

National Association of Professional Allstate Agents

P.O. Box 7666 Gulfport, MS 39506

Phone Toll Free: 877.627.2248

May 15, 2012

Judith A. Sprieser
Chair of Audit Committee, Board of Directors
c/o General Counsel
The Allstate Corporation
2775 Sanders Rd Suite F7
Northbrook, IL 60062
By e-mail: auditcommittee2@allstate.com

Dear Ms. Sprieser,

I am writing on behalf of the National Association of Professional Allstate Agents (NAPAA) to urge the Audit Committee to review and strengthen the Allstate Corporation's internal controls over its commission systems for its exclusive agents.

Allstate has recently suffered a series of problems in properly accounting for its exclusive agents' commissions. At the beginning of the year, Allstate said that it had mistakenly underreported agents' commissions for January. ^[1] Then in February, the company stated that it had miscalculated Form 1099 tax statements for 4,700 agents. At that time, Allstate also announced that it was correcting errors in the Customer Satisfaction Retention & Profitability reports that were used to calculate Allstate agents' 2011 bonus payments. ^[2]

Additionally, since May 4th, over 1,100 active Allstate agents have signed a petition calling for a forensic audit of Allstate's agent commissions. Many of these agents are shareholders of Allstate and most, if not all prefer to remain anonymous. We will share the final, but anonymous, results of the petition with the committee upon request via an independent third party of our choice. In light of the recent problems with the company's internal controls, we urge the Audit Committee to obtain an independent forensic audit of the company's recent internal controls failures, and to report its findings to shareholders.

As you are aware, the Board of Directors has a fiduciary duty of care to ensure that Allstate has adequate internal controls in place over its accounting procedures. The recent mistakes in Allstate's commissions for its agents raise concerns about the adequacy of the company's financial reporting processes. Although these problems did not result in a restatement of Allstate's financial results, they may indicate weaknesses in Allstate's internal controls. We believe that a forensic audit supervised by the Audit Committee is therefore warranted.

In addition to the potential risks to shareholders from these internal controls problems, the confidence of Allstate's agents in the company has been shaken. Allstate's agents are already on edge regarding Allstate's planned reduction in base commissions by 10 percent in 2013. We believe that concerns about Allstate's commission reports have undermined the ability of Allstate's agents to invest resources into growing their agencies. As a result, Allstate's acquisition of new customers may suffer until the concerns of its agents are addressed.

For these reasons, we strongly urge the Audit Committee to investigate these recent miscalculations of Allstate's agent commissions, as well as the overall reliability of Allstate's internal controls over its accounting procedures. Conducting a forensic audit will go a long way toward reassuring agents and shareholders that Allstate's internal controls are adequate to prevent future problems. We look forward to a productive engagement with you on these matters. Please contact me to discuss NAPAA's concerns in more detail.

Sincerely,

Executive Director
National Association of Professional Allstate Agents, Inc.
877-269-3474

^[1] Erik Holm, "Allstate Pay-Reporting Error Further Inflames Agents' Ire," *Wall Street Journal*, 1/12/2012.

^[1] Erik Holm, "Allstate Warns Agents of Tax Errors, Bonus Issues," *Wall Street Journal*, 2/10/2012.
<http://online.wsj.com/article/SB10001424052970203646004577215533578346866.html> (accessed 2/22/2012).