
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Commission file number 1-11840

THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its
charter)

[X]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED June 30, 1999
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF
THE SECURITIES EXCHANGE ACT OF 1934

[]

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 JULY 31, 1999, THE REGISTRANT HAD 798,355,323 COMMON
SHARES, \$.01 PAR VALUE, OUTSTANDING.

TABLE OF CONTENTS

Delaware
(State of Incorporation)
2775 Sanders Road, Northbrook, Illinois
(Address of principal executive offices)

36-3871531
(I.R.S. Employer Identification No.)
60062
(Zip Code)

THE ALLSTATE CORPORATION

INDEX TO QUARTERLY REPORT ON FORM 10-Q

June 30, 1999

PART II. OTHER INFORMATION

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>PAGE</u>
Part I	
Item 1. FINANCIAL INFORMATION	
Financial Statements	
Condensed Consolidated Statements of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998 (unaudited)	1
Condensed Consolidated Statements of Financial Position as of June 30, 1999 (unaudited) and December 31, 1998	2
Condensed Consolidated Statements of Cash Flows for the Six Month Periods Ended June 30, 1999 and 1998 (unaudited)	3
Notes to Condensed Consolidated Financial Statements (unaudited)	4
Independent Accountants' Review Report	11
Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 2.	
Part II	
OTHER INFORMATION	
Item 4. Submission of Matters to a Vote of Security Holders	25
Item 6. Exhibits and Reports on Form 8-K	26

See notes to condensed consolidated financial statements.

[Table of Contents](#)

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30, 1999</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	(Unaudited)		(Unaudited)	
(In millions, except per share data)				
Revenues				
Property-liability insurance premiums earned	\$ 4,903	\$ 4,818	\$ 9,755	\$ 9,565
Life and annuity premiums and contract charges	369	388	754	741
Net investment income	1,014	975	1,985	1,939
Realized capital gains and losses	306	358	905	744
	<u>6,592</u>	<u>6,539</u>	<u>13,399</u>	<u>12,989</u>
Costs and expenses				
Property-liability insurance claims and claims expense	3,531	3,456	6,852	6,759
Life and annuity contract benefits	598	596	1,204	1,171
Amortization of deferred policy acquisition costs	797	754	1,590	1,478
Operating costs and expenses	525	520	1,077	986
Interest expense	28	28	58	60
	<u>5,479</u>	<u>5,354</u>	<u>10,781</u>	<u>10,454</u>
Gain on disposition of operations	10	87	10	87
Income from operations before income tax expense, dividends on preferred securities, and equity in net income of unconsolidated subsidiary	1,123	1,272	2,628	2,622
Income tax expense	343	378	804	792
Income before dividends on preferred securities and equity in net income of unconsolidated subsidiary	780	894	1,824	1,830
Dividends on preferred securities of subsidiary trusts	(10)	(10)	(19)	(19)
Equity in net income of unconsolidated subsidiary	-	1	-	10
Net income	<u>\$ 770</u>	<u>\$ 885</u>	<u>\$ 1,805</u>	<u>\$ 1,821</u>
Earnings per share:				
Net income per share - basic	<u>\$ 0.96</u>	<u>\$ 1.06</u>	<u>\$ 2.23</u>	<u>\$ 2.16</u>
Weighted average shares - basic	<u>807.2</u>	<u>837.3</u>	<u>810.4</u>	<u>841.3</u>
Net income per share - diluted	<u>\$ 0.95</u>	<u>\$ 1.05</u>	<u>\$ 2.22</u>	<u>\$ 2.15</u>
Weighted average shares - diluted	<u>810.5</u>	<u>841.9</u>	<u>813.7</u>	<u>846.0</u>

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	June 30, 1999	December 31, 1998
	(Unaudited)	
(In millions, except par value data)		
Assets		
Investments		
Fixed income securities, at fair value (amortized cost \$52,114 and \$49,946)	\$53,643	\$53,560
Equity securities, at fair value (cost \$4,396 and \$4,231)	6,251	6,421
Mortgage loans	3,743	3,458
Short-term	2,265	2,477
Other	620	609
Total investments	66,522	66,525
Cash	254	258
Premium installment receivables, net	3,201	3,082
Deferred policy acquisition costs	3,368	3,096
Reinsurance recoverables, net	1,954	1,932
Accrued investment income	794	751
Deferred income taxes	22	-
Property and equipment, net	834	803
Other assets	1,217	1,146
Separate Accounts	11,248	10,098
Total assets	\$89,414	\$87,691
Liabilities		
Reserve for property-liability insurance claims and claims expense	\$16,737	\$16,881
Reserve for life-contingent contract benefits	7,279	7,601
Contractholder funds	22,262	21,133
Unearned premiums	6,535	6,425
Claim payments outstanding	763	778
Other liabilities and accrued expenses	5,049	4,578
Deferred income taxes	-	461
Short-term debt	219	393
Long-term debt	1,355	1,353
Separate Accounts	11,248	10,098
Total liabilities	71,447	69,701
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, 804 million and 818 million shares outstanding	9	9
Additional capital paid-in	3,101	3,102
Retained income	16,052	14,490
Deferred ESOP expense	(216)	(252)
Treasury stock, at cost (96 million and 82 million shares)	(3,575)	(3,065)
Accumulated other comprehensive income:		
Unrealized net capital gains	1,883	2,994
Unrealized foreign currency translation adjustments	(37)	(38)
Total accumulated other comprehensive income	1,846	2,956
Total shareholders' equity	17,217	17,240
Total liabilities and shareholders' equity	\$89,414	\$87,691

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 savings subsidiaries, including Allstate Life Insurance Company (collectively referred to as the "Company" or "Allstate").

The condensed consolidated financial statements and notes as of June 30, 1999, and for the three month and six month periods ended June 30, 1999 and 1998 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 C of the 1999 Notice of Annual Meeting and Proxy

Statement and incorporated by reference in the Annual Report on Form 10-K for 1998. 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, 1999, the Company adopted Statement of Position ("SOP") 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments." 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 adoption of this statement had an immaterial impact on the Company's results of operations and financial position.

In July 1999, the Financial Accounting Standards Board ("FASB") delayed the effective date of Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", which replaces existing pronouncements and practices with a single, integrated accounting framework for derivatives and hedging activities. The delay was effected through the issuance of SFAS No. 137, which extends the effective date of the SFAS No. 133 requirements to fiscal years beginning after June 15, 2000. As such, the Company plans to adopt the provisions of SFAS No. 133 as of January 1, 2001. Based on existing interpretations of the requirements of SFAS No. 133, the impact of adoption is not expected to be material to the results of operations or financial position of the Company.

To conform with the 1999 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 effects of inflation are implicitly considered in the reserving process.

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.

[Table of Contents](#)

THE ALLSTATE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 \$1.08 billion and \$1.10 billion at June 30, 1999 and December 31, 1998, net of reinsurance recoverables of \$440 million and \$426 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.

[Table of Contents](#)

THE ALLSTATE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

3. Reinsurance

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

	Six months ended June 30,	
	1999	1998
	(Unaudited)	
(in millions)		
Cash flows from operating activities		
Net income	\$ 1,805	\$ 1,821
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other non-cash items	(7)	(16)
Realized capital gains and losses	(905)	(744)
Gain on disposition of operations	(10)	(87)
Interest credited to contractholder funds	660	627
Changes in:		
Policy benefit and other insurance reserves	(245)	(230)
Unearned premiums	109	45
Deferred policy acquisition costs	(88)	(109)
Premium installment receivables, net	(119)	(94)
Reinsurance recoverables, net	(23)	96
Income taxes payable	243	(159)
Other operating assets and liabilities	(289)	108
Net cash provided by operating activities	<u>1,131</u>	<u>1,258</u>
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	8,775	7,431
Equity securities	5,225	2,569
Real estate	-	86
Investment collections		
Fixed income securities	3,375	3,144
Mortgage loans	173	189
Investment purchases		
Fixed income securities	(14,140)	(11,422)
Equity securities	(4,571)	(1,921)
Mortgage loans	(453)	(329)
Change in short-term investments, net	785	375
Change in other investments, net	(12)	(46)
Acquisition of subsidiary	-	(275)
Proceeds from disposition of operations	-	49
Purchases of property and equipment, net	(104)	(78)
Net cash used in investing activities	<u>(947)</u>	<u>(228)</u>
Cash flows from financing activities		
Change in short-term debt, net	(174)	37
Repayment of long-term debt	-	(300)
Proceeds from issuance of long-term debt	2	501
Contractholder fund deposits	2,439	1,516
Contractholder fund withdrawals	(1,712)	(1,652)
Dividends paid	(233)	(218)
Treasury stock purchases	(551)	(885)
Other	41	52
Net cash used in financing activities	<u>(188)</u>	<u>(949)</u>

Net increase in cash	(4)	81
Cash at beginning of period	258	220
Cash at end of period	\$ 254	\$ 301
Supplemental disclosure of noncash information		
Conversion of Automatically Convertible Equity Securities to common shares of The PMI Group, Inc.	\$ -	\$ 357

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
(In millions)				
Property-liability premiums	\$100	\$114	\$202	\$224
Life and annuity premiums and contract charges	56	43	95	89

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.

Allstate and plaintiffs' representatives have agreed to settle certain civil suits filed in California, including a class action, related to the 1994 Northridge, California earthquake. The settlement received final approval from the Superior Court of the State of California for the County of Los Angeles on June 11, 1999. The plaintiffs in these civil suits challenged licensing and engineering practices of certain firms Allstate retained and alleged that Allstate systematically 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 settlement, Allstate sent notice to approximately 11,500 homeowner customers inviting them to participate in a court-administered program which may allow for review of their claims by an independent engineer and an independent adjusting firm to ensure that they have been properly compensated for all structural damage from the 1994 Northridge earthquake covered under the terms of their Allstate policies. It is anticipated that approximately 2,500 of these customers will ultimately participate in this independent review process. 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 will exceed the amounts currently reserved.

In April 1998, Federal Bureau of Investigation agents executed search warrants at three Allstate offices for documents relating to the handling of certain claims for losses resulting from the Northridge

[Table of Contents](#)

THE ALLSTATE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

earthquake. Allstate received subpoenas issued in April 1998, and in April 1999 from the U.S. District Court for 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.

For the past five years, the Company has been distributing to certain PP&C claimants, documents regarding the claims process and the role that attorneys may play in that process. Suits challenging the use of these documents have been filed against the Company, including a suit by the Commonwealth of Pennsylvania and purported class actions in seven other states. The suit in Pennsylvania alleged that the Company, by distributing these documents, had engaged in an unauthorized practice of law and violated the Pennsylvania Consumer Protection Law. A Pennsylvania court recently has ruled that Allstate did not engage in the unauthorized practice of law but did permit the Commonwealth to proceed with its case on the claim involving the Consumer Protection Law. In addition to these suits, the Company has received inquiries from other states' attorneys general,

bar associations and departments of insurance. In certain states, the Company continues to use these documents after agreeing to make certain modifications. The Company is vigorously defending its rights to use these documents. The outcome of these disputes is currently uncertain.

Various other legal and regulatory actions are currently pending that involve Allstate and specific aspects of its conduct of business, including some related to the Northridge earthquake. Like other employers and other members of the insurance industry, the Company is the target of an increasing number of class action law suits. These suits are based on a variety of issues including the classification of workers and insurance practices. 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
(In millions)				
Property-liability insurance claims and claims expense	\$ 73	\$ 77	\$171	\$143
Life and annuity contract benefits	31	26	66	62

7

[Table of Contents](#)

THE ALLSTATE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Three months ended June 30,					
	1999			1998		
	Pretax	Tax	After-tax	Pretax	Tax	After-tax
(In millions)						
Unrealized capital gains and losses:						
Unrealized holding gains (losses) arising during the period	\$ (490)	\$ 171	\$ (319)	\$ 205	\$ (72)	\$133
Less: reclassification adjustment for realized net capital gains included in net income	367	(129)	238	305	(107)	198
Unrealized net capital gains (losses)	(857)	300	(557)	(100)	35	(65)
Unrealized foreign currency translation adjustments	—	—	—	8	(3)	5
Other comprehensive income (loss)	\$ (857)	\$ 300	(557)	\$ (92)	\$ 32	(60)
Net income			770			885
Comprehensive income			\$ 213			\$825

6. Business Segments

Summarized revenues for each of the Company's business segments are as follows:

	Six months ended June 30,					
	1999			1998		
	Pretax	Tax	After-tax	Pretax	Tax	After-tax
(In millions)						
Unrealized capital gains and losses:						
Unrealized holding gains (losses) arising during the period	\$ (801)	\$ 280	\$ (521)	\$791	\$ (277)	\$ 514
Less: reclassification adjustment for realized net capital gains included in net income	908	(318)	590	679	(238)	441
Unrealized net capital gains (losses)	(1,709)	598	(1,111)	112	(39)	73
Unrealized foreign currency translation adjustments	2	(1)	1	8	(3)	5
Other comprehensive income (loss)	\$ (1,707)	\$ 597	(1,110)	\$120	\$ (42)	78
Net income			1,805			1,821
Comprehensive income			\$ 695			\$1,899

8

[Table of Contents](#)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Summarized financial performance data for each of the Company's business segments are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
(In millions)				
Revenues				
Property-Liability				
Premiums earned				
PP&C	\$4,903	\$4,818	\$ 9,748	\$ 9,565
Discontinued Lines and Coverages	—	—	7	—
Total premiums earned	4,903	4,818	9,755	9,565
Net investment income	439	431	859	869
Realized capital gains and losses	224	226	754	506
Total Property-Liability	5,566	5,475	11,368	10,940
Life and Savings				
Premiums and contract charges	369	388	754	741
Net investment income	552	529	1,088	1,047
Realized capital gains and losses	83	126	152	229
Total Life and Savings	1,004	1,043	1,994	2,017
Corporate and Other				
Net investment income	23	15	38	23
Realized capital gains and losses	(1)	6	(1)	9
Total Corporate and Other	22	21	37	32
Consolidated Revenues	\$6,592	\$6,539	\$13,399	\$12,989

7. Pending Acquisitions

In June 1999, the Company announced it had agreed to acquire the personal lines auto and homeowners insurance business of CNA Financial Corporation ("CNA"). This business had premium revenue in 1998 of \$1.7 billion and distributes its auto and homeowners insurance products through a network of 3,800 independent agents in 43 states. Allstate will make a cash payment of approximately \$140 million to CNA for the business and has an option to acquire certain licensed companies in the future, and will pay a marketing royalty to CNA for the use of their brand name and distribution system for a period of six years. In addition, the Company will utilize approximately \$950 million of its capital to support the new venture, which will be known as CNA Personal Insurance. This transaction is expected to close in the third quarter of 1999. The transaction is subject to approval by requisite regulatory authorities and other customary conditions.

9

[Table of Contents](#)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In July 1999, Allstate announced it had agreed to acquire all of the outstanding shares of American Heritage Life Investment Corp. ("American Heritage Life") for \$1.1 billion. Pursuant to the terms of the merger, the Company will pay \$32.25 in stock or cash for each share of American Heritage Life and will assume American Heritage Life's obligations under its outstanding mandatorily redeemable preferred securities. Shareholders owning approximately 39 percent of the outstanding American Heritage Life common stock have agreed to vote in favor of the acquisition and against any other proposed acquisition from a third party for a period of six months. Furthermore, American Heritage Life has granted an option to Allstate to acquire newly issued shares of American Heritage Life, exercisable in certain circumstances involving a third party's interference with the transaction. American Heritage Life specializes in selling life, health and disability insurance to individuals through work-site marketing. This transaction is expected to be completed by the end of 1999. The transaction is subject to approval by the American Heritage Life shareholders, requisite regulatory authorities and other customary conditions.

10

[Table of Contents](#)

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 June 30, 1999, and the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 1999 and 1998, and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 1999 and 1998. 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, 1998, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended, not presented herein. In our report dated February 19, 1999, 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, 1998 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

August 12, 1999

[Table of Contents](#)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
<i>(In millions)</i>				
Income from operations before income taxes and other items				
Property-Liability				
Underwriting income (loss)				
PP&C	\$ 214	\$ 284	\$ 581	\$ 694
Discontinued Lines and Coverages	30	(11)	29	(18)
Total underwriting income	244	273	610	676
Net investment income	439	431	859	869
Realized capital gains and losses	224	226	754	506
Gain on disposition of operations	10	38	10	38
Property-Liability income from operations before income taxes and equity in net income of unconsolidated subsidiary	917	968	2,233	2,089
Life and Savings				
Premiums and contract charges	369	388	754	741
Net investment income	552	529	1,088	1,047
Realized capital gains and losses	83	126	152	229
Contract benefits	598	596	1,204	1,171
Operating costs and expenses	189	187	366	342
Life and Savings income from operations before income taxes	217	260	424	504
Corporate and Other				
Net investment income	23	15	38	23
Realized capital gains and losses	(1)	6	(1)	9
Gain on disposition of operations	-	49	-	49
Operating costs and expenses	33	26	66	52
Corporate and Other income (loss) from operations before income taxes and dividends on preferred securities	(11)	44	(29)	29
Consolidated income from operations before income taxes and other items	\$1,123	\$1,272	\$2,628	\$2,622

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 1998 and in Appendix C of the 1999 Notice of Annual Meeting and Proxy Statement.

Consolidated Revenues

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the

Consolidated revenues increased .8% in the second quarter of 1999, and 3.2% for the first half of 1999 compared to the same periods in 1998. During the quarter, increased Property-Liability insurance premiums earned were partially offset by lower realized capital gains. For the first half of 1999 the increase was primarily due to increased Property-Liability insurance premiums earned and realized capital gains.

Consolidated Net Income

Net income for the second quarter of 1999 was \$770 million, or \$.95 per diluted share, compared with \$885 million, or \$1.05 per diluted share, for the second quarter of 1998. The decrease was due to lower realized capital gains in the current year and increased Property-Liability losses, while the Company's stock repurchase program contributed positively to earnings per share results. In addition, the second quarter of 1998 benefited from a gain recognized on the settlement of convertible securities.

Net income for the first half of 1999 was \$1.81 billion, or \$2.22 per diluted share, compared with \$1.82 billion, or \$2.15 per diluted share, for the same period in 1998. During the period, growth in Property-Liability earned premiums and higher realized capital gains were more than offset by increased Property-Liability claims and claims expenses, and Property-Liability operating costs and expenses, while the Company's stock repurchase program contributed positively to earnings per share results.

Table of Contents

	Three months ended June 30,		Six months ended June 30,	
	1999	1998	1999	1998
(In millions)				
Property-Liability insurance premiums earned	\$4,903	\$4,818	\$ 9,755	\$ 9,565
Life and Savings premiums and contract charges	369	388	754	741
Net investment income	1,014	975	1,985	1,939
Realized capital gains and losses	306	358	905	744
Total revenues	\$6,592	\$6,539	\$13,399	\$12,989

Property-Liability Operations

Overview

The Company's Property-Liability operations consist of two principal business segments: 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 auto and homeowners insurance to individuals in both the United States and in other countries. Discontinued Lines and Coverages consists of business no longer written by Allstate, including results from environmental, asbestos and mass tort exposures, mortgage pool insurance business and other commercial business in run-off. Such groupings of financial information are consistent with that used internally for evaluating segment performance and determining the allocation of resources.

Underwriting results for each of the Property-Liability business segments are discussed separately beginning on page 14.

Unaudited summarized financial data and key operating ratios for the Company's Property-Liability operations for the three month and six month periods ended June 30, are set forth in the following table:

[Table of Contents](#)

	Three months ended June 30,		Six months ended June 30,	
	1999	1998	1999	1998
(In millions, except ratios)				
Premiums written	\$5,027	\$4,924	\$9,866	\$9,669
Premiums earned	\$4,903	\$4,818	\$9,755	\$9,565
Claims and claims expense	3,531	3,456	6,852	6,759
Operating costs and expenses	1,128	1,089	2,293	2,130
Underwriting income	244	273	610	676
Net investment income	439	431	859	869
Income tax expense on operations	170	183	382	419
Operating income	513	521	1,087	1,126
Realized capital gains and losses, after-tax	142	147	486	329
Gain(loss) on disposition of operations, after-tax	(14)	25	(14)	25
Equity in net income of unconsolidated subsidiary	-	1	-	10
Net income	\$ 641	\$ 694	\$1,559	\$1,490
Catastrophe losses	\$ 276	\$ 303	\$ 402	\$ 422
Operating ratios				
Claims and claims expense ("loss") ratio	72.0	71.7	70.2	70.6
Expense ratio	23.0	22.6	23.5	22.3
Combined ratio	95.0	94.3	93.7	92.9
Effect of catastrophe losses on combined ratio	5.6	6.3	4.1	4.4

Net Investment Income and Realized Capital Gains

Net investment income increased 1.9% to \$439 million in the second quarter of 1999, compared to \$431 million in the same period last year. The increase during the period reflected positive cash flows from operations, partially offset by lower investment yields. For the six months ended June 30, 1999, net investment income decreased 1.2% to \$859 million from \$869 million in the first half of 1998. Positive cash flows from operations, which typically increase the investment portfolio, were offset by the impact of increased dividends paid to The Allstate Corporation during the last twelve months, and lower investment yields. 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 called or maturing investments may be reinvested at interest rates lower than those which prevailed when the funds were previously invested, resulting in lower investment yields.

Net realized capital gains for the second quarter of 1999 were \$142 million after-tax versus \$147 million after-tax for the same period in 1998. For the first six months of 1999, realized capital gains were \$486 million after-tax compared with \$329 million after-tax for the same period in 1998. Period to period fluctuations in realized capital gains are largely due to the timing of sales decisions reflecting management's view of the positioning of the portfolio, individual securities and overall market conditions.

Underwriting Results

PP&C- Summarized financial data and key operating ratios for Allstate's PP&C are as follows:

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

PP&C provides primarily private passenger auto and homeowners insurance to individuals. 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 generally written at rates higher than standard auto rates.

The Company's marketing strategy for auto and homeowners varies by geographic area. The strategy for auto is to grow business more rapidly in areas where the regulatory climate is more conducive to

	Three months ended June 30,		Six months ended June 30,	
	1999	1998	1999	1998
(In millions, except ratios)				
Premiums written	\$5,027	\$4,924	\$9,859	\$9,669
Premiums earned	\$4,903	\$4,818	\$9,748	\$9,565
Claims and claims expense	3,565	3,454	6,883	6,755
Operating costs and expenses	1,124	1,080	2,284	2,116
Underwriting income	\$ 214	\$ 284	\$ 581	\$ 694
Catastrophe losses	\$ 276	\$ 303	\$ 402	\$ 422
Operating ratios				
Claims and claims expense ("loss") ratio	72.7	71.7	70.6	70.6
Expense ratio	22.9	22.4	23.4	22.1
Combined ratio	95.6	94.1	94.0	92.7
Effect of catastrophe losses on combined ratio	5.6	6.3	4.1	4.4

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. The Company continuously monitors its designated growth and limited growth areas, and adjusts its actions including limiting premium growth, as necessary, to maintain acceptable catastrophe exposure levels in these areas. The areas currently designated as auto limited growth markets represent an insignificant percentage of the total United States population. 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 less than 4% of the United States population resides.

PP&C premiums written increased 2.1% in the second quarter, and 2.0% for the first half of 1999, respectively, compared to the same periods in 1998. The increase for both periods was due to an increase in policies in force (unit sales), partially offset by decreases in average auto premiums.

Standard auto premiums written were \$2.74 billion in the second quarter of 1999, compared to \$2.75 billion for the same period in 1998. For the six month period ending June 30, 1999, standard auto premiums were \$5.57 billion compared with \$5.56 billion for 1998. For both periods increased unit sales were offset by decreases in average premiums. Favorable loss trends, competitive considerations and regulatory pressures in some states have affected the Company's ability to maintain rates at historical levels. The Company has filed, or plans to file in 1999, rate changes including decreases in several key states, which are expected to continue to adversely impact average premium growth in 1999 as compared to the prior year. In addition, the Company is subject to regulated rate and coverage reductions in the state of New Jersey which became effective in the first half of 1999. Excluding New Jersey, the total standard auto premiums written increased approximately 1.7% in the second quarter of 1999 as compared to the second quarter of 1998. For the six months ended June 30, 1999, standard auto premiums written excluding New Jersey increased approximately 1.7% over the first six months of 1998. Additional discussion of the New Jersey changes is included in the Other Developments section on page 23.

Non-standard auto premiums written increased 4.4% to \$875 million in the second quarter of 1999, from \$838 million for the same period in 1998. For the six month period, non-standard auto premiums written increased 3.1% to \$1.73 billion compared with \$1.68 billion for 1998. The increase during both periods was driven by an increase in policies in force, partially offset by a decrease in average premiums. Management believes non-standard auto premiums written continue to be adversely impacted by competitive pressures.

Homeowners premiums written for the second quarter were \$891 million, an increase of 5.4% from the second quarter 1998 premiums of \$845 million. For the first half of 1999, homeowners premiums written were \$1.59 billion, an increase of 5.1% compared to the same period last year. The increase was driven by increased policies in force and average premiums. The higher average premiums were primarily due to rate increases.

For the second quarter of 1999, PP&C had underwriting income of \$214 million versus \$284 million for the second quarter of 1998. Underwriting income for the six month period ended June 30, 1999 was \$581 million compared to \$694 million for the first half of last year. Underwriting income decreased in both periods as earned premium growth was more than offset by increased auto claim frequency, unfavorable homeowners severity and increased expenses. Auto claim severity growth was below the growth of relevant cost indices related to medical services, auto body work and used car prices.

Catastrophe losses for the second quarter of 1999 were \$276 million compared with \$303 million for the same period in 1998. For the first half of 1999, catastrophe losses were \$402 million, a decrease of \$20 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

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

results of operations and financial position. The Company has experienced two severe catastrophes in the past ten years which each resulted in losses of approximately \$2.00 billion. While management believes the Company's catastrophe management initiatives will greatly reduce the severity of possible future losses, the Company continues to be exposed to catastrophes which could be of similar or greater magnitude.

The establishment of appropriate reserves for catastrophes, as for all outstanding property-liability claims, is an inherently uncertain process. 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.

Allstate has implemented initiatives to limit, over time, its insurance exposures in certain regions prone to catastrophes, subject to the requirements of insurance laws and regulations and as limited by competitive considerations. 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 has expanded its use of or the level of deductibles in certain regions prone to catastrophes. The Company has made substantial progress in reducing its exposure to catastrophes in Florida, California and the northeastern portion of the United States ("Northeast").

For Allstate, major areas of potential losses due to hurricanes include major metropolitan centers near the eastern and gulf coasts of the United States. Allstate Floridian Insurance Company ("Floridian") and Allstate Floridian Indemnity Company ("AFI") were formed to sell and service Allstate's Florida residential property policies, and have access to reimbursements, and exposure to assessments from the Florida Hurricane Catastrophe Fund. In addition, Floridian and AFI are subject to assessments from the Florida Windstorm Underwriting Association and the Florida Property and Casualty Joint Underwriting Association which are organizations created to provide coverage for catastrophic losses to property owners unable to obtain coverage in the private market.

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 and Charleston, South Carolina. 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 are summarized below:

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

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

[Table of Contents](#)

(In millions)
Underwriting income (loss)

	June 30,		June 30,	
	1999	1998	1999	1998
	\$ 30	\$ (11)	\$ 29	\$ (18)

Life and Savings Operations

Life and Savings markets life insurance, savings and group pension products. Life insurance products primarily include traditional life, including term and whole life, and universal life insurance. Savings products consist of fixed annuity products, including indexed, market value adjusted and structured settlement annuities, as well as variable annuities. Life and Savings products are distributed through a combination of Allstate agents (which include life specialists), banks, independent agents, brokers and direct response marketing.

Summarized financial data for Life and Savings operations and investments at or for the three month and six month periods ended June 30, are illustrated in the following table:

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

	Three months ended June 30,		Six months ended June 30,	
	1999	1998	1999	1998
(In millions)				
Statutory premiums and deposits	\$ 2,035	\$ 1,676	\$ 3,546	\$ 2,880
Investments	\$32,039	\$30,820	\$32,039	\$30,820
Separate Account assets	11,248	9,159	11,248	9,159
Investments including Separate Account assets	\$43,287	\$39,979	\$43,287	\$39,979
Premiums and contract charges	\$ 369	\$ 388	\$ 754	\$ 741
Net investment income	552	529	1,088	1,047
Contract benefits	598	596	1,204	1,171
Operating costs and expenses	175	173	338	325
Income from operations	148	148	300	292
Income tax expense on operations	49	45	102	96
Operating income	99	103	198	196
Realized capital gains and losses, after-tax (1)	43	68	80	132
Net income	\$ 142	\$ 171	\$ 278	\$ 328

Statutory premiums and deposits, which includes premiums and deposits for all products, are utilized to analyze sales trends. The following table summarizes statutory premiums and deposits by product line for the three month and six month periods ended June 30:

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

[Table of Contents](#)

	Three months ended June 30,		Six months ended June 30,	
	1999	1998	1999	1998
(In millions)				
Life products				
Universal	\$ 189	\$ 261	\$ 383	\$ 446
Traditional	85	83	159	155
Other	160	56	303	113
Annuity products				
Fixed	585	420	1,061	726
Variable	588	464	970	858
Group pension products	428	392	670	582
Total	\$2,035	\$1,676	\$3,546	\$2,880

Total statutory premiums and deposits increased \$359 million, or 21.4%, in the second quarter of 1999 compared with the same period last year primarily due to higher sales of both fixed and variable annuities. For the first half of 1999, total statutory premiums increased \$666 million, or 23.1%, compared to the same period in 1998 due to increased sales of fixed annuities, life products and variable annuities. Fixed annuity sales for the second quarter and first half of 1999 increased 39.3% and 46.1%, over the same periods in 1998 respectively, primarily due to the introduction of new products and new marketing partnerships in the independent agent and banking distribution channels. Variable annuity statutory premiums for the three month and six month periods ended June 30, 1999 increased \$124 million and \$112 million, respectively, compared to the same periods last year. For both periods the increase was driven by sales via the Putnam Investments alliance, which began in May 1999, and in the independent agent distribution channel. For the first half of 1999, statutory premiums for life products increased \$131 million over the same period last year due primarily to the introduction of a bank-owned life product.

Under generally accepted accounting principles ("GAAP"), revenues exclude deposits on most annuity contracts and premiums on universal life policies, and will vary with the mix of business sold during the period. Premiums and contract charges were \$369 million for the second quarter of 1999 compared with \$388 million for the same period last year. Increased contract charges, primarily from universal life and variable annuity products, were more than offset by lower premiums from structured settlement annuities with life contingencies. For the first half of 1999, premiums and contract charges were \$754 million versus \$741 for the first half of 1998. Higher universal life and variable annuity contract charges were partially offset by lower premiums from structured settlement annuities with life contingencies.

Pretax net investment income increased 4.3% in the second quarter of 1999 and 3.9% in the first half of 1999 compared with the same periods last year as higher investment balances were partially offset by lower investment yields. Investments at June 30, 1999, excluding Separate Accounts and unrealized gains on fixed income securities, grew 7.9% from the same period last year. 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 called or maturing investments may be reinvested at interest rates lower than those which prevailed when the funds were previously invested, resulting in lower investment yields.

Operating income was \$99 million for the second quarter of 1999 compared to \$103 million for the same period last year. Increased investment income was offset by less favorable mortality experience. For the first half of 1999, operating income increased slightly to \$198 million compared to \$196 million for the same period last year as increased investment income was partially offset by less favorable mortality experience.

Realized capital gains and losses after-tax, for the three month and six month periods ended June 30, 1999 were \$43 million and \$80 million respectively, compared to \$68 million and \$132 million during the same periods in 1998. The decrease in realized capital gains and losses for both periods was due primarily to lower gains from equity linked investments, increased losses on dispositions and writedowns on certain fixed income securities.

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 2000. In order to borrow on the five-year line of credit, Allstate Insurance Company ("AIC") is required to maintain a specified

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

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. The majority of the proceeds from the issuance of commercial paper have been used by the insurance operations for general corporate purposes. At June 30, 1999, the Company had outstanding commercial paper borrowings of \$219 million. Total borrowings under the combined commercial paper program and line of credit are limited to \$1.55 billion.

The Company currently has a shelf registration statement, filed with the Securities and Exchange Commission in August 1998, under which up to \$2.00 billion of debt securities, preferred stock or debt warrants may be issued. No securities have been issued under this registration statement.

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 1999 without prior approval of the Illinois Department of Insurance is \$2.96 billion. In the twelve months beginning August 1, 1998, AIC has paid approximately \$2.51 billion in dividends to The Allstate Corporation, and at July 31, 1999, has remaining capacity to pay an additional \$447 million in dividends. This capacity will vary during the year as dividends previously paid are excluded from the calculation after twelve months, and decrease as AIC continues to pay dividends. AIC intends to continue to pay dividends in advance of Corporate funding requirements and up to the maximum amount allowed without requiring prior approval. Dividends paid have historically been used for general corporate purposes including the Company's stock repurchase program.

In June 1999, the Company announced it had agreed to acquire the personal lines auto and homeowners insurance business of CNA Financial Corporation ("CNA"). This business had premium revenue in 1998 of \$1.7 billion and distributes its auto and homeowners insurance products through a network of 3,800 independent agents in 43 states. Allstate will make a cash payment of approximately \$140 million to CNA for the business and has an option to acquire certain licensed companies in the future, and will pay a marketing royalty to CNA for the use of their brand name and distribution system for a period of six years. In addition, the Company will utilize approximately \$950 million of its capital to support the new venture. This transaction is expected to close in the third quarter of 1999. The transaction is subject to approval by requisite regulatory authorities and other customary conditions.

In July 1999, Allstate announced it had agreed to acquire all of the outstanding shares of American Heritage Life Investment Corp. ("American Heritage Life") for approximately \$1.1 billion. Pursuant to the terms of the merger, the Company will pay \$32.25 in The Allstate Corporation stock or cash for each share of American Heritage Life and will assume American Heritage Life's obligations under its outstanding mandatorily redeemable preferred securities. American Heritage Life specializes in selling life, health and disability insurance to individuals through work-site marketing. This transaction is expected to be completed by the end of 1999. The transaction is subject to approval by the American Heritage Life shareholders, requisite regulatory authorities and other customary conditions.

During the second quarter of 1999, the Company purchased approximately 8.2 million shares of its common stock, as part of its stock repurchase program, at a cost of \$299 million. This program, announced in August 1998, is for a total of \$2.00 billion and is planned to be completed on or before December 31, 2000. At June 30, 1999, this program was approximately 40.6% complete. In July 1999, the Company announced an additional stock repurchase program designed to repurchase in advance, the shares needed to fulfill the requirements of the American Heritage Life acquisition.

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

Liquidity

Surrenders and withdrawals for Life and Savings were \$618 million and \$1.29 billion for the three month and six month periods ended June 30, 1999, compared to \$554 million and \$1.06 billion for the same periods in 1998. 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 June 30, 1999, at financial statement carrying values, is presented in the table below:

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

(In millions)	Property-Liability		Life and Savings		Corporate and Other		Total	
		Percent to total		Percent to total		Percent to total		Percent to total
Fixed income securities(1)	\$25,547	77.4%	\$26,705	83.3%	\$1,391	93.7%	\$53,643	80.6%
Equity securities	5,684	17.2	565	1.8	2	0.1	6,251	9.4

Mortgage loans	204	0.7	3,539	11.0	—	—	3,743	5.6
Short-term	1,549	4.7	624	2.0	92	6.2	2,265	3.4
Other	14	—	606	1.9	—	—	620	1.0
Total	\$32,998	100.0%	\$32,039	100.0%	\$1,485	100.0%	\$66,522	100.0%

Total investments decreased to \$66.52 billion at June 30, 1999 from \$66.53 billion at December 31, 1998.

Property-Liability investments decreased \$735 million to \$33.00 billion at June 30, 1999 from \$33.73 billion at December 31, 1998, due to a decrease in unrealized gains in both the fixed income and equity securities portfolios. Life and Savings investments at June 30, 1999, increased \$274 million to \$32.04 billion from \$31.77 billion at December 31, 1998. This increase was primarily attributable to amounts invested from positive cash flows generated from operations, partially offset by a decrease in unrealized capital gains in both the fixed income and equity securities portfolios.

Nearly 93.7% 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 and equipment for all phases of its operations, including product distribution, customer service, insurance processing, underwriting, loss reserving, investments and other enterprise systems. Since many 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.

[Table of Contents](#)

(1) Fixed income securities are carried at fair value. Amortized cost for these securities was \$25.0 billion, \$25.7 billion and \$1.4 billion for Property-Liability, Life and Savings, and Corporate and Other, respectively.

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 and equipment:

- 1) inventory and assessment of affected systems and equipment, 2) remediation and compliance of systems and equipment through strategies that include the replacement or enhancement of 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 and equipment using clock-forward testing for both current and future dates and for dates which trigger specific processing, and 4) contingency planning to 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 three phases of this plan, assessment, remediation and testing, including clock-forward testing which was performed on the Company's systems and equipment and non-IT, are complete. It is expected that the implementation and rollout of the remediated personal computer environment will continue into the fourth quarter of 1999. In addition, some systems and equipment and non-IT related to discontinued or non-critical functions of the Company are planned to be abandoned by the end of 1999.

The fourth phase of this plan, contingency planning, is currently in process. Detailed plans have been created in the event that the systems and equipment or major external counterparties and suppliers supporting critical processes are not Year 2000 compliant in or after the year 1999. These plans, created by each corporate function and business unit of the Company, identify and document the risks associated with Year 2000 on their business processes. Appropriate plans have been developed to mitigate those risks. A common inclusion in many of the plans is a description of manual processes and personnel needed in the event of a temporary Year 2000 failure. Contingency plans will be tested appropriately by the corporate function or business unit for their effective operation and for achieving their desired results. In addition, during the third quarter of 1999, the Company's management is reviewing all corporate function and business units' plans for accuracy and comprehensiveness. Monitoring of these plans will continue throughout the end of 1999 and beyond, as needed.

The Company has considered numerous risk scenarios during the contingency planning phase. Through this planning, management

believes that the scenario which could be considered the worst case, includes a widespread, prolonged failure of public utility systems which would not only cause power outages for the Company, but also cause telecommunication, banking or external counterparty and supplier service outages. While the company has assessed and will continue to assess data on the utility, telecommunication and banking industries, it acknowledges the possibility that a prolonged widespread outage in any or all of these industries could lead to a worst case scenario. However, Allstate does not consider such prolonged widespread outages to be reasonably likely. Therefore, Allstate has focused its most reasonably likely worst case scenario contingency planning on limited scale outages in order to ensure the ability to deal with risks of likely scenarios. Because Allstate is prepared for outages on a localized basis as part of normal business operations, the Company considers the impacts of this most reasonably likely scenario to be immaterial to the Company's results of operations, liquidity or financial position.

Allstate markets its products through a variety of distribution channels, with the core of its distribution system being a broad-based network of approximately 15,500 exclusive agents (including life specialists) in the United States and Canada, and independent agents who offer Allstate products primarily in rural areas not served by Allstate exclusive agents. Life and Savings products are not only distributed through exclusive and independent agents, but also through banks, brokers and direct response marketing. The core of the Company's distribution system, the exclusive agents, have had their systems included in the Company-wide four phase plan, therefore management believes that assessment, remediation, testing and the creation of contingency plans are complete for the exclusive agency operations' critical systems.

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

The Company also relies on thousands of independent agencies in its multiple channel distribution network. These agencies, which are independent of Allstate, have not been directly included in the Company-wide four phase plan, and potentially may not be Year 2000 compliant during or after the year 1999. Because the risk associated with this scenario is diffused across thousands of appointed independent agencies, located throughout the United States, using many different technologies, the impact on the Company's results of operations, liquidity or financial condition is not determinable.

In addition, the Company is actively working with its major external counterparties and suppliers, including public utility companies and banks and brokers involved in its distribution channel, to assess their compliance efforts and the Company's exposure to both their Year 2000 issues and non-IT issues. This assessment has included soliciting external counterparties and suppliers, evaluating responses received and testing third party interfaces and interactions to determine compliance. Currently the Company has solicited, and has received responses from, the majority of its counterparties and suppliers. These responses generally state that they believe they will be Year 2000 compliant and that no transactions will be affected. However, certain vendors are also in ongoing assessment and testing of their products whereby they are currently unable to identify all potential problems in certain products which are used by the Company. The Company believes that these vendors will make no statements regarding their Year 2000 readiness other than to publish declarations addressing specific compliance issues identified with their products. The Company is working with these key vendors and has procedures in place to stay aware of any compliance issues encountered by these vendors. The Company has also decided to test certain interfaces and interactions to gain additional assurance on third party compliance. Currently, the Company does not have sufficient information to determine whether all of its external counterparties and suppliers will be Year 2000 compliant. If they are not Year 2000 compliant, the Company is not able to determine the impact of any consequent losses on its results of operations, liquidity or financial position.

The Company is also potentially exposed to Year 2000 risks associated with certain personal lines policies that have been issued. While coverage may exist for some Year 2000 related losses under Allstate's personal auto or homeowners insurance policies, many Year 2000 related losses will not be covered by these policies. Losses incurred due to mere failures of personal electronic devices to function as intended by their manufacturer or distributor, or as expected by the policyholder, are not the type of losses which would be covered by the Company's personal auto or homeowners insurance policies. Such product failures are considered to be product warranty issues best addressed between the policyholder and the manufacturer or distributor of the products. However, certain other types of Year 2000-related losses may be covered under the Company's policies, depending upon the particular circumstances of the loss and the type of policy in force at the time of loss. Some of the Company's homeowners policies, for instance, provide significantly broader protection than others, and therefore may provide coverage for certain types of losses.

The Company also is exposed to Year 2000 risks associated with certain commercial policies that have been issued. Since the commercial business written by the Company is not material to the overall results of operations of the Company, management believes that Year 2000-related losses associated with these lines does not pose a material risk to the Company. However, with respect to both personal lines and commercial policies, in determining whether coverage exists in any particular circumstance, all facts of the loss as well as the applicable policy terms, conditions and exclusions will be reviewed. The Company currently does not have sufficient information to determine the impacts of such losses on its results of operations, liquidity or financial position.

The Company may be exposed to the risk that the issuers of investments in its portfolio 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 all current portfolio holdings. Any recommended actions with respect to individual investments are determined by taking into account the potential impact of Year 2000 on the issuer. Based on its current review, the Company believes that although Year 2000 issues may temporarily affect the market or individual issuers, the potential impact of Year 2000 on its investment portfolio will not be material.

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

The Company presently believes that it will resolve the Year 2000 issue in a timely manner. Year 2000 costs are expensed as incurred. The majority of the expenses related to this project have been incurred as of June 30, 1999. The Company estimates that approximately \$125 million in costs will be incurred between the years of 1995 and 2000. These amounts include costs directly related to fixing Year 2000 issues, such as modifying software and hiring Year 2000 solution providers, as well as costs incurred to replace certain non-compliant systems which would not have been otherwise replaced.

Other Developments

In 1997, the Company formed a new company, Allstate New Jersey Insurance Company ("ANJ"), which is dedicated to serving insurance consumers in New Jersey. ANJ became the replacement carrier for AIC and Allstate Indemnity Company ("AI") in New Jersey. AIC and AI have legally withdrawn from New Jersey. The Certificates of Authority for AIC and AI were officially surrendered as of December 31, 1998 pursuant to the requirement that they run off all policies and claims. In accordance with that legal process, ANJ began absorbing business in New Jersey by offering coverage to customers, and receiving property, commercial and assigned risk policies from AIC and AI in 1998. In December 1998, ANJ began absorbing all voluntary private passenger auto policies, a process that should be complete in 1999. Due to legislative and regulatory reform of the auto insurance system that included regulated rate and coverage reductions effective for new policies written and renewals processed on and after March 22, 1999, ANJ has experienced decreased premiums during the second quarter of 1999. Management expects to see decreases in losses due to this reform as well. The overall impact of these statutory and regulatory changes in the system is intended to lower costs in the state. Until the rating plan and coverage changes are fully implemented, the Company can not be assured of improved results of operations in New Jersey.

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 July 1999, the Financial Accounting Standards Board ("FASB") delayed the effective date of Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", which replaces existing pronouncements and practices with a single, integrated accounting framework for derivatives and hedging activities. The delay was effected through the issuance of SFAS No. 137, which extends the effective date of SFAS No. 133 requirements to fiscal years beginning after June 15, 2000. As such, the Company expects to adopt the provisions of SFAS No. 133 as of January 1, 2001. Based on existing interpretations of the requirements of SFAS No. 133, the impact of adoption is not expected to be material to the results of operations or financial

position of the Company.

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:

23

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Month and Six Month Periods Ended June 30, 1999 and 1998

See the Company's 1998 Annual Report on Form 10-K (the "1998 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 3 of the 1998 10-K.

24

[Table of Contents](#)

PART II. Other Information

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

On May 18, 1999, Allstate held its annual meeting of stockholders at the Chicago Botanic Garden in Glencoe, Illinois. Ten directors were elected for terms expiring at the 2000 annual meeting of stockholders. In addition, the stockholders approved the recommendation that Deloitte & Touche LLP be appointed auditors for 1999 and approved the Annual Covered Employee Incentive Compensation Plan and the Long-Term Executive Incentive Compensation Plan. The stockholders did not approve stockholder proposals for cumulative voting in the election of directors or for an independent study of expenses in defending legal actions.

Election of Directors

1. Management believes that the Company's catastrophe management initiatives will reduce the severity of possible future losses, that initiatives taken in Florida and the Northeast will reduce the Company's exposure to catastrophic losses in those areas, and that the Company's exposure to earthquake losses in California is limited as a result of its participation in the CEA. (See "Catastrophe Losses and Catastrophe Management" beginning 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 and the CEA which are designed to predict the probability of catastrophes and the extent of losses to Allstate and the CEA resulting from catastrophes. Catastrophic events may occur in the future which indicate that such techniques and data do not accurately predict Allstate's or the CEA'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.
2. 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 Company's 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 adversely affected. 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.
3. The Company presently believes that it will resolve the Year 2000 issues affecting its computer operations in a timely manner, and that the costs incurred between the years of 1995 and 2000 in resolving those issues will be approximately \$125 million. However, 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, could increase the cost of resolving the Year 2000 issues, and could materially affect the Company's results of operations, liquidity and financial condition in any period or periods.
4. Due to legislative and regulatory reform of the auto insurance system in New Jersey that included regulated rate and coverage reductions effective for new policies written and renewals processed on and after March 22, 1999, ANJ has experienced decreased premiums during the second quarter of 1999. Management expects to see decreases in losses due to this reform as well. (See "Other Developments" at page 23.) However, until the rating plan and

coverage changes are fully implemented, the Company can not be assured of improved profitability. It is possible that losses may increase or that any decrease will not be commensurate with the reductions in premiums.

Approval of Deloitte & Touche LLP as Auditors for 1999

Nominee	Votes for	Votes Withheld
James G. Address	663,016,546	22,821,875
Warren L. Batts	662,886,493	22,951,928
Edward A. Brennan	661,699,818	24,138,603
James M. Denny	662,799,870	23,039,551
W. James Farrell	657,612,597	28,225,824
Ronald T. LeMay	657,594,716	28,243,705
Edward M. Liddy	660,309,441	25,528,980
Michael A. Miles	662,999,802	22,838,619
H. John Riley, Jr.	660,747,260	25,091,161
Joshua I. Smith	662,843,363	22,995,058

Approval of Annual Covered Employee Incentive Compensation Plan

Votes For	Votes Against	Votes Abstained
681,431,951	1,813,311	2,593,159

Approval of Long-Term Executive Incentive Compensation Plan

Votes For	Votes Against	Votes Abstained
656,594,642	23,605,904	5,637,875

Stockholder Proposal for Cumulative Voting in the Election of Directors

Votes For	Votes Against	Votes Abstained
649,052,443	29,568,243	7,217,735

[Table of Contents](#)

Stockholder Proposal for an Independent Study of Expenses in Defending Legal Actions

Votes For	Votes Against	Votes Abstained	Non-Votes
184,592,242	378,747,733	37,753,174	84,745,272

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Votes For	Votes Against	Votes Abstained
52,921	685,785,500	None

(b) Reports on Form 8-K.

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

[Table of Contents](#)

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.

Registrant filed a Current Report on Form 8-K/ A on June 4, 1999 (Item 5)

Registrant filed a Current Report on Form 8-K on July 12, 1999 (Items 5 and 7)

[Table of Contents](#)

August 12, 1999

The Allstate Corporation (Registrant)
By /s/ Samuel H. Pilch

Samuel H. Pilch, Controller
(Principal Accounting Officer and duly authorized Officer of Registrant)

E-1

RESTATED CERTIFICATE OF INCORPORATION

OF

THE ALLSTATE CORPORATION

The Allstate Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is The Allstate Corporation. The Allstate Corporation was originally incorporated under the same name. The original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on November 5, 1992.

2. Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, this Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Restated Certificate of Incorporation of this corporation as heretofore amended or supplemented.

3. The text of the Restated Certificate of Incorporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as follows:

"RESTATED CERTIFICATE OF INCORPORATION

OF

THE ALLSTATE CORPORATION

ARTICLE FIRST

The name of the corporation is The Allstate Corporation.

ARTICLE SECOND

The address of the corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THIRD

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOURTH

The total number of shares which the corporation shall have authority to issue shall be 2,025,000,000, divided into two classes, namely: 25,000,000 shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), and 2,000,000,000 shares of Common Stock, par value \$.01 per share ("Common Stock").

The number of authorized shares of Preferred Stock and Common Stock may be increased or decreased (but not below the number of shares thereof outstanding) by the affirmative vote of the holders of a majority of the stock of the corporation entitled to vote with respect to such matter without any class vote required by the General Corporation Law of the State of Delaware.

The designation, relative rights, preferences and limitations of the shares of each class, the authority of the board of directors of the corporation to establish and to designate series of the Preferred Stock and to fix the variations in the relative rights, preferences and limitations as between such series, and the relative rights, preferences and limitations of each such series, shall be as follows:

1. Preferred Stock.

(a) The board of directors of the corporation is authorized, subject to the limitation prescribed by law and the provisions of this Section 1 of this Article FOURTH, to provide for the issuance of the Preferred Stock in series, to establish or change the number of shares to be included in each such series and to fix the designation, relative rights, preferences and limitations of the shares of each such series. The authority of the board of directors of the corporation with respect to each series shall include, but not be limited to, determination of the following:

Exhibit No.	Description	Sequentially Numbered Page
3(a)	Restated Certificate of Incorporation filed with Secretary of State of Delaware on February 4, 1999.	
3(b)	By-Laws as amended effective May 18, 1999.	
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 August 12, 1999, 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.	

2

(i) the number of shares constituting that series and the distinctive designation of that series;

(ii) the dividend rate or rates on the shares of that series and/or the method of determining such rate or rates, whether dividends shall be cumulative, and if so, from which date or dates;

(iii) whether and to what extent the shares of that series shall have voting rights in addition to the voting rights provided by law, which might include the right to

(b) Subject to the designations, relative rights, preferences and limitations provided pursuant to Subsection 1(a) of this Article FOURTH, each share of Preferred Stock of a series shall be of equal rank with each other share of Preferred Stock of such series.

2. Common Stock.

(a) *Dividends.* Subject to the express terms of the Preferred Stock outstanding from time to time, such dividend or distribution as may be determined by the board of directors of the corporation may from time to time be declared and paid or made upon the Common Stock out of any source at the time lawfully available for the payment of dividends.

(b) *Voting.* Except as otherwise provided by law, each share of Common Stock shall entitle the holder thereof to one vote in any matter which is submitted to a vote of the holders of shares of Common Stock of the corporation.

(c) *Liquidation.* The holders of Common Stock shall be entitled to share ratably upon any liquidation, dissolution or winding up of the affairs of the corporation (voluntary or involuntary) in all assets of the corporation, if any, remaining after payment in full to the holders of Preferred Stock of the preferential amounts, if any, to which they are entitled. Neither the consolidation nor the merger of the corporation with or into any other corporation or corporations, nor a reorganization of the corporation alone, nor the sale or transfer by the corporation of all or any part of its assets, shall be deemed to be a

liquidation, dissolution or winding up of the corporation for the purposes of this subparagraph (2) (c).

3. General Provision with Respect to All Classes of Stock; Issuance of Stock.

Shares of capital stock of the corporation may be issued by the corporation from time to time in such amounts and proportions and for such consideration (not less than the par value thereof in the case of capital stock having par value) as may be fixed and determined from time to time by the board of directors and as shall be permitted by law.

ARTICLE FIFTH

The corporation is to have perpetual existence.

ARTICLE SIXTH

In furtherance and not in limitation of the power conferred by statute, the board of directors of the corporation is expressly authorized to adopt, amend or repeal the by-laws of the corporation. The stockholders may adopt, amend or repeal by-laws of the corporation only upon the affirmative vote of the holders of not less than 66 2/3% of the total number of votes entitled to be cast generally in the election of directors.

ARTICLE SEVENTH

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws of the corporation may provide. The books of the corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation. Election of directors need not be by written ballot unless the by-laws of the corporation so provide.

Any action required or permitted to be taken by the holders of any class or series of stock of the corporation entitled to vote generally in the election of directors may be taken only by vote at an annual or special meeting at which such action may be taken and may not be taken by written consent.

No director may be removed, with or without cause, by the stockholders except by the affirmative vote of holders of not less than 66 2/3% of the total number of votes entitled to be cast at an election of such director; *provided*, however, that, whenever the holders of any class or series of Preferred Stock issued pursuant to ARTICLE FOURTH, Section 1 hereof, are entitled, by the terms of such class or series of Preferred Stock, voting separately by class or series to elect one or more directors, the provisions of the preceding clause of this sentence shall not apply with respect to such directors if the terms of such class or series of Preferred Stock expressly provide otherwise. This paragraph of ARTICLE SEVENTH may not be amended, modified or repealed except by the

affirmative vote of the holders of not less than 66 2/3% of the total number of votes entitled to be cast generally in the election of directors.

ARTICLE EIGHTH

To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director. Any repeal or modification of this ARTICLE EIGHTH shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLE NINTH

The corporation expressly elects to be governed by Section 203 of the General Corporation Law of the State of Delaware.

ARTICLE TENTH

The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation."

IN WITNESS WHEREOF, the corporation has caused this Restated Certificate of Incorporation to be signed by its Chairman of the Board and Chief Executive Officer and by its Vice President, Secretary and General Counsel on this 19th day of May, 1998.

elect a specified number of directors in any case or if dividends on such series were not paid for a specified period of time;

(iv) whether the shares of that series shall be convertible into shares of stock of any other series or class, and, if so, the terms and conditions of such conversion, including the price or prices or the rate or rates of conversion and the terms of adjustment thereof;

(v) whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(vi) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation;

(vii) the obligation, if any, of the corporation to retire shares of that series pursuant to a sinking fund; and

(viii) any other relative rights, preferences and limitations of the Series.

THE ALLSTATE CORPORATION
By: /s/ ROBERT W. PIKE

Effective May 18, 1999

BY-LAWS OF

THE ALLSTATE CORPORATION

A Delaware corporation

ARTICLE I

OFFICES

Section 1. *Registered Office; Registered Agent.* The registered office in the State of Delaware and the name of the corporation's registered agent at such address shall be as stated in the Second Article of the Certificate of Incorporation of The Allstate Corporation, as it may be amended from time to time.

Section 2. *Other Offices.* The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors of the corporation (the "Board of Directors") may from time to time determine or the business of the corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. *Meetings of Stockholders.* All meetings of the stockholders for the election of directors shall be held at the registered office of the corporation, or at such other location within or without the State of Delaware as may be set forth in the notice of call. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of call.

Section 2. *Annual Meeting.* The annual meeting of stockholders shall be held each year at a time and place determined by the Board of Directors. At the annual meeting, the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

Section 3. *Notice of Annual Meetings.* Written notice of the annual meeting shall be given to each stockholder entitled to vote thereat at least ten and not more than sixty days before the date of the meeting.

Section 4. *Stockholder List.* The officer who has charge of the stock ledger of the corporation shall make, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of

and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city, where the meeting is to be held and which place shall be specified in the notice of the meeting, or, if not specified, at the place where said meeting is to be held. The list shall be produced subject to the inspection of any stockholder who may be present.

Section 5. *Special Meetings.* Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by the certificate of incorporation, may only be called by the Chairman of the Board and Chief Executive Officer and shall be called by the Chairman of the Board and Chief Executive Officer at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. *Notice of Special Meetings.* Written notice of a special meeting of stockholders, stating the date, time, place and purpose or purposes thereof, shall be given to each stockholder entitled to vote thereat, at least ten and not more than sixty days before the date fixed for the meeting.

Section 7. *Business Transacted At Special Meetings.* Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. *Appointment of Inspectors of Election.* The Board of Directors shall, in advance of sending to the stockholders any notice of a meeting of the holders of any class of shares, appoint one or more inspectors of election ("inspectors") to act at such meeting or any adjournment or postponement thereof and make a written report thereof. The Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is so appointed or if no inspector or alternate is able to act, the Chairman of the Board and Chief Executive Officer shall appoint one or more inspectors to act at such meeting. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspectors shall not be directors, officers or employees of the corporation.

Section 9. *Quorum; Adjournment.* Except as otherwise required by law or the certificate of incorporation, the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If a quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting to a later date without notice other than announcement at the meeting, until a quorum shall be present or represented. If at such later date, a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. *Voting Power.* When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 11. *Voting; Proxies.* Except as otherwise provided by law or by the certificate of incorporation and subject to these by-laws, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period, and, except where the transfer books of the corporation have been closed or a date has been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which has been transferred on the books of the corporation within twenty days next preceding such election of directors.

Section 12. *Ballots.* The vote on any matter, including the election of directors, shall be by written ballot. Each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of

shares voted.

Section 13. *Stock Ledger.* The stock ledger of the corporation shall be the only evidence as to who are the stockholders entitled (i) to examine the stock ledger, any stockholder list required by these by-laws or the books of the corporation, or (ii) to vote in person or by proxy at any meeting of stockholders.

Section 14. *No Stockholder Action By Written Consent.* Any action required or permitted to be taken by the holders of any class or series of stock of the corporation entitled to vote generally in the election of directors may be taken only by vote at an

3

annual or special meeting at which such action may be taken and may not be taken by written consent.

Section 15. *Advance Notice of Stockholder-Proposed Business at Annual Meeting.* To be properly brought before an annual meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation, not less than ninety (90) nor more than one hundred and twenty (120) days prior to the one year anniversary of the date of the annual meeting of the previous year. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation that are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business. Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 15, *provided, however,* that nothing in this Section 15 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 15 and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 16. *Nomination of Directors; Advance Notice of Stockholder Nominations.* Only persons who are nominated in accordance with the procedures set forth in this Section 16 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the corporation at the annual meeting may be made at a meeting of stockholders by or at the direction of the Board of Directors, by any nominating committee or person appointed for such purpose by the Board of Directors, or by any stockholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 16. Such nominations, other than those made by, or at the direction of, or under the authority of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) nor more than one hundred and twenty (120) days prior to the one year anniversary of the date of the annual meeting of the previous year. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate

4

for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the corporation, if any, which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14A under the Securities Exchange Act of 1934, as amended; and (b) as to

the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the corporation which are beneficially owned by the stockholder. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the qualifications of such proposed nominee to serve as director of the corporation. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

Section 1. *Powers.* The business of the corporation shall be managed by or under the direction of its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

Section 2. *Number; Election; Term of Office.* The Board of Directors shall consist of a minimum of three (3) directors and a maximum of fifteen (15) directors. The number of directors which shall constitute the initial Board of Directors shall be three (3). Thereafter, the number of directors shall be established from time to time by resolution of the Board of Directors. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 3 of this Article, and each director elected shall hold office until a successor is duly elected and qualified or his or her earlier resignation or removal.

Section 3. *Filling of Vacancies.* Vacancies and newly created directorships may be filled by a majority of the directors then in office, though less than a quorum, and each director so chosen shall hold office until a successor is duly elected and qualified or his or her earlier resignation or removal. If there are no directors in office, then an election of directors may be held in the manner provided by the General Corporation Law of the State of Delaware. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

5

Section 4. *Resignation.* Any director may resign at any time upon written notice to the corporation. Such written resignation shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the Chairman of the Board and Chief Executive Officer or Secretary. The acceptance of a resignation shall not be necessary to make it effective.

Section 5. *Meetings of the Board of Directors.* The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 6. *Annual Meetings.* The annual meeting of each newly elected Board of Directors shall be held without notice other than this by-law immediately after the annual meeting of stockholders.

Section 7. *Regular Meetings.* Regular meetings, other than the annual meeting, of the Board of Directors may be held within or without the State of Delaware at such time and at such place as shall from time to time be determined by resolution of the Board of Directors.

Section 8. *Special Meetings.* Special meetings of the Board of Directors shall be called by the Secretary or an Assistant Secretary on the request of the Chairman of the Board and Chief Executive Officer, or on the request in writing of one-third of the whole Board of Directors, stating the purpose or purposes of such meeting.

Section 9. *Notice of Meetings.* Notices of meetings, other than the annual meeting, shall be mailed to each director, addressed to each director at such director's residence or usual place of business, or the address where the director is

known to be, not later than three days before the day on which the meeting is to be held, or shall be sent to either of such places by telegraph, by telecopy, by facsimile transmission or be communicated to each director personally or by telephone, not later than three hours before such meeting. Notice of any meeting of the Board of Directors need not be given to any director who shall sign a written waiver thereof either before or after the time stated therein for such meeting, or who shall be present at the meeting and participate in the business transacted thereat; and any and all business transacted at any meeting of the Board of Directors shall be fully effective without any notice thereof having been given, if all the members shall be present thereat. Unless limited by law, the certificate of incorporation, the by-laws, or by the terms of the notice thereof, any and all business may be transacted at any meeting without the notice thereof having so specially enumerated the matters to be acted upon.

Section 10. *Organization.* The Chairman of the Board and Chief Executive Officer shall preside at all meetings of the Board of Directors at which the Chairman of the Board and Chief Executive Officer is present. If the Chairman of the Board and Chief Executive Officer shall be absent from any meeting of the Board of Directors, the duties otherwise provided in this Section 10 to be performed by the Chairman of the Board and

6

Chief Executive Officer at such meeting shall be performed at such meeting by one of the directors chosen by the members of the Board of Directors present at such meeting. The Secretary of the corporation shall act as the secretary at all meetings of the Board of Directors and in the Secretary's absence a temporary secretary shall be appointed by the chairman of the meeting.

Section 11. *Quorum; Voting; Adjournment.* Except as otherwise required by law or by the certificate of incorporation, at all meetings of the Board of Directors, a majority of the whole Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors who are present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 12. *Action By Unanimous Written Consent.* Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the Board of Directors or of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

Section 13. *Participation in Meetings by Conference Telephone.* Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee thereof, through the use of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 14. *Committees of Directors.* The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 15. *Committee Members.* Each member of any such committee shall hold office until such member's successor is elected and has qualified, unless such member sooner dies, resigns, or is removed. The number of directors which shall constitute any committee shall be determined by the whole Board of Directors from time to time. The Board of Directors may designate one or more directors as alternate

7

members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

Section 16. *Committee Secretary.* The Board of Directors may elect a secretary of any such committee. If the Board of Directors does not elect such a secretary, the committee shall do so. The secretary of any committee need not be a member of the committee, but shall be selected from a member of the staff of the office of the Secretary of the corporation, unless otherwise provided by the Board of Directors.

Section 17. *Minutes of Committee Meetings.* The secretary of each committee shall keep regular minutes of the meetings of the committee, and shall provide copies of the minutes to the Secretary of the corporation, unless otherwise provided by the Board of Directors.

Section 18. *Committee Meetings.* Meetings of committees of the Board of Directors may be held at any place, within or without the State of Delaware, as shall from time to time be designated by the Board of Directors or the committee in question. Regular meetings of any committee shall be held at such times as may be determined by resolution of the Board of Directors or the committee in question and no notice shall be required for any regular meeting. A special meeting of any committee shall be called by resolution of the Board of Directors, or by the Secretary or an Assistant Secretary upon the request of any member of the committee. Notices of special meetings shall be mailed to each member of the committee in question no later than two days before the day on which the meeting is to be held, or shall be sent by telegraph, by telecopy, or be delivered to such member personally or by telephone, no later than three hours before such meeting. Notices of any such meeting need not be given to any such member, however, who shall sign a written waiver thereof, whether before or after the meeting, or who shall be present at the meeting and participate in the business transacted thereat; and any and all business transacted at any meeting of any committee shall be fully effective without any notice thereof having been given, if all the members of the committee shall be present thereat. Unless limited by law, the certificate of incorporation, these by-laws, or by the terms of the notice thereof, any and all business may be transacted at any such special meeting without the notice thereof having so specifically enumerated the matters to be acted upon.

Section 19. *Action Without a Committee Meeting.* Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if all members of such committee consent thereto in writing and such writing or writings are filed with the minutes of proceedings of the committee.

Section 20. *Executive Committee.* The Executive Committee shall consist of a director, who shall serve as chairman of the Executive Committee, and of such number of other directors, a majority of whom shall not be officers or employees of the corporation, not less than two, as shall from time to time be prescribed by the Board of Directors. The Executive Committee, unless otherwise provided by resolution of the Board of Directors,

shall between meetings of the Board of Directors have all the powers of the Board of Directors and may perform all of the duties thereof, except that the Executive Committee shall have no authority as to the following matters: (i) submission to stockholders of any action that requires stockholders' authorization under the General Corporation Law of the State of Delaware; (ii) compensation of directors; (iii) amendment or repeal of these by-laws or the adoption of new by-laws; (iv) amendment or repeal of any resolution of the Board of Directors that by its terms may not be so amended or repealed; (v) action in respect of dividends to stockholders; (vi) election of officers, directors or members of committees of the Board of Directors. Any action taken by the Executive Committee shall be subject to revision or alteration by the Board of Directors, provided that rights or acts of third parties vested or taken in reliance on such action prior to their written notice of any such revision or alteration shall not be adversely affected by such revision or alteration.

Section 21. *Audit Committee.* The size of the Audit Committee shall be set from time to time by the Board of Directors, but will always consist of at least two directors. The members of the Committee shall not be officers or employees of the corporation or any of its affiliates.

Upon completion of audit of the corporation each year, the Audit Committee shall review the corporation's annual financial statements, the independent public accountants' report on the annual financial statements, the corporation's Annual Report on Form 10-K and its annual report to stockholders.

In performing this review, the Committee will confer with management, the corporation's independent public accountants and its internal auditors. The Committee shall give a report on the review to the Board of Directors.

The Audit Committee shall review all recommendations made by the corporation's independent public accountants and internal auditors to the Audit Committee or the Board of Directors with respect to accounting matters and the systems of internal controls used by the corporation and shall advise the Board of Directors with respect thereto. The Committee shall examine and make recommendations to the Board of Directors with respect to the scope of audits conducted by the corporation's independent public accountants and internal auditors. The Committee shall review any reports from the corporation's independent public accountants and internal auditors concerning compliance by management with governmental laws and regulations and with the corporation's policies relating to ethics, conflicts of interest, perquisites and use of corporate assets.

The Audit Committee shall meet with the corporation's independent public accountants and/or internal auditors without management present whenever the Committee shall deem it appropriate. The Committee shall review with the General Counsel of the corporation the status of legal matters that may have a material impact on the corporation's financial statements.

Annually, the Audit Committee shall review the qualifications of the corporation's independent public accountants. As part of such review, the Committee shall consider management's plans for engaging the accountants for management advisory services and shall determine whether any such engagement could impair the accountants' independence. Following this review, the Committee shall advise the Board of Directors with respect to the selection of independent public accountants to audit the corporation's financial statements and to perform such other duties as the Board of Directors may prescribe.

The Audit Committee shall have the power to conduct or authorize special projects or investigations related to matters which the Committee considers necessary to discharge its duties and responsibilities. It shall have the power to retain independent outside counsel, accountants or others to assist it in the conduct of any investigations and may use the corporation's internal auditors for such purpose.

Section 22. *Compensation and Succession Committee.* The size of the Compensation and Succession Committee shall be set from time to time by the Board of Directors, but will always consist of at least two directors. The members of the Committee shall not be officers or employees of the corporation or any of its affiliates.

The Compensation and Succession Committee shall make recommendations to the Board of Directors with respect to the following:

The Compensation and Succession Committee shall administer all stock option and other benefit plans (unless otherwise specified in plan documents) affecting the direct and indirect remuneration of officers of the corporation and its subsidiaries.

Annually, the Compensation and Succession Committee shall review the management organization of the corporation and succession plans for the senior officer of each significant operating subsidiary of the corporation and shall confer with the Chairman and Chief Executive Officer regarding the persons he or she considers qualified to fill any vacancy that may occur in such offices.

Section 23. *Nominating and Governance Committee.* The size of the Nominating and Governance Committee shall be set from time to time by the Board of Directors, but will always consist of at least two directors. The members of the Committee shall not be officers or employees of the corporation or any of its affiliates.

The Nominating and Governance Committee shall make

recommendations to the Board of Directors with respect to the following:

- The nominees for election as officers of the corporation (other than the Chairman and Chief Executive Officer) and the senior officer of each significant operating subsidiary of the corporation.
- The corporation's proxy statements and form of proxy for its annual meetings.
- The administration of the salaries, bonuses, and other compensation to be paid to the elected officers of the corporation, including the terms and conditions of their employment.

Either the Chairman of the Board or the Nominating and Governance Committee itself recommends to the Board, and the Board designates, the members and chairman of the Nominating and Governance Committee.

Section 24. *Compensation of Directors.* Unless otherwise restricted by the certificate of incorporation, the Board of Directors shall have the authority to fix the compensation of directors by written resolution. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

Section 1. *Definitions.* As used in this Article:

(A) "acted properly" as to any employee shall mean that such person

- The appropriate size and composition of the Board of Directors.
- The nominees for election to the Board of Directors for whom the corporation should solicit proxies.
- The nominees for election to all committees of the Board of Directors.
- The nominees for election as Chairman and Chief Executive Officer.
- Plans for the annual stockholders' meeting.
- The policies and practices on stockholder voting.
- The nominees to serve as proxies in connection with the annual stockholders' meetings.
- The corporation's proxy statements and form of proxy for its annual meetings.
- Establishment of guidelines on corporate governance.
- Determination of criteria for assessment of performance of the Board of Directors.
- The administration of all compensation to be paid to directors of the corporation who are not officers or employees of the corporation or any of its affiliates.
- Periodic review of the performance of the Chairman and Chief Executive Officer.

The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act properly.

(B) "covered person" shall mean an Indemnitee (as defined below) or an Employee Indemnitee (as defined below).

(C) "Employee Indemnitee" shall mean any non-officer employee of the corporation (but not subsidiaries of the corporation).

(D) "expenses" shall include attorneys' fees and expenses and any attorneys' fees and expenses of establishing a right to indemnification under this Article.

(E) "Indemnitee" shall mean any person who is or was

- (i) acted in good faith;
- (ii) acted in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation; and
- (iii) with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

not-for-profit or for-profit entities of any type), whether acting in such capacity or in any other capacity including, without limitation, as a trustee or fiduciary under any employee pension, profit sharing, welfare or similar plan or trust.

(F) "proceeding" shall mean any threatened, pending or completed action or proceeding, whether civil or criminal, and whether judicial, legislative or administrative and shall include investigative action by any person or body.

(G) "subsidiary" shall mean a corporation, 50% or more of the shares of which at the time outstanding having voting power for the election of directors are owned directly or indirectly by the corporation or by one or more subsidiaries or by the corporation and one or more subsidiaries.

Section 2. *Indemnification.*

(A) The corporation shall indemnify any Indemnitee to the fullest extent permitted under law (as the same now or hereafter exists), who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person is or was an Indemnitee against liabilities, expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her.

(B) The corporation shall indemnify any Employee Indemnitee who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an employee against liabilities, expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such proceeding if such person acted properly.

(C) The corporation shall indemnify any Employee Indemnitee who was or is a party or is threatened to be made a party to any proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an employee against amounts paid in settlement and against expenses actually and reasonably incurred by him or her in connection with the defense or settlement of such proceeding if he or she acted properly, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in

view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 3. *Advances.* Expenses incurred in defending a proceeding shall be paid by the corporation to or on behalf of a covered person in advance of the final disposition of such proceeding if the corporation shall have received an undertaking by or on behalf of such person to repay such amounts unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this Article.

Section 4. *Procedures for Indemnification or Advance.* Any indemnification or advance under Sections 2 or 3 of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific proceeding upon a determination that indemnification or advancement to a covered person is proper in the circumstances. Such determination shall be made:

(A) by the Board of Directors, by a majority vote of a quorum consisting of directors who were not made parties to such proceeding, or

(B) if such a quorum is not obtainable, or, even if

obtainable and a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or

(C) in the absence of a determination made under (A) or (B), by the stockholders.

Section 5. Indemnification - Other Entities.

The corporation shall indemnify or advance funds to any Indemnitee described in Section 1(E)(iii) only after such person shall have sought indemnification or an advance from the corporation, partnership, joint venture, trust or other enterprise in which he or she was serving at the corporation's request, shall have failed to receive such indemnification or advance and shall have assigned irrevocably to the corporation any right to receive indemnification which he or she might be entitled to assert against such other corporation, partnership, joint venture, trust or other enterprise.

Section 6. Miscellaneous.

(A) The indemnification provided to a covered person by this Article:

(i) a director or officer of the corporation and/or any subsidiary;

(ii) a trustee or a fiduciary under any employee pension, profit sharing, welfare or similar plan or trust of the corporation and/or any subsidiary; or

(iii) serving at the request of the corporation as a director or officer of or in a similar capacity in another corporation, partnership, joint venture, trust or other enterprise, (which shall, for the purpose of this Article be deemed to include

14

(i) shall not be deemed exclusive of any other rights to which such person may be entitled by law or under any articles of incorporation, by-law, agreement, vote of shareholders or disinterested directors or otherwise;

(B) The indemnification and advances provided to a covered person by this Article shall extend to and include claims for such payments arising out of any proceeding commenced or based on actions of such person taken prior to the effective date of this Article; provided that payment of such claims had not been agreed to or denied by the corporation at the effective date.

(C) The corporation shall have the power to purchase and maintain insurance on behalf of any covered person against any liability asserted against him or her and incurred by him or her as a covered person or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of this Article. The corporation shall also have power to purchase and maintain insurance to indemnify the corporation for any obligation which it may incur as a result of the indemnification of covered persons under the provisions of this Article.

(D) The invalidity or unenforceability of any provision in this Article shall not affect the validity or enforceability of the remaining provisions of this Article.

ARTICLE V

NOTICES

Section 1. *Notice.* Except as otherwise specifically provided for in these by-laws, notices to directors and stockholders shall be in writing and delivered personally or mailed, or given by telephone, by telecopy, by telegram, by facsimile transmission or by other similar means of communication, to the directors or stockholders at their addresses appearing on the books of the corporation. Notice by mail shall be deemed to be given at the time when the same is mailed.

Section 2. *Waiver.* Whenever any notice is required to be given by law or by the certificate of incorporation or these by-laws, a waiver thereof in writing, signed by the

15

person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Any person who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. In the case of directors, such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the Secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

ARTICLE VI

OFFICERS

Section 1. *General.* The officers of the corporation shall be elected by the Board of Directors and shall be a Chairman of the Board and Chief Executive Officer, a President, a Chief Financial Officer, one or more Vice Presidents, a Secretary, and a Treasurer. The Board of Directors may also choose one or more Assistant Secretaries and Assistant Treasurers. Two or more offices may be held by the same person, with the exception of the offices of Chairman of the Board and Chief Executive Officer and Secretary. The officers of the corporation need not be stockholders or directors of the corporation.

Section 2. *Election.* The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier resignation or removal as hereinafter provided.

Section 3. *Other Officers and Agents.* The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 4. *Compensation.* The salaries of all officers of the corporation shall be fixed by the Board of Directors, acting directly or through the Compensation and Succession Committee.

Section 5. *Removal.* Any officer elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority

16

of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

Section 6. *Chairman of the Board and Chief Executive Officer.* The Chairman of the Board and Chief Executive Officer shall be a member of the Board of Directors and shall be an officer of the corporation. The Chairman of the Board and Chief Executive Officer shall be the chief executive officer of the corporation and shall direct, coordinate and control the corporation's business and activities and its operating expenses and capital expenditures, shall have general authority to exercise all the powers necessary for the chief executive officer of the corporation and shall perform such other duties and have such other powers as may properly belong to his or her office or as shall be prescribed from time to time by the Board of Directors or these by-laws, all in accordance with basic policies as established by and subject to the control of the Board of Directors. The Chairman of the Board and Chief Executive Officer shall preside at all meetings of the Board of Directors, and of the stockholders, at which he or she is present. In the absence or disability of the Chairman of the Board and Chief Executive Officer, the duties of the Chairman of the Board and Chief Executive Officer shall be performed and his or her authority shall be exercised by the President and Chief Operating Officer, or in the absence or inability of the President and Chief Operating Officer, by one of the Vice Presidents designated for this purpose by the Board of Directors.

Section 7. *President.* The President shall be the Chief

Operating Officer of the Company and shall have general administrative control and supervision over the operations of the Company subject to the supervision of the Chairman of the Board.

He or she shall, in the absence or inability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board. He or she shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation. He or she shall also perform such other duties as may properly belong to his or her office or as shall be prescribed from time to time by the Chairman of the Board or by the Board of Directors.

Section 8. *Chief Financial Officer.* The Chief Financial Officer of the corporation shall, under the direction of the Chairman of the Board and Chief Executive Officer, be responsible for all financial and accounting matters. The Chief Financial Officer shall have such other powers and perform such other duties as the Board of Directors, the Chairman of the Board, or these by-laws may, from time to time, prescribe.

Section 9. *Vice Presidents.* Each Vice President shall have such powers and shall perform such duties as may be assigned to him or her by the Chairman of the Board and Chief Executive Officer or by the Board of Directors. In the absence or in the case of inability of the Chairman of the Board and Chief Executive Officer and the President and Chief Operating Officer to act, the Board of Directors may designate which one of the Vice Presidents shall be the acting Chairman of the Board and Chief Executive Officer of

17

the corporation during such absence or inability, whereupon such acting Chairman of the Board and Chief Executive Officer shall have all the powers and perform all of the duties incident to the office of Chairman of the Board and Chief Executive Officer during the absence or inability of the Chairman of the Board and Chief Executive Officer to act.

Section 10. *Controller.* The Controller shall, under the direction of the Chairman of the Board and Chief Executive Officer and the Chief Financial Officer, have general charge, control, and supervision over the accounting and auditing affairs of the corporation. The Controller or such persons as the Controller shall designate shall have responsibility for the custody and safekeeping of all permanent financial and accounting records and papers of the corporation. The Controller shall have responsibility for the preparation and maintenance of the books of account and of the accounting records and papers of the corporation; shall supervise the preparation of all financial statements and reports on the operation and condition of the business; shall have responsibility for the establishment of financial procedures, records, and forms used by the corporation; shall have responsibility for the filing of all financial reports and returns, required by law; shall render to the Chairman of the Board and Chief Executive Officer, the Chief Financial Officer or the Board of Directors, whenever they may require, an account of the Controller's transactions; and in general shall have such other powers and perform such other duties as are incident to the office of Controller and as the Board of Directors, the Chairman of the Board and Chief Executive Officer, the Chief Financial Officer, or these by-laws may, from time to time, prescribe.

Section 11. *Secretary.* The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders, record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose, shall perform like duties for the standing or special committees when required and shall have such other powers and perform such other duties as the Board of Directors, the Chairman of the Board and Chief Executive Officer or these by-laws may, from time to time, prescribe. Under the Chairman of the Board and Chief Executive Officer's supervision, the Secretary shall give, or cause to be given, all notices required to be given by these by-laws or by law. The Secretary shall keep in safe custody the seal of the corporation, shall have the authority to affix the same to any instrument requiring it and, when so affixed, it shall be attested by his or her signature or by the signature of an Assistant Secretary.

Section 12. *Assistant Secretaries.* The Assistant Secretary, or if there be more than one, the Assistant Secretaries, shall in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board and Chief Executive Officer may, from time to time, prescribe.

Section 13. *Treasurer.* The Treasurer shall, under the direction of the Chairman of the Board and Chief Executive Officer, have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books

belonging to the corporation; shall deposit all monies and other valuable effects in the name and to the credit of the corporation as may be ordered by the Board of Directors; shall cause the funds of the corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the Chairman of the Board and Chief Executive Officer and the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the Treasurer's actions; shall have such other powers and perform such other duties as the Board of Directors, the Chairman of the Board and Chief Executive Officer or these by-laws may, from time to time, prescribe.

Section 14. *Assistant Treasurers.* The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board and Chief Executive Officer may, from time to time, prescribe.

Section 15. *Appointed Officers.* The Chairman of the Board and Chief Executive Officer of the corporation may establish positions and offices identified as a function, department or other organizational component of the corporation, and may appoint individuals, who need not be employees of the corporation, to occupy those positions, subject to approval of the Compensation Committee of the corporation. The individuals so appointed shall have such duties and powers as the appointing officer may determine or as may be assigned by the Chairman of the Board and Chief Executive Officer, the Board of Directors or any Committee of the Board of Directors. The titles of such individuals (herein referred to as "appointed officers") may be either conventional corporate officer titles or titles designating a functional activity, but in all cases shall contain, as an integral part of the title, a reference to the function, organizational component or department within which the position is established.

Section 16. *Appointment, Removal and Term of Appointed Officers.* Appointed officers may be appointed by the Chairman of the Board and Chief Executive Officer. The Chairman of the Board and Chief Executive Officer may, at any time, remove any appointed officer, without notice, or accept such appointed officer's resignation. No term of office shall be established for any appointed officer.

Section 17. *Duties of Appointed Officers.* An appointed officer shall perform such duties (not including duties normally performed by an officer of the corporation) as may, from time to time, be assigned to such appointed officer by the officer of the corporation having management responsibility for the organizational component or function to which such appointed officer is assigned.

ARTICLE VII

CERTIFICATE OF STOCK

Section 1. *Certificates of Stock.* Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the Chairman of the Board and Chief Executive Officer, or a Vice President of the corporation and the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by such holder in the corporation. All certificates of stock issued shall be numbered consecutively.

Section 2. *Countersigned Certificates; Signature of Former Officers, Transfer Agents or Registrars.* Where a certificate is countersigned by (i) a transfer agent other than the corporation or its employee, or (ii) a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 3. *Lost, Stolen or Destroyed Certificates.*

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his or her legal representative, to advertise the same in such manner as it shall require and/or give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. *Transfer of Stock.* Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5. *Closing of Transfer Books.* The Board of Directors may close the stock transfer books of the corporation for a period not exceeding sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period not exceeding sixty nor less than ten days in connection with obtaining the consent of stockholders for any purpose. In lieu of

20

closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

Section 6. *Registered Stockholders.* The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person or persons, except as otherwise provided by the General Corporation Law of the State of Delaware.

Section 7. *Stock Subscriptions.* Unless otherwise provided for in the subscription agreement, subscriptions for shares shall be paid in full at such time, or in such installments and at such times, as shall be determined by the Board of Directors. Any call made by the Board of Directors for payment on subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series. In case of default in the payment of any installment or call when such payment is due, the corporation may proceed to collect the amount due in the same manner as any debt due the corporation.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. *Dividends.* Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. *Reserves.* Before payment of any dividend,

there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to

meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it is created.

Section 3. *Checks.* All checks or demands for money and notes of the corporation shall be signed by such person or persons as shall be designated from time to time by the Board of Directors or by such officer or officers of the corporation as shall be appointed for that purpose by the Board of Directors.

Section 4. *Fiscal Year.* The fiscal year of the corporation shall be the calendar year, unless otherwise fixed by resolution of the Board of Directors.

Section 5. *Seal.* The corporate seal shall have inscribed thereon the name of the corporation and shall be in such form as may be approved from time to time by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 6. *Inspection of Books and Records.* Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean any purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspect, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in the State of Delaware or at its principal place of business.

Section 7. *Inconsistent Provisions; Titles.* In the event that any provision of these by-laws is or become inconsistent with any provision of the certificate of incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these by-laws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

The section titles contained in these by-laws are for convenience only and shall be without substantive meaning or content of any kind whatsoever.

ARTICLE IX

AMENDMENTS

Section 1. *Amendments.* These by-laws may be amended or repealed by the vote of a majority of the directors present at any meeting at which a quorum is present or by the affirmative vote of the holders of not less than 66 2/3% of the total number of votes entitled to be cast generally in the election of directors.

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 condensed consolidated financial statements of The Allstate Corporation and subsidiaries for the three-month and six-month periods ended June 30, 1999 and 1998, as indicated in our report dated August 12, 1999; because we did not perform an audit, we expressed no opinion on such financial statements.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999, 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

August 12, 1999

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
53643
0
0
6251
3743
0
66522 254
255
3368
89414
24016
6535
0
22262
1574
0
0
9
17208
89414
10509
1985
905
0
8056
1590
1077
2628
804
1805
0
0
0
1805
2.23
2.22
0
0
0
0
0
0
0

MDE@.JTOXCH#AFK<...42H,IG010.F62.A86HM7...2(C M5XIV,9AR5DB7 H3MKUF5P13)QF(D41A3VRC4W7 M(CMB*5(H)79PKMCLN09[1 M8[4[27M92C[/ 22CNT783VK63J4D616VW 0P6B0E T*HMK66 A23042 M)CQT/AL^1Y0RY/1 J1 J1 PD1R5^#C00/KQUBHVN<3H3K2193H2[SBA118CMJ5 1#QD1G8117

M2ML3_#([T22.10)H8GNF64)ZC,ED1E0A26\$Y3PJW1_Q15P...[1V2Q26NM(1/P3/V3/C/R1212<R683>>X#P8J641 M/WP56<56H34F_~46 APM:NQC08<R61<7L839(J1QDYP[51N0<71,0HNR M21#Y4L)9F5V>E3MF02[0.0^0^<0C>.33.4PE20U<6/W,E_B,^7Q297

M02,06XV,RRB3R 1338 D<#(0001_362A<C01<8<(^ D;D;DPT96L,)M152NCOYDOK81N,8YD,ANU)466 4R0K*Y12V3 M7I3[-8_0IX+38(R\1E,KK{<620/K4D6654Q(L06/G276)81U1] /PJR8 M7I0<44)GK.48^T8KXVW.([@W68 X6>>L0L),G8A2H27,PI> 4841

M_U1\3_1(MUMQ\6-TUBOXWDD5<6E[<4VFA19067BC/1(C [147B(11086 E(TO448R96VT(#DW(#44B~U)E"!)#0",V,3(0,3^E M-U1((T00N)0<C)0"](#,0",V,3(0,3^E, "M"(T04F)E871E(#43X^>

M006].V.B.DW0 11,16XX>D1^KQMA002D0TCR1 UP0 A1,0CMN2F1J)M1B 990VC1A1V^4, MDN0<V9TR)JK1500.FV6Y^U1L<10646440)H3^BWO.^^C01"J "0L6K M,CR0 X.A\MA02PTW5]22FV13<9(153^D(DCA32UIH/6K, 3UC1D6A49D4F5.9B[E FBUH0,0 (W2,

M219N3N1\3(Y\1IX6"023 -T061]D,13 (3X 0AM>0^YXNR\W>0#11(M1), 1G7 16 618002.N25[H45WV1 -23 8W3C1P41, 8>(>383U12 M0 M5105[EX12C 92C7D3XNAW;1(1^Y0LK676W(0,^C2P501W0<5J[AM90DA07N3 M0, 0<0^170<651CM[FP9V0V009/3E, >BCK-M0I

M06FMDU07,D>^>"1C 05A1"0317G627XCVUDWIH2M.R0PC6A02G,UE"0 1,^MLB2[1L807900 NZ295 003]E]] VRI<1NG1]]^#F0< (>0LF,GB,EG^V[23M5(5,(0-R01W M[31] (2HM41C0465 VFN01VE E7M22N6K76<E0W(LCA,0CRHNV,13<41P04 M/6[1C1 PD1P1 82>W 02U ONG /FPH8X2E1D DTF6V13]]J1Z4U8H0[061]ZF=

M06T 96YD,V)J#30K(#0,V)J#3D\ (T05^ED92^046%G92 -UJA10872 -+T90,G00/#P0+P8R(#P0 "D(0 M^T02 (#0D B^P(0(CX8#21)>114W1A 4/0/P0E T,3^0,4E0, #12 (#X M(T^D^ 96YD,V)J#30K(#0,V)J#3D\ (1^,96Y8 600, 10W(116,60E97 (0

M10U-\$(JXHI_H4)X1,0I"/,6414K93798T+DD/ BRQA`108P+00F 6>1j0
M12N6U>4<0>\$2H"Y44/+Z+IU,I>I',7U983`C+3,44(52#0Y C4
MA?1(JE_E,0W18H-19^0E-IM_1F#R\KIQ)[X'L]7E-76>^(05\N4C_]6XHEW,
M500/YW...V2 CM/C7] 1 5B0IM[:AS<17A11/1/.T6(ZHKIR-1->RQR8,*3K
M7`B20-,`11N^FX^? H300I"0V>C,KN4.P741EC,\$0 "[098U/"^DCQ2J
M800N,3864Q5C_CBCJTF01\7LL AC1^17W_CZ_D1R05#B8.0,UWY6NXX3Y0\U
M#`11)X31#01E)F1C-1)E86T_96YD;V)J#258(#`0;V)J#3P\(^T051EP92>0
M1F]N-"`U_8001Y<640+U1Y<640(^T03T4M92_01000#2]107_E1F]N-"0
M56EM97,M271A,6BC(`T/B`961B;V)5#3\$T(#`0;V)5#3T\(^T051EP92>0
M463097,0#2]1:616(3E0,200,"12(#80,"12(#00,"12(#<0,"12(#8P(#`0
M4B1-(^T00V)U;008_2`/CX8#65N96]B:0TQ_2`P(61B:0T\/"`T_R963T
M:61N163T92`H1#H0_3BX,#00,C0V,C(T`D`U1R,V1U0V5R("A<,0

MKT 1G5260^6E841f /"BU'216=110=a*N0K00 /52N1,CHX"6FT2T*X-N7E
MHA86-E9T/OP=">B6E5 JAGG7UE,LY<4WK LV99)H9X(>1/,6)E1-21B-6C
M9FY->9ADT)12507,2F1,HEF=*001220,07/112-2(3VM)0AXH09H+6E/
M939DFVH6K /, #545-0>#,329#>KP>07
M\$"B"66=,90(172"C-0H-85)M/1D7<90, D9XM=54BDVJ\$2FY /YAK^B6 /- B
MC, (F80/3
M3-2 3VVM?1!DLU907FGWTYK LI#RF">*70B:"%7616AT(N63-DH12688LA
M)0 PH ^"OF1E7A0E -T=U>E"FFJ3 BK00E, #/IN0>,D1?21, 1V3N>,>XF
M93\0;1,2A5.M:DC5574X3KRW"VFXI>KZ31GKD="WV5E"RUK7I, 1D
MB10>C,8,0" "F"MB\2* " /E<*CGMOBBUMFI*56UX< /0I DO>U=BX,6C
M91A=2"P /QM4>0M,J2D1-BAV0K)B9Y36K (20\0)+1G)VR2D,81P0G,6
MU</K K67E2)4Q1A 4D:M /_0W915W3:KVIN5BFA?0416K\,Y064TC317X
M5Xf0IN(C6B7WA-B4-6EB:10BN1018) < WXWP:80FC85G0EM-D41K0804016
M)1W65A,>10A801EK_6C)V1PM21U+2+>0DD"6N#0__N\$-8T"0)"3B1_K6GR!1?12%K2M!U0!(5^6P>E62)19UR<)\$.WARD,IM_XE
M:5#00E,013M,8923E
M9UMM9F?1U?_BD#I006CR=DF=*KTD, (ROD)10613W,9HCY-8B,1**B0370'20'#0HE-\(/,\1\$ 9NAH1XFN0T0 / ? 00/E1*2(1K112
M9>8F23,0AK/7 0E1 /) 5>5BB0F5<1761>1HNM#(/FO0FURO 1M0K"C_#C
M91KN X0/10), 6B*11E "F5N0' T71E("1006=8(FO468R06VT(# "1 /# 0, "V, 3(0, 3' P
M_11-(FO0W)0<6)0>"1 /# 0, "V, 3(0, 3' P_11-(FO4E1T071E(# 0#2X0
M(-UE,F108FH-C40,"108FH /#D4#2103-262-EP /AHR6X /D)GU #0N132EGRIRB7<805D0EUB\$64<NH085120<<,31Y=49D-DA130810M#E6
M109K,4#E0K16"500"005*400_X 7KB510 Y91 1MR02*966*F00) (K,BCI
M>D#B\$*6(6XG5V FE\$8U0(YMA2180B4/0*1#,#C0,(JM)0\$, -"1INE_F0X5
ME101E1,1"U9"108)1EVL(K0X0 1X2159-2-T #01E,F10-1)E06T-06YD
M(V)J#38W(# 0,V)J#3P\ (T05'EP02'01E)N=" 1U U001Y<640U1Y<640
M(T02F3M92-01C00#2)3_F 096BN0R_X 2_P(3(0#21)07-B1E)N="056EM
M97_M271A-6BC(-T0/B-06YD-V)J#38X(# 0,V)J#3P\ (T05'EP02-0469G
M97_R#21)1_610(8E0-640,112(#80, 112(#00, 112(#<0, 112(#02(# 04D-0
M,R_P(3(0,380,"12(#8Y(# 04D-R,B_P(3(072-IT 0=6YT(#D0#2)087)E
M,000_C0E,"12(-T0/B-06YD-V)J#38Y(# 0,V)J#3P\ (T05'EP02-0469G
M97_R#21)1_610(8E0-600,"12(#

