ALLSTATE INSURANCE GROUP

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AMB#: 00008

BEST'S RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Rating of A+ (Superior). The group's Financial Size Category is Class XV.

RATING UNIT MEMBERS

Allstate Insurance Group (AMB# 00008):

AMB#	COMPANY	RATING
00764	Allstate County Mutual Ins Co	A+ g
03652	Allstate Fire & Cas Ins Co	A+ g
02018	Allstate Indemnity Company	A+ g
02017	Allstate Insurance Company	A+ g
12482	Allstate North American Ins Co	A+ g
01978	Allstate Prop & Cas Ins Co	A+ g
10678	Allstate Texas Lloyd's	A+ g
11559	Deerbrook Insurance Company	A+ g
12535	Encompass Home and Auto Ins Co	A+ g
00542	Encompass Indemnity Company	A+ g
12536	Encompass Independent Ins Co	A+ g
11703	Encompass Ins Co of America	A+ g
10130	Encompass Insurance Co of MA	A+ g
11794	Encompass Insurance Company	A+ g
11702	Encompass Prop & Cas Company	A+ g
03791	Northbrook Indemnity Company	A+ g

RATING RATIONALE

Rating Rationale: The rating reflects Allstate's superior financial strength, favorable operating performance and significant market presence. Partially offsetting these positive rating factors is the group's exposure to frequent and severe weather-related events. The rating outlook is based on the group's superior capitalization and A.M. Best's expectation of continued favorable earnings.

The group's superior capital position reflects management's conservative operating philosophy, improved risk management and correspondingly strong balance sheet. Furthermore, management's commitment to capital discipline is reflected in the moderate financial leverage maintained at The Allstate Corporation, as well as the additional liquidity provided at the holding company level through available lines of credit, its Kennett Capital, Inc., investment company, access to capital markets and its commercial paper program. The group's operating returns compare favorably to its industry composite peers due to its solid underwriting capabilities and increasing stream of investment income from its well-diversified investment portfolio. The favorable operating performance reflects Allstate's tightened underwriting guidelines, improved risk segmentation, adequate pricing and favorable loss trends. Additionally, underwriting results reflect the favorable impact of Allstate's various expense management initiatives and its significant investment in technology. The group maintains an outstanding market presence as the second-largest personal lines writer.

Partially offsetting these positive rating attributes is Allstate's inherent exposure to natural disasters due to its expansive market presence throughout the United States. This exposure was particularly evident over the previous five-year period as net catastrophe losses totaled $5.7 billion in 2005, with an overall combined ratio impact of 21 points, and $2.5 billion in 2004, with an overall combined ratio impact of 10 points. In addition, as a result of these catastrophe losses and significant dividend payments to its parent, the group's statutory surplus declined in 2005, resulting in deterioration of risk-adjusted capitalization. Nevertheless, the group's operating results have improved significantly in recent years, which has enabled it to restore statutory surplus through retained earnings to a higher level than prior to the 2005 hurricane season. Furthermore, in 2005 and prior, Allstate had property catastrophe reinsurance protection only in some of the states that experienced significant losses. However, in recent years, the group has executed an extensive catastrophe risk exposure reduction program, including a significantly enhanced property catastrophe reinsurance program, non-renewals, stricter underwriting guidelines, policy transfers, increased deductibles and discontinuance of selected lines of coverage, including earthquake.

Best's Rating: A+ **Outlook: Stable**

FIVE YEAR RATING HISTORY

Date	Best's Rating
01/09/08	A+
02/06/07	A+
11/07/05	A+
06/10/05	A+
06/15/04	A+
02/18/04	A+
06/12/03	A+
01/17/03	A+

KEY FINANCIAL INDICATORS

	Statutory Data ($000)		
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income
2002	21,909,184	23,342,077	1,864,292
2003	23,277,224	24,636,888	3,050,024
2004	25,390,824	25,983,894	3,684,671
2005	27,423,130	26,794,750	1,373,294
2006	27,879,416	26,705,831	6,728,995
09/2006	21,125,968	20,273,976	4,946,725
09/2007	20,988,237	20,016,319	3,721,716

Statutory Data ($000)			
Period Ending	Net Income	Total Admitted Assets	Policy-holders' Surplus
2002	1,403,582	40,922,119	13,850,581
2003	2,845,571	44,689,759	16,199,046
2004	3,149,043	47,331,499	16,911,597
2005	1,625,609	47,639,292	14,884,474
2006	4,991,010	50,037,882	19,241,368
09/2006	3,691,396	49,863,810	18,706,519
09/2007	3,406,758	49,464,146	18,660,950

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash-flow (%)
2002	99.8	5.1	8.2	34.2	1.7	3.6	151.5	108.8
2003	95.2	5.0	12.7	38.6	1.5	3.3	157.3	116.4
2004	94.1	5.3	14.5	42.0	1.5	3.3	156.5	115.5
2005	103.5	5.5	5.2	52.1	1.8	4.0	146.0	110.0
2006	85.1	6.2	25.3	50.4	1.4	3.0	163.3	112.4
5-Yr Avg	95.4	5.4	13.3	…	…	…	…	…
09/2006	84.3	XX	24.8	XX	1.4	3.1	161.0	110.4
09/2007	89.3	XX	18.7	XX	1.4	3.0	161.5	108.1

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is compared against the Private Passenger Auto & Homeowners Composite.

CORPORATE OVERVIEW

Allstate Insurance Group, led by Allstate Insurance Company, is primarily engaged through its subsidiaries and affiliates in personal property and casualty and life insurance. Established in 1931 by Sears, Roebuck and Co., Allstate is the country's second largest property and casualty underwriter and ranks among the top twenty-five largest life and health insurers.

Allstate offers customers the ability to contact them through a multi-channel distribution and service model called the "The Good Hands Network". This system allows consumers to buy and obtain service for certain Allstate personal property and casualty products through Allstate agencies, the internet and call centers. The three channels are integrated, allowing customers to receive the same products, price and service regardless of their preferred method of interacting with the company. In 2000, the group implemented a new distribution system by reorganizing its agencies into the exclusive agency independent contractor program, equipping agencies with increased access to customer data as well as opening Customer Information Call Centers.

In an effort to increase premium revenue from the independent agent channel, the group acquired the personal lines business of CNA Financial Corporation in 1999, subsequently renamed Encompass Insurance. Effective October 1, 2005, the five remaining Encompass companies formerly owned by affiliates of CNA Financial Corporation were purchased by Allstate Insurance Group. All of the Encompass Companies are 90-100% reinsured within the group.

Allstate's property and casualty operations consist primarily of two principal areas of business: Allstate Protection and Discontinued Lines and Coverages. Allstate Protection includes the group's personal property and casualty business, and commercial business written through the Allstate agency distribution channel. Discontinued Lines and Coverages consists of business no longer written by Allstate, including results from emerging asbestos, pollution and other mass tort claims, other business in run-off, the historical results of the mortgage pool business and the businesses sold in 1996.

Private passenger automobile and homeowners products represent Allstate's primary business. The group maintains commanding national market shares and is second in the industry for each line. The group's relatively small amount of commercial lines business, representing approximately 5% of property and casualty net writings, is sold largely to small and medium sized establishments. Allstate's personal lines strategy is to pursue accelerated growth and profitability through initiatives to become better, bigger and broader. In an effort to offer its customers increased efficiencies and value, Allstate Non-Insurance Holdings, Inc. acquired Sterling Collision Centers Inc. in 2001. The acquisition included 39 collision repair facilities in seven states with a strong management team with future expansion capabilities. Further, Allstate continues to reduce its high exposure to catastrophe losses through a number of loss mitigation, marketing, pricing and product initiatives.

Allstate Life Insurance Company and its life insurance subsidiaries and affiliates primarily market personal financial products including life insurance and annuities. Allstate Financial intends to expand its cross-selling of personal financial products through the property and casualty agency force. Personal financial products are marketed through multiple distribution channels: career agents, independent agents, brokers, financial planners, exclusive financial specialists, financial institutions and the Internet. Further, the 1999 acquisition of American Heritage Life Investment Corporation, the third largest distributor of life, disability and health insurance to employees at their workplace, as well as strategic alliances with major brokerage and mutual fund complexes, has helped broaden Allstate.

A.M. Best's rating of Allstate Insurance Group applies to the group's lead company, Allstate Insurance Company, and its wholly-owned subsidiaries, and is based on the consolidation of these companies as well as the separately rated wholly-owned subsidiaries of Allstate Floridian Insurance Group and Allstate New Jersey Insurance Group.

CORPORATE STRUCTURE

AMB#	COMPANY NAME	DOMICILE	%OWN
58312	*Allstate Corporation*	DE	
02017	Allstate Insurance Company	IL	100.00
00764	Allstate County Mutual Ins Co	TX	100.00
03652	Allstate Fire & Cas Ins Co	IL	100.00
10648	Allstate Floridian Ins Co	IL	100.00
12128	Allstate Floridian Indem Co	IL	100.00
12711	Encompass Floridian Indemnity	IL	100.00
12710	Encompass Floridian Ins Co	IL	100.00
02018	Allstate Indemnity Company	IL	100.00
85704	Allstate Insurance Co Canada	Canada	100.00
06028	Allstate Life Ins Co of Canada	Canada	100.00
03440	Pafco Insurance Company Ltd	Canada	100.00
85774	Pembridge Insurance Company	Canada	100.00
06027	Allstate Life Ins Co	IL	100.00
76727	ALIC Reinsurance Co	SC	100.00
07289	Allstate Assurance Company	IL	100.00
07291	Allstate Life Ins Co of NY	NY	100.00
06211	Charter National Life Ins Co	IL	100.00
06572	Intramerica Life Ins Co	NY	100.00
06657	Lincoln Benefit Life Co	NE	100.00
07109	Surety Life Ins Co	NE	100.00
12106	Allstate New Jersey Insurance	IL	100.00
13080	Allstate New Jersey P&C Ins Co	IL	100.00
12612	Encompass Insurance Co of NJ	IL	100.00
13082	Encompass Prop&Cas Ins Co NJ	IL	100.00
12482	Allstate North American Ins Co	IL	100.00
01978	Allstate Prop & Cas Ins Co	IL	100.00
50042	*Allstate Texas Lloyd's Inc.*	TX	100.00
10678	Allstate Texas Lloyd's	TX	
11559	Deerbrook Insurance Company	IL	100.00

12535	Encompass Home and Auto Ins Co	IL	100.00
00542	Encompass Indemnity Company	IL	100.00
12536	Encompass Independent Ins Co	IL	100.00
11794	Encompass Insurance Company	IL	100.00
11703	Encompass Ins Co of America	IL	100.00
10130	Encompass Insurance Co of MA	MA	100.00
11702	Encompass Prop & Cas Company	IL	100.00
03791	Northbrook Indemnity Company	IL	100.00
50053	*Allstate Intern Ins Holdings*	DE	100.00
73175	Allstate Reinsurance Ltd	Bermuda	100.00
58007	*American Heritage Life Inv Cp*	DE	100.00
06064	American Heritage Life Ins Co	FL	100.00
06259	Concord Heritage Life Ins Co	NH	100.00
00201	First Colonial Insurance Co	FL	100.00

BUSINESS REVIEW

Collectively, the property and casualty group led by Allstate Insurance Company writes multiple lines of personal and commercial insurance throughout the United States and Canada. The group's mix of business is split approximately 95% personal lines and 5% commercial lines. Primary lines of business are private passenger automobile and homeowners insurance, which respectively represent approximately 70% and 25% of Allstate's total book of property and casualty business. With personal automobile lines serving as an entree, agents are capable of cross-selling other products to policyholders, including homeowners insurance, commercial lines (generally to small and medium sized accounts) and personal financial products. Having multiple products for agents to sell has historically been instrumental in Allstate achieving high agent and customer retention.

2006 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product	Premiums Written		% of Total	Pure Loss	Loss & LAE
Line	Direct	Net	NPW	Ratio	Reserves
Priv Pass Auto Liab	10,366,532	10,233,267	38.3	53.8	9,657,238
Auto Physical	8,093,253	8,093,926	30.3	44.9	291,243
Homeowners	7,309,829	6,588,007	24.7	41.1	2,292,219
Com'l MultiPeril	644,364	617,501	2.3	41.1	402,743
All Other	1,465,437	1,173,130	4.4	51.5	2,896,307
Totals	27,879,416	26,705,831	100.0	47.6	15,539,749

Major 2006 Direct Premium Writings By State ($000): California, $3,020,122 (10.8%); New York, $2,764,089 (9.9%); Texas, $2,656,374 (9.5%); Florida, $2,623,612 (9.4%); Pennsylvania, $1,436,842 (5.2%); 47 other jurisdictions, $15,378,377 (55.2%).

FINANCIAL PERFORMANCE

Overall Earnings: Allstate Insurance Group has generated solid operating earnings as evidenced by its five year pre-tax returns on revenue and equity, which significantly exceeded the private passenger auto and homeowners industry composite. Pre-tax operating returns have been driven by steadily increasing investment income and favorable underwriting earnings. The group's increasing investment income was driven by non-affiliated invested asset growth that was attributable to strong operating cash flows. The favorable underwriting results were reflective of the group's numerous strategic initiatives that include multiple distribution channels, revised underwriting policies, increased claims servicing capabilities and improved rate adequacy. These results were tempered by significant weather-related catastrophe losses in 2005 and 2004. Although the group's five year total returns modestly lagged its five year pre-tax returns, total returns have been augmented in recent years by capital gains on its equity and bond portfolios.

PROFITABILITY ANALYSIS

	Company				Industry Composite			
Period Ending	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2002	8.2	9.2	99.8	92.4	0.4	-8.5	106.3	98.9
2003	12.7	25.5	95.2	87.8	7.3	17.8	99.3	92.4
2004	14.5	20.3	94.1	86.1	10.8	14.5	95.7	88.9
2005	5.2	10.1	103.5	95.4	8.6	9.9	99.2	91.8
2006	25.3	30.3	85.1	75.6	14.4	17.6	93.9	85.8
5-Yr Avg	13.3	19.4	95.4	87.3	8.6	11.0	98.6	91.3
09/2006	24.8	XX	84.3	75.8	XX	XX	XX	XX
09/2007	18.7	XX	89.3	82.0	XX	XX	XX	XX

Underwriting Income: Allstate has produced solid underwriting results as evidenced by its five year average combined ratio, which is below breakeven and compares favorably to the private passenger auto and homeowners industry composite. As a property and casualty personal lines writer, the group's underwriting results have, at times, been impacted by significant catastrophe losses. The combined ratio was driven by a below average loss and LAE ratio and a slightly below average underwriting expense ratio. The loss and LAE ratio was reflective of favorable private passenger automobile loss experience, which was partially offset by unfavorable homeowners and commercial multi-peril loss experience in recent years. The underwriting expense ratio was driven by a below average "other" underwriting expense ratio, which was partially offset by a modestly above average commission expense ratio.

The combined ratio trended generally downward over the previous five year period, reflective of a decreasing loss and LAE ratio. This improvement was driven by more favorable core underwriting results that were attributable to improved rate adequacy across all lines of business, as well as the group's application of more stringent underwriting practices, along with a reduction in mold-related losses brought about by revised policy wording. The exception was a sizeable underwriting loss in 2005, which was driven by $5.7 billion in net catastrophe losses, primarily due to Hurricanes Katrina, Rita and Wilma, which added 21 points to the overall combined ratio. The group produced solid underwriting results in 2004, although underwriting earnings were tempered by $2.5 billion in net catastrophe losses, primarily due to Hurricanes Charley, Frances, Ivan and Jeanne, which added 10 points to overall combined ratio. However, underwriting earnings have recently rebounded strongly due to continued favorable private passenger automobile loss experience and significantly improved homeowners loss experience. Private passenger automobile results continued to be positively impacted by favorable loss frequency trends and moderately increasing loss severity trends. Homeowners loss experience was favorably impacted by management's catastrophe risk management strategies and the absence of significant weather-related losses relative to prior years.

UNDERWRITING EXPERIENCE

		Loss Ratios			Expense Ratios				
Year	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb Ratio
2002	-81,843	62.8	13.1	75.8	11.4	12.5	23.9	0.0	99.8
2003	1,014,143	58.4	12.0	70.4	12.2	12.6	24.8	0.0	95.2
2004	1,347,485	57.0	11.9	68.9	12.5	12.6	25.2	0.1	94.1
2005	-1,023,269	64.6	14.3	78.9	12.4	12.2	24.7	0.0	103.5
2006	3,962,493	47.6	11.7	59.3	12.6	13.2	25.8	0.0	85.1
5-Yr Avg	…	57.9	12.6	70.5	12.3	12.6	24.9	0.0	95.4
09/2006	3,060,055	47.2	11.4	58.6	XX	XX	25.7	0.0	84.3
09/2007	2,088,746	52.5	11.6	64.0	XX	XX	25.3	0.0	89.3

Investment Income: Allstate's investment philosophy emphasizes safety of principal and consistent after-tax income generation within a total return framework. The composition of the investment portfolio is the result of various interrelated investment considerations including the protection of principal, appreciation, potential tax consequence and yields. The investment portfolio primarily consists of long-term bonds, common and preferred stocks, short-term investments and cash. The group maintains a high quality bond portfolio that is predominantly comprised of investment grade tax-exempt municipal, public corporate and government issues.

The group's net investment income has been on a steadily increasing trend in recent years, which has been driven by higher investment yields and invested asset growth due to strong operating cash flows. Net investment income growth was tempered earlier in the previous five year period by a decline in investment yield due to lower market interest rates. Despite the significant allocation to tax-advantaged bonds, which generally offer lower pre-tax yields than taxable bonds, the group's five year net investment yield was higher than the private passenger auto and homeowners industry composite. The group's five year total return on invested assets also surpassed industry composite norms, which was reflective of solid capital gains in recent years on its equity and bond portfolios.

INVESTMENT INCOME ANALYSIS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2002	1,675,769	-461,984	-130,419
2003	1,776,806	288,939	982,188
2004	2,040,193	576,734	218,379
2005	2,159,830	360,204	-25,194
2006	2,509,828	119,176	186,015
09/2006	1,689,730	143,480	205,514
09/2007	1,451,709	814,229	-144,125

	Company			Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2002	-9.4	5.1	3.2	-4.1	4.5
2003	6.0	5.0	8.7	1.3	4.3
2004	14.8	5.3	7.5	5.3	4.1
2005	5.9	5.5	6.3	12.6	4.3
2006	16.2	6.2	6.9	10.8	4.4
5-Yr Avg	6.9	5.4	6.6	5.4	4.3
09/2006	XX	XX	5.0	XX	XX
09/2007	XX	XX	5.0	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2006 Inv Assets ($000)	% of Invested Assets 2006	2005	Annual % Chg
Long-Term bonds	30,555,794	70.5	73.7	1.4
Stocks	6,115,564	14.1	12.4	20.7
Affiliated Investments	4,059,032	9.4	10.8	-8.2
Other Inv Assets	2,597,276	6.0	3.1	102.2
Total	43,327,666	100.0	100.0	5.9

2006 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Governments	2.3	3.4	7.3	100.0	…	…	…
States, terr & poss	63.2	3.8	12.0	96.1	3.9	2.9	3.0
Corporates	34.6	1.2	6.4	90.3	9.7	39.5	22.3
Total all bonds	100.0	2.9	10.0	94.2	5.8	15.5	25.3

CAPITALIZATION

Capital Generation: The group's surplus growth has fluctuated over the previous five year period due to the combination of underwriting losses, capital losses and sizeable stockholder dividend payments to its parent, The Allstate Corporation. The group experienced significant surplus growth in 2006, which was driven by strong underwriting earnings, increased investment income and modest capital gains that were partially offset by stockholder dividend payments to its parent. Statutory surplus declined considerably in 2005, which was attributable to a significant underwriting deficit that resulted from extraordinary catastrophe losses, as well as substantial stockholder dividend payments. Surplus growth was modest in 2004, reflective of solid operating earnings and to a lesser extent, capital gains, which were partially offset by stockholder dividend payments. Surplus growth was strong in 2003, which was driven by solid operating earnings and significant capital gains on its equity portfolio. Surplus growth was flat in 2002, tempered by underwriting losses, lower investment income and capital losses due to unfavorable equity market conditions.

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth		
Year	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
2002	1,864,292	-592,403	-475,141
2003	3,050,024	1,271,127	-1,229,984
2004	3,684,671	795,113	-2,388,251
2005	1,373,294	335,011	-3,897,270
2006	6,728,995	305,191	-1,004,665
5-Yr Total	16,701,275	2,114,039	-8,995,310
09/2006	4,946,725	348,994	-269,381
09/2007	3,721,716	670,104	-3,971,022

	Source of Surplus Growth		
Year	Other, Net of Tax	Change in PHS	PHS Growth (%)
2002	-782,457	14,292	0.1
2003	-742,703	2,348,464	17.0
2004	-1,378,981	712,551	4.4
2005	161,842	-2,027,123	-12.0
2006	-1,672,627	4,356,894	29.3
5-Yr Total	-4,414,926	5,405,078	…
09/2006	-1,204,292	3,822,046	25.7
09/2007	-1,001,216	-580,418	-3.0

Overall Capitalization: Allstate maintains superior overall capitalization as measured by Best's Capital Adequacy Ratio (BCAR), which supports its rating. The group's capital position is reflective of its high quality and well diversified investment portfolio, conservative operating strategies and favorable loss reserve development on its core lines of business. Partially offsetting these positive factors are Allstate's modestly above average underwriting leverage, exposure to both frequent and severe catastrophe losses, as well as the amount of pyramided capital relating to unconsolidated subsidiaries, a major portion of which relates to its ownership of Allstate Life Insurance Company. Allstate maintains additional financial flexibility through available lines of credit, access to capital markets and its commercial paper program. The holding company also maintains a substantial amount of liquid assets in Kennett Capital, Inc., which can be utilized to fund its debt and shareholder dividend requirements. Furthermore, these funds provide a source of capital, which can be contributed to the insurance group to support its growth and capital objectives. The Allstate Corporation's debt to total capital ratio is within acceptable levels for the rating and is well supported by historically strong fixed charge coverage. Management is further improving its financial leverage position through risk management initiatives that have mitigated some of its loss exposure to catastrophe losses.

QUALITY OF SURPLUS ($000)

		% of PHS			Dividend Requirements		
Year	Year-End PHS	Cap Stk/ Contrib. Cap.	Other	Un-assigned Surplus	Stock-holder Divs	Div to POI (%)	Div to Net Inc. (%)
2002	13,850,581	16.0	0.5	83.5	-675,000	36.2	48.1
2003	16,199,046	14.0	0.4	85.7	-1,273,213	41.7	44.7
2004	16,911,597	13.7	0.5	85.8	-2,486,430	67.5	79.0
2005	14,884,474	15.8	0.2	84.0	-3,893,500	283.5	239.5
2006	19,241,368	12.8	0.2	87.0	-1,011,000	15.0	20.3
09/2006	18,706,519	12.9	0.2	86.9	-300,000	6.1	8.1
09/2007	18,660,950	13.3	0.2	86.5	-4,000,000	107.5	117.4

Underwriting Leverage: Allstate maintains modestly above average gross and net underwriting leverage relative to the private passenger auto and homeowners industry composite. The group's underwriting leverage is driven by slightly above average net premiums written, net liabilities and ceded reinsurance leverage.

The group has generated modest growth in net premiums written over the previous five year period, which was attributable to rate increases in conjunction with overall firm rates in the property and casualty market. Net premiums written growth has flattened in recent years due to increasingly competitive priced-based competition and the group's initiatives to reduce catastrophe exposure.

LEVERAGE ANALYSIS

	Company				Industry Composite			
Year	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev
2002	1.7	1.0	3.6	3.8	1.5	0.9	3.4	3.6
2003	1.5	0.9	3.3	3.4	1.4	0.8	3.1	3.3
2004	1.5	0.9	3.3	3.6	1.3	0.8	2.9	3.1
2005	1.8	1.2	4.0	4.3	1.2	0.8	2.8	3.0
2006	1.4	0.8	3.0	3.2	1.1	0.6	2.4	2.6
09/2006	1.4	0.8	3.1	XX	XX	XX	XX	XX
09/2007	1.4	0.8	3.0	XX	XX	XX	XX	XX

Current BCAR: 229.6

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		GPW	
Ending	($000)	(% Chg)	($000)	(% Chg)
2002	21,909,184	6.7	23,729,351	6.4
2003	23,277,224	6.2	25,131,357	5.9
2004	25,390,824	9.1	27,105,786	7.9
2005	27,423,130	8.0	28,297,188	4.4
2006	27,879,416	1.7	27,922,824	-1.3
5-Yr CAGR	…	6.3	…	4.6
5-Yr Change	…	35.8	…	25.1
09/2006	21,125,968	1.9	31,002,433	3.8
09/2007	20,988,237	-0.7	31,576,616	1.9

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2002	23,342,077	6.1	22,780,075	5.3
2003	24,636,888	5.5	24,083,364	5.7
2004	25,983,894	5.5	25,388,450	5.4
2005	26,794,750	3.1	26,451,249	4.2
2006	26,705,831	-0.3	26,634,034	0.7
5-Yr CAGR	…	4.0	…	4.3
5-Yr Change	…	21.4	…	23.2
09/2006	20,273,976	0.0	19,978,492	1.1
09/2007	20,016,319	-1.3	19,861,976	-0.6

Reserve Quality: The group's loss reserve development has historically been unfavorable on a calendar year basis. The adverse development was driven by additions to reserves in the Discontinued Lines and Coverages Segment, primarily for asbestos and environmental liabilities, which offset the favorable loss reserve development reported by Allstate's personal lines business. However, recent calendar and accident year development has been modestly favorable. The majority (approximately 60%) of total reserves are associated with the private passenger auto liability, with homeowners accounting for approximately 15% of total reserves.

The group segregates its asbestos, environmental and other mass tort reserves for business previously written by its former

Northbrook subsidiaries and for reinsurance assumed in its Discontinued Lines and Coverages operations. According to A.M. Best's estimates, Allstate ranks among the top 30 insurers in the nation with an approximate 4% historic market share in commercial lines that are exposed to ongoing asbestos and environmental (A&E) claims emergence. Based on Footnote 33 disclosure data, Allstate reported $2.4 billion and $1.6 billion of gross and net A&E reserves, respectively, for year-end 2006. Net reserves were split 88% asbestos and 12% pollution reserves. Given its significant personal lines orientation, Allstate's net A&E reserves constitute only 10% of its overall loss reserve base. All of Allstate's potential A&E liability exposure stems from both direct and assumed excess coverages written by discontinued operations. The group's strategy has been to pursue economically viable direct policy buy-backs and commutations.

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2006	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/2006	Unpaid Resrv. to Dev.(%)
2001	12,954,392	14,989,094	15.7	14.7	69.3	2,853,502	19.0
2002	13,213,799	14,100,749	6.7	6.4	61.9	3,288,687	23.3
2003	14,026,364	13,710,637	-2.3	-1.9	56.9	4,101,581	29.9
2004	14,631,052	13,767,314	-5.9	-5.1	54.2	5,607,479	40.7
2005	16,270,623	15,367,145	-5.6	-6.1	58.1	8,800,446	57.3
2006	14,280,756	14,280,756	…	…	53.6	14,280,756	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2006	Develop. to Orig.(%)	Unpaid Reserves @12/2006	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
2001	5,567,420	5,742,914	3.2	237,884	78.3	102.6
2002	5,738,624	5,364,382	-6.5	435,185	70.9	94.8
2003	5,950,006	5,214,780	-12.4	812,894	65.2	90.1
2004	6,327,447	5,499,469	-13.1	1,505,898	67.5	92.8
2005	7,857,310	7,245,501	-7.8	3,192,967	78.0	102.6
2006	5,480,310	5,480,310	…	5,480,310	62.2	88.0

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

	Company		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net IBNR Mix (%)
2002	933,411	72.4	53.7
2003	1,329,575	70.3	59.9
2004	1,689,093	62.5	61.6
2005	1,568,381	64.1	67.8
2006	1,558,606	64.0	66.4

	Company			Industry Composite		
Year	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)
2002	…	0.6	…	…	2.2	…
2003	…	2.2	…	…	1.7	…
2004	11.2	1.8	1.6	8.3	1.4	1.7
2005	9.7	0.5	1.5	8.4	1.0	1.4
2006	10.0	0.4	0.9	7.9	0.5	0.9

Reinsurance Utilization: Historically, Allstate's utilization of external reinsurance was very limited, as evidenced by the group's high business retention. Due to Allstate's significant personal lines market share and property base, management had for many years considered it impractical for the group to purchase catastrophe reinsurance protection. However, beginning in 2004, Allstate Insurance Company and select other affiliates entered into a catastrophe excess of loss reinsurance contract with external parties. In recent years, the company has executed an extensive array of catastrophe risk reduction reinsurance arrangements. The group's reinsurance activity also includes inter-company arrangements with affiliates, as well as mandated state assigned pools and facilities. The group maintains excess of loss coverage on its commercial umbrella and commercial property programs. Furthermore, Allstate's dedicated Florida-only property insurers maintain reinsurance protection available from the Florida Hurricane Catastrophe Fund. In addition, the group is a participating member in the California Earthquake Authority.

As a countrywide homeowners writer, the group is susceptible to aggregate losses from earthquakes and hurricanes. However, the group's pre-tax net catastrophe leverage for a 250-year earthquake or a 100-year hurricane, as depicted in a probable maximum loss analysis, is manageable at less than 15% of surplus. Adjusted for this exposure, Allstate's capitalization remains comfortably supportive of its rating. In addition to the purchase of catastrophe reinsurance, the group has undertaken numerous risk management strategies in recent years to mitigate its catastrophe loss exposure for its homeowners, condominium, mobile home and landlord package policies. These included replacement carrier transactions with third parties not affiliated with Allstate, non-renewals of existing business, discontinuation of new business writings, rate increases and higher catastrophe deductibles in locations with significant hurricane or earthquake loss exposure.

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Year	Ceded Reins Total	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS(%)
2002	1,951,297	98.4	11.4	14.1	94.1	14.5	23.7
2003	2,378,519	98.0	11.6	14.7	94.1	14.6	22.9
2004	4,630,377	95.9	20.7	27.4	94.4	14.5	22.1
2005	4,519,329	94.7	26.0	30.4	94.6	16.4	22.7
2006	3,985,231	95.6	14.4	20.7	94.9	11.9	17.6

2006 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	3,590,488	1,050,908	4,780,056	…	9,421,452
US Insurers	252,122	272,973	66,023	-801	590,317
Pools/Associations	1,235,072	97,050	151,163	-797	1,482,488
Other Non-US	209,733	413,850	87,229	-15,327	695,485
Total (ex US Affils)	1,696,927	783,873	304,415	-16,925	2,768,290
Grand Total	5,287,415	1,834,781	5,084,472	-16,925	12,189,742

* Includes Commissions less Funds Withheld

Investment Leverage: Allstate's investment leverage approximates the private passenger auto and homeowners industry composite. The group's investment leverage is derived from slightly below average non-affiliated investment leverage, which is offset by slightly above average affiliated investment leverage. The affiliated investments are primarily related to Allstate Life Insurance Company. The group's non-affiliated investment leverage is primarily driven by unaffiliated common stock, which equates to approximately 30% of surplus, and non-investment grade bonds, which equate to approximately 10% of surplus. Although the group's holdings of non-investment grade bonds is greater than industry composite norms, it is not considered excessive, as a portion is related to private placement and municipal securities that are not NAIC rated. Overall, Allstate's investment portfolio is well diversified, consisting predominantly of high quality fixed-income securities and equity holdings devoted primarily to large capitalization stocks.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affil Inv.	Class 3-6 Bonds	Common Stocks
2002	9.2	0.5	4.6	19.9	34.2	27.1	4.9	47.0
2003	8.9	0.4	2.9	26.4	38.6	26.1	4.1	48.7
2004	8.6	2.3	3.2	27.9	42.0	26.1	3.1	46.0
2005	12.0	3.4	4.7	32.0	52.1	29.7	3.3	44.3
2006	9.5	3.4	7.7	29.8	50.4	21.1	2.7	44.7

LIQUIDITY

Allstate maintains sound balance sheet liquidity, as non-affiliated invested assets comfortably exceed overall liabilities. The group's current and overall liquidity ratios have increased in recent years, with a temporary decrease in 2005 related to Hurricane Katrina, but continue to lag the private passenger auto and homeowners industry composite. The increase was related to strong growth in invested assets, coupled with a decline in loss reserves and modest growth in unearned premiums. The group's quick liquidity ratio also continues to lag the industry composite due to its significant investment allocation to long-term bonds, but the gap has narrowed with Allstate's completion of a 2005 bond duration shortening program. However, the group's liquidity position is enhanced by consistently strong operating cash flows. These positive operating cash flows, along with a portion of its investment portfolio that is held in cash and highly liquid securities at Kennett Capital, Inc., potential commercial paper borrowings and a line of credit, have enabled the group to satisfy the liquidity requirements of its operations. The commercial paper program, with an authorized borrowing limit of up to $1 billion, is available to cover short-term cash needs. The majority of the proceeds from the issuance of the commercial paper program have been used by the insurance operations for general purposes. The Allstate Corporation has capacity to issue loans to its subsidiaries that are party to inter-company loan agreements from proceeds of its commercial paper borrowings. Furthermore, The Allstate Corporation maintains lines of credit that provide potential sources of funds to meet short-term liquidity requirements. A $1 billion five-year revolving line expiring in 2009 was established in 2004. Total borrowings under the combined commercial paper program and lines of credit are limited to $1.0 billion. The lines of credit have never been used.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Year	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
2002	15.1	115.7	151.5	6.5	37.9	120.0	152.9	8.5
2003	17.8	121.4	157.3	5.5	39.7	126.1	158.5	8.2
2004	20.1	121.5	156.5	5.2	40.2	130.0	162.3	7.0
2005	16.7	110.8	146.0	5.9	37.9	128.6	161.9	7.0
2006	23.3	127.1	163.3	4.6	44.1	141.1	173.4	5.4
09/2006	XX	124.6	161.0	4.7	XX	XX	XX	XX
09/2007	XX	124.4	161.5	4.9	XX	XX	XX	XX

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2002	271,169	2,040,625	170,755	101.2	108.8	98.5	108.0
2003	2,029,879	3,725,179	-368,120	109.1	116.4	106.4	114.1
2004	2,615,260	3,775,435	873,839	111.3	115.5	109.5	113.9
2005	1,219,775	2,644,407	-1,228,446	104.8	110.0	105.0	109.7
2006	1,896,343	3,239,748	436,693	107.7	112.4	107.3	113.3
09/2006	1,165,229	2,079,994	826,648	106.1	110.4	XX	XX
09/2007	1,693,658	1,609,758	692,539	109.3	108.1	XX	XX

HISTORY

Allstate Insurance Company, the lead company of the Allstate Insurance Group, was incorporated on February 9, 1931 and began business on April 17, 1931. Charter powers permitted the company to write all forms of casualty coverages but writings were originally limited to automobile insurance. The company has grown to be the largest writer of automobile insurance coverages of any capital stock company, a position enjoyed for many years. Expanding rapidly, Allstate Insurance Company, by the late 1950s, was offering commercial fire, personal theft and homeowners. In the 1960s, the company added workers' compensation, surety bonds, boiler and machinery, ocean marine, business umbrella coverage, business package policies and reinsurance.

Allstate was controlled by and consolidated with Sears, Roebuck and Co. until late June 1995 at which time Sears spun off its 80% ownership interest in The Allstate Corporation to its common stockholders. In June 1993, The Allstate Corporation sold 89.5 million shares of its common stock, which represented 20% ownership, to the public through an IPO with $1.25 billion of the proceeds invested in the property and casualty insurance operations. The offering had the favorable impact of replenishing Allstate's then somewhat depleted surplus base, following the significant catastrophe losses it sustained in 1992, and enhanced its financial flexibility with direct access to the capital markets through its holding company.

Other members of the Allstate Insurance Group include Allstate Indemnity Company (organized in 1960); Allstate Insurance Company of Canada (incorporated in 1960); Allstate Life Insurance Company of Canada (incorporated in 1963); Allstate Property and Casualty Insurance Company (organized in 1985); Allstate Fire and Casualty Insurance Company (formerly Forestview Mortgage Insurance Company, acquired in 1973); and Allstate North American Insurance Company (organized in 2001). In 1996 and 1997, Allstate Floridian Insurance Company and Allstate Floridian Indemnity Company, respectively, were formed as the group's dedicated, Florida-only property affiliates. Encompass Floridian Insurance Company and Encompass

Floridian Indemnity Company were formed in 2004. Allstate New Jersey Insurance Company was formed in 1997 and Encompass Insurance Company of New Jersey was formed in 2003. Two wholly owned subsidiaries of Allstate New Jersey Insurance Company, Allstate New Jersey Property and Casualty Insurance Company and Encompass Property Casualty Insurance Company of New Jersey were formed in 2005. Also having a community of interest within the Allstate Insurance Group are Allstate County Mutual Insurance Company and Allstate Texas Lloyd's, both of Irving, Texas.

Over the past few years Allstate has sold many of its non-core operations, in order to focus more on its core strengths of personal property and casualty and life insurance in North America. In 1997, Allstate International, Inc. completed the sale of its interest in two Japanese joint ventures. Also in 1997, Allstate sold all of the stock of Barrington Reinsurance Company, Ltd. In the second half of 1996, Allstate Insurance Company sold Northbrook Holdings, Inc. and its three wholly owned subsidiaries, which wrote commercial property and casualty insurance through independent agents; its U.S. based property and casualty reinsurance operations for policies written after 1984; and London-based property and casualty reinsurance operations. In 2001, Allstate exited International operations with the sale of its Southeast Asian life insurance operations and its sale of its European automobile insurance operations.

In 2001, the company formed the Ivantage Group of independent agency companies comprised of Northbrook Indemnity Company (acquired in 2000); Deerbrook Insurance Company (formerly Allstate National Insurance Company, formed in 1979); Encompass Indemnity Company (formerly American Surety & Casualty Company, acquired in 1998); and Encompass Insurance Company (formerly USF&G Business Insurance Company, acquired in 2001). Use of the Ivantage name for marketing purposes was discontinued in 2004. In 2005, Encompass Home and Auto Insurance Company, Encompass Independent Insurance Company, Encompass Insurance Company of America, Encompass Insurance Company of Massachusetts and Encompass Property & Casualty Insurance Company became wholly owned subsidiaries of Encompass Financial Group, LLC, which is wholly owned by Allstate Insurance Company.

Allstate Insurance Company also owns Allstate Life Insurance Company (chartered in 1957), the lead life insurance company of the Allstate Financial Group, which also includes Allstate Life Insurance Company of New York (formerly PM Life Insurance Company, acquired in 1983); American Heritage Life Insurance Company (acquired in 1999); Charter National Life Insurance Company (acquired in 1999); Glenbrook Life and Annuity Company (formerly William Penn Life Assurance Company of America, acquired in 1992); Intramerica Life Insurance Company (acquired in 1999); Lincoln Benefit Life Company (acquired in 1981); Allstate Assurance Company (formerly Provident National Assurance Company, acquired in 2001); and Surety Life Insurance Company (acquired in 1981). In 2006, Allstate Life sold its Variable Annuity business through a reinsurance transaction with Prudential Insurance Company of America.

MANAGEMENT

In late June 1995, Sears, Roebuck and Co. spun off its remaining 80.3% ownership interest in The Allstate Corporation to its common stockholders.

The group is headed by Edward M. Liddy, chairman of the board, and Thomas J. Wilson, president and chief executive officer, who assumed these positions on January 1, 1999 and January 1, 2007, respectively. The Allstate Corporation is a publicly traded holding company and trades on the New York Stock Exchange under the symbol ALL.

TERRITORY

The individual member companies of the group collectively operate in DC, Puerto Rico and all states except Massachusetts. In addition, operations are also conducted in all provinces of Canada.

REINSURANCE PROGRAMS

During the past several years, personal lines exposures have declined due to aggressive catastrophe management initiatives that include adequate rate per risk, increased use of deductibles, efficient utilization of state catastrophe pools, risk transfers including targeted reinsurance programs and enhanced underwriting using relative PML risk by geographic area. Multi-year individual state reinsurance treaties cover personal property excess catastrophe losses in Connecticut, New Jersey, New York, and Texas through May 31. 2008 and Florida through May 31, 2007. In 2006, additional reinsurance protection was acquired by purchasing supplementary reinsurance in Florida, a New Jersey excess agreement, an aggregate excess reinsurance program, a California fire following program and a South-East program. The additional reinsurance in Florida coordinates coverage with the Florida Hurricane Catastrophe Fund and multi-year agreement. The Florida agreements cover Allstate Protection's personal property catastrophe losses and expire May 31, 2007. A reinsurance program is being negotiated to replace this program effective June 1, 2007. The New Jersey excess agreement is effective June 1, 2006, for one year, and covers Allstate Protection's personal property catastrophe losses in excess of the multi-year agreement. Reinsurance has been purchased to replace this program effective June 1, 2007. The aggregate excess reinsurance program limits Allstate Protection's personal lines property and auto catastrophe losses for storms named or numbered by the National Weather Service, earthquakes, and fires following earthquakes in excess of $2 billion in aggregated losses up to the treaty limit of $2 billion, excluding Florida. Reinsurance has been purchased offering similar coverage effective June 1, 2007, the majority of which provides 2 years of coverage. The California fire following program is effective through May 31, 2008 and covers Allstate Protection's personal property excess catastrophe losses in California for fires following earthquakes. This agreement provides $1.5 billion of coverage for all qualifying losses in excess of a $500 million retention. The South-East agreement was effective June 1, 2006 for one year and provides 80% of $500 million in additional reinsurance protection, excess of a $500 million retention, for Allstate Protection's personal property losses for storms named or numbered by the National Weather Service in the states of Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Delaware, Pennsylvania and the District of Columbia. Effective June 1, 2007 the South East Agreement is expanded to provide 95% of the $500m limit and to provide coverage for Rhode Island in addition to the state previously covered. Further, the formation of dedicated Florida-only property and New Jersey-only affiliates and participation in the Florida Hurricane Catastrophe Fund and California Earthquake Authority have contributed to the reduction in the group's countrywide exposures. The company purchased new reinsurance covering earthquakes and fire following earthquakes in Kentucky effective June 1, 2007.

The group's commercial property business is protected by per risk excess of loss agreements that cover limits of $26 million excess of $4 million net retention. For limits above this level, the company purchases individual property facultative reinsurance. For umbrella policies, the company retains the first $5 million and purchases individual umbrella facultative reinsurance for limits above $5 million.

CONSOLIDATED BALANCE SHEET ($000)

ADMITTED ASSETS	12/31/2006	12/31/2005	2006 %	2005 %
Bonds	30,555,794	30,136,174	61.1	63.3
Preferred stock	377,508	309,293	0.8	0.6
Common stock	5,738,056	4,759,249	11.5	10.0
Cash & short-term invest	149,013	-287,680	0.3	-0.6
Other non-affil inv asset	2,124,075	1,208,493	4.2	2.5
Investments in affiliates	3,759,900	4,142,596	7.5	8.7
Real estate, offices	299,132	279,007	0.6	0.6
Total invested assets	43,003,477	40,547,131	85.9	85.1
Premium balances	4,246,843	4,161,069	8.5	8.7
Accrued interest	324,188	363,850	0.6	0.8
All other assets	2,463,373	2,567,243	4.9	5.4
Total assets	50,037,882	47,639,292	100.0	100.0

LIABILITIES & SURPLUS	12/31/2006	12/31/2005	2006 %	2005 %
Loss & LAE reserves	15,539,749	17,813,086	31.1	37.4
Unearned premiums	9,681,493	9,610,760	19.3	20.2
Conditional reserve funds	159,481	115,343	0.3	0.2
All other liabilities	5,415,791	5,215,629	10.8	10.9
Total liabilities	30,796,514	32,754,819	61.5	68.8
Total policyholders' surplus	19,241,368	14,884,474	38.5	31.2
Total liabilities & surplus	50,037,882	47,639,292	100.0	100.0

CONSOLIDATED SUMMARY OF 2006 OPERATIONS ($000)

STATEMENT OF INCOME	12/31/2006
Premiums earned	26,634,034
Losses incurred	12,679,921
LAE incurred	3,113,668
Undrw expenses incurred	6,877,906
Div to policyholders	46
Net underwriting income	3,962,493
Net investment income	2,509,828
Other income/expense	256,673
Pre-tax oper income	6,728,995
Realized capital gains	119,176
Income taxes incurred	1,857,160
Net income	4,991,010

FUNDS PROVIDED FROM OPERATIONS	12/31/2006
Premiums collected	26,661,036
Benefit & loss related pmts	14,465,665
LAE & undrw expenses paid	10,298,983
Div to policyholders	46
Undrw cash flow	1,896,343
Investment income	2,481,881
Other income/expense	257,662
Pre-tax cash operations	4,635,886
Income taxes pd (recov)	1,396,139
Net oper cash flow	3,239,748

INTERIM BALANCE SHEET

ADMITTED ASSETS	03/31/2007	06/30/2007	09/30/2007
Cash & short term invest	438,641	1,299,920	841,553
Bonds	31,375,768	30,844,721	30,271,588
Preferred stock	367,613	404,576	457,533
Common stock	9,426,219	8,878,485	8,567,548
Other investments	2,293,476	2,434,440	2,608,561
Total investments	43,901,717	43,862,142	42,746,783
Premium balances	4,176,466	4,216,581	4,344,226
Reinsurance funds	105,721	92,101	87,823
Accrued interest	377,668	366,755	414,102
All other assets	1,827,429	1,857,994	1,871,212
Total assets	50,389,001	50,395,574	49,464,146

LIABILITIES & SURPLUS	03/31/2007	06/30/2007	09/30/2007
Loss & LAE reserves	15,349,088	15,324,113	15,299,476
Unearned premiums	9,494,557	9,582,002	9,835,754
Conditional reserve funds	173,982	162,946	171,082
All other liabilities	5,769,570	5,937,515	5,496,884
Total liabilities	30,787,197	31,006,576	30,803,196
Capital & assigned surp	2,507,488	2,521,227	2,520,476
Unassigned surplus	17,094,315	16,867,772	16,140,474
Policyholders' surplus	19,601,803	19,388,999	18,660,950
Total liabilities & surplus	50,389,001	50,395,574	49,464,146

INTERIM INCOME STATEMENT

	Period Ended 09/30/2007	Period Ended 09/30/2006	Increase/ Decrease
Premiums earned	19,861,976	19,978,492	-116,515
Losses incurred	10,420,274	9,433,456	986,817
LAE incurred	2,298,210	2,279,414	18,796
Underwriters expenses incurred	5,054,756	5,205,520	-150,765
Div to policyholders	-8	46	-54
Net underwriting income	2,088,746	3,060,055	-971,309
Net investment income	1,451,709	1,689,730	-238,022
Other income/expenses	181,262	196,939	-15,678
Pre-tax operating income	3,721,716	4,946,725	-1,225,009
Realized capital gains	814,229	143,480	670,749
Income taxes incurred	1,129,186	1,398,808	-269,622

Net income	3,406,758	3,691,396	-284,638

INTERIM CASH FLOW

	Period Ended 09/30/2007	Period Ended 09/30/2006	Increase/ Decrease
Premiums collected	19,914,448	20,213,120	-298,673
Benefit & loss related pmts	10,580,180	11,124,790	-544,611
Undrw expenses paid	7,640,618	7,923,056	-282,438
Div to policyholders	-8	46	-54
Underwriting cash flow	1,693,658	1,165,229	528,430
Investment income	1,301,552	1,721,908	-420,355
Other income/expense	180,359	195,860	-15,501
Pre-tax cash operations	3,175,570	3,082,996	92,574
Income taxes pd (recov)	1,565,812	1,003,002	562,810
Net oper cash flow	1,609,758	2,079,994	-470,237