Kerin Andrew Charles
Form 4
May 16, 2018

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Kerin Andrew Charles

(Last) (First) (Middle)

C/O ARROW ELECTRONICS, INC., 9201 EAST DRY CREEK ROAD

(Street)

CENTENNIAL, CO 80112

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ARROW ELECTRONICS INC [ARW]

3. Date of Earliest Transaction (Month/Day/Year)
05/15/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Pr Deri Secu (Inst
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stock	(1)	05/15/2018		A		363.08		(1)	(1)	Common Stock	363.08	$ 7

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kerin Andrew Charles C/O ARROW ELECTRONICS, INC. 9201 EAST DRY CREEK ROAD CENTENNIAL, CO 80112	X			

Signatures

/s/ Lana Night, Attorney-in-Fact	05/16/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Phantom stock units issued under the Arrow Electronics, Inc. 2002 Non-Employee Directors Deferral Plan convert to common stock on a one-for-one basis, following termination of services as a Director, the occurrence of an unforseeable emergency or change in control as defined in the Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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2010

2009

2010

2009

2010

2009

Allstate brand

5 (4)

2

2.7

0.1

10.9

3.2

Encompass brand

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Explanation of Responses:

Six months ended June 30,

# of States

Countrywide(%) (1)

State Specific(%) (2) (3)

2010

2009

2010

2009

2010

2009

Allstate brand

6 (4)

6

Explanation of Responses:

3.6

0.3

12.5

2.2

Encompass brand

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1

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0.9

Explanation of Responses:

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31.7

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(1) Represents the impact in the states where rate changes were approved during the three months and six months ended June 30, 2010 and 2009, respectively, as a percentage of total countrywide prior year-end premiums written.

(2) Represents the impact in the states where rate changes were approved during the three months and six months ended June 30, 2010 and 2009, respectively, as a percentage of its respective total prior year-end premiums written in those states.

(3) Based on historical premiums written in those states, rate changes approved for non-standard auto totaled $24 million and $32 million in the three months and six months ended June 30, 2010, respectively, compared to $1 million and $3 million in the three months and six months ended June 30, 2009, respectively.

(4) Includes Washington D.C.

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Homeowners premiums written totaled $1.66 billion in the second quarter of 2010, an increase of 0.9% from $1.64 billion in the second quarter of 2009, and $2.93 billion in the first six months of 2010, an increase of 0.5% from $2.91 billion in the first six months of 2009. Excluding the cost of catastrophe reinsurance, premiums written increased 0.7% and 0.2% in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009.

	Allstate brand		Encompass brand	
Homeowners	**2010**	**2009**	**2010**	**2009**
Three months ended June 30,				
PIF (thousands)	6,821	7,104	336	411
Average premium-gross written (12 months)	$ 933	$ 879	$ 1,301	$ 1,255
Renewal ratio (%)	88.3	88.0	76.5	79.3
Six months ended June 30,				
PIF (thousands)	6,821	7,104	336	411
Average premium-gross written (12 months)	$ 927	$ 871	$ 1,300	$ 1,253
Renewal ratio (%)	88.2	87.8	76.9	79.4

Allstate brand homeowners premiums written totaled $1.57 billion in the second quarter of 2010, an increase of 2.2% from $1.53 billion in the second quarter of 2009, and $2.75 billion in the first six months of 2010, an increase of 1.9% from $2.70 billion in the first six months of 2009. Contributing to the Allstate brand homeowners premiums written increase in the second quarter and first six months of 2010 compared to the same periods of 2009 were the following:

decrease in PIF of 4.0% as of June 30, 2010 compared to June 30, 2009, due to fewer policies available to renew and fewer new issued applications

4.1% increase in new issued applications to 151 thousand in the second quarter of 2010 from 145 thousand in the second quarter of 2009 driven by our Castle Key Indemnity Company subsidiary, due to a 2008 regulatory consent decree to sell 50,000 new homeowner policies in Florida by November 2011, and 0.7% decrease to 270 thousand in the first six months of 2010 from 272 thousand in the first six months of 2009. Excluding Florida, new issued applications on a countrywide basis decreased 6.2% to 136 thousand in the second quarter of 2010 from 145 thousand in the second quarter of 2009, and 7.4% to 251 thousand in the first six months of 2010 from 271 thousand in the first six months of 2009.

increase in average gross premium in the second quarter and first six months of 2010 compared to the same periods of 2009, primarily due to rate changes

0.3 point and 0.4 point increase in the renewal ratio in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009

decrease in the net cost of our catastrophe reinsurance program in the second quarter and first six months of 2010 compared to the same periods of 2009

As of June 30, 2010, an increased Home and Auto discount is now available in 37 states. This has successfully shifted our mix of new business towards multi-line customers.

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Rate changes that are indicated based on loss trend analysis to achieve a targeted return will continue to be pursued. The following table shows the rate changes that were approved for homeowners, including rate changes approved based on our net cost of reinsurance, and does not include rating plan enhancements, including the introduction of discounts and surcharges, that result in no change in the overall rate level in the state.

	Three months ended June 30,					
	# of States		**Countrywide(%)** (1)		**State Specific(%)** (2) (3)	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Allstate brand	14 (4)	16	2.0	1.7	11.3	13.3
Encompass brand	7	10 (4)	--	0.5	(0.3)	5.7
	Six months ended June 30,					
	# of States		**Countrywide(%)** (1)		**State Specific(%)** (2) (3)	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Allstate brand	19 (4)	24	2.9	4.1	9.7	9.2
Encompass brand	11	25 (4)	0.6	2.1	2.5	6.5

(1) Represents the impact in the states where rate changes were approved during the three months and six months ended June 30, 2010 and 2009, respectively, as a percentage of total countrywide prior year-end premiums written.

(2) Represents the impact in the states where rate changes were approved during the three months and six months ended June 30, 2010 and 2009, respectively, as a percentage of its respective total prior year-end premiums written in those states.

(3) Based on historical premiums written in those states, rate changes approved for homeowners totaled $120 million and $174 million in the three months and six months ended June 30, 2010, respectively, compared to $106 million and $262 million in the three months and six months ended June 30, 2009, respectively.

(4) Includes Washington D.C.

Underwriting results are shown in the following table.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Premiums written	$ 6,640	$ 6,615	$ 12,898	$ 12,885
Premiums earned	$ 6,513	$ 6,560	$ 13,016	$ 13,143
Claims and claims expense	(4,713)	(5,000)	(9,503)	(9,717)
Amortization of DAC	(914)	(940)	(1,839)	(1,889)
Other costs and expenses	(663)	(589)	(1,365)	(1,265)
Restructuring and related charges	(14)	(30)	(25)	(57)
Underwriting income	$ 209	$ 1	$ 284	$ 215
Catastrophe losses	$ 636	$ 818	$ 1,284	$ 1,334

Underwriting income (loss) by line of business

Standard auto	$ 217	$ 201	$ 430	$ 459
Non-standard auto	10	21	25	40
Homeowners	(57)	(235)	(249)	(320)
Other personal lines	39	14	78	36
Underwriting income	$ 209	$ 1	$ 284	$ 215
Underwriting income (loss) by brand				
Allstate brand	$ 201	$ 5	$ 319	$ 212
Encompass brand	8	(4)	(35)	3
Underwriting income	$ 209	$ 1	$ 284	$ 215

Allstate Protection experienced underwriting income of $209 million during the second quarter of 2010 compared to $1 million in the same period of 2009. For the six months ended June 30, 2010, Allstate Protection s underwriting income was $284 million compared to $215 million in the same period of 2009. The increase in both periods was

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primarily due to decreases in homeowners underwriting loss. Homeowners underwriting loss decreased 75.7% to an underwriting loss of $57 million in the second quarter of 2010 from an underwriting loss of $235 million in the second quarter of 2009, and 22.2% to an underwriting loss of $249 million in the first six months of 2010 from an underwriting loss of $320 million in the first six months of 2009. The decrease in both periods was primarily due to lower catastrophes losses including prior year reestimates for catastrophes, partially offset by increases in homeowner claim frequency excluding catastrophes. Loss cost decreases outpaced earned premium decreases which are impacted by earned rate increases.

Catastrophe losses in the second quarter and first six months of 2010 were $636 million and $1.28 billion, respectively, as detailed in the table below. This compares to catastrophe losses in the second quarter and first six months of 2009 of $818 million and $1.33 billion, respectively.

We define a catastrophe as an event that produces pre-tax losses before reinsurance in excess of $1 million and involves multiple first party policyholders, or an event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, winter storms, tornadoes, hailstorms, wildfires, tropical storms, hurricanes, earthquakes and volcanoes. We are also exposed to man-made catastrophic events, such as certain acts of terrorism or industrial accidents. The nature and level of catastrophes in any future period cannot be reliably predicted.

Catastrophe losses related to events that occurred by the size of the event are shown in the following table.

($ in millions)			**Three months ended June 30, 2010**			
	Number of events		**Claims and claims expense**		**Combined ratio impact**	**Average catastrophe loss per event**
Size of catastrophe						
$101 million to $250 million	1	3.3%	$ 111	17.5%	1.7	$ 111
$50 million to $100 million	4	13.3	259	40.7	4.0	65
Less than $50 million	25	83.4	388	61.0	5.9	16
Total	30	100.0%	758	119.2	11.6	25
Prior year reserve reestimates			(83)	(13.1)	(1.2)	
Prior quarter reserve reestimates			(39)	(6.1)	(0.6)	
Total catastrophe losses			$ 636	100.0%	9.8	

			Six months ended June 30, 2010			
	Number of events		**Claims and**		**Combined ratio**	**Average catastrophe**

			claims expense		impact	loss per event
Size of catastrophe						
$101 million to $250 million	3	7.3%	$ 473	36.8%	3.6	$ 158
$50 million to $100 million	7	17.1	435	33.9	3.4	62
Less than $50 million	31	75.6	474	36.9	3.6	15
Total	41	100.0%	1,382	107.6	10.6	34
Prior year reserve reestimates			(98)	(7.6)	(0.7)	
Total catastrophe losses			$ 1,284	100.0%	9.9	

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Catastrophe losses incurred by the type of event are shown in the following table.

($ in millions)	Three months ended June 30,				Six months ended June 30,			
	2010	**Number of events**	**2009**	**Number of events**	**2010**	**Number of events**	**2009**	**Number of events**
Tornadoes	$ 141	5	$ 147	3	$ 141	5	$ 293	4
Wind/Hail	616	24	572	25	979	30	885	35
Other events	1	1	76	3	262	6	215	6
Prior year reserve reestimates	(83)		1		(98)		(59)	
Prior quarter reserve reestimates	(39)		22		--		--	
Total catastrophe losses	$ 636	30	$ 818	31	$ 1,284	41	$ 1,334	45

Combined ratio Loss ratios are a measure of profitability. Loss ratios by product, and expense and combined ratios by brand, are shown in the following table. These ratios are defined in the Property-Liability Operations section of the MD&A.

	Three months ended June 30,						Six months ended June 30,					
	Loss ratio (1)		**Effect of catastrophe losses on the loss ratio**		**Effect of pre-tax reserve reestimates on the combined ratio**		**Loss ratio (1)**		**Effect of catastrophe losses on the loss ratio**		**Effect of pre-tax reserve reestimates on the combined ratio**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Allstate brand loss ratio:												
Standard auto	70.1	70.7	2.0	2.1	(1.9)	(0.1)	69.8	69.8	1.3	1.9	(1.0)	(0.4)
Non-standard auto	68.9	67.1	0.4	1.3	(4.8)	(2.5)	68.8	67.7	0.4	1.0	(3.1)	(1.5)
Homeowners	82.6	95.1	34.7	45.8	(4.2)	(0.9)	85.0	88.9	35.9	36.6	(2.3)	(1.1)
Other personal lines	65.7	72.5	8.3	9.8	(0.7)	5.0	64.6	69.2	7.8	8.8	(2.3)	2.9
Total Allstate brand loss ratio	72.5	76.3	10.0	12.8	(2.4)	0.1	72.7	74.0	9.8	10.5	(1.5)	(0.3)
Allstate brand expense ratio	24.3	23.6					24.7	24.3				
Allstate brand combined ratio	96.8	99.9					97.4	98.3				
Encompass brand loss ratio:												
Standard auto	73.0	73.5	0.5	0.4	1.6	2.1	74.9	73.8	0.8	0.6	3.4	(0.2)
Non-standard auto	100.0	85.7	--	--	--	(14.3)	100.0	75.0	--	--	--	(6.3)
Homeowners	64.6	76.3	15.6	22.8	(1.0)	1.8	84.2	69.0	31.1	16.4	(1.5)	(5.6)
Other personal lines	64.0	71.4	--	3.6	(4.0)	7.1	77.6	75.0	6.1	1.8	--	10.7
Total Encompass brand loss ratio	69.8	74.4	5.2	7.3	0.3	2.1	78.3	72.5	10.6	5.4	1.6	(1.1)
Encompass brand expense ratio	27.6	26.6					27.3	27.1				
	97.4	101.0					105.6	99.6				

Encompass brand combined ratio												
Allstate Protection loss ratio	72.4	76.2	9.8	12.5	(2.3)	0.3	73.0	74.0	9.9	10.1	(1.4)	(0.3)
Allstate Protection expense ratio	24.4	23.8					24.8	24.4				
Allstate Protection combined ratio	96.8	100.0					97.8	98.4				

(1) Ratios are calculated using the premiums earned for the respective line of business.

Standard auto loss ratio for the Allstate brand decreased 0.6 points in the second quarter of 2010 compared to the same period of 2009 due to favorable reserve reestimates, partially offset by higher claim frequency. The standard auto loss ratio for the Allstate brand in the first six months of 2010 was comparable to the same period of 2009 as more favorable reserve reestimates and lower catastrophe losses were offset by higher claim frequency. In the second quarter and first six months of 2010, claim frequencies in the bodily injury and physical damage

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coverages have increased compared to the same periods of 2009, but remain within historical norms. Bodily injury and physical damage coverages severity results increased in line with historical Consumer Price Index (CPI) trends.

Non-standard auto loss ratio for the Allstate brand increased 1.8 points and 1.1 points in the second quarter and first six months of 2010 compared to the same periods of 2009 due to higher claim frequencies, partially offset by favorable reserve reestimates and lower catastrophe losses. Bodily injury and physical damage coverages severity results increased in line with historical CPI trends.

Homeowners loss ratio for the Allstate brand decreased 12.5 points to 82.6 in the second quarter of 2010 from 95.1 in the second quarter of 2009, and 3.9 points to 85.0 in the first six months of 2010 from 88.9 in the first six months of 2009 due to lower catastrophe losses including prior year reserve reestimates for catastrophes, partially offset by higher frequencies excluding catastrophes. Frequencies excluding catastrophes increased in both periods of 2010 compared to the same periods of 2009, in part, due to inclement weather. Loss cost decreases outpaced earned premium decreases which are impacted by earned rate increases.

Expense ratio for Allstate Protection increased 0.6 points and 0.4 points in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009. Restructuring costs decreased 0.3 points and 0.2 points in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009, driven by costs associated with reorganization of the Business Insurance sales and support model. Excluding restructuring, the expense ratio for Allstate Protection increased 0.9 points and 0.6 points in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009. Improved operational efficiencies were offset by increased investments in marketing, increases in the net costs of employee benefits due to unfavorable investment results and lower earned premium.

The impact of specific costs and expenses on the expense ratio are included in the following table.

	Three months ended June 30,					
	Allstate brand		Encompass brand		Allstate Protection	
	2010	2009	2010	2009	2010	2009
Amortization of DAC	13.9	14.1	18.2	18.4	14.0	14.3
Other costs and expenses	10.2	9.0	9.1	7.9	10.2	9.0
Restructuring and related charges	0.2	0.5	0.3	0.3	0.2	0.5
Total expense ratio	24.3	23.6	27.6	26.6	24.4	23.8

	Six months ended June 30,					
	Allstate brand		Encompass brand		Allstate Protection	
	2010	2009	2010	2009	2010	2009
Amortization of DAC	13.9	14.1	18.3	18.6	14.1	14.4
Other costs and expenses	10.6	9.7	8.4	8.1	10.5	9.6
Restructuring and related charges	0.2	0.5	0.6	0.4	0.2	0.4

Total expense ratio	24.7	24.3	27.3	27.1	24.8	24.4

Allstate Protection Reinsurance

Our catastrophe reinsurance program was designed, utilizing our risk management methodology, to address our exposure to catastrophes nationwide. Our program provides reinsurance protection for catastrophes including storms named or numbered by the National Weather Service, fires following earthquakes, earthquakes and wildfires, including California wildfires. These reinsurance agreements are part of our catastrophe management strategy, which is intended to provide our shareholders an acceptable return on the risks assumed in our property business, and to reduce variability of earnings while providing protection to our customers.

During the second quarter of 2010, we placed reinsurance contracts for the state of Florida. The Florida component of the reinsurance program is designed separately from the other components of the program to address the distinct needs of our separately capitalized legal entities in that state.

Separate agreements have been entered into by Castle Key Insurance Company and its subsidiaries (Castle Key Group) for personal property excess catastrophe losses in Florida, effective June 1, 2010 for a one year term

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for multi-perils including hurricanes, earthquakes and wildfires. The agreements effective June 1, 2010 coordinate coverage for hurricane losses with the Florida Hurricane Catastrophe Fund (FHCF) including both the mandatory FHCF coverage and Castle Key Group s elected participation in the optional temporary increase in coverage limit (TICL). The FHCF coverage includes an estimated maximum provisional limit of 90% of $293.5 million or $264.2 million (comprising 90% of the mandatory FHCF coverage layer of $199.5 million plus 90% of the TICL layer of $94 million), in excess of a provisional retention of $75.5 million, and also includes reimbursement of eligible loss adjustment expenses at 5%. The limit and retention for the FHCF and TICL coverage are both subject to adjustment upward or downward to an actual retention and limit based on submitted exposures to the FHCF by all participants. For each of the two largest hurricanes, the provisional retention is $75.5 million and a retention equal to one third of that amount, or approximately $25 million, is applicable to all other hurricanes for the season beginning June 1, 2010. The agreements are listed and described below.

- FHCF Retention provides coverage on $45.5 million of losses in excess of $30 million and is 100% placed, with one prepaid reinstatement of limit.

- Third Limit Below FHCF provides coverage on $45.5 million of losses in excess of $30 million after the exhaustion of the two limits ($91 million) provided by the FHCF Retention contract.

- FHCF Sliver provides coverage on 10% co-participation of the mandatory FHCF coverage payout up to $19.95 million, and is 100% placed with one prepaid reinstatement of limit.

- FHCF Backup provides coverage of $199.5 million of losses after the exhaustion of any portion of the anticipated mandatory FHCF coverage in excess of $75.5 million (the FHCF Retention). This contract is 90% placed with no reinstatement of limit.

- TICL Sliver provides coverage on 10% co-participation of the TICL coverage payout up to $9.4 million, and is 100% placed with one prepaid reinstatement of limit.

- TICL Backup provides coverage of $94 million of losses after the exhaustion of any portion of the anticipated TICL coverage in excess of $75.5 million (the FHCF Retention) and the anticipated mandatory FHCF coverage (or alternatively, the FHCF Backup). This contract is 90% placed with no reinstatement of limit.

- Excess provides coverage of $184.2 million of losses in excess of $75.5 million (the FHCF Retention), and in excess of an estimated $293.5 million equivalent to $199.5 million (the mandatory FHCF coverage payout or alternatively the FHCF Backup) and $94 million (the TICL coverage payout or alternatively the TICL Backup). This contract is 100% placed with one prepaid reinstatement of limit.

We estimate that the total annualized cost of all catastrophe reinsurance programs for the year beginning June 1, 2010 will be approximately $560 million or $140 million per quarter compared to $640 million annualized cost for the year beginning June 1, 2009. The total cost of our reinsurance programs during 2009 was $158 million in the first quarter, $156 million in the second quarter, $162 million in the third quarter and $153 million in the fourth quarter. The total cost of our property catastrophe reinsurance programs during the first and second quarter of 2010 was $151 million and $152 million, respectively. We continue to attempt to capture our reinsurance cost in premium rates as allowed by state regulatory authorities.

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Reserve reestimates The tables below shows Allstate Protection net reserves representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2010 and 2009, and the effect of reestimates in each year.

($ in millions)	**January 1 reserves**	
	2010	**2009**
Auto	$ 10,606	$ 10,220
Homeowners	2,399	2,824
Other personal lines	2,145	2,207
Total Allstate Protection	$ 15,150	$ 15,251

($ in millions, except ratios)	**Three months ended June 30,**				**Six months ended June 30,**			
	Reserve Reestimates (1) (2)		**Effect on combined ratio** (2)		**Reserve reestimates** (1) (2)		**Effect on combined ratio** (2)	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Auto	$ (85)	$ (4)	(1.3)	--	$ (80)	$ (39)	(0.6)	(0.3)
Homeowners	(61)	(11)	(0.9)	(0.2)	(69)	(43)	(0.6)	(0.3)
Other personal lines	(5)	32	(0.1)	0.5	(27)	41	(0.2)	0.3
Total Allstate Protection (3)	$ (151)	$ 17	(2.3)	0.3	$ (176)	$ (41)	(1.4)	(0.3)
Allstate brand	$ (152)	$ 9	(2.3)	0.2	$ (186)	$ (32)	(1.5)	(0.2)
Encompass brand	1	8	--	0.1	10	(9)	0.1	(0.1)
Total Allstate Protection (3)	$ (151)	$ 17	(2.3)	0.3	$ (176)	$ (41)	(1.4)	(0.3)

(1) Favorable reserve reestimates are shown in parentheses.

(2) Discontinued Lines and Coverages segment reserve reestimates totaled $1 million and $3 million unfavorable in the three months and six months ended June 30, 2010, respectively, compared to $3 million and $6 million unfavorable in the three months and six months ended June 30, 2009, respectively. There was no effect on the combined ratio in the three months ended June 30, 2010. The effect on the combined ratio totaled 0.1 in the six months ended June 30, 2010. There was no effect on the combined ratio in the three months and six months ended June 30, 2009, respectively.

(3) Prior year reserve reestimates included in catastrophe losses totaled $83 million and $98 million favorable in the three months and six months ended June 30, 2010, respectively, compared to $1 million unfavorable and $59 million favorable in the three months and six months ended June 30, 2009, respectively.

DISCONTINUED LINES AND COVERAGES SEGMENT

Overview The Discontinued Lines and Coverages segment includes results from insurance coverage that we no longer write and results for certain commercial and other businesses in run-off. Our exposure to asbestos, environmental and other discontinued lines claims is reported in this segment. We have assigned management of this segment to a designated group of professionals with expertise in claims handling, policy coverage interpretation, exposure identification and reinsurance collection. As part of its responsibilities, this group is also regularly engaged in policy buybacks, settlements and reinsurance assumed and ceded commutations.

Summarized underwriting results are presented in the following table.

($ in millions)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Premiums written	$ --	$ --	$ --	$ (1)
Premiums earned	$ --	$ --	$ --	$ (1)
Claims and claims expense	(1)	(2)	(3)	(5)
Operating costs and expenses	(1)	(2)	(3)	(4)
Underwriting loss	$ (2)	$ (4)	$ (6)	$ (10)

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PROPERTY-LIABILITY INVESTMENT RESULTS

Net investment income decreased 7.2% or $24 million to $310 million in the second quarter of 2010 from $334 million in the second quarter of 2009, and 9.4% or $64 million to $614 million in the first six months of 2010 from $678 million in the first six months of 2009. The decreases in both periods were primarily due to lower yields and duration shortening actions taken to protect the portfolio from rising interest rates, partially offset by higher average asset balances. Net investment income was $326 million, $324 million and $304 million in the third quarter of 2009, fourth quarter of 2009 and first quarter of 2010, respectively.

Net realized capital gains and losses are presented in the following table.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Impairment write-downs	$ (96)	$ (87)	$ (175)	$ (343)
Change in intent write-downs	(10)	(1)	(19)	(73)
Net other-than-temporary impairment losses recognized in earnings	(106)	(88)	(194)	(416)
Sales	121	93	162	143
Valuation of derivative instruments	(134)	188	(235)	208
Settlements of derivative instruments	3	11	(46)	17
EMA limited partnership income	10	(3)	17	(65)
Realized capital gains and losses, pre-tax	(106)	201	(296)	(113)
Income tax benefit (expense)	37	(70)	104	(72)
Realized capital gains and losses, after-tax	$ (69)	$ 131	$ (192)	$ (185)

For a further discussion of net realized capital gains and losses, see the Investments section of the MD&A.

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ALLSTATE FINANCIAL HIGHLIGHTS

- Net loss of $107 million and $103 million in the second quarter and first six months of 2010, respectively, compared to net income of $19 million and a net loss of $308 million in the second quarter and first six months of 2009, respectively.
- Premiums and contract charges on underwritten products, including traditional and interest-sensitive life insurance and accident and health insurance, increased 12.2% or $55 million and 13.6% or $121 million in the second quarter and first six months of 2010, respectively, compared to the same periods in the prior year.
- Net realized capital losses totaled $353 million and $515 million in the second quarter and first six months of 2010, respectively, compared to net realized capital gains of $121 million and $78 million in the second quarter and first six months of 2009, respectively.
- Investments as of June 30, 2010 totaled $61.80 billion, reflecting a decrease in carrying value of $412 million from $62.22 billion as of December 31, 2009. Net investment income decreased 5.4% to $723 million in the second quarter and 8.1% to $1.45 billion in the first six months of 2010 from $764 million and $1.58 billion in the second quarter and first six months of 2009, respectively.
- Contractholder funds as of June 30, 2010 totaled $49.44 billion, reflecting a decrease of $3.14 billion from $52.58 billion as of December 31, 2009.

ALLSTATE FINANCIAL SEGMENT

Summary analysis Summarized financial data is presented in the following table.

($ in millions)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Revenues				
Life and annuity premiums and contract charges	$ 545	$ 494	$ 1,089	$ 978
Net investment income	723	764	1,454	1,583
Realized capital gains and losses	(353)	121	(515)	78
Total revenues	915	1,379	2,028	2,639
Costs and expenses				
Life and annuity contract benefits	(485)	(407)	(927)	(794)
Interest credited to contractholder funds	(450)	(561)	(913)	(1,140)
Amortization of DAC	(35)	(289)	(124)	(737)
Operating costs and expenses	(116)	(105)	(236)	(226)
Restructuring and related charges	1	(2)	1	(20)
Total costs and expenses	(1,085)	(1,364)	(2,199)	(2,917)
Gain on disposition of operations	2	1	3	4

Income tax benefit (expense)		61		3		65		(34)
Net (loss) income	$	(107)	$	19	$	(103)	$	(308)
Investments at June 30					$	61,804	$	59,861

Net loss in the second quarter of 2010 was $107 million compared to net income of $19 million in the same period of 2009. The unfavorable change of $126 million was primarily due to net realized capital losses in the current year period compared to net realized capital gains in the prior year period and higher life and annuity contract benefits, partially offset by lower amortization of DAC and interest credited to contractholder funds.

Net loss in the first six months of 2010 was $103 million compared to a net loss of $308 million in the first six months of 2009. The improvement of $205 million was primarily due to lower amortization of DAC and interest credited to contractholder funds, partially offset by net realized capital losses in the current year period compared to net realized capital gains in the prior year period and higher contract benefits. Additionally, the first six months of 2009 included expense of $142 million attributable to an increase in the valuation allowance relating to the deferred tax asset on capital losses.

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Analysis of revenues Total revenues decreased 33.6% or $464 million in the second quarter of 2010 and 23.2% or $611 million in the first six months of 2010 compared to the same periods of 2009 due to net realized capital losses in the current year periods compared to net realized capital gains in the prior year periods and lower net investment income, partially offset by increased life and annuity premiums and contract charges.

Life and annuity premiums and contract charges Premiums represent revenues generated from traditional life insurance, immediate annuities with life contingencies, and accident and health insurance products that have significant mortality or morbidity risk. Contract charges are revenues generated from interest-sensitive and variable life insurance and fixed annuities for which deposits are classified as contractholder funds or separate account liabilities. Contract charges are assessed against the contractholder account values for maintenance, administration, cost of insurance and surrender prior to contractually specified dates. As a result, changes in contractholder funds are considered in the evaluation of growth and as indicators of future levels of revenues.

The following table summarizes life and annuity premiums and contract charges by product.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Premiums				
Traditional life insurance	$ 104	$ 100	$ 210	$ 200
Immediate annuities with life contingencies	31	34	58	68
Accident and health	151	114	307	226
Total premiums	286	248	575	494
Contract charges				
Interest-sensitive life insurance	249	235	491	461
Fixed annuities	10	11	23	23
Total contract charges (1)	259	246	514	484
Life and annuity premiums and contract charges	$ 545	$ 494	$ 1,089	$ 978

(1) Total contract charges for the second quarter of 2010 and 2009 include contract charges related to the cost of insurance totaling $159 million and $150 million, respectively. Total contract charges for the first six months of 2010 and 2009 include contract charges related to the cost of insurance totaling $315 million and $302 million, respectively.

Total premiums increased 15.3% and 16.4% in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009 primarily due to higher sales of accident and health insurance through the Allstate Workplace Division, with a significant portion of the increase resulting from employees of one large company.

Total contract charges increased 5.3% and 6.2% in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009 primarily due to higher contract charges on interest-sensitive life insurance products resulting from a shift in the mix of policies in force.

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Explanation of Responses:

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Contractholder funds represent interest-bearing liabilities arising from the sale of individual and institutional products, such as interest-sensitive life insurance, fixed annuities, funding agreements and bank deposits. The balance of contractholder funds is equal to the cumulative deposits received and interest credited to the contractholder less cumulative contract maturities, benefits, surrenders, withdrawals and contract charges for mortality or administrative expenses. The following table shows the changes in contractholder funds.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Contractholder funds, beginning balance	$ 51,027	$ 56,621	$ 52,582	$ 58,413
Deposits				
Fixed annuities	237	635	528	1,270
Interest-sensitive life insurance	391	357	786	699
Bank and other deposits	234	268	486	695
Total deposits	862	1,260	1,800	2,664
Interest credited	448	515	910	1,046
Maturities, benefits, withdrawals and other adjustments				
Maturities and retirements of institutional products	(827)	(2,552)	(1,781)	(4,503)
Benefits	(395)	(406)	(790)	(856)
Surrenders and partial withdrawals	(1,355)	(1,235)	(2,603)	(2,448)
Contract charges	(243)	(227)	(484)	(448)
Net transfers from separate accounts	3	2	5	6
Fair value hedge adjustments for institutional products	(74)	78	(197)	30
Other adjustments (1)	(3)	(57)	1	95
Total maturities, benefits, withdrawals and other adjustments	(2,894)	(4,397)	(5,849)	(8,124)
Contractholder funds, ending balance	$ 49,443	$ 53,999	$ 49,443	$ 53,999

(1) The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the Condensed Consolidated Statements of Financial Position. The table above is intended to supplement our discussion and analysis of revenues, which are presented net of reinsurance on the Condensed Consolidated Statements of Operations. As a result, the net change in contractholder funds associated with products reinsured to third parties is reflected as a component of the other adjustments line.

Contractholder funds decreased 3.1% and 6.0% in the second quarter and first six months of 2010, respectively, compared to a decrease of 4.6% and 7.6% in the second quarter and first six months of 2009, respectively. Average contractholder funds decreased 9.2% in both the second quarter and first six months of 2010 compared to the same periods of 2009.

Contractholder deposits decreased 31.6% and 32.4% in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009 primarily due to lower deposits on fixed annuities. Deposits on fixed annuities decreased 62.7% and 58.4% in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009 due to our strategic decision to discontinue distributing fixed annuities through banks and broker-dealers and our goal to reduce our concentration in spread based products.

Maturities and retirements of institutional products decreased 67.6% to $827 million in the second quarter of 2010 and 60.4% to $1.78 billion in the first six months of 2010 from $2.55 billion and $4.50 billion in the second quarter and first six months of 2009, respectively. These declines were primarily due to the redemption in the second quarter of 2009 of $1.39 billion of institutional product liabilities in conjunction with cash tender offers. In addition, the second quarter and first six months of 2009 included the retirement of $80 million and $1.44 billion, respectively, of extendible institutional market obligations, all of which were retired during 2009.

Surrenders and partial withdrawals on deferred fixed annuities, interest-sensitive life insurance products and Allstate Bank products (including maturities of certificates of deposit) increased 9.7% to $1.36 billion in the second quarter of 2010 and 6.3% to $2.60 billion in the first six months of 2010 from $1.24 billion and $2.45 billion in the second quarter and first six months of 2009, respectively, due to higher surrenders and partial withdrawals on fixed annuities, partially offset by lower surrenders and partial withdrawals on Allstate Bank products. The annualized

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surrender and partial withdrawal rate on deferred fixed annuities, interest-sensitive life insurance products and Allstate Bank products, based on the beginning of period contractholder funds, was 12.2% in the first six months of 2010 compared to 11.2% in the first six months of 2009.

Net investment income decreased 5.4% or $41 million to $723 million in the second quarter of 2010 and 8.1% or $129 million to $1.45 billion in the first six months of 2010 from $764 million and $1.58 billion in the second quarter and first six months of 2009, respectively, primarily due to lower yields and actions to reduce the portfolio s exposure to commercial real estate, along with reduced average asset balances. Net investment income was $744 million, $737 million and $731 million in the third quarter of 2009, fourth quarter of 2009 and first quarter of 2010, respectively.

Net realized capital gains and losses are presented in the following table.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Impairment write-downs	$ (143)	$ (204)	$ (287)	$ (561)
Change in intent write-downs	(57)	(25)	(80)	(58)
Net other-than-temporary impairment losses recognized in earnings	(200)	(229)	(367)	(619)
Sales	18	163	62	522
Valuation of derivative instruments	(149)	179	(203)	262
Settlements of derivative instruments	(30)	41	(11)	23
EMA limited partnership income	8	(33)	4	(110)
Realized capital gains and losses, pre-tax	(353)	121	(515)	78
Income tax benefit (expense)	123	(39)	180	(166)
Realized capital gains and losses, after-tax	$ (230)	$ 82	$ (335)	$ (88)

For further discussion of realized capital gains and losses, see the Investments section of the MD&A.

Analysis of costs and expenses Total costs and expenses decreased 20.5% or $279 million in the second quarter of 2010 and 24.6% or $718 million in the first six months of 2010 compared to the same periods of 2009 due primarily to lower amortization of DAC and interest credited to contractholder funds, partially offset by higher life and annuity contract benefits.

Life and annuity contract benefits increased 19.2% or $78 million in the second quarter of 2010 and 16.8% or $133 million in the first six months of 2010 compared to the same periods of 2009. The increase in both periods reflects higher contract benefits on interest-sensitive life insurance and accident and health insurance, partially offset by lower contract benefits on immediate annuities. The increase in contract benefits on interest-sensitive life insurance in both periods was due to the re-estimation of reserves for certain secondary guarantees on universal life insurance policies and unfavorable mortality experience. Higher contract benefits on accident and health insurance business in both periods was proportionate to growth in premiums. The decrease in contract benefits on immediate annuities in both periods was primarily due to the re-estimation of reserves for benefits payable to certain annuitants to reflect current contractholder information.

The reserve re-estimations utilized more refined policy level information and assumptions in the second quarter of 2010. The increase in reserves for certain secondary guarantees on universal life insurance policies resulted in a charge to contract benefits of $68 million and a related reduction in amortization of DAC of $50 million. The decrease in reserves for immediate annuities resulted in a credit to contract benefits of $26 million. The net impact was an increase to income of $8 million, pre-tax.

We analyze our mortality and morbidity results using the difference between premiums and contract charges earned for the cost of insurance and life and annuity contract benefits excluding the portion related to the implied interest on immediate annuities with life contingencies (benefit spread). This implied interest totaled $139 million and $278 million in the second quarter and first six months of 2010, respectively, compared to $140 million and $279 million in the second quarter and first six months of 2009, respectively.

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The benefit spread by product group is disclosed in the following table.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Life insurance	$ 23	$ 96	$ 111	$ 199
Accident and health	60	50	124	99
Annuities	16	(15)	6	(17)
Total benefit spread	$ 99	$ 131	$ 241	$ 281

Benefit spread decreased 24.4% or $32 million in the second quarter of 2010 and 14.2% or $40 million in the first six months of 2010 compared to the same periods of 2009 primarily due to re-estimations of reserves that increased contract benefits for interest-sensitive life insurance and decreased contract benefits for immediate annuities and unfavorable mortality experience on interest-sensitive life insurance, partially offset by growth in accident and health insurance business sold through the Allstate Workplace Division.

Interest credited to contractholder funds decreased 19.8% or $111 million in the second quarter of 2010 and 19.9% or $227 million in the first six months of 2010 compared to the same periods of 2009 primarily due to lower average contractholder funds, management actions to reduce interest crediting rates on deferred fixed annuities, and lower amortization of deferred sales inducement costs (DSI).

Amortization of DSI in the second quarter and first six months of 2010 was $6 million and $11 million, respectively, compared to $53 million and $110 million in the second quarter and first six months of 2009, respectively. The decline in amortization of DSI in both periods was primarily due to lower amortization relating to realized capital gains and losses and, for the first six months of 2010, a reduction in amortization acceleration for changes in assumptions. Amortization of DSI relating to realized capital gains and losses declined $41 million and $45 million in the second quarter and first six months of 2010, respectively, compared to the same periods in the prior year. Amortization acceleration for changes in assumptions declined $38 million in the first six months of 2010 compared to the same period in the prior year.

In order to analyze the impact of net investment income and interest credited to contractholders on net income, we monitor the difference between net investment income and the sum of interest credited to contractholder funds and the implied interest on immediate annuities with life contingencies, which is included as a component of life and annuity contract benefits on the Condensed Consolidated Statements of Operations (investment spread).

The investment spread by product group is shown in the following table.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Annuities and institutional products	$ 54	$ 3	$ 104	$ 37

Life insurance	6	7	13	4
Allstate Bank products	8	7	16	13
Accident and health	4	4	8	8
Net investment income on investments supporting capital	62	42	122	102
Total investment spread	$ 134	$ 63	$ 263	$ 164

Investment spread increased 112.7% or $71 million in the second quarter of 2010 and 60.4% or $99 million in the first six months of 2010 compared to the same periods of 2009 as lower net investment income was more than offset by decreased interest credited to contractholder funds, which includes lower amortization of DSI. Excluding amortization of DSI, investment spread increased $24 million or 20.7% in the second quarter of 2010 and was consistent in the first six months of 2010 compared to the same periods in the prior year.

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To further analyze investment spreads, the following tables summarize the weighted average investment yield on assets supporting product liabilities and capital, interest crediting rates and investment spreads.

	Three months ended June 30,					
	Weighted average investment yield		Weighted average interest crediting rate		Weighted average investment spreads	
	2010	2009	2010	2009	2010	2009
Interest-sensitive life insurance	5.5 %	5.4 %	4.4 %	4.5 %	1.1 %	0.9 %
Deferred fixed annuities and institutional products	4.5	4.5	3.2	3.5	1.3	1.0
Immediate fixed annuities with and without life contingencies	6.5	6.3	6.4	6.5	0.1	(0.2)
Investments supporting capital, traditional life and other products	3.7	2.9	N/A	N/A	N/A	N/A

	Six months ended June 30,					
	Weighted average investment yield		Weighted average interest crediting rate		Weighted average investment spreads	
	2010	2009	2010	2009	2010	2009
Interest-sensitive life insurance	5.5 %	5.4 %	4.4 %	4.6 %	1.1 %	0.8 %
Deferred fixed annuities and institutional products	4.5	4.6	3.2	3.4	1.3	1.2
Immediate fixed annuities with and without life contingencies	6.5	6.3	6.4	6.5	0.1	(0.2)
Investments supporting capital, traditional life and other products	3.7	3.5	N/A	N/A	N/A	N/A

The following table summarizes our product liabilities and indicates the account value of those contracts and policies in which an investment spread is generated.

($ in millions)	June 30,	
	2010	2009
Immediate fixed annuities with life contingencies	$ 8,572	$ 8,407
Other life contingent contracts and other	4,911	4,428
Reserve for life-contingent contract benefits	$ 13,483	$ 12,835
Interest-sensitive life insurance	$ 10,525	$ 10,085
Deferred fixed annuities	30,709	33,413
Immediate fixed annuities without life contingencies	3,840	3,879
Institutional products	2,650	4,570
Allstate Bank products	1,092	1,059
Market value adjustments related to fair value hedges and other	627	993
Contractholder funds	$ 49,443	$ 53,999

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Amortization of DAC decreased 87.9% or $254 million in the second quarter of 2010 and 83.2% or $613 million in the first six months of 2010 compared to the same periods of 2009. The components of amortization of DAC are summarized in the following table.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Amortization of DAC before amortization relating to realized capital gains and losses and changes in assumptions	$ (41)	$ (130)	$ (139)	$ (274)
Accretion (amortization) relating to realized capital gains and losses (1)	6	(159)	3	(186)
Amortization deceleration (acceleration) for changes in assumptions (DAC unlocking)	--	--	12	(277)
Total amortization of DAC	$ (35)	$ (289)	$ (124)	$ (737)

(1) The impact of realized capital gains and losses on amortization of DAC is dependent upon the relationship between the assets that give rise to the gain or loss and the product liability supported by the assets. Fluctuations result from changes in the impact of realized capital gains and losses on actual and expected gross profits.

The decreases of $254 million and $613 million in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009 were primarily due to a favorable change in amortization/accretion relating to realized capital gains and losses, lower amortization resulting from decreased benefit spread on interest-sensitive life insurance due to the re-estimation of reserves, a lower amortization rate on fixed annuities and, for the first six months of 2010, a favorable change in amortization acceleration/deceleration for changes in assumptions.

During the first quarter of 2010, we completed our annual comprehensive review of the profitability of our products to determine DAC balances for our interest-sensitive life, fixed annuities and other investment contracts, which covers assumptions for investment returns, including capital gains and losses, interest crediting rates to policyholders, the effect of any hedges, persistency, mortality and expenses in all product lines. In the first quarter of 2010, the review resulted in a deceleration of DAC amortization (credit to income) of $12 million. Amortization deceleration of $45 million related to variable life insurance and was primarily due to appreciation in the underlying separate account valuations. Amortization acceleration of $32 million related to interest-sensitive life insurance and was primarily due to an increase in projected realized capital losses and lower projected renewal premium (which is also expected to reduce persistency), partially offset by lower expenses.

In the first quarter of 2009, our annual comprehensive review resulted in the acceleration of DAC amortization (charge to income) of $277 million. $289 million related to fixed annuities, of which $210 million was attributable to market value adjusted annuities, and $18 million related to variable life insurance. Partially offsetting these amounts was amortization deceleration (credit to income) for interest-sensitive life insurance of $30 million. The principal assumption impacting fixed annuity amortization acceleration was an increase in the level of expected realized capital losses in 2009 and 2010. For interest-sensitive life insurance, the amortization deceleration was due to a favorable change in our mortality assumptions, partially offset by increased expected capital losses.

Operating costs and expenses increased 10.5% and 4.4% in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009. The following table summarizes operating costs and expenses.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2010	**2009**	**2010**	**2009**
Non-deferrable acquisition costs	$ 41	$ 40	$ 85	$ 80
Other operating costs and expenses	75	65	151	146
Total operating costs and expenses	$ 116	$ 105	$ 236	$ 226
Restructuring and related charges	$ (1)	$ 2	$ (1)	$ 20

Non-deferrable acquisition costs increased 2.5% or $1 million and 6.3% or $5 million in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009 primarily due to higher non-deferrable commissions related to accident and health insurance business sold through the Allstate Workplace Division. Other

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operating costs and expenses increased 15.4% or $10 million and 3.4% or $5 million in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009 due primarily to increases in the net cost of employee benefits due to unfavorable investment results. In the first six months of 2010, the increase in the net cost of employee benefits was partially offset by our expense reduction actions, which resulted in lower employee, professional services and sales support expenses.

Income tax benefit of $61 million and $65 million was recognized for the second quarter and first six months of 2010, respectively, compared to an income tax benefit of $3 million in the second quarter of 2009 and expense of $34 million in the first six months of 2009. Income tax expense for the first six months of 2009 included expense of $142 million attributable to an increase in the valuation allowance relating to the deferred tax asset on capital losses.

INVESTMENTS HIGHLIGHTS

- Investments as of June 30, 2010 totaled $99.94 billion, an increase of 0.1% from $99.83 billion as of December 31, 2009.
- Unrealized net capital gains totaled $400 million as of June 30, 2010, improving from unrealized net capital losses of $2.32 billion as of December 31, 2009.
- Net investment income was $1.05 billion in the second quarter of 2010, a decrease of 5.3% from $1.11 billion in the second quarter of 2009, and $2.10 billion in the first six months of 2010, a decrease of 8.1% from $2.28 billion in the first six months of 2009.
- Net realized capital losses were $451 million in the second quarter of 2010 compared to net realized capital gains of $328 million in the second quarter of 2009. Net realized capital losses were $799 million in the first six months of 2010 compared to net realized capital losses of $31 million in the first six months of 2009.
- Derivative net realized capital losses totaled $310 million in the second quarter of 2010 compared to net realized capital gains of $419 million in the second quarter of 2009, and net realized capital losses of $495 million in the first six months of 2010 compared to net realized gains of $510 million in the first six months of 2009. $177 million and $353 million of the net realized capital losses in the second quarter and first six months of 2010, respectively, resulted from our risk mitigation (macro hedge) and other risk management actions.
- During the first six months of 2010, our fixed income and mortgage loan portfolio generated $5.03 billion of cash flows from interest and maturities.

INVESTMENTS

We continue to focus our strategic risk mitigation efforts towards managing interest rate, equity, credit and real estate investment risks, while our return optimization efforts focus on investing in new opportunities to generate income and capital appreciation. As a result, during the first six months of 2010 we took the following actions:

- Reduced our municipal bond exposure by 13.5% or $2.92 billion of amortized cost primarily through targeted dispositions, calls and scheduled maturities.
- Reduced our commercial real estate exposure by 12.8% or $1.58 billion of amortized cost primarily through targeted dispositions and principal repayments from borrowers.
- Reduced our exposure to equity markets by $1.49 billion of cost as a result of our asset allocation strategy, which takes into consideration our risk-return analysis.
- We continue to monitor fixed income and equity securities in our portfolio which are exposed to certain economies under stress in the European Union, particularly Greece, Ireland, Italy, Portugal and Spain. The total market value of our investments in these five countries is $974 million, with net unrealized capital losses of $21 million. Our total sovereign debt exposure is $3 million, all of

which relates to Italy. Of the remaining $971 million of these investments, $900 million are corporate fixed income securities and $71 million are equity securities.

- Hedges remain in place to protect our portfolio against interest rate and equity risks, and performed consistently with our positions in relation to the movement in the underlying market indices. The resulting realized capital losses from our interest rate hedges were offset by the increase in fair value of our fixed income securities, which is reflected in other comprehensive income (OCI).

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The composition of the investment portfolios at June 30, 2010 is presented in the table below.

($ in millions)	Property-Liability (5)		Allstate Financial (5)		Corporate and Other (5)		Total	
		Percent to total		Percent to total		Percent to total		Percent to total
Fixed income securities (1)	$ 29,156	83.2%	$ 50,547	81.8%	$ 2,222	72.3%	$ 81,925	82.0%
Equity securities (2)	3,063	8.7	191	0.3	--	--	3,254	3.3
Mortgage loans	38	0.1	7,135	11.6	--	--	7,173	7.2
Limited partnership interests (3)	2,014	5.7	1,067	1.7	38	1.2	3,119	3.1
Short-term (4)	655	1.9	947	1.5	812	26.4	2,414	2.4
Other	139	0.4	1,917	3.1	2	0.1	2,058	2.0
Total	$ 35,065	100.0%	$ 61,804	100.0%	$ 3,074	100.0%	$ 99,943	100.0%

(1) Fixed income securities are carried at fair value. Amortized cost basis for these securities was $28.90 billion, $50.36 billion and $2.16 billion for Property-Liability, Allstate Financial and Corporate and Other, respectively.

(2) Equity securities are carried at fair value. Cost basis for these securities was $3.18 billion and $181 million for Property-Liability and Allstate Financial, respectively.

(3) We have commitments to invest in additional limited partnership interests totaling $702 million and $721 million for Property-Liability and Allstate Financial, respectively.

(4) Short-term investments are carried at fair value. Amortized cost basis for these investments was $655 million, $947 million and $812 million for Property-Liability, Allstate Financial and Corporate and Other, respectively.

(5) Balances reflect the elimination of related party investments between segments.

Total investments increased to $99.94 billion at June 30, 2010, from $99.83 billion at December 31, 2009, primarily due to higher valuations for fixed income securities, partially offset by net reductions in contractholder obligations. Valuations of fixed income securities are typically driven by a combination of changes in risk-free interest rates and credit spreads over the relevant period. Risk-free interest rates are typically defined as the yield on U.S. Treasury securities, whereas credit spread is the additional yield on fixed income securities above the risk-free rate that market participants require to compensate them for assuming credit, liquidity and/or prepayment risks. The increase in valuation for fixed income securities for the six months ended June 30, 2010 was mainly due to declining risk-free interest rates, partially offset by widening credit spreads in certain sectors.

The Property-Liability investment portfolio increased to $35.07 billion at June 30, 2010, from $34.53 billion at December 31, 2009, primarily due to positive operating cash flows and higher valuations for fixed income securities, partially offset by lower valuations for equity securities, driven by market declines.

The Allstate Financial investment portfolio decreased to $61.80 billion at June 30, 2010, from $62.22 billion at December 31, 2009, primarily due to net reductions in contractholder obligations of $3.14 billion, partially offset by higher valuations for fixed income securities.

The Corporate and Other investment portfolio decreased to $3.07 billion at June 30, 2010, from $3.09 billion at December 31, 2009, as dividends paid to shareholders and interest paid on debt more than offset a dividend of $200 million paid by Allstate Insurance Company (AIC) to its parent, The Allstate Corporation (the Corporation), and higher valuations for fixed income securities.

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Fixed income securities by type are listed in the table below.

($ in millions)	Fair value at June 30, 2010	Percent to total investments	Fair value at December 31, 2009	Percent to total investments
U.S. government and agencies	$ 9,185	9.2%	$ 7,536	7.6%
Municipal	18,849	18.9	21,280	21.3
Corporate	35,935	36.0	33,115	33.2
Foreign government	3,252	3.2	3,197	3.2
Residential mortgage-backed securities (RMBS)	8,961	9.0	7,987	8.0
Commercial mortgage-backed securities (CMBS)	2,132	2.1	2,586	2.6
Asset-backed securities (ABS)	3,572	3.6	3,026	3.0
Redeemable preferred stock	39	--	39	--
Total fixed income securities	$ 81,925	82.0%	$ 78,766	78.9%

At June 30, 2010, 93.0% of the consolidated fixed income securities portfolio was rated investment grade, which is defined as a security having a rating of Aaa, Aa, A or Baa from Moody s, a rating of AAA, AA, A or BBB from Standard & Poor s (S&P), Fitch, Dominion, or Realpoint, a rating of aaa, aa, a, or bbb from A.M. Best, or a comparable internal rating, if an externally provided rating is not available.

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The following table summarizes the fair value and unrealized net capital gains and losses for fixed income securities by credit rating as of June 30, 2010.

($ in millions)	**Aaa**		**Aa**		**A**	
	Fair value	**Unrealized gain/(loss)**	**Fair value**	**Unrealized gain/(loss)**	**Fair value**	**Unrealized gain/(loss)**
U.S. government and agencies	$ 9,185	$ 512	$ --	$ --	$ --	$ --
Municipal						
Tax exempt	1,401	100	5,896	229	3,370	68
Taxable	144	7	2,568	69	1,328	(30)
Auction rate securities (ARS)	971	(46)	97	(11)	114	(20)
Corporate						
Public	2,489	57	2,736	129	6,525	455
Privately placed	997	46	1,677	86	3,448	192
Hybrid	34	4	32	5	510	(95)
Foreign government	1,887	271	447	18	495	44
RMBS						
U.S. government sponsored entities (U.S. Agency)	5,256	193	--	--	--	--
Prime residential mortgage-backed securities (Prime)	547	(6)	92	(10)	226	(8)
Alt-A residential mortgage-backed securities (Alt-A)	43	(1)	69	(8)	129	(9)
Subprime residential mortgage-backed securities (Subprime)	108	(6)	301	(138)	182	(62)
CMBS	1,328	(9)	230	(44)	265	(126)
ABS						
Collateralized debt obligations (CDO)	13	(1)	595	(21)	500	(98)
Consumer and other asset-backed securities (Consumer and other ABS)	1,019	22	279	3	234	(7)
Redeemable preferred stock	--	--	--	--	3	1
Total fixed income securities	$ 25,422	$ 1,143	$ 15,019	$ 307	$ 17,329	$ 305

	Baa		**Ba or lower**		**Total**	
	Fair value	**Unrealized gain/(loss)**	**Fair value**	**Unrealized gain/(loss)**	**Fair value**	**Unrealized gain/(loss)**
U.S. government and agencies	$ --	$ --	$ --	$ --	$ 9,185	$ 512
Municipal						
Tax exempt	1,440	(37)	636	(62)	12,743	298
Taxable	576	(84)	162	(65)	4,778	(103)

ARS	43	(8)	103	(21)	1,328	(106)
Corporate						
Public	8,207	492	1,251	(1)	21,208	1,132
Privately placed	6,335	181	1,086	13	13,543	518
Hybrid	462	(105)	146	(14)	1,184	(205)
Foreign government	417	16	6	1	3,252	350
RMBS						
U.S. Agency	--	--	--	--	5,256	193
Prime	21	(6)	517	(21)	1,403	(51)
Alt-A	49	(7)	435	(142)	725	(167)
Subprime	102	(33)	884	(690)	1,577	(929)
CMBS	185	(181)	124	(193)	2,132	(553)
ABS						
CDO	252	(96)	389	(181)	1,749	(397)
Consumer and other ABS	260	(6)	31	(5)	1,823	7
Redeemable preferred stock	32	--	4	--	39	1
Total fixed income securities	$ 18,381	$ 126	$ 5,774	$ (1,381)	$ 81,925	$ 500

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Municipal Bonds, including tax exempt, taxable and ARS securities, totaled $18.85 billion as of June 30, 2010 with an unrealized net capital gain of $89 million. Taxable municipal bonds have an unrealized net capital loss of $103 million resulting primarily from wider credit spreads than at initial purchase, which is largely due to the deterioration of state and municipal market conditions which continue to persist in 2010, as well as issuer-specific conditions.

Included in our municipal bond holdings at June 30, 2010 are $1.08 billion of municipal securities which are not rated by third party credit rating agencies, but are rated by the National Association of Insurance Commissioners (NAIC) and are also internally rated. These holdings include $560 million of below investment grade municipal bonds that provide the opportunity to achieve incremental returns. Our initial investment decisions and ongoing monitoring procedures for these securities are based on a thorough due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure, and liquidity risks of each issue.

As of June 30, 2010, 49.0% or $9.23 billion of our municipal bond portfolio is insured by nine bond insurers and 47.3% of these securities have a credit rating of Aaa or Aa. 48.0% of our insured municipal bond portfolio was insured by National Public Finance Guarantee Corporation, Inc., 22.9% by Ambac Assurance Corporation, 22.2% by Assured Guaranty Municipal Corporation and 2.9% by Assured Guaranty Ltd. Given the effects of the economic crisis on bond insurers in recent years, the value inherent in this insurance has declined. We believe the fair value of our insured municipal bond portfolio substantially reflects the decline in the value of the insurance, and further related valuation declines, if any, are not expected to be material. While the valuation of these holdings may be temporarily impacted by negative market developments, we expect to receive all of the contractual cash flows because our practices for acquiring and monitoring municipal bonds are predominantly based on the underlying credit quality of the primary obligor.

Corporate bonds, including publicly traded, privately placed and hybrid securities, totaled $35.94 billion as of June 30, 2010 with an unrealized net capital gain of $1.45 billion. Privately placed securities primarily consist of corporate issued senior debt securities that are in unregistered form or are directly negotiated with the borrower. 52.3% of the privately placed corporate securities in our portfolio are rated by an independent rating agency and substantially all are rated by the NAIC.

The following table shows details of our hybrid securities as of June 30, 2010.

($ in millions)	**Public**		**Privately placed**		**Total**	
	Fair value	**Unrealized gain/(loss)**	**Fair value**	**Unrealized gain/(loss)**	**Fair value**	**Unrealized gain/(loss)**
United Kingdom (UK)	$ 79	$ (13)	$ 54	$ (7)	$ 133	$ (20)
Europe (non-UK)	163	(1)	265	(60)	428	(61)
Asia/Australia	11	--	112	(10)	123	(10)
North America	314	(68)	186	(46)	500	(114)
Total	$ 567	$ (82)	$ 617	$ (123)	$ 1,184	$ (205)

Hybrid securities have attributes most similar to those of fixed income securities such as stated interest rates and mandatory redemption dates. Additionally, some hybrids may have an interest rate step-up feature which is intended to incent the issuer to redeem the security at a specified call date. While hybrid securities are generally issued by investment grade-rated financial institutions, they have structural features, such as the ability to defer principal and interest payments, which make them more sensitive to credit market deterioration. $983 million of our hybrid securities with $200 million of unrealized net capital losses are Tier 1 securities, and $201 million with $5 million of unrealized net capital losses are Tier 2 securities. Tier 1 securities are lower in the capital structure than Tier 2 securities.

RMBS, CMBS and ABS are structured securities that are primarily collateralized by residential and commercial real estate related loans and other consumer related borrowings. The cash flows from the collateral paid to the securitization trust are generally applied in a pre-determined order and are designed so that each security issued by the trust, typically referred to as a class , qualifies for a specific original rating. For example, the senior portion or top of the capital structure, or rating class, which would originally qualify for a rating of Aaa typically has priority in receiving the principal repayments on the collateral. In a sequential structure, underlying collateral principal repayments are directed to the most senior rated Aaa class in the structure until paid in full, after which principal repayments are directed to the next most senior Aaa class in the structure until it is paid in full. Senior Aaa classes generally share any losses from the underlying collateral on a pro-rata basis after losses are absorbed by

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classes with lower original ratings. The collateral can have fixed interest rates, variable interest rates (such as adjustable rate mortgages (ARM)) or may contain features of both fixed and variable rate mortgages.

RMBS, including U.S. Agency, Prime, Alt-A and Subprime, totaled $8.96 billion, with 79.5% rated investment grade, at June 30, 2010. The RMBS portfolio is subject to interest rate risk, but unlike other fixed income securities, is additionally subject to significant prepayment risk from the underlying residential mortgage loans. The credit risk associated with our RMBS portfolio is mitigated due to the fact that 58.7% of the portfolio consists of securities that were issued by or have underlying collateral guaranteed by U.S. government agencies. The unrealized net capital loss of $954 million at June 30, 2010 was the result of wider credit spreads than at initial purchase on the non-U.S. Agency portion of our RMBS portfolio, largely due to increased risk premiums caused by macroeconomic conditions and credit market deterioration, including the impact of real estate valuations, which continue to persist in 2010. The following table shows our RMBS portfolio at June 30, 2010, based upon vintage year of the issuance of the securities.

($ in millions)	U.S. Agency		Prime		Alt-A		Subprime		Total RMBS	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
2010	$ 335	$ --	$ 223	$ (2)	$ 69	$ --	$ --	$ --	$ 627	$ (2)
2009	924	23	73	--	10	--	--	--	1,007	23
2008	951	29	--	--	--	--	--	--	951	29
2007	528	11	242	(9)	105	(70)	407	(323)	1,282	(391)
2006	340	11	296	(12)	176	(22)	470	(278)	1,282	(301)
2005	668	27	215	(24)	165	(41)	408	(206)	1,456	(244)
Pre-2005	1,510	92	354	(4)	200	(34)	292	(122)	2,356	(68)
Total	$ 5,256	$ 193	$ 1,403	$ (51)	$ 725	$ (167)	$ 1,577	$ (929)	$ 8,961	$ (954)

Prime are collateralized by residential mortgage loans issued to prime borrowers. As of June 30, 2010, $1.06 billion of the Prime were fixed rate and $345 million were variable rate.

Alt-A includes securities collateralized by residential mortgage loans issued to borrowers who do not qualify for prime financing terms due to high loan-to-value ratios or limited supporting documentation, but have stronger credit profiles than subprime borrowers. As of June 30, 2010, $531 million of the Alt-A were fixed rate and $194 million were variable rate.

Subprime includes securities that are collateralized by residential mortgage loans issued to borrowers that cannot qualify for Prime or Alt-A financing terms due in part to weak or limited credit history. It also includes securities that are collateralized by certain second lien mortgages regardless of the borrower s credit history. The Subprime portfolio consisted of $1.29 billion and $284 million of first lien and second lien securities, respectively. Subprime included $828 million of fixed rate and $749 million of variable rate securities.

CMBS totaled $2.13 billion, with 94.2% rated investment grade, at June 30, 2010. The CMBS portfolio is subject to credit risk, but unlike certain other structured securities, is generally not subject to prepayment risk due to protections within the underlying commercial mortgage loans whereby borrowers are effectively restricted from prepaying their mortgages. Of the CMBS investments, 93.5% are traditional conduit transactions collateralized by commercial mortgage loans, broadly diversified across property types and geographical area. The remainder consists of non-traditional CMBS such as small balance transactions, large loan pools and single borrower transactions.

The following table shows our CMBS portfolio at June 30, 2010 based upon vintage year.

($ in millions)	**Fair value**	**Unrealized gain/(loss)**
2010	$ 24	$ --
2007	436	(130)
2006	561	(327)
2005	313	(77)
Pre-2005	798	(19)
Total CMBS	$ 2,132	$ (553)

The unrealized net capital loss of $553 million at June 30, 2010 on our CMBS portfolio was the result of wider credit spreads than at initial purchase, largely due to the macroeconomic conditions and credit market deterioration, including the impact of real estate valuations, which continue to persist in 2010. While CMBS spreads tightened

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during 2009 and 2010, credit spreads in most rating classes remain wider than at initial purchase, which is particularly evident in our 2005-2007 vintage year and non-traditional CMBS. These holdings accounted for $534 million, or 96.6%, of the unrealized net capital loss.

ABS, including CDO and Consumer and other ABS, totaled $3.57 billion, with 88.2% rated investment grade, at June 30, 2010. Credit risk is managed by monitoring the performance of the collateral. In addition, many of the securities in the ABS portfolio are credit enhanced with features such as overcollateralization, subordinated structures, reserve funds, guarantees and/or insurance. The unrealized net capital loss of $390 million at June 30, 2010 on our ABS portfolio was the result of wider credit spreads than at initial purchase.

CDO totaled $1.75 billion, with 77.8% rated investment grade, at June 30, 2010. CDO consist primarily of obligations collateralized by high yield and investment grade corporate credits including $1.37 billion of cash flow collateralized loan obligations (CLO) and $92 million of synthetic CDO with unrealized losses of $202 million and $84 million, respectively. The remaining $286 million of securities consisted of trust preferred CDO, market value CDO, project finance CDO, collateralized bond obligations and other CLO with unrealized losses of $111 million.

Cash flow CLO are structures collateralized primarily by below investment grade senior secured corporate loans. The collateral is actively managed by external managers that monitor the collateral performance. The underlying collateral is well diversified across industries and among issuers. A transaction will typically issue notes with various capital structure classes (i.e. Aaa, Aa, A, etc.) as well as equity-like tranches. In general, these securities are structured with overcollateralization ratios and performance is impacted by downgrades, defaults and recoveries of the underlying collateral within the structures. Downgrades of underlying collateral, along with increased defaults reduce overcollateralization ratios over time. A violation of the senior overcollateralization test could result in an event of default of the structure. This would give the controlling class, defined as the majority of the senior lenders, certain rights which could include diverting cash flows or liquidating the underlying portfolio to pay off the senior liabilities.

Synthetic CDO primarily consist of a portfolio of corporate credit default swaps (CDS) which are collateralized by Aaa, Aa and A rated LIBOR-based securities (i.e. fully funded synthetic CDO). Our synthetic CDO collateral primarily is actively managed by external managers monitoring the CDS selection and performance.

Consumer and other ABS totaled $1.82 billion, with 98.3% rated investment grade, at June 30, 2010. Consumer and other ABS consists of $1.05 billion of auto and $770 million of other ABS securities with unrealized gains of $12 million for auto and unrealized losses of $5 million for other ABS securities.

Mortgage loans Our mortgage loan portfolio, which is primarily held in the Allstate Financial portfolio, totaled $7.17 billion at June 30, 2010, compared to $7.94 billion at December 31, 2009, and primarily comprise loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification. Our exposure to any metropolitan area is highly diversified, with the largest exposure not exceeding 10.1% of the portfolio. The portfolio is also diversified across several property types, with the largest concentrations of 34.2% in office buildings and 25.4% in retail property. Debt service coverage ratio represents the amount of cash flows from the property available to the borrower to meet principal and interest payment obligations. For fixed rate mortgage loans, which comprise 90.7% and 89.9% of the total portfolio at June 30, 2010 and December 31, 2009, respectively, the average debt service coverage ratios as of June 30, 2010 and December 31, 2009 were 1.6 and 1.7, respectively. Mortgage loans with debt service coverage ratios below 1.0 generally have a higher level of risk. 5.8% of the mortgage loan portfolio had a debt service coverage ratio under 1.0 as of June 30, 2010 and

December 31, 2009. As of June 30, 2010, 30.3% or $125 million of these loans are impaired and have valuation allowances totaling $62 million compared to 18.4% totaling $26 million as of December 31, 2009. Mortgage loans with debt service coverage below 1.0 which are not impaired primarily relate to instances where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable term, the decrease in occupancy is considered temporary, or there are other risk mitigating circumstances such as additional collateral, escrow balances or borrower guarantees.

In the first six months of 2010, $524 million of commercial mortgage loans were contractually due. Of these, 25% were paid as due, 10% were extended, 60% were refinanced for an average of six years at market rates using our standard underwriting criteria and 5% were foreclosed or in the process of foreclosure. In addition, $329 million that were not contractually due in the first six months of 2010 were paid in full. We have eight additional loans totaling $81 million in the process of foreclosure that were not contractually due in the first six months of 2010. In

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total we have ten loans totaling $109 million in the process of foreclosure, reflecting an increase from five loans totaling $49 million as of December 31, 2009.

The net carrying value of impaired loans at June 30, 2010 and December 31, 2009 was $245 million and $383 million, respectively. Total valuation allowances of $97 million were held on impaired loans at June 30, 2010, compared to $95 million at December 31, 2009. We recognized $28 million and $41 million of realized capital losses related to net increases in the valuation allowances on impaired loans for the three months and six months ended June 30, 2010, respectively. The net increases in both periods were primarily due to deteriorating debt service coverage resulting from a decrease in occupancy and the risk associated with refinancing near-term maturities due to declining collateral valuations. Realized capital losses recognized on mortgage loans held for sale totaled $6 million for the six months ended June 30, 2010. There were no realized capital losses recognized on mortgage loans held for sale for the three months ended June 30, 2010.

Limited partnership interests consist of investments in private equity/debt funds, real estate funds and hedge funds. The overall limited partnership interests portfolio is well diversified across a number of characteristics including fund sponsors, vintage years, strategies, geography (including international), and company/property types. The following table presents information about our limited partnership interests as of June 30, 2010.

($ in millions)		Private equity/debt funds		Real estate funds		Hedge funds		Total
Cost method of accounting (Cost)	$	851	$	285	$	83	$	1,219
Equity method of accounting (EMA)		662		251		987		1,900
Total	$	1,513	$	536	$	1,070	$	3,119
Number of sponsors		87		41		11		
Number of individual funds		137		89		94		
Largest exposure to single fund	$	42	$	34	$	109		

Our aggregate limited partnership exposure represented 3.1% and 2.8% of total invested assets as of June 30, 2010 and December 31, 2009.

The following table shows the results from our limited partnership interests by fund type and accounting classification.

($ in millions)	Three months ended June 30,															
	2010								2009							
		Cost		EMA		Total income		Impairment write-downs (1)		Cost		EMA		Total income		Impairment write-downs (1)
Private equity/debt funds	$	8	$	20	$	28	$	--	$	4	$	(22)	$	(18)	$	(6)
Real estate funds		(1)		(8)		(9)		(8)		--		(41)		(41)		(38)
Hedge funds		--		8		8		--		--		26		26		(2)
Total	$	7	$	20	$	27	$	(8)	$	4	$	(37)	$	(33)	$	(46)

	Six months ended June 30,							
	2010				2009			
	Cost	EMA	Total income	Impairment write-downs (1)	Cost	EMA	Total income	Impairment write-downs (1)
Private equity/debt funds	$ 14	$ 35	$ 49	$ (2)	$ 7	$ (85)	$ (78)	$ (77)
Real estate funds	(1)	(36)	(37)	(29)	--	(119)	(119)	(162)
Hedge funds	--	25	25	(1)	--	24	24	(4)
Total	$ 13	$ 24	$ 37	$ (32)	$ 7	$ (180)	$ (173)	$ (243)

(1) Impairment write-downs related to Cost limited partnerships were $7 million and $31 million in the three months and six months ended June 30, 2010, respectively, compared to $46 million and $233 million in the three months and six months ended June 30, 2009, respectively. Impairment write-downs related to EMA limited partnerships were $1 million in both the three months and six months ended June 30, 2010 compared to $10 million in the six months ended June 30, 2009. There were no impairment write-downs related to EMA limited partnerships in the three months ended June 30, 2009.

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Limited partnership interests, excluding impairment write-downs, produced income of $27 million and $37 million in the three months and six months ended June 30, 2010 compared to losses of $33 million and $173 million in the three months and six months ended June 30, 2009. Income on EMA limited partnerships is recognized on a delay due to the availability of the related financial statements. The recognition of income on hedge funds is primarily on a one-month delay and the income recognition on private equity/debt funds and real estate funds are generally on a three-month delay. Income on Cost limited partnerships is recognized only upon cash distributions by the partnership.

Unrealized net capital gains totaled $400 million as of June 30, 2010 compared to unrealized net capital losses of $2.32 billion as of December 31, 2009. The improvement since December 31, 2009 for fixed income securities was primarily a result of declining risk-free interest rates. The decline since December 31, 2009 for equity securities was a result of declines in equity markets over the period. The following table presents unrealized net capital gains and losses, pre-tax and after-tax.

($ in millions)		**June 30, 2010**		**March 31, 2010**		**December 31, 2009**
U.S. government and agencies	$	512	$	218	$	203
Municipal		89		(256)		(403)
Corporate		1,445		914		345
Foreign government		350		306		291
RMBS		(954)		(1,231)		(1,500)
CMBS		(553)		(768)		(925)
ABS		(390)		(387)		(488)
Redeemable preferred stock		1		2		--
Fixed income securities (1)		500		(1,202)		(2,477)
Equity securities		(102)		371		179
Short-term investments		--		--		--
Derivatives		2		(18)		(23)
Unrealized net capital gains and losses, pre-tax		400		(849)		(2,321)
Amounts recognized for:						
Insurance reserves (2)		(292)		--		--
DAC and DSI (3)		403		726		990
Amounts recognized		111		726		990
Deferred income taxes		(183)		39		461
Unrealized net capital gains and losses, after-tax	$	328	$	(84)	$	(870)

(1) Unrealized net capital gains and losses for fixed income securities as of June 30, 2010, March 31, 2010 and December 31, 2009 comprise $(510) million, $(590) million and $(679) million, respectively, related to unrealized net capital losses on fixed income securities with other-than-temporary impairment and $1,010 million, $(612) million and $(1,798) million, respectively, related to other unrealized net capital gains and losses.

(2) The insurance reserves adjustment represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product portfolios were realized and reinvested at current lower interest rates, resulting in a premium deficiency. Although we evaluate premium deficiencies on the combined performance of our life insurance and immediate annuities with life contingencies, the adjustment primarily relates to structured settlement annuities with life contingencies, in addition to annuity buy-outs and certain payout annuities with life contingencies.

(3) The DAC and DSI adjustment balance represents the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized gains or losses in the respective product portfolios were realized. Only the unrealized net capital gains and losses on the Allstate Financial fixed annuity and interest-sensitive life product portfolios are used in this calculation. The reduction in unrealized net capital losses in the first and second quarter of 2010 for these product portfolios was less than the reduction in unrealized net capital losses for the total Allstate Financial and consolidated portfolios. The DAC and DSI adjustment balance, subject to limitations, is determined by applying the DAC and DSI amortization rate to unrealized net capital gains or losses. Recapitalization of the DAC and DSI balances is limited to the originally deferred costs plus interest.

The net unrealized gains for the fixed income portfolio totaled $500 million and comprised $3.83 billion of gross unrealized gains and $3.33 billion of gross unrealized losses at June 30, 2010. This is compared to a net unrealized loss for the fixed income portfolio totaling $2.48 billion and comprised $2.47 billion of gross unrealized gains and $4.95 billion of gross unrealized losses at December 31, 2009.

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Gross unrealized gains and losses as of June 30, 2010 on fixed income securities by type and sector are provided in the table below.

($ in millions)	Par value (1)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value	Amortized cost as a percent of par value (2)	Fair value as a percent of par value (2)
Corporate:							
Banking	$ 4,113	$ 3,965	$ 110	$ (225)	$ 3,850	96.4%	93.6%
Financial services	3,450	3,340	138	(51)	3,427	96.8	99.3
Consumer goods (cyclical and non-cyclical)	5,415	5,457	348	(42)	5,763	100.8	106.4
Utilities	6,037	6,042	472	(34)	6,480	100.1	107.3
Transportation	1,704	1,721	112	(34)	1,799	101.0	105.6
Energy	2,254	2,262	124	(28)	2,358	100.4	104.6
Capital goods	3,676	3,673	255	(21)	3,907	99.9	106.3
Basic industry	1,513	1,536	84	(13)	1,607	101.5	106.2
Communications	2,059	2,034	112	(11)	2,135	98.8	103.7
Technology	1,196	1,204	78	(8)	1,274	100.7	106.5
FDIC guaranteed	1,977	1,988	33		2,021	100.6	102.2
Other	1,408	1,268	63	(17)	1,314	90.1	93.3
Total corporate fixed income portfolio	34,802	34,490	1,929	(484)	35,935	99.1	103.3
U.S. government and agencies	9,306	8,673	512		9,185	93.2	98.7
Municipal	23,546	18,760	663	(574)	18,849	79.7	80.1
Foreign government	3,307	2,902	362	(12)	3,252	87.8	98.3
RMBS	10,601	9,915	228	(1,182)	8,961	93.5	84.5
CMBS	2,745	2,685	47	(600)	2,132	97.8	77.7
ABS	4,361	3,962	85	(475)	3,572	90.9	81.9
Redeemable preferred stock	48	38	1		39	79.2	81.3
Total fixed income securities	$ 88,716	$ 81,425	$ 3,827	$ (3,327)	$ 81,925	91.8	92.3

(1) Included in par value are zero-coupon securities that are generally purchased at a deep discount to the par value that is received at maturity. These primarily included corporate, municipal, foreign government and U.S. government and agencies zero-coupon securities with par value of $867 million, $6.94 billion, $1.19 billion and $1.65 billion, respectively.

(2) Excluding the impact of zero-coupon securities, the percentage of amortized cost to par value would be 99.6% for corporates, 99.6% for municipals, 104.1% for foreign governments and 102.0% for U.S. government and agencies. Similarly, excluding the impact of zero-coupon securities, the percentage of fair value to par value would be 103.7% for corporates, 101.1% for municipals, 109.1% for foreign governments and 105.7% for U.S. government and agencies.

The banking, financial services, consumer goods, utilities and transportation sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio at June 30, 2010. In general, credit spreads remain wider than at initial purchase for most of the securities in these categories.

The net unrealized loss for the equity portfolio totaled $102 million and comprised $165 million of gross unrealized gains and $267 million of gross unrealized losses at June 30, 2010. This is compared to a net unrealized gain for the equity portfolio totaling $179 million, comprised of $381 million of gross unrealized gains and $202 million of gross unrealized losses at December 31, 2009. Within the equity portfolio, the losses were primarily concentrated in consumer goods, financial services, banking, index-based securities and energy sectors. The unrealized losses in these sectors were company and sector specific. As of June 30, 2010, we have the intent and ability to hold our equity securities with unrealized losses until recovery.

We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired. The process includes a quarterly review of all securities through a screening process which identifies instances where the fair value compared to amortized cost (for fixed income securities) and cost (for equity securities) is below established thresholds. The screening process also includes the monitoring of other criteria such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which we may have a concern, are evaluated based on facts

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and circumstances for inclusion on our watch-list. All investments in an unrealized loss position at June 30, 2010 were included in our portfolio monitoring process for determining whether declines in value were other than temporary.

The extent and duration of a decline in fair value have become less indicative of actual credit deterioration with respect to an issue or issuer. While we continue to use declines in fair value and the length of time a security is in an unrealized loss position as indicators of potential credit deterioration, our determination of whether a security s decline in fair value is other than temporary has placed greater emphasis on our analysis of the underlying credit and collateral.

The following table summarizes the fair values and gross unrealized losses of fixed income securities by type and investment grade classification as of June 30, 2010.

($ in millions)	Investment grade		Below investment grade		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. government and agencies	$ 187	$ --	$ --	$ --	$ 187	$ --
Municipal	4,367	(407)	654	(167)	5,021	(574)
Corporate	4,627	(391)	1,115	(93)	5,742	(484)
Foreign government	189	(12)	--	--	189	(12)
RMBS	1,698	(303)	1,466	(879)	3,164	(1,182)
CMBS	1,123	(406)	118	(194)	1,241	(600)
ABS	1,469	(256)	346	(219)	1,815	(475)
Redeemable preferred stock	21	--	--	--	21	--
Total	$ 13,681	$ (1,775)	$ 3,699	$ (1,552)	$ 17,380	$ (3,327)

We have experienced declines in the fair values of fixed income securities primarily due to wider credit spreads resulting from larger risk premiums since the time of initial purchase, largely due to macroeconomic conditions and credit market deterioration, including the impact of declining residential and commercial real estate valuations, which continue to persist in 2010. Consistent with their ratings, our portfolio monitoring process indicates that investment grade securities have a relatively low risk of default. Securities rated below investment grade, comprising securities with a rating of Ba, B and Caa or lower, have a higher default risk.

As of June 30, 2010, our below investment grade gross unrealized losses were primarily concentrated in RMBS, specifically Alt-A and Subprime, CMBS and ABS. Gross unrealized losses on these securities as of June 30, 2010 totaled $1.26 billion.

Fair values for our structured securities are obtained from third-party valuation service providers and are subject to review as disclosed in our Application of Critical Accounting Estimates. In accordance with GAAP, when fair value is less than the amortized cost of a security and we have not made the decision to sell the security and it is not more likely than not we will be required to sell the security before recovery of its amortized cost basis, we evaluate if we expect to receive cash flows sufficient to recover the entire amortized cost basis of the security by comparing the estimated recovery value, calculated by discounting our best estimate of future cash flows at the security s original or current effective rate, as appropriate, to the amortized cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors (non-credit-related) recognized in other comprehensive income.

The non-credit-related unrealized losses for our structured securities, including our below investment grade Alt-A, Subprime, CMBS and ABS, are heavily influenced by risk factors other than those related to our best estimate of future cash flows. The difference between these securities original or current effective rates and the yields implied by their fair value indicates that a larger risk premium is included in the valuation of these securities than existed at initial issue or purchase. This higher risk premium represents the return that a market participant requires as compensation to assume the risk associated with the uncertainties regarding the future performance of the underlying commercial and residential real estate collateral. The risk premium is comprised of: default risk, which reflects the increased probability of default and the uncertainty related to collection of contractual principal and interest; liquidity risk, which reflects the risk associated with exiting the investment in an illiquid market, both in terms of timeliness and cost; and volatility risk, which reflects the potential valuation volatility during an investor s holding period. Other factors reflected in the risk premium include the costs associated with underwriting, monitoring and holding these types of complex securities. Certain aspects of the default risk are included in the development of our

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best estimate of future cash flows, as appropriate. Other aspects of the risk premium are considered to be temporary in nature and are expected to reverse over the remaining lives of the securities as our future cash flows are received.

Other-than-temporary impairment assessment for below investment grade Alt-A and Subprime RMBS

Gross unrealized losses for our below investment grade Alt-A and Subprime portfolios totaled $157 million and $692 million, respectively, while gross unrealized gains for these portfolios totaled $15 million and $2 million, respectively as of June 30, 2010. For our below investment grade Alt-A and Subprime securities with gross unrealized gains, we have recognized cumulative write-downs in earnings totaling $60 million and $65 million, respectively, as of June 30, 2010.

The credit loss evaluation for Alt-A and Subprime securities with gross unrealized losses is performed in two phases. The first phase estimates the future cash flows of the entire securitization trust from which our security was issued. A critical part of this estimate involves forecasting delinquency rates and loss severities of the residential mortgage loans that collateralize the securitization trust. The factors that affect the delinquency rates and loss severities include, but are not limited to, collateral type, transaction vintage year, geographic concentrations, borrower credit quality, origination practices of the transaction sponsor, and practices of the mortgage loan servicers. The delinquency rate and loss severity forecasts result in a trust-level projected cumulative collateral loss estimate.

We then analyze the position of the class of securities we own in the securitization trust relative to the trust s other classes to determine whether any of the projected cumulative collateral loss will be applied to our class. If we have sufficient credit enhancement, measured in terms of subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security we own, no collateral losses will be realized by our class and we expect to collect all contractual principal and interest of the security we own.

For securities where there is insufficient credit enhancement for the class of securities we own, a second, security-specific estimate of future cash flows is calculated. This estimate is based on the contractual principal and interest of the securities we own, reduced by the projected cumulative collateral losses applied to them. This estimate takes into consideration additional secondary sources of credit enhancement, such as reliable bond insurance. For securities without secondary sources of credit enhancement or for which the secondary sources do not fully offset the projected cumulative collateral losses applied to them, a credit loss is recorded in earnings to the extent amortized cost exceeds recovery value.

96.1% and 0.8% of our below investment grade Alt-A securities with gross unrealized losses were issued with Aaa and Aa original ratings and capital structure classifications, respectively. 86.9%, 10.7% and 2.1% of our below investment grade Subprime securities with gross unrealized losses were issued with Aaa, Aa and A original ratings and capital structure classifications, respectively. Alt-A and Subprime securities with higher original ratings typically have priority in receiving the principal repayments on the collateral compared to those with lower original ratings. Our projected cash flow assumptions for our below investment grade Alt-A and Subprime securities with gross unrealized losses have deteriorated since the securities were originated, as reflected by their current credit ratings.

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The following tables show trust-level, class-level and security-specific detailed information for our below investment grade Alt-A securities with gross unrealized losses, by credit rating.

($ in millions)	June 30, 2010								
	With other-than-temporary impairments recorded in earnings				Other				
	Ba	B	Caa or lower	Total	Ba	B	Caa or lower	Total	Total
Trust-level									
Delinquency rates (1)	11.2%	36.8%	32.0%	32.2%	11.4%	43.6%	14.4%	14.6%	27.9%
Cumulative collateral losses (2)	0.3	8.1	6.6	6.6	1.4	3.1	2.2	2.1	5.5
Class-level									
Average remaining credit enhancement (3)	10.9	29.6	6.2	8.3	10.5	47.4	10.0	11.0	9.0
Security-specific									
Number of positions	1	3	27	31	3	2	11	16	47
Par value	$ 4	$ 38	$ 399	$ 441	$ 24	$ 4	$ 118	$ 146	$ 587
Fair value	1	22	184	207	17	2	84	103	310
Gross unrealized losses									
Total	(3)	(11)	(104)	(118)	(7)	(2)	(30)	(39)	(157)
12-24 months (4)	--	--	--	--	--	--	--	--	--
Over 24 months (5)	(3)	(11)	(103)	(117)	(7)	(2)	(29)	(38)	(155)
Cumulative write-downs recognized (6)	--	(4)	(88)	(92)	--	--	--	--	(92)
Principal payments received during the period (7)	2	2	32	36	4	--	10	14	50

	December 31, 2009								
	With other-than-temporary impairments recorded in earnings				Other				
	Ba	B	Caa or lower	Total	Ba	B	Caa or lower	Total	Total
Trust-level									
Delinquency rates (1)	13.1%	29.2%	28.3%	28.3%	8.4%	39.2%	29.4%	19.7%	25.9%
Cumulative collateral losses (2)	0.2	4.3	4.2	4.2	0.8	1.4	2.5	1.6	3.5
Class-level									
Average remaining credit enhancement (3)	11.3	24.5	7.1	9.2	7.0	26.4	13.4	11.1	9.7
Security-specific									
Number of positions	1	4	24	29	6	5	5	16	45
Par value	$ 4	$ 56	$ 413	$ 473	$ 90	$ 12	$ 79	$ 181	$ 654
Fair value	1	32	158	191	62	5	53	120	311
Gross unrealized losses									
Total	(3)	(20)	(131)	(154)	(26)	(7)	(25)	(58)	(212)
12-24 months (4)	(3)	(4)	(33)	(40)	(20)	--	(24)	(44)	(84)
Over 24 months (5)	--	(16)	(98)	(114)	(6)	(7)	(1)	(14)	(128)
Cumulative write-downs recognized (6)	--	(4)	(92)	(96)	--	--	--	--	(96)

Principal payments received during the period (7)	4	5	60	69	32	2	25	59	128

(1) Weighted average delinquency rates as of period end are based on the principal amount of loans that are 60 days or more past due as a percentage of the remaining principal amount of the loans in the trust as reported by the servicers. The weighting calculation is based on the par value of each security.

(2) Weighted average cumulative collateral losses as of period end are based on the actual principal losses incurred as a percentage of the remaining principal amount of the loans in the trust. The weighting calculation is based on the par value of each security. Actual losses on the securities we hold are significantly less than the losses on the underlying collateral as presented in this table, as a majority of the securities we hold include substantial credit enhancements. Actual cumulative realized principal losses reduced the par value of the below investment grade Alt-A securities we own by $39 million as of June 30, 2010.

(3) Weighted average remaining credit enhancement as of period end is based on structural subordination and reflects the principal losses that can occur as a percentage of the remaining principal amount of the loans in the trust before the class of the security we own will incur its first dollar of principal loss. The weighting calculation is based on the par value of each security.

(4) Includes total gross unrealized losses on securities in an unrealized loss position for a period of 12 to 24 consecutive months.

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(5) Includes total gross unrealized losses on securities in an unrealized loss position for a period more than 24 consecutive months. As of June 30, 2010, $69 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $4 million of unrealized losses on other securities are greater than or equal to 20% of those securities amortized cost. As of December 31, 2009, there were no Alt-A securities with gross unrealized losses greater than or equal to 20% for a period of more than 24 consecutive months.

(6) Includes cumulative write-downs recorded in accordance with GAAP.

(7) Reflects principal payments for the six months ended June 30, 2010 or the year ended December 31, 2009, respectively.

The above tables include information about below investment grade Alt-A securities with gross unrealized losses as of each period presented. As such, the par value and composition of securities included can vary significantly from period to period due to changes in variables such as credit ratings, purchases, principal payments, sales and realized principal losses.

As of June 30, 2010, our below investment grade Alt-A securities with gross unrealized losses and with other-than-temporary impairments recorded in earnings had actual cumulative collateral losses of 6.6%, with remaining average credit enhancement of 8.3%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying delinquency rate of 46.0% and a projected weighted average loss severity of 53.6%, which resulted in projected cumulative collateral losses of 25.1%. The difference between the actual cumulative collateral loss experience of 6.6% and our projections of cumulative collateral losses of 25.1% reflects our expectations of future losses due to further deterioration in the performance of the securities underlying collateral. Accordingly, we have recognized cumulative write-downs in earnings on these securities as reflected in the table above.

As of June 30, 2010, our below investment grade Alt-A securities with gross unrealized losses that are not other-than-temporarily impaired had actual cumulative collateral losses of 2.1%, with remaining average credit enhancement of 11.0%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing including a projected weighted average underlying delinquency rate of 35.3% and a projected weighted average loss severity of 46.3%, which resulted in projected cumulative collateral losses of 17.4%. In instances where the projected cumulative collateral losses exceed the remaining credit enhancement and the security has not been impaired, the recovery value of the security exceeds the current amortized cost.

The following table shows other trust-level and class-level key metrics specific to the trusts and classes from which our below investment grade Alt-A securities with gross unrealized losses were issued.

	June 30, 2010	**March 31, 2010**	**December 31, 2009**	**September 30, 2009**	**June 30, 2009**
Trust-level statistics					
Delinquency rates	27.9%	28.1%	25.9%	24.4%	24.1%
Cumulative collateral losses	5.5	4.3	3.5	3.0	2.2
Class-level statistics					

Average remaining credit					
enhancement	9.0	9.0	9.7	11.3	11.7

In general and as discussed above, our average credit enhancement remains strong while the cumulative collateral losses continue to be applied against lower classes issued by the securitization trusts.

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The following tables show trust-level, class-level and security-specific detailed information for our below investment grade Subprime securities with gross unrealized losses, by credit rating.

($ in millions)	June 30, 2010								
	With other-than-temporary impairments recorded in earnings				Other				
	Ba	B	Caa or lower	Total	Ba	B	Caa or lower	Total	Total
Trust-level									
Delinquency rates	-- %	18.3 %	31.8 %	31.5 %	33.5 %	13.8 %	31.1 %	26.3 %	29.3 %
Cumulative collateral losses (1)	--	9.3	16.4	16.2	11.4	20.6	8.6	12.6	14.7
Class-level									
Average remaining credit enhancement	--	12.4	9.0	9.1	32.3	7.8	23.9	20.4	13.7
Security-specific									
Number of positions	--	4	80	84	19	23	54	96	180
Par value	$ --	$ 30	$ 1,066	$ 1,096	$ 116	$ 230	$ 422	$ 768	$ 1,864
Fair value	--	17	401	418	75	126	224	425	843
Gross unrealized losses									
Total	--	(10)	(342)	(352)	(41)	(103)	(196)	(340)	(692)
Insured (2)	--	(9)	(117)	(126)	(1)	(77)	(19)	(97)	(223)
12-24 months (3)	--	--	(46)	(46)	--	(1)	--	(1)	(47)
Over 24 months (4)	--	(10)	(295)	(305)	(41)	(102)	(196)	(339)	(644)
Cumulative write-downs recognized (5)	--	(3)	(326)	(329)	--	--	--	--	(329)
Principal payments received during the period (6)	--	7	33	40	12	22	11	45	85

	December 31, 2009								
	With other-than-temporary impairments recorded in earnings				Other				
	Ba	B	Caa or lower	Total	Ba	B	Caa or lower	Total	Total
Trust-level									
Delinquency rates	5.5 %	9.4 %	35.7 %	33.1 %	34.0 %	17.7 %	32.3 %	28.9 %	30.9 %
Cumulative collateral losses	15.0	13.8	16.2	16.1	8.8	17.3	8.9	11.0	13.5
Class-level									
Average remaining credit enhancement	--	14.1	10.7	10.5	26.0	7.3	15.4	15.9	13.3
Security-specific									

Number of positions	1	4	53	58	22	26	45	93	151
Par value	$ 30	$ 52	$ 798	$ 880	$ 228	$ 244	$ 451	$ 923	$ 1,803
Fair value	10	28	230	268	124	107	224	455	723
Gross unrealized losses									
Total	(14)	(20)	(351)	(385)	(104)	(137)	(223)	(464)	(849)
Insured (2)	(14)	(16)	(85)	(115)	(3)	(111)	(74)	(188)	(303)
12-24 months (3)	--	(4)	(53)	(57)	(4)	(2)	(13)	(19)	(76)
Over 24 months (4)	(14)	(12)	(294)	(320)	(100)	(135)	(209)	(444)	(764)
Cumulative write-downs recognized (5)	(6)	(4)	(217)	(227)	--	--	--	--	(227)
Principal payments received during the period (6)	--	13	40	53	36	42	53	131	184

(1) Actual cumulative realized principal losses reduced the par value of the below investment grade Subprime securities we own by $38 million as of June 30, 2010.

(2) Includes gross unrealized losses on securities with reliable bond insurance. These unrealized losses are included in the aging below.

(3) Includes total gross unrealized losses on securities in an unrealized loss position for a period of 12 to 24 consecutive months.

(4) Includes total gross unrealized losses on securities in an unrealized loss position for a period more than 24 consecutive months. As of June 30, 2010, $182 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $214 million of unrealized losses on other securities are greater than or equal to 20% of those securities amortized cost, and as of December 31, 2009, $95 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $50 million of unrealized losses on other securities are greater than or equal to 20% of those securities amortized cost.

(5) Includes cumulative write-downs recorded in accordance with GAAP.

(6) Reflects principal payments for the six months ended June 30, 2010 or the year ended December 31, 2009, respectively.

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The above tables include information about below investment grade Subprime securities with gross unrealized losses as of each period presented. As such, the par value and composition of securities included can vary significantly from period to period due to changes in variables such as credit ratings, purchases, principal payments, sales and realized principal losses.

As of June 30, 2010, our below investment grade Subprime securities with gross unrealized losses and with other-than-temporary impairments recorded in earnings had actual cumulative collateral losses of 16.2%, with remaining average credit enhancement of 9.1%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying delinquency rate of 56.0% and a projected weighted average loss severity of 75.2%, which resulted in projected cumulative collateral losses of 41.6%. The difference between the actual cumulative collateral loss experience of 16.2% and our projections of cumulative collateral losses of 41.6% reflects our expectations of future losses due to further deterioration in the performance of the securities underlying collateral. Accordingly, we have recognized cumulative write-downs in earnings on these securities as reflected in the table above.

As of June 30, 2010, our below investment grade Subprime securities with gross unrealized losses that are not other-than-temporarily impaired had actual cumulative collateral losses of 12.6%, with remaining average credit enhancement of 20.4%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing including a projected weighted average underlying delinquency rate of 48.0% and a projected weighted average loss severity of 69.4%, which resulted in projected cumulative collateral losses of 33.4%. In instances where the projected cumulative collateral losses exceed the remaining credit enhancement and the security has not been impaired, sufficient secondary credit enhancement exists, such as reliable bond insurance, and the recovery value of the security exceeds the current amortized cost.

The following table shows other trust-level and class-level key metrics specific to the trusts and classes from which our below investment grade Subprime securities with gross unrealized losses were issued.

	June 30, 2010	**March 31, 2010**	**December 31, 2009**	**September 30, 2009**	**June 30, 2009**
Trust-level statistics					
Delinquency rates	29.3%	31.7%	30.9%	29.2%	27.7%
Cumulative collateral losses	14.7	14.4	13.5	12.2	10.5
Class-level statistics					
Average remaining credit enhancement	13.7	13.6	13.3	13.7	14.2

In general and as discussed above, our average credit enhancement remains strong while the cumulative collateral losses continue to be applied against lower classes issued by the securitization trusts.

Other-than-temporary impairment assessment for below investment grade CMBS

Gross unrealized losses for our below investment grade CMBS portfolio totaled $194 million, while gross unrealized gains were $1 million as of June 30, 2010. For below investment grade CMBS with gross unrealized gains, we have recognized cumulative write-downs in earnings totaling $8 million as of June 30, 2010.

The credit loss evaluation for CMBS with gross unrealized losses is performed in two phases. The first phase estimates the future cash flows of the entire securitization trust from which our security was issued. A critical part of this estimate involves forecasting the cumulative collateral losses of the commercial mortgage loans that collateralize the securitization trust. Factors affecting these estimates include, but are not limited to, estimates of current and future property prices, current and projected rental incomes, the propensity of the commercial mortgage loans to default under these assumptions and loss severities in cases of default. Estimates of future property prices and rental incomes consider specific property-type and geographic economic trends such as employment, property vacancy and rental rates, and forecasts of new supply in the commercial real estate markets. Estimates of delinquency rates and loss severities consider factors such as borrower payment history, the origination practices of the transaction sponsor, overall collateral quality and diversification, transaction vintage year, maturity date, overall transaction structure and other factors that may influence performance. Realized losses in the CMBS market have historically been low and, we believe, are not predictive of future losses. Therefore, our projections of collateral performance rely on probability-weighted scenarios informed by credit opinions obtained from third parties, such as nationally recognized credit rating agencies, industry analysts and a CMBS loss modeling advisory service.

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We then analyze the position of the class of securities we own in the securitization trust relative to the trust s other classes to determine whether any of the projected cumulative collateral loss will be applied to our class. If we have sufficient credit enhancement, measured in terms of subordination from other classes of securities in the trust being contractually obligated to absorb losses before the class of security we own, no collateral losses will be realized by our class and we expect to collect all contractual principal and interest of the security we own.

For securities where there is insufficient credit enhancement for the class of securities we own, a second, security-specific estimate of future cash flows is calculated. This estimate is based on the contractual principal and interest of the securities we own, reduced by the projected cumulative collateral losses applied to them. In instances where the recovery value of the security is less than amortized cost, a credit loss is recorded in earnings.

39.8%, 50.2% and 8.1% of our below investment grade CMBS with gross unrealized losses were issued with Aaa, Aa and A original ratings and capital structure classifications, respectively. CMBS with higher original ratings typically have priority in receiving the principal repayments on the collateral compared to those with lower original ratings. Commercial property prices have deteriorated substantially during the last 24 months and property rental incomes are declining as the commercial real estate sector adjusts to lower macroeconomic activity. In addition, tight credit markets and conservative underwriting standards continue to stress commercial mortgage borrowers ability to refinance obligations. Our projected cash flow assumptions for our below investment grade CMBS securities with gross unrealized losses have deteriorated since the securities were originated, as reflected by their current credit ratings.

The following tables show trust-level, class-level and security-specific detailed information for our below investment grade CMBS securities with gross unrealized losses, by credit rating.

($ in millions)	**June 30, 2010**								
	With other-than-temporary impairments recorded in earnings				**Other**				
	Ba	**B**	**Caa or lower**	**Total**	**Ba**	**B**	**Caa or lower**	**Total**	**Total**
Trust-level									
Delinquency rates	3.4 %	11.6 %	12.8 %	11.7 %	5.3 %	3.5 %	-- %	4.9 %	8.5 %
Cumulative collateral losses	--	0.3	3.5	2.5	0.5	0.9	--	0.6	1.6
Class-level									
Average remaining credit enhancement	7.6	10.2	19.0	16.1	8.6	8.3	--	8.6	12.5
Security-specific									
Number of positions	2	2	6	10	14	4	--	18	28
Par value	$ 20	$ 43	$ 141	$ 204	$ 140	$ 42	$ --	$ 182	$ 386
Fair value	5	14	28	47	54	17	--	71	118
Gross unrealized losses									
Total	(5)	(8)	(61)	(74)	(90)	(30)	--	(120)	(194)
12-24 months (1)	--	--	--	--	(6)	--	--	(6)	(6)
Over 24 months (2)	(5)	(8)	(61)	(74)	(84)	(30)	--	(114)	(188)
Cumulative write-downs	(10)	(19)	(58)	(87)	--	--	--	--	(87)

recognized (3)									
Principal payments received during the period (4)	--	--	2	2	1	--	--	1	3

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($ in millions)	**December 31, 2009**								
	With other-than-temporary impairments recorded in earnings				**Other**				
	Ba	**B**	**Caa or lower**	**Total**	**Ba**	**B**	**Caa or lower**	**Total**	**Total**
Trust-level									
Delinquency rates	7.3%	9.4%	--%	8.9%	2.2%	3.8%	--%	2.8%	5.2%
Cumulative collateral losses	1.4	0.6	--	0.8	--	--	--	--	0.3
Class-level									
Average remaining credit enhancement	17.4	9.8	--	11.5	9.1	8.5	--	8.9	9.9
Security-specific									
Number of positions	1	5	--	6	6	6	--	12	18
Par value	$ 20	$ 69	$ --	$ 89	$ 87	$ 49	$ --	$ 136	$ 225
Fair value	9	16	--	25	29	13	--	42	67
Gross unrealized losses									
Total	(5)	(25)	--	(30)	(55)	(37)	--	(92)	(122)
12-24 months (1)	--	--	--	--	(13)	--	--	(13)	(13)
Over 24 months (2)	(5)	(25)	--	(30)	(42)	(37)	--	(79)	(109)
Cumulative write-downs recognized (3)	(7)	(34)	--	(41)	--	--	--	--	(41)
Principal payments received during the period (4)	1	--	--	1	1	--	--	1	2

(1) Includes total gross unrealized losses on securities in an unrealized loss position for a period of 12 to 24 consecutive months.

(2) Includes total gross unrealized losses on securities in an unrealized loss position for a period more than 24 consecutive months. As of June 30, 2010, $18 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $79 million of unrealized losses on other securities are greater than or equal to 20% of those securities amortized cost. As of December 31, 2009, there were no CMBS securities with gross unrealized losses greater than or equal to 20% for a period of more than 24 consecutive months.

(3) Includes cumulative write-downs recorded in accordance with GAAP.

(4) Reflects principal payments for the six months ended June 30, 2010 or the year ended December 31, 2009, respectively.

The above tables include information about below investment grade CMBS with gross unrealized losses as of each period presented. As such, the par value and composition of securities included can vary significantly from period to period due to changes in variables such as credit ratings, purchases, principal payments and sales.

As of June 30, 2010, our below investment grade CMBS with gross unrealized losses and with other-than-temporary impairments recorded in earnings had actual cumulative collateral losses of 2.5%, with remaining average credit enhancement of 16.1%. As of June 30, 2010, our below investment grade CMBS with gross unrealized losses that were not other-than-temporarily impaired had actual cumulative collateral losses of 0.6%, with remaining average credit enhancement of 8.6%.

Our impairment evaluation for CMBS forecasts more severe assumptions than the trusts are actually experiencing. We assume that all loans delinquent 60 days or more default and project delinquency rates on otherwise performing loans. Projected loss severities are then applied against the resulting delinquency rates, arriving at our projected cumulative collateral loss rates. The projected cumulative collateral loss rates by vintage year of the security range from a low of 2.1% for holdings with a vintage year of 2003 to a high of 10.5% for holdings with a vintage year of 2007. The projected cumulative collateral loss rate for our entire CMBS portfolio at June 30, 2010 was 7.9%. The difference between the actual cumulative collateral loss experience of 1.6% and our projections of cumulative collateral losses of 7.9% reflects our expectations of future losses due to further deterioration in the performance of the securities underlying collateral. Accordingly, we have recognized cumulative write-downs in earnings on these securities as reflected in the table above. In instances where the projected cumulative collateral losses exceed the remaining credit enhancement and the security has not been impaired, the recovery value of the security exceeds the current amortized cost.

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The following table shows other trust-level and class-level key metrics specific to the trusts and classes from which our below investment grade CMBS with gross unrealized losses were issued.

	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Trust-level statistics					
Delinquency rates	8.5%	8.6%	5.2%	4.9%	6.0%
Cumulative collateral losses	1.6	0.8	0.3	0.1	0.2
Class-level statistics					
Average remaining credit enhancement	12.5	11.6	9.9	11.3	10.0

In general and as discussed above, our average credit enhancement remains strong while the cumulative collateral losses continue to be applied against lower classes issued by the securitization trusts.

Other-than-temporary impairment assessment for below investment grade ABS

Gross unrealized losses for our below investment grade ABS portfolio totaled $219 million, while gross unrealized gains were $33 million as of June 30, 2010. For below investment grade ABS with gross unrealized gains, we have recognized cumulative write-downs in earnings totaling $201 million as of June 30, 2010.

The ABS portfolio is composed of various holdings with unique features; and therefore, our credit loss evaluation primarily relies on expectations of future losses on the underlying collateral and structural considerations of each issue. The projection of future losses is based on our expectations for investment grade corporate, bank loan and high yield markets. Our expectations are formulated through ongoing monitoring and participation in these markets, and consider opinions from third parties, such as industry analysts and strategists, and credit rating agencies as well as our overall economic outlook for indicators such as unemployment and GDP. The expected performance of each security considers expected collateral losses and credit enhancement levels, as well as factors including default rates, expected recoveries, prepayment rates, changes in interest rates and other characteristics. In addition, the performance of collateral underlying certain ABS securities is actively monitored by external managers, allowing for enhanced collateral management actions which help mitigate the risk of loss.

The following table shows certain statistics for our below investment grade ABS securities with gross unrealized losses.

($ in millions)	June 30, 2010						
	With other-than-temporary impairments recorded in earnings				Other		
	Fair value	Total unrealized	Unrealized loss aged	Cumulative write-	Fair value	Total unrealized	Unrealized loss aged

		loss	over 24 months	downs recognized		loss	over 24 months
Cash flow CLO	$ 11	$ --	$ --	$ (8)	$ 172	$ (97)	$ (96)
Market value CDO	--	--	--	--	30	(14)	(14)
Synthetic CDO	24	(25)	(24)	(81)	66	(59)	(59)
Trust preferred CDO	5	(4)	(3)	(15)	18	(15)	(11)
Consumer and other ABS	8	(1)	--	(6)	12	(4)	(4)
Total	$ 48	$ (30)	$ (27)	$ (110)	$ 298	$ (189)	$ (184)

	December 31, 2009						
	With other-than-temporary impairments recorded in earnings				Other		
	Fair value	Total unrealized loss	Unrealized loss aged over 24 months	Cumulative write-downs recognized	Fair value	Total unrealized loss	Unrealized loss aged over 24 months
Cash flow CLO	$ 8	$ (2)	$ --	$ (5)	$ 180	$ (98)	$ (95)
Market value CDO	--	--	--	--	30	(14)	(14)
Synthetic CDO	28	(44)	(40)	(130)	61	(44)	(44)
Trust preferred CDO	4	(5)	(5)	(15)	3	(6)	--
Consumer and other ABS	5	(3)	--	(14)	23	(6)	(4)
Total	$ 45	$ (54)	$ (45)	$ (164)	$ 297	$ (168)	$ (157)

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The above tables include information about below investment grade ABS with gross unrealized losses as of each period presented. As such, the composition of securities included can vary significantly from period to period due to changes in variables such as credit ratings, purchases, principal payments, sales and realized principal losses.

As of June 30, 2010, our below investment grade ABS with gross unrealized losses that are not other-than-temporarily impaired are concentrated in Cash flow CLO and Synthetic CDO securities, which together comprise 82.5% of the total unrealized loss on such securities.

Cash flow CLO are collateralized primarily by below investment grade senior secured corporate loans and are structured with overcollateralization which serves as credit enhancement for the class of securities we own. Our best estimate of future cash flows, supported by the applicable overcollateralization, indicates that the nature of the unrealized loss on these securities is temporary and will reverse over time.

Synthetic CDO primarily consist of a portfolio of corporate CDS collateralized by Aaa, Aa and A rated LIBOR-based securities (i.e. fully funded synthetic CDO). Our best estimate of future cash flows as of June 30, 2010 indicates that the remaining unrealized loss is not predictive of their ultimate performance and will recover in line with our best estimate of future cash flows.

We believe that the unrealized losses on our fixed income securities are not predictive of their ultimate performance and the unrealized losses should reverse over the remaining lives of the securities. We anticipate that these securities will recover in line with our best estimate of the expected cash flows which are used for other-than-temporary impairment evaluations. As of June 30, 2010, we do not have the intent to sell and it is not more likely than not we will be required to sell these securities before the recovery of their amortized cost basis. Our evaluation of whether it is more likely than not we will be required to sell a security before recovery of its amortized cost basis is supported by our liquidity position, which cushions us from the need to liquidate securities with significant unrealized losses to meet cash obligations.

Problem, restructured, or potential problem securities

We also monitor the quality of our fixed income and bank loan portfolios by categorizing certain investments as problem, restructured, or potential problem. Problem fixed income securities and bank loans are in default with respect to principal or interest and/or are investments issued by companies that have gone into bankruptcy subsequent to our acquisition or loan. Fixed income and bank loan investments are categorized as restructured when the debtor is in financial difficulty and we grant a concession. Potential problem fixed income or bank loan investments are current with respect to contractual principal and/or interest, but because of other facts and circumstances, we have concerns regarding the borrower s ability to pay future principal and interest according to the original terms, which causes us to believe these investments may be classified as problem or restructured in the future.

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The following table summarizes problem, restructured and potential problem fixed income securities and bank loans, which are reported in other investments.

($ in millions)	June 30, 2010					
	Par value (1)	Amortized cost(1)	Amortized cost as a percent of par value	Fair value(2)	Fair value as a percent of par value	Percent of total fixed income and bank loan portfolios
Restructured	$ 105	$ 83	79.0%	$ 82	78.1%	0.1%
Problem	878	328	37.4	262	29.8	0.3
Potential problem	2,428	1,474	60.7	980	40.4	1.2
Total	$ 3,411	$ 1,885	55.3	$ 1,324	38.8	1.6%
Cumulative write-downs recognized (3)		$ 1,275				

	December 31, 2009					
	Par value (1)	Amortized cost (1)	Amortized cost as a percent of par value	Fair value(2)	Fair value as a percent of par value	Percent of total fixed income and bank loan portfolios
Restructured	$ 107	$ 85	79.4%	$ 75	70.1%	0.1%
Problem	823	321	39.0	221	26.9	0.3
Potential problem	2,630	1,651	62.8	977	37.1	1.2
Total	$ 3,560	$ 2,057	57.8	$ 1,273	35.8	1.6%
Cumulative write-downs recognized (3)		$ 1,188				

(1) The difference between par value and amortized cost of $1.53 billion at June 30, 2010 and $1.50 billion at December 31, 2009 is primarily attributable to write-downs. Par value has been reduced by principal payments.

(2) Bank loans are reflected at amortized cost.

(3) Cumulative write-downs recognized only reflect impairment write-downs related to investments within the problem, potential problem and restructured categories.

At June 30, 2010, amortized cost for the problem category was $328 million and comprised $124 million of Subprime, $47 million of Alt-A, $15 million of CMBS, $6 million of CDO and $4 million of Consumer and other ABS. Also included were $101 million of municipal bonds, $27 million of corporates (primarily privately placed) and $4 million of bank loans. The increase of $7 million compared to December 31, 2009 is primarily attributable to additional Alt-A securities. The amortized cost of problem investments with a fair value less than 80% of amortized cost totaled $139 million with unrealized losses of $75 million and fair value of $64 million.

At June 30, 2010, amortized cost for the potential problem category was $1.47 billion and comprised $701 million of Subprime, $382 million of Alt-A, $124 million of CMBS, $80 million of CDO, $66 million of Prime and $9 million of Consumer and other ABS. Also included were $70 million of corporates (primarily privately placed), $30 million of municipal bonds and $12 million of bank loans. The decrease of $177 million from December 31, 2009 is primarily attributable to decreases in corporates and CMBS. The amortized cost of potential problem investments with a fair value less than 80% of amortized cost totaled $1.04 billion with unrealized losses of $520 million and fair value of $522 million.

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Net investment income The following table presents net investment income.

($ in millions)	**Three months ended June 30, 2010**	**2009**	**Six months ended June 30, 2010**	**2009**
Fixed income securities	$ 955	$ 993	$ 1,914	$ 2,035
Equity securities	25	19	46	35
Mortgage loans	99	131	203	268
Cost limited partnership interests	7	4	13	7
Short-term	2	6	4	19
Other	6	(4)	7	(3)
Investment income, before expense	1,094	1,149	2,187	2,361
Investment expense	(45)	(41)	(88)	(77)
Net investment income	$ 1,049	$ 1,108	$ 2,099	$ 2,284

Net investment income decreased 5.3% or $59 million in the second quarter of 2010 and 8.1% or $185 million in the first six months of 2010 compared to the same periods of 2009. These declines were primarily due to lower yields, duration shortening actions taken to protect the portfolio from rising interest rates and lower average asset balances. Net investment income was $1.08 billion in both the third and fourth quarter of 2009 and $1.05 billion in the first quarter of 2010.

Net realized capital gains and losses The following table presents the components of realized capital gains and losses and the related tax effect.

($ in millions)	**Three months ended June 30, 2010**	**2009**	**Six months ended June 30, 2010**	**2009**
Impairment write-downs	$ (239)	$ (291)	$ (462)	$ (911)
Change in intent write-downs	(67)	(26)	(99)	(131)
Net other-than-temporary impairment losses recognized in earnings	(306)	(317)	(561)	(1,042)
Sales	145	263	233	681
Valuation of derivative instruments	(283)	367	(438)	470
Settlements of derivative instruments	(27)	52	(57)	40
EMA limited partnership income	20	(37)	24	(180)
Realized capital gains and losses, pre-tax	(451)	328	(799)	(31)
Income tax benefit (expense)	157	(110)	279	(239)
Realized capital gains and losses, after-tax	$ (294)	$ 218	$ (520)	$ (270)

Impairment write-downs are presented in the following table.

($ in millions)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Fixed income securities	$ (172)	$ (192)	$ (352)	$ (425)
Equity securities	(31)	(31)	(37)	(168)
Mortgage loans	(28)	(15)	(41)	(43)
Limited partnership interests	(8)	(46)	(32)	(243)
Other investments	--	(7)	--	(32)
Impairment write-downs	$ (239)	$ (291)	$ (462)	$ (911)

Impairment write-downs for the three months and six months ended June 30, 2010 were primarily driven by RMBS, which experienced deterioration in expected cash flows; investments with commercial real estate exposure, including CMBS, limited partnership interests, and mortgage loans, which were impacted by declines in real estate valuations or experienced deterioration in expected cash flows; and privately placed corporate bonds and municipal bonds impacted by issuer specific circumstances. Impairment write-downs on below investment grade RMBS, CMBS and ABS for the three months ended June 30, 2010 were $88 million, $27 million and $21 million, respectively. Impairment write-downs on below investment grade RMBS, CMBS and ABS for the six months

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ended June 30, 2010 were $181 million, $51 million and $25 million, respectively. $108 million or 62.8% and $250 million or 71.0% of the fixed income security write-downs for the three months and six months ended June 30, 2010, respectively, related to impaired securities that were performing in line with anticipated or contractual cash flows but were written down primarily because of expected deterioration in the performance of the underlying collateral or our assessment of the probability of future default. For these securities, as of June 30, 2010, there were either no defaults or defaults only impacted classes lower than our position in the capital structure. $35 million and $70 million of the fixed income security write-downs for the three months and six months ended June 30, 2010, respectively, related to securities experiencing a significant departure from anticipated cash flows; however, we believe they retain economic value. $29 million and $32 million for the three months and six months ended June 30, 2010, respectively, related to fixed income securities for which future cash flows are not anticipated.

Equity securities were written down primarily due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and near-term and long-term prospects of the issuer, including relevant industry conditions and trends.

Limited partnership impairment write-downs related to Cost limited partnerships, which experienced significant declines in portfolio valuations and we could not assert the recovery period would be temporary. To determine if an other-than-temporary impairment has occurred related to a Cost limited partnership, we evaluate whether an impairment indicator has occurred in the period that may have a significant adverse effect on the carrying value of the investment. Impairment indicators may include: significantly reduced valuations of the investments held by the limited partnerships; actual recent cash flows received being significantly less than expected cash flows; reduced valuations based on financing completed at a lower value; completed sale of a material underlying investment at a price significantly lower than expected; or any other recent adverse events since the last financial statements received that might affect the fair value of the investee s capital.

Change in intent write-downs are presented in the following table.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Fixed income securities	$ (67)	$ (20)	$ (93)	$ (102)
Equity securities	--	(1)	--	(18)
Mortgage loans	--	--	(6)	(6)
Other investments	--	(5)	--	(5)
Change in intent write-downs	$ (67)	$ (26)	$ (99)	$ (131)

Change in intent write-downs in the three months and six months ended June 30, 2010 related primarily to municipal bonds and Subprime RMBS for which we have the intent to sell. Change in intent write-downs on below investment grade RMBS for the three months and six months ended June 30, 2010 were $32 million and $33 million, respectively.

Sales generated $145 million and $233 million of net realized gains for the three months and six months ended June 30, 2010, respectively. Net realized gains for the three months ended June 30, 2010 primarily related to $76 million of net gains on sales of equity securities and $93 million of gains on sales of corporate, foreign government and municipal fixed income securities, offset by $50 million of losses on sales of CMBS securities. Net realized gains for the six months ended June 30, 2010 primarily related to $96 million of net gains on sales of equity securities and $172 million of gains on sales of corporate, foreign government and municipal fixed income securities, offset by $64 million of losses on sales of CMBS securities.

Valuation and settlement of derivative instruments recorded as net realized capital losses totaling $495 million for the six months ended June 30, 2010 included $438 million of losses on the valuation of derivative instruments and $57 million of losses on the settlement of derivative instruments. Losses from the risk management programs primarily occurred in the Property-Liability interest rate spike exposure and portfolio duration management programs and in the Allstate Financial duration gap management program, and are related to a decrease in interest rates and a decline in volatility.

A changing interest rate environment will drive changes in our portfolio duration targets at a tactical level. A duration target and range is established with an economic view of liabilities relative to a long-term investment portfolio view. Tactical duration management is accomplished through both cash market transactions, sales and new

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purchases and derivative activities that generate realized gains and losses. As a component of our approach to managing portfolio duration, realized gains and losses on certain derivative instruments are most appropriately considered in conjunction with the unrealized gains and losses on the fixed income portfolio. This approach mitigates the impacts of general interest rate changes to our overall financial condition.

At June 30, 2010, our securities with embedded options totaled $1.27 billion, a decrease in fair value of $142 million from December 31, 2009, resulting in realized capital losses on valuation of $119 million, net sales activity of $117 million, and unrealized net capital gains reported in OCI of $94 million for the host securities. Net unrealized capital gains were further decreased by $18 million due to amortization of the host securities. The change in fair value of embedded options is bifurcated from the host securities, separately valued and reported in realized capital gains and losses, while the change in the difference between the fair value and the amortized cost of the host securities is reported in OCI. Total fair value exceeded total amortized cost by $53 million at June 30, 2010. Valuation gains and losses are converted into cash for securities with embedded options upon our election to sell these securities. In the event the economic value of the options is not realized, we will recover the par value if held to maturity unless the issuer of the note defaults. Total par value exceeded fair value by $37 million at June 30, 2010.

The table below presents the realized capital gains and losses (pre-tax) on the valuation and settlement of derivative instruments shown by underlying exposure and derivative strategy.

($ in millions)	**Six months ended June 30,**				
	2010			**2009**	**2010 Explanations**
	Valuation	**Settlements**	**Total**	**Total**	
Risk management					
Property-Liability					
Portfolio duration management (1)	$ (81)	$ (24)	$ (105)	$ 156	Interest rate swaps, municipal interest rate swaps and short interest rate futures are used to offset the effects of changing interest rates on a portion of the Property-Liability fixed income portfolio that is reported in unrealized net capital gains or losses in OCI. The futures contracts are exchange traded, daily cash settled and can be exited at any time for minimal additional cost. The 2010 losses, resulting from decreasing interest rates are offset in net unrealized capital gains and losses in OCI to the extent it relates to changes in risk-free rates.
Interest rate spike exposure (1)	(142)	(44)	(186)	149	Interest rate swaption contracts, with terms of less than one year, and exchange traded options on treasury futures, with three to six month terms, provide an offset to declines in fixed income market values resulting from potential rising interest rates. As of June 30, 2010, the notional of our over-the-counter (OTC) swaption positions totaled $9.50 billion and the notional of our exchange traded options totaled $3.05 billion. Exchange traded options on treasury futures are utilized to supplement the protection provided by swaption contracts without increasing the counterparty risk associated with OTC contracts. The 2010 losses on swaptions and options on treasury futures contracts relates to a decrease in interest rates and a decline in volatility. Volatility represents the measure of variation of average value over a specified time period. If interest rates do not increase above the strike rate, the maximum loss on swaptions and options on treasury futures is limited to the amount of the premium paid. The program is routinely monitored and revised as capital market conditions change.
Hedging unrealized gains on equity	36	7	43	(78)	Exchange traded put options and short equity index futures provide an offset to significant declines in our equity portfolio from equity market declines below a targeted level. Options can expire, terminate early or the option can be exercised. If the price level of the equity index does not fall below the put s strike price, the maximum loss on purchased puts is limited to the amount of

securities (1)					the premium paid. The futures contracts are exchange traded, daily cash settled and can be exited at any time for minimal additional cost. The 2010 gains on futures and options were primarily the result of a decrease in the price levels of the equity indices and an increase in volatility and were partially offset by net unrealized capital gains and losses of our equity portfolio reflected in OCI to the extent it relates to changes in price levels of the equity indices.
Foreign currency contracts	10	6	16	(6)	Currency forwards are used to protect our foreign bond and equity portfolios from changes in currency rates.
Credit risk reduction (1)	9	2	11	(21)	Gains are primarily the result of widening credit spreads on referenced credit entities.
Other	--	1	1	--	
Allstate Financial					
Duration gap management	(137)	(21)	(158)	277	Interest rate caps, floors, swaptions and swaps are used by Allstate Financial to balance interest-rate sensitivities of its assets and liabilities. The contracts settle based on differences between current market rates and a contractually specified fixed rate through expiration. The contracts can be terminated and settled at any time with minimal additional cost. The maximum loss on caps, floors and swaptions is limited to the amount of premiums paid. The change in valuation reflects the changing value of expected future settlements from changing interest rates, which may vary over the period of the contracts. The 2010 losses, resulting from decreasing interest rates, are offset in unrealized capital gains and losses of our fixed income securities in OCI to the extent it relates to changes in risk-free rates.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

($ in millions)	Six months ended June 30, 2010 Valuation	Settlements	Total	2009 Total	2010 Explanations
Anticipatory hedging	22	5	27	(15)	Futures and interest rate swaps are used to protect investment spread from interest rate changes during mismatches in the timing of cash flows between product sales and the related investment activity. The futures contracts are exchange traded, daily cash settled and can be exited at any time for minimal additional cost. If the cash flow mismatches are such that a positive net investment position is being hedged, there is an offset for the related investment s unrealized loss in OCI. The 2010 gains were caused by a decrease in risk-free interest rates over the life of the net short position as liability issuances exceeded asset acquisitions.
Hedging of interest rate exposure in annuity contracts	(16)	--	(16)	12	Value of expected future settlements on interest rate caps and the associated value of future credited interest, which is reportable in future periods when incurred, decreased due to a decrease in interest rates.
Hedge ineffectiveness	1	--	1	3	The hedge ineffectiveness of $1 million includes $104 million in realized capital losses on swaps that were offset by $105 million in realized capital gains on the hedged risk.
Foreign currency contracts	(3)	7	4	--	Currency forwards are used to protect our foreign bond portfolio from changes in currency rates.
Credit risk reduction	15	(6)	9	(14)	Valuation gain is the result of widening credit spreads on referenced credit entities.
Total Risk management	$ (286)	$ (67)	$ (353)	$ 463	
<u>Income generation</u>					
Asset replication credit exposure					The 2010 changes in valuation on the Property-Liability segment are due to the widening of credit spreads on referenced credit entities. The losses are primarily on single name CDS. The 2010 changes in valuation on the Allstate Financial segment are due to the widening credit spreads on referenced credit entities. The losses are primarily on first-to-default CDS and credit derivative index CDS. The changes in valuation would only be converted to cash upon disposition, which can be done at any time, or if the credit event specified in the contract occurs. For further discussion on CDS, see Note 6 of the condensed consolidated financial statements.
Property-Liability	$ (4)	$ 6	$ 2	$ 5	
Allstate Financial	(29)	4	(25)	20	
Total	(33)	10	(23)	25	
Asset replication equity exposure					
Property-Liability	--	--	--	(7)	
Total Income generation	$ (33)	$ 10	$ (23)	$ 18	

Accounting

Equity indexed notes	$	(23)	$	--	$	(23)	$	(11)
Allstate Financial								

Equity-indexed notes are fixed income securities that contain embedded options. The changes in valuation of the embedded equity indexed call options are reported in realized capital gains and losses. The results generally track the performance of underlying equity indices. Valuation gains and losses are converted into cash upon sale or maturity. In the event the economic value of the options is not realized, we will recover the par value of the host fixed income security if held to maturity unless the issuer of the note defaults. Par value exceeded fair value by $43 million at June 30, 2010. Equity-indexed notes are subject to our comprehensive portfolio monitoring and watchlist processes to identify and evaluate when the carrying value may be other-than-temporarily impaired. The following table compares the June 30, 2010 and December 31, 2009 holdings, respectively.

($ in millions)		June 30, 2010		Change in fair value		Change due to net sale activity		December 31, 2009
Par value	$	425	$	--	$	(50)	$	475
Amortized cost of host contract	$	316	$	9	$	(37)	$	344
Fair value of equity-indexed call option		57		(23)		(9)		89
Total amortized cost	$	373	$	(14)	$	(46)	$	433
Total fair value	$	382	$	1	$	(49)	$	430
Unrealized gain/loss	$	9	$	15	$	(3)	$	(3)

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

($ in millions)	**Six months ended June 30, 2010**			**2009**	**2010 Explanations**
	Valuation	**Settlements**	**Total**	**Total**	
Conversion options in fixed income securities					Convertible bonds are fixed income securities that contain embedded options. Changes in valuation of the embedded option are reported in realized capital gains and losses. The results generally track the performance of underlying equities. Valuation gains and losses are converted into cash upon our election to sell these securities. In the event the economic value of the options is not realized, we will recover the par value of the host fixed income security if held to maturity unless the issuer of the note defaults. Fair value exceeded par value by $6 million at June 30, 2010. Convertible bonds are subject to our comprehensive portfolio monitoring and watchlist processes to identify and evaluate when the carrying value may be other-than-temporarily impaired. The following table compares the June 30, 2010 and December 31, 2009 holdings, respectively.
Property-Liability	(63)	--	(63)	27	
Allstate Financial	(33)	--	(33)	13	
Total	(96)	--	(96)	40	
Total Accounting	$ (119)	$ --	$ (119)	$ 29	
Total	$ (438)	$ (57)	$ (495)(2)	$ 510	
Total Property-Liability	$ (235)	$ (46)	$ (281)	$ 225	
Total Allstate Financial	(203)	(11)	(214)	285	
Total	$ (438)	$ (57)	$ (495)	$ 510	

($ in millions)	June 30, 2010	Change in fair value	Change due to net sale activity	December 31, 2009
Par value	$ 878	$ --	$ (58)	$ 936
Amortized cost of host contract	$ 646	$ 9	$ (27)	$ 664
Fair value of conversion option	194	(96)	(22)	312
Total amortized cost	$ 840	$ (87)	$ (49)	$ 976
Total fair value	$ 884	$ (26)	$ (68)	$ 978
Unrealized gain/loss	$ 44	$ 61	$ (19)	$ 2

(1) A portion of the macro hedge program is contained within this line item.

(2) Does not include $2 million of derivative gains related to the termination of fair value and cash flow hedges which are included in sales and reported with the hedged risk.

Included in the table above are net realized capital losses on the valuation and settlement of derivative instruments related to our macro hedge program. Additional information regarding our macro hedge program, including these realized capital gains and losses, is included in the following table.

($ in millions)	Fair value at December 31, 2009	Net cash paid (received) for premiums	Net cash paid (received) for settlement	Gain (loss) on valuation (1)	Gain (loss) on settlement (2)	Fair value at June 30, 2010
Premium based instruments						
Interest rate hedges						
Swaptions	$ 114	$ 82	$ (13)	$ (120)	$ (43)	$ 20
Options on Treasury futures	12	15	(3)	(22)	(1)	1
Equity hedges						
Equity index options	50	50	(26)	35	(29)	80
	176	147	(42)	(107)	(73)	101
Non-premium based instruments						
Interest rate hedges						
Futures	--	--	15	--	(14)	1
Interest rate swaps	(12)	--	(3)	22	--	7
Credit hedges						
Purchased CDS	(40)	--	29	8	(4)	(7)
	(52)	--	41	30	(18)	1
Total	$ 124	$ 147	$ (1)	$ (77)	$ (91)	$ 102

(1) In general, for premium based instruments, valuation gains and losses represent changes in fair value on open contracts and contracts that expired by their contractual terms during the period. If a premium based instrument terminates prior to maturity, the inception to date change in fair value is reversed out of valuation and reclassified to settlement gain or loss. For non-premium based instruments, valuation gains and losses represent changes in fair value on open contracts during the period.

(2) In general, for premium based instruments, settlement gains and losses represent the inception to date change in fair value for early-terminated contracts. For non-premium based instruments, settlement gains and losses represent the net realized capital gain or loss resulting from periodic payments required by the contracts during the period, as well as any gain or loss on contract termination (represented by the change in fair value of a terminated contract since its last month-end valuation).

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

Our current macro hedge program consists of derivatives for which we pay a premium at inception and others that do not require an up front premium payment. The premium payment component includes over-the-counter interest rate swaptions, exchange traded options on treasury futures, and options on equity indices. These programs are designed to protect against the tail risk associated with both interest rate spikes above, and equity market declines below, targeted thresholds, so that derivative valuation gains will be realized to partially offset corresponding declines in value for our fixed income and equity portfolios, respectively.

Premiums paid are reflected in realized capital losses as changes in valuation over the life of the derivative. The maximum loss on our premium based instruments is limited to the remaining fair value as of June 30, 2010. Scheduled expirations for our premium based instruments are $1 million in the third quarter of 2010, $88 million in the fourth quarter of 2010, $9 million in the first quarter of 2011 and $3 million in the second quarter of 2011.

The derivatives in our current macro hedge program that do not require an up front premium payment are related to interest rate and credit risk hedging. These positions currently include interest rate swaps, municipal interest rate swaps, and purchased credit default swaps. Although interest rate swaps and purchased credit default swaps typically do not require up front premiums, they do involve periodic payments throughout the life of the contract. The fair value and resulting gains and losses from these instruments are dependent on the size of the notional amounts and direction of our positions relative to the performance of the underlying markets and credit-referenced entities. As of June 30, 2010, our non-premium based interest rate hedges had aggregate outstanding notional amounts of $425 million, increasing from $200 million at December 31, 2009. As of June 30, 2010, our non-premium based credit hedges had aggregate outstanding notional amounts of $145 million, decreasing from $678 million at December 31, 2009.

The macro hedge program is routinely monitored and revised as capital market conditions change.

CAPITAL RESOURCES AND LIQUIDITY HIGHLIGHTS

- Shareholders equity as of June 30, 2010 was $18.04 billion, an increase of 8.1% from $16.69 billion as of December 31, 2009.
- Deployable invested assets at the parent holding company level totaled $3.05 billion at June 30, 2010 compared to $3.07 billion at December 31, 2009.
- At June 30, 2010, we held 34.9% of our total consolidated cash and investment portfolio, or $35.08 billion, in cash and liquid investments that are saleable within one quarter without significant additional net realized capital losses.
- On both January 5, 2010 and April 1, 2010, we paid a quarterly shareholder dividend of $0.20. On May 18, 2010, we declared a quarterly shareholder dividend of $0.20 to be payable on July 1, 2010. On July 13, 2010, we declared a quarterly shareholder dividend of $0.20 to be payable on October 1, 2010.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources consist of shareholders equity and debt, representing funds deployed or available to be deployed to support business operations or for general corporate purposes. The following table summarizes our capital resources.

($ in millions)		June 30, 2010		December 31, 2009
Common stock, retained income and other shareholders equity items	$	18,912	$	18,798
Accumulated other comprehensive loss		(873)		(2,106)
Total shareholders equity		18,039		16,692
Debt		5,909		5,910
Total capital resources	$	23,948	$	22,602
Ratio of debt to shareholders equity		32.8%		35.4%
Ratio of debt to capital resources		24.7%		26.1%

Shareholders equity increased in the first six months of 2010, due primarily to unrealized net capital gains on investments and net income, partially offset by dividends paid to shareholders.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

Debt Except for $42 million in long-term debt related to the synthetic leases scheduled to mature in 2011, we do not have any required principal payments until 2012 when the $350 million of 6.125% Senior Notes is due.

Financial ratings and strength Our ratings are influenced by many factors including our operating and financial performance, asset quality, liquidity, asset/liability management, overall portfolio mix, financial leverage (i.e., debt), exposure to risks such as catastrophes and the current level of operating leverage. There have been no changes to our debt, commercial paper and insurance financial strength ratings from Moody s, S&P and A.M. Best since December 31, 2009.

Allstate Life Insurance Company (ALIC), AIC and the Corporation are party to the Amended and Restated Intercompany Liquidity Agreement (Liquidity Agreement) which allows for short-term advances of funds to be made between parties for liquidity and other general corporate purposes. The Liquidity Agreement does not establish a commitment to advance funds on the part of any party. ALIC and AIC each serve as a lender and borrower and the Corporation serves only as a lender. AIC also has a capital support agreement with ALIC. Under the capital support agreement, AIC is committed to provide capital to ALIC to maintain an adequate capital level. The maximum amount of potential funding under each of these agreements is $1.00 billion.

In addition to the Liquidity Agreement, the Corporation also has an intercompany loan agreement with certain of its subsidiaries, which include, but are not limited to, AIC and ALIC. The amount of intercompany loans available to the Corporation s subsidiaries is at the discretion of the Corporation. The maximum amount of loans the Corporation will have outstanding to all its eligible subsidiaries at any given point in time is limited to $1.00 billion. The Corporation may use commercial paper borrowings, bank lines of credit and repurchase agreements to fund intercompany borrowings.

Liquidity sources and uses We actively manage our financial position and liquidity levels in light of changing market, economic, and business conditions. Liquidity is managed at both the entity and enterprise level across the Company, and is assessed on both base and stressed level liquidity needs. We believe we have sufficient liquidity to meet these needs, with $35.08 billion of cash and liquid investments saleable within 90 days without generating significant additional capital losses (34.9% of the total cash and investment portfolio). We expect $9.78 billion of investment portfolio cash flows from maturities, calls, and interest receipts over the next 12 months. Additionally, we have existing intercompany agreements in place that facilitate liquidity management across the Company to enhance flexibility.

Parent company capital capacity At the parent holding company level, we have deployable invested assets totaling $3.05 billion as of June 30, 2010. These assets include investments that are generally saleable within one quarter totaling $2.69 billion. This provides funds for the parent company s relatively low fixed charges.

The Corporation has access to additional borrowing to support liquidity as follows:

- A commercial paper facility with a borrowing limit of $1.00 billion to cover short-term cash needs. As of June 30, 2010, there were no balances outstanding and therefore the remaining borrowing capacity was $1.00 billion; however, the outstanding balance can fluctuate daily.

- Our primary credit facility is available for short-term liquidity requirements and backs our commercial paper facility. Our $1.00 billion unsecured revolving credit facility has an initial term of five years expiring in 2012 with two optional one-year extensions that can be exercised at the end of any of the remaining anniversary years of the facility upon approval of existing or replacement lenders providing more than two-thirds of the commitments to lend. The program is fully subscribed among 11 lenders with the largest commitment being $185 million. The commitments of the lenders are several and no lender is responsible for any other lender s commitment if such lender fails to make a loan under the facility. This facility contains an increase provision that would allow up to an additional $500 million of borrowing provided the increased portion could be fully syndicated at a later date among existing or new lenders. This facility has a financial covenant requiring that we not exceed a 37.5% debt to capital resources ratio as defined in the agreement. This ratio at June 30, 2010 was 19.9%. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of our senior, unsecured, nonguaranteed long-term debt. There were no borrowings under the credit facility during the second quarter and first six months of 2010. The total amount outstanding at any point in time under the combination of the commercial paper program and the credit facility cannot exceed the amount that can be borrowed under the credit facility.

- A universal shelf registration statement was filed with the Securities and Exchange Commission on May 8, 2009. We can use our current shelf registration to issue an unspecified amount of debt securities, common

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

stock (including 362 million shares of treasury stock as of June 30, 2010), preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries. The specific terms of any securities we issue under this registration statement will be provided in the applicable prospectus supplements.

Liquidity exposure Contractholder funds as of June 30, 2010 were $49.44 billion. The following table summarizes contractholder funds by their contractual withdrawal provisions at June 30, 2010.

($ in millions)			**Percent to total**
Not subject to discretionary withdrawal	$	7,027	14.2%
Subject to discretionary withdrawal with adjustments:			
Specified surrender charges (1)		20,683	41.8
Market value adjustments (2)		8,327	16.9
Subject to discretionary withdrawal without adjustments (3)		13,406	27.1
Total contractholder funds (4)	$	49,443	100.0%

(1) Includes $9.61 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

(2) $6.91 billion of the contracts with market value adjusted surrenders have a 30-45 day period at the end of their initial and subsequent interest rate guarantee periods (which are typically 5 or 6 years) during which there is no surrender charge or market value adjustment.

(3) 67% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.

(4) Includes $1.28 billion of contractholder funds on variable annuities reinsured to The Prudential Insurance Company of America, a subsidiary of Prudential Financial Inc. effective June 1, 2006.

While we are able to quantify remaining scheduled maturities for our institutional products, anticipating retail product surrenders is less precise. Retail life and annuity products may be surrendered by customers for a variety of reasons. Reasons unique to individual customers include a current or unexpected need for cash or a change in life insurance coverage needs. Other key factors that may impact the likelihood of customer surrender include the level of the contract surrender charge, the length of time the contract has been in force, distribution channel, market interest rates, equity market conditions and potential tax implications. In addition, the propensity for retail life insurance policies to lapse is lower than it is for fixed annuities because of the need for the insured to be re-underwritten upon policy replacement. Surrenders and partial withdrawals for our retail annuities increased 24.3% and 17.1% in the second quarter and first six months of 2010, respectively, compared to the same periods of 2009. The annualized surrender and partial withdrawal rate on deferred annuities, interest-sensitive life insurance and Allstate Bank products, based on the beginning of year contractholder funds, was 12.2% and 11.2% for the first six months of 2010 and 2009, respectively. Allstate Financial strives to promptly pay customers who request cash surrenders, however, statutory regulations generally provide up to six months in most states to fulfill surrender requests.

Our institutional products are primarily funding agreements sold to unaffiliated trusts used to back medium-term notes. As of June 30, 2010, total institutional products outstanding were $2.64 billion. The following table presents the remaining scheduled maturities for our institutional products outstanding as of June 30, 2010.

($ in millions)		
2010	$	--
2011		760
2012		40
2013		1,750
2016		85
	$	2,635

Our asset-liability management practices limit the differences between the cash flows generated by our investment portfolio and the expected cash flow requirements of our life insurance, annuity and institutional product obligations.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

The following table summarizes consolidated cash flow activities by business segment for the six months ended June 30.

($ in millions)	**Property-Liability** (1)		**Allstate Financial** (1)		**Corporate and Other** (1)		**Consolidated**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Net cash provided by (used in):								
Operating activities	$ 736	$ 1,059	$ 1,427	$ 1,386	$ (69)	$ 37	$ 2,094	$ 2,482
Investing activities	(493)	(1,612)	2,193	3,680	53	314	1,753	2,382
Financing activities (2)	(4)	(8)	(3,549)	(5,275)	(195)	671	(3,748)	(4,612)
Net increase in consolidated cash							$ 99	$ 252

(1) Business unit cash flows reflect the elimination of intersegment dividends, contributions and borrowings.

(2) Certain amounts in the prior year have been reclassified.

Property-Liability Lower cash provided by operating activities in the first six months of 2010 compared to the first six months of 2009 was primarily due to income tax payments in the first six months of 2010 compared to income tax refunds in the first six months of 2009. Both periods were also impacted by claim payments as a result of catastrophes.

Lower cash used in investing activities in the first six months of 2010 compared to the first six months of 2009 was primarily due to decreased funds available to invest from operating activities and in the prior year period the investment of funds totaling $750 million that were advanced to AIC from the Corporation under the Liquidity Agreement.

Cash flows were impacted by dividends paid by AIC to its parent, the Corporation, totaling $200 million in the first six months of 2010. AIC has the capacity to pay a total of $1.29 billion in dividends in 2010 without obtaining prior approval from the Illinois Department of Insurance.

Allstate Financial Operating cash flows for Allstate Financial in the first six months of 2010 were higher than the same period in 2009 as higher premiums received and decreased expenses paid were partially offset by lower investment income and higher contract benefits paid.

Lower cash flows provided by investing activities in the first six months of 2010 compared to the first six months of 2009 were primarily related to lower net reductions in short-term investments to fund reductions in contractholder funds.

Lower cash flows used in financing activities in the first six months of 2010 compared to the first six months of 2009 were primarily due to decreased maturities and retirements of institutional products, partially offset by lower deposits on fixed annuities and higher surrenders and partial withdrawals on fixed annuities.

Corporate and Other Fluctuations in the Corporate and Other operating cash flows were primarily due to the timing of intercompany settlements. Investing activities primarily relate to investments in the portfolios of Kennett Capital Holdings, LLC. Financing cash flows of the Corporate and Other segment reflect actions such as fluctuations in short-term debt, repayment of debt, proceeds from the issuance of debt, dividends to shareholders of The Allstate Corporation and share repurchases; therefore, financing cash flows are affected when we increase or decrease the level of these activities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the principal executive officer and the principal financial officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that material information required to be disclosed in our reports filed with or submitted to the Securities and Exchange Commission under the Securities Exchange Act is made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended June 30, 2010, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required for Part II, Item 1 is incorporated by reference to the discussion under the heading Regulation and Compliance and under the heading Legal and regulatory proceedings and inquiries in Note 10 of the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

This document contains forward-looking statements that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. We assume no obligation to update any forward-looking statements as a result of new information or future events or developments.

These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like plans, seeks, expects, will, should, anticipates, estimates, intends, believes, likely, targets and other words with similar meanings. These state address, among other things, our strategy for growth, catastrophe exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Risk factors which could cause actual results to differ materially from those suggested by such forward-looking statements include but are not limited to those discussed or identified in this document, in our public filings with the Securities and Exchange Commission, and those incorporated by reference in Part I, Item 1A of The Allstate Corporation Annual Report on Form 10-K for 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total number of shares (or units) purchased (1)	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs (2)	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
April 1, 2010 - April 30, 2010	--	$ --	--	$ --
May 1, 2010 - May 31, 2010	737	$ 31.8000	--	--
June 1, 2010- June 30, 2010	--	$ --	--	--
Total	737	$ 31.7764	--	

(1) In accordance with the terms of its equity compensation plans, Allstate acquired the following shares in connection with stock option exercises by employees and/or directors. The stock was received in payment of the exercise price of the options and in satisfaction of withholding taxes due upon exercise or vesting.

April:	none
May:	737
June:	none

(2) Repurchases under our programs are, from time to time, executed under the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934.

None

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Item 6. Exhibits

(a) Exhibits

An Exhibit Index has been filed as part of this report on page E-1.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Allstate Corporation
(Registrant)

August 4, 2010	By	/s/ Samuel H. Pilch Samuel H. Pilch (chief accounting officer and duly authorized officer of Registrant)

Exhibit No.	Description
4	Registrant hereby agrees to furnish the Commission, upon request, with the instruments defining the rights of holders of each issue of long-term debt of the Registrant and its consolidated subsidiaries.
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated August 4, 2010, concerning unaudited interim financial information.
31 (i)	Rule 13a-14(a) Certification of Principal Executive Officer
31 (i)	Rule 13a-14(a) Certification of Principal Financial Officer
32	Section 1350 Certifications