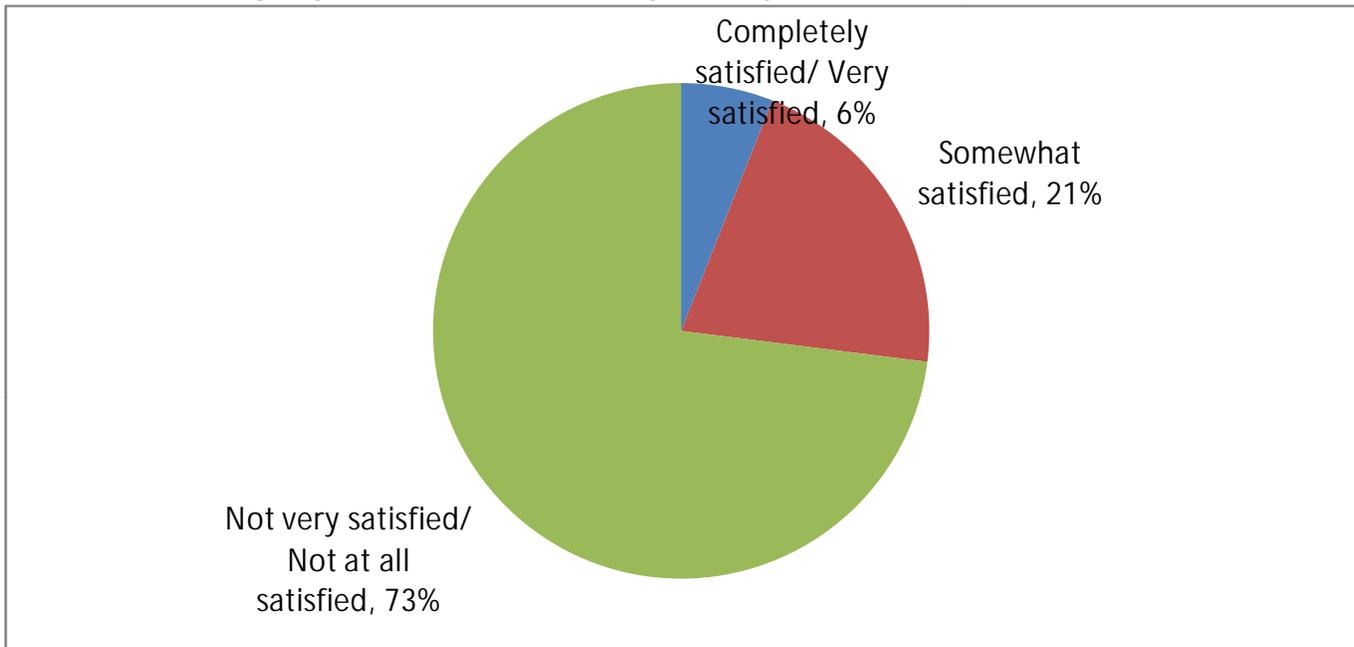


Troubling Survey Foreshadows Declining Premium Volumes

The National Association of Professional Allstate Agents reported very negative sentiment in its recent survey, along with a ~10% drop in Allstate agencies during 4Q11. If these data points are accurate, we think Allstate's 2012 premium volumes are at considerable risk.

On Wednesday, the Chicago Tribune reported on a troubling recent survey done by the National Association of Professional Allstate Agents (NAPAA). There were roughly 1,800 respondents out of almost 8,800 surveys disseminated, and only about 500 of the respondents are NAPAA members (a group whose members' dissatisfaction with Allstate's senior management is well known). To the extent that the survey accurately reflects wider agency sentiment, premium growth appears to be at considerable risk. The survey's questions and responses follow.

Question 1: As an agency owner, how satisfied are you with your relationship with Allstate?

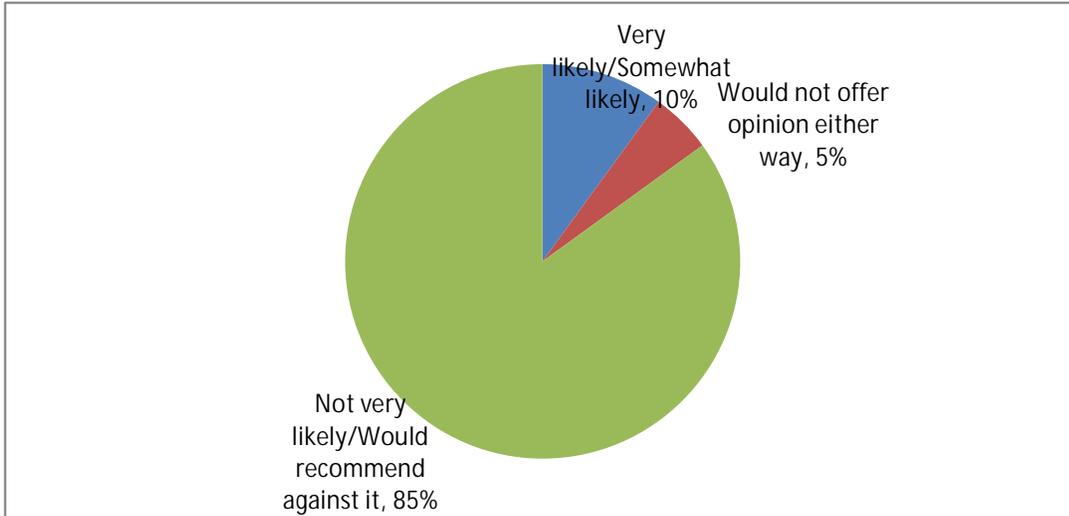


Source: NAPAA

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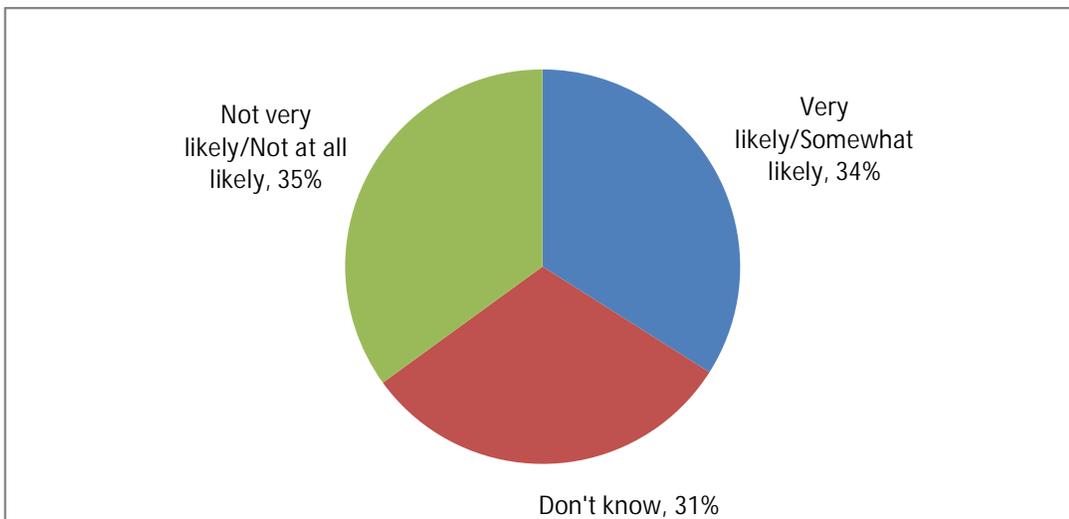
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Question 2: Would you be willing to refer a friend or relative to Allstate to become an agency owner?



Source: NAPAA

Question 3: If you plan to continue your career as an insurance agent, how likely is it that you will remain with Allstate?



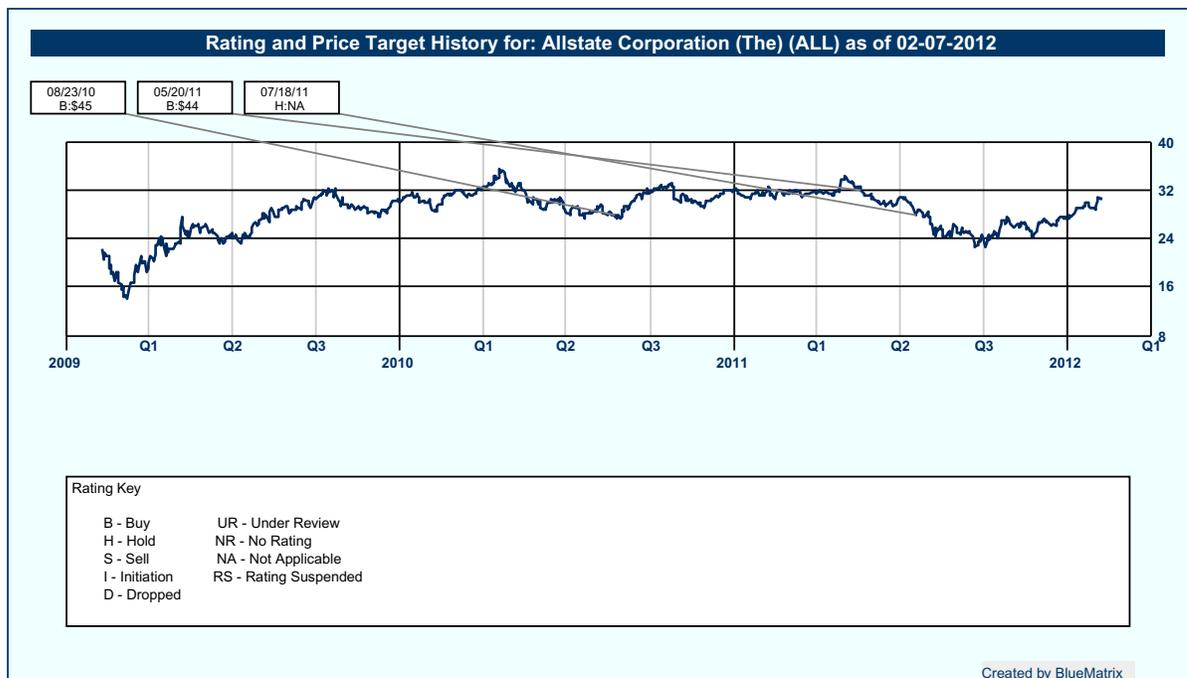
Source: NAPAA

NAPAA also estimates that as many as 1,000 Allstate agents left - or were terminated - in 4Q11 (representing almost 10% of the 10,515 agents at September 30, 2011). Allstate hasn't yet responded to our request for an updated agency count, although the count declined at an accelerating pace through 3Q11.

Notwithstanding Allstate's 4Q11 EPS outperformance, we remain cautious on the name because of our concern over deteriorating agency morale and declining agency counts, which we think will lead to disappointing negative premium growth in 2012. Longer-term, of course, worsening agency sentiment could lead to a senior management change, and an openness to corporate actions, that investors might well welcome, but the likely deteriorating fundamentals give us considerable near-term pause, and we reiterate our Hold rating.

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next 12 months and believe the stock could decline in value.

Of the securities we rate, 51% are rated Buy, 47% are rated Hold, and 2% are rated Sell.

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