



you're in good hands

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John Chandler (left): "I'm an Allstate Agent and those are my kids on the front cover. I guess you could say Jessie and Jeremy are the latest in a long line of Chandlers proud to be part of the Allstate family.

"You see, my dad, Barry, was an Allstate Agent here in Sacramento for 28 years. When he began to think about retiring, he was worried about only one thing — who would take care of his customers?

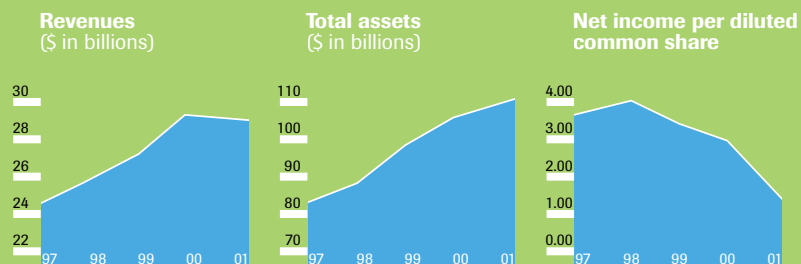
"So he convinced me to buy his business. That was three years ago, and I'm glad he did. Now some of my customers are the children of those my dad served. In fact, since then I've bought five more Allstate agencies.

"I like being able to grow right along with my customers, and with my community. I like the sense of continuity, the caring attitude that's been around for decades. And I like being able to offer more, do more for people than ever before.

"Simply put, this is home. There's no place I'd rather be than Sacramento. And there's no company I'd rather work with than Allstate. For the Chandlers, 'You're In Good Hands' is more than an advertising slogan — it's a family motto."

## Financial Highlights

\$ in millions, except per share data	2001	2000	% change
Revenues	\$ 28,865	\$ 29,134	(0.9)
Operating income	1,492	2,004	(25.5)
Net income	1,158	2,211	(47.6)
Investments	\$ 79,876	\$ 74,483	7.2
Total assets	109,175	104,808	4.2
Shareholders' equity	17,196	17,451	(1.5)
Per diluted common share:			
Operating income	\$ 2.06	\$ 2.68	(23.1)
Net income	1.60	2.95	(45.8)
Dividends declared	0.76	0.68	11.8
Market value per share:			
Close	\$ 33.70	\$ 43.56	
12-month high	45.90	44.75	
12-month low	30.00	17.19	



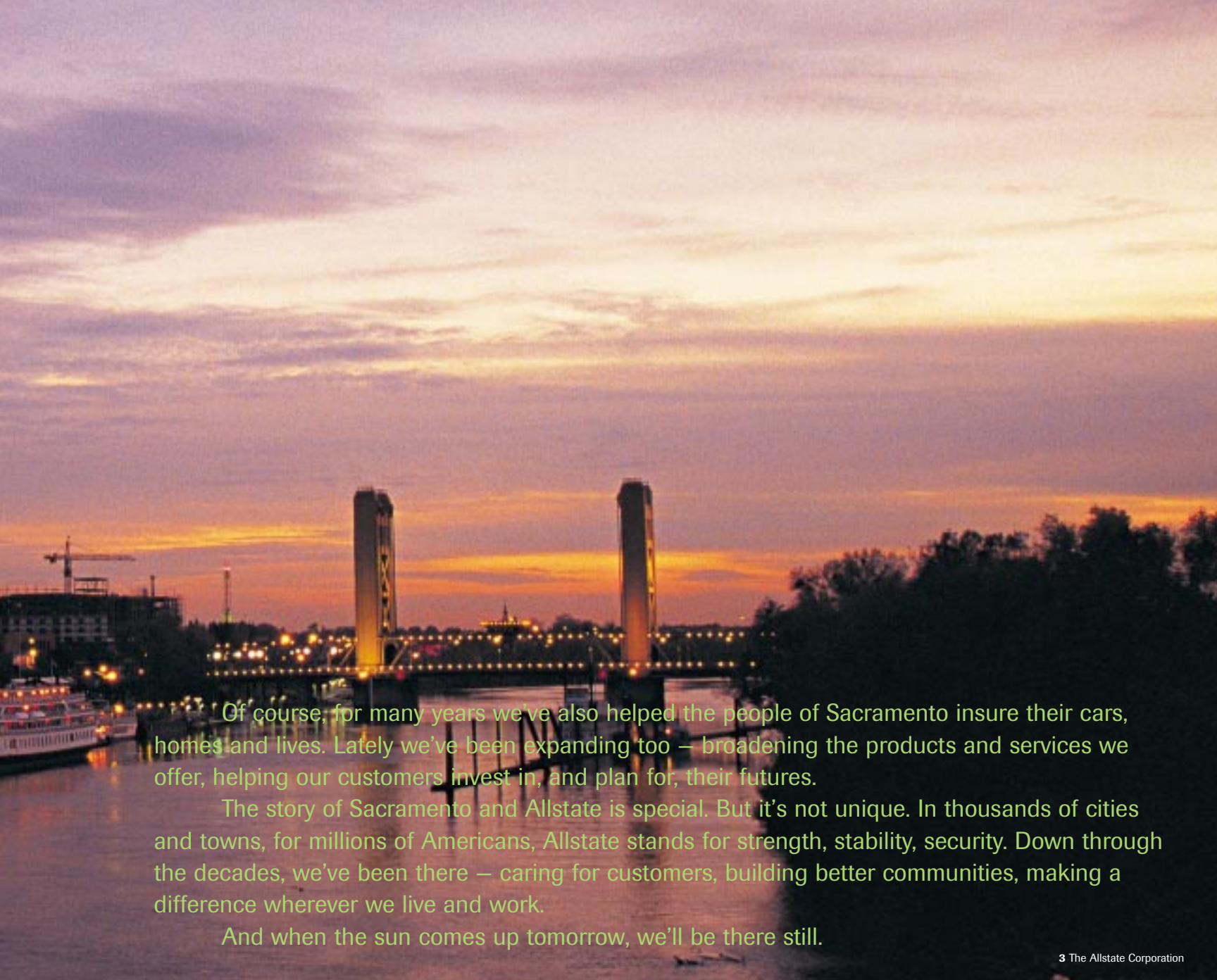
This is Sacramento. It's a tale of two rivers. Where the blue-green American and the muddy Sacramento meet, gold-rush miners gathered. Birthplace of the Pony Express and the transcontinental railroad, California's capital since 1854 – Sacramento has seen its share of history.

When Allstate first came to town in the 1930s, sternwheelers still made the overnight run to San Francisco and a “special double-deck ice cream soda” cost a dime at the drugstore. But before long the sleepy pace picked up. Today Sacramento is one of the fastest growing areas in the country – a high-tech haven, hub for government, business, agriculture and recreation.

Allstate has grown right along with the city. By investing part of our \$80 billion portfolio in the community, we've helped build schools and office buildings, parks and flood-control projects.







Of course, for many years we've also helped the people of Sacramento insure their cars, homes and lives. Lately we've been expanding too – broadening the products and services we offer, helping our customers invest in, and plan for, their futures.

The story of Sacramento and Allstate is special. But it's not unique. In thousands of cities and towns, for millions of Americans, Allstate stands for strength, stability, security. Down through the decades, we've been there – caring for customers, building better communities, making a difference wherever we live and work.

And when the sun comes up tomorrow, we'll be there still.

## Allstate at a Glance

The wide range of products  
that offer protection and  
financial security to households  
across America



## Building a Solid Future

### 1. Asset Protection

Any financial plan needs a solid foundation of protection, starting with auto and home insurance.

### 2. Family Life Protection

Financial protection against unexpected events can help families maintain a good quality of life.

### 3. Short-term Financial Objectives

This is money needed quickly. That could include money for emergency expenses, or for more pleasant things like a new car, down payment on a house, wedding, etc.

### 4. Asset Management & Accumulation

Education funding and retirement are major expenses that require long-term investing.

### 5. Wealth Transfer

After years of hard work and asset accumulation, it's important to consider where wealth will be transferred.

## 5. Wealth Transfer

Products used in Estate Plans  
Life Insurance  
Trusts

## 4. Asset Management & Accumulation

Products used in Retirement Plans  
Variable Life Annuities  
Fixed Annuities  
Variable Annuities  
Permanent Life Insurance

Structured Settlement Annuities  
Mutual Funds  
IRAs  
529 Plans

## 3. Short-term Financial Objectives

Banking Products: checking, savings, mortgages  
Certificates of Deposit  
Money-market Accounts

## 2. Family Life Protection

Life Insurance  
Long-term Care Insurance  
Disability Insurance

## 1. Asset Protection

Auto Insurance  
Homeowners Insurance  
Renters Insurance  
Residential Fire  
Commercial Auto  
Commercial Package Policies

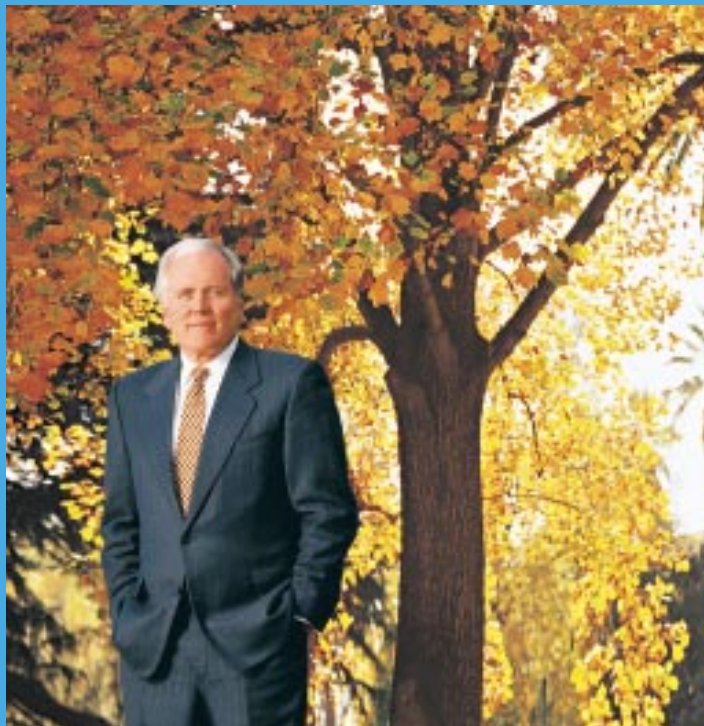
Landlord Package Policies  
Mobile Homes  
Motor Homes  
Motorcycles  
Off-road Vehicles  
Boats

Recreational Vehicles  
Condominiums  
Emergency Roadside Services  
Personal Umbrella Policies  
Credit Insurance

Allstate offers a wide range of protection and savings tools that work together to achieve financial security. The Allstate Corporation is the nation's largest publicly held personal lines insurer. Widely known through its slogan, "You're In Good Hands With Allstate,<sup>®</sup>" Allstate has approximately 13,000 Exclusive Agents in the U.S. and Canada, and provides insurance products to 14 million households served through Allstate directly and 2.5 million households served through non-proprietary channels. Customers can access Allstate products and services through Allstate Agents or, in select states, at [allstate.com](http://allstate.com) and 1-800-Allstate. Encompass<sup>SM</sup> and Deerbrook<sup>SM</sup> insurance brand property and casualty products are sold exclusively through Independent Agents. Allstate Financial Group includes the businesses that provide life insurance, retirement and investment products through Allstate Agents, workplace marketing, Independent Agents, banks and securities firms.



## Chairman's Letter



***Edward M. Liddy***  
***Chairman, President***  
***and CEO***

This year's annual report focuses on the many ways your company is part of everyday life in Sacramento and in communities across the country. Just think: Without insurance and financial services, most people couldn't own a car or home, save for their children's education or plan for a secure retirement. At Allstate, we help underwrite the American dream. We're proud of that.

In 2001, Allstate's strength and stability helped provide security for 14 million households served through Allstate directly and 2.5 million households served through non-proprietary channels, and also helped us execute a strategy that will meet even more of our customers' needs, while growing your company more predictably and more profitably.

That strategy dates back to 1995, when Allstate became a fully independent company. Early on, we reduced our catastrophe exposure and sold non-core businesses, including large commercial accounts and reinsurance. These actions strengthened our financial base, made us less susceptible to natural and manmade disasters, and lessened the volatility of our earnings.

More recently, we have focused on expanding the scope of our core business. That includes offering around-the-clock access to customers by continuing to roll out The Good Hands® Network, which combines our national agency force with 1-800-Allstate and allstate.com.

Expanding the scope of our business also means aggressively accelerating growth in financial products and services. Allstate's property-casualty business is a powerhouse, insuring one of every eight cars and homes in America. But we



know it does have some limitations. The existence of many mutual companies creates an unusually competitive environment, regulation is rigorous and external trends, like auto and home sales, aren't always favorable.

Financial services balances our traditional insurance business because it is driven by favorable baby-boomer demographic trends, more predictable earnings and higher industrywide growth rates. Most important, millions of current and potential Allstate customers want and need a trusted partner in planning for a more secure financial future.

### **2001 Results**

In 2001, our financial performance was disappointing — to me, to our employees and, most of all, to you, our owners. Our stock price dropped 23 percent as revenues declined 1 percent and operating income declined 26 percent. Unacceptable by any measure.

The biggest problem occurred in our homeowners line. Rising costs of construction and repairs, combined with sharp increases in weather-related and mold claims across the country, caused results to deteriorate industrywide. At Allstate, we reacted quickly with a variety of measures, including changes in prices, in product coverages and in claims processes. Because the majority of those changes take effect when policies renew, typically once a year, it will take time for their full effect to be felt. But our results continue to outpace the industry.

### **Much of our news was very favorable:**

- Allstate's standard auto business — by far our biggest line — had written premium growth of 7 percent, the highest rate in recent years.
- Actions taken to restore our nonstandard auto business to profitability showed significant progress.
- Operating income for Allstate Financial increased slightly even in a difficult year in the stock market, when sales of annuities and other financial instruments were down significantly.
- More than 2,500 Allstate Exclusive Agents were trained and licensed to offer a broader array of financial products, including mutual funds and variable annuities, bringing the total number of Personal Financial Representatives to 5,900.
- In a challenging financial climate, our investment operation reported increased net investment income of approximately 4 percent. The success of Allstate Investments not only contributed to the company's balance sheet, it also lent credibility to our expansion into financial and investment services for individuals.

Throughout 2001, 54,000 Allstate Agents and employees helped execute our strategy on many fronts. Simply put, we're working to get better in our property-casualty business and broader in financial services.

### **Strategy Update: Property-casualty**

Getting better in property-casualty means giving customers more reasons and more opportunities to do business with us. It means supporting and strengthening our agency force,

underwriting and pricing smarter than ever, and marketing in a more aggressive, targeted way.

**Specifically:**

- Last year we expanded The Good Hands Network to a total of 30 states and Washington, D.C., covering almost 90 percent of the U.S. population. The Network has proven popular with customers — allstate.com is recording 1 million unique hits per month and our Customer Information Centers, which support 1-800-Allstate, are receiving almost 170,000 calls per week.
- At the same time, the vast majority of customers have made it clear they want the option of a local agent. So last year we completed a technology rollout that links our agencies with our Web site and 1-800-Allstate. New software also helps agencies serve and satisfy current customers, while targeting and attracting new ones.
- We continued implementing Strategic Risk Management (SRM), our tier-based pricing, underwriting and marketing system. SRM helps us target the most profitable and competitive customer segments with the right products at the right price. And it's working. Last year in states where SRM had been implemented, new business was up. So was retention.
- Last year also saw Allstate move from a traditional mass-marketing approach to a much more targeted strategy. One example: We sent nearly 32 million pieces of direct mail offering different discounts and features to specific customer segments.
- We worked to strengthen our Ivantage<sup>SM</sup> business, which

includes our Encompass and Deerbrook brands and is sold through Independent Agents. Here, as with our Allstate brand, problems with homeowners coverage hit hard. But we responded by adjusting prices and improving claim practices. We also began rolling out technology that makes it much easier for Independent Agents to do business with us — a key ingredient for success in this market.

***Strategy Update: Allstate Financial***

Getting broader in financial services means strengthening our ties with Allstate agencies and our current customers, offering more products and using more distribution channels. We offer products and services for all spectrums of consumers.

Strategically, we are focused on consumers that represent affluent Americans as well as middle-income households whose needs often have been overlooked by other financial services companies. Many are already Allstate customers. Now, in addition to protecting their property, we want to help them grow their assets and meet their future retirement needs.

**And we've already made good progress toward this vision:**

- By the end of 2001, 66 percent of our Allstate Exclusive Agents made a commitment to become Personal Financial Representatives, licensed to sell a broad range of financial products. We also increased by half the number of Exclusive Financial Specialists who work with Allstate Agents to find, sell and serve more financial services customers. The result: Sales

of financial products through Allstate Agencies increased 25 percent last year. And we believe we've just scratched the surface.

- Last October, we began offering savings accounts, certificates of deposit, insured money-market accounts, and other savings and lending products through the Allstate Bank. By year-end, the bank was available online, by phone, at ATMs across the country and through participating Allstate Agencies in California and New York. Rollout through Allstate Agencies across the country should be completed in 2002.
- In addition, we reached financial services customers through tens of thousands of broker/dealers, banks and other financial services firms and Independent Agents. These non-proprietary distribution channels generated four of every five dollars in new financial products statutory premiums and deposits for Allstate last year.
- We also expanded our workplace marketing business to 24 regional sales offices serving 49 states, selling life, disability and supplemental insurance directly to employees at almost 18,000 companies. Thanks to a terrific push from Allstate Agencies, sales in this channel increased almost 30 percent over prior year.

### ***Doing Even More***

Last year was a testing time for our country and our company. As a nation, we pulled together and pulled through. As a company, we also stayed the course — by working hard for our customers and by making tangible contributions in cities and towns across America.

In this we've been aided by the best employees and Agents in the business. They not only bring their enthusiasm and expertise to their customers, they also volunteer their time and talent to make a difference in their communities. As it has for 70 years, the same spirit of caring infuses everything we do.

I would also like to express my gratitude to two of our directors, Warren Batts and Jim Denny. Both have reached the Board's mandatory retirement age and will not stand for re-election at the annual shareholders' meeting in May. Each made invaluable contributions to our Board during their tenures here, and I thank them for sharing their talent, experience and vision for the betterment of our company.

Going forward, I am confident that Allstate will do more than ever to help our customers rest assured. We will keep protecting their property and their lives. We will offer them greater choice and convenience. We will help them achieve their financial goals and secure a better future.

That's our mission. That's our strategy. That's the best way to create greater value for our customers, greater opportunities for our employees and greater wealth for our investors.



Edward M. Liddy

Chairman, President and CEO





A close-up, low-angle shot of the front of a red fire truck. The truck's body is a vibrant red, and the image captures the upper portion of the front grille and the area around the headlights. A large, white, sans-serif word "strong" is superimposed over the upper left part of the truck's body. Below the word, a circular headlight is visible. At the bottom of the frame, a black rectangular plate with the white alphanumeric code "347C" is mounted. To the right, a side mirror and part of the truck's ladder are visible. The background is a clear, bright blue sky.

strong



# stable





A photograph of a two-story house with a porch supported by columns, surrounded by trees and a white picket fence. The word "secure" is overlaid in white text.

secure







**Allstate's "good hands" are a symbol of strength. They represent the country's largest publicly held personal lines insurance company, with more than \$109 billion in assets.**

**Why is strength so important in our business? It's important because it helps us operate more efficiently which, in turn, helps us keep our prices more competitive for our customers. It helps us respond to our customers' claims quickly and fairly.**

**It's important because it lets us develop new products and services to better serve customers. Last year, for example, we began offering certificates of deposit, money-market accounts and more through the Allstate Bank.**

**Strength is important because it gives us the resources to help ride out recessions and rough weather without putting any customer's future at risk.**

**And it's important because it gives us the capital to invest back in communities like Sacramento. We buy municipal bonds that finance roads and bridges, playgrounds and public works. We back real estate and other private development. We lend to businesses in economically disadvantaged areas that might have trouble obtaining funding from traditional sources. All this not only helps improve the quality of life across America. It also pays dividends for our shareholders.**

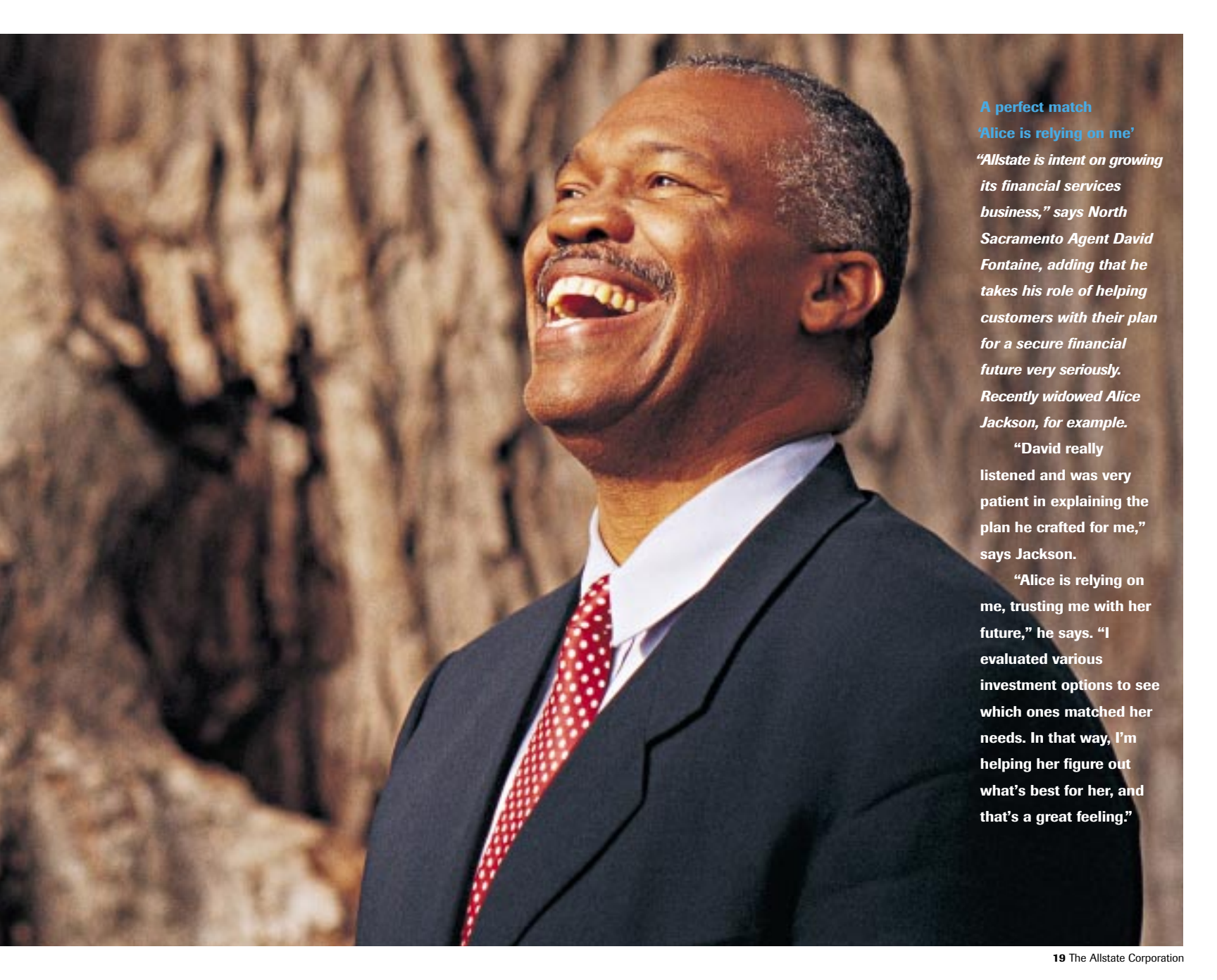
**Above all, strength is important because customers and communities need to know they can count on us. In the end, it's all about trust. And trust must be earned, and repaid, every day.**

# strong









**A perfect match**

**'Alice is relying on me'**

*"Allstate is intent on growing its financial services business," says North Sacramento Agent David Fontaine, adding that he takes his role of helping customers with their plan for a secure financial future very seriously. Recently widowed Alice Jackson, for example.*

*"David really listened and was very patient in explaining the plan he crafted for me," says Jackson.*

*"Alice is relying on me, trusting me with her future," he says. "I evaluated various investment options to see which ones matched her needs. In that way, I'm helping her figure out what's best for her, and that's a great feeling."*



Helping her customers,  
growing her business  
'My heart is in  
helping people'

*In East Sacramento, Agent Rachel Gonzales helps first-time homeowners wend their way through the purchase process.*

Buying a home is the single biggest investment most people make. It can be a confusing experience, particularly for first-time home buyers. So, once a month Gonzales, who is bilingual, teams up with the Latino Homebuyers Institute to help teach the ins and outs of the purchase process.

At the Sacramento community centers where she teaches, she explains property insurance options.

"My heart is in helping people," says Gonzales, who is very involved in the Latino community, adding that the classes have also helped build her business. "People can put a face with a name."





### **One-stop shopping**

**'The more I know,  
the more I can help'**

***In South Sacramento, Agent Teresa Tang emphasizes one-stop financial services shopping.***

**"The more I know about their needs, the more I can help," says Tang, who especially enjoys helping people plan for their financial future. So, in October, when the Allstate Bank opened in California, she spotted the opportunity.**

**"I opened several CDs for new clients, and I'm marketing the complete range of products, including home mortgages, checking, savings and money-market accounts."**

**Combining those new products with Allstate's other financial products, Tang feels good about the future. "Now I can create even closer, deeper client relationships."**

**Since 1931, Allstate has been in the business of making and keeping promises. In the beginning, we sold car insurance from a catalog. That first year we also paid our first claim, replacing a broken door handle for \$1.65.**

**Before long, we were in stores and offices across the country. And we were insuring not just autos, but also homes and lives. More recently, we've made it easier than ever to do business with us, by linking our countrywide network of Allstate Exclusive Agents with allstate.com and 1-800-Allstate. And we've expanded significantly by addressing the Independent Agency Market with our Encompass and Deerbrook brands.**

**Over the years, much has changed. But the basics remain the same. Whenever the next customer calls, whenever the next claim comes in, we must be ready to respond.**

**To make sure we always can, we've focused on personal lines and reduced our exposure in riskier businesses such as large commercial accounts. Our expansion in financial services also reduces the financial impact on our bottom line from natural disasters or other catastrophes.**

**As a result, Allstate's foundation today is stronger than ever. In good times and bad, through war and peace, we've built our reputation as a company that keeps its promises.**

**For 34,000 households in Sacramento, and millions more across the country, Allstate does much more than protect their property. We provide peace of mind. And it's hard to put a price on that.**

# stable





## Community commitment

### *'It comes from the heart'*

***Pam Canada, Neighborhood Housing Services (NHS) Director, and Jeff Thomas, Allstate Property Services Manager and NHS board member, talk about corporate citizenship — and how Allstate stacks up in Sacramento. Aside from the tangibles such as financial support and volunteerism, Canada says corporations and their employees infuse the community with their energy and expertise.***

**Across America, NHS promotes homeownership, neighborhood revitalization and education — community issues Allstate, too, supports. In 2001, the company**

**invested more than \$43 million countrywide in notes and bonds in partnership with NHS of America and donated \$500,000 countrywide to NHS — \$35,250 to the Sacramento NHS.**

**“We also partner with NHS on ‘Paint-the-Town’ day when volunteers paint the homes of seniors, the disabled and those with low incomes,” says Thomas. “We usually get so many Allstate volunteers we break up the work into two weekends.”**

**“Allstate and its employees have proven their community commitment time and again,” says Canada. “Their desire to help is sincere — and it comes from the heart.”**





**Fighting fires, teaching safety  
'We're there to help'**

*Sacramento Firefighter Chris Costamagna calls Engine Company #6 "home" but, as an acting captain, he is often temporarily assigned to other Engine Companies.*

*Here he talks about the value he places on corporate support – and reflects on his 14 days in New York following the World Trade Center disaster.*

"The support we get from corporate America is always helpful." That includes, he says, Fire Safety Day, an event Allstate has supported for years. "We go to schools to teach fire safety and get to know the kids on a more personal level. Then, whenever they see us, they know we're there to help."

A member of the Urban Search and Rescue Team, Costamagna's memories of Sept. 11 remain vivid. "Unless you've been there and seen those towers ripped from the New York skyline, it's impossible to get a feeling for the scope of the destruction."

Doing business their way

**'Right products, right prices'**

*In Northeast Sacramento, the Warren G. Bender Co. helps Allstate serve customers who prefer to do business through an Independent Agency.*

*The Ivantage Group includes Allstate's Encompass and Deerbrook brands.*

"Encompass is the No. 1 seller in our personal lines portfolio," says Steve Bender, whose father founded the agency 63 years ago. "We book more business through Encompass than any other carrier because it offers our agency the best service and our customers the right products for the right prices."





## Personal preferences

### 'Making a positive connection'

**Katie Booker, Field Relationship Manager, works with regions and Customer Information Centers (CICs) on training programs for Customer Insurance Professionals (CIPs). The initial course is 10-12 weeks. CIP education is ongoing and centers around customer care, and the products and procedures related to Allstate's direct distribution channel: 1-800-Allstate. Countrywide, Allstate has more than 1,200 CIPs.**

"We serve customers who want to contact Allstate by phone 24x7," says Booker, referring to The Good Hands Network that serves customers according to their

personal preferences – through an agent, or via the telephone or Internet.

"The training emphasizes three points," she says. "Finding out what the customer needs, finding a way to respond to that need, and making sure the customer is satisfied. It's all about making a positive connection with the customer."



## Help at his fingertips

### 'It's convenient'

**It's Sunday night in South Sacramento, and customer James Vang needs information quickly about what's covered on his homeowner policy.**

"I had to discuss a burglary claim with my agent the next day, and I couldn't find my policy so I could check my coverages," says Vang, who immediately turned to Allstate's Web site for help.

"It's very convenient," he says. And that's exactly what Allstate had in mind with The Good Hands Network, which is available in 30 states and Washington, D.C., and covers substantially all of the U.S. population. Whether through an agent, a Customer Information Center or our award-winning Web site, Allstate is making it easier than ever for customers to reach us when – and how – they prefer.

"Using the Web site was very convenient and my claim was handled quickly and professionally," says Vang.



**As more Americans than ever look down the road toward retirement, what do they see? Experts say the cost of living will likely double during the next 20 years. According to The Allstate Financial Retirement Reality Check Survey, more than one in three baby boomers will be financially responsible for a child or a parent during retirement, and more than half expect to still be in debt. Yet they have saved only a fraction of the money they'll need to meet even basic living expenses in retirement.**

**How to bridge that gap? That's the question millions of middle-income Americans are asking. And Allstate is there with more answers than ever – providing customers the tools and the information to chart their financial future.**

**Beyond traditional whole life and variable life insurance policies, we now offer a wide variety of annuities, mutual funds and banking options. They are available through 59 Agents and 10 Exclusive Financial Specialists in the Sacramento metropolitan area, and thousands more across the country, who have been specially trained and licensed. More are joining their ranks every day.**

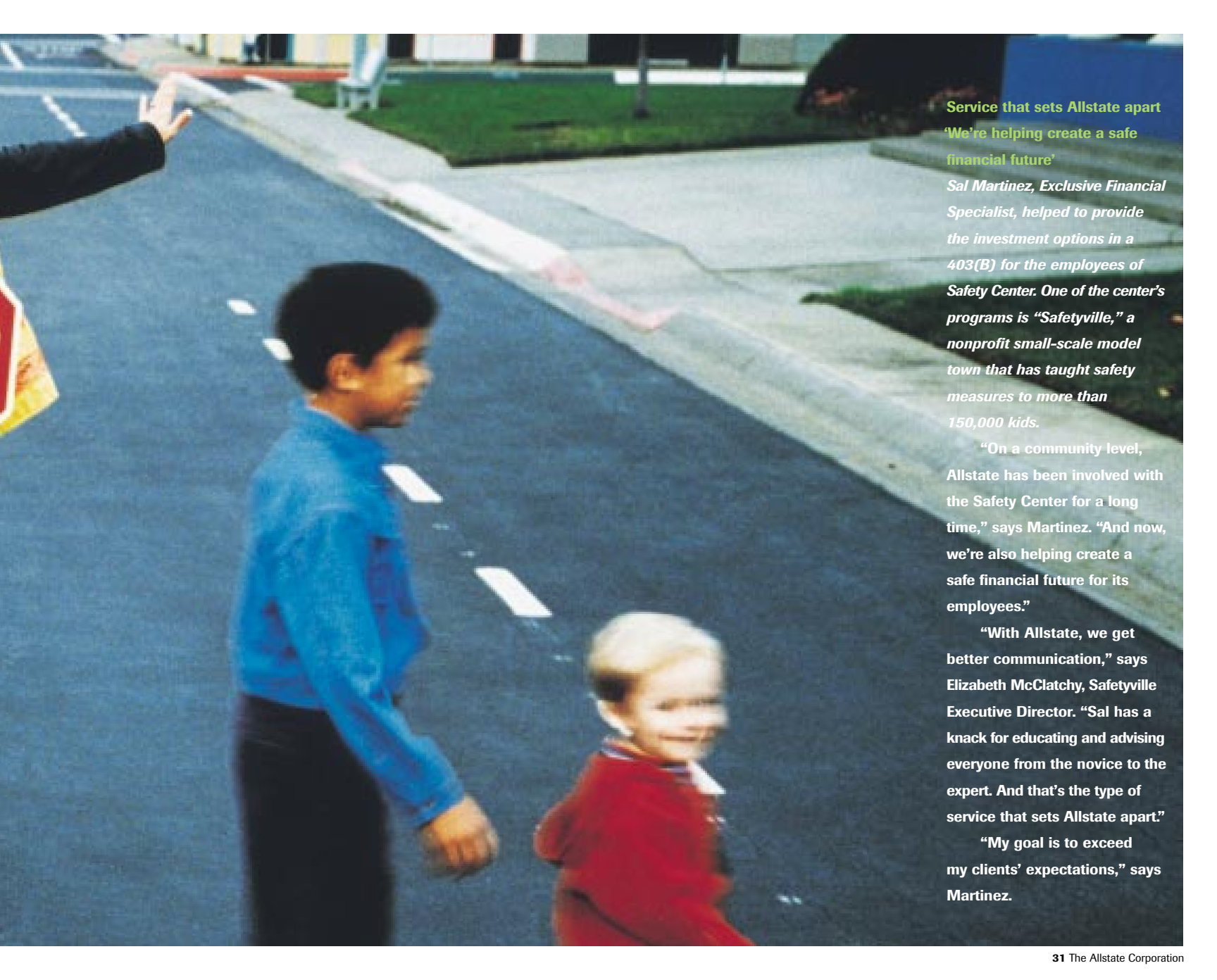
**We also work with tens of thousands of Independent Agents, banks and brokerage firms, including some of the biggest names in the business. Together we provide thousands of options and opportunities to help customers reach their destination – a secure retirement.**

# secure









Service that sets Allstate apart  
'We're helping create a safe  
financial future'

*Sal Martinez, Exclusive Financial Specialist, helped to provide the investment options in a 403(B) for the employees of Safety Center. One of the center's programs is "Safetyville," a nonprofit small-scale model town that has taught safety measures to more than 150,000 kids.*

"On a community level, Allstate has been involved with the Safety Center for a long time," says Martinez. "And now, we're also helping create a safe financial future for its employees."

"With Allstate, we get better communication," says Elizabeth McClatchy, Safetyville Executive Director. "Sal has a knack for educating and advising everyone from the novice to the expert. And that's the type of service that sets Allstate apart."

"My goal is to exceed my clients' expectations," says Martinez.

**Ready when the time comes**  
**‘Rod helped us set our goals’**

*Exclusive Financial Specialist  
Rod Stensen helped Gregory  
and Sue Trinh create their  
plan that will enable them to  
retire early – perhaps by age  
45. While their plan may not  
be typical, it illustrates that  
Allstate offers products  
to support a wide range of  
retirement options.*

“Together, we formulated  
a plan that included a mix  
of mutual funds, a variable life  
insurance policy and a tax-  
deferred retirement product,”  
says Stensen.

“Rod helped us set our  
goals and build a foundation,”  
says Gregory Trinh. “Now we  
can build on that base and  
be ready when we decide  
to retire.”





**Winning customer trust  
'They're buying  
financial security'**

*In South Sacramento, Agent Tie Zhang, a 1993 Chinese immigrant and a member of the Organization of Chinese Americans, helps his customers with their financial planning.*

"Many of my customers are recent immigrants," says Zhang, who feels the common bonds of language and social customs position him perfectly to help his clients with retirement planning. "I explain that they're buying financial security for their family.

"Once you win a customer's trust, you can talk about annuities, IRAs and other financial products. That puts them in the driver's seat when it comes to their future, and I tell them that's exactly what I'm trying to do."

As a proud first-generation Chinese-American, Zhang feels right at home in Sacramento and wants "others to feel that same sense of belonging and empowerment."



# Our People

The success of any business rests on the shoulders of its people. That's particularly true in a business like ours. Our product is our people and the service they deliver each and every day.

Allstate has long understood the relationship between company performance and a supportive work environment that recognizes and rewards performance while enabling employees to pursue personal and professional goals.

Allstate offers a distinctive employment opportunity designed to attract the brightest new talent and retain and motivate our skilled workforce. Employees have the opportunity on a regular basis to provide their feedback through a survey process designed to ensure that we continue to deliver on our end of the bargain — a supportive work environment that ensures dignity and respect for all individuals, competitive pay and benefits, opportunities for development and quality leadership.

We are pleased to receive confirmation externally that we're on the right track with our employment practices and work environment. Allstate has been recognized repeatedly in various publications including: *CAREERS & the disABLED*, *Chicago Magazine*, *Fortune*, *Hispanic*, *LATINA Style*, *Minority MBA*, *money*, *WorkingMother* and *WORKING Woman*.

And, while we're proud of the recognition, we know we can't rest on our laurels. Our workforce is a competitive advantage. That means we have to continually look for ways to improve our environment and provide the tools our employees need to be successful.

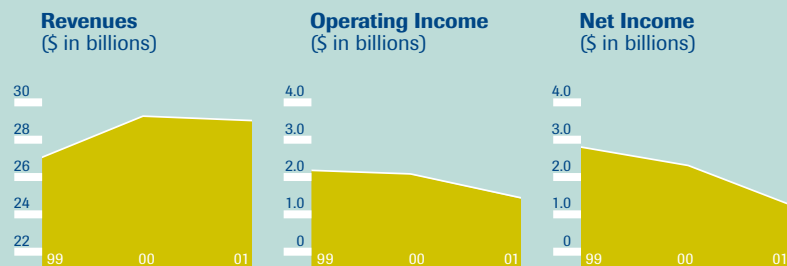
## A Diverse Workforce

Shown are minority and female employee percentages of the company's total U.S. workforce

Source: EEO-1 report, December 2001

Job Category	Total Number by Category	Total Female Percent	Total African American Percent	Total Hispanic Percent	Total Asian/Pacific Islander Percent	Total Native American Percent	Total Minority Percent
Officials and Managers	5,177	41.0	12.3	5.4	2.2	.4	20.4
Professionals	18,635	49.4	13.2	5.9	4.8	.4	24.3
Technicians	42	9.5	9.5	2.4	4.8	0	16.7
Sales Workers	503	33.2	13.7	10.1	6.6	.4	30.8
Office Workers	14,166	85.0	23.4	10.3	3.1	.4	37.2
Craft Workers	100	10.0	10.0	18.0	4.0	0	32.0
<b>Total Workforce</b>	<b>38,623</b>	<b>61.0</b>	<b>16.8</b>	<b>7.5</b>	<b>3.8</b>	<b>.4</b>	<b>28.6</b>

Allstate operates from a strong position financially, with \$109.2 billion in assets and shareholders' equity of \$17.2 billion. Its main business units, Property-Liability and Allstate Financial, provide insurance, investment and retirement products to 14 million households served through Allstate directly and 2.5 million households served through non-proprietary channels.



## 5-Year Summary of Selected Financial Data

\*Operating income is defined as income before dividends on preferred securities and the cumulative effect of a change in accounting principle, after-tax, excluding the after-tax effects of realized capital gains and losses and gains or losses on disposition of operations. Realized capital gains and losses, after-tax, are presented net of the effects of Allstate Financial's deferred policy acquisition cost amortization to the extent that such effects resulted from the recognition of realized capital gains and losses. Operating income is provided to allow for a more complete analysis of results. Operating income should not be considered as a substitute for any generally accepted accounting principle (GAAP) measure of performance.

\$ in millions, except per share data and ratios	2001	2000	1999	1998	1997
<b>Consolidated Operating Results</b>					
Revenues	\$ 28,865	\$ 29,134	\$26,959	\$25,879	\$24,949
Operating income*	1,492	2,004	2,082	2,573	2,429
Realized capital gains and losses, after-tax	(240)	248	691	694	638
Net income	1,158	2,211	2,720	3,294	3,105
Operating income* per share – diluted	2.06	2.68	2.59	3.08	2.78
Net income per share – diluted	1.60	2.95	3.38	3.94	3.56
<b>Consolidated Financial Position</b>					
Investments	\$ 79,876	\$ 74,483	\$69,645	\$66,525	\$62,548
Total assets	109,175	104,808	98,119	87,691	80,918
Reserves for claims, life-contingent contract benefits and contractholder funds	59,194	54,197	50,610	45,615	44,874
Debt	3,921	3,331	2,851	1,746	1,696
Mandatorily redeemable preferred securities of subsidiary trusts	200	750	964	750	750
Shareholders' equity	17,196	17,451	16,601	17,240	15,610
<b>Property-Liability Operations</b>					
Premiums written	\$ 22,609	\$ 21,858	\$20,389	\$19,515	\$18,789
Premiums earned	22,197	21,871	20,112	19,307	18,604
Net investment income	1,745	1,814	1,761	1,723	1,746
Operating income*	1,052	1,537	1,717	2,211	2,079
Realized capital gains and losses, after-tax	(83)	326	609	514	511
Net income	926	1,863	2,312	2,760	2,670
Operating ratios:					
Claims and claims expense ("loss") ratio	79.0	75.0	73.0	70.4	71.7
Expense ratio	23.9	24.2	24.4	22.8	22.3
Combined ratio	102.9	99.2	97.4	93.2	94.0
<b>Allstate Financial Operations</b>					
Premiums and contract charges	\$ 2,230	\$ 2,205	\$ 1,623	\$ 1,519	\$ 1,502
Net investment income	2,968	2,715	2,260	2,115	2,085
Operating income*	527	520	384	392	377
Realized capital gains and losses, after-tax	(158)	(51)	101	158	123
Net income	363	469	485	550	497
Statutory premiums and deposits	10,605	12,245	8,497	5,902	4,946
Investments including Separate Accounts	59,653	55,552	48,301	41,863	37,341

[For more detailed information, see the proxy statement.](#)



\$ in millions, except per share data	Year ended December 31,		
	2001	2000	1999
<b>Revenues</b>			
Insurance premiums and contract charges	\$24,427	\$24,076	\$21,735
Net investment income	4,796	4,633	4,112
Realized capital gains and losses	(358)	425	1,112
Total revenues	28,865	29,134	26,959
<b>Costs and expenses</b>			
Insurance claims and contract benefits	\$20,936	\$19,585	\$17,257
Costs and expenses	6,581	6,502	5,805
Total costs and expenses	27,517	26,087	23,062
(Loss) Gain on disposition of operations	(63)	—	10
<b>Income from operations before income tax expense, dividends on preferred securities and cumulative effect of a change in accounting principle, after-tax</b>	<b>\$ 1,285</b>	<b>\$ 3,047</b>	<b>\$ 3,907</b>
Income tax expense	73	795	1,148
<b>Income before dividends on preferred securities and cumulative effect of a change in accounting principle, after-tax</b>	<b>\$ 1,212</b>	<b>\$ 2,252</b>	<b>\$ 2,759</b>
Dividends on preferred securities of subsidiary trusts	(45)	(41)	(39)
Cumulative effect of a change in accounting principle, after-tax	(9)	—	—
<b>Net income</b>	<b>\$ 1,158</b>	<b>\$ 2,211</b>	<b>\$ 2,720</b>
<b>Net income per share — diluted</b>	<b>\$ 1.60</b>	<b>\$ 2.95</b>	<b>\$ 3.38</b>
<b>Operating income* per share — diluted</b>	<b>\$ 2.06</b>	<b>\$ 2.68</b>	<b>\$ 2.59</b>

## Condensed Consolidated Income Statements

For more detailed information, see the proxy statement.

Condensed  
Consolidated  
Balance  
Sheets

\$ in millions	December 31,	
	2001	2000
<b>Assets</b>		
Investments	\$ 79,876	\$ 74,483
Cash	263	222
Premium installment receivables, net	3,976	3,802
Deferred policy acquisition costs	4,421	4,309
Reinsurance recoverables, net	2,698	2,352
Accrued investment income	883	942
Property and equipment, net	984	1,000
Goodwill	1,284	1,247
Other assets	1,203	1,153
Separate Accounts	13,587	15,298
<b>Total assets</b>	<b>\$109,175</b>	<b>\$104,808</b>
<b>Liabilities</b>		
Insurance reserves	\$ 25,634	\$ 25,327
Contractholder funds	33,560	28,870
Unearned premiums	7,961	7,607
Claim payments outstanding	811	908
Other liabilities and accrued expenses	6,168	4,918
Deferred income taxes	137	348
Short-term debt	227	219
Long-term debt	3,694	3,112
Separate Accounts	13,587	15,298
<b>Total liabilities</b>	<b>\$ 91,779</b>	<b>\$ 86,607</b>
Mandatorily redeemable preferred securities of subsidiary trusts	200	750
<b>Total shareholders' equity</b>	<b>17,196</b>	<b>17,451</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$109,175</b>	<b>\$104,808</b>

For more detailed information, see the proxy statement.

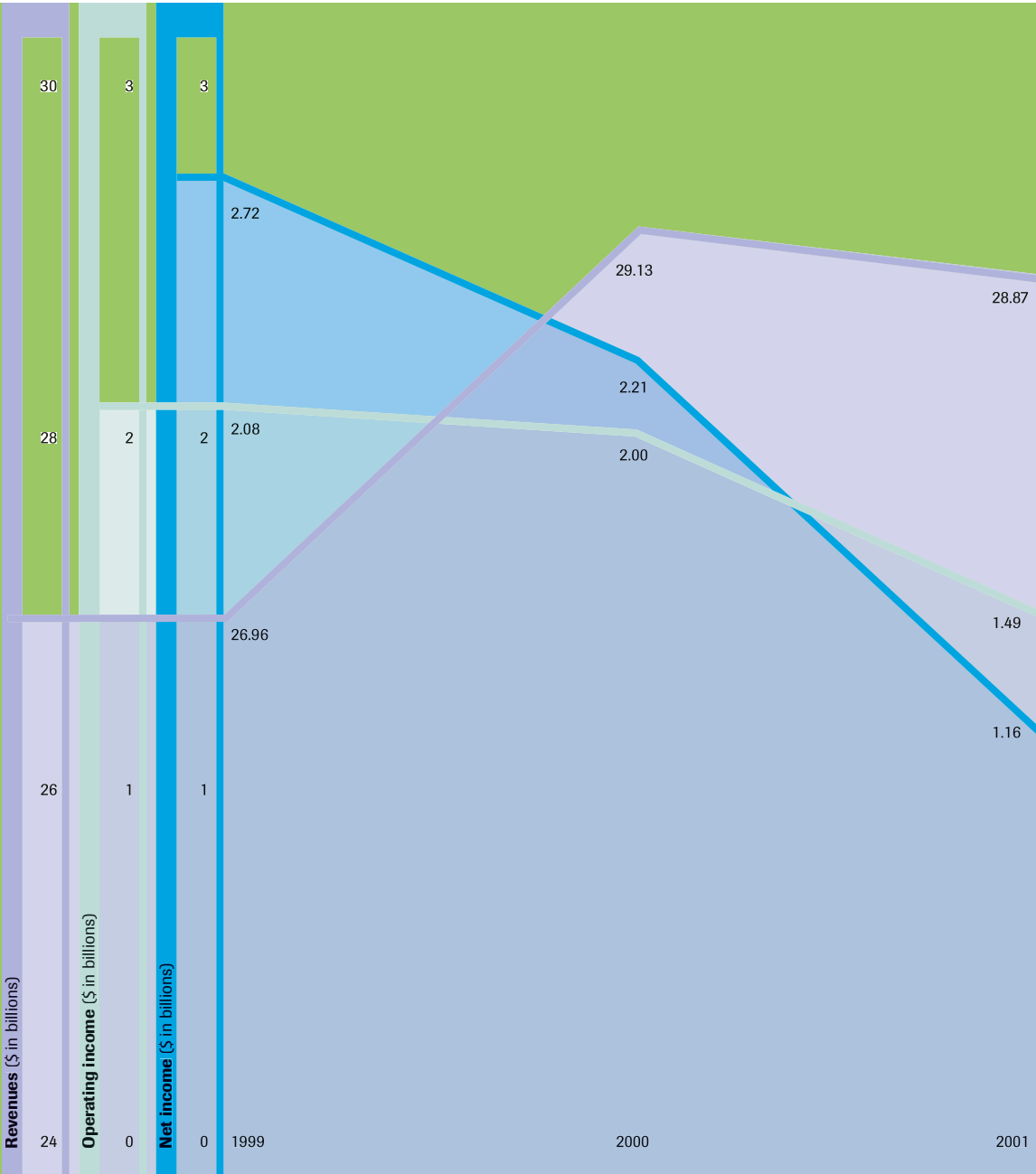
\$ in millions	Year ended December 31,		
	2001	2000	1999
<b>Cash flows from operating activities</b>			
Net income	\$ 1,158	\$ 2,211	\$ 2,720
Adjustments to reconcile net income to net cash provided by operating activities	1,133	(480)	(453)
Net cash provided by operating activities	2,291	1,731	2,267
<b>Cash flows from investing activities</b>			
Proceeds from sales	27,489	35,074	31,312
Investment collections	4,950	3,733	5,809
Investment purchases	(36,944)	(41,866)	(40,912)
Change in short-term investments, net	400	687	454
Change in other investments, net	(53)	(78)	(34)
Acquisitions, net of cash received	(16)	(25)	971
Purchases of property and equipment, net	(186)	(300)	(212)
Net cash used in investing activities	(4,360)	(2,775)	(2,612)
<b>Cash flows from financing activities</b>			
Net cash provided by financing activities	2,110	1,012	341
<b>Net increase (decrease) in cash</b>	41	(32)	(4)
<b>Cash at the beginning of the year</b>	222	254	258
<b>Cash at the end of the year</b>	\$ 263	\$ 222	\$ 254

## Condensed Consolidated Statements of Cash Flow

For more detailed information, see the proxy statement.



Consolidated  
Financial  
Highlights



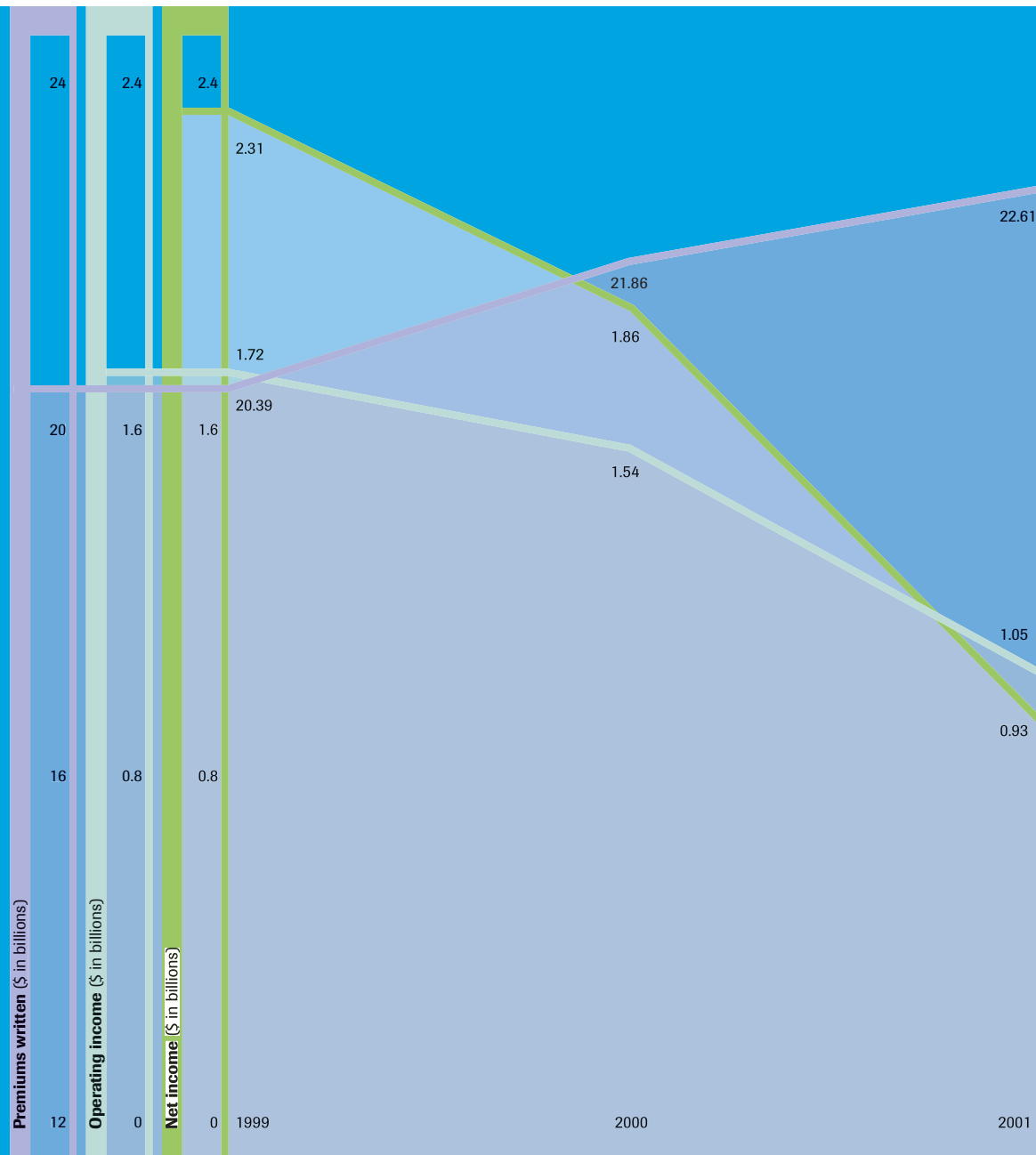
**Allstate provides insurance, investment and retirement products to 14 million households served through Allstate directly and 2.5 million households served through non-proprietary channels, and has approximately 13,000 exclusive agents in the United States and Canada. Customers can access Allstate products and services through Allstate agents, [allstate.com](http://allstate.com) and 1-800-Allstate. Iwantage includes Encompass and Deerbrook Insurance brand property and casualty insurance products that are sold exclusively through independent agents. Allstate Financial products can also be accessed through independent agents and representatives of banks and securities firms.**

**Revenues** declined to \$28.87 billion in 2001 from \$29.13 billion in 2000 due to realized capital losses during the year, compared to realized capital gains in 2000. Offsetting realized capital losses were increased earned premiums in the Property-Liability business, life and annuity premiums and contract charges in the Allstate Financial business and net investment income.

**Operating income** is defined as income before dividends on preferred securities and the cumulative effect of a change in accounting principle, after-tax, excluding the after-tax effects of realized capital gains and losses and gains or losses on disposition of operations. Operating income declined to \$1.49 billion in 2001 from \$2.00 billion in 2000 due to lower Property-Liability operating income partially offset by an increase in Allstate Financial operating income during 2001.

**Net income** declined to \$1.16 billion in 2001 from \$2.21 billion in 2000 due to realized capital losses, compared to realized capital gains in 2000, and declines in operating income. Net income per diluted common share declined at a lower rate than net income due to the positive impacts of Allstate's share repurchase programs. Allstate repurchased 20 million shares totaling \$718 million during 2001.

# Property-Liability Highlights





**Allstate's Property-Liability business is the second largest personal property and casualty insurer in the United States. It is principally engaged in the sale of private passenger auto and homeowners insurance.**

**Premiums written** is used in the Property-Liability insurance industry to measure the amount charged for policies issued during the year. Premiums written are earned, thus included in financial results, on a pro-rata basis over the policy period. Premiums written increased to \$22.61 billion in 2001 from \$21.86 billion in 2000 due to an increase in the Allstate brand standard auto line of 7.1 percent and 7.2 percent in the Allstate brand homeowners line. These increases were due to increased premium rates and a higher number of policies. Premium written increases in Allstate brand standard auto and homeowners were partially offset by profit improvement actions causing premium written declines in the Allstate brand nonstandard auto and Iventure lines.

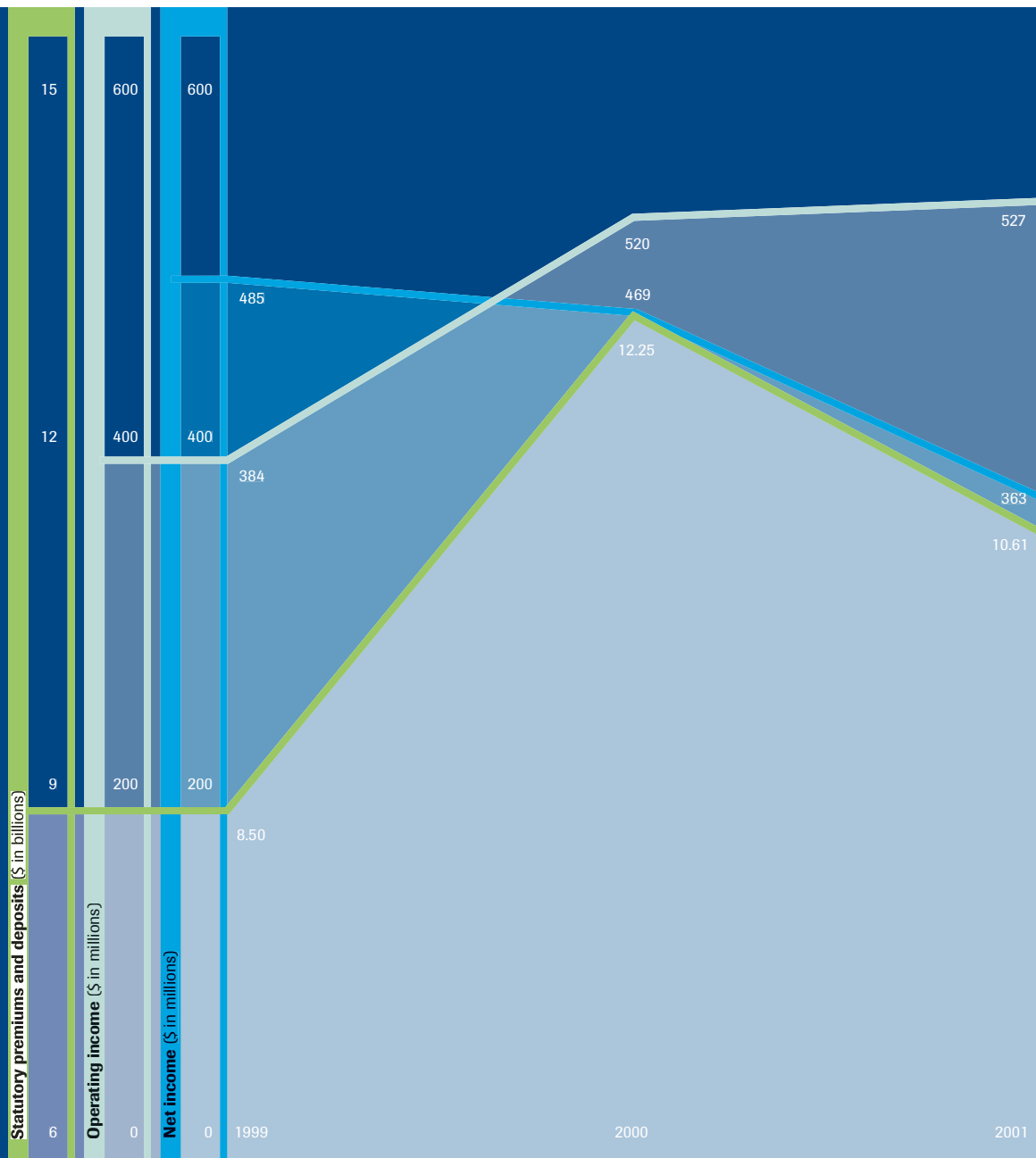
**Operating income** is defined as income before the cumulative effect of a change in accounting principle, after-tax, excluding the after-tax effects of realized capital gains and losses and gains or

losses on disposition of operations. Operating income decreased to \$1.05 billion in 2001 when compared to \$1.54 billion in 2000. This decrease was due primarily to increased insurance claims and claims expenses, declines in investment income and higher restructuring expenses. These factors were partly offset by higher premiums earned and lower catastrophe losses.

**Net income** declined to \$926 million in 2001 from \$1.86 billion in 2000. This decrease was primarily the result of lower operating income and realized capital losses in 2001, compared to realized capital gains in 2000.

**Outlook** The Property-Liability business operates in a market that is expected to experience slow unit growth and is very competitive. Allstate plans to continue to pursue pricing, underwriting and marketing programs that will attract and retain those customers who will provide growth and profitability over the course of their relationship with Allstate. Allstate will also continue to examine and improve the processes used by its claims service organization to mitigate the impact of increasing loss costs.

# Allstate Financial Highlights



**The Allstate Financial business provides life insurance, investment and retirement products through Allstate agents, independent agents and representatives of banks and securities firms.**

**Statutory premiums and deposits** is a measure used by Allstate management to analyze sales trends. Statutory premiums and deposits decreased to \$10.61 billion in 2001 from \$12.25 billion in 2000 due to a significant decline in variable and fixed annuity sales caused by economic and market conditions.

**Operating income** is defined as income before the cumulative effect of changes in accounting principle, after-tax, excluding the after-tax effects of realized capital gains and losses. Operating income increased to \$527 million in 2001 compared to \$520 million in 2000. This increase was due to management actions to improve the gross investment margin, which is the margin earned on investments in excess of interest credited. The improved investment margin was partly

offset by a lower mortality margin, which is the margin earned on premiums and cost of insurance charges in excess of related policy benefits, and increased operating costs and expenses.

**Net income** declined to \$363 million in 2001 from \$469 million in 2000. This decrease was the result of higher realized capital losses in 2001 compared to 2000. The increase in operating income partially offset the impact of realized capital losses during 2001.

**Outlook** The Allstate Financial business is experiencing increased competition from throughout the financial services industry. The business plan is to expand its product offerings to meet customers' needs and to broaden and strengthen its distribution channels. A key initiative in broadening Allstate Financial's distribution channels is the transition of Allstate agents to personal financial representatives, licensed to sell a broad array of investment and retirement products.



# Investment Highlights

## Investment Overview

- Allstate Investments, LLC, a wholly owned subsidiary of The Allstate Corporation, is responsible for the asset management function, including the purchase of securities, for The Allstate Corporation and its principal business units, Property-Liability and Allstate Financial.
- An important ingredient of the financial results of The Allstate Corporation is return on invested assets. Allstate's investment portfolios are segmented between the Property-Liability and Allstate Financial business units. The investment portfolios are managed based upon the needs of each respective business and its corresponding liability structure.
- Various investment groups manage the assets for each business unit subject to investment objectives and guidelines, while determining within acceptable risk parameters, the appropriate asset allocation, duration and other required characteristics.

## Consolidated Highlights

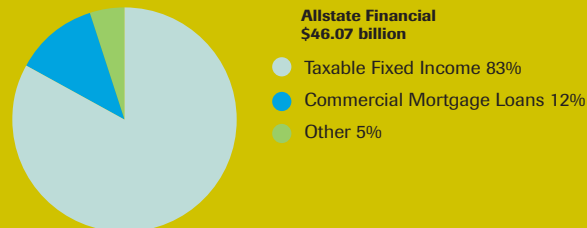
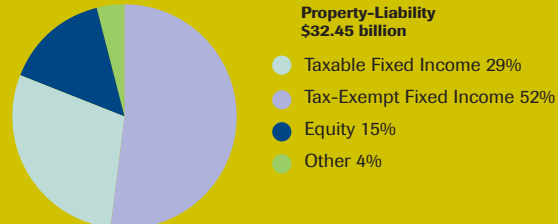
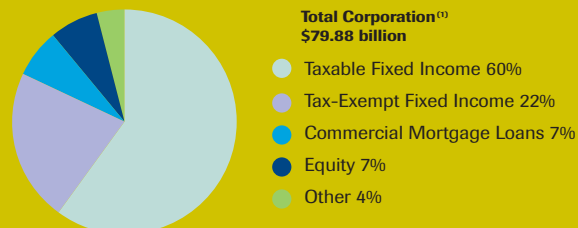
The consolidated portfolio is well diversified among a broad range of asset classes including taxable and tax-exempt fixed income, commercial mortgage loans and equities. In the aggregate, over 93% of fixed income securities are rated investment grade.

## Property-Liability Highlights

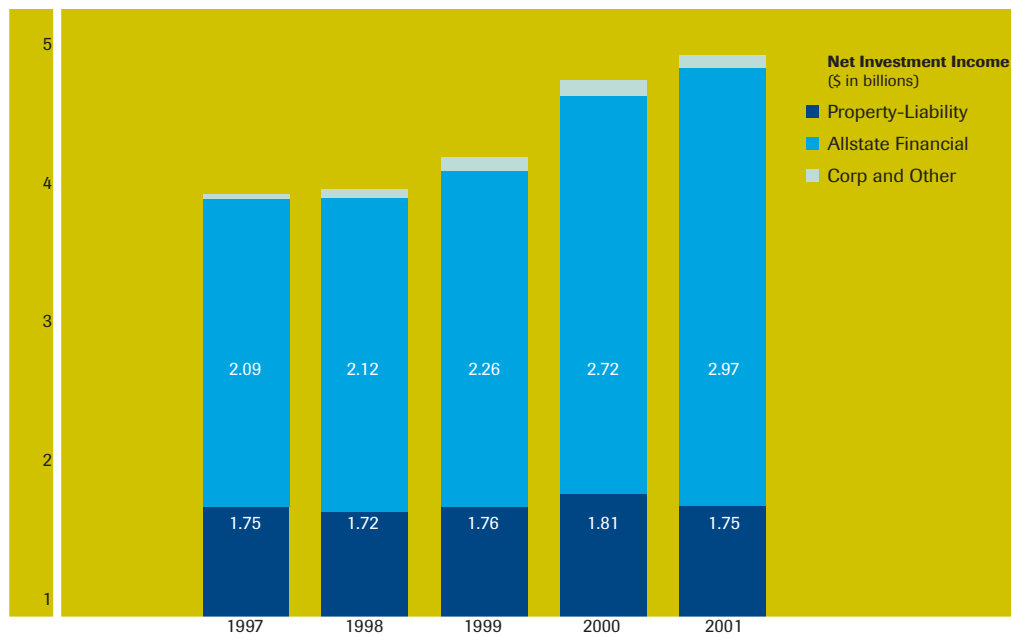
The Property-Liability portfolio consists of primarily fixed income securities and equities. Approximately two-thirds of the fixed income portion of the portfolio is comprised of high quality tax-exempt fixed income and one-third taxable fixed income securities.

## Allstate Financial Highlights

The Allstate Financial portfolio principally consists of taxable fixed income securities and commercial mortgage loans.



<sup>(1)</sup> Total Corporation includes Property-Liability, Allstate Financial and Corporate and Other.



### Net Investment Income Consolidated Highlights

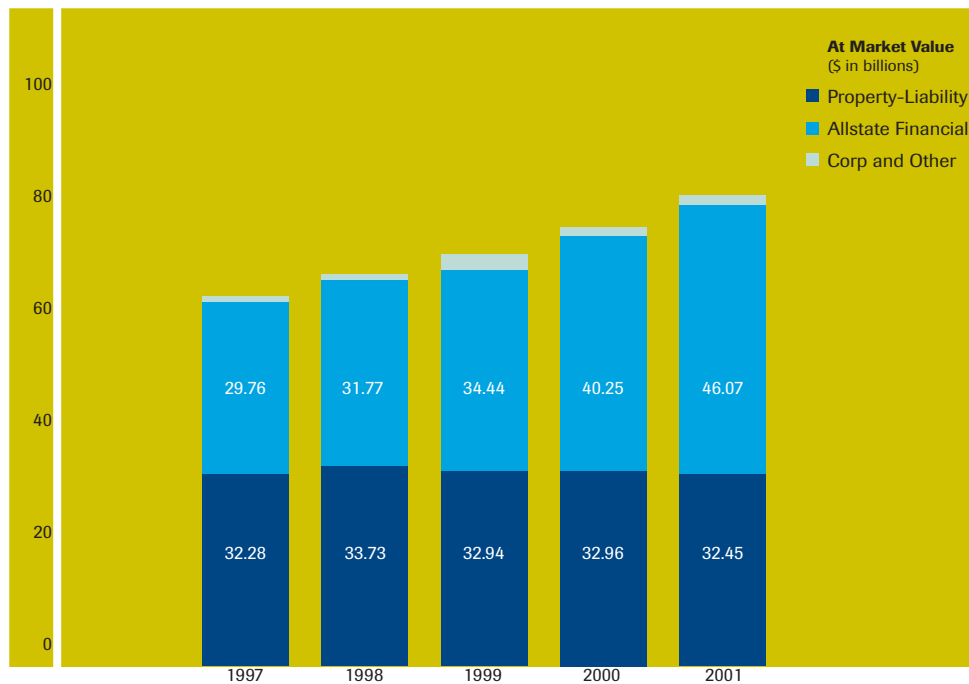
Consolidated net investment income of \$4.80 billion for the Corporation increased 3.5% over prior year primarily due to higher investment balances. Corporate and Other contributed \$0.08 billion in 2001.

### Property-Liability Highlights

Net investment income declined 3.8% during the year due to lower investment balances from negative cash flows and dividends to the parent company. Decreasing yields on new purchases of taxable and tax-exempt fixed income securities contributed to a decline in portfolio yields.

### Allstate Financial Highlights

Net investment income increased 9.3% over prior year due primarily to higher investment balances.



### Asset Growth (as of 12/31/01) Consolidated Highlights

Consolidated investment balances of \$79.88 billion increased 7.2% over year-end 2000 balances of \$74.48 billion. This increase was due primarily to asset growth in Allstate Financial, as well as increased unrealized gains in fixed income assets generated in a lower interest rate environment. Corporate and Other contributed \$1.36 billion in 2001.

### Property-Liability Highlights

Property-Liability investment balances of \$32.45 billion in 2001 declined 1.5% compared to 2000 balances of \$32.96 billion due to negative cash flows and dividends to the parent company.

### Allstate Financial Highlights

Allstate Financial investment balances increased 14.4% to \$46.07 billion in 2001 compared to a 2000 balance of \$40.25 billion. This increase was due primarily to increased cash flows from growth in operations.

## The Allstate Corporation Board of Directors

### **F. Duane Ackerman**

Chairman, President and Chief Executive Officer, BellSouth Corporation

### **James G. Andress**

Retired Chairman and Chief Executive Officer, Warner Chilcott PLC

### **Warren L. Batts**

Retired Chairman and Chief Executive Officer, Tupperware Corporation

### **Edward A. Brennan**

Retired Chairman, President and Chief Executive Officer, Sears, Roebuck and Co.

### **James M. Denny**

Advisor to Investors and Investment Managers

### **W. James Farrell**

Chairman and Chief Executive Officer, Illinois Tool Works Inc.

### **Ronald T. LeMay**

President and Chief Operating Officer, Sprint Corporation

### **Edward M. Liddy**

Chairman, President and Chief Executive Officer, The Allstate Corporation

### **Michael A. Miles**

Special Limited Partner, Forstmann Little & Co.

### **H. John Riley Jr.**

Chairman, President and Chief Executive Officer, Cooper Industries Inc.

### **Joshua I. Smith**

Chairman and Managing Partner, The Coaching Group

### **Judith A. Sprieser**

Chief Executive Officer, Transora

### **Mary Alice Taylor**

Independent Business Executive

Note: At the February 5, 2002 Board of Directors meeting, Mr. Jack M. Greenberg and Mr. J. Christopher Reyes were elected to the Board.

## Allstate Insurance Company Senior Management Team

### **Robert S. Apatoff**

Senior Vice President and Chief Marketing Officer

### **John L. Carl**

Senior Vice President and Chief Financial Officer

### **Richard I. Cohen**

President, Property and Casualty

### **Joan M. Crockett**

Senior Vice President, Human Resources

### **Edward J. Dixon**

Senior Vice President, Field Operations (retired 12/31/2001)

### **Steven L. Groot**

President, Direct Distribution and E-Commerce

### **Ernest A. Lausier**

President, Iwantage

### **Edward M. Liddy**

Chairman, President and Chief Executive Officer

### **Michael J. McCabe**

Senior Vice President and General Counsel

### **Ronald D. McNeil**

Senior Vice President, Field and Product Operations

### **Robert W. Pike**

Executive Vice President, Administration, and Secretary

### **Frank W. Pollard**

Senior Vice President and Chief Information Officer

### **Casey J. Sylla**

President and Chief Investment Officer, Allstate Investments, LLC

### **Thomas J. Wilson**

President, Allstate Financial

## Corporate Headquarters/Home Office

The Allstate Corporation  
2775 Sanders Road  
Northbrook, IL 60062-6127  
(800) 574-3553  
www.allstate.com

## Annual Meeting

Shareholders of record are invited to attend the annual meeting of The Allstate Corporation, Thursday, May 16, 2002, 11 a.m., Bank One Auditorium, 1 Bank One Plaza, (Dearborn between Madison and Monroe), Chicago, IL.

Holders of common stock of record at the close of business on March 18, 2002, are entitled to vote at the meeting. A notice of meeting, proxy statement and proxy were provided to shareholders with this annual report.

## Transfer Agent/Shareholder Records

For information or assistance regarding individual stock records, dividend reinvestment, dividend checks, 1099DIV and 1099B tax forms, direct deposit of dividend payments, or stock certificates, call:

(800) 355-5191 within the U.S. or  
(201) 324-0313 outside the U.S.

Or write:

EquiServe Trust Company N.A.,  
P.O. Box 2500, Jersey City, NJ, 07303-2500

For items sent by courier or overnight use the following address: EquiServe Trust Company N.A., Attn. Stock Transfer Unit, 525 Washington Blvd., Jersey City, NJ, 07310

www.equiserve.com

## Share Purchase and Dividend Reinvestment Plan

Shareholders can reinvest their Allstate dividends as well as make optional cash deposits to purchase additional shares of Allstate common stock. Please write or call EquiServe Trust Company N.A., as indicated above.

## Profit Sharing

For information about The Savings and Profit Sharing Fund of Allstate Employees, call the Allstate Benefits Center at (888) 255-7772.

## Exclusive Agent Stock Bonus Plan

For information about the Exclusive Agent Independent Contractors Stock Bonus Plan, call EquiServe Trust Company N.A. at (800) 706-9862.

## Investor Relations

Security analysts, portfolio managers and representatives of financial institutions seeking information about the company should contact:

Investor Relations  
The Allstate Corporation  
3075 Sanders Road, Northbrook, IL 60062-7127  
(800) 416-8803

## Common Stock and Dividend Information

	High	Low	Close	Dividends declared
<b>2001</b>				
First quarter	42.94	33.56	41.94	.19
Second quarter	45.90	40.18	43.99	.19
Third quarter	44.89	30.00	37.35	.19
Fourth quarter	38.38	30.58	33.70	.19
<b>2000</b>				
First quarter	25.50	17.19	23.81	.17
Second quarter	30.13	20.06	22.25	.17
Third quarter	35.63	22.50	34.75	.17
Fourth quarter	44.75	30.81	43.56	.17

Stock price ranges are from the New York Stock Exchange Composite Listing. As of 4:00 p.m. (EST) on February 15, 2002, the closing price of Allstate common stock as reported on the New York Stock Exchange was \$34, and there were 165,440 shareholders of record.

## Media Inquiries

Allstate Media Relations, 2775 Sanders Road, Northbrook, IL 60062-6127  
(847) 402-5600

## Form 10-K, Other Reports

Shareholders may receive without charge a copy of The Allstate Corporation Form 10-K annual report (filed with the Securities and Exchange Commission) and other public financial information for the year ended Dec. 31, 2001, by contacting:

Investor Relations  
The Allstate Corporation  
3075 Sanders Road, Northbrook, IL 60062-7127  
(800) 416-8803  
The Allstate annual report is available online at:  
www.allstate.com/investor/annual\_report

## Annual Report Recordings

Audio cassette tapes of the Allstate annual report are available without charge to the visually impaired by calling (800) 416-8803.

## Stock Exchange Listing

The Allstate Corporation common stock is listed on the New York Stock Exchange under the trading symbol ALL. Common stock is also listed on the Chicago Stock Exchange.

## Independent Auditors

Deloitte & Touche LLP  
Two Prudential Plaza  
180 North Stetson Avenue  
Chicago, IL 60601-6779

## Online information

Investor supplements describing Allstate quarterly fiscal results, as well as audio rebroadcasts of investor conferences at which the company participates, will be posted on www.allstate.com. Investor conference calls will also be broadcast from that Web site.

# Shareholder Information



**Allstate**  
You're in good hands.





The Allstate Corporation  
2775 Sanders Road  
Northbrook, IL 60062-6127

L 2697-01

**The Chandler Family  
and long-time customers,  
Sid and Mildred Farnell  
(back left)**