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?**

- Completely satisfied/ Very satisfied, 6%
- Somewhat satisfied, 21%
- Not very satisfied/ Not at all satisfied, 73%

Source: NAPAA
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.
Important Disclosures and Certifications

I, Meyer Shields, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, Meyer Shields, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report. For our European Conflicts Management Policy go to the research page at www.stifel.com.

Rating and Price Target History for: Allstate Corporation (The) (ALL) as of 02-07-2012

Rating Key
B - Buy     UR - Under Review
H - Hold    NR - No Rating
S - Sell    NA - Not Applicable
I - Initiation  RS - Rating Suspended
D - Dropped

For a price chart with our ratings and target price changes for ALL go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=ALL

Stifel, Nicolaus & Company, Inc. expects to receive or intends to seek compensation for investment banking services from Allstate Corporation (The) in the next 3 months.

Stifel, Nicolaus & Company, Inc. makes a market in the securities of Allstate Corporation (The).

Stifel, Nicolaus & Company, Inc.’s research analysts receive compensation that is based upon (among other factors) Stifel Nicolaus’ overall investment banking revenues.

Our investment rating system is three tiered, defined as follows:

BUY - For U.S. securities we expect the stock to outperform the S&P 500 by more than 10% over the next 12 months. For Canadian securities we expect the stock to outperform the S&P/TSX Composite Index by more than 10% over the next 12 months. For other non-U.S. securities we expect the stock to outperform the MSCI World Index by more than 10% over the next 12 months. For yield-sensitive securities, we expect a total return in excess of 12% over the next 12 months for U.S. securities as compared to the S&P 500, for Canadian securities as compared to the S&P/TSX Composite Index, and for other non-U.S. securities as compared to the MSCI World Index.

HOLD - For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

SELL - For U.S. securities we expect the stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value. For Canadian securities we expect the stock to underperform the S&P/TSX Composite Index by more than 10% over the next 12 months and believe the stock could decline in value. For other non-U.S. securities we expect the stock to underperform the MSCI World Index by more than 10% over the
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.

Within the last 12 months, Stifel, Nicolaus & Company, Inc. or an affiliate has provided investment banking services for 17%, 10% and 0% of the companies whose shares are rated Buy, Hold and Sell, respectively.

Additional Disclosures

Please visit the Research Page at www.stifel.com for the current research disclosures applicable to the companies mentioned in this publication that are within Stifel Nicolaus' coverage universe. For a discussion of risks to target price please see our stand-alone company reports and notes for all Buy-rated stocks.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of Stifel, Nicolaus & Company, Inc. or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within. Past performance should not and cannot be viewed as an indicator of future performance.

Stifel, Nicolaus & Company, Inc. is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions. Moreover, Stifel Nicolaus and its affiliates and their respective shareholders, directors, officers and/or employees, may from time to time have long or short positions in such securities or in options or other derivative instruments based thereon.

These materials have been approved by Stifel Nicolaus Europe Limited, authorized and regulated by the Financial Services Authority (UK), in connection with its distribution to professional clients and eligible counterparties in the European Economic Area. (Stifel Nicolaus Europe Limited home office: London +44 20 7557 6030.) No investments or services mentioned are available in the European Economic Area to retail clients or to anyone in Canada other than a Designated Institution. This investment research report is classified as objective for the purposes of the FSA rules. Please contact a Stifel Nicolaus entity in your jurisdiction if you require additional information.

The use of information or data in this research report provided by or derived from Standard & Poor’s Financial Services, LLC is © 2012, Standard & Poor’s Financial Services, LLC (“S&P”). Reproduction of Compustat data and/or information in any form is prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P’s sources, S&P or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P be liable for any indirect, special or consequential damages in connection with subscriber’s or others’ use of Compustat data and/or information. For recipient’s internal use only.

Additional Information Available Upon Request

© 2012 Stifel, Nicolaus & Company, Inc. One South Street Baltimore, MD 21202. All rights reserved.