

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000

or

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

For the transition period from _____ to _____

Commission file number 1-11840

THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

36-3871531
(IRS Employer Identification No.)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange Chicago Stock Exchange
7.95% Cumulative Quarterly Income Preferred Securities, Series A (issued by a wholly-owned trust of the Registrant)	New York Stock Exchange
7.125% Senior Quarterly Interest Bonds	New York Stock Exchange

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

On January 31, 2001, Registrant had 726,385,326 shares of common stock outstanding. Approximately 628,079,671 of these shares, having an aggregate market value (based on closing prices on January 31, 2001 at 4:00 p.m. reported in the New York Stock Exchange Composite listing) of approximately \$24.42 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.

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 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.

Documents Incorporated By Reference

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

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Part I

Item 1. Business

The Allstate Corporation (the "Parent") 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 Parent, "Allstate"). Allstate is engaged, principally in the United States and Canada, in the personal property and casualty insurance business and the life insurance and investment products business. Allstate is the 2nd largest personal property and casualty insurer in the United States on the basis of 1999 statutory premiums earned and the nation's 13th largest life insurance business based on ordinary life insurance in force and 21st based on statutory admitted assets. Allstate has four business segments: personal property and casualty; Allstate Financial (our life insurance and investment products business); discontinued lines and coverages; and corporate and other business.

STRATEGY

Allstate's goal is to be a leading provider of personal financial services to targeted market segments using our multi-channel, multi-brand and multi-product strategy. This strategy is intended to:

Focus on the profitable growth of our personal property and casualty business and Allstate Financial

- Capitalize on the strength of the Allstate brand and our other brands such as EncompassSM Insurance and American Heritage Life
- Serve customers' needs and preferences by providing access to Allstate when, where and how they choose
- Leverage a variety of distribution and service channels, including Allstate exclusive agencies, independent agencies, other financial institutions, direct response, the workplace and the Internet

In pursuit of this strategy, we intend to seek expanded distribution channels, to offer new products and to engage in selective business start-ups, acquisitions and partnerships.

While pursuing this strategy, we intend to maintain discipline in our capital and expense management in order to create long-term stockholder value. The components of the strategy applicable to our particular business segments are covered below in the discussion of the segments.

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PERSONAL PROPERTY AND CASUALTY SEGMENT

Strategy

The personal property and casualty segment has adopted the following strategies:

- Focus on attracting and retaining customers who represent high lifetime value to Allstate's business, using strategic risk management (SRM), a multi-phase strategy to integrate and optimize pricing, underwriting and marketing decisions
- Improve profitability by continuing to manage claim and underwriting costs, thereby limiting the effect of inflation and reducing the cost of doing business
- Improve the profitability of under performing businesses such as our non-standard private passenger auto insurance business
- Make optimum use of Allstate's distribution and service channels by encouraging the growth of larger and stronger exclusive agencies and continuing the roll-out and enhancement of The Good HandsSM Network
- 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

Products

Allstate's personal property and casualty segment sells principally private passenger auto and homeowners insurance in the United States and other countries. It accounted for 64.0% of our statutory written premiums in 2000.

Although private passenger auto and homeowners insurance account for the majority of its business, the personal property and casualty segment writes many other lines of insurance, including landlords, personal umbrella, renters, condominium, residential fire, mobile home, boat owners and selected commercial property and casualty. The segment also operates Allstate Enterprises, Inc., whose principal subsidiary, Allstate Motor Club, Inc., 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 operating profit or loss attributable to the personal property and casualty segment is contained in Note 17 to the Consolidated Financial Statements beginning on page D-76 of Appendix D to the Proxy Statement. Note 17 also includes information regarding the last three years' identifiable assets attributable to our property-liability operations. Note 17 is incorporated herein by reference.

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Underwriting and Pricing

Historically we have separated both private passenger auto insurance and homeowners insurance into standard and non-standard categories for underwriting and pricing purposes. While we have not abandoned the standard/non-standard categorization, we are in the process of implementing a refined program called strategic risk management (SRM). SRM is a multi-phase strategy to integrate and optimize pricing, underwriting and marketing decisions. In pricing private passenger auto insurance for many states, SRM uses factors such as the number of years of continuous coverage with a prior insurer, prior bodily injury liability limits and financial stability to generate a tier-based pricing model. In pricing for homeowners insurance, it uses factors such as claim activity and financial stability. Tier-based pricing produces a range of premiums that is broader and more refined than the range generated by the standard/non-standard model. As a result, we believe that tier-based pricing will allow Allstate to improve its competitive position in high lifetime value market segments while improving profitability. We regard high lifetime value market segments as those that are most profitable over time due to a variety of factors, including our ability to retain the business of customers in those segments and our ability to cross sell them multiple lines of insurance coverage. Because the homeowners insurance business is

less price-sensitive than the private passenger auto insurance business, new business growth attributable to SRM will occur more gradually in the homeowners business than in the auto business.

We intend to continue to enhance SRM and to implement it throughout the U.S. for the Allstate brand as we complete the regulatory review process and as we perform additional analysis. Currently SRM is in effect for the Allstate brand in 32 states for standard auto insurance, 34 states for non-standard auto insurance and 13 states for homeowners insurance. In addition, we intend to adapt SRM for the Encompass and Deerbrook brands' business models and introduce those versions of SRM throughout the country for those brands.

We have been pursuing various initiatives to address adverse profitability trends in our non-standard business. These initiatives vary by state but include changes such as additional premium down-payment requirements, tightening of underwriting requirements, price increases, policy non-renewals (where permitted) and other administrative changes.

The personal property and casualty segment participates in the "involuntary" or "shared" private passenger auto insurance business. This business provides auto insurance to higher risk individuals who would otherwise be unable to obtain it. 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 underwriting standards used by Allstate and other participants in the non-standard auto insurance business make it less likely that applicants can obtain non-standard policies, the amount of business written by shared markets generally increases. Policies written in this market are generally priced at higher than standard rates. We have generally experienced losses in this business.

As is true for the industry in general, costs attributable to our personal property and

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casualty products are generally higher during the first year an insurance policy is in effect than for subsequent years. 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

Since 1993 the personal property and casualty segment has focused on managing its claim costs by redesigning its claim settlement procedures. This process has entailed changes to procedures for auto physical damage claims, bodily injury claims and property claims. In 2001, we intend to take additional steps to address claim severity. These steps will include loss management initiatives related to legal services, auto repair, glass, home furnishings and home repair as well as the ongoing use of medical management programs, special fraud detection investigative units and defense strategies.

Distribution Methods

In November 1999 Allstate announced a new multi-access distribution and service model—The Good Hands Network—for some of its Allstate brand personal property and casualty insurance products. In the states where it has been implemented, the network allows customers to shop for, buy and obtain service for certain Allstate personal property and casualty insurance products through Allstate agencies, over the Internet and by telephone to customer information centers. These three distribution channels are integrated and complementary, so that customers receive the same products, the same price and essentially the same service regardless of how they choose to access Allstate for a particular need.

The Good Hands Network was available in the following states as of December 31, 2000—although Internet access was delayed in Georgia pending the implementation of a new pricing model: Arizona, Alabama, Colorado, Florida, Georgia, Illinois, Indiana, Louisiana, Maryland, Michigan, Missouri, Ohio, Oregon, Tennessee and Virginia. By the end of 2001 we expect it to reach substantially all of the U.S. population. To increase the effectiveness of The Good Hands Network, its launch in a particular state may be accompanied by targeted advertising campaigns.

In 2000 we reorganized our multiple employee agency programs into Allstate's exclusive agency independent contractor program. In addition, we began equipping Allstate agencies with new technology that consolidates and provides information by household for a more complete profile of every customer's family. This technology is designed to assist agencies in their efforts to cross sell Allstate products, to retain current customers, and to target and attract new customers.

Historically and throughout 2000, we have sold our auto and homeowner products primarily through agencies, both Allstate exclusive agencies and independent agencies. Our broad-based network of approximately 13,000 exclusive agencies in the United States in

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approximately 10,000 locations produced 92.0% of the segment's written premiums in 2000. The balance was primarily generated by approximately 17,000 independent agencies.

In order to increase premium revenue from the independent agent channel, we acquired the personal lines business of CNA Financial Corporation in October 1999. In September 2000 we renamed this business "Encompass." With Encompass, we are the third largest provider of personal lines products through independent agencies in the United States, based on 1999 written premium.

The personal property and casualty segment uses several brand identities, including Allstate, Encompass, Deerbrook and Pembridge. Currently, Allstate brand policies are sold through exclusive Allstate agencies and, to a limited extent, through independent agencies. Encompass and Deerbrook policies are sold through independent agencies.

Geographic Markets

The personal property and casualty segment's principal geographic markets are in the United States. Through various Allstate affiliates, we are authorized to sell various lines of personal property and casualty insurance in all 50 states and the District of Columbia. Through various Allstate affiliates, we are also authorized in Canada, Germany and Italy.

The following table reflects, in percentages, the principal geographic distribution of statutory premiums earned for the segment for the year ended December 31, 2000:

California	10.7%
New York	10.4%
Texas	9.9%
Florida	9.3%
Pennsylvania	4.9%

No other jurisdiction accounted for more than four percent of the statutory premiums for the personal property and casualty segment.

Allstate has been selling private passenger auto insurance in Germany since 1997 and in Italy since 2000 through direct response marketing. In January 2000 we announced our withdrawal from Japan. Our international businesses do not contribute significantly to financial results for this segment.

The segment's 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 following charts provide the market shares of the personal property and casualty segment's principal competitors in the United States by direct written premium for the year ended December 31, 1999 (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	18.9%	State Farm	22.6%
Allstate	13.3%	Allstate	12.9%
Farmers	5.7%	Farmers	6.9%
Progressive	4.8%	Nationwide	4.5%
Nationwide	4.4%	Travelers	3.6%
GEICO	4.1%	USAA	3.5%

The personal private passenger auto and homeowners insurance businesses are highly competitive. For the past several years, strongly capitalized competitors have been able to offer relatively low prices. New competitors, particularly direct marketers, have been attracted to the insurance business by what were, until recently, growing profit margins. The expansion and redefinition of underwriting risk selection and tolerance by many competitors have fueled the competitive environment. For these and other reasons, we expect the business to remain competitive. However, the competitive pressure to lower prices is abating in the auto insurance business as the industry faces profit margins affected by factors such as higher jury awards, higher medical costs, increased auto body repair costs (partly based on the decreasing use of after-market parts and the corresponding increase in the use of original equipment manufacturer parts), the popularity of sport utility vehicles and higher car prices.

The personal property and casualty segment competes principally on the basis of the recognition of its brands, the scope of its distribution system, price, the breadth of its product offerings, product features, customer service, claim handling, and use of technology. In addition, extensive use of 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 1999 in the United States insurance industry, approximately \$51.13 billion of personal property and casualty premiums were generated by independent agencies. The remaining \$100.04 billion of premiums were generated by insurers placing their products directly with the consumer through employee agents, independent contractor exclusive agents and direct response marketing. As stated above, Allstate is the third largest provider of personal lines products through independent agents in the United States, based on 1999 written premium.

Catastrophe Losses and Catastrophe Management

Information regarding catastrophe losses and management is incorporated herein by reference to the discussion of "PP&C Catastrophe Losses and Catastrophe Management" beginning on page D-9 of Appendix D to the Proxy Statement.

ALLSTATE FINANCIAL SEGMENT

Strategy

Allstate Financial has adopted the following strategies:

- Become consumer centric by understanding and meeting the needs of three consumer target groups: middle-income consumers with retirement needs; affluent, relationship-oriented traditionalists who want to preserve and grow their savings; and moderate-income consumers who have family protection needs
- Extend the Allstate brand to more products and distribution channels
-

Broaden and strengthen product distribution by focusing on channels and participants with the greatest sales and profit opportunity

- Invest in technology to drive Allstate's competitive advantage through innovation and quality in operational processes
- Build a high performance organization within Allstate Financial that consistently achieves superior results through strong leadership and execution
- Expand institutional products business to gain increased operating income and investment portfolio diversification

Products

The Allstate Financial segment markets a broad line of life insurance and investment products. Our life insurance products include whole life, traditional term and interest sensitive life products, including variable life. Our investment products include fixed and variable annuities and products sold to institutions, including guaranteed investment contracts, funding agreements and annuities. We continue to develop variations of our competitive fee-based and interest sensitive products in order to satisfy changing customer needs. We evaluate Allstate Financial's results based primarily upon invested asset growth, separate account growth, face amounts of life policies in force, net income and return on required capital.

Life insurance in force, net of reinsurance, for the segment was \$242.43 billion at December 31, 2000 and \$227.66 billion at December 31, 1999. As of December 31, 2000, the segment had \$40.25 billion of investments and \$15.30 billion of separate account assets. In 2000, annuity premiums and deposits represented 64.3% of the segment's total statutory premiums and deposits.

In our efforts to meet the needs of Allstate Financial's three consumer target groups, we

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have applied to the Office of Thrift Supervision to amend the charter of Allstate Bank so that, in addition to offering trust products and services, we can offer deposit and lending products and services.

The assets and liabilities relating to variable annuities, variable life, variable universal life and certain guaranteed investment contracts are legally segregated and reflected as assets and liabilities of the separate accounts.

Information regarding the last three years' revenues, operating profit or loss, and identifiable assets attributable to the Allstate Financial segment is contained in Note 17 to the Consolidated Financial Statements beginning on page D-76 of Appendix D to the Proxy Statement, incorporated herein by reference.

Distribution Methods

We distribute Allstate Financial's products through Allstate exclusive agencies, banks, independent agencies, securities firms, direct marketing, the Internet and specialized brokers. We also use Allstate's life specialists and personal financial representatives, who provide professional financial planning services and are licensed to sell a variety of investment and insurance products.

The life specialist program will terminate on June 30, 2001. In order to continue selling Allstate Financial products and services, current life specialists must elect to convert to exclusive financial specialists prior to June 1, 2001. While life specialists are employees of Allstate Insurance Company, exclusive financial specialists are usually independent contractors.

Allstate Financial offers products and services using the Allstate, Glenbrook, Northbrook, Lincoln Benefit and American Heritage Life brands. Generally, the segment sells Allstate brand products through exclusive agencies, securities firms, direct marketing, the Internet and specialized brokers. It sells products under the other brands through both exclusive and independent agencies, securities firms, banks and direct marketing. The products sold under the Glenbrook, Northbrook and Lincoln Benefit brands are similar to the types of products that the segment offers under the Allstate brand. The American Heritage Life brand products include health and disability insurance in addition to life insurance and annuities. American Heritage Life products are generally sold through workplace marketing. We believe that this multi-brand and multi-channel distribution strategy provides operating flexibility and allows Allstate Financial to focus on niche marketing while minimizing the conflict inherent in maintaining multiple distribution channels.

We have been expanding the distribution of Allstate Financial products by increasing cross sales to existing Allstate customers in the personal property and casualty segment and by driving increased sales activity through stronger wholesaling efforts.

Over the years we have established a variety of distribution arrangements for Allstate

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Financial, including the following:

- A joint venture with Putnam Investments, Inc., a leading investment management company, to develop, market and distribute an Allstate and Putnam co-branded variable insurance and annuity line. Putnam's portfolio managers oversee the mutual fund investments that are included as investment options in some of Allstate's variable insurance products. The products are distributed by Putnam's wholesaling force and through its relationships with banks, securities firms and financial advisors. For the year ended December 31, 2000, the joint venture with Putnam produced statutory premiums and deposits of \$1.98 billion, accounting for 16.1% of the segment's total statutory premiums and deposits for the year.

- The 1999 acquisition of American Heritage Life Insurance Company, a leading distributor of life, disability and health insurance to employees at their workplaces. As part of its national expansion effort, in 2000 American Heritage Life acquired (through reinsurance) the payroll deduction universal life business of Great Southern Life Insurance Company. The independent agents who produced this in force payroll deduction business

were appointed to write new business on behalf of American Heritage Life.

- The formation of AFD, Inc., a broker dealer distribution company, to expand Allstate Financial's wholesaling of variable annuities and other investment products through banks, independent broker dealers, Morgan Stanley Dean Witter & Co. and the AIM Mutual Fund Group.
- The Allstate Financial Services program. This program allows Allstate exclusive agents to earn the "personal financial representative" designation. The program is one of Allstate's responses to the strong demand for financial products. Personal financial representatives can provide professional financial planning, help their customers with retirement planning, and sell fixed and variable annuities and mutual fund products—in addition to property and casualty and life insurance products. As of December 31, 2000 approximately 25% of Allstate's exclusive agency force had already become personal financial representatives after passing limited securities license exams and completing the Allstate training curriculum. We estimate that half of the Allstate exclusive agency force will become personal financial representatives by 2002. New Allstate exclusive agents are required to become personal financial representatives within one year of being appointed by Allstate.
- An alliance between Northbrook Life Insurance Company and Dean Witter Reynolds, Inc., a wholly-owned subsidiary of Morgan Stanley Dean Witter & Co., for the marketing and distribution of Northbrook's life and investment products exclusively through Morgan Stanley Dean Witter's Financial Advisors. For the year ended December 31, 2000, the Dean Witter alliance produced statutory premiums and deposits of \$1.05 billion, accounting for 8.6% of the segment's total statutory premiums and deposits.
- Glenbrook Life and Annuity Company's expanded relationship with the AIM Mutual Fund Group and Scudder Investor Services, now including AIM and Scudder mutual funds as investment options on various Glenbrook variable investment products.
- A reinsurance agreement with PNC Bank Corp. whereby 50% of the business sold through PNC is reinsured to a PNC insurance affiliate.
- Marketing arrangements with various banks, securities firms and independent agencies for the sale of life and investment products.

Geographic Markets

The Allstate Financial segment's principal market is the United States, where we are authorized to sell life insurance in all 50 states and the District of Columbia through various Allstate affiliates. We are also authorized to sell life insurance through various Allstate affiliates in Puerto Rico, Canada, Indonesia and the Philippines.

The following table reflects, in percentages, the principal geographic distribution of statutory premiums and deposits for the Allstate Financial segment for the year ended December 31, 2000:

California	10.8%
Florida	6.1%
Pennsylvania	6.0%
Illinois	4.7%
New York	4.7%
Nebraska	4.6%

No other jurisdiction accounted for more than four percent of the statutory premiums and deposits for the Allstate Financial segment.

Allstate has been engaged in the life insurance business in Indonesia since 1998 and the Philippines since 1999 and maintains a representative office in China. Our international businesses do not contribute significantly to our financial results. In November 2000 we sold our interest in Samshin Allstate Life Insurance Company and thereby discontinued our operations in South Korea.

Competition

We believe that the combination of our product innovation, our relationships with well-known mutual fund managers, and our strong distributor relationships give us a competitive advantage in the rapidly growing and changing market for life insurance and investment products.

Allstate Financial competes principally on the basis of the scope of our distribution systems, breadth of product offerings, brand recognition, financial strength, product features, price and customer service. In addition, with respect to variable life and investment products, we

compete on the basis of the variety of choices in our separate account portfolio of funds and the management and performance of those funds.

The life insurance and annuity market continues to be highly fragmented and competitive. As of December 31, 2000, there were approximately 735 groups of life insurance companies in the United States, most of which offered one or more products similar to those offered by the Allstate Financial segment and many of which used similar marketing techniques. Based on information contained in statements filed with state insurance departments, in 1999 approximately 25.1% of the life insurance and annuity statutory premiums and deposits were written by six groups of companies. The Allstate Financial segment ranked 13th based on ordinary life insurance in force and 21st based on statutory admitted assets. Banks and savings and loan associations in certain jurisdictions compete with the segment in the sale of life insurance products. In addition, because certain life insurance and investment products include a savings or investment component, competitors include securities firms, investment advisors, mutual funds, banks and other financial institutions.

Allstate Financial is currently facing increased competition. This is due, in part, to demutualization and consolidation activity in the life insurance industry. We expect this competitive environment to continue.

Reserves

The establishment of reserve and contractholder fund liabilities in recognition of the segment's future benefit obligations under life and annuity policies and other products are discussed in Notes 2 and 8 to the Consolidated Financial Statements beginning on pages D-42 and D-60, respectively, of Appendix D to the Proxy Statement, incorporated herein by reference.

OTHER BUSINESS SEGMENTS

Note 17 to the Consolidated Financial Statements beginning on page D-76 of Appendix D to the Proxy Statement, incorporated herein by reference, contains information regarding the last three years' revenues, operating profit or loss, and identifiable assets attributable to the corporate and other business segment. It also contains the last three years' underwriting losses and premium earned for the discontinued lines and coverages segment.

Allstate's corporate and other business segment is comprised of holding company activities and certain non-insurance operations.

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Allstate's discontinued lines and coverages segment consists of business no longer written by Allstate (including environmental, asbestos and other mass tort exposures) and certain commercial and other business in run-off.

An Allstate subsidiary wrote excess and surplus lines coverages from 1972 to 1985, including professional liability coverages written principally on claims-made coverage forms. The subsidiary also wrote substantial umbrella and excess general liability coverages on an occurrence basis, including medical and other product liability coverages, for major United States corporations. In 1985, the subsidiary was merged into Allstate Insurance Company, which assumed all of its assets and liabilities. Since the early 1980s, Allstate has experienced significant increases in losses from policies arising out of the subsidiary's umbrella and excess general liability coverage for large corporations. Most of these losses are related to environmental damage, asbestos-related claims or other mass tort claims. Allstate continues to be involved in coverage litigation with some of the former subsidiary's insureds.

Beginning in the 1960s, Allstate's assumed reinsurance business unit wrote treaty and facultative reinsurance covering property and casualty policies with major United States corporations that have since become involved in environmental, asbestos and other mass tort exposures. Allstate's assumed reinsurance business unit continues to be involved in coverage litigation and arbitration with some of its ceding companies involving liability for these claims. In 1996, Allstate sold to SCOR Re the reinsurance liabilities it had assumed in 1985 and thereafter but retained its pre-1985 assumed reinsurance liabilities.

In addition, after 1986, Allstate continued to write some direct commercial policies and national accounts risks. Also in 1986, the general liability policy used by Allstate and others in the property-liability industry for this business 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 contained annual aggregate limits for product liability coverage and policies issued after 1986 also have an annual aggregate limit as to all coverages. Allstate's experience to date is that these policy form changes have effectively limited its exposure to environmental and asbestos claim risks.

In summary, Allstate's environmental and asbestos exposures are primarily limited to policies written in periods prior to 1986 with the preponderance of the losses emanating from policies written in the 1970s. New environmental and asbestos claims, however, continue to be reported. Allstate has established reserves for the environmental and asbestos damage claims and for other mass tort exposures. Mass tort exposures primarily relate to general liability and product liability claims, such as those for medical devices and other products. However, there are significant inherent uncertainties in estimating the ultimate cost of these claims. Further information regarding the foregoing is contained in "Property-Liability Claims and Claims Expense Reserves" below. For information regarding Superfund proposed legislation, see "Regulation" below.

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PROPERTY-LIABILITY CLAIMS AND CLAIMS EXPENSE RESERVES

The following discussion of property-liability claims and claims expense reserves applies to our entire property-liability operations, encompassing both the personal property and casualty 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 as of the end of each accounting 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-57 of Appendix D to the Proxy Statement incorporated herein by reference). These reserves are an accumulation of the estimated amounts necessary to settle all outstanding claims, including claims that have been incurred but not reported 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 also influenced by external factors including court decisions, economic conditions and public attitudes. The effects of inflation are implicitly considered in the reserving process.

The establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain process. The ultimate cost of a loss may vary materially from the recorded amounts. We regularly update our reserve estimates as we learn new facts 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 changes are determined to be needed.

Establishing net loss reserves for environmental, asbestos and other mass tort claims is subject to uncertainties that are greater than those presented by other types of claims. Among the complications are the 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, the availability and collectibility of reinsurance, and the extent and timing of any such contractual liability. The legal issues concerning the interpretation of various insurance policy provisions and whether these losses are, or were ever intended to

be, covered are complex. 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. We believe that these issues are not likely to be resolved in the near future. See Note 7 to the Consolidated Financial Statements beginning on page D-57 of Appendix D to the Proxy Statement, incorporated herein by reference.

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-38 of Appendix D to the Proxy Statement, incorporated herein by reference. 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-36 of Appendix D to the Proxy Statement, incorporated herein by reference.

GROSS (\$ in millions)	Year Ended December 31,		
	2000	1999	1998
Gross reserve for property-liability claims and claims expense,			
Beginning of year	\$ 17,814	\$ 16,881	\$ 17,403
Acquisitions	0	1,047	96
Total gross reserve adjusted	17,814	17,928	17,499
Incurred claims and claims expense			
Provision attributable to the current year	17,312	15,389	14,614
Decrease in provision attributable to prior years	(615)	(392)	(695)
Total claims and claims expense	16,697	14,997	13,919
Claim payments			
Claims and claims expense attributable to current year	11,429	9,324	8,909
Claims and claims expense attributable to prior years	6,223	5,787	5,628
Total payments	17,652	15,111	14,537
Gross reserve for property-liability claims and claims expense, end of year as shown on 10-K loss reserve development table	\$ 16,859	\$ 17,814	\$ 16,881
NET (\$ in millions)	Year Ended December 31,		
	2000	1999	1998
Net reserve for property-liability claims and claims expense,			
Beginning of year	\$ 16,161	\$ 15,423	\$ 15,773
Acquisitions	0	1,023	58
Total net reserves adjusted	16,161	16,446	15,831
Incurred claims and claims expense			
Provision attributable to the current year	17,117	15,266	14,301
Decrease in provision attributable to prior years	(722)	(587)	(700)
Total claims and claims expense	16,395	14,679	13,601
Claim payments			
Claims and claims expense attributable to current year	11,358	9,349	8,521
Claims and claims expense attributable to prior years	5,973	5,615	5,488
Total payments	17,331	14,964	14,009
Net reserve for property-liability claims and claim expense, end of year as shown on 10-K loss reserve development table (1)	\$ 15,225	\$ 16,161	\$ 15,423

(1) Reserves for claims and claims expense are net of reinsurance of \$1.63 billion, \$1.65 billion and \$1.46 billion, at December 31, 2000, 1999 and 1998, respectively.

The year-end 2000 gross reserves of \$16.86 billion for property-liability insurance claims and claims expense, as determined under GAAP, were \$2.6 billion more than the reserve balance of \$14.26 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 \$1.63 billion that reduce reserves for statutory reporting and are recorded as assets for GAAP reporting and a liability for \$440 million that represents a deposit on assumed reinsurance from the acquisition of Encompass. Additional differences are caused by the reserves of the international subsidiaries, 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 1999 developed favorably in 2000 by \$722 million, compared to favorable development of the gross reserves of \$615 million. Net reserve development in 2000, 1999 and 1998 was more favorable than the gross reserve development due to higher anticipated reinsurance cessions on reserve reestimates. For further discussion of Allstate's reinsurance programs, see "Property-Liability Reinsurance Ceded" beginning on page D-15 of Appendix D to the Proxy Statement, incorporated herein by reference.

The following loss reserve development 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 or not the original reserve was adequate or inadequate 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. This presentation appears for all periods in which the income recognition provisions of Statement of Financial Accounting Standards No. 113 have been applied. The loss reserve development 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.

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Loss Reserve Development

December 31, (1)

(\$ in millions)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Gross Reserves for Unpaid Claims and Claims Expense	\$ 12,117	\$ 13,136	\$ 14,902	\$ 15,209	\$ 16,414	\$ 17,326	\$ 17,382	\$ 17,403	\$ 16,881	\$ 17,814	\$ 16,859
Deduct: Reinsurance Recoverable	1,028	1,066	1,419	1,338	1,298	1,490	1,784	1,630	1,458	1,653	1,634
Reserve For Unpaid Claims and Claims Expense Paid (cumulative) as of:	\$ 11,089	\$ 12,070	\$ 13,483	\$ 13,871	\$ 15,116	\$ 15,836	\$ 15,598	\$ 15,773	\$ 15,423	\$ 16,161	\$ 15,225
One year later	4,558	4,550	4,955	4,472	4,748	5,787	5,013	5,488	5,615	5,973	
Two years later	6,723	6,688	7,068	6,519	7,749	8,232	7,952	8,361	8,638		
Three years later	8,010	7,935	8,283	8,273	9,247	10,083	9,773	10,336			
Four years later	8,778	8,694	9,430	9,140	10,400	11,170	11,040				
Five years later	9,279	9,508	9,985	9,849	11,070	12,034					
Six years later	9,883	9,907	10,467	10,251	11,702						
Seven years later	10,196	10,284	10,762	10,725							
Eight years later	10,512	10,514	11,169								
Nine years later	10,708	10,885									
Ten years later	11,062										
Reserve Reestimated as of:											
End of year	11,089	12,070	13,483	13,871	15,116	15,836	15,598	15,773	15,423	16,161	15,225
One year later	11,367	11,990	13,081	13,159	14,691	15,500	14,921	15,073	14,836	15,439	
Two years later	11,576	11,909	12,745	12,890	14,295	14,917	14,450	14,548	14,371		
Three years later	11,680	11,905	12,735	12,832	13,928	14,700	14,156	14,183			
Four years later	11,777	12,010	12,877	12,617	13,835	14,613	13,894				
Five years later	11,954	12,322	12,830	12,585	13,915	14,455					
Six years later	12,378	12,395	12,895	12,730	13,882						
Seven years later	12,503	12,499	13,070	12,733							
Eight years later	12,612	12,686	13,113								
Nine years later	12,802	12,740									
Ten years later	12,882										
Initial reserve in excess of (less than) reestimated reserve:											
Amount	\$ (1,793)	\$ (670)	\$ 370	\$ 1,138	\$ 1,234	\$ 1,381	\$ 1,704	\$ 1,590	\$ 1,052	\$ 722	
Percent	(16.2)%	(5.6)%	2.7%	8.2%	8.2%	8.7%	10.9%	10.1%	6.8%	4.5%	
Gross Reestimated Liability-Latest					\$ 15,661	\$ 16,225	\$ 15,960	\$ 16,036	\$ 16,090	\$ 17,199	
Reestimated Recoverable-Latest					1,779	1,770	2,066	1,853	1,719	1,760	
Net Reestimated Liability-Latest					\$ 13,882	\$ 14,455	\$ 13,894	\$ 14,183	\$ 14,371	\$ 15,439	
Gross Cumulative Excess (Deficiency)					\$ 753	\$ 1,101	\$ 1,422	\$ 1,367	\$ 791	\$ 615	

The subsequent reduction in the net reserves established since December 31, 1993 shown in the foregoing table reflects favorable severity trends that Allstate has experienced, as more fully discussed below. The initial reserves established at the end of 1991 and 1990 had to be increased over the time frame used in the table principally due to the cumulative adverse reserve development on environmental, asbestos and other mass tort claims, virtually all of which relates to 1984 and prior years.

Allstate has used complex databases developed by outside experts to estimate its potential environmental losses. In addition, Allstate has its own estimation techniques for environmental and asbestos losses. We have used a combination of these resources, along with an extensive internal review of our current claim exposures, to estimate environmental and asbestos reserves. In addition we have analyzed our reinsurance recoverables in depth. Allstate updates its evaluations of environmental, asbestos and other mass tort reserves annually. While we believe that the actuarial techniques and databases described above have assisted in our ability to estimate environmental, asbestos and other mass tort 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-57 of Appendix D to the Proxy Statement, incorporated herein by reference.

The following table is derived from the Loss Reserve Development table and summarizes the effect of reserve re-estimates, net of reinsurance, on calendar year operations for the ten-year period ended December 31, 2000. The total of each column details the amount of reserve re-estimates made in the indicated calendar year and shows the accident years to which the re-estimates are applicable. The amounts in the total accident year column on the far right represent the cumulative reserve re-estimates for the indicated accident year(s).

Effect of Net Reserve Reestimates on Calendar Year Operations											
(\$ in millions)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
BY ACCIDENT YEAR											
1990 & PRIOR	\$ 278	\$ 209	\$ 104	\$ 97	\$ 177	\$ 424	\$ 125	\$ 109	\$ 190	\$ 80	\$ 1,793
1991		(289)	(185)	(101)	(72)	(112)	(52)	(5)	(3)	(26)	(845)
1992			(321)	(332)	(115)	(170)	(120)	(39)	(12)	(11)	(1,120)
1993				(376)	(259)	(200)	(168)	(97)	(30)	(40)	(1,170)
1994					(156)	(338)	(152)	(61)	(65)	(36)	(808)
1995						60	(216)	(124)	(167)	(125)	(572)
1996							(94)	(254)	(207)	(104)	(659)
1997								(229)	(231)	(103)	(563)
1998									(62)	(100)	(162)
1999										(257)	(257)
TOTAL	\$ 278	\$ (80)	\$ (402)	\$ (712)	\$ (425)	\$ (336)	\$ (677)	\$ (700)	\$ (587)	\$ (722)	\$ (4,363)

Favorable calendar year reserve development in 1992 through 2000 was the result of favorable severity trends in each of the eight years, which more than offset adverse development in the discontinued lines and coverages segment.

The favorable severity trend during this eight-year period was primarily the result of favorable injury severity trends, as compared to our anticipated trends. The positive nature of the injury severity trend was largely due to moderate medical cost inflation, mitigated by our loss management programs. The impacts of moderate medical cost inflation have emerged over time as actual claim settlements validated its magnitude. In addition, while claim settlement process changes are believed to have contributed to favorable severity trends on closed claims, these changes introduce a greater degree of variability in reserve estimates for the remaining outstanding claims at December 31, 2000. Reserve re-estimates, if any, are expected to be adversely impacted by anticipated increases in medical cost inflation rates and physical damage repair costs. See "Forward-Looking Statements and Risk Factors Affecting Allstate" in this Form 10-K.

REINSURANCE CEDED

Information regarding reinsurance ceded is incorporated herein by reference to the discussion of "Property-Liability Reinsurance Ceded" beginning on page D-15 of Appendix D to the Proxy Statement. The property-liability operations referred to in that discussion include the personal property and casualty segment and the discontinued lines and coverages segment.

CAPITAL REQUIREMENTS

Information regarding Allstate's capital requirements is incorporated herein by reference to the discussion of "Capital Resources and Liquidity" beginning on page D-23 of Appendix D to the Proxy Statement. The property-liability operations referred to in that discussion include the personal property and casualty segment and the discontinued lines and coverages segment.

INVESTMENTS

Information regarding Allstate's investment portfolio and activities is incorporated herein by reference to the discussion of "Market Risk" beginning on page D-20 of Appendix D to the Proxy Statement and "Investments" beginning on page D-27 of Appendix D to the Proxy Statement. The property-liability operations referred to in those discussions include the personal property and casualty segment and the discontinued lines and coverages segment.

Allstate is subject to extensive regulation and supervision in the jurisdictions in which it does business on a wide variety of matters including licensing and examination, price setting, trade practices, policy forms, 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. This has a substantial effect on our business, especially our personal property and casualty business. Some of these matters are discussed in more detail below. For discussion of statutory financial information, see Note 14 to the Consolidated Financial Statements beginning on page D-71 of Appendix D to the Proxy Statement, incorporated herein by reference. For discussion of regulatory contingencies, see Note 12 to the Consolidated Financial Statements beginning on page D-66 of Appendix D to the Proxy Statement, incorporated herein by reference.

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 declaration or 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
- 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; however, 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 jurisdictions in which their insurance subsidiaries do business. In the U.S., these subsidiaries are organized under the insurance codes of Arizona, California, Florida, Illinois, Nebraska, New Hampshire, New York, Pennsylvania, Tennessee and Texas. The insurance codes in these states contain similar provisions (subject to certain variations) to the effect 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 contain provisions that 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 the 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 Parent'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.

Personal property and casualty insurers are generally unable to effect price increases with respect to a line of coverage until sometime after the costs associated with such coverage have increased. The speed at which an insurer can change prices in response to competition or 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, Florida 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, which we believe have contributed to favorable severity trends on closed bodily injury claims since 1995 and to a slowing of loss payments and an increase in the number of outstanding claims, may require Allstate to actuarially

adjust loss information used in its pricing application process.

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. The homeowners insurance business comes under similar pressure, particularly as regulators in catastrophe prone states struggle to identify an acceptable methodology to price for catastrophe exposure. We expect this kind of pressure to persist. In addition, our use of financial stability 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 Allstate's personal property and casualty segment. We cannot predict the impact on our results of operations, liquidity or financial position of possible future legislative and regulatory measures regarding pricing.

Shared Markets—As a condition of its license to do business in various states, Allstate is required to participate in mandatory shared market mechanisms or pooling arrangements (including reinsurance) that provide various lines of insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Underwriting results related to these organizations, which tend to be adverse, have been immaterial to the 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. Allstate's expenses related to these funds have been immaterial.

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, 2000 the investment portfolios of our insurance subsidiaries complied with such laws and regulations in all material respects.

Exiting Geographic Markets; Canceling and Non-Renewing Policies—Many states have laws and regulations that limit an insurer's ability to exit a market. For example, certain states limit a private passenger auto insurer's ability to cancel and non-renew policies. Furthermore, certain states prohibit an insurer from withdrawing one or more lines of insurance business from the state, except pursuant to a plan that is approved by the state insurance department. The state insurance departments can refuse to approve these plans on the grounds that they 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.

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Regulation and Legislation Affecting Consolidation in the Financial Services Industry—A number of enacted and pending legislative measures could lead to increased consolidation and increased competition for business and for capital in the financial services industry.

At the federal level, these measures include the Gramm-Leach-Bliley Act of 1999, which eliminated many legal barriers to affiliations among banks, securities firms, insurers and other financial service providers. Under the Gramm-Leach-Bliley Act, the Parent is a grandfathered unitary thrift holding company and consequently may engage in activities that are not financial in nature.

At the state level, these measures include legislation to permit mutual insurance companies to convert to a hybrid structure known as a mutual holding company, thereby allowing insurance companies owned by their policyholders to become stock insurance companies owned (through one or more intermediate holding companies) partially by their policyholders and partially by stockholders. Also several large mutual life insurers have used or are expected to use existing state laws and regulations governing the conversion of mutual insurance companies into stock insurance companies (demutualization).

In addition, state insurance regulators are reexamining the regulatory framework that currently governs the U.S. insurance business. They are engaged in an effort to determine the proper role of state insurance regulation in the U.S. financial services industry following the enactment of the Gramm-Leach-Bliley Act. 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.

Other Regulatory and Legislative Initiatives—Deferred annuities and interest-sensitive life insurance products receive favorable policyholder taxation under current tax laws and regulations. Any legislative or regulatory changes that adversely alter this treatment are likely to negatively affect the demand for these products. In addition, the demand for the types of life insurance products that are used in estate planning may be affected by any legislative or regulatory changes to the taxation of estates.

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. To date, fewer than half of the designated Superfund sites have been cleaned up. The extent of clean-up necessary and the process of assigning liability remains in dispute. The insurance industry is involved in extensive litigation regarding coverage issues arising out of the clean-up of waste sites by insured

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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. See the discussion of Allstate's discontinued lines and coverages segment in "Other Business Segments", above.

Superfund reform proposals have been introduced in Congress, but none has been enacted at the date of this filing. 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

OTHER INFORMATION ABOUT ALLSTATE

As of December 31, 2000, Allstate had approximately 41,800 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 personal property and casualty 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 design logo
Allstate Financial design logo	Glenbrook
Allstate Life	Good Hands
Allstate Motor Club	Northbrook design logo
Allstate Motor Club design logo	The Good Hands Network
American Heritage Life	The Good Hands People
Deerbrook Insurance Company	The slant "A" Allstate logo
Deerbrook Insurance Company design logo	The Workplace Marketer
Encompass Insurance	You're In Good Hands With Allstate

and 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.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS AFFECTING ALLSTATE

This document contains "forward-looking statements" that anticipate results based on management's 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.

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" 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. Forward-looking statements are based on management's current expectations of future events. We cannot guarantee that any forward-looking statement will be accurate. However, we believe that our forward-looking statements are

based on reasonable, current expectations and assumptions. We assume no obligation to update any forward-looking statements as a result of new information or future events or developments.

If the expectations or assumptions underlying our forward-looking statements prove inaccurate or if 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, including those listed below.

- The implementation of Allstate's multi-access distribution model involves risks and uncertainties that could have a material adverse effect on Allstate's results of operation, liquidity or financial position. For example, the direct customer sales capabilities could lead to unreliable sales activity, an unacceptable profit contribution and channel competition.
- We continue to pursue expense reduction efforts, including the actions undertaken in connection with the \$600 million expense reduction program announced in November 1999. These expense reductions are dependent on the adequacy of the actions taken to eliminate certain employee positions, consolidate Allstate's operations and facilities, and reorganize its multiple employee agency programs to a single exclusive agency independent contractor program. The savings are being partially invested in technology, competitive pricing, The Good Hands Network and advertising.
- There is inherent uncertainty in the process of establishing property-liability loss reserves, particularly reserves for the cost of environmental, asbestos and other mass tort claims. This uncertainty arises from a number of factors, including ongoing interpretation of insurance policy provisions by courts, inconsistent decisions in lawsuits regarding coverage, and expanded theories of liability. In addition, ongoing changes in claims settlement practices can lead to changes in loss payment patterns, which are used to estimate reserve levels. Moreover, while we believe that improved actuarial techniques and databases have assisted us in estimating environmental, asbestos and other mass tort net loss reserves, these refinements may subsequently prove to be inadequate indicators of the extent of probable loss. Consequently, ultimate losses could materially exceed established loss reserves and have a material adverse effect on our results of operations, liquidity or financial position.
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We have experienced, and we expect to continue to experience, catastrophe losses. We define "catastrophe" as an event that produces pre-tax losses, before reinsurance, in excess of \$1 million and that involves multiple first party policyholders or an event that produces a number of claims in excess of a pre-set, per event, threshold of average claims in a specific area. Catastrophes are caused by various events, including earthquakes, wildfires, tornadoes, hailstorms, hurricanes, tropical storms, high winds and winter storms. While we believe that our catastrophe management initiatives (described in "PP&C Catastrophe Losses and Catastrophe Management" beginning on page D-9 of Appendix D to the Proxy Statement) have reduced the potential magnitude of possible future losses, Allstate continues to be exposed to catastrophes that could have a material adverse impact on our results of operations or financial position. Catastrophic events in the future may indicate that the techniques and

data that we use to predict the probability of catastrophes and the extent of the resulting losses are inaccurate.

- Changes in the severity (average cost per claim) of claims have an impact on the profitability of our business. Changes in bodily injury claim severity are driven primarily by inflation in the medical sector of the economy. Changes in auto physical damage claim severity are driven primarily by inflation in auto repair costs, auto parts prices and used car prices. Changes in loss costs for homeowners insurance policies are driven by inflation in the construction industry, in building materials and in home furnishings. However, while inflation in each of these sectors drives our severity, the level of inflation in any sector may not reflect our actual severity.

- Weather conditions including the frequency and severity of tornadoes, hailstorms, hurricanes, tropical storms, high winds, and winter storms affect the frequency (rate of claim occurrence) and severity of claims in the personal property and casualty segment. Changing driving patterns affect the frequency and severity of claims in our private passenger auto insurance business.

- We are currently pursuing various loss management initiatives in our personal property and casualty insurance business that we expect to contribute to the reduction of claim severity in the future. However, these initiatives may not offset the impact of increased severity, which is inherently hard to predict.

- For our non-standard private passenger auto insurance business, we are pursuing programs to address adverse profitability trends. These programs include changes such as additional down-payment requirements, new underwriting criteria, pricing increases, policy non-renewal (where permitted) and certain other administrative changes. We expect these programs to have an adverse impact on written premium growth. However, they should improve profitability.

- We amortize the Allstate Financial segment's policy acquisition costs in proportion to gross profits over the estimated lives of the contract periods. We periodically update the assumptions underlying the gross profits (which include estimated fees, investment margins and expense margins) to reflect our actual experience. These updates result in adjustments to our cumulative amortization of Allstate Financial's policy acquisition costs and could have a material effect on results of operations.

- We believe that our reserves for life-contingent contract benefits are adequate to cover ultimate policy benefits, despite the underlying risks and uncertainties associated with their determination when payments will not occur until well into the future. We periodically review and revise our estimates. Any difference between our current assumptions and our future actual experience could have a material impact on our results of operations.

- In order to meet the anticipated cash flow requirements of our obligations to policyholders,

from time to time we adjust the effective duration of the assets and liabilities of the Allstate Financial segment's investment portfolio. (See "Market Risk" on beginning on page D-20 of Appendix D to the Proxy Statement.) Those adjustments may have an impact on the value of the investment portfolio and on investment income.

- The Allstate Financial segment distributes some of its products under agreements with other members of the financial services industry that are not affiliated with Allstate. Termination of one or more of these agreements due to a change in control of any of these entities could have a detrimental effect on the segment's sales. This risk may be exacerbated by the enactment of the Gramm-Leach-Bliley Act of 1999, which eliminated many federal and state law barriers to affiliations among banks, securities firms, insurers and other financial service providers.

- Deferred annuities and interest-sensitive life insurance products receive favorable policyholder taxation under current tax laws and regulations. Any legislative or regulatory changes that adversely alter this treatment are likely to negatively affect the demand for these products. In addition, the demand for the types of life insurance products that are used in estate planning may be affected by any legislative or regulatory changes to the taxation of estates.

- The insurance business is subject to extensive regulation—particularly at the state level. Many of these restrictions affect our ability to operate and grow our businesses in a profitable manner. In particular, the personal property and casualty segment's implementation of SRM is subject to state regulatory review processes.

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 rates at levels that do not correspond with underlying costs, in our opinion. The homeowners insurance business faces similar pressure, particularly as regulators in catastrophe prone states struggle to identify an acceptable methodology to price for catastrophe exposure. We expect this kind of pressure to persist. In addition, our use of financial stability 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 Allstate's personal property and casualty segment. We cannot predict the impact on our results of operations, liquidity or financial position of possible future legislative and regulatory measures regarding rates.

For the past several years, the competitive pricing environment for private passenger auto insurance has put pressure on the personal property and casualty segment's premium growth and profit margins. We believe that this pressure is abating. However, because Allstate's personal property and casualty segment's loss ratio compares favorably to the industry, state regulatory authorities may resist our efforts to raise prices or to maintain them at current levels.

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We believe that SRM will allow us to be more competitive and to operate more profitably. However, the use of SRM in any state is subject to the regulatory review process. Moreover, it is possible that the underwriting factors used by SRM and the tiered pricing model generated by SRM do not accurately reflect the level of loss costs that we will actually incur as a result of the mix of business that we generate through the use of SRM.

A number of enacted and pending legislative measures could lead to increased consolidation and increased competition for business and for capital in the financial services industry.

At the federal level, these measures include the Gramm-Leach-Bliley Act of 1999, which eliminated many legal barriers to affiliations among banks, securities firms, insurers and other financial services providers. (Under the Gramm-Leach-Bliley Act, The Allstate Corporation is a grandfathered unitary thrift holding company and consequently may engage in activities that are not financial in nature.)

At the state level, these measures include legislation to permit mutual insurance companies to convert to a hybrid structure known as a mutual holding company, thereby allowing insurance companies owned by their policyholders to become stock insurance companies owned (through one or more intermediate holding companies) partially by their policyholders and partially by stockholders. Also several large mutual life insurers have used or are expected to use existing state laws and regulations governing the conversion of mutual insurance companies into stock insurance companies (demutualization).

In addition, state insurance regulators are reexamining the regulatory framework that currently governs the U.S. insurance business. They are engaged in an effort to determine the proper role of state insurance regulation in the U.S. financial services industry following the enactment of the Gramm-Leach-Bliley Act. 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 affect any such measures would have on Allstate.

Many states have laws and regulations that limit an insurer's ability to exit a market. For example, certain states limit a private passenger auto insurer's ability to cancel and non-renew policies. Furthermore, certain states prohibit an insurer from withdrawing one or more lines of insurance business from the state, except pursuant to a plan that is approved by the state insurance department. The state insurance departments can refuse to approve these plans on the grounds that they 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.

State insurance regulatory authorities require insurance companies to maintain specified levels of statutory capital and surplus. In addition, competitive pressures require Allstate's subsidiaries to maintain financial strength ratings. These restrictions affect The Allstate

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Corporation's ability to pay dividends to stockholders and use its capital in other ways.

There is uncertainty involved in estimating the availability of reinsurance and the collectibility of reinsurance recoverables. This uncertainty arises from a number of factors, including the restructuring by reinsurers of their capital structures and segregation by the industry generally of reinsurance exposure into separate legal entities with dedicated capital.

The Allstate Corporation is a holding company with no significant business operations of its own. Consequently, to a large extent, its ability to pay dividends and meet its debt payment obligations is dependent on dividends from its subsidiaries, primarily Allstate Insurance Company.

The Allstate Corporation has a commercial paper program with a borrowing limit of \$1.0 billion to cover short-term cash needs. In addition, it maintains two credit facilities totaling \$1.55 billion as potential sources of funds to meet short-term liquidity requirements: a \$1.50 billion, five-year revolving line of credit expiring in 2001 and a \$50 million, one-year revolving line of credit expiring in 2001. The total amount outstanding at any point in time under the combination of the commercial paper program and the lines of credit is limited to \$1.55 billion. The right to borrow on the five-year line of credit is subject to the requirements that Allstate Insurance Company maintain a specified statutory surplus level and that The Allstate Corporation's debt to consolidated net worth ratio (as defined in the credit agreement) not exceed a designated level. Our ability to meet

the requirements is dependent upon our financial condition. We expect to renew or replace the lines of credit during 2001, before they expire. When they are renewed or replaced, our right to borrow may become subject to different requirements.

Changes in market interest rates can have adverse effects on Allstate's investment portfolio, investment income, product sales and results of operations. Increases in market interest rates have an adverse impact on the value of the investment portfolio by decreasing unrealized capital gains on fixed income securities. Declining market interest rates could have an adverse impact on our investment income as we invest positive cash flows from operations and as we reinvest proceeds from maturing and called investments in new investments that could yield less than the portfolio's average rate. Changes in market interest rates, as compared to rates offered on some of the Allstate Financial segment's products, could make those products less attractive and therefore negatively affect sales or the level of surrenders on these products, or both. Fluctuating market conditions can negatively affect the balances in Allstate Financial's separate accounts and thereby negatively affect contract charges. The adverse effects of changing market interest rates are limited to some extent by the diversity of our product offerings, by reviews and revisions to crediting rates on certain products, and by early withdrawal surrender charges on certain products.

Financial strength ratings have become an increasingly important factor in establishing the competitive position of insurance companies and, generally, may be expected to have an effect on an insurance company's sales. On an ongoing basis, rating agencies review the

financial performance and condition of insurers. A downgrade, while not expected, could have a material adverse effect on our business, financial condition and results of operation.

Additional risk factors regarding market risk are incorporated herein by reference to the discussion of "Market Risk" beginning on page D-20 of Appendix D to the Proxy Statement.

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. "ALIC" refers to Allstate Life Insurance Company.

<u>Name</u>	<u>Age</u>	<u>Position and Offices Held</u>	<u>First Date Elected Officer</u>
Edward M. Liddy	55	Chairman, President and Chief Executive Officer of Parent and AIC. Also a director of The Allstate Corporation	1994
Robert S. Apatoff	42	Senior Vice President and Chief Marketing Officer of AIC	1999
John L. Carl	53	Vice President and Chief Financial Officer of Parent; Senior Vice President and Chief Financial Officer of AIC	1999
Richard I. Cohen	56	Senior Vice President of AIC (President, Property and Casualty)	1989
Joan M. Crockett	50	Senior Vice President of AIC (Human Resources)	1994
Edward J. Dixon	57	Senior Vice President of AIC (Field Operations)	1988
Steven L. Groot	51	Senior Vice President of AIC (President, Direct Distribution and E-Commerce)	1988
Ernest A. Lausier	55	Senior Vice President of AIC (President, Independent Agency Markets)	2000
Michael J. McCabe	55	Vice President and General Counsel of Parent; Senior Vice President and General Counsel of AIC	1980
Ronald D. McNeil	48	Senior Vice President of AIC (Property Operations)	1994
Robert W. Pike	59	Vice President and Secretary of Parent; Executive Vice President, and Secretary of AIC	1978
Samuel H. Pilch	54	Controller of Parent; Group Vice President and Controller of AIC	1995

Francis W. Pollard	58	Senior Vice President and Chief Information Officer of AIC	1984
Casey J. Sylla	57	Senior Vice President and Chief Investment Officer of AIC	1995

Thomas J. Wilson	43	Senior Vice President of AIC (President, Allstate Financial)	1995
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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, Carl and Lausier, 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. Prior to his election in April 1999 to the position stated above, Mr. Carl served as Executive Vice President and Chief Financial Officer of Amoco Corporation. Prior to his election in February 2000 to the position stated above, Mr. Lausier was President of CNA Personal Insurance.

Item 2. Properties

Our home office complex is located in Northbrook, Illinois. The complex consists of three buildings totaling approximately two million square feet of office space on a 185-acre site.

We also operate from approximately 1,600 administrative, data processing, claims handling and other support facilities in North America, Europe and the Far East. Approximately 5,600,000 square feet are owned and 8,840,000 are leased. Only major facilities are owned and these are in the United States and Canada. In almost all cases, lease terms are for five years or less.

We lease and operate our customer information centers in Vernon Hills and Woodridge, Illinois. We own the customer information center that we operate in Charlotte, North Carolina. A non-affiliate leases and operates the customer information center in Stockton, California.

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

Item 3. Legal Proceedings

Incorporated in this Item 3 by reference to the "Regulation and Legal Proceedings" discussion beginning on page D-29 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 16, 2001, there were 172,064 record holders of The Allstate Corporation's common stock and the closing sale price as of 4:00 p.m. as reported in the New York Stock Exchange Composite listing was \$39.80. 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 2000 and 1999. Because the New York Stock Exchange completed its conversion to decimal pricing in January 2001, all prices have been converted to decimals and rounded to two decimal places.

	High	Low	Close	Dividends Declared
2000				
First quarter	25.50	17.19	23.81	.17
Second quarter	30.13	20.06	22.25	.17
Third quarter	35.63	22.50	34.75	.17
Fourth quarter	44.75	30.81	43.56	.17
1999				
First quarter	41.00	34.75	37.06	.15
Second quarter	40.75	34.81	35.88	.15

Third quarter	37.94	24.81	24.94	.15
Fourth quarter	30.56	22.88	24.06	.15

The discussion of "Limitations on Dividends By Insurance Subsidiaries" on page 20 of this Form 10-K is incorporated by reference in this Item 5. In addition, the discussion of "Liquidity" beginning on page D-25 of Appendix D to the Proxy Statement is incorporated by reference in this Item 5.

Item 6. Selected Financial Data

Incorporated in this Item 6 by reference to "11-Year Summary of Selected Financial Data" beginning on page D-2 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-4 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 "Market Risk" discussion beginning on page D-20 of Appendix D to the Proxy Statement.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of the Parent, including the notes to such statements, beginning on page D-36 of Appendix D to the Proxy Statement are incorporated in this Item 8 by reference. Quarterly results are discussed in Note 19 on page D-79.

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 Parent 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 Parent is incorporated in this Item 10 by reference to Item 1 of this Report under the caption "Executive Officers" in Part I hereof.

Item 11. Executive Compensation

Information regarding executive compensation is incorporated in this Item 11 by reference to the material under the caption "Non-Employee Directors' Compensation and Benefits" on page 8 of the Proxy Statement and under the caption "Executive Compensation" beginning on page 18 of the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

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 9-10 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 26 of the Proxy Statement.

Part IV

Item 14. 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 14.
- (a) 3 An "Exhibit Index" has been filed as a part of this Form 10-K beginning on page E-1 hereof and is incorporated in this Item 14 by reference.
- (b) A Current Report on Form 8-K was filed November 17, 2000 (Item 9)

SIGNATURES

Pursuant to the Requirements of Section 13 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)

By: /s/ SAMUEL H. PILCH

Samuel H. Pilch
Controller
(Principal Accounting Officer)

March 20, 2001

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 capacities and on the dates indicated.

Signature	Title	Date
/s/ EDWARD M. LIDDY Edward M. Liddy	Chairman, President and Chief Executive Officer and a Director (Principal Executive Officer)	March 20, 2001
/s/JOHN L. CARL John L. Carl	Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 2001

/s/ F. DUANE ACKERMAN F. Duane Ackerman	Director	March 20, 2001
/s/JAMES G. ANDRESS James G. Andress	Director	March 20, 2001
/s/WARREN L. BATTS Warren L. Batts	Director	March 20, 2001
/s/EDWARD A. BRENNAN Edward A. Brennan	Director	March 20, 2001
/s/ JAMES M. DENNY James M. Denny	Director	March 20, 2001
/s/ W. JAMES FARRELL W. James Farrell	Director	March 20, 2001
/s/RONALD T. LEMAY Ronald T. Lemay	Director	March 20, 2001

Ronald T. LeMay

/s/MICHAEL A. MILES Director March 20, 2001

Michael A. Miles

/s/H. JOHN RILEY, JR. Director March 20, 2001

H. John Riley, Jr.

/s/JOSHUA I. SMITH Director March 20, 2001

Joshua I. Smith

/s/JUDITH A. SPRIESER Director March 20, 2001

Judith A. Sprieser

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/s/MARY ALICE TAYLOR Director March 20, 2001

Mary Alice Taylor

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THE ALLSTATE CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 2000

The following consolidated financial statements, notes thereto and related information of The Allstate Corporation are incorporated herein by reference to the Proxy Statement.

	<u>Page*</u>
Consolidated Statements of Operations **	D-36
Consolidated Statements of Comprehensive Income **	D-37
Consolidated Statements of Financial Position **	D-38
Consolidated Statements of Shareholders' Equity **	D-39
Consolidated Statements of Cash Flows **	D-40
Notes to the Consolidated Financial Statements**	D-41
Quarterly Results **	D-79

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

<u>The Allstate Corporation</u>	<u>Page</u>
Schedules required to be filed under the provisions of Regulation S-X Article 7:	
Schedule I Summary of Investments—Other than Investments in Related Parties	S-2
Schedule II Condensed Financial Information of The Allstate Corporation (Registrant)	S-3
Schedule III Supplementary Insurance Information	S-7
Schedule IV Reinsurance	S-8
Schedule V Valuation Allowances and Qualifying Accounts	S-9
Schedule VI Supplementary Information Concerning Consolidated Property-Casualty Insurance Operations	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 Appendix D to the Proxy Statement.

**

Incorporated by reference in Item 8 herein.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

SCHEDULE I—SUMMARY OF INVESTMENTS
OTHER THAN INVESTMENTS IN RELATED PARTIES
DECEMBER 31, 2000

(in millions)	Cost/ Amortized Cost	Fair Value	Carrying Value
<i>Type of Investment</i>			
Fixed Income Securities, Available for Sale:			
Bonds:			
United States government, government agencies and authorities	\$ 2,833	\$ 3,447	\$ 3,447
States, municipalities and political subdivisions	18,821	19,665	19,665
Foreign governments	641	736	736
Public utilities	3,017	3,186	3,186
Convertibles and bonds with warrants attached	721	729	729
All other corporate bonds	18,594	18,781	18,781
Mortgage-backed securities	9,576	9,824	9,824
Asset-backed securities	4,110	4,170	4,170
Redeemable preferred stocks	212	220	220
	<hr/>	<hr/>	<hr/>
Total fixed income securities	\$ 58,525	\$ 60,758	\$ 60,758
	<hr/>	<hr/>	<hr/>
Equity Securities:			
Common Stocks:			
Public utilities	\$ 138	\$ 178	\$ 178
Banks, trusts and insurance companies	370	545	545
Industrial, miscellaneous and all other	4,088	5,109	5,109
Nonredeemable preferred stocks	258	254	254
	<hr/>	<hr/>	<hr/>
Total equity securities	4,854	\$ 6,086	6,086
	<hr/>	<hr/>	<hr/>
Mortgage loans on real estate	4,599		4,599
Real estate	33		33
Policy loans	1,164		1,164
Other long-term investments	12		12
Short-term investments	1,831		1,831
	<hr/>		<hr/>
Total Investments	\$ 71,018		\$ 74,483
	<hr/>		<hr/>

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THE ALLSTATE CORPORATION AND SUBSIDIARIES

SCHEDULE II

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF OPERATIONS

(in millions)	Year ended December 31,		
	2000	1999	1998
Revenues			
Investment income, less investment expense	\$ 40	\$ 47	\$ 52
Realized capital gains and losses	(1)	(6)	32
Other income	72	72	149
	<hr/>	<hr/>	<hr/>
	111	113	233
Expenses			
Interest expense	312	210	192
Other operating expenses	6	22	10
	<hr/>	<hr/>	<hr/>
	318	232	202

Gain on disposition of operations	—	—	49
Income (loss) from operations before income tax (benefit)/expense and equity in net income of subsidiaries	(207)	(119)	80
Income tax benefit	(102)	(68)	(24)
Income (loss) before equity in net income of subsidiaries	(105)	(51)	104
Equity in net income of subsidiaries	2,316	2,771	3,190
Net income	\$ 2,211	\$ 2,720	\$ 3,294
Other comprehensive income, after-tax			
Unrealized net capital gains and losses	611	(1,625)	173
Unrealized foreign currency translation adjustments	(30)	14	(2)
Other comprehensive income (loss), after-tax	581	(1,611)	171
Comprehensive income	\$ 2,792	\$ 1,109	\$ 3,465

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

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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,	
	2000	1999
Assets		
Investments in subsidiaries	\$ 21,153	\$ 19,112
Investments		
Fixed income securities, at fair value (amortized cost \$31 and \$825)	31	824
Short-term	52	447
Total investments	83	1,271
Receivable from subsidiaries	235	402
Dividends receivable from subsidiaries	422	—
Other assets	169	135
Total assets	\$ 22,062	\$ 20,920
Liabilities		
Short-term debt	\$ 219	\$ 594
Long-term debt	3,025	2,125
Payable to subsidiaries	1,195	1,285
Dividends payable to shareholders	124	120
Other liabilities	48	195
Total liabilities	4,611	4,319
Shareholders' Equity		
Preferred stock, \$1 par value, 25 million shares authorized, none issued	—	—
Common stock, \$.01 par value, 2.0 billion shares authorized and 900 million issued, 728 million and 787 million shares outstanding	9	9
Additional capital paid-in	2,604	2,664
Retained income	18,433	16,728

Deferred compensation expense	(207)	(216)
Treasury stock, at cost (172 million and 113 million shares)	(5,314)	(3,929)
Accumulated other comprehensive income:		
Unrealized net capital gains	1,980	1,369
Unrealized foreign currency translation adjustments	(54)	(24)
	<u>1,926</u>	<u>1,345</u>
Total accumulated other comprehensive income	1,926	1,345
	<u>17,451</u>	<u>16,601</u>
Total shareholders' equity	17,451	16,601
	<u>\$ 22,062</u>	<u>\$ 20,920</u>
Total liabilities and shareholders' equity	\$ 22,062	\$ 20,920

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

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THE ALLSTATE CORPORATION AND SUBSIDIARIES

SCHEDULE II (CONTINUED)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF CASH FLOWS

(in millions)	Year Ended December 31,		
	2000	1999	1998
Cash flows from operating activities			
Net Income	\$ 2,211	\$ 2,720	\$ 3,294
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net income of subsidiaries	(2,316)	(2,771)	(3,190)
Realized capital gains and losses	1	6	(32)
Gain on disposition of operations	—	—	(49)
Dividends received from subsidiaries	655	2,211	1,497
Other operating assets and liabilities	(1)	86	197
	<u>550</u>	<u>2,252</u>	<u>1,717</u>
Net cash provided by operating activities	550	2,252	1,717
Cash flows from investing activities			
Proceeds from sales and collections of investments	1,574	853	1,332
Investment purchases	(782)	(908)	(1,019)
Capital contributions to subsidiaries	(199)	(609)	(225)
Change in short-term investments, net	406	(4)	(335)
Proceeds from disposition of operations	—	—	49
Acquisitions, net of cash received	—	(87)	(275)
	<u>999</u>	<u>(755)</u>	<u>(473)</u>
Net cash provided by (used in) investing activities	999	(755)	(473)
Cash flows from financing activities			
Change in short-term debt, net	(375)	202	181
Transfers to subsidiaries through intercompany loan agreement, net	154	84	(181)
Repayment of long-term debt	—	—	(300)
Proceeds from issuance of long-term debt	900	825	500
Proceeds from borrowings from subsidiaries	—	—	405
Dividends paid to shareholders	(502)	(471)	(443)
Treasury stock purchases	(1,783)	(2,173)	(1,489)
Other	60	41	83
	<u>(1,546)</u>	<u>(1,492)</u>	<u>(1,244)</u>
Net cash used in financing activities	(1,546)	(1,492)	(1,244)
Net increase in cash	3	5	—
Cash at beginning of year	5	—	—
	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ —</u>
Cash at end of year	\$ 8	\$ 5	\$ —

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 2001 Proxy Statement of The Allstate Corporation (the "Company" or "Registrant"). The long-term debt, and short-term debt and bank borrowings presented in Note 10 "Capital Structure" on page D-63 of the 2001 Proxy Statement are direct obligations of the Company, with the exception of the \$87 million and \$61 million outstanding of Floating Rate Notes as of December 31, 2000 and 1999 respectively and \$71 million outstanding of borrowings under American Heritage Life Investment Corporation ("AHL") credit lines as of December 31, 1999.

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 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 that mature in 2026 and 2045, respectively, and are redeemable by the Registrant in whole or in part beginning in 2001 and 2006, respectively. The maturity of the \$550 million debenture may be extended to 2045. In 1999, the Registrant assumed \$107 million of 6.75% subordinated debentures in connection with the acquisition of AHL. The subordinated debentures were issued to AHL's subsidiary trust. In August 2000, the Registrant issued 7 million shares of its common stock in exchange for settlement of its obligation of subordinated debentures to the subsidiary trust (see Note 10 "Capital Structure" on page D-63 of the 2001 Proxy Statement). The Registrant recorded \$64 million, \$60 million and \$59 million of interest expense in 2000, 1999 and 1998, respectively, related to these borrowings.

3. Other Income and Gain on Disposition of Operations

Other income primarily represents income from the settlement of certain employee benefits of its subsidiaries, mainly profit sharing obligations. The gain on disposition of operations in 1998 was in connection with the conversion of 6.76% Automatically Convertible Equity Securities ("ACES") into common shares of The PMI Group, Inc.

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

The Registrant paid \$293 million, \$206 million and \$178 million of interest on debt in 2000, 1999 and 1998, respectively.

The Registrant received dividends from subsidiaries of \$789 million and \$707 million in the form of fixed income securities in 1999 and 1998, 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 10 "Capital Structure" on Page D-63 of the 2001 Proxy Statement).

THE ALLSTATE CORPORATION AND SUBSIDIARIES

SCHEDULE III—SUPPLEMENTARY INSURANCE INFORMATION

(in millions)	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 Policy of Acquisition Costs	Other Operating Costs and Expenses	Premiums Written (Excluding Life)
2000									
Property-liability operations									
PP&C	\$ 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

1999																		
Property-liability operations																		
PP&C	\$	1,132	\$	15,204	\$	7,607	\$	20,103	\$	14,642	\$	2,908	\$	1,977	\$	20,381		
Discontinued lines and Coverages		—		2,610		—		9		37		—		21		8		
Total property-liability		1,132		17,814		7,607		20,112	\$	1,761		14,679		2,908		20,389		
Allstate Financial operations		2,987		32,796		64		1,623		2,260		2,578		374		187		
Corporate and other		—		—		—		—		91		—		—		24		
Total	\$	4,119	\$	50,610	\$	7,671	\$	21,735	\$	4,112	\$	17,257	\$	3,282	\$	2,394	\$	20,576
1998																		
Property-liability operations																		
PP&C	\$	915	\$	14,297	\$	6,376	\$	19,307	\$	13,572	\$	2,644	\$	1,735	\$	19,516		
Discontinued lines and Coverages		—		2,584		1		—		29		—		22		(1)		
Total property-liability		915		16,881		6,377		19,307	\$	1,723		13,601		2,644		19,515		
Allstate Financial operations		2,181		28,734		48		1,519		2,115		2,415		377		136		
Corporate and other		—		—		—		—		52		—		—		(6)		
Total	\$	3,096	\$	45,615	\$	6,425	\$	20,826	\$	3,890	\$	16,016	\$	3,021	\$	2,066	\$	19,651

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

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THE ALLSTATE CORPORATION AND SUBSIDIARIES

SCHEDULE VI—REINSURANCE

(in millions)	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percent of Amount Assumed to Net
Year Ended December 31, 2000					
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%
Year Ended December 31, 1999					
Life insurance in force	\$ 328,400	\$ 107,234	\$ 6,495	\$ 227,661	2.9%
Premiums and contract charges:					
Life insurance	\$ 1,546	\$ 221	\$ 18	\$ 1,343	1.3%
Accident-health insurance	288	20	12	280	4.3%
Property-liability insurance	19,977	389	524	20,112	2.6%
Total premiums and contract charges	\$ 21,811	\$ 630	\$ 554	\$ 21,735	2.5%
Year Ended December 31, 1998					
Life insurance in force	\$ 276,026	\$ 73,769	\$ 6	\$ 202,267	0.0%
Premiums and contract charges:					
Life insurance	\$ 1,430	\$ 174	\$ 6	\$ 1,262	0.4%
Accident-health insurance	238	4	23	257	8.9%
Property-liability insurance	19,666	433	74	19,307	0.4%
Total premiums and contract charges	\$ 21,334	\$ 611	\$ 103	\$ 20,826	0.5%

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THE ALLSTATE CORPORATION AND SUBSIDIARIES

SCHEDULE V—VALUATION ALLOWANCES AND QUALIFYING ACCOUNTS

(in millions) Description	Balance at Beginning of Period	Additions			Deductions(1)	Balance at End of Period
		Charged to costs and expenses	Other Additions			
Year Ended December 31, 2000						
Allowance for estimated losses on mortgage loans and real estate	\$ 14	\$ (4)	\$ —	\$ —	\$ —	\$ 10
Allowance for reinsurance recoverable	111	(5)	—	—	4	102
Allowance for premium installment receivable	76	145	—	—	152	69
Allowance for deferred tax assets	58	21	—	—	—	79
Year Ended December 31, 1999						
Allowance for estimated losses on mortgage loans and real estate	\$ 15	\$ (1)	\$ —	\$ —	\$ —	\$ 14
Allowance for reinsurance recoverable	141	(3)	—	—	27	111
Allowance for premium installment receivable	54	123	1	—	102	76
Allowance for deferred tax assets	33	25	—	—	—	58
Year Ended December 31, 1998						
Allowance for estimated losses on mortgage loans and real estate	\$ 39	\$ (16)	\$ —	\$ —	\$ 8	\$ 15
Allowance for reinsurance recoverable	147	—	—	—	6	141
Allowance for premium installment receivable	61	86	—	—	93	54
Allowance for deferred tax assets	12	21	—	—	—	33

(1)

Deductions in allowance for estimated losses on mortgage loans include amounts transferred to real estate. Deductions in allowance for reinsurance recovered represent write-offs, net of recoveries, of amounts determined to be uncollectible.

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THE ALLSTATE CORPORATION AND SUBSIDIARIES

SCHEDULE VI—SUPPLEMENTARY INFORMATION CONCERNING
CONSOLIDATED PROPERTYCASUALTY INSURANCE OPERATIONS

(in millions)	At December 31,		
	2000	1999	1998
Deferred policy acquisition costs	\$ 1,100	\$ 1,132	\$ 915
Reserves for unpaid claims and claim adjustments	16,859	17,814	16,881
Unearned premiums	7,553	7,607	6,377
Year Ended December 31,			
	2000	1999	1998
Earned premiums	\$ 21,871	\$ 20,112	\$ 19,307
Net investment income	1,814	1,761	1,723
Claims and claims adjustment expense incurred			
Current year	17,117	15,266	14,301
Prior years	(722)	(587)	(700)
Amortization of deferred policy acquisition costs	3,008	2,908	2,644
Paid claims and claims adjustment expense	17,331	14,964	14,009
Premiums written	21,858	20,389	19,515

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, 2000 and 1999, and for each of the three years in the period ended December 31, 2000, and have issued our report thereon dated February 23, 2001; such consolidated financial statements and report are included in The Allstate Corporation Notice of Annual Meeting and Proxy Statement dated March 26, 2001 and are incorporated herein by reference. Our audits also include the financial statement schedules of The Allstate Corporation and subsidiaries, listed in the Index at Item 14 (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
Deloitte & Touche LLP

Chicago, Illinois
February 23, 2001

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EXHIBIT INDEX

**The Allstate Corporation Form 10-K
For the Year Ended December 31, 2000**

Exhibit No.	Document Description	Sequential Page No.
3(a)	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(b)	By-Laws as amended effective May 18, 2000. Incorporated herein by reference to Exhibit 3(ii) to The Allstate Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.**	
4	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.**	

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10.4*	The Allstate Corporation Deferred Compensation Plan, as amended and restated as of November 1, 2000	E-5
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.**
- 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* 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**.
- 10.10* 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**.

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- 10.11* Form of restricted stock grant under the Equity Incentive Plan. Incorporated by reference to Exhibit 10.17 to The Allstate Corporation Annual Report on Form 10-K for 1999**.
- 10.12* The Allstate Corporation Equity Incentive Plan for Non-Employee Directors as amended and restated on September 18, 2000 effective June 1, 2001. E-17
- 10.13* 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.**
- 10.14* 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.**
- 10.15* 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.**
- 10.16* 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.**
- 10.17* Retirement Benefits of Edward M. Liddy, Chairman, President and Chief Executive Officer. Incorporated herein by reference to Exhibit 10.1 to The Allstate Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.**

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- 10.18* 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.**
- 10.19* 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.**
- 11 Computation of Earnings per Common Share E-30
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- 99 The Allstate Corporation's Notice of Annual Meeting and Proxy Statement dated March 26, 2001 is incorporated herein by reference.

*

A management contract or compensatory plan or arrangement

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THE ALLSTATE CORPORATION
DEFERRED COMPENSATION PLAN
AMENDED AND RESTATED AS OF NOVEMBER 1, 2000

ARTICLE I
DESIGNATION OF PLAN AND DEFINITIONS

1.1

TITLE

This Plan shall be known as "The Allstate Corporation Deferred Compensation Plan." The Plan was adopted by Allstate Insurance Company effective January 1, 1995. The Plan was amended and restated by the Company, effective January 1, 1996, November 11, 1997, September 1, 1999 and November 1, 2000.

1.2

DEFINITIONS

The following definitions will apply:

- (a) "Account" shall mean the bookkeeping entries made to state the balance of Compensation deferred by a Participant under the Plan, as adjusted pursuant to Article IV of the Plan. For purposes of this Plan, "Account" shall include any amounts deferred by a Participant, as adjusted for earnings and debits, under The Allstate Corporation Deferred Compensation Plan for Employee Agents and The Allstate Corporation Deferred Compensation Plan for Independent Contractor Exclusive Agents.
- (b) "Beneficiary" or "Contingent Beneficiary" shall mean the person or persons last designated in writing by the Participant to the Committee, in accordance with Section 8.5 of this Plan.
- (c) "Board" shall mean the Board of Directors of the Company.
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (e) "Committee" shall mean the Committee appointed by the Board of Directors pursuant to Article VI of this Plan, and shall mean those persons to whom the Committee has delegated administrative duties pursuant to Section 6.1(g).
- (f) "Company" shall mean The Allstate Corporation.
- (g) "Compensation" shall mean all of the items included in the term "Annual Compensation" as that term is defined in the Allstate Retirement Plan without regard to the annual compensation limit imposed by Section 401(a)(17) of the Code.
- (h) "Compensation Floor" shall be the compensation limit in effect pursuant to Section 401(a)(17) of the Code for a Plan Year.

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- (i) "Controlled Group" shall mean any corporation or other business entity which is included in a controlled group of corporations, within the meaning of section 1563(a)(i) of the Code, within which the Company is also included.
 - (j) "Eligible Compensation" shall mean (i) an Employee's Compensation through October 31 of the calendar year immediately preceding a Plan Year, plus two times the Employee's base salary for the month of October of the calendar year immediately preceding the Plan Year; or (ii) an Employee's Compensation for the calendar year two years before a Plan Year.
 - (k) "Eligible Employee" shall mean any Employee who is eligible to participate under Article II of this Plan.
 - (l) "Eligible Salary" shall mean an Employee's base salary in October of the calendar year immediately preceding a Plan Year, multiplied by 12.
 - (m)

"Employee" shall mean any regular, full-time employee of the Company, of Allstate Insurance Company, of Allstate New Jersey Insurance Company, of Allstate Federal Savings Bank or of any other affiliate in the Controlled Group which adopts the Plan, but shall in no event include persons classified as agents.

- (n) "Hardship" shall mean severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in section 152(a) of the Code) of the Participant, or loss of the Participant's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.
- (o) "Incentive" shall mean the amount actually payable to a Participant under an annual cash incentive program sponsored by the Company, Allstate Insurance Company, Allstate New Jersey Insurance Company or any other member of the Controlled Group which adopts the Plan.
- (p) "Investment" shall mean the elections made by Participants to make allocations and reallocations of deferrals and Account balances among the subaccounts described in Section 4.3(b), together with accruals and adjustments reflecting the hypothetical experience of the subaccounts.
- (q) "Participant" shall mean an Eligible Employee participating in the Plan in accordance with Article II hereof.
- (r) "Plan" shall mean The Allstate Corporation Deferred Compensation Plan as set forth herein, and as amended from time to time in accordance with Article VII hereof.
- (s) "Plan Year" shall mean the fiscal year of the Company, which is a calendar year, for which eligibility is determined.
- (t) "Separation from Service" means the termination of a Participant's employment with any company in the Controlled Group for any reason whatsoever, including retirement, resignation, dismissal or death, but does not include a transfer of status to an employee insurance agent or as an Exclusive Agent Independent Contractor or Exclusive Financial Specialist Independent Contractor for a member of the Controlled

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Group. "Separation from Service" shall also mean the subsequent termination of any Exclusive Agent Independent Contractor or Exclusive Financial Specialist Independent Contractor agreement, unless such termination results from acceptance of employment with any member of the Controlled Group.

ARTICLE II PARTICIPATION

2.1 ELIGIBILITY

An Employee shall be an Eligible Employee if his Eligible Compensation or his Eligible Salary is equal to or in excess of the Compensation Floor for the Plan Year.

2.2 NOTICE OF ELIGIBILITY

The Committee shall notify each Eligible Employee no later than 30 days prior to the first business day of any Plan Year or as soon thereafter as practicable, that he/she is entitled to become a Participant in the Plan for such Plan Year.

2.3 PARTICIPATION ELECTION

- (a) Each Eligible Employee may elect, in accordance with procedures and during the time frames established by the Committee, to become a Participant in the Plan for a Plan Year. The election must be received by the Committee no later than the last business day of the preceding calendar year, and shall specify the percentage of base salary and/or Incentive to be deferred during the Plan Year. A Participant may not change his/her deferral election for the Plan Year after the Plan Year has commenced. However, a Participant may at any time irrevocably elect to suspend participation in the Plan for the remainder of a Plan Year, but only as to future deferrals of salary.
- (b) Any person who the Committee determines to be an Eligible Employee in the Plan Year in which he/she first becomes an Employee shall be provided an opportunity within 30 days of employment to participate in the Plan for that Plan Year.

ARTICLE III DEFERRALS

3.1 AMOUNT OF DEFERRAL

- (a) Each Participant may elect to defer, in whole number percentages, up to 80% of base salary for the Plan Year. No deferrals of base salary will be recognized until Compensation in the Plan Year reaches the Compensation Floor for the Plan Year.
- (b) Each Participant may elect to defer, in whole number percentages, up to 100% of the Incentive actually payable in the Plan Year.
- (c) Deferrals shall be recognized only after the Compensation Floor for the Plan Year has been reached, and only after all other deductions required by federal or state law or

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elected by the Participant have been withheld. Deferrals may be reduced by the Committee to the extent necessary to permit required or elected withholdings.

- (d) Except as provided in Section 3.1(e), if a Participant has elected to defer Compensation for a Plan Year which would otherwise be includible in the calculation of the Participant's pension benefit under the Allstate Retirement Plan or the Agents Pension Plan for such Plan Year the Company shall, prior to the end of such Plan Year, refund such excess deferral to the Participant.
- (e) To the extent a Participant is on leave of absence for all or part of the Plan Year, and the Participant's Compensation less any amounts deferred is less than the Compensation Floor for such year, the Company shall, prior to the end of such Plan Year, pay the Participant the lesser of:
 - (1) The amount deferred during the year; or
 - (2) The difference between (i) the Compensation Floor and (ii) the amount of the Participant's Compensation less the amount the Participant deferred.

3.2

EFFECTIVE DATE OF DEFERRAL

Compensation deferred shall be credited to a Participant's Account by bookkeeping entry as set forth in Section 4.2.

3.3

USE OF AMOUNTS DEFERRED

Amounts credited to Accounts shall be a part of the general funds of the Company, shall be subject to all the risks of the Company's business, and may be deposited, invested or expended in any manner whatsoever by the Company.

ARTICLE IV ACCOUNTS AND VESTING

4.1

ESTABLISHMENT OF ACCOUNT

The Committee shall establish, by bookkeeping entry on the books of the Company, an Account for each Participant. Accounts shall not be funded in any manner.

4.2

CONTRIBUTIONS TO ACCOUNT

The Committee shall cause deferred Compensation to be credited by bookkeeping entry to each Participant's Account as of the day in which the Compensation otherwise would have been payable to the Participant, or as soon thereafter as is administratively practicable.

4.3

MAINTENANCE OF ACCOUNT BALANCES—SUBACCOUNT ELECTIONS

- (a) Investment of deferrals shall be made among one or more of the Subaccounts described in Section 4.3(b). Each Investment shall be made in accordance with

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procedures established by the Committee and shall specify that portion of the Participant's deferrals on the date of such election to be invested in each Subaccount. In its sole discretion, the Committee may withhold one or more of the Subaccounts from Investment by Participants for a Plan

Year or Years. Investments of deferrals and reallocations of existing Account balances must be made in whole percentage increments of the deferrals and reallocations.

Each Account shall be adjusted, as applicable, to apply credits for contributions, interest, dividend equivalents and other earnings and to apply debits for Plan administration and investment expenses, for losses and for distributions. All such adjustments shall be bookkeeping entries reflecting hypothetical experience for the Subaccounts in which Investments are made.

(b)

The Subaccounts in which Investments may be made are:

(1)

Subaccount #1—*SSgA™ Short Term Investment Fund*—a diversified portfolio of short term fixed-income securities managed by State Street Global Advisors (SSgA™). The fund's objective is to maximize current income while preserving capital and liquidity. The fund's yield reflects short-term interest rates.

(2)

Subaccount #2—*SSgA™ Bond Market Index Fund Series A*—a collective fund of fixed -income securities managed by State Street Global Advisors (SSgA™). The fund invests in U.S. Treasury, agency, corporate, mortgage-backed, and asset-backed debt securities. The fund's objective is to match the total rate of return of the Lehman Aggregate Bond Index, a broad-based domestic bond index composed of more than 5,000 debt securities with all securities having an average life of at least one year. The rate of return on the Bond Fund is influenced by, among other things, changes in interest rates, the market price of bonds and the financial stability of the issuers.

(3)

Subaccount #3—*SSgA™ S&P 500¹ Flagship Fund Series A*—a collective fund managed by State Street Global Advisors (SSgA™), which invests in a diversified portfolio of stocks in a broad array of large, established companies. The fund's objective is to match the total rate of return of the Standard & Poor's (S&P) 500 Index¹, which consists of 500 stocks chosen for market size, liquidity and industry group representation. SSgA™ replicates the index by purchasing all 500 component equities in the appropriate market-value weighted proportions. The rate of return on the S&P 500¹Fund is influenced by the market price and dividends of the stocks held in the fund.

(4)

Subaccount #4—*Daily EAFE Fund Series A*—a fund, managed by State Street Global Advisors (SSgA™), which invests in a diversified portfolio of stocks outside of North and South America. The fund's objective is to match the total rate of returns and characteristics of the Morgan Stanley Capital International

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(MSCI) Europe, Australia, Far East (EAFE) Index. The index consists of more than 1,100 stocks in over 20 countries outside of North and South America and represents approximately 60% of the total market capitalization in those countries. SSgA™ employs an index replication approach to construct a fund whose return tracks the MSCI EAFE Index. The rate of return on the International Equity Fund is influenced by the market price of the stocks held in the fund, dividends and other income and foreign currency exchange rates.

(5)

Subaccount #5—*SSgA™ Russell 2000 Fund Series A*—a collective fund managed by State Street Global Advisors (SSgA™), which invests in a diversified portfolio of small capitalized U.S. stocks. The fund's objective is to match the total rate of returns and characteristics of the Russell 2000 Index, which consists of the smallest 2000 U.S. securities in the Russell 3000 Index. SSgA™ employs an index replication approach to construct a fund whose return tracks the Russell 2000 index. The rate of return on the Russell 2000 Fund is influenced by the market price and dividends of the stocks held in the fund.

(c)

A Participant may, in accordance with procedures established by the Committee, change his Subaccount investment elections daily regarding existing Account balances and future contributions. If an election is received by the close of the New York Stock Exchange on a business day, it will be effective as of the next business day.

4.4

VESTING

A Participant shall be fully vested in his/her Account at all times, subject to Sections 3.3 and 8.2.

ARTICLE V PAYMENTS

5.1

EVENTS CAUSING ACCOUNTS TO BECOME DISTRIBUTABLE

(a)

A Participant's Account shall become distributable upon notification to the Plan of the Participant's Separation from Service or, at the election of the Participant pursuant to Section 5.4, in one of the first through fifth years after Separation from Service. In either event, the Participant may

elect to receive payment in a lump sum or in annual installments as provided in Section 5.3.

- (b) That portion of a Participant's Account determined to be necessary to alleviate a demonstrated Hardship shall become distributable upon the date of such determination, subject to Section 5.2, and such determination shall be subject to the suspension of deferrals in the Plan by the Participant for the remainder of the Plan Year and for the next succeeding Plan Year.

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- (c) A Participant may make an irrevocable election prior to September 1, 1999, to receive a distribution as of the first day of any Plan Year prior to Separation from Service, provided such date occurs subsequent to the Plan Year in which the Participant first participates in this Plan and at least three years after the date the Participant makes an election pursuant to this Section 5.1(d). In such case, that portion of the Participant's Account attributable to Compensation deferred, and accruals thereon, after the Committee receives such election shall become distributable on the date elected. Any balance in the Participant's Account remaining after any payment under this paragraph and any balance in the Account attributable to participation in the Plan in any year subsequent to the year in which a payout on such date certain occurs, shall become distributable to the Participant as provided in paragraphs (a), (b) or (d) of this Section.
- (d) Effective September 1, 1999, a Participant may at any time irrevocably elect to receive distribution of his/her entire Account balance, subject to the forfeiture to the Company of 10% of such Account balance and subject to termination of participation in the Plan by the Participant for the remainder of the Plan Year and for the next succeeding Plan Year. The Participant's Account balance shall become distributable subject to Section 5.2 following the date of such election.
- (e) In the event of a Participant's death prior to distribution of his/her entire Account balance, the remaining Account balance shall become distributable following the date on which all events have occurred which entitle the Beneficiary or Beneficiaries to payment.

5.2

NOTICE OF ACCOUNT PAYMENT AND COMMENCEMENT OF DISTRIBUTION

The Committee or its appointed representative shall notify a Participant or Beneficiary, as the case may be, as soon as practicable after the first day of the month next following the date on which the Account becomes distributable, that he/she is entitled to receive payment from an Account, the balance of which shall be computed as of the close of business on the last day of the month in which the Account becomes distributable. Distribution of Account balances shall commence as soon as practicable after the first day of the month next following the date on which the Account becomes distributable.

5.3

FORM OF PAYMENT

- (a) Except as provided in paragraphs (c) and (d) of this Section 5.3 and Article VIII hereof, payments of Account balances to a Participant shall be in the form of one lump sum payment or annual cash installment payments over a period of from 2 to 10 years, at the election of the Participant.
- (b) The amount of each annual installment payable to a Participant who has elected to receive installment payments shall be as follows: The first annual installment payment shall, for a Participant who has elected to receive installment payments commencing upon his/her Separation from Service, be computed as of the close of business on the last day of the month in which the Account becomes distributable, and the amount of such payment shall equal his/her Account balance as of such date, divided by the number of installments including the one being paid. The first annual

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installment payment shall, for a Participant who has elected to receive installment payments commencing in one of the first through fifth years after Separation from Service, be computed as of the close of the first business day of the year preceding the year in which the Account balance becomes distributable, and the amount of such payment shall equal his/her Account balance as of such date, divided by the number of installments including the one being paid. Each subsequent installment payment shall be computed as of the close of the last business day of the year thereafter, and the amount of each subsequent payment shall equal his/her remaining Account balance, divided by the number of remaining installments including the one being paid. Interest accruals and other adjustments shall continue with respect to the entire unpaid Account balance, as provided in Section 4.3.

- (c) In the event of a Participant's death prior to distribution of his/her entire Account balance, the remaining Account balance shall be paid in a lump-sum to the Participant's Beneficiary or Beneficiaries, as soon as practicable after the date on which the Account balance shall become distributable pursuant to Section 5.1(e).
- (d) Notwithstanding the provisions of paragraph (b) above, if the remaining unpaid Account balance is \$5,000 or less on any date an annual installment payment is to be made to a Participant, the payment shall be the remaining unpaid Account balance.

5.4

- (a) Each Participant shall elect his/her desired form of payment, in accordance with procedures established by the Committee, at the time of his/her initial participation election set forth in Section 2.3.
- (b) Except for distribution elections under Section 5.1(c) and (d), each Participant may from time to time revise the terms of distribution of the Participants Accounts, in accordance with the procedures established by the Committee, provided that (i) the revised notice of the desired form of payment shall be made by the Participant no less than twelve months prior to the date on which payment is to commence, but in any event no later than the day before the date of the Participant's Separation from Service and (ii) in any event, distribution of the Participant's Account shall not commence earlier than twelve months after the Participant's revised notice of the desired form of payment is made.

**ARTICLE VI
ADMINISTRATION**

6.1
GENERAL ADMINISTRATION; RIGHTS AND DUTIES

The Board shall appoint the Committee, which, subject to the express limitations of the Plan, shall be charged with the general administration of the Plan on behalf of the Participants. The Committee shall also be responsible for carrying out its provisions, and shall have all powers necessary to accomplish those purposes, including, but not by way of limitation, the following:

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- (a) To construe and interpret the Plan;
 - (b) To compute the amount of benefits payable to Participants;
 - (c) To authorize all disbursements by the Company of Account balances pursuant to the Plan;
 - (d) To maintain all the necessary records for the administration of the Plan;
 - (e) To make and publish rules for administration and interpretation of the Plan and the transaction of its business;
 - (f) To inform each Participant as soon as practicable after the end of each calendar quarter of the value of the Participant's Account as of the end of such calendar quarter;
 - (g) To delegate the administration of the Plan in accordance with its terms to officers or employees of the Company, of Allstate Insurance Company or of an independent consultant retained by the Committee who the Committee believes to be reliable and competent. The Committee may authorize officers or employees of the Company or of Allstate Insurance Company to whom it has delegated duties under the Plan to appoint other persons to assist the delegate in administering the Plan; and
 - (h) To refuse to accept the deferral of amounts the Committee or its delegate considers too small to be administratively feasible.

The determination of the Committee as to any disputed question or controversy shall be conclusive.

**ARTICLE VII
PLAN AMENDMENTS AND TERMINATION**

7.1
AMENDMENTS

The Company shall have the right to amend this Plan from time to time by resolutions of the Board or by the Committee, and to amend or rescind any such amendments; provided, however, that no action under this Section 7.1 shall in any way reduce the amount of Compensation deferred or any accruals or other adjustments provided in section 4.3 up to and including the end of the month in which such action is taken. Interest will continue to accrue as provided in Section 4.3. All amendments shall be in writing and shall be effective as provided subject to the limitations in this Section 7.1.

7.2
TERMINATION OF PLAN

Although the Company expects that this Plan will continue indefinitely, continuance of this Plan is not a contractual or other obligation of the Company, and the Company expressly reserves its right to discontinue this plan at any time by resolutions of the Board, effective as provided by the Board in such resolutions. However, no such action shall in any way reduce the amount of Compensation deferred or any accruals thereon, up

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to and including the end of the month in which such action is taken. Accruals to Accounts shall continue until distribution as provided in Section 4.3.

ARTICLE VIII MISCELLANEOUS

8.1

NOTIFICATION TO COMMITTEE

Any election made or notification given by a Participant pursuant to this Plan shall be made in accordance with procedures established by the Committee or its designated representative, and shall be deemed to have been made or given on the date received by the Committee or such representative.

8.2

PARTICIPANT'S EMPLOYMENT

Participation in this Plan shall not give any Participant the right to be retained in the employ of the Company, Allstate Insurance Company of any member of the Controlled Group, or any right or interest other than as herein provided. No Participant or Employee shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. The members of the Controlled Group expressly reserve the right to dismiss any Participant without any liability for any claim against them, except to the extent expressly provided herein.

8.3

STATUS OF PARTICIPANTS

This Plan shall create only a contractual obligation on the part of the Company and shall not be construed as creating a trust or other fiduciary relationship with Participants. Participants will have only the rights of general unsecured creditors of the Company with respect to Compensation deferred and interest credited to their Accounts.

8.4

OTHER PLANS

This Plan shall not affect the right of any Employee or Participant to participate in and receive benefits under and in accordance with the provisions of any other Company plans which are now or may hereafter be in existence.

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8.5

BENEFICIARIES AND CONTINGENT BENEFICIARIES

(a)

Each Participant shall, in accordance with procedures established by the Committee, designate one or more persons or entities (including a trust or trusts or his/her estate) to receive any balance in his/her Account, including accruals thereon, payable to him/her under this Plan in the event of his/her death prior to full payment thereof. The Participant may also designate a person or persons as a Contingent Beneficiary or Contingent Beneficiaries who shall succeed to the rights of the person or persons originally designated as Beneficiary or Beneficiaries, in case the latter should die. He/she may from time to time change any designation of Beneficiary or Contingent Beneficiary so made, and the last valid designation given by him/her to the Committee shall be controlling.

In the event a Participant designates a person other than his/her spouse as Beneficiary of any interests under this Plan, the Participant's spouse shall sign a notarized statement specifically approving such designation and authorizing the Committee to make payment of such interests in the manner provided in such designation.

(b)

In the absence of such designation by the Participant, or in the absence of spousal approval and authorization as herein above provided, or in the event of the death prior to or simultaneous with the death of the Participant, of all Beneficiaries or Contingent Beneficiaries, as the case may be, to whom payments were to be made pursuant to a designation by the Participant, such payments or any balance thereof shall be paid to the Participant's spouse or, if there is no surviving spouse, to the Participant's descendants, including adopted children (distributed in equal shares) or, if there are no surviving descendants, to the Participant's parents (distributed in equal shares) or, if there are no surviving parents, to the Participant's sisters and brothers (distributed in equal shares) or, if there are none, to the estate of the Participant.

(c)

In the event of the death, subsequent to the death of the Participant, of all Beneficiaries or Contingent Beneficiaries, as the case may be, to whom such payments were to be made or were being made pursuant to a designation under this section, such payments or any balance thereof shall be paid to the estate of such Beneficiaries or Contingent Beneficiaries.

8.6

TAXES AND OTHER CHARGES

To the extent permitted by law, if the whole or any part of a Participant's Account shall become the subject of any estate, inheritance, income or other tax or other charge which the Company shall legally be required to withhold and/or pay, the Company shall have full power and authority to pay such tax or other charge out of any monies or other property in its hands and charge such amounts paid against the Account of the Participant whose interest hereunder is subject to such tax or other charge. Prior to making any such payment, the Company may require such releases or other documents from any lawful authority as the Company shall deem necessary.

8.7

BENEFITS NOT ASSIGNABLE; OBLIGATIONS BINDING UPON SUCCESSORS

Benefits under this Plan and rights to receive the amounts credited to the Account of a Participant shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, other than by operation of law, shall not be permitted or recognized. Obligations of the Company under this Plan shall be binding upon successors of the Company.

8.8

ILLINOIS LAW GOVERNS; SAVING CLAUSE

The validity of this Plan or any of its provisions shall be construed and governed in all respects under and by the laws of the State of Illinois. If any provisions of this Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8.9

HEADINGS NOT PART OF PLAN

Headings and subheadings in this Plan are inserted for reference only, and are not to be considered in the construction of the provisions hereof.

(1)

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[DEFERRED COMPENSATION PLAN AMENDED AND RESTATED AS OF NOVEMBER 1, 2000](#)

THE ALLSTATE CORPORATION
EQUITY INCENTIVE PLAN FOR NON-EMPLOYEE DIRECTORS

As Amended and Restated on September 18, 2000 effective as of June 1, 2001¹

I. Purpose.

The purpose of The Allstate Corporation Equity Incentive Plan for Non-Employee Directors (the "*Plan*") is to promote the interests of The Allstate Corporation (the "*Company*") by providing an inducement to obtain and retain the services of qualified persons as members of the Company's Board of Directors (the "*Board*") and to align more closely the interests of such persons with the interests of the Company's stockholders by providing a significant portion of the compensation provided to such persons in the form of equity securities of the Company.

II. Administration.

The Plan shall be administered by the Committee. The Committee shall have full power to construe and interpret the Plan and Shares and Options granted hereunder, to establish and amend rules for its administration and to correct any defect or omission and to reconcile any inconsistency in the Plan or in any Share or Option granted hereunder to the extent the Committee deems desirable to carry the Plan or any Share or Option granted hereunder into effect. Any decisions of the Committee in the administration of the Plan shall be final and conclusive. The Committee may authorize any one or more of its members, the secretary of the Committee or any officer of the Company to execute and deliver documents on behalf of the Committee. Each member of the Committee, and, to the extent provided by the Committee, any other person to whom duties or powers shall be delegated in connection with the Plan, shall incur no liability with respect to any action taken or omitted to be taken in connection with the Plan and shall be fully protected in relying in good faith upon the advice of counsel, to the fullest extent permitted under applicable law.

III. Eligibility.

Each Non-Employee Director shall be eligible to participate in the Plan.

IV. Limitation on Aggregate Shares.

A. *Maximum Number of Shares.* The aggregate maximum number of Shares that may be granted pursuant to the Plan or delivered upon exercise of Options granted pursuant to the Plan shall be 580,000 shares. Such maximum number of Shares is subject to adjustment

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Until June 1, 2001, the Plan as amended and restated as of November 10, 1998 shall remain in effect.

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under the provisions of Section IV.B. The Shares to be granted pursuant to the Plan or delivered upon exercise of Options may be either (i) authorized but unissued Shares or (ii) Shares previously issued which have been reacquired by the Company ("*Treasury Shares*"); provided, however, that on or after June 1, 2001, only Treasury Shares shall be granted pursuant to the Plan or delivered upon exercise of Options (other than upon exercise of Options granted prior to such date). In the event any Option or Reload Option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the Shares subject to such Option or Reload Option but not purchased thereunder shall be available for future Options or Reload Options to be granted under the Plan.

B. *Adjustment.* The maximum number of Shares referred to in Section IV.A of the Plan, the number of Shares granted pursuant to Section VI of the Plan, the number of Options granted pursuant to Section VII of the Plan, and the option price and the number of Shares which may be purchased under any outstanding Option granted under Section VII of the Plan shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding Shares as the result of (i) the declaration and payment of a dividend payable in Common Stock, or the division of the Common Stock outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) into a greater number of Shares without the receipt of consideration therefor by the Company, or any other increase in the number of such Shares of the Company outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) which is effective without the receipt of consideration therefor by the Company (exclusive of any Shares granted by the Company to employees of the Company or any of its Subsidiaries without receipt of separate consideration by the Company), or (ii) the consolidation of the Shares outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) into a smaller number of Shares without the payment of consideration thereof by the Company, or any other decrease in the number of such Shares outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) effected without the payment of consideration by the Company; *provided, however*, that the total option price for all Shares which may be purchased upon the exercise of any Option granted pursuant to the Plan (computed by multiplying the number of Shares originally purchasable thereunder, reduced by the number of such Shares which have theretofore been purchased thereunder, by the original option price per share before any of the adjustments herein provided for) shall not be changed.

In the event of a change in the Common Stock as presently constituted which is limited to a change of the Company's authorized shares with a par value into the same number of shares with a different par value or without par value, the shares resulting from any such change will be deemed to be the Common Stock within the meaning of this Plan and no adjustment will be required pursuant to this Section IV.B.

The foregoing adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided in this Section IV.B, a Non-Employee Director shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

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V. Definitions.

The following terms shall have the meanings set forth below when used herein:

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Committee*" means the Compensation and Nominating Committee of the Board, any successor committee of the Board performing similar functions or, in the absence of such a committee, the Board.

"*Common Stock*" means the Common Stock, par value \$.01 per share, of the Company.

"*Disability*" means a mental or physical condition which, in the opinion of the Committee, renders a Non-Employee Director unable or incompetent to carry out his or her duties as a member of the Board and which is expected to be permanent or for an indefinite duration.

"*Election Shares*" means any Shares issued to a Non-Employee Director pursuant to the election of such person to receive such Shares in lieu of cash compensation made in accordance with Section VIII.B.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Fair Market Value*" of any Share means, as of any applicable date, the mean between the high and low prices of the Shares as reported on the New York Stock Exchange-Composite Tape, or if no such reported sale of the Shares shall have occurred on such date, on the next succeeding date on which there was such a reported sale.

"*Initial Election Date*" means, for each Non-Employee Director, the later to occur of (i) the date the Plan is approved and adopted by the Company's stockholders pursuant to Section XIII of the Plan, and (ii) the date of such member's initial election or appointment to the Board.

"*Non-Employee Director*" means each member of the Board who is not an officer or employee of the Company or any of its Subsidiaries.

"*Option*" means an option to purchase shares of Common Stock.

"*Shares*" means shares of Common Stock.

"*Subsidiary*" means any partnership, corporation, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without

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regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by the Company or one or more of the other Subsidiaries of the Company or a combination thereof, or (ii) if a partnership, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization or other business entity, a majority of the partnership or other similar equity ownership interest thereof is at the time owned or controlled, directly or indirectly, by the Company or one or more Subsidiaries of the Company or a combination thereof. For purposes hereof, the Company or a Subsidiary shall be deemed to have a majority ownership interest in a partnership, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization or other business entity if the Company or such Subsidiary shall be allocated a majority of partnership, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization or other business entity gains or losses or shall be or control the managing director, the trustee, the manager or the general partner of such partnership, association, limited liability company, joint stock company, trust, joint venture, unincorporated organization or other business entity.

VI. Formula Restricted Stock Grants for Non-Employee Directors.

A. *Annual Grant of Shares.* Beginning December 1, 1998, on December 1 of each year 1,000 Shares shall automatically be granted to each Non-Employee Director serving on the Board on such date who has served in such capacity since June 1 of such year. If any person serving as a Non-Employee Director on June 1 of any year ceases to serve as a director of the Company prior to December 1 of such year, such director shall be automatically granted on his or her last day of service a number of Shares equal to (i) 1,000 *multiplied by* (ii) a fraction, the numerator of which is the number of full calendar months such Non-Employee Director has served on the Board during the period beginning on such June 1 and ending on such director's last date of service and the denominator of which is 6.

B. *Grant for Newly Appointed Directors.* If after June 1, 1998 a Non-Employee Director is initially elected or appointed to the Board effective on any date other than June 1, such Non-Employee Director shall automatically be granted, on the June 1 following the date he or she joins the Board (or such earlier date as he or she ceases to serve as a director), a number of Shares equal to (i) 1,000 *multiplied by* (ii) a fraction, the numerator of which is the number of full calendar months such Non-Employee Director has served on the Board during the period beginning on the date such director joined the Board and ending on the following May 31 (or such earlier date as he or she ceases to serve as a director) and the denominator of which is 6; provided that such fraction shall in no event be greater than one.

C. *Rounding of Share Amounts.* To the extent that application of the foregoing formulas would result in fractional Shares being issuable, such Non-Employee Director shall be granted a number of Shares equal to the nearest whole number of Shares.

D. *Payment for Estimated Taxes.* In addition, the Company shall pay to each Non-Employee Director, in cash, as soon as practicable after each issuance of Shares pursuant to this

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Section VI, an amount equal to the estimated increase in such Non-Employee Director's federal, state and local tax liabilities as a result of such grant of Shares, assuming the maximum statutory tax rates applicable to such Non-Employee Director.

E. *Restrictions.* The Non-Employee Directors shall have no rights as a shareholder with respect to any Shares to be granted pursuant to this Section VI prior to the time such Shares are granted. Upon such grant, the Shares shall be represented by a stock certificate registered in the name of the holder. The Shares granted pursuant to this Section VI shall be fully vested, but shall be subject to certain restrictions during the six month period following the date of grant (the "*Restriction Period*"). The holder shall have the right to enjoy all shareholder rights during the Restriction Period (including the right to vote the Shares and the right to receive any cash or other dividends paid in respect thereof) with the exception that (i) the holder may not sell, transfer, pledge or assign the Shares during the Restriction Period, and (ii) the Company shall retain custody of the certificates representing the Shares during the Restriction Period.

All restrictions shall lapse and the holder of the Shares shall be entitled to the delivery of a stock certificate or certificates representing the Shares (and to the removal of any restrictive legend set forth on such certificates) upon the earliest of (i) six months from the date of grant of such Shares, (ii) the date of the holder's death or Disability, and (iii) the date on which the holder is no longer serving as a director of the Company.

VII. Formula Stock Option Grants for Non-Employee Directors.

A. *Annual Grant of Options.* On June 1 of each year, beginning June 1, 2001, Options to purchase 4,000 Shares shall automatically be granted to each Non-Employee Director serving on the Board on such date. If any such Non-Employee Director will be required to retire (pursuant to the policies of the Board) during the 12 month period beginning on the date of any grant (or if any such Non-Employee Director has notified the Board that he or she intends to resign from the Board for any reason during the 12 month period beginning on the date of any grant), such director shall instead be granted on June 1 of the relevant year Options to purchase a number of Shares equal to (i) 4,000, *multiplied by* (ii) a fraction, the numerator of which is the number of full calendar months such Non-Employee Director will serve on the Board during the period beginning on such June 1 and ending on such director's last date of service and the denominator of which is 12.

B. *Grant for Newly Appointed Directors.* If after June 1, 2001 a Non-Employee Director is initially elected or appointed to the Board effective on any date other than June 1, such Non-Employee Director shall automatically be granted, on the date he or she joins the Board, Options to purchase a number of Shares equal to (i) 4,000, *multiplied by* (ii) a fraction, the numerator of which is the number of full calendar months such Non-Employee Director will serve on the Board during the period beginning on the date such director joins the Board and ending on the following May 31 and the denominator of which is 12.

C. *Option Exercise Price.* The exercise price per Share for each Option shall be 100% of the Fair Market Value of a Share on the date of grant, subject to Section IV.B.

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D. *Term of Options.* Each Option shall be exercisable for ten years after the date of grant, subject to Section VII.F.

E. *Conditions and Limitations on Exercise.*

(i) *Vesting.* Each Option shall vest in three installments as follows: (i) on each of the first and second anniversaries of the date of grant, as to one-third of the Shares subject to such Option (with any resulting fractional Share rounded to the nearest whole Share) and (ii) on the third anniversary of the date of grant, as to the remaining unvested portion of such Option. Upon a Non-Employee Director's mandatory retirement pursuant to the policies of the Board, the unvested portions of any outstanding Options held by such Non-Employee Director shall fully vest. Upon the termination of a Non-Employee Director's tenure for any other reason, the unvested portions of any outstanding Options shall expire and no Options granted to such Non-Employee Director shall vest after the termination of such director's tenure on the Board.

(ii) *Exercise.* Each Option shall be exercisable in one or more installments and shall not be exercisable for less than 100 Shares, unless the exercise represents the entire remaining exercisable balance of a grant or grants. Each Option shall be exercised by delivery to the Company of written notice of intent to purchase a specific number of Shares subject to the Option. The option price of any Shares as to which an Option shall be exercised shall be paid in full at the time of the exercise. Payment may, at the election of the Non-Employee Director, be made in any one or any combination of the following forms:

(a) check or wire transfer of funds in such form as may be satisfactory to the Committee;

(b) delivery of Shares valued at their Fair Market Value on the date of exercise or, if the date of exercise is not a business day, the next succeeding business day;

(c) through simultaneous sale through a broker of unrestricted Shares acquired on exercise, as permitted under Regulation T of the Federal Reserve Board; or

(d) by authorizing the Company in his or her written notice of exercise to withhold from issuance a number of Shares issuable upon exercise of such Option which, when multiplied by the Fair Market Value of Common Stock on the date of exercise (or, if the date of exercise is not a business day, the next succeeding business day), is equal to the aggregate exercise price payable with respect to the Option so exercised.

In the event a Non-Employee Director elects to pay the exercise price payable with

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respect to an Option pursuant to clause (b) above, (i) only a whole number of Share(s) (and not fractional Shares) may be tendered in payment, (ii) such Non-Employee Director must present evidence acceptable to the Company that he or she has owned any such Shares tendered in payment of the exercise price (and that such Shares tendered have not been subject to any substantial risk of forfeiture) for at least six months prior to the date of exercise, and (iii) the certificate(s) for all such Shares tendered in payment of the exercise price must be accompanied by duly executed instruments of transfer in a form acceptable to the Company. When payment of the Option exercise price is made by the tender of Shares, the difference, if any, between the aggregate exercise price payable with respect to the Option being exercised and the Fair Market Value of the Share(s) tendered in payment (plus any applicable taxes) shall be paid by check or wire transfer of funds. No Non-Employee Director may tender Shares having a Fair Market Value exceeding the aggregate exercise price payable with respect to the Option being exercised.

In the event a Non-Employee Director elects to pay the exercise price payable with respect to an Option pursuant to clause (d) above, (i) only a whole number of Share(s) (and not fractional Shares) may be withheld in payment and (ii) such Non-Employee Director must present evidence acceptable to the Company that he or she has owned a number of Shares at least equal to the number of Shares to be withheld in payment of the exercise price (and that such owned Shares have not been subject to any substantial risk of forfeiture) for at least six months prior to the date of exercise. When payment of the Option exercise price is made by the withholding of Shares, the difference, if any, between the aggregate exercise price payable with respect to the Option being exercised and the Fair Market Value of the Share(s) withheld in payment (plus any applicable taxes) shall be paid by check or wire transfer of funds. No Non-Employee Director may authorize the withholding of Shares having a Fair Market Value exceeding the aggregate exercise price payable with respect to the Option being exercised. Any withheld Shares shall no longer be issuable under such Option.

F. *Additional Provisions.*

(i) *Accelerated Expiration of Options Upon Termination of Directorship.* Upon the termination of a Non-Employee Director's tenure for any reason, each outstanding vested and previously unexercised Option shall expire three months after the date of such termination; *provided that* (a) upon the termination of a Non-Employee Director's tenure as a result of death or Disability, each outstanding vested and previously unexercised Option shall expire two years after the date of his or her termination as a director, and (b) upon the mandatory retirement of a Non-Employee Director pursuant to the policies of the Board, each outstanding vested and previously unexercised Option shall expire five years after the date of his or her termination as a director. In no event shall the provisions of this Section VII.F operate to extend the original expiration date of any Option.

(ii) *Sale of the Company.* In the event of a merger of the Company with or into another corporation constituting a change of control of the Company, a sale of all or substantially all of the Company's assets or a sale of a majority of the Company's outstanding voting securities (a "Sale of the Company"), the Options may be assumed by

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the successor corporation or a parent of such successor corporation or substantially equivalent options may be substituted by the successor corporation or a parent of such successor corporation, and if the successor corporation does not assume the Options or substitute options, then all outstanding and unvested Options shall become immediately exercisable and all outstanding Options shall terminate if not exercised as of the date of the Sale of the Company (or other prescribed period of time). The Company shall provide at least 30 days prior written notice of the Sale of the Company to the holders of all outstanding Options, which notice shall state whether (a) the Options will be assumed by the successor corporation or substantially equivalent options will be substituted by the successor corporation, or (b) the Options are thereafter vested and exercisable and will terminate if not exercised as of the date of the Sale of the Company (or other prescribed period of time).

(iii) *Liquidation or Dissolution.* In the event of the liquidation or dissolution of the Company, Options shall terminate immediately prior to the liquidation or dissolution.

G. *Grant of Reload Options.* A Non-Employee Director who exercises all or any portion of an Option by the tender or withholding of Shares which have a Fair Market Value equal to not less than 100% of the exercise price for such Options (the "*Exercised Options*") shall be granted, subject to Section IV, an additional option (a "*Reload Option*") for a number of Shares equal to the sum of the number of Shares tendered or withheld in payment of the exercise price for the Exercised Options.

Reload Options shall be subject to the following terms and conditions:

(i) the grant date for each Reload Option shall be the date of exercise of the Exercised Option to which it relates;

(ii) subject to clause (iii) below, the Reload Option may be exercised at any time during the unexpired term of the Exercised Option (subject to earlier termination thereof as provided in the Plan); and

(iii) the other terms of the Reload Option shall be the same as the terms of the Exercised Option to which it relates and shall be subject to the provisions of the Plan, except that (a) the option price shall be the Fair Market Value of the Shares on the grant date of the Reload Option, (b) no Reload Option may be exercised within six months from the grant date thereof, and (c) no other Reload Option shall be granted upon exercise of such Reload Option.

H. *Non-Qualified Stock Options.* All Options granted under the Plan shall be non-qualified options not entitled to special tax treatment under Code Section 422, as may be amended from time to time.

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VIII. **Election to Receive Stock in Lieu of Cash Compensation.**

A. *General.* A Non-Employee Director may elect to reduce the cash compensation otherwise payable for services to be rendered by him or her as a director for any period beginning on June 1 and continuing to the following May 31 (or such other period for which cash compensation is payable to Non-Employee Directors pursuant to the policies of the Board), beginning June 1, 1996 and to receive in lieu thereof Shares as provided in this Section VIII.

B. *Election.* By the later of (i) the date of the Company's annual meeting of stockholders next preceding the June 1 to which such election relates (but in no event less than five business days prior to such June 1) and (ii) such Non-Employee Director's Initial Election Date, each Non-Employee Director may make an irrevocable election to receive, in lieu of all or a specified percentage (which percentage shall be in 10% increments) of the cash compensation to which such director would otherwise be entitled as a member of the Board and any committee thereof (including the annual retainer fee and any meeting or other fees payable for services on the Board or any committee thereof, but excluding any reimbursement for out-of-pocket expenses) for the year beginning the following June 1 (or such other period for which cash compensation is payable to such Non-Employee Director pursuant to the policies of the Board), an equivalent value in Shares granted in accordance with this Section VIII. An election shall be effective (i) if made in accordance with clause (i) of the preceding sentence, beginning on the June 1 following such election; and (ii) if made on such Non-Employee Director's Initial Election Date, immediately.

Each such election shall (i) be in writing in a form prescribed by the Company, (ii) specify the amount of cash compensation to be received in the form of Election Shares (expressed as a percentage of the compensation otherwise payable in cash), and (iii) be delivered to the Secretary of the Company. Such election

may not be revoked or changed thereafter except as to compensation for services to be rendered in any 12 month period beginning on any June 1 at least six months following such revocation or new election.

C. *Issuance of Common Stock.* If a Non-Employee Director elects pursuant to Section VIII.B above to receive Shares, there shall be issued to such director promptly following each subsequent June 1 for which such election is effective (or promptly following the first day of such other period for which such election is effective) a number of Shares equal to the amount of compensation otherwise payable for the 12 month period beginning on such June 1 (or the other period for which such election is effective) divided by the Fair Market Value of the Shares on such June 1 (or on the first day of such other period). To the extent that the application of the foregoing formula would result in fractional shares of Common Stock being issuable, cash will be paid to the Non-Employee Director in lieu of such fractional Shares based upon the Fair Market Value of such fractional Share.

D. *Compliance with Exchange Act.* The election to receive Election Shares is intended to comply in all respects with Rule 16b-3(d)(1) promulgated under Section 16(b) of the Exchange Act such that the issuance of Election Shares under the Plan on a grant date occurring at least six months after the election shall be exempt from Section 16(b) of the Exchange Act.

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E. *Grant Date.* The grant date for each Election Share for the Non-Employee Director electing such option shall be the first day of the period to which such election relates and is effective.

IX. Miscellaneous Provisions.

A. *Rights of Non-Employee Directors.* No Non-Employee Director shall be entitled under the Plan to voting rights, dividends or other rights of a stockholder prior to the issuance of Common Stock. Neither the Plan nor any action taken hereunder shall be construed as giving any Non-Employee Director any right to be retained in the service of the Company.

B. *Limitations on Transfer and Exercise.* All Options granted under the Plan shall not be transferable by the Non-Employee Director, other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, as defined by Section 1 *et seq.* of the Code, Title I of ERISA or the rules and regulations thereunder, and shall be exercisable during the Non-Employee Director's lifetime only by such Non-Employee Director or by such Non-Employee Director's guardian or other legal representative; *provided, however,* that the vested portions of Options, (other than Incentive Stock Options as defined in Section 422 of the Code), may be transferred by the Non-Employee Director during his lifetime to (a) any member of his immediate family, (b) to a trust established for the exclusive benefit of himself or one or more members of his immediate family, or (c) to a partnership, the partners of which are limited to the Non-Employee Director and members of his immediate family. A transfer of an Option pursuant to this paragraph may only be effected by the Company at the written request of a Non-Employee Director and shall become effective only when recorded in the Company's record of outstanding Options. In the event an Option is transferred as contemplated in this paragraph, any Reload Options associated with such transferred Option shall terminate, and 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 the relevant grant, and the transferee shall be entitled to the same rights as the Non-Employee Director, as if no transfer had taken place. As used in this paragraph, "immediate family" shall mean, with respect to any person, his/her spouse, any child, stepchild or grandchild, and shall include relationships arising from legal adoption.

C. *Compliance with Laws.* No shares of Common Stock shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable federal, state, local and foreign securities, securities exchange and other applicable laws and requirements. Each Share granted pursuant to Section VI or Section VIII and each Option granted pursuant to Section VII shall be subject to the requirement that if at any time the Committee shall determine, in its discretion, that the listing, registration or qualification of the Shares granted or subject to the Option upon any securities exchange or under any state or federal securities or other law or regulation, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to or in connection with the granting of such Share, such Option or the issuance or purchase of Shares thereunder, no such Share may be issued and

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no Option may be exercised or paid in Common Stock, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. The holder of such Share or Option will supply the Company with such certificates, representations and information as the Company shall request and shall otherwise cooperate with the Company in obtaining such listing, registration, qualification, consent or approval. The Committee may at any time impose any limitations upon the sale of a Share or the exercise of an Option or the sale of the Common Stock issued upon exercise of an Option that, in the Committee's discretion, are necessary or desirable in order to comply with Section 16(b) of the Exchange Act and the rules and regulations thereunder. The Committee may at any time impose additional limitations, or may amend or delete the existing limitations, upon the exercise of Options by the tender or withholding of Shares in accordance with Section VII.E (including an amendment or deletion of the related ownership period for Shares specified in such Section), if such additional, amended or deleted limitations are necessary, desirable or no longer required (as the case may be) to remain in compliance with applicable accounting pronouncements relating to the treatment of the plan as a fixed plan for accounting purposes.

D. *Payment of Withholding Tax.* Whenever Shares are to be issued pursuant to Section VI or Section VIII of the Plan or upon exercise of Options issued pursuant to Section VII of the Plan, the Company shall be entitled to require as a condition of delivery (i) that the participant remit an amount sufficient to satisfy all federal, state and local withholding tax requirements related thereto, (ii) the withholding of Shares due to the participant under the Plan with a Fair Market Value equal to such amount, or (iii) any combination of the foregoing.

E. *Expenses.* The expenses of the Plan shall be borne by the Company and its Subsidiaries.

F. *Deemed Acceptance, Ratification and Consent.* By accepting any Common Stock hereunder or other benefit under the Plan, each Non-Employee Director and each person claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

G. *Securities Act Registration.* The Company shall use its best efforts to cause to be filed under the Securities Act of 1933, as amended, a registration statement covering the Shares issued, and issuable upon exercise of options granted, under the Plan.

H. *Governing Law.* The provisions of the Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

I. *Election Shares*. Pending the grant of Election Shares hereunder, all compensation earned by a Non-Employee Director with respect to which an election to receive the grant of Election Shares pursuant to Section VIII.B has been made shall be the property of such director and shall be paid to him or her in cash in the event that Election Shares are not granted by the Company hereunder.

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J. *Headings; Construction*. Headings are given to the sections of the Plan solely as a convenience to facilitate reference. Such headings, numbering and paragraphing shall not in any case be deemed in any way material or relevant to the construction of the Plan or any provisions hereof. The use of the singular shall also include within its meaning the plural, where appropriate, and *vice versa*.

X. This section intentionally left blank.

XI. Amendment.

The Plan may be amended at any time and from time to time by resolution of the Board as the Board shall deem advisable; *provided, however*, that no amendment shall become effective without stockholder approval if such stockholder approval is required by law, rule or regulation. No amendment of the Plan shall materially and adversely affect any right of any participant with respect to any Options or Shares theretofore granted under the Plan without such participant's written consent, except for any modifications required to maintain compliance with any federal or state statute or regulation.

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XII. Termination.

The Plan shall terminate upon the earlier of the following dates or events to occur:

- (i) upon the adoption of a resolution of the Board terminating the Plan; and
- (ii) ten years from the date the Plan is initially approved and adopted by the stockholders of the Company in accordance with Article XIII.

Except as specifically provided herein, no termination of the Plan shall materially and adversely affect any of the rights or obligations of any person without his or her consent with respect to any Options or Shares theretofore granted under the Plan.

XIII. Stockholder Approval and Adoption.

The Plan was originally adopted by the Board on March 12, 1996 and was approved and adopted at a meeting of the stockholders of the Company held on May 21, 1996. The Plan was amended and restated by the Board at a meeting held on November 12, 1996, August 14, 1997 and, in connection with a 2-for-1 stock split in the form of a dividend, effective as of July 2, 1998. The Plan was further amended and restated by the Board at a meeting held on November 10, 1998 and September 18, 2000. Until June 1, 2001, the Plan as amended and restated as of November 10, 1998 shall remain in effect.

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[EQUITY INCENTIVE PLAN FOR NON-EMPLOYEE DIRECTORS](#)

The Allstate Corporation and Subsidiaries
Computation of Earnings Per Common Share

(in millions except per share data)	Twelve Months Ended December 31,		
	2000	1999	1998
Net Income	\$ 2,211	\$ 2,720	\$ 3,294
Basic earnings per common share computation:			
Weighted average number of common shares(1)	744.0	800.2	832.2
Net income per share—basic	\$ 2.97	\$ 3.40	\$ 3.96
Diluted earnings per common share computation:			
Weighted average number of common shares(1)	744.0	800.2	832.2
Assumed exercise of dilutive stock options	2.8	3.0	4.4
Shares issuable under Mandatorily redeemable preferred securities(2)	1.9	.6	—
Adjusted weighted number of common shares outstanding	748.7	803.8	836.6
Net income per share—diluted	\$ 2.95	\$ 3.38	\$ 3.94

(1) Common shares held as treasury shares were 172 million, 113 million and 82 million, at December 31, 2000, 1999 and 1998, respectively.

(2) See Note 10 "Capital Structure" of the 2001 Proxy Statement.

THE ALLSTATE CORPORATION

COMPUTATION OF EARNINGS TO FIXED CHARGES RATIO

(in millions)	For the Year Ended December 31,				
	2000	1999	1998	1997	1996
1. Income from continuing operations before income taxes, equity in net income of unconsolidated subsidiary, and dividends on preferred securities of subsidiary trusts	\$ 3,047	\$ 3,907	\$ 4,745	\$ 4,434	\$ 2,669
2. Equity in income of 100% owned subsidiary	—	—	—	—	—
3. Dividends from less than 50% owned subsidiary	—	—	1	2	2
4. Income from continuing operations before income taxes (1+2+3)	\$ 3,047	\$ 3,907	\$ 4,746	\$ 4,436	\$ 2,671
Fixed Charges:					
5. Interest on indebtedness	\$ 229	\$ 129	\$ 118	\$ 100	\$ 95
6. Interest factor of annual rental expense	50	50	90	80	71
7. Total fixed charges (5+6)	\$ 279	\$ 179	\$ 208	\$ 180	\$ 166
8. Dividends on redeemable preferred securities	63	59	59	59	6
9. Total fixed charges and dividends on Redeemable preferred securities (7+8)	\$ 342	\$ 238	\$ 267	\$ 239	\$ 172
10. Income from continuing operations before income taxes and fixed charges (4+7)	\$ 3,326	\$ 4,086	\$ 4,954	\$ 4,616	\$ 2,837
11. Ratio of earnings to fixed charges (A)	9.7X	17.2X	18.6X	19.3X	16.5X
12. Interest credited to contractholder funds	\$ 1,503	\$ 1,362	\$ 1,247	\$ 1,209	\$ 1,196
13. Total fixed charges including dividends on Redeemable preferred securities and interest credited to contractholder funds (9+12)	\$ 1,845	\$ 1,600	\$ 1,514	\$ 1,448	\$ 1,368
14. Income from continuing operations before income taxes and fixed charges including interest credited to contractholder funds (4+7+12)	\$ 4,829	\$ 5,448	\$ 6,201	\$ 5,825	\$ 4,033
15. Ratio of earnings to fixed charges, including interest credited to contractholder Funds (14/13)	2.6X	3.4X	4.1X	4.0X	2.9X

(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.

QuickLinks

[COMPUTATION OF EARNINGS TO FIXED CHARGES RATIO](#)

SUBSIDIARIES OF THE ALLSTATE CORPORATION

The Allstate Corporation (Delaware Holding Company)
Allstate Insurance Company (Illinois)
Allstate International Insurance Holdings, Inc. (Delaware)
Allstate Non-Insurance Holdings, Inc. (Delaware)
Allstate Bank
American Heritage Life Investment Corporation (Delaware)
Kennett Capital, Inc. (Delaware)
Willow Insurance Holdings Inc. (Delaware)

Allstate Insurance Company (Subsidiary of The Allstate Corporation)
Allstate Holdings, Inc. (Delaware)
Allstate Holdings, LLC (Delaware)
Allstate Indemnity Company (Illinois)
Allstate Insurance Company of Canada (Canada)
Allstate International Inc. (Delaware)
Allstate Life Insurance Company (Illinois)
Allstate New Jersey Holdings, Inc. (Delaware)
Allstate Property and Casualty Insurance Company (Illinois)
Allstate Texas Lloyd's, Inc. (Texas)
Forestview Mortgage Insurance Co. (California)
General Underwriters Agency, Inc. (Illinois)
The Northbrook Corporation (Nebraska)
Willow Holdings, LLC (Delaware)

Allstate International Insurance Holdings, Inc. (Subsidiary of The Allstate Corporation)
Allstate International Holding GmbH (Germany)
Allstate Life Insurance Company of the Philippines, Inc. (Philippines)
Allstate Investments, K.K.
Allstate Reinsurance Ltd. (Bermuda)
Allstate Services, Inc. (Japan)
Pafco Underwriting Managers Inc. (Ontario)
Pembroke America Inc. (Florida)

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Allstate Non-Insurance Holdings, Inc. (Subsidiary of The Allstate Corporation)
Allstate Enterprises, Inc. (Delaware)
Allstate Investment Management Company (Delaware)
Northbrook Services, Inc.
Northbrook Technology of Northern Ireland, Limited (NI)
Tech-Cor, Inc. (Delaware)

American Heritage Life Investment Corporation (Subsidiary of The Allstate Corporation)
American Heritage Life Insurance Company (Florida)
American Heritage Service Company (Florida)
Amherst Investment Company (Florida)
Colonial Reinsurance, Ltd. (British Virgin Islands)
E.R.J Insurance Group, Inc. (Florida)
Florida Associated Services, Inc. (Florida)

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 Holdings, Inc. (Subsidiary of Allstate Insurance Company)
Allstate Floridian Insurance Company (Illinois)
Allstate Floridian Indemnity Company (Illinois)

Allstate Insurance Company of Canada (Subsidiary of Allstate Insurance Company)
Allstate Life Insurance Company of Canada (Canada)

Allstate Life Insurance Company (Subsidiary of Allstate Insurance Company)
AFDW, Inc. (Oregon)
Allstate Distributors, L.L.C. (Delaware)
AFD, Inc. (Illinois)
Allstate Financial Advisors, LLC (Delaware)

Allstate Financial Services, 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)
Northbrook Life Insurance Company (Arizona)
Provident National Assurance Company (Tennessee)
PT Asuransi Jiwa Allstate (Indonesia)

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Surety Life Insurance Company (Nebraska)

Allstate Motor Club, Inc. (Subsidiary of Allstate Enterprises, Inc.)

Direct Marketing Center, Inc. (Delaware)
Enterprises Services Corporation (Delaware)
Rescue Express, Inc. (Delaware)

Allstate New Jersey Holdings, Inc. (Subsidiary of Allstate Insurance Company)

Allstate New Jersey Insurance Company (Illinois)

American Heritage Life Insurance Company (Subsidiary of American Heritage Life Investment Corporation)

Associated Insurance Services, Inc. (Georgia)
Fidelity International Company, Ltd. (Bahamian corporation)
First Colonial Insurance Company (Florida)
St. Johns Bluff Timber Company (Florida)
AHL Select HMO, Incorporated (Florida)
Columbia Universal Life Insurance Company (Texas)
Concord Heritage Life Insurance Company Inc. (New Hampshire)
Keystone State Life Insurance Company (Pennsylvania)

Florida Associated Services, Inc. (Subsidiary of American Heritage Life Investment Corporation)

Realty Advisers Corp. (Florida)

Fidelity International Company, Limited (Subsidiary of American Heritage Life Insurance Company)

Fidelity International Insurance Company, Limited (Bahamian corporation)

Allstate International Holding GmbH (Subsidiary of Allstate International Insurance Holdings, Inc.)

Allstate Direct Versicherungs-Aktiengesellschaft (Germany)
Allstate Diretto Assicurazioni Danni S.p.A (Italy)
Allstate Werbung und Marketing GmbH (Germany)

Pafco Underwriting Managers Inc. (Subsidiary of Allstate International Insurance Holdings, Inc.)

Pembridge Insurance Company (Ontario)

Pembridge America Inc. (Subsidiary of Allstate International Insurance Holdings, Inc.)

Willow Holdings, LLC (Subsidiary of Allstate Insurance Company)

Northbrook Indemnity Company (Illinois)

Northbrook Indemnity Company (Subsidiary of Willow Holdings, LLC)

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Deerbrook Insurance Company (Illinois)
American Surety and Casualty Company (Florida)
Willow Lake Holdings, LLC (Delaware)
Encompass Holdings, LLC (Delaware)

OTHER RELATED COMPANIES

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.

Saison Automobile and Fire Insurance Company, Ltd. (Japan)

3.46% owned by Allstate International Inc.

Allstate Life Funding, LLC (Cayman Islands, May 21, 1999)

Formed as a special purpose vehicle solely for the purpose of issuing certain debt instruments to institutional investors in Europe. The proceeds of such issuances are deposited with Allstate Life Insurance Company (ALIC) under the terms of several funding agreements. Neither The Allstate Corporation nor its subsidiaries are shareholders. Established as part of ALIC's funding agreement backed EMTN program (European medium term note program) to access longer dated fixed maturity contracts in Europe.

Allstate Financing I (Delaware)

Allstate Financing II (Delaware)

Business trusts that were used to issue trust preferred securities.

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[SUBSIDIARIES OF THE ALLSTATE CORPORATION](#)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the following registration statements of our reports dated February 23, 2001, appearing in or incorporated by reference in this Annual Report on Form 10-K of The Allstate Corporation for the year ended December 31, 2000.

Registration Statements

<u>Forms S-3 Registration Nos.</u>	<u>Forms S-8 Registration Nos.</u>
333-34583	33-77928
333-61817	33-93758
333-95821	33-93760
333-39640	33-93762
	33-99132
	33-99136
	33-99138
	333-04919
	333-16129
	333-23309
	333-40283
	333-40285
	333-40289
	333-30776
	333-49022

/s/ DELOITTE & TOUCHE LLP
Deloitte & Touche LLP

Chicago, Illinois
February 23, 2001