



Supplemental Investment Information

*This document has been released in conjunction with The Allstate Corporation (NYSE: ALL) news release on January 28, 2009 covering results for the three months and twelve months ended December 31, 2008. **On February 11, 2008, we provided additional information on pages 18 through 23.** The information contained herein provides investment information that is supplemental to that news release and provides an update to information contained in prior news releases. The following is included:*

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Investment Risk Mitigation and Return Optimization

The unprecedented deterioration of the global economy and financial markets continued in the fourth quarter of 2008 despite government efforts to reverse the trends and relieve market and liquidity disruptions. During the fourth quarter, global equity markets declined and credit spreads widened significantly, more than offsetting decreases in risk-free interest rates.

In the fourth quarter we continued to pursue enhanced risk mitigation and return optimization programs to protect portfolio values. Among our risk mitigation and return optimization activities, we have taken the following actions:

- Maintained a tactical positioning in liquid assets and assets that we can sell without generating significant additional realized capital losses.
- Continued to reduce exposure in assets other than those for which we have asserted an intent to hold until recovery where we have credit concerns or where there has been a significant change in facts and circumstances.
- Decreased exposure to financial-related market sectors and companies with finance-related exposures to \$7.69 billion as of December 31, 2008 from \$10.28 billion as of September 30, 2008 and \$14.45 billion as of December 31, 2007, primarily as a result of targeted sales and declines in fair value. Also reduced our short-term investing in financial institutions.

- Decreased exposure to residential and commercial real estate market sectors to \$22.00 billion as of December 31, 2008 from \$24.79 billion as of September 30, 2008 and \$31.54 billion as of December 31, 2007 as a result of targeted sales, principal payments and declines in fair value.
- Reduced overall counterparty exposure, replacing over-the-counter (“OTC”) derivatives transactions used as stock market hedges with exchange-traded instruments where available.
- Sold \$1.08 billion of government securities and recognized realized capital gains of \$109 million.

We continue to monitor the progress of these actions as market and economic conditions develop and will adapt our decisions as appropriate. Our continuing focus is to manage our risks and to position our portfolio to take advantage of market opportunities while attempting to mitigate further adverse effects.

To increase new money for investing, we have initiated actions to accelerate the recovery of approximately \$1.16 billion of tax refunds from the overpayment of 2008 estimated taxes as well as the carryback of 2008 Allstate Financial ordinary losses and Property-Liability capital losses to prior tax years. We expect these refunds to be received in the first half of 2009.

Realized Capital Gains and Losses Analysis

The net realized capital losses in the fourth quarter of 2008 totaled \$1.93 billion and were the result of \$652 million in impairment write-downs, \$241 million in change in intent write-downs, \$585 million of net realized capital losses related to the settlement and valuation of derivatives, \$357 million in net losses from sales, and \$97 million in net realized capital losses on the valuation of limited partnerships.

We record impairment write-downs on individually identified investments in instances where the fair value of the investment has declined below the cost basis and we conclude that the decline in fair value is other than temporary. As a part of our ongoing portfolio monitoring, we screen our portfolio for assets where prices have declined below certain established thresholds or ratings have declined requiring additional analysis. If we conclude that it is probable that contractual principal and interest will not be collected, we record an impairment write-down. The impairment write-down is equal to the difference between the cost basis and the fair value. We also record write-downs on individually identified investments in unrealized loss positions if we cannot assert a positive intent and ability to hold the investment until the investment recovers in value to its cost basis. Income recognition is generally discontinued on securities in which we recognized impairment write-downs until such time as we recover our cost. Income recognition continues on securities with change in intent write-downs, and any discount is accreted back to par over the expected life of the security until such time as the security is sold. Beginning in the fourth quarter of 2008, realized capital gains and losses include the income and losses on limited partnership interests accounted for in accordance with the equity method of accounting (“EMA LP”).

Impairment write-downs of \$652 million in the fourth quarter of 2008 comprised \$467 million related to fixed income securities (primarily related to corporate bonds and collateralized loan obligations), \$100 million related to equity securities, \$53 million related to limited partnership interests, \$4 million related to mortgage loans and \$28 million related to other investments. Over 80% of the impairment write-downs are on fixed income securities performing in line with anticipated or contractual cash flows, but which were written down primarily because of expected deterioration in the performance of the underlying collateral or our assessment of the probability of future default. Equity securities were written down primarily due to the length of time and extent fair value was below cost, considering our assessment of the financial condition, near-term and long-term prospects of the issuer, including relevant industry conditions and trends.

Impairment write-downs and cash received, inclusive of sales, on fixed income securities for the three months ended December 31, 2008 were as follows:

(\$ in millions)	Three months ended December 31, 2008	
	Impairment write-downs (est.)	Cash received ⁽³⁾ (est.)
Performing in accordance with anticipated or contractual cash flows		
Alt-A residential mortgage-backed securities ("Alt-A")		
Defaults lower in capital structure	\$ (7)	\$ --
	(7)	--
Asset-backed residential mortgage-backed securities ("ABS RMBS")	(38)	1
Commercial mortgage-backed securities ("CMBS") and commercial real estate collateralized debt obligations ("CRE CDO")	(4)	--
Collateralized loan obligations ("CLO")	(93)	4
Synthetic CDO	(16)	1
Corporate		
Automotive	(3)	--
Finance and banking	(48)	2
Gaming	(2)	--
Construction	(71)	2
Oil and gas	(2)	--
Publishing	(4)	--
Real estate and Real Estate Investment Trusts	(63)	--
Telecommunications	(15)	1
Other	(3)	--
Other	(12)	1
Subtotal ⁽¹⁾	(381)	12
Departure from anticipated or contractual cash flows		
Future cash flows expected –		
Municipal bonds	(10)	--
Corporate		
Broadcasting	(23)	--
Equity structured note	(3)	--
Financials	(9)	--
Subtotal ⁽²⁾	(45)	--
Future cash flows very uncertain –		
Cash flow CLO	(38)	--
ABS RMBS	(2)	--
Other	(1)	--
Subtotal	(41)	--
Investments disposed during the quarter	--	2
Total fixed income securities	\$ (467) ⁽⁴⁾	\$ 14

⁽¹⁾ Written down primarily because of expected deterioration in the performance of the underlying collateral or our assessment of the probability of future default. As of December 31, 2008, for the securities with direct interest in the lender, there have been no defaults. For securities supported by collateral, there have been no defaults or defaults have occurred in classes lower in the capital structure.

⁽²⁾ Experienced a significant departure from anticipated residual cash flows. While these fixed income security write-downs were valued at a significant discount to cost, we believe these securities retain economic value.

⁽³⁾ Cash received includes both income and principal collected during the period.

⁽⁴⁾ Impairment write-downs on our illiquid portfolios were \$198 million.

Change in intent write-downs of \$241 million in the fourth quarter of 2008, which include \$185 million for fixed income securities, \$29 million for mortgage loans, \$26 million for equity securities and \$1 million for other investments, were a result of our risk mitigation and return optimization programs, strategic asset allocation actions and ongoing comprehensive reviews of our portfolios. These losses include \$216 million related to securities for which we changed our intent to hold to recovery in the second and third quarter of 2008 that we still hold at December 31, 2008 and \$25 million related to securities for which we changed our intent to hold to recovery in the fourth quarter of 2008 due to unanticipated changes in facts and circumstances. In the fourth quarter of the prior year, realized capital losses related to change in intent write-downs totaled \$38 million. Further details of change in intent write-downs for the three months ended December 31, 2008 (est.) were as follows:

(\$ in millions)

<u>Criteria</u>	<u>Security type</u>	<u>SFAS 157 level</u>	<u>Fair value of outstanding change in intent assets</u>	<u>Net realized capital loss</u>
<i>Risk mitigation</i>				
Targeted reductions⁽¹⁾ in commercial real estate exposure where it is anticipated that future downside risk remains. Considerations included position held in the capital structure, vintage year, illiquidity and deteriorating fundamentals.	CRE CDO	3	\$ 27	\$ (32)
	CMBS	3	29	(66)
	Mortgage loans	3	127	(29)
Targeted reductions⁽¹⁾ in residential real estate where management believes there is a risk of future material declines in price in the event of continued deterioration in the economy. Considerations included position held in the capital structure, projected performance of the collateral, and expected internal rates of return.	Alt-A	3	34	(8)
	ABS RMBS	3	51	(15)
Targeted reductions⁽¹⁾ in financial sector exposure included securities issued by certain regional banks and certain large financial institutions.	Financial sector	2	14	--
	Other	2	4	(1)
Total risk mitigation			286	(151)
Individual identification			705	(90)
Enterprise-wide asset allocation			5	--
Total			\$ 996	\$ (241)⁽²⁾

(1) Targeted reductions are made from identified specific investments.

(2) Change in intent write-downs on our illiquid portfolios were \$121 million.

The following table summarizes the fourth quarter activity related to securities written down due to a change in intent.

(\$ in millions)	
Beginning balance as of September 30, 2008	\$ 3,882
Re-designated as intent to hold to recovery as of October 1, 2008 ⁽¹⁾	(2,589)
Proceeds from sales:	
Risk mitigation and return optimization program	(123)
Enterprise asset allocation and other programs	(131)
Net realized capital gains and losses on sales:	
Risk mitigation and return optimization program	(41)
Enterprise asset allocation and other programs	(12)
Additional change in intent designations	254
Write-downs ⁽²⁾	(256)
Other	12
Ending balance as of December 31, 2008	<u>\$ 996</u>

⁽¹⁾ Net unrealized capital losses on these re-designated investments were \$288 million as of December 31, 2008.

⁽²⁾ Includes change in intent write-downs of \$241 million and impairment write-downs of \$15 million.

Net realized capital losses on the valuation and settlement of derivative instruments totaled \$585 million for the fourth quarter of 2008 and included \$194 million of losses for previously established risk reduction programs, \$165 million of losses for income generation programs involving replication and \$226 million of losses for the accounting valuation of embedded equity options in fixed income securities from equity indexed notes and convertible bonds. Gains from the risk reduction programs, primarily in our equity hedge program, were related to declines in the fair value of Standard and Poor's ("S&P") related securities and losses were experienced in our income generation programs and from the valuation changes of embedded options in fixed income securities. In the fourth quarter of 2007, net realized capital losses on the valuation and settlement of derivative instruments totaled \$160 million and included net losses of \$112 million on risk mitigation programs, \$46 million of net losses for the accounting valuation of embedded equity options in fixed income securities and net losses of \$2 million for income generation programs.

The table below presents the realized capital gains and losses (pre-tax) on the valuation and settlement of derivative instruments shown by underlying exposure and derivative strategy.

(\$ in millions)	Three months ended December 31,			2007 Total	Fourth quarter 2008 explanations	
	Valuation	2008 (est.) Settlements	Total			
Risk reduction						
Property–Liability						
Portfolio duration management	\$ 26	\$ (39)	\$ (13)	\$ (46)	Valuation gain represents the changing value of expected future settlements and resulted from increases in the municipal interest rates. Settlement loss from futures resulted from decreases in interest rates during the quarter.	
Interest rate spike exposure	(62)	--	(62)	(20)	Valuation loss resulted from a decrease in interest rates during the quarter.	
Hedging unrealized gains on equity securities	(127)	379	252	32	Settlement gains were primarily the result of the termination of our equity options and settlements on futures, which are settled daily. The gains were due to the decline in the equity markets during the quarter. The valuation losses on equity options were due to the increase in the equity markets from the date of purchase to December 31, 2008.	
Foreign currency contracts	(15)	(1)	(16)	--		
Credit risk reduction	25	(2)	23	8	Valuation gain is the result of widening credit spreads on referenced credit entities.	
Allstate Financial						
Duration gap management	(457)	9	(448)	(41)	Valuation losses reflect the changing value of expected future settlements from changing interest rates, which vary over the period of the contracts, due to decreasing risk-free interest rates.	
Anticipatory hedging	--	64	64	(4)	Reflect decreases in risk–free interest rates on a net long position as liability issuances exceeded asset acquisitions.	
Hedging of interest rate exposure in annuity contracts	(19)	--	(19)	(14)	Value of expected future settlements and the associated value of future credited interest, which is reportable in future periods when incurred, decreased due to declining interest rates.	
Hedging unrealized gains on equity indexed notes	--	3	3	1		
Hedge ineffectiveness	10	(1)	9	(13)	Hedge ineffectiveness of \$10 million includes \$191 million in realized capital losses on swaps that were offset by \$201 million in realized capital gains on the hedged risk.	
Foreign currency contracts	--	1	1	(10)		
Credit risk reduction	11	(2)	9	--	Valuation gain is the result of widening credit spreads on referenced credit entities.	
Other	3	--	3	(5)		
Total risk reduction	<u>(605)</u>	<u>411</u>	<u>(194)</u>	<u>(112)</u>		
Income generation						
Asset replication – credit exposure						
Property–Liability	(20)	(1)	(21)	(13)	Valuation losses due to widening credit spreads.	
Allstate Financial	(32)	1	(31)	(18)		
Total	(52)	--	(52)	(31)		
Asset replication – equity exposure						
Property–Liability	--	(82)	(82)	--	Settlement loss was a result of the decline in equity markets during the fourth quarter.	
Commodity derivatives –						
Property–Liability	(1)	(30)	(31)	29	The settlement losses are the result of decreasing returns on the underlying commodity index. There were no open positions as of December 31, 2008.	
Total income generation	<u>(53)</u>	<u>(112)</u>	<u>(165)</u>	<u>(2)</u>		
Accounting						
Equity indexed notes –						
Allstate Financial	(116)	--	(116)	(24)	Valuation losses are related to embedded options in fixed income securities that are bifurcated from the host securities and separately valued with the changes in valuation reported as a component of realized capital gains and losses. At December 31, 2008, our securities with embedded options totaled \$1.46 billion and decreased in fair value from September 30, 2008 by \$288 million, comprising realized capital losses of \$226 million, net sales activity of \$87 million and a decline in unrealized losses reported in other comprehensive income of \$25 million.	
Conversion options in fixed income securities						
Property–Liability	(67)	--	(67)	(22)		
Allstate Financial	(43)	--	(43)	--		
Total	(110)	--	(110)	(22)		
Total Accounting	<u>(226)</u>	<u>--</u>	<u>(226)</u>	<u>(46)</u>		
Total	<u>\$ (884)</u>	<u>\$ 299</u>	<u>\$(585)</u>	<u>\$(160)</u>		

Included in the table on the previous page are net realized capital gains on the valuation and settlement of derivative instruments related to our risk mitigation and return optimization programs initiated in 2008 totaling \$183 million and \$256 million for the three months and twelve months ended December 31, 2008, respectively. These realized capital gains and losses are detailed in the following table.

(\$ in millions)	Three months ended December 31, 2008 (est.)			Twelve months ended December 31, 2008 (est.)		
	Valuation	Settlement	Total	Valuation	Settlement	Total
Portfolio duration management	\$ 26	\$ --	\$ 26	\$ 38	\$ 1	\$ 39
Interest rate spike exposure	(63)	--	(63)	(81)	(16)	(97)
Hedging unrealized gains on equity securities	(127)	342	215	(48)	342	294
Credit risk hedging	<u>9</u>	<u>(4)</u>	<u>5</u>	<u>25</u>	<u>(5)</u>	<u>20</u>
Total	<u>\$ (155)</u>	<u>\$ 338</u>	<u>\$ 183</u>	<u>\$ (66)</u>	<u>\$ 322</u>	<u>\$ 256</u>

The breakout by operating segment for realized capital gains and losses from derivatives for the three months and twelve months ended December 31, 2008 and 2007, respectively, were as follows:

(\$ in millions)	Three months ended December 31, (est.) 2008		Twelve months ended December 31, (est.) 2008	
	2008	2007	2008	2007
Property–Liability	\$ (15)	\$ (37)	\$ (7)	\$ 118
Allstate Financial	(570)	(124)	(788)	(57)
Corporate and Other	<u>--</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>\$ (585)</u>	<u>\$ (160)</u>	<u>\$ (794)</u>	<u>\$ 62</u>

Investment Expenses

Consolidated investment expenses decreased \$73 million in the fourth quarter of 2008 compared to the fourth quarter of 2007 primarily due to lower expenses associated with a lower amount of collateral received in connection with securities lending transactions. The average amount of collateral held in connection with securities lending was approximately \$969 million in the fourth quarter of 2008, compared to approximately \$4.05 billion in the fourth quarter of 2007, as a result of actions to reduce our securities lending balances.

Unrealized Capital Gains and Losses

Net unrealized capital losses, pretax, totaled \$8.81 billion as of December 31, 2008 and included net losses of \$8.50 billion on fixed income securities, net losses of \$332 million on equity securities, net gains of \$11 million on derivatives and net gains on short-term investments of \$3 million. The unrealized net capital losses on fixed income securities of \$8.50 billion as of December 31, 2008 comprised \$2.54 billion of gross unrealized gains and \$11.04 billion of gross unrealized losses. The unrealized net capital losses on equity securities of \$332 million as of December 31, 2008 comprised \$112 million of gross gains and \$444 million of gross losses.

For fixed income securities, 60.4% of the gross unrealized losses were from \$5.83 billion of securities with a fair value below 70% of amortized cost, or 8.5% of our fixed income portfolio at December 31, 2008. The percentage of fair value to amortized cost for the remaining gross unrealized losses on fixed income securities at December 31, 2008 (est.) are shown in the following table.

(\$ in millions)	Par Value ⁽²⁾	Unrealized (loss) gain	Fair value	% of Total fixed income securities
> 80% of amortized cost	\$ 34,063	\$ (2,671)	\$ 30,242	44.1%
70% to 80% of amortized cost	7,708	(1,703)	5,283	7.7
< 70% of amortized cost ⁽¹⁾	17,404	(6,667)	5,826	8.5
Gross unrealized losses on fixed income securities	59,175	(11,041)	41,351	60.3
Gross unrealized gains on fixed income securities	30,720	2,545	27,257	39.7
Net unrealized gains and losses on fixed income securities	\$ 89,895	\$ (8,496) ⁽³⁾⁽⁴⁾	\$ 68,608 ⁽⁴⁾	100.0%

(1) Illiquid securities represent \$3.80 billion of net unrealized losses and \$2.36 billion of fair value.

(2) Included in par value are zero-coupon securities that are generally purchased at a deep discount to the par value that is received at maturity.

(3) See the SFAS 157 Level 3 section of this document for further details of net unrealized losses on Level 3 investments totaling \$4.94 billion as of December 31, 2008.

(4) Illiquid portfolios represent \$4.62 billion of net unrealized losses and \$7.90 billion of fair value.

We continue to believe that the unrealized losses on these securities are not necessarily predictive of the ultimate performance. The unrealized losses should reverse over the remaining lives of the securities.

The following table summarizes the gross unrealized losses and fair value of fixed income and equity securities by the length of time that individual securities have been in a continuous unrealized loss position.

\$ in millions	Less than 12 months			12 months or more			Total unrealized losses
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	
At December 31, 2008 (est.)							
Fixed income securities							
U.S. government and agencies	5	\$ 230	\$ (1)	—	\$ —	\$ —	\$ (1)
Municipal	2,648	11,981	(1,983)	117	598	(201)	(2,184)
Corporate	1,632	14,827	(2,050)	448	4,504	(1,826)	(3,876)
Foreign government	58	349	(63)	3	13	(12)	(75)
MBS	355	1,259	(243)	89	348	(176)	(419)
CMBS	295	2,729	(797)	179	899	(1,207)	(2,004)
ABS	191	1,167	(338)	409	2,429	(2,134)	(2,472)
Redeemable preferred stock	<u>3</u>	<u>17</u>	<u>(10)</u>	<u>1</u>	<u>1</u>	<u>—</u>	<u>(10)</u>
Total fixed income securities	5,187	32,559	(5,485)	1,246	8,792	(5,556)	(11,041)
Equity securities	<u>325</u>	<u>1,897</u>	<u>(398)</u>	<u>10</u>	<u>53</u>	<u>(46)</u>	<u>(444)</u>
Total fixed income and equity securities	<u>5,512</u>	<u>\$ 34,456</u>	<u>\$ (5,883)</u>	<u>1,256</u>	<u>\$ 8,845</u>	<u>\$ (5,602)</u>	<u>\$ (11,485)</u>
Investment grade fixed income securities							
	4,687	\$ 30,484	\$ (4,813)	1,081	\$ 7,988	\$ (4,961)	\$ (9,774)
Below investment grade fixed income securities	<u>500</u>	<u>2,075</u>	<u>(672)</u>	<u>165</u>	<u>804</u>	<u>(595)</u>	<u>(1,267)</u>
Total fixed income securities	<u>5,187</u>	<u>\$ 32,559</u>	<u>\$ (5,485)</u>	<u>1,246</u>	<u>\$ 8,792</u>	<u>\$ (5,556)</u>	<u>\$ (11,041)</u>
At December 31, 2007							
Fixed income securities							
U.S. government and agencies	2	\$ 3	\$ —	4	\$ 11	\$ —	\$ —
Municipal	657	3,502	(81)	47	220	(15)	(96)
Corporate	1,061	11,968	(578)	351	4,231	(184)	(762)
Foreign government	23	183	(3)	4	12	—	(3)
MBS	309	2,407	(75)	1,086	1,359	(25)	(100)
CMBS	310	3,073	(346)	135	1,179	(41)	(387)
ABS	522	5,905	(778)	119	1,090	(68)	(846)
Redeemable preferred stock	<u>2</u>	<u>5</u>	<u>(1)</u>	<u>2</u>	<u>17</u>	<u>—</u>	<u>(1)</u>
Total fixed income securities	2,886	27,046	(1,862)	1,748	8,119	(333)	(2,195)
Equity securities	<u>503</u>	<u>968</u>	<u>(104)</u>	<u>16</u>	<u>19</u>	<u>(2)</u>	<u>(106)</u>
Total fixed income and equity securities	<u>3,389</u>	<u>\$ 28,014</u>	<u>\$ (1,966)</u>	<u>1,764</u>	<u>\$ 8,138</u>	<u>\$ (335)</u>	<u>\$ (2,301)</u>
Investment grade fixed income securities							
	2,529	\$ 24,813	\$ (1,670)	1,705	\$ 7,772	\$ (299)	\$ (1,969)
Below investment grade fixed income securities	<u>357</u>	<u>2,233</u>	<u>(192)</u>	<u>43</u>	<u>347</u>	<u>(34)</u>	<u>(226)</u>
Total fixed income securities	<u>2,886</u>	<u>\$ 27,046</u>	<u>\$ (1,862)</u>	<u>1,748</u>	<u>\$ 8,119</u>	<u>\$ (333)</u>	<u>\$ (2,195)</u>

At December 31, 2008, 95.2% of the total fixed income securities portfolio was rated investment grade, which is defined as a security having a rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from S&P's, Fitch or Dominion or a rating of aaa, aa, a, or bbb from A.M. Best; or a comparable internal rating if an externally provided rating is not available. Of the fixed income securities with gross unrealized losses at December 31, 2008, 93.0% were rated investment grade.

Problem, Restructured and Potential Problem Fixed Income Securities and Bank Loans

We monitor the quality of our fixed income and bank loan portfolios by categorizing certain investments as “problem”, “restructured” or “potential problem.” Problem fixed income securities and bank loans are in default with respect to principal or interest and/or are investments issued by companies that have gone into bankruptcy subsequent to our acquisition or loan. Restructured fixed income and bank loan investments have rates and terms that are not consistent with market rates or terms prevailing at the time of the restructuring. Potential problem fixed income or bank loan investments are current with respect to contractual principal and/or interest, but because of other facts and circumstances, we have concerns regarding the borrower’s ability to pay future principal and interest, which causes us to believe these investments may be classified as problem or restructured in the future.

The following table summarizes problem, restructured and potential problem fixed income securities and bank loans.

December 31, 2008 (est.)						
	<u>Par value ⁽¹⁾</u>	<u>Amortized cost ⁽¹⁾</u>	<u>Amortized cost as a percent of par value</u>	<u>Fair value</u>	<u>Fair value as a percent of par value</u>	<u>Percent of total fixed income and bank loan portfolios</u>
Restructured	\$ 101	\$ 86	85.2%	\$ 76	75.3%	0.1%
Problem	1,027	228	22.2	186	18.1	0.3
Potential problem	<u>1,896</u>	<u>707</u>	37.3	<u>517</u>	27.3	<u>0.7</u>
Total net carrying value	<u>\$ 3,024</u>	<u>\$ 1,021</u>	33.8	<u>\$ 779</u>	25.8	<u>1.1%</u>
Cumulative write-downs recognized ⁽²⁾		<u>\$ 1,673</u>				
December 31, 2007						
	<u>Par value</u>	<u>Amortized cost</u>	<u>Amortized cost as a percent of par value</u>	<u>Fair value</u>	<u>Fair value as a percent of par value</u>	<u>Percent of total fixed income and bank loan portfolios</u>
Restructured	\$ 38	\$ 35	92.1%	\$ 35	92.1%	--%
Problem	363	35	9.6	43	11.8	0.1
Potential problem	<u>319</u>	<u>245</u>	76.8	<u>198</u>	62.1	<u>0.2</u>
Total net carrying value	<u>\$ 720</u>	<u>\$ 315</u>	43.8	<u>\$ 276</u>	38.3	<u>0.3%</u>
Cumulative write-downs recognized ⁽²⁾		<u>\$ 358</u>				

⁽¹⁾ The difference between par value and amortized cost of \$2.00 billion at December 31, 2008 is primarily attributable to write-downs. Par value has been reduced by principal payments.

⁽²⁾ Cumulative write-downs recognized only reflects write-downs related to investments within the problem, potential problem and restructured categories.

- At December 31, 2008, amortized cost for the problem category was \$228 million and was comprised of \$83 million of corporates (primarily privately placed), \$49 million of financial sector related holdings, \$25 million of municipal bonds, \$19 million of real estate investment trusts and \$15 million of bank loans. Also included were \$21 million of market value CLO, \$10 million of ABS CDO, \$5 million of ABS RMBS, and \$1 million of Alt-A. The increase over December 31, 2007 is attributable to the addition of fixed income and bank loan holdings that either are in default with respect to principal or interest and/or are investments issued by companies that went into bankruptcy during the period. The amortized cost of problem investments with a fair value less than 70% of amortized cost totaled \$74 million, with unrealized losses of \$34 million and fair value of \$40 million.

- At December 31, 2008, amortized cost for the potential problem category was \$707 million and was comprised of \$218 million of Alt-A, \$132 million of CLO, \$74 million of ABS RMBS, \$13 million of other ABS and \$6 million of CRE CDO. Also included were \$86 million of municipal bonds, \$80 million of corporates (primarily privately placed home builders and suppliers), \$47 million of financial sector related holdings, \$37 million of foreign government holdings and \$14 million of bank loans. The increase over December 31, 2007 is primarily attributable to the additions of certain real estate-related holdings, including securities collateralized by residential and commercial mortgage loans, as well as market value, cash flow and synthetic CLO. Also contributing to the increase were financial sector-related holdings and corporates (primarily privately placed). The amortized cost of potential problem investments with a fair value less than 70% of amortized cost totaled \$269 million, with unrealized losses of \$161 million and fair value of \$108 million.

We also evaluated each of these investments through our portfolio monitoring process at December 31, 2008 and recorded write-downs when appropriate. We further concluded that any remaining unrealized losses on these investments were temporary in nature and that we have the intent and ability to hold the securities until recovery.

Certain Collateralized Securities Including Those Experiencing Illiquid and Disrupted Markets

Information about certain of our collateralized securities and their financial ratings is presented in the table below.

(\$ in millions)	Est. Fair value at December 31, 2008	% to Total investments	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Ba or lower</u>
Mortgage-backed securities ("MBS")							
U.S. Agency	\$ 3,284	3.4%	100.0%	--	--	--	--
Prime	621	0.7	89.5	6.0%	2.6%	1.9%	--
Alt-A	582	0.6	75.9	5.1	0.9	2.1	16.0%
Other	5	--	--	100.0	--	--	--
Total MBS	<u>\$ 4,492</u>	<u>4.7%</u>					
Commercial mortgage-backed securities ("CMBS")							
CMBS	\$ 3,819	4.0%	90.3	7.7	0.9	1.0	0.1
CRE CDO	27	--	--	29.6	37.1	29.6	3.7
Total CMBS	<u>\$ 3,846</u>	<u>4.0%</u>					
Asset-backed securities ("ABS")							
ABS RMBS non-insured	\$ 1,641	1.7%	45.8	29.4	10.2	6.7	7.9
ABS RMBS insured	426	0.4	0.9	13.8	1.9	49.8	33.6
Total ABS RMBS	2,067	2.1	36.5	26.2	8.5	15.5	13.3
ABS CDO	6	--	--	--	--	--	100.0
Total asset-backed securities collateralized by sub-prime residential mortgage loans	2,073	2.1					
Other collateralized debt obligations:							
Cash flow CLO	501	0.5	50.6	21.0	19.4	6.0	3.0
Synthetic CDO	47	0.1	6.4	34.0	--	46.8	12.8
Trust preferred CDO	74	0.1	2.7	75.6	14.9	4.1	2.7
Market value CDO	28	--	--	28.6	10.7	7.1	53.6
Project finance CDO	44	--	--	25.0	56.8	18.2	--
CDOs that invest in other CDOs ("CDO squared")	10	--	--	--	60.0	40.0	--
Collateralized bond obligations	24	--	--	--	16.7	45.8	37.5
Other CLO	50	0.1	100.0	--	--	--	--
Total other collateralized debt obligations	<u>778</u>	<u>0.8</u>	39.7	25.2	18.8	10.3	6.0
Other asset-backed securities	<u>1,009</u>	<u>1.1</u>	42.0	10.8	22.3	19.2	5.7
Total ABS	<u>\$ 3,860</u>	<u>4.0%</u>					

During the fourth quarter of 2008, certain financial markets continued to experience price declines due to market and liquidity disruptions. We experienced this illiquidity and disruption particularly in our Prime, Alt-A, CMBS, CRE CDO, ABS RMBS, ABS CDO and other CDO portfolios. These portfolios totaled \$7.90 billion, or approximately 8% of our total investments at December 31, 2008. Other securities markets, including certain other asset-backed and real estate-backed securities markets, experienced illiquidity, but to a lesser degree.

Prime are collateralized by residential mortgage loans issued to prime borrowers. Alt-A can be issued by trusts backed by pools of residential mortgages with either fixed or variable interest rates. The mortgage pools can include residential mortgage loans issued to borrowers with stronger credit profiles than sub-prime borrowers, but who do not qualify for prime financing terms due to high loan-to-value ratios or limited supporting documentation. CMBS are structured securities collateralized by pools of commercial mortgages broadly diversified across property types and geographical area. CRE CDO are structured securities secured primarily by commercial mortgage-backed securities and other commercial mortgage debt obligations. These securities are generally less liquid and have a higher risk profile than other commercial mortgage-backed securities. ABS RMBS includes securities that are collateralized by mortgage loans issued to borrowers that cannot qualify for Prime or Alt-A financing terms due in part to weak or limited credit history. ABS CDO are securities collateralized by a variety of residential mortgage-backed securities and other securities, which may include sub-prime RMBS. Other CDO consist primarily of obligations secured by high yield and investment grade corporate credits.

We determine the fair values of securities comprising these illiquid portfolios by obtaining information from an independent third-party valuation service provider, brokers and other sources. We confirmed the reasonableness of the fair value of these portfolios as of December 31, 2008 by analyzing available market information including, but not limited to, collateral quality, anticipated cash flows, credit enhancements, default rates, loss severities, securities' relative position within their respective capital structures, and credit ratings from statistical rating agencies.

The following table presents realized capital gains and losses and principal transactions relating to our illiquid portfolios for the fourth quarter of 2008 (est.).

(\$ in millions)	Realized capital gains and losses			Principal transactions		
	Sales	Impairment write-downs	Change in intent write-downs	Sold	Principal received	Acquired
MBS						
Prime	\$ --	\$ --	\$ --	\$ 37	\$ 17	\$ --
Alt-A	--	(7)	(8)	8	19	--
CMBS						
CMBS	(8)	--	(66)	97	35	10
CRE CDO	(10)	(4)	(32)	47	--	--
ABS						
ABS RMBS	2	(40)	(15)	3	143	--
ABS CDO	--	--	--	1	--	--
Other CDO	--	(147)	--	4	3	--
Total	<u>\$ (16)</u>	<u>\$ (198)</u>	<u>\$ (121)</u>	<u>\$ 197</u>	<u>\$ 217</u>	<u>\$ 10</u>

For our illiquid investment portfolios, par value totaled \$14.16 billion and amortized cost totaled \$12.52 billion or 88.4% of par value at December 31, 2008. Fair value of these investments totaled \$7.90 billion or 55.8% of par value. The unrealized net capital losses as of December 31, 2008 (est.) on our illiquid portfolios are detailed in the following table.

(\$ in millions)

	<u>Par value ⁽²⁾</u>	<u>Amortized cost ^{(1) (2)}</u>	<u>% Amortized cost to par value</u>	<u>Fair value</u>	<u>% Fair value to par value</u>	<u>Unrealized gain/loss</u>
MBS						
Prime	\$ 840	\$ 826	98.3 %	\$ 621	73.9 %	\$ (205)
Alt-A	1,098	780	71.0	582	53.0	(198)
CMBS						
CMBS	5,907	5,815	98.4	3,819	64.7	(1,996)
CRE CDO	201	25	12.4	27	13.4	2
ABS						
ABS RMBS	3,681	3,174	86.2	2,067	56.2	(1,107)
ABS CDO	137	10	7.3	6	4.4	(4)
Other CDO	<u>2,296</u>	<u>1,894</u>	82.5	<u>778</u>	33.9	<u>(1,116)</u>
Total	\$ <u>14,160</u>	\$ <u>12,524</u>	88.4	\$ <u>7,900</u>	55.8	\$ <u>(4,624)</u>

⁽¹⁾ Amortized cost includes other-than-temporary impairment charges, as applicable.

⁽²⁾ The difference between par value and amortized cost of \$1.64 billion is primarily attributable to write-downs. Par value has been reduced by principal payments.

Securities included in our illiquid portfolios with a fair value less than 70% of amortized cost as of December 31, 2008 (est.) are shown in the following table.

(\$ in millions)	<u>Fair value</u>	<u>Unrealized gain/loss</u>
MBS		
Prime	\$ 113	\$ (113)
Alt-A	146	(122)
CMBS		
CMBS	858	(1,625)
CRE CDO	--	--
ABS		
ABS RMBS	781	(878)
ABS CDO	4	(3)
Other CDO	<u>459</u>	<u>(1,054)</u>
Total	\$ <u>2,361</u>	\$ <u>(3,795)</u>

We continue to believe that the unrealized losses on these securities are not necessarily predictive of the ultimate performance of the underlying collateral. In the absence of further deterioration in the collateral relative to our positions in the securities' respective capital structures, which could be other than temporary, the unrealized losses should reverse over the remaining lives of the securities.

The following table shows our illiquid portfolios as of December 31, 2008 (est.) by vintage year.

(\$ in millions)	Vintage year					Fair value	Amortized cost	Unrealized gain/loss
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Pre-2005</u>			
MBS								
Prime	\$ --	\$ 109	\$ 48	\$ 147	\$ 317	\$ 621	\$ 826	\$ (205)
Alt-A	--	82	173	153	174	582	780	(198)
CMBS								
CMBS	--	531	379	429	2,480	3,819	5,815	(1,996)
CRE CDO	--	5	16	6	--	27	25	2
ABS								
ABS RMBS non-insured	--	317	597	352	375	1,641	2,392	(751)
ABS RMBS insured	--	<u>147</u>	<u>125</u>	<u>120</u>	<u>34</u>	<u>426</u>	<u>782</u>	<u>(356)</u>
Total ABS RMBS	--	464	722	472	409	2,067	3,174	(1,107)
ABS CDO	--	6	--	--	--	6	10	(4)
Other CDO	<u>3</u>	<u>98</u>	<u>167</u>	<u>183</u>	<u>327</u>	<u>778</u>	<u>1,894</u>	<u>(1,116)</u>
Total	<u>\$ 3</u>	<u>\$ 1,295</u>	<u>\$ 1,505</u>	<u>\$ 1,390</u>	<u>\$ 3,707</u>	<u>\$ 7,900</u>	<u>\$ 12,524</u>	<u>\$ (4,624)</u>

Auction Rate Securities

Included in our municipal bond portfolio at December 31, 2008 are \$1.73 billion of auction rate securities (“ARS”) that have long-term stated maturities, with the interest rate reset based on auctions that generally occur every 7, 28 or 35 days depending on the specific security. This is compared to a balance of ARS at December 31, 2007 of \$2.56 billion. The decline represents primarily redemptions from calls or refunding proceeds since December 31, 2007. Approximately \$1.69 billion of our holdings are pools of student loans for which at least 85% of the collateral was insured by the U.S. Department of Education at the time we purchased the security. As of December 31, 2008, \$1.11 billion of our ARS backed by student loans was 100% insured by the U.S. Department of Education, \$335 million was 90% to 99% insured and \$165 million was 80% to 89% insured.

Credit Derivatives

Credit default swaps (“CDS”) are utilized for both buying and selling credit protection against a specified credit event. In selling protection, CDS are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. When buying protection, the objective is to mitigate credit risk on fixed income holdings in our portfolio. Credit risk includes both default risk and market value exposure due to spread widening. CDS typically have a five-year term. The following table shows the CDS notional amounts and fair value of protection bought or sold as of December 31, 2008 (est.).

(\$ in millions)	Notional amounts			Fair value	Fair value to notional ratio
	<u>Property-Liability</u>	<u>Allstate Financial</u>	<u>Total</u>		
Buying protection (recoverable)	\$ 1,074	\$ 1,145	\$ 2,219	\$ 74	3.3%
Selling protection (payable)	\$ 539	\$ 517	\$ 1,056	\$ (114)	(10.8)

In buying and selling protection CDS, we buy or sell credit protection on an identified single name, credit derivative index (“CDX”) that is generally investment grade, or a basket of names in a first-to-default (“FTD”) structure, and in return pay or receive periodic premiums through expiration or termination. With single name CDS, this premium or credit spread generally corresponds to the difference between the yield on the referenced name’s public fixed maturity cash instruments and swap rates, at the time the agreement is executed. A CDX index is utilized to take a position on multiple (generally 125) credit entities. With FTD baskets, because of the additional credit risk inherent in a basket of named credits, the premium generally corresponds to a high proportion of the sum of the credit spreads of the names in the basket. Credit events are typically defined as bankruptcy, failure to pay, or restructuring, depending on the nature of the reference credit. If a credit event occurs, the company settles with the counterparty, either through physical settlement or cash settlement. In a physical settlement, a reference asset is delivered by the buyer of protection to the seller of protection, in exchange for cash payment at par, while in a cash settlement, the seller pays the difference between par and the prescribed value of the reference asset. When such an event occurs in a single name or FTD (for FTD, the first such event occurring for any one name in the basket), the transaction terminates at the time of settlement of the default. For CDX, the reference credit name incurring such event is removed from the index at the time of settlement of the default while the CDX transaction continues until expiration. For all CDS, once a credit event occurs and a settlement has occurred, there may be subsequent recoveries. Recovery amounts, if any, vary and they may reduce the ultimate amount of net gain or loss.

Derivatives Collateral

We performed a sensitivity analysis on our over-the-counter (“OTC”) derivative collateral requirements by assuming a hypothetical reduction in our Standard & Poor’s insurance financial strength ratings from AA to A and a 100 basis point decline in interest rates. The analysis indicated that we would have to post an estimated \$514 million in additional collateral with approximately 99.9% attributable to Allstate Financial. The selection of these hypothetical scenarios should not be construed as our prediction of future events, but only as an illustration of the estimated potential effect of such events. We also actively manage our counterparty credit risk exposure by monitoring the level of collateral posted by our counterparties with respect to our receivable positions.

Limited Partnership Interests

Limited partnership interests consist of investments in private equity/debt funds, real estate funds and hedge funds. The overall limited partnership interests portfolio is well diversified across a number of metrics including fund sponsors, vintage years, strategies, geography (including international), and company/property types.

The following table presents information about our limited partnership interests as of December 31, 2008 (est.).

(\$ in millions)	Private equity/ debt funds	Real estate funds	Hedge funds	Total
Cost method of accounting (“Cost”)	\$ 733	\$ 398	\$ 97	\$ 1,228
Equity method of accounting (“EMA”)	654	431	478	1,563
Total	<u>\$ 1,387</u>	<u>\$ 829</u>	<u>\$ 575</u>	<u>\$ 2,791</u>
Sponsors	86	39	13	138
Individual funds	138	76	80	294
Largest exposure to single fund	\$ 43	\$ 48	\$ 43	\$ 134

The Company's aggregate limited partnership exposure represented 2.9% and 2.1% of total invested assets as of December 31, 2008 and December 31, 2007, respectively.

The following table shows the income from our limited partnership interests by fund type and accounting classification.

(\$ in millions)	Three months ended December 31,					
	2008 (est.)			2007		
	Cost	EMA ⁽¹⁾	Total	Cost	EMA	Total
Private equity/ debt funds	\$ (5)	\$ 30	\$ 25	\$ (7)	\$ 35	\$ 28
Real estate funds	--	(30)	(30)	(7)	52	45
Hedge funds	<u>1</u>	<u>(97)</u>	<u>(96)</u>	<u>6</u>	<u>9</u>	<u>15</u>
Total	<u>\$ (4)</u>	<u>\$ (97)</u>	<u>\$ (101)</u>	<u>\$ (8)</u>	<u>\$ 96</u>	<u>\$ 88</u>

(\$ in millions)	Twelve months ended December 31,					
	2008 (est.)			2007		
	Cost	EMA ⁽¹⁾	Total	Cost	EMA	Total
Private equity/ debt funds	\$ 28	\$ 87	\$ 115	\$ 58	\$ 55	\$ 113
Real estate funds	8	(36)	(28)	36	79	115
Hedge funds	<u>1</u>	<u>(124)</u>	<u>(123)</u>	<u>1</u>	<u>64</u>	<u>65</u>
Total	<u>\$ 37</u>	<u>\$ (73)</u>	<u>\$ (36)</u>	<u>\$ 95</u>	<u>\$ 198</u>	<u>\$ 293</u>

⁽¹⁾ Beginning in the fourth quarter of 2008, income from EMA LPs is reported in realized capital gains and losses. EMA LP income for periods prior to the fourth quarter of 2008 is reported in net investment income.

Loss from limited partnership interest was \$101 million for the fourth quarter of 2008 versus income of \$88 million for the fourth quarter of 2007. The loss from limited partnership interests in the fourth quarter of 2008 compared to income in the fourth quarter of 2007 is primarily related to losses from partnerships accounted for under the equity method of accounting ("EMA LP") resulting from reduced valuations on the net asset value of the partnerships. Further, income on EMA LP is recognized on a delay due to the availability of the related financial statements. The recognition of income on hedge funds is primarily on a one-month delay and the income recognition on private equity/debt funds and real estate funds are generally on a three-month delay. As such, the income recognized through December 31, 2008 for EMA LP may not include the full impact for current year changes in valuation of the underlying assets or liabilities within the partnerships. Limited partnership interests accounted for under the cost method of accounting recognize income only upon cash distributions by the partnership.

Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“SFAS 157”) – Level 3 Investments

SFAS 157 Level 3 reflects financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect our estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities. The balance of our SFAS Level 3 investments at December 31, 2008 is detailed in the following table. This information on Level 3 investments and related fair values, unrealized gains (losses) and fourth quarter 2008 (est.) change in intent write-downs is supplemental as these details have been reported in previous analyses.

(\$ in millions)	Fair value	Net unrealized gains (losses)	Fourth quarter change in intent write- downs
Fixed income securities	\$ 17,819	\$ (4,941)	\$ (131)
Equity securities	74	(1)	--
Free-standing derivatives	13	--	--
Sub-total Level 3 recurring	17,906	(4,942)	(131)
Non-recurring basis	301	--	(30)
Total Level 3 investments	<u>\$ 18,207</u>	<u>\$ (4,942)</u>	<u>\$ (161)</u>

Non-recurring investments include mortgage loans, limited partnership interests and other investments at fair value due to impairment and change in intent write-downs at December 31, 2008.

Transfers into and out of SFAS 157 Level 3 during the fourth quarter are attributable to a change in the availability of market observable information for individual securities within the respective categories.

Additional
Information
as of
February 11, 2009

CMBS: Unrealized Net Capital Loss of \$765 million at 9/30; \$1,996 million at 12/31 - change of \$1,231 million

The change in unrealized net capital loss of approximately \$1.2 billion during the fourth quarter in our CMBS portfolio was a result of significant widening of credit spreads due to deteriorating macro economic conditions and continued credit market deterioration. Credit spread widening occurred in all rating classes but was particularly evident in our Subordinated Senior Aaa, pre-2005 vintage Aaa-rated, Other Aaa-rated and lower rated securities. These holdings accounted for approximately \$1.02 billion, or approximately 83% of the change in unrealized net capital loss for the quarter. Our analysis suggests that the vast majority of our CMBS portfolio is well insulated from severely rising commercial mortgage default rates. Credit protections in the portfolio, including those on Subordinated Senior Aaa and Aa-rated securities, are multiples of historic high commercial mortgage loss experience and well in excess of our current loss expectations.

Capital Structure Classifications Definitions:

Super Senior Aaa: The most senior of the Aaa rated tranches, typically has a high level of credit enhancement of approximately 30%, meaning actual losses in the deal have to reach 30% before incurring a first dollar loss. This would require commercial loan defaults of approximately 75% to reach this level. The change in unrealized net capital loss in the fourth quarter for 2005 to 2007 vintage years for this tranche was \$142 million.

Mezzanine Senior (AM) Aaa: The middle Aaa rated tranche, typically having credit enhancement of approximately 20%, are subordinate only to the Super Senior bonds. The change in unrealized net capital loss in the fourth quarter for 2005 to 2007 vintage years for this tranche was \$73 million.

Subordinated Senior (AJ) Aaa: The lowest Aaa rated tranche, typically with credit enhancement in the low teens. This bond is subordinate to the Super Senior and AM tranches, but still senior to all tranches rated below Aaa. The change in unrealized net capital loss in the fourth quarter for 2005 to 2007 vintage years for this tranche was \$433 million.

Other 2005 through 2007 Aaa: This includes Aaa bonds that were originated in 2005 through 2007 that do not fall into the categories above. These are non-traditional CMBS bonds (Large Loan Pools, Single Borrower Transactions) that did not have a Aaa Senior Type breakdown. The change in unrealized net capital loss in the fourth quarter for 2005 to 2007 vintage years for this tranche was \$44 million.

2004 and Prior Aaa: Prior to 2005, the Aaa bond in a transaction was generally not divided into Super Senior, Mezzanine Senior, or Subordinated Senior (with the exception of a few deals structured very late in 2004) therefore all 2004 and prior Aaa-rated securities are grouped into this category. The change in unrealized net capital loss in the fourth quarter for 2005 to 2007 vintage years for this tranche was \$119 million.

Municipal bonds: Unrealized Net Capital Loss of \$816 million at 9/30; \$1,717 million at 12/31 - change of \$901 million

The change in unrealized net capital loss of \$901 million during the fourth quarter in our municipal bond portfolio was mainly caused by widening credit spreads that affected three main areas in this portfolio: \$505 million resulted from low trading volumes that affected overall

municipal bond prices, but particularly our less liquid taxables, zero coupon, and longer dated securities; \$174 million from widening credit spreads in our high yield municipal bond portfolio; and \$101 million from widening credit spreads was in our student loan auction rate securities portfolio.

Corporate bonds: Unrealized Net Capital Loss of \$1,846 million at 9/30; \$3,413 million at 12/31- change of \$1,567 million

The change in unrealized net capital loss of approximately \$1.6 billion during the fourth quarter of 2008 is driven primarily by significantly widening credit spreads resulting from deteriorating macro economic conditions and continued credit market deterioration. Credit spread widening particularly affected our non-hybrid Baa and lower rated corporate bond holdings, contributing to approximately \$1.2 billion of the change in unrealized net capital loss for the quarter, which more than offset a decrease in unrealized net capital losses of approximately \$157 million in our non-hybrid Aaa, Aa and A rated corporate bonds due to declining interest rates and slightly narrowing credit spreads in these higher rated holdings. The other significant driver of unrealized net capital losses in our corporate bond portfolio is from hybrid securities, contributing \$510 million of the quarterly change in unrealized loss. While these securities are generally issued by highly rated financial institutions, they have structural features which make them more sensitive to credit market deterioration. Specifically, features of coupon deferral and the extension of conventional call dates have severely impacted prices as the global financial system undergoes significant stress.

The Allstate Corporation
CMBS Vintage Year/Participation in Capital Structure
December 31, 2008

The following shows the CMBS portfolio without CRE-CDOs based upon our participation in the capital structure.

	December 31, 2008				September 30, 2008				Change during fourth quarter 2008			
	Par Value	Amortized Cost	Fair Value	Net Unrealized Gain Loss	Par Value	Amortized Cost	Fair Value	Net Unrealized Gain Loss	Par Value	Amortized Cost	Fair Value	Net Unrealized Gain Loss
(in millions)												
Aaa												
2007 Super Senior	\$ 383	\$ 378	\$ 263	\$ (115)	\$ 383	\$ 378	\$ 332	\$ (46)	\$ -	\$ -	\$ (69)	\$ (69)
Mezzanine Senior	130	122	58	(64)	130	122	100	(22)	-	-	(42)	(42)
Subordinated Senior	596	569	166	(403)	596	552	398	(154)	-	17	(232)	(249)
Other Aaa ⁽¹⁾	21	22	9	(13)	21	22	16	(6)	-	-	(7)	(7)
	1,130	1,091	496	(595)	1,130	1,074	846	(228)	-	17	(350)	(367)
2006 Super Senior	121	121	79	(42)	121	121	106	(15)	-	-	(27)	(27)
Mezzanine Senior	81	77	41	(36)	80	77	66	(11)	1	-	(25)	(25)
Subordinated Senior	314	300	94	(206)	314	296	231	(65)	-	4	(137)	(141)
Other Aaa ⁽¹⁾	55	64	45	(19)	58	68	63	(5)	(3)	(4)	(18)	(14)
	571	562	259	(303)	573	562	466	(96)	(2)	-	(207)	(207)
2005 Super Senior	326	329	260	(69)	326	327	304	(23)	-	2	(44)	(46)
Mezzanine Senior	22	22	13	(9)	22	21	18	(3)	-	1	(5)	(6)
Subordinated Senior	108	115	48	(67)	108	109	85	(24)	-	6	(37)	(43)
Other Aaa ⁽¹⁾	95	95	70	(25)	99	99	97	(2)	(4)	(4)	(27)	(23)
	551	561	391	(170)	555	556	504	(52)	(4)	5	(113)	(118)
Pre-2005 ⁽²⁾	2,126	2,154	1,936	(218)	2,190	2,205	2,106	(99)	(64)	(51)	(170)	(119)
	4,378	4,368	3,082	(1,286)	4,448	4,397	3,922	(475)	(70)	(29)	(840)	(811)
Aa	1,111	1,179	522	(657)	1,119	1,147	867	(280)	(8)	32	(345)	(377)
A	350	225	172	(53)	354	271	261	(10)	(4)	(46)	(89)	(43)
Baa	64	39	39	-	54	38	38	-	10	1	1	-
Ba or lower	4	4	4	-	5	5	5	-	(1)	(1)	(1)	-
Total CMBS	\$ 5,907	\$ 5,815	\$ 3,819	\$ (1,996)	\$ 5,980	\$ 5,858	\$ 5,093	\$ (765)	\$ (73)	\$ (43)	\$ (1,274)	\$ (1,231)

⁽¹⁾ Other Aaa securities, originated in 2005 through 2007, include non-traditional CMBS bonds (i.e. large loan pools, single borrower transactions) that do not have additional capital structure classifications.

⁽²⁾ The Aaa capital structure was not further detailed to Super Senior, Mezzanine Senior and Subordinate Senior until 2005 and later vintage-year issuances.

The Allstate Corporation
Municipal Portfolio
Tax Exempt vs Taxable, Zero-Coupon vs Non Zero-Coupon
December 31, 2008

Municipal - Total						September 31, 2008					
December 31, 2008											
in millions	Par	Amortized cost	Fair value	% Fair value to amortized cost	Unrealized gain/loss	Par	Amortized cost	Fair value	% Fair value to amortized cost	Unrealized gain/loss	Change in unrealized gain/loss
Aaa	\$ 4,455	\$ 3,655	\$ 3,552	97.2%	\$ (103)	\$ 7,811	\$ 6,644	\$ 6,507	97.9%	\$ (137)	\$ 34
Aa	8,373	7,491	7,181	95.9%	(310)	8,633	7,610	7,375	96.9%	(235)	(75)
A	6,850	6,109	5,769	94.4%	(340)	6,502	5,694	5,503	96.6%	(191)	(149)
Baa	9,807	5,202	4,501	86.5%	(701)	6,873	2,876	2,712	94.3%	(164)	(537)
Ba or lower	1,155	1,108	845	76.3%	(263)	1,274	1,198	1,109	92.6%	(89)	(174)
Total ⁽¹⁾	\$ 30,640	\$ 23,565	\$ 21,848	92.7%	\$ (1,717)	\$ 31,093	\$ 24,022	\$ 23,206	96.6%	\$ (816)	\$ (901)

Municipal - Tax Exempt						September 31, 2008					
December 31, 2008											
in millions	Par	Amortized cost	Fair value	% Fair value to amortized cost	Unrealized gain/loss	Par	Amortized cost	Fair value	% Fair value to amortized cost	Unrealized gain/loss	Change in unrealized gain/loss
Zero-coupon											
Aaa	\$ 1,050	\$ 357	\$ 368	103.1%	\$ 11	\$ 1,226	\$ 452	\$ 456	100.9%	\$ 4	\$ 7
Aa	642	329	337	102.4%	8	977	356	336	94.4%	(20)	28
A	538	227	224	98.7%	(3)	599	238	234	98.3%	(4)	1
Baa	1,883	375	311	82.9%	(64)	1,329	241	225	93.4%	(16)	(48)
Ba or lower	-	-	-	-	-	-	-	-	-	-	-
Subtotal zero-coupon	4,113	1,288	1,240	96.3%	(48)	4,131	1,287	1,251	97.2%	(36)	(12)
Non zero-coupon											
Aaa	1,456	1,451	1,493	102.9%	42	3,857	3,861	3,811	98.7%	(50)	92
Aa	5,839	5,857	5,735	97.9%	(122)	6,130	6,165	5,972	96.9%	(193)	71
A	4,918	4,928	4,728	95.9%	(200)	4,539	4,542	4,376	96.3%	(166)	(34)
Baa	3,827	3,766	3,417	90.7%	(349)	1,820	1,799	1,688	93.8%	(111)	(238)
Ba or lower	977	930	698	75.1%	(232)	1,053	979	921	94.1%	(58)	(174)
Subtotal non zero-coupon	17,017	16,932	16,071	94.9%	(861)	17,399	17,346	16,768	96.7%	(578)	(283)
Total Tax Exempt	\$ 21,130	\$ 18,220	\$ 17,311	95.0%	\$ (909)	\$ 21,530	\$ 18,633	\$ 18,019	96.7%	\$ (614)	\$ (295)

Municipal - Taxable						September 31, 2008					
December 31, 2008											
in millions	Par	Amortized cost	Fair value	% Fair value to amortized cost	Unrealized gain/loss	Par	Amortized cost	Fair value	% Fair value to amortized cost	Unrealized gain/loss	Change in unrealized gain/loss
Zero-coupon											
Aaa	\$ 147	\$ 42	\$ 39	92.9%	\$ (3)	\$ 702	\$ 301	\$ 279	92.7%	\$ (22)	\$ 19
Aa	1,014	440	308	70.0%	(132)	723	288	277	96.2%	(11)	(121)
A	771	331	228	68.9%	(103)	810	360	347	96.4%	(13)	(90)
Baa	3,610	573	337	58.8%	(236)	3,309	420	402	95.7%	(18)	(218)
Ba or lower	-	-	-	-	-	-	-	-	-	-	-
Subtotal zero-coupon	5,542	1,386	912	65.8%	(474)	5,544	1,369	1,305	95.3%	(64)	(410)
Non zero-coupon											
Aaa	42	45	52	115.6%	7	249	251	252	100.4%	1	6
Aa	802	788	729	92.5%	(59)	678	678	672	99.1%	(6)	(53)
A	553	553	529	95.7%	(24)	531	532	525	98.7%	(7)	(17)
Baa	486	488	437	89.5%	(51)	416	416	396	95.2%	(20)	(31)
Ba or lower	177	177	146	82.5%	(31)	220	218	187	85.8%	(31)	-
Subtotal Non zero-coupon	2,060	2,051	1,893	92.3%	(158)	2,094	2,095	2,032	97.0%	(63)	(95)
Total Taxable	\$ 7,602	\$ 3,437	\$ 2,805	81.6%	\$ (632)	\$ 7,638	\$ 3,464	\$ 3,337	96.3%	\$ (127)	\$ (505)

⁽¹⁾ The following shows the amount of auction rate securities included in the municipal fixed income securities as of December 31, 2008.

in millions	Par	Fair Value	Unrealized gain/loss	Change in unrealized gain/loss since September 30, 2008
Auction rate securities	\$ 1,908	\$ 1,732	\$ (176)	\$ (101)

The Allstate Corporation
Corporate Fixed Income Portfolio
December 31, 2008

The following shows the corporate fixed income portfolio by Moody's equivalent rating as of December 31, 2008 and September 30, 2008.

Corporates (in millions)	December 31, 2008						September 30, 2008						Change during fourth quarter 2008					
	Non-Hybrid		Hybrid ⁽²⁾		Total		Non-Hybrid		Hybrid		Total		Non-Hybrid		Hybrid		Total	
	Net		Net		Net		Net		Net		Net		Net		Net		Net	
	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss
Aaa ⁽¹⁾	\$ 797	\$ (4)	\$ -	\$ -	\$ 797	\$ (4)	\$ 875	\$ (38)	\$ -	\$ -	\$ 875	\$ (38)	\$ (78)	\$ 34	\$ -	\$ -	\$ (78)	\$ 34
Aa ⁽¹⁾	2,382	(25)	168	(22)	2,550	(47)	3,067	(86)	191	(9)	3,258	(95)	(685)	61	(23)	(13)	(708)	48
A ⁽¹⁾	8,196	(349)	941	(635)	9,137	(984)	8,583	(411)	1,403	(352)	9,986	(763)	(387)	62	(462)	(283)	(849)	(221)
Baa ⁽¹⁾	12,653	(1,445)	255	(266)	12,908	(1,711)	14,027	(573)	278	(74)	14,305	(647)	(1,374)	(872)	(23)	(192)	(1,397)	(1,064)
Ba or lower ⁽¹⁾	2,201	(628)	34	(39)	2,235	(667)	2,321	(286)	50	(17)	2,371	(303)	(120)	(342)	(16)	(22)	(136)	(364)
Total Corporates	\$ 26,229	\$ (2,451)	\$ 1,398	\$ (962)	\$ 27,627	\$ (3,413)	\$ 28,873	\$ (1,394)	\$ 1,922	\$ (452)	\$ 30,795	\$ (1,846)	\$ (2,644)	\$ (1,057)	\$ (524)	\$ (510)	\$ (3,168)	\$ (1,567)

Corporate Public (in millions)	December 31, 2008						September 30, 2008						Change during fourth quarter 2008					
	Non-Hybrid		Hybrid		Total		Non-Hybrid		Hybrid		Total		Non-Hybrid		Hybrid		Total	
	Net		Net		Net		Net		Net		Net		Net		Net		Net	
	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss
Aaa ⁽¹⁾	\$ 255	\$ (30)	\$ -	\$ -	\$ 255	\$ (30)	\$ 368	\$ (27)	\$ -	\$ -	\$ 368	\$ (27)	\$ (113)	\$ (3)	\$ -	\$ -	\$ (113)	\$ (3)
Aa ⁽¹⁾	1,264	13	94	6	1,358	19	1,707	(33)	102	5	1,809	(28)	(443)	46	(8)	1	(451)	47
A ⁽¹⁾	4,900	(159)	364	(186)	5,264	(345)	4,715	(258)	527	(144)	5,242	(402)	185	99	(163)	(42)	22	57
Baa ⁽¹⁾	6,379	(671)	168	(167)	6,547	(838)	7,045	(325)	164	(45)	7,209	(370)	(666)	(346)	4	(122)	(662)	(468)
Ba or lower ⁽¹⁾	1,178	(323)	16	(19)	1,194	(342)	1,378	(143)	29	(6)	1,407	(149)	(200)	(180)	(13)	(13)	(213)	(193)
Total Corporate Public	\$ 13,976	\$ (1,170)	\$ 642	\$ (366)	\$ 14,618	\$ (1,536)	\$ 15,213	\$ (786)	\$ 822	\$ (190)	\$ 16,035	\$ (976)	\$ (1,237)	\$ (384)	\$ (180)	\$ (176)	\$ (1,417)	\$ (560)

Corporate Private (in millions)	December 31, 2008						September 30, 2008						Change during fourth quarter 2008					
	Non-Hybrid		Hybrid		Total		Non-Hybrid		Hybrid		Total		Non-Hybrid		Hybrid		Total	
	Net		Net		Net		Net		Net		Net		Net		Net		Net	
	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss
Aaa ⁽¹⁾	\$ 542	\$ 26	\$ -	\$ -	\$ 542	\$ 26	\$ 507	\$ (11)	\$ -	\$ -	\$ 507	\$ (11)	\$ 35	\$ 37	\$ -	\$ -	\$ 35	\$ 37
Aa ⁽¹⁾	1,118	(38)	74	(28)	1,192	(66)	1,360	(53)	89	(14)	1,449	(67)	(242)	15	(15)	(14)	(257)	1
A ⁽¹⁾	3,296	(190)	577	(449)	3,873	(639)	3,868	(153)	876	(208)	4,744	(361)	(572)	(37)	(299)	(241)	(871)	(278)
Baa ⁽¹⁾	6,274	(774)	87	(99)	6,361	(873)	6,982	(248)	114	(29)	7,096	(277)	(708)	(526)	(27)	(70)	(735)	(596)
Ba or lower ⁽¹⁾	1,023	(305)	18	(20)	1,041	(325)	943	(143)	21	(11)	964	(154)	80	(162)	(3)	(9)	77	(171)
Total Corporate Private	\$ 12,253	\$ (1,281)	\$ 756	\$ (596)	\$ 13,009	\$ (1,877)	\$ 13,660	\$ (608)	\$ 1,100	\$ (262)	\$ 14,760	\$ (870)	\$ (1,407)	\$ (673)	\$ (344)	\$ (334)	\$ (1,751)	\$ (1,007)

⁽¹⁾ Moody's equivalent ratings will not necessarily tie to distributions by NAIC rating due to potential timing differences between the various rating suppliers and number of external rating agencies used in the ratings determination.

⁽²⁾ The following details the hybrid securities as of December 31, 2008, by security classification and geographic location.

(in millions)		UK		Europe (non-UK)		Asia/Australia		North America		Total Hybrids	
		Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss	Fair value	Unrealized gain/loss
Tier 2	Public	63	(4)	113	10	32	(2)	10	(3)	218	1
	Private	8	(3)	52	(6)	103	(13)	0	0	163	(22)
	Total	71	(7)	165	4	135	(15)	10	(3)	381	(21)
Tier 1	Public	84	(64)	74	(78)	18	(8)	248	(217)	424	(367)
	Private	65	(97)	233	(248)	168	(112)	127	(117)	593	(574)
	Total	149	(161)	307	(326)	186	(120)	375	(334)	1,017	(941)
Total hybrids		147	(68)	187	(68)	50	(10)	258	(220)	642	(366)
	Public	73	(100)	285	(254)	271	(125)	127	(117)	756	(596)
	Hybrid Corporate Total	\$ 220	\$ (168)	\$ 472	\$ (322)	\$ 321	\$ (135)	\$ 385	\$ (337)	\$ 1,398	\$ (962)