UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998

OR

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

COMMISSION FILE NUMBER 1-11840

THE ALLSTATE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 36-3871531
(STATE OF INCORPORATION) (I.R.S. EMPLOYER IDENTIFICATION NO.)

2775 SANDERS ROAD, NORTHBROOK, ILLINOIS 60062
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 847/402-5000

REGISTRANT HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS, AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES /X/ NO

AS OF OCTOBER 31, 1998, THE REGISTRANT HAD 820,487,958 COMMON SHARES, $.01 PAR VALUE, OUTSTANDING.

THE ALLSTATE CORPORATION
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SEPTEMBER 30, 1998

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS EXCEPT PER SHARE DATA)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
	(UNAUDITED)			
REVENUES				
Property-liability insurance premiums earned	$ 4,866	$ 4,685	$ 14,431	$ 13,877
Life and annuity premiums and contract charges	381	356	1,122	1,077
Net investment income	977	995	2,916	2,906
Realized capital gains and losses	212	348	956	776
	6,436	6,384	19,425	18,636
COSTS AND EXPENSES				
Property-liability insurance claims and claims expense	3,476	3,395	10,235	10,137
Life and annuity contract benefits	604	584	1,775	1,765
Amortization of deferred policy acquisition costs	784	712	2,262	2,060
Operating costs and expenses	501	475	1,487	1,419
Interest expense	28	26	88	74
	5,393	5,192	15,847	15,455
GAIN (LOSS) ON DISPOSITION OF OPERATIONS	-	(8)	87	(8)
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE, DIVIDENDS ON PREFERRED SECURITIES, AND EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARY	1,043	1,184	3,665	3,173
INCOME TAX EXPENSE	320	359	1,112	936
INCOME BEFORE DIVIDENDS ON PREFERRED SECURITIES AND EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARY	723	825	2,553	2,237
DIVIDENDS ON PREFERRED SECURITIES OF SUBSIDIARY TRUSTS	(10)	(10)	(29)	(29)
EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARY	-	9	10	26
NET INCOME	$ 713	$ 824	$ 2,534	$ 2,234
EARNINGS PER SHARE:				
NET INCOME PER SHARE - BASIC	$ 0.87	$ 0.95	$ 3.03	$ 2.56
WEIGHTED AVERAGE SHARES - BASIC	826.5	865.6	836.3	871.9
NET INCOME PER SHARE - DILUTED	$ 0.86	$ 0.95	$ 3.01	$ 2.55
WEIGHTED AVERAGE SHARES - DILUTED	830.7	871.3	840.8	877.4

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions)	SEPTEMBER 30, 1998 (UNAUDITED)	DECEMBER 31, 1997
ASSETS		
Investments		
Fixed income securities, at fair value (amortized cost $49,142 and $47,715)	$ 53,439	$ 50,860
Equity securities, at fair value (cost $4,350 and $4,587)	5,842	6,765
Mortgage loans	3,182	3,002
Short-term	2,586	687
Other	595	1,234
TOTAL INVESTMENTS	65,644	62,548
Premium installment receivables, net	3,205	2,959
Deferred policy acquisition costs	2,877	2,826
Reinsurance recoverables, net	1,941	2,048
Property and equipment, net	775	741
Accrued investment income	786	711
Cash	260	220
Other assets	1,070	1,283
Separate Accounts	8,839	7,582
TOTAL ASSETS	$ 85,397	$ 80,918
LIABILITIES		
Reserve for property-liability insurance claims and claims expense	$ 17,267	$ 17,403
Reserve for life-contingent contract benefits	7,652	7,082
Contractholder funds	20,682	20,389
Unearned premiums	6,505	6,233
Claim payments outstanding	720	599
Other liabilities and accrued expenses	4,493	3,193
Deferred income taxes	326	381
Short-term debt	224	199
Long-term debt	1,341	1,497
Separate Accounts	8,839	7,582
TOTAL LIABILITIES	68,049	64,558
COMMITMENTS AND CONTINGENT LIABILITIES (NOTES 2 AND 4)		
MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS	750	750
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value, 25 million shares authorized, none issued	-	-
Common stock, $.01 par value, 2 billion shares authorized and 900 million issued, 822 million and 850 million shares outstanding	9	9
Additional capital paid-in	3,108	3,116
Retained income	13,840	11,646
Deferred ESOP expense	(252)	(281)
Treasury stock, at cost (78 million and 50 million shares)	(2,905)	(1,665)
Accumulated other comprehensive income:		
Unrealized net capital gains	2,834	2,821
Unrealized foreign currency translation adjustments	(36)	(36)
Total accumulated other comprehensive income	2,798	2,785
TOTAL SHAREHOLDERS' EQUITY	16,598	15,610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 85,397	$ 80,918

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	NINE MONTHS ENDED SEPTEMBER 30, 1998	1997
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,534	$ 2,234
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and other non-cash items	(8)	(13)
Realized capital gains and losses	(956)	(776)
(Gain)Loss on disposition of operations	(87)	8
Interest credited to contractholder funds	930	910
Changes in:		
Policy benefit and other insurance reserves	(325)	145
Unearned premiums	218	161
Deferred policy acquisition costs	(171)	(240)
Premium installment receivables, net	(210)	(193)
Reinsurance recoverables, net	171	1
Deferred income taxes	(52)	283
Other operating assets and liabilities	218	187
Net cash provided by operating activities	2,262	2,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales		
Fixed income securities	11,420	9,474
Equity securities	3,667	2,632
Real estate	813	88
Investment collections		
Fixed income securities	4,919	3,545
Mortgage loans	329	425
Investment purchases		
Fixed income securities	(17,202)	(15,344)
Equity securities	(2,879)	(2,204)
Mortgage loans	(483)	(323)
Change in short-term investments, net	(710)	672
Change in other investments, net	(82)	(80)
Acquisition of subsidiary	(275)	-
Proceeds from disposition of operations	49	-
Purchases of property and equipment, net	(137)	(104)
Net cash used in investing activities	(571)	(1,219)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short-term debt, net	10	83
Repayment of long-term debt	(300)	-
Proceeds from issuance of long-term debt	501	4
Contractholder fund deposits	2,285	1,867
Contractholder fund withdrawals	(2,571)	(2,291)
Dividends paid	(331)	(315)
Treasury stock purchases	(1,311)	(827)
Other	66	42
Net cash used in financing activities	(1,651)	(1,437)
NET INCREASE IN CASH	40	51
CASH AT BEGINNING OF PERIOD	220	116
CASH AT END OF PERIOD	$ 260	$ 167
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION		
Conversion of Automatically Convertible Equity Securities to common shares of The PMI Group, Inc.	$ 357	$ -

See notes to condensed consolidated financial statements.

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

1. BASIS OF PRESENTATION

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

The condensed consolidated financial statements and notes as of September 30, 1998 and for the three month and nine month periods ended September 30, 1998 and 1997 are unaudited. The condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in Appendix A of the 1998 Proxy Statement and the Annual Report on Form 10-K for 1997. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities", under the guidance of SFAS No. 127, "Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125." As a result, the Company has recorded an asset and corresponding liability representing the collateral received in connection with the Company's securities lending program. The cash collateral received is recorded in short-term investments with the offsetting liability being reflected in other liabilities in the condensed consolidated statements of financial position. In accordance with SFAS No. 127, the condensed consolidated statements of financial position for prior periods have not been restated.

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." Comprehensive income is a measurement of certain changes in shareholders' equity that result from transactions and other economic events other than transactions with shareholders. For Allstate, these consist of changes in unrealized gains and losses on the investment portfolio and unrealized foreign currency translation adjustments. These amounts, presented as other comprehensive income, net of related taxes, are combined with net income which results in comprehensive income. The required disclosures are presented in Note 5.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP provides guidance on accounting for the costs of computer software developed or obtained for internal use. Specifically, certain external, payroll and payroll-related costs should be capitalized during the application development stage of a software development project and depreciated over the computer software's useful life. The Company has adopted the SOP effective January 1, 1998.

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 redefines how segments are determined and requires additional segment disclosures for both annual and quarterly reporting. Under this SFAS, segments are determined using the "management approach" for financial statement reporting. The management approach is based on the way an enterprise makes operating decisions and assesses performance of its businesses. The Company's reportable segments are not expected to change as a result of the adoption of SFAS No. 131. The requirements of this SFAS will be adopted effective December 31, 1998.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132 standardizes employers' disclosures about pension and other postretirement benefit plans, requires additional information on changes in the benefit obligation and fair value of plan assets and eliminates certain previously required disclosures. The disclosure requirements of this SFAS will be adopted effective December 31, 1998.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 replaces existing pronouncements and practices with a single, integrated accounting framework for derivatives and hedging activities. The requirements are effective for fiscal years beginning after June 15, 1999. Earlier application is encouraged but is only permitted as of the beginning of any fiscal quarter after issuance. This SFAS requires that all derivatives be recognized on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Additionally, the change in fair value of a derivative which is not effective as a hedge will be immediately recognized in earnings. The Company is currently reviewing these requirements and has not yet determined the impact or the expected date of adoption.

In December 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued SOP 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments." The SOP is required to be adopted in 1999. The SOP provides guidance concerning when to recognize a liability for insurance-related assessments and how those liabilities should be measured. Specifically, insurance-related assessments should be recognized as liabilities when all of the following criteria have been met: 1) an assessment has been imposed or it is probable that an assessment will be imposed, 2) the event obligating an entity to pay an assessment has occurred and 3) the amount of the assessment can be reasonably estimated. The Company is currently evaluating the effects of this SOP on its accounting for insurance-related assessments. Certain information required for compliance is not currently available and therefore the Company is studying alternatives for estimating the accrual. In addition, industry groups are working to improve the information available. While it is possible that the cumulative effect of adoption could be material to results of operations, the impact of this standard is not expected to be material to the results of operations, liquidity or financial position of the Company. The Company expects to adopt the SOP as of January 1, 1999.

To conform with the 1998 presentation, certain amounts in the prior years' financial statements and notes have been reclassified.

2. RESERVE FOR PROPERTY-LIABILITY INSURANCE CLAIMS AND CLAIMS EXPENSE

The Company establishes reserves for claims and claims expense on reported and unreported claims of insured losses. These reserve estimates are based on known facts and interpretation of circumstances, including the Company's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims and product mix, as well as other factors including court decisions, economic conditions and public attitudes.

The establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain process. Allstate regularly updates its reserve estimates as new facts become known and further events occur which may impact the resolution of unsettled claims. Changes in prior year reserve estimates, which may be material, are reflected in the results of operations in the period such changes are determined to be needed.

Catastrophes are an inherent risk of the property-liability insurance business which have contributed, and will continue to contribute, to material year-to-year fluctuations in the Company's results of operations and financial position. The level of catastrophe losses experienced in any year cannot be predicted and could be material to the results of operations, liquidity and financial position.

Reserves for environmental, asbestos and mass tort exposures are comprised of reserves for reported claims, incurred but not reported claims and related expenses. Establishing net loss reserves for these types of claims is subject to uncertainties that are greater than those presented by other types of claims. Among the complications are a 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, availability 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 insured obligation to defend; how policy limits are determined; how policy exclusions are applied and interpreted; and whether environmental and asbestos clean-up costs represent insured property damage. Management believes these issues are not likely to be resolved in the near future.

In 1986, the general liability policy form used by Allstate and others in the property-liability industry was amended to introduce an "absolute pollution exclusion," which excluded coverage for environmental damage claims and added an asbestos exclusion. Most general liability policies issued prior to 1987 contain 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 assumed, as well as primary commercial coverages written, for most policies written in 1986 and all policies written after 1986. Allstate's reserves for environmental and asbestos claims were $1.12 billion and $1.10 billion at September 30, 1998 and December 31, 1997, net of reinsurance recoverables of $441 million and $388 million, respectively.

Management believes its net loss reserves for environmental, asbestos and mass tort claims are appropriately established based on available facts, technology, laws and regulations. However, due to the inconsistencies of court coverage decisions, plaintiffs' expanded theories of liability, the risks inherent in major litigation and other uncertainties, the ultimate cost of these claims may vary materially from the amounts currently recorded, resulting in an increase in the loss reserves. In addition, while the Company believes that improved actuarial techniques and databases have assisted in its ability to estimate environmental, asbestos and mass tort net loss reserves, these refinements may subsequently prove to be inadequate indicators of the extent of probable loss. Due to the uncertainties and factors described above, management believes it is not practicable to develop a meaningful range for any such additional net loss reserves that may be required.

3. REINSURANCE

Property-liability insurance premiums and life and annuity premiums and contract charges are net of the following reinsurance ceded:

(IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
Property-liability premiums	$109	$89	$333	$343
Life and annuity premiums and contract charges	49	36	138	109

Property-liability insurance claims and claims expense and life and annuity contract benefits are net of the following reinsurance recoveries:

(IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
Property-liability insurance claims and claims expense	$75	$75	$218	$240
Life and annuity contract benefits	21	13	50	36

4. REGULATION AND LEGAL PROCEEDINGS

The Company's insurance businesses are subject to the effects of a changing social, economic and regulatory environment. Public and regulatory initiatives have varied and have included efforts to adversely influence and restrict premium rates, restrict the Company's ability to cancel policies, impose underwriting standards and expand overall regulation. The ultimate changes and eventual effects, if any, of these initiatives are uncertain.

In April 1998, Federal Bureau of Investigation agents executed search warrants at three offices of Allstate for documents relating to the handling of some claims for losses resulting from the 1994 earthquake in Northridge, California. Allstate received a subpoena issued on April 24, 1998, from the U.S. District Court of the Central District of California, in connection with a Los Angeles grand jury proceeding, for the production of documents and records relating to the Northridge earthquake. Allstate is cooperating with the investigation. At present, the company cannot determine the impact of resolving these matters.

Allstate and plaintiffs' representatives have agreed to settle certain civil suits filed in California, including a class action, related to the Northridge earthquake. The plaintiffs in these civil suits have challenged licensing and engineering practices of certain firms Allstate retained and have alleged that Allstate systamatically pressured engineering firms to improperly alter their reports to reduce the loss amounts paid to some insureds with earthquake claims. Under the terms of the proposed settlement, and subject to court approval, Allstate will begin a court-administered program to enable up to approximately 10,000 homeowner customers to potentially seek review of their claims by an independent engineer and an independent adjusting firm to ensure that they have been compensated for all earthquake damage under the terms of their Allstate policies. Allstate will also retain an independent consultant to review Allstate's practices and procedures for handling catastrophe claims, and will establish a charitable foundation devoted to consumer education on loss prevention and consumer protection and other insurance issues. The company does not expect that the effect of the proposed settlement on Allstate's financial position, liquidity and results of operations will be material.

Various other legal and regulatory actions are currently pending that involve Allstate and specific aspects of its conduct of business. In the opinion of management, the ultimate liability, if any, in one or more of these actions in excess of amounts currently reserved is not expected to have a material effect on the results of operations, liquidity or financial position of the Company.

5. COMPREHENSIVE INCOME

The components of other comprehensive income on a pretax and after-tax basis are as follows:

(IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1998			1997		
	Pretax	Income tax effect	After-tax	Pretax	Income tax effect	After-tax
Unrealized capital gains and losses:						
Unrealized holding gains (losses) arising during the period	$ (3)	$ 1	$ (2)	$ 1,168	$ (409)	$ 759
Less: reclassification adjustment for realized net capital gains included in net income	89	(31)	58	336	(118)	218
Unrealized net capital gains (losses)	(92)	32	(60)	832	(291)	541
Unrealized foreign currency translation adjustments	(8)	3	(5)	(2)	1	(1)
Other comprehensive income (loss)	$ (100)	$ 35	$ (65)	$ 830	$ (290)	$ 540
Net income			713			824
Comprehensive income			$ 648			$ 1,364

(IN MILLIONS)	NINE MONTHS ENDED SEPTEMBER 30, 1998			1997		
	Pretax	Income tax effect	After-tax	Pretax	Income tax effect	After-tax
Unrealized capital gains and losses:						
Unrealized holding gains arising during the period	$ 787	$ (275)	$ 512	$ 1,829	$ (640)	$ 1,189
Less: reclassification adjustment for realized net capital gains included in net income	767	(268)	499	732	(256)	476
Unrealized net capital gains	20	(7)	13	1,097	(384)	713
Unrealized foreign currency translation adjustments	-	-	-	(11)	4	(7)
Other comprehensive income	$ 20	$ (7)	$ 13	$ 1,086	$ (380)	$ 706
Net income			2,534			2,234
Comprehensive income			$2,547			$ 2,940

6. ACQUISITION OF PEMBRIDGE INC.

On April 14, 1998, the Company completed the purchase of Pembridge Inc. ("Pembridge") for approximately $275 million. Pembridge primarily sells non-standard auto insurance in Canada through its wholly-owned subsidiary Pafco Insurance Company. Pembridge's results were included in the Company's consolidated results from the date of purchase.

7. COMMON STOCK

An increase in the number of authorized shares of common stock of the Company from 1 billion to 2 billion was approved at the annual meeting of shareholders on May 19, 1998. Also, the Board of Directors approved a two-for-one stock split which was paid on July 1, 1998. Common stock, additional capital paid-in, weighted average shares and per share amounts have been retroactively adjusted to reflect the stock split.

8. DEBT

In April 1998, $357 million of 6.76% Automatically Convertible Equity Securities were converted into approximately 8.6 million common shares of The PMI Group, Inc. ("PMI"). The number of shares tendered was based upon the average market price of the PMI common stock on the 20 days immediately prior to maturity. The Company recognized an after-tax gain on the conversion of these securities of $56 million.

In May 1998, the Company issued $250 million of 6.75% senior debentures due 2018, and $250 million of 6.90% senior debentures due 2038, utilizing the remainder of the shelf registration filed with the Securities and Exchange Commission in October 1996. The net proceeds from the issuance were used to fund the maturity of $300 million of 5.875% notes due June 15, 1998, and for general corporate purposes.

The Company filed a shelf registration statement with the Securities and Exchange Commission in August 1998, under which up to $2 billion of debt securities, preferred stock or debt warrants may be issued. No securities have been issued under this registration statement.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying condensed consolidated statement of financial position of The Allstate Corporation and subsidiaries as of September 30, 1998, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 1998 and 1997 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 1998 and 1997. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated statement of financial position of The Allstate Corporation and subsidiaries as of December 31, 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, not presented herein. In our report dated February 20, 1998, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 1997 is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

Deloitte & Touche LLP

Chicago, Illinois
November 13, 1998

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 1998 AND 1997

The following discussion highlights significant factors influencing results of operations and changes in financial position of The Allstate Corporation (the "Company" or "Allstate"). It should be read in conjunction with the condensed consolidated financial statements and notes thereto found under Part I. Item 1 contained herein and with the discussion, analysis, consolidated financial statements and notes thereto in Part I. Item 1 and Part II. Item 7 and Item 8 of The Allstate Corporation Annual Report on Form 10-K for 1997.

CONSOLIDATED REVENUES

(IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
Property-liability insurance premiums	$ 4,866	$ 4,685	$ 14,431	$ 13,877
Life and annuity premiums and contract charges	381	356	1,122	1,077
Net investment income	977	995	2,916	2,906
Realized capital gains and losses	212	348	956	776
Total revenues	$ 6,436	$ 6,384	$ 19,425	$ 18,636

Consolidated revenues increased slightly for the third quarter of 1998 and 4.2% for the first nine months of 1998 compared to the same periods in 1997. The increases were primarily the result of growth in property-liability premiums.

CONSOLIDATED NET INCOME

Net income for the third quarter of 1998 was $713 million, or $0.86 per diluted share, compared with $824 million, or $0.95 per diluted share, for the third quarter of 1997. Earnings per share amounts reflect the July 1, 1998, two-for-one stock split. Growth in property-liability earned premiums and favorable non-catastrophe loss trends were more than offset by lower realized capital gains and higher catastrophe losses. The favorable property-liability non-catastrope loss experience was due to lower claim frequency (rate of occurrence) and improved auto severity loss trends (average cost per claim).

Net income for the first nine months of 1998 was $2.53 billion, or $3.01 per diluted share, compared with $2.23 billion, or $2.55 per diluted share, for the same period in 1997. The results for the first nine months of 1998 were favorably impacted by higher realized capital gains and increased property-liability underwriting income. Property-liability results benefited from favorable auto claim frequency and auto severity loss trends, which were partially offset by higher catastrophe losses.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 1998 AND 1997

PROPERTY-LIABILITY OPERATIONS

OVERVIEW

The Company's property-liability operations consist of two principal areas of business: personal property and casualty ("PP&C") and discontinued lines and coverages ("Discontinued Lines and Coverages"). PP&C is principally engaged in the sale of private passenger automobile insurance, homeowners insurance and commercial business written primarily through the Allstate agent distribution channel. Discontinued Lines and Coverages consists of business no longer written by Allstate, including results from environmental, asbestos and mass tort losses, mortgage pool business and other commercial business in run-off.

Underwriting results for each of the property-liability areas of business are discussed separately beginning on page 13.

Unaudited summarized financial data and key operating ratios for the Company's property-liability operations for the three month and nine month periods ended September 30, are set forth in the following table:

(IN MILLIONS, EXCEPT RATIOS)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
Premiums written	$ 5,067	$ 4,881	$ 14,736	$ 14,158
Premiums earned	$ 4,866	$ 4,685	$ 14,431	$ 13,877
Claims and claims expense	3,476	3,395	10,235	10,137
Operating costs and expenses	1,103	1,045	3,233	3,050
Underwriting income	287	245	963	690
Net investment income	444	463	1,313	1,324
Income tax expense on operations	198	195	617	539
Operating income	533	513	1,659	1,475
Realized capital gains and losses, after-tax	76	193	405	418
Gain on disposition of operations, after-tax	-	-	25	-
Equity in net income of unconsolidated subsidiary	-	9	10	26
Net income	$ 609	$ 715	$ 2,099	$ 1,919
Catastrophe losses	$ 192	$ 121	$ 614	$ 352
Operating ratios				
Claims and claims expense ("loss") ratio	71.4	72.5	70.9	73.0
Expense ratio	22.7	22.3	22.4	22.0
Combined ratio	94.1	94.8	93.3	95.0
Effect of catastrophe losses on combined ratio	3.9	2.6	4.3	2.5

NET INVESTMENT INCOME AND REALIZED CAPITAL GAINS

The effects of lower investment yields continued to offset higher investment balances resulting in a decrease in pretax net investment income of 4.1% from the same period in 1997 to $444 million for the third quarter, and a slight decrease to $1.31 billion for the nine month period ended September 30, 1998, as compared to the same period in 1997. The increase in investment balances resulting from positive cash flows from PP&C operations was offset by the impact of increased dividends paid to The Allstate Corporation from Allstate Insurance Company ("AIC"). The lower investment yields are due, in part, to the investment of proceeds from calls and maturities and the investment of positive cash flows from operations in securities yielding less than the average portfolio rate. In relatively low interest rate environments, funds from maturing investments may be reinvested at interest rates lower than those which prevailed when the funds were previously invested.

Net realized capital gains for the third quarter of 1998 were $76 million after-tax versus $193 million after-tax for the same period in 1997. For the first nine months of 1998, realized capital gains were $405 million after-tax compared with $418 million after-tax for the same period in 1997. The decreases were primarily due to the existence of less favorable market conditions during the periods, partially offset by a realized gain on the sale of real estate. Fluctuations in realized capital gains and losses are largely a function of timing of sales decisions reflecting management's view of individual securities and overall market conditions.

UNDERWRITING RESULTS

PP&C - Summarized financial data and key operating ratios for Allstate's PP&C operations for the three month and nine month periods ended September 30, are presented in the following table:

(IN MILLIONS, EXCEPT RATIOS)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
Premiums written	$ 5,067	$ 4,881	$ 14,736	$ 14,157
Premiums earned	$ 4,866	$ 4,686	$ 14,431	$ 13,876
Claims and claims expense	3,450	3,403	10,205	10,140
Operating costs and expenses	1,097	1,037	3,213	3,034
Underwriting income	$ 319	$ 246	$ 1,013	$ 702
Catastrophe losses	$ 192	$ 121	$ 614	$ 352
Operating ratios				
Claims and claims expense ("loss") ratio	70.9	72.6	70.7	73.1
Expense ratio	22.5	22.1	22.3	21.9
Combined ratio	93.4	94.7	93.0	95.0
Effect of catastrophe losses on combined ratio	3.9	2.6	4.3	2.5

PP&C provides primarily private passenger auto and homeowners insurance to individuals. PP&C also includes the ongoing commercial business written through the Allstate agent distribution channel. The Company separates the voluntary personal auto insurance business into two categories for underwriting purposes according to insurance risks: the standard market and the non-standard market. The standard market consists of drivers who meet certain criteria which classify them as having low to average risk of loss expectancy. The non-standard market consists of drivers who have higher-than-average risk profiles due to their driving records, lack of prior insurance or the types of vehicles they own. These policies are written at rates higher than standard auto rates.

The Company's marketing strategy for standard auto and homeowners varies by geographic area. The strategy for standard auto is to grow business more rapidly in areas where the regulatory climate is more conducive to attractive returns. The strategy for homeowners is to manage exposure on policies in areas where the potential loss from catastrophes exceeds acceptable levels. The process to designate geographic areas as growth and limited growth is dynamic and may be revised as changes occur in the legal, regulatory and economic environments, as catastrophe exposure is reduced and as new products are approved and introduced. Less than 6% of the total United States population resides in areas designated by the Company as standard auto limited growth markets. As a result of the Company's success in introducing policy changes and purchasing catastrophe reinsurance coverage, the homeowners limited growth markets have been reduced to areas where approximately 11% of the United States population resides. The Company is pursuing a growth strategy throughout the United States and Canada in the non-standard auto market.

PP&C premiums written for the third quarter of 1998 increased 3.8%, and for the first nine months of 1998 increased 4.1%, compared to the same periods in 1997. The increase for both periods was primarily due to an increase in renewal policies in force (unit sales) and, to a lesser extent, average premiums. Management believes favorable loss trends, competitive considerations and regulatory pressures in some states will continue to impact the Company's ability to maintain auto rates at historical levels.

Standard auto premiums written increased 2.5% to $2.83 billion in the third quarter of 1998, from $2.76 billion for the same three month period in 1997. For the nine month period ending September 30, 1998, standard auto premiums increased 3.5% to $8.39 billion from $8.10 billion in 1997. The increase for both periods was primarily due to an increase in renewal policies in force and average premiums. Average premium increases were primarily attributable to a shift to newer and more expensive autos and, to a lesser extent, rate increases.

Non-standard auto premiums written increased 6.7% to $861 million in the third quarter of 1998, from $807 million for the same period in 1997. For the nine month period, non-standard auto premiums written increased 6.7% to $2.54 billion compared with $2.38 billion for 1997. The increase for both periods was driven by an increase in renewal policies in force, average premiums and Deerbrook premiums written through the independent agency channel. Management believes non-standard auto premiums written for the first nine months of 1998 continued to be adversely impacted by competitive pressures and administrative requirements, which were intended to improve retention and decrease expenses related to the collection of premiums.

Homeowners premiums written for the third quarter were $906 million, an increase of 6.1% from third quarter 1997 premiums of $854 million. For the first nine months of 1998, homeowners premiums written were $2.42 billion, an increase of 6.4% compared to the same period last year. The increase for both periods was driven by an increase in policies in force and, to a lesser extent, average premiums. The higher average premiums were primarily due to rate increases.

For the third quarter of 1998, PP&C had underwriting income of $319 million versus $246 million for the third quarter of 1997. Underwriting income for the nine month period ended September 30, 1998 was $1.01 billion compared to $702 million for the first nine months of last year. Improved underwriting results for both periods were primarily due to earned premium growth and favorable non-catastrophe loss experience, partially offset by increased catastrophe losses. Favorable non-catastrophe loss experience resulted from lower auto and homeowners claim frequency and favorable auto severity loss trends. Auto injury claim severities improved slightly compared to the third quarter 1997 level, and trended favorably compared to relevant medical services cost indices. Auto physical damage coverage claim severities improved compared to the prior year and were below relevant body work and used car price indices.

CATASTROPHE LOSSES AND CATASTROPHE MANAGEMENT - Catastrophe losses for the third quarter of 1998 were $192 million compared with $121 million for the same period in 1997. For the first nine months of 1998, catastrophe losses were $614 million, an increase of $262 million compared to the same period last year. The level of catastrophe losses experienced in any year cannot be predicted and could be material to results of operations and financial position. The Company has experienced two severe catastrophes in recent years which resulted in losses of $2.33 billion (net of reinsurance) relating to Hurricane Andrew in 1992 and $1.78 billion relating to the Northridge earthquake in 1994. While management believes the Company's catastrophe management initiatives will greatly reduce the severity of future losses, the Company continues to be exposed to catastrophes which could be of similar or greater magnitude.

Catastrophe reserve estimates are regularly reviewed and updated, using the most current information. Any resulting adjustments, which may be material, are reflected in current operations. The establishment of appropriate reserves for catastrophes, as for all outstanding property-liability claims, is an inherently uncertain process.

The Company, in the normal course of business, may supplement its claims processes by utilizing third party adjusters, appraisers, engineers, inspectors, other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims.

Allstate has implemented initiatives to limit, over time, subject to the requirements of insurance laws and regulations and as limited by competitive considerations, its insurance exposures in certain regions prone to catastrophes. These initiatives include limits on new business production, limitations on certain policy coverages, increases in deductibles, policy brokering and participation in catastrophe pools. In addition, Allstate has requested and received rate increases and expanded its use or the level of deductibles in certain regions prone to catastrophes.

For Allstate, major areas of potential losses due to hurricanes include major metropolitan centers near the eastern and gulf coasts of the United States. Exposure to potential earthquake losses in California is limited by the Company's participation in the California Earthquake Authority ("CEA"), except for losses incurred on coverages not covered by the CEA. Other areas in the United States for which Allstate faces exposure to potential earthquake losses include areas surrounding the New Madrid fault system in the Midwest and faults in and surrounding Seattle, Washington. Allstate continues to evaluate alternative business strategies to more effectively manage its exposure to catastrophe losses in these and other areas.

DISCONTINUED LINES AND COVERAGES - Underwriting results for Discontinued Lines and Coverages for the three month and nine month periods ended September 30, are summarized below:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
(IN MILLIONS)	1998	1997	1998	1997
Underwriting loss	$ (32)	$ (1)	$ (50)	$ (12)

Discontinued Lines and Coverages consists of business no longer written by Allstate, including results from environmental, asbestos and mass tort losses, mortgage pool business and other commercial business in run-off.

LIFE AND ANNUITY OPERATIONS

The life and annuity operations of Allstate ("Allstate Life") market a broad line of life insurance, annuity and group pension products through a combination of Allstate agents (which include life specialists), banks, independent agents, brokers and direct response marketing.

Summarized financial data for Allstate Life's operations and investments at or for the three month and nine month periods ended September 30, are illustrated in the following table:

(IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
Statutory premiums and deposits	$ 1,433	$ 1,106	$ 4,313	$ 3,569
Investments	$ 31,597	$ 29,360	$ 31,597	$ 29,360
Separate Account assets	8,839	7,332	8,839	7,332
Investments including Separate Account assets	$ 40,436	$ 36,692	$ 40,436	$ 36,692
Premiums and contract charges	$ 381	$ 356	$1,122	$ 1,077
Net investment income	524	526	1,571	1,564
Contract benefits	604	584	1,775	1,765
Operating costs and expenses	138	147	463	444
Income from operations	163	151	455	432
Income tax expense on operations	63	52	159	148
Operating income	100	99	296	284
Realized capital gains and losses, after-tax (1)	15	33	147	86
Loss on disposition of operations, after-tax	-	(5)	-	(5)
Net income	$ 115	$ 127	$ 443	$ 365

(1) Net of the effect of related amortization of deferred policy acquisition costs in 1998.

Statutory premiums and deposits, which include premiums and deposits for all products, increased 29.6% in the third quarter and 20.8% for the first nine months of 1998 compared with the same periods of last year. Statutory premiums and deposits by product line for the three month and nine month periods ended September 30, are presented in the following table:

(IN MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
Life products				
Universal	$ 180	$ 184	$ 626	$ 540
Traditional	75	76	230	225
Other	63	62	176	175
Annuity products				
Fixed	471	373	1,197	1,182
Variable	389	373	1,247	1,065
Group pension products	255	38	837	382
Total	$ 1,433	$ 1,106	$ 4,313	$ 3,569

For the three month period ended September 30, 1998, sales of group pension products, as well as fixed and variable annuity products increased. During the nine month period, sales of all products increased. The increases in premiums for both periods are reflective of the Company's multitude of product choices available to customers in varying interest rate environments. Group pension product sales are expected to fluctuate as they are based on management's assessment of current market conditions.

Life and annuity premiums and contract charges under generally accepted accounting principles ("GAAP") increased 7.0% in the third quarter and 4.2% for the first nine months of 1998. Under GAAP, revenues exclude deposits on most annuities and premiums on universal life insurance policies and will vary with the mix of products sold during the period. The increase in the three months ended September 30, 1998, is primarily attributable to higher revenues from universal life products, an increase in premiums for traditional and other life products, and increased fee revenue for variable annuity products. The increase in the first nine months of 1998 is due to additional revenues from universal life and variable annuity products, offset partially by a decline in premiums for traditional and other life products on a GAAP basis.

Pretax net investment income in the third quarter and first nine months of 1998 was comparable to the 1997 periods as investment income earned on higher investment balances was offset by lower portfolio yields. Investments, excluding Separate Account assets and unrealized gains on fixed income securities, grew by 4.0%. The overall portfolio yield declined slightly, as proceeds from calls and maturities as well as positive cash flows from operating activities were invested in securities yielding less than the average portfolio rate. In relatively low interest rate environments, funds from maturing investments may be reinvested at interest rates lower than those which prevailed when the funds were previously invested.

Operating income increased slightly during the third quarter and 4.2% during the first nine months of 1998 compared with the same periods in 1997. The increases for these periods were attributable to increased revenues from variable annuity products and growth in mortality margins.

Net realized capital gains after-tax decreased to $15 million in the third quarter as gains from the sale of real estate were offset by losses from equity and fixed income securities. The increase to $147 million for the first nine months of 1998 was due primarily to gains from the sale of equity and fixed income securities, as well as from sales of real estate.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

The Company maintains two credit facilities totaling $1.55 billion as a potential source of funds to meet short-term liquidity requirements, including 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 1999. In order to borrow on the five-year line of credit, AIC is required to maintain a specified statutory surplus level, and the Company's debt to equity ratio (as defined in the agreement) must not exceed a designated level. These requirements are currently being met, and management expects to continue to meet them in the future. Allstate also has a commercial paper program with an authorized borrowing limit of up to $1.00 billion to cover its short-term cash needs. Total borrowings under the combined commercial paper program and line of credit are limited to $1.55 billion.

In April 1998, $357 million of 6.76% Automatically Convertible Equity Securities were converted into approximately 8.6 million common shares of The PMI Group, Inc. ("PMI"). The number of shares tendered was based upon the average market price of the PMI common stock for the 20 days immediately prior to maturity. The Company recognized an after-tax gain on conversion of these securities of $56 million.

In May 1998, the Company issued $250 million of 6.75% senior debentures due 2018 and $250 million of 6.90% senior debentures due 2038, utilizing the remainder of the shelf registration filed with the Securities and Exchange Commission in October 1996. The net proceeds from the issuance were used to fund the maturity of $300 million of 5.875% notes due June 15, 1998, and for general corporate purposes.

The Company filed a shelf registration statement with the Securities and Exchange Commission in August 1998, under which up to $2 billion of debt securities, preferred stock or debt warrants may be issued. No securities have been issued under this registration statement.

During the third quarter of 1998, the Company purchased approximately 10.3 million shares of its common stock, for its treasury, at a cost of $426.3 million. At September 30, 1998, the Company held approximately 78 million shares of treasury stock with an average cost per share of $37.12. During the third quarter, the Company completed a $2 billion stock repurchase program started during August of 1997. In August 1998, the Company announced an additional $2 billion stock repurchase program to be completed on or before December 31, 2000.

On April 14, 1998, the Company completed the purchase of Pembridge Inc. ("Pembridge") for approximately $275 million. Pembridge primarily sells non-standard auto insurance in Canada through its wholly-owned subsidiary, Pafco Insurance Company.

An increase in the number of authorized shares of common stock of the Company from 1 billion to 2 billion was approved at the annual meeting of shareholders on May 19, 1998. Also, the Board of Directors approved a two-for-one stock split which was paid on July 1, 1998.

The ability of the Company to pay dividends is dependent on business conditions, income, cash requirements of the Company, receipt of dividends from AIC and other relevant factors. The payment of shareholder dividends by AIC without the prior approval of the state insurance regulator is limited to formula amounts based on net income and capital and surplus, determined in accordance with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. The maximum amount of dividends that AIC can distribute during 1998 without prior approval of the Illinois Department of Insurance is $2.56 billion. In the past twelve months, AIC has paid approximately $2.53 billion in dividends to The Allstate Corporation. AIC intends to continue to pay dividends in advance of Corporate funding requirements and up to the maximum amount allowed without requiring prior approval. AIC has the capacity to pay up to $28 million of dividends as of October 31, 1998. The dividends are used for general corporate purposes including the Company's stock repurchase programs.

Financial Ratings and Strength

The following table summarizes the Company and its major subsidiaries' debt ratings, which were affirmed by Moody's during the third quarter of 1998:

The Allstate Corporation (debt)	A-1
The Allstate Corporation (commercial paper)	P-1
Allstate Insurance Company (claim-paying ability)	Aa2
Allstate Life Insurance Company (claim-paying ability)	Aa2

Liquidity

Surrenders and withdrawals for Allstate Life were $504 million and $1.59 billion for the three month and nine month periods ended September 30, 1998, respectively, compared to $520 million and $1.42 billion in the respective 1997 periods. As the Company's interest-sensitive life policies and annuity contracts in-force grow and age, the dollar amount of surrenders and withdrawals could increase.

INVESTMENTS

The composition of the investment portfolio at September 30, 1998, at financial statement carrying values, is presented in the table below:

(IN MILLIONS)	PROPERTY-LIABILITY		LIFE AND ANNUITY		CORPORATE		TOTAL	
		Percent to total		Percent to total		Percent to total		Percent to total
Fixed income securities (1)	$26,834	79.2%	$26,534	84.0%	$ 71	50.3%	$53,439	81.4%
Equity securities	5,095	15.0	705	2.2	42	29.8	5,842	8.9
Mortgage loans	117	.3	3,065	9.7	-	-	3,182	4.9
Short-term	1,849	5.5	709	2.2	28	19.9	2,586	3.9
Other	11	-	584	1.9	-	-	595	.9
Total	$33,906	100.0%	$31,597	100.0%	$ 141	100.0%	$65,644	100.0%

(1) Fixed income securities are carried at fair value. amortized cost for these securities was $25.24 billion, $23.84 billion and $67 million for property-liability, life and annuity, and corporate, respectively.

Total investments increased to $65.64 billion at September 30, 1998 from $62.55 billion at December 31, 1997. Property-liability investments increased $1.63 billion to $33.91 billion at September 30, 1998 from $32.28 billion at December 31, 1997. Allstate Life investments at September 30, 1998, increased $1.84 billion to $31.60 billion from $29.76 billion at December 31, 1997. The increase in investments was primarily attributable to amounts invested from positive cash flows generated from operations and the addition to short-term investments of approximately $1.04 billion of collateral resulting from a change in accounting treatment for securities lending programs.

Nearly 94.0% of the Company's fixed income securities portfolio is rated investment grade, which is defined by the Company as a security having an NAIC rating of 1 or 2, a Moody's rating of Aaa, Aa, A or Baa, or a comparable Company internal rating.

YEAR 2000

The Company is heavily dependent upon complex computer systems for all phases of its operations, including customer service, insurance processing, underwriting, loss reserving, investments and other enterprise systems. Since many of the Company's older computer software programs recognize only the last two digits of the year in any date, some software may fail to operate properly in or after the year 1999, if the software is not reprogrammed, remediated, or replaced ("Year 2000"). Also, many systems and equipment that are not typically thought of as computer-related (referred to as "non-IT") contain embedded hardware or software that may have a Year 2000 sensitive component. Allstate believes that many of its counterparties and suppliers also have Year 2000 issues and non-IT issues which could affect the Company.

In 1995, the Company commenced a plan consisting of four phases which are intended to mitigate and/or prevent the adverse affects of the Year 2000 issues on its systems: 1) assessment and analysis of affected systems and equipment, 2) remediation and compliance of systems and equipment through strategies that include the enhancement of new and existing systems, upgrades to operating systems already covered by maintenance agreements and modifications to existing systems to make them Year 2000 compliant, 3) testing of systems using clock-forward testing for both current and future dates and for dates which trigger specific processing, and 4) contingency planning which will address possible adverse scenarios and the potential financial impact to the Company's results of operations, liquidity or financial position.

The Company believes that the first step of this plan, assessment, is complete, and is currently in the remediation phase for all systems and equipment. In April 1998, the Company announced its main premium application system, ALERT, which manages more than 20 million auto and property policies is Year 2000 compliant. The Company is relying on other remediation techniques for its midrange and personal computer environments, and certain mainframe applications. Management believes the majority of Allstate's computer systems will be remediated by the end of 1998, with the investment processing systems and certain midrange computers to be remediated by the middle of 1999.

The third phase of the plan which includes clock-forward testing of the Company's systems and non-IT, is scheduled to be largely complete by the end of 1998. The Company is currently in the process of identifying key processes and developing contingency plans in the event that the systems supporting these processes are not Year 2000 compliant at the end of 1999. Management believes these contingency plans should be completed by mid-1999. Until these plans are complete, management is unable to determine an estimate of the most reasonably possible worst case scenario due to issues relating to the Year 2000.

In addition, the Company is actively working with its major external counterparties and suppliers to assess their compliance efforts and the Company's exposure to both their Year 2000 issues and non-IT issues. The Company is currently soliciting its key external counterparties and suppliers to certify that they are Year 2000 compliant or are taking actions they believe will adequately prepare them for the Year 2000. Allstate will continue its efforts to receive responses on Year 2000 compliance from these parties. If key vendors are unable to meet the Year 2000 requirement, Allstate intends to prepare

contingency plans that will allow the Company to continue to sell its products and to service its customers. Management believes these contingency plans should be completed by mid-1999. The Company, however, does not have sufficient information at the current time to determine whether or not its external counterparties and suppliers will be Year 2000 ready.

The Company also has investments which have been publicly and privately placed. The Company may also be exposed to the risk that the issuers of these investments will be adversely impacted by Year 2000 issues. The Company assesses the impact which Year 2000 issues have on the Company's investments as part of due diligence for proposed new investments and in its ongoing review of current portfolio holdings. Any recommended investment actions with respect to individual investments are determined by taking into account the potential impact of Year 2000 on the issuer.

The Company presently believes that it will resolve the Year 2000 issue in a timely manner, and the costs incurred to achieve Year 2000 compliance of Company systems are not expected to be material to the Company's results of operations, liquidity or financial position. Year 2000 costs are expensed as incurred.

OTHER DEVELOPMENTS

In 1997, the Company formed a new company, Allstate New Jersey Insurance Company ("ANJ"), which will be dedicated to serving property and casualty insurance consumers in New Jersey. At the beginning of 1998, ANJ started offering coverage to customers and began receiving property and assigned risk policies from AIC. During the fourth quarter of 1998, ANJ expects to start receiving voluntary auto policies from AIC and Allstate Indemnity Company.

The financial services industry has experienced a substantial increase in merger and acquisition activity which is leading to a consolidation of certain industry segments and a broadening of the business scope of some competitors. While the ultimate impact to the Company is not determinable, Allstate is considering mergers, acquisitions, and business alliances in both the United States and internationally in the pursuit of its business strategy.

PENDING ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 redefines how segments are determined and requires additional segment disclosures for both annual and quarterly reporting. Under this SFAS, segments are determined using the "management approach" for financial statement reporting. The management approach is based on the way an enterprise makes operating decisions and assesses performance of its businesses. The Company's reportable segments are not expected to change as a result of the adoption of SFAS No. 131. The requirements of this SFAS will be adopted effective December 31, 1998.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132 standardizes employers' disclosures about pension and other postretirement benefit plans, requires additional information on changes in the benefit obligation and fair value of plan assets and eliminates certain previously required disclosures. The disclosure requirements of this SFAS will be adopted effective December 31, 1998.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 replaces existing pronouncements and practices with a single, integrated accounting framework for derivatives and hedging activities. The requirements are effective for fiscal years beginning after June 15, 1999. Earlier application is encouraged but is only permitted as of the beginning of any fiscal quarter after issuance. This SFAS requires that all derivatives be recognized on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Additionally, the change in fair value of a derivative which is not effective as a hedge will be immediately recognized in earnings. The Company is currently reviewing these requirements and has not yet determined the impact or the expected date of adoption.

In December 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments." The SOP is required to be adopted in 1999. The SOP provides guidance concerning when to recognize a liability for insurance-related assessments and how those liabilities should be measured. Specifically, insurance-related assessments should be recognized as liabilities when all of the following criteria have been met: 1) an assessment has been imposed or it is probable that an assessment will be imposed, 2) the event obligating an entity to pay an assessment has occurred and 3) the amount of the assessment can be reasonably estimated. The Company is currently evaluating the effects of this SOP on its accounting for insurance-related assessments. Certain information required for compliance is not currently available and therefore the Company is studying alternatives for estimating the accrual. In addition, industry groups are working to improve the information available. While it is possible that the cumulative effect of adoption could be material to results of operations, the impact of this standard is not expected to be material to the results of operations, liquidity or financial position of the Company. The Company expects to adopt the SOP as of January 1, 1999.

FORWARD-LOOKING STATEMENTS

The statements contained in this Management's Discussion and Analysis that are not historical information are forward-looking statements that are based on management's estimates, assumptions and projections. The Private Securities Litigation Reform Act of 1995 provides a safe harbor under The Securities Act of 1933 and The Securities Exchange Act of 1934 for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes several important factors that could cause the Company's actual results and experience with respect to forward-looking statements to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements:

1. The references to auto severity loss trends (see "Consolidated Net Income" at page 11 and "Underwriting Results" at page 13) as compared to medical services cost indices and body work and used car price indices reflect statistical data for the period indicated. Also, the references to severity trends and claim frequency trends (see "Consolidated Net Income" at page 11 and "Underwriting Results" at page 13) reflect statistical data for the period indicated. Such data for a following period or periods could well indicate that such trends have ceased or reversed.

2. Management believes that the initiatives implemented by Allstate to manage its exposure to catastrophes will greatly reduce the severity of future losses (see "Underwriting Results" at page 13 and "Catastrophe Losses and Catastrophe Management" at page 15). These beliefs are based in part on the efficacy of techniques adopted by Allstate and the accuracy of the data used by Allstate which are designed to predict the probability of catastrophes and the extent of losses to Allstate resulting from catastrophes. Catastrophic events may occur in the future which indicate that such techniques and data do not accurately predict Allstate's losses from catastrophes. In that event, the probability and extent of such losses may differ materially from that which would have been predicted by such techniques and data.

The Company, in the normal course of business, may supplement its claims processes by utilizing third party adjusters, appraisers, engineers, inspectors, other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. While management believes that the Company has implemented the appropriate procedures to evaluate the quality and monitor the performance of these third parties and information sources, they may prove to be unreliable, inaccurate or misrepresented.

3. In order to borrow on the five-year line of credit (see "Liquidity and Capital Resources" at page 18), AIC is required to maintain a specified statutory surplus level and the Allstate debt to equity ratio (as defined in the credit agreement) must not exceed a designated level. Management expects to continue to meet such borrowing requirements in the future. However, the ability of AIC and Allstate to meet these requirements is dependent upon the economic well-being of AIC. Should AIC sustain significant losses from catastrophes, its and Allstate's ability to continue to meet these credit agreement requirements could be lessened. Consequently, Allstate's right to draw upon the five-year line of credit could be diminished or eliminated during a period when it would be most in need of financial resources.

4. The Company believes that it will resolve the Year 2000 issue in a timely manner and that the costs incurred to achieve Year 2000 compliance of Company systems and equipment will not be material to the Company's results of operations, liquidity or financial position (see "Year 2000" at page 20). In particular, management believes:

- that the majority of Allstate's computer systems and equipment will be remediated by December 31, 1998, and its investment processing systems and equipment and certain midrange computers will be remediated by mid-1999.
- that clock-forward testing of the Company's systems and equipment is scheduled for completion by December 31, 1998.
- that the Company's contingency plans for addressing possible adverse scenarios should be completed by mid-1999.

Although these statements reflect management's good faith beliefs regarding the completion of the various phases of its program for Year 2000 compliance, unforeseen problems could delay completion of the Company's plan. For example, clock-forward testing may identify problems that were not detected during the assessment phase of the Company's Year 2000 plan. Moreover, the extent to which the computer operations of the Company's external counterparties and suppliers are adversely affected could, in turn, affect the Company's ability to communicate with such counterparties and suppliers and could materially affect the Company's results of operations in any period or periods. In addition, the extent to which Year 2000 issues have an impact on the operations of businesses in which the Company has invested could affect the performance of the Company's investment portfolio and could materially affect the Company's results of operations in any period or periods.

5. Management believes favorable loss trends, competitive considerations and regulatory pressures in some states will continue to impact the Company's ability to maintain rates at historical levels (see "Underwriting Results" at page 13). However, other factors that affect the average premium growth rate, such as loss ratio deterioration, could accelerate the rate.

See the Company's 1997 Annual Report on Form 10-K (the "1997 10-K") for other important risk factors which may affect the results of operations and financial condition of the Company. For those risk factors affecting the Company as a regulated insurance holding company, see "Risk Factors Affecting Allstate" at page 2 of the 1997 10-K.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

(b) Reports on Form 8-K.

Registrant filed a Current Report on Form 8-K on September 11, 1998 (Item 5).

SIGNATURE

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

The Allstate Corporation
(Registrant)

November 13, 1998

By /s/ Samuel H. Pilch
Samuel H. Pilch, Controller

(Principal Accounting Officer and duly
authorized Officer of Registrant)

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
4	Registrant hereby agrees to furnish the Commission, upon request, with the instruments defining the rights of holders of each issue of long-term debt of the Registrant and its consolidated subsidiaries.	
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated November 13, 1998, concerning unaudited interim financial information.	
27	Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only and not filed.	

EXHIBIT 15

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

We have reviewed, in accordance with standards established by the American Institute of Certified Public Accountants, the unaudited interim financial information of The Allstate Corporation and subsidiaries for the three-month and nine-month periods ended September 30, 1998 and 1997, as indicated in our report dated November 13, 1998; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is incorporated by reference in Registration Statement Nos. 333-34583 and 333-61817 on Form S-3 and Registration Statement Nos. 33-77928, 33-93758, 33-93760, 33-93762, 33-99132, 33-99136, 33-99138, 333-04919, 333-16129, 333-23309, 333-40283, 333-40285 and 333-40289 on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

Deloitte & Touche LLP

Chicago, Illinois
November 13, 1998

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
ALLSTATE COPRORTION FINANCIAL STATEMENTS INCLUDED IN SUCH COMPANY'S
QUARTERLY REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 1998 AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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