ALLSTATE INSURANCE GROUP

3075 Sanders Road, Suite G2H, Northbrook, Illinois, United States 60062-7127
Web: www.allstate.com
Tel: 847-402-5000 **Fax:** 847-402-9116
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 and outlook reflect Allstate's solid risk-adjusted capitalization, favorable operating performance and significant market presence. Partially offsetting these positive rating factors are the group's exposure to frequent and severe weather-related events and significant dividend payments to its parent.

The group's capital position reflects its historically profitable earnings, which have contributed to surplus growth over the previous five-year period. The group's non-catastrophe operating results have been favorable through tightened underwriting guidelines, improved risk segmentation, adequate pricing and favorable loss trends. Additionally, Allstate has a significant market presence and strong overall business profile as the second-largest personal lines writer. Furthermore, Allstate maintains moderate financial leverage as well as additional liquidity at the holding company level in both Allcorp and Kennett Capital, Inc., and through access to capital markets, lines of credit and its commercial paper program. The group's operating returns compare favorably to its industry composite peers due to its solid underwriting capabilities and investment income. Lastly, underwriting results reflect the favorable impact of Allstate's various expense management initiatives and its significant investment in technology.

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 $3.1 billion through third-quarter 2008 with an overall combined ratio impact of 15 points; $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. However, in recent years, Allstate 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. Additionally, the group has made large discretionary dividend payments to its parent over the previous five-year period, which have contributed to volatility in risk-adjusted capitalization at times of heightened losses.

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

FIVE YEAR RATING HISTORY

Date	Best's Rating
10/23/08	A+
01/09/08	A+
02/06/07	A+
11/07/05	A+
06/10/05	A+
06/15/04	A+
02/18/04	A+

KEY FINANCIAL INDICATORS

	Statutory Data ($000)		
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income
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
2007	27,688,687	26,387,474	5,100,836
09/2007	20,988,237	20,016,319	3,721,716
09/2008	20,523,542	19,600,984	1,116,320

	Statutory Data ($000)		
Period Ending	Net Income	Total Admitted Assets	Policy-holders' Surplus
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
2007	4,756,704	48,390,979	18,162,769
09/2007	3,406,758	49,464,146	18,660,950
09/2008	96,662	43,876,783	13,210,750

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash-flow (%)
2003	95.2	5.0	12.7	38.5	1.5	3.3	157.3	116.4
2004	94.1	5.3	14.5	41.8	1.5	3.3	156.5	115.5
2005	103.5	5.5	5.2	51.6	1.8	4.0	146.0	110.0
2006	85.1	6.2	25.3	48.7	1.4	3.0	163.3	112.4
2007	91.3	6.2	19.3	48.1	1.5	3.1	160.6	110.8
5-Yr Avg	93.8	5.6	15.5	…	…	…	…	…
09/2007	89.3	XX	18.7	XX	1.4	3.0	161.5	108.1
09/2008	101.5	XX	5.7	XX	2.0	4.3	143.7	106.7

(*) 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 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. Furthermore, 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. Furthermore, 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*	IL	
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.*		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
52284	*Allstate Insurance Hldgs LLC*	DE	100.00
13927	North Light Specialty Ins Co	IL	100.00
50053	*Allstate Intern Ins Holdings*	DE	100.00
73175	Allstate Reinsurance Ltd	Bermuda	100.00
58007	*American Heritage Life Inv Cp*	FL	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.

2007 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Reserves
Priv Pass Auto Liab	10,246,109	10,113,784	38.3	58.9	9,648,586
Auto Physical	8,231,375	8,230,997	31.2	46.7	319,835
Homeowners	7,189,668	6,349,181	24.1	54.1	2,329,547
Com'l MultiPeril	628,853	590,721	2.2	50.2	377,884
All Other	1,392,681	1,102,789	4.2	50.2	2,771,678
Totals	27,688,687	26,387,474	100.0	53.4	15,447,530

Major 2007 Direct Premium Writings By State ($000): California, $2,998,082 (10.8%); New York, $2,777,114 (10.0%); Texas, $2,611,586 (9.4%); Florida, $2,357,177 (8.5%); Pennsylvania, $1,445,979 (5.2%); 47 other jurisdictions, $15,498,750 (56.0%).

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 attributable to non-affiliated invested asset growth that was driven by strong operating cash flows, and increasing investment yields that were driven by higher market interest rates. 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 most 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
2003	12.7	25.5	95.2	87.8	7.3	17.8	99.2	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	9.8	99.2	91.8
2006	25.3	30.3	85.1	75.6	14.4	17.6	93.9	85.8
2007	19.3	19.7	91.3	81.6	11.8	11.4	97.3	88.8
5-Yr Avg	15.5	21.2	93.8	85.2	10.7	14.0	97.0	89.5
09/2007	18.7	XX	89.3	82.0	XX	XX	XX	XX
09/2008	5.7	XX	101.5	95.2	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. 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 group produced a favorable combined ratio for most years in the previous five-year period, driven by 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 rebounded strongly in recent years due to continued favorable private passenger automobile loss experience and significantly improved homeowners loss experience. Private passenger automobile results have been positively impacted by favorable loss frequency trends and moderately increasing loss severity trends. Homeowners loss experience has been favorably impacted by management's catastrophe risk management strategies and the absence of significant weather-related losses relative to prior years.

UNDERWRITING EXPERIENCE

	Net Undrw	Loss Ratios			Expense Ratios				
	Income	Pure		Loss &	Net	Other	Total	Div.	Comb
Year	($000)	Loss	LAE	LAE	Comm	Exp.	Exp.	Pol.	Ratio
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
2007	2,314,230	53.4	12.2	65.6	12.2	13.5	25.7	0.0	91.3
5-Yr Avg	…	56.1	12.4	68.6	12.4	12.8	25.2	…	93.8
09/2007	2,088,746	52.5	11.6	64.0	XX	XX	25.3	0.0	89.3
09/2008	-277,427	63.8	12.7	76.5	XX	XX	25.0	…	101.5

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 over the previous five-year period, which has been driven by invested asset growth due to strong operating cash flows and gradually increasing investment yields. 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 is 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 for the period on its equity and bond portfolios.

INVESTMENT INCOME ANALYSIS ($000)

Year	Company Net Inv Income	Company Realized Capital Gains	Company Unrealized Capital Gains
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
2007	2,552,895	1,003,741	-1,075,900
09/2007	1,451,709	814,229	-144,125
09/2008	1,227,396	-876,582	-1,789,553

	Company			Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2003	6.0	5.0	8.7	1.4	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	10.7	4.4
2007	1.7	6.2	6.0	5.3	4.4
5-Yr Avg	8.6	5.6	7.0	7.2	4.3
09/2007	XX	XX	5.0	XX	XX
09/2008	XX	XX	-3.6	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2007 Inv Assets ($000)	% of Invested Assets 2007	% of Invested Assets 2006	Annual % Chg
Long-Term bonds	30,237,603	71.9	70.5	-1.0
Stocks	4,992,110	11.9	14.1	-18.4
Affiliated Investments	3,411,668	8.1	9.4	-15.9
Other Inv Assets	3,385,981	8.1	6.0	30.4
Total	42,027,361	100.0	100.0	-3.0

2007 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	3.4	5.0	6.6	99.8	0.2	…	…
States, terr & poss	60.7	2.9	13.6	96.1	3.9	2.9	3.1
Corporates	35.9	-1.1	12.5	90.3	9.7	33.5	20.9
Total all bonds	100.0	1.6	12.9	94.1	5.9	13.8	23.9

CAPITALIZATION

Capital Generation: The group's surplus growth has fluctuated over the previous five-year period due to the combination of underwriting earnings, capital gains and sizeable stockholder dividend payments to its parent, The Allstate Corporation. Surplus has recently declined modestly, as substantial stockholder dividend payments more than offset solid operating earnings and capital gains. 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.

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth		
Year	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
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
2007	5,100,836	-72,159	-4,891,435
5-Yr Total	19,937,819	2,634,283	-13,411,605
09/2007	3,721,716	670,104	-3,971,022
09/2008	1,116,320	-2,666,136	-2,379,213

	Source of Surplus Growth		
Year	Other, Net of Tax	Change in PHS	PHS Growth (%)
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
2007	-1,215,840	-1,078,598	-5.6
5-Yr Total	-4,848,309	4,312,188	…
09/2007	-1,001,216	-580,418	-3.0
09/2008	-1,022,991	-4,952,019	-27.3

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 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. (%)
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
2007	18,162,769	13.7	0.2	86.1	-4,921,500	96.5	103.5
09/2007	18,660,950	13.3	0.2	86.5	-4,000,000	107.5	117.4
09/2008	13,210,750	26.6	0.2	73.2	-3,400,000	304.6	999.9

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 and net liabilities 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 declined slightly 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
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
2007	1.5	0.9	3.1	3.3	1.0	0.6	2.3	2.5
09/2007	1.4	0.8	3.0	XX	XX	XX	XX	XX
09/2008	2.0	1.3	4.3	XX	XX	XX	XX	XX

Current BCAR: 223.0

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		GPW	
Ending	($000)	(% Chg)	($000)	(% Chg)
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
2007	27,688,687	-0.7	27,747,547	-0.6
5-Yr CAGR	…	4.8	…	3.2
5-Yr Change	…	26.4	…	16.9
09/2007	20,988,237	-0.7	31,576,616	1.9
09/2008	20,523,542	-2.2	31,580,035	0.0

Period Ending	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
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
2007	26,387,474	-1.2	26,441,032	-0.7
5-Yr CAGR	…	2.5	…	3.0
5-Yr Change	…	13.0	…	16.1
09/2007	20,016,319	-1.3	19,861,976	-0.6
09/2008	19,600,984	-2.1	19,643,247	-1.1

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 predominantly been modestly favorable. The majority (approximately 60%) of total reserves is associated with private passenger automobile 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% historical market share in commercial lines that are exposed to ongoing asbestos and environmental (A&E) claims emergence. Based on Footnote 32 disclosure data, Allstate reported $2.3 billion and $1.5 billion of gross and net A&E reserves, respectively, for year-end 2007. Net reserves were split 86% asbestos and 14% pollution reserves. Given its significant personal lines orientation, Allstate's net A&E reserves constitute only 10% of its overall loss reserves. 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 2007	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/2007	Unpaid Resrv. to Dev.(%)
2002	13,213,799	14,268,245	8.0	7.6	62.6	2,851,060	20.0
2003	14,026,555	13,873,145	-1.1	-0.9	57.6	3,289,903	23.7
2004	14,631,051	13,884,396	-5.1	-4.4	54.7	4,109,771	29.6
2005	16,270,623	15,178,040	-6.7	-7.3	57.4	5,735,413	37.8
2006	14,280,756	14,148,699	-0.9	-0.7	53.1	8,403,139	59.4
2007	14,186,694	14,186,694	…	…	53.7	14,186,694	100.0

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

Accident Year	Original Loss Reserves	Developed Reserves Thru 2007	Develop. to Orig.(%)	Unpaid Reserves @12/2007	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
2002	5,738,624	5,375,295	-6.3	252,972	71.0	94.9
2003	5,950,197	5,209,792	-12.4	438,843	65.3	90.1
2004	6,327,446	5,454,043	-13.8	819,868	67.5	92.7
2005	7,857,310	6,939,314	-11.7	1,625,642	77.1	101.8
2006	5,480,310	5,537,359	1.0	2,667,726	62.0	87.8
2007	5,783,555	5,783,555	…	5,783,555	65.7	91.5

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

	Company		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net IBNR Mix (%)
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
2007	1,515,157	65.1	63.0

	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)
2003	…	2.2	…	…	1.9	…
2004	…	1.8	…	…	1.4	…
2005	9.7	0.5	1.5	8.5	1.0	1.4
2006	10.0	0.4	0.9	7.9	0.5	0.9
2007	9.5	0.3	0.4	8.6	0.7	0.7

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 exposure, 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 intercompany arrangements with affiliates, as well as mandated state-assigned pools and facilities. In addition, 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. Lastly, 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 commercial property, 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, utilization of state catastrophe pools, 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(%)
2003	2,378,519	98.0	11.6	14.7	93.9	14.7	23.4
2004	4,630,377	95.9	20.7	27.4	94.1	14.7	22.6
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
2007	3,902,435	95.1	14.0	21.5	94.3	10.7	16.8

2007 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	4,152,892	1,011,394	5,082,212	…	10,246,499
US Insurers	249,190	229,759	4,444	-745	482,646
Pools/Associations	1,217,108	61,602	164,236	-708	1,442,234
Other Non-US	220,489	310,723	89,406	-3,133	617,485
Total (ex US Affils)	1,686,787	602,084	258,086	-4,586	2,542,365
Grand Total	5,839,680	1,613,477	5,340,298	-4,585	12,788,863

* 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 25% 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
2003	8.9	0.4	2.8	26.4	38.5	26.1	4.1	48.9
2004	8.6	2.3	3.1	27.9	41.8	26.1	3.1	46.2
2005	12.0	3.4	4.2	32.0	51.6	29.7	3.3	44.3
2006	9.5	3.4	5.9	29.8	48.7	21.1	2.7	44.7
2007	10.2	4.5	9.3	24.1	48.1	18.8	2.5	41.8

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 trended modestly upward over the previous five-year period, with a temporary decline in 2005 related to Hurricane Katrina, but continue to lag the private passenger auto and homeowners industry composite. The increase was related to solid growth in invested assets, partially offset by moderate growth in loss reserves and unearned premiums. The group's quick liquidity ratio also continues to lag industry composite norms due to its significant investment allocation to long-term bonds, but the gap has narrowed somewhat with Allstate's completion of a 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 has been used by the insurance operations for general purposes. The Allstate Corporation has capacity to issue loans to its subsidiaries that are party to intercompany 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 2012 with extension options for up to two years was established in 2007. 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 (%)	Gros Agents Ba to PHS(%
2003	17.8	121.4	157.3	5.5	39.6	126.2	158.8	8.
2004	20.1	121.5	156.5	5.2	40.0	130.2	162.6	6.
2005	16.7	110.8	146.0	5.9	37.7	128.7	162.1	7.
2006	23.3	127.1	163.3	4.6	44.1	141.4	173.7	5.
2007	18.2	126.3	160.6	4.8	44.0	143.4	176.5	5.
09/2007	XX	124.4	161.5	4.9	XX	XX	XX	X
09/2008	XX	106.3	143.7	6.1	XX	XX	XX	X

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 (%)
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	109.8
2006	1,896,343	3,239,748	436,693	107.7	112.4	107.4	113.4
2007	2,081,661	2,829,341	364,768	108.6	110.8	104.4	109.9
09/2007	1,693,658	1,609,758	692,539	109.3	108.1	XX	XX
09/2008	613,676	1,322,348	867,333	103.2	106.7	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 coverages. 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 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 & 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 its London-based property and casualty reinsurance operations. In 2001, Allstate exited International operations with the sale of its Southeast Asian life insurance operations and the 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 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 Thomas J. Wilson, chairman, president and chief executive officer. 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.

Allstate Protection generally purchases multi-year reinsurance treaties that cover personal property excess catastrophe losses with the effective dates and terms staggered to avoid the placement of the entire program at one time. The multi year contracts adjust coverage annually based on exposure changes.

The reinsurance in Florida coordinates coverage with the Florida Hurricane Catastrophe Fund, which may be restructured annually. The Florida agreements cover Allstate Protection's personal property catastrophe losses and expire May 31, 2009.

State specific treaties were purchased effective June 1, 2008, with portions placed on a one year, two year and three year term. For the June 1, 2008 to May 31, 2009 term, limits of 95% of $1 billion excess of $750 million were placed in New York, limits of 95% of $300 million excess of $200 million were placed in New Jersey, limits of 95% of $500 million excess of $500 million were placed in Texas, and Connecticut and Rhode Island are jointly covered by a program providing $200 million in limits excess of a $200 million retention and is 80% placed. New Jersey has additional coverage of 80% of $200 million in limits excess of $500 million.

In addition, Texas is covered by a three year agreement effective June 18, 2008 with limits of $250 million. Coverage is provided excess of $10 million, with a formula that derives the limit based on industry insured personal lines property loss estimates designed to replicate coverage of $250 million excess of $950 million. Coverage is for hurricane only and adjusts annually based on exposures.

In addition to the state specific treaties, Allstate purchases an aggregate excess reinsurance program that 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. The contract provides portions of coverage for one, and two year terms. The 47.5% portion placed effective June 1, 2008 to May 31, 2010 also includes coverage for wildfires in California.

The California fires following earthquake program is effective June 1, 2008, with portions placed on a one, two and three year basis. This agreement covers Allstate Protection's personal property excess catastrophe losses for fires following earthquakes in California. This agreement provides limits of 95% of $750 million for all qualifying losses in excess of a $750 million retention.

The South-East agreement is effective June 1, 2008 for a one year term and provides limits of 95% of $500 million excess of a $500 million retention. Coverage is provided 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.

A North-East agreement is effective from June 15, 2007 to June 8, 2010, and covers personal property and auto excess catastrophe losses for hurricanes. Coverage is provided excess of $10 million with a formula that derives the limit based on industry insured personal lines loss estimates designed to replicate a layer of 38% of catastrophe losses between $1.6 billion (retention) and $2.2 billion (exhaustion point) in New York, New Jersey and Connecticut, with total limits provided of $250 million. Qualifying losses under this agreement are also eligible to be ceded under the New York, New Jersey and Connecticut multi-year, and the aggregate excess agreements.

The company also purchases a treaty covering earthquakes and fires following earthquakes in Kentucky effective June 1, 2008, that provides 95% of $40 million excess of $10 million retention for a three year term.

Furthermore, 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 group's commercial property business is protected by per risk excess of loss agreements that provide limits of $25 million excess of a $5 million net retention for an annual term. 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	12/31/2007	12/31/2006	2007 %	2006 %
Bonds	30,237,603	30,555,794	62.5	61.1
Preferred stock	613,173	377,508	1.3	0.8
Common stock	4,378,937	5,738,056	9.0	11.5
Cash & short-term invest	513,781	149,013	1.1	0.3
Real estate, investment	26,243	…	0.1	…
Other non-affil inv asset	2,499,306	2,124,075	5.2	4.2
Investments in affiliates	3,146,223	3,759,900	6.5	7.5
Real estate, offices	265,445	299,132	0.5	0.6
Total invested assets	41,680,711	43,003,477	86.1	85.9
Premium balances	4,313,620	4,246,699	8.9	8.5
Accrued interest	346,650	324,188	0.7	0.6
All other assets	2,049,998	2,463,518	4.2	4.9
Total assets	48,390,979	50,037,882	100.0	100.0

LIABILITIES & SURPLUS	12/31/2007	12/31/2006	2007 %	2006 %
Loss & LAE reserves	15,447,530	15,539,749	31.9	31.1
Unearned premiums	9,627,953	9,681,493	19.9	19.3
Conditional reserve funds	89,371	159,481	0.2	0.3
All other liabilities	5,063,356	5,415,791	10.5	10.8
Total liabilities	30,228,210	30,796,514	62.5	61.5
Total policyholders' surplus	18,162,769	19,241,368	37.5	38.5
Total liabilities & surplus	48,390,979	50,037,882	100.0	100.0

CONSOLIDATED SUMMARY OF 2007 OPERATIONS ($000)

STATEMENT OF INCOME	12/31/2007
Premiums earned	26,441,032
Losses incurred	14,118,791
LAE incurred	3,217,589
Undrw expenses incurred	6,790,430
Div to policyholders	-8
Net underwriting income	2,314,230
Net investment income	2,552,895
Other income/expense	233,710
Pre-tax oper income	5,100,836
Realized capital gains	1,003,741
Income taxes incurred	1,347,873
Net income	4,756,704

FUNDS PROVIDED FROM OPERATIONS	12/31/2007
Premiums collected	26,359,053
Benefit & loss related pmts	14,224,403
LAE & undrw expenses paid	10,052,998
Div to policyholders	-8
Undrw cash flow	2,081,661
Investment income	2,458,322
Other income/expense	232,416
Pre-tax cash operations	4,772,400
Income taxes pd (recov)	1,943,059
Net oper cash flow	2,829,341

INTERIM BALANCE SHEET ($000)

ADMITTED ASSETS	03/31/2008	06/30/2008	09/30/2008
Cash & short term invest	535,490	1,011,085	1,381,114
Bonds	29,071,068	26,970,546	24,581,212
Preferred stock	610,246	503,644	263,706
Common stock	6,303,433	6,957,475	6,621,888
Other investments	3,103,916	3,226,383	2,555,645
Total investments	39,624,153	38,669,133	35,403,565
Premium balances	4,248,560	4,276,381	4,321,978
Reinsurance funds	102,092	87,750	92,867
Accrued interest	355,256	322,622	336,599
All other assets	1,945,007	1,998,997	3,721,773
Total assets	46,275,069	45,354,883	43,876,783

LIABILITIES & SURPLUS	03/31/2008	06/30/2008	09/30/2008
Loss & LAE reserves	15,491,826	15,519,074	16,566,199
Unearned premiums	9,396,714	9,419,798	9,585,430
Conditional reserve funds	66,563	84,592	122,439
All other liabilities	4,464,998	3,952,215	4,391,964
Total liabilities	29,420,101	28,975,679	30,666,033
Capital & assigned surp	2,519,384	2,520,601	3,539,666
Unassigned surplus	14,335,584	13,858,603	9,671,085
Policyholders' surplus	16,854,968	16,379,204	13,210,750
Total liabilities & surplus	46,275,069	45,354,883	43,876,783

INTERIM INCOME STATEMENT ($000)

	Period Ended 09/30/2008	Period Ended 09/30/2007	Increase/ Decrease
Premiums earned	19,643,247	19,861,976	-218,729
Losses incurred	12,527,528	10,420,274	2,107,254
LAE incurred	2,493,149	2,298,210	194,939
Underwriters expenses incurred	4,899,997	5,054,756	-154,759
Div to policyholders	…	-8	8
Net underwriting income	-277,427	2,088,746	-2,366,172
Net investment income	1,227,396	1,451,709	-224,313
Other income/expenses	166,350	181,262	-14,911
Pre-tax operating income	1,116,320	3,721,716	-2,605,396
Realized capital gains	-876,582	814,229	-1,690,811
Income taxes incurred	143,076	1,129,186	-986,110
Net income	96,662	3,406,758	-3,310,097

INTERIM CASH FLOW ($000)

	Period Ended 09/30/2008	Period Ended 09/30/2007	Increase/ Decrease
Premiums collected	19,628,372	19,914,448	-286,076
Benefit & loss related pmts	11,561,195	10,580,180	981,015
Undrw expenses paid	7,453,502	7,640,618	-187,116
Div to policyholders	…	-8	8
Underwriting cash flow	613,676	1,693,658	-1,079,983
Investment income	1,198,632	1,301,552	-102,920
Other income/expense	165,771	180,359	-14,589
Pre-tax cash operations	1,978,079	3,175,570	-1,197,491
Income taxes pd (recov)	655,730	1,565,812	-910,082
Net oper cash flow	1,322,348	1,609,758	-287,410