potential shares outstanding</td>
<td>651.0</td>
<td>627.1</td>
</tr>
<tr>
<td>Book value per share, excluding the impact of unrealized net capital gains on fixed income securities</td>
<td>$29.08</td>
<td>$23.33</td>
</tr>
</tbody>
</table>

Premiums and deposits are long-term insurance related assets that we use to analyze production trends for Allstate Financial sales. It includes premiums on insurance policies and annuities, and all deposits and other funds received from customers on deposit-type products including the net new deposit of Allstate Bank, which we account for under GAAP as increases to liabilities rather than as revenue.