



**Thomas J. Wilson**  
Chairman, President &  
Chief Executive Officer

August 18, 2009

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: File No. S7-10-09 (Facilitating Shareholder Director Nominations)

Dear Ms. Murphy:

The Securities and Exchange Commission recently published proposed rules that would require a reporting company to include in its proxy materials shareholders' nominees for director.

As Chairman of the Board, President, and Chief Executive Officer of The Allstate Corporation, I am writing to share Allstate's views on the proposed rules. Allstate has a \$96 billion investment portfolio and is one of the nation's larger investors. We are also the largest publicly-traded personal lines insurance company, with a market capitalization of about \$15 billion. Consequently our views are based on our position as a significant investor and a publicly traded corporation. Allstate is opposed to the proposed shareholder proxy access rights for the following reasons:

- Substantive regulation of shareholder rights and director elections falls squarely within the purview of state corporation law and pre-empts action by the SEC.
- There is no compelling need for shareholder proxy access regulation at the federal level. Corporate governance and reporting reforms have been consistently implemented in response to requests from investors.
- The quality of corporate boards is high as reflected by the overwhelming support received in shareholder votes. Consequently there is no need to broaden the nomination process. In fact, the proposed changes will lead special interest groups to seek to elect directors to serve their narrow interests and will be counterproductive to good governance.

### ***Shareholder Proxy Access is a Matter of State Law***

Traditionally, director elections, shareholder rights, and corporate governance in the United States have been subject to state law. There is no compelling reason for overturning the role of the states in controlling the substantive rules regarding director elections. In fact, that role should be preserved. State level regulation of corporate governance allows businesses and their investors the flexibility they need to select the most suitable director election processes.

The SEC-proposed federal shareholder proxy access right would create a one-size-fits-all rule that would be inconsistent with the wide diversity in business strategy, profit model, size, scope, and ownership structure that characterizes corporate America. Establishing the federal right as the minimum standard and giving states the option to be more restrictive is not the same as maintaining state rights. The ability to structure appropriate rights and rules for each company based on shareholder views is not served by a prescriptive rule that is not subject to modification or elimination by shareholder vote. Accordingly, shareholder proxy access is not an appropriate federal rule.

If the traditional role of the states with respect to corporate governance is preserved, companies will continue to work with shareholders to design the most suitable director election processes, and the competitiveness of American businesses will be enhanced. The experience of the last few years demonstrates the effectiveness of state level regulation as companies have responded to shareholder votes by, for example, redeeming rights plans, eliminating staggered boards, and adopting majority voting in the election of directors.

### ***Recent Reforms Have Expanded Shareholder Rights***

Many recent corporate governance and reporting reforms have provided shareholders with a wealth of information about the companies in which they invest and have enabled shareholders to communicate directly with corporate decision-makers. Rules adopted by the SEC and by the stock exchanges since 2002 have led to the election of more independent boards that recognize their allegiance to the shareholders who elected them; have increased the avenues by which investors can communicate concerns to executives and directors; and have required companies to provide extensive information about business results, corporate governance practices, and executive and director compensation. These changes have provided shareholders a more than adequate opportunity to understand the businesses in which they invest at a very detailed level and, if they so choose, to communicate their approval or disapproval to the boards that run these businesses. Shareholder proxy access is not needed to enhance this process.

### ***Indirect Proxy Access Should be the Only Approach that the SEC Pursues***

As both an investor and as a public corporation, Allstate believes that a federal rule on shareholder proxy access is not necessary.

As an investor, we look for companies that are run by boards that are independent and have the capabilities and experience necessary to provide strong oversight of management – including the ability to select strong director-nominees for election by shareholders. As noted by the New York Stock Exchange, “New director and board committee nominations are among a board’s most important functions. Placing this responsibility in the hands of an independent nominating/corporate governance committee can enhance the independence and quality of nominees.”<sup>1</sup> Altering the rules would dilute this accountability and diminish our ability to assess a board’s performance of its duty to enlist qualified and talented directors. Altering the rules would also allow for the election of directors who represent special interests and who may not have strong management skills.

As a public corporation, we believe that the existing rules have enabled us to build a highly independent board that has a diverse set of complementary skills, experience, and backgrounds. Shareholder proxy access simply is not necessary to ensure effective governance and would undermine developments in corporate governance that have enhanced the role and independence of our nominating committee.

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<sup>1</sup> New York Stock Exchange Listed Company Manual, commentary on Rule 303A.04.

However, if the SEC is going act on shareholder proxy access, Allstate favors a revision of Rule 14a-8 ("indirect proxy access") over the newly proposed Rule 14a-11 ("direct proxy access").

On indirect proxy access, we urge the SEC to raise the required ownership threshold to 10% and the holding period to two years. Such requirements would ensure that only significant long-term investors would have the ability to propose amendments to the bylaws with respect to director elections. Further, future access to the proxy should be barred for a three year period if a 30% affirmative vote is not received on a proposal.

***There are Significant Shortcomings in the SEC's Proposed Direct Proxy Access Rule***

If the SEC decides to implement direct proxy access, Allstate believes significant changes to the proposed Rule 14a-11 are necessary.

First, we believe that only shareholders who have held a specified minimum level of ownership for a specified minimum period of time and thereby demonstrated a long-term investment in the company should be eligible to nominate directors through direct proxy access. The 1% ownership over a one year period threshold proposed by the SEC is too low and we recommend a threshold of 10% ownership held a minimum of two years. Further, we believe that if shareholders are allowed to aggregate their holdings to meet the 10% threshold, such shareholder group should be limited to four shareholders and supported by a formal written agreement.

Second, we believe that direct proxy access should only be available at companies that have suffered certain events demonstrating insufficient oversight. Such triggering events would include management indictment on criminal charges, delisting by any exchange, or material earnings restatements. We recommend that such triggering events be included in any final rule.

Third, the current proposed Rule 14a-11 would provide direct proxy access to the first shareholder to submit a nomination. Instead, we believe that preference should be given to the shareholder with the largest and longest investment in the company.

Fourth, we believe that shareholders should be permitted to use direct proxy access to nominate only one director or 15% of a board, whichever is greater. Given the large number of companies that have embraced recent trends in corporate governance, including annual elections and majority voting in director elections, direct proxy access should be balanced with corporate concerns regarding change of control. While the SEC has attempted to address shareholder intentions through further proposed rule changes, we believe limiting the number of permitted nominees to be a more effective mechanism.

Fifth, nominating shareholders should be required to represent that they have not hedged or otherwise divested their economic interest in their shares, and they should be required to disclose any arrangement that affects their voting or economic rights and to disclose all of their positions in a company's shares, not just long positions.


Sixth, the timing requirements in the proposed rule should be revamped. Notice of a shareholder nomination should be provided at least 150 days prior to the date of the company's prior year proxy statement. A minimum of 150 days is needed to allow time to obtain information about the nominee, to review and evaluate the nominee at nominating committee and board meetings, to prepare submissions to the SEC where needed, to allow time for the SEC to respond, and to prepare and distribute proxy materials. In addition, shareholder nominations should be restricted to a window period prior to each annual meeting so that a company will not be required to treat late submissions from one year as timely submissions for the next year. Finally, the rule should make it clear that, if the

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“first-in” nomination is withdrawn or excluded after the submission window, the “second-in” nomination does not thereby become eligible for inclusion in the proxy statement; once a company has gone through the process of confirming that a nominee can be excluded, under the time constraints of the proxy season there will be no time left to evaluate and, if necessary, raise eligibility issues with the SEC about the next shareholder nominee.

Allstate strongly urges the SEC to reject this rule proposal. Alternatively, if rules are to be enacted, Allstate strongly urges the SEC to consider amending the proposed rules as described above. Thank you for providing the opportunity to comment on the proposed rules.

Sincerely,



Thomas J. Wilson