

Fellow Shareholders,

Great companies fight through tough times and come out stronger. Our 2008 financial results were significantly lower than the prior year's due to an unusually high number of catastrophes and capital losses on the investment portfolio. Despite this, we remained financially strong and made progress on our strategy of reinventing protection and retirement for the consumer.



Allstate[®]
You're in good hands.

Allstate's 2008 financial and operating results were a study in contrasts. Financially, we ended the year well capitalized and with substantial liquidity. However, our operating income* of \$1.8 billion was 55% lower than the prior year's, reflecting a \$1.9 billion increase in pre-tax catastrophe losses. Our well-diversified portfolio, which is largely in high-quality fixed income investments, generated \$8.6 billion of cash—but a decline in market valuations and the economic downturn resulted in \$5.1 billion of pre-tax capital losses. Consequently, we reported a \$1.7 billion net loss. Overall, these results were understandable but disappointing.

Operationally, we had a much better year than the financials indicated. We helped hundreds of thousands of customers recover after last year's catastrophes. Our common-sense approach to catastrophe risk mitigation cut our losses from Hurricanes Ike and Gustav in half. The sale of the variable annuity business in 2006 enabled us to avoid the significant losses experienced by many competitors in 2008. A proactive investment strategy reduced our exposure to financial institutions, real estate, and common stocks, enhancing shareholder value by more than \$500 million. We continued to reinvent our business by developing new products, implementing our next generation claims system, and improving customer-facing technology.

These financial results and a dramatic decrease in the equity markets led to a shareholder return of negative 34% in 2008, a result slightly better than the Standard & Poor's 500 Index. We also reduced our dividend for the first quarter of 2009 to reflect lower 2008 earnings. Nonetheless, we remain committed to returning capital to shareholders, as reflected by the \$7.0 billion paid in dividends and \$15.7 billion in share repurchases over the last 10 years.

Looking to the future, we intend to increase shareholder value by staying focused on three goals:

- Keeping Allstate financially strong,
- Improving customer loyalty, and
- Reinventing protection and retirement for the consumer.

DECISIVE ACTION WILL KEEP ALLSTATE FINANCIALLY STRONG

Allstate will stay financially strong by proactively managing our investments and generating operating profits from Allstate Protection and Allstate Financial. We will continue to reduce our exposure to real estate investments and build on the success of our portfolio risk mitigation and return optimization programs. The duration of our fixed income portfolio is being reduced to protect against the negative effects of a resurgence of inflation, even though this will lower our operating earnings. The significant holdings of investment-grade fixed income securities will be retained to capture potential gains when bond valuations return to more normal levels.

WE MUST IMPROVE CUSTOMER LOYALTY

Allstate's Shared Vision is based on putting the customer at the center of our work. We set a high standard for loyalty at Allstate. Customers should be sufficiently satisfied with our service that they will not only renew, but also refer us to their friends and neighbors. In last year's letter, I wrote: "We need to do a better job of exceeding our customers' expectations." We did not get this done in 2008. Rather than accept the status quo or look for excuses, we are pushing even more aggressively for improvement. To this end, we have modified the savings plan for Allstate employees so the incentive portion of the company's contribution is based on customer loyalty. Every one of Allstate's agencies and employees is vital to this goal, since you can hear a smile on the phone thousands of miles away.

REINVENTION REMAINS OUR TOP STRATEGIC PRIORITY

In this difficult environment, we must continue to pursue our strategy of reinventing for the consumer. We will use this opportunity to enhance our operational excellence and improve Allstate's competitive position. New products and services will be based on feedback from targeted customers. Allstate will become even easier to work with as we offer the broadest array of ways for customers to reduce their risks.

We will also continue to invest in and motivate employees, agency owners, and exclusive financial specialists. People are the key to success. It is the people in our agencies, claim offices, operation centers, and support functions who serve our customers and implement Our Shared Vision. Senior management is doing an excellent job of focusing resources, making hard decisions, and operating as a team. As we have pushed to do more with less, many have been asked to expand their responsibilities and take on new roles. Our customers will continue to benefit from these exceptional efforts of our team.

WE WILL MAKE A DIFFERENCE

Allstate has a responsibility to the broader community in which we work and live. The Allstate Foundation supported more than 3,000 organizations across the country in 2008. Employees and agency personnel participated in a wide variety of initiatives, including improving teen driving safety, addressing domestic violence, and providing safe and inclusive environments for children. I hope you share the pride we all feel in Allstate when providing hope, freedom, and self-worth to the less fortunate. We also are involved in reshaping the federal regulatory system to reduce the chance of reliving the economic pain experienced during the last several years.

We will make a difference. Allstate is a team with good values, outstanding capabilities, and a desire to compete and win. We will take the steps necessary to keep Allstate financially strong, improve customer loyalty, and reinvent protection and retirement. We will create shareholder value by making a difference in people's lives.



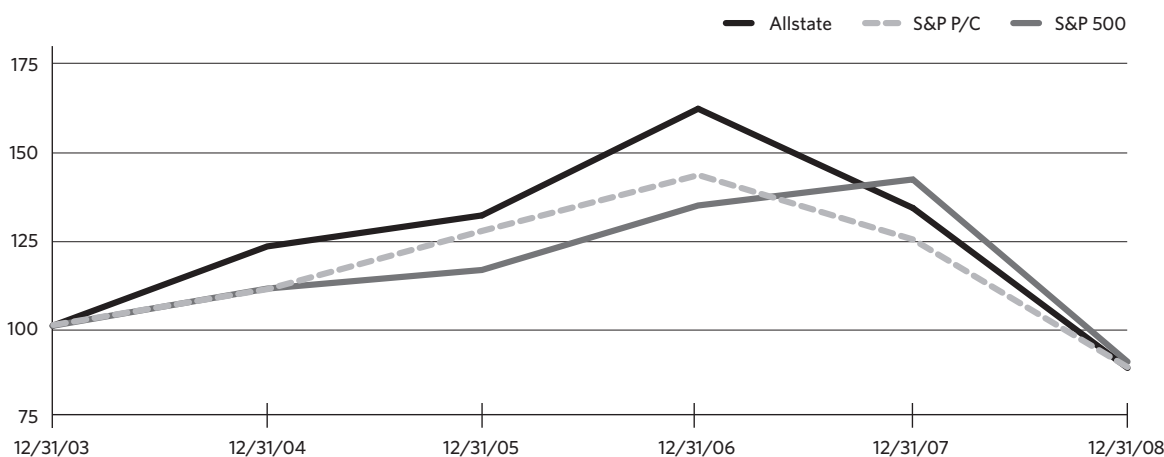
THOMAS J. WILSON

Chairman, President and Chief Executive Officer

April 1, 2009

* For a definition of this term, please see the "Definition of Operating Income" on the first page following the proxy statement.

The following performance graph compares the performance of Allstate common stock total return during the five-year period from December 31, 2003, through December 31, 2008, with the performance of the S&P 500 Property/Casualty Index and the S&P 500 Index. The graph plots the cumulative changes in value of an initial \$100 investment as of December 31, 2003, over the indicated time periods, assuming all dividends are reinvested quarterly.



Value at each year-end of a \$100 initial investment made on December 31, 2003

	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
Allstate	\$100.00	\$122.83	\$131.45	\$161.69	\$133.48	\$87.91
S&P P/C	\$100.00	\$110.34	\$126.86	\$142.89	\$124.31	\$88.08
S&P 500	\$100.00	\$110.74	\$116.09	\$134.21	\$141.57	\$89.82

DEFINITION OF OPERATING INCOME We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of operating income, a non-GAAP financial measure. Our method of calculating operating income may differ from those used by other companies and therefore, comparability may be limited.

Operating income is net (loss) income, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income,
- amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements ("DSI"), to the extent they resulted from the recognition of certain realized capital gains and losses,
- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

Net (loss) income is the GAAP measure that is most directly comparable to operating income.

We use operating income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the Company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, operating income includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in operating income, we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments. Non-recurring items

are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, operating income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine operating income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Operating income is used by management along with the other components of net (loss) income to assess our performance. We use adjusted measures of operating income and operating income per diluted share in incentive compensation. Therefore, we believe it is useful for investors to evaluate net (loss) income, operating income and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the Company and management's performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses operating income as the denominator. Operating income should not be considered as a substitute for net (loss) income and does not reflect the overall profitability of our business.

The following table reconciles operating income and net (loss) income for the years ended December 31, 2008 and 2007.

For the years ended December 31, (\$ in millions)	2008	2007
Operating income	\$ 1,758	\$ 3,863
Realized capital gains and losses	(5,090)	1,235
Income tax benefit (expense)	1,779	(437)
Realized capital gains and losses, after-tax	(3,311)	798
DAC and DSI accretion relating to		
realized capital gains and losses, after-tax	385	12
DAC and DSI unlocking in fourth quarter 2008		
related to realized capital gains and losses, after-tax	(274)	--
Non-recurring charge for DAC, after-tax	(219)	--
Reclassification of periodic settlements and accruals		
on non-hedge derivative instruments, after-tax	(14)	(29)
Loss on disposition of operations, after-tax	(4)	(8)
Net (loss) income	\$ (1,679)	\$ 4,636