

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-11840

THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3871531

(I.R.S. Employer Identification No.)

2775 Sanders Road, Northbrook, Illinois 60062

(Address of principal executive offices) (Zip Code)

(847) 402-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 18, 2012, the registrant had 491,360,562 common shares, \$.01 par value, outstanding.

THE ALLSTATE CORPORATION
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March 31, 2012

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****THE ALLSTATE CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(\$ in millions, except per share data)

	Three months ended	
	March 31,	
	2012	2011
	(unaudited)	
	(As Adjusted See Note 1)	
Revenues		
Property-liability insurance premiums	\$ 6,630	\$ 6,448
Life and annuity premiums and contract charges	553	569
Net investment income	1,011	982
Realized capital gains and losses:		
Total other-than-temporary impairment losses	(87)	(156)
Portion of loss recognized in other comprehensive income	4	(27)
Net other-than-temporary impairment losses recognized in earnings	(83)	(183)
Sales and other realized capital gains and losses	251	279
Total realized capital gains and losses	168	96
	8,362	8,095
Costs and expenses		
Property-liability insurance claims and claims expense	4,339	4,476
Life and annuity contract benefits	439	454
Interest credited to contractholder funds	378	418
Amortization of deferred policy acquisition costs	979	984
Operating costs and expenses	1,017	900
Restructuring and related charges	6	9
Interest expense	95	92
	7,253	7,333
Gain (loss) on disposition of operations	3	(20)
Income from operations before income tax expense	1,112	742
Income tax expense	346	218

Net income	\$	766	\$	524
Earnings per share:				
Net income per share - Basic	\$	1.54	\$	0.99
Weighted average shares - Basic		498.7		531.0
Net income per share - Diluted	\$	1.53	\$	0.98
Weighted average shares - Diluted		501.5		533.6
Cash dividends declared per share	\$	0.22	\$	0.21

See notes to condensed consolidated financial statements.

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THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)	Three Months Ended March 31,	
	2012	2011
	(unaudited)	
	(As Adjusted See Note 1)	
Net income	\$ 766	\$ 524
Other comprehensive income, after-tax		
Changes in:		
Unrealized net capital gains and losses	474	124
Unrealized foreign currency translation adjustments	9	10
Unrecognized pension and other postretirement benefit cost	20	15
Other comprehensive income, after-tax	503	149
Comprehensive income	\$ 1,269	\$ 673

See notes to condensed consolidated financial statements.

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THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$ in millions, except par value data)	March 31,	December 31,
	2012	2011
	(unaudited)	
	(As Adjusted See Note 1)	
Assets		
Investments		
Fixed income securities, at fair value (amortized cost \$74,060 and \$73,379)	\$ 77,223	\$ 76,113
Equity securities, at fair value (cost \$3,430 and \$4,203)	3,847	4,363
Mortgage loans	7,167	7,139
Limited partnership interests	4,637	4,697
Short-term, at fair value (amortized cost \$1,886 and \$1,291)	1,886	1,291
Other	2,249	2,015
Total investments	97,009	95,618
Cash	577	776
Premium installment receivables, net	4,908	4,920
Deferred policy acquisition costs	3,716	3,871
Reinsurance recoverables, net	7,118	7,251
Accrued investment income	846	826
Deferred income taxes	201	722
Property and equipment, net	912	914
Goodwill	1,242	1,242
Other assets	2,049	2,069
Separate Accounts	7,355	6,984
Total assets	\$ 125,933	\$ 125,193
Liabilities		
Reserve for property-liability insurance claims and claims expense	\$ 20,283	\$ 20,375
Reserve for life-contingent contract benefits	14,296	14,406
Contractholder funds	41,603	42,332

Unearned premiums	9,888	10,057
Claim payments outstanding	750	827
Other liabilities and accrued expenses	6,490	5,978
Long-term debt	6,058	5,908
Separate Accounts	7,355	6,984
Total liabilities	106,723	106,867

Commitments and Contingent Liabilities (Note 10)

Equity

Preferred stock, \$1 par value, 25 million shares authorized, none issued	--	--
Common stock, \$.01 par value, 2.0 billion shares authorized and 900 million issued, 493 million and 501 million shares outstanding	9	9
Additional capital paid-in	3,151	3,189
Retained income	32,565	31,909
Deferred ESOP expense	(41)	(43)
Treasury stock, at cost (407 million and 399 million shares)	(17,034)	(16,795)
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital losses on fixed income securities with OTTI	(100)	(174)
Other unrealized net capital gains and losses	2,412	2,041
Unrealized adjustment to DAC, DSI and insurance reserves	(438)	(467)
Total unrealized net capital gains and losses	<u>1,874</u>	<u>1,400</u>
Unrealized foreign currency translation adjustments	65	56
Unrecognized pension and other postretirement benefit cost	(1,407)	(1,427)
Total accumulated other comprehensive income	<u>532</u>	<u>29</u>
Total shareholders' equity	19,182	18,298
Noncontrolling interest	28	28
Total equity	19,210	18,326
Total liabilities and equity	\$ 125,933	\$ 125,193

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)

	Three months ended	
	March 31,	
	2012	2011
	(unaudited)	
		(As Adjusted See Note 1)
Cash flows from operating activities		
Net income	\$ 766	\$ 524
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other non-cash items	96	31
Realized capital gains and losses	(168)	(96)
(Gain) loss on disposition of operations	(3)	20
Interest credited to contractholder funds	378	418
Changes in:		
Policy benefits and other insurance reserves	(346)	(58)
Unearned premiums	(180)	(248)
Deferred policy acquisition costs	52	67
Premium installment receivables, net	19	3
Reinsurance recoverables, net	57	(117)
Income taxes	333	203
Other operating assets and liabilities	(197)	(21)
Net cash provided by operating activities	<u>807</u>	<u>726</u>
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	5,689	8,363
Equity securities	1,059	642
Limited partnership interests	403	113
Mortgage loans	6	26
Other investments	36	63
Investment collections		
Fixed income securities	966	1,201
Mortgage loans	170	88
Other investments	23	77
Investment purchases		
Fixed income securities	(7,008)	(10,207)
Equity securities	(128)	(144)
Limited partnership interests	(318)	(334)
Mortgage loans	(216)	(26)
Other investments	(163)	(58)
Change in short-term investments, net	(379)	1,649
Change in other investments, net	(9)	(119)

Purchases of property and equipment, net	(51)	(48)
Disposition of operations	(1)	(1)
Net cash provided by investing activities	79	1,285
Cash flows from financing activities		
Proceeds from issuance of long-term debt	493	--
Repayment of long-term debt	(350)	--
Contractholder fund deposits	485	596
Contractholder fund withdrawals	(1,299)	(2,122)
Dividends paid	(106)	(107)
Treasury stock purchases	(309)	(305)
Shares reissued under equity incentive plans, net	15	9
Excess tax benefits on share-based payment arrangements	(1)	(3)
Other	(13)	--
Net cash used in financing activities	(1,085)	(1,932)
Net (decrease) increase in cash	(199)	79
Cash at beginning of period	776	562
Cash at end of period	\$ 577	\$ 641

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

Basis of presentation

The accompanying condensed consolidated financial statements include the accounts of The Allstate Corporation and its wholly owned subsidiaries, primarily Allstate Insurance Company ("AIC"), a property-liability insurance company with various property-liability and life and investment subsidiaries, including Allstate Life Insurance Company ("ALIC") (collectively referred to as the "Company" or "Allstate").

The condensed consolidated financial statements and notes as of March 31, 2012 and for the three-month periods ended March 31, 2012 and 2011 are unaudited. The condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals), which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

To conform to the current year presentation, certain amounts in the prior year condensed consolidated financial statements and notes have been reclassified.

Adopted accounting standards

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB issued guidance modifying the definition of the types of costs incurred by insurance entities that can be capitalized in the acquisition of new and renewal insurance contracts. The guidance specifies that the costs must be directly related to the successful acquisition of insurance contracts. The guidance also specifies that advertising costs should be included as deferred acquisition costs ("DAC") only when the direct-response advertising accounting criteria are met. The Company adopted the new guidance on a retrospective basis as of January 1, 2012. The cumulative effect of the adoption to shareholders' equity as of January 1, 2011 was a decrease of \$399 million, net of taxes. The impacts of the retrospective adjustments on previously issued financial statements are summarized in the following table.

(\$ in millions, except per share data)	<u>Previously Reported</u>	<u>As Adjusted</u>
Three months ended March 31, 2011		
Amortization of DAC	\$ 1,051	\$ 984
Operating costs and expenses	838	900
Loss on disposition of operations	(23)	(20)
Income tax expense	215	218
Net income	519	524
Net income per share - Basic	0.98	0.99
Net income per share - Diluted	0.97	0.98
As of December 31, 2011		
DAC	4,443	3,871
Deferred income taxes	520	722
Reserve for life-contingent contract benefits	14,449	14,406
Other liabilities and accrued expenses	5,929	5,978
Retained income	32,321	31,909
Unrealized adjustment to DAC, DSI and insurance reserves	(504)	(467)
Unrealized foreign currency translation adjustments	57	56

In future periods, operating costs and expenses will increase since a lower amount of acquisition costs will be capitalized, which will be partially offset by a decrease in amortization of DAC due to the retrospective reduction of the DAC balance. The effect of the adoption on net income and related per share amounts for interim periods after

adoption is not determinable since calculations under the historic DAC accounting policy were not continued after adoption.

Criteria for Determining Effective Control for Repurchase Agreements

In April 2011, the FASB issued guidance modifying the assessment criteria of effective control for repurchase agreements. The new guidance removes the criteria requiring an entity to have the ability to repurchase or redeem financial assets on substantially the agreed terms and the collateral maintenance guidance related to that criteria. The guidance is to be applied prospectively to transactions or modifications of existing transactions that occur during reporting periods beginning on or after December 15, 2011. The adoption of this guidance as of January 1, 2012 had no impact on the Company's results of operations or financial position.

Amendments to Fair Value Measurement and Disclosure Requirements

In May 2011, the FASB issued guidance that clarifies the application of existing fair value measurement and disclosure requirements and amends certain fair value measurement principles, requirements and disclosures. Changes were made to improve consistency in global application. The guidance is to be applied prospectively for reporting periods beginning after December 15, 2011. The adoption of this guidance as of January 1, 2012 had no impact on the Company's results of operations or financial position.

Presentation of Comprehensive Income

In June and December 2011, the FASB issued guidance amending the presentation of comprehensive income and its components. Under the new guidance, a reporting entity has the option to present comprehensive income in a single continuous statement or in two separate but consecutive statements. The Company adopted the new guidance in the first quarter of 2012. The new guidance affects presentation only and therefore had no impact on the Company's results of operations or financial position.

Intangibles – Goodwill and Other

In September 2011, the FASB issued guidance providing the option to first assess qualitative factors, such as macroeconomic conditions and industry and market considerations, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If impairment is indicated by the qualitative assessment, then it is necessary to perform the two-step goodwill impairment test. If the option is not elected, the guidance requiring the two-step goodwill impairment test is unchanged. The adoption of this guidance as of January 1, 2012 had no impact on the Company's results of operations or financial position.

Pending accounting standard

Disclosures about Offsetting Assets and Liabilities for Financial Instruments and Derivative Instruments

In December 2011, the FASB issued guidance requiring expanded disclosures, including both gross and net information, for financial instruments and derivative instruments that are either offset in the reporting entity's financial statements or those that are subject to an enforceable master netting arrangement or similar agreement. The guidance is effective for reporting periods beginning on or after January 1, 2013 and is to be applied retrospectively. The new guidance affects disclosures only and will have no impact on the Company's results of operations or financial position.

2. Earnings per share

Basic earnings per share is computed using the weighted average number of common shares outstanding, including unvested participating restricted stock units. Diluted earnings per share is computed using the weighted average number of common and dilutive potential common shares outstanding. For the Company, dilutive potential common shares consist of outstanding stock options and unvested non-participating restricted stock units and performance stock awards.

The computation of basic and diluted earnings per share for the three months ended March 31 is presented in the following table.

(\$ in millions, except per share data)	<u>2012</u>	<u>2011</u>
Numerator:		
Net income	\$ <u>766</u>	\$ <u>524</u>
Denominator:		
Weighted average common shares outstanding	498.7	531.0
Effect of dilutive potential common shares:		
Stock options	2.0	2.2
Restricted stock units and performance stock awards (non-participating)	<u>0.8</u>	<u>0.4</u>
Weighted average common and dilutive potential common shares outstanding	<u>501.5</u>	<u>533.6</u>
Earnings per share - Basic	\$ 1.54	\$ 0.99

The effect of dilutive potential common shares does not include the effect of options with an anti-dilutive effect on earnings per share because their exercise prices exceed the average market price of Allstate common shares during the period or for which the unrecognized compensation cost would have an anti-dilutive effect. Options to purchase 28.5 million and 30.4 million Allstate common shares, with exercise prices ranging from \$25.91 to \$62.84 and \$27.36 to \$62.84, were outstanding for the three-month periods ended March 31, 2012 and 2011, respectively, but were not included in the computation of diluted earnings per share in those periods.

3. Supplemental Cash Flow Information

Non-cash modifications of certain mortgage loans, fixed income securities, limited partnership interests and other investments, as well as mergers completed with equity securities, totaled \$22 million and \$53 million for the three months ended March 31, 2012 and 2011, respectively. Non-cash financing activities include \$39 million related to the issuance of Allstate shares for vested restricted stock units for the three months ended March 31, 2012.

Liabilities for collateral received in conjunction with the Company's securities lending program and over-the-counter ("OTC") derivatives are reported in other liabilities and accrued expenses or other investments. The accompanying cash flows are included in cash flows from operating activities in the Condensed Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds, which for the three months ended March 31 are as follows:

(\$ in millions)	2012	2011
Net change in proceeds managed		
Net change in short-term investments	\$ (210)	\$ (351)
Operating cash flow used	(210)	(351)
Net change in cash	(2)	(3)
Net change in proceeds managed	\$ (212)	\$ (354)
Net change in liabilities		
Liabilities for collateral, beginning of year	\$ (462)	\$ (484)
Liabilities for collateral, end of period	(674)	(838)
Operating cash flow provided	\$ 212	\$ 354

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4. Investments

Fair values

The amortized cost, gross unrealized gains and losses and fair value for fixed income securities are as follows:

(\$ in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
March 31, 2012				
U.S. government and agencies	\$ 5,259	\$ 287	\$ (5)	\$ 5,541
Municipal	12,970	864	(220)	13,614
Corporate	43,819	2,760	(248)	46,331
Foreign government	1,794	196	(1)	1,989
Residential mortgage-backed securities ("RMBS")	3,959	126	(357)	3,728
Commercial mortgage-backed securities ("CMBS")	1,864	63	(174)	1,753
Asset-backed securities ("ABS")	4,372	108	(238)	4,242
Redeemable preferred stock	23	2	--	25
Total fixed income securities	\$ 74,060	\$ 4,406	\$ (1,243)	\$ 77,223
December 31, 2011				
U.S. government and agencies	\$ 5,966	\$ 349	\$ --	\$ 6,315
Municipal	13,634	863	(256)	14,241
Corporate	41,217	2,743	(379)	43,581
Foreign government	1,866	216	(1)	2,081
RMBS	4,532	110	(521)	4,121
CMBS	1,962	48	(226)	1,784
ABS	4,180	73	(287)	3,966
Redeemable preferred stock	22	2	--	24
Total fixed income securities	\$ 73,379	\$ 4,404	\$ (1,670)	\$ 76,113

Scheduled maturities

The scheduled maturities for fixed income securities are as follows as of March 31, 2012:

(\$ in millions)	Amortized cost	Fair value
Due in one year or less	\$ 4,031	\$ 4,081
Due after one year through five years	20,971	21,893
Due after five years through ten years	23,172	24,703

Due after ten years	17,555	18,576
	65,729	69,253
RMBS and ABS	8,331	7,970
Total	\$ 74,060	\$ 77,223

Actual maturities may differ from those scheduled as a result of prepayments by the issuers. Because of the potential for prepayment on RMBS and ABS, they are not categorized by contractual maturity. CMBS are categorized by contractual maturity because they generally are not subject to prepayment risk.

Net investment income

Net investment income for the three months ended March 31 is as follows:

(\$ in millions)	2012	2011
Fixed income securities	\$ 806	\$ 900
Equity securities	21	19
Mortgage loans	93	89
Limited partnership interests ⁽¹⁾	109	10
Short-term investments	1	2
Other	30	11
Investment income, before expense	1,060	1,031
Investment expense	(49)	(49)
Net investment income	\$ 1,011	\$ 982

⁽¹⁾ Income from limited partnership interests accounted for under the equity method of accounting ("EMA") is reported in net investment income in 2012 and realized capital gains and losses in 2011.

Realized capital gains and losses

Realized capital gains and losses by asset type for the three months ended March 31 are as follows:

(\$ in millions)	2012	2011
Fixed income securities	\$ (29)	\$ (27)
Equity securities	159	122
Mortgage loans	(1)	(6)
Limited partnership interests ⁽¹⁾	10	68
Derivatives	21	(67)
Other	8	6
Realized capital gains and losses	\$ 168	\$ 96

⁽¹⁾ Income from EMA limited partnerships is reported in net investment income in 2012 and realized capital gains and losses in 2011.

Realized capital gains and losses by transaction type for the three months ended March 31 are as follows:

(\$ in millions)	2012	2011
Impairment write-downs	\$ (39)	\$ (114)
Change in intent write-downs	(44)	(69)
Net other-than-temporary impairment losses recognized in earnings	(83)	(183)
Sales	229	283
Valuation of derivative instruments	11	22
Settlements of derivative instruments	11	(89)
EMA limited partnership income	--	63
Realized capital gains and losses	\$ 168	\$ 96

Gross gains of \$115 million and \$211 million and gross losses of \$90 million and \$88 million were realized on sales of fixed income securities during the three months ended March 31, 2012 and 2011, respectively.

Other-than-temporary impairment losses by asset type for the three months ended March 31 are as follows:

(\$ in millions)	2012			2011		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:						
Municipal	\$ (1)	\$ --	\$ (1)	\$ (27)	\$ (2)	\$ (29)
Corporate	(18)	--	(18)	(5)	1	(4)
Foreign government	--	--	--	(1)	--	(1)
RMBS	(43)	4	(39)	(72)	(25)	(97)

CMBS	(6)	--	(6)	(16)	(4)	(20)
ABS	--	--	--	(7)	3	(4)
Total fixed income securities	(68)	4	(64)	(128)	(27)	(155)
Equity securities	(16)	--	(16)	(20)	--	(20)
Mortgage loans	(3)	--	(3)	(6)	--	(6)
Limited partnership interests	(2)	--	(2)	(1)	--	(1)
Other	2	--	2	(1)	--	(1)
Other-than-temporary impairment losses	\$ (87)	\$ 4	\$ (83)	\$ (156)	\$ (27)	\$ (183)

The total amount of other-than-temporary impairment losses included in accumulated other comprehensive income at the time of impairment for fixed income securities, which were not included in earnings, are presented in the following table. The amount excludes \$225 million and \$172 million as of March 31, 2012 and December 31, 2011, respectively, of net unrealized gains related to changes in valuation of the fixed income securities subsequent to the impairment measurement date.

(\$ in millions)	March 31, 2012	December 31, 2011
Municipal	\$ (11)	\$ (11)
Corporate	(35)	(35)
RMBS	(292)	(353)
CMBS	(20)	(19)
ABS	(21)	(21)
Total	\$ (379)	\$ (439)

Rollforwards of the cumulative credit losses recognized in earnings for fixed income securities held as of the end of the period are as follows:

(\$ in millions)	Three months ended March 31	
	2012	2011
Beginning balance	\$ (944)	\$ (1,046)
Additional credit loss for securities previously other-than-temporarily impaired	(20)	(59)
Additional credit loss for securities not previously other-than-temporarily impaired	(9)	(27)
Reduction in credit loss for securities disposed or collected	146	153
Reduction in credit loss for securities the Company has made the decision to sell or more likely than not will be required to sell	7	15
Change in credit loss due to accretion of increase in cash flows	--	1
Ending balance	\$ (820)	\$ (963)

The Company uses its best estimate of future cash flows expected to be collected from the fixed income security, discounted at the security's original or current effective rate, as appropriate, to calculate a recovery value and determine whether a credit loss exists. The determination of cash flow estimates is inherently subjective and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable assumptions and forecasts, are considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, foreign exchange rates, the financial condition and future earnings potential of the issue or

issuer, expected defaults, expected recoveries, the value of underlying collateral, vintage, geographic concentration, available reserves or escrows, current subordination levels, third party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of collateral for ultimate settlement. If the estimated recovery value is less than the amortized cost of the security, a credit loss exists and an other-than-temporary impairment for the difference between the estimated recovery value and amortized cost is recorded in earnings. The portion of the unrealized loss related to factors other than credit remains classified in accumulated other comprehensive income. If the Company determines that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, the Company may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

Unrealized net capital gains and losses

Unrealized net capital gains and losses included in accumulated other comprehensive income are as follows:

(\$ in millions)	Fair value	Gross unrealized		Unrealized net gains (losses)
		Gains	Losses	
March 31, 2012				
Fixed income securities	\$ 77,223	\$ 4,406	\$ (1,243)	\$ 3,163
Equity securities	3,847	464	(47)	417
Short-term investments	1,886	--	--	--
Derivative instruments ⁽¹⁾	(16)	2	(23)	(21)
EMA limited partnerships ⁽²⁾				1
Unrealized net capital gains and losses, pre-tax				3,560
Amounts recognized for:				
Insurance reserves ⁽³⁾				(443)
DAC and DSI ⁽⁴⁾				(230)
Amounts recognized				(673)

Deferred income taxes	(1,013)
Unrealized net capital gains and losses, after-tax	<u>\$ 1,874</u>

⁽¹⁾ Included in the fair value of derivative instruments are \$(10) million classified as assets and \$6 million classified as liabilities.

⁽²⁾ Unrealized net capital gains and losses for limited partnership interests represent the Company's share of EMA limited partnerships' other comprehensive income. Fair value and gross gains and losses are not applicable.

⁽³⁾ The insurance reserves adjustment represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product portfolios were realized and reinvested at current lower interest rates, resulting in a premium deficiency. Although the Company evaluates premium deficiencies on the combined performance of life insurance and immediate annuities with life contingencies, the adjustment primarily relates to structured settlement annuities with life contingencies, in addition to annuity buy-outs and certain payout annuities with life contingencies.

⁽⁴⁾ The DAC and DSI adjustment balance represents the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized gains or losses in the respective product portfolios were realized.

December 31, 2011	Fair value	Gross unrealized		Unrealized net gains (losses)
		Gains	Losses	
Fixed income securities	\$ 76,113	\$ 4,404	\$ (1,670)	\$ 2,734
Equity securities	4,363	369	(209)	160
Short-term investments	1,291	--	--	--
Derivative instruments ⁽¹⁾	(12)	3	(20)	(17)
EMA limited partnerships				2
Unrealized net capital gains and losses, pre-tax				<u>2,879</u>
Amounts recognized for:				
Insurance reserves				(594)
DAC and DSI				<u>(124)</u>
Amounts recognized				(718)
Deferred income taxes				<u>(761)</u>
Unrealized net capital gains and losses, after-tax				<u>\$ 1,400</u>

⁽¹⁾ Included in the fair value of derivative instruments are \$(5) million classified as assets and \$7 million classified as liabilities.

Change in unrealized net capital gains and losses

The change in unrealized net capital gains and losses for the three months ended March 31, 2012 is as follows:

(\$ in millions)	
Fixed income securities	\$ 429
Equity securities	257
Derivative instruments	(4)
EMA limited partnerships	(1)
Total	<u>681</u>
Amounts recognized for:	
Insurance reserves	151
DAC and DSI	<u>(106)</u>
Amounts recognized	45
Deferred income taxes	<u>(252)</u>
Increase in unrealized net capital gains and losses	<u>\$ 474</u>

Portfolio monitoring

The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

For each fixed income security in an unrealized loss position, the Company assesses whether management with the appropriate authority has made the decision to sell or whether it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, the security's decline in fair value is considered other than temporary and is recorded in earnings.

If the Company has not made the decision to sell the fixed income security and it is not more likely than not the Company will be required to sell the fixed income security before recovery of its amortized cost basis, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. The Company calculates the estimated recovery value by discounting the best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compares this to the amortized cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors recognized in other comprehensive income.

For equity securities, the Company considers various factors, including whether it has the intent and ability to hold the equity security for a period of time sufficient to recover its cost basis. Where the Company lacks the intent and ability to hold to recovery, or believes the recovery period is extended, the equity security's decline in fair value is considered other than temporary and is recorded in earnings. For equity securities managed by a third party, the Company has contractually retained its decision making authority as it pertains to selling equity securities that are in an unrealized loss position.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of other-than-temporary impairment for these fixed income and equity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be

considered in evaluating whether a decline in fair value is other than temporary are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 3) the length of time and extent to which the fair value has been less than amortized cost or cost.

The following table summarizes the gross unrealized losses and fair value of fixed income and equity securities by the length of time that individual securities have been in a continuous unrealized loss position.

(\$ in millions)	Less than 12 months			12 months or more			Total unrealized losses
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	
March 31, 2012							
Fixed income securities							
U.S. government and agencies	16	\$ 996	\$ (5)	--	\$ --	\$ --	\$ (5)
Municipal	92	589	(11)	193	1,448	(209)	(220)
Corporate	263	3,521	(82)	95	1,208	(166)	(248)
Foreign government	23	78	(1)	1	1	--	(1)
RMBS	337	146	(3)	267	1,089	(354)	(357)
CMBS	28	255	(27)	61	434	(147)	(174)
ABS	58	751	(14)	97	975	(224)	(238)
Redeemable preferred stock	1	--	--	--	--	--	--
Total fixed income securities	818	6,336	(143)	714	5,155	(1,100)	(1,243)
Equity securities	852	362	(42)	62	33	(5)	(47)
Total fixed income and equity securities	1,670	\$ 6,698	\$ (185)	776	\$ 5,188	\$ (1,105)	\$ (1,290)
Investment grade fixed income securities	679	\$ 5,144	\$ (94)	429	\$ 3,190	\$ (472)	\$ (566)
Below investment grade fixed income securities	139	1,192	(49)	285	1,965	(628)	(677)
Total fixed income securities	818	\$ 6,336	\$ (143)	714	\$ 5,155	\$ (1,100)	\$ (1,243)
December 31, 2011							
Fixed income securities							
U.S. government and agencies	4	\$ 61	\$ --	--	\$ --	\$ --	\$ --
Municipal	29	135	(11)	303	1,886	(245)	(256)
Corporate	307	3,439	(113)	105	1,273	(266)	(379)
Foreign government	11	85	(1)	1	1	--	(1)
RMBS	321	373	(11)	294	1,182	(510)	(521)
CMBS	47	378	(49)	68	489	(177)	(226)
ABS	89	960	(17)	108	1,020	(270)	(287)
Redeemable preferred stock	1	--	--	--	--	--	--
Total fixed income securities	809	5,431	(202)	879	5,851	(1,468)	(1,670)
Equity securities	1,397	2,120	(203)	32	30	(6)	(209)
Total fixed income and equity securities	2,206	\$ 7,551	\$ (405)	911	\$ 5,881	\$ (1,474)	\$ (1,879)
Investment grade fixed income securities	665	\$ 4,480	\$ (145)	555	\$ 3,773	\$ (700)	\$ (845)
Below investment grade fixed income securities	144	951	(57)	324	2,078	(768)	(825)
Total fixed income securities	809	\$ 5,431	\$ (202)	879	\$ 5,851	\$ (1,468)	\$ (1,670)

As of March 31, 2012, \$505 million of unrealized losses are related to securities with an unrealized loss position less than 20% of amortized cost or cost, the degree of which suggests that these securities do not pose a high risk of being other-than-temporarily impaired. Of the \$505 million, \$325 million are related to unrealized losses on investment grade fixed income securities. Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"), Fitch, Dominion or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. Unrealized losses on investment grade securities are principally related to widening credit spreads or rising interest rates since the time of initial purchase.

As of March 31, 2012, the remaining \$785 million of unrealized losses are related to securities in unrealized loss positions greater than or equal to 20% of amortized cost or cost. Investment grade fixed income securities comprising \$241 million of these unrealized losses were evaluated based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issue or issuer and were determined to have adequate resources to fulfill contractual obligations. Of the \$785 million, \$528 million are related to below investment grade fixed income securities and \$16 million are related to equity securities. Of these amounts, \$409 million of the below investment grade fixed income securities had been in an unrealized loss position greater than or equal to 20% of amortized cost for a period of twelve or more consecutive months as of March 31, 2012. Unrealized losses on below investment grade securities are principally related to RMBS, CMBS and ABS and were

the result of wider credit spreads resulting from higher risk premiums since the time of initial purchase, largely due to macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations.

RMBS, CMBS and ABS in an unrealized loss position were evaluated based on actual and projected collateral losses relative to the securities' positions in the respective securitization trusts, security specific expectations of cash flows, and credit ratings. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread, and (iii) for RMBS and ABS in an unrealized loss position, credit enhancements from reliable bond insurers, where applicable. Municipal bonds in an unrealized loss position were evaluated based on the quality of the underlying securities. Unrealized losses on equity securities are primarily related to temporary equity market fluctuations of securities that are expected to recover.

As of March 31, 2012, the Company has not made the decision to sell and it is not more likely than not the Company will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis. As of March 31, 2012, the Company had the intent and ability to hold equity securities with unrealized losses for a period of time sufficient for them to recover.

Limited partnerships

As of March 31, 2012 and December 31, 2011, the carrying value of equity method limited partnerships totaled \$3.36 billion and \$3.13 billion, respectively. The Company recognizes an impairment loss for equity method limited partnerships when evidence demonstrates that the loss is other than temporary. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment. The Company had no write-downs related to equity method limited partnerships for the three months ended March 31, 2012 and 2011.

As of March 31, 2012 and December 31, 2011, the carrying value for cost method limited partnerships was \$1.28 billion and \$1.57 billion, respectively. To determine if an other-than-temporary impairment has occurred, the Company evaluates whether an impairment indicator has occurred in the period that may have a significant adverse effect on the carrying value of the investment. Impairment indicators may include: significantly reduced valuations of the investments held by the limited partnerships; actual recent cash flows received being significantly less than expected cash flows; reduced valuations based on financing completed at a lower value; completed sale of a material underlying investment at a price significantly lower than expected; or any other adverse events since the last financial statements received that might affect the fair value of the investee's capital. Additionally, the Company's portfolio monitoring process includes a quarterly review of all cost method limited partnerships to identify instances where the net asset value is below established thresholds for certain periods of time, as well as investments that are performing below expectations, for further impairment consideration. If a cost method limited partnership is other-than-temporarily impaired, the carrying value is written down to fair value, generally estimated to be equivalent to the reported net asset value of the underlying funds. The Company had write-downs related to cost method limited partnerships for the three months ended March 31, 2012 and 2011 of \$2 million and \$1 million, respectively.

Mortgage loans

Mortgage loans are evaluated for impairment on a specific loan basis through a quarterly credit monitoring process and review of key credit quality indicators. Mortgage loans are considered impaired when it is probable that the Company will not collect the contractual principal and interest. Valuation allowances are established for impaired loans to reduce the carrying value to the fair value of the collateral less costs to sell or the present value of the loan's expected future repayment cash flows discounted at the loan's original effective interest rate. Impaired mortgage loans may not have a valuation allowance when the fair value of the collateral less costs to sell is higher than the carrying value. Mortgage loan valuation allowances are charged off when there is no reasonable expectation of recovery. The impairment evaluation is non-statistical in respect to the aggregate portfolio but considers facts and circumstances attributable to each loan. It is not considered probable that additional impairment losses, beyond those identified on a specific loan basis, have been incurred as of March 31, 2012.

Accrual of income is suspended for mortgage loans that are in default or when full and timely collection of principal and interest payments is not probable. Cash receipts on mortgage loans on nonaccrual status are generally recorded as a reduction of carrying value.

Debt service coverage ratio is considered a key credit quality indicator when mortgage loans are evaluated for impairment. Debt service coverage ratio represents the amount of estimated cash flows from the property available to the borrower to meet principal and interest payment obligations. Debt service coverage ratio estimates are updated annually or more frequently if conditions are warranted based on the Company's credit monitoring process.

The following table reflects the carrying value of non-impaired fixed rate and variable rate mortgage loans summarized by debt service coverage ratio distribution:

(\$ in millions)	March 31, 2012			December 31, 2011		
	Fixed rate mortgage loans	Variable rate mortgage loans	Total	Fixed rate mortgage loans	Variable rate mortgage loans	Total
Debt service coverage ratio distribution						
Below 1.0	\$ 289	\$ --	\$ 289	\$ 345	\$ --	\$ 345
1.0 - 1.25	1,536	44	1,580	1,527	44	1,571
1.26 - 1.50	1,660	23	1,683	1,573	24	1,597
Above 1.50	3,220	168	3,388	3,214	168	3,382
Total non-impaired mortgage loans	\$ 6,705	\$ 235	\$ 6,940	\$ 6,659	\$ 236	\$ 6,895

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to instances where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable term, the decrease in cash flows from the properties is considered temporary, or there are other risk mitigating circumstances such as additional collateral, escrow balances or borrower guarantees.

The net carrying value of impaired mortgage loans is as follows:

(\$ in millions)	March 31, 2012	December 31, 2011
Impaired mortgage loans with a valuation allowance	\$ 227	\$ 244
Impaired mortgage loans without a valuation allowance	--	--
Total impaired mortgage loans	\$ 227	\$ 244
Valuation allowance on impaired mortgage loans	\$ 60	\$ 63

The average balance of impaired loans was \$236 million and \$180 million for the three months ended March 31, 2012 and 2011, respectively.

The rollforward of the valuation allowance on impaired mortgage loans for the three months ended March 31 is as follows:

(\$ in millions)	2012	2011
Beginning balance	\$ 63	\$ 84

Net increase in valuation allowance	3	6
Charge offs	(6)	(13)
Ending balance	\$ 60	\$ 77

The carrying value of past due mortgage loans is as follows:

(\$ in millions)	March 31, 2012	December 31, 2011
Less than 90 days past due	\$ --	\$ --
90 days or greater past due	68	43
Total past due	68	43
Current loans	7,099	7,096
Total mortgage loans	\$ 7,167	\$ 7,139

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5. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Condensed Consolidated Statements of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Assets and liabilities whose values are based on the following:

- (a) Quoted prices for similar assets or liabilities in active markets;
- (b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or
- (c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to provide assurance that our assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to provide assurance that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities. The Company performs ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy. The first is where quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

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The second situation where the Company classifies securities in Level 3 is where specific inputs significant to the fair value estimation models are not market observable. This primarily occurs in the Company's use of broker quotes to value certain securities where the inputs have not been corroborated to be market observable, and the use of valuation models that use significant non-market observable inputs.

Certain assets are not carried at fair value on a recurring basis, including investments such as mortgage loans, limited partnership interests, bank loans and policy loans. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to remeasurement at fair value after initial recognition and the resulting remeasurement is reflected in the condensed consolidated financial statements. In addition, derivatives

embedded in fixed income securities are not disclosed in the hierarchy as free-standing derivatives since they are presented with the host contracts in fixed income securities.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

Summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis

Level 1 measurements

- Fixed income securities: Comprise U.S. Treasuries. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- Equity securities: Comprise actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- Short-term: Comprise actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access.
- Separate account assets: Comprise actively traded mutual funds that have daily quoted net asset values for identical assets that the Company can access. Net asset values for the actively traded mutual funds in which the separate account assets are invested are obtained daily from the fund managers.

Level 2 measurements

- Fixed income securities:

U.S. government and agencies: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Municipal: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Corporate, including privately placed: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

Foreign government: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

RMBS and ABS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, prepayment speeds, collateral performance and credit spreads. Certain ABS are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable.

CMBS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, collateral performance and credit spreads.

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Redeemable preferred stock: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, underlying stock prices and credit spreads.

- Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are not active.
- Short-term: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. For certain short-term investments, amortized cost is used as the best estimate of fair value.
- Other investments: Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical instruments in markets that are not active.

OTC derivatives, including interest rate swaps, foreign currency swaps, foreign exchange forward contracts, certain options and certain credit default swaps, are valued using models that rely on inputs such as interest rate yield curves, currency rates, and counterparty credit spreads that are observable for substantially the full term of the contract. The valuation techniques underlying the models are widely accepted in the financial services industry and do not involve significant judgment.

Level 3 measurements

- Fixed income securities:

Municipal: ARS primarily backed by student loans that have become illiquid due to failures in the auction market are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, including estimates of

future coupon rates if auction failures continue, the anticipated date liquidity will return to the market and illiquidity premium. Also included are municipal bonds that are not rated by third party credit rating agencies but are rated by the National Association of Insurance Commissioners (“NAIC”). The primary inputs to the valuation of these municipal bonds include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads.

Corporate, including privately placed: Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Also included are equity-indexed notes which are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, such as volatility. Other inputs include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

RMBS, CMBS and ABS: Valued based on non-binding broker quotes received from brokers who are familiar with the investments and where the inputs have not been corroborated to be market observable.

Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.

Other investments: Certain OTC derivatives, such as interest rate caps and floors, certain credit default swaps and certain options (including swaptions), are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility. Other primary inputs include interest rate yield curves and credit spreads.

Contractholder funds: Derivatives embedded in certain life and annuity contracts are valued internally using models widely accepted in the financial services industry that determine a single best estimate of fair value for the embedded derivatives within a block of contractholder liabilities. The models primarily use stochastically determined cash flows based on the contractual elements of embedded derivatives, projected option cost and applicable market data, such as interest rate yield curves and equity index volatility assumptions. These are categorized as Level 3 as a result of the significance of non-market observable inputs.

Assets and liabilities measured at fair value on a non-recurring basis

Mortgage loans written-down to fair value in connection with recognizing impairments are valued based on the fair value of the underlying collateral less costs to sell. Limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments are valued using net asset values.

The following table summarizes the Company’s assets and liabilities measured at fair value on a recurring and non-recurring basis as of March 31, 2012:

(\$ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Balance as of March 31, 2012
Assets					
Fixed income securities:					
U.S. government and agencies	\$ 3,764	\$ 1,777	\$ --	\$ --	\$ 5,541
Municipal	--	12,347	1,267	--	13,614
Corporate	--	44,870	1,461	--	46,331
Foreign government	--	1,989	--	--	1,989
RMBS	--	3,724	4	--	3,728
CMBS	--	1,703	50	--	1,753
ABS	--	3,943	299	--	4,242
Redeemable preferred stock	--	24	1	--	25
Total fixed income securities	3,764	70,377	3,082	--	77,223
Equity securities	2,984	750	113	--	3,847
Short-term investments	150	1,736	--	--	1,886
Other investments:					
Free-standing derivatives	--	374	2	\$ (103)	273
Separate account assets	7,355	--	--	--	7,355
Other assets	1	--	1	--	2
Total recurring basis assets	14,254	73,237	3,198	(103)	90,586
Non-recurring basis ⁽¹⁾	--	--	11	--	11
Total assets at fair value	\$ 14,254	\$ 73,237	\$ 3,209	\$ (103)	\$ 90,597
% of total assets at fair value	15.7 %	80.8 %	3.6 %	(0.1) %	100.0 %
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	\$ --	\$ --	\$ (730)	\$ --	\$ (730)
Other liabilities:					
Free-standing derivatives	--	(160)	(72)	65	(167)
Total liabilities at fair value	\$ --	\$ (160)	\$ (802)	\$ 65	\$ (897)
% of total liabilities at fair value	-- %	17.8 %	89.4 %	(7.2) %	100.0 %

⁽¹⁾ Includes \$8 million of mortgage loans and \$3 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

The following table summarizes quantitative information about the significant unobservable inputs used in Level 3 fair value measurements as of March 31, 2012.

(\$ in millions)	Fair value	Valuation technique	Unobservable input	Range	Weighted average
ARS backed by student loans	\$ 685	Discounted cash flow model	Anticipated date liquidity will return to the market	18 - 60 months	30 - 42 months

Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	\$	(591)	Stochastic cash flow model	Projected option cost	1.50 - 3.50%	3.35%
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If the anticipated date liquidity will return to the market is sooner (later), it would result in a higher (lower) fair value. If the projected option cost increased (decreased), it would result in a higher (lower) liability fair value.

As of March 31, 2012, Level 3 fair value measurements include \$1.73 billion of fixed income securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and \$461 million of municipal fixed income securities that are not rated by third party credit rating agencies. The Company does not develop the unobservable inputs used in measuring fair value; therefore, these are not included in the table above. However, an increase (decrease) in credit spreads for fixed income securities valued based on non-binding broker quotes would result in a lower (higher) fair value, and an increase (decrease) in the credit rating of municipal bonds that are not rated by third party credit rating agencies would result in a higher (lower) fair value.

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The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2011:

(\$ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Balance as of December 31, 2011
Assets					
Fixed income securities:					
U.S. government and agencies	\$ 4,707	\$ 1,608	\$ --	\$ --	\$ 6,315
Municipal	--	12,909	1,332	--	14,241
Corporate	--	42,176	1,405	--	43,581
Foreign government	--	2,081	--	--	2,081
RMBS	--	4,070	51	--	4,121
CMBS	--	1,724	60	--	1,784
ABS	--	3,669	297	--	3,966
Redeemable preferred stock	--	23	1	--	24
Total fixed income securities	4,707	68,260	3,146	--	76,113
Equity securities	3,433	887	43	--	4,363
Short-term investments	188	1,103	--	--	1,291
Other investments:					
Free-standing derivatives	--	281	1	\$ (114)	168
Separate account assets	6,984	--	--	--	6,984
Other assets	1	--	1	--	2
Total recurring basis assets	15,313	70,531	3,191	(114)	88,921
Non-recurring basis ⁽¹⁾	--	--	35	--	35
Total assets at fair value	\$ 15,313	\$ 70,531	\$ 3,226	\$ (114)	\$ 88,956
% of total assets at fair value	17.2 %	79.3 %	3.6 %	(0.1) %	100.0 %
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	\$ --	\$ --	\$ (723)	\$ --	\$ (723)
Other liabilities:					
Free-standing derivatives	(1)	(112)	(96)	77	(132)
Total liabilities at fair value	\$ (1)	\$ (112)	\$ (819)	\$ 77	\$ (855)
% of total liabilities at fair value	0.1 %	13.1 %	95.8 %	(9.0) %	100.0 %

⁽¹⁾ Includes \$19 million of mortgage loans and \$16 million of other investments written-down to fair value in connection with recognizing other-than-temporary impairments.

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The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the three months ended March 31, 2012.

(\$ in millions)	Balance as of December 31, 2011	Total gains (losses) included in:		Transfers into Level 3	Transfers out of Level 3
		Net income ⁽¹⁾	OCI		
Assets					
Fixed income securities:					
Municipal	\$ 1,332	\$ (2)	\$ 7	\$ --	\$ (6)
Corporate	1,405	5	28	56	(18)
RMBS	51	--	--	--	(47)
CMBS	60	(1)	6	--	--
ABS	297	13	13	--	(35)
Redeemable preferred stock	1	--	--	--	--
Total fixed income securities	3,146	15	54	56	(106)
Equity securities	43	--	--	--	--
Other investments:					
Free-standing derivatives, net	(95)	17	--	--	--
Other assets	1	--	--	--	--
Total recurring Level 3 assets	\$ 3,095	\$ 32	\$ 54	\$ 56	\$ (106)
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	\$ (723)	\$ (25)	\$ --	\$ --	\$ --
Total recurring Level 3 liabilities	\$ (723)	\$ (25)	\$ --	\$ --	\$ --
	Purchases	Sales	Issues	Settlements	Balance as of March 31, 2012
Assets					
Fixed income securities:					
Municipal	\$ 42	\$ (105)	\$ --	\$ (1)	\$ 1,267

Corporate	76	(58)	--	(33)	1,461
RMBS	--	--	--	--	4
CMBS	--	--	--	(15)	50
ABS	16	--	--	(5)	299
Redeemable preferred stock	--	--	--	--	1
Total fixed income securities	134	(163)	--	(54)	3,082
Equity securities	70	--	--	--	113
Other investments:					
Free-standing derivatives, net	3	--	--	5	(70) ⁽²⁾
Other assets	--	--	--	--	1
Total recurring Level 3 assets	\$ 207	\$ (163)	\$ --	\$ (49)	\$ 3,126

Liabilities

Contractholder funds:					
Derivatives embedded in life and annuity contracts	\$ --	\$ --	\$ (12)	\$ 30	\$ (730)
Total recurring Level 3 liabilities	\$ --	\$ --	\$ (12)	\$ 30	\$ (730)

⁽¹⁾ The effect to net income totals \$7 million and is reported in the Condensed Consolidated Statements of Operations as follows: \$26 million in realized capital gains and losses, \$6 million in net investment income, \$(56) million in interest credited to contractholder funds and \$31 million in life and annuity contract benefits.

⁽²⁾ Comprises \$2 million of assets and \$72 million of liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the three months ended March 31, 2011.

(\$ in millions)	Balance as of December 31, 2010	Total gains (losses) included in:		Transfers into Level 3	Transfers out of Level 3
		Net income ⁽¹⁾	OCI		
Assets					
Fixed income securities:					
Municipal	\$ 2,016	\$ (11)	\$ 21	\$ --	\$ (37)
Corporate	1,908	12	10	95	(47)
RMBS	1,794	(61)	105	--	(45)
CMBS	923	(21)	114	56	(59)
ABS	2,417	44	16	--	(304)
Redeemable preferred stock	1	--	--	--	--
Total fixed income securities	9,059	(37)	266	151	(492)
Equity securities	63	(10)	--	--	(10)
Other investments:					
Free-standing derivatives, net	(21)	(31)	--	--	--
Other assets	1	--	--	--	--
Total recurring Level 3 assets	\$ 9,102	\$ (78)	\$ 266	\$ 151	\$ (502)
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	\$ (653)	\$ 8	\$ --	\$ --	\$ --
Total recurring Level 3 liabilities	\$ (653)	\$ 8	\$ --	\$ --	\$ --
	Purchases	Sales	Issues	Settlements	Balance as of March 31, 2011
Assets					
Fixed income securities:					
Municipal	\$ 10	\$ (134)	\$ --	\$ (1)	\$ 1,864
Corporate	96	(31)	--	(8)	2,035
RMBS	--	(318)	--	(77)	1,398
CMBS	8	(25)	--	(1)	995
ABS	90	(114)	--	(58)	2,091
Redeemable preferred stock	--	--	--	--	1
Total fixed income securities	204	(622)	--	(145)	8,384
Equity securities	--	--	--	--	43
Other investments:					
Free-standing derivatives, net	48	--	--	(67)	(71) ⁽²⁾
Other assets	--	--	--	--	1
Total recurring Level 3 assets	\$ 252	\$ (622)	\$ --	\$ (212)	\$ 8,357
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	\$ --	\$ --	\$ (14)	\$ 29	\$ (630)
Total recurring Level 3 liabilities	\$ --	\$ --	\$ (14)	\$ 29	\$ (630)

⁽¹⁾ The effect to net income totals \$(70) million and is reported in the Condensed Consolidated Statements of Operations as follows: \$(85) million in realized capital gains and losses, \$7 million in net investment income, \$(37) million in interest credited to contractholder funds and \$45 million in life and annuity contract benefits.

⁽²⁾ Comprises \$9 million of assets and \$80 million of liabilities.

Transfers between level categorizations may occur due to changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads. Transfers between level categorizations may also occur due to changes in the valuation source. For example, in situations where a fair value quote is not provided by the Company's independent third-party valuation service provider and as a result the price is stale or has been replaced with a broker quote whose inputs have not been corroborated to be market observable, the security is transferred into Level 3. Transfers in and out of level categorizations are reported as having occurred at the beginning of the quarter in which the transfer occurred. Therefore, for all transfers into Level 3, all realized and changes in unrealized gains and losses in the quarter of transfer are reflected in the Level 3 rollforward table.

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2012 or 2011.

During the three months ended March 31, 2011, certain CMBS and ABS were transferred into Level 2 from Level 3 as a result of increased liquidity in the market and a sustained increase in the market activity for these assets. When transferring these securities into Level 2, the Company did not change the source of fair value estimates or modify the estimates received from independent third-party valuation service providers or the internal valuation approach.

Accordingly, for securities included within this group, there was no change in fair value in conjunction with the transfer resulting in a realized or unrealized gain or loss.

Transfers into Level 3 during the three months ended March 31, 2012 and 2011 included situations where a fair value quote was not provided by the Company's independent third-party valuation service provider and as a result the price was stale or had been replaced with a broker quote where the inputs have not been corroborated to be market observable resulting in the security being classified as Level 3. Transfers out of Level 3 during the three months ended March 31, 2012 and 2011 included situations where a broker quote was used in the prior period and a fair value quote became available from the Company's independent third-party valuation service provider in the current period. A quote utilizing the new pricing source was not available as of the prior period, and any gains or losses related to the change in valuation source for individual securities were not significant.

The following table provides the change in unrealized gains and losses included in net income during the three months ended March 31 for Level 3 assets and liabilities held as of March 31.

(\$ in millions)	2012	2011
Assets		
Fixed income securities:		
Municipal	\$ (1)	\$ (11)
Corporate	3	9
RMBS	--	(40)
CMBS	(1)	(16)
ABS	13	2
Total fixed income securities	14	(56)
Equity securities	--	(10)
Other investments:		
Free-standing derivatives, net	15	3
Total recurring Level 3 assets	\$ 29	\$ (63)
Liabilities		
Contractholder funds:		
Derivatives embedded in life and annuity contracts	\$ (25)	\$ 8
Total recurring Level 3 liabilities	\$ (25)	\$ 8

The amounts in the table above represent gains and losses included in net income for the period of time that the asset or liability was determined to be in Level 3. These gains and losses total \$4 million for the three months ended March 31, 2012 and are reported as follows: \$24 million in realized capital gains and losses, \$5 million in net investment income, \$(56) million in interest credited to contractholder funds and \$31 million in life and annuity contract benefits. These gains and losses total \$(55) million for the three months ended March 31, 2011 and are reported as follows: \$(69) million in realized capital gains and losses, \$6 million in net investment income, \$(37) million in interest credited to contractholder funds and \$45 million in life and annuity contract benefits.

Presented below are the carrying values and fair value estimates of financial instruments not carried at fair value.

Financial assets

(\$ in millions)	March 31, 2012		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage loans	\$ 7,167	\$ 7,439	\$ 7,139	\$ 7,350
Cost method limited partnerships	1,278	1,534	1,569	1,838
Bank loans	399	395	339	328

The fair value of mortgage loans is based on discounted contractual cash flows or, if the loans are impaired due to credit reasons, the fair value of collateral less costs to sell. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics, using similar types of properties as collateral. The fair value of cost method limited partnerships is determined using reported net asset values of the underlying funds. The fair value of bank loans, which are reported in other investments, is based on broker quotes from brokers familiar with the loans and current market conditions. The fair value measurements for mortgage loans, cost method limited partnerships and bank loans are categorized as Level 3.

Financial liabilities

(\$ in millions)	March 31, 2012		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value
Contractholder funds on investment contracts	\$ 29,505	\$ 30,475	\$ 30,192	\$ 30,499
Long-term debt	6,058	6,688	5,908	6,312
Liability for collateral	674	674	462	462

The fair value of contractholder funds on investment contracts is based on the terms of the underlying contracts utilizing prevailing market rates for similar contracts adjusted for the Company's own credit risk. Deferred annuities included in contractholder funds are valued using discounted cash flow models which incorporate market value margins, which are based on the cost of holding economic capital, and the Company's own credit risk. Immediate annuities without life contingencies and fixed rate funding agreements are valued at the present value of future benefits using market implied interest rates which include the Company's own credit risk. The fair value measurements for contractholder funds on investment contracts are categorized as Level 3.

The fair value of long-term debt is based on market observable data (such as the fair value of the debt when traded as an asset) or, in certain cases, is determined using discounted cash flow calculations based on current interest rates for instruments with comparable terms and considers the Company's own credit risk. The liability for collateral is valued at carrying value due to its short-term nature. The fair value measurements for long-term debt and liability for collateral are categorized as Level 2.

6. Derivative Financial Instruments

The Company uses derivatives to manage risks with certain assets and liabilities arising from the potential adverse impacts from changes in risk-free interest rates, negative equity market valuations, increases in credit spreads and foreign currency fluctuations, and for asset replication. The Company does not use derivatives for speculative purposes.

Property-Liability uses interest rate swaps, swaptions, futures and options to manage the interest rate risks of existing investments and to reduce exposure to rising or falling interest rates. Portfolio duration management is a risk management strategy that is principally employed by Property-Liability wherein financial futures and interest rate swaps are utilized to change the duration of the portfolio in order to offset the economic effect that interest rates would otherwise have on the fair value of its fixed income securities. Equity index futures and options are used by Property-Liability to offset valuation losses in the equity portfolio during periods of declining equity market values. Credit default swaps are typically used to mitigate the credit risk within the Property-Liability fixed income portfolio. Property-Liability uses futures to hedge the market risk related to deferred compensation liability contracts and forward contracts to hedge foreign currency risk associated with holding foreign currency denominated investments and foreign operations.

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Asset-liability management is a risk management strategy that is principally employed by Allstate Financial to balance the respective interest-rate sensitivities of its assets and liabilities. Depending upon the attributes of the assets acquired and liabilities issued, derivative instruments such as interest rate swaps, caps, floors, swaptions and futures are utilized to change the interest rate characteristics of existing assets and liabilities to ensure the relationship is maintained within specified ranges and to reduce exposure to rising or falling interest rates. Allstate Financial uses financial futures and interest rate swaps to hedge anticipated asset purchases and liability issuances and futures and options for hedging the equity exposure contained in its equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, Allstate Financial uses interest rate swaps to hedge interest rate risk inherent in funding agreements. Allstate Financial uses foreign currency swaps primarily to reduce the foreign currency risk associated with issuing foreign currency denominated funding agreements and holding foreign currency denominated investments. Credit default swaps are also typically used to mitigate the credit risk within the Allstate Financial fixed income portfolio.

Asset replication refers to the “synthetic” creation of assets through the use of derivatives and primarily investment grade host bonds to replicate securities that are either unavailable in the cash markets or more economical to acquire in synthetic form. The Company replicates fixed income securities using a combination of a credit default swap and one or more highly rated fixed income securities to synthetically replicate the economic characteristics of one or more cash market securities.

The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value. The Company’s primary embedded derivatives are equity options in life and annuity product contracts, which provide equity returns to contractholders; equity-indexed notes containing equity call options, which provide a coupon payout that is determined using one or more equity-based indices; credit default swaps in synthetic collateralized debt obligations, which provide enhanced coupon rates as a result of selling credit protection; and conversion options in fixed income securities, which provide the Company with the right to convert the instrument into a predetermined number of shares of common stock.

When derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, foreign currency fair value or foreign currency cash flow hedges. Allstate Financial designates certain of its interest rate and foreign currency swap contracts and certain investment risk transfer reinsurance agreements as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of the hedged item. Allstate Financial designates certain of its foreign currency swap contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of variations in cash flows for the hedged risk that could affect net income. Amounts are reclassified to net investment income or realized capital gains and losses as the hedged item affects net income.

The notional amounts specified in the contracts are used to calculate the exchange of contractual payments under the agreements and are generally not representative of the potential for gain or loss on these agreements. However, the notional amounts specified in credit default swaps where the Company has sold credit protection represent the maximum amount of potential loss, assuming no recoveries.

Fair value, which is equal to the carrying value, is the estimated amount that the Company would receive or pay to terminate the derivative contracts at the reporting date. The carrying value amounts for OTC derivatives are further adjusted for the effects, if any, of legally enforceable master netting agreements and are presented on a net basis, by counterparty agreement, in the Condensed Consolidated Statements of Financial Position. For certain exchange traded derivatives, the exchange requires margin deposits as well as daily cash settlements of margin accounts. As of March 31, 2012, the Company pledged \$15 million of securities in the form of margin deposits.

For those derivatives which qualify for fair value hedge accounting, net income includes the changes in the fair value of both the derivative instrument and the hedged risk, and therefore reflects any hedging ineffectiveness. For cash flow hedges, gains and losses are amortized from accumulated other comprehensive income and are reported in net income in the same period the forecasted transactions being hedged impact net income. For embedded derivatives in fixed income securities, net income includes the change in fair value of the embedded derivative and accretion income related to the host instrument.

Non-hedge accounting is generally used for “portfolio” level hedging strategies where the terms of the individual hedged items do not meet the strict homogeneity requirements to permit the application of hedge accounting. For non-hedge derivatives, net income includes changes in fair value and accrued periodic settlements, when applicable. With the exception of non-hedge derivatives used for asset replication and non-hedge embedded

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derivatives, all of the Company’s derivatives are evaluated for their ongoing effectiveness as either accounting hedge or non-hedge derivative financial instruments on at least a quarterly basis.

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Condensed Consolidated Statement of Financial Position as of March 31, 2012.

(\$ in millions, except number of contracts)

Balance sheet location	Asset derivatives				
	Volume ⁽¹⁾		Fair value, net	Gross asset	Gross liability
	Notional amount	Number of contracts			

Derivatives designated as accounting hedging instruments						
Interest rate swap agreements	Other investments	\$ 119	n/a	\$ (6)	\$ --	\$ (6)
Foreign currency swap agreements	Other investments	85	n/a	(10)	--	(10)
Total		204	n/a	(16)	--	(16)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other investments	6,973	n/a	109	128	(19)
Interest rate swaption agreements	Other investments	500	n/a	--	--	--
Interest rate cap and floor agreements	Other investments	539	n/a	(11)	1	(12)
Equity and index contracts						
Options, futures and warrants ⁽²⁾	Other investments	150	13,370	201	201	--
Options, futures and warrants	Other assets	n/a	898	1	1	--
Foreign currency contracts						
Foreign currency swap agreements	Other investments	50	n/a	4	4	--
Foreign currency forwards and options	Other investments	294	n/a	5	6	(1)
Embedded derivative financial instruments						
Conversion options	Fixed income securities	5	n/a	1	1	--
Equity-indexed call options	Fixed income securities	125	n/a	12	12	--
Credit default swaps	Fixed income securities	129	n/a	(61)	--	(61)
Other embedded derivative financial instruments	Other investments	1,000	n/a	--	--	--
Credit default contracts						
Credit default swaps - buying protection	Other investments	174	n/a	--	2	(2)
Credit default swaps - selling protection	Other investments	175	n/a	3	3	--
Other contracts						
Other contracts	Other assets	4	n/a	1	1	--
Total		10,118	14,268	265	360	(95)
Total asset derivatives		\$ 10,322	14,268	\$ 249	\$ 360	\$ (111)

⁽¹⁾ Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

⁽²⁾ In addition to the number of contracts presented in the table, the Company held 2,860 stock rights and 3,931,753 stock warrants. Stock rights and warrants can be converted to cash upon sale of those instruments or exercised for shares of common stock.

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	Balance sheet location	Liability derivatives				
		Volume⁽¹⁾		Fair value, net	Gross asset	Gross liability
		Notional amount	Number of contracts			
Derivatives designated as accounting hedging instruments						
Interest rate swap agreements	Other liabilities & accrued expenses	\$ 28	n/a	\$ (5)	\$ --	\$ (5)
Foreign currency swap agreements	Other liabilities & accrued expenses	66	n/a	(6)	2	(8)
Total		94	n/a	(11)	2	(13)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	1,085	n/a	22	23	(1)
Interest rate cap and floor agreements	Other liabilities & accrued expenses	890	n/a	(7)	--	(7)
Financial futures contracts and options	Other liabilities & accrued expenses	n/a	40	--	--	--
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	3	13,875	(99)	--	(99)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	939	n/a	(84)	--	(84)
Guaranteed withdrawal benefits	Contractholder funds	635	n/a	(46)	--	(46)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	3,832	n/a	(591)	--	(591)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	(9)	--	(9)
Credit default contracts						
Credit default swaps - buying protection	Other liabilities & accrued expenses	452	n/a	(2)	4	(6)
Credit default swaps - selling protection	Other liabilities & accrued expenses	398	n/a	(54)	2	(56)
Total		8,319	13,915	(870)	29	(899)
Total liability derivatives		8,413	13,915	(881)	\$ 31	\$ (912)
Total derivatives		\$ 18,735	28,183	\$ (632)		

⁽¹⁾ Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

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The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Condensed Consolidated Statement of Financial Position as of December 31, 2011.

(\$ in millions, except number of contracts)

	Balance sheet location	Asset derivatives				
		Volume⁽¹⁾		Fair value, net	Gross asset	Gross liability
		Notional amount	Number of contracts			
Derivatives designated as accounting hedging instruments						
Interest rate swap agreements	Other investments	\$ 144	n/a	\$ (8)	\$ --	\$ (8)
Foreign currency swap agreements	Other investments	127	n/a	(5)	3	(8)
Total		271	n/a	(13)	3	(16)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other investments	8,028	n/a	122	137	(15)
Interest rate swaption agreements	Other investments	1,750	n/a	--	--	--
Interest rate cap and floor agreements	Other investments	1,591	n/a	(12)	--	(12)
Financial futures contracts and options	Other assets	n/a	40	--	--	--
Equity and index contracts						
Options, futures and warrants ⁽²⁾	Other investments	163	15,180	104	104	--
Options, futures and warrants	Other assets	n/a	2,132	1	1	--
Foreign currency contracts						
Foreign currency swap agreements	Other investments	50	n/a	6	6	--
Foreign currency forwards and options	Other investments	190	n/a	1	3	(2)
Embedded derivative financial instruments						

Conversion options	Fixed income securities	5	n/a	--	--	--
Equity-indexed call options	Fixed income securities	150	n/a	11	11	--
Credit default swaps	Fixed income securities	172	n/a	(115)	--	(115)
Other embedded derivative financial instruments	Other investments	1,000	n/a	--	--	--
Credit default contracts						
Credit default swaps - buying protection	Other investments	265	n/a	3	6	(3)
Credit default swaps - selling protection	Other investments	167	n/a	(4)	1	(5)
Other contracts						
Other contracts	Other investments	5	n/a	--	--	--
Other contracts	Other assets	4	n/a	1	1	--
Total		<u>13,540</u>	<u>17,352</u>	<u>118</u>	<u>270</u>	<u>(152)</u>
Total asset derivatives		\$ <u>13,811</u>	<u>17,352</u>	\$ <u>105</u>	\$ <u>273</u>	\$ <u>(168)</u>

(1) Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

(2) In addition to the number of contracts presented in the table, the Company held 10,798 stock rights and 4,392,937 stock warrants. Stock rights and warrants can be converted to cash upon sale of those instruments or exercised for shares of common stock.

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Derivatives designated as accounting hedging instruments	Liability derivatives					
	Balance sheet location	Volume ⁽¹⁾		Fair value, net	Gross asset	Gross liability
		Notional amount	Number of contracts			
Interest rate swap agreements	Other liabilities & accrued expenses	\$ 28	n/a	\$ (5)	\$ --	\$ (5)
Foreign currency swap agreements	Other liabilities & accrued expenses	50	n/a	(7)	--	(7)
Total		<u>78</u>	<u>n/a</u>	<u>(12)</u>	<u>--</u>	<u>(12)</u>
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	85	n/a	8	8	--
Interest rate swaption agreements	Other liabilities & accrued expenses	1,250	n/a	--	--	--
Interest rate cap and floor agreements	Other liabilities & accrued expenses	914	n/a	(9)	--	(9)
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	n/a	15,677	(50)	--	(50)
Foreign currency contracts						
Foreign currency forwards and options	Other liabilities & accrued expenses	96	n/a	(1)	--	(1)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	917	n/a	(105)	--	(105)
Guaranteed withdrawal benefits	Contractholder funds	613	n/a	(57)	--	(57)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	3,996	n/a	(553)	--	(553)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	(8)	--	(8)
Credit default contracts						
Credit default swaps - buying protection	Other liabilities & accrued expenses	509	n/a	7	12	(5)
Credit default swaps - selling protection	Other liabilities & accrued expenses	503	n/a	(77)	2	(79)
Total		<u>8,968</u>	<u>15,677</u>	<u>(845)</u>	<u>22</u>	<u>(867)</u>
Total liability derivatives		<u>9,046</u>	<u>15,677</u>	<u>(857)</u>	\$ <u>22</u>	\$ <u>(879)</u>
Total derivatives		\$ <u>22,857</u>	<u>33,029</u>	\$ <u>(752)</u>		

(1) Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

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The following table provides a summary of the impacts of the Company's foreign currency contracts in cash flow hedging relationships for the three months ended March 31. Amortization of net losses from accumulated other comprehensive income related to cash flow hedges is expected to be less than \$1 million during the next twelve months.

(\$ in millions)

Effective portion

	2012	2011
Loss recognized in OCI on derivatives during the period	\$ (5)	\$ (8)
Loss recognized in OCI on derivatives during the term of the hedging relationship	(21)	(30)
Gain reclassified from AOCI into income (net investment income)	--	--
Loss reclassified from AOCI into income (realized capital gains and losses)	(1)	--

Ineffective portion and amount excluded from effectiveness testing

Gain recognized in income on derivatives (realized capital gains and losses)	--	--
--	----	----

The following tables present gains and losses from valuation, settlements and hedge ineffectiveness reported on derivatives used in fair value hedging relationships and derivatives not designated as accounting hedging instruments in the Condensed Consolidated Statements of Operations for the three months ended March 31.

(\$ in millions)	2012					Total gain (loss) recognized in net income on derivatives
	Net investment income	Realized capital gains and losses	Life and annuity contract benefits	Interest credited to contractholder funds	Operating costs and expenses	
Derivatives in fair value accounting hedging relationships						
Interest rate contracts	\$ (1)	\$ --	\$ --	\$ --	\$ --	\$ (1)
Subtotal	<u>(1)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1)</u>
Derivatives not designated as accounting hedging instruments						
Interest rate contracts	--	(1)	--	--	--	(1)

Equity and index contracts	--	(3)	--	53	13	63
Embedded derivative financial instruments	--	15	31	(38)	--	8
Foreign currency contracts	--	3	--	--	3	6
Credit default contracts	--	8	--	--	--	8
Other contracts	--	--	--	2	--	2
Subtotal	--	22	31	17	16	86
Total	\$ (1)	\$ 22	\$ 31	\$ 17	\$ 16	\$ 85

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	2011					
	Net investment income	Realized capital gains and losses	Life and annuity contract benefits	Interest credited to contractholder funds	Operating costs and expenses	Total gain (loss) recognized in net income on derivatives
Derivatives in fair value accounting hedging relationships						
Interest rate contracts	\$ 1	\$ (8)	\$ --	\$ (5)	\$ --	\$ (12)
Foreign currency and interest rate contracts	--	--	--	(32)	--	(32)
Subtotal	1	(8)	--	(37)	--	(44)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts	--	(51)	--	--	--	(51)
Equity and index contracts	--	(19)	--	38	7	26
Embedded derivative financial instruments	--	8	45	(22)	--	31
Foreign currency contracts	--	(5)	--	--	2	(3)
Credit default contracts	--	8	--	--	--	8
Other contracts	--	--	--	2	--	2
Subtotal	--	(59)	45	18	9	13
Total	\$ 1	\$ (67)	\$ 45	\$ (19)	\$ 9	\$ (31)

The following tables provide a summary of the changes in fair value of the Company's fair value hedging relationships in the Condensed Consolidated Statements of Operations for the three months ended March 31.

(\$ in millions)

Location of gain or (loss) recognized in net income on derivatives	2012			
	Gain (loss) on derivatives		Gain (loss) on hedged risk	
	Interest rate contracts	Foreign currency & interest rate contracts	Contractholder funds	Investments
Net investment income	\$ 1	\$ --	\$ --	\$ (1)
Total	\$ 1	\$ --	\$ --	\$ (1)

Location of gain or (loss) recognized in net income on derivatives	2011			
	Gain (loss) on derivatives		Gain (loss) on hedged risk	
	Interest rate contracts	Foreign currency & interest rate contracts	Contractholder funds	Investments
Interest credited to contractholder funds	\$ (7)	\$ (34)	\$ 41	\$ --
Net investment income	21	--	--	(21)
Realized capital gains and losses	(8)	--	--	--
Total	\$ 6	\$ (34)	\$ 41	\$ (21)

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements ("MNAs") and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions that permit either party to net payments due for transactions and collateral is either pledged or obtained when certain predetermined exposure limits are exceeded. As of March 31, 2012, counterparties pledged \$61 million in cash and securities to the Company, and the Company pledged \$77 million in cash and securities to counterparties which includes \$27 million of collateral posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability position and \$50 million of collateral posted under MNAs for contracts without credit-risk-contingent liabilities. The Company has not incurred any losses on derivative financial instruments due to counterparty nonperformance. Other derivatives, including futures and certain option contracts, are traded on organized exchanges which require margin deposits and guarantee the execution of trades, thereby mitigating any potential credit risk.

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contracts and all collateral, if any, becomes worthless. This

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exposure is measured by the fair value of OTC derivative contracts with a positive fair value at the reporting date reduced by the effect, if any, of legally enforceable master netting agreements.

The following table summarizes the counterparty credit exposure by counterparty credit rating as it relates to the Company's OTC derivatives.

Rating ⁽¹⁾	March 31, 2012				December 31, 2011			
	Number of counterparties	Notional amount ⁽²⁾	Credit exposure ⁽²⁾	Exposure, net of collateral ⁽²⁾	Number of counterparties	Notional amount ⁽²⁾	Credit exposure ⁽²⁾	Exposure, net of collateral ⁽²⁾
AA-	2	\$ 50	\$ 1	\$ --	1	\$ 25	\$ 1	\$ 1
A+	4	2,952	21	2	4	3,026	26	5
A	3	3,141	19	3	3	5,307	15	1
A-	2	3,910	29	5	2	3,815	25	--
BBB+	1	5	40	40	2	57	41	41
Total	12	\$ 10,058	\$ 110	\$ 50	12	\$ 12,230	\$ 108	\$ 48

(1) Rating is the lower of S&P or Moody's ratings.

(2) Only OTC derivatives with a net positive fair value are included for each counterparty.

Market risk is the risk that the Company will incur losses due to adverse changes in market rates and prices. Market risk exists for all of the derivative financial instruments the Company currently holds, as these instruments may become less valuable due to adverse changes in market conditions. To limit this risk, the Company's senior management has established risk control limits. In addition, changes in fair value of the derivative financial instruments that the Company uses for risk management purposes are generally offset by the change in the fair value or cash flows of the hedged risk component of the related assets, liabilities or forecasted transactions.

Certain of the Company's derivative instruments contain credit-risk-contingent termination events, cross-default provisions and credit support annex agreements. Credit-risk-contingent termination events allow the counterparties to terminate the derivative on certain dates if AIC's, ALIC's or Allstate Life Insurance Company of New York's ("ALNY") financial strength credit ratings by Moody's or S&P fall below a certain level or in the event AIC, ALIC or ALNY are no longer rated by both Moody's and S&P. Credit-risk-contingent cross-default provisions allow the counterparties to terminate the derivative instruments if the Company defaults by pre-determined threshold amounts on certain debt instruments. Credit-risk-contingent credit support annex agreements specify the amount of collateral the Company must post to counterparties based on AIC's, ALIC's or ALNY's financial strength credit ratings by Moody's or S&P, or in the event AIC, ALIC or ALNY are no longer rated by both Moody's and S&P.

The following summarizes the fair value of derivative instruments with termination, cross-default or collateral credit-risk-contingent features that are in a liability position, as well as the fair value of assets and collateral that are netted against the liability in accordance with provisions within legally enforceable MNAs.

(\$ in millions)	March 31, 2012	December 31, 2011
Gross liability fair value of contracts containing credit-risk-contingent features	\$ 92	\$ 153
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(61)	(69)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(27)	(76)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	\$ 4	\$ 8

Credit derivatives - selling protection

Free-standing credit default swaps ("CDS") are utilized for selling credit protection against a specified credit event. A credit default swap is a derivative instrument, representing an agreement between two parties to exchange the credit risk of a specified entity (or a group of entities), or an index based on the credit risk of a group of entities (all commonly referred to as the "reference entity" or a portfolio of "reference entities"), in return for a periodic premium. In selling protection, CDS are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. CDS typically have a five-year term.

The following table shows the CDS notional amounts by credit rating and fair value of protection sold as of March 31, 2012:

(\$ in millions)	Notional amount						Fair value
	AAA	AA	A	BBB	BB and lower	Total	
Single name							
Investment grade corporate debt	\$ 5	\$ 90	\$ 108	\$ 155	\$ 25	\$ 383	\$ 1
Municipal	--	25	--	--	--	25	(4)
Subtotal	5	115	108	155	25	408	(3)
Baskets							
Tranche							
Investment grade corporate debt	--	--	--	--	65	65	(19)
First-to-default							
Municipal	--	--	100	--	--	100	(29)
Subtotal	--	--	100	--	65	165	(48)
Total	\$ 5	\$ 115	\$ 208	\$ 155	\$ 90	\$ 573	\$ (51)

The following table shows the CDS notional amounts by credit rating and fair value of protection sold as of December 31, 2011:

(\$ in millions)	Notional amount					Fair value
	AA	A	BBB	BB and lower	Total	
Single name						
Investment grade corporate debt	\$ 90	\$ 88	\$ 160	\$ 30	\$ 368	\$ (7)
High yield debt	--	--	--	2	2	--
Municipal	135	--	--	--	135	(12)
Subtotal	225	88	160	32	505	(19)
Baskets						
Tranche						
Investment grade corporate debt	--	--	--	65	65	(29)
First-to-default						
Municipal	--	100	--	--	100	(33)
Subtotal	--	100	--	65	165	(62)
Total	\$ 225	\$ 188	\$ 160	\$ 97	\$ 670	\$ (81)

In selling protection with CDS, the Company sells credit protection on an identified single name, a basket of names in a first-to-default (“FTD”) structure or a specific tranche of a basket, or credit derivative index (“CDX”) that is generally investment grade, and in return receives periodic premiums through expiration or termination of the agreement. With single name CDS, this premium or credit spread generally corresponds to the difference between the yield on the reference entity’s public fixed maturity cash instruments and swap rates at the time the agreement is executed. With a FTD basket or a tranche of a basket, because of the additional credit risk inherent in a basket of named reference entities, the premium generally corresponds to a high proportion of the sum of the credit spreads of the names in the basket and the correlation between the names. CDX index is utilized to take a position on multiple (generally 125) reference entities. Credit events are typically defined as bankruptcy, failure to pay, or restructuring, depending on the nature of the reference entities. If a credit event occurs, the Company settles with the counterparty, either through physical settlement or cash settlement. In a physical settlement, a reference asset is delivered by the buyer of protection to the Company, in exchange for cash payment at par, whereas in a cash settlement, the Company pays the difference between par and the prescribed value of the reference asset. When a credit event occurs in a single name or FTD basket (for FTD, the first credit event occurring for any one name in the basket), the contract terminates at the time of settlement. When a credit event occurs in a tranche of a basket, there is no immediate impact to the Company until cumulative losses in the basket exceed the contractual subordination. To date, realized losses have not exceeded the subordination. For CDX index, the reference entity’s name incurring the credit event is removed from the index while the contract continues until expiration. The maximum payout on a

CDS is the contract notional amount. A physical settlement may afford the Company with recovery rights as the new owner of the asset.

The Company monitors risk associated with credit derivatives through individual name credit limits at both a credit derivative and a combined cash instrument/credit derivative level. The ratings of individual names for which protection has been sold are also monitored.

In addition to the CDS described above, the Company’s synthetic collateralized debt obligations contain embedded credit default swaps which sell protection on a basket of reference entities. The synthetic collateralized debt obligations are fully funded; therefore, the Company is not obligated to contribute additional funds when credit events occur related to the reference entities named in the embedded credit default swaps. The Company’s maximum amount at risk equals the amount of its aggregate initial investment in the synthetic collateralized debt obligations.

7. Reserve for Property-Liability Insurance Claims and Claims Expense

The Company establishes reserves for claims and claims expense on reported and unreported claims of insured losses. The Company’s reserving process takes into account known facts and interpretations of circumstances and factors including the Company’s experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. In the normal course of business, the Company may also supplement its claims processes by utilizing third party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. The effects of inflation are implicitly considered in the reserving process.

Because reserves are estimates of unpaid portions of losses that have occurred, including incurred but not reported losses, the establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded amounts, which are based on management’s best estimates. The highest degree of uncertainty is associated with reserves for losses incurred in the current reporting period as it contains the greatest proportion of losses that have not been reported or settled. The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in prior year reserve estimates, which may be material, are reported in property-liability insurance claims and claims expense in the Condensed Consolidated Statements of Operations in the period such changes are determined.

Management believes that the reserve for property-liability insurance claims and claims expense, net of reinsurance recoverables, is appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by the date of the Condensed Consolidated Statements of Financial Position based on available facts, technology, laws and regulations.

8. Reinsurance

Property-liability insurance premiums earned and life and annuity premiums and contract charges for the three months ended March 31 have been reduced by the reinsurance ceded amounts shown in the following table:

(\$ in millions)	2012	2011
Property-liability insurance premiums earned	\$ 271	\$ 270
Life and annuity premiums and contract charges	172	193

Property-liability insurance claims and claims expense, life and annuity contract benefits and interest credited to contractholder funds for the three months ended March 31 have been reduced by the reinsurance ceded amounts shown in the following table.

(\$ in millions)	2012	2011
Property-liability insurance claims and claims expense	\$ 68	\$ 137
Life and annuity contract benefits	66	84
Interest credited to contractholder funds	7	8

9. Company Restructuring

The Company undertakes various programs to reduce expenses. These programs generally involve a reduction in staffing levels, and in certain cases, office closures. Restructuring and related charges include employee termination and relocation benefits, and post-exit rent expenses in connection with these programs, and non-cash

charges resulting from pension benefit payments made to agents in connection with the 1999 reorganization of Allstate's multiple agency programs to a single exclusive agency program. The expenses related to these activities are included in the Condensed Consolidated Statements of Operations as restructuring and related charges, and totaled \$6 million and \$9 million during the three months ended March 31, 2012 and 2011, respectively.

The following table presents changes in the restructuring liability during the three months ended March 31, 2012.

(\$ in millions)	Employee costs	Exit costs	Total liability
Balance as of December 31, 2011	\$ 5	\$ 5	\$ 10
Expense incurred	1	--	1
Payments applied against liability	(5)	(2)	(7)
Balance as of March 31, 2012	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 4</u>

The payments applied against the liability for employee costs primarily reflect severance costs, and the payments for exit costs generally consist of post-exit rent expenses and contract termination penalties. As of March 31, 2012, the cumulative amount incurred to date for active programs totaled \$75 million for employee costs and \$46 million for exit costs.

10. Guarantees and Contingent Liabilities

State facility assessments

The Company is required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations in various states that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to the Company's results of operations. Because of the Company's participation, it may be exposed to losses that surpass the capitalization of these facilities and/or assessments from these facilities.

Shared markets

As a condition of maintaining its licenses to write personal property and casualty insurance in various states, the Company is required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations that provide various types of insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to the Company's results of operations.

Guarantees

The Company owns certain fixed income securities that obligate the Company to exchange credit risk or to forfeit principal due, depending on the nature or occurrence of specified credit events for the reference entities. In the event all such specified credit events were to occur, the Company's maximum amount at risk on these fixed income securities, as measured by the amount of the aggregate initial investment, was \$28 million as of March 31, 2012. The obligations associated with these fixed income securities expire at various dates on or before March 11, 2018.

Related to the disposal through reinsurance of substantially all of Allstate Financial's variable annuity business to Prudential in 2006, the Company and its consolidated subsidiaries, ALIC and ALNY, have agreed to indemnify Prudential for certain pre-closing contingent liabilities (including extra-contractual liabilities of ALIC and ALNY and liabilities specifically excluded from the transaction) that ALIC and ALNY have agreed to retain. In addition, the Company, ALIC and ALNY will each indemnify Prudential for certain post-closing liabilities that may arise from the acts of ALIC, ALNY and their agents, including in connection with ALIC's and ALNY's provision of transition services. The reinsurance agreements contain no limitations or indemnifications with regard to insurance risk transfer, and transferred all of the future risks and responsibilities for performance on the underlying variable annuity contracts to Prudential, including those related to benefit guarantees. Management does not believe this agreement will have a material effect on results of operations, cash flows or financial position of the Company.

The Company provides residual value guarantees on Company leased automobiles. If all outstanding leases were terminated effective March 31, 2012, the Company's maximum obligation pursuant to these guarantees, assuming the automobiles have no residual value, would be \$9 million as of March 31, 2012. The remaining term of

each residual value guarantee is equal to the term of the underlying lease that ranges from less than one year to three years. Historically, the Company has not made any material payments pursuant to these guarantees.

In the normal course of business, the Company provides standard indemnifications to contractual counterparties in connection with numerous transactions, including acquisitions and divestitures. The types of indemnifications typically provided include indemnifications for breaches of representations and warranties, taxes and certain other liabilities, such as third party lawsuits. The indemnification clauses are often standard contractual terms and are entered into in the normal course of business based on an assessment that the risk of loss would be remote. The terms of the indemnifications vary in duration and nature. In many cases, the maximum obligation is not explicitly stated and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur. Consequently, the maximum amount of the obligation under such indemnifications is not determinable. Historically, the Company has not made any material payments pursuant to these obligations.

The aggregate liability balance related to all guarantees was not material as of March 31, 2012.

Regulation and Compliance

The Company is subject to changing social, economic and regulatory conditions. From time to time, regulatory authorities or legislative bodies seek to influence and restrict premium rates, require premium refunds to policyholders, require reinstatement of terminated policies, restrict the ability of insurers to cancel or non-renew policies, require insurers to continue to write new policies or limit their ability to write new policies, limit insurers' ability to change coverage terms or to impose underwriting standards, impose additional regulations regarding agent and broker compensation, regulate the nature of and amount of investments, and otherwise expand overall regulation of insurance products and the insurance industry. The Company has established procedures and policies to facilitate compliance with laws and regulations, to foster prudent business operations, and to support financial reporting. The Company routinely reviews its practices to validate compliance with laws and regulations and with internal procedures and policies. As a result of these reviews, from time to time the Company may decide to modify some of its procedures and policies. Such modifications, and the reviews that led to them, may be accompanied by payments being made and costs being incurred. The ultimate changes and eventual effects of these actions on the Company's business, if any, are uncertain.

Legal and regulatory proceedings and inquiries

The Company and certain subsidiaries are involved in a number of lawsuits, regulatory inquiries, and other legal proceedings arising out of various aspects of its business.

Background

These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including the underlying facts of each matter; novel legal issues; variations between jurisdictions in which matters are being litigated, heard, or investigated; differences in applicable laws and judicial interpretations; the length of time before many of these matters might be resolved by settlement, through litigation, or otherwise; the fact that some of the lawsuits are putative class actions in which a class has not been certified and in which the purported class may not be clearly defined; the fact that some of the lawsuits involve multi-state class actions in which the applicable law(s) for the claims at issue is in dispute and therefore unclear; and the current challenging legal environment faced by large corporations and insurance companies.

The outcome of these matters may be affected by decisions, verdicts, and settlements, and the timing of such decisions, verdicts, and settlements, in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers, or other entities. The outcome may also be affected by future state or federal legislation, the timing or substance of which cannot be predicted.

In the lawsuits, plaintiffs seek a variety of remedies which may include equitable relief in the form of injunctive and other remedies and monetary relief in the form of contractual and extra-contractual damages. In some cases, the monetary damages sought may include punitive or treble damages. Often specific information about the relief sought, such as the amount of damages, is not available because plaintiffs have not requested specific relief in their pleadings. When specific monetary demands are made, they are often set just below a state court jurisdictional limit in order to seek the maximum amount available in state court, regardless of the specifics of the case, while still avoiding the risk of removal to federal court. In Allstate's experience, monetary demands in pleadings bear little relation to the ultimate loss, if any, to the Company.

In connection with regulatory examinations and proceedings, government authorities may seek various forms of relief, including penalties, restitution, and changes in business practices. The Company may not be advised of the nature and extent of relief sought until the final stages of the examination or proceeding.

Accrual and disclosure policy

The Company reviews its lawsuits, regulatory inquiries, and other legal proceedings on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for such matters at management's best estimate when the Company assesses that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company does not establish accruals for such matters when the Company does not believe both that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company's assessment of whether a loss is reasonably possible or probable is based on its assessment of the ultimate outcome of the matter following all appeals. The Company does not include potential recoveries in its estimates of reasonably possible or probable losses. Legal fees are expensed as incurred.

The Company continues to monitor its lawsuits, regulatory inquiries, and other legal proceedings for further developments that would make the loss contingency both probable and estimable, and accordingly accruable, or that could affect the amount of accruals that have been previously established. There may continue to be exposure to loss in excess of any amount accrued. Disclosure of the nature and amount of an accrual is made when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the amount of accrual.

When the Company assesses it is reasonably possible or probable that a loss has been incurred, it discloses the matter. When it is possible to estimate the reasonably possible loss or range of loss above the amount accrued, if any, for the matters disclosed, that estimate is aggregated and disclosed. Disclosure is not required when an estimate of the reasonably possible loss or range of loss cannot be made.

For certain of the matters described below in the "Claims related proceedings" and "Other proceedings" subsections, the Company is able to estimate the reasonably possible loss or range of loss above the amount accrued, if any. In determining whether it is possible to estimate the reasonably possible loss or range of loss, the Company reviews and evaluates the disclosed matters, in conjunction with counsel, in light of potentially relevant factual and legal developments.

These developments may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, information obtained from other sources, experience from managing these and other matters, and other rulings by courts, arbitrators or others. When the Company possesses sufficient appropriate information to develop an estimate of the reasonably possible loss or range of loss above the amount accrued, if any, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate is not possible. Disclosure of the estimate of the reasonably possible loss or range of loss above the amount accrued, if any, for any individual matter would only be considered when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the individual estimate.

As of March 31, 2012, the Company estimates that the aggregate range of reasonably possible loss in excess of the amount accrued, if any, for the disclosed matters where such an estimate is possible is zero to \$855 million, pre-tax. This disclosure is not an indication of expected loss, if any. Under accounting guidance, an event is “reasonably possible” if “the chance of the future event or events occurring is more than remote but less than likely” and an event is “remote” if “the chance of the future event or events occurring is slight.” This estimate is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimate will change from time to time, and actual results may vary significantly from the current estimate. The estimate does not include matters or losses for which an estimate is not possible. Therefore, this estimate represents an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company’s maximum possible loss exposure. Information is provided below regarding the nature of all of the disclosed matters and, where specified, the amount, if any, of plaintiff claims associated with these loss contingencies.

Due to the complexity and scope of the matters disclosed in the “Claims related proceedings” and “Other proceedings” subsections below and the many uncertainties that exist, the ultimate outcome of these matters cannot be predicted. In the event of an unfavorable outcome in one or more of these matters, the ultimate liability may be

in excess of amounts currently accrued, if any, and may be material to the Company’s operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters described below, as they are resolved over time, is not likely to have a material effect on the financial position of the Company.

Claims related proceedings

Allstate is vigorously defending a lawsuit filed in the aftermath of Hurricane Katrina and currently pending in the United States District Court for the Eastern District of Louisiana (“District Court”). This matter was filed by the Louisiana Attorney General against Allstate and every other homeowner insurer doing business in the State of Louisiana, on behalf of the State of Louisiana, as assignee, and on behalf of certain Road Home fund recipients. Although this lawsuit was originally filed as a class action, the Louisiana Attorney General moved to dismiss the class in 2011 and the motion was granted. In this matter the State alleged that the insurers failed to pay all damages owed under their policies. The claims currently pending in this matter are for breach of contract and for declaratory relief on the alleged underpayment of claims by the insurers. All other claims, including extra-contractual claims, have been dismissed. The Company had moved to dismiss the complaint on the grounds that the State had no standing to bring the lawsuit as an assignee of insureds because of anti-assignment language in the underlying insurance policies. Now, however, due to a ruling by the Louisiana Supreme Court, the Company will not pursue a motion to dismiss, but will preserve the anti-assignment issue in a defense.

The State has not yet identified the specific details by property supporting its allegations of breach of contract or the alleged deficiencies in adjusting those claims. There are many potential individual claims at issue in this matter, each of which will require individual analysis and a number of which may be subject to individual defenses, including release, accord and satisfaction, prescription, waiver, and estoppel. There has been no discovery in connection with this matter. The Company has now filed a motion seeking to force the State to provide more specificity as to its claims in this matter. The Company believes that its adjusting practices in connection with Katrina homeowners claims were sound and in accordance with industry standards and state law. There remain significant questions of Louisiana law that have yet to be decided. In the Company’s judgment, given the issues discussed above, a loss is not probable.

Allstate is vigorously defending a class action lawsuit in Montana state court challenging aspects of its claim handling practices in Montana. The plaintiff alleges that the Company adjusts claims made by individuals who do not have attorneys in a manner that unfairly resulted in lower payments compared to claimants who were represented by attorneys. In January 2012, the court certified a class of Montana claimants who were not represented by attorneys with respect to the resolution of auto accident claims. The court certified the class to cover an indefinite period that commences in the mid-1990’s. The certified claims include claims for declaratory judgment, injunctive relief and punitive damages in an unspecified amount. Injunctive relief may include a claim process by which unrepresented claimants could request that their claims be readjusted. No compensatory damages are sought on behalf of the class. To date no discovery has occurred related to the potential value of the class members’ claims. The Company has asserted various defenses with respect to the plaintiff’s claims which have not been finally resolved. The proposed injunctive relief claim process would be subject to defenses and offsets ordinarily associated with the adjustment of claims. Any differences in amounts paid to class members compared to what class members might be paid under a different process would be speculative and subject to individual variation and determination dependent upon the individual circumstances presented by each class claimant. In the Company’s judgment a loss is not probable.

Allstate has been vigorously defending a lawsuit in regards to certain claims employees involving worker classification issues. This lawsuit is a certified class action challenging a state wage and hour law. In this case, plaintiffs sought actual damages in an amount to be proven at trial, liquidated damages in an amount equal to an unspecified percentage of the aggregate underpayment of wages to be proven at trial, as well as attorneys’ fees and costs. Plaintiffs have not made a settlement demand nor have they alleged the amount of damages with any specificity. The case was bifurcated between liability and damages and is currently focused only on liability issues. No discovery has taken place regarding plaintiffs’ alleged damages. In December 2009, the liability phase of the case was tried, and, on July 6, 2010, the court issued its decision finding in favor of Allstate on all claims. The plaintiffs have appealed the decision in favor of Allstate to the first level appellate court. Oral argument on the appeal is scheduled to be heard by that court on May 2, 2012. After concluding the current appeal, the parties may seek a subsequent appeal to the Illinois Supreme Court. Only liability issues are being addressed on appeal and no damages may be awarded at this stage of the proceedings. In the event the trial court’s order were to be overturned, however, the parties would need to conduct damages discovery, and a trial on damages would have to take place, before any damages could be awarded. In the Company’s judgment a loss is not probable.

Other proceedings

The Company is defending certain matters relating to the Company’s agency program reorganization announced in 1999. Although these cases have been pending for many years, they currently are in the early stages of litigation because of appellate court proceedings and threshold procedural issues.

These matters include a lawsuit filed in 2001 by the U.S. Equal Employment Opportunity Commission (“EEOC”) alleging retaliation under federal civil rights laws (“EEOC I”) and a class action filed in 2001 by former employee agents alleging retaliation and age discrimination under the Age

Discrimination in Employment Act (“ADEA”), breach of contract and ERISA violations (“Romero I”). In 2004, in the consolidated EEOC I and Romero I litigation, the trial court issued a memorandum and order that, among other things, certified classes of agents, including a mandatory class of agents who had signed a release, for purposes of effecting the court’s declaratory judgment that the release was voidable at the option of the release signer. The court also ordered that an agent who voided the release must return to Allstate “any and all benefits received by the [agent] in exchange for signing the release.” The court also stated that, “on the undisputed facts of record, there is no basis for claims of age discrimination.” The EEOC and plaintiffs asked the court to clarify and/or reconsider its memorandum and order and in January 2007, the judge denied their request. In June 2007, the court reversed its prior ruling that the release was voidable and granted the Company’s motions for summary judgment, ruling that the asserted claims were barred by the release signed by most plaintiffs. Plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Third Circuit (“Third Circuit”). In July 2009, the Third Circuit vacated the trial court’s entry of summary judgment in the Company’s favor and remanded the cases to the trial court for additional discovery, including additional discovery related to the validity of the release and waiver. In its opinion, the Third Circuit held that if the release and waiver is held to be valid, then all of the claims in Romero I and EEOC I are barred. Thus, if the waiver and release is upheld, then only the claims in Romero I asserted by the small group of employee agents who did not sign the release and waiver would remain for adjudication. In January 2010, following the remand, the cases were assigned to a new judge for further proceedings in the trial court. Plaintiffs filed their Second Amended Complaint on July 28, 2010. Plaintiffs seek broad but unspecified “make whole relief,” including back pay, compensatory and punitive damages, liquidated damages, lost investment capital, attorneys’ fees and costs, and equitable relief, including reinstatement to employee agent status with all attendant benefits for up to approximately 6,500 former employee agents. Despite the length of time that these matters have been pending, to date only limited discovery has occurred related to the damages claimed by individual plaintiffs, and no damages discovery has occurred related to the claims of the putative class. Nor have plaintiffs provided any calculations of the putative class’s alleged back pay or the alleged liquidated, compensatory or punitive damages, instead asserting that such calculations will be provided at a later stage during expert discovery. Damage claims are subject to reduction by amounts and benefits received by plaintiffs and putative class members subsequent to their employment termination. Little to no discovery has occurred with respect to amounts earned or received by plaintiffs and putative class members in mitigation of their alleged losses. Alleged damage amounts and lost benefits of the approximately 6,500 putative class members also are subject to individual variation and determination dependent upon retirement dates, participation in employee benefit programs, and years of service. Discovery limited to the validity of the waiver and release is in process. At present, no class is certified. Summary judgment proceedings on the validity of the waiver and release are expected to occur in the second half of 2012.

A putative nationwide class action has also been filed by former employee agents alleging various violations of ERISA, including a worker classification issue (“Romero II”). These plaintiffs are challenging certain amendments to the Agents Pension Plan and are seeking to have exclusive agent independent contractors treated as employees for benefit purposes. Romero II was dismissed with prejudice by the trial court, was the subject of further proceedings on appeal, and was reversed and remanded to the trial court in 2005. In June 2007, the court granted the Company’s motion to dismiss the case. Plaintiffs filed a notice of appeal with the Third Circuit. In July 2009, the Third Circuit vacated the district court’s dismissal of the case and remanded the case to the trial court for additional discovery, and directed that the case be reassigned to another trial court judge. In its opinion, the Third Circuit held that if the release and waiver is held to be valid, then one of plaintiffs’ three claims asserted in Romero II is barred. The Third Circuit directed the district court to consider on remand whether the other two claims asserted in Romero II are barred by the release and waiver. In January 2010, following the remand, the case was assigned to a new judge (the same judge for the Romero I and EEOC I cases) for further

proceedings in the trial court. On April 23, 2010, plaintiffs filed their First Amended Complaint. Plaintiffs seek broad but unspecified “make whole” or other equitable relief, including losses of income and benefits as a result of their decision to retire from the Company between November 1, 1999 and December 31, 2000. They also seek repeal of the challenged amendments to the Agents Pension Plan with all attendant benefits revised and recalculated for thousands of former employee agents, and attorney’s fees and costs. Despite the length of time that this matter has been pending, to date only limited discovery has occurred related to the damages claimed by individual plaintiffs, and no damages discovery has occurred related to the claims of the putative class. Nor have plaintiffs provided any calculations of the putative class’s alleged losses, instead asserting that such calculations will be provided at a later stage during expert discovery. Damage claims are subject to reduction by amounts and benefits received by plaintiffs and putative class members subsequent to their employment termination. Little to no discovery has occurred with respect to amounts earned or received by plaintiffs and putative class members in mitigation of their alleged losses. Alleged damage amounts and lost benefits of the putative class members also are subject to individual variation and determination dependent upon retirement dates, participation in employee benefit programs, and years of service. As in Romero I and EEOC I, discovery at this time is limited to issues relating to the validity of the waiver and release. Class certification has not been decided. Summary judgment proceedings on the validity of the waiver and release are expected to occur in the second half of 2012.

In these agency program reorganization matters, the threshold issue of the validity and scope of the waiver and release is yet to be decided and, if decided in favor of the Company, would preclude any damages being awarded in Romero I and EEOC I and may also preclude damages from being awarded in Romero II. In the Company’s judgment a loss is not probable. Allstate has been vigorously defending these lawsuits and other matters related to its agency program reorganization.

Asbestos and environmental

Allstate’s reserves for asbestos claims were \$1.05 billion and \$1.08 billion, net of reinsurance recoverables of \$519 million and \$529 million, as of March 31, 2012 and December 31, 2011, respectively. Reserves for environmental claims were \$183 million and \$185 million, net of reinsurance recoverables of \$40 million and \$40 million, as of March 31, 2012 and December 31, 2011, respectively. Approximately 58% and 59% of the total net asbestos and environmental reserves as of March 31, 2012 and December 31, 2011, respectively, were for incurred but not reported estimated losses.

Management believes its net loss reserves for asbestos, environmental and other discontinued lines exposures are appropriately established based on available facts, technology, laws and regulations. However, establishing net loss reserves for asbestos, environmental and other discontinued lines claims is subject to uncertainties that are much greater than those presented by other types of claims. The ultimate cost of losses may vary materially from recorded amounts, which are based on management’s best estimate. Among the complications are lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure and unresolved legal issues regarding policy coverage; unresolved legal issues regarding the determination, availability and timing of exhaustion of policy limits; plaintiffs’ evolving and expanding theories of liability; availability and collectability of recoveries from reinsurance; retrospectively determined premiums and other contractual agreements; estimates of the extent and timing of any contractual liability; the impact of bankruptcy protection sought by various asbestos producers and other asbestos defendants; and other uncertainties. There are also complex legal issues concerning the interpretation of various insurance policy provisions and whether those losses are covered, or were ever intended to be

covered, and could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements. Courts have reached different and sometimes inconsistent conclusions as to when losses are deemed to have occurred and which policies provide coverage; what types of losses are covered; whether there is an insurer obligation to defend; how policy limits are determined; how policy exclusions and conditions are applied and interpreted; and whether clean-up costs represent insured property damage. Management believes these issues are not likely to be resolved in the near future, and the ultimate costs may vary materially from the amounts currently recorded resulting in material changes in loss reserves. In addition, while the Company believes that improved actuarial techniques and databases have assisted in its ability to estimate asbestos, environmental, and other discontinued lines net loss reserves, these refinements may subsequently prove to be inadequate indicators of the extent of probable losses. Due to the uncertainties and factors described above, management believes it is not practicable to develop a meaningful range for any such additional net loss reserves that may be required.

11. Components of Net Periodic Pension and Postretirement Benefit Costs

The components of net periodic cost for the Company's pension and postretirement benefit plans for the three months ended March 31 are as follows:

(\$ in millions)	2012	2011
Pension benefits		
Service cost	\$ 38	\$ 38
Interest cost	74	81
Expected return on plan assets	(98)	(92)
Amortization of:		
Net actuarial loss	44	38
Settlement loss	10	9
Net periodic pension cost	<u>\$ 68</u>	<u>\$ 74</u>
Postretirement benefits		
Service cost	\$ 3	\$ 3
Interest cost	9	9
Amortization of:		
Prior service credit	(6)	(6)
Net actuarial gain	(5)	(7)
Net periodic postretirement cost (credit)	<u>\$ 1</u>	<u>\$ (1)</u>

12. Business Segments

Summarized revenue data for each of the Company's reportable segments for the three months ended March 31 are as follows:

(\$ in millions)	2012	2011
Revenues		
<i>Property-Liability</i>		
Property-liability insurance premiums		
Standard auto	\$ 4,269	\$ 4,088
Non-standard auto	183	211
Total auto	4,452	4,299
Homeowners	1,572	1,539
Other personal lines	606	611
Allstate Protection	6,630	6,449
Discontinued Lines and Coverages	--	(1)
Total property-liability insurance premiums	6,630	6,448
Net investment income	313	284
Realized capital gains and losses	189	57
Total Property-Liability	7,132	6,789
<i>Allstate Financial</i>		
Life and annuity premiums and contract charges		
Traditional life insurance	113	108
Immediate annuities with life contingencies	12	43
Accident and health insurance	162	161
Total life and annuity premiums	287	312
Interest-sensitive life insurance	260	248
Fixed annuities	6	9
Total contract charges	266	257
Total life and annuity premiums and contract charges	553	569
Net investment income	687	684
Realized capital gains and losses	(21)	39
Total Allstate Financial	1,219	1,292
<i>Corporate and Other</i>		
Service fees	1	2

Net investment income	11	14
Realized capital gains and losses	--	--
Total Corporate and Other before reclassification of service fees	<u>12</u>	<u>16</u>
Reclassification of service fees ⁽¹⁾	<u>(1)</u>	<u>(2)</u>
Total Corporate and Other	<u>11</u>	<u>14</u>
Consolidated revenues	\$ <u>8,362</u>	\$ <u>8,095</u>

⁽¹⁾ For presentation in the Condensed Consolidated Statements of Operations, service fees of the Corporate and Other segment are reclassified to operating costs and expenses.

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Summarized financial performance data for each of the Company's reportable segments for the three months ended March 31 are as follows:

(\$ in millions)	2012	2011
Net income		
<i>Property-Liability</i>		
Underwriting income (loss)		
Allstate Protection	\$ 526	\$ 334
Discontinued Lines and Coverages	<u>(3)</u>	<u>(6)</u>
Total underwriting income	523	328
Net investment income	313	284
Income tax expense on operations	(265)	(182)
Realized capital gains and losses, after-tax	<u>124</u>	<u>38</u>
Property-Liability net income	695	468
<i>Allstate Financial</i>		
Life and annuity premiums and contract charges	553	569
Net investment income	687	684
Periodic settlements and accruals on non-hedge derivative instruments	15	17
Contract benefits and interest credited to contractholder funds	(807)	(879)
Operating costs and expenses and amortization of deferred policy acquisition costs	(228)	(227)
Restructuring and related charges	--	2
Income tax expense on operations	<u>(70)</u>	<u>(53)</u>
Operating income	150	113
Realized capital gains and losses, after-tax	(14)	25
Valuation changes on embedded derivatives that are not hedged, after-tax	(6)	8
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(10)	(22)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	--	3
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(10)	(12)
Gain (loss) on disposition of operations, after-tax	<u>2</u>	<u>(13)</u>
Allstate Financial net income	112	102
<i>Corporate and Other</i>		
Service fees ⁽¹⁾	1	2
Net investment income	11	14
Operating costs and expenses ⁽¹⁾	(87)	(93)
Income tax benefit on operations	<u>34</u>	<u>31</u>
Operating loss	(41)	(46)
Realized capital gains and losses, after-tax	--	--
Corporate and Other net loss	<u>(41)</u>	<u>(46)</u>
Consolidated net income	\$ <u>766</u>	\$ <u>524</u>

⁽¹⁾ For presentation in the Condensed Consolidated Statements of Operations, service fees of the Corporate and Other segment are reclassified to operating costs and expenses.

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13. Other Comprehensive Income

The components of other comprehensive income on a pre-tax and after-tax basis for the three months ended March 31 are as follows:

(\$ in millions)	2012			2011		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains arising during the period, net of related offsets	\$ 866	\$ (301)	\$ 565	\$ 344	\$ (121)	\$ 223
Less: reclassification adjustment of realized	140	(49)	91	153	(54)	99

capital gains and losses						
Unrealized net capital gains and losses	726	(252)	474	191	(67)	124
Unrealized foreign currency translation adjustments	14	(5)	9	15	(5)	10
Unrecognized pension and other postretirement benefit cost	31	(11)	20	23	(8)	15
Other comprehensive income	\$ 771	\$ (268)	503	\$ 229	\$ (80)	149
Net income			766			524
Comprehensive income			\$ 1,269			\$ 673

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Allstate Corporation
Northbrook, IL 60062

We have reviewed the accompanying condensed consolidated statement of financial position of The Allstate Corporation and subsidiaries (the "Company") as of March 31, 2012, and the related condensed consolidated statements of operations, comprehensive income and cash flows for the three-month periods ended March 31, 2012 and 2011. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of The Allstate Corporation and subsidiaries as of December 31, 2011, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended prior to the retrospective adjustment for the Company's adoption of a change in accounting for costs associated with acquiring or renewing insurance contracts (not presented herein); and in our report dated February 22, 2012, which report includes an explanatory paragraph relating to a change in the Company's recognition and presentation for other-than-temporary impairments of debt securities in 2009, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 1 that were applied to retrospectively adjust the December 31, 2011 consolidated statement of financial position of the Company (not presented herein). In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated statement of financial position in deriving the accompanying retrospectively adjusted condensed consolidated statement of financial position as of December 31, 2011.

/s/ Deloitte & Touche LLP

Chicago, Illinois
May 2, 2012

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2012 AND 2011

OVERVIEW

The following discussion highlights significant factors influencing the consolidated financial position and results of operations of The Allstate Corporation (referred to in this document as "we," "our," "us," the "Company" or "Allstate"). It should be read in conjunction with the condensed consolidated financial statements and notes thereto found under Part I. Item 1. contained herein, and with the discussion, analysis, consolidated financial statements and notes thereto in Part I. Item 1. and Part II. Item 7. and Item 8. of The Allstate Corporation Annual Report on Form 10-K for 2011. Further analysis of our insurance segments is provided in the Property-Liability Operations (which includes the Allstate Protection and the Discontinued Lines and Coverages segments) and in the Allstate Financial Segment sections of Management's Discussion and Analysis ("MD&A"). The segments are consistent with the way in which we use financial information to evaluate business performance and to determine the allocation of resources.

Allstate is focused on the following priorities:

- maintain auto profitability;
- raise returns in homeowners and annuity businesses;
- grow insurance premiums; and
- proactively manage investments and capital.

HIGHLIGHTS

- Consolidated net income was \$766 million in the first quarter of 2012 compared to \$524 million in the first quarter of 2011. Net income per diluted share was \$1.53 in the first quarter of 2012 compared to \$0.98 in the first quarter of 2011.
- Property-Liability net income was \$695 million in the first quarter of 2012 compared to \$468 million in the first quarter of 2011.
- The Property-Liability combined ratio was 92.1 in the first quarter of 2012 compared to 94.9 in the first quarter of 2011.
- Allstate Financial net income was \$112 million in the first quarter of 2012 compared to \$102 million in the first quarter of 2011.
- Total revenues were \$8.36 billion in the first quarter of 2012 compared to \$8.10 billion in the first quarter of 2011.
- Property-Liability premiums earned totaled \$6.63 billion in the first quarter of 2012, an increase of 2.8% from \$6.45 billion in the first quarter of 2011.
- Net realized capital gains were \$168 million in the first quarter of 2012 compared to \$96 million in the first quarter of 2011.
- Investments totaled \$97.01 billion as of March 31, 2012, an increase of 1.5% from \$95.62 billion as of December 31, 2011. Net investment income in the first quarter of 2012 was \$1.01 billion, an increase of 3.0% from \$982 million in the first quarter of 2011.
- Book value per diluted share (ratio of shareholders' equity to total shares outstanding and dilutive potential shares outstanding) was \$38.57 as of March 31, 2012, an increase of 8.0% from \$35.72 as of March 31, 2011 and an increase of 6.6% from \$36.18 as of December 31, 2011.
- For the twelve months ended March 31, 2012, return on the average of beginning and ending period shareholders' equity was 5.4%, a decrease of 1.9 points from 7.3% for the twelve months ended March 31, 2011.
- As of March 31, 2012, shareholders' equity was \$19.18 billion. This total included \$2.65 billion in deployable invested assets at the parent holding company level.
- New deferred policy acquisition costs ("DAC") accounting guidance was adopted on a retrospective basis as of January 1, 2012 (see Note 1 of the condensed consolidated financial statements). Accordingly, all prior period balances have been adjusted. The DAC and shareholders' equity balances were reduced by \$572 million and \$376 million, respectively, when compared to the previously reported December 31, 2011 balances. Impacted income statement line items include amortization of DAC, operating costs and expenses, gain/loss on disposition of operations, and income tax expense. Impacted balance sheet line items include DAC, deferred income taxes, reserve for life-contingent contract benefits, other liabilities and accrued expenses, retained income, unrealized net capital gains and losses, and unrealized foreign currency translation adjustments.

CONSOLIDATED NET INCOME

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Revenues		
Property-liability insurance premiums	\$ 6,630	\$ 6,448
Life and annuity premiums and contract charges	553	569
Net investment income	1,011	982
Realized capital gains and losses:		
Total other-than-temporary impairment losses	(87)	(156)
Portion of loss recognized in other comprehensive income	4	(27)
Net other-than-temporary impairment losses recognized in earnings	(83)	(183)
Sales and other realized capital gains and losses	251	279
Total realized capital gains and losses	168	96
Total revenues	8,362	8,095
Costs and expenses		
Property-liability insurance claims and claims expense	(4,339)	(4,476)
Life and annuity contract benefits	(439)	(454)
Interest credited to contractholder funds	(378)	(418)
Amortization of deferred policy acquisition costs	(979)	(984)
Operating costs and expenses	(1,017)	(900)
Restructuring and related charges	(6)	(9)
Interest expense	(95)	(92)
Total costs and expenses	(7,253)	(7,333)
Gain (loss) on disposition of operations	3	(20)
Income tax expense	(346)	(218)
Net income	\$ 766	\$ 524
Property-Liability	\$ 695	\$ 468
Allstate Financial	112	102
Corporate and Other	(41)	(46)
Net income	\$ 766	\$ 524

PROPERTY-LIABILITY HIGHLIGHTS

- Premiums written, an operating measure that is defined and reconciled to premiums earned in the Property-Liability Operations section of the MD&A, increased 4.0% to \$6.46 billion in the first quarter of 2012 from \$6.22 billion in the first quarter of 2011 and increased 0.6% from \$6.43 billion in the fourth quarter of 2011.
 - Allstate brand standard auto premiums written decreased 1.2% to \$3.94 billion in the first quarter of 2012 from \$3.98 billion in the first quarter of 2011.
 - Allstate brand homeowners premiums written increased 2.7% to \$1.26 billion in the first quarter of 2012 from \$1.23 billion in the first quarter of 2011.
 - Encompass brand premiums written increased 1.6% to \$249 million in the first quarter of 2012 from \$245 million in the first quarter of 2011.

- Esurance brand premiums written were \$262 million in the first quarter of 2012.
- Premium operating measures and statistics contributing to overall Allstate brand standard auto premiums written decrease were the following:
 - 2.2% decrease in policies in force (“PIF”) as of March 31, 2012 compared to March 31, 2011
 - 1.8% increase in the six month policy term average gross premium before reinsurance to \$447 in the first quarter of 2012 from \$439 in the first quarter of 2011
 - 0.2 point decrease in the six month renewal ratio to 88.7% in the first quarter of 2012 compared to 88.9% in the first quarter of 2011

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- 10.8% decrease in new issued applications in the first quarter of 2012 compared to the first quarter of 2011
- Premium operating measures and statistics contributing to overall Allstate brand homeowners premiums written increase were the following:
 - 5.6% decrease in PIF as of March 31, 2012 compared to March 31, 2011
 - 9.2% increase in the twelve month policy term average gross premium before reinsurance to \$1,065 in the first quarter of 2012 from \$975 in the first quarter of 2011
 - 0.9 point decrease in the twelve month renewal ratio to 87.4% in the first quarter of 2012 compared to 88.3% in the first quarter of 2011
 - 11.4% decrease in new issued applications in the first quarter of 2012 compared to the first quarter of 2011
 - \$3 million decrease in catastrophe reinsurance costs to \$121 million in the first quarter of 2012 from \$124 million in the first quarter of 2011
- Factors comprising the Allstate brand standard auto loss ratio decrease of 0.7 points to 69.6 in the first quarter of 2012 from 70.3 in the first quarter of 2011 were the following:
 - 4.1% decrease in standard auto claim frequency (rate of claim occurrence per policy in force) for property damage in the first quarter of 2012 compared to the first quarter of 2011
 - 2.1% decrease in standard auto claim frequency for bodily injury in the first quarter of 2012 compared to the first quarter of 2011
 - 4.6% increase in auto paid claim severities (average cost per claim) for property damage in the first quarter of 2012 compared to the first quarter of 2011
 - 1.2% increase in auto paid claim severities for bodily injury in the first quarter of 2012 compared to the first quarter of 2011
- Factors comprising the Allstate brand homeowners loss ratio, which includes catastrophes, decrease of 11.4 points to 56.5 in the first quarter of 2012 from 67.9 in the first quarter of 2011 were the following:
 - 5.1 point decrease in the effect of catastrophe losses to 12.6 points in the first quarter of 2012 compared to 17.7 points in the first quarter of 2011
 - 4.8% decrease in homeowner claim frequency, excluding catastrophes, in the first quarter of 2012 compared to the first quarter of 2011
 - 0.4% decrease in paid claim severity, excluding catastrophes, in the first quarter of 2012 compared to the first quarter of 2011
- Factors comprising the \$74 million decrease in catastrophe losses to \$259 million in the first quarter of 2012 compared to \$333 million in the first quarter of 2011 were the following:
 - 15 events with losses of \$420 million in the first quarter of 2012 compared to 16 events with losses of \$367 million in the first quarter of 2011
 - \$161 million favorable prior year reserve reestimates in the first quarter of 2012 compared to \$34 million favorable reserve reestimates in the first quarter of 2011
- Factors comprising the \$204 million of favorable prior year reserve reestimates in the first quarter of 2012 compared to \$41 million favorable in the first quarter of 2011 included:
 - prior year reserve reestimates related to auto, homeowners and other personal lines in the first quarter of 2012 contributed \$48 million favorable, \$119 million favorable and \$40 million favorable, respectively, compared to prior year reserve reestimates in the first quarter of 2011 of \$19 million favorable, \$38 million favorable and \$13 million unfavorable, respectively
 - prior year reestimates in the first quarter of 2012 and 2011 are largely attributable to prior year catastrophes
- Property-Liability underwriting income was \$523 million in the first quarter of 2012 compared to \$328 million in the first quarter of 2011. Underwriting income (loss), a measure not based on accounting principles generally accepted in the United States of America (“GAAP”), is defined below.
- Property-Liability investments as of March 31, 2012 were \$36.73 billion, an increase of 2.0% from \$36.00 billion as of December 31, 2011. Net investment income was \$313 million in the first quarter of 2012, an increase of 10.2% from \$284 million in the first quarter of 2011.
- Net realized capital gains were \$189 million in the first quarter of 2012 compared to \$57 million in the first quarter of 2011.

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PROPERTY-LIABILITY OPERATIONS

Overview Our Property-Liability operations consist of two reporting segments: Allstate Protection and Discontinued Lines and Coverages. Allstate Protection comprises three brands: Allstate, Encompass and Esurance. Allstate Protection is principally engaged in the sale of personal property and casualty insurance, primarily private passenger auto and homeowners insurance, to individuals in the United States and Canada. Discontinued Lines and Coverages includes results from insurance coverage that we no longer write and results for certain commercial and other businesses in run-off. These segments are consistent with the groupings of financial information that management uses to evaluate performance and to determine the allocation of resources.

Underwriting income (loss), a measure that is not based on GAAP and is reconciled to net income (loss) below, is calculated as premiums earned, less claims and claims expense (“losses”), amortization of DAC, operating costs and expenses and restructuring and related charges, as determined using GAAP. We use this measure in our evaluation of results of operations to analyze the profitability of the Property-Liability insurance operations separately from investment results. It is also an integral component of incentive compensation. It is useful for investors to evaluate the components of income separately and in the aggregate when reviewing performance. Net income (loss) is the GAAP measure most directly comparable to underwriting income (loss). Underwriting income (loss) should not be considered as a substitute for net income and does not reflect the overall profitability of the business.

The table below includes GAAP operating ratios we use to measure our profitability. We believe that they enhance an investor’s understanding of our profitability. They are calculated as follows:

- Claims and claims expense (“loss”) ratio - the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.
- Expense ratio - the ratio of amortization of DAC, operating costs and expenses, and restructuring and related charges to premiums earned.
- Combined ratio - the ratio of claims and claims expense, amortization of DAC, 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. The difference between 100% and the combined ratio represents underwriting income (loss) as a percentage of premiums earned, or underwriting margin.

We have also calculated the following impacts of specific items on the GAAP operating ratios because of the volatility of these items between fiscal periods.

- Effect of catastrophe losses on combined ratio - the percentage of catastrophe losses included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- Effect of prior year reserve reestimates on combined ratio - the percentage of prior year reserve reestimates included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- Effect of business combination expenses and the amortization of purchased intangible assets on combined and expense ratio - the percentage of business combination expenses and the amortization of purchased intangible assets to premiums earned.
- Effect of restructuring and related charges on combined ratio - the percentage of restructuring and related charges to premiums earned.
- Effect of Discontinued Lines and Coverages on combined ratio - the ratio of claims and claims expense and operating costs and expenses in the Discontinued Lines and Coverages segment to Property-Liability premiums earned. The sum of the effect of Discontinued Lines and Coverages on the combined ratio and the Allstate Protection combined ratio is equal to the Property-Liability combined ratio.

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Summarized financial data, a reconciliation of underwriting income to net income, and GAAP operating ratios for our Property-Liability operations are presented in the following table.

(\$ in millions, except ratios)	Three months ended	
	March 31,	
	2012	2011
Premiums written	\$ 6,463	\$ 6,215
Revenues		
Premiums earned	\$ 6,630	\$ 6,448
Net investment income	313	284
Realized capital gains and losses	189	57
Total revenues	7,132	6,789
Costs and expenses		
Claims and claims expense	(4,339)	(4,476)
Amortization of DAC	(878)	(864)
Operating costs and expenses	(884)	(769)
Restructuring and related charges	(6)	(11)
Total costs and expenses	(6,107)	(6,120)
Income tax expense	(330)	(201)
Net income	\$ 695	\$ 468
Underwriting income	\$ 523	\$ 328
Net investment income	313	284
Income tax expense on operations	(265)	(182)
Realized capital gains and losses, after-tax	124	38
Net income	\$ 695	\$ 468
Catastrophe losses ⁽¹⁾	\$ 259	\$ 333
GAAP operating ratios		
Claims and claims expense ratio	65.4	69.4
Expense ratio	26.7	25.5
Combined ratio	92.1	94.9
Effect of catastrophe losses on combined ratio ⁽¹⁾	3.9	5.2
Effect of prior year reserve reestimates on combined ratio ⁽¹⁾	(3.1)	(0.7)
Effect of business combination expenses and the amortization of purchased intangible assets on combined ratio	0.7	--
Effect of restructuring and related charges on combined ratio	0.1	0.2
Effect of Discontinued Lines and Coverages on combined ratio	--	0.1

⁽¹⁾ Prior year reserve reestimates included in catastrophe losses totaled \$161 million favorable in the three months ended March 31, 2012 compared to \$34 million favorable in the three months ended March 31, 2011.

Premiums written, an operating measure, is the amount of premiums charged for policies issued during a fiscal period. Premiums earned is a GAAP measure. Premiums are considered earned and are included in the financial results on a pro-rata basis over the policy period. The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums on our Condensed Consolidated Statements of Financial Position.

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A reconciliation of premiums written to premiums earned is shown in the following table.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Premiums written:		
Allstate Protection	\$ 6,462	\$ 6,216
Discontinued Lines and Coverages	1	(1)
Property-Liability premiums written	6,463	6,215
Decrease in unearned premiums	167	234
Other	--	(1)
Property-Liability premiums earned	\$ 6,630	\$ 6,448
Premiums earned:		
Allstate Protection	\$ 6,630	\$ 6,449
Discontinued Lines and Coverages	--	(1)
Property-Liability	\$ 6,630	\$ 6,448

ALLSTATE PROTECTION SEGMENT

Premiums written by brand are shown in the following table.

(\$ in millions)	Three months ended March 31,						
	Allstate brand		Encompass brand		Esurance brand ⁽²⁾	Allstate Protection	
	2012	2011	2012	2011	2012	2012	2011
Standard auto	\$ 3,937	\$ 3,984	\$ 142	\$ 144	\$ 262	\$ 4,341	\$ 4,128
Non-standard auto	189	210	--	1	--	189	211
Homeowners	1,258	1,225	85	79	--	1,343	1,304
Other personal lines ⁽¹⁾	567	552	22	21	--	589	573
Total	\$ 5,951	\$ 5,971	\$ 249	\$ 245	\$ 262	\$ 6,462	\$ 6,216

⁽¹⁾ Other personal lines include commercial, condominium, renters, involuntary auto and other personal lines.

⁽²⁾ Esurance brand business was acquired on October 7, 2011.

Premiums earned by brand are shown in the following table.

(\$ in millions)	Three months ended March 31,						
	Allstate brand		Encompass brand		Esurance brand	Allstate Protection	
	2012	2011	2012	2011	2012	2012	2011
Standard auto	\$ 3,897	\$ 3,928	\$ 151	\$ 160	\$ 221	\$ 4,269	\$ 4,088
Non-standard auto	183	210	--	1	--	183	211
Homeowners	1,480	1,448	92	91	--	1,572	1,539
Other personal lines	583	588	23	23	--	606	611
Total	\$ 6,143	\$ 6,174	\$ 266	\$ 275	\$ 221	\$ 6,630	\$ 6,449

Premium operating measures and statistics that are used to analyze the business are calculated and described below. Measures and statistics presented exclude Allstate Canada and specialty auto.

- PIF: Policy counts are based on items rather than customers. A multi-car customer would generate multiple item (policy) counts, even if all cars were insured under one policy.
- Average premium-gross written: Gross premiums written divided by issued item count. Gross premiums written include the impacts from discounts and surcharges, and exclude the impacts from mid-term premium adjustments, ceded reinsurance premiums, and premium refund accruals. Allstate brand average gross premiums represent the appropriate policy term for each line, which is 6 months for standard and non-standard auto and 12 months for homeowners. Encompass brand average gross premiums represent the appropriate policy term for each line, which is 12 months for standard auto and homeowners and 6 months for non-standard

auto. Esurance brand average gross premiums represent the appropriate policy term, which is 6 months for standard auto.

- Renewal ratio: Renewal policies issued during the period, based on contract effective dates, divided by the total policies issued 6 months prior for standard and non-standard auto (12 months prior for Encompass brand standard auto) or 12 months prior for homeowners.
- New issued applications: Item counts of automobiles or homeowners insurance applications for insurance policies that were issued during the period. Does not include automobiles that are added by existing customers.

Standard auto premiums written totaled \$4.34 billion in the first quarter of 2012, an increase of 5.2% from \$4.13 billion in the first quarter of 2011.

Standard Auto					brand
	2012	2011	2012	2011	2012
Three months ended March 31,					
PIF (thousands)	17,080	17,456	676	676	849
Average premium-gross written ⁽¹⁾	\$ 447	\$ 439	\$ 923	\$ 953	\$ 508
Renewal ratio (%) ⁽¹⁾	88.7	88.9	71.8	71.2	78.5
Approved rate changes ⁽²⁾ :					
# of states	10	13	2	3	6
Countrywide (%) ⁽³⁾	0.5	1.1	0.1	0.6	1.3
State specific (%) ^{(4) (5)}	5.8	4.1 ⁽⁶⁾	3.2	5.0	4.8

⁽¹⁾ Policy term is six months for Allstate and Esurance brands and twelve months for Encompass brand.

⁽²⁾ Rate changes that are indicated based on loss trend analysis to achieve a targeted return will continue to be pursued. Rate changes do not include rating plan enhancements, including the introduction of discounts and surcharges, that result in no change in the overall rate level in the state. These rate changes do not reflect initial rates filed for insurance subsidiaries initially writing business in a state. Rate changes exclude Allstate Canada and specialty auto.

⁽³⁾ Represents the impact in the states where rate changes were approved during the three months ended March 31, 2012 and 2011, respectively, as a percentage of total countrywide prior year-end premiums written.

⁽⁴⁾ Represents the impact in the states where rate changes were approved during the three months ended March 31, 2012 and 2011, respectively, as a percentage of its respective total prior year-end premiums written in those states.

⁽⁵⁾ Based on historical premiums written in those states, rate changes approved for standard auto totaled \$89 million and \$176 million in the three months ended March 31, 2012 and 2011, respectively.

⁽⁶⁾ First quarter 2011 includes the impact of Florida rate increases averaging 10.9% and New York rate increases averaging 12.0%.

Allstate brand standard auto premiums written totaled \$3.94 billion in the first quarter of 2012, a decrease of 1.2% from \$3.98 billion in the first quarter of 2011 and an increase of 3.3% from \$3.81 billion in the fourth quarter of 2011. Contributing to the Allstate brand standard auto premiums written decrease in the first quarter of 2012 compared to the first quarter of 2011 were the following:

- decrease in PIF of 2.2% as of March 31, 2012 compared to March 31, 2011 due to fewer new issued applications and fewer policies available to renew. Excluding Florida and New York, PIF decreased 0.5% as of March 31, 2012 compared to March 31, 2011.
- 10.8% decrease in new issued applications on a countrywide basis to 463 thousand in the first quarter of 2012 from 519 thousand in the first quarter of 2011. Excluding Florida and New York (impacted by actions to improve profitability), new issued applications on a countrywide basis decreased 8.2% to 412 thousand in the first quarter of 2012 from 449 thousand in the first quarter of 2011. New issued applications increased in 10 states in the first quarter of 2012 compared to the first quarter of 2011.
- increase in average gross premium in the first quarter of 2012 compared to the first quarter of 2011.
- 0.2 point decrease in the renewal ratio in the first quarter of 2012 compared to the first quarter of 2011. In the first quarter of 2012, 34 states are showing favorable comparisons to prior year.

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Non-standard auto premiums written totaled \$189 million in the first quarter of 2012, a decrease of 10.4% from \$211 million in the first quarter of 2011.

Non-Standard Auto	Allstate brand	
	2012	2011
Three months ended March 31,		
PIF (thousands)	570	627
Average premium-gross written (6 months)	\$ 598	\$ 621
Renewal ratio (%) (6 months)	69.1	70.4
Approved rate changes:		
# of states	4	3
Countrywide (%)	0.2	3.6
State specific (%) ⁽¹⁾	1.4	18.4

⁽¹⁾ Based on historical premiums written in those states, rate changes approved for non-standard auto totaled \$1 million and \$30 million in the three months ended March 31, 2012 and 2011, respectively.

Allstate brand non-standard auto premiums written totaled \$189 million in the first quarter of 2012, a decrease of 10.0% from \$210 million in the first quarter of 2011. Contributing to the Allstate brand non-standard auto premiums written decrease in the first quarter of 2012 compared to the first quarter of 2011 were the following:

- decrease in PIF as of March 31, 2012 compared to March 31, 2011 due to a decline in the number of policies available to renew and a lower retention rate
- 1.3% increase in new issued applications to 79 thousand in the first quarter of 2012 from 78 thousand in the first quarter of 2011
- decrease in average gross premium in the first quarter of 2012 compared to the first quarter of 2011
- 1.3 point decrease in the renewal ratio in the first quarter of 2012 compared to the first quarter of 2011

Homeowners premiums written totaled \$1.34 billion in the first quarter of 2012, an increase of 3.0% from \$1.30 billion in the first quarter of 2011. Excluding the cost of catastrophe reinsurance, premiums written increased 2.5% in the first quarter of 2012 compared to the first quarter of 2011.

Homeowners	Allstate brand		Encompass brand	
	2012	2011	2012	2011
Three months ended March 31,				
PIF (thousands) ⁽¹⁾	6,259	6,631	309	310
Average premium-gross written (12 months)	\$ 1,065	\$ 975	\$ 1,299	\$ 1,296
Renewal ratio (%) (12 months)	87.4	88.3	79.6	82.3
Approved rate changes ⁽²⁾ :				
# of states	13	12 ⁽³⁾	5	5
Countrywide (%)	2.0	1.8	0.9	1.2
State specific (%) ⁽⁴⁾	7.9	9.9	5.3	4.9

- (1) Beginning in first quarter of 2012, excess and surplus lines PIF are not included in the homeowners PIF totals. Previously, these policy counts were included in the homeowners totals. Excess and surplus lines represent policies written by North Light Specialty Insurance Company. All other total homeowners measures and statistics include excess and surplus lines.
- (2) Includes rate changes approved based on our net cost of reinsurance. Rate changes exclude excess and surplus lines.
- (3) Includes Washington D.C.
- (4) Based on historical premiums written in those states, rate changes approved for homeowners totaled \$128 million and \$116 million in the three months ended March 31, 2012 and 2011, respectively.

Allstate brand homeowners premiums written totaled \$1.26 billion in the first quarter of 2012, an increase of 2.7% from \$1.23 billion in the first quarter of 2011. Contributing to the Allstate brand homeowners premiums written increase in the first quarter of 2012 compared to the first quarter of 2011 were the following:

- 5.6% decrease in PIF as of March 31, 2012 compared to March 31, 2011 due to fewer policies available to renew and fewer new issued applications
- 11.4% decrease in new issued applications to 101 thousand in the first quarter of 2012 from 114 thousand in the first quarter of 2011.
- increase in average gross premium in the first quarter of 2012 compared to the first quarter of 2011 primarily due to rate changes
- 0.9 point decrease in the renewal ratio in the first quarter of 2012 compared to the first quarter of 2011
- decrease in the cost of our catastrophe reinsurance program in the first quarter of 2012 compared to the first quarter of 2011

Underwriting results are shown in the following table.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Premiums written	\$ 6,462	\$ 6,216
Premiums earned	\$ 6,630	\$ 6,449
Claims and claims expense	(4,336)	(4,472)
Amortization of DAC	(878)	(864)
Other costs and expenses	(884)	(768)
Restructuring and related charges	(6)	(11)
Underwriting income	\$ 526	\$ 334
Catastrophe losses	\$ 259	\$ 333
Underwriting income (loss) by line of business		
Standard auto	\$ 115	\$ 189
Non-standard auto	16	25
Homeowners	306	128
Other personal lines	89	(8)
Underwriting income	\$ 526	\$ 334
Underwriting income (loss) by brand		
Allstate brand	\$ 586	\$ 335
Encompass brand	1	(1)
Esurance brand	(61)	--
Underwriting income	\$ 526	\$ 334

Allstate Protection experienced underwriting income of \$526 million in the first quarter of 2012 compared to \$334 million in the first quarter of 2011, primarily due to an increase in homeowners underwriting income and underwriting income for other personal lines compared to an underwriting loss in the prior year, partially offset by a decrease in standard auto underwriting income. Homeowners underwriting income increased \$178 million to \$306 million in the first quarter of 2012 from \$128 million in the first quarter of 2011 primarily due to decreases in catastrophe losses and average earned premiums increasing faster than loss costs, partially offset by higher expenses. Other personal lines underwriting income was \$89 million in the first quarter of 2012 compared to an underwriting loss of \$8 million in the first quarter of 2011 primarily due to favorable reserve reestimates and decreases in catastrophe losses. Standard auto underwriting income decreased \$74 million to \$115 million in the first quarter of 2012 from \$189 million in the first quarter of 2011 primarily due to the inclusion of Esurance brand's underwriting loss of \$61 million in the first quarter of 2012, higher expenses, and increases in catastrophe losses, partially offset by favorable reserve reestimates.

Catastrophe losses in the first quarter of 2012 were \$259 million as detailed in the table below. This compares to catastrophe losses in the first quarter of 2011 of \$333 million.

We define a "catastrophe" as an event that produces pre-tax losses before reinsurance in excess of \$1 million and involves multiple first party policyholders, or an event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, winter storms, tornadoes, hailstorms, wildfires, tropical storms, hurricanes, earthquakes and volcanoes. We are also exposed to man-made catastrophic events, such as certain types of terrorism or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

Catastrophe losses related to events that occurred by the size of the event are shown in the following table.

(\$ in millions) Three months ended

March 31, 2012

	Number of events		Claims and claims expense		Combined ratio impact		Average catastrophe loss per event
Size of catastrophe							
\$101 million to \$250 million	1	6.7%	\$ 161	62.2%	2.5	\$	161
\$50 million to \$100 million	1	6.7	94	36.3	1.4		94
Less than \$50 million	13	86.6	165	63.7	2.5		13
Total	15	100.0%	420	162.2	6.4		28
Prior year reserve reestimates			(161)	(62.2)	(2.5)		
Total catastrophe losses			\$ 259	100.0%	3.9		

Catastrophe losses incurred by the type of event are shown in the following table.

(\$ in millions)	Three months ended March 31,			
	2012		2011	
		Number of events		Number of events
Tornadoes	\$ 207	3	\$ 19	1
Wind/Hail	202	10	176	10
Wildfires	3	1	5	2
Other events	8	1	167	3
Prior year reserve reestimates	(161)		(34)	
Total catastrophe losses	\$ 259	15	\$ 333	16

Catastrophe losses, including prior year reserve reestimates, excluding hurricanes named or numbered by the National Weather Service, fires following earthquakes and earthquakes totaled \$284 million in the first quarter of 2012 and is the result of severe weather experienced.

Combined ratio Loss ratios are a measure of profitability. Loss ratios by product, and expense and combined ratios by brand, are shown in the following table. These ratios are defined in the Property-Liability Operations section of the MD&A.

	Three months ended March 31,						Effect of business combination expenses and the amortization of purchased intangible assets on combined ratio
	Ratio ⁽¹⁾		Effect of catastrophe losses on combined ratio		Effect of prior year reserve reestimates on combined ratio		
	2012	2011	2012	2011	2012	2011	
Allstate brand loss ratio:							
Standard auto	69.6	70.3	1.2	0.5	(1.2)	(0.4)	
Non-standard auto	67.2	64.8	--	--	--	(3.3)	
Homeowners	56.5	67.9	12.6	17.7	(7.9)	(2.7)	
Other personal lines	53.9	67.3	2.9	7.0	(6.7)	2.6	
Total Allstate brand loss ratio	64.9	69.2	4.1	5.1	(3.3)	(0.8)	
Allstate brand expense ratio	25.6	25.4	--	--	--	--	0.1
Allstate brand combined ratio	90.5	94.6	4.1	5.1	(3.3)	(0.8)	0.1
Encompass brand loss ratio:							
Standard auto	78.1	75.7	0.7	--	0.7	3.1	
Non-standard auto	--	100.0	--	--	--	--	
Homeowners	55.4	65.9	6.5	16.5	(2.2)	1.1	
Other personal lines	87.0	65.2	--	8.7	(4.3)	(8.7)	
Total Encompass brand loss ratio	71.0	71.7	2.6	6.2	(0.8)	1.5	
Encompass brand expense ratio	28.6	28.7	--	--	--	--	--
Encompass brand combined ratio	99.6	100.4	2.6	6.2	(0.8)	1.5	--
Esurance brand loss ratio:							
Standard auto	72.8	--	0.4	--	--	--	
Total Esurance brand loss ratio	72.8	--	0.4	--	--	--	
Esurance brand expense ratio	54.8	--	--	--	--	--	18.1
Esurance brand combined ratio	127.6	--	0.4	--	--	--	18.1
Allstate Protection loss ratio	65.4	69.3	3.9	5.2	(3.1)	(0.7)	
Allstate Protection expense ratio	26.7	25.5	--	--	--	--	0.7

⁽¹⁾Ratios are calculated using the premiums earned for the respective line of business.

Standard auto loss ratio for the Allstate brand decreased 0.7 points in the first quarter of 2012 compared to the first quarter of 2011 primarily due to favorable reserve reestimates, partially offset by higher catastrophe losses. Excluding the impact of catastrophe losses, the Allstate brand standard auto loss ratio improved 1.4 points in the first quarter of 2012 compared to the first quarter of 2011. Florida and New York results have shown improvement with loss ratios, including prior year reserve reestimates, of 71.3 and 65.2, respectively, in the first quarter of 2012 compared to 77.3 and 80.1, respectively, in

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the first quarter of 2011. Although the combined impact of these two states on countrywide results has declined, we continue to pursue profitability management actions, including rate increases, underwriting restrictions, increased claims staffing and review, and continued advocacy for legislative reform. In the first quarter of 2012, claim frequencies in the bodily injury and physical damage coverages have decreased compared to the first quarter of 2011. Bodily injury and physical damage coverages severity results in the first quarter of 2012 increased in line with historical Consumer Price Index trends.

Homeowners loss ratio for the Allstate brand decreased 11.4 points to 56.5 in the first quarter of 2012 from 67.9 in the first quarter of 2011 due to lower catastrophe losses and average earned premiums increasing faster than loss costs.

Expense ratio for Allstate Protection increased 1.2 points in the first quarter of 2012 compared to the first quarter of 2011 primarily due to additional marketing costs and the amortization of purchased intangible assets related to Esurance in the current year period, partially offset by a non-recurring litigation accrual recorded in the prior year period. Other costs and expenses include Esurance advertising expense in the first quarter of 2012 which had a 20.4 point impact on the Esurance brand expense ratio and a 0.7 point impact on the Allstate Protection expense ratio.

The impact of specific costs and expenses on the expense ratio are included in the following table.

	Three months ended March 31,							
	Allstate brand		Encompass brand		Esurance brand	Allstate Protection		
	2012	2011	2012	2011	2012	2012	2011	
Amortization of DAC	13.1	13.2	17.3	17.5	2.3	12.9	13.4	
Other costs and expenses	12.3	12.0	11.3	11.4	34.4	13.0	11.9	
Business combination expenses and amortization of purchased intangible assets	0.1	--	--	--	18.1	0.7	--	
Restructuring and related charges	0.1	0.2	--	(0.2)	--	0.1	0.2	
Total expense ratio	25.6	25.4	28.6	28.7	54.8	26.7	25.5	

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Reserve reestimates The tables below show Allstate Protection net reserves representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2012 and 2011, and the effect of reestimates in each year.

(\$ in millions)	January 1 reserves	
	2012	2011
	Auto	\$ 11,404
Homeowners	2,439	2,442
Other personal lines	2,237	2,141
Total Allstate Protection	\$ 16,080	\$ 15,617

(\$ in millions, except ratios)

	Three months ended March 31,			
	2012		2011	
	Reserve reestimate ^{(1) (2)}	Effect on combined ratio ⁽²⁾	Reserve reestimate ^{(1) (2)}	Effect on combined ratio ⁽²⁾
Auto	\$ (48)	(0.7)	\$ (19)	(0.3)
Homeowners	(119)	(1.8)	(38)	(0.6)
Other personal lines	(40)	(0.6)	13	0.2
Total Allstate Protection ⁽³⁾	\$ (207)	(3.1)	\$ (44)	(0.7)
Allstate brand	\$ (205)	(3.1)	\$ (48)	(0.8)
Encompass brand	(2)	--	4	0.1
Esurance brand	--	--	--	--
Total Allstate Protection ⁽³⁾	\$ (207)	(3.1)	\$ (44)	(0.7)

⁽¹⁾Favorable reserve reestimates are shown in parentheses.

⁽²⁾Discontinued Lines and Coverages segment reserve reestimates in the three months ended March 31, 2012 and 2011 totaled \$3 million unfavorable. There was no effect on the combined ratio in the three months ended March 31, 2012 and 2011.

⁽³⁾Reserve reestimates included in catastrophe losses totaled \$161 million favorable in the three months ended March 31, 2012 compared to \$34 million favorable in the three months ended March 31, 2011.

DISCONTINUED LINES AND COVERAGES SEGMENT

Overview The Discontinued Lines and Coverages segment includes results from insurance coverage that we no longer write and results for certain commercial and other businesses in run-off. Our exposure to asbestos, environmental and other discontinued lines claims is reported in this segment. We have assigned management of this segment to a designated group of professionals with expertise in claims handling, policy coverage interpretation, exposure identification and reinsurance collection. As part of its responsibilities, this group is also regularly engaged in policy buybacks, settlements and reinsurance assumed and ceded commutations.

Summarized underwriting results are presented in the following table.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Premiums written	\$ 1	\$ (1)
Premiums earned	\$ --	\$ (1)
Claims and claims expense	(3)	(4)
Operating costs and expenses	--	(1)
Underwriting loss	\$ (3)	\$ (6)

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PROPERTY-LIABILITY INVESTMENT RESULTS

Net investment income increased 10.2% or \$29 million to \$313 million in the first quarter of 2012 from \$284 million in the first quarter of 2011. The increase resulted from income from limited partnerships and higher average investment balances, partially offset by lower fixed income yields.

Net realized capital gains and losses are presented in the following table.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Impairment write-downs	\$ (19)	\$ (64)
Change in intent write-downs	(28)	(27)
Net other-than-temporary impairment losses recognized in earnings	(47)	(91)
Sales	237	172
Valuation of derivative instruments	3	26
Settlements of derivative instruments	(4)	(95)
EMA limited partnership income ⁽¹⁾	--	45
Realized capital gains and losses, pre-tax	189	57
Income tax expense	(65)	(19)
Realized capital gains and losses, after-tax	\$ 124	\$ 38

⁽¹⁾Income from limited partnerships accounted for under the equity method of accounting ("EMA") is reported in net investment income in 2012 and realized capital gains and losses in 2011.

For a further discussion of net realized capital gains and losses, see the Investments section of the MD&A.

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ALLSTATE FINANCIAL HIGHLIGHTS

- Net income was \$112 million in the first quarter of 2012 compared to \$102 million in the first quarter of 2011.
- Premiums and contract charges on underwritten products, including traditional life, interest-sensitive life and accident and health insurance, totaled \$535 million in the first quarter of 2012, an increase of 3.5% from \$517 million in the first quarter of 2011.
- Investments totaled \$57.62 billion as of March 31, 2012, reflecting an increase in carrying value of \$247 million from \$57.37 billion as of December 31, 2011. Net investment income increased to \$687 million in the first quarter of 2012 from \$684 million in the first quarter of 2011.
- Net realized capital losses totaled \$21 million in the first quarter of 2012 compared to net realized capital gains of \$39 million in the first quarter of 2011.
- Contractholder funds totaled \$41.60 billion as of March 31, 2012, reflecting a decrease of \$729 million from \$42.33 billion as of December 31, 2011 and \$5.23 billion from \$46.83 billion as of March 31, 2011.

ALLSTATE FINANCIAL SEGMENT

Summary analysis Summarized financial data is presented in the following table.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Revenues		
Life and annuity premiums and contract charges	\$ 553	\$ 569

Net investment income	687	684
Realized capital gains and losses	(21)	39
Total revenues	<u>1,219</u>	<u>1,292</u>
Costs and expenses		
Life and annuity contract benefits	(439)	(454)
Interest credited to contractholder funds	(378)	(418)
Amortization of DAC	(101)	(120)
Operating costs and expenses	(142)	(132)
Restructuring and related charges	--	2
Total costs and expenses	<u>(1,060)</u>	<u>(1,122)</u>
Gain (loss) on disposition of operations	3	(20)
Income tax expense	(50)	(48)
Net income	<u>\$ 112</u>	<u>\$ 102</u>
Investments as of March 31	<u>\$ 57,620</u>	<u>\$ 60,484</u>
Net income		
Life insurance	\$ 57	
Accident and health insurance	17	
Annuities and institutional products	38	
Net income	<u>\$ 112</u>	

Net income was \$112 million in the first quarter of 2012 compared to \$102 million in the first quarter of 2011. The \$10 million increase was primarily due to decreased interest credited to contractholder funds, gain on disposition in the current year compared to a loss in the prior year related to the Allstate Bank dissolution, and lower amortization of DAC, partially offset by net realized capital losses in the current year compared to net realized capital gains in the prior year.

Analysis of revenues Total revenues decreased 5.7% or \$73 million in the first quarter of 2012 compared to the first quarter of 2011 due to net realized capital losses in the current year compared to net realized capital gains in the prior year and lower premiums and contract charges.

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Life and annuity premiums and contract charges Premiums represent revenues generated from traditional life insurance, immediate annuities with life contingencies, and accident and health insurance products that have significant mortality or morbidity risk. Contract charges are revenues generated from interest-sensitive and variable life insurance and fixed annuities for which deposits are classified as contractholder funds or separate account liabilities. Contract charges are assessed against the contractholder account values for maintenance, administration, cost of insurance and surrender prior to contractually specified dates.

The following table summarizes life and annuity premiums and contract charges by product.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Underwritten products		
Traditional life insurance premiums	\$ 113	\$ 108
Accident and health insurance premiums	162	161
Interest-sensitive life insurance contract charges	260	248
Subtotal	<u>535</u>	<u>517</u>
Annuities		
Immediate annuities with life contingencies premiums	12	43
Other fixed annuity contract charges	6	9
Subtotal	<u>18</u>	<u>52</u>
Life and annuity premiums and contract charges ⁽¹⁾	<u>\$ 553</u>	<u>\$ 569</u>

⁽¹⁾ Contract charges related to the cost of insurance totaled \$170 million and \$162 million for the first quarter of 2012 and 2011, respectively.

Total premiums and contract charges decreased 2.8% in the first quarter of 2012 compared to the first quarter of 2011 primarily due to lower sales of immediate annuities with life contingencies, partially offset by higher contract charges on interest-sensitive life insurance products primarily resulting from the aging of our policyholders and increased traditional life insurance premiums. Sales of immediate annuities with life contingencies fluctuate with changes in our pricing competitiveness relative to other insurers. Increased traditional life insurance premiums were due to lower reinsurance premiums ceded and higher sales through Allstate agencies, partially offset by lower renewal premiums.

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Contractholder funds represent interest-bearing liabilities arising from the sale of individual and institutional products, such as interest-sensitive life insurance, fixed annuities, funding agreements and bank deposits. The balance of contractholder funds is equal to the cumulative deposits received and

interest credited to the contractholder less cumulative contract maturities, benefits, surrenders, withdrawals and contract charges for mortality or administrative expenses. The following table shows the changes in contractholder funds.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Contractholder funds, beginning balance	\$ 42,332	\$ 48,195
Deposits		
Fixed annuities	153	164
Interest-sensitive life insurance	332	330
Bank deposits	--	212
Total deposits	485	706
Interest credited	379	410
Maturities, benefits, withdrawals and other adjustments		
Maturities of and interest payments on institutional products	(1)	(487)
Benefits	(357)	(372)
Surrenders and partial withdrawals	(943)	(1,019)
Bank withdrawals	--	(274)
Contract charges	(264)	(251)
Net transfers from separate accounts	2	3
Fair value hedge adjustments for institutional products	--	(34)
Other adjustments ⁽¹⁾	(30)	(43)
Total maturities, benefits, withdrawals and other adjustments	(1,593)	(2,477)
Contractholder funds, ending balance	\$ 41,603	\$ 46,834

⁽¹⁾ The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the Condensed Consolidated Statements of Financial Position. The table above is intended to supplement our discussion and analysis of revenues, which are presented net of reinsurance on the Condensed Consolidated Statements of Operations. As a result, the net change in contractholder funds associated with products reinsured to third parties is reflected as a component of the other adjustments line.

Contractholder funds decreased 1.7% and 2.8% in the first quarter of 2012 and 2011, respectively. Average contractholder funds decreased 11.7% in the first quarter of 2012 compared to the same period of 2011.

Contractholder deposits decreased 31.3% in the first quarter of 2012 compared to the same period of 2011 primarily due to the absence of Allstate Bank deposits in the current year period. In September 2011, Allstate Bank stopped opening new customer accounts and all funds were returned to Allstate Bank account holders prior to December 31, 2011.

Maturities of and interest payments on institutional products decreased to \$1 million in the first quarter of 2012 from \$487 million in the first quarter of 2011, reflecting the continuing decline in these obligations.

Surrenders and partial withdrawals on deferred fixed annuities and interest-sensitive life insurance products decreased 7.5% to \$943 million in the first quarter of 2012 from \$1.02 billion in the same period of 2011. The annualized surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 10.7% in the first quarter of 2012 compared to 10.4% in the same period of 2011.

Net investment income increased 0.4% or \$3 million to \$687 million in the first quarter of 2012 from \$684 million in the same period of 2011 primarily due to income from limited partnerships and the termination of interest rate swaps in the first quarter of 2011, partially offset by lower yields on fixed income securities.

Net realized capital gains and losses are presented in the following table.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Impairment write-downs	\$ (20)	\$ (50)
Change in intent write-downs	(16)	(42)
Net other-than-temporary impairment losses recognized in earnings	(36)	(92)
Sales	(8)	111
Valuation of derivative instruments	8	(4)
Settlements of derivative instruments	15	6
EMA limited partnership income ⁽¹⁾	--	18
Realized capital gains and losses, pre-tax	(21)	39
Income tax benefit (expense)	7	(14)
Realized capital gains and losses, after-tax	\$ (14)	\$ 25

⁽¹⁾ Income from EMA limited partnerships is reported in net investment income in 2012 and realized capital gains and losses in 2011.

For further discussion of realized capital gains and losses, see the Investments section of the MD&A.

Analysis of costs and expenses Total costs and expenses decreased 5.5% or \$62 million in the first quarter of 2012 compared to the same period of 2011 primarily due to lower interest credited to contractholder funds and amortization of DAC.

Life and annuity contract benefits decreased 3.3% or \$15 million in the first quarter of 2012 compared to the same period of 2011 primarily due to lower contract benefits on immediate annuities with life contingencies, reflecting the decrease in premiums on these products, partially offset by higher mortality experience on life insurance.

We analyze our mortality and morbidity results using the difference between premiums and contract charges earned for the cost of insurance and life and annuity contract benefits excluding the portion related to the implied interest on immediate annuities with life contingencies ("benefit spread"). This implied interest totaled \$134 million and \$135 million in the first quarter of 2012 and 2011, respectively.

The benefit spread by product group is disclosed in the following table.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Life insurance	\$ 91	\$ 93
Accident and health insurance	73	74
Annuities	(12)	(12)
Total benefit spread	\$ 152	\$ 155

Benefit spread decreased 1.9% or \$3 million in the first quarter of 2012 compared to the same period of 2011 primarily due to higher mortality experience on life insurance, partially offset by higher cost of insurance contract charges on interest-sensitive life insurance.

Interest credited to contractholder funds decreased 9.6% or \$40 million in the first quarter of 2012 compared to the same period of 2011 primarily due to lower average contractholder funds and lower interest crediting rates on deferred fixed annuities, immediate fixed annuities and interest-sensitive life insurance. Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged increased interest credited to contractholder funds by \$10 million in the first quarter of 2012 compared to a \$12 million decrease in the first quarter of 2011. Amortization of deferred sales inducement costs was \$1 million in the first quarter of 2012 compared to \$10 million in the same period of 2011.

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In order to analyze the impact of net investment income and interest credited to contractholders on net income, we monitor the difference between net investment income and the sum of interest credited to contractholder funds and the implied interest on immediate annuities with life contingencies, which is included as a component of life and annuity contract benefits on the Condensed Consolidated Statements of Operations ("investment spread").

The investment spread by product group is shown in the following table.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Annuities and institutional products	\$ 87	\$ 48
Life insurance	18	11
Accident and health insurance	6	5
Allstate Bank products	--	8
Net investment income on investments supporting capital	64	59
Total investment spread	\$ 175	\$ 131

Investment spread increased 33.6% or \$44 million in the first quarter of 2012 compared to the same period of 2011 due to income from limited partnerships, lower crediting rates and the termination of interest rate swaps in first quarter 2011, partially offset by an unfavorable change in the valuation of derivatives embedded in equity-indexed annuity contracts, lower yields on fixed income securities and the continued managed reduction in our spread based business in force.

To further analyze investment spreads, the following table summarizes the weighted average investment yield on assets supporting product liabilities and capital, interest crediting rates and investment spreads for the three months ended March 31.

	Weighted average investment yield		Weighted average interest crediting rate		Weighted average investment spreads	
	2012	2011	2012	2011	2012	2011
Interest-sensitive life insurance	5.4 %	5.4 %	4.1 %	4.2 %	1.3 %	1.2 %
Deferred fixed annuities and institutional products	4.5	4.5	3.2	3.3	1.3	1.2
Immediate fixed annuities with and without life contingencies	7.8	6.2	6.1	6.2	1.7	--
Investments supporting capital, traditional life and other products	3.9	3.7	n/a	n/a	n/a	n/a

The following table summarizes our product liabilities and indicates the account value of those contracts and policies in which an investment spread is generated.

(\$ in millions)	March 31,	
	2012	2011
Immediate fixed annuities with life contingencies	\$ 8,843	\$ 8,753
Other life contingent contracts and other	5,453	4,798
Reserve for life-contingent contract benefits	\$ 14,296	\$ 13,551
Interest-sensitive life insurance	\$ 10,853	\$ 10,720
Deferred fixed annuities	24,495	28,586
Immediate fixed annuities without life contingencies	3,832	3,797
Institutional products	1,914	2,193
Allstate Bank products	--	1,033
Market value adjustments related to fair value hedges and other	509	505

Amortization of DAC decreased 15.8% or \$19 million in the first quarter of 2012 compared to the same period of 2011. The components of amortization of DAC are summarized in the following table.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Amortization of DAC before amortization relating to realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and changes in assumptions	\$ 86	\$ 83
Amortization relating to realized capital gains and losses ⁽¹⁾ and valuation changes on embedded derivatives that are not hedged	15	30
Amortization acceleration for changes in assumptions ("DAC unlocking")	--	7
Total amortization of DAC	\$ 101	\$ 120

⁽¹⁾The impact of realized capital gains and losses on amortization of DAC is dependent upon the relationship between the assets that give rise to the gain or loss and the product liability supported by the assets. Fluctuations result from changes in the impact of realized capital gains and losses on actual and expected gross profits.

The decrease of \$19 million in the first quarter of 2012 compared to the same period of 2011 was primarily due to decreased amortization relating to realized capital gains and losses and the absence of DAC unlocking in the current year period. In 2012, we plan to complete our annual comprehensive DAC review in the third quarter.

Our annual 2011 comprehensive review of the profitability of our products to determine DAC balances for our interest-sensitive life, fixed annuities and other investment contracts which covers assumptions for investment returns, including capital gains and losses, interest crediting rates to policyholders, the effect of any hedges, persistency, mortality and expenses in all product lines took place in first quarter 2011. The review resulted in an acceleration of DAC amortization (charge to income) of \$7 million in the first quarter of 2011. Amortization acceleration of \$12 million related to interest-sensitive life insurance and was primarily due to an increase in projected expenses. Amortization deceleration of \$5 million related to equity-indexed annuities and was primarily due to an increase in projected investment margins.

Operating costs and expenses increased 7.6% or \$10 million in the first quarter of 2012 compared to the same period of 2011. The following table summarizes operating costs and expenses.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Non-deferrable commissions	\$ 25	\$ 28
General and administrative expenses	102	89
Taxes and licenses	15	15
Total operating costs and expenses	\$ 142	\$ 132
Restructuring and related charges	\$ --	\$ (2)

Non-deferrable commissions decreased \$3 million in the first quarter of 2012 compared to the same period of 2011 primarily due to lower sales commissions on immediate annuities and certain life insurance products. General and administrative expenses increased 14.6% or \$13 million in the first quarter of 2012 compared to the same period of 2011 primarily due to increased marketing costs and reduced insurance department assessments in the prior year period.

Gain on disposition of \$3 million in the first quarter of 2012 relates to the amortization of the deferred gain from the Prudential reinsurance agreement. Loss on disposition of \$20 million in the first quarter of 2011 included \$25 million related to the dissolution of Allstate Bank. In 2011, after receiving regulatory approval to dissolve, Allstate Bank ceased operations. In the first quarter of 2012, the bank received the order that it had requested from the Federal Deposit Insurance Company terminating its deposit insurance effective June 30, 2012. We expect to cancel the bank's charter and deregister The Allstate Corporation as a savings and loan holding company by June

30, 2012.

INVESTMENTS HIGHLIGHTS

- Investments totaled \$97.01 billion as of March 31, 2012, an increase of 1.5% from \$95.62 billion as of December 31, 2011.
- Unrealized net capital gains totaled \$3.56 billion as of March 31, 2012, increasing from \$2.88 billion as of December 31, 2011.
- Net investment income was \$1.01 billion in the first quarter of 2012, an increase of 3.0% from \$982 million in the first quarter of 2011.
- Net realized capital gains were \$168 million in the first quarter of 2012 compared to \$96 million in the first quarter of 2011.

INVESTMENTS

The composition of the investment portfolios as of March 31, 2012 is presented in the table below.

(\$ in millions)	Property-Liability ⁽⁵⁾	Allstate Financial ⁽⁵⁾	Corporate and Other ⁽⁵⁾	Total
	Percent to total	Percent to total	Percent to total	Percent to total

Fixed income securities ⁽¹⁾	\$ 28,906	78.7%	\$ 46,269	80.3%	\$ 2,048	76.9%	\$ 77,223	79.6%
Equity securities ⁽²⁾	3,636	9.9	211	0.4	--	--	3,847	4.0
Mortgage loans	494	1.3	6,673	11.6	--	--	7,167	7.4
Limited partnership interests ⁽³⁾	2,889	7.9	1,729	3.0	19	0.7	4,637	4.8
Short-term ⁽⁴⁾	608	1.7	681	1.2	597	22.4	1,886	1.9
Other	192	0.5	2,057	3.5	--	--	2,249	2.3
Total	\$ 36,725	100.0%	\$ 57,620	100.0%	\$ 2,664	100.0%	\$ 97,009	100.0%

⁽¹⁾ Fixed income securities are carried at fair value. Amortized cost basis for these securities was \$28.09 billion, \$43.97 billion and \$2.00 billion for Property-Liability, Allstate Financial and Corporate and Other, respectively.

⁽²⁾ Equity securities are carried at fair value. Cost basis for these securities was \$3.27 billion and \$160 million for Property-Liability and Allstate Financial, respectively.

⁽³⁾ We have commitments to invest in additional limited partnership interests totaling \$1.20 billion and \$723 million for Property-Liability and Allstate Financial, respectively.

⁽⁴⁾ Short-term investments are carried at fair value. Amortized cost basis for these investments was \$608 million, \$681 million and \$597 million for Property-Liability, Allstate Financial and Corporate and Other, respectively.

⁽⁵⁾ Balances reflect the elimination of related party investments between segments.

Total investments increased to \$97.01 billion as of March 31, 2012, from \$95.62 billion as of December 31, 2011, primarily due to higher valuations of fixed income and equity securities and an increase of \$213 million in collateral from securities lending activities, partially offset by net reductions in contractholder funds. Valuations of fixed income securities are typically driven by a combination of changes in relevant risk-free interest rates and credit spreads over the period. Risk-free interest rates are typically referenced as the yield on U.S. Treasury securities, whereas credit spread is the additional yield on fixed income securities above the risk-free rate that market participants require to compensate them for assuming credit, liquidity and/or prepayment risks. The increase in valuation of fixed income securities for the three months ended March 31, 2012 was due to tightening credit spreads, partially offset by increasing risk-free interest rates.

The Property-Liability investment portfolio increased to \$36.73 billion as of March 31, 2012, from \$36.00 billion as of December 31, 2011, primarily due to the higher valuations of equity and fixed income securities, positive operating cash flows and increased collateral from securities lending activities, partially offset by dividends paid by Allstate Insurance Company ("AIC") to its parent, The Allstate Corporation (the "Corporation").

The Allstate Financial investment portfolio increased to \$57.62 billion as of March 31, 2012, from \$57.37 billion as of December 31, 2011, primarily due to higher valuations of fixed income securities, partially offset by net reductions in contractholder funds of \$729 million.

The Corporate and Other investment portfolio increased to \$2.66 billion as of March 31, 2012, from \$2.25 billion as of December 31, 2011, primarily due to dividends of \$450 million paid by AIC to the Corporation and the

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proceeds of \$500 million of senior notes issued in January 2012, partially offset by repayment of \$350 million of debt, share repurchases, dividends paid to shareholders and interest paid on debt.

Fixed income securities by type are listed in the table below.

(\$ in millions)	Fair value as of		Percent to	
	March 31, 2012	December 31, 2011	total investments	total investments
U.S. government and agencies	\$ 5,541	\$ 6,315	5.7%	6.6%
Municipal	13,614	14,241	14.0	14.9
Corporate	46,331	43,581	47.8	45.6
Foreign government	1,989	2,081	2.1	2.2
Residential mortgage-backed securities ("RMBS")	3,728	4,121	3.8	4.3
Commercial mortgage-backed securities ("CMBS")	1,753	1,784	1.8	1.9
Asset-backed securities ("ABS")	4,242	3,966	4.4	4.1
Redeemable preferred stock	25	24	--	--
Total fixed income securities	\$ 77,223	\$ 76,113	79.6%	79.6%

As of March 31, 2012, 90.6% of the consolidated fixed income securities portfolio was rated investment grade, which is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"), Fitch, Dominion, or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. All of our fixed income securities are rated by third party credit rating agencies, the National Association of Insurance Commissioners, and/or internally rated. Our initial investment decisions and ongoing monitoring procedures for fixed income securities are based on a thorough due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure, and liquidity risks of each issue.

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The following table summarizes the fair value and unrealized net capital gains and losses for fixed income securities by credit rating as of March 31, 2012.

(\$ in millions)	Aaa		Aa		A	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
U.S. government and agencies	\$ 5,541	\$ 282	\$ --	\$ --	\$ --	\$ --
Municipal						
Tax exempt	1,035	50	4,103	195	2,046	108
Taxable	209	24	2,676	320	1,105	102
Auction rate securities ("ARS")	384	(27)	208	(30)	64	(10)
Corporate						
Public	959	55	2,610	156	11,920	802
Privately placed	1,271	52	1,501	93	4,204	290
Foreign government	767	106	457	29	432	30
RMBS						
U.S. government sponsored entities ("U.S. Agency")	1,624	79	--	--	--	--

Prime residential mortgage-backed securities ("Prime")	162	3	51	1	156	4
Alt-A residential mortgage-backed securities ("Alt-A")	--	--	19	--	54	1
Subprime residential mortgage-backed securities ("Subprime")	--	--	28	(5)	38	(8)
CMBS	899	46	184	5	187	(13)
ABS						
Collateralized debt obligations ("CDO")	152	(3)	752	(24)	320	(56)
Consumer and other asset-backed securities ("Consumer and other ABS")	1,375	41	426	4	471	5
Redeemable preferred stock	--	--	1	--	--	--
Total fixed income securities	<u>\$ 14,378</u>	<u>\$ 708</u>	<u>\$ 13,016</u>	<u>\$ 744</u>	<u>\$ 20,997</u>	<u>\$ 1,255</u>

	Baa		Ba or lower		Total	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
U.S. government and agencies	\$ --	\$ --	\$ --	\$ --	\$ 5,541	\$ 282
Municipal						
Tax exempt	844	18	391	(52)	8,419	319
Taxable	375	(17)	113	(21)	4,478	408
ARS	--	--	61	(16)	717	(83)
Corporate						
Public	12,448	729	3,098	69	31,035	1,811
Privately placed	6,701	276	1,619	(10)	15,296	701
Foreign government	333	30	--	--	1,989	195
RMBS						
U.S. Agency	--	--	--	--	1,624	79
Prime	35	--	484	(3)	888	5
Alt-A	56	--	387	(57)	516	(56)
Subprime	38	(12)	596	(234)	700	(259)
CMBS	284	(50)	199	(99)	1,753	(111)
ABS						
CDO	171	(46)	273	(52)	1,668	(181)
Consumer and other ABS	286	4	16	(3)	2,574	51
Redeemable preferred stock	24	2	--	--	25	2
Total fixed income securities	<u>\$ 21,595</u>	<u>\$ 934</u>	<u>\$ 7,237</u>	<u>\$ (478)</u>	<u>\$ 77,223</u>	<u>\$ 3,163</u>

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Municipal bonds, including tax exempt, taxable and ARS securities, totaled \$13.61 billion as of March 31, 2012 with an unrealized net capital gain of \$644 million. The municipal bond portfolio includes general obligations of state and local issuers, revenue bonds and pre-refunded bonds, which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest.

Corporate bonds, including publicly traded and privately placed, totaled \$46.33 billion as of March 31, 2012 with an unrealized net capital gain of \$2.51 billion. Privately placed securities primarily consist of corporate issued senior debt securities that are directly negotiated with the borrower or are in unregistered form.

RMBS, CMBS and ABS are structured securities that are primarily collateralized by residential and commercial real estate loans and other consumer or corporate borrowings. The cash flows from the underlying collateral paid to the securitization trust are generally applied in a pre-determined order and are designed so that each security issued by the trust, typically referred to as a "class", qualifies for a specific original rating. For example, the "senior" portion or "top" of the capital structure, or rating class, which would originally qualify for a rating of Aaa typically has priority in receiving principal repayments on the underlying collateral and retains this priority until the class is paid in full. In a sequential structure, underlying collateral principal repayments are directed to the most senior rated Aaa class in the structure until paid in full, after which principal repayments are directed to the next most senior Aaa class in the structure until it is paid in full. Senior Aaa classes generally share any losses from the underlying collateral on a pro-rata basis after losses are absorbed by classes with lower original ratings. The payment priority and class subordination included in these securities serves as credit enhancement for holders of the senior or top portions of the structures. These securities continue to retain the payment priority features that existed at the origination of the securitization trust. Other forms of credit enhancement may include structural features embedded in the securitization trust, such as overcollateralization, excess spread and bond insurance. The underlying collateral can have fixed interest rates, variable interest rates (such as adjustable rate mortgages) or may contain features of both fixed and variable rate mortgages.

RMBS, including U.S. Agency, Prime, Alt-A and Subprime, totaled \$3.73 billion, with 60.6% rated investment grade, as of March 31, 2012. The *RMBS* portfolio is subject to interest rate risk, but unlike other fixed income securities, is additionally subject to significant prepayment risk from the underlying residential mortgage loans. The credit risk associated with the U.S. Agency portfolio is mitigated because they were issued by or have underlying collateral guaranteed by U.S. government agencies. The unrealized net capital loss of \$231 million as of March 31, 2012 was the result of wider credit spreads than at initial purchase on the non-U.S. Agency portion of our *RMBS* portfolio, largely due to higher risk premiums caused by macroeconomic conditions and credit market deterioration, including the impact of lower residential real estate valuations, which show signs of stabilization or recovery in certain geographic areas but remain under stress in other geographic areas. The following table shows our *RMBS* portfolio as of March 31, 2012 based upon vintage year of the issuance of the securities.

(\$ in millions)	U.S. Agency		Prime		Alt-A		Subprime		Total RMBS	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
2011	\$ 21	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 21	\$ --
2010	35	--	160	3	49	2	--	--	244	5
2009	235	8	53	1	7	--	--	--	295	9
2008	332	15	--	--	--	--	--	--	332	15
2007	97	4	197	7	64	(17)	199	(74)	557	(80)
2006	83	5	164	4	140	(20)	152	(46)	539	(57)
2005	254	12	145	(9)	121	(13)	186	(76)	706	(86)
Pre-2005	567	35	169	(1)	135	(8)	163	(63)	1,034	(37)
Total	<u>\$ 1,624</u>	<u>\$ 79</u>	<u>\$ 888</u>	<u>\$ 5</u>	<u>\$ 516</u>	<u>\$ (56)</u>	<u>\$ 700</u>	<u>\$ (259)</u>	<u>\$ 3,728</u>	<u>\$ (231)</u>

Prime are collateralized by residential mortgage loans issued to prime borrowers. Alt-A includes securities collateralized by residential mortgage loans issued to borrowers who do not qualify for prime financing terms due to high loan-to-value ratios or limited supporting documentation, but have stronger credit profiles than subprime borrowers. Subprime includes securities collateralized by residential mortgage loans issued to borrowers that cannot qualify for Prime or Alt-A financing terms due in part to weak or limited credit history. It also includes securities that are collateralized by certain second lien mortgages regardless of the borrower's credit history. The Subprime portfolio consisted of \$528 million and \$172 million of first lien and second lien securities, respectively.

CMBS totaled \$1.75 billion, with 88.6% rated investment grade, as of March 31, 2012. The CMBS portfolio is subject to credit risk, but unlike certain other structured securities, is generally not subject to prepayment risk due to protections within the underlying commercial mortgage loans. Of the CMBS investments, 93.0% are traditional

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conduit transactions collateralized by commercial mortgage loans, broadly diversified across property types and geographical area. The remainder consists of non-traditional CMBS such as small balance transactions, large loan pools and single borrower transactions.

The following table shows our CMBS portfolio as of March 31, 2012 based upon vintage year of the underlying collateral.

(\$ in millions)	Fair value	Unrealized gain/(loss)
2011	\$ 5	\$ --
2010	25	2
2007	282	(8)
2006	544	(90)
2005	248	(29)
Pre-2005	649	14
Total CMBS	<u>\$ 1,753</u>	<u>\$ (111)</u>

The unrealized net capital loss of \$111 million as of March 31, 2012 on our CMBS portfolio was the result of wider credit spreads than at initial purchase in our 2005-2007 vintage year CMBS. This is largely due to the macroeconomic conditions and credit market deterioration, including the impact of lower commercial real estate valuations, which show signs of stabilization or recovery in certain geographic areas but remain under stress in other geographic areas.

ABS, including CDO and Consumer and other ABS, totaled \$4.24 billion, with 93.2% rated investment grade, as of March 31, 2012. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees and/or insurance. The unrealized net capital loss of \$130 million as of March 31, 2012 on our ABS portfolio was the result of wider credit spreads than at initial purchase.

CDO totaled \$1.67 billion, with 83.6% rated investment grade, as of March 31, 2012. CDO consist primarily of obligations collateralized by high yield and investment grade corporate credits including \$1.37 billion of cash flow collateralized loan obligations ("CLO") with unrealized losses of \$78 million. Cash flow CLO are structures collateralized primarily by below investment grade senior secured corporate loans. The underlying collateral is actively managed by external managers that monitor the collateral's performance and is well diversified across industries and among issuers. The remaining \$303 million of securities consisted of synthetic CDO, trust preferred CDO, project finance CDO, market value CDO, collateralized bond obligations and other CLO with unrealized losses of \$103 million.

Consumer and other ABS totaled \$2.57 billion, with 99.4% rated investment grade, as of March 31, 2012. Consumer and other ABS consists of \$680 million of consumer auto and \$1.89 billion of other ABS with unrealized gains of \$5 million and \$46 million, respectively.

Mortgage loans Our mortgage loan portfolio, which is primarily held in the Allstate Financial portfolio, totaled \$7.17 billion as of March 31, 2012, compared to \$7.14 billion as of December 31, 2011, and primarily comprises loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification.

For further detail on our mortgage loan portfolio, see Note 4 of the condensed consolidated financial statements.

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Limited partnership interests consist of investments in private equity/debt funds, real estate funds, hedge funds and tax credit funds. The limited partnership interests portfolio is well diversified across a number of characteristics including fund managers, vintage years, strategies, geography (including international), and company/property types. The following table presents information about our limited partnership interests as of March 31, 2012.

(\$ in millions)	Private equity/debt funds	Real estate funds	Hedge funds	Tax credit funds	Total
Cost method of accounting ("Cost")	\$ 862	\$ 385	\$ 24	\$ 7	\$ 1,278
Equity method of accounting ("EMA")	1,133	845	767	614	3,359
Total	<u>\$ 1,995</u>	<u>\$ 1,230</u>	<u>\$ 791</u>	<u>\$ 621</u>	<u>\$ 4,637</u>
Number of managers	93	45	13	10	
Number of individual funds	154	92	63	19	
Largest exposure to single fund	\$ 49	\$ 184	\$ 80	\$ 58	

The following table shows the results from our limited partnership interests by fund type and accounting classification for the three months ended March 31.

(\$ in millions)	2012				2011			
	Cost	EMA ⁽²⁾	Total income	Impairment write-downs ⁽¹⁾	Cost	EMA ⁽²⁾	Total income	Impairment write-downs ⁽¹⁾
Private equity/debt funds	\$ 12	\$ 60	\$ 72	\$ (1)	\$ 9	\$ 19	\$ 28	\$ (1)
Real estate funds	1	30	31	(1)	1	8	9	--
Hedge funds	--	10	10	--	--	36	36	--
Tax credit funds	--	(4)	(4)	--	--	--	--	--
Total	\$ 13	\$ 96	\$ 109	\$ (2)	\$ 10	\$ 63	\$ 73	\$ (1)

⁽¹⁾ Impairment write-downs related to cost method limited partnerships were \$2 million and \$1 million in the three months ended March 31, 2012 and 2011, respectively. There were no impairment write-downs related to EMA limited partnerships in the three months ended March 31, 2012 and 2011.

⁽²⁾ Income from EMA limited partnerships is reported in net investment income in 2012 and realized capital gains and losses in 2011.

Limited partnership interests, excluding impairment write-downs, produced income of \$109 million in the three months ended March 31, 2012 compared to \$73 million in the three months ended March 31, 2011. Income on EMA limited partnerships is recognized on a delay due to the availability of the related financial statements. The recognition of income on hedge funds is primarily on a one-month delay and the income recognition on private equity/debt funds, real estate funds and tax credit funds are generally on a three-month delay. Income on cost method limited partnerships is recognized only upon receipt of amounts distributed by the partnerships.

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Unrealized net capital gains totaled \$3.56 billion as of March 31, 2012 compared to \$2.88 billion as of December 31, 2011. The increase from December 31, 2011 for fixed income securities was due to tightening credit spreads, partially offset by increasing risk-free interest rates. The improvement since December 31, 2011 for equity securities was primarily due to higher equity valuations. The following table presents unrealized net capital gains and losses.

(\$ in millions)	March 31, 2012	December 31, 2011
U.S. government and agencies	\$ 282	\$ 349
Municipal	644	607
Corporate	2,512	2,364
Foreign government	195	215
RMBS	(231)	(411)
CMBS	(111)	(178)
ABS	(130)	(214)
Redeemable preferred stock	2	2
Fixed income securities ⁽¹⁾	3,163	2,734
Equity securities	417	160
EMA limited partnerships	1	2
Derivatives	(21)	(17)
Unrealized net capital gains and losses, pre-tax	\$ 3,560	\$ 2,879

⁽¹⁾ Unrealized net capital gains and losses for fixed income securities as of March 31, 2012 and December 31, 2011 comprise \$(154) million and \$(267) million, respectively, related to unrealized net capital losses on fixed income securities with other-than-temporary impairment and \$3.32 billion and \$3.00 billion, respectively, related to other unrealized net capital gains and losses.

The unrealized net capital gains for the fixed income portfolio totaled \$3.16 billion and comprised \$4.40 billion of gross unrealized gains and \$1.24 billion of gross unrealized losses as of March 31, 2012. This is compared to unrealized net capital gains for the fixed income portfolio totaling \$2.73 billion, comprised \$4.40 billion of gross unrealized gains and \$1.67 billion of gross unrealized losses as of December 31, 2011.

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Gross unrealized gains and losses as of March 31, 2012 on fixed income securities by type and sector are provided in the table below.

(\$ in millions)	Par value ⁽¹⁾	Amortized cost	Gross unrealized		Fair value	Amortized cost as a percent of par value ⁽²⁾	Fair value as a percent of par value ⁽²⁾
			Gains	Losses			
Corporate:							
Banking	\$ 4,134	\$ 4,114	\$ 133	\$ (104)	\$ 4,143	99.5 %	100.2 %
Utilities	7,588	7,589	650	(36)	8,203	100.0	108.1
Financial services	3,589	3,538	188	(24)	3,702	98.6	103.1
Capital goods	4,964	5,004	370	(20)	5,354	100.8	107.9
Consumer goods (cyclical and non-cyclical)	8,720	8,844	529	(16)	9,357	101.4	107.3
Basic industry	2,890	2,912	140	(15)	3,037	100.8	105.1
Transportation	1,857	1,863	155	(11)	2,007	100.3	108.1
Energy	3,820	3,871	244	(7)	4,108	101.3	107.5
Communications	2,865	2,872	175	(6)	3,041	100.2	106.1
Technology	1,930	1,966	110	(3)	2,073	101.9	107.4
Other	1,354	1,246	66	(6)	1,306	92.0	96.5
Total corporate fixed income portfolio	43,711	43,819	2,760	(248)	46,331	100.2	106.0
U.S. government and agencies	5,612	5,259	287	(5)	5,541	93.7	98.7
Municipal	14,665	12,970	864	(220)	13,614	88.4	92.8
Foreign government	1,869	1,794	196	(1)	1,989	96.0	106.4
RMBS	4,647	3,959	126	(357)	3,728	85.2	80.2
CMBS	1,932	1,864	63	(174)	1,753	96.5	90.7

ABS	4,593	4,372	108	(238)	4,242	95.2	92.4
Redeemable preferred stock	21	23	2	--	25	109.5	119.0
Total fixed income securities	\$ 77,050	\$ 74,060	\$ 4,406	\$ (1,243)	\$ 77,223	96.1	100.2

⁽¹⁾ Included in par value are zero-coupon securities that are generally purchased at a deep discount to the par value that is received at maturity. These primarily included corporate, U.S. government and agencies, municipal and foreign government zero-coupon securities with par value of \$488 million, \$948 million, \$3.13 billion and \$382 million, respectively.

⁽²⁾ Excluding the impact of zero-coupon securities, the percentage of amortized cost to par value would be 100.5% for corporates, 101.3% for U.S. government and agencies, 101.5% for municipals and 103.8% for foreign governments. Similarly, excluding the impact of zero-coupon securities, the percentage of fair value to par value would be 106.2% for corporates, 104.2% for U.S. government and agencies, 106.7% for municipals and 111.6% for foreign governments.

The banking, utilities, financial services and capital goods sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio as of March 31, 2012. In general, credit spreads remain wider than at initial purchase for most of the securities with gross unrealized losses in these categories.

The unrealized net capital gain for the equity portfolio totaled \$417 million and comprised \$464 million of gross unrealized gains and \$47 million of gross unrealized losses as of March 31, 2012. This is compared to an unrealized net capital gain for the equity portfolio totaling \$160 million, comprised of \$369 million of gross unrealized gains and \$209 million of gross unrealized losses as of December 31, 2011.

We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security that may be other-than-temporarily impaired. The process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which we may have a concern, are evaluated based on facts and circumstances for inclusion on our watch-list. All investments in an unrealized loss position as of March 31, 2012 were included in our portfolio monitoring process for determining whether declines in value were other than temporary.

The extent and duration of a decline in fair value for fixed income securities have become less indicative of actual credit deterioration with respect to an issue or issuer. While we continue to use declines in fair value and the

length of time a security is in an unrealized loss position as indicators of potential credit deterioration, our determination of whether a security's decline in fair value is other than temporary has placed greater emphasis on our analysis of the underlying credit and collateral and related estimates of future cash flows.

The following table summarizes the fair value and gross unrealized losses of fixed income securities by type and investment grade classification as of March 31, 2012.

(\$ in millions)	Investment grade		Below investment grade		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. government and agencies	\$ 996	\$ (5)	\$ --	\$ --	\$ 996	\$ (5)
Municipal	1,595	(128)	442	(92)	2,037	(220)
Corporate	3,407	(182)	1,322	(66)	4,729	(248)
Foreign government	79	(1)	--	--	79	(1)
RMBS	238	(28)	997	(329)	1,235	(357)
CMBS	507	(69)	182	(105)	689	(174)
ABS	1,512	(153)	214	(85)	1,726	(238)
Total	\$ 8,334	\$ (566)	\$ 3,157	\$ (677)	\$ 11,491	\$ (1,243)

We have experienced declines in the fair values of fixed income securities primarily due to wider credit spreads resulting from higher risk premiums since the time of initial purchase, largely due to macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations, which show signs of stabilization or recovery in certain geographic areas but remain under stress in other geographic areas. Consistent with their ratings, our portfolio monitoring process indicates that investment grade securities have a low risk of default. Securities rated below investment grade, comprising securities with a rating of Ba, B and Caa or lower, have a higher risk of default. As of March 31, 2012, 35% of our below investment grade gross unrealized losses related to Subprime RMBS.

Fair values for our structured securities are obtained from third-party valuation service providers and are subject to review as disclosed in our Application of Critical Accounting Estimates. In accordance with GAAP, when fair value is less than the amortized cost of a security and we have not made the decision to sell the security and it is not more likely than not we will be required to sell the security before recovery of its amortized cost basis, we evaluate if we expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. We calculate the estimated recovery value by discounting our best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compare this to the amortized cost of the security. If we do not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors ("non-credit-related") recognized in other comprehensive income.

The non-credit-related unrealized losses for our structured securities, including our below investment grade Subprime, are heavily influenced by risk factors other than those related to our best estimate of future cash flows. The difference between these securities' original or current effective rates and the yields implied by their fair value indicates that a higher risk premium is included in the valuation of these securities than existed at initial issue or purchase. This risk premium represents the return that a market participant requires as compensation to assume the risk associated with the uncertainties regarding the future performance of the underlying collateral. The risk premium is comprised of: default risk, which reflects the probability of default and the uncertainty related to collection of contractual principal and interest; liquidity risk, which reflects the risk associated with exiting the investment in an illiquid market, both in terms of timeliness and cost; and volatility risk, which reflects the potential valuation volatility during an investor's holding period. Other factors reflected in the risk premium include the costs associated with underwriting, monitoring and holding these types of complex securities. Certain aspects of the default risk are included in the development of our best estimate of future cash flows, as appropriate. Other aspects of the risk premium are considered to be temporary in nature and are expected to reverse over the remaining lives of the securities as future cash flows are received.

As of March 31, 2012, the fair value of our below investment grade Subprime securities with gross unrealized losses totaled \$512 million, a decrease of 12.6% compared to \$586 million as of December 31, 2011, primarily due to sales. As of March 31, 2012, gross unrealized losses for our below investment grade Subprime portfolio totaled \$240 million, an improvement of 28.1% compared to \$334 million as of December 31, 2011, due to sales, impairment write-downs,

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increased valuations and principal collections, partially offset by the downgrade of certain securities to below investment grade. For our below investment grade Subprime with gross unrealized gains totaling \$6 million, we have recognized cumulative write-downs in earnings totaling \$84 million as of March 31, 2012.

The credit loss evaluation for Subprime securities with gross unrealized losses is performed in two phases. The first phase estimates the future cash flows of the entire securitization trust from which our security was issued. A critical part of this estimate involves forecasting default rates and loss severities of the residential mortgage loans that collateralize the securitization trust. The factors that affect the default rates and loss severities include, but are not limited to, historical collateral performance, collateral type, transaction vintage year, geographic concentrations, borrower credit quality, origination practices of the transaction sponsor, and practices of the mortgage loan servicers. Current loan-to-value ratios of underlying collateral are not consistently available and accordingly they are not a primary factor in our impairment evaluation. While our projections are developed internally and customized to our specific holdings, they are informed by and benchmarked against credit opinions obtained from third parties, such as industry analysts, nationally recognized credit rating agencies and an RMBS loss modeling advisory service. The default rate and loss severity forecasts result in an estimate of trust-level projected additional collateral loss.

We then analyze the actual cumulative collateral losses incurred to date by the securitization trust, our projected additional collateral losses expected to be incurred and the position of the class of securities we own in the securitization trust relative to the trust's other classes to determine whether any of the collateral losses will be applied to our class. If our class has remaining credit enhancement sufficient to withstand the projected additional collateral losses, no collateral losses will be realized by our class and we expect to collect all contractual principal and interest of the security we own. Remaining credit enhancement is measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security we own and (ii) the expected impact of other structural features embedded in the securitization trust beneficial to our class, such as overcollateralization and excess spread.

For securities where there is insufficient remaining credit enhancement for the class of securities we own, a recovery value is calculated based on our best estimate of future cash flows specific to that security. This estimate is based on the contractual principal payments and current interest payments of the securities we own, adjusted for actual cumulative collateral losses incurred to date and the projected additional collateral losses expected to be incurred. This estimate also takes into consideration additional secondary sources of credit support, such as reliable bond insurance. For securities without secondary sources of credit support or for which the secondary sources do not fully offset the actual and projected additional collateral losses applied to them, a credit loss is recorded in earnings to the extent amortized cost exceeds recovery value.

72.8%, 23.1% and 4.1% of the fair value of our below investment grade Subprime securities with gross unrealized losses were issued with Aaa, Aa and A original ratings and capital structure classifications, respectively. As described previously, Subprime securities with higher original ratings typically have priority in receiving the principal repayments on the underlying collateral compared to those with lower original ratings. While the projected cash flow assumptions for our below investment grade Subprime securities with gross unrealized losses have deteriorated since the securities were originated, as reflected by their current credit ratings, these securities continue to retain the payment priority features that existed at the origination of the securitization trust.

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The following tables show trust-level, class-level and security-specific detailed information for our below investment grade Subprime securities with gross unrealized losses that are not reliably insured, by credit rating.

(\$ in millions)	March 31, 2012							Total
	With other-than-temporary impairments recorded in earnings			Without other-than-temporary impairments recorded in earnings				
	B	Caa or lower	Total	Ba	B	Caa or lower	Total	
Trust-level								
Actual cumulative collateral losses incurred to date ⁽¹⁾	13.1 %	17.3 %	17.1 %	4.0 %	6.4 %	8.6 %	6.4 %	n/a
Projected additional collateral losses to be incurred ⁽²⁾	38.5 %	40.0 %	39.9 %	33.4 %	32.6 %	35.5 %	33.9 %	n/a
Class-level								
Average remaining credit enhancement ⁽³⁾	29.6 %	17.4 %	18.0 %	47.6 %	42.0 %	43.3 %	44.3 %	n/a
Security-specific								
Number of positions	3	53	56	8	12	19	39	95
Par value	\$ 28	\$ 579	\$ 607	\$ 77	\$ 73	\$ 81	\$ 231	\$ 838
Amortized cost	\$ 23	\$ 378	\$ 401	\$ 77	\$ 73	\$ 81	\$ 231	\$ 632
Fair value	\$ 18	\$ 263	\$ 281	\$ 55	\$ 41	\$ 49	\$ 145	\$ 426
Gross unrealized losses								
Total	\$ (5)	\$ (115)	\$ (120)	\$ (22)	\$ (32)	\$ (32)	\$ (86)	\$ (206)
Over 24 months ⁽⁴⁾	\$ (5)	\$ (115)	\$ (120)	\$ (22)	\$ (32)	\$ (32)	\$ (86)	\$ (206)
Cumulative write-downs recognized	\$ (5)	\$ (186)	\$ (191)	\$ --	\$ --	\$ --	\$ --	\$ (191)
Principal payments received during the period								\$ 10

(\$ in millions)	December 31, 2011							Total
	With other-than-temporary impairments recorded in earnings			Without other-than-temporary impairments recorded in earnings				
	B	Caa or lower	Total	Ba	B	Caa or lower	Total	
Trust-level								
Actual cumulative collateral losses incurred to date	14.6 %	19.1 %	18.8 %	3.8 %	6.6 %	13.2 %	8.8 %	n/a
Projected additional collateral losses to be incurred	40.0 %	42.9 %	42.8 %	32.6 %	31.6 %	40.2 %	35.7 %	n/a
Class-level								
Average remaining credit enhancement	28.7 %	19.7 %	20.2 %	46.8 %	43.9 %	46.9 %	46.0 %	n/a
Security-specific								
Number of positions	5	66	71	9	15	24	48	119

Par value	\$	41	\$	728	\$	769	\$	84	\$	78	\$	132	\$	294	\$	1,063	
Amortized cost	\$	34	\$	469	\$	503	\$	84	\$	78	\$	132	\$	294	\$	797	
Fair value	\$	26	\$	301	\$	327	\$	60	\$	45	\$	67	\$	172	\$	499	
Gross unrealized losses																	
Total	\$	(8)	\$	(168)	\$	(176)	\$	(24)	\$	(33)	\$	(65)	\$	(122)	\$	(298)	
Over 24 months ⁽⁴⁾	\$	(8)	\$	(167)	\$	(175)	\$	(24)	\$	(33)	\$	(65)	\$	(122)	\$	(297)	
Cumulative write-downs recognized	\$	(7)	\$	(249)	\$	(256)	\$	--	\$	--	\$	--	\$	--	\$	(256)	
Principal payments received during the period																\$	67

⁽¹⁾ Weighted average actual cumulative collateral losses incurred to date as of period end are based on the actual principal losses incurred as a percentage of the remaining principal amount of the loans in the trust. The weighting calculation is based on the par value of each security. Actual losses on the securities we hold are less than the losses on the underlying collateral as presented in this table. Actual cumulative realized principal losses on the below investment grade Subprime securities we own, as reported by the trust servicers, were \$22 million as of March 31, 2012.

⁽²⁾ Weighted average projected additional collateral losses to be incurred as of period end are based on our projections of future losses to be incurred by the trust, taking into consideration the actual cumulative collateral losses incurred to date, as a percentage of the remaining principal amount of the loans in the trust. Our projections are developed internally and customized to our specific holdings and are informed by and benchmarked against credit opinions obtained from third parties, such as industry analysts, nationally recognized credit rating agencies and an RMBS loss modeling advisory service. Projected additional collateral losses to be incurred are compared to average remaining credit enhancement for each security. For securities where the projected additional collateral losses exceed remaining credit enhancement, a recovery value is calculated to determine whether impairment losses should be recorded in earnings. The weighting calculation is based on the par value of each security.

⁽³⁾ Weighted average remaining credit enhancement as of period end is based on structural subordination and the expected impact of other structural features existing in the securitization trust beneficial to our class and reflects our projection of future principal losses that can occur

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as a percentage of the remaining principal amount of the loans in the trust before the class of the security we own will incur its first dollar of principal loss. The weighting calculation is based on the par value of each security.

⁽⁴⁾ As of March 31, 2012, \$80 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and \$73 million of unrealized losses on securities without other-than-temporary impairments recognized in earnings have been greater than or equal to 20% of those securities' amortized cost for a period of more than 24 consecutive months. As of December 31, 2011, \$122 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and \$104 million of unrealized losses on securities without other-than-temporary impairments recognized in earnings have been greater than or equal to 20% of those securities' amortized cost for a period of more than 24 consecutive months.

The above tables include information only about below investment grade Subprime securities with gross unrealized losses that are not reliably insured as of each period presented. As such, the par value and composition of securities included can vary significantly from period to period due to changes in variables such as credit ratings, principal payments, sales, purchases and realized principal losses.

As of March 31, 2012, our Subprime securities that are reliably insured include nine below investment grade Subprime securities with a total fair value of \$86 million and aggregate gross unrealized losses of \$34 million, all of which are rated B. These securities are insured by one bond insurer rated B that we estimate has sufficient claims paying capacity to service its obligations on these securities. The securitization trusts from which our securities were issued are currently receiving contractual payments from the bond insurer and considering the combination of expected future payments from the bond insurer and cash flows available from the underlying collateral, we expect the trust to have adequate cash flows to make all contractual payments due to the class of securities we own. As a result, our security-specific estimates of future cash flows indicate that these securities' estimated recovery values equal or exceed their amortized cost. Accordingly, no other-than-temporary impairments have been recognized on these securities. As of December 31, 2011, our Subprime securities that are reliably insured included nine below investment grade Subprime securities with a total fair value of \$87 million and aggregate gross unrealized losses of \$36 million.

As of March 31, 2012, our below investment grade Subprime securities with gross unrealized losses that are not reliably insured and without other-than-temporary impairments recorded in earnings had incurred actual cumulative collateral losses of 6.4%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying default rate of 49.7% and a projected weighted average loss severity of 68.6%, which resulted in projected additional collateral losses of 33.9%. As the average remaining credit enhancement for these securities of 44.3% exceeds the projected additional collateral losses of 33.9%, these securities have not been impaired.

As of March 31, 2012, our below investment grade Subprime securities with gross unrealized losses that are not reliably insured and with other-than-temporary impairments recorded in earnings had incurred actual cumulative collateral losses of 17.1%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying default rate of 55.5% and a projected weighted average loss severity of 73.2%, which resulted in projected additional collateral losses of 39.9%. As the average remaining credit enhancement for these securities of 18.0% is insufficient to withstand the projected additional collateral losses, we have recognized cumulative write-downs in earnings on the securities as reflected in the table above using our calculated recovery value at the time of impairment. The current average recovery value of these securities as a percentage of par was 68.6% and exceeded these securities' current average amortized cost as a percentage of par of 66.1%, which demonstrates our conclusion that the nature of the remaining unrealized loss on these securities is temporary and will reverse over time. The comparison indicates that recovery value exceeds amortized cost based on a comprehensive evaluation of financial, economic and capital markets assumptions developed for this reporting period.

We believe the unrealized losses on our Subprime securities, including those over 24 months, result from the current risk premium on these securities, which should continue to reverse over the securities' remaining lives. We expect to receive our estimated share of contractual principal and interest collections used to determine the securities' recovery value. As of March 31, 2012, we do not have the intent to sell and it is not more likely than not we will be required to sell these securities before the recovery of their amortized cost basis. We believe that our valuation and impairment processes are comprehensive, employ the most current views about collateral and securitization trust financial positions, and demonstrate our recorded impairments and that the remaining unrealized losses on these positions are temporary.

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Net investment income The following table presents net investment income.

(\$ in millions)

	Three months ended	
	March 31,	
	2012	2011
Fixed income securities	\$ 806	\$ 900
Equity securities	21	19
Mortgage loans	93	89
Limited partnership interests ⁽¹⁾	109	10
Short-term investments	1	2
Other	30	11

Investment income, before expense	1,060	1,031
Investment expense	(49)	(49)
Net investment income	<u>\$ 1,011</u>	<u>\$ 982</u>

⁽¹⁾ Income from EMA limited partnerships is reported in net investment income in 2012 and realized capital gains and losses in 2011.

Net investment income increased 3.0% or \$29 million in the first quarter of 2012 compared to the first quarter of 2011 primarily due to income from limited partnerships and the termination of interest rate swaps in the first quarter of 2011, partially offset by lower average investment balances and lower fixed income yields.

Realized capital gains and losses The following table presents the components of realized capital gains and losses and the related tax effect.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Impairment write-downs	\$ (39)	\$ (114)
Change in intent write-downs	(44)	(69)
Net other-than-temporary impairment losses recognized in earnings	(83)	(183)
Sales	229	283
Valuation of derivative instruments	11	22
Settlements of derivative instruments	11	(89)
EMA limited partnership income ⁽¹⁾	--	63
Realized capital gains and losses, pre-tax	168	96
Income tax expense	(58)	(33)
Realized capital gains and losses, after-tax	<u>\$ 110</u>	<u>\$ 63</u>

⁽¹⁾ Income from EMA limited partnerships is reported in net investment income in 2012 and realized capital gains and losses in 2011.

Impairment write-downs are presented in the following table.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Fixed income securities	\$ (29)	\$ (86)
Equity securities	(7)	(20)
Mortgage loans	(3)	(6)
Limited partnership interests	(2)	(1)
Other investments	2	(1)
Impairment write-downs	<u>\$ (39)</u>	<u>\$ (114)</u>

Impairment write-downs for the three months ended March 31, 2012 were primarily driven by corporate fixed income securities impacted by issuer specific circumstances and RMBS, which experienced deterioration in expected cash flows. Impairment write-downs on below investment grade RMBS and CMBS for the three months ended March 31, 2012 were \$10 million and \$3 million, respectively. Equity securities were written down primarily

due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and near-term and long-term prospects of the issuer, including relevant industry conditions and trends.

Change in intent write-downs are presented in the following table.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Fixed income securities	\$ (35)	\$ (69)
Equity securities	(9)	--
Change in intent write-downs	<u>\$ (44)</u>	<u>\$ (69)</u>

The change in intent write-downs in the three months ended March 31, 2012 were primarily a result of ongoing comprehensive reviews of our portfolios resulting in write-downs of individually identified investments, primarily RMBS, equity securities and corporate fixed income securities.

Sales generated \$229 million of net realized gains for the three months ended March 31, 2012 primarily due to \$175 million of net gains on sales of equity securities and \$35 million of net gains on sales of fixed income securities.

Valuation and settlements of derivative instruments net realized capital gains totaling \$22 million for the three months ended March 31, 2012 included \$11 million of gains on the valuation of derivative instruments and \$11 million of gains on the settlement of derivative instruments. The net realized capital gains on derivative instruments for the three months ended March 31, 2012 primarily included gains on credit default swaps due to the tightening of credit spreads on the underlying credit names. As a component of our approach to managing interest rate risk, realized gains and losses on certain derivative instruments are most appropriately considered in conjunction with the unrealized gains and losses on the fixed income portfolio. This approach mitigates the impacts of general interest rate changes to our overall financial condition.

CAPITAL RESOURCES AND LIQUIDITY HIGHLIGHTS

- Shareholders' equity as of March 31, 2012 was \$19.18 billion, an increase of 4.8% from \$18.30 billion as of December 31, 2011.
- On January 3, 2012 and April 2, 2012, we paid a quarterly shareholder dividend of \$0.21 and \$0.22, respectively.

During the first quarter of 2012, we repurchased 9.8 million common shares for \$300 million. As of March 31, 2012, our current \$1.00 billion share repurchase program had \$594 million remaining and is expected to be completed by March 31, 2013.

On January 11, 2012, we issued \$500 million of 5.20% Senior Notes due 2042.

On April 27, 2012, we entered into a new \$1 billion, 5-year primary credit facility replacing the \$1 billion facility expiring on May 8, 2012.

On April 30, 2012, we filed a universal shelf registration statement with the Securities and Exchange Commission that can be utilized to issue an unspecified amount of various types of securities.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources consist of shareholders' equity and debt, representing funds deployed or available to be deployed to support business operations or for general corporate purposes. The following table summarizes our capital resources.

(\$ in millions)	March 31, 2012	December 31, 2011
Common stock, retained income and other shareholders' equity items	\$ 18,650	\$ 18,269
Accumulated other comprehensive income	532	29
Total shareholders' equity	19,182	18,298
Debt	6,058	5,908
Total capital resources	\$ 25,240	\$ 24,206
Ratio of debt to shareholders' equity	31.6%	32.3%
Ratio of debt to capital resources	24.0%	24.4%

Shareholders' equity increased in the first quarter of 2012, primarily due to net income and increased unrealized net capital gains on investments, partially offset by share repurchases and dividends paid to shareholders.

Debt On January 11, 2012, we issued \$500 million of 5.20% Senior Notes due 2042, utilizing the registration statement filed with the Securities and Exchange Commission on May 8, 2009. The proceeds of this issuance were used for general corporate purposes, including the repayment of \$350 million of 6.125% Senior Notes on February 15, 2012. The next debt maturity is on June 15, 2013 when \$250 million of 7.50% Debentures are due.

Share repurchases During the first quarter of 2012, we repurchased 9.8 million common shares for \$300 million. As of March 31, 2012, \$594 million remained on our \$1.00 billion share repurchase program that we commenced in November 2011, and is expected to be completed by March 31, 2013.

Financial ratings and strength Our ratings are influenced by many factors including our operating and financial performance, asset quality, liquidity, asset/liability management, overall portfolio mix, financial leverage (i.e., debt), exposure to risks such as catastrophes and the current level of operating leverage. On January 26, 2012, A.M. Best affirmed The Allstate Corporation's debt and commercial paper ratings of a- and AMB-1, respectively, and our insurance entities financial strength ratings of A+ for AIC and Allstate Life Insurance Company ("ALIC"). The outlook for AIC is stable and ALIC was revised to stable from negative. In April 2012, S&P affirmed The Allstate Corporation's debt and commercial paper ratings of A- and A-2, respectively, AIC's financial strength ratings of AA- and ALIC's financial strength rating of A+. The outlook for all S&P ratings remained negative. There have been no changes to our debt, commercial paper and insurance financial strength ratings from Moody's since December 31, 2011. In the future, if our financial position is less than rating agency expectations including those related to capitalization at the parent company, AIC or ALIC, we could be exposed to a downgrade in our ratings of one notch or more which we do not view as being material to our business model or strategies.

ALIC, AIC and The Allstate Corporation are party to the Amended and Restated Intercompany Liquidity Agreement ("Liquidity Agreement") which allows for short-term advances of funds to be made between parties for liquidity and other general corporate purposes. The Liquidity Agreement does not establish a commitment to advance funds on the part of any party. ALIC and AIC each serve as a lender and borrower and the Corporation serves only as a lender. AIC also has a capital support agreement with ALIC. Under the capital support agreement, AIC is committed to provide capital to ALIC to maintain an adequate capital level. The maximum amount of potential funding under each of these agreements is \$1.00 billion.

In addition to the Liquidity Agreement, the Corporation also has an intercompany loan agreement with certain of its subsidiaries, which include, but are not limited to, AIC and ALIC. The amount of intercompany loans available to the Corporation's subsidiaries is at the discretion of the Corporation. The maximum amount of loans the Corporation will have outstanding to all its eligible subsidiaries at any given point in time is limited to \$1.00 billion. The Corporation may use commercial paper borrowings, bank lines of credit and securities lending to fund intercompany borrowings.

Liquidity sources and uses We actively manage our financial position and liquidity levels in light of changing market, economic, and business conditions. Liquidity is managed at both the entity and enterprise level across the Company, and is assessed on both base and stressed level liquidity needs. We believe we have sufficient liquidity to meet these needs. Additionally, we have existing intercompany agreements in place that facilitate liquidity management across the Company to enhance flexibility.

Parent company capital capacity At the parent holding company level, we have deployable invested assets totaling \$2.65 billion as of March 31, 2012. These assets include investments that are generally saleable within one quarter totaling \$2.30 billion. This provides funds for the parent company's relatively low fixed charges and other corporate purposes.

In the first quarter of 2012, dividends totaling \$900 million were paid by AIC. These dividends comprised \$450 million in cash paid to its ultimate parent, the Corporation, and the transfer of ownership (valued at \$450 million) to Allstate Insurance Holdings, LLC of three insurance companies that were formerly subsidiaries of AIC (Allstate Indemnity Company, Allstate Fire and Casualty Insurance Company and Allstate Property and Casualty Insurance Company).

The Corporation has access to additional borrowing to support liquidity as follows:

A commercial paper facility with a borrowing limit of \$1.00 billion to cover short-term cash needs. As of March 31, 2012, there were no balances outstanding and therefore the remaining borrowing capacity was \$1.00 billion; however, the outstanding balance can fluctuate daily.

Our new primary credit facility is available for short-term liquidity requirements and backs our commercial paper facility. Our \$1.00 billion unsecured revolving credit facility has an initial term of five years expiring in April 2017. The facility is fully subscribed among 12 lenders with the largest commitment being \$115 million. We have the option to extend the expiration by one year at the first and second anniversary of the facility, upon approval of existing or replacement lenders. The commitments of the lenders are several and no lender is responsible for any other lender's commitment if such lender fails to make a loan under the facility. This facility contains an increase provision that would allow up to an additional \$500 million of borrowing. This facility has a financial covenant requiring that we not exceed a 37.5% debt to capitalization ratio as defined in the agreement. This ratio as defined in the prior credit facility as of March 31, 2012 was 20.3%. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of our senior unsecured, unguaranteed long-term debt. There were no short-term borrowings under our prior credit facility during the first three months of 2012. The total amount outstanding at any point in time under the combination of the commercial paper program and the credit facility cannot exceed the amount that can be borrowed under the credit facility.

A universal shelf registration statement was filed with the Securities and Exchange Commission on April 30, 2012. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 407 million shares of treasury stock as of March 31, 2012), preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries. The specific terms of any securities we issue under this registration statement will be provided in the applicable prospectus supplements.

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Liquidity exposure Contractholder funds as of March 31, 2012 were \$41.60 billion. The following table summarizes contractholder funds by their contractual withdrawal provisions as of March 31, 2012.

(\$ in millions)		<u>Percent to total</u>
Not subject to discretionary withdrawal	\$ 6,122	14.7%
Subject to discretionary withdrawal with adjustments:		
Specified surrender charges ⁽¹⁾	15,613	37.5
Market value adjustments ⁽²⁾	6,142	14.8
Subject to discretionary withdrawal without adjustments ⁽³⁾	13,726	33.0
Total contractholder funds ⁽⁴⁾	<u>\$ 41,603</u>	<u>100.0%</u>

⁽¹⁾ Includes \$8.48 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

⁽²⁾ \$5.05 billion of the contracts with market value adjusted surrenders have a 30-45 day period at the end of their initial and subsequent interest rate guarantee periods (which are typically 5 or 6 years) during which there is no surrender charge or market value adjustment.

⁽³⁾ 72% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.

⁽⁴⁾ Includes \$1.09 billion of contractholder funds on variable annuities reinsured to The Prudential Insurance Company of America, a subsidiary of Prudential Financial Inc., in 2006.

While we are able to quantify remaining scheduled maturities for our institutional products, anticipating retail product surrenders is less precise. Retail life and annuity products may be surrendered by customers for a variety of reasons. Reasons unique to individual customers include a current or unexpected need for cash or a change in life insurance coverage needs. Other key factors that may impact the likelihood of customer surrender include the level of the contract surrender charge, the length of time the contract has been in force, distribution channel, market interest rates, equity market conditions and potential tax implications. In addition, the propensity for retail life insurance policies to lapse is lower than it is for fixed annuities because of the need for the insured to be re-underwritten upon policy replacement. Surrenders and partial withdrawals for our retail annuities decreased 7.6% in the first three months of 2012 compared to 2011. The annualized surrender and partial withdrawal rate on deferred annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 10.7% and 10.4% for the first three months of 2012 and 2011, respectively. Allstate Financial strives to promptly pay customers who request cash surrenders; however, statutory regulations generally provide up to six months in most states to fulfill surrender requests.

Our institutional products are primarily funding agreements sold to unaffiliated trusts used to back medium-term notes. As of March 31, 2012, total institutional products outstanding were \$1.88 billion, with scheduled maturities of \$40 million in June of 2012 and \$1.75 billion and \$85 million in 2013 and 2016, respectively.

Our asset-liability management practices limit the differences between the cash flows generated by our investment portfolio and the expected cash flow requirements of our life insurance, annuity and institutional product obligations.

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The following table summarizes consolidated cash flow activities by segment for the first three months ended March 31.

(\$ in millions)	Property-Liability ⁽¹⁾		Allstate Financial ⁽¹⁾		Corporate and Other ⁽¹⁾		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
Net cash provided by (used in):								
Operating activities	\$ 386	\$ 315	\$ 287	\$ 385	\$ 134	\$ 26	\$ 807	\$ 726
Investing activities	75	(211)	413	1,318	(409)	178	79	1,285
Financing activities	(1)	(3)	(827)	(1,526)	(257)	(403)	(1,085)	(1,932)
Net (decrease) increase in consolidated cash							<u>\$ (199)</u>	<u>\$ 79</u>

⁽¹⁾ Business unit cash flows reflect the elimination of intersegment dividends, contributions and borrowings.

Property-Liability Higher cash provided by operating activities in the first three months of 2012 compared to the first three months of 2011 was primarily due to lower claim payments.

Cash provided by investing activities in the first three months of 2012 compared to cash used in investing activities in the first three months of 2011 was primarily due to decreased purchases of fixed income securities, partially offset by decreased sales of fixed income securities.

Allstate Financial Lower cash provided by operating cash flows in the first three months of 2012 compared to the first three months of 2011 was primarily due to higher contract benefits paid.

Lower cash provided by investing activities in the first three months of 2012 compared to the first three months of 2011 was impacted by lower sales of fixed income securities.

Lower cash used in financing activities in the first three months of 2012 compared to the first three months of 2011 was primarily due to decreased maturities of institutional products, the absence of Allstate Bank activity in the current year and lower surrenders and partial withdrawals on fixed annuities.

Corporate and Other Fluctuations in the Corporate and Other operating cash flows were primarily due to the timing of intercompany settlements. Investing activities primarily relate to investments in the parent company portfolio. Financing cash flows of the Corporate and Other segment reflect actions such as fluctuations in short-term debt, repayment of debt, proceeds from the issuance of debt, dividends to shareholders of The Allstate Corporation and share repurchases; therefore, financing cash flows are affected when we increase or decrease the level of these activities.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the principal executive officer and the principal financial officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that material information required to be disclosed in our reports filed with or submitted to the Securities and Exchange Commission under the Securities Exchange Act is made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended March 31, 2012, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required for Part II, Item 1 is incorporated by reference to the discussion under the heading “Regulation and Compliance” and under the heading “Legal and regulatory proceedings and inquiries” in Note 10 of the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

This document contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. We assume no obligation to update any forward-looking statements as a result of new information or future events or developments.

These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. These statements may address, among other things, our strategy for growth, catastrophe exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Risk factors which could cause actual results to differ materially from those suggested by such forward-looking statements include but are not limited to those discussed or identified in this document, in our public filings with the Securities and Exchange Commission, and those incorporated by reference in Part I, Item 1A of The Allstate Corporation Annual Report on Form 10-K for 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total number of shares (or units) purchased ⁽¹⁾	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs ⁽²⁾	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs ⁽³⁾
January 1, 2012 - January 31, 2012	2,967,700	\$ 28.8557	2,967,700	\$ 808 million
February 1, 2012 - February 29, 2012	3,549,073	\$ 31.0632	3,241,100	\$ 708 million
March 1, 2012 - March 31, 2012	3,551,575	\$ 32.0869	3,546,932	\$ 594 million
Total	10,068,348	\$ 30.7737	9,755,732	

⁽¹⁾ In accordance with the terms of its equity compensation plans, Allstate acquired the following shares in connection with stock option exercises by employees and/or directors. The stock was received in payment of the exercise price of the options and in satisfaction of withholding taxes due upon exercise or vesting.

January: none
February: 307,973
March: 4,643

Item 5. Other Information

On April 27, 2012, the Registrant, Allstate Insurance Company, and Allstate Life Insurance Company (the “Borrowers”) entered into a credit agreement with the lenders party thereto; Wells Fargo Bank, National Association, as Syndication Agent; Citibank, N.A. and Bank of America, N.A., as Documentation Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent (the “Credit Agreement”). The Credit Agreement is a new \$1.00 billion unsecured revolving credit facility with an initial term of five years expiring in April 2017 with two one year extensions that can be exercised in the first and second year of the facility upon approval of existing or replacement lenders. The term extensions only bind the lenders who vote to approve the extensions, but the Borrowers have the option to add additional lenders if the facility is not fully subscribed for the additional terms. The Credit Agreement also contains an increase provision that would make up to an additional \$500 million available for borrowing. The facility is fully subscribed among 12 lenders with the largest commitment being \$115 million. The commitments of the lenders are several and no lender is responsible for any other lender’s commitment if such lender fails to make a loan under the facility. The Credit Agreement includes a financial covenant requiring that the Registrant’s debt to capitalization ratio as defined in the Credit Agreement not to exceed 37.5%. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of the Registrant’s senior unsecured, unguaranteed long-term debt. The Credit Agreement has been filed herewith as Exhibit 10.6, and the description set forth above is qualified in its entirety by the full terms and conditions of the Credit Agreement.

The Credit Agreement replaced a \$1.00 billion unsecured five-year revolving credit facility dated May 8, 2007 among the Borrowers; the agents and lenders party thereto; and JPMorgan Chase Bank, N.A., as Administrative Agent (the “2007 Credit Agreement”). The 2007 Credit Agreement was terminated on April 27, 2012. The Registrant had the option to terminate the 2007 Credit Agreement early, and no material termination penalties were incurred.

Allstate Insurance Company is a wholly owned subsidiary of the Registrant, and Allstate Life Insurance Company is a wholly owned subsidiary of Allstate Insurance Company.

This information would otherwise have been reported during the second fiscal quarter of 2012 on a current report on Form 8-K under the headings “Item 1.01 Entry into a Material Definitive Agreement” and “Item 1.02 Termination of a Material Definitive Agreement.”

Item 6. Exhibits

(a) Exhibits

An Exhibit Index has been filed as part of this report on page E-1.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Allstate Corporation
(Registrant)

May 2, 2012

By /s/ Samuel H. Pilch
Samuel H. Pilch
(chief accounting officer and duly
authorized officer of Registrant)

Exhibit No.

Description

4	Registrant hereby agrees to furnish the Commission, upon request, with the instruments defining the rights of holders of each issue of long-term debt of the Registrant and its consolidated subsidiaries.
10.1	The Allstate Corporation 2009 Equity Incentive Plan, as amended and restated effective February 21, 2012, incorporated herein by reference to Exhibit 10.1 to The Allstate Corporation current report on Form 8-K/A filed on March 7, 2012.
10.2	Form of Restricted Stock Unit Award Agreements for awards granted on or after February 21, 2012 under The Allstate Corporation 2009 Equity Incentive Plan.
10.3	Form of Option Award Agreement for awards granted on or after February 21, 2012 under The Allstate Corporation 2009 Equity

	Incentive Plan.
10.4	Form of Performance Stock Award Agreement for awards granted on or after March 6, 2012 under The Allstate Corporation 2009 Equity Incentive Plan.
10.5	Offer letter dated March 4, 2011 to Suren Gupta.
10.6	Credit Agreement dated as of April 27, 2012.
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated May 2, 2012, concerning unaudited interim financial information.
31 (i)	Rule 13a-14(a) Certification of Principal Executive Officer
31 (i)	Rule 13a-14(a) Certification of Principal Financial Officer
32	Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**THE ALLSTATE CORPORATION
2009 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT**

[Name]

In accordance with the terms of The Allstate Corporation 2009 Equity Incentive Plan (the “Plan”), pursuant to action of the Compensation and Succession Committee of the Board of Directors, The Allstate Corporation (the “Company”) hereby grants to you (the “Participant”), subject to the terms and conditions set forth in this Restricted Stock Unit Award Agreement (including Annex A hereto and all documents incorporated herein by reference), Restricted Stock Units (“RSUs”), as set forth below. Each RSU corresponds to one share of Stock. An RSU is an unfunded and unsecured promise to deliver one share of Stock on the Conversion Date or as otherwise provided herein. Until such delivery, you have only the rights of a general unsecured creditor of the Company and not as a stockholder with respect to the shares of Stock underlying your RSUs.

Number of RSUs Granted:

Date of Grant:

Period of Restriction: _____
(subject to Section 2 of Annex A)

Conversion Date: Each RSU will convert to one share of Stock on the day following the date the restrictions lapse with respect to that RSU.

Dividend Equivalent Right: Each RSU shall include a right to Dividend Equivalents.

RSUs ARE SUBJECT TO FORFEITURE AS PROVIDED IN THIS RESTRICTED STOCK UNIT AWARD AGREEMENT AND THE PLAN.

Further terms and conditions of the Award are set forth in Annex A hereto, which is an integral part of this RSU Award Agreement.

All terms, provisions, and conditions applicable to the Restricted Stock Unit Award set forth in the Plan and not set forth herein are hereby incorporated by reference herein. To the extent any provision hereof is inconsistent with a provision of the Plan, the provisions of the Plan will govern. By accepting this Award as provided in the following sentence, the Participant hereby acknowledges the receipt of a copy of this RSU Award Agreement including Annex A and a copy of the Prospectus and agrees to be bound by all the terms and provisions hereof and thereof. This Award will be deemed accepted if the participant does not decline this Award by accessing the Fidelity NetBenefits® website at www.NetBenefits.com and selecting the “Decline Grant” option for this Award within 30 days of the Date of Grant. *[Note: The following language will be added to awards granted to employees of a Subsidiary of the Company located in the United Kingdom: Separate conditions apply to employees of a Subsidiary of the Company located in the United Kingdom.]*

Attachment: Annex A

ANNEX A

TO

**THE ALLSTATE CORPORATION
2009 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT**

Further Terms and Conditions of Award. It is understood and agreed that the Award of RSUs evidenced by the RSU Award Agreement to which this is annexed is subject to the following additional terms and conditions:

1. Tax Withholding. With respect to the minimum statutory tax withholding required upon the lapse of restrictions on the RSUs, the Participant may elect to satisfy such withholding requirements by tender of previously acquired shares of Stock or by having the Company withhold shares of Stock upon the Conversion Date in accordance with Article 16 of the Plan.
2. Termination of Employment. Upon the Participant’s Termination of Employment (as defined in the Plan), all RSUs that remain subject to the Period of Restriction shall be treated as follows:

(A) If the Participant's Termination of Employment is on account of death or Disability, then all RSUs that remain subject to the Period of Restriction shall immediately become nonforfeitable and the restrictions with respect to the RSUs shall lapse as of the date of such Termination of Employment.

(B) If the Participant's Termination of Employment is on account of Retirement at the Normal Retirement Date,

(i) any RSUs that remain subject to the Period of Restriction granted more than twelve (12) months prior to the Normal Retirement Date, and

(ii) a prorated portion of any RSUs that remain subject to the Period of Restriction granted within twelve (12) months of the Normal Retirement Date (such proration to be determined by multiplying the Number of RSUs Granted by a fraction, the numerator of which is the number of days the Participant was employed since the Date of Grant and the denominator of which is 365)

will remain subject to the Period of Restriction set forth on the first page of this RSU Award Agreement. The remaining portion of the RSUs that do not remain subject to the Period of Restriction shall be forfeited.

(C) If the Participant's Termination of Employment is on account of Retirement at the Normal Retirement Date and if the Participant dies after such Termination of Employment but before the end of the Period of Restriction, then the restrictions with respect to all RSUs that remain subject to the Period of Restriction pursuant to subsection 2(B) shall be deemed to have lapsed as of the date of death.

(D) If the Termination of Employment occurs during the Post-Change Period and

(i) the Participant's Termination of Employment is initiated by the Employer

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other than for Cause, death, or Disability, or

(ii) the Participant is eligible to participate in The Allstate Corporation Change in Control Severance Plan (the "CIC Plan") and the Participant's Termination of Employment is initiated by the Participant for Good Reason,

all RSUs that remain subject to the Period of Restriction shall immediately become nonforfeitable and the restrictions with respect to the RSUs shall lapse as of the date of such Termination of Employment.

(E) If the Participant's Termination of Employment is on account of any other reason, then all RSUs that remain subject to the Period of Restriction shall be forfeited as of the end of the day of such Termination of Employment.

3. Conversion Date. Unless otherwise determined by the Board, a Participant shall be entitled to delivery of shares of Stock that underlie the RSUs then outstanding on the day following the date the restrictions lapse with respect to such RSU.

4. Dividend Equivalent Right. Each RSU entitles a Participant to receive a cash amount (less applicable withholding) equal to the sum of all regular dividend payments as would have been made in respect of each share of Stock underlying such RSUs if the Participant were the holder of such shares during the period commencing on the Date of Grant and ending on the day prior to the Conversion Date. The dividend equivalent payments will accrue during such period and will be paid within 30 days of the Conversion Date of such RSUs.

Dividend equivalent accruals shall be made only with respect to such RSUs that were outstanding on the applicable dividend record date.

5. Ratification of Actions. By accepting the RSU Award or other benefit under the Plan, the Participant and each person claiming under or through him shall be conclusively deemed to have indicated the Participant's acceptance and ratification of, and consent to, any action taken under the Plan or the RSU Award by the Company, the Board, or the Compensation and Succession Committee.

6. Notices. Any notice hereunder to the Company shall be addressed to its Stock Option Record Office and any notice hereunder to the Participant shall be addressed to the Participant at his or her most recent home address on file with the Company, subject to the right of either party to designate at any time hereafter in writing some other address.

7. Governing Law and Severability. To the extent not preempted by Federal law, the RSU Award Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law provisions. In the event any provision of this RSU Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this RSU Award Agreement, and this RSU Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

8. Definitions. In addition to the following definitions, capitalized terms not otherwise defined herein shall have the meanings given them in the Plan.

"Board Turnover" – see clause (c) of the definition of "Change in Control."

Participant’s Termination of Employment for actions which would constitute conduct leading to immediate termination pursuant to Company policy. If a Participant is a participant in the CIC Plan, “Cause” means “Cause” as that term is defined in the CIC Plan on the Date of Grant.

“Change in Control” means, except as otherwise provided at the end of this definition, the occurrence of any one or more of the following:

(a) (*Voting Power*) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than a Subsidiary or any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries, acquires or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons, ownership of stock of the Company possessing 30% or more of the combined voting power of all Voting Securities of the Company (such a Person or group that is not a Similarly Owned Company (as defined below), a “More than 30% Owner”), except that no Change in Control shall be deemed to have occurred solely by reason of such ownership by a corporation with respect to which both more than 70% of the common stock of such corporation and Voting Securities representing more than 70% of the combined voting power of the Voting Securities of such corporation are then owned, directly or indirectly, by the Persons who were the direct or indirect owners of the common stock and Voting Securities of the Company immediately before such acquisition in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of the Company, as the case may be (a “Similarly Owned Company”); or

(b) (*Majority Ownership*) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than a Subsidiary or any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries, acquires ownership of more than 50% of the voting power of all Voting Securities of the Company or of the total fair market value of the stock of the Company (such a Person or group that is not a Similarly Owned Company, a “Majority Owner”), except that no Change in Control shall be deemed to have occurred solely by reason of such ownership by a Similarly Owned Company; or

(c) (*Board Composition*) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election (“Board Turnover”); or

(d) (*Reorganization*) the consummation of a merger, reorganization, consolidation, or similar transaction, or of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of the Company, or a plan of liquidation of the Company (any of the foregoing, a “Reorganization Transaction”) that, does not qualify as an Exempt Reorganization Transaction.

Notwithstanding anything contained herein to the contrary: (i) no transaction or event shall constitute a Change in Control for purposes of this Agreement unless the transaction or event constituting the Change in Control also constitutes a change in the ownership of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)), a change in effective control of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vi)) or a change in the ownership of a substantial portion of the assets of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vii)); and (ii) no sale or disposition of one or more Subsidiaries (“Sale Subsidiary”) or the assets thereof shall constitute a Change in Control for purposes of this Agreement if the investments in and advances by the Company and its Subsidiaries (other than the Sale Subsidiaries) to such Sale Subsidiary as of immediately prior to the sale or disposition determined in accordance with Generally Accepted Accounting Principles (“GAAP”) (but after intercompany eliminations and net of the effect of intercompany reinsurance) are less than 51% of the Consolidated Total Shareholders’ Equity of the

Company as of immediately prior to the sale or disposition. Consolidated Total Shareholders’ Equity means, at any date, the total shareholders’ equity of the Company and its Subsidiaries at such date, as reported in the consolidated financial statements prepared in accordance with GAAP.

“Exempt Reorganization Transaction” means a Reorganization Transaction that fails to result in (a) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) becoming a More than 30% Owner or a Majority Owner, (b) Board Turnover, or (c) a sale or disposition to any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) of the assets of the Company that have a total Gross Fair Market Value (as defined below) equal to at least forty percent (40%) of the total Gross Fair Market Value of all of the assets of the Company immediately before such transaction.

“CIC Plan” – see subsection 2(D).

“Good Reason” means “Good Reason” as that term is defined in the CIC Plan on the Date of Grant.

“Gross Fair Market Value” means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

“Majority Owner” – see clause (b) of the definition of “Change in Control.”

“More than 30% Owner” – see clause (a) of the definition of “Change in Control.”

“Post-Change Period” means the period commencing on the date on which a Change in Control first occurs and ending on the second anniversary of the date on which a Change in Control first occurs.

“Reorganization Transaction” – see clause (d) of the definition of “Change in Control.”

“Similarly Owned Company” – see clause (a) of the definition of “Change in Control.”

**THE ALLSTATE CORPORATION
2009 EQUITY INCENTIVE PLAN
OPTION AWARD AGREEMENT**

[Name]

In accordance with the terms of The Allstate Corporation 2009 Equity Incentive Plan (the "Plan"), pursuant to action of the Compensation and Succession Committee of the Board of Directors, The Allstate Corporation (the "Company") hereby grants to you (the "Participant"), subject to the terms and conditions set forth in this Option Award Agreement (including Annex A hereto and all documents incorporated herein by reference) the right and option (the "Option") to purchase from the Company the number of shares of its common stock, par value \$.01 per share, set forth below:

Type of Option Granted:	Nonqualified
Number of Shares to which Option Pertains:	[_____]
Date of Grant:	[_____]
Option Exercise Price:	\$_____, which is the Fair Market Value on the Date of Grant
Vesting:	[_____] (subject to Section 2 of Annex A)
Expiration Date:	Close of business on [_____]
Exercise Period:	Date of Vesting through Expiration Date (subject to Section 2 of Annex A)

THIS OPTION IS SUBJECT TO FORFEITURE AS PROVIDED IN THIS OPTION AWARD AGREEMENT AND THE PLAN.

Further terms and conditions of the Award are set forth in Annex A hereto, which is an integral part of this Option Award Agreement.

All terms, provisions, and conditions applicable to the Option Award Agreement set forth in the Plan and not set forth herein are hereby incorporated by reference. To the extent any provision hereof is inconsistent with a provision of the Plan, the provision of the Plan will govern. By accepting this Award as provided in the following sentence, the Participant hereby acknowledges the receipt of a copy of this Option Award Agreement including Annex A and a copy of the Prospectus and agrees to be bound by all the terms and provisions hereof and thereof. This Award will be deemed accepted if the participant does not decline this Award by accessing the Fidelity NetBenefits® website at www.NetBenefits.com and selecting the "Decline Grant" option for this Award within 30 days of the Date of Grant. *[Note: The following language will be added to awards granted to employees of a Subsidiary of the Company located in the United Kingdom: Separate conditions apply to employees of a Subsidiary of the Company located in the United Kingdom.]*

Attachment: Annex A

ANNEX A

TO

**THE ALLSTATE CORPORATION
2009 EQUITY INCENTIVE PLAN
OPTION AWARD AGREEMENT**

Further Terms and Conditions of Award. It is understood and agreed that the Award of the Option evidenced by this Option Award Agreement to which this is annexed is subject to the following additional terms and conditions:

1. Exercise of Option. To the extent vested and subject to Section 2 below, the Option may be exercised in whole or in part from time to time by delivery of written notice (or other method acceptable to the Company) of exercise and payment to **Stock Option Record Office, The Allstate Corporation, 2775 Sanders Road, Ste F5, Northbrook, Illinois 60062, unless the Company advises the Participant to send the notice and payment to a different address or a designated representative.** Such notice and payment must be received not later than the Expiration Date, specifying the number of shares of Stock to be purchased. The minimum number of shares to be purchased in a partial exercise shall be the lesser of 25 shares and the number of shares remaining unexercised under this Award.

The Option Exercise Price shall be payable: (a) in cash or its equivalent, (b) by tendering previously acquired Stock (owned for at least six months) having an aggregate Fair Market Value at the time of exercise equal to the total Option Exercise Price,

(c) by broker-assisted cashless exercise, (d) by share withholding, or (e) by a combination of (a), (b), (c) and/or (d).

With respect to tax withholding required upon exercise of the Option, the Participant may elect to satisfy such withholding requirements by tender of previously acquired shares of Stock or by having Stock with a Fair Market Value equal to the minimum statutory total tax which could be imposed on the transaction withheld from the shares due upon Option exercise in accordance with Article 16 of the Plan.

2. Termination of Employment. Upon the Participant's Termination of Employment, the following provisions of this Section 2 shall apply.

(A) If the Participant's Termination of Employment is on account of death or Disability, then the Option, to the extent not vested, shall vest, and the Option may be exercised, in whole or in part, by the Participant (or the Participant's personal representative, Beneficiary, estate, or transferee, as the case may be) at any time on or before the earlier to occur of the Expiration Date and the second anniversary of the date of such Termination of Employment.

(B) If the Participant's Termination of Employment is on account of Retirement at the Normal Retirement Date, to the extent the Option is vested on the date of Termination of Employment, it may be exercised, in whole or in part, by the Participant at any time on or before the earlier to occur of the Expiration Date and the fifth anniversary of the date of such Termination of Employment.

(C) If the Participant's Termination of Employment is on account of Retirement at the Normal Retirement Date,

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(i) any Option granted more than twelve (12) months prior to the Normal Retirement Date to the extent it is not vested, and

(ii) a prorated portion of any Option granted within twelve (12) months of the Normal Retirement Date to the extent it is not vested (such proration to be determined by multiplying the Number of Shares to which Option Pertains by a fraction, the numerator of which is the number of days the Participant was employed since the Date of Grant and the denominator of which is 365)

shall continue to vest in accordance with its terms, and when vested, may be exercised, in whole or in part, by the Participant at any time on or before the earlier to occur of the Expiration Date of the Option and the fifth anniversary of the date of such Termination of Employment. The remaining portion of the Option that is not vested shall be forfeited.

(D) If the Termination of Employment occurs during the Post-Change Period and

(i) the Participant's Termination of Employment is initiated by the Employer other than for Cause, death, or Disability, or

(ii) the Participant is a participant in The Allstate Corporation Change in Control Severance Plan (the "CIC Plan") and the Participant's Termination of Employment is initiated by the Participant for Good Reason,

the Option, to the extent not vested, shall vest and may be exercised, in whole or in part, by the Participant at any time on or before the earlier to occur of the Expiration Date and the fifth anniversary of the date of such Termination of Employment.

(E) If the Participant's Termination of Employment is for any other reason, any portion of the Option that is not vested shall be forfeited, and the Option, to the extent it is vested on the date of Termination of Employment, may be exercised, in whole or in part, by the Participant at any time on or before the earlier to occur of the Expiration Date and three months after the date of such Termination of Employment.

(F) If the Participant's Termination of Employment is on account of Retirement at the Normal Retirement Date, or in accordance with subsection (D) above, and if the Participant dies after such Termination of Employment but before the date the Option must be exercised as set forth in subsections (C) and (D) above, any portion of the Option that is not vested, and has not been forfeited or expired in accordance with subsections (C) or (D), shall vest and the Option may be exercised, in whole or in part, by the Participant's personal representative, Beneficiary, estate, or transferee, as the case may be, at any time on or before the earliest to occur of the Expiration Date, the second anniversary of the date of death, and the fifth anniversary of the date of such Termination of Employment. If the Participant's Termination of Employment is for any reason other than death, Disability, Normal Retirement, or Termination of Employment described in subsection (D) above, and if the Participant dies after such Termination of Employment but before the date the Option must be exercised as set forth in subsection (E) above, the Option, to the extent it is vested on the date of the Participant's death, may be exercised, in whole or in part, by the Participant's personal representative, Beneficiary, estate, or transferee, as the case may be, at any time on or before the earlier to occur of the Expiration Date of the Option and three months after the date of Termination of Employment.

3. Transferability of Options. Except as set forth in this Section 3, the Option shall be

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exercisable during the Participant's lifetime only by the Participant and may not be assigned or transferred other than by will or the laws of descent and distribution. The Option, to the extent vested, may be transferred by the Participant during his lifetime to any "Family Member." A transfer of the Option pursuant to this Section 3 may only be effected by the Company at the written request of a Participant and shall be effective only when recorded in the Company's record of outstanding Options. Such transferred Option may not be subsequently transferred by the transferee except by will or the laws of descent and distribution. A transferred Option shall continue to be governed by and subject to the terms and limitations of the Plan and this Option Award Agreement, and the transferee shall be entitled to the same rights as the Participant, as if no transfer had taken place. In no event shall an Option be transferred for consideration.

4. Ratification of Actions . By accepting the Award or other benefit under the Plan, the Participant and each person claiming under or through him shall be conclusively deemed to have indicated the Participant's acceptance and ratification of, and consent to, any action taken under the Plan or the Award by the Company, the Board, or the Compensation and Succession Committee.

5. Notices . Any notice hereunder to the Company shall be addressed to its Stock Option Record Office, and any notice hereunder to the Participant shall be addressed to the Participant at his or her most recent home address on file with the Company, subject to the right of either party to designate at any time hereafter in writing some other address.

6. Governing Law and Severability . To the extent not preempted by Federal law, this Option Award Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law provisions. In the event any provision of the Option Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Option Award Agreement, and this Option Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

7. Definitions . In addition to the following definitions, capitalized terms not otherwise defined herein shall have the meanings given them in the Plan.

"Board Turnover" – see clause (c) of the definition of "Change in Control."

"Cause" for those Participants who are not eligible to participate in the CIC Plan, means a Participant's Termination of Employment for actions which would constitute conduct leading to immediate termination pursuant to Company policy. If a Participant is a participant in the CIC Plan, "Cause" means "Cause" as that term is defined in the CIC Plan on the Date of Grant.

"Change in Control" means, except as otherwise provided at the end of this definition, the occurrence of any one or more of the following:

(a) (Voting Power) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than a Subsidiary or any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries, acquires or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons, ownership of stock of the Company possessing 30% or more of the combined voting power of all Voting Securities of the Company (such a Person or group that is not a Similarly Owned Company (as defined below), a "More than 30% Owner"), except that no Change in Control shall be deemed to have occurred solely by reason of such ownership by a corporation with respect to which both more than 70% of the common stock of such corporation and Voting Securities representing more than 70% of the combined voting power of the Voting

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Securities of such corporation are then owned, directly or indirectly, by the Persons who were the direct or indirect owners of the common stock and Voting Securities of the Company immediately before such acquisition in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of the Company, as the case may be (a "Similarly Owned Company"); or

(b) (Majority Ownership) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than a Subsidiary or any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries, acquires ownership of more than 50% of the voting power of all Voting Securities of the Company or of the total fair market value of the stock of the Company (such a Person or group that is not a Similarly Owned Company, a "Majority Owner"), except that no Change in Control shall be deemed to have occurred solely by reason of such ownership by a Similarly Owned Company; or

(c) (Board Composition) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election ("Board Turnover"); or

(d) (Reorganization) the consummation of a merger, reorganization, consolidation, or similar transaction, or of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of the Company, or a plan of liquidation of the Company (any of the foregoing, a "Reorganization Transaction") that, does not qualify as an Exempt Reorganization Transaction.

Notwithstanding anything contained herein to the contrary: (i) no transaction or event shall constitute a Change in Control for purposes of this Agreement unless the transaction or event constituting the Change in Control also constitutes a change in the ownership of a

corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)), a change in effective control of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vi)) or a change in the ownership of a substantial portion of the assets of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vii)); and (ii) no sale or disposition of one or more Subsidiaries (“Sale Subsidiary”) or the assets thereof shall constitute a Change in Control for purposes of this Agreement if the investments in and advances by the Company and its Subsidiaries (other than the Sale Subsidiaries) to such Sale Subsidiary as of immediately prior to the sale or disposition determined in accordance with Generally Accepted Accounting Principles (“GAAP”) (but after intercompany eliminations and net of the effect of intercompany reinsurance) are less than 51% of the Consolidated Total Shareholders’ Equity of the Company as of immediately prior to the sale or disposition. Consolidated Total Shareholders’ Equity means, at any date, the total shareholders’ equity of the Company and its Subsidiaries at such date, as reported in the consolidated financial statements prepared in accordance with GAAP.

“Exempt Reorganization Transaction” means a Reorganization Transaction that fails to result in (a) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) becoming a More than 30% Owner or a Majority Owner, (b) Board Turnover, or (c) a sale or disposition to any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) of the assets of the Company that have a total Gross Fair Market Value (as defined below) equal to at least forty percent (40%) of the total Gross Fair Market Value of all of the assets of the Company immediately before such transaction.

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“CIC Plan” – see subsection 2(D).

“Good Reason” means “Good Reason” as that term is defined in the CIC Plan on the Date of Grant.

“Gross Fair Market Value” means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

“Majority Owner” – see clause (b) of the definition of “Change in Control.”

“More than 30% Owner” – see clause (a) of the definition of “Change in Control.”

“Post-Change Period” means the period commencing on the date on which a Change in Control first occurs and ending on the earlier of (a) the second anniversary of the date on which a Change in Control first occurs, and (b) the Expiration Date.

“Reorganization Transaction” -- see clause (d) of the definition of “Change in Control.”

“Similarly Owned Company” -- see clause (a) of the definition of “Change in Control.”

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**THE ALLSTATE CORPORATION
2009 EQUITY INCENTIVE PLAN
PERFORMANCE STOCK AWARD AGREEMENT**

[Name]

In accordance with the terms of The Allstate Corporation 2009 Equity Incentive Plan (the "Plan"), pursuant to action of the Compensation and Succession Committee of the Board of Directors (the "Committee"), The Allstate Corporation (the "Company") hereby grants to you (the "Participant"), subject to the terms and conditions set forth in this Performance Stock Award Agreement (including Annexes A and B hereto and all documents incorporated herein by reference), Performance Stock Awards ("PSAs"), as set forth below. Each PSA is a form of phantom stock award that represents an unfunded and unsecured right to receive one share of Stock for each PSA that vests in accordance with Annex B. Until such delivery of Stock following vesting of a PSA, you have only the rights of a general unsecured creditor of the Company and not as a stockholder with respect to the shares of Stock underlying your PSAs.

Target Number of PSAs Granted:

Date of Grant:

Performance Period[s]:

Conversion Date: Any PSAs that are earned in accordance with Annex B will vest on [] for a Participant who has been continuously employed through that date and shall be converted into shares of Stock on the day following the date of vesting (the "Conversion Date"). Any PSAs that vest pursuant to Sections 1(A) or 1(D) of Annex A will be converted into shares of Stock and delivered within 60 days after the date the PSAs become vested.

Dividend Equivalent Right: Each PSA shall include a right to Dividend Equivalents.

PSAs ARE SUBJECT TO FORFEITURE AS PROVIDED IN THIS PSA AWARD AGREEMENT AND THE PLAN.

Further terms and conditions of the Award are set forth in Annexes A and B hereto, which are integral parts of this PSA Award Agreement.

All terms, provisions, and conditions applicable to the Performance Stock Award set forth in the Plan and not set forth herein are hereby incorporated by reference herein. To the extent any provision hereof is inconsistent with a provision of the Plan, the provisions of the Plan will govern. By accepting this Award as provided in the following sentence, the Participant hereby acknowledges the receipt of a copy of this PSA Award Agreement including Annex A, Annex B, and a copy of the Plan prospectus and agrees to be bound by all the terms and provisions hereof and thereof. This Award will be deemed accepted if the participant does not decline this Award by accessing the Fidelity NetBenefits® website at www.NetBenefits.com and selecting the "Decline Grant" option for this Award within 30 days of the Date of Grant.

Attachments: Annex A
Annex B

**ANNEX A
TO
THE ALLSTATE CORPORATION
2009 EQUITY INCENTIVE PLAN
PERFORMANCE STOCK AWARD AGREEMENT**

Further Terms and Conditions of Award. It is understood and agreed that the Award of PSAs evidenced by the PSA Award Agreement to which this is annexed is subject to the following additional terms and conditions:

1. Termination of Employment, Death or Disability. Upon the Participant's Termination of Employment, death or Disability, all unvested PSAs shall be treated as follows:

(A) If the Participant dies or is determined to have a Disability, the number of PSAs that shall immediately vest shall be equal to the sum of:

(i) the number of PSAs, if any, that have been earned based on the attainment of the performance goals set forth in Annex B, during such of the Performance Periods as have been completed on or prior to the Participant's death or Disability; plus

(ii) the Target Number of PSAs Granted for any incomplete Performance Periods in which the Participant's death or Disability occurs and any Performance Periods that have not yet commenced by the date of the Participant's death or Disability.

(B) If the Participant's Termination of Employment occurs twelve (12) months or more after the Date of Grant, and the Termination qualifies as Retirement at the Normal Retirement Date, then, except as provided in Section (D) below, the Award shall remain outstanding and the number of PSAs that vests, if any, will be determined in accordance with the terms hereof (including Annex B) in the same manner as if no Termination of Employment had occurred.

(C) If the Participant's Termination of Employment occurs within twelve (12) months of the Date of Grant, and the Termination qualifies as Retirement at the Normal Retirement Date, then, except as provided in Section (D) below, the Award shall remain outstanding and the number of PSAs that vests, if any, will be determined in accordance with the terms hereof (including Annex B) in the same manner as if no Termination of Employment had occurred, except that the Target Number of PSAs Granted shall be prorated (such proration to be determined by multiplying the Target Number of PSAs Granted by a fraction, the numerator of which is the number of days the Participant was employed since the Date of Grant and the denominator of which is 365). The remaining portion of the Award shall be forfeited as of the date of the Termination of Employment.

(D) If the Participant's Termination of Employment qualifies as Retirement at the Normal Retirement Date and the Participant dies after such Termination of Employment, but before the number of vested PSAs has been determined pursuant to Annex B, then the number of PSAs that shall immediately vest shall be equal to the sum of:

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(i) the number of PSAs, if any, that have been earned based on the attainment of the performance goals set forth in Annex B, during such of the Performance Periods as have been completed on or prior to the Participant's death; plus

(ii) the Target Number of PSAs Granted for any incomplete Performance Periods in which the Participant's death occurs and any Performance Periods that have not yet commenced by the date of the Participant's death.

(E) If the Termination of Employment occurs during the Post-Change Period and

(i) the Participant's Termination of Employment is initiated by the Employer other than for Cause, death, or Disability, or

(ii) the Participant is eligible to participate in The Allstate Corporation Change in Control Severance Plan (the "CIC Plan") and the Participant's Termination of Employment is initiated by the Participant for Good Reason,

then the number of PSAs, if any, that have been earned based on the attainment of the performance goals set forth in Annex B, during such of the Performance Periods as have been completed prior to the Change in Control, plus the number of PSAs as determined in accordance with Section 2, if any, shall vest as of the day prior to the Termination of Employment.

(F) If the Participant's Termination of Employment occurs prior to the Conversion Date for any other reason, then all PSAs shall be forfeited as of the date of such Termination of Employment.

2. Impact of a Change in Control on the Performance Measure. Upon a Change in Control, the Committee will determine:

(A) the attainment of the performance goals set forth in Annex B, during such Performance Periods as have not been completed on the date of the Change of Control; and

(B) the number of PSAs which will vest in accordance with Section 1(E) and convert into shares of Stock following a Termination of Employment or on the Conversion Date following the end of all Performance Periods based on the attainment of the performance goals.

3. Dividend Equivalent Right. Each PSA that vests in accordance with the PSA Award Agreement (including Annexes A and B) entitles a Participant to receive a cash Dividend Equivalent payment equal to the sum of all regular dividend payments that would have been made in respect of each share of Stock underlying such vested PSAs if the Participant were the holder of such shares during the period commencing on the Date of Grant and ending on the day prior to the Conversion Date (less applicable tax withholdings). Any Dividend Equivalents will be paid within 30 days of the Conversion Date of such PSAs.

For avoidance of doubt, Dividend Equivalents shall only be earned with respect to vested PSAs to the extent such PSAs were outstanding on the dividend record date of the dividend to which the Dividend Equivalent relates.

4. Ratification of Actions. By accepting the PSA Award or other benefit under the Plan, the Participant and each person claiming under or through him shall be conclusively deemed to have indicated the Participant's acceptance and ratification of, and consent to, any action taken under the Plan or the PSA Award by the Company, the Board, or the Committee.

5. Notices. Any notice hereunder to the Company shall be addressed to its Stock Option Record Office and any notice hereunder to the Participant shall be addressed to the Participant at his or her most recent home address on file with the Company, subject to the right of either party to designate at any time hereafter in writing some other address.

6. Governing Law and Severability. To the extent not preempted by Federal law, the PSA Award Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law provisions. In the event any provision of this PSA Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this PSA Award Agreement, and this PSA Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

7. Tax Withholding. With respect to the minimum statutory tax withholding required with respect to the Award, the Participant may elect to satisfy such withholding requirements by tender of previously-acquired shares of Stock or by having the Company withhold shares of Stock in accordance with Section 16 of the Plan.

8. Definitions. In addition to the following definitions, capitalized terms not otherwise defined herein shall have the meanings given them in the Plan.

"Board Turnover" – see clause (c) of the definition of "Change in Control."

"Cause" for those Participants who are not eligible to participate in the CIC Plan, means a Participant's Termination of Employment for actions which would constitute conduct leading to immediate termination pursuant to Company policy. If a Participant is a participant in the CIC Plan, "Cause" means "Cause" as that term is defined in the CIC Plan on the Date of Grant.

"Change in Control" means, except as otherwise provided at the end of this definition, the occurrence of any one or more of the following:

(a) (*Voting Power*) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than a Subsidiary or any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries, acquires or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons, ownership of stock of the Company possessing 30% or more of the combined voting power of all Voting Securities of the Company (such a Person or group that is not a Similarly Owned Company (as defined below), a "More than 30% Owner"), except that no Change in Control shall be deemed to have occurred solely by reason of such ownership by a corporation with respect to which both more than 70% of the common stock of such corporation and Voting Securities representing more than 70% of the combined voting power of the Voting Securities of such corporation are then owned, directly or indirectly, by the Persons who were the direct or indirect owners of the common stock and Voting Securities of the Company immediately before such acquisition in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of the Company, as the case may be (a "Similarly Owned Company"); or

(b) (*Majority Ownership*) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)), other than a Subsidiary or any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries, acquires ownership of more than 50% of the voting power of all Voting Securities of the Company or of the total fair market value of the stock of the Company (such a Person or group that is not a Similarly Owned Company, a "Majority Owner"), except that no Change in Control shall be deemed to have occurred solely by reason of such ownership by a Similarly Owned Company; or

(c) (*Board Composition*) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election ("Board Turnover"); or

(d) (*Reorganization*) the consummation of a merger, reorganization, consolidation, or similar transaction, or of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of the Company, or a plan of liquidation of the Company (any of the foregoing, a "Reorganization Transaction") that, does not qualify as an Exempt Reorganization Transaction.

Notwithstanding anything contained herein to the contrary: (i) no transaction or event shall constitute a Change in Control for purposes of this Agreement unless the transaction or event constituting the Change in Control also constitutes a change in the ownership of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(v)), a change in effective control of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vi)) or a change in the ownership of a substantial portion of the assets of a corporation (as defined in Treasury Regulation Section 1.409A-3(i)(5)(vii)); and (ii) no sale or disposition of one or more Subsidiaries ("Sale

Subsidiary”) or the assets thereof shall constitute a Change in Control for purposes of this Agreement if the investments in and advances by the Company and its Subsidiaries (other than the Sale Subsidiaries) to such Sale Subsidiary as of immediately prior to the sale or disposition determined in accordance with Generally Accepted Accounting Principles (“GAAP”) (but after intercompany eliminations and net of the effect of intercompany reinsurance) are less than 51% of the Consolidated Total Shareholders’ Equity of the Company as of immediately prior to the sale or disposition. Consolidated Total Shareholders’ Equity means, at any date, the total shareholders’ equity of the Company and its Subsidiaries at such date, as reported in the consolidated financial statements prepared in accordance with GAAP.

“Exempt Reorganization Transaction” means a Reorganization Transaction that fails to result in (a) any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) becoming a More than 30% Owner or a Majority Owner, (b) Board Turnover, or (c) a sale or disposition to any Person or group (as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(v)(B)) of the assets of the Company that have a total Gross Fair Market Value (as defined below) equal to at least forty percent (40%) of the total Gross Fair Market Value of all of the assets of the Company immediately before such transaction.

“CIC Plan” – see subsection 1(E).

“Good Reason” means “Good Reason” as that term is defined in the CIC Plan on the Date of Grant.

“Gross Fair Market Value” means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

“Majority Owner” – see clause (b) of the definition of “Change in Control.”

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“More than 30% Owner” – see clause (a) of the definition of “Change in Control.”

“Post-Change Period” means the period commencing on the date on which a Change in Control first occurs and ending on the second anniversary of the date on which a Change in Control first occurs.

“Reorganization Transaction” – see clause (d) of the definition of “Change in Control.”

“Similarly Owned Company” -- see clause (a) of the definition of “Change in Control.”

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ANNEX B

TO

**THE ALLSTATE CORPORATION
2009 EQUITY INCENTIVE PLAN
PERFORMANCE SHARE UNIT AWARD AGREEMENT
PERFORMANCE GOALS**

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March 4, 2011

Suren Gupta
12829 E. Cactus Road
Scottsdale, AZ 85259

Dear Suren,

On behalf of the Allstate Insurance Company, I am pleased to officially extend an offer for you to join us as Senior Vice President, Technology & Operations. We are enthusiastic about the prospect of you joining the Allstate team and are confident that your career with us will be exciting and rewarding. We hope that your response is favorable and look forward to a reply by March 11, 2011.

The terms and conditions of this offer are briefly outlined below. In addition, as a condition of your employment with Allstate, you are required to sign and agree to the terms of the Intellectual Property Assignment Agreement. The terms of the Intellectual Property Assignment Agreement is provided to you in this package along with your offer letter. Please sign and return with your signed offer letter.

Base Salary:

Your annualized base salary will be \$525,000 and \$20,192.31 will be paid bi-weekly. Subsequent increases in base salary, generally awarded on an annual basis, will be dependent on your and the company's performance.

Cash and Equity Incentive Compensation:

Cash:

You will be eligible to receive an annual cash incentive award with a target of 85% of your base salary. With a current maximum multiplier of 2.5, this brings your maximum cash bonus potential to 212.5% of base salary. Individual incentive awards are designed to reward results for corporate and personal performance. For 2011, you will be eligible to receive a full annual incentive award which is generally payable in March of 2012.

Equity:

You will be eligible for annual awards of equity equal to 255% of your base salary starting in 2012. Historically, equity has been granted in the form of stock options and restricted stock units. Using a valuation formula, options are generally awarded annually at the fair market value of the common stock on the date of grant with the approval of the Compensation and Succession Committee. The options generally have a ten year term. The Compensation and Succession Committee is provided the discretion to modify the award amounts.



GOOD WORK.
GOOD LIFE.
GOOD HANDS.

Equity Award and Sign-on Bonuses:

You will receive a cash sign-on bonus of \$750,000, less applicable withholdings, of which \$350,000 is payable within 30 days of your start date and the remaining amount is payable on January 31, 2012. In the event that you voluntarily terminate your employment with Allstate within 24 months of your date of hire, you agree to reimburse Allstate within 30 days of the date of your termination, the full amount of the cash sign-on bonus that has been paid to you.

For 2011, you will receive an annual equity award of \$1,000,000 to be granted 65% in stock options and 35% in restricted stock units. The stock options and the restricted stock units will be granted to you on the first business day of the month following your date of hire.

In addition, you will receive an equity sign-on bonus of \$650,000 to be granted 50% in stock options and 50% in restricted stock units. The stock options and the restricted stock units will be granted to you on the first business day of the month following your date of hire.

The stock options and the restricted stock units granted in 2011 will vest 50% on the second year anniversary date, and 25% per year thereafter. In addition, the restricted stock units, which are based on market value at the time of grant, accumulate quarterly dividend equivalents in cash payable at vesting.

Restrictive Covenants and Other Obligations Arising from Prior Employment:

Allstate expects its employees to comply with the terms of any restrictive covenants and other obligations, including but not limited to nonsolicitation and confidentiality provisions, to which they may be subject as a result of any former employment relationships. By signing this letter, you represent that any such covenant or obligation to which you may be subject is not an impediment to accepting employment with, or performing services for, Allstate. In your position at Wells Fargo, you may have been exposed to confidential information and trade secrets. In the event that you come to work at Allstate, we would expect that you would not disclose or use any of that information in your position here. To the extent you are subject to any restrictive covenants or other obligations from prior employment relationships, we advise you to seek the advice of counsel prior to accepting employment with Allstate.

Relocation Assistance:

If you are employed with Allstate on January 1, 2012, and you relocate to the Chicago area in 2012, you will be eligible for our standard full relocation package. During the period you are maintaining your home in Arizona, you will be responsible for any expenses associated with your living arrangements in Chicago. You understand that performance of your duties will require regular business travel, including to Allstate headquarters in Northbrook, IL. Accompanying this letter is a summary of the package. Also available to you is a consultation with a relocation representative who can provide further details of the relocation assistance benefits.



GOOD WORK.
GOOD LIFE.
GOOD HANDS.

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The Allstate Corporation 2775 Sanders Road Northbrook, IL 60062 847.402.8209 ssinc@allstate.com

Vacation and Holidays:

Allstate provides a Paid Time Off bank to employees. This bank is intended to provide you with additional flexibility in planning your professional and personal life. The PTO bank is designed to be used for vacation, personal matters, family illness and illness not covered by the short term disability plan.

For 2011, your PTO bank will be 19 days and pro-rated upon your date of hire. Starting in 2012, you will be eligible for 25 days of PTO on an annual basis.

In addition to PTO days, you will receive company holidays and miscellaneous time off for events such as a funerals and jury duty.

Benefits:

Accompanying this letter is an outline of the benefits provided to you. You are eligible to participate in the medical plan on your first day of employment. Coverage under the medical plan is not subject to preexisting limitations.

Executive Perquisites:

You will receive the following perquisites:

- Annual car allowance of \$13,560 (\$1,130 per month)
- Financial planning services, provided by a vendor of your choice, will be reimbursed by Allstate for up to \$10,000 annually
- Personal tax preparation services provided by an Allstate vendor
- Executive physicals which currently include the Allstate Executive Health Management program
- Elite travel status: a negotiated Premier status with United Airlines, includes Red Carpet Club

Retirement Plan and 401(k):

You will participate in the Allstate Retirement Plan, and have the choice to participate in the Allstate 401(k) Savings Plan.

The Allstate Retirement Plan is a pension plan that is funded by Allstate and provides benefits at your retirement based on compensation and years of service under a cash balance formula.

The Allstate 401(k) Savings Plan allows eligible employees to make pre- and after-tax deposits to their 401(k) savings accounts. Participants may be eligible for a company contribution on pre-tax deposits of up to 5% of eligible compensation.



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Under our current policy, both the 401(k) company contribution and Allstate Retirement Plan benefits will vest upon your third year service date.

All of our compensation and benefit programs are subject to future modifications as appropriate to help us continue to be competitive in the marketplace.

Should you accept our offer, we will agree to a mutually acceptable start date of no later than April 11, 2011.

To confirm your acceptance of this offer of employment with Allstate subject to its policies, please sign and date this letter and the Intellectual Property Assignment Agreement and return both via the enclosed mailer.

Sincerely,

/s/ Suzanne Sinclair

Suzanne Sinclair
Director, Leadership Talent Acquisition

ACCEPTED AND AGREED:

Name: Suren Gupta

Signature: /s/ Suren Gupta

Date: March 5, 2011



GOOD WORK.
GOOD LIFE.
GOOD HANDS.

J.P.Morgan

CREDIT AGREEMENT

dated as of April 27, 2012

among

**THE ALLSTATE CORPORATION
ALLSTATE INSURANCE COMPANY
ALLSTATE LIFE INSURANCE COMPANY,
as Borrowers**

The Lenders Party Hereto

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Syndication Agent**

**CITIBANK, N.A. and BANK OF AMERICA, N.A.,
as Documentation Agents,**

and

**JPMORGAN CHASE BANK, N.A.
as Administrative Agent**

**J.P. MORGAN SECURITIES LLC and WELLS FARGO SECURITIES, LLC,
as Joint Lead Arrangers and Joint Bookrunners**

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Exhibit D Form of Increase Supplement

(ii)

Allstate Credit Agreement

Schedule 4.1

CREDIT AGREEMENT, dated as of April 27, 2012, among THE ALLSTATE CORPORATION, ALLSTATE INSURANCE COMPANY, ALLSTATE LIFE INSURANCE COMPANY, the LENDERS party hereto, WELLS FARGO BANK, NATIONAL ASSOCIATION, as Syndication Agent, CITIBANK, N.A. and BANK OF AMERICA, N.A., as Documentation Agents, and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The parties hereto agree as follows:

ARTICLE 1.

DEFINITIONS

Section 1.1 Defined Terms. As used in this Credit Agreement, the following terms have the meanings specified below:

“ABR”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“Additional Commitment Lender” has the meaning assigned to such term in Section 2.8(b).

“Adjusted LIBO Rate” means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

“Administrative Agent” means JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders hereunder.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agents” means, collectively, the Administrative Agent, the Syndication Agent and the Documentation Agents.

“Aggregate Commitment” means the aggregate of the Commitments of all of the Lenders, as reduced or increased from time to time pursuant to the terms and conditions hereof. As of the Effective Date, the Aggregate Commitment is \$1,000,000,000.

“Agreement Date” means April 27, 2012.

“Allstate Insurance” means Allstate Insurance Company, an Illinois insurance company.

“Allstate Life” means Allstate Life Insurance Company, an Illinois insurance company.

“Alternate Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½

Allstate Credit Agreement

of 1% and (c) the Adjusted LIBO Rate for a one month interest period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate for a one month interest period appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

“Applicable Facility Fee Percentage” means at all times during which the applicable Pricing Level set forth below is in effect, the percentage set forth in the following table under the heading “Facility Fee Percentage” next to such Pricing Level, in each case subject to the provisos set forth in the following table:

<u>Pricing Level</u>	<u>Facility Fee Percentage</u>
Pricing Level I	0.080%
Pricing Level II	0.100%
Pricing Level III	0.125%
Pricing Level IV	0.150%
Pricing Level V	0.175%
Pricing Level VI	0.225%
Pricing Level VII	0.275%

Changes in the Applicable Facility Fee Percentage resulting from a change in the Pricing Level shall become effective on the effective date of any change in the S&P Rating or Moody’s Rating, as the case may be. Notwithstanding anything herein to the contrary, in the event of a split in the S&P Rating and Moody’s Rating that would otherwise result in the application of more than one Pricing Level (had the provisions regarding the applicability of other Pricing Levels contained in the definitions thereof not been given effect), then the Applicable Facility Fee Percentage shall be determined using, in the case of a split by one rating category, the higher Pricing Level, and in the case of a split by more than one rating category, the Pricing Level that is one level lower than the Pricing Level within which the higher of the two rating categories falls.

“Applicable Margin” means at all times during which the applicable Pricing Level set forth below is in effect: (i) with respect to Eurodollar Borrowings, the percentage set forth in the following table under the heading “Eurodollar Margin” next to such Pricing Level, and (ii) with respect to ABR Borrowings, the percentage set forth in the following table under the heading “ABR Margin” next to such Pricing Level, in each case subject to the provisos set forth in the following table:

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<u>Pricing Level</u>	<u>Eurodollar Margin</u>	<u>ABR Margin</u>
Pricing Level I	0.795%	0.000%
Pricing Level II	0.900%	0.000%
Pricing Level III	1.000%	0.000%
Pricing Level IV	1.100%	0.100%
Pricing Level V	1.200%	0.200%
Pricing Level VI	1.275%	0.275%
Pricing Level VII	1.475%	0.475%

Changes in the Applicable Margin resulting from a change in the Pricing Level shall become effective on the effective date of any change in the S&P Rating or Moody’s Rating, as the case may be. Notwithstanding anything herein to the contrary, in the event of a split in the S&P Rating and Moody’s Rating that would otherwise result in the application of more than one Pricing Level (had the provisions regarding the applicability of other Pricing Levels contained in the definitions thereof not been given effect), then the Applicable Margin shall be determined using, in the case of a split by one rating category, the higher Pricing Level, and in the case of a split by more than one rating category, the Pricing Level that is one level lower than the Pricing Level within which the higher of the two rating categories would otherwise fall.

“Applicable Percentage” means, with respect to any Lender, the percentage of the Aggregate Commitment represented by such Lender’s Commitment; provided that, in the case of Section 2.10 when a Defaulting Lender shall exist, “Applicable Percentage” shall mean the percentage of the Aggregate Commitment (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“Approved Fund” means, with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.4), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent.

“Availability Period” means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

“Bankruptcy Event” means, with respect to any Person, such Person’s becoming the subject of a bankruptcy or insolvency proceeding, or having had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, having taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such

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Allstate Credit Agreement

Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“Benefit Arrangement” means an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrowers” means, collectively, the Company and the Subsidiary Borrowers.

“Borrowing” means Loans to the same Borrower of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“Borrowing Request” means a request by the Company (on its own behalf or on behalf of a Subsidiary Borrower) for a Borrowing in accordance with Section 2.3.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed, provided that, when used in connection with a Eurodollar Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

“Change in Control” means that (i) any “person” (as such term is used in Sections 13(d) and 14(d) the Exchange Act but excluding any profit sharing or pension plan operated for the benefit of employees of the Company or its Affiliates), is or becomes the “beneficial owner” (as defined in Rules 13d 3 and 13d 5 under the Exchange Act, except that a person shall be deemed to have “beneficial ownership” of all shares that such person has the right to acquire without condition (other than the passage of time) whether such rights are exercisable immediately or only after the passage of time), directly or indirectly, of 30% or more of the common stock of the Company on a fully diluted basis, (ii) Persons (“Existing Directors”) who are directors of the Company on the Agreement Date plus Persons (“Nominated Directors”) nominated by Persons who constitute at least a majority of the board of directors of the Company on the Agreement Date (or any combination of Existing Directors, Nominated Directors and Persons nominated by a majority of Existing Directors and Nominated Directors) shall cease to constitute at least a majority of the members of the board of directors of the Company or (iii) the failure of the Company to own, directly or indirectly, beneficially and of record, 100% of the aggregate ordinary voting power and economic interests represented by the issued and outstanding equity securities of each Subsidiary Borrower on a fully diluted basis.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commitment” means, with respect to each Lender, the commitment of such Lender to make Loans hereunder in an aggregate outstanding amount not exceeding the amount of such Lender’s Commitment as set forth on Schedule 2.1, or in the Assignment and Assumption or Increase Supplement or any agreement executed in accordance with Section 2.8(b) pursuant to which such Lender shall have assumed its Commitment, as applicable, as such commitment may be reduced or increased from time to time pursuant to Section 2.5 or pursuant to assignments by or to such Lender pursuant to Section 10.4.

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Allstate Credit Agreement

“Company” means The Allstate Corporation, a Delaware corporation.

“Confidential Information” has the meaning assigned to such term in Section 10.13.

“Consolidated Subsidiary” means, at any date, any Subsidiary or other Person, the accounts of which are consolidated with those of the Company in its consolidated financial statements as of such date.

“Consolidated Total Assets” means, at any date, the total assets of the Company and its Consolidated Subsidiaries at such date determined on a consolidated basis in accordance with GAAP, excluding assets of Variable Interest Entities to the extent that any Debt thereof is excluded pursuant to clause (d) of the proviso in the definition of Debt.

“Consolidated Total Capital” means, at any date, without duplication, the sum of (i) the aggregate shareholders’ equity, less (ii) accumulated other comprehensive income, plus (iii) the effects of unrealized gains or losses in respect of equity securities reported in accumulated other comprehensive income, plus (iv) the amounts recorded on the Company’s financial statements related to Hybrid Securities to the extent given equity treatment by Standard & Poor’s at the time of the issuance thereof, plus (v) the amounts recorded on the Company’s financial statements related to Surplus Notes to the extent treated as equity under Statutory Accounting Principles, plus (vi) Consolidated Total Debt at such date, all as determined on a consolidated basis for the Company and its Consolidated Subsidiaries in accordance with GAAP as in effect on the Agreement Date or as otherwise applicable pursuant to Section 1.4.

“Consolidated Total Debt” means, at any date, all Debt of the Company and its Consolidated Subsidiaries at such date determined on a consolidated basis in accordance with GAAP as in effect on the Agreement Date or as otherwise applicable pursuant to Section 1.4.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Credit Parties” means the Agents and the Lenders.

“Debt” of any Person means, at any date, without duplication:

(i) all obligations of such Person for borrowed money properly recordable as a liability on the financial statements of such Person,

(ii) all obligations of such Person, properly recordable as a liability on the financial statements of such Person, evidenced by bonds, debentures, notes, or other similar instruments,

(iii) all obligations of such Person to pay the deferred purchase price of property except trade accounts payable arising in the ordinary course of business,

(iv) the net present value of future minimum lease payments under capital leases,

(v) all direct recourse payment obligations of such Person in respect of any accounts receivable sold by such Person,

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Allstate Credit Agreement

(vi) the aggregate liquidation preference of all preferred securities that are mandatorily redeemable, exchangeable or convertible into debt at the option of the holder or redeemable at the option of the holder,

(vii) all Debt (as defined in clauses (i) through (vi) above) of others to the extent secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and

(viii) all Debt (as defined in clauses (i) through (vii) above) of others to the extent Guaranteed by such Person; provided, that Debt guaranteed pursuant to Article 7 shall be treated only as Debt of the Borrower whose Debt is guaranteed;

provided that Debt shall not include:

(a) insurance or reinsurance policies, synthetic reinsurance, including but not limited to notes some or all of whose principal is accorded equity treatment under Statutory Accounting Principles and that are issued by a captive reinsurer, trust (including a Delaware statutory trust) or other special purpose vehicle, or other instruments, including funding agreements and guaranteed investment contracts, sold in the ordinary course of such Person’s insurance business,

(b) liabilities in respect of Securities Transactions that are permissible for such Person effectuating the transaction,

(c) Debt (as defined in clauses (i) through (vi) above) of others to the extent secured by a Lien incurred pursuant to an investment undertaking of such Person that meets the following criteria: (x) the investment is in a limited partnership, limited liability company or other investment entity pursuant to which such Person’s capital commitment or limited partnership, membership or other ownership interest may be pledged to support obligations of the investment entity, and (y) the Lien is limited to such Person’s limited partnership, membership, or other ownership interest in such entity,

(d) liabilities recorded on the financial statements of such Person in connection with the consolidation of a Variable Interest Entity under Financial Accounting Standards Board Interpretation No. 46R if the satisfaction of such liabilities is limited to the assets of the Variable Interest Entity,

(e) liabilities recorded on the financial statements of such Person for non-recourse debt secured solely by an investment asset or other asset held in connection with an investment transaction in an aggregate outstanding principal amount not in excess of 10% of Consolidated Total Capital,

(f) liabilities in respect of Medium Term Notes,

(g) any amounts recorded on such Person's financial statements related to Hybrid Securities to the extent given equity treatment by Standard & Poor's at the time of the issuance thereof and Surplus Notes to the extent treated as equity under Statutory Accounting Principles, and

(h) the first \$500,000,000 of liabilities that would otherwise constitute "Debt" under clauses (vii) and (viii) above.

"Default" means any event or condition which constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

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Allstate Credit Agreement

"Defaulting Lender" means any Lender that (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans or (ii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Company or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Credit Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a Loan cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event.

"Documentation Agents" means Citibank, N.A. and Bank of America, N.A., in their capacity as documentation agents for the Lenders hereunder.

"Dodd-Frank Act" means the Dodd-Frank Wall Street Reform and Consumer Protection Act.

"dollars" or "\$" refers to lawful money of the United States of America.

"EDGAR" means the Electronic Data Gathering, Analysis, and Retrieval system maintained by the Securities and Exchange Commission.

"Effective Date" means the date on which the conditions specified in Section 5.1 are satisfied (or waived in accordance with Section 10.2).

"Eligible Institution" means (i) any commercial bank, investment bank, trust company, banking association, financial institution, mutual fund, pension fund or any Approved Fund or (ii) any Lender or any Affiliate or any Approved Fund of such Lender, provided that an insurance company shall not, under any circumstance, constitute an Eligible Institution.

"Environmental Laws" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, licenses, agreements or other governmental restrictions relating to the protection of the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemical or industrial, toxic or hazardous substances or wastes into the environment or otherwise relating to the generation, processing, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes, or the clean up or other remediation thereof, and when such term is used in reference to the Company and its Subsidiaries, it shall apply to their direct activities and not activities covered under insurance policies or other instruments sold, underwritten or reinsured by them.

"ERISA" means the Employee Retirement Income Security Act of 1974.

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Allstate Credit Agreement

“ERISA Group” means the Company and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414 of the Code.

“Eurodollar”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at the Adjusted LIBO Rate plus any Applicable Margin.

“Event of Default” has the meaning assigned to such term in Article 8.

“Exchange Act” means the Securities Exchange Act of 1934.

“Existing Credit Agreement” means, the Credit Agreement, dated as of May 8, 2007, among the Company, Allstate Insurance, Allstate Life, the lenders party thereto, Wachovia Bank, National Association, as syndication agent, Bank of America, N.A. and Citibank, N.A., as documentation agents, Lehman Brothers Bank, FSB, Merrill Lynch Bank USA, Morgan Stanley Bank and William Street Commitment Corporation, as co-agents, and JPMorgan Chase Bank, N.A., as administrative agent.

“Existing Maturity Date” has the meaning assigned to such term in Section 2.8(a).

“Extension Date” has the meaning assigned to such term in Section 2.8(a).

“Extension Request” has the meaning assigned to such term in Section 2.8(a).

“Facility Fee” has the meaning assigned to such term in Section 3.3(a).

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Credit Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

“Federal Funds Effective Rate” means, for any day, a rate per annum (expressed as a decimal, rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Effective Rate for such day shall be the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by it.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than the United States of America, any State thereof or the District of Columbia.

“GAAP” means generally accepted accounting principles in effect from time to time in the United States of America.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

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“Guarantee” by any Person means any obligation, primary or secondary, contingent or otherwise, of such Person guaranteeing any Debt (as defined in clauses (i) through (viii) of the definition of Debt) of any other Person or in any manner providing for the payment of any such Debt of any other Person or otherwise protecting the holder of such Debt against loss (whether by agreement to keep well, to purchase assets, goods, securities or services, or to take or pay or otherwise), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a correlative meaning.

“Guaranteed Obligations” has the meaning assigned to such term in Section 7.1.

“Hybrid Securities” means long-term securities that (i) are contractually subordinated to senior indebtedness, (ii) allow the issuer to temporarily defer the payment of interest, and (iii) receive a certain degree of equity classification by Standard & Poor’s as of the date of issuance thereof.

“Increase Supplement” means an increase supplement in the form of Exhibit D.

“Indemnitee” has the meaning assigned to such term in Section 10.3(b).

“Information Memorandum” means the Confidential Information Memorandum dated March, 2012, relating to the Borrowers and the Transactions.

“Insurance Company” means Allstate Insurance, Allstate Life, and any other Subsidiary that is an insurance company.

“Interest Election Request” means a request by the Company (on behalf of the applicable Borrower) to convert or continue a Borrowing in accordance with Section 3.2.

“Interest Payment Date” means (i) with respect to any ABR Loan, the last day of each March, June, September and December, (ii) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Eurodollar Loan is a part and, in the case of a Eurodollar Loan with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period, and (iii) as to all Loans, the Maturity Date.

“Interest Period” means the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three, six or if made available by all of the Lenders, nine or twelve months thereafter, as the Company (on behalf of the applicable Borrower) may elect, provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Lenders” means the Persons listed on Schedule 2.1 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, an Increase Supplement or Section 2.8, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

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“LIBO Rate” means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

“Lien” of any Person means (i) any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of any asset recorded as such on the financial statements of such Person or (ii) the interest of a vendor or lessor under any conditional sales agreement, capital lease or other title retention agreement relating to any asset recorded as such on the financial statements of such Person.

“Listed Insurance Subsidiary” means any company identified on Schedule 4.1 as an insurance company and any Subsidiary into which such company shall merge or consolidate or to which such company shall sell or transfer all or any substantial portion of its property and assets, in a transaction described in Section 6.7(b).

“Loan” means a Loan referred to in Section 2.1 and made pursuant to Section 2.4.

“Loan Documents” means this Credit Agreement and the Notes.

“Margin Stock” has the meaning assigned to such term in Regulation U.

“Material Adverse Effect” means a material adverse effect on (i) the business, financial position or results of operations of the Company and its Consolidated Subsidiaries, (ii) the ability of any Borrower to perform any of its obligations under any Loan Document or (iii) the rights of or benefits available to any Credit Party under any Loan Document.

“Material Debt” means, as of any date, Debt (determined without regard to the clauses (d) through and including (h) of the proviso of the definition of the term “Debt” but excluding the Debt under the Loan Documents) of any one or more of the Company or any Material Subsidiary in an aggregate principal amount exceeding \$200,000,000 (or its equivalent in any other currency). For purposes of determining Material Debt, the “principal amount” of any Debt referred to in the previous sentence at any time shall be the maximum aggregate amount (giving effect to any netting agreements) exclusive of interest and fees that the Company or any Material Subsidiary, as applicable, would be required to pay if such Debt became due and payable on such day.

“Material Plan” means at any time any Plan or Plans having aggregate Unfunded Liabilities in excess of \$150,000,000.

“Material Subsidiary” means, collectively, (i) the Subsidiary Borrowers and (ii) any other Subsidiary which, as of the last day of the most recently completed fiscal year, satisfies any one or more of the following three tests determined on a consolidated basis in accordance with GAAP (after

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intercompany eliminations and net of the effect of intercompany reinsurance): (a) the Company and the other Subsidiaries' investments in and advances to such Subsidiary exceed 10% of Consolidated Total Assets, (b) the Subsidiary's proportionate share of Consolidated Total Assets consisting of the property of such Subsidiary exceeds 10% of Consolidated Total Assets or (c) the Company and the other Subsidiaries' equity in the income (not to include losses) from continuing operations before income taxes (adjusted to exclude catastrophe losses in excess of 10% of earned premiums, other than temporary impairments in excess of \$500,000,000, extraordinary items, the cumulative effect of a change in accounting principle, and any non-recurring event that impacts a single fiscal year) of such Subsidiary exceeds 10% of the income (to include losses) from continuing operations before income taxes (adjusted to exclude catastrophe losses in excess of 10% of earned premiums, other than temporary impairments in excess of \$500,000,000, extraordinary items, the cumulative effect of a change in accounting principle, and any non-recurring event that impacts a single fiscal year) of the Company and the Subsidiaries.

“Maturity Date” means April 27, 2017, as the same may be extended pursuant to Section 2.8.

“Medium Term Notes” means fixed, floating and index notes which are either unsecured or are secured by one or more funding agreements and are issued by the Company, a Subsidiary or a trust (including a statutory Delaware trust) or other special purpose vehicle to retail or institutional investors the net proceeds of which are utilized to purchase a like amount of assets to be held by the Company or one or more of its Subsidiaries and whereby the instrument to be issued is a privately placed note or registered security, not an insurance contract or funding agreement of any type.

“Moody's Rating” means at any time, the then current rating (including the failure to rate) by Moody's Investors Service, Inc. (or any successor thereto) of the Company's senior unsecured, unguaranteed long term debt.

“Multiemployer Plan” means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

“Non-Extending Lender” has the meaning assigned to such term in Section 2.8(b).

“Non-Material Subsidiary Plan” means at any time any Plan or Plans established or maintained by a Subsidiary (other than a Subsidiary Borrower) having aggregate Unfunded Liabilities less than \$25,000,000.

“Note” means, with respect to each Lender, a promissory note evidencing such Lender's Loans to a Borrower payable to the order of such Lender (or, if required by such Lender, to such Lender and its registered assigns) substantially in the form of Exhibit C.

“Obligations” means (i) the due and punctual payment of (a) principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (b) all other monetary obligations, including fees, commissions, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Company and

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the Subsidiary Borrowers to the Credit Parties, or that are otherwise payable to any Credit Party, under the Loan Documents and (ii) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Company and the Subsidiary Borrowers under or pursuant to the Loan Documents.

“Participant” has the meaning assigned to such term in Section 10.4(d).

“Participant Register” has the meaning assigned to such term in Section 10.4(d).

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

“Pricing Level” means Pricing Level I, Pricing Level II, Pricing Level III, Pricing Level IV, Pricing Level V, Pricing Level VI, or Pricing Level VII, as the context may require.

“Pricing Level I” means, any time when (i) no Event of Default has occurred and is continuing, and (ii) the S&P Rating is AA- (or any successor rating) or higher or the Moody’s Rating is Aa3 (or any successor rating) or higher.

“Pricing Level II” means, any time when (i) no Event of Default has occurred and is continuing, (ii) the S&P Rating is A+ (or any successor rating) or higher, or the Moody’s Rating is A1 (or any successor rating) or higher and (iii) Pricing Level I does not apply.

“Pricing Level III” means, any time when (i) no Event of Default has occurred and is continuing, (ii) the S&P Rating is A (or any successor rating) or higher, or the Moody’s Rating is A2 (or any successor rating) or higher and (iii) and neither Pricing Level I nor II is applicable.

“Pricing Level IV” means, any time (i) no Event of Default has occurred and is continuing, (ii) the S&P Rating is A- (or any successor rating) or higher, or the Moody’s Rating is A3 (or any successor rating) or higher and (iii) and Pricing Levels I, II, and III are not applicable.

“Pricing Level V” means, any time (i) no Event of Default has occurred and is continuing, (ii) the S&P Rating is BBB+ (or any successor rating) or higher, or the Moody’s Rating is Baa1 (or any successor rating) or higher and (iii) and Pricing Levels I, II, III and IV are not applicable.

“Pricing Level VI” means, any time when (i) no Event of Default has occurred and is continuing, (ii) the S&P Rating is BBB (or any successor rating) or higher, or the Moody’s Rating is Baa2 (or any successor rating) or higher and (iii) and Pricing Levels I, II, III, IV and V are not applicable.

“Pricing Level VII” means, any time when none of Pricing Levels I, II, III IV, V and VI are applicable.

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“Prime Rate” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“Proceedings” has the meaning assigned to such term in Section 4.5.

“Register” has the meaning assigned to such term in Section 10.4(c).

“Regulation D” means Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Regulation U” means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Regulation X” means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Regulatory Change” means the occurrence, after the date of this Credit Agreement (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; provided however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Regulatory Change” regardless of the date enacted, adopted, issued or implemented.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Required Lenders” means, at any time but subject to Section 2.10, Lenders having Commitments representing more than 50% of the total Commitments or, if the Commitments shall have terminated, Lenders having outstanding Loans representing more than 50% of the aggregate outstanding principal balance of the Loans of all Lenders.

“S&P Rating” means at any time, the then current rating (including the failure to rate) by Standard & Poor’s of the Company’s senior unsecured, unguaranteed long term debt.

“Securities Transaction” means any securities lending transaction, repurchase transaction, reverse repurchase transaction or dollar roll transaction or any liability to return collateral in connection with a derivatives transaction or any similar transaction that would be accounted for as a secured borrowing or as a liability to return collateral in accordance with Statement of Financial Accounting Standards

"Standard & Poor's" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (or any successor thereto).

"Statutory Accounting Principles" means the rules and procedures prescribed or permitted by the relevant state of domicile for determining an insurer's financial condition or results of operation for statutory purposes.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Statutory Statement" means, for any Insurance Company, for each fiscal year of such Insurance Company, the most recent annual statement, prepared in accordance with Statutory Accounting Principles, required to be filed with the appropriate regulatory authority and, for each fiscal quarter of such Insurance Company, the quarterly statement required by Section 6.1(e), which quarterly statement shall be prepared in accordance with Statutory Accounting Principles.

"Subsidiary" means, at any date, any corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

"Subsidiary Borrowers" means Allstate Insurance and Allstate Life.

"Surplus Notes" means unsecured notes or debentures or contribution certificates issued by an insurance company that (i) are subordinated to policyholders and senior indebtedness (including the indebtedness under this Credit Agreement and the Notes), (ii) require the prior approval of the insurance department of the issuer's state of domicile for the payment of principal or interest, and (iii) receive equity treatment for all or a portion of the principal amount under Statutory Accounting Principles.

"Syndication Agent" means Wells Fargo Bank, National Association, in its capacity as syndication agent for the Lenders hereunder.

"Taxes" means any present or future tax, assessment, fee or other charge or levy imposed by any Governmental Authority.

"Total Credit Exposure" means, with respect to any Lender at any time, the outstanding principal balance of such Lender's Loans at such time.

"Transactions" means (i) the execution, delivery and performance by each Borrower of each Loan Document to which it is a party, (ii) the borrowing of the Loans and (iii) the use of the proceeds of the Loans.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate (without consideration of the Alternate Base Rate) or the Alternate Base Rate.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"USA PATRIOT Act" has the meaning assigned to such term in Section 10.14.

"U.S. Taxes" means any present or future tax, assessment, fee or other charge or levy imposed by or on behalf of the United States of America or any taxing authority thereof or therein.

“Variable Interest Entity” means an entity defined as a Variable Interest Entity under Financial Accounting Standards Board Interpretation No. 46R.

“Wholly-Owned Subsidiary” of a given Person means any Person, all of the shares of capital stock or other ownership interests of which (except directors’ qualifying shares) are at the time directly or indirectly owned by the given Person or one or more other Wholly-Owned Subsidiaries or by the given Person and one or more other Wholly-Owned Subsidiaries.

Section 1.2 Classification of Loans and Borrowings. For purposes of this Credit Agreement, Loans may be classified and referred to by Type (e.g., a “Eurodollar Loan”). Borrowings may also be classified and referred to by Type (e.g., a “Eurodollar Borrowing”).

Section 1.3 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified, (ii) any definition of or reference to any law shall be construed as referring to such law as from time to time amended and any successor thereto and the rules and regulations promulgated from time to time thereunder, (iii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iv) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Credit Agreement in its entirety and not to any particular provision hereof, (v) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Credit Agreement, (vi) any reference herein to a fiscal year or fiscal quarter shall be construed to refer to a fiscal year or fiscal quarter of the Company, and (vii) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.4 Accounting Terms; GAAP and Statutory Accounting Principles. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP or Statutory Accounting Principles, as applicable, as in effect on the Agreement Date. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in this Credit Agreement, the Company may elect to (i) compute any such ratio or

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requirement in accordance with GAAP as amended or (ii) continue to compute any such ratio or requirement in accordance with GAAP prior to such change therein, provided that, if the Company elects to continue to compute any such ratio or requirement in accordance with GAAP prior to such change therein, the Company shall provide the Administrative Agent and the Lenders financial statements and other documents required under this Credit Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made (i) without giving effect to any election under Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Debt or other liabilities of the Company or any Subsidiary at “fair value”, as defined therein and (ii) without giving effect to any treatment of Debt in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Debt in a reduced or bifurcated manner as described therein, and such Debt shall on each date of calculation be valued at the full stated principal amount thereof.

ARTICLE 2.

THE CREDITS

Section 2.1 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to any Borrower in dollars from time to time during the Availability Period in an aggregate principal amount as to all Borrowers that will not result in (a) such Lender’s Total Credit Exposure exceeding such Lender’s Commitment or (b) the sum of the Total Credit Exposures exceeding the Aggregate Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, repay and reborrow Loans.

Section 2.2 Loans and Borrowings.

(a) Each Loan made to a Borrower shall be made as part of a Borrowing consisting of Loans made by the Lenders to such Borrower ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, provided that the Commitments of the Lenders are several, and no Lender shall be responsible for any other Lender’s failure to make Loans as required.

(b) Subject to Section 3.4, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans, in each case as the Company (on behalf of the applicable Borrower) may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that any exercise of such option shall not affect the obligation of such Borrower to repay such Loan in accordance with the terms of this Credit Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing made to a Borrower, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. At the time that each ABR Borrowing is

made, such Borrowing shall be in an aggregate amount that integral multiple of \$1,000,000 and not less than \$5,000,000, provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of ten Eurodollar Borrowings outstanding to all Borrowers.

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(d) Notwithstanding any other provision of this Credit Agreement, the Company (on behalf of the applicable Borrower) shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.3 Requests for Borrowings.

(a) To request a Borrowing, the Company (on behalf of the applicable Borrower) shall notify the Administrative Agent of such request by telephone (i) in the case of a Eurodollar Borrowing, not later than 10:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (ii) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent signed by the Company (on behalf of the applicable Borrower). Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.2:

- (i) the identity of the Borrower;
- (ii) the aggregate amount of the requested Borrowing;
- (iii) the date of such Borrowing, which shall be a Business Day;
- (iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (vi) the location and number of the applicable Borrower's account to which funds are to be disbursed.

(b) If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Company (on behalf of the applicable Borrower) shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.4 Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. Subject to Section 5.2, the Administrative Agent will make such Loans available to the applicable Borrower by promptly crediting or otherwise transferring the amounts so received, in like funds, to the account of such Borrower as specified in the Borrowing Request pursuant to Section 2.3(a)(vi) and designated by the Company (on behalf of such Borrower) in the applicable Borrowing Request.

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(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section, and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of such Borrower, the interest rate that would be otherwise applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.5 Termination, Reduction and Increase of Commitments.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Company may at any time terminate, or from time to time reduce, the Commitments, provided that (i) the Company shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.7, the sum of the Total Credit Exposures would exceed the Aggregate Commitment and (ii) each such reduction shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000.

(c) [Intentionally Omitted].

(d) Provided that at the time of and immediately after giving effect thereto, no Default shall exist and be continuing, the Company may at any time and from time to time, at its sole cost, expense and effort, request any one or more of the Lenders to increase its Commitment (the decision to increase the Commitment of a Lender to be within the sole and absolute discretion of such Lender), or any other Person reasonably satisfactory to the Administrative Agent to provide a new Commitment, by submitting to the Administrative Agent an Increase Supplement duly executed by each Borrower and each such Lender or other Person, as the case may be. If such Increase Supplement is in all respects reasonably satisfactory to the Administrative Agent, it shall execute such Increase Supplement and deliver a copy thereof to the Company and each such Lender or other Person, as the case may be. Upon execution and delivery of such Increase Supplement by the Administrative Agent, (i) in the case of each such Lender, its Commitment shall be increased to the amount set forth in such Increase Supplement and (ii) in the case of each such other Person, such other Person shall become a party hereto and have the rights and obligations of a Lender under the Loan Documents and its Commitment shall be as set forth in such Increase Supplement; provided, however, that on the effective date of any increase in the Commitments:

(A) immediately after giving effect thereto, the sum of all increases in the aggregate Commitments made pursuant to this Section 2.5(d) shall not exceed \$500,000,000;

(B) each such increase shall be in an amount not less than \$50,000,000 or such amount plus an integral multiple of \$10,000,000;

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(C) (i) each such increasing Lender and each such other Person shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Loans of all the Lenders to equal its Applicable Percentage of such outstanding Loans, and (ii) each Borrower shall be deemed to have repaid and reborrowed all of its outstanding Loans as of the date of any increase in the Commitments (with such reborrowing to consist of the Types of Loans, with related Interest Periods if applicable, specified in a notice delivered by the Company on behalf of such Borrower, in accordance with the requirements of Section 2.3). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurodollar Loan, shall be subject to indemnification by such Borrower pursuant to the provisions of Section 3.6 if the deemed payment occurs other than on the last day of the related Interest Periods;

(D) each such other Person shall have delivered to the Administrative Agent and the Company all forms, if any, that are required to be delivered by such other Person pursuant to Section 3.7(c); and

(E) the representations and warranties of the Borrowers set forth in Article 4 shall be true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall be true and correct in all respects) on and as of the effective date of any increase in the Commitments except to the extent that any such representations and warranties expressly relate to an earlier date (including those contained in Sections 4.4(a), 4.4(b) and 4.8), in which case such representations and warranties shall have been true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall have been true and correct in all respects) on and as of such earlier date (and the Administrative Agent shall have received such evidence and other related documents as the Administrative Agent may reasonably request with respect to the Borrowers' authorization of the increase and their respective obligations hereunder).

(e) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable, provided that a notice of termination of the Commitments delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Each reduction, and any termination, of the Commitments shall be permanent and, except as provided in Section 2.8, each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

Section 2.6 Repayment of Loans; Evidence of Debt.

(a) Each Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan made to such Borrower on the Maturity Date. The amounts payable by each Borrower at any time hereunder and under the Notes to each Lender shall be a separate and independent debt; provided that no Borrower shall be

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obligated to pay or repay any amounts owed or borrowed by any other Borrower, except as set forth in Article 7.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the debt of each Borrower to such Lender resulting from each Loan made by such Lender to such Borrower, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Borrower thereof, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from each Borrower for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) or (c) of this Section shall, to the extent not inconsistent with any entries made in the Notes, be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay the Loans made to it by any Lender in accordance with the terms of this Credit Agreement.

(e) At any time after the initial borrowing under this Credit Agreement, any Lender may request that the Loans made by it to a Borrower be evidenced by a single Note of such Borrower. In such event, such Borrower shall prepare, execute and deliver to such Lender, a Note payable to the order of such Lender substantially in the form of Exhibit C. In addition, if requested by a Lender, its Note may be made payable to such Lender and its registered assigns in which case all Loans evidenced by such Note and interest thereon shall at all times (including after assignment pursuant to Section 10.4) be represented by one or more Notes in like form payable to the order of the payee named therein and its registered assigns.

(f) In the event that a Lender has requested a Note under this Credit Agreement and thereafter requests a replacement thereof, upon receipt of (i) either the Note to be replaced or (ii) an affidavit of such Lender as to the circumstances under which such Note was destroyed or lost together with such indemnification of the applicable Borrower as shall be reasonably satisfactory to it, such Borrower shall execute and deliver to such Lender a replacement Note.

Section 2.7 Prepayment of Loans.

(a) Each Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section.

(b) In the event of any partial reduction or termination of the Commitments, then (i) at or prior to the date of such reduction or termination, the Administrative Agent shall notify the Company and the Lenders of the aggregate outstanding principal amount of all Lenders' Loans after giving effect thereto and (ii) if such sum would exceed the Aggregate Commitment after giving effect to such reduction or termination, then the Borrowers shall, on the date of such reduction or termination, prepay Borrowings in an aggregate amount sufficient to eliminate such excess.

(c) The Company, on behalf of the applicable Borrower, shall notify the Administrative Agent by telephone (confirmed by facsimile) of any prepayment hereunder (i) in the case

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of a prepayment of a Eurodollar Borrowing, not later than 10:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of the prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid by the applicable Borrower, provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.5, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.5. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment under Section 2.7(a) of a Borrowing shall, when added to the amount of each concurrent reduction of the Commitments and prepayment of Borrowings under such Section, be in an integral multiple of \$1,000,000 and not less than \$5,000,000.

(d) Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.1.

Section 2.8 Extension of Maturity Date.

(a) Request for Extension. The Company may (not more than twice during the term of this Credit Agreement), by notice to the Administrative Agent (which shall promptly notify the Lenders) not more than 90 days and not less than 30 days prior to each of the first and second anniversary of the Effective Date (each such anniversary date, an "Extension Date"), request (each, an "Extension Request") that the Lenders extend the Maturity Date then in effect (the "Existing Maturity Date") for an additional one year. Each Lender, acting in its sole

discretion, shall, by notice to the Company and the Administrative Agent given not later than the 20th day (or such later day as shall be acceptable to the Company) following the date of the Company's notice, advise the Company and the Administrative Agent whether or not such Lender agrees to such extension; provided that any Lender that does not so advise the Company and the Administrative Agent shall be deemed to have rejected such Extension Request. The election of any Lender to agree to such extension shall not obligate any other Lender to so agree.

(b) Replacement of Non-Extending Lenders. Provided that no Default shall have occurred and be continuing, the Company shall have the right at any time on or prior to the relevant Extension Date to replace any Lender which has not consented to the Extension Request (each, a "Non-Extending Lender") with, and otherwise add to this Credit Agreement, one or more other Eligible Institutions (which may include any Lender) (each an "Additional Commitment Lender") in each case with the consent of the Administrative Agent (such consent in each case not to be unreasonably withheld). If some or all of the Commitment of a Non-Extending Lender is being assumed by one or more Additional Commitment Lenders, such Non-Extending Lender shall enter into an Assignment and Assumption with such Additional Commitment Lender(s) pursuant to which such Additional Commitment Lender(s) shall, effective as of the Extension Date, (i) assume all or a portion of such Non-Extending Lender's Commitment and (ii) purchase at par (or such other amount as may be agreed to by such Non-Extending Lender and the respective Additional Commitment Lender) for cash all or a portion of the Loans made by such Non-Extending Lender, in each case as may be specified in such Assignment and Assumption.

(c) Effectiveness of Extension. Effective as of the Extension Date, the Maturity Date, with respect to the Commitment of each Lender that has agreed to so extend its Commitment and of each Additional Commitment Lender shall be extended to the date falling one year after the Existing Maturity Date (or, if such date is not a Business day, such Maturity Date as so extended shall be the

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preceding Business Day) and each Additional Commitment Lender shall thereupon become a "Lender" for all purposes of this Credit Agreement.

Notwithstanding the foregoing, the extension of the Existing Maturity Date shall not be effective with respect to any Lender unless as of the relevant Extension Date (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of the Borrowers set forth in Article 4 shall be true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall be true and correct in all respects) on and as of the Extension Date except to the extent that any such representations and warranties expressly relate to an earlier date (including those contained in Sections 4.4(a), 4.4(b) and 4.8), in which case such representations and warranties shall have been true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall have been true and correct in all respects) on and as of such earlier date (and the Administrative Agent shall have received a certificate, in form and substance satisfactory to the Administrative Agent, to such effect from the chief financial officer, the controller or any other senior financial officer of the Company, together with such evidence and other related documents as the Administrative Agent may reasonably request with respect to the Borrowers' authorization of the extension and their respective obligations hereunder).

Notwithstanding anything herein to the contrary, with respect to the Commitment of any Non-Extending Lender whose Commitment has not been fully assumed by one or more Additional Commitment Lenders, the Maturity Date for such Lender shall remain unchanged and, notwithstanding anything in Section 2.9 to the contrary, the Loans made by such Lender and not purchased by one or more Additional Commitment Lenders shall be repayable on such date by the applicable Borrower without (i) there being any requirement that any such repayment be shared with other Lenders or (ii) the repayment of any Loans made by Lenders that approved the Extension Request. In addition, on the Extension Date, each Borrower agrees to pay all accrued and unpaid interest, fees and other amounts (other than principal to the extent covered by the first sentence of the paragraph) then due under this Credit Agreement from such Borrower to each Lender consenting to the Extension Request, each Non-Extending Lender and each Additional Commitment Lender. In connection with the payments referred to in the first sentence of this paragraph, each Borrower shall be deemed to have repaid and re-borrowed all of the Loans remaining outstanding after such payments as of the Extension Date (with such re-borrowing to consist of the Types of Loans, with related Interest Periods, if applicable, specified in a notice delivered by the Company on behalf of such Borrower in accordance with the requirements of Section 2.3). Solely for the purpose of calculating break funding payments under Section 3.6, the assignment by any Non-Extending Lender of any Eurodollar Loan prior to the last day of the Interest Period applicable thereto in accordance with this Section 2.8 shall be deemed to constitute a prepayment by a Borrower of such Eurodollar Loan.

Section 2.9 Payments Generally; Pro Rata Treatment; Sharing of Setoffs.

(a) Each Borrower shall make each payment required to be made by it hereunder or under the Note made by it (whether of principal of Loans, interest or fees, or of amounts payable under Sections 2.5(d)(C), 2.8, 3.5, 3.6, 3.7 or 10.3, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without setoff or counterclaim, and shall not be refundable under any circumstances. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its office at 1111 Fannin Street, Floor 10, Houston, Texas 77002, or such other office as to which the Administrative Agent may notify the other parties hereto, and except that payments pursuant to Sections 3.5, 3.6, 3.7 or 10.3 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the

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appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal of Loans, interest, fees and commissions then due hereunder, such funds shall be applied (i) first, towards payment of interest, fees and commissions then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and commissions then due to such parties and (ii) second, towards payment of principal of Loans then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal of Loans then due to such parties.

(c) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of, or interest on, any of its Loans made to a Borrower resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans made to such Borrower and accrued interest thereon than the proportion received by any other Lender with respect to the Loans made by such other Lender to such Borrower, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans made to such Borrower of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of, and accrued interest on, their respective Loans, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by a Borrower pursuant to and in accordance with the express terms of this Credit Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Company or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due from a Borrower to the Administrative Agent for the account of the applicable Credit Parties hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to such Credit Parties the amount due. In such event, if such Borrower has not in fact made such payment, then each such Credit Party severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Credit Party with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with generally recognized banking industry practices on interbank compensation.

(e) If any Credit Party shall fail to make any payment required to be made by it pursuant to Section 2.4(b), 2.9(d) or 10.3(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Credit Party to satisfy such Credit Party's obligations under such Sections until all such unsatisfied obligations are fully paid.

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Section 2.10 Defaulting Lenders. Notwithstanding any provision of this Credit Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees payable pursuant to Section 3.3(a) shall continue to accrue on the Commitment of such Defaulting Lender only to the extent of the Total Credit Exposure of such Defaulting Lender; and

(b) the Commitment and Total Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.2); provided, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby.

In the event that the Administrative Agent and the Company each agree in writing that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then such Lender shall no longer be a Defaulting Lender under this Agreement at such time.

ARTICLE 3.

INTEREST, FEES, YIELD PROTECTION, ETC.

Section 3.1 Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Margin and the Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin.

(b) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraph of this Section or (ii) in the case of any other amount, 2% plus the Alternate Base Rate.

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan, provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Eurodollar Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall

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be determined by the Administrative Agent, and such determination shall be conclusive absent clearly demonstrable error.

Section 3.2 Interest Elections Relating to Borrowings.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request or pursuant to Section 2.3(b). Thereafter, the Company (on behalf of the applicable Borrower) may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect an Interest Period therefor, all as provided in this Section.

(b) To make an election pursuant to this Section, the Company (on behalf of the applicable Borrower) shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.3 if the Company (on behalf of the applicable Borrower) were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company (on behalf of the applicable Borrower).

(c) Each telephonic and written Interest Election Request shall specify the following information:

- (i) the identity of the Borrower;
- (ii) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iv) and (v) of this paragraph shall be specified for each resulting Borrowing);
- (iii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
- (iv) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and
- (v) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Company (on behalf of the applicable Borrower) shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Company (on behalf of the applicable Borrower) fails to deliver a timely Interest Election Request prior to the end of the Interest Period applicable thereto, then, unless such

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Borrowing is repaid as provided herein, at the end of such Interest Period, such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the

request of the Required Lenders, so notifies the Company (on behalf of the applicable Borrower), then, so long as an Event of Default is continuing, (i) no outstanding Borrowing of any Borrower may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing of each Borrower shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 3.3 Fees.

(a) The Company agrees to pay to the Administrative Agent for the account of each Lender, a facility fee ("Facility Fee"), which shall accrue at a rate per annum equal to the Applicable Facility Fee Percentage on the daily amount of the Commitment of such Lender (regardless of usage) during the period from and including the Agreement Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Loans outstanding after its Commitment terminates, then such Facility Fee shall continue to accrue on the daily outstanding principal amount of such Lender's Loans from and including the date on which such Lender's Commitment terminates to but excluding the date on which all Loans of such Lender have been paid in full. Accrued Facility Fees shall be payable in arrears on the last day of March, June, September and December of each year, and on each date on which the Commitments are permanently reduced, commencing on the first such date to occur after the Agreement Date, provided that all unpaid Facility Fees shall be payable on the date on which the Commitments terminate. All Facility Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Company agrees to pay to each Credit Party, for its own account, fees and other amounts (other than principal or interest) payable in the amounts and at the times separately agreed upon between the Company and such Credit Party.

(c) All fees and other amounts (other than principal or interest) payable hereunder shall be paid on the dates due, in immediately available funds. Fees and other amounts (other than principal or interest) paid shall not be refundable under any circumstances.

Section 3.4 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines, which determination (if made on a reasonable basis) shall be conclusive, that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to the Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Company and the Lenders by telephone or facsimile as promptly as practicable thereafter and, until the Administrative Agent notifies the Company and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

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Section 3.5 Increased Costs; Illegality.

(a) If any Regulatory Change shall:

(i) impose, modify or deem applicable any reserve, special deposit compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Credit Party (except any such reserve requirement reflected in the Adjusted LIBO Rate);

(ii) impose on any Credit Party or the London interbank market any other condition, cost or expense affecting this Credit Agreement, any Eurodollar Loans made by such Credit Party or any participation therein, or

(iii) subject any Credit Party to any Taxes (other than (A) U.S. Taxes in respect of which payments of additional amounts are required under Section 3.7(a), (B) Taxes described in Section 3.7(a)(i)-(iii), (C) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Credit Party being organized under the laws of, or having its principal office in or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) imposed as a result of a present or former connection between such Credit Party and the jurisdiction imposing such Tax (other than connections arising from such Credit Party having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document), and (D) any Taxes attributable to such Credit Party's failure to comply with Section 3.7(c)) on any of its obligations under the Loan Documents, or its deposits, reserves, other liabilities or capital attributable thereto, and the result of any of the foregoing shall be to increase the cost to such Credit Party of making or maintaining any Loan hereunder or to increase the cost to such Credit Party or to reduce the amount of any sum received or receivable by such Credit Party hereunder (whether of principal, interest or otherwise), then the Company will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party for such additional costs incurred or reduction suffered as reasonably determined by such Credit Party (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with the manner in which such Credit Party treats similarly situated customers of the applicable Credit Party under agreements having provisions similar to this Section 3.5 after consideration of such factors as such Credit Party then reasonably determines to be relevant).

(b) If any Credit Party determines that any Regulatory Change regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Credit Party's capital or on the capital of such Credit Party's holding company, if any, as a consequence of this Credit Agreement or the Loans made, by such Credit Party to a level below that which such Credit Party or such Credit Party's holding company could have achieved but for such Regulatory Change (taking into consideration such Credit Party's policies and the policies of such Credit Party's holding company with respect to capital adequacy and liquidity), then from time to time the Company will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party or such Credit Party's holding company for any such reduction suffered as reasonably determined by such Credit Party (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with the manner in which such Credit Party treats similarly situated customers of the applicable Credit Party under agreements having provisions similar to this Section 3.5 after consideration of such factors as such Credit Party then reasonably determines to be relevant).

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(c) A certificate of a Credit Party setting forth the amount or amounts necessary to compensate such Credit Party or its holding company, as applicable, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay such Credit Party the amount shown as due on any such certificate within ten days after receipt thereof.

(d) Failure or delay on the part of any Credit Party to demand compensation pursuant to this Section shall not constitute a waiver of such Credit Party's right to demand such compensation, provided that the Borrowers shall not be required to compensate a Credit Party pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Credit Party notifies the Borrowers of the Regulatory Change giving rise to such increased costs or reductions and of such Credit Party's intention to claim compensation therefor.

(e) Notwithstanding any other provision of this Credit Agreement, if, after the Agreement Date, any Regulatory Change shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Company and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods) and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans, whereupon any request for a Eurodollar Borrowing or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing, as applicable, for an additional Interest Period shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as applicable), unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans, as of the effective date of such notice as provided in the last sentence of this paragraph.

In the event any Lender shall exercise its rights under clause (i) or (ii) of this paragraph, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans, as applicable. For purposes of this paragraph, a notice to the Company by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Company.

Section 3.6 Break Funding Payments. In the event of (a) the payment, prepayment or deemed prepayment (voluntary or otherwise) of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.7(c) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period or maturity date applicable thereto as a result of a request by the Company pursuant to Section 3.8(b), then, in any such event, the relevant Borrower or the Company, as applicable, shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount

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determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is

entitled to receive pursuant to this Section shall be delivered to the Company (on behalf of the relevant Borrower) and shall be conclusive absent manifest error. The relevant Borrower shall pay such Lender the amount shown as due on any such certificate within ten days after receipt thereof.

Section 3.7 U.S. Taxes.

(a) Each Borrower agrees to pay to each Foreign Lender such additional amounts as are necessary in order that the net payment of any amount due to such Foreign Lender under the Loan Documents after deduction for or withholding in respect of any U.S. Taxes collectible by withholding and imposed with respect to such payment, will not be less than the amount such Foreign Lender would have received had no such withholdings or deductions for U.S. Taxes been made, provided that the foregoing obligation to pay such additional amounts shall not apply:

(i) with respect to any U.S. Taxes collectible by withholding or deduction that are imposed on payments to or for the account of such Foreign Lender with respect to any applicable interest in a Loan or Commitment pursuant to any law in effect on the Agreement Date (or on the date such Foreign Lender becomes a Lender as provided in Section 10.4, except for assignments made at the request of the Company pursuant to Section 3.8(b)) or on the date of any change in the applicable lending office of such Foreign Lender, in each case, except to the extent that pursuant to this Section 3.7(a), amounts with respect to such U.S. Taxes were payable either to such Foreign Lender's assignor immediately before such Lender became a party hereto or such Foreign Lender immediately before it changed its lending office, or

(ii) to any Foreign Lender if such Foreign Lender fails to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the United States of America of such Foreign Lender if such compliance is required by statute or regulation of the United States of America as a precondition to relief or exemption from such U.S. Taxes; or

(iii) with respect to any U.S. Taxes imposed under FATCA.

(b) Within 30 days after paying any amount to the Administrative Agent or any Foreign Lender from which it is required by law to make any deduction or withholding, and within 30 days after it is required by law to remit such deduction or withholding to any relevant taxing or other authority, the Company (on behalf of the relevant Borrower) shall deliver to the Administrative Agent for delivery to such Foreign Lender evidence satisfactory to such Person of such deduction, withholding or payment (as the case may be).

(c) Not later than the Effective Date or, in the case of any Person that becomes a Lender pursuant to Section 10.4, the date of the execution and delivery of the Assignment and Assumption pursuant to which such Person becomes a Lender, and annually thereafter or at such other times as the Company may reasonably request or as required under applicable law, each Lender (to the extent that such Lender, in its sole discretion, believes that it is so entitled), shall provide the Company

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and the Administrative Agent with two duly completed copies of the relevant Internal Revenue Service forms certifying its entitlement to a complete exemption from or any reduction of withholding on any interest to be received by it under the Loan Documents in respect of the Loans.

(d) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any U.S. Taxes described in Section 3.7(a) for which a Borrower is required to pay additional amounts attributable to such Lender (but only to the extent that the Borrowers have not already indemnified the Administrative Agent for such U.S. Taxes and without limiting the obligation of the Borrowers to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.4(d)(ii) relating to the maintenance of a Participant Register and (iii) any Taxes other than U.S. Taxes for which a Borrower is required to pay additional amounts attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with the Loan Documents, and any reasonable expenses arising therefrom or with respect thereto, whether or not such amounts were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to such Lender from any other source against any amount due to the Administrative Agent under this Section 3.7(d).

(e) If a payment made to or for the account of a Lender hereunder would be subject to U.S. Taxes collectible by withholding imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Company and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Company or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Company or the Administrative Agent as may be necessary for the Company and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 3.7(e), "FATCA" shall include any amendments made to FATCA after the date of this Credit Agreement.

(f) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.7 (including by the payment of additional amounts pursuant to Section 3.7(a)), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.7 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without

interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 3.7(f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. This Section 3.7(f) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

Section 3.8 Mitigation Obligations.

(a) If any Lender requests compensation under Section 3.5, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of

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any Lender pursuant to Section 3.7, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans (or any participation therein) hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.5 or 3.7, as applicable, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If (i) any Lender requests compensation under Section 3.5, (ii) any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.7 or (iii) any Lender becomes a Defaulting Lender, then the Company may, at its sole expense (including the fees referred to in Section 10.4(b)) and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.4), all its interests, rights and obligations under the Loan Documents to an Eligible Institution that shall assume such obligations (which Eligible Institution may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the relevant Borrowers (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 3.5 or payments required to be made pursuant to Section 3.7, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Credit Parties (and each Subsidiary Borrower, as to itself, represents and warrants to the Credit Parties) that:

Section 4.1 Corporate Existence; Subsidiaries.

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with full corporate power to conduct its business as presently conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

(b) Each Material Subsidiary has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its organization, with full corporate or analogous powers to conduct its business as presently conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

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(c) Schedule 4.1 sets forth as of the Agreement Date the name of each Subsidiary that is a Wholly-Owned Subsidiary, a Listed Insurance Subsidiary or a Material Subsidiary and identifies the jurisdiction of organization of each such Subsidiary.

Section 4.2 Corporate and Governmental Authorization; No Contravention.

(a) Each Borrower has full corporate power and authority to execute, deliver and perform its obligations under this Credit Agreement and the Notes executed by it and to comply with all of the provisions of this Credit Agreement and the Notes executed by it, and all necessary corporate or similar proceedings of such Borrower have been duly taken to authorize the execution, delivery and performance by such Borrower of this Credit Agreement and the Notes executed by it.

(b) No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority or any securities exchange, are necessary for the execution, delivery or performance by any Borrower of this Credit Agreement or the Notes executed by it, or for the legality, validity or enforceability hereof or thereof.

(c) None of the execution and delivery of this Credit Agreement and the Notes, the consummation of the transactions herein contemplated or compliance by any Borrower with all of the terms and provisions of this Credit Agreement or the Notes executed by such Borrower will conflict with or result in a breach which would constitute a material default under, or result in the creation or imposition of any Lien, charge or encumbrance upon any of the property or assets of such Borrower, material to such Borrower, pursuant to the terms of any indenture, loan agreement, or other agreement or instrument for borrowed money to which such Borrower is a party or by which such Borrower may be bound or to which any of the property or assets of such Borrower, material to such Borrower, is subject, nor will such action result in any material violation of the provisions of the charter or by laws of such Borrower or any statute or any order, rule or regulation applicable to such Borrower or any of its Material Subsidiaries of any Governmental Authority having jurisdiction over such Borrower or such Subsidiary, and no consent, approval, authorization or other order of, or filing with, any Governmental Authority is required for the execution and delivery of this Credit Agreement and the Notes, the consummation of the transactions herein contemplated or compliance by the Company with all of the terms and provisions of this Credit Agreement, provided that (i) the Borrowers make no representations or warranties with respect to any securities or blue sky laws of political subdivisions of the United States of America or any laws or treaties of any country (or political subdivision thereof) other than the United States of America and (ii) the effect of the laws of any jurisdiction (other than the States of New York or Illinois) that limit the interest, fees or other charges any Lender may impose.

Section 4.3 Binding Effect. (i) This Credit Agreement constitutes a legal, valid and binding agreement of each Borrower, (ii) the Guarantee in Article 7 of this Credit Agreement constitutes a legal, valid and binding agreement of the Company and (iii) the Notes, when executed and delivered in accordance with this Credit Agreement, will constitute valid and binding obligations of the respective Borrower executing and delivering such Notes, in the case of each of the foregoing clauses (i) through (iii), enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, rehabilitation, moratorium or other laws affecting creditors' rights and rights of creditors of insurers generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 4.4 Financial Information.

(a) The consolidated statement of financial position of the Company and its Consolidated Subsidiaries as of December 31, 2011 and the related statements of operations,

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comprehensive income, shareholders' equity and cash flows for the fiscal year then ended, reported on by Deloitte & Touche, LLP, and heretofore furnished to the Administrative Agent and each of the Lenders, present fairly in all material respects, in conformity with GAAP, the financial position of the Company and its Consolidated Subsidiaries as of such date and their results of operations and cash flows for such fiscal year.

(b) The respective Statutory Statements for Allstate Insurance and Allstate Life for the year ended at December 31, 2011 present fairly in all material respects, in conformity with Statutory Accounting Principles, the respective financial conditions of said companies as at said date and their respective results of operations for the fiscal year ended on said date.

(c) Since December 31, 2011, there has been no material adverse change in the business, financial position or results of operations of the Company and its Consolidated Subsidiaries.

Section 4.5 Litigation. Except as disclosed to the Lenders in writing (which shall include the Company's Form 10-K and Allstate Life Insurance Company's Form 10-K for the fiscal year ending December 31, 2011) prior to the date hereof, there are no legal, arbitral or governmental proceedings (including any proceeding instituted by any state insurance commission or similar regulatory body), pending to which the Company or any of its Material Subsidiaries is a party or to which any property of the Company or any of its Material Subsidiaries is the subject (collectively, "Proceedings") which, if determined adversely to the Company or any of its Material Subsidiaries (and there exists a reasonable possibility of such adverse determination), individually or in the aggregate, reasonably could be expected to have a Material Adverse Effect and, to the best of the Company's knowledge, no such proceedings are threatened.

Section 4.6 Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan (other than any Non-Material Subsidiary Plan) and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan (other than any Non-Material Subsidiary Plan). No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan (other than any Non-Material Subsidiary Plan), (ii) failed to make any contribution or payment to any Plan (other than any Non-Material Subsidiary Plan) or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan (other than any Non-Material Subsidiary Plan) or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code, provided, however, that in the case of a Benefit Arrangement established or maintained by or for a Subsidiary (other than a Subsidiary Borrower) such action or inaction has resulted or could result in the imposition of such a Lien or the posting of such a bond or other security in excess of \$25,000,000, or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 4.7 Environmental Matters. The Company has concluded reasonably that all Environmental Laws applicable to the Company and its Material Subsidiaries are unlikely to have a Material Adverse Effect.

Section 4.8 Taxes. United States Federal income tax returns of the Company and its Material Subsidiaries have been closed through the fiscal year ended December 31, 2004. All United States Federal income tax returns and all other material tax returns which are required to be filed have been filed by or on behalf of the Company and its Material Subsidiaries and all material taxes due with respect to the Company and its Material Subsidiaries pursuant to such returns and all material taxes due pursuant to any assessment received by the Company or any of its Material Subsidiaries have been paid, except those

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assessments being contested in good faith by appropriate proceedings and where (in the opinion of the Company) adequate charges, accruals or reserves have been established on the books of the Company and its Subsidiaries, as applicable.

Section 4.9 Full Disclosure. All written factual information heretofore furnished by the Company to the Administrative Agent or any Lender for purposes of or in connection with this Credit Agreement and the Information Memorandum was true and accurate in all material respects on the date as of which such information was stated or certified.

Section 4.10 Investment Company Act. None of the Borrowers is required to be registered as an "investment company" within the meaning of the Investment Company Act of 1940.

Section 4.11 Federal Reserve Regulations.

(a) Not more than 25% of the value (as determined by any reasonable method) of the assets subject to any restriction on (i) Liens set forth in Section 6.6 or (ii) sale or other disposition set forth in Section 6.7 is represented by Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether immediately, incidentally or ultimately, (i) to directly or indirectly purchase, acquire or carry any Margin Stock, (ii) directly or indirectly for any purpose that entails a violation of, or that is inconsistent with Regulations U or X, or (iii) to make a personal loan to any director or executive officer of any Borrower or any Subsidiary in violation of Section 402 of the Sarbanes Oxley Act of 2002.

ARTICLE 5.

CONDITIONS

Section 5.1 Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(a) Credit Agreement. The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Credit Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile transmission of a signed signature page of this Credit Agreement) that such party has signed a counterpart of this Credit Agreement.

(b) Legal Opinions. The Administrative Agent shall have received favorable written opinions (addressed to the Credit Parties and dated the Effective Date) from (i) Mary J. McGinn, Senior Vice President, Secretary and Deputy General Counsel of the Company and acting as counsel to the other Borrowers, and (ii) Dewey & LeBoeuf LLP, special New York counsel to the Borrowers, substantially in the forms of Exhibit B-1 and B-2, respectively, covering such other matters relating to the Borrowers, the Loan Documents and the Transactions as the Required Lenders shall reasonably request. The Borrowers hereby request such counsel to deliver such opinions.

(c) Organizational Documents, etc. The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to (i) the organization, existence and good standing of each Borrower (including (x) a certificate of incorporation or formation of each Borrower, certified as of a recent date by the Secretary of State (or comparable official) of the jurisdiction of its incorporation or formation and (y) certificates of good

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standing (or comparable certificates) for each Borrower, certified as of a recent date prior to the Effective Date, by the Secretary of State (or comparable official) of the jurisdiction of its incorporation or formation), (ii) the authorization of the Transactions, (iii) the incumbency of its officer or officers who may sign the Loan Documents, including therein a signature specimen of such officer or officers and (iv) any other legal matters relating to Borrowers, the Loan Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) Officer's Certificate. The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the chief executive officer or the chief financial officer or the controller of the Company confirming (i) that the representations and

warranties of the Borrowers set forth in Article 4 are true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall be true and correct in all respects) as of the Effective Date except to the extent that any such representations and warranties expressly relate to an earlier date (including those contained in Sections 4.4(a), 4.4(b) and 4.8), in which case such representations and warranties shall have been true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall be true and correct in all respects) on and as of such earlier date and (ii) that there is no Default in existence as of the Effective Date.

(e) Fees and Expenses. All fees, expenses and other amounts due and payable on or prior to the Effective Date, including the reasonable fees and disbursements of counsel to the Administrative Agent, to the extent invoiced shall have been paid.

(f) Existing Credit Agreement. The commitments under the Existing Credit Agreement shall have been terminated and all amounts due thereunder shall have been paid and the Administrative Agent shall have received evidence, in form and substance satisfactory to it, thereof.

(g) Other Documents. The Administrative Agent shall have received such other documents as shall be reasonably required by it in connection therewith.

The Administrative Agent shall notify the Borrowers and the Credit Parties of the Effective Date, and each such notice shall be conclusive and binding.

Section 5.2 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrowers set forth in Article 4 (other than those contained in Section 4.4(c) and Section 4.5) shall be true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall be true and correct in all respects) on and as of the date of such Borrowing except to the extent that any such representations and warranties expressly relate to an earlier date (including those contained in Sections 4.4(a), 4.4(b) and 4.8), in which case such representations and warranties shall have been true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect shall have been true and correct in all respects) on and as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Company, and, if applicable, the applicable Subsidiary Borrower, on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

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ARTICLE 6.

COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees and other amounts payable under the Loan Documents shall have been paid in full, the Company covenants and agrees (and, to the extent applicable to it, each Subsidiary Borrower covenants and agrees) with the Credit Parties that:

Section 6.1 Financial Statements and Other Information. The Company will furnish to each Credit Party the following, provided that the Company need not furnish copies of the information referred to in this Section if on or before the applicable day set forth below, such information is available (A) in the case of the information referred to in subsections (a), (b), (i) and (j) below, either on EDGAR or on the Company's web site, and (B) in the case of the information referred to in subsections (c) and (d) below, on the Company's web site:

(a) as soon as available and in any event within 120 days after the end of each fiscal year, the Company's annual meeting proxy statement and its Form 10-K containing a consolidated statement of financial position of the Company and its Consolidated Subsidiaries as of the end of such fiscal year and the related statements of income, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche, LLP or another independent registered public accounting firm of nationally recognized standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) as soon as available and in any event within 60 days after the end of each of the first three fiscal quarters of each fiscal year, the Company's Form 10-Q containing a consolidated statement of financial position of the Company and its Consolidated Subsidiaries as of the end of such fiscal quarter and the related statements of income and cash flows for such fiscal quarter and for the portion of the Company's fiscal year ended at the end of such fiscal quarter;

(c) as soon as available and in any event within 120 days after the end of each fiscal year of each Subsidiary Borrower, the Statutory Statement of such Subsidiary Borrower for such fiscal year and as filed with the insurance department of the State of domicile of such Subsidiary Borrower;

(d) as soon as available and in any event within 60 days after the end of each of the first three quarterly fiscal quarters of each Subsidiary Borrower, quarterly Statutory Statements of such Subsidiary Borrower for such fiscal quarter and as filed with the insurance department of the State of domicile of such Subsidiary Borrower;

(e) promptly after the financial statements referred to in clauses (a) and (b) above have been made available to the Credit Parties either through EDGAR or the Company's web site (but in no event later than 120 days after the end of the relevant fiscal year or 60 days after the end of the relevant fiscal quarter, as applicable) or, in the event that the Company furnishes copies thereof to the Credit Parties, simultaneously with the delivery thereof, a certificate of the chief financial officer or the controller of the Company (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Section 6.9 on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any

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Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(f) promptly after the financial statements referred to in clause (a) above have been made available to the Credit Parties either through EDGAR or the Company's web site (but in no event later than 120 days after the end of the relevant fiscal year) or, in the event that the Company furnishes copies thereof to the Credit Parties, simultaneously with the delivery thereof, a certificate of the chief financial officer or the controller of the Company identifying each Subsidiary which is then a Material Subsidiary;

(g) promptly after the financial statements referred to in clause (a) above have been made available to the Credit Parties either through EDGAR or the Company's web site (but in no event later than 120 days after the end of the relevant fiscal year) or, in the event that the Company furnishes copies thereof to the Credit Parties, simultaneously with the delivery thereof, a statement of the independent registered public accounting firm which reported on such statements to the effect that in the course of their audit of such statements, nothing came to their attention that caused them to believe that the Company was not in compliance with the requirements of Section 6.9, insofar as such requirements relate to accounting matters;

(h) within five days after any officer of the Company obtains knowledge that any Default has occurred and is continuing, a certificate of the chief financial officer or the controller of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(i) written notice of any Proceedings promptly after a determination by the Company or the applicable Subsidiary Borrower that (i) such Proceedings, if determined adversely to the Company or any of its Material Subsidiaries individually or in the aggregate, reasonably could be expected to have a Material Adverse Effect and (ii) there exists a reasonable possibility of such adverse determination.

(j) promptly after being filed by the Company with the Securities and Exchange Commission, copies (without exhibits thereto) of any registration statement (other than any registration statement on Form S 8 or its equivalent) or any report on Form 8 K (or its equivalent); provided that the Company need not furnish such copies to the extent such registration statements or reports are made available to the Credit Parties either on EDGAR or the Company's web site;

(k) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan (other than any Non-Material Subsidiary Plan) which might constitute grounds for a termination of such Plan (other than any Non-Material Subsidiary Plan) under Title IV of ERISA, or knows that the plan administrator of any Plan (other than any Non-Material Subsidiary Plan) has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan (other than any Non-Material Subsidiary Plan) is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan (other than any Non-Material Subsidiary Plan), a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan (other than any Non-Material Subsidiary Plan) under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan (other

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than any Non-Material Subsidiary Plan) pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan (other than any Non-Material Subsidiary Plan) or Multiemployer Plan (other than any Non-Material Subsidiary Plan) or in respect of any Benefit Arrangement or makes any amendment to any Plan (other than any Non-Material Subsidiary Plan) or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code, provided, however, that in the case of a Benefit Arrangement established or maintained by or for a Subsidiary (other than a Subsidiary Borrower) such action or inaction has resulted or could result in the imposition of such a Lien or the posting of such a bond or other security in excess of \$25,000,000, a certificate of the chief financial officer or the controller of the Company setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group is required or proposes to take;

(l) furnish to the Administrative Agent promptly such other information with documentation required by bank regulatory authorities under applicable “know your customer” and Anti Money Laundering rules and regulations (including, without limitation, the USA PATRIOT Act), as from time to time may be reasonably requested by the Administrative Agent; and

(m) from time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as the Administrative Agent, at the request of any Lender, may reasonably request.

Section 6.2 Maintenance of Property. The Company will keep, and will cause each Material Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

Section 6.3 Conduct of Business and Maintenance of Existence.

(a) Neither the Company nor any of its Material Subsidiaries will engage to any substantial extent in any line or lines of business activity other than the business of owning and operating life and property and casualty insurance companies and financial services businesses (including investment operations) and businesses and activities related or incidental thereto.

(b) Subject to Section 6.7, the Company will preserve, renew and keep in full force and effect, and will cause each Material Subsidiary to preserve, renew and keep in full force and effect their respective legal existence and their respective rights, privileges and franchises material to the conduct of their respective businesses; provided that, subject to Section 6.7, the Company may terminate the corporate existence of any Subsidiary (other than a Subsidiary Borrower) if such termination could not reasonably be expected to have a Material Adverse Effect or otherwise to be materially disadvantageous to the Lenders.

Section 6.4 Compliance with Laws. The Company will make all good faith efforts to comply, and cause each Material Subsidiary to make all good faith efforts to comply, with all material applicable laws, ordinances, rules, regulations, and requirements of Governmental Authorities (including Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings and where (in the opinion of the Company) adequate charges, accruals or reserves have been established on the books of the Company and its Subsidiaries, as applicable.

Section 6.5 Books and Records; Inspection Rights. The Company will, and will cause each of its Material Subsidiaries to, keep proper books of record and account in which entries which are full, true and correct in all material respects are made of all material and appropriate dealings and transactions

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in relation to its business and activities. The Company will, and will cause each of its Material Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants (provided that the Company may, if it so chooses, be present at or participate in any such discussion with the independent accountants), all at such reasonable times during normal business hours and as often as reasonably requested.

Section 6.6 Negative Pledge. The Company will not, and will not permit any of its Subsidiaries to, create, assume or suffer to exist any Lien securing Debt (determined without regard to the clauses (c) through and including (h) of the proviso of the definition of the term “Debt”) on the stock of any Listed Insurance Subsidiary (or on the stock of any Subsidiary that directly, or indirectly through other Subsidiaries, owns stock of any Listed Insurance Subsidiary) now owned or hereafter acquired by it, except any Lien arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings. Notwithstanding the foregoing, in connection with marketing alliances or other promotional arrangements undertaken by one or both of the Subsidiary Borrowers, the Company or any of its Subsidiaries may pledge the stock of any Listed Insurance Subsidiary (other than stock of a Subsidiary Borrower) to secure Debt (determined without regard to the clauses (c) through and including (h) of the proviso of the definition of the term “Debt”) in an aggregate amount that, together with the aggregate liquidation preference of preferred stock permitted under the second sentence of Section 6.7(b), does not exceed \$600,000,000 (or its equivalent in any other currency) at any one time outstanding.

Section 6.7 Consolidations, Mergers and Sales of Assets.

(a) The Company will not merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, except that, if at the time thereof and immediately after giving effect thereto, no Default shall or would have occurred and be continuing, any Person may merge into the Company in a transaction in which the Company is the surviving entity.

(b) Neither Subsidiary Borrower will merge into or consolidate with, any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, except that, if at the time thereof and immediately after giving effect thereto, no Default shall or would have occurred and be continuing, either Subsidiary Borrower may merge into or consolidate with any other corporation (the “successor corporation”) organized under the laws of the United States of America or any state thereof which is (x) the Company, (y) in the case of a merger or consolidation involving Allstate Insurance (or any successor thereto), a Wholly-Owned Subsidiary of the Company, provided that any direct or indirect parent thereof is not an insurance company or other entity subject to any law or regulation which could limit or restrict the ability of the survivor of such merger or consolidation to pay dividends or make other distributions or payments, directly or indirectly, to the Company, or

(z) in the case of a merger or consolidation involving Allstate Life (or any successor thereto), a Wholly-Owned Subsidiary of the Company, and provided further that each Subsidiary Borrower covenants that any such consolidation, merger, sale or transfer shall be upon the conditions that the due and punctual payment of the principal and accrued interest on any Loans made to such Subsidiary Borrower, and the due and punctual performance and observance of all the terms, covenants and conditions of this Credit Agreement to be kept or performed by such Subsidiary Borrower shall, by an agreement supplemental hereto (which supplemental agreement shall be in form and substance satisfactory to the Administrative Agent and shall

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become effective upon satisfaction or waiver of the conditions described in Section 5.1(b), (c), (d) and (e) in a form appropriate to such supplemental agreement), be assumed by the corporation (other than such Subsidiary Borrower) formed by or resulting from any such consolidation or merger, or which shall have received the transfer of all or substantially all of the property and assets of the Subsidiary Borrower, just as fully and effectually as if such successor had been the original Subsidiary Borrower; and in the event of any such sale or transfer the predecessor Subsidiary Borrower may be dissolved, wound up and liquidated at any time thereafter. In addition, in connection with marketing alliances or other promotional arrangements undertaken by one or both of the Subsidiary Borrowers, the Subsidiary Borrowers may from time to time issue preferred stock to any Person, whether or not affiliated with the Company, having an aggregate liquidation preference (as to both Subsidiary Borrowers) that, together with the aggregate amount of Debt (determined without regard to the clauses (c) through and including (h) of the proviso of the definition of the term “Debt”) secured by Liens permitted under the second sentence of Section 6.6, does not exceed \$600,000,000 (or its equivalent in any other currency) at any one time outstanding. Notwithstanding anything in this Section 6.7 to the contrary, Allstate Insurance may transfer ownership of Allstate Life to the Company or to any other Wholly-Owned Subsidiary of the Company.

Section 6.8 Use of Proceeds. The proceeds of the Loans will be used only for general corporate purposes not inconsistent with the terms hereof. No part of the proceeds of any Loan will be used, whether immediately, incidentally or ultimately, (i) to directly or indirectly purchase, acquire or carry any Margin Stock, (ii) directly or indirectly for any purpose that entails a violation of Regulations U or X or (iii) to make a personal loan to any director or executive officer of any Borrower or any Subsidiary in violation of Section 402 of the Sarbanes Oxley Act of 2002.

Section 6.9 Ratio of Consolidated Total Debt to Consolidated Total Capital. The Company will not permit Consolidated Total Debt at any time to exceed 37.5% of Consolidated Total Capital.

Section 6.10 Limitation on Issuance of Medium Term Notes. The Company will not, and will not permit any of its Subsidiaries to, permit the aggregate principal amount of Medium Term Notes (other than Medium Term Notes secured by one or more funding agreements) issued after the Effective Date and outstanding at any time to exceed \$3,000,000,000.

ARTICLE 7.

GUARANTEE

Section 7.1 Guarantee. The Company hereby guarantees to each Credit Party and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Lenders to, and the Notes held by each Lender of, either Subsidiary Borrower and all other amounts from time to time owing to the Credit Parties by either Subsidiary Borrower under this Credit Agreement and under the Notes, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the “Guaranteed Obligations”). The Company hereby further agrees that if either Subsidiary Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Company will promptly pay the same, without demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal. The Company further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent or any other Credit Party to any security held for payment of the Obligations or to any balance of any deposit account or credit on the

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books of the Administrative Agent or any other Credit Party in favor of the Borrowers or any other Person.

Section 7.2 Obligations Unconditional. The obligations of the Company under Section 7.1 are absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of either Subsidiary Borrower under this Credit Agreement, the Notes or any other agreement or instrument referred to herein or therein, or any substitution, release of exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 7.2 that the obligations of the Company hereunder shall be absolute and unconditional under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not affect the liability of the Company hereunder:

(i) at any time or from time to time, without notice to the Company, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Credit Agreement or the Notes or any other agreement or instrument referred to herein or therein shall be done or omitted; or

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Credit Agreement or the Notes or any other agreement or instrument referred to herein or therein shall be waived or any other guarantee of any of the Guaranteed obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with.

The Company hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against either Subsidiary Borrower under this Credit Agreement or the Notes or any other agreement or instrument referred to herein or therein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

Section 7.3 Reinstatement. The obligations of the Company under this Article 7 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of either Subsidiary Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise and the Company agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

Section 7.4 Subrogation. Until the indefeasible payment in full in cash of all of the Obligations, the Company hereby waives all rights of subrogation or contribution, whether arising by operation of law (including any such right arising under the United States Bankruptcy Code) or otherwise, by reason of any payment by it pursuant to the provisions of this Article 7.

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Section 7.5 Remedies. The Company agrees that, as between the Company and the Credit Parties, the obligations of either Subsidiary Borrower under this Credit Agreement and the Notes may be declared to be forthwith due and payable as provided in Article 8 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Article 8) for purposes of Section 7.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against either Subsidiary Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by such Subsidiary Borrower) shall forthwith become due and payable by the Company for purposes of said Section 7.1.

Section 7.6 Continuing Guarantee. The guarantee in this Article 7 is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

ARTICLE 8.

EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan when due; or

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount payable by it hereunder within three Business Days after the due date thereof; or

(c) the Company shall fail to observe or perform any covenant contained in Section 6.3(b), Section 6.6, Section 6.7, the first sentence of Section 6.8, Section 6.9 or Section 6.10 or the Company shall fail to make any payment required under Article 7; or

(d) any Borrower shall fail to observe or perform any covenant or agreement contained in this Credit Agreement (other than those referred to in clauses (a) through (c) above) for 30 days after written notice thereof has been given to the Company by the Administrative Agent at the request of any Lender; or

(e) any representation, warranty, certification or statement made or deemed made herein (or in any modification or supplement hereto) by any Borrower, or any certificate, financial statement or other document delivered pursuant to the provisions, shall prove to have been incorrect in any material respect when made (or deemed made); or

(f) the Company or any of its Material Subsidiaries shall fail to make any payment when due or within any applicable grace period in respect of any Material Debt (and such failure shall constitute an event of default (or similar event) under the relevant agreement) or any event or condition shall occur which results in the acceleration of the maturity of any such Material Debt by holders thereof exercising their rights so to accelerate; or

(g) any Borrower or any Material Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law or Title II of the Dodd-Frank Act, whether now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail

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generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against any Borrower or any Material Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against any Borrower or any Material Subsidiary (in an involuntary case or other proceeding against such company) under the Federal bankruptcy laws as now or hereafter in effect; or

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$10,000,000 (or its equivalent in any other currency), or members of the ERISA Group shall, in the aggregate, fail to pay when due an amount or amounts aggregating in excess of \$50,000,000 (or its equivalent in any other currency), which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$50,000,000 (or its equivalent in any other currency);

(j) a judgment or order for the payment of money in excess of \$150,000,000 (or its equivalent in any other currency) shall be rendered against the Company or any of its Material Subsidiaries and such judgment or order shall continue unsatisfied and unstayed (pursuant to laws, rules, court orders or settlement agreements) for a period of 45 days;

(k) a Change in Control shall occur; or

(l) any provision of Article 7 for any reason ceases to be valid, binding and enforceable in accordance with its terms (or the Company shall challenge the enforceability of any provision of Article 7 or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of Article 7 has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms) other than a release or waiver pursuant to Section 10.2;

then, and in every such event (other than an event described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to each Borrower, take either or both of the following actions (whether before or after the Effective Date), at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of each Borrower accrued under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower; and in case of any event described in clause (g) or (h) of this Article, the Commitments shall automatically terminate (whether before or after the Effective Date) and the principal

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of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of each Borrower accrued under the Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower.

ARTICLE 9.

THE ADMINISTRATIVE AGENT

Each Credit Party hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.2), and (iii) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower or any of the Subsidiaries that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.2) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by a Borrower or a Credit Party, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Credit Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Credit Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article 5 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing reasonably believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers),

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independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any Affiliate or, upon prior notice to the Company (provided that such notice shall not be required during the continuance of an Event of Default), any one or more sub agents appointed by the Administrative Agent, provided that no such delegation shall serve as a release of the Administrative Agent or waiver by any Borrower of any rights hereunder. The Administrative Agent and any such sub agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub agent and to the Related Parties of the Administrative Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Credit Parties and the Company. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Credit Parties, appoint a successor Administrative Agent which shall be a bank with an office in New York City, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Company or any Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company or such Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.3 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Credit Party acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Credit Agreement. Each Credit Party also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon any Loan Document, any related agreement or any document furnished thereunder.

Anything herein to the contrary notwithstanding, none of the Bookrunners, Arrangers or Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Credit Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

ARTICLE 10.

MISCELLANEOUS

Section 10.1 Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in

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writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(a) if to the Company or a Subsidiary Borrower, to the Company or to such Subsidiary Borrower c/o the Company, as applicable, at 3075 Sanders Road, Suite G2H, Northbrook, Illinois 60062, Attention of: Christine Ieuter (Telephone No. (847) 402-6840; Facsimile No. (847) 402-9116), with a copy to the attention of Mario Rizzo (Telephone No. (847) 402-7621; Facsimile No. (847) 402-9116);

(b) if to the Administrative Agent, to JPMorgan Chase Bank, N.A., 1111 Fannin Street, Floor 10, Houston, Texas 77002, Attention of Vashni Whittaker (Telephone No. (713) 483-1080; Facsimile No. (713) 750-2223); with a copy to JPMorgan Chase Bank, N.A., 277 Park Avenue, 11th Floor, New York 10172, Attention of Benjamin Whitmer (Telephone No. (212) 622-8864; Facsimile No. (917) 464-2338); and

(c) if to any other Credit Party, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Credit Agreement shall be deemed to have been given on the date of receipt.

Section 10.2 Waivers; Amendments.

(a) No failure or delay by any Credit Party in exercising any right or power under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Credit Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

(b) Neither any Loan Document nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or by the Borrowers and the Administrative Agent with the consent of the Required Lenders, provided that no such agreement shall (i) increase any Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan, or reduce the rate of any interest (other than under Section 3.1(b)), or reduce any fees, payable under the Loan Documents, without the written consent of each Credit Party directly affected thereby, (it being understood that any amendment or modification to the financial definitions in this Credit Agreement or to the calculation or any financial covenant shall not constitute a reduction in the rate of interest or fees for the purposes of this clause (ii), notwithstanding the fact that such amendment or modification actually results in such a reduction), (iii) postpone the date of payment at stated maturity of any Loan, any interest or any fees payable under the Loan Documents, or reduce the amount of, waive or excuse any such payment, or postpone the stated termination or expiration of the Commitments, without the written consent of each Credit Party directly affected thereby, (iv) change any provision hereof in a manner that would alter the

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pro rata sharing of payments required by Section 2.9(c) or the pro rata reduction of Commitments required by Section 2.5(e), without the written consent of each Credit Party affected thereby, (v) change any of the provisions of this Section or the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, or (vi) release the Company from its Guarantee, or limit its liability in respect of such Guarantee, without the written consent of each Lender, and provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

(c) Notwithstanding the foregoing, this Credit Agreement and any other Loan Document may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and the Borrowers (x) to add one or more credit facilities or tranches of incremental facilities to this Credit Agreement and to permit extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Credit Agreement and the other Loan Documents with the Loans and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders and Lenders.

(d) If, in connection with any proposed amendment, waiver or consent requiring the consent of “each Lender” or “each Lender directly affected thereby,” the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a “Non-Consenting Lender”), then the Company may elect to replace a Non-Consenting Lender as a Lender party to this Credit Agreement, provided that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Company and the Administrative Agent shall agree, as of such date, to purchase for cash the Loans and other Obligations due to the Non-Consenting Lender pursuant to an Assignment and Assumption and to become a Lender for all purposes under this Credit Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date and to comply with the requirements of clause (b) of Section 10.04, and (ii) each Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by such Borrower hereunder to and including the date of termination, including without limitation payments due to such Non-Consenting Lender under Sections 3.5 and 3.7, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.6 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender.

(e) Notwithstanding anything to the contrary herein the Administrative Agent may, with the consent of the Borrowers only, amend, modify or supplement this Credit Agreement to cure any ambiguity, omission, mistake, defect or inconsistency; provided that any such amendment, modification or supplement shall not be materially adverse to the Lenders. Upon the execution of such amendment, modification or supplement by the Borrowers and the Administrative Agent, the Administrative Agent shall promptly provide the Lenders with a copy thereof.

Section 10.3 Expenses; Indemnity; Damage Waiver.

(a) The Company shall pay (i) all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of one counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of each Loan Document or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions

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contemplated thereby shall be consummated) and (ii) all reasonable out-of-pocket costs and expenses incurred by any Credit Party, including the reasonable fees, charges and disbursements of one counsel for the Administrative Agent and any additional counsel for any Credit Party and any expert witness fees, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made hereunder, including all such reasonable out-of-pocket costs and expenses incurred during any workout, restructuring or negotiations in respect of such Loans, provided that the Lenders who are not the Administrative Agent shall be entitled to reimbursement under this clause (ii) for no more than one counsel representing all such Lenders (absent a conflict of interest in which case the Lenders may engage and be reimbursed for additional counsel).

(b) The Company shall indemnify each Credit Party and each Related Party thereof (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated thereby, (ii) any Loan or the use of the proceeds thereof, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Company or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. This Section 10.3(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims or damages arising from any non-Tax claim.

(c) To the extent that the Company fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as applicable, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, no Borrower shall assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct and actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement, instrument or other document contemplated thereby, the Transactions or any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly but in no event later than ten days after written demand therefor.

Section 10.4 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Credit Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise

transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Institution in accordance with the provisions of paragraph (b) of this Section, (ii) by way of

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participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Credit Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each Credit Party) any legal or equitable right, remedy or claim under or by reason of this Credit Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Credit Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$10,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Company otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Credit Agreement.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Company (such consent not to be unreasonably withheld or delayed; provided that the Company shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for an assignment if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a

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processing and recordation fee of \$3,500, and the assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrowers. No such assignment shall be made to any Borrower or any of the Borrowers' Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Credit Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Credit Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released

from its obligations under this Credit Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Credit Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.5 and 10.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Credit Agreement that does not comply with this paragraph shall be treated for purposes of this Credit Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at one of its offices in the United States a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b)(iv) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.4(b), 2.9(d) or 10.3(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Credit Agreement unless it has been recorded in the Register as provided in this paragraph. The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Credit Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or any Borrower or any Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Credit Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Credit Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent and each

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Credit Party shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Credit Agreement and to approve any amendment, modification or waiver of any provision of this Credit Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso in Section 10.2(b) that directly affects such Participant. Subject to paragraph (e) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 3.5, 3.6 and 3.7 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender, provided that such Participant agrees to be subject to Section 2.9(c) as though it were a Lender. Each Lender that sells a participating interest shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in such Lender's rights and/or obligations under this Credit Agreement (including all or a portion of its Commitment and/or the Loans owing to it) (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in such Lender's rights and/or obligations under this Credit Agreement (including all or a portion of its Commitment and/or the Loans owing to it)) to any Person except to the extent that such disclosure is necessary to establish that such Lender's rights and/or obligations under this Credit Agreement (including all or a portion of its Commitment and/or the Loans owing to it) is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Credit Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.5 or 3.7 than the Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with each Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.7 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 3.7(c) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Credit Agreement (and the related Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.5 Survival. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Credit Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of any Loan Document and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit

Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under the Loan Documents is outstanding and unpaid and so long as the Commitments have not

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expired or terminated. The provisions of Sections 3.5, 3.6, 3.7 and 10.3, 10.9, 10.10 and Article 9 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the termination of the Commitments or the termination of this Credit Agreement or any provision hereof.

Section 10.6 Counterparts; Integration; Effectiveness. This Credit Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract. This Credit Agreement and any separate letter agreements with respect to fees payable to any Credit Party or the syndication of the credit facilities established hereunder constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.1, this Credit Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of this Credit Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Credit Agreement.

Section 10.7 Severability. In the event any one or more of the provisions contained in this Credit Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.8 Right of Setoff. If an Event of Default shall have occurred and be continuing, each of the Lenders and their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by it to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Credit Agreement held by it, irrespective of whether or not it shall have made any demand under this Credit Agreement and although such obligations may be unmaturing. The rights of each the Lenders and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that it may have.

Section 10.9 Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Credit Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each of the Borrowers hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Credit Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment

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in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Credit Agreement shall affect any right that the Administrative Agent or any other Credit Party may otherwise have to bring any action or proceeding relating to this Credit Agreement or the other Loan Documents against any Borrower, or any of its property, in the courts of any jurisdiction.

(c) Each of the Borrowers hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Credit Agreement or the other Loan Documents in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Credit Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Credit Agreement will affect the right of any party to this Credit Agreement to serve process in any other manner permitted by law.

Section 10.10 **WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS CREDIT AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS CREDIT AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.11 **Headings.** Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Credit Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Credit Agreement.

Section 10.12 **Interest Rate Limitation.** Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively the “charges”), shall exceed the maximum lawful rate (the “maximum rate”) that may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all of the charges payable in respect thereof, shall be limited to the maximum rate and, to the extent lawful, the interest and the charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated, and the interest and the charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the maximum rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.13 **Confidentiality.** Except as provided in this Section 10.13, each Credit Party expressly agrees to maintain as confidential and not to disclose, publish or disseminate to any third parties any Confidential Information (as defined below) provided to it, provided, however, that nothing herein shall limit the disclosure of any Confidential Information (i) to its Related Parties (other than insurance Affiliates), counsel or other representatives reasonably required, in the opinion of the Credit Party, to

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have such information, provided such Persons have agreed or are under a duty to keep all such information confidential in accordance with this Section 10.13, (ii) upon the request or demand of any regulatory agency, authority or self regulatory body having jurisdiction over or claiming authority to regulate or oversee any aspect of the business of such Credit Party or its Affiliates, (iii) to the extent required by applicable laws or regulations or pursuant to any subpoena, court or governmental order or similar legal process, provided that to the extent permitted by law and if practicable to do so under the circumstances, the Company is given prior notice of, and an opportunity to contest, the production of such Confidential Information (which notice and opportunity shall be reasonable under the circumstances), (iv) to any assignee of or Participant in, or any prospective assignee or participant in connection with any contemplated transfer pursuant to Section 10.4, provided that such transferee or prospective transferee shall have expressly agreed to be bound by the provisions of this Section 10.13, (iv) to any other party to this Credit Agreement, (v) to any direct or indirect contractual counterparty in a swap agreement, or such contractual counterparty’s professional advisor, provided that such contractual counterparty (or its Affiliates) is not a competitor of the Company or any of its Subsidiaries and such contractual counterparty, or such contractual counterparty’s professional advisor, shall have expressly agreed to be bound by the provisions of this Section 10.13, (vi) any nationally recognized rating agency, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) in connection with any litigation or dispute to which one or more of the Borrowers and one or more of the Credit Parties is a party, (ix) with the consent of the Company, (x) to the extent such Confidential Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Company, and (xi) on a confidential basis to the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the Loans. Each Credit Party agrees that it will only use the Confidential Information in connection with the evaluation and administration of this credit facility and its Loans, and it will not use the Confidential Information for purposes of trading in the securities of the Company. For purposes of this Section 10.13, “Confidential Information” means any written or oral information provided under this Credit Agreement by or on behalf of any Borrower that, in the case of written information, is clearly marked “confidential” and in the case of oral information, that has been identified by its source as confidential, other than any Confidential Information which: (a) is or becomes generally available to the public other than as a result of a breach of this Section 10.13; (b) becomes available to a Credit Party on a non-confidential basis from a source other than the a Borrower, or one of its agents, which source is not known by such Credit Party to be bound by a confidentiality agreement with the Company or such Borrower; (c) was known to a Credit Party on a non-confidential basis prior to its disclosure to such Credit Party by the a Borrower, one of its agents or another Credit Party, (d) the Company has advised the Credit Party is no longer confidential or (e) to the extent the Company shall have consented to such disclosure in writing.

Section 10.14 **USA Patriot Act Notice.** Each Lender that is subject to the USA PATRIOT Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (the “USA PATRIOT Act”), it is required to obtain, verify and record information that identifies each Borrower, which information includes the name and address of each Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Borrower in accordance with the Patriot Act.

Section 10.15 **No Advisory or Fiduciary Responsibility.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each Borrower acknowledges and agrees that: (i) (A) the arranging and other services regarding this Credit Agreement provided by the Lenders are arm’s-

length commercial transactions between such Borrower, on the one hand, and the Lenders and their Affiliates, on the other hand, (B) such Borrower has consulted its own legal, accounting, regulatory and

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Allstate Credit Agreement

tax advisors to the extent it has deemed appropriate, and (C) such Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Lenders and their Affiliates is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for such Borrower or any of its Affiliates, or any other Person and (B) no Lender or any of its Affiliates has any obligation to such Borrower or any of its Affiliates with respect to the transactions contemplated hereby except, in the case of a Lender, those obligations expressly set forth herein and in the other Loan Documents; and (iii) each of the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of such Borrower and its Affiliates, and no Lender or any of its Affiliates has any obligation to disclose any of such interests to such Borrower or its Affiliates. To the fullest extent permitted by law, each Borrower hereby waives and releases any claims that it may have against each of the Lenders and their Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

[Remainder of Page Intentionally Left Blank]

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Allstate Credit Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement be duly executed by their respective authorized officers as of the day and year first above written.

THE ALLSTATE CORPORATION

By: /s/ Steven E. Shebik
Name: Steven E. Shebik
Title: Executive Vice President and Chief Financial Officer

By: /s/ Mario Rizzo
Name: Mario Rizzo
Title: Senior Vice President and Treasurer

ALLSTATE INSURANCE COMPANY

By: /s/ Steven E. Shebik
Name: Steven E. Shebik
Title: Executive Vice President and Chief Financial Officer

By: /s/ Mario Rizzo
Name: Mario Rizzo
Title: Senior Vice President and Treasurer

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ John C. Pintozzi
Name: John C. Pintozzi
Title: Senior Vice President and Chief Financial Officer

By: /s/ Mario Rizzo
Name: Mario Rizzo
Title: Senior Vice President and Treasurer

JPMORGAN CHASE BANK, N.A., individually as a Lender and as
Administrative Agent

By: /s/ Melvin Jackson
Name: Melvin Jackson
Title: Executive Director

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

WELLS FARGO BANK, NATIONAL ASSOCIATION, individually as
a Lender and as Syndication Agent

By: /s/ Grainne M. Pergolini
Name: Grainne M. Pergolini
Title: Director

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

BANK OF AMERICA, N.A., individually as a Lender and as a
Documentation Agent

By: /s/ Matthew Peck
Name: Matthew Peck
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

CITIBANK, N.A., individually as a Lender and as a Documentation
Agent

By: /s/ Robert Chesley
Name: Robert Chesley
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Mark Walton
Name: Mark Walton
Title: Authorized Signatory

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

BARCLAYS BANK PLC, as a Lender

By: /s/ Michael J. Mozer
Name: Michael J. Mozer
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Peter J. Hallan
Name: Peter J. Hallan
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Bonnie S. Wiskowski
Name: Bonnie S. Wiskowski
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Paulette Truman
Name: Paulette Truman
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ John S. McGill
Name: John S. McGill
Title: Director

By: /s/ Virginia Cosenza
Name: Virginia Cosenza
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

MORGAN STANLEY BANK, N.A., as a Lender

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Nicole R. Limberg
Name: Nicole R. Limberg
Title: Vice President

Signature Page to Credit Agreement
The Allstate Corporation, *et al*

SCHEDULE 2.1

LIST OF COMMITMENTS

<u>LENDER</u>	<u>COMMITMENT</u>
JPMORGAN CHASE BANK, N.A.	\$115,000,000
WELLS FARGO BANK, NATIONAL ASSOCIATION	\$115,000,000
BANK OF AMERICA, N.A.	\$100,000,000
CITIBANK, N.A.	\$100,000,000
GOLDMAN SACHS BANK USA	\$100,000,000
BARCLAYS BANK PLC	\$90,000,000
THE NORTHERN TRUST COMPANY	\$90,000,000
U.S. BANK NATIONAL ASSOCIATION	\$90,000,000
THE BANK OF NEW YORK MELLON	\$50,000,000
DEUTSCHE BANK AG NEW YORK BRANCH	\$50,000,000
MORGAN STANLEY BANK, N.A.	\$50,000,000
PNC BANK, NATIONAL ASSOCIATION	\$50,000,000
AGGREGATE COMMITMENT	\$1,000,000,000

Schedule 4.1

List of Wholly-Owned Subsidiaries, Material Subsidiaries
and Listed Insurance Subsidiaries

Note: The following designations correspond to the following types of subsidiaries as defined in the Credit Agreement –

WO	=	Wholly-Owned Subsidiary
M	=	Material Subsidiary
LI	=	Listed Insurance Subsidiary

When used below, each such designation indicates that, as of the Agreement Date, the corresponding company met the definition for that type of subsidiary of The Allstate Corporation. Other than as so designated, no meaning should be attached to the inclusion of any company on this schedule. In addition, the mere inclusion of any company on this schedule does not imply, and shall not be taken as evidence, that the existence of that company, or the conduct of its business, is material to the business, financial position or results of operations of The Allstate Corporation and its Consolidated Subsidiaries taken as a whole.

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION	TYPE OF SUBSIDIARY
ALIC Reinsurance Company	South Carolina	WO, LI
ALIC Reinsurance Company II	Vermont	WO, LI
Allstate Assignment Company	Nebraska	WO
Allstate Assurance Company	Illinois	WO, LI
Allstate Bank	United States	WO
Allstate County Mutual Insurance Company	Texas	LI (Allstate Insurance Company acts as manager and officers and employees of AIC serve as its directors and officers)
Allstate Distributors, L.L.C.	Delaware	WO
Allstate Enterprises, LLC	Delaware	WO
Allstate Finance Company, LLC	Delaware	WO

Schedule 4.1

Allstate Financial Advisors, LLC	Delaware	WO
Allstate Financial Corporation	Illinois	WO
Allstate Financial Services, LLC	Delaware	WO
Allstate Financial, LLC	Delaware	WO
Allstate Fire and Casualty Insurance Company	Illinois	WO, LI
Allstate Indemnity Company	Illinois	WO, LI
Allstate Insurance Company	Illinois	WO, LI, M
Allstate Insurance Company of Canada	Canada	WO, LI
Allstate Insurance Holdings, LLC	Delaware	WO
Allstate International Holdings, Inc.	Delaware	WO

Allstate Investment Management Company	Delaware	WO
Allstate Investment Management Limited	United Kingdom	WO
Allstate Investments, LLC	Delaware	WO
Allstate Life Insurance Company	Illinois	WO, LI, M
Allstate Life Insurance Company of Canada	Canada	WO, LI

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Schedule 4.1

Allstate Life Insurance Company of New York	New York	WO, LI
Allstate Motor Club, Inc.	Delaware	WO
Allstate New Jersey Insurance Company	Illinois	WO, LI
Allstate New Jersey Property and Casualty Insurance Company	Illinois	WO, LI
Allstate Non-Insurance Holdings, Inc.	Delaware	WO
Allstate North American Insurance Company	Illinois	WO, LI
Allstate Northern Ireland Limited	Northern Ireland	WO
Allstate Property and Casualty Insurance Company	Illinois	WO, LI
Allstate Settlement Corporation	Nebraska	WO
Allstate Texas Lloyd's	Texas	LI (Allstate Texas Lloyd's, Inc. is attorney-in-fact for this syndicate)
Allstate Texas Lloyd's, Inc.	Texas	WO
Allstate Vehicle and Property Insurance Company	Illinois	WO, LI
American Heritage Life Insurance Company	Florida	WO, LI
American Heritage Life Investment Corporation	Delaware	WO

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Schedule 4.1

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American Heritage Service Company	Florida	WO
Answer Financial Inc.	Delaware	WO
AP Real Estate, LLC	Delaware	WO
AP Timber, LLC	Delaware	WO
Castle Key Indemnity Company	Illinois	WO, LI
Castle Key Insurance Company	Illinois	WO, LI
Charter National Life Insurance Company	Illinois	WO, LI
Current Creek Investments, LLC	Delaware	WO
E.R.J. Insurance Group, Inc.	Florida	WO
Encompass Floridian Indemnity Company	Illinois	WO, LI
Encompass Floridian Insurance Company	Illinois	WO, LI
Encompass Home and Auto Insurance Company	Illinois	WO, LI
Encompass Indemnity Company	Illinois	WO, LI
Encompass Independent Insurance Company	Illinois	WO, LI
Encompass Insurance Company	Illinois	WO, LI

Schedule 4.1

Encompass Insurance Company of America	Illinois	WO, LI
Encompass Insurance Company of Massachusetts	Massachusetts	WO, LI
Encompass Insurance Company of New Jersey	Illinois	WO, LI
Encompass Property and Casualty Company	Illinois	WO, LI
Encompass Property and Casualty Insurance Company of New Jersey	Illinois	WO, LI
Esurance Holdings, Inc.	Delaware	WO
Esurance Insurance Company	Wisconsin	WO, LI

Esurance Insurance Company of New Jersey	Wisconsin	WO, LI
Esurance Insurance Services, Inc.	Delaware	WO
Esurance Property and Casualty Insurance Company	California	WO, LI
First Colonial Insurance Company	Florida	WO, LI
Insurance Answer Center, LLC	Delaware	WO
Intramerica Life Insurance Company	New York	WO, LI
Ivantage Insurance Brokers Inc.	Canada	WO

Schedule 4.1

Ivantage Select Agency, Inc.	Illinois	WO
Kennett Capital, Inc.	Delaware	WO
Lincoln Benefit Life Company	Nebraska	WO, LI
North Light Specialty Insurance Company	Illinois	WO, LI
Northbrook Indemnity Company	Illinois	WO, LI
Northbrook Services, Inc.	Delaware	WO
Ocoma Industries, Inc.	Delaware	WO
Pablo Creek Services, Inc.	Illinois	WO
Pafco Insurance Company	Canada	WO, LI
Pembridge Insurance Company	Canada	WO, LI
Right Answer Insurance Agency, LLC	Delaware	WO
Road Bay Investments, LLC	Delaware	WO
Signature Agency, Inc.	Delaware	WO
Signature Motor Club, Inc.	Delaware	WO
Signature Motor Club of California, Inc.	California	WO

Signature's Nationwide Auto Club, Inc.	Delaware	WO
Signature's Nationwide Auto Club of California, Inc.	California	WO
Sterling Collision Centers, Inc.	Delaware	WO
Surety Life Insurance Company	Nebraska	WO, LI
Tech-Cor, LLC	Delaware	WO

ALLSTATE EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [the][each]¹ Assignor identified in item 1 below ([the][each, an] "Assignor") and [the][each]² Assignee identified in item 2 below ([the][each, an] "Assignee"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]³ hereunder are several and not joint.]⁴ Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: _____

2. Assignee[s]: _____

¹ For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

² For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

³ Select as appropriate.

⁴ Include bracketed language if there are either multiple Assignors or multiple Assignees.

[for each Assignee, indicate [Affiliate][Approved Fund] of [identify Lender]

3. Borrowers: The Allstate Corporation, Allstate Insurance Company and Allstate Life Insurance Company.

4. Administrative Agent: JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement.

5. Credit Agreement: The Credit Agreement dated as of April 27, 2012, among The Allstate Corporation, Allstate Insurance Company and Allstate Life Insurance Company, the Lenders parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, as from time to time amended, supplemented or otherwise modified.

6. Assigned Interest[s]:

Assignor[s] ⁵	Assignee[s] ⁶	Aggregate Amount of Commitment/Loans for all Lenders ⁷	Amount of Commitment/Loans Assigned ⁸	Percentage Assigned of Commitment/Loans ⁸
		\$ _____	\$ _____	__%
		\$ _____	\$ _____	__%
		\$ _____	\$ _____	__%

[7. Trade Date: _____, 20__]⁹

⁵ List each Assignor, as appropriate.

⁶ List each Assignee, as appropriate.

⁷ Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁸ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

⁹ To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR[S]¹⁰

[NAME OF ASSIGNOR]

By: _____
Title: _____

[NAME OF ASSIGNOR]

By: _____
Title: _____

ASSIGNEE[S]¹¹

[NAME OF ASSIGNEE]

By: _____
Title: _____

[NAME OF ASSIGNEE]

By: _____
Title: _____

¹⁰ Add additional signature blocks as needed.

¹¹ Add additional signature blocks as needed.

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Allstate Assignment and Assumption

[Consented to and]¹² Accepted:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: _____
Title: _____

[Consented to:]¹³

[NAME OF RELEVANT PARTY]

By: _____
Title: _____

¹² To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

¹³ To be added only if the consent of the Company and/or other parties is required by the terms of the Credit Agreement.

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Allstate Assignment and Assumption

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document¹⁴, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 10.4(b)(iii), (v) and (vi) of the Credit Agreement (subject to such consents, if any, as may be required under Section 10.4(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.1 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender¹⁵, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions

in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. [From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date.

¹⁴ The term "Credit Document" should be conformed to that used in the Credit Agreement.

¹⁵ The concept of "Foreign Lender" should be conformed to the section in the Credit Agreement governing withholding taxes and gross-up.

Allstate Assignment and Assumption

The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.] [From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.]¹⁶

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

¹⁶ Administrative Agent to select first or second alternative.

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Allstate Assignment and Assumption

ALLSTATE EXHIBIT B-1

FORM OF OPINION OF INTERNAL COUNSEL TO THE BORROWERS

[ATTACHED]

Allstate Opinion of Internal Counsel



Mary J. McGinn
Deputy General Counsel

April 27, 2012

JPMorgan Chase Bank, N.A., as Administrative Agent
and the Lenders party to the Credit Agreement
referred to below
1111 Fannin Street, Floor 10
Houston, Texas 77002

Ladies and Gentlemen:

I am the Deputy General Counsel of The Allstate Corporation (the "Company"), and I and attorneys acting under my supervision have acted as counsel to the Company, Allstate Insurance Company ("Allstate Insurance") and Allstate Life Insurance Company ("Allstate Life",

together with Allstate Insurance, the “Subsidiary Borrowers”; the Subsidiary Borrowers and the Company being referred to herein collectively as the “Borrowers”) in connection with the Credit Agreement (the “Credit Agreement”), dated as of April 27, 2012, by and among the Borrowers, the Lenders party thereto, Wells Fargo Bank, National Association, as Syndication Agent, Citibank, N.A. and Bank of America, N.A., as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent. This opinion is rendered to you pursuant to Section 5.1(b) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

I or attorneys acting under my supervision have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of this opinion. In our examination we have assumed the genuineness of all signatures (other than those of the Borrowers), the authenticity of all documents submitted to me as originals and the conformity to authentic original documents of all documents submitted to me as copies. I have obtained and relied upon, to the extent I deem appropriate, the certificates of officers or executives of the Borrowers and their Subsidiaries attached hereto and of public officials as to factual matters. I call to your attention the fact that in rendering my opinion, I am expressing my views only as to the internal laws of the State of Illinois, the federal laws of the United States of America and the General Corporation Law of the State of Delaware and I express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction (or in the case of Delaware, any other laws) or as to matters of municipal law or the laws of any other local agencies within any state.

The Allstate Corporation

2775 Sanders Road, Suite A2W, Northbrook, IL 60062 847-402-6146 mary.mcgin@allstate.com

JPMorgan Chase Bank, N.A. et al.
April 27, 2012
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Whenever a statement herein is qualified by “to the best of my knowledge” or a similar phrase, it is intended to indicate that I do not have current actual knowledge of the inaccuracy of such statement.

Upon the basis of the foregoing, I am of the opinion that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with full corporate power to conduct its business as presently conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required. Each Subsidiary Borrower has been duly formed and is validly existing as an insurance company in good standing under the laws of the State of Illinois with full corporate power to conduct its business as presently conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

2. Each Borrower has full corporate power to execute, deliver and perform its obligations under the Loan Documents to the extent it is a party thereto and to comply with all of the provisions of the Loan Documents, and all necessary corporate or similar proceedings of such Borrower have been duly taken to authorize the execution, delivery and performance of such Loan Documents by such Borrower.

3. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority, or any securities exchange, are necessary for the execution, delivery or performance by any Borrower of any Loan Document, or for the legality, validity or enforceability thereof.

4. None of the execution and delivery of any Loan Document, the consummation of the transactions therein contemplated or compliance by any Borrower with all of the terms and provisions of the Loan Documents to which it is a party will conflict with or result in a breach which would constitute a material default under, or result in the creation or imposition of any Lien, charge or encumbrance upon any of the property or assets of such Borrower, material to such Borrower, pursuant to the terms of, any indenture, loan agreement, or other agreement or instrument for borrowed money to which such Borrower is a party or by which such Borrower may be bound or to which any of the property or assets of such Borrower, material to such Borrower, is subject, nor will such action result in any material violation of the provisions of the charter or by-laws of such Borrower or any statute or any order, rule or regulation applicable to such Borrower or any of its Material Subsidiaries of any Governmental Authority having jurisdiction over such Borrower or such Subsidiary, and no consent, approval, authorization or other order of, or filing with, any Governmental Authority is required for the execution and delivery of any Loan Document to which it is a party, the consummation of the transactions therein contemplated or compliance by any Borrower with all of the terms and provisions of the Loan Documents to which it is a party, provided that I express no opinion with respect to (i) any securities or blue sky laws of the United States of America or its political subdivisions or any laws or treaties of any country (or political subdivision thereof) other than the

Allstate Opinion of Internal Counsel

JPMorgan Chase Bank, N.A. et al.
April 27, 2012
Page 3

United States of America and (ii) the effect of the laws of any jurisdiction that limit the interest, fees or other charges any Lender may impose.

5. Each Loan Document has been duly authorized, executed and delivered by each Borrower to the extent it is a party thereto.

6. To the best of my knowledge, except as disclosed pursuant to Section 4.5 of the Credit Agreement, there are no legal, arbitral or governmental proceedings (including, without limitation, any proceeding instituted by any state insurance commission or similar regulatory body), pending to which the Company or any of its Material Subsidiaries is a party or to which any property of the Company or any of its Material Subsidiaries is the subject which, if determined adversely to the Company or any of its Material Subsidiaries (and there exists a reasonable possibility of such adverse determination), individually or in the aggregate, reasonably could be expected to have a Material Adverse Effect and, to the best of my knowledge, no such proceedings are threatened.

7. Each Material Subsidiary of the Company listed on Schedule 4.1 to the Credit Agreement has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its organization, with full corporate or analogous powers to conduct its business as presently conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

8. None of the Borrowers is required to be registered as an "investment company" within the meaning of the Investment Company Act of 1940.

9. As of the date hereof, the Company owns, directly or indirectly, 100% of the outstanding stock of Allstate Insurance and Allstate Life.

My opinions set forth in paragraph 4 above are based on my consideration only of those statutes, rules and regulations which, in my experience, are normally applicable to the issuance of notes pursuant to a credit agreement and performance of agreements in the nature of the Credit Agreement, except that such opinions are intended, in the case of the Subsidiary Borrowers, to encompass the laws, rules and regulations expressly applicable to insurance companies organized under the law of the State of Illinois. In rendering the opinions expressed in paragraph 4 insofar as they require interpretation of indentures, agreements or instruments, I have assumed with your permission that all courts of competent jurisdiction would enforce such indentures, agreements or instruments as written but would apply the internal laws of the State of Illinois, without giving effect to any choice of law provisions contained therein or any choice of law principles which could result in application of the internal laws of any other state.

In rendering my opinion, I have assumed that each party to the Credit Agreement (other than the Borrowers) has the requisite corporate power and authority to execute and deliver the Credit Agreement and to perform its obligations under the Credit Agreement; that the Credit Agreement has been duly authorized, executed and delivered by the parties thereto other than the Borrowers and constitutes their legally valid and binding obligation, enforceable against them in accordance with its terms; and that the signatures (other than those on behalf of the Borrowers) on

Allstate Opinion of Internal Counsel

JPMorgan Chase Bank, N.A. et al.
April 27, 2012
Page 4

all documents examined by me are genuine, assumptions which I have not independently verified. I express no opinion as to the compliance by the parties to the Credit Agreement (other than the Borrowers) with any state or federal laws or regulations applicable to the transactions contemplated by the Credit Agreement because of the nature of their business.

This opinion speaks as of the date hereof and I do not undertake to advise you of any legal or other developments occurring after the date hereof that may affect the conclusions expressed herein.

This opinion is furnished by me as counsel for the Borrowers to you in connection with the transactions covered hereby, and is solely for your benefit, and is not to be otherwise used, circulated or relied upon without my express written consent. Notwithstanding the foregoing, persons who subsequently become Lenders (or participants) in accordance with the terms of the Credit Agreement may rely on this letter as of the time of its delivery on the date hereof as if this letter were addressed to them.

Very truly yours,

Mary J. McGinn
Deputy General Counsel
The Allstate Corporation

Allstate Opinion of Internal Counsel

FORM OF OPINION OF SPECIAL NEW YORK COUNSEL TO THE BORROWERS

[ATTACHED]

- 2 -

Allstate Opinion of New York Counsel

DEWEY & LEBOEUF

Dewey & LeBoeuf LLP
1301 Avenue of the Americas
New York, NY 10019-6092

T +1 212 259-8000
F +1 212 259-6333

April 27, 2012

JPMorgan Chase Bank, N.A., as Administrative Agent
and the Lenders party to the Credit Agreement
referred to below
1111 Fannin Street, Floor 10
Houston, Texas 77002

Re: Allstate Credit Agreement

Ladies and Gentlemen,

We have acted as special legal counsel to The Allstate Corporation (the "Company"), Allstate Insurance Company ("Allstate Insurance") and Allstate Life Insurance Company ("Allstate Life") (Allstate Insurance and Allstate Life being herein collectively called the "Subsidiary Borrowers" and the Company and the Subsidiary Borrowers being herein collectively called the "Borrowers") in connection with that certain Credit Agreement (the "Credit Agreement") dated as of April 27, 2012 by and among the Borrowers, the lenders party thereto on the date hereof (the "Lenders"), Wells Fargo Bank, National Association, as Syndication Agent, Citibank, N.A. and Bank of America, N.A., as Documentation Agents, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners, and JPMorgan Chase Bank, N.A., as Administrative Agent (the Lenders and the various aforementioned agents under the Credit Agreement being herein called "you"). At the request of the Borrowers, we are issuing this opinion letter in our aforementioned capacity in response to the requirement in Section 5.1(b) of the Credit Agreement. Unless otherwise indicated, capitalized terms used herein but not otherwise defined herein have the respective meanings set forth in the Credit Agreement.

With your permission, all assumptions and statements of reliance herein have been made without any independent investigation or verification on our part except to the extent otherwise expressly stated, and we express no opinion with respect to the subject matter or accuracy of such assumptions or items relied upon.

Dewey & LeBoeuf LLP is a New York limited liability partnership.

NEW YORK | LONDON | WASHINGTON, DC | ABU DHABI | ALBANY | ALMATY | BEIJING | BOSTON | BRUSSELS
CHICAGO | DOHA | DUBAI | FRANKFURT | HONG KONG | HOUSTON | JOHANNESBURG (PTY) LTD. | LOS ANGELES
MADRID | MILAN | MOSCOW | PARIS | RIYADH AFFILIATED OFFICE | ROME | SAN FRANCISCO | SILICON VALLEY | WARSAW

JPMorgan Chase Bank, N.A., as Administrative Agent
and the Lenders party to the Credit Agreement
1111 Fannin Street, Floor 10
Houston, Texas 77002
April 27, 2012
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In connection with this opinion, we have (i) examined originals, or certified, conformed or reproduction copies, of such agreements, instruments, documents and records of each Borrower, such certificates of public officials and such other documents, and (ii) received such information from officers and representatives of each Borrower and others, as we have deemed necessary or

appropriate for the purposes of this opinion. We have examined, among other documents, an executed copy of the Credit Agreement.

In all such examinations, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of original and certified documents and the conformity to authentic original or certified copies of all copies submitted to us as conformed or facsimile, electronic or photostatic copies. As to questions of fact relevant to the opinions expressed herein, we have relied upon, and assume the accuracy of, statements and representations contained in the certificates and oral or written statements and other information of or from representatives of each Borrower and others and assume compliance on the part of all parties to the Credit Agreement with their covenants and agreements contained therein. Insofar as statements herein are qualified as being "based upon our knowledge" or "to our knowledge," such qualification refers and is limited to the actual conscious awareness of facts or other information by lawyers in this firm who devoted substantive attention to the representation of the Borrowers in connection with the Credit Agreement.

In connection with the opinions expressed herein, we have also assumed (i) that all of the parties to the Credit Agreement are validly existing and in good standing under the laws of their respective jurisdictions of organization and have the power and authority to execute and deliver the Credit Agreement, to perform their obligations thereunder and to consummate the transactions contemplated thereby, (ii) that the Credit Agreement has been duly authorized, executed and delivered by all of the parties thereto, other than the Borrowers with respect to execution and delivery, (iii) that the Credit Agreement constitutes valid and binding obligations of all the parties thereto, other than the Borrowers, enforceable against such parties in accordance with their respective terms, and (iv) that all of the parties to the Credit Agreement comply and will comply with all applicable laws.

Based upon the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, we are of the opinion that:

1. The Credit Agreement has been duly executed and delivered by each Borrower and is a valid and binding obligation of each Borrower and is enforceable against each Borrower in accordance with its terms.

JPMorgan Chase Bank, N.A., as Administrative Agent
and the Lenders party to the Credit Agreement
1111 Fannin Street, Floor 10
Houston, Texas 77002
April 27, 2012
Page 3

2. Assuming that (i) the proceeds of the Loans are applied only as permitted under Section 6.8 of the Credit Agreement and (ii) that the 25% limitation referenced in Section 4.11 of the Credit Agreement is not exceeded, the making of the Loans and the application of the proceeds thereof do not violate Regulations U or X of the Board of Governors of the Federal Reserve System.

3. No authorizations, approvals or consents of, and no filings or registrations with, any New York Governmental Authority are necessary for the execution, delivery or performance by any Borrower of any Loan Document, or for the legality, validity or enforceability thereof.

The opinions set forth above are subject to the following qualifications:

(A) We express no opinion as to:

(i) the validity, binding effect or enforceability of any provision in the Credit Agreement:

(a) relating to (I) forum selection or submission to jurisdiction (including any waiver of any objection to venue in any court or that a court is an inconvenient forum) to the extent the validity, binding effect or enforceability of any such provision is to be determined by any court other than a court of the State of New York, or (II) choice of governing law to the extent the validity, binding effect or enforceability of any such provision is to be determined by any court other than a court of the State of New York or a federal court sitting in the State of New York, in each case applying the choice of law rules of the State of New York, (III) waivers of any rights to trial by jury or (IV) the subject matter jurisdiction of any United States federal court;

(b) relating to (I) indemnification, contribution or exculpation in connection with violations of securities laws or statutory duties, or in connection with willful, reckless or unlawful acts or gross negligence of the indemnified or exculpated party or the party receiving contribution, or (II) exculpation of any party in connection with its own negligence the enforcement of which a court would determine in the circumstances to be unfair or insufficiently explicit or contrary to public policy;

(c) specifying that provisions thereof may be modified or waived only in writing, to the extent that an oral agreement or an implied agreement by

trade practice or course of conduct has been created that modifies or waives any provision of the Credit Agreement;

- (d) relating to default interest or collection costs that a court would determine in the circumstances to be unreasonable, a penalty or a forfeiture;
- (e) relating to any purported waiver, release or variation of rights or other agreement to similar effect (all of the foregoing, collectively, a "Waiver") by any Borrower under the Credit Agreement; or
- (f) specifying that any person purchasing a participation from a Lender or replacement Lender or other person may exercise set-off or similar rights with respect to such participation or that the Lender or replacement Lender or other person may exercise set-off rights other than in accordance with applicable law;

(ii) usury or other laws limiting or regulating the maximum amount of interest that may be charged, collected, received or contracted for, other than the internal laws of the State of New York and the federal laws of the United States, and, without limiting the foregoing, we expressly disclaim any opinions as to the usury or other such laws of any other jurisdiction (including laws of other states made applicable through principles of federal preemption or otherwise) which may be applicable to the transactions contemplated by the Credit Agreement;

(iii) any and all federal, state and local laws, orders, regulations, licensing requirements and policies regulating or relating to the conduct of the insurance business (and including without limitation any requirement under any such federal or state law or regulation that any Borrower obtain any consent, approval, authorization or order in order to enter into the Credit Agreement and perform the transactions contemplated thereby or effect of any failure to obtain any such consent, approval, authorization or order); and

(iv) the effect of the compliance or noncompliance of any Credit Party with any state or federal laws or regulations applicable to such Credit Party because of such Credit Party's legal or regulatory status or the nature of its business or requiring such Credit Party to qualify to conduct business in any jurisdiction.

(B) Our opinions are subject to (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws of general application relating to or affecting creditors' rights and the rights of creditors of insurers generally and to the supervisory powers of insurance regulatory agencies, and (ii) general equitable principles (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness, equitable defenses and

limits on the availability of equitable remedies), whether considered in a proceeding at law or in equity.

(C) We note that dicta in the Delaware Court of Chancery opinion given in *San Antonio Fire & Police Pension Fund v. Amylin Pharmaceuticals, Inc.* imply that a change-in-control provision may not be enforceable under circumstances where such provision was adopted with the primary purpose of interfering with stockholder voting rights.

(D) None of the opinions or advice contained in our letter covers or otherwise addresses any of the following laws, regulations or other governmental requirements or legal issues:

(i) federal securities laws and regulations (including without limitation all laws and regulations administered by the United States Securities and Exchange Commission) and state "Blue Sky" laws and regulations;

- (ii) pension and employee benefit laws and regulations (e.g., ERISA);
- (iii) federal and state antitrust and unfair competition laws and regulations;
- (iv) compliance with fiduciary duty requirements;
- (v) the statutes and ordinances, the administrative decisions and the rules and regulations of counties, towns, municipalities and special political subdivisions and judicial decisions to the extent that they deal with any of the foregoing;
- (vi) federal and state environmental, land use and subdivision, racketeering (e.g., RICO), health and safety (e.g., OSHA), labor and tax laws and regulations; and
- (vii) any laws, regulations, directives and executive orders that prohibit or limit the enforceability of obligations based on attributes of the party seeking enforcement (e.g., the Trading with the Enemy Act and the International Emergency Economic Powers Act).

(E) The opinions expressed herein are limited to the federal laws of the United States of America and the laws of the State of New York.

The opinions expressed herein are given only as of the date hereof, and we undertake no responsibility to update or supplement this opinion letter after the date hereof for any reason.

JPMorgan Chase Bank, N.A., as Administrative Agent
and the Lenders party to the Credit Agreement
1111 Fannin Street, Floor 10
Houston, Texas 77002
April 27, 2012
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The opinions expressed herein are solely for your benefit, in connection with the transactions contemplated by the Credit Agreement and may not be relied upon for any other purpose, or relied upon in any manner or used for any purpose by any other person, and may not be quoted in whole or in part, without our prior written consent. This letter may not be cited or quoted in any financial statement, prospectus, private placement memorandum or other similar document without our prior written consent. Notwithstanding the foregoing, persons who subsequently become Lenders (or participants) in accordance with the terms of the Credit Agreement may rely on this letter as of the time of its delivery on the date hereof as if this letter were addressed to them.

Very truly yours,

ALLSTATE EXHIBIT C
FORM OF NOTE

_____, 20__
New York, New York

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a _____ [corporation/insurance company] (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender") the unpaid principal amount of the Loans made by the Lender to the Borrower, in the amounts and at the times set forth in the Credit Agreement, dated as of April 27, 2012, among The Allstate Corporation, Allstate Insurance Company, Allstate Life Insurance Company, the Lenders party thereto and JPMorgan Chase Bank N.A., as Administrative Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), and to pay interest from the date hereof on the principal balance of such Loans from time to time outstanding at the rate or rates and at the times set forth in the Credit Agreement, in each case at the office of the Administrative Agent located at [270 Park Avenue, New York, New York], or at such other place as the Administrative Agent may specify from time to time, in lawful money of the United States in immediately available funds. Terms not otherwise defined herein but defined in the Credit Agreement are used herein with the same meanings.

The Loans evidenced by this Note are prepayable in the amounts, and under the circumstances, and their respective maturities are subject to acceleration upon the terms, set forth in the Credit Agreement. This Note is subject to, and should be construed in accordance with, the provisions of the Credit Agreement and is entitled to the benefits set forth in the Loan Documents.

The Lender is hereby authorized to record on the Schedule annexed hereto, and any continuation sheets which the Lender may attach hereto, (i) the date of each Loan made by the Lender to the Borrower, (ii) the Type and amount thereof, (iii) the interest rate and Interest Period applicable to each Eurodollar Loan and (iv) the date and amount of each conversion of, and each payment or prepayment of the principal of, any such Loan. The entries made on such Schedule shall be prima facie evidence of the existence and amounts of the obligations recorded

thereon, provided that the failure to so record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of the Credit Agreement.

Except as specifically otherwise provided in the Credit Agreement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Note.

Whenever in this Note either party hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. The Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly permitted by the Loan Documents. No failure or delay of the Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. Neither this Note nor any provision hereof may be waived, amended or modified, nor shall any departure therefrom be consented to, except pursuant to a written agreement entered into between the Borrower and the Lender with respect to which such waiver, amendment, modification or consent is to apply, subject to any consent required in accordance with Section 10.2 of the Credit Agreement.

Allstate Note

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All communications and notices hereunder shall be in writing and given as provided in Section 10.1 of the Credit Agreement.

The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Note or the other Loan Documents, or for recognition or enforcement of any judgment, and the Borrower, and by accepting this Note, the Lender, hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. The Borrower, and by accepting this Note, the Lender, agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Note shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Note or the other Loan Documents against the Borrower, or any of its property, in the courts of any jurisdiction.

The Borrower, and by accepting this Note, the Lender, hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Note or the other Loan Documents in any court referred to in the preceding paragraph hereof. The Borrower, and by accepting this Note, the Lender, hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

The Borrower, and by accepting this Note, the Lender, irrevocably consents to service of process in the manner provided for notices herein. Nothing herein will affect the right of the Borrower to serve process in any other manner permitted by law.

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Allstate Note

THE BORROWER, AND BY ACCEPTING THIS NOTE, THE LENDER, HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE. THE BORROWER, AND BY ACCEPTING THIS NOTE, THE LENDER, (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT SUCH OTHER PARTY HAS BEEN INDUCED TO ACCEPT THIS NOTE AND ENTER INTO THE LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

[NAME OF BORROWER]

By: _____
Name: _____
Title: _____

By: _____

	\$ _____
	\$ _____
	\$ _____

3. Each of the following Persons (each a “Proposed Lender”) has been invited by the Company, and is ready, willing and able, to become a “Lender” and to provide a new Commitment as follows:

Name of Proposed Lender	Commitment
	\$ _____
	\$ _____
	\$ _____

4. Each Borrower hereby represents and warrants to each Credit Party, each Increasing Lender and each Proposed Lender that, assuming the Administrative Agent executes and delivers this Increase Supplement, all of the conditions set forth in Section 2.5(d) of the Credit Agreement have been satisfied and each Borrower is in compliance with all of the terms of such Section.

5. Pursuant to Section 2.5(d) of the Credit Agreement, by execution and delivery of this Increase Supplement, together with the satisfaction of all of the other requirements set forth in such Section 2.5(d), (i) each Increasing Lender’s Commitment shall be increased to the amount set forth above next to its name, and (ii) each Proposed Lender shall become a party to the Credit Agreement and shall for all purposes of the Loan Documents be deemed a “Lender” having a Commitment as set forth above next to its name.

Increase Supplement

IN WITNESS WHEREOF, the parties hereto duly executed this Increase Supplement as of the day and year first above written.

THE ALLSTATE CORPORATION

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

ALLSTATE INSURANCE COMPANY

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

ALLSTATE LIFE INSURANCE COMPANY

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: _____
 Name: _____
 Title: _____

[INCREASING LENDER]

By: _____

Name: _____
Title: _____

1
Increase Supplement

[PROPOSED LENDER]

By: _____
Name: _____
Title: _____

2
Increase Supplement

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of The Allstate Corporation and subsidiaries (the "Company") for the three-month periods ended March 31, 2012 and 2011, as indicated in our report dated May 2, 2012; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, is incorporated by reference in the following Registration Statements:

Form S-3 Registration Statement Nos.

333-34583
333-181059

Form S-8 Registration Statement Nos.

33-93762
333-04919
333-16129
333-40283
333-60916
333-120344
333-134242
333-134243
333-144691
333-144692
333-158581
333-159343
333-175526
333-175528

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Chicago, Illinois
May 2, 2012

I, Thomas J. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Allstate Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2012

/s/ Thomas J. Wilson
Thomas J. Wilson
Chairman of the Board,
President and Chief Executive Officer

E-3

I, Steven E. Shebik, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Allstate Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2012

/s/ Steven E. Shebik

Steven E. Shebik

Executive Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATIONS

Each of the undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q for the fiscal period ended March 31, 2012 of The Allstate Corporation filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and result of operations of The Allstate Corporation.

May 2, 2012

/s/ Thomas J. Wilson

Thomas J. Wilson
Chairman of the Board,
President and Chief Executive Officer

/s/ Steven E. Shebik

Steven E. Shebik
Executive Vice President and Chief Financial Officer