

---

---

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

## FORM 10-K

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

For the fiscal year ended December 31, 2002

OR

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

Commission file number 1-11840

---

### THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**36-3871531**  
(I.R.S. Employer Identification Number)

**2775 Sanders Road, Northbrook, Illinois 60062**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(847) 402-5000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	New York Stock Exchange Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

---

---

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  
[  ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

As of June 28, 2002, registrant had 706,794,166 shares of common stock outstanding. Approximately 608,342,007 of these shares, having an aggregate market value (based on closing prices on June 28, 2002 at 4:00 p.m. reported in the New York Stock Exchange Composite listing) of approximately \$22.50 billion, were owned by stockholders other than the registrant's directors and executive officers; Northern Trust Corporation, which is the trustee for The Savings and Profit Sharing Fund of Allstate Employees; and any person believed by the registrant to own five percent or more of registrant's outstanding common stock. This information is based on the assumption that the only person or entity other than Northern Trust Corporation that owned five percent or more of the registrant's common stock on June 28, 2002 was Capital Research & Management Company.

As of February 28, 2003, the registrant had 704,301,706 shares of common stock outstanding.

#### Documents Incorporated By Reference

Portions of the following documents are incorporated herein by reference as follows:

Parts I, II and III of this Form 10-K incorporate by reference certain information from the registrant's Notice of Annual Meeting and Proxy Statement dated March 28, 2003 (the "Proxy Statement").

---

---

## TABLE OF CONTENTS

	<u>Page</u>	
PART I		
Item 1.	Business	1
	Goal	1
	Allstate Protection Segment	2
	Allstate Financial Segment	8
	Other Business Segments	18
	Property-Liability Claims and Claims Expense Reserves	19
	Reinsurance Ceded	29
	Investments	30
	Regulation	30
	Internet Web Site	35
	Other Information about Allstate	36
	Forward-Looking Statements and Risk Factors Affecting Allstate	37
	Executive Officers	38
Item 2.	Properties	39
Item 3.	Legal Proceedings	39
Item 4.	Submission of Matters to a Vote of Security Holders	39
PART II		
Item 5.	Market for Registrant's Common Equity and Related Stockholders Matters	39
Item 6.	Selected Financial Data	41
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	41
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 8.	Financial Statements and Supplementary Data	41
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	41
PART III		
Item 10.	Directors and Executive Officers of the Registrant	41
Item 11.	Executive Compensation	42
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	42
Item 13.	Certain Relationships and Related Transactions	43
Item 14.	Controls and Procedures	43
i		
PART IV		
Item 15.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	44
	Signatures	49
	Certifications	51
	Certifications Pursuant to 18 United States Code § 1350	55
	Index to Financial Statements and Financial Statement Schedules	S-1

### Part I

#### Item 1. Business

The Allstate Corporation was incorporated under the laws of the State of Delaware on November 5, 1992 to serve as the holding company for Allstate Insurance Company. Its business is conducted principally through Allstate Insurance Company, Allstate Life Insurance Company and their affiliates (collectively, including The Allstate Corporation, "Allstate"). Allstate is engaged in the personal property and casualty insurance business and the life insurance, retirement and investment products business. It conducts its business in the United States and Canada.

The Allstate Corporation is the largest publicly held personal lines insurer in the United States. Widely known through the "You're In Good Hands With Allstate ®" slogan, Allstate provides insurance products to more than 16 million households and has approximately 12,300 exclusive agents and exclusive financial specialists in the United States and Canada. Allstate is the second-largest personal property and casualty insurer in the United States on the basis of 2001 statutory premiums earned and the nation's tenth-largest life insurance business on the basis of 2001 ordinary life insurance in force and 19<sup>th</sup> on the basis of 2001 statutory admitted assets.

Allstate has four business segments: Allstate Protection (our personal property and casualty business); Allstate Financial (our life insurance, retirement and investment products business); Discontinued Lines and Coverages; and Corporate and Other.

In this annual report on Form 10-K, we occasionally refer to statutory financial information that has been prepared in accordance with the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedure Manual. All domestic U.S. insurance companies are required to prepare statutory-basis financial statements in accordance with the Manual. As a result, industry data is available on a widespread basis that enables comparisons between insurance companies,

including competitors that are not subject to the requirement to publish financial statements on the basis of accounting principles generally accepted in the U.S. ("GAAP.") We frequently use industry publications containing statutory financial information to assess our competitive position.

## GOAL

Allstate's goal is to be a leading provider of personal property and casualty insurance and personal life insurance, retirement and investment products. To achieve this goal, we intend to become better and bigger in personal property and casualty insurance and broader in personal life insurance, retirement and investment products by focusing our attention on the following priorities:

- > Meeting customers needs
- > Helping middle America achieve financial security
- > Improving relationships with agencies

1

- 
- > Deepening our relationships with our financial partners
  - > Simplifying doing business with Allstate
  - > Achieving profitable growth
  - > Maintaining our financial strength

In pursuit of our goal, we may engage in selective business start-ups, acquisitions and alliances. However, we also intend to maintain discipline in our capital and expense management in order to create long-term shareholder value.

## ALLSTATE PROTECTION SEGMENT

### Objectives

The Allstate Protection segment has the following objectives:

- > Continue to grow profitably our Allstate brand private passenger auto insurance business
- > Continue to improve the profitability of our Allstate brand homeowners insurance business
- > Continue to improve the profitability of Ivantage, which markets Encompass<sup>SM</sup> brand private passenger auto and homeowners insurance and Deerbrook<sup>®</sup> brand private passenger auto insurance through independent agents
- > Grow premiums written and increase policies in force through strategies for increasing policy retention and increasing the number of our licensed sales professionals
- > Focus on attracting and retaining customers who represent high lifetime value to Allstate's business by using Strategic Risk Management, a tier-based pricing, underwriting and marketing program
- > Improve customer satisfaction
- > Create and deploy technology to enhance the integration of Allstate's distribution channels, to improve customer service, to facilitate the introduction of new products and services, and to reduce infrastructure costs related to supporting agencies and handling claims
- > Make optimum use of Allstate's distribution and service channels by improving our relationships with Allstate exclusive agencies, encouraging agency growth, and continuing to enhance The Good Hands<sup>®</sup> Network
- > Provide a broad range of Allstate brand personal life insurance, retirement and investment products and continue to integrate their distribution through our proprietary channels

2

- 
- > Improve the profitability of our Canadian operations

### Products

Our Allstate Protection segment accounted for 91% of Allstate's 2002 consolidated insurance premiums. In this segment, we sell principally private passenger auto and homeowners insurance in the United States and Canada.

We also sell many other types of personal property and casualty insurance, including landlords, personal umbrella, renters, condominium, residential fire, manufactured housing, boat owners and selected commercial property and casualty. In addition, we operate Allstate Motor Club, Inc., which provides members with travel plans and emergency road service.

We evaluate the results of this segment based primarily upon underwriting results and premium growth.

Information regarding the last three years' revenues and income from operations attributable to the Allstate Protection segment is contained in Note 18 to the Consolidated Financial Statements beginning on page D-150 of Appendix D to the Notice of Annual Meeting and Proxy Statement dated March 28, 2003 (the "Proxy Statement"). Note 18 also includes information regarding the last three years' identifiable assets attributable to our property-liability operations, which encompasses both our Allstate Protection segment and our Discontinued Lines and Coverages segment. Note 18 is incorporated herein by reference.

Information regarding the amount of premium earned for Allstate Protection segment products for the last three years is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations in Appendix D to the Proxy Statement, on page D-19, in the table labeled "Premiums earned." That table is incorporated herein by reference. Information regarding the amount of premium earned for Allstate Protection segment products sold in Canada is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations in Appendix D to the Proxy Statement, on page D-27, under the subheading "premiums earned" under the heading "Allstate Canada." That information is incorporated herein by reference.

### Risk Management, Underwriting and Pricing

*Strategic Risk Management.* Historically we have separated both private passenger auto insurance and homeowners insurance into standard and non-standard categories for pricing or underwriting purposes, or both. While we no longer use those categories for homeowners insurance, we do use them for auto insurance. In addition, for the last several years we have been implementing a refined program called Strategic Risk Management (SRM). The implementation of SRM has led to a change in the mix of business between standard and non-standard auto.

---

underwriting produces a broader range of premiums that is more refined than the range generated by the standard/non-standard model alone. We believe that tier-based pricing and underwriting will allow Allstate to improve its competitive position with respect to "high lifetime value" market segments while maintaining or improving profitability. When implementing SRM, we have introduced the use of insurance scoring based on credit history, where legally permissible, to increase the accuracy of our risk evaluation. SRM uses insurance scoring in addition to, and not instead of, other risk evaluation factors. For automobile insurance, these include, to the extent legally permissible, loss history, driving record, car year and make, and marital status. For property insurance, these include, to the extent legally permissible, loss history, condition of the property, and proximity to a fire department.

Currently, our use of SRM is focused primarily on acquiring and retaining new business, in other words business obtained through new applications for insurance. We intend to continue to implement and refine SRM in accordance with state regulatory processes.

*Lifetime Value.* We regard "lifetime value" as the discounted value of a customer's future cash flow stream. To compute a customer's lifetime value score, we analyze characteristics about the customer (for example, age, marital status and driving record) and the product the customer has purchased (for example, coverages, limits, and descriptors of the asset insured) on the basis of historic data patterns and trends. Because future loss and retention patterns of customers vary significantly, the distribution of lifetime values for a large group of customers will vary from very negative to very positive. "High lifetime value" generally refers to customers who have above average lifetime values.

*Involuntary.* The Allstate Protection segment participates in the "involuntary" or "shared" private passenger auto insurance business. This business provides auto insurance to individuals who would otherwise be unable to obtain it due to their driving records or other factors. Allstate, like all auto insurers, is required to write or share the cost of this business as a condition of its license to do business in many states. When the insurance industry tightens underwriting standards in the voluntary market, the amount of business written by the involuntary market tends to increase. Policies written in this market are generally priced at higher than standard rates. We typically experience losses in this business, but those losses have been immaterial to our results of operations.

*Retention.* As is true for the industry in general, costs attributable to our personal property and casualty products are generally higher during the first year an insurance policy is in effect than in subsequent years. Policy acquisition costs such as advertising, processing and inspection expenses are generally incurred during the first year. Policies that remain in force generally become more profitable over time. Accordingly, customer retention is an important factor in the segment's profitability and a key element of our strategy in this business.

---

## Claims

In the Allstate Protection segment we seek to efficiently pay fair and correct amounts on all claims on a timely basis. As part of this effort, we employ strategies focused on specific segments of the claim adjustment process and we use the expertise and services provided by vendors where appropriate. To mitigate the effects of external cost pressures, our efforts include focused management oversight of claim costs through the use of medical cost management, fraud detection, litigation management, subrogation, and auto and property investigation and repair strategies. Examples of this work with respect to our property insurance products include developing specialized knowledge and processes for mold claims, creating a rapid deployment team for flexible handling of periodic weather events, priority dispatching of our adjusters to those claims with the greatest opportunity for mitigation of damages, and employing vendor services to access favorable pricing of replacement materials and contents items along with consistent and accurate estimates of damage.

We continue to research, develop and implement strategies to improve the cost-effectiveness of our claim processes, to leverage our scale and buying power, to leverage our use of technology, to reduce operational costs, to improve process management and to enhance service for our customers. Examples of this work include centralization of medical payment claim handling, centralization of basic auto property damage claim handling, and expansion in the number of Sterling Collision Centers facilities in order to streamline the auto collision repair process. To aid in cost reduction, we have engaged external vendors to assist with the procurement of auto glass, building supplies and legal services. Allstate's efficient management of the claims process helps maintain competitive and profitable insurance pricing.

## Distribution

The Allstate Protection segment sells private passenger auto and homeowners insurance primarily through Allstate exclusive agencies and independent agencies as well as through the independent agencies of our Ivantage business.

The Allstate brand products are sold primarily through Allstate exclusive agencies and independent agencies. However, in those states where we have implemented The Good Hands Network—a multi-access platform that integrates the local Allstate exclusive agencies, the Internet and our Customer Information Centers—consumers can also purchase certain Allstate personal insurance products and obtain service through our Customer Information Centers and, in many of those states, over the Internet. The Good Hands Network is available in 30 states to over 85% of the United States population. In some states where we have implemented The Good Hands Network, customers cannot use the Internet to purchase our products, but they can use it to obtain information about some of our products, including pricing information, and service.

Our Ivantage business sells Encompass and Deerbrook brand insurance through independent agencies. The Encompass brand includes standard private passenger auto and homeowners insurance products while the Deerbrook brand includes non-standard private passenger auto insurance.

---

Our broad-based network of approximately 10,800 Allstate exclusive agencies in the United States in approximately 9,300 locations produced approximately 92.0% of the Allstate Protection segment's written premiums in 2002. The balance was primarily generated by approximately 14,200 independent agencies. We are the fourth largest provider of personal insurance products through independent agencies in the United States, based on 2001 statutory written premium.

As indicated above, one of our objectives is to continue to integrate the distribution of many of our products through our proprietary distribution channels, particularly the Allstate exclusive agencies. Historically, the Allstate exclusive agencies have focused on the sale of our personal property and casualty products such as auto and homeowners insurance. We have increased sales of our personal life insurance, retirement and investment products through these agencies. In 2002 Allstate exclusive agencies and exclusive financial specialists had sales of financial products totaling more than \$1.61 billion—more than the prior three calendar years combined. ("Sales of financial products" is an operating measure that we use to quantify the increase in sales of financial products by the Allstate proprietary

distribution channel. It is a measure similar to "unit sales." It includes annual premiums on new insurance policies, initial premiums and deposits on annuities, deposits in Allstate Bank, and sales of other company's mutual funds.)

As part of this initiative, we require any new Allstate exclusive agents that we appoint to become "Personal Financial Representatives" or PFRs within 15 months after their appointment and we encourage our existing Allstate exclusive agents to earn this designation. Over half of the Allstate exclusive agents were PFRs by the end of 2002. Each PFR earns the designation by completing an education curriculum and obtaining the licenses required to sell products such as variable annuities and variable life insurance.

In addition, we are requiring our exclusive financial specialists to have the PFR designation. Exclusive financial specialists specialize in the sale of personal life insurance, retirement and investment products and often team up with agents more focused on the sale of auto and homeowners insurance. Together, they can sell a wide range of products to our customers.

### Geographic Markets

The principal geographic markets for our personal property and casualty products are in the United States. Through various Allstate affiliates, we are authorized to sell various types of personal property and casualty insurance in all 50 states, the District of Columbia and Canada.

The following table reflects, in percentages, the principal geographic distribution of premiums earned for the segment for the year ended December 31, 2002. No other jurisdiction accounted for more than five percent of the premiums earned for the Allstate Protection segment.

6

Texas	11.9%
California	11.0%
New York	10.3%
Florida	9.3%

Our underwriting strategy for homeowners is to target customers whose risk of loss provides Allstate with the best opportunity for profitable growth. This includes managing exposure on policies in geographic areas where the potential loss from catastrophes exceeds acceptable levels.

### Competition

The personal private passenger auto and homeowners insurance industries are highly competitive. The following charts provide the market shares of our principal competitors in the U.S. personal property and casualty insurance market by direct written premium for the year ended December 31, 2001 (the most recent date such competitive information is available) according to A. M. Best.

Private Passenger Auto Insurance		Homeowners Insurance	
Insurer	Market Share	Insurer	Market Share
State Farm	19.3%	State Farm	22.2%
Allstate	12.2%	Allstate	12.6%
Farmers	5.6%	Farmers	8.5%
Progressive	4.8%	Nationwide	4.5%
Nationwide	4.7%	Travelers	3.6%
Geico	4.6%	USAA	3.6%

In the personal property and casualty insurance market, we compete principally on the basis of the recognition of our brands, the scope of our distribution system, price, the breadth of our product offerings, product features, customer service, claim handling, and use of technology. In addition, our proprietary database of underwriting and pricing experience enables Allstate to use SRM to divide the market into segments, appropriately price risks and cross sell its products within its customer base.

In the United States insurance industry in 2001, the following approximate amounts of personal property and casualty premium were generated in the indicated distribution channel:

Exclusive agencies (employee and independent contractors)	\$	94.6 billion
Independent agencies	\$	54.2 billion
Direct response (call centers and Internet)	\$	20.7 billion

7

### Catastrophe Losses and Catastrophe Management

Information regarding catastrophe losses is contained in the discussion of "Catastrophe Losses" beginning on page D-21 of Appendix D to the Proxy Statement. That discussion is incorporated herein by reference.

## ALLSTATE FINANCIAL SEGMENT

### Objectives

The Allstate Financial segment has the following objectives:

- > Develop and deliver market-informed products and services
- > Leverage and build the Allstate brand in financial services
- > Build profitable, long-term relationships
- > Drive operational scale, efficiency and effectiveness

We will continue to extend the Allstate brand by using it in conjunction with more products and distribution channels. We will create greater awareness of Allstate Financial's services through advertising and public relations and by focusing on a consistent experience for customers and distribution partners. We intend to grow Allstate Financial's business through a combination of organic growth, selective acquisitions, alliances and partnerships.

## Products

The Allstate Financial segment's personal life insurance, retirement, investment and other products are listed below. We continue to develop new versions of these products to satisfy evolving consumer needs.

8

---

### Insurance

Whole life	Hospital indemnity
Term life	Disability income
Universal life	Cancer
Single premium life	Accident
Variable life	Dental
Variable universal life	Heart/stroke
Long-term care	Limited benefit medial
Accidental death	

### Annuities

Fixed annuities  
Variable annuities  
Immediate annuities

### Other

Certificates of deposit  
Money market accounts  
Savings accounts  
Checking accounts  
First mortgage loans

The Allstate Financial segment's structured financial products are listed below. They include a variety of spread-based and fee-based products designed for both individuals and institutional investors.

### Structured Financial Products

General account guaranteed investment contracts (GICs)  
Synthetic GICs  
Funding agreements  
Structured settlement annuities  
Immediate annuities

General account GICs and synthetic GICs are designed for tax-qualified retirement plans, including defined contribution retirement plans, seeking a guaranteed rate of return, limited payment guarantees related to plan participant withdrawals, or book value treatment. Funding agreements are used primarily to support medium-term notes offered by special purpose entities to institutional investors seeking high quality, fixed income investments. Structured settlement annuities are chosen by both individuals and institutions seeking specialized long-term immediate annuities, typically to fund or annuitize large claim or litigation settlements. Immediate annuities are typically purchased by affluent consumers seeking a series of payments for the life of an individual or with a maturity greater than ten years.

Information regarding the last three years' revenues and income from operations attributable to the Allstate Financial segment is contained in Note 18 to the Consolidated

9

---

Financial Statements beginning on page D-150 of Appendix D to the Proxy Statement. Note 18 also includes information regarding the last three years' identifiable assets attributable to the Allstate Financial segment. Note 18 is incorporated herein by reference.

Information regarding the premiums and contract charges for Allstate Financial segment products for the last three years is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations in Appendix D to the Proxy Statement, on page D-42, in a table that summarizes GAAP premiums and contract charges. That information is incorporated herein by reference.

## Risk Management, Underwriting and Pricing

For individual life insurance policies, we use detailed and uniform underwriting policies and procedures to assess and quantify the risk of each applicant. In some cases we require medical examinations and in some cases we may order attending physicians statements and consumer investigative reports.

Most of our life insurance policies generally allow us to adjust charges and credits to reflect changes from expected mortality and expense experience or higher or lower investment returns. However, we are subject to contractual maximum charges and minimum crediting rates and state regulatory limits on increasing charges after a policy is issued.

We price our personal life insurance, retirement and investment products at issuance to achieve a target return on required capital based on assumptions regarding mortality, expenses, investment return, persistency, required reserves and capital. Our assumptions are based on regular reviews of our experience in this business. Periodically, we revise in-force products through non-guaranteed charges or credits to reflect changes in experience and to preserve the margins originally priced into the product.

For our structured financial products, our risk management strategy is based on:

- Using sophisticated systems and processes to project expected cash flows for assets and liabilities and to measure the sensitivity of asset and liability cash flows to interest rate changes.

- Managing interest rate exposure to control the "duration match" of assets and liabilities. In other words, closely matching the relative sensitivity of asset and liability values to interest rate changes when feasible, often by using derivative financial instruments.
- Primarily writing contracts with predictable maturity structures and without credit event triggers, cross default acceleration clauses or premature surrender or redemption provisions.
- Monitoring withdrawal activity to detect deviations from expected cash flows.
- Establishing multi-disciplinary working groups of professionals with expertise in investment, sales, financial and pricing management to manage risk.

We underwrite general account GICs and synthetic GICs as part of developing pricing proposals for new contracts. Our underwriters evaluate the likely variance from expected cash flows due to events that trigger the insurance company's payment obligations under the contracts,

such as asset reallocation on the part of plan participants, benefit payments and withdrawals, and actions taken by plan sponsors such as layoffs, mergers and plan terminations. Proposals are made only in those situations in which the risk of cash flow variance is projected within strict guidelines, so that the withdrawal risk is minimized. In addition, our underwriters ensure that the contracts and plans provide appropriate protection against financial disintermediation.

Structured settlement annuities and immediate annuities are underwritten using recent mortality experience and an assumption of continued improvement in annuitant longevity.

## Distribution

The Allstate Financial segment distributes its personal life insurance, retirement and investment products primarily through six distribution channels: independent agents (including master brokerage agencies), Allstate exclusive agencies, broker-dealers, financial institutions, direct marketing and workplace marketing. This multi-channel distribution strategy results in a broad distribution network and increases operating flexibility while allowing us to focus our marketing efforts. We have been expanding distribution of these products by increasing cross sales to existing customers of our Allstate Protection segment and by driving increased sales activity through stronger wholesaling efforts to independent agents, broker-dealers and financial institutions.

*Independent Agents.* We distribute our personal life insurance and retirement products through independent agents (including master brokerage agencies). Products distributed through independent agents include term life insurance, whole life insurance, universal life insurance, variable universal life, single premium life insurance, fixed annuities, variable annuities, immediate annuities and long-term care products.

*Allstate Exclusive Agencies.* Through Allstate agencies, we are also using exclusive agents and exclusive financial specialists to increase sales of our personal life insurance, retirement and investment products to customers who have already purchased one of our personal property and casualty products, such as auto or homeowners insurance. The products distributed through this channel include term life insurance, whole life insurance, universal life insurance, variable universal life insurance, fixed annuities, variable annuities, immediate annuities, long-term care insurance, disability income insurance, cancer insurance, certificates of deposit, money market accounts, savings accounts, checking accounts, first mortgage loans and non-proprietary mutual funds.

*Broker-Dealers.* Through broker-dealers across the country, we target consumers who want assistance in investing for retirement. The products that we distribute through broker-dealers include fixed annuities, variable annuities, immediate annuities and variable life insurance. We have established distribution arrangements with most national broker-dealers and regional firms.

*Financial Institutions.* We also use financial institutions across the country to target consumers who want assistance in investing for retirement. The products that we distribute

through financial institutions include fixed annuities, variable annuities, single premium life insurance and variable life insurance. We have established distribution arrangements with a growing number of leading financial institutions.

*Direct Marketing.* We use direct marketing techniques such as telemarketing and direct mail primarily to distribute term life insurance, accidental death insurance and hospital indemnity products.

*Workplace.* Through workplace marketing, we examine employers' benefit programs and recommend personal insurance products that complement and supplement their existing plans. Then we offer the recommended products to the employees on a voluntary participation basis, with premiums paid through payroll deductions. The insurance products that we sell through workplace marketing include universal life, term life, disability income, cancer, accident, heart/stroke, hospital indemnity, limited benefit medical and dental insurance.

The following table lists the Allstate Financial segment's major distribution channels for personal life insurance, retirement and investment products and the targeted customer segment.

Distribution Channel	Primary Products	Targeted Customer
Independent agents	Term life insurance Whole life insurance Universal life insurance Variable universal life insurance Single premium life insurance Fixed annuities Variable annuities	Affluent and middle-income consumers with retirement and family financial protection needs

	Immediate annuities Long-term care insurance	
Allstate Agency	Term life insurance Whole life insurance Universal life insurance Variable universal life insurance Fixed annuities Variable annuities Immediate annuities Long-term care insurance Disability income insurance Cancer insurance Certificates of deposit Money market accounts Savings accounts Checking accounts First mortgage loans Nonproprietary mutual funds	Moderate and middle-income consumers with retirement and family financial protection needs
Broker-dealers	Fixed annuities Variable annuities Immediate annuities Variable life insurance	Affluent and middle-income consumers with retirement needs
Financial institutions	Fixed annuities Variable annuities Single premium life insurance Variable life insurance	Middle-income consumers with retirement needs
Direct marketing	Term life insurance Accidental death insurance Hospital indemnity	Moderate-income consumers with family financial protection needs
Workplace marketing	Universal life insurance Term life insurance Disability income insurance Cancer insurance Accident insurance Heart/stroke insurance Hospital indemnity Limited benefit medical insurance Dental insurance	Moderate and middle-income consumers with family financial protection needs

We distribute our structured financial products either directly to institutional buyers or indirectly through financial intermediaries, consultants and brokers. We sell general account and synthetic GICs directly to retirement plan sponsors or to investment managers who represent plan sponsors. Funding agreements are marketed either directly or through specialized brokers to short-term institutional money managers and directly to special purpose entities that issue medium-term notes through investment banks to United States and offshore investors. Approximately 81% of our funding agreement sales are derived from transactions in which a special purpose entity purchases a funding agreement with terms similar to those of notes issued by the special purpose entity to institutional investors. The strength of the sales of funding agreements to special purpose entities is dependent on conditions in the capital markets. As a result, sales of funding agreements can vary widely from one fiscal quarter to another. Structured settlement annuities are marketed through a small group of specialty brokers. In 2002, approximately 28.1% of our structured settlement annuities originated with cases referred from our Allstate Protection segment. Immediate annuities are typically purchased by affluent consumers through independent agents.

Our experienced sales staff develops and maintains relationships with target customers for our structured financial products, financial intermediaries, consultants, and brokers. Our consistent market presence has created strong and valuable relationships with a large segment of our customer base.

The following table summarizes the primary distribution method, the primary structured financial products and our target customers for these products.

Distribution Method	Primary Products	Targeted Customer
Direct or through investment managers who represent plan sponsors	General account and synthetic GICs	Tax-qualified defined contribution retirement plan sponsors
Direct or through specialized brokers	Funding agreements (including funding agreements backing medium-term notes)	Special purpose entities issuing medium-term notes to institutional investors  Short-term institutional money managers
Specialty brokers	Structured settlement annuities	Individuals and institutions seeking specialized long-term immediate annuities (typically to fund or annuitize large claim or litigation settlements)
Independent agents	Immediate annuities	Affluent consumers



## Geographic Markets

We sell our personal life insurance, retirement and investment products throughout the United States. Through subsidiary insurance companies, we are authorized to sell these products in all 50 states, the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands.

We distribute our structured financial products in the United States and internationally. However, our international distribution is generally limited to selling funding agreements to special purpose entities that issue medium-term notes distributed through investment bankers to institutional investors.

The following table reflects, in percentages, the principal geographic distribution of premiums and deposits for the Allstate Financial segment for the year ended December 31, 2002. Approximately 87.94% of the premiums and deposits generated in Delaware represent deposits received in connection with funding agreements sold to a special purpose entity domiciled in Delaware.

California	10.5%
Delaware	8.7%
New York	7.4%
Florida	6.5%
Texas	6.2%

No other jurisdiction accounted for more than six percent of the premiums and deposits.

"Premiums and deposits" is an operating measure that we use to analyze production trends for Allstate Financial sales. Premiums and deposits include premiums on insurance policies and annuities and all deposits and other funds received from customers on deposit-type products that we account for as liabilities, rather than as revenue, including the net new deposits of Allstate Bank. Our method of calculating premiums and deposits may be different from the method used by other companies to measure sales and therefore comparability may be limited.

The following table illustrates where premiums and deposits are reflected in our consolidated financial statements.

(\$ in millions)	2002	2001	2000
Life and annuity premiums <sup>(1)</sup>	\$ 1,371	\$ 1,345	\$ 1,344
Deposits to contractholder funds <sup>(2)</sup>	9,484	7,970	8,393
Deposits to separate accounts and other	979	1,290	2,508
<b>Total premiums and deposits</b>	<b>\$ 11,834</b>	<b>\$ 10,605</b>	<b>\$ 12,245</b>

(1) Life and annuity contract charges in the amount of \$922 million, \$885 million and \$861 million for 2002, 2001, and 2000, respectively, which are also revenue recognized for GAAP, have been excluded from the table, above, but are a component of the Consolidated Statements of Operations line item "Life and annuity premium and contract charges."

(2) Derived directly from the Consolidated Statements of Cash Flows.

## Competition

With regard to our personal life insurance, retirement and investment products, we compete principally on the basis of the scope of our distribution systems, the breadth of our product offerings, the recognition of our brands, our financial strength and ratings, our product features and prices, and the level of customer service that we provide. In addition, with respect to variable life and variable annuity products, we compete on the basis of the variety of providers and choices of funds for our separate accounts and the management and performance of those funds within our separate accounts.

The life insurance and annuity market continues to be highly fragmented and competitive. As of December 31, 2001, there were approximately 750 groups of life insurance companies in the United States, most of which offered one or more products similar to our personal life insurance, retirement and investment products and many of which used similar marketing techniques. Based on information contained in statements filed with state insurance departments, in 2001 approximately 60% of the life insurance and annuity statutory premiums and deposits were written by 20 insurance company groups. According to the same sources, as of December 31, 2001, the Allstate Financial segment ranked tenth based on ordinary life insurance in force and 19th based on statutory admitted assets. In some states, we compete with banks and savings and loan associations in the sale of life insurance products. In addition, because many of our personal life insurance, retirement and investment products include a savings or investment component, our competition includes securities firms, investment advisors, mutual funds, banks and other financial institutions. Competitive pressure is growing due, in part, to demutualization and consolidation activity in the financial services industry, which, among other things, provides our larger competitors with improved access to capital markets and increased economies of scale.

In the sale of our structured financial products, we operate in a variety of highly competitive institutional markets. Although many companies offer some of these products, a relatively small number of companies dominate the market. In 2001, the top 15 providers of structured financial products, including Allstate, issued approximately 88% of total general account GICs and funding agreements issued by U.S. life insurance companies; and ten insurers,

including Allstate, issued approximately 85% of the total structured settlement annuities. Many companies sell immediate annuities, but sales are not significantly concentrated. Our competitors include a variety of well-recognized insurance companies, many of which are larger than the Allstate Financial segment.

We have built a significant market share for structured financial products in several important markets. We are able to successfully compete in these markets due to our strong financial ratings, our investment management expertise, our strong distribution network, our competitive product design, and the highly recognized Allstate brand name. Competition in this market is restricted almost exclusively to insurance companies with strong financial ratings. For more information regarding our

ratings, see "Capital Resources and Liquidity—Financial Ratings and Strength" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page D-73 of Appendix D to the Proxy Statement.

### **Separate Accounts and General Accounts**

The assets and liabilities relating to variable annuities, variable life products and some GICs are legally segregated and reflected as assets and liabilities of the separate accounts in the financial statements of the subsidiary insurance companies that provide such products. Assets in the separate accounts are available only for the benefit of the holders of these products and are not available to other creditors or policyholders with claims solely against the general account assets of the subsidiary insurance companies. Absent a contract provision specifying either a guaranteed minimum return or account value upon death or annuitization, variable annuity and variable life contractholders bear the investment risk that the funds in the applicable separate account may not meet their stated investment objectives. The assets and liabilities relating to variable products issued with fixed fund options are divided between the applicable separate account for the variable portion of the product and the general account for the fixed portion of the product.

The assets and liabilities relating to the other (non-variable) life insurance and annuity products, including any minimum guarantees of separate account products, are reflected in the general account of the applicable subsidiary insurance company.

### **Reinsurance**

We use reinsurance as a means to share mortality risk with external reinsurers as well as to transfer risk among our subsidiary insurance companies. As of December 31, 2002, we retained a maximum risk of two million dollars on each insured life. In 2002, the primary uses of reinsurance included ceding amounts greater than the two million dollar retention limit, proportional sharing of certain life insurance policies with external reinsurance pools, and catastrophe reinsurance, which limited overall life insurance losses in catastrophic events.

17

---

### **Reserves**

We establish actuarially determined reserves for life-contingent contract benefits and contractholder funds to meet future obligations on the Allstate Financial segment's products. These reserves are carried as liabilities.

We compute reserves for life-contingent contract benefits (mostly for term life and whole life insurance) on the basis of assumptions as to future investment yields, mortality, morbidity, terminations and expenses. These assumptions generally vary by characteristics such as type of coverage, issue age, year of issue, and policy duration.

With regard to policies and contracts that include an investment component, such as most fixed annuities and interest-sensitive life insurance policies, we establish reserves for contractholder funds. Contractholder funds are equal to deposits received, which we record as interest-bearing liabilities, and interest credited to the benefit of the contractholder less surrenders and withdrawals, death benefits, mortality and expense charges, and net separate account transfers.

Our reserves for general account GICs, period certain structured settlement and immediate annuities, and funding agreements are equal to the cumulative account balances for these products. Cumulative account balances include deposits plus credited interest less expense charges, surrenders and withdrawals. We calculate future policy benefits for life-contingent structured settlement annuities and immediate annuities based on a set of actuarial assumptions that we establish and maintain throughout the lives of the contracts. These assumptions include investment yields and mortality.

Separate account liabilities, including those for variable annuities and variable life insurance, represent the contractholders' claim to the related assets and are carried at the fair value of the assets.

The establishment of reserves for life contingent contract benefits and contractholder fund liabilities in recognition of the segment's future benefit obligations under life and annuity policies and other products is discussed in Notes 2 and 8 to the Consolidated Financial Statements beginning on pages D-96 and D-129, respectively, of Appendix D to the Proxy Statement. Notes 2 and 8 are incorporated herein by reference.

### **OTHER BUSINESS SEGMENTS**

Note 18 to the Consolidated Financial Statements beginning on page D-150 of Appendix D to the Proxy Statement contains information regarding the revenues, income from operations, and identifiable assets attributable to our Corporate and Other segment over the last three years. It also contains information for the last three years regarding revenues, income from operations and identifiable assets attributable to our property-liability operations, which encompasses both our Allstate Protection segment and our Discontinued Lines and Coverages segment. Note 18 is incorporated herein by reference.

18

---

Our Corporate and Other segment is comprised of holding company activities and certain non-insurance operations.

Our Discontinued Lines and Coverages segment consists of business that we no longer write and certain commercial and other business in run-off (including environmental, asbestos and other exposures from discontinued lines).

Although we no longer write excess general liability insurance, we still have exposure for environmental, asbestos and other discontinued lines claims. Our exposure to asbestos, environmental and other discontinued lines claims stems principally from assumed reinsurance coverage written during the 1960s through the mid-1980s, including reinsurance on primary insurance written on large United States companies, and from direct excess insurance written from 1972 through 1985, including substantial excess general liability coverages on Fortune 500 companies. Additional exposure stems from direct primary commercial insurance written during the 1960s through the mid-1980s. Other discontinued lines exposures primarily relate to general liability and product liability claims, such as those for medical devices and other products.

In 1986, the general liability policy form used by Allstate and others in the property-liability industry was amended to introduce an "absolute pollution exclusion," which excluded coverage for environmental damage claims, and to add an asbestos exclusion. Most general liability policies issued prior to 1987 contain annual aggregate limits for product liability coverage. General liability policies issued in 1987 and thereafter contain annual aggregate limits for product liability coverage and annual aggregate limits on all coverages. Allstate's experience to date is that these policy form changes have limited its exposure to environmental and asbestos claim risks.

## PROPERTY-LIABILITY CLAIMS AND CLAIMS EXPENSE RESERVES

The following discussion of property-liability claims and claims expense reserves applies to all of our property-liability operations, encompassing both the Allstate Protection segment and the Discontinued Lines and Coverages segment.

We establish property-liability loss reserves to cover our estimated ultimate liability for losses and loss adjustment expenses with respect to reported claims and claims incurred but not yet reported ("IBNR") as of the end of each reporting period. In accordance with applicable insurance laws and regulations and generally accepted accounting principles (GAAP), no specific claim reserves are established until a loss occurs, including a loss from a catastrophe. Underwriting results of the two property-liability segments are significantly influenced by estimates of property-liability claims and claims expense reserves. (See Note 7 to the Consolidated Financial Statements beginning on page D-124 of Appendix D to the Proxy Statement. Note 7 is incorporated herein by reference.) These reserves are an estimate of

19

---

amounts necessary to settle all outstanding claims, including IBNR claims as of the reporting date. These reserve estimates are based on known facts and interpretations of circumstances, internal factors including Allstate's experience with similar cases, historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, loss management programs and product mix. In addition, the reserve estimates are influenced by external factors including changes in law, court decisions, changes to regulatory requirements, economic conditions and public attitudes. The effects of inflation are implicitly considered in the reserving process.

### *Allstate Protection*

For the Allstate Protection segment, reserves are established for claims as they occur for each line of business based on estimates of the ultimate cost to settle the claims. The actual loss results are compared to prior estimates, and differences are recorded as reserve reestimates. The primary actuarial technique used to estimate reserves and provide for losses is a "chain ladder" estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves set by claim adjusters) for an accident year or a report year to create an estimate of how losses are likely to develop over time. An accident year refers to classifying claims based on the year in which claims occurred. A report year refers to classifying claims based on the year in which claims are reported. Both classifications are used to prepare estimates of required reserves for payments to be made in the future.

In the "chain ladder" estimation technique, a ratio (development factor) is calculated which compares current results to prior period results for each accident year. A three-year or two-year average development factor, based on historical results, is usually multiplied times the current experience to estimate the development of losses of each accident year from the current time period into the next time period. The development factors for the next time periods for each accident year are compounded over the remaining calendar years to calculate an estimate of ultimate losses for each accident year. Occasionally, unusual aberrations in loss patterns are caused by factors such as changes in claim reporting or settlement patterns, unusually large losses, process changes, legal or regulatory changes, and other influences. In these instances, analysis of alternate development factor selections is performed to evaluate the effect on these factors, and actuarial judgment is applied to make appropriate development factor assumptions needed to develop a best estimate of ultimate losses. Paid losses are subtracted from estimated ultimate losses to determine the indicated reserves. The difference between indicated reserves and recorded reserves is the amount of reserve reestimate.

Reserves are reestimated quarterly for the Allstate Protection segment. When new development factors are calculated from actual losses, and they differ from estimated development factors used in previous reserve estimates, assumptions about future losses and required reserves are revised based on the new development factors. Changes to reserves are recorded in the period in which development factor

20

---

changes result in reserve reestimates. Over one thousand actuarial estimates of the types described above are prepared each quarter to monitor losses for each line of insurance, its major components (coverages and perils), major states, or groups of states, for reported losses and for IBNR. Often, several different estimates are prepared for each detailed component, incorporating alternative analyses of changing claim settlement patterns and other influences on losses, from which reserve management selects its best estimate for each component, occasionally incorporating additional analysis and actuarial judgment, as described above. These estimates also incorporate the historical impact of inflation into reserve estimates, the implicit assumption being that a multi-year average development factor represents an adequate provision. Based on its review of these estimates, reserve management's best estimate of required reserves for each state/line/coverage component is recorded for each accident year, and the required reserves for each component are summed to create the reserve balances carried on our Consolidated Statements of Financial Position.

The facts and circumstances leading to management's reestimate of reserves relate to revisions to the development factors used to predict how losses are likely to develop from the end of a reporting period until all claims have been paid. Reestimates occur because actual losses are different than those predicted by the estimated development factors used in prior reserve estimates.

Because reserves are based on estimations of future losses, the establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain process. The ultimate cost of losses may vary materially from the recorded amounts, which are based on management's best estimates of future losses. We regularly update our reserve estimates as new information becomes available and as events unfold that may have an impact on the resolution of unsettled claims. We reflect changes in prior year reserve estimates, which may be material, in the results of operations in the period in which such changes are determinable. At December 31, 2002, the impact of a reserve reestimation resulting in a one percent increase in our net reserves would be a decrease of \$98 million in net income. A reserve reestimation resulting in a one percent decrease in net reserves would increase net income by \$98 million.

### *Discontinued Lines and Coverages*

Allstate's exposure to asbestos, environmental and other discontinued lines claims arises principally from assumed reinsurance coverage written during the 1960s through the mid-1980s, including reinsurance on primary insurance written on large United States companies, and from direct excess insurance written from 1972 through 1985, including substantial excess general liability coverages on Fortune 500 companies. Additional exposure stems from direct primary commercial insurance written during the 1960s through the mid-1980s. Other discontinued lines exposures primarily relate to general liability and product liability claims, such as those for medical devices and other products.

In 1986, the general liability policy form used by Allstate and others in the property-liability industry was amended to introduce an "absolute pollution exclusion," which excluded coverage for environmental damage claims, and to add an asbestos exclusion. Most

21

general liability policies issued prior to 1987 contain annual aggregate limits for product liability coverage. General liability policies issued in 1987 and thereafter contain annual aggregate limits for product liability coverage and annual aggregate limits on all coverages. Allstate's experience to date is that these policy form changes have limited its exposure to environmental and asbestos claim risks.

Allstate's exposure to liability for asbestos, environmental, and other discontinued lines losses manifests differently for assumed reinsurance, direct excess insurance, and direct primary commercial insurance. The direct insurance coverage Allstate provided for these exposures was substantially "excess" in nature.

Excess insurance, and reinsurance, involve coverage written by Allstate for specific layers of protection above retentions and other insurance plans. The nature of excess coverage and reinsurance provided to other insurers limits our exposure to loss to specific layers of protection in excess of policyholder retention or primary insurance plans. In addition, Allstate has purchased significant reinsurance on its excess business, further limiting its exposure.

Allstate's assumed reinsurance business involved writing generally small participations in other insurers' reinsurance programs. The reinsured losses in which Allstate participates may be a proportion of all eligible losses or eligible losses in excess of defined retentions. The majority of assumed reinsurance exposure, approximately 85%, is for excess of loss coverage, while the remaining 15% is for pro-rata coverage.

Liability for actual and potential asbestos losses has caused several major asbestos manufacturers to file for bankruptcy protection. Allstate has pending claims related to excess policies issued to seven large asbestos manufacturers that have filed for bankruptcy protection, four of which have not resolved payment plans within the bankruptcies. Reserves related to liability for these companies, whose claims are still in the process of adjudication, are appropriately established based on claims that have occurred and other related information. The process of adjudicating claims in the asbestos bankruptcies is lengthy and involves, among other factors, filing notices of claim by all current claimants, estimating the number and cost of resolving pre-petition and post-petition claims, negotiations among the various creditor groups and the debtors and, if necessary, evidentiary hearings by the bankruptcy court. We will continue to monitor the relevant bankruptcies.

Allstate's exposure, if any, to bankruptcies of major asbestos manufacturers, including any currently in bankruptcy, would also arise if assumed reinsurance was written for an insurer providing insurance protection to a major asbestos manufacturer, and then only in proportion to Allstate's participation share. Allstate assesses its potential liability to each of its reinsurance programs and adjusts reserves accordingly based on its knowledge of the losses of each reinsured exposure.

Allstate's direct primary commercial insurance business did not include coverage to large asbestos manufacturers. This business comprises a cross section of policyholders engaged in all business sectors located throughout the country.

22

Establishing net loss reserves for asbestos, environmental and other discontinued lines claims is subject to uncertainties that are greater than those presented by other types of claims. Among the complications are lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure, unresolved legal issues regarding policy coverage, unresolved legal issues regarding the determination, availability and timing of exhaustion of policy limits, evolving and expanding theories of liability, availability and collectibility of recoveries from reinsurance, retrospectively determined premiums and other contractual agreements, and estimating the extent and timing of any contractual liability, and other uncertainties. There are 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 premiums, 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 cost may vary materially from amounts currently recorded, resulting in an increase in loss reserves.

#### Reconciliation of Claims Reserves

The following tables are summary reconciliations of the beginning and ending property-liability insurance claims and claims expense reserves, displayed individually for each of the last three years. The first table presents reserves on a gross (before reinsurance) basis. The end of year gross reserve balances are reflected in the Consolidated Statements of Financial Position on page D-92 of Appendix D to the Proxy Statement. The second table presents reserves on a net (after reinsurance) basis. The total net property-liability insurance claims and claims expense amounts are reflected in the Consolidated Statements of Operations on page D-90 of Appendix D to the Proxy Statement. The Consolidated Statements of Financial Position and the Consolidated Statements of Operations in Appendix D to the Proxy Statement are incorporated herein by reference.

23

GROSS (in millions)	Year Ended December 31,		
	2002	2001	2000
Gross reserve for property-liability claims and claims expense, beginning of year	\$ 16,500	\$ 16,859	\$ 17,814
Incurred claims and claims expense			
Provision attributable to the current year	17,237	17,495	17,312
Change in provision attributable to prior years	765	508	(615)
Total claims and claims expense	18,002	18,003	16,697
Claim payments			
Claims and claims expense attributable to current year	10,690	11,386	11,429
Claims and claims expense attributable to prior years	7,122	6,976	6,223
Total payments	17,812	18,362	17,652
Gross reserve for property-liability claims and claims expense, end of year as shown on 10-K loss reserve development table	\$ 16,690	\$ 16,500	\$ 16,859

Year Ended December 31,

NET (in millions)	2002	2001	2000
Net reserve for property-liability claims and claims expense, beginning of year	\$ 14,833	\$ 15,225	\$ 16,161
Incurred claims and claims expense			
Provision attributable to the current year	16,972	17,190	17,117
Change in provision attributable to prior years	685	342	(722)
Total claims and claims expense	17,657	17,532	16,395
Claim payments			
Claims and claims expense attributable to current year	10,598	11,176	11,358
Claims and claims expense attributable to prior years	6,874	6,748	5,973
Total payments	17,472	17,924	17,331
Net reserve for property-liability claims and claims expense, end of year as shown on 10-K loss reserve development table <sup>(1)</sup>	\$ 15,018	\$ 14,833	\$ 15,225

(1) Reserves for claims and claims expense are net of reinsurance of \$1.67 billion, \$1.67 billion, and \$1.63 billion, at December 31, 2002, 2001 and 2000, respectively.

24

The year-end 2002 gross reserves of \$16.69 billion for property-liability insurance claims and claims expense, as determined under GAAP, were \$2.45 billion more than the reserve balance of \$14.24 billion recorded on the basis of statutory accounting practices for reports provided to state regulatory authorities. The principal differences are reinsurance recoverables from third parties totaling \$1.67 billion that reduce reserves for statutory reporting and are recorded as assets for GAAP reporting and a liability for \$0.10 billion that represents a deposit on assumed reinsurance from the acquisition of CNA's personal lines business, now called Encompass. Additional differences are caused by the reserves of the Canadian subsidiaries for \$0.61 billion, which are not included in the combined United States statutory statement.

As the tables above illustrate, Allstate's net reserve for property-liability insurance claims and claims expense at the end of 2001 increased in 2002 by \$685 million, compared to unfavorable reestimates of the gross reserves of \$765 million. Net reserve reestimates in 2002, 2001 and 2000 were more favorable than the gross reserve reestimates due to higher anticipated reinsurance cessions on reserve reestimates. For further discussion of Allstate's reinsurance programs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Property-Liability Reinsurance Ceded" beginning on page D-39 of Appendix D to the Proxy Statement. That discussion is incorporated herein by reference.

#### Loss Reserve Reestimates

The following Loss Reserve Reestimates table illustrates the change over time of the net reserves established for property-liability insurance claims and claims expense at the end of the last eleven calendar years. The first section shows the reserves as originally reported at the end of the stated year. The second section, reading down, shows the cumulative amounts paid as of the end of successive years with respect to that reserve liability. The third section, reading down, shows retroactive reestimates of the original recorded reserve as of the end of each successive year which is the result of Allstate's expanded awareness of additional facts and circumstances that pertain to the unsettled claims. The last section compares the latest reestimated reserve to the reserve originally established, and indicates whether the original reserve was adequate to cover the estimated costs of unsettled claims. The table also presents the gross reestimated liability as of the end of the latest reestimation period, with separate disclosure of the related reestimated reinsurance recoverable. The Loss Reserve Reestimates table is cumulative and, therefore, ending balances should not be added since the amount at the end of each calendar year includes activity for both the current and prior years.

25

#### Loss Reserve Reestimates

(\$ millions)

	December 31,										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross Reserves for Unpaid Claims and Claims Expense	\$ 14,902	\$ 15,209	\$ 16,414	\$ 17,326	\$ 17,382	\$ 17,403	\$ 16,881	\$ 17,814	\$ 16,859	\$ 16,500	\$ 16,690
Deduct:											
Reinsurance Recoverable	1,419	1,338	1,298	1,490	1,784	1,630	1,458	1,653	1,634	1,667	1,672
Reserve For Unpaid Claims and Claims Expense	\$ 13,483	\$ 13,871	\$ 15,116	\$ 15,836	\$ 15,598	\$ 15,773	\$ 15,423	\$ 16,161	\$ 15,225	\$ 14,833	\$ 15,018
Paid (cumulative) as of:											
One year later	4,955	4,472	4,748	5,787	5,013	5,488	5,615	5,973	6,748	6,874	
Two years later	7,068	6,519	7,749	8,232	7,952	8,361	8,638	9,055	10,066		
Three years later	8,283	8,273	9,247	10,083	9,773	10,336	10,588	11,118			
Four years later	9,430	9,140	10,400	11,170	11,040	11,587	11,950				
Five years later	9,985	9,849	11,070	12,034	11,847	12,512					
Six years later	10,467	10,251	11,702	12,590	12,528						
Seven years later	10,762	10,725	12,128	13,134							

Eight years later	11,169	10,982	12,599								
Nine years later	11,393	11,339									
Ten years later	11,730										
Reserve Reestimated as of:											
End of year	13,483	13,871	15,116	15,836	15,598	15,773	15,423	16,161	15,225	14,833	15,018
One year later	13,081	13,159	14,691	15,500	14,921	15,073	14,836	15,439	15,567	15,518	
Two years later	12,745	12,890	14,295	14,917	14,450	14,548	14,371	15,330	15,900		
Three years later	12,735	12,832	13,928	14,700	14,156	14,183	14,296	15,583			
Four years later	12,877	12,617	13,835	14,613	13,894	14,168	14,530				
Five years later	12,830	12,585	13,915	14,455	13,888	14,406					
Six years later	12,895	12,730	13,882	14,452	14,140						
Seven years later	13,070	12,733	13,877	14,703							
Eight years later	13,113	12,617	14,124								
Nine years later	12,995	12,839									
Ten years later	13,223										
Initial reserve in excess of (less than) reestimated reserve:											
Amount of reestimate	\$ 260	\$ 1,032	\$ 992	\$ 1,133	\$ 1,458	\$ 1,367	\$ 893	\$ 578	\$ (675)	\$ (685)	
Percent	1.9%	7.4%	6.6%	7.2%	9.3%	8.7%	5.8%	3.6%	(4.4)%	(4.6)%	
Gross Reestimated Liability-Latest Reestimated Recoverable-Latest											
	\$ 15,404	\$ 14,880	\$ 16,044	\$ 16,610	\$ 16,344	\$ 16,394	\$ 16,378	\$ 17,472	\$ 17,734	\$ 17,265	
	2,181	2,041	1,920	1,907	2,204	1,988	1,848	1,889	1,834	1,747	
Net Reestimated Liability-Latest											
	\$ 13,223	\$ 12,839	\$ 14,124	\$ 14,703	\$ 14,140	\$ 14,406	\$ 14,530	\$ 15,583	\$ 15,900	\$ 15,518	
Gross Cumulative Reestimate (Increase) Decrease											
	\$ (502)	\$ 329	\$ 370	\$ 716	\$ 1,038	\$ 1,009	\$ 503	\$ 342	\$ (875)	\$ (765)	

The subsequent reductions in the net reserves established from December 31, 1993 to December 31, 1999 shown in the foregoing table reflects favorable severity trends that Allstate has experienced, as more fully discussed below. The increase in net reserves established at December 31, 2000 and December 31, 2001 reflects unfavorable reestimates as more fully discussed below.

26

Allstate conducts an annual review in the third quarter of each year to evaluate and establish asbestos, environmental and other discontinued lines reserves. Reserves are recorded in the reporting period in which they are determined. Using established industry and actuarial best practices, this detailed and comprehensive ground up methodology determines reserves based on assessments of the characteristics of exposure (e.g. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, which assumes no change in the legal, legislative or economic environment. IBNR reserves are estimated to provide for upward development of known claims, and reporting of additional claims due to current and new policyholders and exposures. In addition we have analyzed our reinsurance recoverables in depth. Allstate updates its evaluations of environmental, asbestos and other discontinued lines reserves annually. While we believe that the actuarial techniques and databases described above have assisted in our ability to estimate environmental, asbestos and other discontinued lines net loss reserves, these refinements may prove to be inadequate indicators of the extent of probable loss. See Note 7 to the Consolidated Financial Statements beginning on page D-124 of Appendix D to the Proxy Statement. Note 7 is incorporated herein by reference.

The following table is derived from the Loss Reserve Reestimates table and summarizes the effect of reserve reestimates, net of reinsurance, on calendar year operations for the ten-year period ended December 31, 2002. The total of each column details the amount of reserve reestimates made in the indicated calendar year and shows the accident years to which the reestimates are applicable. The amounts in the total accident year column on the far right represent the cumulative reserve reestimates for the indicated accident year(s).

27

#### Effect of Net Reserve Reestimates on Calendar Year Operations

(in millions)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	TOTAL
BY ACCIDENT YEAR											
1992 & PRIOR	\$ (402)	\$ (336)	\$ (10)	\$ 142	\$ (47)	\$ 65	\$ 175	\$ 43	\$ (118)	\$ 228	\$ (260)
1993		(376)	(259)	(200)	(168)	(97)	(30)	(40)	2	(6)	(1,174)
1994			(156)	(338)	(152)	(61)	(65)	(36)	111	25	(672)
1995				60	(216)	(124)	(167)	(125)	2	4	(566)
1996					(94)	(254)	(207)	(104)	(3)	1	(661)
1997						(229)	(231)	(103)	(9)	(14)	(586)
1998							(62)	(100)	(60)	(4)	(226)
1999								(257)	(34)	19	(272)
2000									451	80	531
2001										352	352
TOTAL	\$ (402)	\$ (712)	\$ (425)	\$ (336)	\$ (677)	\$ (700)	\$ (587)	\$ (722)	\$ 342	\$ 685	\$ (3,534)

Favorable calendar year reserve reestimates in 1993 through 2000 were the result of favorable severity trends in each of the eight years for Allstate Protection, which more than offset adverse reestimates in the Discontinued Lines and Coverages segment, virtually all of which relates to 1984 and prior years. The favorable severity trend during this period was primarily the result of favorable injury severity trends, as compared to our anticipated trends. Favorable injury severity trends were largely due to more moderate medical cost inflation and the mitigating effects of our loss management programs.

The impacts of more moderate medical cost inflation have emerged over time as actual claim settlements validate its magnitude. Beginning in the early 1990s, lower medical cost inflation rates, as evidenced by the consumer price index ("CPI") published by the Bureau of Labor Statistics for medical costs, have contributed to lower actual claim settlements than prior estimates. From 1991 through 1995, the medical CPI averaged 6.3%, and from 1996 through 2000, the average declined to 3.4%. The medical CPI is considered a viable indicator of the direction of claim costs because it is a measure of the change in various costs for medical services and supplies, including doctors' fees, emergency care, therapy and rehabilitation, and pharmaceuticals, all of which are covered claims for insureds. In 2002, the medical CPI increased to 4.7%, and most recent economic forecasts anticipate further increases in medical inflation. If this occurs, future reserve reestimates could be adversely impacted if actual results exceed reserve estimates.

Our loss management programs, called Claims Core Process Redesign ("CCPR"), have had a mitigating effect in a variety of aspects on injury severity trends. Since 1993, we have been improving the claim adjudication processes for Allstate brand by implementing programs to accomplish better investigation of claims, consistent handling of soft tissue injury claims, more accurate valuation of damages, and more effective negotiation and defense practices. These improvements have also involved hiring additional staff, providing increased training, creating specialized units of expert employees to handle specific types of claims, and focusing attention and resources on handling specific types of claims such as soft tissue injury claims, claims with attorney involvement, and claims in litigation. These programs were intended to create an improved culture, focused on expert, efficient, and effective claim process management. Since 1993, growth of Allstate's injury claim costs has compared favorably to published insurance

28

---

industry competitor results. This experience is substantially due to the claim adjudication process improvements, and is an additional factor contributing to reductions in reserve estimates. While changes to the claim settlement process have mitigated increases in severity trends on closed claims, these changes can impact historical patterns of losses, introducing a greater degree of statistical variability in actuarial reserve estimates for the remaining outstanding claims.

In 2002, we increased our reserve estimates for prior years. Unfavorable reserve reestimates in 2002 were due to claim severity and late reported losses for Allstate Protection that were greater than what was anticipated in previous reserve estimates and to increased estimates of losses related to asbestos, environmental, and other discontinued lines in the Discontinued Lines and Coverages segment.

In 2001, we increased our reserve estimates for prior years due to reduced reserve releases, offset by greater volume of late reported weather related losses than expected from the end of the year 2000 which were reported in the year 2001, additional incurred losses on the 1994 Northridge earthquake, adverse results of class action and other litigation, upward reestimates of property losses and upward reestimates of losses in the Encompass and Canadian businesses. In 2001, reserve releases were at reduced levels due to increasing claim severity trends, which began to deteriorate in 2000 as a result of higher automobile repair and residential construction costs, and increasing medical cost inflation.

For further explanation of the nature of changes affecting prior year reserve reestimates see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Property-Liability Claims and Claims Expense Reserves", on page D-28 of Appendix D to the Proxy Statement. That particular portion of the Management's Discussion and Analysis is incorporated herein by reference.

While we believe that changes to our claim settlement processes have contributed to favorable severity trends on closed claims over time, these changes introduce a greater degree of variability in reserve estimates for the remaining outstanding claims at December 31, 2002. Reserve reestimates, if any, are expected to be adversely impacted by anticipated increases in medical cost inflation rates, physical damage repair costs and inflation in the cost of property repair and replacement. We do not expect either favorable or unfavorable reserve reestimates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-Looking Statements and Risk Factors Affecting Allstate" on page D-82 of Appendix D to the Proxy Statement.

## REINSURANCE CEDED

Information regarding reinsurance ceded is contained in the discussion of "Management's Discussion and Analysis of Financial Condition and Results of Operations—Property-Liability Reinsurance Ceded" beginning on page D-39 of Appendix D to the Proxy Statement. The property-liability operations referred to in that discussion include the Allstate Protection segment and the Discontinued Lines and Coverages segment. That discussion is incorporated herein by

29

---

reference.

## INVESTMENTS

An important ingredient of Allstate's financial results is the return on invested assets. Allstate's investment portfolios are segmented between the property-liability operations (encompassing the Allstate Protection segment and the Discontinued Lines and Coverages segment), the Allstate Financial segment and the Corporate and Other segment. The investment portfolios are managed based upon the nature of each respective business and their corresponding liability structure.

Our investment strategy for the property-liability portfolio emphasizes safety of principal and consistency of income within a total return framework. This approach is designed to ensure our financial strength and stability for paying claims while maximizing economic value and surplus growth. The method for achieving this goal is based on a strategic asset allocation model, which takes into account the nature of the liabilities and risk tolerance as well as the risk/return parameters of various asset classes. This modeling, along with duration and liquidity considerations, is the guide for our asset allocation. On a tactical basis, decisions are made based on analysis of relative value opportunities across markets. Performance is measured against outside benchmarks at target allocation weights. Review of the portfolio is conducted regularly, including a watch list process that identifies any securities in some form of financial difficulty. This approach to balancing total return management with income needs and risk tolerances has produced excess returns over time.

Our investment strategy for Allstate Financial is based upon a strategic asset allocation framework that takes into account the need to manage on a risk adjusted spread basis for the underwriting liability product portfolio and to maximize return on retained capital. Generally, a combination of recognized market modeling, analytical models and proprietary models is used to achieve a desired asset mix in the management of the portfolio. The strategic asset allocation model portfolio is the primary basis for setting annual asset allocation targets with respect to interest sensitive, illiquid and credit asset allocations as well as limitations with respect to overall below investment grade exposure and diversification requirements. On a tactical basis, decisions are made on an option adjusted relative value basis staying within the constraints of the strategic asset allocation framework. We believe we maximize asset spread by selecting assets that perform on a long-term basis and by using trading to minimize the effect of downgrades and defaults. We use total return measurement on a selective basis where the asset risks are significant (e.g., high yield fixed income securities, convertible bonds). We expect that the application of this strategy for the Allstate Financial segment will minimize interest rate market impacts on investment income. This strategy is also expected to provide sustainable investment-related income over time.

## REGULATION

---

is intended for the protection of insurance policyholders rather than security holders. Regulation relates to a wide variety of matters including insurance company licensing and examination, agent licensing, price setting, trade practices, policy forms, accounting methods, the nature and amount of our investments, claims practices, participation in shared markets and guaranty funds, reserve adequacy, insurer solvency, transactions with affiliates, the amount of dividends that we may pay, and underwriting standards. These regulations have a substantial effect on our business. Some of these matters are discussed in more detail below. For discussion of statutory financial information, see Note 15 to the Consolidated Financial Statements beginning on page D-144 of Appendix D to the Proxy Statement. For discussion of regulatory contingencies, see Note 13 to the Consolidated Financial Statements beginning on page D-138 of Appendix D to the Proxy Statement. Notes 13 and 15 are incorporated herein by reference.

In recent years the state insurance regulatory framework has come under increased federal scrutiny and legislation that would provide for optional federal chartering of insurance companies has been introduced in Congress. In addition, state legislators and insurance regulators continue to examine the appropriate nature and scope of state insurance regulation. We cannot predict whether any state or federal measures will be adopted to change the nature or scope of the regulation of the insurance business or what effect any such measures would have on Allstate.

*Limitations on Dividends By Insurance Subsidiaries.* As a holding company with no significant business operations of its own, The Allstate Corporation relies on dividends from Allstate Insurance Company as one of the principal sources of cash to pay dividends and to meet its obligations, including the payment of principal and interest on debt. Allstate Insurance Company is regulated as an insurance company in Illinois. Under Illinois law, it may not pay a dividend without notifying the Illinois Department of Insurance and providing specified financial information. Furthermore, Illinois law requires Allstate Insurance Company to notify and receive approval from the Director of the Illinois Department of Insurance for the payment of any dividend that, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of 10% of Allstate Insurance Company's statutory surplus as of December 31 of the prior year or 100% of Allstate Insurance Company's statutory net income for the twelve-month period ending December 31 of the prior year. The laws of the other jurisdictions that generally govern our insurance subsidiaries contain similar limitations on the payment of dividends and in some jurisdictions the laws may be somewhat more restrictive.

*Holding Company Regulation.* The Allstate Corporation and Allstate Insurance Company are insurance holding companies subject to regulation throughout the jurisdictions in which their insurance subsidiaries do business. In the U.S., these subsidiaries are organized under the insurance codes of Arizona, Florida, Illinois, Nebraska, New Hampshire, New York, Pennsylvania and Texas. Generally, the insurance codes in these states provide that the acquisition or change of "control" of a domestic insurer or of any person that controls a domestic insurer cannot be consummated without the prior approval of the relevant insurance regulator. In general, a presumption of "control" arises from the ownership, control, possession with the power to vote, or possession of proxies with respect to, 10% or more of the voting securities of a domestic insurer or of a person that controls a domestic insurer. In Florida, regulatory approval must be obtained prior to the acquisition of 5% or more of the voting securities of a domestic

---

stock insurer or of a controlling company. In addition, certain state insurance laws require pre-acquisition notification to state agencies of a change in control with respect to a non-domestic insurance company licensed to do business in that state. While such pre-acquisition notification statutes do not authorize the state agency to disapprove the change of control, such statutes do authorize certain remedies, including the issuance of a cease and desist order with respect to the non-domestic insurer if certain conditions exist, such as undue market concentration. Thus, any transaction involving the acquisition of 10% (5% in Florida) or more of The Allstate Corporation's common stock would generally require prior approval by the state insurance departments in Arizona, California, Florida, Illinois, Nebraska, New Hampshire, New York, Pennsylvania and Texas and would require pre-acquisition notification in those other states that have adopted pre-acquisition notification provisions and where the insurance subsidiaries are admitted to transact business. Such approval requirements may deter, delay or prevent certain transactions affecting the ownership of The Allstate Corporation's common stock.

*Price Regulation.* Nearly all states have insurance laws requiring personal property and casualty insurers to file price schedules, policy or coverage forms, and other information with the state's regulatory authority. In most cases, such price schedules and/or policy forms must be approved prior to use. While they vary from state to state, the objectives of the pricing laws are generally the same: a price must be adequate, not excessive, and not unfairly discriminatory.

The speed with which an insurer can change prices in response to competition or in response to increasing costs depends, in part, on whether the pricing laws are administered as (i) prior approval, (ii) file-and-use, or (iii) use-and-file laws. In states having prior approval laws, the regulator must approve a price before the insurer may use it. In states having file-and-use laws, the insurer does not have to wait for the regulator's approval to use a price, but the price must be filed with the regulatory authority prior to being used. A use-and-file law requires an insurer to file prices within a certain period of time after the insurer begins using them. Approximately one half of the states, including California and New York, have prior approval laws. Under all three types of pricing systems, the regulator has the authority to disapprove a price subsequent to its filing.

An insurer's ability to adjust its pricing in response to competition or to increasing costs is often dependent on an insurer's ability to demonstrate to the regulator that its pricing or proposed pricing meets the requirements of the pricing laws. In those states that significantly restrict an insurer's discretion in selecting the business that it wants to underwrite, an insurer can manage its risk of loss by charging a price that reflects the cost and expense of providing the insurance. In those states that significantly restrict an insurer's ability to charge a price that reflects the cost and expense of providing the insurance, the insurer can manage its risk of loss by being more selective in the type of business it underwrites. When a state significantly restricts both underwriting and pricing, it becomes more difficult for an insurer to maintain its profitability.

Changes in Allstate's claim settlement process may require Allstate to actuarially adjust loss information used in its pricing application process. Some state insurance regulatory authorities may not approve price increases that give full effect to these adjustments.

---

From time to time, the private passenger auto insurance industry comes under pressure from state regulators, legislators and special interest groups to reduce, freeze or set prices at levels that do not correspond with underlying costs and expenses, in our opinion. Homeowners insurance comes under similar pressure, particularly as regulators in states subject to high levels of catastrophe losses struggle to identify an acceptable methodology to price for catastrophe exposure. We expect this kind of pressure to persist. In addition, our use of credit history for underwriting and pricing regularly comes under attack by regulators, legislators and special interest groups in various states. The result could be legislation or regulation that adversely affects the profitability of the Allstate Protection segment. We cannot predict the impact on our results of operations, liquidity or financial position of possible future legislative and regulatory measures regarding pricing.



*Involuntary Markets.* As a condition of maintaining our licenses to write personal property and casualty insurance in various states, we are 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 our results of operations.

*Guaranty Funds.* Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants.

*Investment Regulation.* Our insurance subsidiaries are subject to state laws and regulations that require investment portfolio diversification and that limit the amount of investment in certain categories. Failure to comply with these laws and regulations would cause non-conforming investments to be treated as non-admitted assets for purposes of measuring statutory surplus and, in some instances, would require divestiture. As of December 31, 2002 the investment portfolios of our insurance subsidiaries did not contain any investments that were non-admitted for failure to comply with such laws and regulations.

*Exiting Geographic Markets; Canceling and Non-Renewing Policies.* Most states have laws and regulations that limit an insurer's ability to exit a market. For example, some states limit a private passenger auto insurer's ability to cancel and non-renew policies. Some states prohibit an insurer from withdrawing one or more types of insurance business from the state, except pursuant to a plan that is approved by the state insurance department and not disapproved on the grounds that it could lead to market disruption. Laws and regulations that limit cancellation and non-renewal and that subject withdrawal plans to prior approval requirements may restrict an insurer's ability to exit unprofitable markets.

*Variable Life Insurance, Variable Annuities and Registered Fixed Annuities.* The sale of variable life insurance, variable annuities and registered fixed annuities with market value adjustment features are subject to extensive regulatory oversight at the federal and state level, including regulation and supervision by the Securities and Exchange Commission and the

---

National Association of Securities Dealers.

*Broker-Dealers, Investment Advisors and Investment Companies.* The Allstate entities that operate as broker-dealers, registered investment advisors and investment companies are subject to regulation and supervision by the Securities and Exchange Commission, the National Association of Securities Dealers and/or, in some cases, state securities administrators.

*Regulation and Legislation Affecting Consolidation in the Financial Services Industry.* The Gramm-Leach-Bliley Act of 1999 permits mergers that combine commercial banks, insurers and securities firms within one holding company group. Until passage of the Gramm-Leach-Bliley Act, the Glass Steagall Act of 1933 had limited the ability of banks to engage in securities-related businesses and the Bank Holding Company Act of 1956 had restricted banks from being affiliated with insurers. With the passage of the Gramm-Leach-Bliley Act, bank holding companies may acquire insurers and insurance holding companies may acquire banks. In addition, grandfathered unitary thrift holding companies, including our parent company, may engage in activities that are not financial in nature. The ability of banks to affiliate with insurers may materially adversely affect our business by substantially increasing the number, size and financial strength of potential competitors.

In some states a mutual insurance company can convert to a hybrid structure known as a mutual holding company. This process converts an insurance company, owned by its policyholders, to a stock insurance company, owned (through one or more intermediate holding companies) by its policyholders and, in some instances, in part by third-party stockholders. Also some states permit the conversion of a mutual insurance company into a stock insurance company (demutualization). The ability of mutual insurance companies to convert to mutual holding companies or to demutualize may materially adversely affect our business by substantially increasing competition for capital in the financial services industry.

*Privacy Regulation.* Federal law and regulation requires financial institutions to protect the security and confidentiality of customer information and to notify customers about their policies and practices relating to their collection and disclosure of customer information and their policies relating to protecting the security and confidentiality of that information. Federal and state law also regulate disclosures of customer information. Congress and state legislatures are expected to consider additional regulation relating to privacy and other aspects of customer information.

*Tax.* State and federal laws and regulations affect the taxation of insurance companies and life insurance and annuity products. From time to time, Congress has considered proposals that, if enacted, could impose a greater tax burden on Allstate or could have an adverse impact on the federal income tax treatment of some insurance products offered by Allstate, including the favorable policyholder tax treatment currently applicable to deferred and immediate annuities, and life insurance, including interest-sensitive life insurance. Such proposals have included legislation relating to the deferral of taxation on the accretion of value within certain annuities and life insurance products. Recent proposals to eliminate the double taxation of dividends and to permit the establishment of tax-free lifetime savings and retirement savings accounts could

---

substantially reduce the tax-advantaged nature of many insurance products. If such proposals were to be adopted, they could have a material adverse effect on Allstate's financial position or Allstate's ability to sell such products and could result in the surrender of some existing contracts and policies. In addition, recent changes in the federal estate tax laws have negatively affected the demand for the types of life insurance used in estate planning.

*Environmental.* Environmental pollution clean-up of polluted waste sites is the subject of both federal and state regulation. The Comprehensive Environmental Response Compensation and Liability Act of 1980 ("Superfund") and comparable state statutes ("mini-Superfund") govern the clean-up and restoration of waste sites by "Potentially Responsible Parties" (PRPs). Superfund and the mini-Superfunds (Environmental Clean-up Laws or ECLs) establish a mechanism to pay for clean-up of waste sites if PRPs fail to do so, and to assign liability to PRPs. The extent of liability to be allocated to a PRP is dependent on a variety of factors. By some estimates, there are thousands of potential waste sites subject to clean-up, but the exact number is unknown. As of the end of 2000, clean-up construction had been completed at just over half of the designated Superfund sites. The extent of clean-up necessary and the process of assigning liability remain in dispute. The insurance industry is involved in extensive litigation regarding coverage issues arising out of the clean-up of waste sites by insured PRPs and insured parties' alleged liability to third parties responsible for the clean-up. The insurance industry, including Allstate, is disputing many such claims. Key coverage issues include whether Superfund response, investigation and clean-up costs are considered damages under the policies, trigger of coverage, applicability of several types of pollution exclusions, proper notice of claims, whether administrative liability triggers the duty to defend, appropriate allocation of liability among triggered insurers, and whether the liability in question falls within the definition of an "occurrence." Identical coverage issues exist for clean-up and waste sites not covered under Superfund. To date, courts have been inconsistent in their rulings on these issues. Allstate's exposure to liability with regard to its insureds that have been, or may be, named as PRPs is uncertain.

Comprehensive Superfund reform proposals have been introduced in Congress, but only modest reform measures have been enacted. Allstate will support Superfund reform which minimizes litigation and other transaction costs; hastens the clean-up of waste sites without imposing new or additional taxes; addresses the

elimination of strict, retroactive, and joint and several liability; allows for the selection of cost-effective, efficient and practical remedial measures; eliminates retroactive natural resource damage awards; and encourages local input into the clean-up process. At this time, there can be no assurance that any comprehensive Superfund reform legislation will be enacted or that any such legislation will provide for a fair, effective and cost-efficient system for settlement of Superfund related claims.

## INTERNET WEBSITE

Our Internet website address is [www.Allstate.com](http://www.Allstate.com). The Allstate Corporation's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports that we have filed or furnished since May 1996 pursuant to Section 13(a) of the Securities Exchange Act of 1934 are available through our Internet website, free of

35

charge. Since the effective date of Securities and Exchange Commission Regulation S-K, Item 101(e)(4), such reports have been available through our website as soon as reasonably practicable after they were electronically filed or furnished to the Securities and Exchange Commission.

## OTHER INFORMATION ABOUT ALLSTATE

As of December 31, 2002, Allstate had approximately 39,284 full-time employees and 1,036 part-time employees.

Allstate's four business segments use shared services provided by Allstate Insurance Company and other affiliates, including human resources, investment, finance, information technology and legal services.

Although the insurance business generally is not seasonal, claims and claims expense for the Allstate Protection segment tend to be higher for periods of severe or inclement weather.

We use the following names, logos and slogans extensively in our business:

Allstate	Encompass Insurance
Allstate Bank	Encompass Insurance design logo
Allstate Bank design logo	Glenbrook
Allstate Financial design logo	Good Hands
Allstate Life	Insure Today. Secure Tomorrow.
Allstate Motor Club	Ivantage
Allstate Motor Club design logo	Lincoln Benefit
Allstate Treasury-Linked Annuity	Northbrook design logo
Allstate Workplace Division design logo	The Good Hands Network
American Heritage Life	The Good Hands People
Deerbrook	Slant "A" Allstate logo
Deerbrook Insurance Company	The Workplace Marketer
Deerbrook Insurance Company design logo	

You're In Good Hands With Allstate  
The Right Hands Make All The Difference

In addition, we use the graphic "Good Hands" design logos featuring cupped hands. Our rights in the United States to these names, logos and slogans continue so long as we continue to use them in commerce. Most of these service marks are the subject of renewable U.S. and/or foreign service mark registrations. We believe that these service marks are important to our business and we intend to maintain our rights to them by continued use.

36

## FORWARD-LOOKING STATEMENTS AND RISK FACTORS AFFECTING ALLSTATE

This document contains "forward-looking statements" that anticipate results based on management's 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," "expects," "will," "anticipates," "estimates," "intends," "believes," "likely" and other words with similar meanings. These statements may address, among other things, our strategy for growth, product development, regulatory approvals, market position, expenses, financial results and reserves. Management believes that these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying our forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those predicted in our forward-looking statements. In addition to the normal risks of business, Allstate is subject to significant risk factors and uncertainties, including those listed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations-Forward-Looking Statements and Risk Factors Affecting Allstate" beginning on page D-82 of Appendix D to the Proxy Statement. The section of Appendix D to the Proxy Statement under the heading "Forward-Looking Statements and Risk Factors Affecting Allstate" is incorporated herein by reference.

37

## Executive Officers

The following table sets forth the names of our executive officers, their current ages, their positions, and the dates of their first election as officers. "AIC" refers to Allstate Insurance Company.

Name	Age	Position/Offices	Date First Elected Officer
------	-----	------------------	----------------------------

Edward M. Liddy	57	Chairman, President and Chief Executive Officer of The Allstate Corporation and AIC; also a director of The Allstate Corporation	1994
Robert S. Apatoff	44	Senior Vice President and Chief Marketing Officer of AIC	1999
Catherine S. Brune	49	Senior Vice President and Chief Technology Officer of AIC	1999
Joan M. Crockett	52	Senior Vice President of AIC (Human Resources)	1994
Danny L. Hale	59	Vice President and Chief Financial Officer of The Allstate Corporation; Senior Vice President and Chief Financial Officer of AIC	2003
Ernest A. Lausier	57	Senior Vice President of AIC (President, Ivantage)	2000
Michael J. McCabe	57	Vice President and General Counsel of The Allstate Corporation; Senior Vice President, General Counsel and Assistant Secretary of AIC	1980
Ronald D. McNeil	50	Senior Vice President of AIC (Product Operations)	1994
Robert W. Pike	61	Vice President and Secretary of The Allstate Corporation; Executive Vice President Administration and Secretary of AIC	1978
Samuel H. Pilch	56	Controller of The Allstate Corporation; Group Vice President and Controller of AIC	1995
Eric A. Simonson	57	Senior Vice President and Chief Investment Officer of AIC (President, Allstate Investments, LLC)	2002
Casey J. Sylla	59	Senior Vice President of AIC (President, Allstate Financial)	1995
Thomas J. Wilson	45	Senior Vice President of AIC (President, Allstate Protection)	1995

No family relationships exist among the above-named individuals. Each of the officers named above may be removed from office at any time, with or without cause, by the board of directors of the relevant company.

With the exception of Messrs. Apatoff, Hale, Lausier and Simonson, these officers have held the listed positions for at least the last five years or have served Allstate in various executive or administrative capacities for at least five years. Prior to his election in November 1999 to the position stated above, Mr. Apatoff served as Corporate Vice President, Marketing for Aetna Inc. from 1995 to 1999. Prior to his election in January 2003 to the position stated above, Mr. Hale

served as Executive Vice President and Chief Financial Officer of Promus Hotel Corporation in 1999 and as Executive Vice President and Chief Financial Officer of USF&G Corporation from 1993 to 1998. Prior to his election in February 2000 to the position stated above, Mr. Lausier was President of CNA Personal Insurance from 1997 to 1999. Prior to his election to the position stated above, Mr. Simonson performed consulting services for large institutional investors from 2000 to 2002 and was Senior Vice President and Chief Investment Strategist for John Hancock Mutual Life Insurance Company from 1996 to 2000.

## Item 2. Properties

Our home office complex is located in Northbrook, Illinois. As of December 31, 2002, the complex consists of several buildings totaling approximately 2.35 million square feet of office space on a 250-acre site. We lease approximately 320,000 square feet of this office space as lessee.

We also operate from approximately 1,264 administrative, data processing, claims handling and other support facilities in North America. Approximately 3.8 million square feet are owned and 8.3 million are leased. In addition, we lease as lessee two properties in Northern Ireland comprising 85,000 square feet. Generally, only major facilities are owned. In almost all cases, lease terms are for five years or less.

The locations out of which the Allstate exclusive agencies operate in the U.S. are normally leased by the agencies as lessees.

## Item 3. Legal Proceedings

Incorporated in this Item 3 by reference to the discussion under the heading "Regulation" and under the heading "Legal proceedings" in Note 13 to the Consolidated Financial Statements beginning on page D-138 of Appendix D to the Proxy Statement.

## Item 4. Submission of Matters to a Vote of Security Holders

None.

## Part II

## Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

As of March 21, 2003, there were 159,071 record holders of The Allstate Corporation's common stock. The principal market for the common stock is the New York Stock Exchange but it is also listed on the Chicago Stock Exchange. Set forth below are the high and low New York Stock Exchange Composite listing prices of, and cash dividends declared for, the common stock during 2002 and 2001.

	High	Low	Close	Dividends Declared
<b>2002</b>				

First quarter	38.00	31.03	37.77	.21
Second quarter	41.25	35.90	36.98	.21
Third quarter	39.10	31.74	35.55	.21
Fourth quarter	41.95	33.17	36.99	.21
<b>2001</b>				
First quarter	42.94	33.56	41.94	.19
Second quarter	45.90	40.18	43.99	.19
Third quarter	44.89	30.00	37.35	.19
Fourth quarter	38.38	30.58	33.70	.19

The payment of dividends by Allstate Insurance Company to The Allstate Corporation is limited by Illinois insurance law to formula amounts based on statutory net income and statutory surplus, as well as the timing and amount of dividends paid in the preceding twelve months. In the twelve-month period ending December 31, 2002, Allstate Insurance Company paid dividends of \$675 million. Based on the greater of 2002 statutory net income or 10% of statutory surplus, the maximum amount of dividends that Allstate Insurance Company will be able to pay without prior Illinois Department of Insurance approval at a given point in time in 2003 is \$1.43 billion, less dividends paid during the preceding twelve months measured at that point in time. Notification and approval of intercompany lending activities is also required by the Illinois Department of Insurance for those transactions that exceed formula amounts based on statutory admitted assets and statutory surplus.

During the period beginning on February 5, 2002 and ending on January 14, 2003, The Allstate Corporation sold an aggregate of 26,305 shares of its common stock in 16 separate broker transactions. The shares sold were withheld pursuant to participants' elections under the shareholder approved equity incentive plan to satisfy either tax withholding obligations or tender of shares through attestation in payment of the option price upon exercise of stock options. The shares were inadvertently sold into the market without registration in order to realize the cash necessary to pay the tax obligation or the option exercise price. We have instituted procedures intended to prevent future inadvertent sales of unregistered shares.

Under arrangements pursuant to which the five non-employee directors of Allstate Life Insurance Company of New York and the two non-employee directors of Allstate Bank receive Allstate common stock as a portion of their compensation for their services as directors, in March and August 2002 we issued 1000 and 500 shares, respectively, of reacquired Allstate common stock in transactions exempt from registration under Section 4(2) of the Securities Act of 1933.

Information regarding The Allstate Corporation's equity compensation plans is incorporated in this Item 5 by reference to Item 12 of this Form 10-K.

40

## **Item 6. Selected Financial Data**

Incorporated in this Item 6 by reference to "11-Year Summary of Selected Financial Data" beginning on page D-1 of Appendix D to the Proxy Statement.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Incorporated in this Item 7 by reference to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page D-3 of Appendix D to the Proxy Statement.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Incorporated in this Item 7A by reference to the "Management's Discussion and Analysis of Financial Condition and Results of Operations-Market Risk" discussion beginning on page D-64 of Appendix D to the Proxy Statement.

## **Item 8. Financial Statements and Supplementary Data**

The consolidated financial statements of The Allstate Corporation, including the notes to such statements, beginning on page D-90 of Appendix D to the Proxy Statement are incorporated in this Item 8 by reference. Quarterly results are discussed in Note 20 on page D-154.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Part III**

## **Item 10. Directors and Executive Officers of the Registrant**

Information regarding directors of The Allstate Corporation is incorporated in this Item 10 by reference to the descriptions under "Election of Directors" in the Proxy Statement.

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated in this Item 10 by reference to "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

Information regarding executive officers of The Allstate Corporation is incorporated in this Item 10 by reference to Part I, Item 1 of this report under the caption "Executive Officers."

41

## **Item 11. Executive Compensation**

Information regarding executive compensation is incorporated in this Item 11 by reference to the material under the caption "Directors' Compensation and Benefits" on page 9 of the Proxy Statement and under the caption "Executive Compensation" beginning on page 17 of the Proxy Statement.

## **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

## Equity Compensation Plan Information

The following table includes information as of December 31, 2002 with respect to The Allstate Corporation's equity compensation plans:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders <sup>(1)</sup>	31,957,234	\$33.566	31,844,682(2)
Equity Compensation Plans Not Approved by Security Holders <sup>(3)</sup>	0	0	4,092,852(4)
<b>Total</b>	<b>31,957,234</b>	<b>\$33.566</b>	<b>35,937,534</b>

(1) Consists of the Equity Incentive Plan, the 2001 Equity Incentive Plan, the Employees Replacement Stock Plan and the Equity Incentive Plan for Non-Employee Directors.

(2) Includes 28,713,775 shares that may be issued in the form of stock options, unrestricted stock, restricted stock, restricted stock units, stock appreciation rights, performance units, performance stock and stock in lieu of cash under the 2001 Equity Incentive Plan; 2,846,708 shares that may be issued in the form of stock options under the Employees Replacement Stock Plan; and 284,199 shares that may be issued in the form of stock options, restricted stock and stock in lieu of cash compensation under the Equity Incentive Plan for Non-Employee Directors.

(3) Consists of the Exclusive Agent Independent Contractors Stock Bonus Plan and two separate arrangements for non-employee directors of two subsidiaries, each of which is described below.

(4) As of December 31, 2002, 4,092,852 shares remained available for issuance in the form of restricted stock under the Exclusive Agent Independent Contractors Stock Bonus Plan; however, no awards will be made under this plan after February 2003. The arrangements pursuant to which shares are awarded to the non-employee directors of The Allstate Corporation's subsidiaries do not specify an aggregate number of shares available for future issuance.

There are three equity compensation plans that have not been approved by stockholders: the Exclusive Agent Independent Contractors Stock Bonus Plan (the "EA Plan") and two separate arrangements for non-employee directors of Allstate Life Insurance Company of New York and Allstate Bank.

42

The EA Plan was established in 1997 to encourage ownership of The Allstate Corporation common stock on the part of Allstate exclusive agent independent contractors who chose to participate in the plan by providing awards of stock to them based upon a formula tied to the company's achievement of an objective derived from operating earnings per share and a portion of the agent's eligible compensation. The agent was restricted from the sale or transfer of the shares for a period of five years. The maximum value of the award in any year to any agent was \$12,000. As of February 2003, a total of 5,612,687 shares of Allstate common stock had been awarded under the plan. No further awards have been or will be made under the EA Plan.

Under an arrangement approved by the Compensation and Succession Committee of The Allstate Corporation's Board of Directors and the Board of Directors of its subsidiary, Allstate Life Insurance Company of New York, the five non-employee directors of Allstate Life Insurance Company of New York receive 200 shares of The Allstate Corporation's common stock each year at the time of the subsidiary's annual meeting, as a portion of their compensation for their services as directors. Under a similar arrangement approved by The Allstate Corporation's Compensation and Succession Committee and the Board of Directors of its subsidiary, Allstate Bank, the two non-employee directors of Allstate Bank receive 250 shares of The Allstate Corporation's common stock each year, as a portion of their compensation for their services as directors. Only treasury shares or shares purchased on the open market may be granted under these arrangements. The arrangements do not specify the number of shares available for future issuance.

Information regarding security ownership of certain beneficial owners and management is incorporated in this Item 12 by reference to the material under the headings "Security Ownership of Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" on pages 10 and 11 of the Proxy Statement.

### Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is incorporated in this Item 13 by reference to the material under the heading "Certain Transactions" on page 27 of the Proxy Statement.

### Item 14. Controls and Procedures

Within the 90 days prior to the date of the filing of this report and under the supervision and with the participation of The Allstate Corporation's management, including the principal executive officer and principal financial officer, The Allstate Corporation evaluated the effectiveness of the design and operation of its disclosure controls and procedures with respect to its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements to be filed with the Securities and Exchange Commission ("SEC"). Based upon that evaluation, the principal executive officer and the principal financial officer concluded that these disclosure controls and procedures are effective in timely alerting them to material information relating to The Allstate Corporation (including its consolidated subsidiaries) required to be included in its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements. "Disclosure controls and procedures" are those

43

controls and procedures that are designed to ensure that information required to be disclosed by The Allstate Corporation in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. They include controls and procedures designed to ensure that information required to be disclosed by The Allstate Corporation in reports that it files or submits under that Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In addition, there were no significant changes in The Allstate Corporation's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of their evaluation.

#### Part IV

##### Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

- (a) 1 and 2 An "Index to Financial Statements and Financial Statement Schedules" has been filed as a part of this Form 10-K beginning on page S-1 hereof and is incorporated by reference in this Item 15.
- (a) 3 The following is a list of the exhibits filed as part of this Form 10-K. The exhibit numbers followed by an asterisk (\*) indicate exhibits that are management contracts or compensatory plans or arrangements. The SEC File Number for the exhibits incorporated by reference is 1-11840, except for those exhibits followed by two asterisks (\*\*)
- 3(i) Restated Certificate of Incorporation filed with the Secretary of State of Delaware on February 4, 1999. Incorporated herein by reference to Exhibit 3(a) to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended June 30, 1999.
- 3(ii) Amended and Restated By-Laws of The Allstate Corporation effective September 10, 2001. Incorporated herein by reference to Exhibit 3 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended September 30, 2001.
- 4(i).1 Rights Agreement dated as of February 12, 1999 between The Allstate Corporation and Rights Agent First Chicago Trust Company of New York. Incorporated herein by reference to Exhibit 4 to The Allstate Corporation's current report on Form 8-K filed February 19, 1999.

44

- 
- 4(i).2 Statement regarding Change of Rights Agent. Incorporated herein by reference to Exhibit 4(i).2 to The Allstate Corporation's annual report on Form 10-K for 2001.
- 4(iii) The Allstate Corporation hereby agrees to furnish to the Commission, upon request, the instruments defining the rights of holders of each issue of long-term debt of it and its consolidated subsidiaries.
- 10.1 Tax Sharing Agreement dated May 14, 1993 between Sears, Roebuck and Co. and its subsidiaries. Incorporated herein by reference to Exhibit 10.6 to Amendment No. 3 to Registration Statement No. 33-59676.\*\*
- 10.2 Supplemental Tax Sharing Agreement dated January 27, 1995 between Sears, Roebuck and Co. and The Allstate Corporation. Incorporated herein by reference to Exhibit 10(d) to The Allstate Corporation's current report on Form 8-K dated February 22, 1995.
- 10.3\* Allstate Insurance Company Supplemental Retirement Income Plan, as amended and restated effective January 1, 1996. Incorporated herein by reference to Exhibit 10.11 to The Allstate Corporation's annual report on Form 10-K for 1995.
- 10.4\* The Allstate Corporation Deferred Compensation Plan, as amended and restated as of October 7, 2002. Incorporated herein by reference to Exhibit 10.1 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended September 30, 2002.
- 10.5\* The Allstate Corporation Amended and Restated Deferred Compensation Plan for Non-Employee Directors, as amended and restated as of February 5, 1997. Incorporated herein by reference to Exhibit 4 to Registration Statement No. 333-16129.
- 10.6\* The Allstate Corporation Annual Executive Incentive Compensation Plan, as amended and restated as of March 9, 1999. Incorporated herein by reference to Exhibit 10.14 to The Allstate Corporation's annual report on Form 10-K for 1998.
- 10.7\* The Allstate Corporation Long-Term Executive Incentive Compensation Plan, as amended and restated as of March 9, 1999. Incorporated herein by reference to Exhibit 10.15 to The Allstate Corporation's annual report on Form 10-K for 1998.

45

- 
- 10.8\* The Allstate Corporation Equity Incentive Plan, as amended and restated as of November 10, 1998. Incorporated herein by reference to Exhibit 10.16 to The Allstate Corporation's annual report on Form 10-K for 1998.
- 10.9\* Amendments approved by the Board of Directors on March 3, 1999 and March 13, 2001 to The Allstate Corporation Equity Incentive Plan, as amended and restated as of November 10, 1998. Incorporated herein by reference to Exhibit 10.1 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended June 30, 2001.
- 10.10\* Form of stock option under the Equity Incentive Plan. Incorporated by reference to Exhibit 10.15 to The Allstate Corporation annual report on Form 10-K for 1999.
- 10.11\* Form of stock option with reload under the Equity Incentive Plan. Incorporated by reference to Exhibit 10.16 to The Allstate Corporation annual report on Form 10-K for 1999.
- 10.12\* Form of restricted stock grant under the Equity Incentive Plan. Incorporated by reference to Exhibit 10.17 to The Allstate Corporation's annual report on Form 10-K for 1999.
- 10.13\* The Allstate Corporation Equity Incentive Plan for Non-Employee Directors as amended and restated on September 18, 2000 effective June 1, 2001. Incorporated herein by reference to Exhibit 10.12 to The Allstate Corporation's annual report on Form 10-K for 2000.

- 10.14\* The Allstate Corporation Employees Replacement Stock Plan, as amended and restated on November 10, 1998. Incorporated herein by reference to Exhibit 10.20 to The Allstate Corporation's annual report on Form 10-K for 1998.
- 10.15\* Amendments approved by the Board of Directors on March 3, 1999 and March 13, 2001 to The Allstate Corporation Employees Replacement Stock Plan, as amended and restated on November 10, 1998. Incorporated herein by reference to Exhibit 10.2 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended June 30, 2001.
- 10.16\* Form of stock option under the Employees Replacement Stock Plan. Incorporated herein by reference to Exhibit 10.21 to The Allstate Corporation's annual report on Form 10-K for 1995.
- 10.17\* Form of restricted stock grant under the Employees Replacement Stock Plan. Incorporated herein by reference to Exhibit 10.22 to The Allstate Corporation's annual report on Form 10-K for 1995.

46

- 10.18\* The Allstate Corporation Annual Covered Employee Incentive Compensation Plan adopted and made effective on March 9, 1999. Incorporated herein by reference to Exhibit 10.23 to The Allstate Corporation's annual report on Form 10-K for 1998.
- 10.19\* The Allstate Corporation 2001 Equity Incentive Plan effective May 15, 2001. Incorporated herein by reference to Exhibit 10.3 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended June 30, 2001.
- 10.20\* Form of Executive Officer Option Award Agreement dated May 15, 2001 under The Allstate Corporation 2001 Equity Incentive Plan. Incorporated herein by reference to Exhibit 10.4 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended June 30, 2001.
- 10.21\* Form of Executive Officer Option Award Agreement under The Allstate Corporation 2001 Equity Incentive Plan.
- 10.22\* Form of Executive Officer Restricted Stock Award Agreement under The Allstate Corporation 2001 Equity Incentive Plan.
- 10.23\* Retirement Benefits of Edward M. Liddy and Casey J. Sylla
- 10.24\* CEO Change of Control Employment Agreement. Incorporated herein by reference to Exhibit 10.3 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended March 31, 1999.
- 10.25\* Form of Other Named Executive Officer Change of Control Employment Agreement. Incorporated herein by reference to Exhibit 10.4 to The Allstate Corporation's quarterly report on Form 10-Q for the quarter ended March 31, 1999.
- 10.26\* Form of Other Executive Officer Change of Control Employment Agreement
- 11 Computation of Earnings per Common Share
- 12 Computation of Earnings to Fixed Charges Ratio
- 21 Subsidiaries of The Allstate Corporation
- 23 Independent Auditors' Consent
- 99 The Allstate Corporation's Notice of Annual Meeting and Proxy Statement dated March 28, 2003 is incorporated herein by reference.

47

- (b) Current Reports on Form 8-K were filed during the fourth quarter of 2002 on the following dates for the items indicated:
- December 3, Item 5, reporting developments on a petition before the National Labor Relations Board
- December 13, Items 5 and 7, regarding the underwritten public offering of \$250 million principal amount of 6.125% Senior Notes due 2032

48

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

/s/ Samuel H. Pilch

By: Samuel H. Pilch  
(chief accounting officer and duly authorized  
officer of the registrant)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Signature	Title	Date
<u>/s/Edward M. Liddy</u> Edward M. Liddy	Chairman, President and Chief Executive Officer and a Director (Principal Executive Officer)	March 11, 2003
<u>/s/Danny L. Hale</u> Danny L. Hale	Vice President and Chief Financial Officer (Principal Financial Officer)	March 11, 2003
<u>/s/F. Duane Ackerman</u> F. Duane Ackerman	Director	March 11, 2003

49

<u>/s/James G. Andress</u> James G. Andress	Director	March 11, 2003
<u>/s/Edward A. Brennan</u> Edward A. Brennan	Director	March 11, 2003
<u>/s/W. James Farrell</u> W. James Farrell	Director	March 11, 2003
<u>/s/Jack M. Greenberg</u> Jack M. Greenberg	Director	March 11, 2003
<u>/s/Ronald T. LeMay</u> Ronald T. LeMay	Director	March 11, 2003
<u>/s/Michael A. Miles</u> Michael A. Miles	Director	March 11, 2003
<u>/s/J. Christopher Reyes</u> J. Christopher Reyes	Director	March 11, 2003
<u>/s/H. John Riley, Jr.</u> H. John Riley, Jr.	Director	March 11, 2003
<u>/s/Joshua I. Smith</u> Joshua I. Smith	Director	March 11, 2003
<u>/s/Judith A. Sprieser</u> Judith A. Sprieser	Director	March 11, 2003
<u>/s/Mary Alice Taylor</u> Mary Alice Taylor	Director	March 11, 2003

50

#### CERTIFICATIONS

I, Edward M. Liddy, certify that:

- I have reviewed this annual report on Form 10-K of The Allstate Corporation;
- Based on my knowledge, this annual 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 annual report;



3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

51

---

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 11, 2003

/s/ Edward M. Liddy

---

Edward M. Liddy  
Chairman of the Board, President  
and Chief Executive Officer

52

---

I, Danny L. Hale, certify that:

1. I have reviewed this annual report on Form 10-K of The Allstate Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly

53

---

affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

---

Danny L. Hale  
Vice President and Chief Financial  
Officer

54

---

**CERTIFICATIONS PURSUANT TO 18 UNITED STATES CODE §1350**

Each of the undersigned hereby certifies that to his knowledge the annual report on Form 10-K for the fiscal year ended December 31, 2002 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. This certification accompanies this annual report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by The Allstate Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Date: March 11, 2003

/s/ Edward M. Liddy

---

Edward M. Liddy  
Chairman of the Board, President  
and Chief Executive Officer

/s/ Danny L. Hale

---

Danny L. Hale  
Vice President and Chief Financial  
Officer

55

---

**THE ALLSTATE CORPORATION AND SUBSIDIARIES  
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES  
YEAR ENDED DECEMBER 31, 2002**

The following consolidated financial statements, notes thereto and related information of The Allstate Corporation (the "Company") are incorporated herein by reference to Appendix D to the Company's Notice of Annual Meeting and Proxy Statement dated March 28, 2003 ("Proxy Statement").

	<b>Page*</b>
Consolidated Statements of Operations **	D-90
Consolidated Statements of Comprehensive Income **	D-91
Consolidated Statements of Financial Position **	D-92
Consolidated Statements of Shareholders' Equity **	D-93
Consolidated Statements of Cash Flows **	D-94
Notes to the Consolidated Financial Statements**	D-95
Quarterly Results **	D-154

The following additional financial statement schedules and independent auditors' report are furnished herewith pursuant to the requirements of Form 10-K.

*The Allstate Corporation*

	<b>Page</b>
Schedules required to be filed under the provisions of Regulation S-X Article 7:	
Schedule I	S-2
Schedule II	S-3
Schedule III	S-7
Schedule IV	S-8
Schedule V	S-9
Schedule VI	S-10
Independent Auditors' Report	S-11

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or in notes thereto.

\* Refers to page number in the Company's Proxy Statement.

\*\* Incorporated by reference in Item 8 herein.

S-1

**OTHER THAN INVESTMENTS IN RELATED PARTIES  
DECEMBER 31, 2002**

(in millions)

<b>Type of Investment</b>	<b>Cost/ amortized cost</b>	<b>Fair value</b>	<b>Carrying value</b>
<b>Fixed Income Securities, Available for Sale:</b>			
Bonds:			
United States government, government agencies and authorities	\$ 2,987	\$ 3,807	\$ 3,807
States, municipalities and political subdivisions	21,255	22,667	22,667
Foreign governments	1,783	2,079	2,079
Public utilities	2,754	2,949	2,949
Convertibles and bonds with warrants attached	475	502	502
All other corporate bonds	25,300	26,876	26,876
Mortgage-backed securities	13,321	13,913	13,913
Asset-backed securities	4,044	4,154	4,154
Redeemable preferred stocks	204	205	205
<b>Total fixed income securities</b>	<b>72,123</b>	<b>\$ 77,152</b>	<b>77,152</b>
<b>Equity Securities:</b>			
Common Stocks:			
Public utilities	730	\$ 732	732
Banks, trusts and insurance companies	251	320	320
Industrial, miscellaneous and all other	2,024	2,406	2,406
Nonredeemable preferred stocks	218	225	225
<b>Total equity securities</b>	<b>3,223</b>	<b>\$ 3,683</b>	<b>3,683</b>
Mortgage loans on real estate	6,092		6,092
Derivative instruments	49		228
Real estate	47		47
Policy loans	1,233		1,233
Short-term investments	2,215		2,215
<b>Total Investments</b>	<b>\$ 84,982</b>		<b>\$ 90,650</b>

S-2

**THE ALLSTATE CORPORATION AND SUBSIDIARIES  
SCHEDULE II-  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
STATEMENTS OF OPERATIONS**

(in millions)

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Revenues</b>			
Investment income, less investment expense	\$ 2	\$ 12	\$ 40
Realized capital gains and losses	—	—	(1)
Other income	120	48	72
	<u>122</u>	<u>60</u>	<u>111</u>
<b>Expenses</b>			
Interest expense	315	338	312
Other operating expenses	13	11	6
	<u>328</u>	<u>349</u>	<u>318</u>
Loss from operations before income tax benefit and equity in net income of subsidiaries	(206)	(289)	(207)
Income tax benefit	(115)	(122)	(102)
	<u>(91)</u>	<u>(167)</u>	<u>(105)</u>
Loss before equity in net income of subsidiaries	(91)	(167)	(105)
Equity in net income of subsidiaries	1,225	1,325	2,316
	<u>1,134</u>	<u>1,158</u>	<u>2,211</u>
Net income	\$ 1,134	\$ 1,158	\$ 2,211

**Other comprehensive income, after-tax**

Unrealized net capital gains and losses	813	(191)	611
Unrealized foreign currency translation adjustments	(6)	11	(30)
Unrealized minimum pension liability adjustment	(737)	(83)	—
	<u>70</u>	<u>(263)</u>	<u>581</u>
Other comprehensive income (loss), after-tax			
Comprehensive income	\$ 1,204	\$ 895	\$ 2,792

See accompanying notes to condensed financial information and notes to Consolidated Financial Statements incorporated herein by reference.

S-3

**THE ALLSTATE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II (CONTINUED)—**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
**STATEMENTS OF FINANCIAL POSITION**

(in millions except par value data)

	December 31,	
	2002	2001
<b>Assets</b>		
Investments in subsidiaries	\$ 21,952	\$ 21,512
Investments		
Fixed income securities, at fair value (amortized cost \$2 and \$5)	2	5
Derivative financial instruments	3	—
Short-term	10	11
	<u>15</u>	<u>16</u>
Total investments		
Cash	6	7
Receivable from subsidiaries	263	85
Other assets	156	164
	<u>22,392</u>	<u>21,784</u>
<b>Total assets</b>	<b>\$ 22,392</b>	<b>\$ 21,784</b>
<b>Liabilities</b>		
Short-term debt	\$ 279	\$ 217
Long-term debt	3,850	3,575
Payable to subsidiaries	613	616
Dividends payable to shareholders	148	136
Other liabilities	64	44
	<u>4,954</u>	<u>4,588</u>
<b>Total liabilities</b>	<b>4,954</b>	<b>4,588</b>
<b>Shareholders' Equity</b>		
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, 702 million and 712 million shares outstanding	9	9
Additional capital paid-in	2,599	2,599
Retained income	19,584	19,044
Deferred compensation expense	(178)	(193)
Treasury stock, at cost (198 million and 188 million shares)	(6,309)	(5,926)
Accumulated other comprehensive income:		
Unrealized net capital gains and losses	2,602	1,789
Unrealized foreign currency translation adjustments	(49)	(43)
Minimum pension liability adjustment	(820)	(83)
	<u>1,733</u>	<u>1,663</u>
Total accumulated other comprehensive income		
<b>Total shareholders' equity</b>	<b>17,438</b>	<b>17,196</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 22,392</b>	<b>\$ 21,784</b>

See accompanying notes to condensed financial information and notes to Consolidated Financial Statements incorporated herein by reference.

**THE ALLSTATE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II (CONTINUED)—**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
**STATEMENTS OF CASH FLOWS**

(in millions)

	Year ended December 31,		
	2002	2001	2000
<b>Cash flows from operating activities</b>			
Net income	\$ 1,134	\$ 1,158	\$ 2,211
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net income of subsidiaries	(1,225)	(1,325)	(2,316)
Realized capital gains and losses	—	—	1
Dividends received from subsidiaries	1,158	1,287	655
Other operating assets and liabilities	(28)	11	(1)
Net cash provided by operating activities	1,039	1,131	550
<b>Cash flows from investing activities</b>			
Proceeds from sales and collections of investments	34	164	1,574
Investment purchases	(31)	(136)	(782)
Capital contributions to subsidiaries	(292)	(173)	(199)
Change in short-term investments, net	1	41	406
Net cash (used in) provided by investing activities	(288)	(104)	999
<b>Cash flows from financing activities</b>			
Change in short-term debt, net	62	(2)	(375)
Transfers to subsidiaries through intercompany loan agreement, net	(98)	152	154
Repayment of long-term debt	(338)	(550)	—
Proceeds from issuance of long-term debt	599	545	900
Dividends paid to shareholders	(582)	(535)	(502)
Treasury stock purchases	(445)	(721)	(1,783)
Other	50	83	60
Net cash used in financing activities	(752)	(1,028)	(1,546)
Net (decrease) increase in cash	(1)	(1)	3
Cash at beginning of year	7	8	5
<b>Cash at end of year</b>	<b>\$ 6</b>	<b>\$ 7</b>	<b>\$ 8</b>

See accompanying notes to condensed financial information and notes to Consolidated Financial Statements incorporated herein by reference.

**THE ALLSTATE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II (CONTINUED)—**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
**NOTES TO CONDENSED FINANCIAL INFORMATION**

**1. General**

The financial statements of the Registrant should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Proxy Statement of The Allstate Corporation (the "Company" or "Registrant"). The short-term debt and long-term debt presented in Note 11 "Capital Structure" on page D-135 of the Proxy Statement are direct obligations of the Company, with the exception of the following obligations at December 31:

(in millions)	2002	2001
<b>Short-term:</b>		
Advance from Federal Home Loan Bank	\$ —	\$ 10
<b>Long-term:</b>		
Floating Rate Notes	104	99
6.00% Notes, due 2003	3	9
Various Notes due 2003 to 2008	4	11

## 2. Receivable and Payable to Subsidiaries

The majority of the proceeds from the issuance of commercial paper has been loaned to subsidiaries through an intercompany loan agreement and is used for general purposes.

In December 2002, the Registrant issued a promissory note payable on December 1, 2007, or earlier upon demand, to its subsidiary, Allstate Insurance Company, with a principal balance of \$405 million to replace a previous note for the same amount due in April 2003. The new note has a stated annual interest rate of 4.25% until demand, at which time the annual rate will increase to 6.25% until the note is paid in full. The Registrant has the right to prepay the note in full at any time without penalty. The Registrant recorded \$24 million, \$25 million and \$26 million of interest expense in 2002, 2001 and 2000, respectively, related to these borrowings.

In 1996, the Registrant borrowed \$750 million from its subsidiary trusts at a weighted-average interest rate of 7.92%. These borrowings consist of \$550 million and \$200 million of debentures with a contractual maturity of 2026 and 2045, respectively. In December 2001, the Company redeemed all of the \$550 million of debentures at a price of \$25 per share plus accrued and unpaid interest. The \$200 million of debentures are redeemable by the Company in whole, or in part, in 2006. The Registrant recorded \$16 million, \$57 million and \$64 million of interest expense in 2002, 2001 and 2000, respectively, related to these borrowings.

## 3. Supplemental Disclosures of Non-Cash Investing Activity and Cash Flow Information

The Registrant paid \$306 million, \$331 million and \$293 million of interest on debt in 2002, 2001 and 2000, respectively.

In August 2000, the Company issued 7 million shares of its common stock in exchange for settlement of its obligation of subordinated debentures to the subsidiary trust (see Note 4 "Supplemental Cash Flow Information" on Page D-108 of the Proxy Statement).

S-6

### THE ALLSTATE CORPORATION AND SUBSIDIARIES SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION

(in millions)

Segment	At December 31,			For the Year Ended December 31,					
	Deferred Policy Acquisition Costs	Reserves for Claims, Claims Expense and Contract Benefits	Unearned Premiums	Premium Revenue and Contract Charges	Net Investment Income (1)	Claims, Claims Expense and Contract Benefits	Amortization of Deferred Policy Acquisition Costs	Other Operating Costs and Expenses	Premiums Written (Excluding Life)
<b>2002</b>									
Property-liability operations									
Allstate Protection	\$ 1,180	\$ 14,694	\$ 8,488	\$ 23,351		\$ 17,424	\$ 3,216	\$ 2,214	\$ 23,910
Discontinued lines and Coverages	—	1,996	—	10		233	—	11	7
Total property-liability	1,180	16,690	8,488	23,361	\$ 1,656	17,657	3,216	2,225	23,917
Allstate Financial operations	3,205	51,007	90	2,293	3,126	3,534	478	651	503
Corporate and other	—	—	—	—	72	—	—	282	—
Total	\$ 4,385	\$ 67,697	\$ 8,578	\$ 25,654	\$ 4,854	\$ 21,191	\$ 3,694	\$ 3,158	\$ 24,420
<b>2001</b>									
Property-liability operations									
Allstate Protection	\$ 1,135	\$ 14,424	\$ 7,931	\$ 22,182		\$ 17,506	\$ 3,060	\$ 2,244	\$ 22,601
Discontinued lines and Coverages	—	2,076	—	15		26	—	12	8
Total property-liability	1,135	16,500	7,931	22,197	\$ 1,745	17,532	3,060	2,256	22,609
Allstate Financial operations	3,286	42,694	30	2,230	2,968	3,404	402	600	410
Corporate and other	—	—	—	—	83	—	—	15	—
Total	\$ 4,421	\$ 59,194	\$ 7,961	\$ 24,427	\$ 4,796	\$ 20,936	\$ 3,462	\$ 2,871	\$ 23,019
<b>2000</b>									
Property-liability operations									
Allstate Protection	\$ 1,100	\$ 14,595	\$ 7,553	\$ 21,868		\$ 16,386	\$ 3,008	\$ 2,288	\$ 21,856
Discontinued lines and Coverages	—	2,264	—	3		9	—	7	2
Total property-liability	1,100	16,859	7,553	21,871	\$ 1,814	16,395	3,008	2,295	21,858
Allstate Financial operations	3,209	37,338	54	2,205	2,715	3,190	450	514	352
Corporate and other	—	—	—	—	104	—	—	6	—
Total	\$ 4,309	\$ 54,197	\$ 7,607	\$ 24,076	\$ 4,633	\$ 19,585	\$ 3,458	\$ 2,815	\$ 22,210

(1) A single investment portfolio supports both property-liability segments.

S-7

(in millions)

	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percent of amount assumed to net
<b>Year Ended December 31, 2002</b>					
Life insurance in force	\$ 388,674	\$ 162,125	\$ 8,269	\$ 234,818	3.5%
Premiums and contract charges:					
Life insurance	\$ 2,077	\$ 343	\$ 52	\$ 1,786	2.9%
Accident-health insurance	568	138	77	507	15.2%
Property-liability insurance	21,894	337	1,804	23,361	7.7%
Total premiums and contract charges	\$ 24,539	\$ 818	\$ 1,933	\$ 25,654	7.5%
<b>Year Ended December 31, 2001</b>					
Life insurance in force	\$ 375,795	\$ 144,319	\$ 11,479	\$ 242,955	4.7%
Premiums and contract charges:					
Life insurance	\$ 1,949	\$ 313	\$ 68	\$ 1,704	4.0%
Accident-health insurance	553	106	79	526	15.0%
Property-liability insurance	20,671	281	1,807	22,197	8.1%
Total premiums and contract charges	\$ 23,173	\$ 700	\$ 1,954	\$ 24,427	8.0%
<b>Year Ended December 31, 2000</b>					
Life insurance in force	\$ 359,332	\$ 125,479	\$ 8,582	\$ 242,435	3.5%
Premiums and contract charges:					
Life insurance	\$ 1,962	\$ 308	\$ 54	\$ 1,708	3.2%
Accident-health insurance	499	71	69	497	13.9%
Property-liability insurance	20,222	268	1,917	21,871	8.8%
Total premiums and contract charges	\$ 22,683	\$ 647	\$ 2,040	\$ 24,076	8.5%

S-8

**THE ALSTATE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE V - VALUATION ALLOWANCES AND QUALIFYING ACCOUNTS**

(in millions)

Description	Balance at Beginning of Period	Additions			Balance at End of Period
		Charged to costs and expenses	Other Additions	Deductions	
<b>Year Ended December 31, 2002</b>					
Allowance for estimated losses on mortgage loans and real estate	\$ 5	\$ —	\$ —	\$ 5	\$ —
Allowance for reinsurance recoverables	89	—	—	4	85
Allowance for premium installment receivable	54	81	—	84	51
Allowance for deferred tax assets	15	—	—	7	8
<b>Year Ended December 31, 2001</b>					
Allowance for estimated losses on mortgage loans and real estate	\$ 10	\$ 2	\$ —	\$ 7	\$ 5
Allowance for reinsurance recoverables	102	(7)	—	6	89
Allowance for premium installment receivable	69	80	—	95	54
Allowance for deferred tax assets	79	(64)	—	—	15
<b>Year Ended December 31, 2000</b>					
Allowance for estimated losses on mortgage loans and real estate	\$ 14	\$ (4)	\$ —	\$ —	\$ 10
Allowance for reinsurance recoverables	111	(5)	—	4	102
Allowance for premium installment receivable	76	145	—	152	69
Allowance for deferred tax assets	58	21	—	—	79

S-9

**THE ALLSTATE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE VI - SUPPLEMENTARY INFORMATION CONCERNING**

**CONSOLIDATED PROPERTY-LIABILITY INSURANCE OPERATIONS**

(in millions)

	At December 31,		
	2002	2001	2000
Deferred policy acquisition costs	\$ 1,180	\$ 1,135	\$ 1,100
Reserves for insurance claims and claims expense	16,690	16,500	16,859
Unearned premiums	8,488	7,931	7,553
	Year Ended December 31,		
	2002	2001	2000
Earned premiums	\$ 23,361	\$ 22,197	\$ 21,871
Net investment income	1,656	1,745	1,814
Claims and claims adjustment expense incurred			
Current year	16,972	17,190	17,117
Prior years	685	342	(722)
Amortization of deferred policy acquisition costs	3,216	3,060	3,008
Paid claims and claims adjustment expense	17,472	17,924	17,331
Premiums written	23,917	22,609	21,858

S-10

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholders of  
The Allstate Corporation:

We have audited the consolidated financial statements of The Allstate Corporation and subsidiaries as of December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002, and have issued our report thereon dated February 5, 2003, which report includes an explanatory paragraph as to a change in The Allstate Corporation's method of accounting for goodwill and other intangible assets in 2002; such consolidated financial statements and report are included in The Allstate Corporation Notice of Annual Meeting and Proxy Statement dated March 28, 2003 and are incorporated herein by reference. Our audits also included the financial statement schedules of The Allstate Corporation and subsidiaries, listed in the Index at Item 15(a)2. These financial statement schedules are the responsibility of The Allstate Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP  
Chicago, Illinois  
February 5, 2003

S-11

QuickLinks



**FORM OF  
THE ALLSTATE CORPORATION  
2001 EQUITY INCENTIVE PLAN  
OPTION AWARD AGREEMENT**

[Addressee]

In accordance with the terms of The Allstate Corporation 2001 Equity Incentive Plan (the "Plan"), pursuant to action of the Compensation and Succession Committee of the Board of Directors, The Allstate Corporation 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:	
Expiration Date:	Close of business on
Exercise Period:	Date of Vesting through Expiration Date (subject to Section 2 of Annex A)
Reload Options:	Reload Options are granted on the Option exercise for the number of shares of Stock tendered in payment of the Option Exercise Price

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, which is an integral part of this Option Award Agreement.

All terms, provisions and conditions applicable to the Awards 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, the Participant hereby acknowledges the receipt of a copy of this Option Award Agreement including Annex A and prior receipt of a copy of the Prospectus and agrees to be bound by all the terms and provisions hereof and thereof. A copy of the Prospectus is available upon request by contacting the Stock Option Record Office at the address shown in Section 1 of Annex A.

Edward M. Liddy  
Chairman, President and Chief Executive Officer  
THE ALLSTATE CORPORATION

Attachment: ANNEX A

**ANNEX A**

**TO**

**THE ALLSTATE CORPORATION  
2001 EQUITY INCENTIVE PLAN  
OPTION AWARD AGREEMENT**

*Further Terms and Conditions of Option.* 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 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. In the event that the Expiration Date falls on a day that is not a regular business day at the Company's executive offices in Northbrook, Illinois, such written notice must be delivered no later than the next regular business day following the Expiration Date.

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 or (d) by a combination of (a), (b), and/or (c).

With respect to tax withholding required upon exercise of the Option, the Participant may elect to satisfy such withholding requirements in whole or in part, 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.

2. *Termination of Employment.* Except as otherwise specifically provided in Section 4 of this Annex A with respect to vesting, in The Allstate Corporation Change of Control Severance Plan (to the extent such plan is applicable to the Participant) or in another written agreement with the Company to which the Participant is a party, if the Participant has a Termination of Employment, the following provisions shall apply:

(i) 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 his personal representative, estate or transferee, as the case may be) at any time on or before the earlier to occur of (x) the Expiration Date of the Option and (y) the second anniversary of the date of such Termination of Employment;

(ii) if the Participant's Termination of Employment is on account of Retirement at the Normal Retirement Date or Health Retirement Date, the Option to the extent it is not vested, 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 (x) the Expiration Date of the Option and (y) the fifth anniversary of the date of such Termination of Employment;

(iii) if the Participant's Termination of Employment is on account of Retirement at the Early Retirement Date, 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 (x) the Expiration Date of the Option and (y) the fifth anniversary of the date of such Termination of Employment;

(iv) 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 (x) the Expiration Date of the Option and (y) three months after the date of such Termination of Employment; and

(v) if (A) the Participant's Termination of Employment is for any reason other than death and (B) the Participant dies after such Termination of Employment but before the date the Option must be exercised as set forth in the preceding subsections, 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 the Participant's death, may be exercised, in whole or in part, by the Participant's personal representative, estate or transferee, as the case may be, at any time on or before the earliest to occur of (x) the

---

Expiration Date of the Option, (y) the second anniversary of the date of death and (z) the applicable anniversary of the Termination of Employment as set forth in subsections (i) through (iv) above.

3. *Transferability of Options.* Except as set forth in this Section 3, the Option shall be 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", defined as any child, stepchild, grandchild, parent, stepparent, grandparent, spouse or sibling, including adoptive relationships; a trust in which these persons have more than fifty (50) percent of the beneficial interest; a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty (50) percent of the voting interests. 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. In the event an Option is transferred, any Reload Options associated with such transferred Option shall terminate. Such transferred Option may not be subsequently transferred by the transferee except by will or the laws of descent and distribution. Otherwise, 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.

4. *Change of Control.* (a) Except as otherwise specifically provided in The Allstate Corporation Change of Control Severance Plan (to the extent such plan is applicable to the Participant) or another written agreement with the Company to which the Participant is a party, the Option, to the extent not vested, shall vest (i) on the Change of Control Effective Date of a Change of Control, as defined in paragraphs (a), (b), (d) and (e) of the definition of Change of Control in Section 8, that is not a Merger of Equals, or (ii) on the Consummation Date of a Change of Control as defined in paragraph (c) of such definition of a Change of Control that is not a Merger of Equals or (iii) if applicable, on a later Merger of Equals Cessation Date, and the Option may be exercised in whole or in part, subject to the time periods for exercise set forth in Section 2 of this Annex A.

(b) Notwithstanding the vesting provisions in Section 2, if a Participant has a Termination of Employment during the Post-Merger of Equals Period, which Termination of Employment is initiated by the Participant's employer for a reason other than Cause or Disability, then the Option, to the extent not vested, shall vest and the Option may be exercised, in whole or in part, subject to the time periods for exercise set forth in Section 2 of this Annex A.

5. *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.

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 him at the address specified on this Option Award Agreement, 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, 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.

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

"Allstate Incumbent Directors" means, determined as of any date by reference to any baseline date:

(a) the members of the Board on the date of such determination who have been members of the Board since such baseline date, and

(b) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of the Company or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds (100% for purposes of paragraph (a) of the definition of "Merger of Equals") of the directors comprising the Allstate Incumbent Directors on the date of such vote or written consent, but excluding each such member whose initial assumption of office was in connection with (1) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more

---

members of the Board, (2) a "tender offer" (as such terms is used in Section 14(d) of the Exchange Act), (3) a proposed Reorganization Transaction, or (4) a request, nomination or suggestion of any Beneficial Owner of Voting Securities representing 15% or more of the aggregate voting power of the Voting Securities of the Company or the Surviving Corporation, as applicable.

"Approved Passive Holder" means, as of any date, any Person that satisfies all of the following conditions:

(a) as of such date, such Person is a 20% Owner, but is the Beneficial Owner of less than 30% of the then-outstanding Common Stock and of Voting Securities representing less than 30% of the combined voting power of all then-outstanding Voting Securities of the Company;

(b) prior to becoming a 20% Owner, such Person has filed, and as of such date has not withdrawn, or made any subsequent filing or public statement inconsistent with, a statement with the Securities Exchange Commission ("SEC") pursuant to Section 13(g) of the Exchange Act that includes a certification by such person to the effect that such beneficial ownership does not have the purpose or effect of changing or influencing the control of the Company; and

(c) prior to such Person's becoming a 20% Owner, at least two-thirds of the Allstate Incumbent Directors (such Allstate Incumbent Directors to be determined as of the Date of Grant as the baseline date) shall have voted in

favor of a resolution adopted by the Board to the effect that: (1) the terms and conditions of such Person's investment in the Company will not have the effect of changing or influencing the control of the Company, and (2) notwithstanding clause (a) of the definition of "Change of Control," such Person's becoming a 20% Owner shall be treated as though it were a Merger of Equals for purposes of the Plan.

"Beneficial Owner" means such term as defined in Rule 13d-3 of the SEC under the Exchange Act.

"Cause" means any of the events or conditions which constitute cause for immediate termination of employment of the Participant as provided from time to time in the applicable Human Resources Policy of the Company or one of its Subsidiaries.

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

(a) Any person (as such term is used in Rule 13d-5 of the SEC under the Securities Exchange Act of 1934, as amended ("Exchange Act")) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than a Controlled Affiliate of the Company or any employee benefit plan (or any related trust) of the Company or any of its Controlled Affiliates, becomes the Beneficial Owner of 20% or more of the common stock of the Company or of Voting Securities representing 20% 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 "20% Owner"), except that no Change of Control shall be deemed to have occurred solely by reason of such beneficial ownership by a corporation (a "Similarly Owned Company") 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; or

(b) Allstate Incumbent Directors (as determined using the Date of Grant as the baseline date) cease for any reason to constitute at least two-thirds of the directors of the Company then serving (provided, however, that this clause (b) shall be inapplicable during a Post-Merger of Equals Period); or

(c) Approval by the stockholders of the Company of a merger, reorganization, consolidation, or similar transaction, or 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, based on information included in the proxy and other written materials distributed to the Company's stockholders in connection with the solicitation by the Company of such stockholder approval, is not expected to qualify as an Exempt Reorganization Transaction; provided, however, that if (1) the merger or other agreement between the parties to a Reorganization Transaction expires or is terminated after the date of such stockholder approval but prior to the consummation of such Reorganization Transaction (a "Reorganization Transaction Termination") or (2) immediately after the consummation of the Reorganization Transaction, such Reorganization Transaction does qualify as an Exempt Reorganization Transaction

---

notwithstanding the fact that it was not expected to so qualify as of the date of such stockholder approval, then such stockholder approval shall not be deemed a Change of Control for purposes of any Termination of Employment as to which the Termination Date occurs on or after the date of the Reorganization Transaction Termination or the date of the consummation of the Exempt Reorganization Transaction, as applicable; or

(d) The consummation by the Company of a Reorganization Transaction that for any reason fails to qualify as an Exempt Reorganization Transaction as of the date of such consummation, notwithstanding the fact that such Reorganization Transaction was expected to so qualify as of the date of such stockholder approval; or

(e) A 20% Owner who had qualified as an Approved Passive Holder ceases to qualify as such for any reason other than ceasing to be a 20% Owner (such cessation of Approved Passive Holder status to be considered for all purposes of the Plan (including the definition of "Change of Control Effective Date") a Change of Control distinct from and in addition to the Change of Control specified in clause (a) above).

Notwithstanding the occurrence of any of the foregoing events, a Change of Control shall not occur with respect to a Participant if, in advance of such event, such Participant agrees in writing that such event shall not constitute a Change of Control.

"Change of Control Effective Date" means the date on which a Change of Control first occurs while an Award is outstanding.

"Consummation Date" means the date on which a Reorganization Transaction is consummated.

"Controlled Affiliate" of a Person means any corporation, business trust, or

limited liability company or partnership with respect to which such Person owns, directly or indirectly, Voting Securities representing more than 50% of the aggregate voting power of the then-outstanding Voting Securities.

"Exempt Reorganization Transaction" means a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of the Company immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners, of both more than 70% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing more than 70% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the common stock and Voting Securities of the Company immediately before such Reorganization Transaction.

"Merger of Equals" means, as of any date, a transaction that, notwithstanding the fact that such transaction may also qualify as a Change of Control, satisfies all of the conditions set forth in paragraphs (a) or (b) below:

(a) if such date is on or after the Consummation Date, a Reorganization Transaction in respect of which all of the following conditions are satisfied as of such date, or if such date is prior to the Consummation Date, a proposed Reorganization Transaction in respect of which the merger agreement or other documents (including the

exhibits and annexes thereto) setting forth the terms and conditions of such Reorganization Transaction, as in effect on such date after giving effect to all amendments thereof or waivers thereunder, require that the following conditions be satisfied on and, where applicable, after the Consummation Date:

(1) at least 50%, but not more than 70%, of the common stock of the surviving Corporation outstanding immediately after the consummation of the Reorganization Transaction, together with Voting Securities representing at least 50%, but not more than 70%, of the combined voting power of all Voting Securities of the Surviving Corporation outstanding immediately after such consummation shall be owned, directly or indirectly, by the persons who were the owners directly or indirectly of the common stock and Voting Securities of the Company immediately before such consummation in substantially the same proportions as their respective direct or indirect ownership, immediately before such consummation, of the common stock and Voting Securities of the Company, respective; and

(2) Allstate Incumbent Directors (determined as of such date using the date immediately preceding the Change of Control Effective Date as the baseline date) shall, throughout the period beginning on the

Change of Control Effective Date and ending on the third anniversary of the Change of Control Effective Date, continue to constitute not less than 50% of the members of the Board; and

---

(3) The person who was the CEO of the Company immediately prior to the Change of Control Effective Date shall serve as (x) the CEO of the Company throughout the period beginning on the Change of Control Effective Date and ending on the Consummation Date and (y) the CEO of the Surviving Corporation at all times during the period commencing on the Consummation Date and ending on the first anniversary of the Consummation Date;

provided, however, that a Reorganization Transaction that qualifies as a Merger of Equals shall cease to qualify as a Merger of Equals (a "Merger of Equals Cessation") and shall instead qualify as a Change of Control that is not a Merger of Equals from and after the first date during the Post-Change period (such date, the "Merger of Equals Cessation Date") as of which any one or more of the following shall occur for any reason:

(i) if any condition of clause (1) of paragraph (a) of this definition shall for any reason not be satisfied immediately after the consummation of the Reorganization Transaction; or

(ii) if as of the close of business on any date on or after the Change of Control Effective Date, any condition of clauses (2) or (3) of paragraph (a) of this definition shall not be satisfied; or

(iii) if on any date prior to the first anniversary of the Consummation Date, the Company shall make a filing with the SEC, issue a press release, or make a public announcement to the effect that the Company is seeking or intends to seek a replacement for the then-CEO of the Company, whether such replacement is to become effective before or after such first anniversary.

(b) As of such date, each Person who is a 20% Owner qualifies as an Approved Passive Holder.

The Committee shall give all Participants written notice of any Merger of Equals Cessation and the applicable Merger of Equals Cessation Date as soon as practicable after the Merger of Equals Cessation Date.

*"Merger of Equals Cessation Date"*—see the definition of "Merger of Equals".

*"Person"* means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency,

body or department.

*"Post-Change Period"* means the period commencing on the Change of Control Effective Date and ending on the third anniversary of the Change of Control Effective Date.

*"Post-Merger of Equals Period"* means the period commencing on a Change of Control Effective Date of a Change of Control that qualifies as a Merger of Equals and ending on the third anniversary of such Change of Control Effective Date or, if sooner, the Merger of Equals Cessation Date.

*"Reorganization Transaction"*—see clause (c) of the definition of "Change of Control."

*"Reorganization Transaction Termination"*—see clause (c) of the definition of "Change of Control."

*"Surviving Corporation"* means the corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate Voting Power of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.

*"20% Owner"*—see clause (a) of the definition of "Change of Control."

*"Voting Securities"* of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

---

**THE ALLSTATE CORPORATION  
2001 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT**

[Date]

[Addressee]

In accordance with the terms of The Allstate Corporation 2001 Equity Incentive Plan (the "Plan"), pursuant to action of the Compensation and Succession Committee of the Board of Directors, The Allstate Corporation hereby grants to you (the "Participant"), subject to the terms and conditions set forth in this Restricted Stock Award Agreement (including Annex A hereto and all documents incorporated herein by reference), Shares of Restricted Stock, as set forth below:

Number of Shares of Restricted Stock Granted:	xxxxx
Date of Grant:	, 20xx
Period of Restriction:	
Dividends:	Dividends, as and when paid by The Allstate Corporation, shall be paid to the Participant with respect to the Restricted Stock from Date of Grant during the Period of Restriction

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

All terms, provisions and conditions applicable to the Restricted 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.

You must sign the **attached Stock Power form** and return it in the enclosed envelope to: The Allstate Corporation, Stock Option Office, 2775 Sanders Road, Ste. F5, Northbrook, Illinois 60062 in order to comply with the terms of this Restricted Stock Award.

Edward M. Liddy  
Chairman, President and Chief  
Executive Officer  
THE ALLSTATE CORPORATION

Attachment: Annex A

**ANNEX A**

**TO**

**THE ALLSTATE CORPORATION  
2001 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT**

*Further Terms and Conditions of Option.* It is understood and agreed that the Award of Restricted Stock evidenced by the Restricted Stock 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 Restricted Stock, the Participant may elect to satisfy such withholding requirements by tender of previously-owned Company common stock or by having the Company withhold shares from the Award.

2. *Termination of Employment.* [Except as otherwise specifically provided in Section 3 below, if the Participant's Termination of Employment occurs for any reason, all unvested shares of Restricted Stock shall be forfeited, subject, however, to the Compensation and Succession Committee's right to determine otherwise at any time.][Except as otherwise specifically provided in Section 3 below, upon the Participant's Termination of Employment, all unvested shares of Restricted Stock shall be treated as follows, subject, however, to the Compensation and Succession Committee's right to determine otherwise at any time: (a) if the Participant's Termination of Employment is on account of Retirement, then no unvested shares of Restricted Stock shall be forfeited and the restrictions thereon shall lapse on \_\_\_\_\_; and (b) if the Participant's Termination of Employment is on account of any other reason, then all unvested shares of Restricted Stock shall be forfeited.]

3. *Change of Control.* (a) Except as otherwise specifically provided in The Allstate Corporation Change of Control Severance Plan (to the extent such Plan is applicable to the Participant) or another written agreement with the Company or to which the Participant is a party, the Restricted Stock, to the extent not vested, shall vest and become nonforfeitable (i) on the Change of Control Effective Date of a Change of Control, as defined in paragraphs (a), (b), (d) and (e) of the definition of Change of Control in Section 7, that is not a Merger of Equals, or (ii) on the Consummation Date of a Change of Control as defined in paragraph (c) of such definition of a Change of Control that is not a Merger of Equals or (iii) if applicable, on a later Merger of Equals Cessation Date.

(b) If a Participant has a Termination of Employment during the Post-Merger of Equals Period, which Termination of Employment is initiated by the Participant's employer for a reason other than Cause or Disability, then the Restricted Stock to the extent not vested, shall vest and become nonforfeitable.

4. *Ratification of Actions.* By accepting the Restricted Stock 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 Restricted

Stock 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 him or her at the address specified on this Restricted Stock Award Agreement, 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 Restricted Stock 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 Restricted Stock Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Restricted Stock Award Agreement, and this Restricted Stock 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.

"*Allstate Incumbent Directors*" means, determined as of any date by reference to any baseline date:

(a) the members of the Board on the date of such determination who have been members of the Board since such baseline date, and

(b) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of the Company or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds (100% for purposes of paragraph (a) of the definition of "Merger of Equals") of the directors comprising the Allstate Incumbent Directors on the date of such vote or written consent, but excluding each such member whose initial assumption of office was in connection with (1) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (2) a "tender offer" (as such terms is used in Section 14(d) of the Exchange Act), (3) a proposed Reorganization Transaction, or (4) a request, nomination or suggestion of any Beneficial Owner of Voting Securities representing 15% or more of the aggregate voting power of the Voting Securities of the Company or the Surviving Corporation, as applicable.

"*Approved Passive Holder*" means, as of any date, any Person that satisfies all of the following conditions:

---

(a) as of such date, such Person is a 20% Owner, but is the Beneficial Owner of less than 30% of the then-outstanding Common Stock and of Voting Securities representing less than 30% of the combined voting power of all then-outstanding Voting Securities of the Company;

(b) prior to becoming a 20% Owner, such Person has filed, and as of such date has not withdrawn, or made any subsequent filing or public statement inconsistent with, a statement with the Securities Exchange Commission ("SEC") pursuant to Section 13(g) of the Exchange Act that includes a certification by such person to the effect that such beneficial ownership does not have the purpose or effect of changing or influencing the control of the Company;

(c) prior to such Person's becoming a 20% Owner, at least two-thirds of the Allstate Incumbent Directors (such Allstate Incumbent Directors to be determined as of the Date of Grant as the baseline date) shall have voted in favor of a resolution adopted by the Board to the effect that: (1) the terms and conditions of such Person's investment in the Company will not have the effect of changing or influencing the control of the Company, and (2) notwithstanding clause (a) of the definition of "Change of Control," such Person's becoming a 20% Owner shall be treated as though it were a Merger of Equals for purposes of the Plan.

"*Beneficial Owner*" means such term as defined in Rule 13d-3 of the SEC under the Exchange Act.

"*Cause*" means any of the events or conditions which constitute cause for immediate termination of employment of the Participant as provided from time to time in the applicable Human Resources Policy of the Company or one of its Subsidiaries.

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

(a) Any person (as such term is used in Rule 13d-5 of the SEC under the Securities Exchange Act of 1934, as amended ("Exchange Act")) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than a Controlled Affiliate of the Company or any employee benefit plan (or any related trust) of the Company or any of its Controlled Affiliates, becomes the Beneficial Owner of 20% or more of the common stock of the Company or of Voting Securities representing 20% 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 "20% Owner"), except that no Change of Control shall be deemed to have occurred solely by reason of such beneficial ownership by a corporation (a "Similarly Owned Company") 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; or

(b) Allstate Incumbent Directors (as determined using the Date of Grant as the baseline date) cease for any reason to constitute at least two-thirds, of the directors of the Company then serving (provided, however, that this clause (b) shall be inapplicable during a Post-Merger of Equals Period); or

(c) Approval by the stockholders of the Company of a merger, reorganization, consolidation, or similar transaction, or 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, based on information included in the proxy and other written materials distributed to the Company's stockholders in connection with the solicitation by the Company of such stockholder approval, is not expected to qualify as an Exempt Reorganization Transaction; provided, however, that if (1) the merger or other agreement between the parties to a Reorganization Transaction expires or is terminated after the date of such stockholder approval but prior to the consummation of such Reorganization Transaction (a "*Reorganization Transaction Termination*") or (2) immediately after the consummation of the Reorganization Transaction, such Reorganization Transaction does qualify as an Exempt Reorganization Transaction notwithstanding the fact that it was not expected to so qualify as of the date of such stockholder approval, then such stockholder approval shall not be deemed a Change of Control for purposes of any Termination of Employment as to which the Termination Date occurs on or after the date of the Reorganization Transaction Termination or the date of the consummation of the Exempt Reorganization Transaction, as applicable; or

(d) The consummation by the Company of a Reorganization Transaction that for any reason fails to qualify as an Exempt Reorganization Transaction as of the date of such consummation, notwithstanding the fact that such Reorganization Transaction was expected to so qualify as of the date of such stockholder approval; or

(e) A 20% Owner who had qualified as an Approved Passive Holder ceases to qualify as such for any reason other than ceasing to be a 20% Owner (such cessation of Approved Passive Holder status to be considered for all purposes of the Plan (including the definition of "Change of Control Effective Date") a Change of Control distinct from and in addition to the Change of Control specified in clause (a) above).

---

Notwithstanding the occurrence of any of the foregoing events, a Change of Control shall not occur with respect to a Participant if, in advance of such event, such Participant agrees in writing that such event shall not constitute a Change of Control.

"*Change of Control Effective Date*" means the date on which a Change of Control first occurs while an Award is outstanding.

"*Consummation Date*" means the date on which a Reorganization Transaction is consummated.

"*Controlled Affiliate*" of a Person means any corporation, business trust, or limited liability company or partnership with respect to which such Person owns, directly or indirectly, Voting Securities representing more than 50% of the aggregate voting power of the then-outstanding Voting Securities.

"*Exempt Reorganization Transaction*" means a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of the Company immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners, of both more than 70% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing more than 70% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the common stock and Voting Securities of the Company immediately before such Reorganization Transaction.

"*Merger of Equals*" means, as of any date, a transaction that, notwithstanding the fact that such transaction may also qualify as a Change of Control, satisfies all of the conditions set forth in paragraphs (a) or (b) below:

(a) if such date is on or after the Consummation Date, a Reorganization Transaction in respect of which all of the following conditions are satisfied as of such date, or if such date is prior to the Consummation Date, a proposed Reorganization Transaction in respect of which the merger agreement or other documents (including the exhibits and annexes thereto) setting forth the terms and conditions of such Reorganization Transaction, as in effect on such date after giving effect to all amendments thereof or waivers thereunder, require that the following conditions be satisfied on and, where applicable, after the Consummation Date:

(1) at least 50%, but not more than 70%, of the common stock of the surviving Corporation outstanding immediately after the consummation of the Reorganization Transaction, together with Voting Securities representing at least 50%, but not more than 70%, of the combined voting power of all Voting Securities of the Surviving Corporation outstanding immediately after such consummation shall be

---

owned, directly or indirectly, by the persons who were the owners directly or indirectly of the common stock and Voting Securities of the Company immediately before such consummation in substantially the same proportions as their respective direct or indirect ownership, immediately before such consummation, of the common stock and Voting Securities of the Company, respective; and

(2) Allstate Incumbent Directors (determined as of such date using the date immediately preceding the Change of Control Effective Date as the baseline date) shall, throughout the period beginning on the Change of Control Effective Date and ending on the third anniversary of the Change of Control Effective Date, continue to constitute not less than 50% of the members of the Board; and

(3) The person who was the CEO of the Company immediately prior to the Change of Control Effective Date shall serve as (x) the CEO of the Company throughout the period beginning on the Change of Control Effective Date and ending on the Consummation Date and (y) the CEO of the Surviving Corporation at all times during the period commencing on the Consummation Date and ending on the first anniversary of the Consummation Date;

provided, however, that a Reorganization Transaction that qualifies as a Merger of Equals shall cease to qualify as a Merger of Equals (a "Merger of Equals Cessation") and shall instead qualify as a Change of Control that is not a Merger of Equals from and after the first date during the Post-Change period (such date, the "Merger of Equals Cessation Date") as of which any one or more of the following shall occur for any reason:

(i) if any condition of clause (1) of paragraph (a) of this definition shall for any reason not be satisfied immediately after the consummation of the Reorganization Transaction; or

(ii) if as of the close of business on any date on or after the Change of Control Effective Date, any condition of clauses (2) or (3) of paragraph (a) of this definition shall not be satisfied; or

(iii) if on any date prior to the first anniversary of the Consummation Date, the Company shall make a filing with the SEC, issue a press release, or make a public announcement to the effect that the Company is seeking or intends to seek a replacement for the then-CEO of the Company, whether such replacement is to become effective before or after such first anniversary.

(b) As of such date, each Person who is a 20% Owner qualifies as an Approved Passive Holder.

---

The Committee shall give all Participants written notice of any Merger of Equals Cessation and the applicable Merger of Equals Cessation Date as soon as practicable after the Merger of Equals Cessation Date.

"*Merger of Equals Cessation Date*"—see the definition of "Merger of Equals".

"*Person*" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

"*Post-Change Period*" means the period commencing on the Change of Control Effective Date and ending on the third anniversary of the Change of Control Effective Date.

"*Post-Merger of Equals Period*" means the period commencing on a Change of Control Effective Date of a Change of Control that qualifies as a Merger of Equals and ending on the third anniversary of such Change of Control Effective Date or, if sooner, the Merger of Equals Cessation Date.

"*Reorganization Transaction*"—see clause (c) of the definition of "Change of Control."

"*Reorganization Transaction Termination*"—see clause (c) of the definition of "Change of Control."

"*Surviving Corporation*" means the corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate Voting Power of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.

"*20% Owner*"—see clause (a) of the definition of "Change of Control."

"*Voting Securities*" of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

---



**RETIREMENT BENEFITS OF  
EDWARD M. LIDDY AND CASEY J. SYLLA**

Mr. Liddy and Mr. Sylla each will receive a pension enhancement payable from a nonqualified pension plan upon termination, retirement, death or change of control. Mr. Liddy will receive an enhanced pension benefit that assumes an additional five years of age and service under the pension formula of Allstate's qualified pension plan through age 61. At age 62 and after, the enhancement is based on the maximum credited service under the pension formula. Mr. Sylla will receive an enhanced pension benefit based on the addition of five years of age and service if he retires from Allstate on or after age 63. These enhancements are considered to be supplemental retirement plans in the event of a change of control.

---

## CHANGE OF CONTROL EMPLOYMENT AGREEMENT

AMONG

THE ALLSTATE CORPORATION,

ALLSTATE INSURANCE COMPANY

AND

[INSERT NAME OF EXECUTIVE]

(Tier One)

## TABLE OF CONTENTS

---

ARTICLE I.	CERTAIN DEFINITIONS
ARTICLE II.	POST-CHANGE PERIOD
2.1	Position and Duties
2.2	Compensation
2.3	Stock Incentive Awards
2.4	Unfunded Deferred Compensation
ARTICLE III.	TERMINATION OF EMPLOYMENT
3.1	Disability
3.2	Death.
3.3	Cause
3.4	Good Reason
ARTICLE IV.	COMPANY'S OBLIGATIONS UPON A TERMINATION OF EMPLOYMENT
4.1	If by Executive for Good Reason or by the Company Other Than for Cause or Disability
4.2	If by the Company for Cause
4.3	If by Executive Other Than for Good Reason
4.4	If by the Company for Disability
4.5	If Upon Death
4.6	Amount Contested
ARTICLE V.	CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY
5.1	Gross-up for Certain Taxes
5.2	Determination by Executive
5.3	Additional Gross-up Amounts
5.4	Gross-up Multiple
5.5	Opinion of Counsel
5.6	Amount Increased or Contested
5.7	Limitations on Gross-Up Payments
5.8	Refunds
ARTICLE VI.	EXPENSES AND INTEREST
6.1	Legal and Other Expenses
6.2	Interest
ARTICLE VII.	NO SET-OFF OR MITIGATION
7.1	No Set-off by Company
7.2	No Mitigation
ARTICLE VIII.	RESTRICTIVE COVENANTS
8.1	Non-Competition
8.2	Non-Solicitation
8.3	Reasonableness of Restrictive Covenants
8.4	Right to Injunction; Survival of Undertakings
8.5	Non-Disparagement
ARTICLE IX.	NON-EXCLUSIVITY OF RIGHTS
9.1	Waiver of Certain Other Rights
9.2	Other Rights

---

ARTICLE X.	MISCELLANEOUS
10.1	No Assignability
10.2	Successors
10.3	Payments to Beneficiary
10.4	Non-Alienation of Benefits
10.5	No Deference
10.6	Severability
10.7	Amendments
10.8	Notices
10.9	Counterparts
10.10	Governing Law
10.11	Captions
10.12	Number and Gender
10.13	Tax Withholding
10.14	No Waiver
10.15	Joint and Several Liability
10.16	No Rights Prior to Effective Date
10.17	Entire Agreement

---

**THE ALLSTATE CORPORATION**

**CHANGE OF CONTROL EMPLOYMENT AGREEMENT**

THIS AGREEMENT dated as of \_\_\_\_\_, 200 (the "*Agreement Date*") is made by and among The Allstate Corporation, a Delaware corporation ("*Allstate*"), the Allstate Insurance Company, an Illinois insurance corporation ("*AIC*"), and \_\_\_\_\_ ("*Executive*").

**PURPOSES**

Allstate has determined that it is in the best interests of Allstate and its stockholders to assure that the Company will have the continued service of Executive. Allstate also believes it is imperative to reduce the distraction of Executive that would result from the personal uncertainties caused by a pending or threatened change of control of Allstate, to encourage Executive's full attention and dedication to the Company, and to provide Executive with compensation and benefits arrangements upon a change of control that will satisfy the expectations of Executive and be competitive with those of similarly situated corporations. This Agreement is intended to accomplish these objectives.

**ARTICLE I.  
CERTAIN DEFINITIONS**

As used in this Agreement, the terms specified below shall have the following meanings:

1.1 "*Accrued Annual Bonus*" means the amount of any Annual Bonus earned but not yet paid to Executive as of the Executive's Termination Date, other than amounts that Executive has elected to defer.

1.2 "*Accrued Base Salary*" means the amount of Executive's Base Salary that is accrued but unpaid as of the Executive's Termination Date, other than amounts that Executive has elected to defer.

1.3 "*Accrued LTIP Bonus*" means the amount of any LTIP Bonus earned but not yet paid to Executive as of the Executive's Termination Date, other than amounts that Executive has elected to defer.

1.4 "*Accrued Obligations*" means, as of any date, the sum of Executive's Accrued Base Salary, Accrued Annual Bonus, Accrued LTIP Bonus, any accrued but unpaid vacation pay, and any other amounts and benefits that are then due to be paid or provided to Executive by the Company (other than pursuant to Sections 2.4 or 4.1(b) or any defined benefit or defined contribution plan of the Company, whether or not qualified under Section 401(a) of the Code), but have not yet been paid or provided (as applicable).

1.5 "*Agreement Date*"—see the introductory paragraph of this Agreement.

---

1.6 "*Agreement Term*" means the period commencing on the Agreement Date and ending on the third anniversary of the Agreement Date or, if later, such later date to which the Agreement Term is extended pursuant to the following sentence. Commencing on the second anniversary of the Agreement Date, the Agreement Term shall automatically be extended each day by one day to create a new one-year term until, at any time after the second anniversary of the Agreement Date, the Company delivers written notice (an "*Expiration Notice*") to Executive that the Agreement shall expire on a date specified in the Expiration Notice (the "*Expiration Date*") that is not less than 12 months after the date the Expiration Notice is delivered to Executive; provided, however, that if an Effective Date or an Imminent Control Change Date occurs before the Expiration Date specified in the Expiration Notice, then such Expiration Notice shall be void and of no further effect. "*Imminent Control Change Date*" means (i) any date on which a proposal or offer for a Change of Control is presented to Allstate's stockholders generally or to any of Allstate's directors or executive officers or is publicly announced (whether by advertisement, press release, press interview, public statement, SEC filing or otherwise) or (ii) any subsequent date as of which such proposal or offer for a Change of Control remains effective and has not expired or been revoked.

1.7 "*AIC*"—see the introductory paragraph of this Agreement.

1.8 "*ALIC*" means the Allstate Life Insurance Company.

1.9 "*Allstate*"—see the introductory paragraph of this Agreement.

1.10 "Allstate Incumbent Directors" means, determined as of any date by reference to any baseline date:

(a) the members of the Board on the date of such determination who have been members of the Board since such baseline date, and

(b) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of Allstate or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds (100% for purposes of paragraph (a) of the definition of "Merger of Equals") of the directors comprising the Allstate Incumbent Directors on the date of such vote or written consent, but excluding any such member whose initial assumption of office was in connection with (i) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (ii) a "tender offer" (as such term is used in Section 14(d) of the Exchange Act), (iii) a proposed Reorganization Transaction, or (iv) a request, nomination or suggestion of any Beneficial Owner of Voting Securities representing 15% or more of the aggregate voting power of the Voting Securities of Allstate or the Surviving Corporation, as applicable.

1.11 "Annual Bonus"—see Section 2.2(b).

1.12 "Annual Performance Period"—see Section 2.2(b).

2

---

1.13 "Annualized LTIP Bonus" means, in respect of any Termination Date, an amount equal to the quotient of the following:

(a) the sum of the amounts potentially payable under all of Executive's LTIP Target Awards outstanding as of such Termination Date,

divided by:

(b) the number of whole and fractional years during the period beginning on the earliest commencement date of the LTIP Performance Periods then in effect and ending on the latest termination date of the LTIP Performance Periods then in effect.

1.14 "Approved Passive Holder" means, as of any date, any Person that satisfies all of the following conditions:

(a) as of such date, such Person is a 20% Owner, but is the Beneficial Owner of less than 30% of the then-outstanding Common Stock and of Voting Securities representing less than 30% of the combined voting power of all then-outstanding Voting Securities of Allstate;

(b) prior to becoming a 20% Owner, such Person has filed, and as of such date has not withdrawn, or made any subsequent regulatory or judicial filing or public statement or announcement that is inconsistent with, a statement with the SEC pursuant to Section 13(g) of the Exchange Act that includes a certification by such Person to the effect that such beneficial ownership does not have the purpose or effect of changing or influencing the control of Allstate;

(c) prior to such Person's becoming a 20% Owner, at least two-thirds of the Allstate Incumbent Directors (such Allstate Incumbent Directors to be determined as of such date using the Agreement Date as the baseline date) shall have voted in favor of a resolution adopted by the Board to the effect that:

(i) the terms and conditions of such Person's investment in the Company will not have the effect of changing or influencing the control of Allstate, and

(ii) notwithstanding clause (a) of the definition of "Change of Control," such Person's becoming a 20% Owner shall be treated as though it were a Merger of Equals for purposes of this Agreement and all other similar agreements between the Company and its executives.

1.15 "Article" means an article of this Agreement.

1.16 "Base Salary"—see Section 2.2(a).

1.17 "Beneficial Owner" means such term as defined in Rule 13d-3 of the SEC under the Exchange Act.

3

---

1.18 "Beneficiary"—see Section 10.3.

1.19 "Board" means the Board of Directors of Allstate or, from and after the Effective Date of a Change of Control that gives rise to a Surviving Corporation, the Board of Directors of such Surviving Corporation.

1.20 "Bonus Plan"—see Section 2.2(b).

1.21 "Cause"—see Section 3.3(b).

1.22 "CEO" means Chief Executive Officer.

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

(a) any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than a Subsidiary or any employee benefit plan (or any related trust) of Allstate or any of its Subsidiaries, becomes the Beneficial Owner of 20% or more of the common stock of Allstate or of Voting Securities representing 20% or more of the combined voting power of all Voting Securities of Allstate (such a person or group that is not a Similarly Owned Company (as defined below), a "20% Owner"), except that no Change of Control shall be deemed to have occurred solely by reason of such beneficial ownership by a corporation (a "Similarly Owned Company") 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 Allstate immediately before such acquisition in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of Allstate, as the case may be; or

(b) the Allstate Incumbent Directors (determined using the Agreement Date as the baseline date) cease for any reason to constitute at least two-thirds of the directors of Allstate then serving (provided that this clause (b) shall be inapplicable during a Post-Merger of Equals Period); or

(c) approval by the stockholders of Allstate of a merger, reorganization, consolidation, or similar transaction, or a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of Allstate or a plan of liquidation of Allstate (any of the foregoing, a "Reorganization Transaction") that, based on information included in the proxy and other written materials distributed to Allstate's stockholders in connection with the solicitation by Allstate of such stockholder approval, is not expected to qualify as an Exempt Reorganization Transaction; provided, however, that if (i) the merger or other agreement between the parties to a Reorganization Transaction expires or is terminated after the date of such stockholder approval but prior to the consummation of such Reorganization Transaction (a "Reorganization Transaction Termination") or (ii) immediately after the consummation of the Reorganization

4

---

Transaction, such Reorganization Transaction does qualify as an Exempt Reorganization Transaction notwithstanding the fact that it was not expected to so qualify as of the date of such stockholder approval, then such stockholder approval shall not be deemed a Change of Control for purposes of any Termination of Employment as to which the Termination Date occurs on or after the date of the Reorganization Transaction Termination or the date of the consummation of the Exempt Reorganization Transaction, as applicable; or

(d) the consummation by Allstate of a Reorganization Transaction that for any reason fails to qualify as an Exempt Reorganization Transaction as of the date of such consummation, notwithstanding the fact that such Reorganization Transaction was expected to so qualify as of the date of such stockholder approval; or

(e) a 20% Owner who had qualified as an Approved Passive Holder ceases to qualify as such for any reason other than ceasing to be a 20% Owner (such cessation of Approved Passive Holder status to be considered for all purposes of this Agreement (including the definition of "Effective Date") a Change of Control distinct from and in addition to the Change of Control specified in clause (a) above).

Notwithstanding the occurrence of any of the foregoing events, a Change of Control shall not occur with respect to Executive if, in advance of such event, Executive agrees in writing that such event shall not constitute a Change of Control.

1.24 "Code" means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also refer to any successor provision.

1.25 "Company" means Allstate, AIC and each of Allstate's other Subsidiaries.

1.26 "Company Certificate"—see Section 5.1(b).

1.27 "Company Counsel Opinion"—see Section 5.5.

1.28 "Competitive Business" means as of any date (including during the one-year period commencing on the Termination Date) any corporation or other Person (and any branch, office or operation thereof) that engages in, or proposes to engage in:

(a) the underwriting, reinsurance, marketing or sale of (i) any form of insurance of any kind that the Company as of such date does, or proposes to, underwrite, reinsure, market or sell (any such form of insurance, an "Allstate Insurance Product") or (ii) any other form of insurance that is marketed or sold in competition with any Allstate Insurance Product, or

(b) any other business that as of such date is a direct and material competitor of the Company;

and that is located (i) anywhere in the United States, or (ii) anywhere outside of the United States where the Company is then engaged in, or proposes to engage in, any of such activities.

5

---

1.29 "Consummation Date" means the date on which a Reorganization Transaction is consummated.

1.30 "Disability"—see Section 3.1(b).

1.31 "Disability Effective Date"—see Section 3.1.

1.32 "Effective Date" means the date on which a Change of Control first occurs during the Agreement Term.

1.33 "Exchange Act" means the Securities Exchange Act of 1934.

1.34 "Excise Taxes"—see Section 5.1.

1.35 "Executive Counsel Opinion"—see Section 5.5.

1.36 "Executive's Gross-Up Determination"—see Section 5.2(a).

1.37 "Exempt Reorganization Transaction" means a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of Allstate immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners of both more than 70% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing more than 70% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the common stock and Voting Securities of Allstate immediately before such Reorganization Transaction.

1.38 "Good Reason"—see Section 3.4(b).

1.39 "Gross-up Multiple"—see Section 5.4.

1.40 "Gross-up Payment"—see Section 5.1.

1.41 "including" means including without limitation.

1.42 "IRS" means the Internal Revenue Service.

1.43 "IRS Claim"—see Section 5.6.

1.44 "Legal and Other Expenses"—see Section 6.1(a).

1.45 "LTIP" means the Allstate Long-Term Executive Incentive Compensation Plan (or any successor plan).

1.46 "LTIP Award" means an incentive compensation opportunity granted under the LTIP.

1.47 "LTIP Bonus" means the amount paid or earned in respect of an LTIP Award.

6

---

1.48 "LTIP Performance Period" means any performance period designated in accordance with any LTIP approved by the Board or any committee of the Board.

1.49 "LTIP Target Award" means, in respect of any LTIP Award, the amount that Executive would have been entitled to receive for the LTIP Performance Period corresponding to such LTIP Award if the performance goals established pursuant to such LTIP Award were achieved at the 100% level as of the end of the LTIP Performance Period.

1.50 "Lump Sum Value" of an annuity payable pursuant to a defined benefit plan means, as of a specified date, the present value of such annuity, as determined, as of such date, under generally accepted actuarial principles using (i) the applicable interest rate, mortality tables and other methods and assumptions that the Pension Benefit Guaranty Corporation ("PBGC") would use in determining the value of an immediate annuity on the Termination Date or (ii) if such interest rate and mortality assumptions are no longer published by the PBGC, interest rate and mortality assumptions determined in a manner as similar as practicable to the manner by which the PBGC's interest rate and mortality assumptions were determined immediately prior to the PBGC's cessation of publication of such assumptions; provided, however, that if such defined benefit plan provides for a lump sum distribution and such lump-sum distribution either (x) is the only payment method available under such plan or (y) provides for a greater amount than the Lump Sum Value of the Maximum Annuity available under such plan, then "Lump Sum Value" shall mean such lump sum amount.

1.51 "Maximum Annuity" means, in respect of a defined benefit plan (whether or not qualified under Section 401(a) of the Code), an annuity computed in whatever manner permitted under such plan (including frequency of annuity payments, attained age (whether determined as of a current date or as of a future date upon the commencement of annuity payments), and nature of surviving spouse benefits, if any) that yields the greatest Lump Sum Value.

1.52 "Merger of Equals" means, as of any date, a transaction that, notwithstanding the fact that such transaction may also qualify as a Change of Control, satisfies all of the conditions set forth in paragraphs (b) below:

(a) If such date is on or after the Consummation Date, a Reorganization Transaction in respect of which all of the following conditions are satisfied as of such date, or, if such date is prior to the Consummation Date, a proposed Reorganization Transaction in respect of which the merger agreement or other documents (including the exhibits and annexes thereto) setting forth the terms and conditions of such Reorganization Transaction, as in effect on such date after giving effect to all amendments thereof or waivers thereunder, require that the following conditions be satisfied on and, where applicable, after the Consummation Date:

(i) at least 50%, but not more than 70%, of the common stock of the Surviving Corporation outstanding immediately after the consummation of the Reorganization Transaction, together with Voting Securities representing at least 50%, but not more than 70%, of the combined voting power of all Voting Securities of the Surviving Corporation outstanding immediately after such consummation shall be owned, directly or indirectly, by the persons who were the

7

---

owners, directly or indirectly, of the common stock and Voting Securities of Allstate immediately before such consummation in substantially the same proportions as their respective direct or indirect ownership, immediately before such consummation, of the common stock and Voting Securities of Allstate, respectively; and

(ii) Allstate Incumbent Directors (determined as of such date using the date immediately preceding the Effective Date as the baseline date) shall, throughout the period beginning on the Effective Date and ending on the third anniversary of the Effective Date, continue to constitute not less than 50% of the members of the Board; and

(iii) the person who was the CEO of Allstate immediately prior to the Effective Date shall serve as (x) the CEO of Allstate throughout the period beginning on the Effective Date and ending on the Consummation Date and (y) the CEO of the Surviving Corporation at all times during the period commencing on the Consummation Date and ending on the first anniversary of the Consummation Date;

provided, however, that a Reorganization Transaction that qualifies as a Merger of Equals shall cease to qualify as a Merger of Equals (a "Merger of Equals Cessation") and shall instead qualify as a Change of Control that is not a Merger of Equals from and after the first date during the Post-Change Period (such date, the "Merger of Equals Cessation Date") as of which any one or more of the following shall occur for any reason:

(1) if any condition of clause (i) of paragraph of this Section shall for any reason not be satisfied as of immediately after the consummation of the Reorganization Transaction; or

(2) if as of the close of business on any date on or after the Effective Date, any condition of clauses (ii) or (iii) of paragraph of this Section shall not be satisfied; or

(3) if on any date prior to the first anniversary of the Consummation Date, the Company shall make a filing with the SEC, issue a press release, or make a public announcement to the effect that Allstate is seeking or intends to seek a replacement for the CEO, whether such replacement is to become

effective before or after such first anniversary.

(b) As of such date, each Person, if any, who is a 20% Owner qualifies as an Approved Passive Holder.

The Company shall give Executive written notice of any Merger of Equals Cessation and the applicable Merger of Equals Cessation Date as soon as practicable after the Merger of Equals Cessation Date.

1.53 "*Merger of Equals Cessation Date*"—see the definition of "Merger of Equals."

8

---

1.54 "*Merger of Equals Cessation Notice*"—means a written notice given in accordance with Section 10.8 by the Company to notify Executive of the facts and circumstances of a Merger of Equals Cessation, including the Merger of Equals Cessation Date.

1.55 "*Notice of Consideration*"—see Section 3.3(c).

1.56 "*Non-Qualified Plan*"—see Section 2.4.

1.57 "*Notice of Termination*" means a written notice given in accordance with Section 10.8 that sets forth (i) the specific termination provision in this Agreement relied on by the party giving such notice, (ii) in reasonable detail the specific facts and circumstances claimed to provide a basis for such Termination of Employment, and (iii) if the Termination Date is other than the date of receipt of such Notice of Termination, the Termination Date.

1.58 "*Person*" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

1.59 "*Plans*" means plans, programs, or Policies of the Company.

1.60 "*Policies*" means policies, practices or procedures of the Company.

1.61 "*Post-Change Period*" means the period commencing on the Effective Date and ending on the third anniversary of the Effective Date.

1.62 "*Post-Merger of Equals Period*" means the period commencing on an Effective Date of a Change of Control that qualifies as a Merger of Equals and ending on the third anniversary of such Effective Date or, if sooner, the Merger of Equals Cessation Date.

1.63 "*Potential Parachute Payments*"—see Section 5.1.

1.64 "*Pro-rata Annual Bonus*" means, in respect of the Company's fiscal year during which the Termination Date occurs, an amount equal to the product of Executive's Target Annual Bonus (determined as of the Termination Date) multiplied by a fraction, the numerator of which equals the number of days from and including the first day of such fiscal year through and including the Termination Date, and the denominator of which equals 365.

1.65 "*Pro-rata LTIP Bonus*" means an amount equal to the sum of each of the following amounts: for each LTIP Performance Period that is in effect as of a Termination Date, Executive's LTIP Target Award for such LTIP Performance Period multiplied by a fraction, the numerator of which equals the number of days from and including the beginning of such LTIP Performance Period through and including the Termination Date, and the denominator of which equals the aggregate number of days in such LTIP Performance Period.

1.66 "*Refund Claim*"—see Section 5.6.

9

---

1.67 "*Reorganization Transaction*"—see clause (c) of the definition of "*Change of Control*."

1.68 "*Restricted Shares*" means shares of restricted stock, restricted stock units or similar awards.

1.69 "*SEC*" means the Securities and Exchange Commission.

1.70 "*Section*" means, unless the context otherwise requires, a section of this Agreement.

1.71 "*SERP*" means a supplemental executive retirement Plan that is a Non-Qualified Plan.

1.72 "*Severance Period*"—see Section 4.1(g).

1.73 "*Stock Options*" means stock options, stock appreciation rights (including limited stock appreciation rights), or similar awards.

1.74 "*Subsidiary*" means any corporation, business trust, limited liability company or partnership with respect to which Allstate owns, directly or indirectly, Voting Securities representing more than 50% of the aggregate voting power of the then-outstanding Voting Securities.

1.75 "*Surviving Corporation*" means the corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate Voting Power of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.

1.76 "*Target Annual Bonus*" as of any date means the amount equal to the product of Base Salary determined as of such date multiplied by the percentage of such Base Salary to which Executive would have been entitled immediately prior to such date under any Bonus Plan for the Annual Performance Period for which the Annual Bonus is awarded if the performance goals established pursuant to such Bonus Plan were achieved at the 100% level as of the end of the Annual Performance Period.

1.77 "*Taxes*" means federal, state, local and other income, employment and other taxes.

1.78 "*Termination Date*" means the date of the receipt of the Notice of Termination by Executive (if such Notice is given by the Company) or by the Company (if such Notice is given by Executive), or any later date, not more than 15 days after the giving of such Notice, specified in such Notice; provided, however, that:

(a) if Executive's employment is terminated by reason of death or Disability, the Termination Date shall be the date of Executive's death or the Disability Effective Date (as defined in Section 3.1(a)), as applicable;

10

(b) if no Notice of Termination is given, the Termination Date shall be the last date on which Executive is employed by the Company; and

(c) solely for purposes of determining when the amount of severance payable to Executive pursuant to Section 4.1(a)(v), if any, is to be deemed due and owing for purposes of computing interest on such amount pursuant to Section 6.2:

(i) if Executive terminates his employment with the Company for Good Reason pursuant to Section 3.4(b)(xiii), the Termination Date shall be deemed to be the Merger of Equals Cessation Date or, if later, the date that is 12 months after the Effective Date; and

(ii) if Executive terminates his employment with the Company for Good Reason pursuant to Section 3.4(b)(xiv) on or after a Merger of Equals Cessation Date, the Termination Date shall be deemed to be the date of the Company's act or omission that qualifies as Good Reason.

1.79 "Termination of Employment" means any termination of Executive's employment with the Company, whether such occurs by reason of (a) the initiative of any Company or Executive or (b) the death of Executive.

1.80 "20% Owner"—see paragraph (a) of the definition of "Change of Control."

1.81 "Voting Securities" of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

## ARTICLE II. POST-CHANGE PERIOD

### 2.1 Position and Duties.

(a) (i) During the Post-Change Period, except as otherwise provided in Section 2.1(a)(ii) or (iii) in the case of a Merger of Equals, (x) Executive's position (including offices, titles, reporting requirements and responsibilities), authority and duties shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately before the Effective Date and (y) Executive's services shall be performed at the location where Executive was employed immediately before the Effective Date or any other location no more than 30 miles from such former location.

(ii) During any portion of the Post-Change Period that qualifies as a Post-Merger of Equals Period, the Company may in its discretion change Executive's position (including offices, titles, reporting requirements and responsibilities) so long as (x) Executive remains an elected officer of Allstate, AIC or ALIC, as applicable, and (y) Executive's services shall be performed at the location where

11

Executive was employed immediately before the Effective Date or any other location not more than 30 miles from such former location.

(iii) During the remainder of the Post-Change Period commencing on the Merger of Equals Cessation Date, clause (i) of this Section 2.1(a) shall be applicable in respect of changes in Executive's position, authority and duties occurring on or after such date, except that all references to "Effective Date" in such clause shall instead be to the Merger of Equals Cessation Date.

(b) During the Post-Change Period (except during any periods of vacation to which Executive is entitled and any authorized sick, disability or other leave of absence), Executive shall devote Executive's full attention and time to the business and affairs of the Company and, to the extent necessary to discharge the duties assigned to Executive in accordance with this Agreement, to use Executive's best efforts to perform such duties. During the Post-Change Period, Executive may (i) serve on corporate, civic or charitable boards or committees, (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions and (iii) manage personal investments, so long as such activities are consistent with the Policies of the Company at the Effective Date and do not significantly interfere with the performance of Executive's duties under this Agreement. To the extent that any such activities have been conducted by Executive immediately prior to the Effective Date and were consistent with the Policies of the Company at the Effective Date, the continued conduct of such activities (or activities similar in nature and scope) after the Effective Date shall not be deemed to interfere with the performance of Executive's duties under this Agreement.

### 2.2 Compensation.

(a) Base Salary. During the Post-Change Period, the Company shall pay or cause to be paid to Executive an annual base salary in cash, which shall be paid in a manner consistent with the Company's payroll practices in effect immediately before the Effective Date, at an annual rate not less than 12 times the highest monthly base salary paid or payable to Executive by the Company in respect of the 12-month period immediately before the Effective Date (such annual rate salary, the "Base Salary"). During the Post-Change Period, the Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time as shall be substantially consistent with increases in base salary awarded to other peer executives of the Company; provided, however, that no provision of this Agreement shall require the Company to increase Executive's Base Salary during a Post-Merger of Equals Period. Any increase in Base Salary shall not limit or reduce any other obligation of the Company to Executive under this Agreement. After any such increase, the Base Salary shall not be reduced and "Base Salary" shall thereafter refer to the increased amount.

(b) Annual Bonus. The Company shall also pay or cause to be paid to Executive a bonus (the "Annual Bonus") for each Annual Performance Period that ends during the Post-Change Period. "Annual Performance Period" means each period designated in accordance with any annual bonus arrangement or Plan (a "Bonus Plan") that is based on performance and approved by the Board or any committee of the Board, or in the absence

12

of any Bonus Plan or any such designated period of time, each calendar year. The Annual Bonus shall be not less than the Target Annual Bonus determined as of the Effective Date; provided, however, that no provision in this Agreement shall require the Company to pay any Target Annual Bonus or other minimum Annual Bonus during a Post-Merger of Equals Period.



(c) *LTIP Bonus*. The Company shall also:

(i) pay or cause to be paid to Executive an LTIP Bonus equal to the LTIP Target Award for each LTIP Award for which an LTIP Performance Period is in effect as of the Effective Date; and

(ii) throughout the Post-Change Period, grant LTIP Awards to Executive as follows:

(1) LTIP Awards shall be granted no less frequently than is contemplated by the terms of the LTIP and the Company's practices thereunder, as such terms and practices are in effect immediately prior to the Effective Date;

(2) each such LTIP Award shall provide for the payment of a percentage of Executive's Base Salary in effect at the beginning of the Performance Period applicable to such LTIP Award that is no less than the average of the Target LTIP Percentages (as defined below) for all of Executive's LTIP Awards outstanding immediately prior to the Effective Date; and

(3) the target performance goals established for each such LTIP Award shall be substantially comparable to the target performance goals under Executive's LTIP Awards outstanding on the Effective Date;

provided, however, that during a Post-Merger of Equals Period, no provision of this Agreement shall require the Company to (x) pay any minimum LTIP Bonus amount pursuant to clause (i) above, except to the extent required by the terms of such LTIP Award or (y) grant any LTIP Award pursuant to clause (ii) above. "*Target LTIP Percentage*" means, in respect of any LTIP Award, the percentage of Executive's Base Salary (determined as of the beginning of the applicable LTIP Performance Period) that Executive would be entitled to receive after the completion of the applicable LTIP Performance Period if the performance goals applicable to such LTIP Award as of the date immediately prior to the Effective Date were achieved at the 100% level.

(d) *Incentive, Savings and Retirement Plans*. Executive shall also be entitled to participate during the Post-Change Period in all incentive (including long-term incentives), savings and retirement Plans applicable to other peer executives of the Company, but in no event (except during a Post-Merger of Equals Period) shall such Plans provide Executive with incentive (including long-term incentives), savings and retirement benefits during the Post-Change Period that are, in any case, materially less favorable, in the aggregate, than the most favorable of those provided by the Company

13

---

for Executive under such Plans as in effect at any time during the 90-day period immediately before the Effective Date.

(e) *Welfare Benefit Plans*. During the Post-Change Period, Executive and Executive's family shall be eligible to participate in, and receive all benefits under, welfare benefit Plans provided by the Company (including medical, prescription, dental, disability, salary continuance, individual life, group life, dependent life, accidental death and travel accident insurance Plans) and applicable to other peer executives of the Company and their families, but in no event (except during a Post-Merger of Equals Period) shall such Plans provide benefits during the Post-Change Period that are materially less favorable, in the aggregate, than the most favorable of those provided to Executive under such Plans as in effect at any time during the 90-day period immediately before the Effective Date.

(f) *Fringe Benefits*. During the Post-Change Period, Executive shall be entitled to fringe benefits in accordance with the most favorable Plans applicable to peer executives of the Company, but in no event (except during a Post-Merger of Equals Period) shall such Plans provide fringe benefits that are in any case materially less favorable, in the aggregate, than the most favorable of those provided by the Company to Executive under such Plans in effect at any time during the 90-day period immediately before the Effective Date.

(g) *Expenses*. During the Post-Change Period, Executive shall be entitled to prompt reimbursement of all reasonable employment-related expenses incurred by Executive upon the Company's receipt of accountings in accordance with the most favorable Policies applicable to peer executives of the Company, but in no event (except during a Post-Merger of Equals Period) shall such Policies be materially less favorable, in the aggregate, than the most favorable of those provided by the Company for Executive under such Policies in effect at any time during the 90-day period immediately before the Effective Date.

(h) *Office and Support Staff*. During the Post-Change Period, Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance in accordance with the most favorable Policies applicable to peer executives of the Company, but in no event (except during a Post-Merger of Equals Period) shall such Policies be materially less favorable, in the aggregate, than the most favorable of those provided by the Company for Executive under such Policies in effect at any time during the 90-day period immediately before the Effective Date.

(i) *Vacation*. During the Post-Change Period, Executive shall be entitled to paid vacation in accordance with the most favorable Policies applicable to peer executives of the Company, but in no event (except during a Post-Merger of Equals Period) shall such Policies be materially less favorable, in the aggregate, than the most favorable of those provided by the Company for Executive under such Policies in effect at any time during the 90-day period immediately before the Effective Date.

14

---

### 2.3 *Stock Incentive Awards*.

(a) Except as otherwise provided in Section 2.3(b), on the Effective Date of a Change of Control that is not a Merger of Equals or, if applicable, on a Merger of Equals Cessation Date, (i) all of Executive's unvested Stock Options then outstanding (whether granted before or after the Agreement Date) shall immediately become fully vested and exercisable, and (ii) all of Executive's Restricted Shares then outstanding shall immediately become fully vested and nonforfeitable.

(b) For purposes of a Change of Control as defined in Section 1.23(c) only, (i) all of Executive's unvested Stock Options granted on or after March 13, 2001 shall immediately become fully vested and exercisable, and (ii) all of Executive's Restricted Shares granted on or after March 13, 2001 shall immediately become fully vested and nonforfeitable, to the extent such Stock Options or Restricted Shares remain outstanding, on the Consummation Date with respect to a Change of Control that is not a Merger of Equals or, if applicable, on the later of a Merger of Equals Cessation Date or the Consummation Date.

(c) This Section 2.3 amends all award agreements dated as of any date before the Agreement Date. Accordingly, all provisions of such award agreements relating to a change of control of the Company, including all grants of limited stock appreciation rights, are hereby cancelled (if not previously cancelled), effective as of the Agreement Date.

2.4 *Unfunded Deferred Compensation.* On the Effective Date of a Change of Control that is not a Merger of Equals or, if applicable, on a Merger of Equals Cessation Date, Executive shall become fully vested in all benefits previously accrued under any deferred compensation Plan (including a SERP) that is not qualified under Section 401(a) of the Code (a "*Non-Qualified Plan*"). Within five business days after (i) any such Effective Date of a Change of Control that is not a Merger of Equals or (ii) such Merger of Equals Cessation Date, as applicable, the Company shall pay to Executive a lump-sum cash amount equal to:

- (a) the sum of the Lump-Sum Values of all Maximum Annuities that are payable pursuant to all defined benefit Non-Qualified Plans, plus
- (b) the sum of Executive's account balances under all defined contribution Non-Qualified Plans.

To the extent that, if, for any reason, any portion of such Non-Qualified Plan benefit is not so paid, the Company shall pay Executive in lieu thereof a lump-sum cash payment equal to such unpaid portion within the five-business day period specified in the preceding sentence.

15

---

### ARTICLE III. TERMINATION OF EMPLOYMENT

#### 3.1 *Disability.*

(a) During the Post-Change Period, the Company may terminate Executive's employment because of Executive's Disability by giving Executive or his legal representative, as applicable, (i) written notice in accordance with Section 10.8 of the Company's intention to terminate Executive's employment pursuant to this Section and (ii) a certification of Executive's Disability by a physician selected by the Company or its insurers, subject to the consent of Executive or Executive's legal representative, which consent shall not be unreasonably withheld or delayed. Executive's employment shall terminate effective on the 30th day (the "*Disability Effective Date*") after Executive's receipt of such notice unless, before the Disability Effective Date, Executive shall have resumed the full-time performance of Executive's duties.

(b) "*Disability*" means any medically determinable physical or mental impairment of an Executive that:

(i) has lasted for a continuous period of not less than (x) six months or (y) such longer period, if any, that is available to Executive under the Company's Policies relating to the continuation of employee status after the onset of disability, as such Policies are in effect when Disability is determined, but in no event (except during a Post-Merger of Equals Period) shall such Policies be materially less favorable to the Executive than the most favorable of such Policies in effect for peer executives at any time during the 90-day period immediately before the Effective Date,

(ii) can be expected to be permanent or of indefinite duration, and

(iii) renders Executive unable to perform the duties required under this Agreement.

3.2 *Death.* Executive's employment shall terminate automatically upon Executive's death during the Post-Change Period.

#### 3.3 *Cause.*

(a) During the Post-Change Period, the Company may terminate Executive's employment for Cause solely in accordance with all of the substantive and procedural provisions of this Section.

(b) "*Cause*" means any one or more of the following:

(i) Executive's conviction of a felony or other crime involving fraud, dishonesty or moral turpitude;

16

---

(ii) Executive's willful or reckless material misconduct in the performance of Executive's duties;

(iii) Executive's habitual neglect of duties; or

(iv) Executive's willful or intentional breach of this Agreement;

provided, however, that for purposes of clauses (ii), (iii), and (iv), Cause shall not include any one or more of the following:

(1) bad judgment or negligence;

(2) any act or omission believed by Executive in good faith to have been in or not opposed to the interest of the Company (without intent of Executive to gain, directly or indirectly, a profit to which Executive was not legally entitled);

(3) any act or omission with respect to which a determination could properly have been made by the Board that Executive had satisfied the applicable standard of conduct for indemnification or reimbursement under Allstate's by-laws, any applicable indemnification agreement, or applicable law, in each case as in effect at the time of such act or omission; or

(4) any act or omission with respect to which Executive receives a Notice of Consideration (as defined below) more than six months after the earliest date on which any member of the Board, not a party to the act or omission, knew or should have known of such act or omission; and

further provided, that if a breach of this Agreement involved an act or omission based on Executive's good faith and reasonable belief that Executive's act or omission was in the best interests of the Company or was required by applicable law or administrative regulation, such breach shall not constitute Cause unless the Company gives Executive written notice of such breach that specifically refers to this Section and, within 30 days after such notice is given, Executive fails to cure such breach to the fullest extent that it is curable.

(c) The Company shall strictly observe each of the following procedures in connection with any Termination of Employment for Cause:

(i) A meeting of the Board shall be called for the stated purpose of determining whether Executive's acts or omissions satisfy the requirements of Section 3.3(b) and, if so, whether to terminate Executive's employment for Cause.

(ii) Not less than 30 days prior to the date of such meeting, the Company shall provide Executive and each member of the Board written notice (a "Notice of Consideration") of (x) a detailed description of the acts or omissions

17

---

alleged to constitute Cause, (y) the date, time and location of such meeting of the Board, and (z) Executive's rights under clause (iii) below.

(iii) If the Notice of Consideration is given to Executive at any time during a Post-Change Period other than during a Post-Merger of Equals Period, then Executive shall have the opportunity to appear before the Board in person and, at Executive's option, with legal counsel, and/or to present to the Board a written response to the Notice of Consideration. If the Notice of Consideration is given to Executive during a Post-Merger of Equals Period, then Executive shall have the opportunity to present to the Board a written response to the Notice of Consideration, but shall not have the right to appear in person or by counsel before the Board.

(iv) Executive's employment may be terminated for Cause only if (x) the acts or omissions specified in the Notice of Consideration did in fact occur and do constitute Cause as defined in this Section, (y) the Board makes a specific determination to such effect and to the effect that Executive's employment should be terminated for Cause and (z) the Company thereafter provides Executive with a Notice of Termination that specifies in specific detail the basis of such Termination of Employment for Cause and which Notice shall be consistent with the reasons set forth in the Notice of Consideration. The Board's determination specified in clause (y) of the preceding sentence shall require the affirmative vote of at least 75% of the members of the Board, unless the Notice of Consideration is given during a Post-Merger of Equals Period, in which case such determination shall require the affirmative vote of a simple majority of the members of the Board.

(v) In the event that the existence of Cause shall become an issue in any action or proceeding between the Company and Executive, the Company shall, notwithstanding the determination referenced in clause (iv) of this Section 3.3(c), have the burden of establishing that the actions or omissions specified in the Notice of Consideration did in fact occur and do constitute Cause and that the Company has satisfied the procedural requirements of this Section 3.3(c). The satisfaction of the Company's burden shall require clear and convincing evidence, unless the Notice of Consideration is given during a Post-Merger of Equals Period, in which case the Company may satisfy its burden by a preponderance of the evidence.

#### 3.4 Good Reason.

(a) During the Post-Change Period, Executive may terminate his employment for Good Reason in accordance with the substantive and procedural provisions of this Section.

(b) "Good Reason" means any one or more of the following actions or omissions that, unless otherwise specified, occurs during a Post-Change Period:

18

---

(i) any failure to pay Executive's Base Salary in violation of Section 2.2(a) or any failure to increase Executive's Base Salary to the extent, if any, required by such Section;

(ii) any failure to pay Executive's Annual Bonus or any reduction in Executive's Target Annual Bonus, in either case in violation of Section 2.2(b);

(iii) any failure to grant or pay an LTIP Award or LTIP Bonus in violation of Section 2.2(c);

(iv) any material adverse change in Executive's position (including offices, titles, reporting requirements or responsibilities), authority or duties in violation of Section 2.1(a); provided, however, that the occurrence of such a material adverse change during a Post-Merger of Equals Period shall not qualify as Good Reason for purposes of this clause (iv);

(v) causing Executive to cease to be an elected officer of Allstate, AIC or ALIC;

(vi) requiring Executive to be based at any office or location in violation of Section 2.1(a);

(vii) any other material adverse change to the terms and conditions of Executive's employment; provided, however, that the occurrence of such a material adverse change during a Post-Merger of Equals Period shall not qualify as Good Reason for purposes of this clause (vii);

(viii) any other material breach of this Agreement by the Company;

(ix) any Termination of Employment by the Company that purports to be for Cause, but is not in full compliance with all of the substantive and procedural requirements of this Agreement (any such purported termination shall be treated as a Termination of Employment without Cause for all purposes of this Agreement);

(x) the giving of a Notice of Consideration pursuant to Section 3.3(c) and the subsequent failure to terminate Executive for Cause within a period of 90 days thereafter in compliance with all of the substantive and procedural requirements of Section 3.3(c);

(xi) the failure at any time of a successor to the Company explicitly to assume and agree to be bound by this Agreement;

(xii) a Termination of Employment by Executive for any reason or no reason at any time during the one-month period commencing on the first day after the end of the 12-month period commencing on the Effective Date; provided that such a Termination of Employment during a Post-Merger of Equals Period shall not qualify as Good Reason for purposes of this clause (xii);

19

---

(xiii) in the event that a Merger of Equals Cessation shall occur at any time during the Post-Change Period, a Termination of Employment by Executive for any reason or no reason at any time (whether during or after the Post-Change Period) that is both (x) after the last day of the 12-month

period commencing on the Effective Date and (y) not more than 60 days after the Company gives Executive a Merger of Equals Cessation Notice or, if sooner, Executive obtains actual knowledge of the Merger of Equals Cessation; or

(xiv) in the event that (x) at any time during the Post-Change Period a Merger of Equals Cessation shall occur and (y) at any time during the Post-Change Period and on or after the Merger of Equals Cessation Date, the Company shall commit an act or omission that qualifies as Good Reason by reason of clause (iv) or (vii) above, any Termination of Employment by Executive at any time during the remainder of the Post-Change Period or thereafter at any time during the period ending 60 days after the Company gives Executive a Merger of Equals Cessation Notice or, if earlier, 60 days after Executive obtains actual knowledge of the Merger of Equals Cessation;

provided, however, that any action or omission by the Company during a Post-Merger of Equals Period that is specified in clauses (i), (ii), (iii), (v), (vi), (viii) or (xi) of this Section 3.4(b) and is not intentional or willful shall not constitute Good Reason unless (x) Executive shall give the Company a written notice that identifies such action or omission and specifically refers to this Section, and (y) the Company shall fail for any reason to cure such act or omission within 30 days after Executive gives the Company such notice.

(c) If the Termination Date occurs during any portion of a Post-Change Period that is not a Merger of Equals Period, any reasonable determination by Executive that any of the events specified in subsection (b) above has occurred and constitutes Good Reason shall be conclusive and binding for all purposes, unless the Company establishes by clear and convincing evidence that Executive did not have any reasonable basis for such determination. If the Termination Date occurs during a Post-Merger of Equals Period, a determination by Executive that any of the foregoing events has occurred and constitutes Good Reason shall not be entitled to any presumptive validity or other deference by a court.

(d) In the event of any Termination of Employment by Executive for Good Reason, Executive shall as soon as practicable thereafter notify the Company of the events constituting such Good Reason by a Notice of Termination. A delay in the delivery of such Notice of Termination or a failure by Executive to include in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason shall not waive any right of Executive under this Agreement or preclude Executive from asserting such fact or circumstance in enforcing rights under this Agreement; provided, that no act or omission by the Company shall qualify as Good Reason (i) if Executive's Termination Date is more than 12 months after the first date on which Executive obtained actual knowledge of such act or omission or (ii) if such act or omission would not constitute Good Reason during a Post-Merger of Equals Period and Executive's Termination Date is more than 12 months after the first date on which Executive obtained

20

---

actual knowledge of the fact that no Merger of Equals has occurred or that a Merger of Equals Cessation has occurred.

(e) In the event that the Company fraudulently conceals any act or omission by the Company that occurs during the Post-Change Period and qualifies as Good Reason, any subsequent Termination of Employment (whether by the Company or by Executive and regardless of the circumstances of such Termination) that occurs on any date (but in no event more than 12 months after the first date on which Executive obtains actual knowledge of such act or omission) shall conclusively be deemed to be a Termination of Employment by Executive for Good Reason, notwithstanding any provision of this Agreement to the contrary.

#### **ARTICLE IV. COMPANY'S OBLIGATIONS UPON A TERMINATION OF EMPLOYMENT**

4.1 *If by Executive for Good Reason or by the Company Other Than for Cause or Disability.* If, during the Post-Change Period, the Company terminates Executive's employment other than for Cause or Disability, or if Executive terminates employment for Good Reason, the Company's sole obligations to Executive under Sections 2.1 and 2.2 and this Article shall be as follows:

(a) The Company shall pay Executive, in addition to all vested rights arising from Executive's employment as specified in Article II, a lump-sum cash amount equal to the sum of the following:

(i) all Accrued Obligations;

(ii) Executive's Pro-rata Annual Bonus reduced (but not below zero) by the amount of any Annual Bonus paid to Executive with respect to the Company's fiscal year in which the Termination Date occurs;

(iii) Executive's Pro-rata LTIP Bonus reduced (but not below zero) by the amount of any LTIP Bonus paid to Executive with respect to the Company's fiscal year in which the Termination Date occurs;

(iv) all amounts previously deferred by, or accrued to the benefit of, Executive under any defined contribution Non-Qualified Plans, whether or not vested, together with any accrued earnings thereon, to the extent that such amounts and earnings have not been previously paid by the Company (whether pursuant to Section 2.4 or otherwise);

(v) an amount equal to three (3.0) times the sum of (x) Base Salary, (y) the Target Annual Bonus, and (z) the Annualized LTIP Bonus, each determined as of the Termination Date; provided, however, that any reduction in Executive's Base Salary, Target Annual Bonus or Annualized LTIP Bonus that would qualify as Good Reason shall be disregarded for this purpose; and

21

---

(vi) to the extent not paid pursuant to clause (iv) of this Section 4.1(a), an amount equal to the sum of the value of the unvested portion of Executive's accounts or accrued benefits under any defined contribution Plan (whether or not qualified under Section 401(a) of the Code) maintained by the Company as of the Termination Date and forfeited by Executive by reason of the Termination of Employment.

Such lump-sum amount shall be paid no more than five business days after the Termination Date; provided, however, that such lump-sum amount shall be paid no more than 30 calendar days after a Termination Date that occurs during a Post-Merger of Equals Period.

(b) The Company shall pay Executive, in lieu of all benefits under all defined benefit Non-Qualified Plans that have accrued on or before the Termination Date but remain unpaid as of such date, a lump-sum cash amount equal to the positive difference, if any, between:

(i) the sum of the Lump-Sum Values of each Maximum Annuity that would be payable to Executive under any defined benefit Plan (whether or not qualified under Section 401(a) of the Code) if Executive had:

- (1) become fully vested in all such benefits to the extent that such benefits are unvested as of the Termination Date,
- (2) attained as of the Termination Date an age that is three years greater than Executive's actual age,
- (3) accrued a number of years of service (for purposes of determining the amount of such benefits, entitlement to early retirement benefits, and all other purposes of such defined benefit plans) that is three years greater than the number of years of service actually accrued by Executive as of the Termination Date, and
- (4) received the lump-sum severance benefits specified in Section 4.1(a) (excluding all LTIP Bonuses and any severance multiples thereof, and all amounts in respect of Stock Options or Restricted Shares, if any) as covered compensation in equal monthly installments during the Severance Period,

minus

(ii) the sum of (x) the Lump-Sum Values of the Maximum Annuity benefits vested and payable (whether currently or at some future date) to Executive under each defined benefit Plan that is qualified under Section 401(a) of the Code and (y) the aggregate amounts simultaneously or previously paid (whether pursuant to Section 2.4 or otherwise) to Executive under the defined benefit Plans (whether or not qualified under Section 401(a) of the Code) described in clause (i) of this Section 4.1(b).

22

---

Such lump-sum amount shall be paid no more than five business days after the Termination Date; provided, however, that such lump-sum amount shall be paid no more than 30 calendar days after a Termination Date that occurs during a Post-Merger of Equals Period.

(c) (i) On the Termination Date, all of Executive's unvested Stock Options then outstanding (whether granted before or after the Agreement Date) shall immediately become fully vested and exercisable, and (ii) all of Executive's Restricted Shares then outstanding shall immediately become fully vested and nonforfeitable. This Section 4.1(c) amends all award agreements dated as of any date before the Agreement Date.

(d) All of Executive's then-outstanding Stock Options that were granted after the Agreement Date, whether vested on or before the Termination Date, shall thereafter remain exercisable until the last to occur of (x) the first anniversary of the Termination Date, (y) the expiration of any restrictions on Executive's right to sell the shares issuable upon the exercise of such Stock Options, which restrictions were imposed to permit a Reorganization Transaction to be accounted for on a pooling-of-interests basis, and (z) any period provided in the applicable stock option agreement or stock option plan as then in effect, but in no event shall such period of exercisability continue after the date on which such Stock Options would have expired if Executive had remained an employee of the Company.

(e) Within five business days after Executive's Termination Date, the Company shall deliver to Executive certificates for all Restricted Shares theretofore held by or on behalf of the Company.

(f) If the Termination Date shall occur during the Post-Merger of Equals Period, the Company shall pay on behalf of Executive all fees and costs charged by the outplacement firm selected by the Company to provide outplacement services to Executive. If the Termination Date shall occur at any other time during the Post-Change Period, the Company shall pay on behalf of Executive all reasonable fees and costs charged by the outplacement firm selected by Executive to provide outplacement services to Executive or, at the election of Executive, shall pay to Executive within five business days of its receipt of notice of Executive's election an amount equal to the reasonable fees and expenses such outplacement firm would charge.

(g) Until the third anniversary of the Termination Date or such later date as any Plan may specify (the "*Severance Period*"), the Company shall continue to provide to Executive and Executive's family welfare benefits (including medical, prescription, dental, disability, salary continuance, individual life, group life, accidental death and travel accident insurance plans and programs) that are at least as favorable as:

- (i) during a Post-Change Period other than Post-Merger of Equals Period, the most favorable Plans of the Company applicable to other peer executives and their families as of the Termination Date, but which are in no event less favorable than the most favorable Plans of the Company applicable to other peer executives

23

---

and their families during the 90-day period immediately before the Effective Date; or

- (ii) during a Post-Merger of Equals Period, those in effect from time to time for other peer executives of the Company and their families,

as applicable. The cost of such welfare benefits to Executive shall not exceed the cost of such benefits to Executive immediately before the Termination Date or, if less, the Effective Date, except that if the Termination Date occurs during a Post-Merger of Equals Period, such cost may only be any amount not in excess of the cost of such welfare benefits to peer executives of the Company as in effect from time to time. Executive's rights under this Section shall be in addition to, and not in lieu of, any post-termination continuation coverage or conversion rights Executive may have pursuant to applicable law, including continuation coverage required by Section 4980 of the Code. Notwithstanding any of the above, such welfare benefits shall be secondary to any similar welfare benefits provided by Executive's subsequent employer.

4.2 *If by the Company for Cause.* If the Company terminates Executive's employment for Cause during the Post-Change Period, the Company's sole obligation to Executive under Sections 2.1 and 2.2 and this Article shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

4.3 *If by Executive Other Than for Good Reason.* If Executive terminates employment during the Post-Change Period other than for Good Reason, Disability or death, the Company's sole obligation to Executive under Sections 2.1 and 2.2 and this Article shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

4.4 *If by the Company for Disability.* If the Company terminates Executive's employment by reason of Executive's Disability during the Post-Change Period, the Company's sole obligation to Executive under Sections 2.1 and 2.2 and this Article shall be as follows:

- (a) to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date, and

(b) to provide Executive disability and other benefits after the Termination Date that are not less favorable to Executive than the most favorable of such benefits then available under Plans of the Company to disabled peer executives of the Company.

Unless the Disability Effective Date occurs during a Post-Merger of Equals Period, such disability and other benefits shall also be not materially less favorable, in the aggregate, to Executive than the most favorable of the disability and other benefits available to Executive under such Plans in effect at any time during the 90-day period immediately preceding the Effective Date.

4.5 *If Upon Death.* If Executive's employment is terminated by reason of Executive's death during the Post-Change Period, the Company's sole obligations to Executive under Sections 2.1 and 2.2 and this Article shall be as follows:

24

(a) to pay Executive's estate or Beneficiary a lump-sum cash amount equal to all Accrued Obligations; and

(b) to provide Executive's estate or Beneficiary survivor and other benefits that are not less than the most favorable survivor and other benefits then available under Plans of the Company to the estates or the surviving families of peer executives of the Company.

Unless Executive's death occurs during a Post-Merger of Equals Period, such survivor benefits shall also be no less favorable, in the aggregate, than the most favorable of the survivor benefits available to Executive under such Plans in effect at any time during the 90-day period immediately preceding the Effective Date.

4.6 *Amount Contested.*

(a) In the event of any dispute between the Company and Executive as to the nature or extent of the Company's obligation to make any payments or provide other benefits to Executive or Executive's family pursuant to Sections 4.1 or 2.4, Executive shall have the right, exercisable by written notice given to the Company at any time on or after an Effective Date (except during a Post-Merger of Equals Period), to obtain, within 30 days after the Company's receipt of Executive's demand therefor, a written certificate prepared by the Company and certified by Allstate's independent auditors (a "*Section 4.6 Certificate*"). The Section 4.6 Certificate shall specify in detail either (i) the amount and nature of each payment or other benefit that the Company believes is then due and owing to Executive pursuant to Section 2.4 or 4.1, as applicable, or (ii) if the Company asserts that the conditions to Executive's entitlement to severance or other benefits pursuant to Section 4.1 or 2.4, as applicable, have for any reason not been satisfied, the amount and nature of each payment or other benefit that the Company believes would be due and owing to Executive pursuant to Section 4.1 or 2.4, as applicable, if all of such applicable conditions had been fully satisfied. Executive may not demand more than one Section 4.6 Certificate in respect of his rights under Section 4.1 or more than one Section 4.6 Certificate in respect of his rights under Section 2.4.

(b) Each Section 4.6 Certificate shall include schedules that specify in detail how each amount or other benefit specified therein was computed, together with appropriate references to specific provisions of this Agreement or of any applicable Plans or Policies of the Company, copies of which Plans or Policies shall be attached to such schedules.

(c) If the Termination of Employment occurred during a Post-Change Period (except during a Post-Merger of Equals Period), the Company shall be precluded from asserting that any portion of the payments or other benefits due to Executive pursuant to Section 4.1 or 2.4, as applicable, is less than the amount specified in the Section 4.6 Certificate. The Section 4.6 Certificate shall in no event be binding on Executive and Executive shall have the right to assert that any or all of the payments or other benefits to be provided pursuant to Section 4.1 or 2.4 are greater than or different from those specified in the Section 4.6 Certificate.

25

(d) If the Company shall for any reason fail to deliver to Executive a Section 4.6 Certificate in compliance with this Section within 30 days after the Company's receipt of Executive's written demand therefor, Executive's determination of the amount and nature of payments or other benefits due to Executive (i) pursuant to Section 4.1 and set forth in an Executive's Severance Determination (as defined below) or (ii) pursuant to Section 2.4 and set forth in an Executive's Deferred Compensation Determination (as defined below) shall be conclusive and binding for all purposes of this Agreement unless the Company shall establish, by clear and convincing evidence, that Executive's Severance Determination or Executive's Deferred Compensation Determination, as applicable, is incorrect and that a different amount (which may be zero or a positive amount) or nature of payments or other benefits is correct. "*Executive's Severance Determination*" means an opinion of nationally recognized executive compensation counsel to the effect that the amount and nature of severance and other benefits due to Executive pursuant to Section 4.1 is the amount and nature that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Agreement and applicable law. "*Executive's Deferred Compensation Determination*" means an opinion of nationally recognized executive compensation counsel to the effect that the amount of payments due to Executive pursuant to Section 2.4 is the amount that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Agreement and applicable law.

## ARTICLE V. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY

5.1 *Gross-up for Certain Taxes.*

(a) If it is determined by Allstate's independent auditors that any monetary or other benefit received or deemed received by Executive from the Company or any Affiliate pursuant to this Agreement or otherwise, whether or not in connection with a Change of Control (such monetary or other benefits collectively, the "*Potential Parachute Payments*"), is or will become subject to any excise tax under Section 4999 of the Code or any similar tax under any United States federal, state, local or other law (such excise tax and all such similar taxes collectively, "*Excise Taxes*"), then the Company shall, subject to Sections 5.6 and 5.7, within five business days after such determination, pay Executive an amount (the "*Gross-Up Payment*") equal to the product of:

(i) the amount of such Excise Taxes

multipled by

(ii) the Gross-Up Multiple (as defined in Section 5.4).

26

The Gross-Up Payment is intended to compensate Executive for all Excise Taxes payable by Executive with respect to Potential Parachute Payments and all Taxes or Excise Taxes payable by Executive with respect to the Gross-Up Payment.

(b) The determination of Allstate's independent auditors described in Section 5.1(a), including the detailed calculations of the amounts of the Potential Parachute Payments, Excise Taxes and Gross-Up Payment and the assumptions relating thereto, shall be set forth in a written certificate of such auditors (the "Company Certificate") delivered to Executive. Executive or the Company may at any time request the preparation and delivery to Executive of a Company Certificate. The Company shall cause the Company Certificate to be delivered to Executive as soon as reasonably possible after such request.

## 5.2 Determination by Executive.

(a) If (i) the Company shall fail to deliver a Company Certificate to Executive within 30 days after its receipt of his written request therefor, or (ii) at any time after Executive's receipt of a Company Certificate, Executive disputes either (x) the amount of the Gross-Up Payment set forth therein or (y) the determination set forth therein to the effect that no Gross-Up Payment is due by reason of Section 5.7 or otherwise, then Executive may elect to require the Company to pay a Gross-Up Payment in the amount determined by Executive as set forth in an Executive Counsel Opinion (as defined in Section 5.5). Any such demand by Executive shall be made by delivery to the Company of a written notice that specifies the Gross-Up Payment determined by Executive (together with the detailed calculations of the amounts of Potential Parachute Payments, Excise Taxes and Gross-Up Payment and the assumptions relating thereto) and an Executive Counsel Opinion regarding such Gross-Up Payment (such written notice and opinion collectively, the "Executive's Gross-Up Determination"); provided, however, that Executive shall not be entitled to present an Executive's Gross-Up Determination during a Post-Merger of Equals Period unless the Company shall have failed to deliver a Company Certificate as required by clause (i) of the first sentence of this Section 5.2. Within 30 days after delivery of an Executive's Gross-Up Determination to the Company, the Company shall either (i) pay Executive the Gross-Up Payment set forth in the Executive's Gross-Up Determination (less the portion thereof, if any, previously paid to Executive by the Company) or (ii) deliver to Executive a Company Certificate and a Company Counsel Opinion (as defined in Section 5.5), and pay Executive the Gross-Up Payment specified in such Company Certificate. If for any reason the Company fails to comply with the preceding sentence, the Gross-Up Payment specified in the Executive's Gross-Up Determination shall be controlling for all purposes.

(b) If Executive does not request a Company Certificate, and the Company does not deliver a Company Certificate to Executive, then (i) the Company shall, for purposes of Section 5.7, be deemed to have determined that no Gross-Up Payment is due and (ii) Executive shall not pay any Excise Taxes in respect of Potential Parachute Payments except in accordance with Sections 5.6(a) or (d).

27

---

5.3 *Additional Gross-up Amounts.* If for any reason (whether pursuant to subsequently enacted provisions of the Code, final regulations or published rulings of the IRS, a final judgment of a court of competent jurisdiction, a determination of the Company's independent auditors set forth in a Company Certificate or, subject to the last two sentences of Section 5.2(a), an Executive's Gross-Up Determination) it is later determined that the amount of Excise Taxes payable by Executive is greater than the amount determined by the Company or Executive pursuant to Section 5.1 or 5.2, as applicable, then the Company shall, subject to Sections 5.6 and 5.7, pay Executive an amount (which shall also be deemed a Gross-Up Payment) equal to the product of:

(a) the sum of (i) such additional Excise Taxes and (ii) any interest, penalties, expenses or other costs incurred by Executive as a result of having taken a position in accordance with a determination made pursuant to Section 5.1 or 5.2, as applicable,

multiplied by

(b) the Gross-Up Multiple.

5.4 *Gross-up Multiple.* The "Gross-Up Multiple" shall equal a fraction, the numerator of which is one (1.0), and the denominator of which is one (1.0) minus the lesser of (i) the sum, expressed as a decimal fraction, of the effective after-tax marginal rates of all Taxes and any Excise Taxes applicable to the Gross-Up Payment or (ii) 0.80, it being intended that the Gross-Up Multiple shall in no event exceed five (5.0). (If different rates of tax are applicable to various portions of a Gross-Up Payment, the weighted average of such rates shall be used.) For purposes of this Section, Executive shall be deemed to be subject to the highest effective after-tax marginal rate of Taxes.

5.5 *Opinion of Counsel.* "Executive Counsel Opinion" means an opinion of nationally recognized executive compensation counsel to the effect (i) that the amount of the Gross-Up Payment determined by Executive pursuant to Section 5.2 is the amount that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Article and applicable law and (ii) if the Company has previously delivered a Company Certificate to Executive, that there is no reasonable basis or no substantial authority for the calculation of the Gross-Up Payment set forth in the Company Certificate. "Company Counsel Opinion" means an opinion of nationally recognized executive compensation counsel to the effect that (i) the amount of the Gross-Up Payment set forth in the Company Certificate is the amount that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Article and applicable law and (ii) for purposes of Section 6662 of the Code, Executive has substantial authority to report on his federal income tax return the amount of Excise Taxes set forth in the Company Certificate.

## 5.6 Amount Increased or Contested.

(a) Executive shall notify the Company in writing (an "Executive's Notice") of any claim by the IRS or other taxing authority (an "IRS Claim") that, if successful, would require the payment by Executive of Excise Taxes in respect of Potential

28

---

Parachute Payments in an amount in excess of the amount of such Excise Taxes determined in accordance with Section 5.1 or 5.2, as applicable. Executive's Notice shall include the nature and amount of such IRS Claim, the date on which such IRS Claim is due to be paid (the "IRS Claim Deadline"), and a copy of all notices and other documents or correspondence received by Executive in respect of such IRS Claim. Executive shall give the Executive's Notice as soon as practicable, but no later than the earlier of (i) 10 business days after Executive first obtains actual knowledge of such IRS Claim or (ii) five business days before the IRS Claim Deadline; provided, however, that any failure to give such Executive's Notice shall affect the Company's obligations under this Article only to the extent that the Company is actually prejudiced by such failure. If at least one business day before the IRS Claim Deadline the Company shall:

(i) deliver to Executive a Company Certificate to the effect that the IRS Claim has been reviewed by the Company's independent auditors and, notwithstanding the IRS Claim, the amount of Excise Taxes, interest or penalties payable by Executive is less than the amount specified in the IRS Claim,

(ii) pay to Executive an amount (which shall also be deemed a Gross-Up Payment) equal to the positive difference between the product of (x) the amount of Excise Taxes, interest and penalties specified in the Company Certificate, if any, multiplied by (y) the Gross-Up Multiple, less the portion of such product, if any, previously paid to Executive by the Company, and

(iii) direct Executive pursuant to Section 5.6(d) to contest the balance of the IRS Claim,

then Executive shall pay only the amount, if any, of Excise Taxes, interest and penalties specified in the Company Certificate. In no event shall Executive pay an IRS Claim earlier than 30 days after having given an Executive's Notice to the Company (or, if sooner, the IRS Claim Deadline).

(b) At any time after the payment by Executive of any amount of Excise Taxes or related interest or penalties in respect of Potential Parachute Payments (whether or not such amount was based on a Company Certificate, an Executive's Gross-Up Determination or an IRS Claim), the Company may in its discretion require Executive to pursue a claim for a refund (a "Refund Claim") of all or any portion of such Excise Taxes, interest or penalties as the Company may specify by written notice to Executive.

(c) If the Company notifies Executive in writing that the Company desires Executive to contest an IRS Claim or to pursue a Refund Claim, Executive shall:

(i) give the Company all information that it reasonably requests in writing from time to time relating to such IRS Claim or Refund Claim, as applicable,

(ii) take such action in connection with such IRS Claim or Refund Claim (as applicable) as the Company reasonably requests in writing from time to time, including accepting legal representation with respect thereto by an attorney

29

---

selected by the Company, subject to the approval of Executive (which approval shall not be unreasonably withheld or delayed),

(iii) cooperate with the Company in good faith to contest such IRS Claim or pursue such Refund Claim, as applicable,

(iv) permit the Company to participate in any proceedings relating to such IRS Claim or Refund Claim, as applicable, and

(v) contest such IRS Claim or prosecute Refund Claim (as applicable) to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company may from time to time determine in its discretion.

The Company shall control all proceedings in connection with such IRS Claim or Refund Claim (as applicable) and in its discretion may cause Executive to pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the IRS or other taxing authority in respect of such IRS Claim or Refund Claim (as applicable); provided that (i) any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive relating to the IRS Claim is limited solely to such IRS Claim, (ii) the Company's control of the IRS Claim or Refund Claim (as applicable) shall be limited to issues with respect to which a Gross-Up Payment would be payable, and (iii) Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or other taxing authority.

(d) The Company may at any time in its discretion direct Executive to (i) contest the IRS Claim in any lawful manner or (ii) pay the amount specified in an IRS Claim and pursue a Refund Claim; provided, however, that if the Company directs Executive to pay an IRS Claim and pursue a Refund Claim, the Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify Executive, on an after-tax basis, for any Taxes, Excise Taxes and related interest or penalties imposed with respect to such advance.

(e) The Company shall pay directly all legal, accounting and other costs and expenses (including additional interest and penalties) incurred by the Company or Executive in connection with any IRS Claim or Refund Claim, as applicable, and shall indemnify Executive, on an after-tax basis, for any Taxes, Excise Taxes and related interest and penalties imposed as a result of such payment of costs and expenses.

#### 5.7 Limitations on Gross-Up Payments.

(a) Notwithstanding any other provision of this Article V, if the aggregate After-Tax Amount (as defined below) of the Potential Parachute Payments and Gross-Up Payment that, but for this Section 5.7, would be payable to Executive, does not exceed 110% of the After-Tax Floor Amount (as defined below), then no Gross-Up Payment shall be made to Executive and the aggregate amount of Potential Parachute Payments payable to Executive shall be reduced (but not below the Floor Amount) to the largest amount that would both (i) not cause any Excise Taxes to be payable by Executive and

30

---

(ii) not cause any Potential Parachute Payments to become nondeductible by the Company by reason of Section 280G of the Code (or any successor provision). For purposes of the preceding sentence, Executive shall be deemed to be subject to the highest effective after-tax marginal rate of Taxes.

(b) For purposes of this Agreement:

(i) "After-Tax Amount" means the portion of a specified amount that would remain after payment of all Taxes and Excise Taxes paid or payable by Executive in respect of such specified amount; and

(ii) "Floor Amount" means the greatest pre-tax amount of Potential Parachute Payments that could be paid to Executive without causing Executive to become liable for any Excise Taxes in connection therewith; and

(iii) "After-Tax Floor Amount" means the After-Tax Amount of the Floor Amount.

5.8 *Refunds.* If, after the receipt by Executive of any payment or advance of Excise Taxes by the Company pursuant to this Article, Executive receives any refund with respect to such Excise Taxes, Executive shall (subject to the Company's complying with any applicable requirements of Section 5.6) promptly pay the Company the amount of such refund (together with any interest paid or credited thereon after Taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 5.6, a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such determination within 30 days after the Company receives written notice of such determination, then such advance



shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid. Any contest of a denial of refund shall be controlled by Section 5.6.

## **ARTICLE VI. EXPENSES AND INTEREST**

### **6.1 Legal and Other Expenses.**

(a) If Executive incurs legal fees (including fees in connection with the delivery of an Executive Counsel Opinion) or other expenses (including expert witness and accounting fees) in an effort to determine, secure, preserve, establish entitlement to, or obtain benefits under this Agreement (collectively, "*Legal and Other Expenses*"), the Company shall, regardless of the outcome of such effort, pay or reimburse Executive for such Legal and Other Expenses in accordance with Section 6.1(b), and shall also pay Executive an additional payment (an "*Expense Gross-Up*") such that, after payment of all Taxes and Excise Taxes on such amount and such additional payment, there remains a balance sufficient to pay all such Legal and Other Expenses.

31

---

(b) All Legal and Other Expenses and the Expense Gross-Ups shall be paid or reimbursed on a monthly basis within 10 days after Allstate's receipt of Executive's written request accompanied by evidence that such Legal and Other Expenses were incurred.

(c) If Executive does not prevail (after exhaustion of all available judicial remedies) in respect of a claim by Executive or by the Company hereunder, and the Company establishes before a court of competent jurisdiction, by clear and convincing evidence, that Executive had no reasonable basis for his claim hereunder, or for his response to the Company's claim hereunder, or acted in bad faith, no further payment of or reimbursement for Legal and Other Expenses shall be due to Executive in respect of such claim and Executive shall refund any amounts previously paid or reimbursed hereunder with respect to such claim.

(d) All accrued but unpaid obligations of the Company to pay or reimburse Executive for Legal and Other Expenses pursuant to this Section (other than any portion of such Expenses that are accrued prior to an Effective Date or during a Post-Merger of Equals Period as to which no Merger of Equals Cessation has occurred) shall be secured by an irrevocable \$5.0 million letter of credit in the form attached as Exhibit 1 to this Agreement (the "*Letter of Credit*"). Allstate shall cause Executive to be listed as an "*Executive*" in the applicable annex to the Letter of Credit as soon as reasonably practicable after the Agreement Date. In addition, Executive shall be an intended third-party beneficiary of the Escrow Agreement referenced in the Letter of Credit and attached hereto as Exhibit 2.

6.2 *Interest.* If the Company does not pay an amount due to Executive under this Agreement within five business days after such amount first became due and owing, interest shall accrue on such amount from the date it became due and owing until the date of payment at an annual rate equal to 200 basis points above the base commercial lending rate published in *The Wall Street Journal* in effect from time to time during the period of such nonpayment.

## **ARTICLE VII. NO SET-OFF OR MITIGATION**

7.1 *No Set-off by Company.* Executive's right to receive when due the payments and other benefits provided for under this Agreement is absolute, unconditional and subject to no set-off, counterclaim or legal or equitable defense. Time is of the essence in the performance by the Company of its obligations under this Agreement. Any claim that the Company may have against Executive, whether for a breach of this Agreement or otherwise, shall be brought in a separate action or proceeding and not as part of any action or proceeding brought by Executive to enforce any rights against the Company under this Agreement, except if (i) the Company's claim is determined by a court to be a compulsory counterclaim under applicable law or (ii) if a court determines that the Company would otherwise be materially prejudiced if its claim were to be brought in a separate action.

32

---

7.2 *No Mitigation.* Executive shall not have any duty to mitigate the amounts payable by the Company under this Agreement by seeking new employment or self-employment following termination. Except as specifically otherwise provided in this Agreement, all amounts payable pursuant to this Agreement shall be paid without reduction regardless of any amounts of salary, compensation or other amounts that may be paid or payable to Executive as the result of Executive's employment by another employer or self-employment.

## **ARTICLE VIII. RESTRICTIVE COVENANTS**

8.1 *Non-Competition.* If Executive remains employed by the Company on the Effective Date, Executive shall not at any time during the period beginning on the Effective Date and ending on the first anniversary of the Termination Date, directly or indirectly, in any capacity:

(a) engage or participate in, become employed by, serve as a director of, or render advisory or consulting or other services in connection with, any Competitive Business; provided, however, that this Section 8.1(a) shall not preclude Executive from being an employee of, or consultant to, any business unit of a Competitive Business if (i) such business unit does not qualify as a Competitive Business in its own right and (ii) Executive does not have any direct or indirect involvement in, or responsibility for, any operations of such Competitive Business that cause it to qualify as a Competitive Business; or

(b) make or retain any financial investment, whether in the form of equity or debt, or own any interest, in any Competitive Business; provided, however, that nothing in this subsection shall restrict Executive from making an investment in any Competitive Business if such investment (i) represents no more than 1% of the aggregate market value of the outstanding capital stock or debt (as applicable) of such Competitive Business, (ii) does not give Executive any right or ability, directly or indirectly, to control or influence the policy decisions or management of such Competitive Business, and (iii) does not create a conflict of interest between Executive's duties under this Agreement and his interest in such investment.

8.2 *Non-Solicitation.* If Executive remains employed by the Company on the Effective Date, Executive shall not at any time during the period beginning on the Effective Date and ending on the first anniversary of the Termination Date, directly or indirectly:

(a) other than in connection with the good-faith performance of his duties as an officer of the Company, encourage any employee or agent of the Company to terminate his relationship with the Company;

(b) employ, engage as a consultant or adviser, or solicit the employment or engagement as a consultant or adviser, of any employee or agent of the Company (other than by the Company or its Affiliates), or cause or encourage any Person to do any of the foregoing;

(c) establish (or take preliminary steps to establish) a business with, or encourage others to establish (or take preliminary steps to establish) a business with, any employee or agent of the Company; or

(d) interfere with the relationship of the Company with, or endeavor to entice away from the Company, any Person who or which at any time during the period commencing one year prior to the Agreement Date was or is a material customer or material supplier of, or maintained a material business relationship with, the Company.

### 8.3 Reasonableness of Restrictive Covenants.

(a) Executive acknowledges that the covenants contained in Sections 8.1 and 8.2 are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect the Company's relationships with its employees, customers and suppliers. Executive further acknowledges such covenants are essential elements of this Agreement and that, but for such covenants, the Company would not have entered into this Agreement.

(b) The Company and Executive have each consulted with their respective legal counsel and have been advised concerning the reasonableness and propriety of such covenants. Executive acknowledges that his observance of the covenants contained in Sections 8.1 and 8.2 will not deprive him of the ability to earn a livelihood or to support his dependents.

### 8.4 Right to Injunction; Survival of Undertakings.

(a) In recognition of the necessity of the limited restrictions imposed by Sections 8.1 and 8.2, the parties agree that it would be impossible to measure solely in money the damages that the Company would suffer if Executive were to breach any of his obligations under such Sections. Executive acknowledges that any breach of any provision of such Sections would irreparably injure the Company. Accordingly, Executive agrees that the Company shall be entitled, in addition to any other remedies to which the Company may be entitled under this Agreement or otherwise, to an injunction to be issued by a court of competent jurisdiction, to restrain any actual breach, or threatened breach, of such provisions, and Executive hereby waives any right to assert any defense that the Company has an adequate remedy at law for any such breach.

(b) If a court determines that any of the covenants included in this Article VIII is unenforceable in whole or in part because of such covenant's duration or geographical or other scope, such court may modify the duration or scope of such provision, as the case may be, so as to cause such covenant as so modified to be enforceable.

(c) All of the provisions of this Article VIII shall survive any Termination of Employment without regard to (i) the reasons for such termination or (ii) the expiration of the Agreement Term.

8.5 *Non-Disparagement*. If Executive remains employed by the Company on the Effective Date, Executive shall not at any time during the two-year period commencing on the Termination Date (a) make any written or oral statement that brings the Company or any of its then-current or former employees, officers or agents into disrepute, or tarnishes any of their images or reputations or (b) publish, comment on or disseminate any statements suggesting or accusing the Company or any of its then-current or former agents, employees or officers of any misconduct or unlawful behavior. This Section shall not be deemed to be breached by testimony of Executive given in any judicial or governmental proceeding that Executive reasonably believes to be truthful at the time given or by any other action of Executive that he reasonably believes is taken in accordance with the requirements of applicable law or administrative regulation.

## ARTICLE IX. NON-EXCLUSIVITY OF RIGHTS

9.1 *Waiver of Certain Other Rights*. To the extent that Executive shall have received severance payments or other severance benefits under any other Plan or agreement of the Company prior to receiving severance payments or other severance benefits pursuant to Article IV, the severance payments and other severance benefits under such other Plan or agreement shall reduce (but not below zero) the corresponding severance payments or other severance benefits to which Executive shall be entitled under Article IV. To the extent that Executive receives payments or other benefits pursuant to Article IV, Executive hereby waives the right to receive a corresponding amount of future severance payments or other severance benefits under any other Plan or agreement of the Company. To the extent that Executive receives payments pursuant to Section 4.1(b), Executive hereby waives the right to receive payments or other benefits under any Non-Qualified Plan that have accrued as of the Termination Date.

9.2 *Other Rights*. Except as expressly provided in Section 9.1, this Agreement shall not prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other Plans provided by the Company and for which Executive may qualify, nor shall this Agreement limit or otherwise affect such rights as Executive may have under any other agreements with the Company. Amounts that are vested benefits or which Executive is otherwise entitled to receive under any Plan and any other payment or benefit required by law at or after the Termination Date shall be payable in accordance with such Plan or applicable law except as expressly modified by this Agreement.

## ARTICLE X. MISCELLANEOUS

10.1 *No Assignability*. This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

10.2 *Successors*. This Agreement shall inure to the benefit of and be binding on the Company and its successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Any successor to the business or assets of the Company that assumes or agrees to perform this Agreement by operation of law, contract, or otherwise shall be jointly and severally liable with the Company under this Agreement as if such successor were the Company.

10.3 *Payments to Beneficiary.* If Executive dies before receiving amounts to which Executive is entitled under this Agreement, such amounts shall be paid in a lump sum to one or more beneficiaries designated in writing by Executive (each, a "Beneficiary"), or if none is so designated, to Executive's estate.

10.4 *Non-Alienation of Benefits.* Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, before actually being received by Executive, and any such attempt to dispose of any right to benefits payable under this Agreement shall be void.

10.5 *No Deference.* Unless otherwise expressly provided in this Agreement, no determination pursuant to, or interpretation of, this Agreement made by the board of directors (or any committee thereof) of Allstate or any Successor Corporation shall be entitled to any presumptive validity or other deference in connection with any judicial or administrative proceeding relating to or arising under this Agreement.

10.6 *Severability.* If any one or more Articles, Sections or other portions of this Agreement are declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any Article, Section or other portion not so declared to be unlawful or invalid. Any Article, Section or other portion so declared to be unlawful or invalid shall be construed so as to effectuate the terms of such Article, Section or other portion to the fullest extent possible while remaining lawful and valid.

10.7 *Amendments.* This Agreement shall not be amended or modified except by written instrument executed by Executive, Allstate and AIC.

10.8 *Notices.* All notices and other communications under this Agreement shall be in writing and delivered by hand, by nationally recognized delivery service that promises overnight delivery, or by first-class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive, to Executive at his most recent home address on file with the Company.

36

---

If to Allstate or AIC:

The Allstate Corporation  
2775 Sanders Road  
Northbrook, Illinois 60062  
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing. Notice and communications shall be effective when actually received by the addressee.

10.9 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

10.10 *Governing Law.* This Agreement shall be interpreted and construed in accordance with the laws of the State of Illinois, without regard to its choice of law principles.

10.11 *Captions.* The captions of this Agreement are not a part of the provisions hereof and shall have no force or effect.

10.12 *Number and Gender.* Wherever appropriate, the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine.

10.13 *Tax Withholding.* The Company may withhold from any amounts payable under this Agreement any Taxes that are required to be withheld by any applicable law or regulation.

10.14 *No Waiver.* Executive's failure to insist upon strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or any other provision of this Agreement. A waiver of any provision of this Agreement shall not be deemed a waiver of any other provision, and any waiver of any default in any such provision shall not be deemed a waiver of any later default thereof or of any other provision.

10.15 *Joint and Several Liability.* The obligations of Allstate and AIC to Executive under this Agreement shall be joint and several.

10.16 *No Rights Prior to Effective Date.* Notwithstanding any provision of this Agreement to the contrary, this Agreement shall not entitle Executive to any compensation, severance or other benefits of any kind prior to an Effective Date.

37

---

10.17 *Entire Agreement.* This Agreement contains the entire understanding of Allstate, AIC and Executive with respect to its subject matter.

IN WITNESS WHEREOF, Executive, Allstate and AIC have executed this Change of Control Employment Agreement as of the date first above written.

EXECUTIVE

---

[insert name of Executive]

THE ALLSTATE CORPORATION

By:

---

Title: Chairman, President & CEO

By: \_\_\_\_\_

Title: Senior Vice President—Human Resources

**The Allstate Corporation and Subsidiaries**  
**Computation of Earnings Per Common Share**

	Year Ended December 31,		
	2002	2001	2000
	(in millions except per share data)		
Net Income	\$ 1,134	\$ 1,158	\$ 2,211
Basic earnings per common share computation:			
Weighted average number of common shares(1)	707.1	720.2	744.0
Net income per share—basic	\$ 1.60	\$ 1.61	\$ 2.97
Diluted earnings per common share computation:			
Weighted average number of common shares(1)	707.1	720.2	744.0
Assumed exercise of dilutive stock options	2.8	3.1	2.8
Shares issuable under Mandatorily redeemable preferred securities(2)	—	—	1.9
Adjusted weighted number of common shares outstanding	709.9	723.3	748.7
Net income per share—diluted	\$ 1.60	\$ 1.60	\$ 2.95

(1) Common shares held as treasury shares were 198 million, 188 million and 172 million, at December 31, 2002, 2001 and 2000, respectively.

(2) See Note 11 "Capital Structure" of the Proxy Statement.

**THE ALLSTATE CORPORATION**  
**COMPUTATION OF EARNINGS TO FIXED CHARGES RATIO**

		For the Year ended December 31,				
		2002	2001	2000	1999	1998
		(in millions)				
1.	Income from continuing operations before income taxes, equity in net income of unconsolidated subsidiary, dividends on redeemable preferred securities of subsidiary trusts and cumulative effect of change in accounting principle	\$ 1,540	\$ 1,285	\$ 3,047	\$ 3,907	\$ 4,745
2.	Dividends from less than 50% owned subsidiary	—	—	—	—	1
3.	Income from continuing operations before income taxes (1+2)	\$ 1,540	\$ 1,285	\$ 3,047	\$ 3,907	\$ 4,746
Fixed Charges:						
4.	Interest on indebtedness	\$ 278	\$ 248	\$ 229	\$ 129	\$ 118
5.	Interest factor of annual rental expense	43	57	50	50	90
6.	Total fixed charges (4+5)	\$ 321	\$ 305	\$ 279	\$ 179	\$ 208
7.	Dividends on redeemable preferred securities	15	69	63	59	59
8.	Total fixed charges and dividends on redeemable preferred securities (6+7)	\$ 336	\$ 374	\$ 342	\$ 238	\$ 267
9.	Income from continuing operations before income taxes and fixed charges (3+6)	\$ 1,861	\$ 1,590	\$ 3,326	\$ 4,086	\$ 4,954
10.	Ratio of earnings to fixed charges, excluding interest credited to contractholder funds (A)(B)	5.5X	4.3X	9.7X	17.2X	18.6X
11.	Interest credited to contractholder funds	\$ 1,764	\$ 1,733	\$ 1,503	\$ 1,362	\$ 1,247
12.	Total fixed charges including dividends on redeemable preferred securities and interest credited to contractholder funds (8+11)	\$ 2,100	\$ 2,107	\$ 1,845	\$ 1,600	\$ 1,514
13.	Income from continuing operations before income taxes and fixed charges including interest credited to contractholder funds (3+6+11)	\$ 3,625	\$ 3,323	\$ 4,829	\$ 5,448	\$ 6,201
14.	<b>Ratio of earnings to fixed charges (13/12)</b>	<b>1.7X</b>	<b>1.6X</b>	<b>2.6X</b>	<b>3.4X</b>	<b>4.1X</b>

(A) The Company has authority to issue up to 25,000,000 shares of preferred stock, par value \$1.00 per share; however, there are currently no shares outstanding and the Company does not have a preferred stock dividend obligation. Therefore, the Ratio of Earnings to Fixed Charges and Preferred Stock Dividends is equal to the Ratio of Earnings to Fixed Charges and is not disclosed separately.

(B) In this presentation, interest credited to contractholder funds is excluded to promote transparency and allows users of this exhibit to quantify the impact of Interest credited to contractholder funds on the ratio of earnings to fixed charges.

## SUBSIDIARIES OF THE ALLSTATE CORPORATION

COMPANY	JURISDICTION OF ORGANIZATION
<b>The Allstate Corporation</b>	Delaware
Allstate Insurance Company	Illinois
Allstate International Insurance Holdings, Inc.	Delaware
Allstate Non-Insurance Holdings, Inc.	Delaware
Allstate Bank	United States
American Heritage Life Investment Corporation	Delaware
Kennett Capital, Inc.	Delaware
Allstate Financing II	Delaware
<b>Allstate Insurance Company</b> (Subsidiary of The Allstate Corporation)	
Allstate Fire and Casualty Insurance Company	Illinois
Allstate Financial, LCC	Delaware
Allstate Financial Corporation	Illinois
Allstate Financial Services, LLC	Delaware
Allstate Holdings, LLC	Delaware
Allstate Indemnity Company	Illinois
Allstate Insurance Company of Canada	Canada
Allstate Life Insurance Company	Illinois
New Jersey Holdings, LLC	Delaware
Allstate North American Insurance Company	Illinois
Allstate Property and Casualty Insurance Company	Illinois
Allstate Texas Lloyd's, Inc.	Texas
Northbrook Holdings, LLC	Nebraska
Ivantage Group, LLC	Delaware
<b>Allstate Holdings, LLC</b> (Subsidiary of Allstate Insurance Company)	
Allstate Floridian Insurance Company	Illinois
Allstate Floridian Indemnity Company	Illinois
<b>Allstate Insurance Company of Canada</b> (Subsidiary of Allstate Insurance Company)	
Allstate Life Insurance Company of Canada	Canada
Pembridge Insurance Company	Canada
<b>Allstate Life Insurance Company</b> (Subsidiary of Allstate Insurance Company)	
AFDW, Inc.	Oregon
Allstate Distributors, L.L.C.	Delaware
AFD, Inc.	Illinois
Allstate Financial Advisors, LLC	Delaware
ALFS, Inc.	Delaware
Allstate Life Insurance Company of New York	New York
Allstate Assignment Company	Nebraska
Allstate Settlement Corporation	Nebraska
Charter National Life Insurance Company	Illinois
Glenbrook Life and Annuity Company	Arizona
Intramerica Life Insurance Company	New York
Lincoln Benefit Life Company	Nebraska
LSA Asset Management, LLC	Delaware
Allstate Assurance Company	Illinois
Surety Life Insurance Company	Nebraska
<b>New Jersey Holdings, LLC</b> (Subsidiary of Allstate Insurance Company)	
Allstate New Jersey Insurance Company	Illinois
<b>Ivantage Group, LLC</b> (Subsidiary of Allstate Insurance Company)	
Ivantage Select Agency, Inc.	Illinois
Northbrook Indemnity Company	Illinois
<b>Northbrook Indemnity Company</b> (Subsidiary of Ivantage Group, LLC)	
Deerbrook Insurance Company	Illinois
Willow Lake Holdings, LLC	Delaware

Encompass Holdings, LLC Delaware

**Encompass Holdings, LLC**

(Subsidiary of Northbrook Indemnity Company)

Encompass Insurance Company

Illinois

Encompass Indemnity Company

Florida

**Allstate International Insurance Holdings, Inc.**

(Subsidiary of The Allstate Corporation)

Allstate Reinsurance Ltd.

Bermuda

Pembridge America Inc.

Florida

**Pafco Underwriting Managers Inc.**

(Subsidiary of Allstate International Insurance

Holdings, Inc.)

Pembridge Insurance Company

Ontario

**Allstate Non-Insurance Holdings, Inc.**

(Subsidiary of The Allstate Corporation)

Allstate Enterprises, Inc.

Delaware

Allstate Investment Management Company

Delaware

Allstate Investments, LLC

Delaware

Northbrook Services, Inc.

Delaware

Northbrook Technology of Northern Ireland, Limited

Northern Ireland

Sterling Collision Centers, Inc.

Delaware

Tech-Cor, Inc.

Delaware

**Allstate Enterprises, Inc.**

(Subsidiary of Allstate Non-Insurance Holdings, Inc.)

Allstate Motor Club, Inc.

Delaware

Roadway Protection Auto Club, Inc.

Delaware

Allstate Motor Club of Canada Inc.

Canada

**Allstate Motor Club, Inc.**

(Subsidiary of Allstate Enterprises, Inc.)

Direct Marketing Center Inc.

Delaware

Enterprises Services Corporation

Delaware

Rescue Express, Inc.

Delaware

**Sterling Collision Centers**

(Subsidiary of Allstate Non-Insurance Holdings, Inc.)

Bob Thompson Enterprises, Inc.

Pennsylvania

Pacific Painters, Inc.

Texas

Champions Pride Electronics and Trim, Inc., d/b/a Champion's Pride Collision

Texas

JSI Collision Centers, Inc., formerly Johnny's Service, Inc.

Ohio

Westborn Collision, Inc.

Michigan

---

**American Heritage Life Investment Corporation**

(Subsidiary of The Allstate Corporation)

American Heritage Life Insurance Company

Florida

American Heritage Service Company

Florida

Colonial Reinsurance, Ltd.

British Virgin Islands

E.R.J Insurance Group, Inc.

Florida

First Colonial Agency, Inc.

Florida

Florida Associated Services, Inc.

Florida

**American Heritage Life Insurance Company**

(Subsidiary of American Heritage Life Investment Corporation)

Fidelity International Company, Ltd.

Bahamas

First Colonial Insurance Company

Florida

St. Johns Bluff Timber Company

Florida

Columbia Universal Life Insurance Company

Texas

Concord Heritage Life Insurance Company Inc.

New Hampshire

Keystone State Life Insurance Company

Pennsylvania

**Fidelity International Company, Limited**

(Subsidiary of American Heritage Life Insurance Company)

Fidelity International Insurance Company, Limited

Bahamas

**Keystone State Life Insurance Company**

(Subsidiary of American Heritage Life Insurance Company)

KSL Marketing Inc.

Pennsylvania

**Deerbrook Insurance Company**

(Subsidiary of Northbrook Indemnity Company)

Deerbrook General Agency, Inc.

Texas



**Other**

Allstate County Mutual Insurance Company

Texas

A mutual company owned by policy holders. Officers and employees of Allstate Insurance Company serve as directors and officers of Allstate County Mutual Insurance Company.

Allstate Texas Lloyd's

Texas

An insurance syndicate organized under the laws of Texas. Allstate Texas Lloyd's, Inc. (a direct wholly-owned subsidiary of Allstate Insurance Company) is the attorney-in-fact for this syndicate.

---

**INDEPENDENT AUDITORS' CONSENT**

We consent to the incorporation by reference in the following registration statements of our reports dated February 5, 2003, which reports refer to a change in the The Allstate Corporation's method of accounting for goodwill and other intangible assets in 2002, appearing in or incorporated by reference in this Annual Report on Form 10-K of The Allstate Corporation for the year ended December 31, 2002.

**Registration Statements**

<b>Forms S-3 Registration Nos.</b>	<b>Forms S-8 Registration Nos.</b>
333-34583	33-77928
333-39640	33-93760
	33-93762
	33-99132
	33-99136
	33-99138
	333-04919
	333-16129
	333-23309
	333-30776
	333-40283
	333-40285
	333-40289
	333-49022
	333-60916
	333-73202
	333-100405
	333-100406

/s/ Deloitte & Touche LLP

Chicago, Illinois  
March 28, 2003

---