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A.M. Best Affirms Ratings of The Allstate Corporation and Its Subsidiaries

OLDWICK, N.J., January XX, 2012—A.M. Best Co. has affirmed the financial strength rating (FSR) of A+ (Superior) and issuer credit ratings (ICR) of "aa-" of **Allstate Insurance Group** (Allstate) and its members. Additionally, A.M. Best has assigned a debt rating of "a-" to the newly issued $500 million 5.2% 30-year senior unsecured notes, while affirming the ICR of "a-" and existing debt ratings of Allstate's parent, **The Allstate Corporation** (Allcorp) [NYSE: ALL].Concurrently, A.M. Best has upgraded the FSR to A+ (Superior) from A (Excellent) and the ICR to "aa-" from "a" of **North Light Specialty Insurance Company** (North Light). In addition, A.M. Best has affirmed the FSR of A- (Excellent) and ICR of "a-" of **First Colonial Insurance Company** (First Colonial) (Jacksonville, FL). The outlook for these ratings is stable. All companies are domiciled in Northbrook, IL, unless otherwise specified. (See link below for a detailed listing of the companies and ratings.)

The ratings reflect Allstate's solid risk-adjusted capitalization, generally favorable operating performance and significant market presence. The group's capital position reflects its generally favorable earnings, which have contributed to surplus growth in most of the past five-year period, excluding parental dividends. Allstate's non-catastrophe operating results continue to be favorable, as a result of enhanced pricing sophistication and improved loss cost management while maintaining underwriting discipline. Additionally, Allstate has a strong overall business profile as the second-largest personal lines writer in the United States. Furthermore, Allstate maintains moderate financial leverage as well as additional liquidity at the holding company level at both Allcorp and

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Kennett Capital, Inc., and through access to capital markets, lines of credit and its commercial paper program. The group's five-year average operating returns are favorable compared to its industry composite peers due to its solid core underwriting capabilities and investment income.

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 has been evident in recent years as net catastrophe losses for the first nine months of 2011 were higher than any of the previous 10 years' annual catastrophe losses with the exception of 2005, the year of Hurricane Katrina. Catastrophe losses for the first nine months of 2011 had a combined ratio impact of 19.4 points. However, over the past few years, Allstate has executed an extensive catastrophe risk exposure reduction program, which includes a significantly enhanced property catastrophe reinsurance program, non-renewals, stricter underwriting guidelines, increased deductibles and discontinuance of selected lines of coverage, including earthquake.

Moreover, Allstate has made large dividend payments to Allcorp in most of the past five years, which has contributed to volatility in its risk-adjusted capitalization at times of heightened losses. In addition, relative to industry norms, the group maintains above-average underwriting and investment leverage, further exposing its surplus position to potential volatility, as demonstrated in recent years. However, due to solid investment income and favorable underlying underwriting performance, Allstate has been able to maintain capital levels supportive of its business risks.

Key rating drivers that could produce a revision in Allstate's outlook or lead to a downgrading of its ratings include capitalization that does not meet A.M. Best's "Superior" standards; a sustained period of net losses or catastrophe losses out of proportion with market share; and consolidated financial leverage, including short-term debt of greater than 30%.

The proceeds from the new debt issuance are expected to be used for general corporate purposes,

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including facilitating the repayment of $350 million senior notes maturing on February 15, 2012 and contributing to the repurchase of Allstate's common stock through open market purchases from time to time or through an accelerated repurchase program. This issuance is expected to have a minor impact on Allcorp's financial leverage, which is within A.M. Best's guidelines for its current ratings. A.M. Best notes that the leverage impact will slightly dampen fixed charge coverage; however, Allcorp currently maintains above-average levels of cash resources.

The upgrading of the ratings for North Light reflects its solid risk-adjusted capitalization and the operating support provided by Allstate. This operating support is demonstrated by a 100% quota share reinsurance contract with **Allstate Insurance Company** (AIC) for its countrywide business, excluding Florida, although North Light does not currently write business in Florida. North Light offers personal lines property coverage on a non-admitted basis for unique, underserved customer segments or those residing in high risk markets such as hurricane, wildfire or earthquake prone regions. The company's gross catastrophe exposure is reduced to a nominal level on a net basis through its quota share reinsurance arrangement with AIC.

For a complete listing of The Allstate Corporation and its property/casualty and life/health subsidiaries' FSRs, ICRs and debt ratings, please visit www.ambest.com/press/XXXXXXallstatepc.pdf.

The principal methodology used in determining these ratings is Best's Credit Rating Methodology -- Global Life and Non-Life Insurance Edition, which provides a comprehensive explanation of A.M. Best's rating process and highlights the different rating criteria employed. Additional key criteria utilized include: "Risk Management and the Rating Process for Insurance Companies"; "Understanding BCAR for Property/Casualty Insurers"; "Catastrophe Analysis in A.M. Best Ratings"; "A.M. Best's Ratings & the Treatment of Debt"; "A.M. Best's Perspective on Operating Leverage"; "Equity Credit for Hybrid Securities"; "Rating Funding Agreement-Backed Securities"; and "Rating Members of Insurance Groups." Methodologies can be found at

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www.ambest.com/ratings/methodology.

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