

ALLSTATE CORP
Form 11-K
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No fee required, effective October 7, 1996]

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the transition period from _____ to _____

Commission file number 1-11840

THE SAVINGS AND PROFIT SHARING FUND OF
ALLSTATE EMPLOYEES

THE ALLSTATE CORPORATION
2775 SANDERS ROAD STE. E-5
NORTHBROOK, ILLINOIS 60062-6127

The Savings and Profit Sharing Fund of Allstate Employees

*Financial Statements for the Years Ended
December 31, 2002 and 2001, Supplemental
Schedule for the Year Ended December 31, 2002
and Independent Auditors' Report*

THE SAVINGS AND PROFIT SHARING FUND OF
ALLSTATE EMPLOYEES

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INDEPENDENT AUDITORS' REPORT

To the Trustees and Participants of
The Savings and Profit Sharing Fund of Allstate Employees:

We have audited the accompanying financial statements of The Savings and Profit Sharing Fund of Allstate Employees (the "Fund") as of December 31, 2002 and 2001, and for the years then ended, listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information in the statements of net assets available for benefits and the statements of changes in net assets available for benefits is presented for the purpose of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of the individual funds. The supplemental schedule and supplementary information are the responsibility of the Fund's management. Such supplemental schedule and supplementary information have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

April 30, 2003

**THE SAVINGS AND PROFIT SHARING FUND OF
ALLSTATE EMPLOYEES**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2002
(Dollars in Thousands)**

	Supplementary Information			Total
	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	
ASSETS				
INVESTMENTS At fair value:				
The Allstate Corporation common stock		\$ 648,515	\$ 700,119	\$ 1,348,634
Interest in registered investment company,				
State Street Global Advisors (SSgA):				
SSgA Short Term Investment Fund	\$ 394,235			394,235
SSgA Bond Market Index Fund Series A	199,008			199,008
SSgA Allstate Balanced Fund	491,079			491,079
SSgA S&P 500 Flagship Fund Series A	392,090			392,090
SSgA Daily EAFE Fund Series A	36,033			36,033
SSgA Russell 2000 Fund Series A	91,912			91,912
Collective short-term investment fund		4,128		4,128
Participant notes receivable	77,950			77,950
Total investments	1,682,307	652,643	700,119	3,035,069
RECEIVABLES:				
Dividends and interest	530	3,652	3,982	8,164
Employer Contributions			27,008	27,008
Interfund		120,025		120,025
Total receivables	530	123,677	30,990	155,197
Total assets	1,682,837	776,320	731,109	3,190,266
LIABILITIES				
ESOP LOAN (Note 3)			128,368	128,368
PAYABLES:				
Other	478	106		584
Interfund			120,025	120,025

Supplementary Information

Total liabilities	478	106	248,393	248,977
NET ASSETS AVAILABLE FOR BENEFITS	\$ 1,682,359	\$ 776,214	\$ 482,716	\$ 2,941,289

See notes to financial statements.

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**THE SAVINGS AND PROFIT SHARING FUND OF
ALLSTATE EMPLOYEES****STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2001
(Dollars in Thousands)**

Supplementary Information

	Participant- Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ASSETS				
INVESTMENTS At fair value:				
The Allstate Corporation common stock		\$ 663,008	\$ 681,206	\$ 1,344,214
Sears, Roebuck and Co. common shares	\$ 66,225			66,225
Morgan, Stanley, Dean Witter & Co. common shares	123,849			123,849
Interest in registered investment company, State Street Global Advisors (SSgA):				
SSgA Short Term Investment Fund	323,415			323,415
SSgA Bond Market Index Fund Series A	106,630			106,630
SSgA Allstate Balanced Fund	618,088			618,088
SSgA S&P 500 Flagship Fund Series A	524,901			524,901
SSgA Daily EAFE Fund Series A	38,358			38,358
SSgA Russell 2000 Fund Series A	99,254			99,254
Collective short-term investment fund	1,957	2,159	2,332	6,448
Participant notes receivable	70,732			70,732
Total investments	1,973,409	665,167	683,538	3,322,114
RECEIVABLES:				
Dividends and interest	1,038	3,800	3,862	8,700
Interfund		41,040		41,040
Total receivables	1,038	44,840	3,862	49,740
Total assets	1,974,447	710,007	687,400	3,371,854

Supplementary Information

LIABILITIES

ESOP LOAN (Note 3)			138,408	138,408
PAYABLES:				
Other	340	81		421
Interfund			41,040	41,040
Total liabilities	340	81	179,448	179,869
NET ASSETS AVAILABLE FOR BENEFITS	\$ 1,974,107	\$ 709,926	\$ 507,952	\$ 3,191,985

See notes to financial statements.

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THE SAVINGS AND PROFIT SHARING FUND OF ALLSTATE EMPLOYEES

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2002
(Dollars in Thousands)**

Supplementary Information

	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ADDITIONS				
NET INVESTMENT INCOME (LOSS):				
Net appreciation (depreciation) in fair value of investments	\$ (177,911)	\$ 66,414	\$ 62,271	\$ (49,226)
Interest	12,300	156	90	12,546
Dividends	464	15,582	15,899	31,945
Net investment income (loss)	(165,147)	82,152	78,260	(4,735)
CONTRIBUTIONS:				
Participants	137,340	12,933		150,273
Employer ESOP loan debt service			27,008	27,008
Employer cash matched on participant deposits		254		254
Total contributions	137,340	13,187	27,008	177,535
ALLOCATION OF COMPANY SHARES:				
Shares matched on participant deposits at fair value		120,025	(120,025)	

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Supplementary Information

Shares allocated in lieu of dividends at fair value		2,317	(2,317)	
Total allocation of Company shares		122,342	(122,342)	
Total additions	(27,807)	217,681	(17,074)	172,800
DEDUCTIONS				
BENEFITS PAID TO PARTICIPANTS	301,621	107,105		408,726
INTEREST EXPENSE			10,479	10,479
ADMINISTRATIVE EXPENSE	3,184	1,107		4,291
Total deductions	304,805	108,212	10,479	423,496
NET INCREASE (DECREASE)	(332,612)	109,469	(27,553)	(250,696)
INTERFUND TRANSFERS	40,864	(43,181)	2,317	
NET ASSETS AVAILABLE FOR BENEFITS:				
Beginning of year	1,974,107	709,926	507,952	3,191,985
End of year	\$ 1,682,359	\$ 776,214	\$ 482,716	\$ 2,941,289

See notes to financial statements.

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THE SAVINGS AND PROFIT SHARING FUND OF ALLSTATE EMPLOYEES

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2001
(Dollars in Thousands)**

Supplementary Information

	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ADDITIONS				
NET INVESTMENT INCOME (LOSS):				
Net appreciation (depreciation) in fair value of investments	\$ (126,361)	\$ (202,642)	\$ (199,821)	\$ (528,824)
Interest	19,123	336	211	19,670

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Dividends	3,577	15,509	15,430	34,516
Net investment income (loss)	(103,661)	(186,797)	(184,180)	(474,638)
CONTRIBUTIONS:				
Participants	134,596	13,110		147,706
Employer cash matched on participant deposits		197		197
Total contributions	134,596	13,307		147,903
ALLOCATION OF COMPANY SHARES:				
Shares matched on participant deposits at fair value		41,040	(41,040)	
Shares allocated in lieu of dividends at fair value		9,268	(9,268)	
Total allocation of Company shares		50,308	(50,308)	
Total additions	30,935	(123,182)	(234,488)	(326,735)
DEDUCTIONS				
BENEFITS PAID TO PARTICIPANTS	195,109	87,869		282,978
INTEREST EXPENSE			11,431	11,431
ADMINISTRATIVE EXPENSE	3,260	1,190		4,450
Total deductions	198,369	89,059	11,431	298,859
NET INCREASE (DECREASE)	(167,434)	(212,241)	(245,919)	(625,594)
INTERFUND TRANSFERS	24,888	(34,156)	9,268	
NET ASSETS AVAILABLE FOR BENEFITS:				
Beginning of year	2,116,653	956,323	744,603	3,817,579
End of year	\$ 1,974,107	\$ 709,926	\$ 507,952	\$ 3,191,985

See notes to financial statements.

**THE SAVINGS AND PROFIT SHARING FUND OF
ALLSTATE EMPLOYEES**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. DESCRIPTION OF PLAN

The following description of The Savings and Profit Sharing Fund of Allstate Employees (the "Fund") provides only general information. Participants should refer to the plan document for a more complete description of the Fund's provisions.

General The Fund covers all full-time and regular part-time employees of The Allstate Corporation (the "Company") and designated affiliates of the Company. Employees must be at least 18 years of age to participate.

The Fund is a defined contribution plan consisting of a profit sharing and stock bonus plan containing a cash or deferred arrangement which is intended to meet the requirements of Sections 401(a) and 401(k) of the Internal Revenue Code of 1986 (the "Code"). The stock bonus portion of the Fund includes a leveraged and a non-leveraged employee stock ownership plan ("ESOP") which is intended to meet the requirements of Section 409 and Section 4975(e)(7) of the Code. The Fund is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Administration The Fund is administered by an Administrative Committee. Investment transactions are authorized by the Fund's Investment Committee. Members of the Administrative and Investment Committees are appointed by the Profit Sharing Committee. Members of the Profit Sharing Committee are appointed by the Company.

Trustee of the Fund The Northern Trust Company holds Fund assets as trustee under The Savings and Profit Sharing Fund of Allstate Employees Trust.

Contributions Each year, employees may contribute up to 30 percent (17 percent prior to January 1, 2002) of eligible annual compensation through a combination of pre-tax and after-tax deposits, subject to Internal Revenue Code limitations. Participants age 50 or older have the option to make additional before-tax contributions ("Catch-Up" Contributions). Employees may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. The Company contributes from 50 percent to 150 percent of the first 5 percent of eligible compensation that a participant contributes on a pre-tax basis to the Fund at the Company's discretion. All employer contributions are invested in Company stock. However, participants can transfer all or part of their Company Contributions to any investment option within the Fund at any time. During the years ended December 31, 2002 and 2001, the Company matching contributions were 150 percent and 50 percent, respectively.

Participant Accounts Individual accounts are maintained for each fund participant. Each participant's account is credited with the participant's contribution, allocations of the Company's contribution and Fund earnings, and is charged with an allocation of administrative expenses and Fund losses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting Participants are immediately vested in their contributions and the Company's contributions plus earnings thereon.

Investment Options Upon enrollment in the Fund, a participant may direct employee contributions to any or all of the seven investment options listed below. Participants may change their investment elections at any time, including their balances in the Allstate Stock Fund.

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Allstate Stock Fund Funds are invested in Company common stock with a portion of the fund invested in short-term securities to provide liquidity to process transactions.

Money Market Fund (Short Term Investment Fund) The fund, managed by State Street Global Advisors ("SSgA"), a registered investment company, invests in shares of a commingled trust that invests in short-term securities.

Bond Fund The fund, managed by SSgA, invests in shares of a commingled trust that invests in the broad domestic bond market and also in U.S. government and agency, corporate, mortgage-backed, and asset-backed debt securities.

Balanced Fund The fund, managed by SSgA, invests in shares of a commingled trust that invests in a diversified portfolio of stocks and debt securities.

S&P 500 Fund The fund, managed by SSgA, invests in shares of a commingled trust that invests in a diversified portfolio of stocks of large, established companies.

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International Equity Fund (Daily EAFE) The fund, managed by SSgA, invests in shares of a commingled trust that invests in a diversified portfolio of stocks in developed markets within Europe, Australia and the Far East.

Russell 2000 Fund The fund, managed by SSgA, invests in shares of a commingled trust that invests in a diversified portfolio of stocks that represents the smallest two-thirds of the 3,000 largest U.S. companies.

Sears Shares Fund and the Dean Witter Shares Fund Prior to February 19, 2002, participants may have had investments in the Sears Shares Fund and the Dean Witter Shares Fund. These funds held Sears, Roebuck and Co. common shares and Morgan Stanley Dean Witter & Co. common shares, and existed as a result of past participation in The Savings and Profit Sharing Fund of Sears Employees (the "Prior Plan"). Effective February 19, 2002, the Sears Shares Fund and the Dean Witter Shares Fund were eliminated. Participants had the option of transferring balances in those funds to other investment options or taking a distribution in either shares or cash.

Participant Notes Receivable Participants may borrow from their account balance. The loan amount must be at least \$1,000 up to a maximum equal to the lesser of: (i) 50 percent of their account value, (ii) 100 percent of their pre-tax, after-tax and rollover account balances, or (iii) \$50,000. Loan transactions are treated as a proportional transfer from/to the investment funds and to/from the Loan Fund. Loan terms range from 6 to 48 months for a general-purpose loan and 49 to 180 months for a primary residence loan. Loans are secured by the participant's account balance and bear interest at the prime rate. Principal and interest are paid ratably through payroll deductions.

Employee Stock Ownership Plan The Company established a leveraged ESOP effective June 30, 1995 through a split of the employee stock ownership plan of the Prior Plan by acquiring 50 percent of the unallocated shares and assuming 50 percent of the related loan of the Prior Plan. The resulting ESOP loan (the "ESOP Loan") bears interest at 7.9 percent.

The borrowing is to be repaid through the year 2019 or earlier if the Company elects to make additional contributions for principal prepayments on the ESOP Loan. As the Fund makes each payment of principal and interest, a proportional percentage of unallocated shares are allocated to eligible employees' accounts in accordance with applicable regulations under the Code.

ESOP shares not yet allocated to participants are held in a suspense account. The majority of these shares serve as collateral on the ESOP Loan. ESOP shares allocated to participants and other Company shares that were acquired with participant contributions are included in the Allstate Stock Fund and the lender has no rights against these shares.

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Payment of Benefits Upon termination of service, a participant is entitled to a complete withdrawal of his or her account balance. Partial withdrawals are also permitted under the Fund subject to restrictions.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting The Fund financial statements are prepared under the accrual basis of accounting.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition Fund investments are stated at fair value. Shares of registered investment companies are valued at market prices that represent the net asset value of shares held by the Fund at year-end. Common stock held in the Allstate Stock Fund, Sears Shares Fund, and Dean Witter Shares Fund is at quoted market prices. Participant notes receivable are valued at cost which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis except for interest on participant notes, which is recorded when paid. The difference between cash and accrual basis for interest on participant notes is not material. Dividends are recorded on the ex-dividend date.

Benefits Paid to Participants and Participant Notes Receivable Benefits paid to participants and participant notes receivable loans are recorded when funds are transferred out of the respective investment funds for payment to participants. Amounts allocated to accounts of

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persons who have elected to withdraw from the Fund, but have not yet been paid were immaterial at December 31, 2002 and 2001, respectively.