UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

- --

FORM 10-Q

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

OR

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

Commission file number 1-11840

THE ALLSTATE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 36-3871531
(State of Incorporation) (I.R.S. Employer Identification No.)

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

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

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

YES /X/ NO

AS OF JULY 31, 1998, THE REGISTRANT HAD 828,521,224 COMMON SHARES, $.01 PAR VALUE, OUTSTANDING.

THE ALLSTATE CORPORATION
INDEX TO QUARTERLY REPORT ON FORM 10-Q
JUNE 30, 1998

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions except per share data)	THREE MONTHS ENDED JUNE 30, 1998	1997	SIX MONTHS ENDED JUNE 30, 1998	1997
	(Unaudited)			
REVENUES				
Property-liability insurance premiums earned	$ 4,818	$ 4,632	$ 9,565	$ 9,192
Life and annuity premiums and contract charges	388	366	741	721
Net investment income	975	967	1,939	1,911
Realized capital gains and losses	358	108	744	428
	6,539	6,073	12,989	12,252
COSTS AND EXPENSES				
Property-liability insurance claims and claims expense	3,456	3,374	6,759	6,742
Life and annuity contract benefits	596	598	1,171	1,181
Amortization of deferred policy acquisition costs	754	681	1,478	1,348
Operating costs and expenses	520	491	986	944
Interest expense	28	24	60	48
	5,354	5,168	10,454	10,263
GAIN ON DISPOSITION OF OPERATIONS	87	--	87	--
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE, DIVIDENDS ON PREFERRED SECURITIES, AND EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARY	1,272	905	2,622	1,989
INCOME TAX EXPENSE	378	260	792	577
INCOME BEFORE DIVIDENDS ON PREFERRED SECURITIES AND EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARY	894	645	1,830	1,412
DIVIDENDS ON PREFERRED SECURITIES OF SUBSIDIARY TRUSTS	(10)	(10)	(19)	(19)
EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARY	1	8	10	17
NET INCOME	$ 885	$ 643	$ 1,821	$ 1,410
EARNINGS PER SHARE:				
NET INCOME PER SHARE - BASIC	$ 1.06	$ 0.74	$ 2.16	$ 1.61
WEIGHTED AVERAGE SHARES - BASIC	837.3	870.2	841.3	875.1
NET INCOME PER SHARE - DILUTED	$ 1.05	$ 0.73	$ 2.15	$ 1.60
WEIGHTED AVERAGE SHARES - DILUTED	841.9	874.6	846.0	879.5

See notes to condensed consolidated financial statements

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions)	June 30, 1998 (Unaudited)	December 31, 1997
ASSETS		
Investments		
Fixed income securities, at fair value (amortized cost $49,037 and $47,715)	$ 52,292	$ 50,860
Equity securities, at fair value (cost $4,525 and $4,587)	6,858	6,765
Mortgage loans	3,164	3,002
Real estate	651	686
Short-term	1,361	687
Other	559	548
TOTAL INVESTMENTS	64,885	62,548
Premium installment receivables, net	3,090	2,959
Deferred policy acquisition costs	2,943	2,826
Reinsurance recoverables, net	2,016	2,048
Property and equipment, net	762	741
Accrued investment income	756	711
Cash	301	220
Other assets	1,211	1,283
Separate Accounts	9,159	7,582
TOTAL ASSETS	$ 85,123	$ 80,918
LIABILITIES		
Reserve for property-liability insurance claims and claims expense	$ 17,357	$ 17,403
Reserve for life-contingent contract benefits	7,364	7,082
Contractholder funds	20,639	20,389
Unearned premiums	6,333	6,233
Claim payments outstanding	705	599
Other liabilities and accrued expenses	4,446	3,193
Deferred income taxes	311	381
Short-term debt	250	199
Long-term debt	1,341	1,497
Separate Accounts	9,159	7,582
TOTAL LIABILITIES	67,905	64,558
COMMITMENTS AND CONTINGENT LIABILITIES (NOTES 2 AND 4)		
MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS	750	750
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value, 25 million shares authorized, none issued	-	-
Common stock, $.01 par value, 2 billion and 1 billion shares authorized, 900 million shares issued, 832 million and 850 million shares outstanding	9	9
Additional capital paid-in	3,104	3,116
Retained income	13,237	11,646
Deferred ESOP expense	(252)	(281)
Treasury stock, at cost (68 million and 50 million shares)	(2,493)	(1,665)
Accumulated other comprehensive income:		
Unrealized net capital gains	2,894	2,821
Unrealized foreign currency translation adjustments	(31)	(36)
Total accumulated other comprehensive income	2,863	2,785
TOTAL SHAREHOLDERS' EQUITY	16,468	15,610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 85,123	$ 80,918

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	SIX MONTHS ENDED JUNE 30, 1998	1997
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,821	$ 1,410
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and other non-cash items	(16)	(5)
Realized capital gains and losses	(744)	(428)
Gain on disposition of operations	(87)	-
Interest credited to contractholder funds	627	604
Change in policy benefit and other insurance reserves	(230)	82
Change in unearned premiums	45	(31)
Increase in deferred policy acquisition costs	(109)	(146)
Increase in premium installment receivables, net	(94)	(70)
Decrease in reinsurance recoverables, net	96	63
Change in deferred income taxes	(103)	219
Changes in other operating assets and liabilities	52	23
Net cash provided by operating activities	1,258	1,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales		
Fixed income securities	7,431	6,153
Equity securities	2,569	1,556
Investment collections		
Fixed income securities	3,144	2,307
Mortgage loans	189	244
Investment purchases		
Fixed income securities	(11,422)	(10,242)
Equity securities	(1,921)	(1,178)
Mortgage loans	(329)	(175)
Change in short-term investments, net	375	559
Change in other investments, net	40	20
Acquisition of subsidiary	(275)	-
Proceeds from disposition of operations	49	-
Purchases of property and equipment, net	(78)	(65)
Net cash used in investing activities	(228)	(821)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short-term debt, net	37	23
Repayment of long-term debt	(300)	-
Proceeds from issuance of long-term debt	501	2
Contractholder fund deposits	1,516	1,348
Contractholder fund withdrawals	(1,652)	(1,492)
Dividends paid	(218)	(211)
Treasury stock purchases	(885)	(535)
Other	52	31
Net cash used in financing activities	(949)	(834)
NET INCREASE IN CASH	81	66
CASH AT BEGINNING OF PERIOD	220	116
CASH AT END OF PERIOD	$ 301	$ 182
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION		
Conversion of Automatically Convertible Equity Securities to common shares of The PMI Group, Inc.	$ 357	$ -

See notes to condensed consolidated financial statements.

1. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

Catastrophes are an inherent risk of the property-liability insurance business which have contributed, and will continue to contribute, to material year-to-year fluctuations in the Company's results of operations and financial position. The level of catastrophe losses experienced in any year cannot be predicted and could be material to the results of operations 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 $1.05 billion and $1.10 billion at June 30, 1998 and December 31, 1997, net of reinsurance recoverables of $316 million and $388 million, respectively.

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

3. Reinsurance

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

(In millions)	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1997
Property-liability premiums	$114	$130	$224	$254
Life and annuity premiums and contract charges	43	34	89	73

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

(In millions)	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1997
Property-liability insurance claims and claims expense	$ 77	$ 83	$143	$165
Life and annuity contract benefits	13	12	29	23

4. Regulation and Legal Proceedings

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

In April 1998, Federal Bureau of Investigation agents executed search warrants at three offices of Allstate for documents relating to the handling of some claims for losses resulting from the 1994 earthquake in Northridge, California. Allstate received a subpoena issued on April 24, 1998, from the U.S. District Court of the Central District of California, in connection with the Los Angeles grand jury proceeding, for the production of documents and records relating to the Northridge earthquake. Allstate is cooperating with the investigation. The Company believes that the investigation may relate, in part, to allegations in civil suits filed in California against Allstate. The allegations in one lawsuit include statements by a former Allstate employee to the effect that Allstate systematically pressured engineering firms retained by Allstate to improperly alter their reports to reduce the amount of claims payable to some insureds claiming losses as a result of the earthquake. Allstate denies the allegations in each lawsuit and will vigorously defend the lawsuits. The impact to the Company in resolving these matters is not presently determinable.

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

5. Comprehensive Income

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

(In millions)	THREE MONTHS ENDED JUNE 30, 1998			1997		
	Pretax	Income tax effect	After-tax	Pretax	Income tax effect	After-tax
Unrealized capital gains and losses:						
Unrealized holding gains arising during the period	$ 205	$ (72)	$133	$ 1,289	$(451)	$ 838
Less: reclassification adjustment for realized net capital gains included in net income	305	(107)	198	106	(37)	69
Unrealized net capital gains (losses)	(100)	35	(65)	1,183	(414)	769
Unrealized foreign currency translation adjustments	8	(3)	5	-	-	-
Other comprehensive income	$ (92)	$ 32	$ (60)	$ 1,183	$(414)	$ 769
Net income			885			643
Comprehensive income			$ 825			$ 1,412

(In millions)	SIX MONTHS ENDED JUNE 30, 1998			1997		
	Pretax	Income tax effect	After-tax	Pretax	Income tax effect	After-tax
Unrealized capital gains and losses:						
Unrealized holding gains arising during the period	$ 791	$(277)	$ 514	$661	$(232)	$ 429
Less: reclassification adjustment for realized net capital gains included in net income	679	(238)	441	396	(139)	257
Unrealized net capital gains (losses)	112	(39)	73	265	(93)	172
Unrealized foreign currency translation adjustments	8	(3)	5	(9)	3	(6)
Other comprehensive income	$ 120	$ (42)	$ 78	$256	$ (90)	$ 166
Net income			1,821			1,410
Comprehensive income			$1,899			$1,576

6. Acquisition of Pembridge Inc.

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

7. COMMON STOCK

An increase in the number of authorized shares of common stock of the Company from 1 billion to 2 billion was approved at the annual meeting of shareholders on May 19, 1998. Also on that date, the Board of Directors approved a two-for-one stock split payable on July 1, 1998 to shareholders of record on May 29, 1998. Common stock, additional capital paid-in, weighted average shares and per share amounts have been retroactively adjusted to reflect the stock split.

8. DEBT

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

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

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, 1998, and the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 1998 and 1997 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 1998 and 1997. These financial statements are the responsibility of the Company's management.

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

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

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

Deloitte & Touche LLP

Chicago, Illinois
August 13, 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, 1998 AND 1997

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

CONSOLIDATED REVENUES

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
(In millions)	1998	1997	1998	1997
Property-liability insurance premiums	$ 4,818	$ 4,632	$ 9,565	$ 9,192
Life and annuity premiums and contract charges	388	366	741	721
Net investment income	975	967	1,939	1,911
Realized capital gains and losses	358	108	744	428
Total revenues	$ 6,539	$ 6,073	$12,989	$12,252

Consolidated revenues increased 7.7% for the second quarter of 1998 and 6.0% for the first half of 1998 compared to the same periods in 1997. The increases were primarily the result of higher realized capital gains and growth in property-liability premiums.

CONSOLIDATED NET INCOME

Net income for the second quarter of 1998 was $885 million, or $1.05 per diluted share, compared with $643 million, or 73 cents per diluted share, for the second quarter of 1997. Earnings per share amounts reflect the recent stock split. The increase was due to higher realized capital gains, a gain on the exchange of 6.76% Automatically Convertible Equity Securities ("ACES") for shares of The PMI Group, Inc. ("PMI") common stock, growth in property-liability earned premiums and favorable property-liability loss experience. The favorable property-liability loss experience was due to lower auto claim frequency (rate of occurrence) and improved severity trends (average cost per claim), partially offset by higher catastrophe losses.

Net income for the first half of 1998 was $1.82 billion, or $2.15 per diluted share, compared with $1.41 billion, or $1.60 per diluted share, for the same period in 1997. The results for the first half of 1998 were impacted by higher realized capital gains and increased property-liability underwriting income. Property-liability results benefited from favorable auto frequency and severity loss trends, which were partially offset by higher catastrophe losses.

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

PROPERTY-LIABILITY OPERATIONS

Overview

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

Underwriting results for each of the property-liability areas of business are discussed separately beginning on page 12.

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:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
(In millions)	1998	1997	1998	1997
Premiums written	$ 4,924	$ 4,726	$ 9,669	$ 9,277
Premiums earned	$ 4,818	$ 4,632	$ 9,565	$ 9,192
Claims and claims expense	3,456	3,374	6,759	6,742
Operating costs and expenses	1,089	1,029	2,130	2,005
Underwriting income	273	229	676	445
Net investment income	431	441	869	861
Income tax expense on operations	183	181	419	344
Operating income	521	489	1,126	962
Realized capital gains and losses, after-tax	147	66	329	225
Gain on disposition of operations, after-tax	25	-	25	-
Equity in net income of unconsolidated subsidiary	1	8	10	17
Net income	$ 694	$ 563	$ 1,490	$ 1,204
Catastrophe losses	$ 303	$ 121	$ 422	$ 231
Operating ratios				
Claims and claims expense ("loss") ratio	71.7	72.9	70.6	73.4
Expense ratio	22.6	22.2	22.3	21.8
Combined ratio	94.3	95.1	92.9	95.2
Effect of catastrophe losses on combined ratio	6.3	2.6	4.4	2.5

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, 1998 AND 1997

NET INVESTMENT INCOME AND REALIZED CAPITAL GAINS

The effects of lower investment yields continue to offset higher investment balances resulting in a decrease of pretax net investment income of 2.3% to $431 million for the second quarter and a slight increase to $869 million for the six-month period ended June 30, 1998. The increase to investment balances resulting from positive cash flows from PP&C operations are offset by the impact of increased dividends paid to The Allstate Corporation from Allstate Insurance Company ("AIC"). The lower investment yields are due, in part, to the investment of proceeds from calls and maturities and the investment of positive cash flows from operations in securities yielding less than the average portfolio rate. In relatively low interest rate environments, funds from maturing investments may be reinvested at lower interest rates than which prevailed when the funds were previously invested.

Net realized capital gains for the second quarter of 1998 were $147 million after-tax versus $66 million after-tax for the same period in 1997. For the first six months of 1998, realized capital gains were $329 million after-tax compared with $225 million after-tax for the same period in 1997. The increases were primarily due to the sale of equity securities which generated $115 million and $267 million of realized capital gains after-tax for the three-month and six-month periods ended June 30, 1998, respectively. Fluctuations in realized capital gains and losses are largely a function of timing of sales decisions reflecting management's view of individual securities and overall market conditions.

UNDERWRITING RESULTS

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

(In millions)	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1997
Premiums written	$ 4,924	$ 4,725	$ 9,669	$ 9,276
Premiums earned	$ 4,818	$ 4,630	$ 9,565	$ 9,190
Claims and claims expense	3,454	3,371	6,755	6,737
Operating costs and expenses	1,080	1,025	2,116	1,997
Underwriting income	$ 284	$ 234	$ 694	$ 456
Catastrophe losses	$ 303	$ 121	$ 422	$ 231
Operating ratios				
Claims and claims expense ("loss") ratio	71.7	72.8	70.6	73.3
Expense ratio	22.4	22.1	22.1	21.7
Combined ratio	94.1	94.9	92.9	95.0
Effect of catastrophe losses on combined ratio	6.3	2.6	4.4	2.5

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

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, 1998 AND 1997

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

PP&C premiums written for the second quarter and first half of 1998 increased 4.2% compared to the same periods in 1997. The increase for both periods was primarily due to an increase in renewal policies in force (unit sales) and, to a lesser extent, average premiums. Management believes favorable loss trends, competitive considerations and regulatory pressures, in some states will continue to impact the Company's ability to maintain rates at historical levels, thereby resulting in a slower average premium growth rate for the auto business.

Standard auto premiums written increased 3.8% to $2.75 billion in the second quarter of 1998, from $2.65 billion for the same three-month period in 1997. For the six-month period ending June 30, 1998, standard auto premiums increased 4.1% to $5.56 billion from $5.34 billion in 1997. The increase for both periods was primarily due to an increase in renewal policies in force and, to a lesser extent, average premiums. Average premium increases were primarily attributable to a shift to newer and more expensive autos and, to a lesser extent, rate increases.

Non-standard auto premiums written increased 6.9% to $838 million in the second quarter of 1998, from $784 million for the same period in 1997. For the six-month period, non-standard auto premiums written increased 6.7% to $1.68 billion compared with $1.58 billion for 1997. The increase for both periods was driven by an increase in renewal policies in force and, to a lesser extent, average premiums. Management believes non-standard auto premiums written for the first half of 1998 continue to be adversely impacted by competitive pressures and administrative requirements, which were intended to improve retention and decrease expenses related to the collection of premiums. In April, modifications to these administrative requirements were implemented and are expected to contribute to an increase in new business while reducing expenses related to the collection of premiums.

Homeowners premiums written for the second quarter were $845 million, an increase of 6.8% from second quarter 1997 premiums of $791 million. For the first half of 1998, homeowners premiums written were $1.51 billion, an increase of 6.5% compared to the same period last year. The increase for both periods was driven by an increase in policies in force and, to a lesser extent, average premiums. The higher average premiums were primarily due to rate increases.

For the second quarter of 1998, PP&C had underwriting income of $284 million versus $234 million for the second quarter of 1997. Underwriting income for the six-month period ended June 30, 1998 was $694 million compared to $456 million for the first half of last year. Improved underwriting results for both periods were primarily due to earned premium growth and favorable loss experience, partially offset by increased catastrophe losses. Favorable loss experience resulted from lower auto claim frequency and favorable auto and homeowners severity trends. Auto injury claim severities improved compared to the second quarter 1997 level and trended favorably compared to relevant medical services cost indices. Auto physical damage coverage claim severities were comparable to the prior year, driven by moderate inflationary pressure, but were below the relevant Body Work and the Used Car price indices.

CATASTROPHE LOSSES AND CATASTROPHE MANAGEMENT - Catastrophe losses for the second quarter of 1998 were $303 million compared with $121 million for the same period in 1997. For the first half of 1998, catastrophe losses were $422 million, an increase of $191 million compared to the same period last year. The level of catastrophe losses experienced in any year cannot be predicted and could be material to results of operations and financial position. The Company has experienced two severe catastrophes in recent years which resulted in losses of $2.33 billion (net of reinsurance) relating to Hurricane Andrew in 1992 and $1.78 billion relating to the Northridge earthquake in 1994. While management believes the Company's catastrophe management initiatives will greatly reduce the severity of future losses, the Company continues to be exposed to catastrophes which could be of similar or greater magnitude.

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

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

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
(In millions)	1998	1997	1998	1997
Underwriting loss	$ (11)	$ (5)	$ (18)	$ (11)

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

LIFE AND ANNUITY OPERATIONS

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

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
(In millions)	1998	1997	1998	1997
Statutory premiums and deposits	$ 1,676	$ 1,348	$ 2,880	$ 2,463
Investments	$ 30,820	$ 28,658	$ 30,820	$ 28,658
Separate Account assets	9,159	6,655	9,159	6,655
Investments including Separate Account assets	$ 39,979	$ 35,313	$ 39,979	$ 35,313
Premiums and contract charges	$ 388	$ 366	$ 741	$ 721
Net investment income	529	522	1,047	1,038
Contract benefits	596	598	1,171	1,181
Operating costs and expenses	173	147	325	297
Income from operations	148	143	292	281
Income tax expense on operations	45	49	96	96
Operating income	103	94	196	185
Realized capital gains and losses, after-tax (1)	68	4	132	53
Net income	$ 171	$ 98	$ 328	$ 238

(1) Net of the effect of related amortization of deferred policy acquisition costs in 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, 1998 AND 1997

Statutory premiums and deposits, which include premiums and deposits for all products, increased 24.3% in the second quarter and 16.9% for the first six months of 1998 compared with the same periods last year. Statutory premiums and deposits by product line for the three-month and six-month periods ended June 30, are presented in the following table:

(In millions)	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1997
Life products				
Universal	$ 261	$ 177	$ 446	$ 356
Traditional	83	80	155	149
Other	56	57	113	113
Annuity products				
Fixed	420	430	726	809
Variable	464	347	858	692
Group pension products	392	257	582	344
Total	$1,676	$1,348	$2,880	$2,463

For the three-month and six-month periods ended June 30, 1998, sales of group pension, variable annuity and life products increased while sales of fixed annuity products declined, as the interest rate environment continued to make variable annuity products more attractive to customers than fixed annuity products. While premiums for group pension products increased in the first six months of 1998, these sales are expected to fluctuate as they are based on management's assessment of current market conditions.

Life and annuity premiums and contract charges under generally accepted accounting principles ("GAAP") increased 6% in the second quarter and 2.8% for the first six months of 1998. Under GAAP, revenues exclude deposits on most annuities and premiums on universal life insurance policies and will vary with the mix of products sold during the period. The increases in 1998 were primarily attributable to the increase in revenues from universal life and variable annuity products, partially offset by decreases in traditional and other life product premiums on a GAAP basis.

Pretax net investment income increased slightly in the second quarter and first six months of 1998 from the comparable 1997 periods as investment income earned on higher investment balances was partially offset by lower portfolio yields. Investments, excluding Separate Account assets and unrealized gains on fixed income securities, grew by 4.3%. The overall portfolio yield declined slightly, as proceeds from calls and maturities as well as positive cash flows from operating activities were invested in securities yielding less than the average portfolio rate. In relatively low interest rate environments, funds from maturing investments may be reinvested at lower interest rates than those which prevailed when the funds were previously invested.

Operating income increased 9.6% during the second quarter and 5.9% during the first six months of 1998 compared with the same periods in 1997, as increased revenues on universal life and variable annuity products were partially offset by increased expenses related to the amortization of deferred policy acquisition costs in both periods.

Net realized capital gains after-tax increased to $68 million in the second quarter and increased to $132 million for the first six months of 1998 due primarily to gains from the sale of equity securities and fixed income securities.

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, 1998 AND 1997

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

The Company maintains two credit facilities totaling $1.55 billion as a potential source of funds to meet short-term liquidity requirements, including a $1.50 billion, five-year revolving line of credit, expiring in 2001 and a $50 million, one-year revolving line of credit expiring in 1999. In order to borrow on the five-year line of credit, AIC is required to maintain a specified statutory surplus level and the Company's debt to equity ratio (as defined in the agreement) must not exceed a designated level. These requirements are currently being met and management expects to continue to meet them in the future. Allstate has a commercial paper program with an authorized borrowing limit of up to $1.00 billion to cover its short-term cash needs. Total borrowings under the combined commercial paper program and line of credit are limited to $1.55 billion.

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

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

During the second quarter of 1998, the Company purchased approximately 9.4 million shares of its common stock, for its treasury, at a cost of $437 million. At June 30, 1998, the Company held approximately 68 million shares of treasury stock with an average cost per share of $36.47. In August 1998, the Company announced an additional $2.00 billion stock repurchase program to be completed on or before December 31, 2000.

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

An increase in the number of authorized shares of common stock of the Company from 1 billion to 2 billion was approved at the annual meeting of shareholders on May 19, 1998. Also on that date, the Board of Directors approved a two-for-one stock split payable on July 1, 1998 to shareholders of record on May 29, 1998.

The ability of the Company to pay dividends is dependent on business conditions, income, cash requirements of the Company, receipt of dividends from AIC and other relevant factors. The payment of shareholder dividends by AIC without the prior approval of the state insurance regulator is limited to formula amounts based on net income and capital and surplus, determined in accordance with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. The maximum amount of dividends that AIC could distribute during 1998 without prior approval of the Illinois Department of Insurance is $2.56 billion. In the past twelve months, AIC has paid approximately $2.40 billion in dividends to The Allstate Corporation. AIC intends to continue to pay dividends in advance of Corporate funding requirements and up to the maximum amount allowed without requiring prior approval. AIC has the capacity to pay up to $164 million of dividends as of July 31, 1998. The dividends are used for general corporate purposes including the Company's stock repurchase programs.

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, 1998 AND 1997

FINANCIAL RATINGS AND STRENGTH

The following table summarizes the Company and its major subsidiaries debt ratings, which were affirmed in the second quarter of 1998 by Standard & Poor's rating agency:

The Allstate Corporation (debt)	A+
Allstate Insurance Company (claim-paying ability)	AA
Allstate Life Insurance Company (claim-paying ability)	AA+

Liquidity

Surrenders and withdrawals for Allstate Life were $580 million and $1.08 billion for the three-month and six-month periods ended June 30, 1998, respectively, compared to $466 million and $897 million in the respective 1997 periods. As the Company's interest-sensitive life policies and annuity contracts in-force grow and age, the dollar amount of surrenders and withdrawals could increase.

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, 1998 AND 1997

INVESTMENTS

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

(In millions)	Property-liability	Percent to total	Life and Annuity	Percent to total	Corporate	Percent to total	Total	Percent to total
Fixed income securities (1)	$26,029	77.8%	$25,748	83.5%	$ 515	81.1%	$52,292	80.6%
Equity securities	5,902	17.7	861	2.8	95	15.0	6,858	10.6
Mortgage loans	128	.4	3,036	9.9	-	-	3,164	4.9
Real estate	426	1.3	225	.7	-	-	651	1.0
Short-term	928	2.8	408	1.3	25	3.9	1,361	2.0
Other	16	-	543	1.8	-	-	559	.9
Total	$33,429	100.0%	$30,821	100.0%	$ 635	100.0%	$64,885	100.0%

(1) Fixed income securities are carried at fair value. Amortized cost for these securities was $24.84 billion, $23.69 billion and $514 million for property-liability, life and annuity, and corporate, respectively.

Total investments increased to $64.89 billion at June 30, 1998 from $62.55 billion at December 31, 1997. Property-liability investments increased $1.15 billion to $33.43 billion at June 30, 1998 from $32.28 billion at December 31, 1997. Allstate Life investments at June 30, 1998, increased $1.06 billion to $30.82 billion from $29.76 billion at December 31, 1997. The increase in investments was primarily attributable to amounts invested from positive cash flows generated from operations and the addition to short-term investments of approximately $901 million of collateral resulting from a change in accounting treatment for securities lending programs.

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

YEAR 2000

The Company is heavily dependent upon complex computer systems for all phases of its operations, including customer service, insurance processing, risk analysis, underwriting, loss reserving and investment processing. Since many of the Company's older computer software programs recognize only the last two digits of the year in any date, some software may fail to operate properly in or after the year 1999, if the software is not reprogrammed, remediated, or replaced ("Year 2000 Issue"). Allstate believes that many of its counterparties and suppliers also have Year 2000 Issues which could affect the Company. In 1995, Allstate commenced a plan intended to mitigate and/or prevent the adverse effects of Year 2000 Issues. These strategies include normal development and enhancement of new and existing systems, upgrades to operating systems already covered by maintenance agreements and modifications to existing systems to make them Year 2000 compliant. The plan also includes Allstate actively working with its major external counterparties and suppliers to assess their compliance efforts and the Company's exposure to them. The Company is in the process of developing a contingency plan that will address possible adverse scenarios. The Company presently believes that it will resolve the Year 2000 Issue in a timely manner, and the financial impact will not materially affect its results of operations, liquidity or financial position. In April 1998, the Company announced its main premium application system, ALERT, which manages more than 20 million auto and property policies is completely Year 2000 compliant. Allstate is relying on other remediation techniques for its midrange and personal computer environments, and certain mainframe applications. Allstate is working closely with its business partners, counterparties and suppliers in an effort to bring all communications, facilities, software and systems into Year 2000 compliance. Year 2000 costs are expensed as incurred.

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, 1998 AND 1997

OTHER DEVELOPMENTS

In 1997, the Company formed a new company, Allstate New Jersey Insurance Company ("ANJ"), which will be dedicated to serving property and casualty insurance consumers in New Jersey. At the beginning of 1998, ANJ started offering coverage to customers and began receiving property and assigned risk policies from AIC. In early 1999, ANJ expects to start receiving voluntary auto policies from AIC and Allstate Indemnity Company.

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

PENDING ACCOUNTING STANDARDS

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

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

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

In December 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 97-3, "Accounting by Insurance and Other Enterprises for Insurance-related Assessments." The SOP is required to be adopted in 1999. The SOP provides guidance concerning when to recognize a liability for insurance-related assessments and how those liabilities should be measured. Specifically, insurance-related assessments should be recognized as liabilities when all of the following criteria have been met: 1) an assessment has been imposed or it is probable that an assessment will be imposed, 2) the event obligating an entity to pay an assessment has occurred and 3) the amount of the assessment can be reasonably estimated. The Company is currently evaluating the effects of this SOP on its accounting for insurance-related assessments. The Company has not yet determined the date of adoption.

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, 1998 AND 1997

FORWARD-LOOKING STATEMENTS

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

1. The references to auto severity trends (see "Consolidated Net Income" at page 10 and "Underwriting Results" at page 12) as compared to medical services cost indices and body work and used car price indices reflect statistical data for the period indicated. Also, the reference to homeowners severity trends (see "Underwriting Results" at page 12) reflects statistical data for the period indicated. Such data for a following period or periods could well indicate that such trends have reversed or that average severities have outpaced such indices in such following period or periods.

2. Management believes that the initiatives implemented by Allstate to manage its exposure to catastrophes will greatly reduce the severity of future losses. (See "Underwriting Results" at page 12 and "Catastrophe Losses and Catastrophe Management" at page 14). These beliefs are based in part on the efficacy of techniques adopted by Allstate and the accuracy of the data used by Allstate which are designed to predict the probability of catastrophes and the extent of losses to Allstate resulting from catastrophes. Catastrophic events may occur in the future which indicate that such techniques and data do not accurately predict Allstate's losses from catastrophes. In that event, the probability and extent of such losses may differ materially from that which would have been predicted by such techniques and data.

3. In order to borrow on the five-year line of credit (see "Liquidity and Capital Resources" at page 17), AIC is required to maintain a specified statutory surplus level and the Allstate debt to equity ratio (as defined in the credit agreement) must not exceed a designated level. Management expects to continue to meet such borrowing requirements in the future. However, the ability of AIC and Allstate to meet these requirements is dependent upon the economic well-being of AIC. Should AIC sustain significant losses from catastrophes, its and Allstate's ability to continue to meet these credit agreement requirements could be lessened. Consequently, Allstate's right to draw upon the five-year line of credit could be diminished or eliminated during a period when it would be most in need of financial resources.

4. The Company presently believes that it will be able to timely resolve the Year 2000 issues affecting its computer operations and that the cost of addressing such matters will not have a material impact on Allstate's current financial position, liquidity or results of operations (see "Year 2000" at page 19). 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 and could materially affect the Company's results of operations in any period or periods.

5. With respect to non-standard auto, management expects that modifications implemented in April 1998 to administrative requirements will contribute to an increase in new business while reducing expenses related to the collection of premiums (see "Underwriting Results" at page 12). These expectations are not based on historical experience and such modifications could fail to contribute to an increase in business and could fail to reduce expenses. In addition, overriding factors could inhibit new business growth or lead to higher expenses.

6. Management believes that favorable loss trends, competitive considerations and regulatory pressures, in some states will continue to impact the Company's ability to maintain rates at historical levels,

thereby resulting in a slower average premium growth rate for the auto business. (See "Underwriting Results" at page 12). However, other factors that affect the average premium growth rate, such as loss ratio deterioration, could accelerate the rate.

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

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, 1998 AND 1997

PART II. OTHER INFORMATION

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

On May 19, 1998, Allstate held its annual meeting of stockholders at the Chicago Botanic Garden in Glencoe, Illinois. Eight directors were elected for terms expiring at the 1999 annual meeting of stockholders. In addition, the stockholders approved the recommendation that Deloitte & Touche LLP be appointed auditors for 1998 and approved the amendment of the Company's Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 2,000,000,000. The stockholders did not approve a stockholder proposal for cumulative voting for the Board of Directors.

Election of Directors

Nominee	Votes for	Votes Withheld
James G. Andress	375,566,073	1,775,186
Warren L. Batts	375,505,403	1,835,856
Edward A. Brennan	374,347,304	2,993,955
Jerry D. Choate	375,511,003	1,830,256
James M. Denny	375,492,481	1,848,778
Michael A. Miles	375,529,196	1,812,063
Joshua I. Smith	373,297,285	4,043,974
Mary Alice Taylor	375,556,568	1,784,691

Approval of Deloitte & Touche LLP as Auditors for 1998

Votes For	Votes Against	Abstentions
375,826,649	746,092	768,518

Amendment of Restated Certificate of Incorporation to Increase the Number of Authorized Shares of Common Stock to 2,000,000,000.

Votes For	Votes Against	Abstentions
330,715,382	44,183,506	2,442,371

Cumulative Voting for the Board of Directors

Votes For	Votes Against	Abstentions	Non-Vote
95,100,330	202,546,074	42,783,525	36,911,330

Item 5. Other Information

Stockholder Proposals for 1999 Annual Meeting

If a stockholder desires to bring business before the 1999 annual meeting without invoking SEC proxy rule 14a-8 (which concerns requirements for inclusion of a proposal in the proxy statement), the stockholder must follow procedures outlined in Allstate's By-Laws in order to personally present the proposal at the meeting. A copy of these procedures is available upon request from the Secretary of Allstate. One of the procedural requirements in the By-Laws is timely notice in writing of the business the stockholder proposes to bring before the meeting. Notice of business proposed to be brought before the 1999 annual meeting must be received by the Secretary of Allstate no earlier than January 19, 1999 and no later than February 18, 1999 to be presented at the meeting. The notice must describe the business proposed to be brought before the meeting, the reasons for bringing it, any material interest of the stockholder in the business, the stockholder's name and address and the number of shares of Allstate stock beneficially owned by the stockholder. It should be noted that these By-Laws procedures govern proper submission of business to be put before a stockholder vote at the Annual Meeting and do not preclude discussion by any stockholder of any matters properly brought before the Annual Meeting.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

(b) Reports on Form 8-K.

Registrant filed a Current Report on Form 8-K on May 20, 1998 (Items 5 and 7) and on June 1, 1998 (Item 5).

SIGNATURE

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

The Allstate Corporation
(Registrant)

August 13, 1998

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

(Principal Accounting Officer and duly
authorized Officer of Registrant)

Exhibit No.	Description	Sequentially Numbered Page
3	(a) Registrant's Restated Certificate of Incorporation, as amended effective May 26, 1998.	
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.	
11	Computation of earnings per common share for The Allstate Corporation and consolidated subsidiaries.	
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated August 13, 1998, concerning unaudited interim financial information.	
27	Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only and not filed.	

Exhibit 11

The Allstate Corporation and Subsidiary
Computation of Earnings Per Common Share

	FOR THE TWELVE MONTHS ENDED DECEMBER 31,				
(In millions except per share data)	1997	1996	1995	1994	1993
Net Income	$ 3,105	$ 2,075	$ 1,904	$ 484	$ 1,321
Basic earnings per common share computation:					
Weighted average number of common shares	867.9	890.8	897.0	899.5	883.4
Net income per share - basic	$ 3.58	$ 2.33	$ 2.12	$ 1.49	$ 1.49
Diluted earnings per common share computation:					
Weighted average number of common shares	867.9	890.8	897.0	899.5	883.4
Assumed exercise of dilutive stock options	4.9	5.6	2.0	-	-
Adjusted weighted average number of common shares outstanding	872.8	896.4	899.0	899.5	883.4
Net income per share - diluted	$ 3.56	$ 2.31	$ 2.12	$ 0.54	$ 1.49

Weighted average shares and per share amounts have been retroactively adjusted to reflect the stock split payable on July 1, 1998 to shareholders of record on May 29, 1998.

EXHIBIT 15

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

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

We are aware that our report referred above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated by reference in Registration Statement No. 333-34583 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 13, 1998

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, 1029 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:

(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 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.

(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.

THE ALLSTATE CORPORATION

By: /s/ Robert W. Pike

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

899051
THE ALLSTATE CORPORATION
1,000,000
U.S. DOLLARS

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
1
0
52292
52292
6858
3164
651
64885
301
2016
2943
85123
24721
6333
0
20639
1591
0
0
9
16459
85123
10306
1939
744
0
7930
1478
1046
2622
792
1830
0
0
0
1821
2.16
2.15
0
0
0
0
0
0
0