

Catastrophe Reinsurance Program Effective June 1, 2009 to June 30, 2010

Northbrook, Ill., August 5, 2009 – During the third quarter of 2009, we placed a new reinsurance agreement covering North Carolina personal property excess catastrophe losses. Previously during the second quarter of 2009, we completed the personal lines property catastrophe reinsurance program for Allstate Protection, the property and casualty business unit for The Allstate Corporation, by placing a Florida component.

Our catastrophe reinsurance program allows us to continue to broadly offer protection products. It 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.

Our program coordinates coverage under various agreements. As discussed below, our reinsurance program comprises agreements that provide coverage for the occurrence of certain qualifying catastrophes in specific states including New York, New Jersey, Connecticut, Rhode Island and Texas (“multi-peril”); additional coverage for hurricane catastrophe losses in states along the southern and eastern coasts (“South-East”); New York, New Jersey and Connecticut (“North-East”); and Texas (“Texas”); in California for fires following earthquakes (“California fires following earthquakes”); in Kentucky for earthquakes and fires following earthquakes (“Kentucky”); in Pennsylvania for multiple perils (“Pennsylvania”); and in North Carolina for multiple perils (“North Carolina”). Another reinsurance agreement provides coverage nationwide, excluding Florida, for the aggregate or sum of catastrophe losses in excess of an annual retention associated with storms named or numbered by the National Weather Service, fires following earthquakes and California wildfires (“aggregate excess”).

The Florida component of the reinsurance program, which is described later in this document, is designed separately from the other components of the program to address the distinct needs of our separately capitalized legal entities in that state.

We designed a layered approach to placing our reinsurance coverage to lessen the amount of reinsurance being placed in the market in any one year.

- The multi-peril and California fires following earthquakes agreements each comprise three contracts, with each of these contracts providing one-third of the total limits and expiring as of May 31, 2010, 2011 and 2012, respectively. We have the right to cancel the two and three year contracts upon timely notice on the first or second anniversary dates.
- The South-East agreement is for one year expiring May 31, 2010.
- The North-East agreement was placed in June 2007 and its risk period is effective June 15, 2007 to June 8, 2010.
- The Texas agreement was placed in June 2008 and its risk period is effective June 18, 2008 to June 17, 2011.
- The Kentucky and Pennsylvania agreements expire on May 31, 2011 and May 31, 2012, respectively, and have been placed as three year term contracts. These contracts can be canceled on the first or second anniversary dates.
- The North Carolina agreement is for one year expiring June 30, 2010.
- The aggregate excess agreement comprises three contracts: two contracts expire on May 31, 2010 and one contract expires on May 31, 2011.

The multi-peril agreements have various retentions and limits commensurate with the amount of catastrophe risk, measured on an annual basis, in each covered state. A description of these retentions and limits appears in the following table and chart. The multi-peril agreement for Connecticut and Rhode

Island provides that losses resulting from the same occurrence but taking place in both states may be combined to meet the agreement's per occurrence retention and limit.

The South-East agreement provides coverage for Allstate Protection personal property excess catastrophe losses for storms named or numbered by the National Weather Service. The South-East agreement covers \$500 million of losses in excess of \$500 million, with Allstate retaining 5%. This agreement reinsures losses in the states of Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland and Delaware and the District of Columbia. The South-East agreement provides that losses resulting from the same occurrence but taking place in various states may be combined to meet the agreement's per occurrence retention and limit.

The North-East agreement provides coverage for Allstate Protection personal property and auto excess catastrophe losses in the states of New York, New Jersey and Connecticut for hurricane catastrophe losses. This agreement was placed with a Cayman Island insurance company, Willow Re Ltd. ("Willow Re"), which completed an offering to unrelated investors for principal at risk, variable market rate notes ("note holders") of \$250 million to collateralize hurricane catastrophe losses covered by this agreement ("catastrophe bond"). Willow Re purchased assets with this collateral which are currently in a reinsurance trust with Allstate Insurance Company as the beneficiary. Amounts payable under the reinsurance agreement will be based on an index created by applying predetermined percentages representing our market share, to insured personal property and auto industry losses in the covered area as reported by Property Claim Services ("PCS"), a division of Insurance Services Offices, Inc., limited to our actual losses. The retention and exhaustion point are annually reset based on updated industry and Allstate exposure data. As of May 31, 2009, the limits on our North-East agreement are designed to replicate as close as possible 42% of \$600 million of our catastrophe losses between \$1.6 billion (retention) and \$2.2 billion (exhaustion point) in the states of New York, New Jersey and Connecticut. The North-East agreement provides that losses arising from the same occurrence but taking place in the three states may be combined to meet the agreement's per occurrence retention and limit. At the inception of this agreement, Willow Re entered into a total return swap with Lehman Brothers Special Financing, Inc. ("Lehman") which guaranteed the value of the assets in the reinsurance trust and a rate of return to be paid to note holders. Upon the failure of Lehman in the third quarter of 2008, the total return swap was settled and terminated without replacement. While Allstate continues to make the required premium payments to Willow Re, the assets in the reinsurance trust have not generated sufficient interest to meet the quarterly bond interest payments due to note holders in January, April and July 2009, resulting in a default under the catastrophe bond. The default does not create any obligations for Allstate and the reinsurance contract remains in place, although the value of the reinsurance provided by Willow Re depends upon the market value of the assets in the reinsurance trust. These assets consist largely of illiquid mortgage-backed securities and money market funds with a current market value less than \$250 million.

The Texas agreement provides coverage for Allstate Protection personal property excess catastrophe losses in Texas for hurricane catastrophe losses. The agreement was placed with Willow Re, which completed an offering to unrelated investors for principal at risk, variable market rate notes of \$250 million to collateralize hurricane catastrophe losses covered by this agreement. Amounts payable under the reinsurance agreement will be based on an index created by applying predetermined percentages representing our market share to insured personal property industry losses in Texas as reported by PCS limited to our actual losses. The retention and exhaustion point are annually reset, based on updated industry and Allstate exposure data. As of May 31, 2009, the limits on our Texas agreement are designed to replicate as close as possible 100% of \$250 million of our catastrophe losses between \$1.0 billion (retention) and \$1.3 billion (exhaustion point). The Texas agreement placed with Willow Re is independent of the North-East agreement and is not impacted by the termination of the North-East agreement's total return swap.

The California fires following earthquakes agreement provides coverage for Allstate Protection personal property excess catastrophe losses in the state of California. This agreement is for \$750 million of coverage, in excess of \$750 million, with Allstate retaining 5% for the first year of coverage. The California fires following earthquakes agreement comprises three contracts, with one-third of the coverage expiring as of May 31, 2010, 2011 and 2012, respectively.

The Kentucky agreement provides coverage for Allstate Protection personal property excess catastrophe losses in the state of Kentucky for earthquakes and fires following earthquakes. This agreement is for \$40 million of coverage, in excess of \$10 million, with Allstate retaining 5%.

The Pennsylvania agreement provides coverage for Allstate Protection personal property excess catastrophe losses in the state of Pennsylvania for multiple perils. This agreement is for \$100 million of coverage in excess of \$100 million, with Allstate retaining 5%.

The North Carolina agreement provides coverage for Allstate Protection personal property excess catastrophe losses in the state of North Carolina for multiple perils. This agreement is for \$150 million of coverage in excess of \$150 million with Allstate retaining 5%. Recoveries from qualifying losses under this agreement are not excluded when determining coverage under the South-East and aggregate excess agreements.

The aggregate excess agreement provides coverage for the aggregate or sum of all qualifying Allstate Protection losses incurred nationwide, except Florida, in excess of \$2 billion of aggregated qualifying losses up to the limit of \$2 billion arising from three covered perils: storms named or numbered by the National Weather Service, fires following earthquakes and California wildfires.

The aggregate excess agreement comprises three contracts: two contracts effective June 1, 2008 to May 31, 2010 with one year remaining on their two year term, and one contract effective June 1, 2009 to May 31, 2011. The contracts expiring as of May 31, 2010 represent 47.5% of the placement or \$950 million of the \$2.0 billion limit. The contract expiring May 31, 2011, represents the remaining 47.5% of the placement with Allstate retaining the option in 2010 to place up to the entire \$2.0 billion limit of that contract. For the year June 1, 2009 to May 31, 2010, Allstate retains 5% of the \$2.0 billion reinsurance limit.

Losses recoverable from the multi-peril, South-East, North-East, Texas, California fires following earthquakes, Kentucky, and Pennsylvania agreements are excluded when determining the coverage under the aggregate excess agreement to the extent that the loss recoveries conform to the named peril coverage in the aggregate excess agreement ("inure"). Conversely, losses retained under, or which exceed the limits of, the multi-peril, South-East, North-East, Texas, California fires following earthquakes, Kentucky, and Pennsylvania agreements and qualifying as covered losses under the aggregate excess agreement are covered.

The coverage provided by the multi-peril, South-East, North-East, Texas, California fires following earthquakes, Kentucky, and Pennsylvania agreements are deemed to be in place for the purpose of making loss recoveries under the aggregate excess contracts in effect as of June 1, 2009.

Five separate agreements have been entered into by Castle Key Insurance Company, formerly known as Allstate Floridian Insurance Company, and its subsidiaries ("Castle Key Group") for personal property excess catastrophe losses in Florida, effective June 1, 2009 for one year for multi-perils including hurricanes, earthquakes and wildfires. These agreements coordinate coverage for hurricane losses with the Florida Hurricane Catastrophe Fund ("FHCF"). We chose not to participate in the optional temporary emergency additional coverage option ("TEACO") that is below the mandatory FHCF coverage or optional temporary increase in coverage limit ("TICL") that is above the mandatory FHCF coverage. The FHCF provides 90% reimbursement on qualifying Castle Key Group property losses up to an estimated maximum of \$243 million in excess of a \$92 million retention, including reimbursement of eligible loss adjustment expenses at 5%. For each of the two largest hurricanes the retention is \$92 million and one third of that amount or approximately \$30 million for all other hurricanes for the season beginning June 1, 2009. The five agreements are listed and described below.

- FHCF Retention - provides coverage on \$62 million of losses in excess of \$30 million and is 100% placed, with one reinstatement of limit, premium required, in the event of a loss recovery.
- FHCF Sliver - provides coverage on 10% co-participation of the FHCF payout, or \$24 million, and is 100% placed with one prepaid reinstatement of limit.
- FHCF Back-Up - provides coverage of \$243 million of losses after the exhaustion of an amount equivalent to the anticipated FHCF reimbursement protection in excess of \$92 million (the FHCF Retention). This contract is 90% placed with no reinstatement of limit.

- First Excess – provides coverage of \$170 million of losses after the exhaustion of an amount equivalent to \$92 million (the FHCF Retention), the FHCF Sliver and FHCF (or alternatively the FHCF Back-Up), or an amount in excess of \$335 million. This contract is 100% placed with one prepaid reinstatement of limit.
- Second Excess - provides coverage of \$122 million of losses after the exhaustions of an amount equivalent to \$92 million (the FHCF Retention), the FHCF Sliver, FHCF (or alternatively the FHCF Back-Up), and the First Excess, or an amount in excess of \$505 million. This contract is 100% placed with no reinstatement of limit.

The reinsurance agreements have been placed in the global reinsurance market. All but one of the reinsurers on our current Florida program has an A.M. Best insurance financial strength rating of A- or better and the one remaining reinsurer has a Standard & Poor's ("S&P") rating of AA. The vast majority of limits on our other programs are placed with reinsurers who currently have an A.M. Best insurance financial strength rating of A- or better. With the exception of Willow Re who is not rated by either A.M. Best or S&P, the reinsurers participating on our programs who are not rated by A.M. Best maintain an S&P rating of A- or better. We have collateral for the North-East and Texas contracts placed with Willow Re.

On July 7, 2009, A.M. Best downgraded the financial strength ratings for the Castle Key Group to B- from B+. The outlook for the ratings of Castle Key Insurance Company and its subsidiaries remain negative.

We estimate that the total annualized cost of all catastrophe reinsurance programs for the year beginning June 1, 2009 will be approximately \$640 million or \$160 million per quarter. This is compared to \$613 million annualized cost for the year beginning June 1, 2008. The total cost of our reinsurance programs during 2008 was \$227 million in the first quarter, \$223 million in the second quarter, \$164 million in the third quarter and \$136 million in the fourth quarter. The total cost of our reinsurance programs during the first and second quarters of 2009 was \$158 million and \$156 million, respectively. We continue to attempt to capture our reinsurance cost in premium rates as allowed by state regulatory authorities.

The terms, retentions and limits for all of Allstate's catastrophe management reinsurance agreements in place as of June 1, 2009 are listed in the following table.

(\$ in millions)	<u>Effective date</u>	<u>% placed</u>			<u>Reinstatements</u>	<u>Retention</u>	<u>Per occurrence limit</u>
		Yr 1	Yr 2	Yr 3			
Aggregate excess ⁽¹⁾	6/1/2008 and 6/1/2009	95	47.5	NA	None	\$2,000	\$2,000
Multi-peril ⁽²⁾ :	6/1/2008 and 6/1/2009						
- Connecticut/Rhode Island		80	53	27	2 limits each year for each contract, prepaid	200	200
- New Jersey		95	63	32	2 limits each year for each contract, prepaid	200	300
		80	53	27	2 limits each year for each contract, prepaid	500	200
-New York		80	53	27	2 limits each year for each contract, prepaid	750	1,000
-Texas		95	63	32	2 limits each year for each contract, prepaid	500	500
South-East ⁽³⁾	6/1/2009	95	NA	NA	1 reinstatement, premium required	500	500
North-East ⁽⁴⁾	6/15/2007	NA	NA	42	None	1,600	600
Texas ⁽⁵⁾	6/18/08	NA	100	100	None	1,000	250
California fires following earthquakes ⁽⁶⁾	6/1/2008 and 6/1/2009	95	63	32	2 limits each year for each contract, prepaid	750	750
Kentucky ⁽⁷⁾	6/1/2008	NA	95	95	3 limits over 3 years, prepaid	10	40
Pennsylvania ⁽⁸⁾	6/1/2009	95	95	95	3 limits over 3 years, prepaid	100	100
North Carolina ⁽⁹⁾	7/1/2009	95	N/A	N/A	2 limits, prepaid	150	150

⁽¹⁾ Aggregate Excess - This agreement comprises three contracts: two contracts effective 6/1/2008 to 5/31/2010 with one year remaining on their two year term, and one contract effective 6/1/2009 to 5/31/2011. It covers the aggregation of qualifying losses for storms named or numbered by the National Weather Service, fires following earthquakes and California wildfires, for Allstate Protection personal lines auto and property business countrywide, except for Florida, in excess of \$2.0 billion in aggregated losses per contract year. Our multi-peril, South-East, North-East, Texas, California fires following earthquakes, Kentucky and Pennsylvania agreements are deemed in place, and losses recoverable under these agreements, if any, are excluded when determining coverage under this agreement. The contracts expiring as of 5/31/2010 represent 47.5% of the placement or \$950 million of the \$2.0 billion limit. The contract expiring 5/31/2011 represents the remaining 47.5% of the placement with Allstate retaining the option in 2010 to place up to the entire \$2.0 billion limit of this contract. For the year 6/1/09 to 5/31/10, Allstate retains 5% of the \$2.0 billion reinsurance limit.

⁽²⁾ Multi-peril - Three contracts comprise each of the multi-peril agreements and expire 5/31/2010, 2011 and 2012, respectively. These agreements cover Allstate Protection personal property excess catastrophe losses. The preliminary retention and reinsurance premium are subject to redetermination for exposure changes at each anniversary.

⁽³⁾ South-East - This agreement is effective 6/1/2009 for 1 year and covers Allstate Protection personal property excess catastrophe losses for storms named or numbered by the National Weather Service. This agreement covers personal property business in the states of Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland and Delaware and the District of Columbia. The preliminary reinsurance premium is subject to redetermination for exposure changes.

- ⁽⁴⁾ North-East - This agreement is effective 6/15/2007 to 6/8/2010 and covers Allstate Protection personal property and auto excess catastrophe losses for hurricanes. As of May 31, 2009, this agreement covers 42% of \$600 million of our catastrophe losses between \$1.6 billion (retention) and \$2.2 billion (exhaustion point) in the states of New York, New Jersey and Connecticut. Qualifying losses under this agreement are also eligible to be ceded under the New York, New Jersey and Connecticut and Rhode Island multi-peril agreements. The retention and exhaustion point are reset annually, based on updated industry and Allstate exposure data. For a given hurricane event, the retention may vary depending on the PCS's estimate of insured personal property and auto industry losses in New York, New Jersey and Connecticut.
- ⁽⁵⁾ Texas - This agreement is effective 6/18/2008 to 6/17/2011 and covers Allstate Protection personal property excess catastrophe losses for hurricanes. As of May 31, 2009, this agreement provides coverage for 100% of \$250 million of our catastrophe losses between \$1.0 billion (retention) and \$1.3 billion (exhaustion point). Qualifying losses under this agreement are also eligible to be ceded under the Texas multi-peril agreement. The retention and exhaustion point are reset annually based on updated industry and Allstate exposure data. For a given hurricane event, the retention may vary depending on the PCS's estimate of insured personal property losses in Texas.
- ⁽⁶⁾ California Fires Following Earthquakes - This agreement has one year, two year and three year contracts expiring 5/31/2010, 2011 and 2012, respectively. This agreement covers Allstate Protection personal property excess catastrophe losses in California for fires following earthquakes. The preliminary retention and reinsurance premium are subject to redetermination for exposure changes at each anniversary.
- ⁽⁷⁾ Kentucky - This agreement is effective 6/1/2008 for three years and covers Allstate Protection personal property excess catastrophe losses for earthquakes and fires following earthquakes. This agreement provides three limits over three years subject to two limits being available in any one contract year.
- ⁽⁸⁾ Pennsylvania - This agreement is effective 6/1/2009 for three years and covers Allstate Protection personal property excess catastrophe losses for multi-perils. This agreement provides three limits over three years subject to two limits being available in any one contract year.
- ⁽⁹⁾ North Carolina - This agreement is effective 7/1/2009 for one year and covers Allstate Protection personal property excess catastrophe losses for multi-perils. This agreement provides two limits over a one year term. Recoveries from qualifying losses under this agreement are not excluded when determining coverage under the South-East and aggregate excess agreements.

Castle Key Group

(\$ in millions)	<u>Effective date</u>	<u>% placed</u>	<u>Reinstatement</u>	<u>Retention</u>	<u>Per occurrence limit</u>
FHCF Retention ⁽¹⁾	6/1/2009	100	2 limits over 1-year term, premium required	\$30	\$62
FHCF ⁽²⁾	6/1/2009	90	1 limit over 1-year term	92 for the 2 largest storms, 30 for all other storms	243
FHCF Sliver ⁽³⁾	6/1/2009	100	2 limits over 1-year term, prepaid	92	10% co-participation of the FHCF recoveries estimated at 243, up to a limit of 24
FHCF Back-Up ⁽⁴⁾	6/1/2009	90	1 limit over 1-year term	Back-Up for FHCF, 92	243
First Excess ⁽⁵⁾	6/1/2009	100	2 limits over 1-year term, prepaid	In excess of the FHCF Sliver and FHCF (or alternatively the FHCF Back-Up) agreements, 335	170
Second Excess ⁽⁶⁾	6/1/2009	100	1 limit over 1-year term	In excess of the FHCF Sliver, FHCF (or alternatively the FHCF Back-Up) and First Excess agreements, 505	122

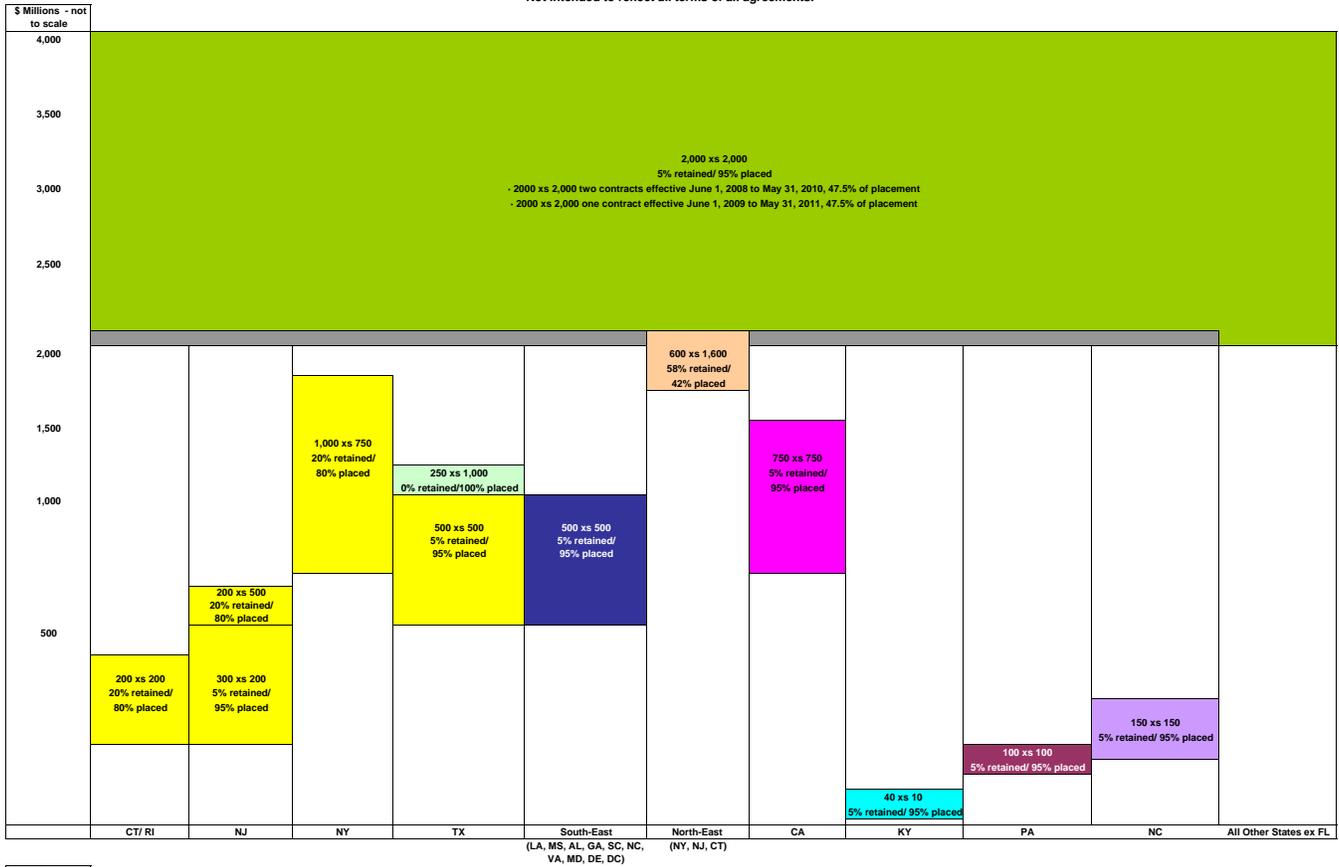
⁽¹⁾ FHCF Retention - provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses on policies written by the Castle Key Group. The preliminary reinsurance premium is subject to redetermination for exposure changes. Premium is required upon reinstatement of the second limit.

⁽²⁾ FHCF (Florida Hurricane Catastrophe Fund) – provides 90% reimbursement on qualifying personal property losses up to an estimated maximum per hurricane season. Estimated limits and retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently, and are subject to annual remeasurements based on 6/30 exposure data. “Provisional retentions” are initial estimates subject to adjustment upward or downward to the actual retention which is determined based on the submitted exposures of all FHCF participants. As of 6/1/2009, the limits provided are an estimated \$165 million for Castle Key

Insurance Company, \$44 million for Castle Key Indemnity Company, formerly known as Allstate Floridian Indemnity Company, \$25 million for Encompass Floridian Insurance Company, and \$9 million for Encompass Floridian Indemnity Company for a total of \$243 million. Provisional retentions for each of the companies in the Castle Key Group are an estimated \$63 million for Castle Key Insurance Company, \$17 million for Castle Key Indemnity Company, \$9 million for Encompass Floridian Insurance Company, and \$3 million for Encompass Floridian Indemnity Company for a total of \$92 million.

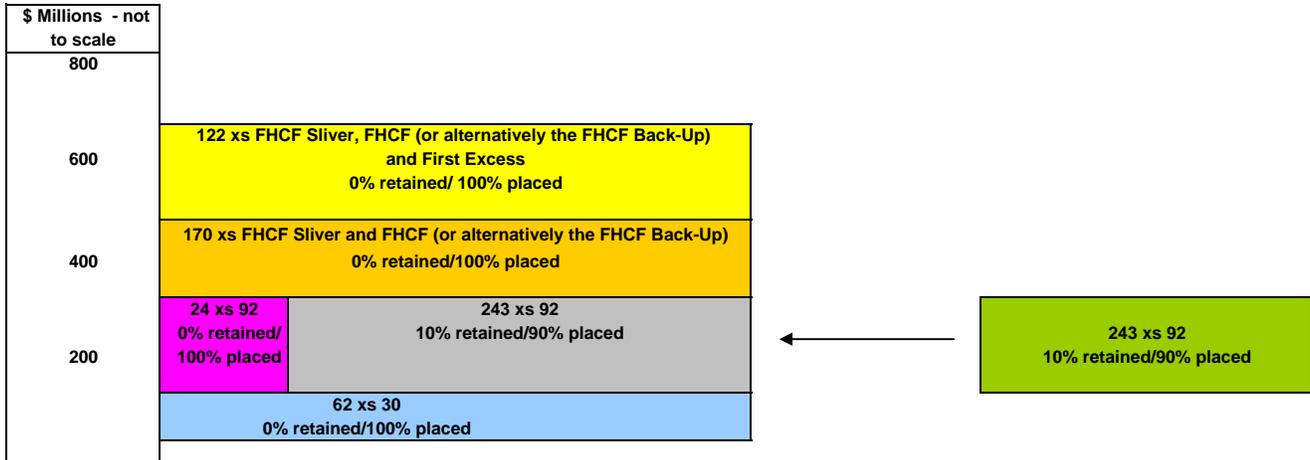
- ⁽³⁾ FHCF Sliver - provides coverage beginning 6/1/2009 for 1 year covering primarily excess catastrophe losses not reimbursed by the FHCF. The provisional retention is \$92 million and is subject to adjustment upward or downward to an actual retention that will equal the FHCF retention as respects business covered by this contract. The preliminary reinsurance premium is subject to redetermination for exposure changes. Estimated limits and retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently. As of 6/1/2009, the limits provided are 10% of the amounts outlined above for the FHCF and the retentions are the same. Reinsurance premium to reinstate the second limit is prepaid.
- ⁽⁴⁾ FHCF Back-Up – provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses and is contiguous to the FHCF payout. As the FHCF capacity is paid out, this agreement automatically adjusts to replenish the exhausted FHCF reinsurance up to the original FHCF reinsurance limits. The preliminary reinsurance premium is subject to redetermination for exposure changes. Estimated limits and retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently. As of 6/1/2009, the limits provided match the per company limits of the FHCF. Retentions for each of the companies in the Castle Key Group also match the FHCF retention.
- ⁽⁵⁾ First Excess - provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses and is designed to attach above and contiguous to the FHCF Sliver, and FHCF (or alternatively the FHCF Back-Up as described above). As the FHCF Sliver and the FHCF (or alternatively the FHCF Back-Up) are paid out, the retention automatically adjusts to mirror the amount of the payout. The preliminary reinsurance premium is subject to redetermination for exposure changes. The estimated limit is calculated for Castle Key Insurance Company and its subsidiaries on a consolidated basis. Estimated retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently. Reinsurance premium to reinstate the second limit is prepaid.
- ⁽⁶⁾ Second Excess - provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses. The retention on this agreement is designed to attach above and contiguous to the FHCF Sliver, FHCF (or alternatively the FHCF Back-Up as described above) and First Excess. As the FHCF Sliver, the FHCF (or alternatively the FHCF Back-Up) and the First Excess are paid out, the retention automatically adjusts to mirror the amount of the payout. The preliminary reinsurance premium is subject to redetermination for exposure changes. The estimated limit is calculated for Castle Key Insurance Company and its subsidiaries on a consolidated basis. Estimated retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently.

Current 2009 Reinsurance Programs by State (excluding Florida)
For Illustrative Purposes only.
Not intended to reflect all terms of all agreements.



- Legend**
- Aggregate Excess** - This agreement comprises three contracts: two contracts are effective 6/1/2008 to 5/31/2010 with one year remaining on their two year term, and one contract effective 6/1/2009 to 5/31/2011. It covers the aggregation of qualifying losses for storms named or numbered by the National Weather Service, fires following earthquakes and California wildfires, for Allstate Protection personal lines auto and property business countrywide, except for Florida, in excess of \$2.0 billion in aggregated losses per contract year. The contracts expiring 5/31/2010 represent 47.5% of the placement, or \$950 million of the \$2.0 billion limit. The contract expiring 5/31/2011 represents the remaining 47.5% of the placement, with Allstate retaining the option to place the entire \$2.0 billion limit in 2010. The preliminary reinsurance premium is subject to redetermination within limits for exposure changes.
 - Losses recoverable, if any from our multi-peril, South-East, North-East, Texas, California fires following earthquakes, Kentucky and Pennsylvania agreements are excluded when determining coverage under this agreement.**
 - Multi-peril** - These agreements each comprise three contracts, each providing one-third of the total limits and expiring as of 5/31/2010, 2011 and 2012 respectively. These agreements cover Allstate Protection personal property excess catastrophe losses. The preliminary retention and reinsurance premium are subject to redetermination for exposure changes at each anniversary.
 - South-East** - This agreement is effective 6/1/2009 for 1 year and covers Allstate Protection personal property excess catastrophe losses for storms named or numbered by the National Weather Service. This agreement covers personal property business in the states of Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Delaware and the District of Columbia. The preliminary reinsurance premium is subject to redetermination for exposure changes.
 - North-East** - This agreement is effective 6/15/2007 to 6/8/2010 and covers Allstate Protection personal property and auto excess catastrophe losses for hurricanes. As of May 31, 2009, this agreement covers 42% of \$600 million of our catastrophe losses between \$1.6 billion (retention) and \$2.2 billion (exhaustion point) in the states of New York, New Jersey and Connecticut.
 - Texas** - This agreement is effective 6/18/2008 to 6/17/2011 and covers Allstate Protection personal property excess catastrophe losses for hurricanes. As of May 31, 2009, this agreement provides coverage for 100% of \$250 million of our catastrophe losses between \$1.0 billion (retention) and \$1.3 billion (exhaustion point) in the state of Texas.
 - California Fires Following Earthquakes** - This agreement comprises three contracts, each providing one-third of the limit and expiring 5/31/2010, 2011 and 2012, respectively. This agreement covers Allstate Protection personal property excess catastrophe losses in California for fires following earthquakes. The preliminary retention and reinsurance premium are subject to redetermination for exposure change at each anniversary.
 - Kentucky** - This agreement is effective 6/1/2008 for three years and covers Allstate Protection personal property excess catastrophe losses for earthquakes and fires following earthquakes. This agreement provides three limits over three years subject to two limits being available in any one contract year.
 - Pennsylvania** - This agreement is effective 6/1/2009 for three years and covers Allstate Protection personal property excess catastrophe losses for multi-perils. This agreement provides three limits over three years subject to two limits being available in any one contract year.
 - North Carolina** - This agreement is effective 7/1/2009 for one year and covers Allstate Protection personal property excess catastrophe losses for multi-perils. This agreement provides two limits and are prepaid. Recoveries from qualifying losses under this agreement are not excluded when determining coverage under the South-East and aggregate excess agreements.

Current 2009 Reinsurance Program for Castle Key Group*
For Illustrative Purposes only.
Not intended to reflect all terms of all agreements.



Legend

- FHCf Retention - provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses on policies written by the Castle Key Group. The preliminary reinsurance premium is subject to redetermination for exposure changes.

- FHCf (Florida Hurricane Catastrophe Fund) – provides 90% reimbursement on qualifying personal property losses up to an estimated maximum per hurricane season. Estimated limits and retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently, and are subject to annual remeasurements based on 6/30 exposure data. "Provisional retentions" are initial estimates subject to adjustment upward or downward to the actual retention which is determined based on the submitted exposures of all FHCf participants. As of 6/1/2009, the limits provided are an estimated \$165 million for Castle Key Insurance Company, \$44 million for Castle Key Indemnity Company, \$25 million for Encompass Floridian Insurance Company, and \$9 million for Encompass Floridian Indemnity Company for a total of \$243 million. Provisional retentions for each of the companies in the Castle Key Group are an estimated \$63 million for Castle Key Insurance Company, \$17 million for Castle Key Indemnity Company, \$9 million for Encompass Floridian Insurance Company, and \$3 million for Encompass Floridian Indemnity Company for a total of \$92 million.

- FHCf Sliver - provides coverage beginning 6/1/2009 for 1 year covering primarily excess catastrophe losses not reimbursed by the FHCf. The provisional retention is \$92 million and is subject to adjustment upward or downward to an actual retention that will equal the FHCf retention as respects business covered by this contract. The preliminary reinsurance premium is subject to redetermination for exposure changes. Estimated limits and retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently. As of 6/1/2009, the limits provided are 10% of the amounts outlined above for the FHCf and the retentions are the same.

- FHCf Back-Up – provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses and is contiguous to the FHCf payout. As the FHCf capacity is paid out, this agreement automatically adjusts to replenish the exhausted FHCf reinsurance up to the original FHCf reinsurance limits. The preliminary reinsurance premium is subject to redetermination for exposure changes. Estimated limits and retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently. As of 6/1/2009, the limits provided match the per company limits of the FHCf. Retentions for each of the companies in the Castle Key Group also match the FHCf retention.

- First Excess - provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses and is designed to attach above and contiguous to the FHCf Sliver and FHCf (or alternatively the FHCf Back-Up as described above). As the FHCf Sliver and the FHCf (or alternatively the FHCf Back-Up) are paid out, the retention automatically adjusts to mirror the amount of the payout. The preliminary reinsurance premium is subject to redetermination for exposure changes. The estimated limit is calculated for Castle Key Insurance Company and its subsidiaries on a consolidated basis. Estimated retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently.

- Second Excess - provides coverage beginning 6/1/2009 for 1 year covering personal property excess catastrophe losses and is designed to attach above and contiguous to the FHCf Sliver, FHCf (or alternatively the FHCf Back-Up as described above) and First Excess. As the FHCf Sliver, the FHCf (or alternatively the FHCf Back-Up) and the First Excess are paid out, the retention automatically adjusts to mirror the amount of the payout. The preliminary reinsurance premium is subject to redetermination for exposure changes. The estimated limit is calculated for Castle Key Insurance Company and its subsidiaries on a consolidated basis. Estimated retentions are calculated for Castle Key Insurance Company and each of its subsidiaries independently.

* Castle Key Insurance Company and its subsidiaries ("Castle Key Group") was formerly known as Allstate Floridian Insurance Company and its subsidiaries ("Allstate Floridian").

Reinsurance Agreements
Highlights of Certain Other Contract Terms and Conditions

	<u>Aggregate Excess</u>	<u>Multi-peril, California fires following earthquakes, Kentucky, Pennsylvania and North Carolina</u>	<u>South-East</u>	<u>North-East</u>	<u>Texas</u>	<u>Castle Key Group*</u>
Business Reinsured	Personal Lines Property and Auto Business	Personal Lines Property Business	Personal Lines Property Business	Personal Lines Property and Auto Business	Personal Lines Property Business	Personal Lines Property Business
Location (s)	Nationwide except Florida	Each specific state Multi-peril states include New York, New Jersey, Texas, Connecticut, and Rhode Island	9 states and Washington, DC	New York, New Jersey and Connecticut	Texas	Florida
Covered Losses	3 specific perils in each contract – storms named or numbered by the National Weather Service, fires following earthquakes, and California wildfires.	Multi-peril: Hurricanes, earthquakes and wildfires California fires following earthquakes: Fires following earthquakes Kentucky: Earthquakes and fires following earthquakes Pennsylvania: Hurricanes, earthquakes and wildfires North Carolina: Hurricanes, earthquakes and wildfires	Storms named or numbered by the National Weather Service	Hurricanes	Hurricanes	Multi-peril - including hurricanes, earthquakes, and wildfires
Pertinent Exclusions	Assessment exposure to California Earthquake Authority, Terrorism, Commercial	Automobile, Terrorism, Commercial	Automobile, Terrorism, Commercial	Terrorism, Commercial	Assessment exposure to the Texas Windstorm Insurance Association, Automobile, Terrorism, Commercial	Automobile, Terrorism, Commercial, Policies reinsured under 100% quota share agreements with Royal Palm Insurance Company and Universal Insurance Company of North America
Loss Occurrence	Sum of all qualifying losses and sum of all qualifying occurrences (Aggregate) Losses over 96 hours from a named or numbered storm Losses over 168 hours for California wildfires Losses over 168 hours within a 336 hour period for fires following an earthquakes	Multi-peril: Sum of all qualifying earthquakes, fires following earthquakes and wildfire losses for a specific occurrence over 168 hours. Windstorm related occurrences over 96 hours. Riot related occurrences over 72 hours. California fires following earthquakes: Occurrences over 168 hours. Kentucky: Earthquakes and fires following earthquakes occurrences over 168 hours within a 336 hour period. Pennsylvania: Sum of all qualifying earthquakes, fires following earthquakes and wildfire losses for a specific occurrence over 168 hours. Windstorm related occurrences over 96 hours. Riot related occurrences over 72 hours. North Carolina: Sum of all qualifying earthquakes, fires following earthquakes and wildfire losses for a specific occurrence over 168 hours. Windstorm related occurrences over 96 hours. Riot related occurrences over 72 hours.	Sum of all qualifying losses from named or numbered storms by the National Weather Service over 96 hours	Hurricane event - our market share of PCS' estimated modified industry catastrophe losses	Hurricane event - our market share of PCS' estimated modified industry catastrophe losses	Sum of all qualifying losses for specific occurrences over 168 hours Windstorm related occurrences over 96 hours Riot related occurrences over 72 hours
Loss adjustment expenses included within ultimate net loss	12.5% of qualifying losses	12.5% of qualifying losses North Carolina - 16% of qualifying losses	12.5% of qualifying losses	12.5% of qualifying losses	12.5% of qualifying losses	16% of qualifying losses

* Castle Key Insurance Company and its subsidiaries ("Castle Key Group"), formerly Allstate Floridian, information relates to the FHCf Retention, FHCf, FHCf Sliver, FHCf Back-Up, First Excess and Second Excess agreements. Agreements effective June 1, 2009.

