UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
# FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended December 31, 2021**

**OR**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from ____________ to ____________**

**Commission file number 1-11840**

Allstate

## THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

| **Delaware** | **36-3871531** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

**2775 Sanders Road, Northbrook, Illinois 60062**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(847) 402-5000**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbols | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | ALL | New York Stock Exchange<br>Chicago Stock Exchange |
| 5.100% Fixed-to-Floating Rate Subordinated Debentures due 2053 | ALL.PR.B | New York Stock Exchange |
| Depositary Shares represent 1/1,000th of a share of 5.625% Noncumulative Preferred Stock, Series G | ALL PR G | New York Stock Exchange |
| Depositary Shares represent 1/1,000th of a share of 5.100% Noncumulative Preferred Stock, Series H | ALL PR H | New York Stock Exchange |
| Depositary Shares represent 1/1,000th of a share of 4.750% Noncumulative Preferred Stock, Series I | ALL PR I | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2021, was approximately $38.21 billion.

As of January 31, 2022, the registrant had 278,346,060 shares of common stock outstanding.

**Documents Incorporated By Reference**

Portions of the following documents are incorporated herein by reference as follows:

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement for its annual stockholders meeting to be held on May 24, 2022, (the "Proxy Statement") to be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K.

# Table of Contents

# Part I

## Item 1. Business

The Allstate Corporation was incorporated under the laws of the State of Delaware on November 5, 1992, to serve as the holding company for Allstate Insurance Company. Its business is conducted principally through Allstate Insurance Company and other subsidiaries (collectively, including The Allstate Corporation, “Allstate”).

Allstate protects people from life’s uncertainties with a wide array of protection for autos, homes and personal property. Allstate is primarily engaged in the property and casualty insurance business in the United States and Canada. Additionally, Allstate provides customers other protection solutions such as accident and health insurance, protection plans that cover consumer electronics, mobile phones and appliances and personal identity protection.

The Allstate Corporation is one of the largest publicly held personal lines insurers in the United States. Allstate’s personal property-liability strategy is to increase market share by offering consumers a broad suite of protection solutions and a competitive value proposition across distribution channels. The Allstate brand is widely known through the “You’re In Good Hands With Allstate®” slogan. Allstate is the second largest personal property and casualty insurer in the United States on the basis of 2020 statutory direct premiums written according to A.M. Best, including the acquisition of National General Holdings Corp. (“National General”).

Allstate also has strong market positions in other protection solutions. Allstate Health and Benefits provides accident, health and life insurance through employers, independent agents and direct-to-consumer, and is one of the top voluntary benefits carriers in the market. Allstate Protection Plans provides protection on a wide variety of consumer goods such as cell phones, tablets, computers, furniture and appliances, and has a leading position in distribution through major retailers. Allstate Identity Protection has a leading position in identity protection through worksite distribution. In total, Allstate had 190.9 million policies in force (“PIF”) as of December 31, 2021.

In this Annual Report on Form 10-K, we occasionally refer to statutory financial information. All domestic United States insurance companies are required to prepare statutory-basis financial statements. As a result, industry data is available that enables comparisons between insurance companies, including competitors that are not required to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). We frequently use industry publications containing statutory financial information to assess our competitive position.

*Acquisitions and Dispositions* On January 4, 2021, Allstate completed the acquisition of National General, expanding its independent agent channel business.

During the fourth quarter of 2021, Allstate completed the sales of Allstate Life Insurance Company (“ALIC”), Allstate Life Insurance Company of New York (“ALNY”) and certain affiliates.

For additional information, see Part II, Item 8 - Note 3 of the consolidated financial statements of this report.

## Strategy, Transformative Growth, Our Shared Purpose and Segment Information

Our strategy has two components: increase personal property-liability market share (see Allstate Protection segment) and expand protection offerings by leveraging the Allstate brand, customer base and capabilities.

*Transformative Growth* is about creating a business model, capabilities and culture that continually transform to better serve customers. This is done by providing affordable, simple and connected protection through multiple distribution partners. The ultimate objective is to create continuous transformative growth in all businesses.

We are expanding protection businesses utilizing enterprise capabilities and resources such as distribution, analytics, claims, investment expertise, talent and capital. Using innovative growth platforms (such as telematics and identity protection) and broad distribution including: Allstate exclusive agents, independent agents, contact centers, online, retailers, workplace benefits brokers, auto dealers, original equipment manufacturers and telecom providers further enhance our customer value proposition.

| Our Shared Purpose | | | |
|---|---|---|---|
| **As the good hands...** | **our values** | **our operating standards** | **our behaviors** |
| • We **empower customers** with protection to help them achieve their hopes and dreams.<br>• We **provide affordable, simple and connected** protection solutions.<br>• We **create opportunity** for our team, economic value for our shareholders and improve communities. | • **Integrity** is non-negotiable.<br>• **Inclusive Diversity & Equity** values and leverages unique identities with equitable opportunity and rewards.<br>• **Collective Success** is achieved through empathy and prioritizing enterprise outcomes ahead of individuals. | • **Focus on Customers** by anticipating and exceeding service expectations at low costs.<br>• **Be the Best** at protecting customers, developing talent and running our businesses.<br>• **Be Bold** with original ideas using speed and conviction to beat the competition.<br>• **Earn Attractive Returns** by providing customer value, proactively accepting risk and using analytics. | • **Collaborate** early and often to develop and implement comprehensive solutions and share learnings.<br>• **Challenge Ideas** to leverage collective expertise, evaluate multiple alternatives and create the best path forward.<br>• **Provide Clarity** for expected outcomes, decision authority and accountability.<br>• **Provide Feedback** that is candid, actionable, independent of hierarchy and safe. |

| Reportable segments | |
|---|---|
| Allstate Protection [1] | Includes the Allstate brand, National General and Answer Financial. Offers private passenger auto, homeowners, other personal lines and commercial insurance through agents, contact centers and online. The Encompass brand was combined into National General beginning in the first quarter of 2021 and results prior to 2021 reflect Encompass brand results only. |
| Protection Services | Includes Allstate Protection Plans, Allstate Dealer Services, Allstate Roadside, Arity and Allstate Identity Protection, which offer a broad range of solutions and services that expand and enhance our customer value propositions. |
| Allstate Health and Benefits | Offers voluntary benefits and individual life and health products, including life, accident, critical illness, short-term disability and other health insurance products sold through independent agents, benefits brokers and Allstate exclusive agents. |
| Run-off Property-Liability [1] | Relates to property and casualty insurance policies written during the 1960s through the mid-1980s with exposure to asbestos, environmental and other claims in run-off. |
| Corporate and Other | Includes holding company activities and certain non-insurance operations. |

[1] Allstate Protection and Run-off Property-Liability segments comprise Property-Liability.

## Allstate Protection Segment

Our Allstate Protection segment accounted for 91.9% of Allstate's 2021 consolidated insurance premiums and contract charges and 20.0% of Allstate's December 31, 2021 PIF. Private passenger auto, homeowners, other personal lines and commercial insurance products offered through both exclusive and independent agents and directly through contact centers and online are included in this segment. Our strategy is to offer products in an open access, digital first model that allows customers to interact with us when, where and how they want with affordable, simple and connected protection products.

**Strategy** Allstate Protection's strategy is to increase personal lines market share through Transformative Growth focusing on:

- Expanding customer access to Allstate and National General products and services through the methods of interaction customers want
- Improving customer value by making it easier to do business with us and improved price competitiveness driven by reducing our cost structure
- Increasing sophistication and investment in customer acquisition
- Deploying new technology to support customer experience and product management ecosystems

We have three market-facing property-liability businesses, Allstate brand, National General and Answer Financial with products and services that cater to different customer preferences for advice and brand recognition.


We serve our consumers using differentiated products, analytical expertise, telematics and an integrated digital enterprise that leverages data and technology to execute processes with a focus on greater effectiveness and efficiency.

| Transformative Growth | |
|---|---|
| Expand Customer Access | Transforming our Allstate agent sales system to enable more growth at a lower cost by incenting agents to focus on sales, while expanding our distribution capacity through new agent models |
| | Driving direct channel growth through improved online experience and data-driven insights to enhance call center sales |
| | Growing National General by leveraging the Allstate brand capabilities and data to enhance product offerings and expand our independent agency footprint |
| Improve Customer Value | Improving the competitive prices of products and experiences through increased digital self-service capabilities, operating efficiencies, automation and lower distribution costs |
| | Enhancing pricing sophistication to price products based on customer needs and risks and improving the purchase process with automated decision support |
| | Increasing engagement with the Allstate Mobile app and new business penetration of telematics products, including pay-per-mile insurance |
| | Leveraging our circle of protection to provide added consumer-focused protection solutions |
| Increase Customer Acquisition Sophistication | Improving the effectiveness and broadening the in-market tactics driving customer acquisition through expanding lead management, building data capabilities and advancing household insights |
| Modernize Technology Ecosystem | Building an ecosystem to enable a better customer experience, increased sales and retention, and allowing greater flexibility at a lower cost through affordable, simple, connected products and retiring legacy systems |

### Additional Information and Strategy Updates

*Commercial lines strategy* We remain focused on achieving sustainable growth and profitability in our shared economy commercial lines business, which is primarily comprised of transportation network companies. Traditional small business commercial insurance is being enhanced through new product development using technology to improve customer experience and reduce costs while leveraging enterprise capabilities. Profit improvement actions continue for our traditional commercial lines insurance products, emphasizing pricing, claims, governance and operational improvements.

*Independent agent strategy* The acquisition of National General significantly enhanced our strategic position in the independent agency channel. The transaction increased our total personal property-liability market share by over one percentage point and has enhanced our independent agent-facing technology. It also expanded our distribution footprint, and led us to be a top five personal lines carrier in the independent agency distribution channel.

National General provides personal and commercial automobile, homeowners, umbrella, recreational vehicle, motorcycle, lender-placed property, health and other niche insurance products. Auto insurance represents approximately 60% of premium with a significant presence in the non-standard auto market. Allstate's capabilities are being leveraged to create standard auto and homeowners insurance products to better serve mid-market customers through independent agents.

As part of the acquisition, Allstate Independent Agency and Encompass organizations are being integrated into National General by:

- Migrating Encompass policyholders and business operations to National General and retiring Encompass infrastructure
- Transitioning Allstate Independent Agent new business to National General as standard auto and homeowners insurance products roll out

*Answer Financial strategy* Answer Financial is an insurance agency that sells other insurance companies' products directly to customers online. Our strategy as a technology-enabled insurance agency is to provide comparison shopping and related services for businesses, offering customers choice, convenience and ease of use.

*Allstate Protection pricing and risk management strategies* Our pricing and underwriting strategies and decisions are designed to generate sustainable profitable growth.

A proprietary database of underwriting and loss experience enables sophisticated pricing algorithms and methodologies to more accurately price risks while also seeking to attract and retain customers in multiple risk segments.

- For auto insurance, risk evaluation factors can include, but are not limited to: vehicle make, model and year; driver age and marital status; territory; years licensed; loss history; years insured with prior carrier; prior liability limits; prior lapse in coverage; and insurance scoring utilizing telematics data and other consumer information.
- For property insurance, risk evaluation factors can include, but are not limited to: the amount of insurance purchased; geographic location of the property; loss history; age, condition and construction characteristics of the property; and characteristics of the insured including insurance scoring utilizing other consumer information.

A combination of underwriting information, pricing and discounts are also used to achieve a more competitive position and growth. The pricing strategy involves local marketplace pricing and underwriting decisions based on risk evaluation factors to the extent permissible by applicable law and an evaluation of competitors.

Pricing of property products is intended to generate risk-adjusted returns that are acceptable over a long-term period. Rate increases are pursued to keep pace with loss trends, including losses from catastrophic events and those that are weather-related (such as wind, hail, lightning and freeze not meeting our criteria to be declared a catastrophe). We also take into consideration potential customer disruption, the impact on our ability to market our products, regulatory limitations, our competitive position and profitability.

In any reporting period, loss experience from catastrophic events and weather-related losses may contribute to negative or positive underwriting performance relative to the expectations incorporated into product pricing.

Property catastrophe exposure is managed with the goal of providing shareholders an acceptable return on the risks assumed in the property business. Catastrophe exposure management includes purchasing reinsurance to provide coverage for known exposure to hurricanes, earthquakes and fires following earthquakes, wildfires and other catastrophes. Our current catastrophe reinsurance program supports our risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes, earthquakes and wildfires, excluding other catastrophe losses, net of reinsurance, exceeding $2.5 billion.

The use of different assumptions and updates to industry models and to our risk transfer program could materially change the projected loss. Growth strategies include areas where we believe diversification can be enhanced and an appropriate return can be earned for the risk. As a result, our modeled exposure may increase, but in aggregate remain lower than $2.5 billion as noted above. In addition, we have exposure to other severe weather events, which impact catastrophe losses.

We are promoting measures to prevent and mitigate losses that are increasing due to climate change and increased severe weather including making homes and communities more resilient, enforcement of stronger building codes, adoption of sensible land use policies and expanded disaster response capabilities.

## Products and distribution

Allstate Protection differentiates itself by offering a comprehensive range of affordable, simple and connected protection solutions across distribution channels for specific consumer segments.

| Products | |
|---|---|
| Insurance products [1] | Auto |
| | Homeowners |
| | Specialty auto (motorcycle, trailer, motor home and off-road vehicle) |
| | Other personal lines (renters, condominium, landlord, boat, umbrella, manufactured home and stand-alone scheduled personal property) |
| | Commercial lines |
| Answer Financial | Comparison quotes and sales of non-proprietary auto, homeowners and other personal lines (condominium, renters, motorcycle, recreational vehicle and boat) |

[1] Insurance products are offered by the Allstate and National General brands.

| Distribution | |
|---|---|
| Allstate brand | In the U.S., we offer products through 9,300 Allstate exclusive agents operating in 9,400 locations, supported by 21,700 licensed sales professionals, and 800 exclusive financial specialists. We also offer products through 7,800 independent agents, contact centers, online and Market Sales Associates, a new employee model. In Canada, we offer Allstate brand products through 1,000 employee sales agents. |
| National General | Distributed through over 43,000 independent agent locations, approximately 540 retail stores, contact centers and online. |
| Answer Financial | Comparison quotes and sales offered to customers online or through contact centers. |

Allstate exclusive agents also support the Protection Services and Allstate Health and Benefits segments through offering roadside assistance, consumer protection plans and voluntary benefits products. We have expanded the non-proprietary product suite to include a range of life insurance products offered by third-party providers.

*Exclusive agent compensation structure* The compensation structure for Allstate exclusive agents rewards them for delivering high value to customers and achieving certain business outcomes such as profitable growth and household penetration. Allstate exclusive agent remuneration comprises a base commission, variable compensation and a bonus.

- Agents receive a monthly base commission payment as a percentage of their total eligible written premium.
- Variable compensation rewards agents for acquiring new customers by exceeding a base production goal.
- Bonus compensation is based on a percentage of premiums and can be earned by agents who are meeting certain sales goals and selling additional policies to meet customer needs profitably.

Variable compensation in 2021 shifted toward new business, including homeowners, and eliminated variable compensation for renewing customers. We are aligning agent compensation to emphasize growth, improve customer service and lower costs.

When an Allstate product is not available, agents have the ability to earn commissions and additional bonuses on non-proprietary products provided to customers through Ivantage, a leading provider of property and casualty brokerage services, and arrangements with other companies, agencies, and brokers. As of December 31, 2021, Ivantage had $1.98 billion non-proprietary premiums under management, consisting of approximately $1.75 billion of personal insurance premiums primarily related to property business in hurricane exposed areas, and approximately $230 million of commercial insurance premiums.

Additionally, we offer a homeowners product through our excess and surplus lines carrier, North Light Specialty Insurance Company, in certain areas with higher risk of catastrophes or where customers do not meet the Allstate brand standard underwriting profile.

Allstate agents and exclusive financial specialists receive commissions for non-proprietary life and retirement sales and are eligible for a quarterly bonus based on the volume of non-proprietary sales.

Independent agent remuneration for National General comprises a base commission and a bonus that can be earned by agents who achieve sales goals and a target loss ratio.

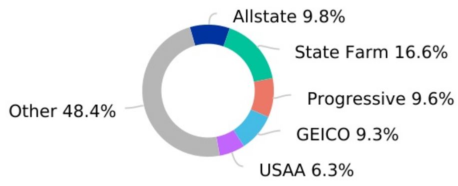
**Innovative product offerings and features**

| | | |
|---|---|---|
| **Market-leading solutions** | | |
| Allstate brand | Your Choice Auto® | Qualified customers choose from a variety of options, such as Accident Forgiveness, Deductible Rewards®, Safe Driving Bonus® and New Car Replacement. |
| | Allstate House and Home® | Featured options include Claim RateGuard®, Claim-Free Bonus, Deductible Rewards® and flexibility in options and coverages, including graduated roof coverage and pricing based on roof type and age for damage related to wind and hail events. |
| | Bundling Benefits | Auto customers with a qualifying property policy are provided an auto renewal guarantee and a deductible waiver (when the same event, with the same covered cause of loss, damages both auto and property). Offered in 47 states and District of Columbia ("D.C.") as of December 31, 2021. |
| | Auto Car Replacement Protection | Replaces a qualifying customer's vehicle involved in a total loss accident with a newer vehicle with fewer miles. Offered in 47 states and D.C. as of December 31, 2021. |
| National General | Custom 360SM | Endorsements and coverage amounts can be scaled up or down to create a custom, needs-based insurance solution for customers at all stages in life. |
| **Telematics solutions** | | |
| Allstate brand | Drivewise® | Telematics-based program, available in 49 states and D.C. as of December 31, 2021, that uses a mobile application or an in-car device to capture driving behaviors and encourage safe driving. It provides customers with information, tools and incentives. For example, in most states, Allstate Rewards® provides reward points for safe driving. |
| | Milewise® | Usage-based insurance product, available in 22 states as of December 31, 2021, that gives customers flexibility to customize their insurance and pay based on the number of miles they drive. |
| National General | DynamicDrive | Mobile-based telematics application, available in 25 states as of December 31, 2021, used to capture driving behaviors and reward customer participation. |
| **Shared economy solutions** | | |
| Allstate brand | Transportation Network Company Commercial Auto | Commercial coverage of transportation networking company independent drivers during various phases of the ride sharing service. |
| | Allstate Ride for Hire®/ HostAdvantage® | Supplemental personal insurance coverage for those using their vehicle to drive for a transportation network company or their house for peer-to-peer property sharing. |

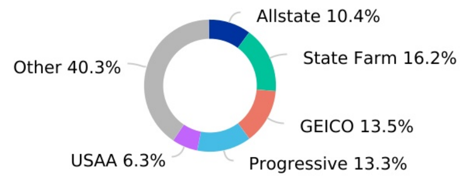
### Competition

The personal lines insurance markets, including private passenger auto and homeowners insurance, are highly competitive. The following charts provide Allstate Protection's combined market share, inclusive of National General, compared to our principal U.S. competitors using statutory direct written premium for the year ended December 31, 2020, according to A.M. Best.

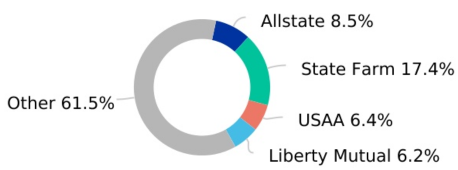
**Personal lines insurance**




**Private passenger auto insurance**



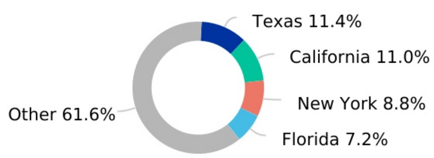

**Homeowners insurance**




### Geographic markets

We primarily operate in the U.S (all 50 states and D.C.) and Canada. Our top geographic markets based on 2021 statutory direct premiums are reflected below.

**Top geographic markets**



## Protection Services Segment

Our Protection Services segment accounted for 4.7% of Allstate's 2021 consolidated total revenue and 77.7% of Allstate's December 31, 2021 PIF. Protection Services includes Allstate[SM] Protection Plans, Allstate Dealer Services®, Allstate Roadside, Arity® and Allstate[SM] Identity Protection, which offer a broad range of products and services that expand and enhance customer value propositions. National General's LeadCloud and Transparent.ly's results are included within Arity starting in the first quarter of 2021. These businesses provide marketing and integration platforms connecting data buyers and sellers.

**Strategy** - Protection Services' strategy is to deliver innovative customer protection solutions and expand distribution through strategic partners in the flow of commerce.

| | |
|---|---|
| Allstate Protection Plans | Expand distribution and product breadth of consumer protection plans through new and existing retailers and mobile operators across North America, Europe and Asia. |
| Allstate Dealer Services | Expand distribution of Allstate branded finance and insurance products through auto dealerships. |
| Allstate Roadside | Modernize the roadside assistance business through technology and enhance capabilities to deliver a superior customer experience. |
| Arity | Leverage data, analytics and deep understanding of driving, mobility and risk to create a strategic platform. The platform is used by those industries affected most by the changing face of transportation, including insurance companies, mobility companies and the automotive ecosystem. Arity's insights and services create value across the customer journey, including acquisition, pricing, claims and ongoing customer engagement. |
| Allstate Identity Protection | Create a leading position in the identity protection market, offering full-service identity protection including identity monitoring, digital exposure reporting, and identity theft remediation and reimbursement. Expand our product breadth beyond identity protection and into consumer digital enablement and privacy protection as well as expanding into other distribution channels. |

### Products and distribution

| **Products and services** | |
|---|---|
| Allstate Protection Plans | Provides consumer protection plans and related technical support for mobile phones, consumer electronics, furniture and appliances which provide customers protection from mechanical or electrical failure, and in certain cases, accidental damage. |
| Allstate Dealer Services | Offers finance and insurance products, including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel protection, and paint and fabric protection. |
| Allstate Roadside | Offers towing, jump-start, lockout, fuel delivery and tire change services to retail customers and customers of our wholesale partners. |
| Arity | Provides insights and services created from data collected, normalized and analyzed by the Arity platform, including automotive telematics information. Product suite includes on-demand risk scoring, lead generation, digital advertising, data integration, traditional telematics, and data-as-a-service solutions. |
| Allstate Identity Protection | Provides identity protection services including monitoring, alerts, remediation and a proprietary indicator of identity health. |

| **Distribution channels** | |
|---|---|
| Allstate Protection Plans | Retailers and mobile operators, in-store or online, in North America, Europe and Asia Pacific. |
| Allstate Dealer Services | Independent agents selling through auto dealerships in the U.S. in conjunction with the purchase of a new or used vehicle. |
| Allstate Roadside | Allstate exclusive agents, wholesale partners, affinity groups and on-demand mobile application service. |
| Arity | Sells directly to affiliate and non-affiliate customers and through strategic partners. |
| Allstate Identity Protection | Primarily through workplace benefit programs and direct to consumer using the mobile application and online. |

### Geographic markets

Protection Services primarily operate in the U.S. and Canada, with Allstate Protection Plans also offering services in Europe, Australia and Asia.

### Competition

We compete on a variety of factors, including product offerings, brand recognition, financial strength, price and customer experience. The market for these services is highly fragmented and competitive.

## Allstate Health and Benefits Segment

### Strategy

Our Allstate Health and Benefits segment (previously Allstate Benefits) accounted for 4.5% of Allstate's 2021 consolidated total revenue and 2.3% of Allstate's December 31, 2021 PIF. The Allstate Health and Benefits segment provides consumers with financial protection against the risk of accidents, illness and mortality. We are among the industry leaders in the growing and highly competitive voluntary benefits market, offering a broad range of products through workplace enrollment. Our life insurance portfolio includes individual and group permanent life solutions. Target customers are middle market consumers with family and financial protection needs. Allstate Health and Benefits is well represented in all market segments and is a leader in the large and mega (over 10,000 employees) market segments.

Starting in the first quarter of 2021, National General's accident and health products, which include accident and medical health insurance products, are included in the Allstate Health and Benefits segment.

Allstate Health and Benefits is differentiated through its broad product portfolio, flexible enrollment solutions, strong national accounts team and well-recognized brand.

Our strategy for growth is to deliver substantially more value through innovative products and technology, tailored solutions and exceptional service through investments in future-state technologies and data and analytics capabilities.

### Products and distribution

| **Health and benefits products** |
|---|
| Employer Voluntary Benefits |
| Group Health |
| Individual Health |

| **Distribution channels** |
|---|
| Over 4,000 workplace enrolling independent agents and benefits brokers |
| Allstate exclusive agents, focusing on small employers |
| Over 56,000 independent agents. in-house agencies, affinity relationships, wholesaling, worksite marketing and direct-to-consumer marketing through call centers and the internet. |

### Competition

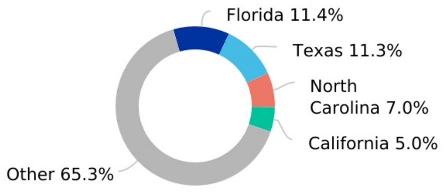
We compete on a wide variety of factors, including product offerings, brand recognition, financial strength and ratings, price, distribution and customer service.

The market for voluntary benefits is growing as these products help employees fill the increasing gaps associated with continued medical cost inflation and the shifting of costs from employers to employees to cover co-pays and deductibles. Favorable industry and economic trends have increased competitive pressure and attracted new traditional and non-traditional entrants to the voluntary benefits market. Recent entrants, including large group medical, life and disability insurance carriers, are leveraging core benefit capabilities by bundling and discounting to capture voluntary market share.

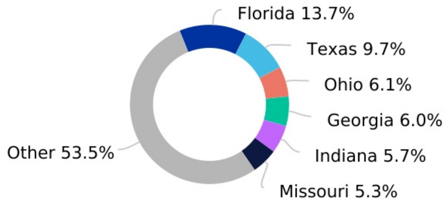
### Geographic markets

We primarily operate in the U.S. (all 50 states and D.C.) and Canada. The top geographic markets based on 2021 statutory direct premiums are reflected below.

**Employer Voluntary Benefits**




**Group Health and Individual Health**



## Other Business Segments

### Run-off Property-Liability Segment

The Run-off Property-Liability segment includes results from property and casualty insurance coverage that primarily relates to policies written during the 1960s through the mid-1980s.

**Strategy** Management of this segment has been assigned to a designated group of professionals with expertise in claims handling, policy coverage interpretation, exposure identification, litigation and reinsurance collection. As part of its responsibilities, this group may pursue settlement agreements including policy buybacks on direct excess commercial business when appropriate to improve the certainty of the liabilities. At the end of 2021, 70% of the direct excess gross case reserves were attributable to settlement agreements. This group also manages other direct commercial and assumed reinsurance business in runoff and engages in reinsurance ceded and assumed commutations as required or when considered economically advantageous.

Changes in the reserves established for asbestos, environmental and other run-off lines losses have occurred and may continue. Reserve changes can be caused by new information relating to new and additional claims, new exposures or the impact of resolving unsettled claims based on unanticipated events such as arbitrations, litigation, legislative, judicial or regulatory actions. Environmental losses may also increase as the result of additional funding for environmental site clean-up.

Challenges related to the concentration of insurance and reinsurance claims from companies who specialize in this business continue to be addressed.

### Corporate and Other Segment

Our Corporate and Other segment is comprised of holding company activities and certain non-insurance operations, including expenses associated with strategic initiatives.

## Regulation

Allstate is subject to extensive regulation, primarily at the state level. The method, extent and substance of such regulation vary by state but generally have their source in statutes that establish standards and requirements for conducting the business of insurance and that also delegate regulatory authority to a state agency. These rules have a substantial effect on our business and relate to a wide variety of matters, including insurer solvency and statutory surplus sufficiency, reserve adequacy, insurance company licensing and examination, agent and adjuster licensing, agent and broker compensation, policy forms, rate setting, the nature and amount of investments, claims practices, participation in shared markets and guaranty funds, transactions with affiliates, the payment of dividends, underwriting standards, statutory accounting methods, trade practices, privacy regulation and data security, corporate governance and risk management. In addition, state legislators and insurance regulators continue to examine the appropriate nature and scope of state insurance regulation. For a discussion of statutory financial information, see Note 17 of the consolidated financial statements.

For a discussion of regulatory contingencies, see Note 15 of the consolidated financial statements. Note 15 and Note 17 are incorporated in this Part I, Item 1 by reference.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") created the Federal Insurance Office ("FIO") within the U.S. Department of the Treasury ("Treasury"). The FIO monitors the insurance industry, provides advice to the Financial Stability Oversight Council ("FSOC"), represents the U.S. on international insurance matters, and studies the current regulatory system.

Additional regulations or new requirements may emerge from the activities of various regulatory entities, including the Federal Reserve Board, FIO, FSOC, the National Association of Insurance Commissioners ("NAIC"), and the International Association of Insurance Supervisors, that are evaluating solvency and capital standards for insurance company groups. In addition, the NAIC has adopted amendments to its model holding company law that have been adopted by some jurisdictions. The outcome of these actions is uncertain; however, these actions may result in an increase in the level of capital and liquidity required by insurance holding companies.

We cannot predict whether any specific state or federal measures will be adopted to change the nature or scope of the regulation of insurance or what effect any such measures would have on Allstate. We are working for changes in the regulatory environment to make insurance more available and affordable for customers, encourage market innovation, improve driving safety, strengthen cybersecurity and promote better catastrophe preparedness and loss mitigation.

*Limitations on Dividends by Insurance Subsidiaries* As a holding company with no significant business operations of its own, The Allstate Corporation relies on dividends from Allstate Insurance Company as one of the principal sources of cash to pay dividends and to meet its obligations, including the payment of principal and interest on debt or to fund non-insurance-related businesses. Allstate Insurance Company is regulated as an insurance company in Illinois, and its ability to pay dividends is restricted by Illinois law. The laws of the other jurisdictions that generally govern our other insurance subsidiaries contain similar limitations on the payment of dividends. However, such laws in some jurisdictions may be more restrictive.

For additional information regarding limitations, see Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations of this report.

In addition, the NAIC formed a working group that has developed and adopted a group capital calculation covering all entities of the insurance company group for use in solvency monitoring activities. The calculation is intended to provide analytical information to regulators and we do not expect potential revisions to impact our current dividend plans. Any increase in the amount of capital or reserves our insurance subsidiaries are required to hold could reduce the amount of future dividends such subsidiaries are able to distribute to the holding company. Any reduction in the risk-based capital ("RBC") ratios of our insurance subsidiaries could also adversely affect their financial strength ratings as determined by statistical rating agencies.

*Insurance Holding Company Regulation – Change of Control* The Allstate Corporation is a holding company and its insurance subsidiaries are subject to regulation in the jurisdictions in which they write business. In the U.S., these subsidiaries are organized under the insurance codes of Alabama, California, Florida, Illinois, Indiana, Massachusetts, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, South Carolina and Texas. Additionally, some of these subsidiaries are considered commercially domiciled in California and Florida.

Generally, the insurance codes in these states provide that the acquisition or change of "control" of a domestic or commercially domiciled insurer or of any person that controls such an insurer cannot be consummated without the prior approval of the relevant insurance regulator. In general, a presumption of "control" arises from the ownership, control, possession with the power to vote, or possession of proxies with respect to ten percent or more of the voting securities of an insurer or of a person who controls an insurer. In addition, certain state insurance laws require pre-acquisition notification to state agencies of a change in control with respect to a non-domestic insurance company licensed to do business in that state. While such pre-acquisition notification statutes do not authorize the state agency to disapprove the change of control, such statutes do authorize certain remedies, including the issuance of a cease-and-desist order with respect to the non-domestic insurer if certain conditions exist, such as undue market concentration.

Thus, any transaction involving the acquisition of ten percent or more of The Allstate Corporation's common stock would generally require prior approval by the state insurance departments in Alabama (where the threshold is five percent or more of The Allstate Corporation's common stock), California, Florida, Illinois, Indiana, Massachusetts, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, South Carolina and Texas. Moreover, notification would be required in those other states that have adopted pre-acquisition notification provisions and where the insurance subsidiaries are admitted to transact business. Such approval requirements may deter, delay or prevent certain transactions affecting the ownership of The Allstate Corporation's common stock.

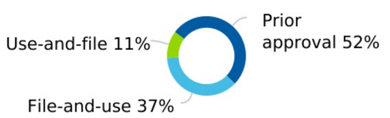
*Rate Regulation* Nearly all states have insurance laws requiring personal property and casualty insurers to file rating plans, policy or coverage forms, and other information with the state's regulatory authority. In many cases, such rating plans, policy forms, or both must be approved prior to use.

The speed with which an insurer can change rates in response to competition or increasing costs depends on the state rating laws, which include the following categories:

- Prior approval — Regulators must approve a rate before the insurer may use it (20 states)
- File-and-use — Insurers do not have to wait for the regulator's approval to use a rate, but the rate must be filed with the regulatory authority prior to being used (19 states)
- Use-and-file — Requires an insurer to file rates within a certain period of time after the insurer begins using them (10 states)
- No approval — One state, with an immaterial amount of written premiums, does not require a filing to be submitted

Under these rating laws, the regulator has the authority to disapprove a rate filing. The percentage of 2021 statutory direct written premiums based on state rating laws are reflected below.

**Percentage by state rating laws**




An insurer's ability to adjust its rates in response to competition or to changing costs is dependent on an insurer's ability to demonstrate to the regulator that its rates or proposed rating plan meets the requirements of the rating laws. In those states that significantly restrict an insurer's discretion in selecting the business that it wants to underwrite, an insurer can manage its risk of loss by charging a rate that reflects the cost and expense of providing the insurance. In those states that significantly restrict an insurer's ability to charge a rate that reflects the cost and expense of providing the insurance, the insurer can manage its risk of loss by being more selective in the type of business it underwrites. When a state significantly restricts both underwriting and pricing, it becomes more difficult for an insurer to maintain its targeted level of profitability.

From time to time, the personal lines insurance industry comes under pressure from state regulators, legislators, and special-interest groups to reduce, freeze, or set rates at levels that do not correspond with our analysis of underlying costs, catastrophe loss exposure, and expenses. We expect this kind of pressure to persist. Allstate and other insurers are using increasingly sophisticated pricing models and rating plans that are reviewed by regulators and special-interest groups. State regulators may interpret existing law or rely on future legislation or regulations to impose new restrictions that adversely affect profitability or growth. We cannot predict the impact on our business of possible future legislative and regulatory measures regarding insurance rates.

*Involuntary Markets* As a condition of maintaining our licenses to write personal property and casualty insurance in various states, we are required to participate in assigned risk plans, reinsurance facilities, and joint underwriting associations that provide various types of insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to our results of operations.

For a discussion of these items see Note 15 of the consolidated financial statements. Note 15 is incorporated in this Part I, Item 1 by reference.

*Indemnification Programs* We are a participant in state-based industry pools, facilities or associations, mandating participation by insurers offering certain coverage in their state, including the Michigan Catastrophic Claims Association ("MCCA"), the New Jersey Property-Liability Insurance Guaranty Association, the North Carolina Reinsurance Facility and the Florida Hurricane Catastrophe Fund. We also participate in the Federal Government National Flood Insurance Program.

Recent regulatory changes have occurred related to the MCCA.

- On August 6, 2020, member companies of the MCCA were notified of the ratification of amendments to the MCCA's Plan of Operation. The amendments were designed to align the Plan of Operation with Public Acts 21 and 22, which passed in 2019.
- On July 2, 2020, portions of Public Acts 21 and 22 went into effect. The changes under those laws include:
  - Allowing insureds to choose levels of personal injury protection coverage, including the option

to opt-out of personal injury protection coverage in certain circumstances.

– Implementing mandated rate reductions that correspond to the level of personal injury protection coverage chosen by insureds.

– Implementing or creating new processes for reviewing claims, assessing allowable expenses and setting limits on certain allowable expenses.

- On July 2, 2021, legislation passed in 2019 became effective, setting fee schedules for personal injury protection claims. Such fee schedules were set at 200% of Medicare rates in 2021, declining to 195% in 2022 and 190% in 2023, for any providers other than certain unique categories of providers and applying to treatment on existing and new claims.
- Other legislative proposals to change the MCCA operation in the future and to adjust Public Acts 21 and 22 are put forth periodically.

For a discussion of these items see Note 11 of the consolidated financial statements. Note 11 is incorporated in this Part I, Item 1 by reference.

*Guaranty Funds* Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, in order to cover certain obligations of insolvent insurance companies. We do not anticipate any material adverse financial impact on Allstate from these assessments.

*Investment Regulation* Our insurance subsidiaries are subject to state regulation that specifies the types of investments that can be made and concentration limits of invested assets. Failure to comply with these rules leads to the treatment of non-conforming investments as non-admitted assets for purposes of measuring statutory surplus. Further, in some instances, these rules require divestiture of non-conforming investments.

*Exiting Geographic Markets; Canceling and Non-Renewing Policies* Most states regulate an insurer's ability to exit a market. For example, states may limit, to varying degrees, an insurer's ability to cancel and non-renew policies. Some states restrict or prohibit an insurer from withdrawing one or more types of insurance business from the state, except pursuant to a plan that is approved by the state insurance department. Regulations that limit cancellation and non-renewal and that subject withdrawal plans to prior approval requirements may restrict an insurer's ability to exit unprofitable markets.

*Broker-Dealers and Investment Advisers* The Allstate entities that operate as broker-dealers and registered investment advisers are subject to regulation and supervision by the Securities and Exchange Commission ("SEC"), Financial Institution Regulatory Authority ("FINRA") and/or, in some cases, state securities administrators. Certain state and federal regulators are considering or have implemented best interest or fiduciary standards. Such standards could impact products provided by Allstate agents and Allstate's broker-dealers, their sales processes, sales volume, and producer compensation arrangements.

*Dodd-Frank: Covered Agreement* The Secretary of the Treasury (operating through FIO) and the Office of the U.S. Trade Representative ("USTR") are jointly authorized, pursuant to the Dodd-Frank, to negotiate Covered Agreements. A Covered Agreement is a bilateral or multilateral agreement that "relates to the recognition of prudential measures with respect to the business of insurance or reinsurance that achieves a level of protection for insurance or reinsurance consumers that is substantially equivalent to the level of protection achieved under State insurance or reinsurance regulation."

On September 22, 2017, the U.S. and European Union ("EU") signed a Covered Agreement. In addition to signing the Covered Agreement, Treasury and the USTR jointly issued a policy statement clarifying how the U.S. views implementation of certain provisions of the Covered Agreement. The policy statement affirms the U.S. system of insurance regulation, including the role of state insurance regulators as the primary supervisors of the business of insurance and addresses several other key provisions of the Covered Agreement for which constituents sought clarity, including prospective application to reinsurance agreements and an affirmation that the Covered Agreement does not require development of a group capital standard or group capital requirement in the U.S.

The U.S. has five years from the date of signing to amend its credit for reinsurance laws and regulations to conform with the requirements of the Covered Agreement or face federal preemption determinations by the FIO. To address the requirements of the Covered Agreement, the NAIC has formally adopted revisions to its existing credit for reinsurance model law and model regulation to conform with the requirements of the Covered Agreement with the expectation that states will adopt and implement the modified model law and regulation by September 2022.

On December 19, 2018, the U.S. and the United Kingdom ("UK") signed a separate Covered Agreement consistent with the U.S.-EU Covered Agreement to coordinate regulation of the insurance industry doing business in the U.S. and UK. Consistent with the U.S.-EU Covered Agreement (the "Agreement") signed in 2017, Treasury and the USTR also issued a policy statement regarding implementation of the Agreement affirming the role that state insurance regulators play as the primary supervisors of the U.S. insurance industry.

*Division Statute* On November 27, 2018, the Illinois General Assembly passed legislation authorizing a statute that makes available a process by which a domestic insurance company may divide into two or more domestic insurance companies. The statute, which became effective January 1, 2019, can be used to divide continuing blocks of insurance business from insurance business no longer marketed, or otherwise has been discontinued, into separate companies with separate capital. The statute can also be used for sale to a third party or to manage risks associated with indemnification programs. Before a plan of division can be effected it must be approved according to the organizational documents of the dividing insurer and submitted for approval by the Illinois Department of Insurance.

*Privacy Regulation and Data Security* Federal law and the laws of many states require financial institutions to protect the security and confidentiality of consumer information and to notify consumers about their policies and practices relating to collection, use, and disclosure of consumer information and their policies relating to protecting the security and confidentiality of that information. Federal law and the laws of many states also regulate disclosures and disposal of consumer information. Congress, state legislatures, and regulatory authorities are expected to consider additional regulation relating to privacy and other aspects of consumer information.

For example, the California Consumer Privacy Act, which took effect in January 2020, adopted significant compliance requirements for businesses that collect personal information on California residents. In addition, the California Privacy Rights Act, which expands consumer privacy rights and establishes a new privacy regulatory agency, was passed in November 2020 and will become effective in January 2023. Further, the New York State Department of Financial Services cybersecurity regulation and the NAIC Insurance Data Security Model Law, which has been adopted in some form by several states, establish standards for data security and for the investigation of and notification to insurance commissioners of cybersecurity events. Additional states are also likely to adopt similarly themed cybersecurity requirements in the future. We cannot predict the impact on our business of possible future legislative measures regarding privacy or cybersecurity.

*Asbestos* Congress has repeatedly considered legislation to address asbestos claims and litigation in the past. We cannot predict the impact on our business of possible future legislative measures regarding asbestos.

*Environmental* Environmental pollution and clean-up of polluted waste sites is the subject of federal and state regulation. The Comprehensive Environmental Response Compensation and Liability Act of 1980 (the “Superfund”) and comparable state statutes (the “mini-Superfunds”) govern the clean-up and restoration of waste sites by Potentially Responsible Parties (“PRPs”). The Superfund and the mini-Superfunds (collectively, the “Environmental Clean-up Laws” or “ECLs”) establish a mechanism to assign liability to PRPs or to fund the clean-up of waste sites if PRPs fail to do so. The extent of liability to be allocated to a PRP depends on a variety of factors. The insurance industry is involved in extensive litigation regarding coverage issues arising out of the clean-up of waste sites by insured PRPs and the insured parties’ alleged liability to third parties responsible for the clean-up. The insurance industry, including Allstate, has disputed and is disputing many such claims. Key coverage issues include whether the Superfund response, investigation, and clean-up costs are considered damages under the policies; whether coverage has been triggered; whether any pollution exclusion applies; whether there has been proper notice of claims; whether administrative liability triggers the duty to defend; whether there is an appropriate allocation of liability among potentially responsible insurers; and whether the liability in question falls within the definition of an “occurrence.” Identical coverage issues exist for clean-up and waste sites not covered under the Superfund. To date, courts have been inconsistent in their rulings on these issues.

Allstate’s exposure to liability with regard to its insureds that have been, or may be, named as PRPs is uncertain. While comprehensive Superfund reform proposals have been introduced in Congress, only modest reform measures have been enacted. In May 2017, the Environmental Protection Agency created a Superfund Task Force that issued proposed reforms in a July 2018 report. These recommendations address expediting clean-up and remediation processes, reducing the financial burden of the clean-up process, encouraging private investment, promoting redevelopment and community revitalization, and building and strengthening partnerships. We cannot predict which, if any, of these reforms will be enacted.

Developments in the insurance and reinsurance industries have fostered a movement to segregate asbestos, environmental and other run-off lines exposures into separate legal entities with dedicated capital. Regulatory bodies in certain cases have supported these actions. We are unable to determine the impact, if any, that these developments will have on the collectability of reinsurance recoverables in the future.

## Human Capital

Allstate's success is highly dependent on human capital. The wellbeing of our employees is a key priority, and Allstate strives to promote a dynamic and welcoming workplace that promotes inclusive diversity and equity, fosters collaboration, and encourages employees to bring their best ideas to work every day. As of December 31, 2021, Allstate had approximately 54,300 full-time employees and 400 part-time employees.

Allstate's human capital management focuses on the following priorities:

*Inclusive Diversity and Equity ("IDE")* We strive for a workforce where the breadth of our diversity makes us a better company. IDE is one of Allstate's core values and serves as a foundation of Our Shared Purpose.

| **U.S. workforce diversity as of December 31, 2021** | |
|---|---|
| Women | 57% |
| Racially and ethnically diverse | 42% |

- We track our workforce composition data over time to determine if we are making appropriate progress in advancing gender and racial representation in our employee population and we disclose our progress. In our Sustainability Report, we provide, among other things, five years of workforce composition data that shows a breakdown of salaried, hourly and management employees by gender and race. Beginning in 2021 we also disclosed our EEO-1 data.
- As part of our commitment to fair and equitable compensation practices, we complete an annual pay equity analysis. We partner with external law and data analytics firms to provide a more detailed analysis to identify potential pay gaps across substantially similar employee groups as well as identify policies, practices or systematic issues that may contribute to pay gaps now or over time. The external analyses found that Allstate's results compared well to benchmarks for companies of similar size and scope.
- Allstate's Employee Resource Group ("ERG") Program and the Enterprise Diversity Leadership Council ("EDLC") help advance IDE.
  - ERGs: Allstate has 11 ERGs that offer specific opportunities for employees to partner and collaborate with each other through professional development workshops, recruiting events, volunteer projects and mentoring. Officers from across the enterprise leverage their time, networks and resources to support the ERGs and positively impact employee engagement and feelings of belonging at Allstate.
  - EDLC: The EDLC is made up of senior leaders throughout the organization and focuses on driving targeted results for IDE by identifying and prioritizing action, taking accountability for achieving targeted results and ensuring clarity and understanding of the business relevance of IDE. The EDLC provides updates to our chief executive officer.
- In 2021, employees completed more than 106,000 IDE courses, more than triple the number completed in 2020.
- Allstate continues to look for ways to build awareness and drive action to be a differentiated leader in IDE. In 2021, we:
  - Continued to drive skills-based hiring without degree requirements on job postings. 54% of all new hires in 2021 did not have a 4-year bachelor's degree.
  - Began conducting a top-to-bottom review of IDE practices within Allstate, which will continue in 2022.
  - Rolled out the IDE Strategy with Culture, People, Business Practices, and Community as the four pillars.
  - Launched IDE Dashboard with representation data and goals to guide business practices and increase transparency.

*Employee Wellbeing and Safety* We take seriously our responsibility to care for employees' well-being, devoting resources to employee health and safety.

- Allstate responded quickly and decisively to the pandemic. To prioritize safety, we transitioned 95% of our workforce to work from home and established comprehensive safety protocols for those who continued to work in-person.
- Allstate established and continues to utilize strong guiding principles to drive our response to the pandemic. These principles include complying with regulations, relying on expert medical advice, adapting our approach to individual circumstances, and keeping our employees, agents, and customers safe.
- As part of the Good Office program, we ship essential office items to our employees to help them work more productively at home and are establishing a new hire bundle to ensure all new employees start with the remote technology they need.
- We conduct wellbeing assessments to solicit employee feedback about physical, emotional, mental and financial wellbeing. Completing the assessment lowers the cost of benefits to employees.
- We offer resilience and stress management programs, including Energy for Life, designed to help employees articulate and pursue their individual purpose and embrace new challenges with ease. Over 39,000 employees have taken this wellness workshop since 2010.

- The ERGs provided multiple forums in 2021 to share wellness resources and support for their members.
- Wellbeing Champions promote Allstate's health and wellness resources across the enterprise, including yoga and meditation classes.

*Talent Recruitment and Management* We seek to provide employees with rewarding work, professional growth and educational opportunities.

- Our flexible work and equal opportunity policies support talent attraction and retention. In early 2021 we conducted research with employees to learn more about their work location preferences. Ultimately 75% of our workforce will remain home-based workers permanently, 24% hybrid, and due to roles, 1% will be fully office-based. This remote-first strategy has enabled us to recruit a more geographically dispersed and diverse talent pool, as well as to reevaluate our facilities footprint.
- Performance review and development takes place throughout the year. Allstate invests in training and re-skilling opportunities, with most of our learning experiences offered virtually to support our remote and global workforce.
- In 2021:
  - Employees completed over 154,000 hours in formal learning opportunities.
  - Over 7,000 employees participated in Allstate's Global Learning month, which included speaking events with industry leaders.
  - Over 4,000 employees attended Quarterly Skill Builders featuring external experts facilitating topics including building a culture of feedback, collaboration, challenging ideas and providing clarity.
  - 734 employees participated in Allstate's tuition reimbursement program, with $2.9 million paid in tuition reimbursement.
  - 31% of open positions were filled with internal applicants.

*Organizational Culture* At Allstate, we believe that when your passion fuels your purpose, you can achieve anything. We expect all employees to be leaders and dedicate extensive resources to developing leaders at all levels.

- Allstate defines culture as a self-sustaining system of shared values, priorities and principles that shape beliefs and drive behaviors and decision-making within an organization.
- In 2020, we updated Our Shared Purpose to reflect the evolution of our culture to drive our business strategy. In 2021 we focused on further embedding Our Shared Purpose into the employee experience, including in our recruiting and hiring practices, performance management, learning and development offerings, leadership development and employee feedback and measurement.

For additional information, please see the section titled “Human Capital Management” in our 2021 Proxy Statement.

In addition to the above discussion of our employees, please see information about Allstate agents under the caption “Allstate Protection Segment - Products and Distribution” in Part I, Item 1 of this report.

## Website

Our website is allstate.com. The Allstate Corporation's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports that we file or furnish pursuant to Section 13(a) of the Securities Exchange Act of 1934 are available on the Investor Relations section of our website (www.allstateinvestors.com), free of charge, as soon as reasonably practicable after they are electronically filed or furnished to the SEC. In addition, our Corporate Governance Guidelines, our Global Code of Business Conduct, and the charters of our Audit Committee, Compensation and Human Capital Committee, Nominating, Governance and Social Responsibility Committee, Executive Committee and Risk and Return Committee are available on the Investor Relations section of our website. The information found on our website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document filed with the SEC.

## Other Information About Allstate

- Allstate's five reportable segments use shared services, including human resources, investment, finance, information technology and legal services, provided by Allstate Insurance Company and other affiliates.
- Although the insurance business generally is not seasonal, claims and claims expense for the Allstate Protection segment tend to be higher for periods of severe or inclement weather.
- "Allstate®" is a very well-recognized brand name in the United States. We use the "Allstate®", "National General®" and "Answer Financial®" brands extensively in our business. We also provide additional protection products and services through "Allstate℠ Protection Plans", "Allstate Dealer Services®", "Allstate Roadside", "Arity®", "Allstate℠ Identity Protection" and "Allstate Health and Benefits®". These brands, products and services are supported with the related service marks, logos, and slogans. Our rights in the United States to these names, service marks, logos and slogans continue as long as we continue to use them in commerce. Many service marks used by Allstate are the subject of renewable U.S. and/or foreign service mark registrations. We believe that these service marks are important to our business and we intend to maintain our rights to them.

## Information about our Executive Officers

The following table sets forth the names of our executive officers, their ages as of February 1, 2022, their positions, business experience, and the years of their first election as officers. "AIC" refers to Allstate Insurance Company. Each of the officers named below may be removed from office at any time, with or without cause, by the board of directors of the relevant company.

| Name | Age | Position with Allstate and Business Experience | Year First Elected Officer |
|---|---|---|---|
| Thomas J. Wilson | 64 | Chair of the Board (May 2008 to present), President (June 2005 to January 2015 and February 2018 to present), and Chief Executive Officer (January 2007 to present) of The Allstate Corporation and AIC. | 1995 |
| Elizabeth A. Brady | 57 | Executive Vice President, Chief Marketing, Customer and Communications Officer of AIC (January 2020 to present); Executive Vice President and Chief Marketing, Innovation and Corporate Relations Officer of AIC (August 2018 to January 2020); Senior Vice President, Global Brand Management of Kohler Co. (November 2013 to July 2018). | 2018 |
| Don Civgin | 60 | Vice Chair of The Allstate Corporation and AIC (March 2020 to present) and Chief Executive Officer, Protection Products and Services of AIC (January 2020 to present); President, Service Businesses of AIC (January 2018 to January 2020); President, Emerging Businesses of AIC (February 2015 to January 2018). | 2008 |
| John E. Dugenske | 55 | President, Investments and Financial Products of AIC (January 2020 to present); Executive Vice President and Chief Investment and Corporate Strategy Officer of AIC (January 2018 to January 2020); Executive Vice President and Chief Investment Officer of AIC (March 2017 to January 2018); Group Managing Director and Global Head of Fixed Income at UBS Global Asset Management (December 2008 to February 2017). | 2017 |
| Rhonda S. Ferguson | 52 | Executive Vice President, Chief Legal Officer, General Counsel, and Secretary of The Allstate Corporation and AIC (November 2020 to present); Executive Vice President and General Counsel of The Allstate Corporation and AIC (September 2020 to November 2020); Executive Vice President, Chief Legal Officer and Corporate Secretary of Union Pacific Railroad (December 2017 to September 2020); Executive Vice President and Chief Legal Officer of Union Pacific Railroad (July 2016 to December 2017). | 2020 |
| Suren Gupta | 60 | Executive Vice President, Chief Information Technology and Enterprise Services Officer of AIC (January 2020 to present); Executive Vice President, Enterprise Technology and Strategic Ventures of AIC (February 2015 to January 2020). | 2011 |
| Jesse E. Merten | 47 | President, Financial Products of AIC (May 2020 to present); Executive Vice President and Chief Risk Officer of AIC (December 2017 to May 2020); Treasurer of The Allstate Corporation (January 2015 to April 2019) and of AIC (February 2015 to May 2019). | 2012 |
| John C. Pintozzi | 56 | Senior Vice President, Controller and Chief Accounting Officer of The Allstate Corporation and AIC (September 2019 to present); Senior Vice President and Chief Financial Officer, Allstate Investments (May 2012 to August 2019). | 2005 |
| Mark Q. Prindiville | 54 | Executive Vice President and Chief Risk Officer of AIC (May 2020 to present); Senior Vice President of AIC (September 2016 to May 2020). | 2016 |
| Mario Rizzo | 55 | Executive Vice President and Chief Financial Officer of The Allstate Corporation and AIC (January 2018 to present); Senior Vice President and Chief Financial Officer, Allstate Personal Lines of AIC (February 2015 to January 2018). | 2010 |
| Glenn T. Shapiro | 56 | President, Personal Property-Liability of AIC (January 2020 to present); President, Allstate Personal Lines of AIC (January 2018 to January 2020); Executive Vice President, Claims of AIC (April 2016 to January 2018). | 2016 |

## Forward-Looking Statements

This report 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. 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 statements may 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. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update any forward-looking statements as a result of new information or future events or developments. In addition, forward-looking statements are subject to certain risks or uncertainties that could cause actual results to differ materially from those communicated in these forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Part 1, “Item 1A. Risk Factors” and elsewhere in this report and those described from time to time in our other reports filed with the Securities and Exchange Commission.

## Item 1A. Risk Factors

*Summary* Risks are categorized by (1) insurance and financial services, (2) business, strategy and operations and (3) macro, regulatory and risk environment. Many risks may affect more than one category and are included where the impact is most significant. If some of these risk factors occur, they may cause the emergence of or exacerbate the impact of other risk factors, which could materially increase the severity of the impact of these risks on our business, results of operations, financial condition or liquidity. The table below includes examples of risks from each category.

| *Insurance and financial services* | *Business, strategy and operations* | *Macro, regulatory and risk environment* |
|---|---|---|
| *Risks related to the insurance and financial services industries* | *Risks related to Allstate's business and operating model* | *Risks that impact most companies* |
| • Claim frequency and severity volatility<br>• Catastrophes and severe weather<br>• Loss cost estimates are complex and losses are unknown at the time policies are sold<br>• Investment results are subject to volatility and valuation judgments | • Highly competitive industry, impacted by new and changing technologies<br>• Operating model effectiveness in light of changing customer preferences<br>• Ability to maintain catastrophe reinsurance programs and limits<br>• Fluctuations in financial strength and ratings | • Adverse changes in economic and capital market conditions<br>• Large-scale pandemic events<br>• Cybersecurity and privacy events<br>• Changing climate conditions<br>• Regulatory and political changes<br>• Loss of key business relationships<br>• Ability to attract, develop and retain talent |

The Allstate Corporation Board of Directors ("Allstate Board") has overall responsibility for oversight of Management's design and implementation of our Enterprise Risk and Return Management ("ERRM") framework that manages risk on an integrated basis following our risk and return principles. The Risk and Return Committee of the Allstate Board oversees effectiveness of the ERRM program, governance structure and risk-related decision-making, while focusing on the Company's overall risk profile.

See Management's Discussion and Analysis ("MD&A"), Enterprise Risk and Return Management for further details.

Consider these cautionary statements carefully together with other factors discussed elsewhere in this document, in filings with the Securities and Exchange Commission ("SEC") or in materials incorporated therein by reference.

### Insurance and financial services

*Unexpected increases in the frequency or severity of property and casualty claims may adversely affect our results of operations and financial condition*

A significant increase in claim frequency could adversely affect our results of operations and financial condition. Changes in mix of business, miles driven, weather, distracted driving or other factors can lead to changes in claim frequency. We may experience volatility in claim frequency, and short-term trends may not be predictive of future losses over the longer term.

Increases in claim severity can arise from numerous causes that are inherently difficult to predict. The following factors have and may continue to impact claim severity for auto bodily injury, property damage and homeowners coverages:

- Bodily injury — inflation in medical costs, duration of treatment, litigation trends and precedents and regulation
- Vehicle property damage — inflation in repair costs, including parts and labor rates, mix of total losses declared, costs associated with repairing sophisticated newer vehicles, model year and used-car values
- Homeowners — inflation in the construction industry, building materials and home furnishings, changes in the mix of loss type, and other economic and environmental factors, including short-term supply imbalances for services and supplies in areas affected by catastrophes

*Catastrophes and severe weather events may subject us to significant losses*

Catastrophic events could adversely affect operating results and cause them to vary significantly from one period to the next. Also, our liquidity could be constrained by a catastrophe, or multiple catastrophes, which could result in extraordinary losses, sales of investments or a downgrade of our debt or financial strength ratings.

Catastrophic losses are caused by wind and hail, wildfires, tornadoes, hurricanes, tropical storms, earthquakes, severe freeze events, volcanic eruptions, terrorism, cyber-attacks, civil unrest, industrial accidents and other such events.

Our personal property insurance business may incur catastrophe losses greater than:

- Those experienced in prior years
- The average expected level used in pricing

- Current reinsurance coverage limits
- Loss estimates from hurricane and earthquake models at various levels of probability

Property and casualty businesses are subject to claims arising from severe weather events such as winter storms, rain, hail and high winds. The incidence and severity of weather conditions resulting in claims are extremely volatile.

The total number of policyholders affected by the event, the severity of the event and the coverage provided contribute to catastrophe and severe weather losses. Increases in the insured values of covered property, geographic concentration and the number of policyholders exposed to certain events could increase the severity of claims from catastrophic and severe weather events.

*Limitations in analytical models used to assess and predict the exposure to catastrophe losses may adversely affect our results of operations and financial condition*

We use internally developed and third-party vendor models along with our own historical data to assess exposure to catastrophe losses. The models assume various conditions and probability scenarios and may not accurately predict future losses or measure losses currently incurred.

*Price competition and changes in regulation and underwriting standards in property and casualty businesses may adversely affect our results of operations and financial condition*

The personal property-liability market is highly competitive with carriers competing through underwriting, advertising, price, customer service, innovation and distribution. Changes in regulatory standards regarding underwriting and rates could also affect the ability to predict future losses and could impact profitability. Companies can alter underwriting standards, lower prices and increase advertising, which could result in lower growth or profitability for Allstate. A decline in the growth or profitability of the property and casualty businesses could have a material effect on our results of operations and financial condition.

*Property and casualty actual claims costs may exceed current reserves established for claims due to changes in the inflationary, regulatory and litigation environment*

Estimating claim reserves is an inherently uncertain and complex process. We continually refine our best estimates of losses after considering known facts and interpretations of the circumstances.

Our reserving methodology may be impacted by the following:

- Models that rely on the assumption that past loss development patterns will persist into the future
- Internal factors including experience with similar cases, actual claims paid, historical trends involving claim payment patterns, pending levels of unpaid claims, loss management programs, product mix, contractual terms and changes in claim reporting and settlement practices
- External factors such as inflation, court decisions, changes in law or litigation imposing unintended coverage, regulatory requirements, changes in driving patterns and economic conditions
- Supply chain disruptions and labor shortages could increase the cost of settling claims
- The ultimate cost of losses may vary materially from recorded reserves and such variance may adversely affect our results of operations and financial condition as the reserves and amounts due from reinsurers are reestimated.

See MD&A, Application of Critical Accounting Estimates for further details.

*Our investment portfolios are subject to market risk and declines in quality which may adversely affect or create volatility in our investment income and cause realized and unrealized losses*

We continually evaluate investment management strategies since we are subject to risk of loss due to adverse changes in interest rates, credit spreads, equity prices, real estate values, currency exchange rates and liquidity. Adverse changes may occur due to changes in monetary and fiscal policy and the economic climate, liquidity of a market or market segment, investor return expectations or risk tolerance, insolvency or financial distress of key market makers or participants, or changes in market perceptions of credit worthiness. Adverse changes in market conditions could cause the value of our investments to decrease significantly and impact our results of operations and financial condition.

Our investments are subject to risks associated with economic and capital market conditions and factors that may be unique to our portfolio, including:

- General weakening of the economy, which is typically reflected through higher credit spreads and lower equity and real estate valuations
- Declines in credit quality
- Declines in market interest rates, credit spreads or sustained low interest rates could lead to further declines in portfolio yields and investment income
- Increases in market interest rates, credit spreads or a decrease in liquidity could have an adverse effect on the value of our fixed income securities that form a substantial majority of our investment portfolios
- Supply chain disruptions, labor shortages and other factors have and may continue to increase inflation, which could have an adverse impact on investment valuations and returns.
- Weak performance of general and joint venture partners and underlying investments unrelated to general market or economic conditions could lead to declines in investment income and cause realized losses in our limited partnership interests
- Concentration in any particular issuer, industry, collateral type, group of related industries, geographic sector or risk type

The amount and timing of net investment income, capital contributions and distributions from our performance-based investments, which primarily include limited partnership interests, can fluctuate significantly due to the underlying investments' performance or changes in market or economic conditions. Additionally, these investments are less liquid than similar, publicly-traded investments and a decline in market liquidity could impact our ability to sell them at their current carrying values.

Declining equity markets or increases in interest rates or credit spreads could cause the value of the investments in our pension plans to decrease. Declines in interest rates could cause the funding ratio to decline and the value of the obligations for our pension and postretirement plans to increase. These factors could decrease the funded status of our pension and postretirement plans, increasing the likelihood or magnitude of future benefit expense and contributions.

*Determination of the fair value and amount of credit losses for investments includes subjective judgments and could materially impact our results of operations and financial condition*

The valuation of the portfolio is subjective, and the value of assets may differ from the actual amount received upon the sale of an asset. The degree of judgment required in determining fair values increases when:

- Market observable information is less readily available
- The use of different valuation assumptions may have a material effect on the assets' fair values
- Changing market conditions could materially affect the fair value of investments

The determination of the amount of credit losses varies by investment type and is based on ongoing evaluation and assessment of known and inherent risks associated with the respective asset class or investment.

Such evaluations and assessments are highly judgmental and are revised as conditions change and new information becomes available.

We update our evaluations regularly and reflect changes in credit losses in our results of operations. Our conclusions may ultimately prove to be incorrect as assumptions, facts and circumstances change. Historical loss trends, consideration of current conditions, and forecasts may not be indicative of future changes in credit losses and additional amounts may need to be recorded in the future.

*Our participation in indemnification programs subjects us to the risk that reimbursement for qualifying claims and claims expenses may not be received*

Participation in state-based industry pools, facilities and associations as well as the National Flood Insurance Program may have a material, adverse effect on our results of operations and financial condition. Our largest exposure is associated with the Michigan Catastrophic Claim Association ("MCCA"), a state-mandated indemnification mechanism for qualified personal injury protection losses that exceed a specified level. To the extent the MCCA's current and future assessments are insufficient to reimburse its ultimate obligation on existing claims to member companies, our ability to obtain the 100% indemnification of ultimate loss could be impaired.

For further discussion of these items, see Regulation section, Indemnification Programs and Note 11 of the consolidated financial statements.

*We may not be able to mitigate the impact associated with changes in capital requirements*

Regulatory requirements affect the amount of capital to be maintained by our subsidiary insurance companies. Changes to requirements or regulatory interpretations may result in additional capital held in our insurance companies and could require us to increase prices, reduce our sales of certain products, or accept a return on equity below original levels assumed in pricing.

*A downgrade in financial strength ratings may have an adverse effect on our business*

Financial strength ratings are important factors in establishing the competitive position of insurance companies and their access to capital markets. Rating agencies could downgrade or change the outlook on our ratings due to:

- Changes in the financial profile of one of our insurance companies
- Changes in a rating agency's determination of the amount of capital required to maintain a particular rating
- Increases in the perceived risk of our investment portfolio, a reduced confidence in management or our business strategy, or other considerations that may or may not be under our control

A downgrade in our ratings could have an adverse effect on our sales, competitiveness, customer retention, the marketability of our product offerings, liquidity, access to and cost of borrowing, results of operations and financial condition.

## Business, strategy and operations

*We operate in markets that are highly competitive and may be impacted by new or changing technologies*

Markets in which we operate are highly competitive, and we must continually allocate resources to refine and improve products and services to remain competitive. If we are unsuccessful in generating new business, retaining customers or renewing contracts, our ability to maintain or increase premiums written or the ability to sell our products could be adversely impacted.

Determining competitive position is complicated in the auto and homeowners insurance business as companies use different underwriting standards to accept new customers and quotes and close rates can fluctuate across companies and locations. Pricing of products is driven by multiple factors, including loss expectations, expense structure and dissimilar return targets. Additionally, sophisticated pricing algorithms make it difficult to determine what price potential customers would pay across competitors.

There is also significant competition for producers, such as exclusive and independent agents and their licensed sales professionals. Growth and retention may be materially affected if we are unable to attract and retain effective producers or if those producers are unable to attract and retain their licensed sales professionals or customers. Similarly, growth and retention may be impacted if customer preferences change and we are unable to effectively adapt our business model and processes.

Our business could also be affected by technological changes, such as autonomous or partially autonomous vehicles or technologies that facilitate ride, car or home sharing. Such changes could disrupt the demand for products from current customers, create coverage issues, impact the frequency or severity of losses, or reduce the size of the automobile insurance market causing our auto insurance business to decline. Since auto insurance constitutes a significant portion of our overall business, we may be more sensitive than other insurers and more adversely affected by trends that could decrease auto insurance rates or reduce demand for auto insurance over time.

Technological advancements and innovation are occurring in distribution, underwriting, claims and operations at a rapid pace that may continue to accelerate. Nontraditional competitors could enter the insurance market and further accelerate these trends. Innovations must be implemented in compliance with applicable insurance regulations and may require extensive modifications to our systems and processes and extensive coordination with and reliance on the systems and operations of third parties. If we are unable to adapt to or bring such advancements and innovations to market, the quality of our products, our relationships with customers and agents, competitive position and business prospects may be materially affected. Changes in technology related to collection and application of data regarding customers could expose us to regulatory or legal actions and may have a material adverse effect on our business, reputation, results of operations and financial condition.

Technology and customer preference changes may impact the ways in which we interact, do business with our customers and design our products. We may not be able to respond effectively to these changes, which could have a material effect on our results of operations and financial condition.

Our ability to adequately and effectively price our products and services is affected by the evolving nature of consumer needs and preferences, market and regulatory dynamics, broader use of telematics-based rate segmentation and potential reduction in consumer demand.

Many voluntary benefits contracts are renewed annually. There is a risk that employers may be able to obtain more favorable terms from competitors than they could by renewing coverage with us. These competitive pressures may adversely affect the renewal of these contracts, as well as our ability to sell products.

*Transformative Growth strategy implementation may not be effective*

The Transformative Growth strategy is to accelerate growth by expanding customer access, improving customer value, increasing the level and sophistication of new customer acquisition and deploying new technology applications. The strategy encompasses all aspects of Allstate's customer experience and business model, spanning product distribution and sales, operations and servicing, and claims processing. If the strategy is not implemented effectively, customer retention and policy growth objectives could be adversely impacted. Lost business opportunities may result due to slower than anticipated speed to market. External forces including competitor actions or regulatory changes may also have an adverse effect on the value generated from the transformation.

*Our catastrophe management strategy may adversely affect premium growth*

Catastrophe risk management actions have negatively impacted the size of our homeowners business and customer retention, including customers with auto and other personal lines products and may negatively impact future sales if further actions are taken. Adjustments to our business structure, size and underwriting practices in markets with significant severe weather and catastrophe risk exposure could adversely impact premium growth rates and retention.

*The ability of our subsidiaries to pay dividends may affect our liquidity and ability to meet our obligations*

The Allstate Corporation is a holding company with no significant operations. Its principal assets are the stock of its subsidiaries and its directly held cash and investment portfolios. Its liabilities include debt and pension and other postretirement benefit obligations related to Allstate Insurance Company employees. State insurance regulatory authorities limit the payment of dividends by insurance subsidiaries, as described in Note 17 of the consolidated financial statements. The limitations are based on statutory income and surplus. In addition, competitive pressures generally require the subsidiaries to maintain insurance financial strength ratings. These restrictions and other regulatory requirements may affect the ability of subsidiaries to make dividend payments. Limits on the ability of the subsidiaries to pay dividends could adversely affect holding company liquidity, including the ability to pay dividends to shareholders, service debt or complete share repurchase programs as planned.

Changes in regulatory or rating agency capital requirements could decrease deployable capital and potentially reduce future dividends paid by our insurance companies.

For a discussion of capital requirements, including a potential change to a group capital calculation, see Regulation section, Limitations on Dividends by Insurance Subsidiaries.

*Our ability to pay dividends or repurchase stock is subject to limitations under terms of certain of our securities*

The terms of the outstanding subordinated debentures prohibit us from declaring or paying any dividends or distributions on our common or preferred stock or redeeming, purchasing, acquiring or making liquidation payments on our common stock or preferred stock if we have elected to defer interest payments on the subordinated debentures, subject to certain limited exceptions.

We are prohibited from declaring or paying dividends on our Series G preferred stock if we fail to meet specified capital adequacy, net income or shareholders' equity levels. The prohibition is subject to an exception permitting us to declare dividends out of the net proceeds of common stock issued by us during the 90 days before the date of declaration even if we fail to meet such levels.

If the full preferred stock dividends for all preceding dividend periods have not been declared and paid, we generally may not repurchase or pay dividends on common stock during any dividend period while our preferred stock is outstanding.

See Note 13 of the consolidated financial statements.

*Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business*

Market conditions beyond our control impact the availability and cost of the reinsurance we purchase. Reinsurance may not remain continuously available to us to the same extent and on the same terms and rates as is currently available. Our ability to economically justify reinsurance to reduce our catastrophe risk in designated areas may depend on our ability to adjust premium rates to fully or partially recover cost. If we cannot maintain our current level of reinsurance or purchase new reinsurance protection in amounts we consider sufficient at acceptable prices, we would have to either accept an increase in our catastrophe exposure, reduce our insurance exposure or seek other alternatives.

*Reinsurance subjects us to counterparty risk and may not be adequate to protect us against losses arising from ceded insurance*

Collecting from reinsurers is subject to uncertainty arising from factors that include:

- Whether reinsurers, their affiliates or certain indemnitors have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract
- Whether insured losses meet the qualifying conditions of the reinsurance contract

Our inability to recover from a reinsurer could have a material effect on our results of operations and financial condition.

Disruption, volatility or uncertainty in the insurance linked securities market may decrease our ability to access such market on favorable terms or at all.

*Acquisitions or divestitures of businesses may not produce anticipated benefits, resulting in operating difficulties, unforeseen liabilities or asset impairments*

The ability to achieve certain anticipated financial benefits from the acquisition of businesses depends in part on our ability to successfully grow and integrate the businesses consistent with our anticipated acquisition economics. Financial results could be adversely affected by unanticipated performance issues, unforeseen liabilities, transaction-related charges, diversion of management time and resources to acquisition integration challenges or growth strategies, loss of key employees, challenges in integrating information technology systems of acquired companies with our own, amortization of expenses related to intangibles, charges for impairment of long-term assets or goodwill and indemnifications.

Acquired businesses may not perform as projected, cost savings anticipated from the acquisition may not materialize, and costs associated with the integration may be greater than anticipated. As a result, if we do not manage these transitions effectively, the quality of our products as well as our relationships with customers and partners may result in the company not achieving returns on its investment at the level projected at acquisition.

We also may divest businesses from time to time. These transactions may result in continued financial involvement in the divested businesses, such as through reinsurance, guarantees or other financial arrangements, following the transaction. If the acquiring companies do not perform under the arrangements, our financial results could be negatively impacted.

*We may be subject to the risks and costs associated with intellectual property infringement, misappropriation and third-party claims*

We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect intellectual property and to determine its scope, validity or enforceability, which could divert significant resources and prove unsuccessful. An inability to protect intellectual property or an inability to successfully defend against a claim of intellectual property infringement could have a material effect on our business.

We may be subject to claims by third parties for patent, trademark or copyright infringement or breach of usage rights. Any such claims and any resulting litigation could result in significant expense and liability. If third-party providers or we are found to have infringed a third-party intellectual property right, either of us could be enjoined from providing certain products or services or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licenses. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement costly work-arounds. Any of these scenarios could have a material effect on our business and results of operations.

**Macro, regulatory and risk environment**

*Conditions in the global economy and capital markets could adversely affect our business and results of operations*

Global economic and capital market conditions could adversely impact demand for our products, returns on our investment portfolio and results of operations. The conditions that would have the largest impact on our business include:

- Low or negative economic growth
- Interest rate levels
- Rising inflation increasing claims and claims expense
- Substantial increases in delinquencies or defaults on debt
- Significant downturns in the market value or liquidity of our investment portfolio
- Reduced consumer spending and business investment

Stressed conditions, volatility and disruptions in global capital markets or financial asset classes could adversely affect our investment portfolio.

*Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs or obtain credit on acceptable terms*

In periods of extreme volatility and disruption in the capital and credit markets, liquidity and credit capacity may be severely restricted. Our access to additional financing depends on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, as well as lenders' perception of our long- or short-term financial prospects. In such circumstances, our ability to obtain capital to fund operating expenses, financing costs, capital expenditures or acquisitions may be limited, and the cost of any such capital may be significant.

*A large-scale pandemic, the occurrence of terrorism, military actions, social unrest or other actions may have an adverse effect on our business*

A large-scale pandemic, such as the Coronavirus and its impacts, the occurrence of terrorism, military actions, social unrest or other actions, may result in loss of life, property damage, and disruptions to commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the equity markets, changes in interest rates, reduced liquidity and economic activity caused by a large-scale pandemic. Additionally, a large-scale pandemic or terrorist act could have a material effect on sales, liquidity and operating results.

The Coronavirus resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings. These measures moderated in 2021 in certain locations as vaccines became more widely available in the United States and Canada. There is no way of predicting with certainty how long the pandemic might last. New variants of the Coronavirus may impact the potential for restrictions being restored or new restrictions being implemented that could result in further economic volatility. We continue to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the impact to our operations, but the effects could be material.

The Coronavirus has affected our operations and may continue to significantly affect our results of operations, financial condition and liquidity, including:

- Sales of new and retention of existing policies
- Premium for transportation network products
- Supply chain disruptions and labor shortages increase the cost of settling claims
- Hospital and outpatient claim costs
- Investment valuations and returns
- Bad debt and credit allowance exposure
- Consumer utilization of Milewise®, our pay-per-mile insurance product
- Retail sales in Allstate Protection Plans

See MD&A, Highlights for a summary of the impacts of the Coronavirus on our operations, each of our segments and investments that may continue, emerge, evolve or accelerate into 2022.

*The failure in cyber or other information security controls, as well as the occurrence of events unanticipated in our disaster recovery processes and business continuity planning, could result in a loss or disclosure of confidential information, damage to our reputation, additional costs and impair our ability to conduct business effectively*

We depend heavily on computer systems, mathematical algorithms and data to perform necessary business functions. There are threats that could impact our ability to protect our data and systems; if the threats are successful, they could impact confidentiality, integrity and availability:

- Confidentiality — protecting our data from disclosure to unauthorized parties
- Integrity — ensuring data is not changed accidentally or without authorization and is accurate

- Availability — ensuring our data and systems are accessible to meet our business needs

We collect, use, store or transmit a large amount of confidential, proprietary and other information (including personal information of customers, claimants or employees) in connection with the operation of our business. Systems are subject to increased cyberattacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering.

We constantly defend against threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. We have experienced breaches of our data and systems, although to date none of these breaches has had a material effect on our business, operations or reputation. Events like these jeopardize the information processed and stored in, and transmitted through, our computer systems and networks and otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties or customer dissatisfaction.

These risks may increase in the future as threats become more sophisticated and we continue to expand internet and mobile strategies, develop additional remote connectivity solutions to serve our employees and customers, develop and expand products and services designed to protect customers' digital footprint, and build and maintain an integrated digital enterprise.

Our increased use of third-party services (e.g., cloud technology and software as a service) can make it more difficult to identify and respond to cyberattacks in any of the above situations. Although we may review and assess third-party vendor cyber security controls, our efforts may not be successful in preventing or mitigating the effects of such events. Third parties to whom we outsource certain functions are also subject to cybersecurity risks.

Personal information is subject to an increasing number of federal, state, local and international laws and regulations regarding privacy and data security, as well as contractual commitments. Any failure or perceived failure by us to comply with such obligations may result in governmental enforcement actions and fines, litigation or public statements against us by consumer advocacy groups or others and could cause our employees and customers to lose trust in us, which could have an adverse effect on our reputation and business.

See the Regulation section, Privacy Regulation and Data Security, for additional information.

The occurrence of a disaster, such as a natural catastrophe, pandemic, industrial accident, blackout, terrorist attack, war, cyberattack, computer virus, insider threat, unanticipated problems with our disaster recovery processes, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of employees were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised. Our systems are also subject to compromise from internal threats.

*Losses from changing climate and weather conditions may adversely affect our financial condition, profitability or cash flows*

Climate change affects the occurrence of certain natural events, such as increasing the frequency or severity of wind, tornado, hailstorm and thunderstorm events due to increased convection in the atmosphere. There could also be more frequent wildfires in certain geographies, more flooding and the potential for increased severity of hurricanes due to higher sea surface temperatures. As a result, incurred losses from such events and the demand, price and availability of reinsurance coverages for automobile and homeowners insurance may be affected.

Climate change may also impact insurability by impairing our ability to identify and quantify potential hazards that will result in losses and offer our customers products at an affordable price. Our investment portfolio is also subject to the effects of climate change as economic shifts alter the return dynamic of long-term investments and reduce valuations.

Due to significant variability associated with future changing climate conditions, we are unable to predict the impact climate change will have on our businesses.

*We are subject to extensive regulation, and potential further restrictive regulation may increase operating costs and limit growth*

Many of our affiliates operate in the highly regulated insurance and broader financial services sector and are subject to extensive laws and regulations that are complex and subject to change. Changes may lead to additional expenses, increased legal exposure, or increased reserve or capital requirements limiting our ability to grow or to achieve targeted profitability. Moreover, laws and regulations are administered and enforced by governmental authorities that exercise interpretive latitude, including:

- State insurance regulators
- State securities administrators
- State attorneys general
- Federal agencies including the SEC, the Financial Industry Regulatory Authority, the Department of Labor, the U.S. Department of Justice and the National Labor Relations Board

Consequently, compliance with one regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue.

There is risk that one regulator's or enforcement authority's interpretation of a legal issue may change to our detriment. There is also a risk that changes in the overall legal environment may cause us to change our views regarding the actions we need to take from a legal risk management perspective. This could necessitate changes to our practices that may adversely impact our business. In some cases, state insurance laws and regulations are generally intended to protect or benefit purchasers or users of insurance products, not holders of securities that we issue. These laws and regulations may limit our ability to grow or to improve the profitability of our business.

In addition, increasing governmental and societal attention to environmental, social, and governance matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, and report.

*A regulatory environment that requires rate increases to be approved, can dictate underwriting practices and mandate participation in loss sharing arrangements may adversely affect results of operations and financial condition*

Political events and positions can affect the insurance market, including efforts to suppress rates to a level that may not allow us to reach targeted levels of profitability. Regulatory challenges to rate increases may restrict rate changes that may be required to achieve targeted levels of profitability and returns on equity. If we are unsuccessful, our results of operations could be negatively impacted.

In addition, certain states have enacted laws that require an insurer conducting business in that state to participate in assigned risk plans, reinsurance facilities and joint underwriting associations. Certain states also require the insurer to offer coverage to all consumers, often restricting an insurer's ability to charge the price it might otherwise charge for the risk acceptance. In these markets, we may be compelled to underwrite significant amounts of business at lower-than-desired rates, possibly leading to an unacceptable return on equity. Alternatively, as the facilities recognize a financial deficit, they could have the ability to assess participating insurers, adversely affecting our results of operations and financial condition. Laws and regulations of many states also limit an insurer's ability to withdraw from one or more lines of insurance, except pursuant to a plan that is approved by the state insurance department. Certain states require an insurer to participate in guaranty funds for impaired or insolvent insurance companies. These funds periodically assess losses against all insurance companies doing business in the state. Our results of operations and financial condition could be adversely affected by any of these factors.

*Regulatory reforms, and the more stringent application of existing regulations, may make it more expensive for us to conduct our business*

The federal government has enacted comprehensive regulatory reforms for financial services entities. As part of a larger effort to strengthen the regulation of the financial services market, certain reforms are applicable to the insurance industry.

The Federal Insurance Office ("FIO") and Financial Stability Oversight Council have been established, and the federal government may enact reforms that affect the state insurance regulatory framework. The potential impact of state or federal measures that change the nature or scope of insurance and financial regulation is uncertain but may make it more expensive for us to conduct business and limit our ability to grow or achieve profitability.

We have business process and information technology operations in Canada, India and the United Kingdom that are subject to operating, regulatory and political risks in those countries. We may incur substantial costs and other negative consequences if any of these occur, including an adverse effect on our business, results of operations and financial condition.

*Losses from legal and regulatory actions may be material to our results of operations, cash flows and financial condition*

We are involved in various legal actions, including class-action litigation challenging a range of company practices and coverage provided by our insurance products, some of which involve claims for substantial or indeterminate amounts. We are also involved in various regulatory actions and inquiries, including market conduct exams by state insurance regulatory agencies. In the event of an unfavorable outcome in any of these matters, the ultimate liability may be more than amounts currently accrued or disclosed in our reasonably possible loss range and may be material to our results of operations, cash flows and financial condition.

See Note 15 of the consolidated financial statements.

*Changes in or the application of accounting standards issued by standard-setting bodies and changes in tax laws may adversely affect our results of operations and financial condition*

Our financial statements are subject to the application of accounting principles generally accepted in the United States of America, which are periodically revised, interpreted or expanded. Accordingly, we may be required to adopt new guidance or interpretations, which may have a material effect on our results of operations and financial condition and could adversely impact financial strength ratings.

- Market declines, changes in business strategies or other events impacting the fair value of goodwill or purchased intangible assets could result in an impairment charge to income
- Realization of our deferred tax assets assumes that we can fully utilize the deductions recognized for tax purposes; we may recognize additional tax expense if these assets are not fully utilized
- New tax legislative initiatives may be enacted that may impact our effective tax rate and could adversely affect our tax positions or tax liabilities

See MD&A, Application of Critical Accounting Estimates and Note 2 of the consolidated financial statements for further details.

*Loss of key vendor relationships or failure of a vendor to protect our data, confidential and proprietary information, or personal information of our customers, claimants or employees could adversely affect our operations*

We rely on services and products provided by many vendors in the U.S. and abroad. These include vendors of computer hardware, software, cloud technology and software as a service, as well as vendors or outsourcing of services such as:

- Claim adjustment services
- Call center services for customer support
- Human resource benefits management
- Information technology support
- Investment management services

If any vendor becomes unable to continue to provide products or services, or fails to protect our confidential, proprietary, and other information, we may suffer operational impairments and financial losses.

*Our ability to attract, develop, and retain talent to maintain appropriate staffing levels and establish a successful work culture is critical to our success*

Competition from within the insurance industry and from other industries, including the technology sector, for qualified employees with highly specialized knowledge in areas such as underwriting, data and analytics, technology and e-commerce, has often been intense and we have experienced increased competition in hiring and retaining employees. The increased prevalence of remote-working arrangements that do not require employees to relocate to take a new job could contribute to higher turnover.

Factors that affect our ability to attract and retain such employees include:

- Compensation and benefits
- Training and re-skilling programs
- Reputation as a successful business with a culture of fair hiring, and of training and promoting qualified employees
- Recognition of and response to changing trends and other circumstances that affect employees

The unexpected loss of key personnel could have a material adverse impact on our business because of the loss of their skills, knowledge of our products and offerings and years of industry experience and, in some cases, the difficulty of promptly finding qualified replacement personnel.

*Misconduct or fraudulent acts by employees, agents and third parties may expose us to financial loss, disruption of business, regulatory assessments and reputational harm*

The company and the insurance industry are inherently susceptible to past and future misconduct or fraudulent activities by employees, representative agents, vendors, customers and other third parties. These activities could include:

- Fraud against the company, its employees and its customers through illegal or prohibited activities
- Unauthorized acts or representations, unauthorized use or disclosure of personal or proprietary information, deception, and misappropriation of funds or other benefits

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

Our home office complex is owned and located in Northbrook, Illinois. As of December 31, 2021, the home office campus consists of several buildings totaling 1.9 million square feet of office space on a 186-acre site.

On November 26, 2021, Allstate entered into a definitive Purchase and Sale Agreement with DPIF3 Acquisition Co LLC, an affiliate of Dermody Properties, to sell Allstate’s home office complex for $232 million. The sale is expected to be completed in 2022, subject to (i) the completion of due diligence, (ii) a purchaser contingency relating to governmental approvals with respect to the entitlements for the property and certain economic or tax incentives, and (iii) satisfaction of customary closing conditions.

We also operate from approximately 955 administrative, data processing, claims handling and other support facilities in North America. In addition to our home office facilities, 842 thousand square feet are owned and 6.5 million square feet are leased.

Outside North America, we own one and lease three properties in Northern Ireland comprising approximately 223 thousand square feet. We also have two leased facilities in India for approximately 441 thousand square feet and two leased facilities in London for seven thousand square feet.

The locations where Allstate exclusive agencies operate in the U.S. are normally leased by the agencies.

## Item 3. Legal Proceedings

Information required for Item 3 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 15 of the consolidated financial statements.

## Item 4. Mine Safety Disclosures

Not applicable.

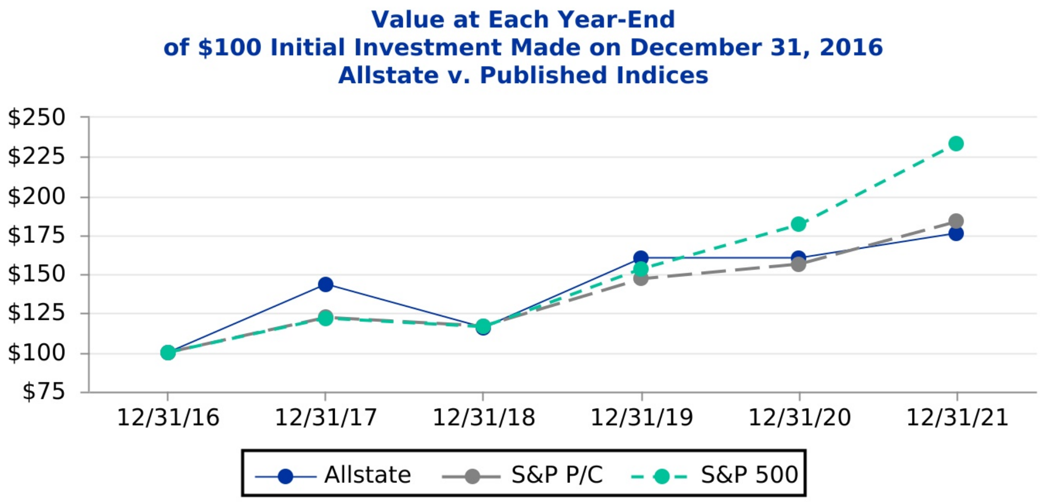
## Part II

## Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of January 31, 2022, there were 61,841 holders of record of The Allstate Corporation’s common stock. The principal market for the common stock is the New York Stock Exchange, where our common stock trades under the trading symbol “ALL”. Our common stock is also listed on the Chicago Stock Exchange.

*Common stock performance graph*

The following performance graph compares the cumulative total shareholder return on Allstate common stock for a five-year period (December 31, 2016 to December 31, 2021) with the cumulative total return of the S&P Property and Casualty Insurance Index (S&P P/C) and the S&P’s 500 stock index.




**Value at each year-end of $100 initial investment made on December 31, 2016**

| | 12/31/2016 | 12/31/2017 | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/20 |
|---|---|---|---|---|---|---|
| Allstate | $ 100.00 | $ 143.62 | $ 115.58 | $ 160.45 | $ 160.26 | $ 176. |
| S&P P/C | $ 100.00 | $ 122.39 | $ 116.64 | $ 146.82 | $ 156.11 | $ 183. |
| S&P 500 | $ 100.00 | $ 121.82 | $ 116.47 | $ 153.13 | $ 181.29 | $ 233. |

*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 approximat dollar value) of shares (or units) that ma yet be purchased under the plans or programs [3] |
|---|---|---|---|---|
| October 1, 2021 - October 31, 2021 | | | | |
| Open Market Purchases | 1,662,426 | $ 127.11 | 1,657,457 | |
| November 1, 2021 - November 30, 2021 | | | | |
| Open Market Purchases | 2,440,864 | $ 115.36 | 2,439,045 | |
| December 1, 2021 - December 31, 2021 | | | | |
| Open Market Purchases | 3,392,587 | $ 112.15 | 3,392,456 | |
| **Total** | **7,495,877** | **$ 116.51** | **7,488,958** | **$ 3.30 billi** |

[1] In accordance with the terms of its equity compensation plans, Allstate acquired the following shares in connection with the vesting of restricted stock units and performance stock awards and the exercise of stock options held by employees and/or directors. The shares were acquired in satisfaction of withholding taxes due upon exercise or vesting and in payment of the exercise price of the options.

October: 4,969
November: 1,819
December: 131

[2] From time to time, repurchases under our programs are 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.

[3] In August 2021, we announced the approval of a common share repurchase program for $5 billion which is expected to be completed by the end of March 2023.

## Item 6. [Reserved]

None.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

## 2021 Highlights

### Overview

The following discussion highlights significant factors influencing the consolidated financial position and results of operations of The Allstate Corporation (referred to in this document as "we," "our," "us," the "Company" or "Allstate"). It should be read in conjunction with the consolidated financial statements and related notes found under Item 8. contained herein.

A discussion of strategy, including updates to the multi-year Transformative Growth initiative, can be found in Part 1, Item 1. Business.

This section of this Form 10-K generally discusses 2021 and 2020 results and year-to-year comparisons between 2021 and 2020. Discussions of 2019 results and year-to-year comparisons between 2020 and 2019 that are not included in this Form 10-K can be found in Management's Discussion and Analysis ("MD&A") in Part II, Item 7 of our annual report on Form 10-K for 2020, filed February 19, 2021.

The most important factors we monitor to evaluate the financial condition and performance for our reportable segments and the Company include:

- *Allstate Protection*: premium, policies in force ("PIF"), new business sales, policy retention, price changes, claim frequency and severity, catastrophes, loss ratio, expenses, underwriting results, and relative competitive position.
- *Protection Services*: revenues, premium written, PIF and adjusted net income.
- *Allstate Health and Benefits*: premiums, new business sales, PIF, benefit ratio, expenses and adjusted net income.
- *Investments*: exposure to market risk, asset allocation, credit quality/experience, total return, net investment income, cash flows, net gains and losses on investments and derivative instruments, unrealized capital gains and losses, long-term returns, and asset and liability duration.
- *Financial condition*: liquidity, parent holding company deployable assets, financial strength ratings, operating leverage, debt levels, book value per share and return on equity.

### Measuring segment profit or loss

The measure of segment profit or loss used in evaluating performance is underwriting income for the Allstate Protection and Run-off Property-Liability segments and adjusted net income for the Protection Services, Allstate Health and Benefits, and Corporate and Other segments.

*Underwriting income* is calculated as premiums earned and other revenue, less claims and claims expense ("losses"), Shelter-in-Place Payback expense, amortization of deferred policy acquisition costs ("DAC"), operating costs and expenses, amortization or impairment of purchased intangibles, and restructuring and related charges, as determined using accounting principles generally accepted in the United States of America ("GAAP"). We use this measure in our evaluation of results of operations to analyze profitability.

*Adjusted net income* is net income (loss) applicable to common shareholders, excluding:

- Net gains and losses on investments and derivatives except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with net gains and losses on investments and derivatives but included in adjusted net income
- Pension and other postretirement remeasurement gains and losses
- Business combination expenses and the amortization or impairment of purchased intangibles
- Income or loss from discontinued operations
- Adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years
- Income tax expense or benefit on reconciling items

## Acquisitions and Dispositions

*Acquisitions* On January 4, 2021, we completed the acquisition of National General Holdings Corp. ("National General"), significantly enhancing our strategic position in the independent agency channel. The transaction increased our market share in personal property-liability by over one percentage point and enhanced our independent agent-facing technology.

On June 1, 2021, we announced an agreement to acquire Safe Auto Insurance Group, Inc. ("SafeAuto"), a non-standard auto insurance carrier. On October 1, 2021, we completed the acquisition for $262 million in cash.

*Discontinued operations and held for sale* During the first quarter of 2021, we announced the pending sales of Allstate Life Insurance Company ("ALIC"), Allstate Life Insurance Company of New York ("ALNY") and certain affiliates. On October 1, 2021, we closed the sale of ALNY to Wilton Reassurance Company for $400 million. On November 1, 2021, we closed the sale of ALIC and certain affiliates to entities managed by Blackstone for total proceeds of $4 billion, including a pre-close dividend of $1.25 billion paid by ALIC.

In 2021, the loss on disposition was $4.09 billion, after-tax, and reflects purchase price adjustments associated with certain pre-close transactions specified in the stock purchase agreements, changes in statutory capital and surplus prior to the closing dates and the closing date equity of the sold entities determined under GAAP, excluding accumulated other comprehensive income ("AOCI") derecognized related to the dispositions.

Beginning in the first quarter of 2021, the assets and liabilities of the business were reclassified as held for sale and results are presented as discontinued operations. This change was applied on a retrospective basis.

See Note 3 of the consolidated financial statements for further information on acquisitions and dispositions.

## The Novel Coronavirus Pandemic or COVID-19 ("Coronavirus")

The Coronavirus resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings. These measures moderated in 2021 as vaccines have become more widely available in the United States and Canada. There is no way of predicting with certainty how long the pandemic might last. We continue to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the impact to our operations, but the effects have been and could be material.

Certain growth and profitability comparisons to the prior year were impacted, in part, by the effects the Coronavirus had on our prior year results. Beginning in March 2020, when shelter-in-place orders and other restrictions were initiated, and throughout 2020, we experienced lower accident claim frequency and different claim patterns than historically experienced. Claim frequency increased in 2021, but remains below pre-pandemic levels.

The Coronavirus has affected our operations and may continue to significantly affect our results of operations, financial condition and liquidity. The impact from the pandemic should be considered when comparing the current year to the prior year, including:

- Sales of new and retention of existing policies
- Premium for transportation network products
- Driving behavior and auto accident frequency
- Supply chain disruptions and labor shortages impacts on the cost of settling claims
- Hospital and outpatient claim costs
- Investment valuations and returns
- Bad debt and credit allowance exposure
- Consumer utilization of Milewise®, our pay-per-mile insurance product
- Retail sales in Allstate Protection Plans

A pandemic such as the Coronavirus and its impacts are disclosed in Part 1 "Item 1A. Risk Factors'', including the risk factors titled "*A large-scale pandemic, the occurrence of terrorism, military actions, social unrest or other actions may have an adverse effect on our business*" and "*Conditions in the global economy and capital markets could adversely affect our business and results of operations*".

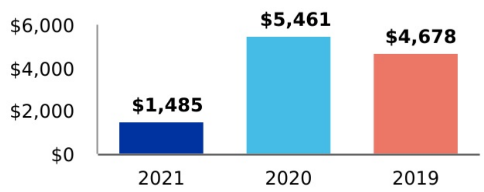
This list is not inclusive of all potential impacts and should not be treated as such. Within the MD&A we have included further disclosures related to the impacts of the Coronavirus on our 2021 results.

| Allstate Delivered on 2021 Operating Priorities [1] | |
|---|---|
| **Better Serve Customers** | Allstate made substantial progress in advancing Transformative Growth initiatives in 2021, which includes improving the competitive price position in auto insurance through continued cost reductions. |
| | Enterprise Net Promoter Score, which measures how likely customers are to recommend us, finished slightly below the prior year. |
| **Grow Customer Base** | Consolidated policies in force reached 190.9 million, a 9.8% increase from prior year. Property-Liability policies in force increased by 13.7% compared to the prior year driven by expanded customer access from the acquisition of National General and Allstate brand growth. |
| | Protection Services policies in force grew to 148.4 million, an 8.9% increase to the prior year, driven by continued expansion in Allstate Protection Plans. |
| **Achieve Target Returns on Capital** | Return on average common shareholders' equity was 5.8% in 2021, primarily driven by the loss on the dispositions of ALIC, ALNY and certain affiliates, partially offset by increased net investment income from strong performance-based results. |
| | The Property-Liability combined ratio of 95.9 for the full year increased compared to the prior year primarily driven by higher auto losses. Allstate responded quickly to address the impact of higher severity through rate increases, continued commitment to cost reductions and claims loss cost management. |
| **Proactively Manage Investments** | Net investment income of $3.3 billion in 2021 exceeded prior year by $1.7 billion due to strong performance-based results. |
| | Total return on the $64.7 billion investment portfolio was 4.4% in 2021 reflecting higher performance-based income and equity returns, partially offset by fixed income valuation declines. |
| **Build Long-Term Growth Platforms** | Allstate's personal property-liability market share increased by approximately one percentage point primarily through the acquisition of National General, which, consistent with our Transformative Growth objectives, expanded customer access and our strategic positioning in the independent agent channel. |
| | Allstate closed on the sale of lower growth and return life and annuity businesses. Protection Services increased its customer base and total addressable market through an expanded network of products and partners. |

[1] 2022 operating priorities will remain consistent with the 2021 priorities.

## Consolidated Net Income

($ in millions)

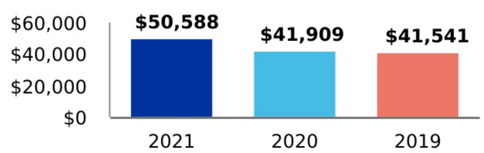



*Consolidated net income applicable to common shareholders* decreased 72.8% or $3.98 billion to $1.49 billion in 2021 compared to 2020, primarily due to a loss from discontinued operations and higher non-catastrophe losses. Partially offsetting were higher property and casualty insurance premiums, net investment income, and pension and other postretirement gains.

For the twelve months ended December 31, 2021, return on common shareholders' equity was 5.8% compared to 21.0% for the twelve months ended December 31, 2020.

## Total Revenue

($ in millions)

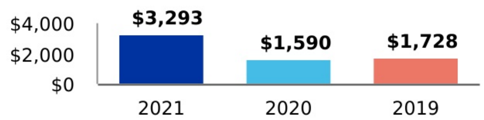



*Total revenue* increased 20.7% to $50.59 billion in 2021 compared to 2020, driven by a 13.9% increase in property and casualty insurance premiums earned and higher net investment income.

Insurance premiums increased in both Property-Liability, primarily due to the acquisition of National General, and Protection Services (Allstate Protection Plans, Allstate Dealer Services and Allstate Roadside).

## Net Investment Income

($ in millions)




*Net investment income* increased 107.1% to $3.29 billion in 2021 compared to 2020, primarily due to increases in performance-based income results, mainly from limited partnerships.

### Summarized financial results

| ($ in millions) | Years Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | | |
| Property and casualty insurance premiums | $ 42,218 | $ 37,073 | $ 36,076 |
| Accident and health insurance premiums and contract charges | 1,821 | 1,094 | 1,145 |
| Other revenue | 2,172 | 1,065 | 1,054 |
| Net investment income | 3,293 | 1,590 | 1,728 |
| Net gains (losses) on investments and derivatives | 1,084 | 1,087 | 1,538 |
| **Total revenues** | **50,588** | **41,909** | **41,541** |
| **Costs and expenses** | | | |
| Property and casualty insurance claims and claims expense | (29,318) | (22,001) | (23,976) |
| Shelter-in-Place Payback expense | (29) | (948) | — |
| Accident and health insurance policy benefits | (1,015) | (516) | (601) |
| Interest credited to contractholder funds | (34) | (33) | (34) |
| Amortization of deferred policy acquisition costs | (6,252) | (5,477) | (5,353) |
| Operating, restructuring and interest expenses | (7,760) | (6,065) | (5,788) |
| Pension and other postretirement remeasurement gains (losses) | 644 | 51 | (114) |
| Amortization of purchased intangibles | (376) | (118) | (126) |
| Impairment of purchased intangibles | — | — | (106) |
| **Total costs and expenses** | **(44,140)** | **(35,107)** | **(36,098)** |
| **Income from operations before income tax expense** | **6,448** | **6,802** | **5,443** |
| Income tax expense | (1,289) | (1,373) | (1,116) |
| **Net income from continuing operations** | **5,159** | **5,429** | **4,327** |
| (Loss) income from discontinued operations, net of tax | (3,593) | 147 | 520 |
| **Net income** | **1,566** | **5,576** | **4,847** |
| Less: Net loss attributable to noncontrolling interest | (33) | — | — |
| **Net income attributable to Allstate** | **1,599** | **5,576** | **4,847** |
| Preferred stock dividends | (114) | (115) | (169) |
| **Net income applicable to common shareholders** | **$ 1,485** | **$ 5,461** | **$ 4,678** |

### Segment Highlights

*Allstate Protection* underwriting income totaled $1.79 billion in 2021, a 60.9% decrease from $4.57 billion in 2020, primarily due to higher auto and homeowners non-catastrophe and catastrophe losses and increased underwriting expenses, partially offset by increased premiums earned in Allstate brand and lower Shelter-in-Place Payback expense.

Catastrophe losses were $3.34 billion in 2021 compared $2.81 billion in 2020.

Premiums written increased 15.6% to $41.36 billion in 2021 compared to 2020, reflecting the acquisition of National General and higher Allstate brand homeowners premiums.

*Protection Services* adjusted net income was $179 million in 2021 compared to $153 million in 2020. The improvement in 2021 was primarily due to growth of Allstate Protection Plans, lower claims costs at Allstate Dealer Services, growth and lower levels of investment at both Arity and Allstate Identity Protection, partially offset by higher severity and rescue volumes in Allstate Roadside.

Premiums and other revenues increased 24.5% or $417 million to $2.12 billion in 2021 from $1.70 billion in 2020 primarily due to Allstate Protection Plan's growth through its U.S. retail and international channels and the addition of LeadCloud and Transparent.ly, which were acquired as part of the National General acquisition.

*Allstate Health and Benefits* adjusted net income was $208 million in 2021 compared to $96 million in 2020. The increase was primarily due to the acquisition of National General's group health and individual health business, which resulted in higher premiums and contract charges, partially offset by higher policy benefits and operating costs and expenses.

Premiums and contract charges totaled $1.82 billion in 2021, an increase of 66.5% from $1.09 billion in 2020.

### Financial Highlights

*Investments* totaled $64.70 billion as of December 31, 2021, increasing from $59.54 billion as of December 31, 2020.

*Shareholders' equity* As of December 31, 2021, shareholders' equity was $25.18 billion.

*Book value per diluted common share* (ratio of common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was $81.52 as of December 31, 2021, a decrease of 10.9% from $91.50 as of December 31, 2020.

*Return on average common shareholders' equity* For the twelve months ended December 31, 2021, return on common shareholders' equity was 5.8%, a decrease of 15.2 points from 21.0% for the twelve months ended December 31, 2020, primarily due to lower net income applicable to common shareholders.

*Pension and other postretirement remeasurement gains and losses* We recorded pension and other postretirement remeasurement gains of $644 million in 2021, primarily related to favorable asset performance compared to the expected return on plan assets and an increase in the liability discount rate. See Note 18 of the consolidated financial statements and Application of Critical Accounting Estimates section of the MD&A for further information.

## Property-Liability Operations

**Overview** Property-Liability operations consist of two reportable segments: Allstate Protection and Run-off Property-Liability. These segments are consistent with the groupings of financial information that management uses to evaluate performance and to determine the allocation of resources.

We do not allocate Property-Liability investment income, net gains and losses on investments and derivatives, or assets to the Allstate Protection and Run-off Property-Liability segments. Management reviews assets at the Property-Liability level for decision-making purposes.

**GAAP operating ratios** are used to measure our profitability to enhance an investor's understanding of our financial results and are calculated as follows:

- *Loss ratio:* the ratio of claims and claims expense (loss adjustment expenses), to premiums earned. Loss ratios include the impact of catastrophe losses and prior year reserve reestimates.
- *Expense ratio:* the ratio of amortization of DAC, operating costs and expenses, amortization or impairment of purchased intangibles, restructuring and related charges and Shelter-in-Place Payback expense, less other revenue to premiums earned.
- *Combined ratio:* the sum of the loss ratio and the expense ratio.

We have also calculated the following impacts of specific items on the GAAP operating ratios because of the volatility of these items between periods. The impacts are calculated by taking the specific items noted below divided by Property-Liability premiums earned:

- *Effect of catastrophe losses on combined ratio:* includes catastrophe losses and prior year reserve reestimates of catastrophe losses included in claims and claims expense
- *Effect of prior year reserve reestimates on combined ratio*
- *Effect of amortization of purchased intangibles on combined ratio*
- *Effect of impairment of purchased intangibles on combined ratio*
- *Effect of restructuring and related charges on combined ratio*
- *Effect of Shelter-in-Place Payback expense on combined and expense ratios*
- *Effect of Run-off Property-Liability business on combined ratio:* includes claims and claims expense, restructuring and related charges and operating costs and expenses in the Run-off Property-Liability segment

**Premium measures and statistics** are used to analyze our premium trends and are calculated as follows:

- *PIF*: Policy counts are based on items rather than customers. A multi-car customer would generate multiple item (policy) counts, even if all cars were insured under one policy. Commercial lines PIF counts for shared economy agreements typically reflect contracts that cover multiple rather than individual drivers.
- *New issued applications*: Item counts of automobile or homeowner insurance applications for insurance policies that were issued during the period, regardless of whether the customer was previously insured by another Allstate brand.
- *Average premium-gross written ("average premium"):* Gross premiums written divided by issued item count. Gross premiums written include the impacts from discounts, surcharges and ceded reinsurance premiums and exclude the impacts from mid-term premium adjustments and premium refund accruals. Average premiums represent the appropriate policy term for each line.
- *Renewal ratio:* Renewal policy item counts issued during the period, based on contract effective dates, divided by the total policy item counts issued generally 6 months prior for auto or 12 months prior for homeowners.

**Frequency and severity statistics**, which are influenced by driving patterns, inflation and other factors, are provided to describe the trends in loss costs. Our reserving process incorporates changes in loss patterns, operational statistics and changes in claims reporting processes to determine our best estimate of recorded reserves. We use the following statistics to evaluate losses:

- *Gross claim frequency* is calculated as annualized notice counts, excluding counts associated with catastrophe events, received in the period divided by the average of PIF with the applicable coverage during the period. Gross claim frequency includes all actual notice counts, regardless of their current status (open or closed) or their ultimate disposition (closed with a payment or closed without payment).
- *Paid claim severity* is calculated by dividing the sum of paid losses and loss expenses by claims closed with a payment during the period.
- *Percent change in frequency or severity statistics* is calculated as the amount of increase or decrease in gross claim frequency or paid claim severity in the current period compared to the same period in the prior year divided by the prior year gross claim frequency or paid claim severity.

| **Underwriting results** | | | |
|---|---|---|---|
| **($ in millions, except ratios)** | **2021** | **2020** | **2019** |
| Premiums written | $ 41,358 | $ 35,768 | $ 35,419 |
| Premiums earned | $ 40,454 | $ 35,580 | $ 34,843 |
| Other revenue | 1,437 | 857 | 866 |
| Claims and claims expense | (28,876) | (21,626) | (23,622) |
| Shelter-in-Place Payback expense | (29) | (948) | — |
| Amortization of DAC | (5,313) | (4,642) | (4,649) |
| Other costs and expenses | (5,622) | (4,549) | (4,532) |
| Restructuring and related charges [1] | (145) | (235) | (38) |
| Amortization of purchased intangibles | (241) | (12) | (4) |
| Impairment of purchased intangibles | — | — | (51) |
| **Underwriting income** | **$ 1,665** | **$ 4,425** | **$ 2,813** |
| | | | |
| **Catastrophe losses** | | | |
| Catastrophe losses, excluding reserve reestimates | $ 3,541 | $ 3,314 | $ 2,509 |
| Catastrophe reserve reestimates [2] | (202) | (503) | 48 |
| **Total catastrophe losses** | **$ 3,339** | **$ 2,811** | **$ 2,557** |
| | | | |
| Non-catastrophe reserve reestimates [2] | 326 | 68 | (176) |
| Prior year reserve reestimates [2] | 124 | (435) | (128) |
| | | | |
| **GAAP operating ratios** | | | |
| Loss ratio | 71.4 | 60.8 | 67.8 |
| Expense ratio [3] | 24.5 | 26.8 | 24.1 |
| Combined ratio | 95.9 | 87.6 | 91.9 |
| Effect of catastrophe losses on combined ratio | 8.3 | 7.9 | 7.3 |
| Effect of prior year reserve reestimates on combined ratio | 0.3 | (1.2) | (0.4) |
| Effect of catastrophe losses included in prior year reserve reestimates on combined ratio | (0.5) | (1.4) | 0.1 |
| Effect of restructuring and related charges on combined ratio [1] | 0.4 | 0.7 | 0.1 |
| Effect of amortization of purchased intangibles on combined ratio | 0.6 | 0.1 | — |
| Effect of impairment of purchased intangibles on combined ratio | — | — | 0.2 |
| Effect of Shelter-in-Place Payback expense on combined and expense ratios | 0.1 | 2.7 | — |
| Effect of Run-off Property-Liability business on combined ratio | 0.3 | 0.4 | 0.3 |

(1) Restructuring and related charges in 2021 primarily related to reductions in real estate. See Note 14 of the consolidated financial statements for additional details.

(2) Favorable reserve reestimates are shown in parentheses.

(3) Other revenue is deducted from operating costs and expenses in the expense ratio calculation.

## Allstate Protection Segment

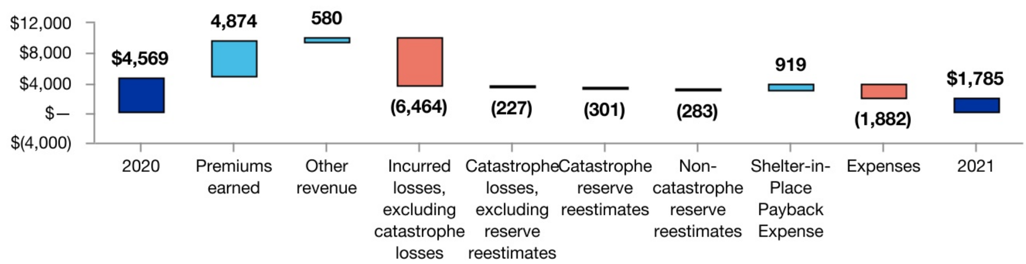
Private passenger auto, homeowners, and other personal lines insurance products are offered to consumers through both exclusive and independent agents and directly through contact centers and online. The Encompass brand was combined into National General beginning in the first quarter of 2021, and results prior to 2021 reflect Encompass brand results only. Our strategy is to offer products in an open access, digital first model that allows customers to interact with us when, where and how they want with affordable, simple and connected protection products. For additional information on our strategy and outlook, see Part I, Item 1. Business - Strategy and Segment Information.

**Underwriting results**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Premiums written | $ 41,358 | $ 35,768 | $ 35,419 |
| Premiums earned | $ 40,454 | $ 35,580 | $ 34,843 |
| Other revenue | 1,437 | 857 | 866 |
| Claims and claims expense | (28,760) | (21,485) | (23,517) |
| Shelter-in-Place Payback expense | (29) | (948) | — |
| Amortization of DAC | (5,313) | (4,642) | (4,649) |
| Other costs and expenses | (5,618) | (4,546) | (4,529) |
| Restructuring and related charges | (145) | (235) | (38) |
| Amortization of purchased intangibles | (241) | (12) | (4) |
| Impairment of purchased intangibles | — | — | (51) |
| **Underwriting income** | **$ 1,785** | **$ 4,569** | **$ 2,921** |
| Catastrophe losses | $ 3,339 | $ 2,811 | $ 2,557 |

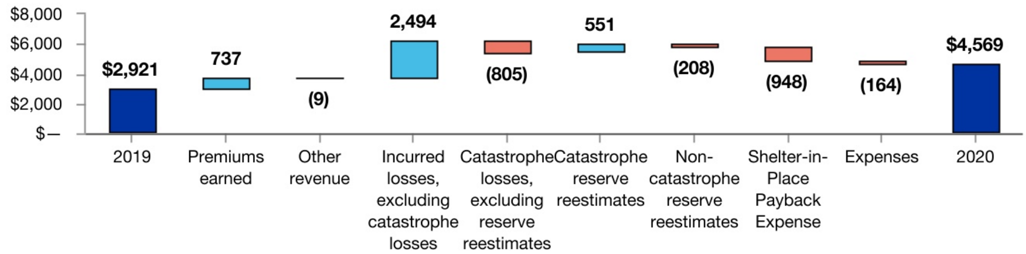
**Change in underwriting results from 2020 to 2021**

($ in millions)




**Change in underwriting results from 2019 to 2020**

($ in millions)



**Underwriting income (loss) by brand and by line of business**

| ($ in millions) | Allstate Brand 2021 | Allstate Brand 2020 | Allstate Brand 2019 | National General 2021 | National General 2020 | National General 2019 | Allstate Protection 2021 | Allstate Protection 2020 | Allstate Protection 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | For the years ended December 31, | | | | | | | | |
| Auto [(1)] | $ 1,208 | $ 3,404 | $ 1,680 | $ 54 | $ 40 | $ 8 | $ 1,262 | $ 3,444 | $ 1,688 |
| Homeowners [(2)] | 411 | 798 | 912 | (92) | 26 | 2 | 319 | 824 | 914 |
| Other personal lines [(3)] | 216 | 255 | 227 | 17 | 9 | (3) | 233 | 264 | 224 |
| Commercial lines | (158) | (36) | 14 | — | — | — | (158) | (36) | 14 |
| Other business lines [(4)] | 115 | 70 | 84 | — | — | — | 115 | 70 | 84 |
| Answer Financial | — | — | — | — | — | — | 14 | 3 | (3) |
| **Total** | **$ 1,792** | **$ 4,491** | **$ 2,917** | **$ (21)** | **$ 75** | **$ 7** | **$ 1,785** | **$ 4,569** | **$ 2,921** |

(1) 2021 results include National General commercial lines insurance products.

(2) 2021 results include National General packaged policies, which include auto and other personal lines insurance products.

(3) Other personal lines include renters, condominium, landlord and other personal lines products.

(4) Other business lines primarily represents revenue and direct operating expenses of Ivantage and distribution of non-proprietary life and annuity products. Ivantage, a general agency for Allstate exclusive agents, provides agents a solution for their customers when coverage through Allstate brand underwritten products is not available.

*Underwriting income* decreased 60.9% or $2.78 billion in 2021 compared to 2020, primarily due to higher auto and homeowners non-catastrophe and catastrophe losses and increased underwriting expenses, partially offset by increased premiums earned in Allstate brand and lower Shelter-in-Place Payback expense.

**Premium measures and statistics** include PIF, new issued applications, average premiums and renewal ratio to analyze our premium trends. Premiums written is the amount of premiums charged for policies issued during a fiscal period. Premiums are considered earned and are included in the financial results on a pro-rata basis over the policy period. The portion of premiums written applicable to the unexpired term of the policies is recorded as unearned premiums on our Consolidated Statements of Financial Position.

**Premiums written by brand and line of business**

| ($ in millions) | Allstate Brand 2021 | Allstate Brand 2020 | Allstate Brand 2019 | National General 2021 | National General 2020 | National General 2019 | Allstate Protection 2021 | Allstate Protection 2020 | Allstate Protection 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | For the years ended December 31, | | | | | | | | |
| Auto | $ 24,102 | $ 24,103 | $ 23,922 | $ 3,763 | $ 508 | $ 540 | $ 27,865 | $ 24,611 | $ 24,462 |
| Homeowners | 8,717 | 8,012 | 7,764 | 1,772 | 388 | 401 | 10,489 | 8,400 | 8,165 |
| Other personal lines | 2,001 | 1,889 | 1,811 | 155 | 76 | 79 | 2,156 | 1,965 | 1,890 |
| Commercial lines | 848 | 792 | 902 | — | — | — | 848 | 792 | 902 |
| **Total premiums written** | **$ 35,668** | **$ 34,796** | **$ 34,399** | **$ 5,690** | **$ 972** | **$ 1,020** | **$ 41,358** | **$ 35,768** | **$ 35,419** |

**Premiums earned by brand and line of business**

| ($ in millions) | Allstate Brand 2021 | Allstate Brand 2020 | Allstate Brand 2019 | National General 2021 | National General 2020 | National General 2019 | Allstate Protection 2021 | Allstate Protection 2020 | Allstate Protection 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | For the years ended December 31, | | | | | | | | |
| Auto | $ 24,088 | $ 24,115 | $ 23,649 | $ 3,535 | $ 525 | $ 539 | $ 27,623 | $ 24,640 | $ 24,188 |
| Homeowners | 8,272 | 7,858 | 7,513 | 1,655 | 396 | 399 | 9,927 | 8,254 | 7,912 |
| Other personal lines | 1,925 | 1,841 | 1,781 | 152 | 78 | 80 | 2,077 | 1,919 | 1,861 |
| Commercial lines | 827 | 767 | 882 | — | — | — | 827 | 767 | 882 |
| **Total premiums earned** | **$ 35,112** | **$ 34,581** | **$ 33,825** | **$ 5,342** | **$ 999** | **$ 1,018** | **$ 40,454** | **$ 35,580** | **$ 34,843** |

**Reconciliation of premiums written to premiums earned**

| ($ in millions) | 2021 | 2020 | 2019 |
|---|---|---|---|
| | For the years ended December 31, | | |
| **Total premiums written** | **$ 41,358** | **$ 35,768** | **$ 35,419** |
| Increase in unearned premiums | (1,143) | (205) | (614) |
| Other | 239 | 17 | 38 |
| **Total premiums earned** | **$ 40,454** | **$ 35,580** | **$ 34,843** |

| **Unearned premium balance by line of business** | | |
|---|---|---|
| | **As of December 31,** | |
| **($ in millions)** | **2021** | **2020** |
| **Allstate brand:** | | |
| Auto | $ 6,426 | $ 6,409 |
| Homeowners | 4,825 | 4,379 |
| Other personal lines | 1,078 | 1,001 |
| Commercial lines | 315 | 295 |
| **Total Allstate brand** | **12,644** | **12,084** |
| **National General:** | | |
| Auto | 1,764 | 258 |
| Homeowners | 451 | 207 |
| Other personal lines | 306 | 39 |
| Commercial lines | 177 | — |
| **Total National General** | **2,698** | **504** |
| **Allstate Protection unearned premiums** | **15,342** | **12,588** |

| **Policies in force by brand and by line of business** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Allstate brand** | | | **National General** | | | **Allstate Protection** | | |
| **PIF (thousands)** | **2021** | **2020** | **2019** | **2021** | **2020** | **2019** | **2021** | **2020** | **2019** |
| Auto | 21,972 | 21,809 | 21,913 | 3,944 | 451 | 493 | 25,916 | 22,260 | 22,406 |
| Homeowners | 6,525 | 6,427 | 6,359 | 634 | 216 | 234 | 7,159 | 6,643 | 6,593 |
| Other personal lines | 4,578 | 4,459 | 4,390 | 288 | 71 | 76 | 4,866 | 4,530 | 4,466 |
| Commercial lines | 210 | 216 | 227 | 105 | — | — | 315 | 216 | 227 |
| **Total** | **33,285** | **32,911** | **32,889** | **4,971** | **738** | **803** | **38,256** | **33,649** | **33,692** |

*Auto insurance premiums written* increased 13.2% or $3.25 billion in 2021 compared to 2020, primarily due to the following factors:

- Acquisition of National General
- Increased new issued applications in the Allstate brand driven by increased advertising and higher close rates
- Decreased Allstate brand average premium driven by rate decreases taken late in 2020 and the first half of 2021 partially offset by rate increases in the second half of 2021
- Rate increases are being implemented broadly to improve underwriting results given the higher inflationary trends adversely impacting loss costs; new rates become effective at the beginning of the next policy term and are earned over the coverage period
- PIF increased 16.4% or 3,656 thousand to 25,916 thousand as of December 31, 2021 compared to December 31, 2020 due to increases in Allstate brand and the acquisition of National General
  - PIF increased by 262 thousand as of December 31, 2021 compared to September 30, 2021, with increases in both National General and Allstate brand

| **Auto premium measures and statistics** | | | | | |
|---|---|---|---|---|---|
| | **2021** | **2020** | **2019** | **2021 vs. 2020** | **2020 vs. 2019** |
| New issued applications (thousands) | | | | | |
| Agency channel | 2,531 | 2,621 | 2,697 | (3.4)% | (2.8)% |
| Direct channel | 1,085 | 846 | 838 | 28.3 % | 1.0 % |
| Allstate brand | 3,616 | 3,467 | 3,535 | 4.3 % | (1.9)% |
| National General | 2,057 | 60 | 82 | NM | (26.8)% |
| **Total new issued applications** | **5,673** | **3,527** | **3,617** | **60.8 %** | **(2.5)%** |
| Allstate brand average premium | $ 605 | $ 617 | $ 603 | (1.9)% | 2.3 % |
| Allstate brand renewal ratio (%) | 87.0 | 87.5 | 88.0 | (0.5) | (0.5) |

*Homeowners insurance premiums written* increased 24.9% or $2.09 billion in 2021 compared to 2020, primarily due to the following factors:

- Acquisition of National General
- Higher Allstate brand average premiums from approved rate increases and inflation adjustments to premium due to higher insured home valuations
- Increased new issued applications in the Allstate brand driven by higher quote volumes and improved close rates

**Homeowners premium measures and statistics**

| | 2021 | 2020 | 2019 | 2021 vs. 2020 | 2020 vs. 2019 |
|---|---|---|---|---|---|
| New issued applications (thousands) | | | | | |
| Agency channel | 879 | 837 | 821 | 5.0 % | 1.9 % |
| Direct channel | 83 | 62 | 56 | 33.9 % | 10.7 % |
| Allstate brand | 962 | 899 | 877 | 7.0 % | 2.5 % |
| National General | 102 | 34 | 42 | NM | (19.0)% |
| **Total new issued applications** | **1,064** | **933** | **919** | **14.0 %** | **1.5 %** |
| Allstate brand average premium | $ 1,426 | $ 1,328 | $ 1,291 | 7.4 % | 2.9 % |
| Allstate brand renewal ratio (%) | 87.1 | 87.5 | 88.2 | (0.4) | (0.7) |

*Other personal lines premiums written* increased 9.7% or $191 million in 2021 compared to 2020, primarily due to the acquisition of National General and increases in condominiums and personal umbrella premiums for Allstate brand.

*Commercial lines premiums written* increased 7.1% or $56 million in 2021 compared to 2020, primarily due to the addition of a large transportation network company, higher miles driven in our shared economy business as the impacts of the Coronavirus decrease and an increase in average premiums.

**GAAP operating ratios** include loss ratio, expense ratio and combined ratio to analyze our profitability trends. Frequency and severity statistics are used to describe the trends in loss costs.

**Combined ratios by line of business**

| | For the years ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Loss ratio | | | Expense ratio [1] | | | Combined ratio | | |
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Auto | 70.5 | 57.5 | 68.2 | 24.9 | 28.5 | 24.8 | 95.4 | 86.0 | 93.0 |
| *Impact of Shelter-in-Place Payback expense* | — | — | — | 0.1 | 3.8 | — | 0.1 | 3.8 | — |
| Homeowners | 72.2 | 67.3 | 65.1 | 24.6 | 22.7 | 23.3 | 96.8 | 90.0 | 88.4 |
| Other personal lines | 62.9 | 58.7 | 61.1 | 25.9 | 27.5 | 26.9 | 88.8 | 86.2 | 88.0 |
| Commercial lines | 97.5 | 82.4 | 81.3 | 21.6 | 22.3 | 17.1 | 119.1 | 104.7 | 98.4 |
| *Impact of Shelter-in-Place Payback expense* | — | — | — | — | 0.5 | — | — | 0.5 | — |
| **Total** | **71.1** | **60.4** | **67.5** | **24.5** | **26.8** | **24.1** | **95.6** | **87.2** | **91.6** |
| *Impact of restructuring and related charges* [2] | — | — | — | 0.4 | 0.7 | 0.1 | 0.4 | 0.7 | 0.1 |
| *Impact of Shelter-in-Place Payback expense* | — | — | — | 0.1 | 2.7 | — | 0.1 | 2.7 | — |
| *Impact of Allstate Special Payment plan bad debt expense* | — | — | — | — | 0.2 | — | — | 0.2 | — |

[1] Other revenue is deducted from operating costs and expenses in the expense ratio calculation.
[2] Restructuring and related charges in 2021 primarily related to reductions in real estate.

**Loss ratios by line of business**

| | For the years ended December 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Loss ratio | | | Effect of catastrophe losses on combined ratio | | | Effect of prior year reserve reestimates | | | Effect of catastrophe losses included in prior year reserve reestimates [1] | | |
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Auto | 70.5 | 57.5 | 68.2 | 1.7 | 1.2 | 1.7 | 0.5 | (0.4) | (1.4) | (0.1) | (0.1) | (0.1) |
| Homeowners | 72.2 | 67.3 | 65.1 | 26.3 | 27.9 | 24.8 | (1.5) | (5.3) | 0.8 | (1.7) | (5.1) | 0.8 |
| Other personal lines | 62.9 | 58.7 | 61.1 | 11.0 | 10.4 | 9.0 | (5.1) | (3.5) | 0.5 | (0.5) | (2.0) | — |
| Commercial lines | 97.5 | 82.4 | 81.3 | 2.9 | 3.5 | 1.4 | 14.4 | 4.7 | 1.9 | 0.4 | 0.2 | (0.1) |
| **Total** | **71.1** | **60.4** | **67.5** | **8.3** | **7.9** | **7.3** | **—** | **(1.6)** | **(0.7)** | **(0.5)** | **(1.4)** | **0.1** |

[1] 2020 includes approximately $495 million of favorable reserve reestimates related to the PG&E Corporation and Southern California Edison subrogation settlements.

*Auto loss ratio* increased 13.0 points in 2021 compared to 2020, primarily due to:

- Higher gross claim frequency in all coverages, as miles driven continue to rebound toward pre-pandemic levels
- While frequency increased relative to the prior year, it remains below pre-pandemic levels
- Increased severity for all coverages, driven by inflationary pressures and increased attorney representation and medical service utilization for bodily injury claims
- Adverse prior year reserve reestimates

*The impacts of the Coronavirus* affect frequency and severity statistics including:

- Shelter-in-place and travel restrictions, which have moderated in 2021 as vaccines have become more widely available in the US and Canada
- Unemployment levels
- Changes in commuting activity
- Supply chain disruptions and labor shortages
- Shifts in the frequency environment may impact the speed claims are settled
- Driving behavior (e.g., speed, time of day) impacting mix of claim types
- Value of total losses due to higher used car prices
- Labor and part cost increases

**Allstate brand frequency and paid claim severity statistics (excluding catastrophe losses)**

| **(% change year-over-year)**<br>**For the year ended December 31, 2021** | |
|---|---|
| Property damage gross claim frequency | 13.0 % |
| Property damage paid claim severity | 8.8 |

*Property damage gross claim frequency* increased in 2021 compared to 2020 due to factors including:

- Increases in miles driven compared to 2020 which was impacted by shelter-in-place restrictions due to the Coronavirus
- Gross claim frequency decreased 19.8% in 2021 when compared to pre-pandemic levels of 2019 as auto miles driven, particularly during peak commuting hours, remains lower than pre-pandemic levels

*Property damage paid claim severity* increased in 2021 compared to 2020.

- When compared to pre-pandemic levels of 2019, property damage paid claim severity increased 19.6% in 2021
- The increases are due to rising inflationary factors impacting both repairable vehicles and total losses, including higher used car values, replacement part costs and labor rates, and higher costs to repair more sophisticated newer model vehicles

*Collision severity* increased in 2021 compared to 2020 due to inflationary pressures from higher used car values that increased total losses and also increased parts and labor costs associated with repairs.

*Bodily injury severity* increased in 2021 compared to 2020 due to higher consumption of medical treatment, increased percentage of claimants represented by attorneys and higher medical care inflation.

*Homeowners loss ratio* increased 4.9 points in 2021 compared to 2020, primarily due to increased non-catastrophe claim frequency and severity and lower favorable catastrophe reserve reestimates driven by subrogation settlements in 2020, partially offset by increased premiums earned.

**Allstate brand homeowners frequency and severity statistics (excluding catastrophe losses)**

| **(% change year-over-year)**<br>**For the year ended December 31, 2021** | |
|---|---|
| Gross claim frequency | 8.3 % |
| Paid claim severity | 10.0 |

Gross claim frequency increased in 2021 compared to 2020 primarily due to increases in wind/hail, water and fire perils. Paid claim severity increased in 2021 compared to 2020 due to inflationary loss cost pressure driven by increases in labor and materials costs. Homeowner paid claim severity can be impacted by both the mix of perils and the magnitude of specific losses paid during the quarter.

*Other personal lines loss ratio* increased 4.2 points in 2021 compared to 2020, primarily due to higher non-catastrophe losses, partially offset by increased premiums earned.

*Commercial lines loss ratio* increased 15.1 points in 2021 compared to 2020 due to higher auto frequency and severity and higher unfavorable non-catastrophe prior year reserves reestimates, partially offset by increased premiums earned.

*Catastrophe losses* increased 18.8% or $528 million in 2021 compared to 2020. Catastrophe losses in 2021 included gross losses of $2.4 billion and net losses of $1.3 billion related to Hurricane Ida and Winter Storm Uri. Net losses include reinsurance recoveries of $1.3 billion and reinstatement premiums of $208 million.

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 a winter weather 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 and freezes, tornadoes, hailstorms, wildfires, tropical storms, tsunamis, hurricanes, earthquakes and volcanoes. We are also exposed to man-made catastrophic events, such as certain types of terrorism, wildfires or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

**Catastrophe losses by the type of event**

| | For the years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| **($ in millions)** | **Number of events** | **2021** | **Number of events** | **2020** | **Number of events** | **2019** |
| Hurricanes/Tropical storms | 6 | $ 742 | 9 | $ 1,001 | 3 | $ 86 |
| Tornadoes | 3 | 107 | 3 | 43 | 6 | 551 |
| Wind/Hail | 85 | 1,878 | 73 | 1,940 | 91 | 1,721 |
| Wildfires | 5 | 269 | 17 | 300 | 4 | 28 |
| Other events | 2 | 611 | 3 | 30 | 6 | 123 |
| Prior year reserve reestimates | | 35 | | (503) | | 48 |
| Prior year aggregate reinsurance cover | | (237) | | — | | — |
| Current year aggregate reinsurance cover | | (66) | | — | | — |
| **Total catastrophe losses** [(1)] | **101** | **$ 3,339** | **105** | **$ 2,811** | **110** | **$ 2,557** |

(1) Includes approximately $250 million of reinstatement premiums for the year ended December 31, 2021, related to the Nationwide Catastrophe Reinsurance Program, primarily due to Hurricane Ida.

**Catastrophe management**

*Historical catastrophe experience* For the last ten years, the average annual impact of catastrophes on our loss ratio was 7.7 points, but it has varied from 4.5 points to 10.3 points. The average annual impact of catastrophes on the homeowners loss ratio for the last ten years was 24.6 points. Over time, we have limited our aggregate insurance exposure to catastrophe losses in certain regions of the country that are subject to high levels of natural catastrophes by our participation in various state facilities. For further discussion of these facilities, see Note 15 of the consolidated financial statements. However, the impact of these actions may be diminished by the growth in insured values, and the effect of state insurance laws and regulations. In addition, in various states we are required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Because of our participation in these and other state facilities such as wind pools, we may be exposed to losses that surpass the capitalization of these facilities and to assessments from these facilities.

We have continued to take actions to maintain an appropriate level of exposure to catastrophic events while continuing to meet the needs of our customers, including the following:

- Continuing to limit or not offer new homeowners, manufactured home and landlord package policy business in certain coastal geographies.
- Increased capacity in our brokerage platform for customers not offered an Allstate policy.
- We began to write a limited number of homeowners policies in select areas of California in 2016, additionally we:
  - Continue to renew current policyholders and allow replacement policies for existing customers who buy a new home or change their residence to rental property
  - Have decreased our overall homeowner exposures in California by more than 50% since 2007
  - Write homeowners coverage through our excess and surplus lines carrier, North Light Specialty Insurance Company (“North Light”), which includes earthquake coverage (other than fire following earthquakes) that is currently ceded via quota share reinsurance.
- In certain states, we have been ceding wind exposure related to insured property located in wind pool eligible areas.
- Starting in the second quarter of 2017, we began writing a limited number of homeowners policies in select areas of Florida and continue to support existing customers who replace their currently-insured home with an acceptable property. Encompass withdrew from property lines in Florida in 2009.
- Tropical cyclone deductibles are generally higher than all peril deductibles and are in place for a large portion of coastal insured properties.
- Auto comprehensive damage coverage generally includes coverage for flood-related loss. We have additional catastrophe exposure, beyond the property lines, for auto customers who have purchased comprehensive damage coverage.
- We offer a homeowners policy available in 43 states, Allstate House and Home®, that provides options of coverage for roof damage, including graduated coverage and pricing based on roof type and age. In 2021, premiums written totaled $4.56 billion or 46.0% of homeowners premiums written compared to $3.92 billion or 46.7% in 2020.

*Hurricanes* We consider the greatest areas of potential catastrophe losses due to hurricanes generally to be major metropolitan centers in counties along the eastern and gulf coasts of the United States. The average premium on a property policy near these coasts is generally greater than in other areas. However, average premiums are often not considered commensurate with the inherent risk of loss. In addition, as explained in Note 15 of the consolidated financial statements, in various states Allstate is subject to assessments from assigned risk plans, reinsurance facilities and joint underwriting associations providing insurance for wind related property losses.

We have addressed our risk of hurricane loss by, among other actions, purchasing reinsurance for specific states and on a countrywide basis for our personal lines property insurance in areas most exposed to hurricanes, limiting personal homeowners, landlord package policy and manufactured home new business writings in coastal areas in southern and eastern states, implementing tropical cyclone deductibles where appropriate, and not offering continuing coverage on certain policies in coastal counties in certain states. We continue to seek appropriate returns for the risks we write. This may require further actions, similar to those already taken, in geographies where we are not getting appropriate returns. However, we may maintain or opportunistically increase our presence in areas where adequate risk adjusted returns can be achieved.

*Earthquakes* We do not offer earthquake coverage in most states. We retain approximately 40,000 PIF with earthquake coverage, with the largest number of policies located in Kentucky, due to regulatory and other reasons. We purchase reinsurance in Kentucky and enter into arrangements in many states to make earthquake coverage available through our brokerage platform.

We continue to have exposure to earthquake risk on certain policies that do not specifically exclude coverage for earthquake losses, including our auto policies, and to fires following earthquakes. Allstate homeowner policyholders in California are offered coverage for damage caused by an earthquake through the California Earthquake Authority ("CEA"), a privately-financed, publicly-managed state agency created to provide insurance coverage for earthquake damage. Allstate is subject to assessments from the CEA under certain circumstances as explained in Note 15 of the consolidated financial statements. While North Light writes property policies in California, which can include earthquake coverage, this coverage is 100% ceded via quota share reinsurance.

*Fires following earthquakes* Under a standard homeowners policy we cover fire losses, including those caused by an earthquake. Actions taken related to our risk of loss from fires following earthquakes include restrictive underwriting guidelines in California for new business writings, purchasing reinsurance for Kentucky personal lines property risks, and purchasing nationwide occurrence reinsurance, excluding Florida.

*Wildfires* Actions taken related to managing our risk of loss from wildfires include purchasing nationwide occurrence reinsurance, new and renewal inspection programs to identify and remediate wildfire risk as well as leveraging contemporary underwriting tools in select areas. While these programs are designed to mitigate risk, the exposure to wildfires still exists. We continue to manage our exposure and seek appropriate returns for the risks we write.

To manage the exposure, we may implement further actions, similar to those already taken, in geographies where we are not achieving appropriate returns. However, we may maintain or opportunistically increase our presence in areas where adequate risk adjusted returns can be achieved.

*Reinsurance* The total cost of our property catastrophe reinsurance programs, excluding reinstatement premiums, during 2021 was $556 million compared to $425 million during 2020. Catastrophe placement premiums are a reduction of premium with approximately 74% related to homeowners. The increases were driven by higher Nationwide and Florida program costs due to program expansion for growth in policies, including National General exposures. In the third quarter of 2021, our catastrophe reinsurance program risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes, earthquakes and wildfires, excluding other catastrophe losses, net of reinsurance, increased from $2 billion to $2.5 billion, reflecting the addition of wildfires to the target. A description of our current catastrophe reinsurance program appears in Note 11 of the consolidated financial statements.

**Expense ratio** decreased 2.3 points in 2021 compared to 2020, primarily related to lower Shelter-in-Place Payback expense, operating costs and expenses, restructuring and related charges, partially offset by increased advertising and amortization of purchased intangibles and DAC related to the acquisition of National General.

**Impact of specific costs and expenses on the expense ratio**

| | For the years ended December 31, | | | | |
|---|---|---|---|---|---|
| **($ in millions, except ratios)** | **2021** | **2020** | **2019** | **2021 vs 2020** | **2020 vs 2019** |
| Amortization of DAC | $ 5,313 | $ 4,642 | $ 4,649 | $ 671 | $ (7) |
| Advertising expense | 1,249 | 941 | 851 | 308 | 90 |
| Amortization of purchased intangibles | 241 | 12 | 4 | 229 | 8 |
| Other costs and expenses, net of other revenue | 2,952 | 2,688 | 2,812 | 264 | (124) |
| Restructuring and related charges | 145 | 235 | 38 | (90) | 197 |
| Shelter-in-Place Payback expense | 29 | 948 | — | (919) | 948 |
| Allstate Special Payment plan bad debt expense | (20) | 60 | — | (80) | 60 |
| Impairment of purchased intangibles | — | — | 51 | — | (51) |
| **Total underwriting expenses** | **$ 9,909** | **$ 9,526** | **$ 8,405** | **$ 383** | **$ 1,121** |
| | | | | | |
| **Premiums earned** | **$ 40,454** | **$ 35,580** | **$ 34,843** | **$ 4,874** | **$ 737** |
| | | | | | |
| **Expense ratio** | | | | | |
| Amortization of DAC | 13.1 | 13.0 | 13.4 | 0.1 | (0.4) |
| Advertising expense | 3.1 | 2.6 | 2.4 | 0.5 | 0.2 |
| Other costs and expenses | 7.2 | 7.5 | 8.0 | (0.3) | (0.5) |
| Subtotal | 23.4 | 23.1 | 23.8 | 0.3 | (0.7) |
| Amortization of purchased intangibles | 0.6 | 0.1 | — | 0.5 | 0.1 |
| Restructuring and related charges | 0.4 | 0.7 | 0.1 | (0.3) | 0.6 |
| Shelter-in-Place Payback expense | 0.1 | 2.7 | — | (2.6) | 2.7 |
| Allstate Special Payment plan bad debt expense | — | 0.2 | — | (0.2) | 0.2 |
| Impairment of purchased intangibles | — | — | 0.2 | — | (0.2) |
| **Total expense ratio** | **24.5** | **26.8** | **24.1** | **(2.3)** | **2.7** |

**Deferred acquisition costs** We establish a DAC asset for costs that are related directly to the acquisition of new or renewal insurance policies, principally agent remuneration and premium taxes. DAC is amortized to income over the period in which premiums are earned.

**DAC balance as of December 31 by product type**

| **($ in millions)** | **2021** | **2020** |
|---|---|---|
| Auto | $ 1,023 | $ 826 |
| Homeowners | 700 | 602 |
| Other personal lines | 169 | 144 |
| Commercial lines | 59 | 36 |
| **Total DAC** | **$ 1,951** | **$ 1,608** |

## Run-off Property-Liability Segment

The Run-off Property-Liability segment includes results from property and casualty insurance coverage that primarily relates to policies written during the 1960s through the mid-1980s. Our exposure to asbestos, environmental and other run-off lines claims arises principally from direct excess commercial insurance, assumed reinsurance coverage, direct primary commercial insurance and other businesses in run-off. For additional information on our strategy and outlook, see Part I, Item 1. Business - Strategy and Segment Information.

**Underwriting results**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Claims and claims expense | | | |
| Asbestos claims | $ (63) | $ (78) | $ (28) |
| Environmental claims | (40) | (44) | (36) |
| Other run-off lines | (13) | (19) | (41) |
| **Total claims and claims expense** | **(116)** | **(141)** | **(105)** |
| Operating costs and expenses | (4) | (3) | (3) |
| **Underwriting loss** | **$ (120)** | **$ (144)** | **$ (108)** |

*Underwriting losses* in 2021 and 2020 primarily related to our annual reserve review using established industry and actuarial best practices. The annual review resulted in unfavorable reserve reestimates totaling $111 million and $132 million in 2021 and 2020, respectively. The reserve reestimates are included as part of claims and claims expense.

Reserve reestimates in 2021 primarily related to new reported information for asbestos and environmental and higher than expected reported losses for environmental and other run-off exposures. Reserve reestimates in 2020 primarily related to new reported information, court decisions and policy buyback settlements for asbestos exposures and higher than expected reported losses for environmental and other run-off exposures.

We believe that our reserves are appropriately established based on available facts, technology, laws, regulations, and assessments of other pertinent factors and characteristics of exposure (e.g., claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, assuming no change in the legal, legislative or economic environment. However, as we progress with the resolution of disputed claims in the courts and arbitrations and with negotiations and settlements, our reported losses may be more variable.

**Reserves for asbestos, environmental and other run-off claims before and after the effects of reinsurance**

| ($ in millions) | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Asbestos claims** | | |
| Gross reserves | $ 1,210 | $ 1,204 |
| Reinsurance | (382) | (377) |
| Net reserves | 828 | 827 |
| **Environmental claims** | | |
| Gross reserves | 273 | 249 |
| Reinsurance | (47) | (43) |
| Net reserves | 226 | 206 |
| **Other run-off claims** | | |
| Gross reserves | 433 | 435 |
| Reinsurance | (66) | (60) |
| Net reserves | 367 | 375 |
| **Total** | | |
| Gross reserves | 1,916 | 1,888 |
| Reinsurance | (495) | (480) |
| **Net reserves** | **$ 1,421** | **$ 1,408** |

**Reserves by type of exposure before and after the effects of reinsurance**

| ($ in millions) | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Direct excess commercial insurance** | | |
| Gross reserves | $ 1,050 | $ 1,011 |
| Reinsurance | (363) | (358) |
| Net reserves | 687 | 653 |
| **Assumed reinsurance coverage** | | |
| Gross reserves | 617 | 636 |
| Reinsurance | (56) | (58) |
| Net reserves | 561 | 578 |
| **Direct primary commercial insurance** | | |
| Gross reserves | 168 | 160 |
| Reinsurance | (75) | (63) |
| Net reserves | 93 | 97 |
| **Other run-off business** | | |
| Gross reserves | 1 | 2 |
| Reinsurance | — | — |
| Net reserves | 1 | 2 |
| **Unallocated loss adjustment expenses** | | |
| Gross reserves | 80 | 79 |
| Reinsurance | (1) | (1) |
| Net reserves | 79 | 78 |
| **Total** | | |
| Gross reserves | 1,916 | 1,888 |
| Reinsurance | (495) | (480) |
| **Net reserves** | **$ 1,421** | **$ 1,408** |

**Percentage of gross and ceded reserves by case and incurred but not reported ("IBNR")**

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Case** | **IBNR** | **Case** | **IBNR** |
| **Direct excess commercial insurance** | | | | |
| Gross reserves [(1)] | 61 % | 39 % | 65 % | 35 % |
| Ceded [(2)] | 67 | 33 | 71 | 29 |
| **Assumed reinsurance coverage** | | | | |
| Gross reserves | 33 | 67 | 34 | 66 |
| Ceded | 38 | 62 | 35 | 65 |
| **Direct primary commercial insurance** | | | | |
| Gross reserves | 53 | 47 | 55 | 45 |
| Ceded | 71 | 29 | 79 | 21 |

(1) Approximately 70% of gross case reserves as of December 31, 2021 are subject to settlement agreements.
(2) Approximately 77% of ceded case reserves as of December 31, 2021 are subject to settlement agreements.

**Gross payments from case reserves by type of exposure**

| ($ in millions) | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| **Direct excess commercial insurance** | | |
| Gross [1] | $ 91 | $ 88 |
| Ceded [2] | (39) | (37) |
| **Assumed reinsurance coverage** | | |
| Gross | 43 | 40 |
| Ceded | (4) | (7) |
| **Direct primary commercial insurance** | | |
| Gross | 7 | 8 |
| Ceded | (2) | (5) |
| **Other run-off business** | | |
| Gross | 1 | — |
| Ceded | — | — |

[1] In 2021 70% of payments related to settlement agreements.
[2] In 2021 72% of payments related to settlement agreements.

Total net reserves as of December 31, 2021, included $733 million or 52% of estimated IBNR reserves compared to $695 million or 49% of estimated IBNR reserves as of December 31, 2020.

Total gross payments were $142 million and $137 million for 2021 and 2020, respectively, primarily related to settlement agreements reached with several insureds on large claims, mainly asbestos, where the scope of coverages has been agreed upon. The claims associated with these settlement agreements are expected to be substantially paid out over the next several years as qualified claims are submitted by these insureds.

Reinsurance collections were $39 million and $53 million for 2021 and 2020, respectively. The allowance for uncollectible reinsurance recoverables was $66 million and $59 million as of December 31, 2021 and 2020, respectively. The allowance represents 11.0% and 10.5% of the related reinsurance recoverable balances as of December 31, 2021 and 2020, respectively.

## Protection Services Segment

Protection Services comprise Allstate Protection Plans, Allstate Dealer Services, Allstate Roadside, Arity and Allstate Identity Protection. Protection Services include National General's LeadCloud and Transparent.ly's results within Arity starting in the first quarter of 2021. These businesses provide marketing and integration platforms connecting data buyers and sellers. Results prior to 2021 reflect historical Arity results only.

In 2021, Protection Services represented 77.7% of total PIF, 6.0% of premiums written and 4.4% of total adjusted net income. We offer consumer product protection plans, finance and insurance products (including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel and paintless dent repair protection), roadside assistance, device and mobile data collection services and analytic solutions using automotive telematics information and identity protection. For additional information on our strategy and outlook, see Part I, Item 1. Business - Strategy and Segment Information.

**Summarized financial information**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Premiums written** | $ 2,642 | $ 1,890 | $ 1,535 |
| | | | |
| **Revenues** | | | |
| Premiums | $ 1,764 | $ 1,493 | $ 1,233 |
| Other revenue | 354 | 208 | 188 |
| Intersegment insurance premiums and service fees [1] | 175 | 147 | 154 |
| Net investment income | 43 | 44 | 42 |
| **Costs and expenses** | | | |
| Claims and claims expense | (458) | (386) | (363) |
| Amortization of DAC | (795) | (658) | (543) |
| Operating costs and expenses | (837) | (651) | (661) |
| Restructuring and related charges | (14) | (3) | — |
| Income tax expense on operations | (52) | (41) | (12) |
| **Less: noncontrolling interest** | **1** | **—** | **—** |
| **Adjusted net income** | **$ 179** | **$ 153** | **$ 38** |
| | | | |
| Allstate Protection Plans | $ 142 | $ 137 | $ 60 |
| Allstate Dealer Services | 34 | 29 | 26 |
| Allstate Roadside | 7 | 12 | (15) |
| Arity | 3 | (11) | (7) |
| Allstate Identity Protection | (7) | (14) | (26) |
| **Adjusted net income** | **$ 179** | **$ 153** | **$ 38** |
| | | | |
| Allstate Protection Plans | 141,073 | 128,982 | 99,632 |
| Allstate Dealer Services | 3,956 | 4,042 | 4,205 |
| Allstate Roadside | 525 | 548 | 599 |
| Allstate Identity Protection | 2,802 | 2,700 | 1,511 |
| **Policies in force as of December 31 (in thousands)** | **148,356** | **136,272** | **105,947** |

[1] Primarily related to Arity and Allstate Roadside and are eliminated in our consolidated financial statements.

*Adjusted net income* increased 17.0% or $26 million in 2021 compared to 2020, primarily due to growth of Allstate Protection Plans, lower claims costs at Allstate Dealer Services, growth and lower levels of investment at both Arity and Allstate Identity Protection, partially offset by higher severity and rescue volumes in Allstate Roadside.

*Premiums written* increased 39.8% or $752 million in 2021 compared to 2020, primarily due to growth at Allstate Protection Plans and increased sales at Allstate Dealer Services.

*PIF* increased 8.9% or 12 million in 2021 compared to 2020 due to continued growth at Allstate Protection Plans and Allstate Identity Protection.

*Other revenue* increased 70.2% or $146 million in 2021 compared to 2020, reflecting the addition of LeadCloud and Transparent.ly, which were acquired as part of the National General acquisition.

*Intersegment premiums and service fees* increased 19.0% to $175 million in 2021 compared to 2020, primarily related to increased device sales through Arity driven by growth in the Allstate brand Milewise® product and growth in automotive rescue services provided by Allstate Roadside for Allstate brand auto customers.

*Claims and claims expense* increased 18.7% or $72 million in 2021 compared to 2020, primarily due to higher levels of claims at Allstate Protection Plans driven by growth of the business and increased claims costs at Allstate Roadside due to higher severity and rescue volumes.

*Amortization of DAC* increased 20.8% or $137 million in 2021 compared to 2020, primarily due to the growth experienced at Allstate Protection Plans and Allstate Dealer Services.

*Operating costs and expenses* increased 28.6% or $186 million in 2021 compared to 2020, primarily due to higher operating costs at Arity driven by the addition of LeadCloud and Transparent.ly and growth experienced at Allstate Protection Plans.

*Restructuring and related charges* increased $11 million in 2021 compared to 2020, primarily due to a facility closure at Allstate Identity Protection in the first quarter of 2021 and accelerated lease costs at Allstate Protection Plans.

## Claims and Claims Expense Reserves

Underwriting results are significantly influenced by estimates of claims and claims expense reserves. For a description of our reserve process, see Note 9 of the consolidated financial statements. Further, for a description of our reserving policies and the potential variability in our reserve estimates, see the Application of Critical Accounting Estimates section of the MD&A. These reserves are an estimate of amounts necessary to settle all outstanding claims, including IBNR claims, as of the reporting date.

The facts and circumstances leading to reestimates of reserves relate to changes in claim activity and revisions to the development factors used to predict how losses are likely to develop from the end of a reporting period until all claims have been paid. Reestimates occur when actual losses differ from those predicted by the estimated development factors used in prior reserve estimates.

We believe the net loss reserves exposures are appropriately established based on available facts, technology, laws and regulations.

**Total reserves, net of recoverables ("net reserves"), as of December 31, by line of business**

| **($ in millions)** | **2021** | **2020** | **2019** |
|---|---|---|---|
| Allstate Protection | $ 22,124 | $ 19,136 | $ 19,396 |
| Run-off Property-Liability | 1,421 | 1,408 | 1,365 |
| Total Property-Liability | 23,545 | 20,544 | 20,761 |
| Protection Services | 36 | 33 | 39 |
| **Total net reserves** | **$ 23,581** | **$ 20,577** | **$ 20,800** |

The year-end 2021 gross reserves of $33.06 billion for insurance claims and claims expense were $11.15 billion more than the net reserve balance of $21.91 billion recorded on the basis of statutory accounting practices for reports provided to state regulatory authorities. The principal differences are recoverables from third parties totaling $9.48 billion, including $6.64 billion of indemnification recoverables related to the Michigan Catastrophic Claims Association ("MCCA"), that reduce reserves for statutory reporting, but are recorded as assets for GAAP reporting, and a liability for the reserves of the Canadian subsidiaries for $1.55 billion that are a component of our consolidated reserves, but not included in our U.S. statutory reserves.

**Impact of reserve reestimates by brand on combined ratio and net income applicable to common shareholders** [(1)] [(2)]

| | **2021** | | **2020** | | **2019** | |
|---|---|---|---|---|---|---|
| **($ in millions, except ratios)** | **Reserve reestimate** | **Effect on combined ratio** | **Reserve reestimate** | **Effect on combined ratio** | **Reserve reestimate** | **Effect on combined ratio** |
| Allstate Protection | $ 8 | — | $ (576) | (1.6) | $ (233) | (0.7) |
| Run-off Property-Liability | 116 | 0.3 | 141 | 0.4 | 105 | 0.3 |
| Total Property-Liability | 124 | 0.3 | (435) | (1.2) | (128) | (0.4) |
| Protection Services | (2) | — | (1) | — | (2) | — |
| **Total** | **$ 122** | | **$ (436)** | | **$ (130)** | |
| Reserve reestimates, after-tax | $ 96 | | $ (344) | | $ (103) | |
| Consolidated net income applicable to common shareholders | $ 1,485 | | $ 5,461 | | $ 4,678 | |
| Reserve reestimates as a % impact on consolidated net income applicable to common shareholders | (6.5)% | | 6.3 % | | 2.2 % | |
| Property-Liability prior year reserve reestimates included in catastrophe losses | $ (202) | | $ (503) | | $ 48 | |

(1) Favorable reserve reestimates are shown in parentheses.

(2) Ratios are calculated using property and casualty premiums earned.

The following tables reflect the accident years to which the reestimates shown above are applicable. Favorable reserve reestimates are shown in parentheses.

**Prior year reserve reestimates**

| ($ in millions) | | | | | | |
|---|---|---|---|---|---|---|
| **2021** | **2016 & prior** | **2017** | **2018** | **2019** | **2020** | **Total** |
| Allstate Protection | $ (130) | $ 100 | $ (67) | $ 231 | $ (126) | $ 8 |
| Run-off Property-Liability | 116 | — | — | — | — | 116 |
| Total Property-Liability | (14) | 100 | (67) | 231 | (126) | 124 |
| Protection Services | — | — | — | — | (2) | (2) |
| **Total** | **$ (14)** | **$ 100** | **$ (67)** | **$ 231** | **$ (128)** | **$ 122** |
| **2020** | **2015 & prior** | **2016** | **2017** | **2018** | **2019** | **Total** |
| Allstate Protection | $ (56) | $ 42 | $ (199) | $ (353) | $ (10) | $ (576) |
| Run-off Property-Liability | 141 | — | — | — | — | 141 |
| Total Property-Liability | 85 | 42 | (199) | (353) | (10) | (435) |
| Protection Services | — | — | — | — | (1) | (1) |
| **Total** | **$ 85** | **$ 42** | **$ (199)** | **$ (353)** | **$ (11)** | **$ (436)** |
| **2019** | **2014 & prior** | **2015** | **2016** | **2017** | **2018** | **Total** |
| Allstate Protection | $ (140) | $ (44) | $ (28) | $ (95) | $ 74 | $ (233) |
| Run-off Property-Liability | 105 | — | — | — | — | 105 |
| Total Property-Liability | (35) | (44) | (28) | (95) | 74 | (128) |
| Protection Services | — | — | — | — | (2) | (2) |
| **Total** | **$ (35)** | **$ (44)** | **$ (28)** | **$ (95)** | **$ 72** | **$ (130)** |

## Allstate Protection

The tables below show Allstate Protection net reserves representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2021, 2020, and 2019, and the effect of reestimates in each year.

**Net reserves by line**

| | January 1 reserves | | |
|---|---|---|---|
| ($ in millions) | 2021 | 2020 | 2019 |
| Auto | $ 14,164 | $ 14,728 | $ 14,378 |
| Homeowners | 2,315 | 2,138 | 2,157 |
| Other personal lines | 1,463 | 1,459 | 1,489 |
| Commercial lines | 1,194 | 1,071 | 801 |
| **Total Allstate Protection** | **$ 19,136** | **$ 19,396** | **$ 18,825** |

**Impact of reserve reestimates by line on combined ratio and underwriting income**

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| ($ in millions, except ratios) | Reserve reestimates | Effect on combined ratio | Reserve reestimates | Effect on combined ratio | Reserve reestimates | Effect on combined ratio |
| Auto | $ 149 | 0.4 | $ (107) | (0.3) | $ (323) | (0.9) |
| Homeowners | (153) | (0.4) | (439) | (1.2) | 65 | 0.2 |
| Other personal lines | (107) | (0.3) | (66) | (0.2) | 8 | — |
| Commercial lines | 119 | 0.3 | 36 | 0.1 | 17 | — |
| **Total Allstate Protection** | **$ 8** | **—** | **$ (576)** | **(1.6)** | **$ (233)** | **(0.7)** |
| Underwriting income | $ 1,785 | | $ 4,569 | | $ 2,921 | |
| Reserve reestimates as a % impact on underwriting income | (0.4)% | | 12.6 % | | 8.0 % | |

Favorable results for homeowners lines in 2021 were primarily due to catastrophe reserve reestimates driven by estimated recoveries related to our aggregate reinsurance coverage and wildfire subrogation settlements. Unfavorable reserve reestimates for auto and commercial lines in 2021 primarily related to auto liability coverages.

Favorable results for homeowners lines in 2020 were primarily due to catastrophe reserve reestimates driven by wildfire subrogation settlements. Favorable reserve reestimates for auto in 2020 primarily related to favorable non-catastrophe reserve reestimates in personal lines auto, partially offset by strengthening in commercial lines auto reserves.

Estimating the ultimate cost of claims and claims expenses is an inherently uncertain and complex process involving a high degree of judgment and is subject to the evaluation of numerous variables.

## Run-off Property-Liability

We conduct an annual review in the third quarter of each year to evaluate and establish asbestos, environmental and other run-off reserves. Reserves are recorded in the reporting period in which they are determined. Using established industry and actuarial best practices and assuming no change in the regulatory or economic environment, this detailed and comprehensive methodology determines reserves based on assessments of the characteristics of exposure (e.g. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by policyholders.

**Run-off Property-Liability reserve reestimates**

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| **($ in millions)** | **January 1 reserves** | **Reserve reestimates** | **January 1 reserves** | **Reserve reestimates** | **January 1 reserves** | **Reserve reestimates** |
| Asbestos claims | $ 827 | $ 63 | $ 810 | $ 78 | $ 866 | $ 28 |
| Environmental claims | 206 | 40 | 179 | 44 | 170 | 36 |
| Other run-off lines | 375 | 13 | 376 | 19 | 355 | 41 |
| **Total** | **$ 1,408** | **$ 116** | **$ 1,365** | **$ 141** | **$ 1,391** | **$ 105** |
| Underwriting loss | | $ (120) | | $ (144) | | $ (108) |

Reserve reestimates in 2021 primarily related to new reported information for asbestos and environmental and higher than expected reported losses for environmental and other run-off exposures.

Reserve reestimates in 2020 primarily related to new reported information, court decisions and policy buyback settlements for asbestos exposures and higher than expected reported losses for environmental and other run-off exposures.

**es and claim activity before (Gross) and after (Net) the effects of reinsurance**

| | | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|---|
| **llions, except ratios)** | | **Gross** | **Net** | **Gross** | **Net** | **Gross** | **Net** |
| **tos claims** | | | | | | | |
| ing reserves | $ | $ 1,204 | $ 827 | $ 1,172 | $ 810 | $ 1,266 | 866 |
| d claims and claims expense | | 100 | 63 | 132 | 78 | 39 | 28 |
| and claims expense paid | | (94) | (62) | (100) | (61) | (133) | (84) |
| **reserves** | **$** | **$ 1,210** | **$ 828** | **$ 1,204** | **$ 827** | **$ 1,172** | **810** |
| survival ratio | | 12.9 | 13.4 | 12.0 | 13.6 | 8.8 | 9.6 |
| survival ratio | | 11.1 | 12.0 | 10.3 | 12.0 | 9.0 | 10.3 |
| | | | | | | | |
| **nmental claims** | | | | | | | |
| ing reserves | $ | $ 249 | $ 206 | $ 219 | $ 179 | $ 209 | 170 |
| d claims and claims expense | | 50 | 40 | 49 | 44 | 42 | 36 |
| and claims expense paid | | (26) | (20) | (19) | (17) | (32) | (27) |
| **reserves** | **$** | **$ 273** | **$ 226** | **$ 249** | **$ 206** | **$ 219** | **179** |
| survival ratio | | 10.5 | 11.3 | 13.1 | 12.1 | 6.8 | 6.6 |
| survival ratio | | 10.6 | 10.6 | 10.5 | 10.3 | 8.1 | 8.1 |
| | | | | | | | |
| **ned environmental and asbestos claims** | | | | | | | |
| survival ratio | | 12.4 | 12.9 | 12.2 | 13.2 | 8.4 | 8.9 |
| survival ratio | | 11.0 | 11.7 | 10.3 | 11.6 | 8.8 | 9.9 |
| tage of IBNR in ending reserves | | | 54.8 % | | 50.3 % | | 48.8 % |

The survival ratio is calculated by taking our ending reserves divided by payments made during the year. This is a commonly used but simplistic and imprecise approach to measuring the adequacy of asbestos and environmental reserve levels. Many factors, such as mix of business, level of coverage provided and settlement procedures have significant impacts on the amount of environmental and asbestos claims and claims expense reserves, claim payments and the resultant ratio. As payments result in corresponding reserve reductions, survival ratios can be expected to vary over time. The asbestos and environmental net 3-year survival ratio in 2021 was comparable to 2020.

**Net asbestos reserves by type of exposure and total reserve additions**

| ($ in millions) | December 31, 2021 Net reserves | December 31, 2021 % of reserves | December 31, 2020 Net reserves | December 31, 2020 % of reserves | December 31, 2019 Net reserves | December 31, 2019 % of reserves |
|---|---|---|---|---|---|---|
| Direct: | | | | | | |
| Primary | $ 8 | 1 % | $ 10 | 1 % | $ 12 | 1 % |
| Excess | 275 | 33 | 291 | 35 | 292 | 36 |
| Total direct | 283 | 34 | 301 | 36 | 304 | 37 |
| Assumed reinsurance | 104 | 13 | 122 | 15 | 127 | 16 |
| IBNR | 441 | 53 | 404 | 49 | 379 | 47 |
| **Total net reserves** | **$ 828** | **100 %** | **$ 827** | **100 %** | **$ 810** | **100 %** |
| Total reserve additions | $ 63 | | $ 78 | | $ 28 | |

IBNR net reserves increased $37 million as of December 31, 2021 compared to December 31, 2020. IBNR provides for reserve development of known claims and future reporting of additional unknown claims from current policyholders and ceding companies.

**Reinsurance and indemnification programs** We utilize reinsurance to reduce exposure to catastrophe risk and manage capital, and to support the required statutory surplus and the insurance financial strength ratings of certain subsidiaries such as Castle Key Insurance Company (“CKIC”) and Allstate New Jersey Insurance Company (“ANJ”). We purchase significant reinsurance to manage our aggregate countrywide exposure to an acceptable level. The price and terms of reinsurance and the credit quality of the reinsurer are considered in the purchase process. We have also purchased reinsurance to mitigate exposures in our long-tail liability lines, including environmental, asbestos and other run-off lines as well as our commercial lines, including shared economy. We also participate in various indemnification mechanisms, including state-based industry pool or facility programs mandating participation by insurers offering certain coverage in their state and the federal government National Flood Insurance Program (“NFIP”). See Note 11 of the consolidated financial statements for additional details on these programs.

**Reinsurance and indemnification recoverables, net of the allowance established for uncollectible amounts**

| ($ in millions) | S&P financial strength rating [1] | Reinsurance or indemnification recoverable on paid and unpaid claims, net 2021 | 2020 |
|---|---|---|---|
| **Indemnification programs** | | | |
| *State-based industry pool or facility programs* | | | |
| MCCA [2] | N/A | $ 6,695 | $ 5,646 |
| New Jersey Property-Liability Insurance Guaranty Association ("PLIGA") | N/A | 371 | 389 |
| North Carolina Reinsurance Facility ("NCRF") | N/A | 279 | 67 |
| Florida Hurricane Catastrophe Fund ("FHCF") | N/A | 25 | 32 |
| Other | | 7 | 8 |
| *Federal Government* - NFIP | N/A | 34 | 30 |
| Subtotal | | 7,411 | 6,172 |
| | | | |
| **Catastrophe reinsurance recoverables** | | | |
| Sanders RE II LTD. | N/A | 303 | — |
| Renaissance Reinsurance Limited | A+ | 106 | 17 |
| Swiss Reinsurance America Corporation | AA- | 88 | 12 |
| Other | | 873 | 168 |
| Subtotal | | 1,370 | 197 |
| | | | |
| **Other reinsurance recoverables, net** [3] | | | |
| Aleka Insurance Inc. | N/A | 187 | 165 |
| Lloyd's of London ("Lloyd's") [4] | N/A | 165 | 166 |
| Swiss Reinsurance America Corporation | AA- | 75 | 20 |
| Westport Insurance Corporation [4] | N/A | 70 | 59 |
| Other, including allowance for credit losses | | 576 | 337 |
| Subtotal | | 1,073 | 747 |
| **Total Property-Liability** | | **9,854** | **7,116** |
| **Protection Services** | | **16** | **18** |
| **Total** | | **$ 9,870** | **$ 7,134** |

[1] N/A reflects no S&P Global Ratings ("S&P") rating available.

[2] As of December 31, 2021 and 2020, MCCA includes $51 million and $34 million of reinsurance recoverable on paid claims, respectively, and $6.64 billion and $5.61 billion of reinsurance recoverable on unpaid claims, respectively.

[3] Other reinsurance recoverables primarily relate to commercial lines, including shared economy, as well as asbestos, environmental and other liability exposures.

[4] A.M. Best ratings for Lloyd's and Westport Insurance Corporation are A and A+, respectively.

Reinsurance and indemnification recoverables include an estimate of the amount of insurance claims and claims expense reserves that are ceded under the terms of the agreements, including IBNR unpaid losses. We calculate our ceded reinsurance and indemnification estimates based on the terms of each applicable agreement, including an estimate of how IBNR losses will ultimately be ceded under the agreement. We also consider other limitations and coverage exclusions under our agreements. Accordingly, our estimate of recoverables is subject to similar risks and uncertainties as our estimate of reserves claims and claims expense. We believe the recoverables are appropriately established; however, as our underlying reserves continue to develop, the amount ultimately recoverable may vary from amounts currently recorded. We regularly evaluate the reinsurers and the respective amounts of our reinsurance recoverables, and a provision for uncollectible reinsurance recoverables is recorded, if needed. The establishment of reinsurance recoverables and the related allowance for uncollectible reinsurance is also an inherently uncertain process involving estimates. Changes in estimates could result in additional changes to the Consolidated Statements of Operations.

Indemnification recoverables are considered collectible based on the industry pool and facility enabling legislation and the Company has not had any credit losses related to these programs and we do not anticipate losses in the foreseeable future. We also have not experienced credit losses on our catastrophe reinsurance programs, which include highly rated reinsurers.

The allowance for uncollectible reinsurance relates to other reinsurance programs primarily related to our Run-off Property-Liability segment. This allowance was $66 million and $59 million as of December 31, 2021 and 2020, respectively.

The allowance is based upon our ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing, and other relevant factors. In addition, in the ordinary course of business, we may become involved in coverage disputes with certain of our reinsurers that may ultimately result in lawsuits and arbitrations brought by or against such reinsurers to determine the parties' rights and obligations under the various reinsurance agreements. We employ dedicated specialists to manage reinsurance collections and disputes. We also consider recent developments in commutation activity between reinsurers and cedents, and recent trends in arbitration and litigation outcomes in disputes between cedents and reinsurers in seeking to maximize our reinsurance recoveries.

Adverse developments in the insurance industry have led to a decline in the financial strength of some of our reinsurance carriers, causing amounts recoverable from them and future claims ceded to them to be considered a higher risk. There has also been consolidation activity in the industry, which causes reinsurance risk across the industry to be concentrated among fewer companies.

See Note 2 of the consolidated financial statements for a description of the methodology utilized to calculate the allowance for reinsurance recoverables.

For further details related to our reinsurance and indemnification recoverables, see the Regulation section in Part I and Note 11 of the consolidated financial statements.

**Effects of reinsurance ceded and indemnification programs on our premiums earned and claims and claims expense**

| | For the years ended December 31, | | |
|---|---|---|---|
| **($ in millions)** | **2021** | **2020** | **2019** |
| **Allstate Protection - Premiums** | | | |
| **Indemnification programs** | | | |
| *State-based industry pool or facility programs* | | | |
| NCRF | $ 310 | $ 63 | $ 67 |
| MCCA | 20 | 61 | 89 |
| PLIGA | 7 | 7 | 8 |
| FHCF | 15 | 9 | 9 |
| Other | 420 | 34 | 18 |
| *Federal Government* - NFIP | 350 | 261 | 258 |
| **Catastrophe reinsurance** | 541 | 416 | 377 |
| **Other reinsurance programs** | 60 | 110 | 121 |
| **Total Allstate Protection** | **1,723** | **961** | **947** |
| Run-off Property-Liability | — | — | — |
| **Total Property-Liability** | **1,723** | **961** | **947** |
| **Protection Services** | **181** | **180** | **175** |
| **Total effect on premiums earned** | **$ 1,904** | **$ 1,141** | **$ 1,122** |
| | | | |
| **Allstate Protection - Claims** | | | |
| **Indemnification programs** | | | |
| *State-based industry pool or facility programs* | | | |
| MCCA | $ 611 | $ 256 | $ 208 |
| NCRF | 279 | 47 | 55 |
| PLIGA | — | (40) | 3 |
| FHCF | 13 | 15 | 31 |
| Other | 359 | 16 | 12 |
| *Federal Government* - NFIP | 267 | 87 | 150 |
| **Catastrophe reinsurance** | 1,719 | (105) [1] | (166) [2] |
| **Other reinsurance programs** | 85 | 88 | 94 |
| **Total Allstate Protection** | **3,333** | **364** | **387** |
| Run-off Property-Liability | 60 | 75 | 39 |
| **Total Property-Liability** | **3,393** | **439** | **426** |
| **Protection Services** | **91** | **91** | **98** |
| **Total effect on claims and claims expense** | **$ 3,484** | **$ 530** | **$ 524** |

[1] Decline reflects reestimates in claims and claims expense related subrogation settlements.
[2] Decline reflects reestimates in claims and claims expense related to the 2018 Camp Fire.

In 2021, ceded premiums earned increased primarily due to the addition of National General into our program and increased catastrophe reinsurance premium rates. In 2020, ceded premiums earned increased primarily due to increased catastrophe reinsurance premium rates. In 2021, ceded claims and claims expenses increased $2.95 billion primarily due to Hurricane Ida and Winter Storm Uri. In 2020, ceded claims and claims expenses decreased $6 million. For further discussion of these items, see Regulation, Indemnification Programs and Note 11 of the consolidated financial statements.

**Michigan personal injury protection reserve and claim activity before and after the effects of MCCA recoverables**

| | For the years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2019 | |
| **($ in millions)** | **Gross** | **Net** | **Gross** | **Net** | **Gross** | **Net** |
| Beginning reserves | $ 6,282 | $ 670 | $ 6,106 | $ 647 | $ 5,975 | $ 605 |
| National General acquisition as of January 4, 2021 | 566 | 31 | — | — | — | — |
| Incurred claims and claims expense-current year | 398 | 132 | 312 | 98 | 446 | 202 |
| Incurred claims and claims expense-prior years | 403 | 59 | 107 | 65 | (16) | 20 |
| Claims and claims expense paid-current year [1] | (35) | (35) | (47) | (42) | (55) | (53) |
| Claims and claims expense paid-prior years [1] | (227) | (110) | (196) | (98) | (244) | (127) |
| **Ending reserves** [2] | **$ 7,387** | **$ 747** | **$ 6,282** | **$ 670** | **$ 6,106** | **$ 647** |

[1] Paid claims and claims expenses reported in the table for the current and prior years, recovered from the MCCA totaled $117 million, $103 million and $119 million in 2021, 2020 and 2019, respectively.

[2] Gross reserves for the year ended December 31, 2021, comprise 74% case reserves and 26% IBNR. Gross reserves for the year ended December 31, 2020, comprise 82% case reserves and 18% IBNR. Gross reserves for the year ended December 31, 2019, comprise 85% case reserves and 15% IBNR. The MCCA does not require member companies to report ultimate case reserves.

Pending MCCA claims differ from most personal lines insurance pending claims as other personal lines policies have coverage limits and incurred claims settle in shorter periods. Claims are considered pending as long as payments are continuing pursuant to an outstanding MCCA claim, which can be for a claimant's lifetime. Many of these injuries are catastrophic in nature, resulting in serious permanent disabilities that require attendant and residential care for periods that may span decades. A significant portion of the ultimate incurred claim reserves and the recoverables can be attributed to a small number of catastrophic claims that occurred more than five years ago and continue to pay lifetime benefits.

**Pending, new and closed claims for Michigan personal injury protection exposure**

| | For the years ended December 31, | | |
|---|---|---|---|
| **Number of claims** [1] | **2021** | **2020** | **2019** |
| Pending, beginning of year | 4,857 | 4,942 | 4,812 |
| National General acquisition as of January 4, 2021 | 525 | — | — |
| New | 8,616 | 5,896 | 7,807 |
| Closed | (8,577) | (5,981) | (7,677) |
| **Pending, end of year** | **5,421** | **4,857** | **4,942** |

[1] Total claims includes those covered and not covered by the MCCA indemnification.

As of December 31, 2021, approximately 1,570 of our pending claims have been reported to the MCCA, of which approximately 70% represents claims that occurred more than 5 years ago. There are 59 Allstate brand claims with reserves in excess of $15 million as of December 31, 2021, which comprise approximately 21% of the gross ending reserves in the table above. As a result, significant developments with a single claimant can result in volatility in prior year incurred claims.

*Intercompany reinsurance* We enter into certain intercompany insurance and reinsurance transactions in order to maintain underwriting control and manage insurance risk among various legal entities. These reinsurance agreements have been approved by the appropriate regulatory authorities. All significant intercompany transactions have been eliminated in consolidation.

*Catastrophe reinsurance* Our catastrophe reinsurance program is designed to address our exposure to catastrophes nationwide, utilizing our risk management methodology. Our program is designed to provide reinsurance protection for catastrophes resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, earthquakes, wildfires, and fires following earthquakes. 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, while providing protection to our customers.

We anticipate completing the placement of our 2022 nationwide catastrophe reinsurance program in the second quarter of 2022. For further details of the existing 2021 program, see Note 11 of the consolidated financial statements.

## Allstate Health and Benefits Segment

Allstate Health and Benefits offers employer voluntary benefits, group health and individual health products, including life, accident, critical illness, hospital, short-term disability and other health products. Allstate Health and Benefits results include National General's accident and health business, starting in the first quarter of 2021. Results prior to 2021 reflect historical Allstate Benefits results only.

In 2021, Allstate Health and Benefits represented 2.3% of total PIF and 5.2% of total adjusted net income. Our target customers are middle market consumers with family and financial protection needs. For additional information on our strategy and outlook, see Part I, Item 1. Business - Strategy and Segment Information.

**Summarized financial information**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | | |
| Accident and health insurance premiums and contract charges | $ 1,821 | $ 1,094 | $ 1,145 |
| Other revenue | 359 | — | — |
| Net investment income | 74 | 78 | 83 |
| **Costs and expenses** | | | |
| Accident and health insurance policy benefits | (1,015) | (516) | (601) |
| Interest credited to contractholder funds | (34) | (33) | (34) |
| Amortization of DAC | (144) | (177) | (161) |
| Operating costs and expenses | (787) | (322) | (285) |
| Restructuring and related charges | (9) | (1) | — |
| Income tax expense on operations | (57) | (27) | (32) |
| **Adjusted net income** | **$ 208** | **$ 96** | **$ 115** |
| Benefit ratio [(1)] | 55.7 | 47.2 | 52.5 |
| Employer voluntary benefits [(2)] | 3,804 | 3,950 | 4,183 |
| Group health [(3)] | 122 | — | — |
| Individual health [(4)] | 407 | — | — |
| **Policies in force as of December 31 (in thousands)** | 4,333 | 3,950 | 4,183 |

[(1)] Benefit ratio is calculated as accident and health insurance policy benefits divided by premiums and contract charges.
[(2)] Employer voluntary benefits include supplemental life and health products offered through workplace enrollment.
[(3)] Group health includes health products and administrative services sold to employers.
[(4)] Individual health includes short-term medical and other health products sold directly to individuals.

*Adjusted net income* increased $112 million in 2021 compared to 2020, primarily due to the acquisition of National General's group health and individual health business, which resulted in higher premiums and contract charges, partially offset by higher policy benefits and operating costs and expenses. Results for 2020 included an after-tax charge of $32 million related to the write-off of previously capitalized software.

*Premiums and contract charges* increased 66.5% or $727 million in 2021 compared to 2020, primarily due to the addition of group health and individual health business.

**Premiums and contract charges by line of business**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Employer voluntary benefits | $ 1,031 | $ 1,094 | $ 1,14 |
| Group health | 350 | — | — |
| Individual health | 440 | — | — |
| **Premiums and contract charges** | **$ 1,821** | **$ 1,094** | **$ 1,14** |

*New annualized premium sales* (annualized premiums at initial customer enrollment) increased to $778 million in 2021. The increase in 2021 primarily relates to the addition of group health and individual health business.

*Other revenue* of $359 million in 2021 reflects commission revenue, administrative fees, agency fees and technology fees from the group health and individual health business.

*Accident and health insurance policy benefits* increased 96.7% or $499 million in 2021 compared to 2020, primarily due to the addition of the group health and individual health products and increased benefit utilization compared to the prior year.

*Benefit ratio* increased to 55.7 in 2021 compared to 47.2 in 2020 primarily due to a higher benefit ratio associated with group and individual health products added in 2021 and a higher benefit ratio for employer voluntary benefit products due to higher life mortality and lower accident and health claim experience in the prior year.

*Amortization of DAC* decreased 18.6% or $33 million in 2021 compared to 2020, primarily due to unfavorable adjustments associated with our annual review of assumptions in 2020 compared to favorable adjustments in 2021, and lower policy and certificate lapses for employer voluntary benefits.

Our annual comprehensive review of assumptions underlying estimated future gross profits for our interest-sensitive life contracts resulted in a deceleration of DAC amortization (increase to income) of $2 million of the unamortized DAC asset balance in 2021 compared to $28 million acceleration of DAC amortization (decrease to income) in 2020.

**Changes in DAC**

| | For the years ended | |
|---|---|---|
| **($ in millions)** | **2021** | **2020** |
| Balance, beginning of year | $ 470 | $ 52 |
| National General acquisition | 3 | - |
| Acquisition costs deferred | 146 | 12 |
| Amortization of DAC before amortization relating to changes in assumptions [(1)] | (146) | (14 |
| Amortization relating to net gains and losses on investments and derivatives [(1)] | — | |
| Amortization acceleration for DAC unlocking [(1)] | 2 | (2 |
| Effect of unrealized capital gains and losses [(2)] | 2 | - |
| **Ending balance** | **$ 477** | **$ 47** |

(1) Included as a component of amortization of DAC on the Consolidated Statements of Operations.

(2) Represents the change in the DAC adjustment for unrealized capital gains and losses. The DAC adjustment represents the amount by which the amortization of DAC would increase or decrease if the unrealized gains and losses in the respective product portfolios were realized.

**Operating costs and expenses**

| | For the years ended December 31, | | |
|---|---|---|---|
| **($ in millions)** | **2021** | **2020** | **2019** |
| Non-deferrable commissions | $ 316 | $ 99 | $ 104 |
| General and administrative expenses | 471 | 223 | 181 |
| **Total operating costs and expenses** | **$ 787** | **$ 322** | **$ 285** |

*Operating costs and expenses* increased $465 million in 2021 compared to 2020, primarily due to the addition of the group health and individual health business in 2021. Results for 2020 included a write-off of capitalized software costs associated with a billing system.

### Analysis of reserves

**Reserve for future policy benefits**

| | As of December 31, | |
|---|---|---|
| **($ in millions)** | **2021** | **2020** |
| Traditional life insurance and other | $ 313 | $ 299 |
| Accident and health insurance | 960 | 729 |
| **Reserve for future policy benefits** | **$ 1,273** | **$ 1,028** |

### Allstate Health and Benefits reinsurance ceded

The vast majority of reinsurance relates to the disposition of long-term care and other closed blocks of business. We retain primary liability as a direct insurer for all risks ceded to reinsurers.

**Reinsurance recoverables by reinsurer, net**

| | S&P financial strength rating | Reinsurance recoverable on paid and unpaid benefits | |
|---|---|---|---|
| | | As of December 31, | |
| ($ in millions) | | 2021 | 2020 |
| Mutual of Omaha Insurance | A+ | $ 55 | $ 60 |
| Everlake Life Insurance Company [(1)] | NR | 39 | — |
| Argo Capital Group Ltd. | NR | 19 | — |
| General Re Life Corporation | AA+ | 16 | 17 |
| Midlands Casualty Insurance Company | NR | 16 | — |
| Other [(2)] | | 17 | 5 |
| Credit loss allowance | | (8) | (1) |
| **Total** | | **$ 154** | **$ 81** |

(1) A.M. Best rating is A+.

(2) As of December 31, 2021 and 2020, the other category includes $8 million and $4 million of recoverables due from reinsurers rated A- or better by S&P, respectively.

We continuously monitor the creditworthiness of reinsurers in order to determine our risk of recoverability on an individual and aggregate basis. No reinsurance recoverables have been written off in the three-years ended December 31, 2021.

## Investments

### Overview and strategy

The return on our investment portfolios is an important component of our ability to offer good value to customers, fund business improvements and create value for shareholders. Investment portfolios are held for Property-Liability, Protection Services, Allstate Health and Benefits and Corporate and Other operations. While taking into consideration the investment portfolio in aggregate, management of the underlying portfolios is significantly influenced by the nature of each respective business and its corresponding liability profile. For each business, we identify a strategic asset allocation which considers both the nature of the liabilities and the risk and return characteristics of the various asset classes in which we invest. This allocation is informed by our long-term business and market expectations, as well as other considerations such as risk appetite, portfolio diversification, duration, desired liquidity and capital. Within appropriate ranges relative to strategic allocations, tactical allocations are made in consideration of prevailing and potential future market conditions. We manage risks that involve uncertainty related to interest rates, credit spreads, equity returns and currency exchange rates.

The Property-Liability portfolio emphasizes protection of principal and consistent income generation, within a total return framework. This approach has produced competitive returns over the long term and is designed to ensure financial strength and stability for paying claims, while maximizing economic value and surplus growth. Products with lower liquidity needs, such as auto insurance and run-off lines, and capital create capacity to invest in less liquid higher yielding fixed income securities, performance-based investments such as limited partnerships and equity securities. Products with higher liquidity needs, such as homeowners insurance, are invested primarily in high quality liquid fixed income securities.

The Protection Services portfolio is focused on protection of principal and consistent income generation, within a total return framework. The portfolio is largely comprised of fixed income securities with a lesser allocation to equity securities and short-term investments.

The Allstate Health and Benefits portfolio is focused on protection of principal and consistent income generation while targeting an appropriate return on capital. The portfolio is largely comprised of fixed income securities and commercial mortgage loans with a small allocation to equity securities.

The Corporate and Other portfolio balances liquidity needs related to the corporate capital structure with the pursuit of returns.

We utilize two primary strategies to manage risks and returns and to position our portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. As strategies and market conditions evolve, the asset allocation may change.

*Market-based* strategy seeks to deliver predictable earnings aligned to business needs and take advantage of short-term opportunities primarily through public and private fixed income investments and public equity securities.

*Performance-based* strategy seeks to deliver attractive risk-adjusted returns and supplement market risk with idiosyncratic risk. Returns are impacted by a variety of factors including general macroeconomic and public market conditions as public benchmarks are often used in the valuation of underlying investments. Variability in earnings will also result from the performance of the underlying assets or business and the timing of sales of those investments. Earnings from the sales of investments may be recorded as net investment income or net gains and losses on investments and derivatives. The portfolio, which primarily includes private equity and real estate with a majority being limited partnerships, is diversified across a number of characteristics, including managers or partners, vintage years, strategies, geographies (including international) and industry sectors or property types. These investments are generally illiquid in nature, often require specialized expertise, typically involve a third-party manager, and often enhance returns and income through transformation at the company or property level. A portion of these investments seek returns in markets or asset classes that are dislocated or special situations, primarily in private markets.

## Coronavirus impacts

Future investment results will be influenced by the magnitude and duration of the global pandemic and the impact of actions taken by governmental authorities, businesses and consumers, including the availability, utilization rate and effectiveness of vaccines, to mitigate health risks, which creates significant uncertainty. Supply chain disruptions and labor shortages have increased inflation, which may have an adverse impact on investment valuations and returns.

## Investments Outlook

We plan to focus on the following priorities:

- Enhance investment portfolio returns through use of a dynamic capital allocation framework and focus on tax efficiency.
- Leverage our broad capabilities to manage the portfolio to earn higher risk-adjusted returns on capital.
- Invest for the specific needs and characteristics of Allstate's businesses, including its corresponding liability profile.

We expect to maintain performance-based investments in our Property-Liability portfolio, consistent with our strategy to have a greater proportion of return derived from idiosyncratic asset or operating performance. Income related to performance-based investments will result in variability of earnings for the Property-Liability portfolio.

To reduce exposure to an increasing interest rate environment, we shortened the duration of the Property-Liability fixed income portfolio by selling longer duration corporate and municipal bonds and reinvesting in shorter duration fixed income and public equity securities, as well as through the use of derivatives. These actions to shorten duration, coupled with continued reinvestment at market yields below the current market-based portfolio yield, will result in lower net investment income in future periods, but will reduce the adverse portfolio valuation impact of rising interest rates.

**Contractual maturities and yields of fixed income securities for the next three years**

| | Fixed income securities | |
|---|---|---|
| **($ in millions)** | **Carrying value** | **Investment yield** |
| 2022 | $ 1,111 | 2.1 % |
| 2023 | 6,114 | 1.3 |
| 2024 | 4,702 | 2.1 |

**Portfolio composition and strategy by reporting segment [1]**

| | As of December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **($ in millions)** | **Property-Liability** | **Protection Services** | **Allstate Health and Benefits** | **Corporate and Other** | **Total** |
| Fixed income securities [2] | $ 36,397 | $ 1,559 | $ 1,825 | $ 2,355 | $ 42,136 |
| Equity securities [3] | 6,185 | 180 | 74 | 622 | 7,061 |
| Mortgage loans, net | 728 | — | 93 | — | 821 |
| Limited partnership interests | 8,018 | — | — | — | 8,018 |
| Short-term investments [4] | 3,424 | 151 | 51 | 383 | 4,009 |
| Other investments, net | 2,506 | — | 148 | 2 | 2,656 |
| **Total** | **$ 57,258** | **$ 1,890** | **$ 2,191** | **$ 3,362** | **$ 64,701** |
| **Percent to total** | **88.5 %** | **2.9 %** | **3.4 %** | **5.2 %** | **100.0 %** |
| | | | | | |
| Market-based | $ 48,642 | $ 1,890 | $ 2,191 | $ 3,360 | $ 56,083 |
| Performance-based | 8,616 | — | — | 2 | 8,618 |
| **Total** | **$ 57,258** | **$ 1,890** | **$ 2,191** | **$ 3,362** | **$ 64,701** |

[1] Balances reflect the elimination of related party investments between segments.

[2] Fixed income securities are carried at fair value. Amortized cost, net for these securities was $35.74 billion, $1.54 billion, $1.76 billion, $2.34 billion and $41.38 billion for Property-Liability, Protection Services, Allstate Health and Benefits, Corporate and Other, and in total, respectively.

[3] Equity securities are carried at fair value. The fair value of equity securities, held as of December 31, 2021, was $1.05 billion in excess of cost. These net gains were primarily concentrated in the technology, consumer goods, and banking sectors. Equity securities include $1.13 billion of funds with underlying investments in fixed income securities as of December 31, 2021.

[4] Short-term investments are carried at fair value.

Investments totaled $64.70 billion as of December 31, 2021, increasing from $59.54 billion as of December 31, 2020, primarily due to positive operating cash flows, proceeds from the sales of ALIC, ALNY and certain affiliates and National General acquisition, partially offset by lower fixed income valuations, common share repurchases and dividends paid to shareholders.

**Portfolio composition by investment strategy**

| ($ in millions) | As of December 31, 2021 Market-based | | Performance-based | | Total | |
|---|---|---|---|---|---|---|
| Fixed income securities | $ | 42,049 | $ | 87 | $ | 42,136 |
| Equity securities | | 6,689 | | 372 | | 7,061 |
| Mortgage loans, net | | 821 | | — | | 821 |
| Limited partnership interests | | 759 | | 7,259 | | 8,018 |
| Short-term investments | | 4,009 | | — | | 4,009 |
| Other investments, net | | 1,756 | | 900 | | 2,656 |
| **Total** | **$** | **56,083** | **$** | **8,618** | **$** | **64,701** |
| **Percent to total** | | **86.7 %** | | **13.3 %** | | **100.0 %** |
| | | | | | | |
| Unrealized net capital gains and losses | | | | | | |
| Fixed income securities | $ | 759 | $ | 1 | $ | 760 |
| Limited partnership interests | | — | | (1) | | (1) |
| Other investments | | (3) | | — | | (3) |
| **Total** | **$** | **756** | **$** | **—** | **$** | **756** |

During 2021, strategic actions focused on optimizing portfolio yield, return and risk in the more volatile and rising interest rate environment. We continued to increase performance-based investments in the Property-Liability portfolio including the addition of retained private equity and real estate investments from the sale of ALIC, ALNY and certain affiliates. We shortened the maturity profile of fixed income securities in our Property-Liability portfolio to 4.3 years to reduce exposure to an increasing interest rate environment.

## Fixed income securities

**Fixed income securities by type**

| ($ in millions) | Fair value as of December 31, 2021 | | 2020 | |
|---|---|---|---|---|
| U.S. government and agencies | $ | 6,273 | $ | 2,107 |
| Municipal | | 6,393 | | 7,578 |
| Corporate | | 27,330 | | 31,017 |
| Foreign government | | 985 | | 958 |
| Asset-backed securities (“ABS”) | | 1,155 | | 905 |
| **Total fixed income securities** | **$** | **42,136** | **$** | **42,565** |

Fixed income securities are rated by third-party credit rating agencies or are internally rated. As of December 31, 2021, 82.2% 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 S&P, a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Credit ratings below these designations are considered lower credit quality or below investment grade, which includes high yield bonds. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Our initial investment decisions and ongoing monitoring procedures for fixed income securities are based on a due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure and liquidity risks of each issuer.

Fixed income portfolio monitoring is a comprehensive process to identify and evaluate each fixed income security that may require a credit loss allowance. The process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost is below internally established thresholds. For further detail on our fixed income portfolio monitoring process, see Note 5 of the consolidated financial statements.

**Fair value and unrealized net capital gains (losses) for fixed income securities by credit rating**

| ($ in millions) | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | A and above | | BBB | | BB | |
| | Fair value | Unrealized gain (loss) | Fair value | Unrealized gain (loss) | Fair value | Unrealized gain (loss) |
| U.S. government and agencies | $ 6,273 | $ (14) | $ — | $ — | $ — | $ — |
| Municipal | 6,124 | 257 | 254 | 5 | — | — |
| Corporate | | | | | | |
| Public | 4,179 | 63 | 10,477 | 258 | 1,649 | 72 |
| Privately placed | 1,624 | 10 | 3,631 | 42 | 2,777 | 42 |
| **Total corporate** | 5,803 | 73 | 14,108 | 300 | 4,426 | 114 |
| Foreign government | 984 | 3 | 1 | — | — | — |
| ABS | 1,088 | 3 | 11 | — | 9 | — |
| **Total fixed income securities** | **$ 20,272** | **$ 322** | **$ 14,374** | **$ 305** | **$ 4,435** | **$ 114** |

| | B | | CCC and lower | | Total | |
|---|---|---|---|---|---|---|
| | Fair value | Unrealized gain (loss) | Fair value | Unrealized gain (loss) | Fair value | Unrealized gain (loss) |
| U.S. government and agencies | $ — | $ — | $ — | $ — | $ 6,273 | $ (14) |
| Municipal | 10 | — | 5 | 1 | 6,393 | 263 |
| Corporate | | | | | | |
| Public | 273 | 3 | 11 | (6) | 16,589 | 390 |
| Privately placed | 2,394 | 17 | 315 | (5) | 10,741 | 106 |
| **Total corporate** | 2,667 | 20 | 326 | (11) | 27,330 | 496 |
| Foreign government | — | — | — | — | 985 | 3 |
| ABS | 1 | — | 46 | 9 | 1,155 | 12 |
| **Total fixed income securities** | **$ 2,678** | **$ 20** | **$ 377** | **$ (1)** | **$ 42,136** | **$ 760** |

*Municipal bonds*, including tax exempt and taxable securities, include general obligations of state and local issuers and revenue bonds.

Our practice for acquiring and monitoring municipal bonds is predominantly based on the underlying credit quality of the primary obligor. We currently rely on the primary obligor to pay all contractual cash flows and are not relying on bond insurers for payments. As a result of downgrades in the insurers' credit ratings, the ratings of the insured municipal bonds generally reflect the underlying ratings of the primary obligor.

*Corporate bonds* include publicly traded and privately placed securities. Privately placed securities primarily consist of corporate issued senior debt securities that are negotiated with the borrower or are issued by public entities in unregistered form.

Our $10.7 billion portfolio of privately placed securities is diversified by issuer, industry sector and country. The portfolio is made up of 553 issuers. Privately placed corporate obligations may contain structural security features such as financial covenants and call protections that provide investors greater protection against credit deterioration, reinvestment risk or fluctuations in interest rates than those typically found in publicly registered debt securities. Additionally, investments in these securities are made after fundamental analysis of issuers and sectors along with macro and asset class views. Ongoing monitoring includes continuous assessment of operating performance and financial position. Every issue not rated by an independent rating agency is internally rated with a formal rating affirmation at least once a year. Liquidity of securities issued by public entities in unregistered form is similar to public debt markets.

Our corporate bonds portfolio includes $7.42 billion of below investment grade bonds, $5.49 billion of which are privately placed. These securities are diversified by issuer and industry sector. The below investment grade corporate bonds portfolio is made up of 416 issuers. We employ fundamental analyses of issuers and sectors along with macro and asset class views to identify investment opportunities. This results in a portfolio with broad exposure to the high yield market with an emphasis on idiosyncratic positions reflective of our views of market conditions and opportunities.

*Foreign government securities* consist of Canadian governmental and provincial securities (all of which are held by our Canadian companies).

*ABS* are structured securities that are primarily collateralized by consumer or corporate borrowings and residential and commercial real estate loans. The cash flows from the underlying 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.

ABS includes collateralized debt obligations, consumer and other ABS. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees or insurance. ABS also includes residential mortgage-backed securities and commercial mortgage-backed securities.

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 principal repayments on the underlying collateral and retains this priority until the class is paid in full. 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 classes with lower original ratings.

The payment priority and class subordination included in these securities serves as credit enhancement for holders of the senior or top portions of the structures. These securities continue to retain the payment priority features that existed at the origination of the securitization trust. Other forms of credit enhancement may include structural features embedded in the securitization trust, such as overcollateralization, excess spread and bond insurance. The underlying collateral may contain fixed interest rates, variable interest rates (such as adjustable rate mortgages), or both fixed and variable rate features.

**Equity securities** of $7.06 billion primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust ("REIT") equity investments. Certain exchange traded and mutual funds have fixed income securities as their underlying investments.

**Mortgage loans** of $821 million mainly comprise loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification. For further detail on our mortgage loan portfolio, see Note 5 of the consolidated financial statements.

**Limited partnership interests** include $6.34 billion of interests in private equity funds, $920 million of interests in real estate funds and $759 million of interests in other funds as of December 31, 2021. We have commitments to invest additional amounts in limited partnership interests totaling $2.72 billion as of December 31, 2021.

| **Private equity limited partnerships by sector** | |
|---|---|
| **(% of carrying value)** | **December 31, 2021** |
| Industrial | 19.4 % |
| Healthcare | 12.2 |
| Information Technology | 11.9 |
| Consumer staples | 10.5 |
| Consumer discretionary | 9.6 |
| Utilities | 8.8 |
| Other | 27.6 |
| **Total** | **100.0 %** |

| **Real estate limited partnerships by sector** | |
|---|---|
| **(% of carrying value)** | **December 31, 2021** |
| Residential | 25.5 % |
| Industrial | 23.6 |
| Office | 14.5 |
| Other | 36.4 |
| **Total** | **100.0 %** |

**Short-term investments** of $4.01 billion primarily comprise money market funds, commercial paper, U.S. Treasury bills and other short-term investments, including securities lending collateral of $1.40 billion.

**Other investments** primarily comprise $1.57 billion of bank loans, $809 million of real estate, $148 million of policy loans and $12 million of derivatives as of December 31, 2021. For further detail on our use of derivatives, see Note 7 of the consolidated financial statements.

| **Direct real estate investments by sector** | |
|---|---|
| **(% of carrying value)** | **December 31, 2021** |
| Residential | 29.9 % |
| Agriculture | 17.7 |
| Retail | 16.7 |
| Industrial | 15.2 |
| Timber | 12.6 |
| Other | 7.9 |
| **Total** | **100.0 %** |

| **Unrealized net capital gains (losses)** | | |
|---|---|---|
| | **As of December 31,** | |
| **($ in millions)** | **2021** | **2020** |
| U.S. government and agencies | $ (14) | $ 49 |
| Municipal | 263 | 478 |
| Corporate | 496 | 1,960 |
| Foreign government | 3 | 37 |
| ABS | 12 | 7 |
| **Fixed income securities** | **760** | **2,531** |
| Derivatives | (3) | (3) |
| Equity method of accounting ("EMA") limited partnerships | (1) | (1) |
| **Unrealized net capital gains and losses, pre-tax** | **$ 756** | **$ 2,527** |

**Gross unrealized gains (losses) on fixed income securities by type and sector**

| | As of December 31, 2021 | | | |
|---|---|---|---|---|
| | | Gross unrealized | | |
| ($ in millions) | Amortized cost, net | Gains | Losses | Fair value |
| Corporate | | | | |
| Consumer goods (cyclical and non-cyclical) | $ 6,817 | $ 176 | $ (42) | $ 6,951 |
| Banking | 3,975 | 54 | (31) | 3,998 |
| Utilities | 2,009 | 43 | (28) | 2,024 |
| Technology | 2,947 | 80 | (23) | 3,004 |
| Communications | 2,077 | 58 | (21) | 2,114 |
| Financial services | 1,936 | 41 | (14) | 1,963 |
| Capital goods | 2,615 | 75 | (12) | 2,678 |
| Basic industry | 1,249 | 56 | (6) | 1,299 |
| Energy | | | | |
| Midstream | 1,132 | 37 | (4) | 1,165 |
| Integrated | 119 | 6 | — | 125 |
| Independent/upstream | 312 | 18 | (1) | 329 |
| Other | 224 | 6 | (1) | 229 |
| Total energy | 1,787 | 67 | (6) | 1,848 |
| Transportation | 976 | 35 | (5) | 1,006 |
| Other | 446 | 3 | (4) | 445 |
| **Total corporate fixed income portfolio** | **26,834** | **688** | **(192)** | **27,330** |
| U.S. government and agencies | 6,287 | 12 | (26) | 6,273 |
| Municipal | 6,130 | 279 | (16) | 6,393 |
| Foreign government | 982 | 9 | (6) | 985 |
| ABS | 1,143 | 14 | (2) | 1,155 |
| **Total fixed income securities** | **$ 41,376** | **$ 1,002** | **$ (242)** | **$ 42,136** |

**Gross unrealized gains (losses) on fixed income securities by type and sector**

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| | | Gross unrealized | | |
| ($ in millions) | Amortized cost | Gains | Losses | Fair value |
| Corporate | | | | |
| Consumer goods (cyclical and non-cyclical) | $ 7,820 | $ 516 | $ (2) | $ 8,334 |
| Banking | 4,353 | 244 | — | 4,597 |
| Utilities | 2,749 | 156 | (2) | 2,903 |
| Technology | 2,443 | 191 | (1) | 2,633 |
| Communications | 2,529 | 201 | (4) | 2,726 |
| Financial services | 1,785 | 116 | (2) | 1,899 |
| Capital goods | 2,906 | 205 | — | 3,111 |
| Basic industry | 1,512 | 136 | — | 1,648 |
| Energy | | | | |
| Midstream | 1,095 | 72 | (1) | 1,166 |
| Integrated | 270 | 27 | — | 297 |
| Independent/upstream | 186 | 21 | (1) | 206 |
| Other | 139 | 9 | (2) | 146 |
| Total energy | 1,690 | 129 | (4) | 1,815 |
| Transportation | 1,055 | 84 | (11) | 1,128 |
| Other | 215 | 8 | — | 223 |
| **Total corporate fixed income portfolio** | **29,057** | **1,986** | **(26)** | **31,017** |
| U.S. government and agencies | 2,058 | 50 | (1) | 2,107 |
| Municipal | 7,100 | 480 | (2) | 7,578 |
| Foreign government | 921 | 37 | — | 958 |
| ABS | 898 | 10 | (3) | 905 |
| **Total fixed income securities** | **$ 40,034** | **$ 2,563** | **$ (32)** | **$ 42,565** |

In general, the gross unrealized losses are related to an increase in market yields, which may include increased risk-free interest rates and wider credit spreads since the time of initial purchase. Similarly, gross unrealized gains reflect a decrease in market yields since the time of initial purchase.

**Equity securities by sector**

| ($ in millions) | December 31, 2021 Cost | December 31, 2021 Over (under) cost | December 31, 2021 Fair value | December 31, 2020 Cost | December 31, 2020 Over (under) cost | December 31, 2020 Fair value |
|---|---|---|---|---|---|---|
| Transportation | 74 | 22 | 96 | 24 | 7 | 31 |
| Energy | | | | | | |
| Midstream | 39 | 7 | 46 | 65 | (2) | 63 |
| Integrated | 62 | 8 | 70 | 10 | — | 10 |
| Independent/upstream | 44 | 5 | 49 | 7 | — | 7 |
| Other | 14 | 3 | 17 | 2 | 1 | 3 |
| Total energy | 159 | 23 | 182 | 84 | (1) | 83 |
| Utilities | 122 | 23 | 145 | 37 | 3 | 40 |
| Basic Industry | 119 | 30 | 149 | 29 | 10 | 39 |
| Capital Goods | $ 376 | $ 37 | $ 413 | $ 92 | $ (4) | $ 88 |
| Other [1] | 3,413 | 811 | 4,224 | 823 | 211 | 1,034 |
| Funds | | | | | | |
| Fixed income | 1,108 | 24 | 1,132 | 804 | 55 | 859 |
| Equities | 645 | 75 | 720 | 847 | 147 | 994 |
| Total funds | 1,753 | 99 | 1,852 | 1,651 | 202 | 1,853 |
| **Total equity securities** | **$ 6,016** | **$ 1,045** | **$ 7,061** | **$ 2,740** | **$ 428** | **$ 3,168** |

[1] Other is comprised of communications, financial services, REITs, banking, consumer goods and technology sectors.

**Net investment income**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Fixed income securities | $ 1,148 | $ 1,232 | $ 1,201 |
| Equity securities | 100 | 78 | 175 |
| Mortgage loans | 43 | 34 | 27 |
| Limited partnership interests | 1,973 | 238 | 296 |
| Short-term investments | 5 | 17 | 70 |
| Other investments | 195 | 124 | 131 |
| Investment income, before expense | 3,464 | 1,723 | 1,900 |
| Investment expense | | | |
| Investee level expenses | (60) | (36) | (51) |
| Securities lending expense | — | (4) | (27) |
| Operating costs and expenses | (111) | (93) | (94) |
| Total investment expense | (171) | (133) | (172) |
| **Net investment income** | **$ 3,293** | **$ 1,590** | **$ 1,728** |
| | | | |
| Property-Liability | $ 3,118 | $ 1,421 | $ 1,533 |
| Protection Services | 43 | 44 | 42 |
| Allstate Health and Benefits | 74 | 78 | 83 |
| Corporate and Other | 58 | 47 | 70 |
| **Net investment income** | **$ 3,293** | **$ 1,590** | **$ 1,728** |
| | | | |
| Market-based | $ 1,429 | $ 1,444 | $ 1,557 |
| Performance-based | 2,035 | 279 | 343 |
| **Investment income, before expense** | **$ 3,464** | **$ 1,723** | **$ 1,900** |

*Net investment income* increased 107.1% or $1.70 billion in 2021 compared to 2020, primarily due to increases in performance-based income results, mainly from limited partnerships.

| **Performance-based investment income** | | | |
|---|---|---|---|
| | **For the years ended December 31,** | | |
| **($ in millions)** | **2021** | **2020** | **2019** |
| Private equity | $ 1,660 | $ 206 | $ 212 |
| Real estate | 375 | 73 | 131 |
| **Total performance-based income before investee level expenses** | **$ 2,035** | **$ 279** | **$ 343** |
| Investee level expenses [(1)] | (55) | (32) | (44) |
| **Total performance-based income** | **$ 1,980** | **$ 247** | **$ 299** |

[(1)] Investee level expenses include asset level operating expenses reported in investment expense. In 2019, investee level expenses also included depreciation.

*Performance-based investment income* increased 701.6% or $1,733 million in 2021 compared to 2020, primarily due to increased valuations and net gains on sales of underlying investments. Performance-based investment income in 2021 includes income generated by certain investments which were classified as assets held for sale in 2020.

Performance-based investment results and income can vary significantly between periods and are influenced by economic conditions, equity market performance, comparable public company earnings multiples, capitalization rates, operating performance of the underlying investments and the timing of asset sales.

| **Components of net gains (losses) on investments and derivatives and the related tax effect** | | | |
|---|---|---|---|
| | **For the year December 31,** | | |
| **($ in millions)** | **2021** | **2020** | **2019** |
| Sales | $ 578 | 974 | $ 519 |
| Credit losses | (42) | (32) | (26) |
| Valuation change of equity investments - appreciation (decline): | | | |
| Equity securities | 544 | 139 | 858 |
| Equity fund investments in fixed income securities | (24) | (22) | 72 |
| Limited partnerships [(1)] | (21) | (21) | 141 |
| **Total valuation of equity investments** | **499** | **96** | **1,071** |
| Valuation change and settlements of derivatives | 49 | 49 | (26) |
| **Net gains (losses) on investments and derivatives, pre-tax** | **1,084** | **1,087** | **1,538** |
| Income tax expense | (237) | (236) | (324) |
| **Net gains (losses) on investments and derivatives, after-tax** | **$ 847** | **$ 851** | **$ 1,214** |
| | | | |
| Property-Liability | $ 798 | $ 774 | $ 1,161 |
| Protection Services | 19 | 23 | 25 |
| Allstate Health and Benefits | 5 | 7 | 9 |
| Corporate and Other | 25 | 47 | 19 |
| **Net gains (losses) on investments and derivatives, after-tax** | **$ 847** | **$ 851** | **$ 1,214** |
| | | | |
| Market-based | $ 917 | $ 1,033 | $ 1,444 |
| Performance-based | 167 | 54 | 94 |
| **Net gains (losses) on investments and derivatives, pre-tax** | **$ 1,084** | **$ 1,087** | **$ 1,538** |

[(1)] Relates to limited partnerships where the underlying assets are predominately public equity securities.

*Sales* in 2021 related primarily to sales of fixed income securities in connection with ongoing portfolio management and sales of real estate investments. Sales in 2020 related primarily to fixed income securities in connection with ongoing portfolio management.

*Valuation change and settlements of derivatives* in 2021 primarily comprised gains on foreign currency contracts due to the strengthening of the U.S. dollar and gains on interest rate futures used to manage asset duration and reduce exposure to increases in interest rates. 2020 primarily comprised gains on interest rate futures used for asset replication and equity futures used for risk management due to a decrease in indices, partially offset by losses on interest rate futures used for risk management and foreign currency contracts due to weakening of the U.S. dollar.

**Net gains (losses) on performance-based investments and derivatives**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Sales | $ 111 | $ 49 | $ 79 |
| Credit losses | (43) | (6) | (4) |
| Valuation change of equity investments | 71 | 24 | 15 |
| Valuation change and settlements of derivatives | 28 | (13) | 4 |
| **Total performance-based** | **$ 167** | **$ 54** | **$ 94** |

Net gains on performance-based investments and derivatives in 2021 primarily related to gains on sales of real estate investments, increased valuation of equity investments, and gains on valuation and settlement of derivatives. 2020 primarily related to increased valuation of equity investments and gains on sales of real estate investments, partially offset by losses on valuation and settlement of derivatives.

## Market Risk

Market risk is the risk that we will incur losses due to adverse changes in interest rates, credit spreads, equity prices, commodity prices or currency exchange rates. Adverse changes to these rates and prices may occur due to changes in fiscal policy, the economic climate, the liquidity of a market or market segment, insolvency or financial distress of key market makers or participants or changes in market perceptions of credit worthiness or risk tolerance. Our primary market risk exposures are to changes in interest rates, credit spreads and equity prices. We also have direct and indirect exposure to commodity price changes through our diversified investments in timber, agriculture, infrastructure and energy primarily held in limited partnership interests and consolidated subsidiaries.

The active management of market risk is integral to our results of operations. We may use the following approaches to manage exposure to market risk within defined tolerance ranges:

1) Rebalance existing asset or liability portfolios
2) Change the type of investments purchased in the future
3) Use derivative instruments to modify the market risk characteristics of existing assets and liabilities or assets expected to be purchased

**Overview** In formulating and implementing guidelines for investing funds, we seek to earn attractive risk-adjusted returns that enhance our ability to offer competitive prices to customers while contributing to stable profits and long-term capital growth. Accordingly, our investment decisions and objectives are informed by underlying risks. Investment policies define the overall framework for managing market and other investment risks, including accountability and controls over risk management activities. Subsidiaries that conduct investment activities follow policies that have been approved by their respective boards of directors and which specify the investment limits and strategies that are appropriate given the liquidity, surplus, product profile and regulatory requirements of the subsidiary. Executive oversight of investment activities is conducted primarily through the subsidiaries' boards of directors and legal entity investment committees. The Enterprise Risk and Return Council ("ERRC") oversees the aggregate risk of Allstate and its subsidiaries. Working in conjunction with the board or the investment committee of each subsidiary, as applicable, the ERRC evaluates the risk tolerance of each subsidiary and determines the aggregate risk tolerance of the enterprise.

We use widely-accepted quantitative and qualitative approaches to measure, monitor and manage market risk. We evaluate our market risk exposure using multiple measures including but not limited to:

- *Duration,* a measure of the price sensitivity of assets and liabilities to changes in interest rates
- *Value-at-risk,* a statistical estimate of the probability that the change in fair value of a portfolio will exceed a certain amount over a given time horizon
- *Scenario analysis,* an estimate of the potential changes in the fair value of a portfolio that could occur under hypothetical market conditions defined by changes to multiple market risk factors: interest rates, credit spreads, equity prices or currency exchange rates
- *Sensitivity analysis,* an estimate of the potential changes in the fair value of a portfolio that could occur using hypothetical shocks to a market risk factor.

The selection of measures used in our sensitivity analysis should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

In general, we establish investment portfolio asset allocation and market risk limits based upon a combination of these measures. The asset allocation limits place restrictions on the total funds that may be invested within an asset class. Comprehensive day-to-day management of market risk within defined tolerance ranges occurs as portfolio managers buy and sell within their respective markets based upon the acceptable boundaries established by investment policies. Although we apply a similar overall philosophy to market risk, the underlying business frameworks and the accounting and regulatory environments may differ between our products and therefore affect investment decisions and risk parameters.

**Interest rate risk** is the risk that we will incur a loss due to adverse changes in interest rates. Interest rate risk includes risks related to changes in U.S. Treasury yields and other key risk-free reference yields. This risk arises from many of our primary activities, as we invest substantial funds in interest-sensitive assets. Changes in interest rates can have favorable and unfavorable effects on our results. For example, increases in rates can improve investment income, but decrease the fair value of our fixed income securities portfolio which may require us to liquidate assets at losses. Decreases in rates could increase the fair value of our fixed income securities portfolio while decreasing investment income due to reinvesting at lower market yields and accelerating pay-downs and prepayments of certain investments.

For our corporate debt, we monitor market interest rates and evaluate refinancing opportunities as maturity dates approach. To mitigate this risk, we ladder the maturity dates of our debt. For our noncumulative perpetual preferred stock, we monitor market dividend rates and evaluate opportunities to redeem or refinance on or after specified dates. For further detail regarding our debt and our preferred stock, see Note 13 of the consolidated financial statements and the Capital Resources and Liquidity section of this Item.

Our assessment of interest rate risk includes assumptions (based upon historical market experience and our experience) that reflect the effect of changing interest rates on the prepayment, leverage or option features of instruments, where applicable. The preceding assumptions relate primarily to callable municipal and corporate bonds, mortgage-backed securities and municipal housing bonds. Additionally, the calculations include assumptions regarding the renewal of property and casualty products. As of December 31, 2021, the fixed income portfolio duration was 4.20 compared to 5.02 as of December 31, 2020.

**Interest rate shock analysis** [(1)]

| ($ in millions) | As of December 31, 2021<br>Fair Value of invested assets | |
|---|---|---|
| -100 bps change | $ | 1,625 |
| +100 bps change | | (1,638) |
| +200 bps change | | (3,215) |

(1) Represents an immediate, parallel increase or decrease based on information and assumptions used in the duration calculations and market interest rates as of December 31, 2021.

To the extent that conditions differ from the assumptions we used in these calculations, duration and rate shock measures could be significantly impacted. Additionally, our calculations assume the current relationship between short-term and long-term interest rates (the term structure of interest rates) will remain constant over time. As a result, these calculations may not fully capture the effect of non-parallel changes in the term structure of interest rates or large changes in interest rates.

**Credit spread risk** is the risk that we will incur a loss due to adverse changes in credit spreads ("spreads"). Credit spread is the additional yield on fixed income securities and loans above the risk-free rate (typically referenced as the yield on U.S. Treasury securities) that market participants require to compensate them for assuming credit, liquidity or prepayment risks. The magnitude of the spread will depend on the likelihood that a particular issuer will default. This risk arises from many of our primary activities, as we invest substantial funds in spread-sensitive fixed income assets. We manage the spread risk in our assets. One of the measures used to quantify this exposure is spread duration. Spread duration measures the price sensitivity of the assets to changes in spreads. For example, if spreads increase 100 basis points, the fair value of an asset exhibiting a spread duration of 5 is expected to decrease in value by 5%.

Spread duration is calculated similarly to interest rate duration. As of December 31, 2021, the spread duration was 4.39 compared to 4.74 as of December 31, 2020.

**Credit spread shock analysis** [(1)]

| ($ in millions) | As of December 31, 2021 | | 2020 | |
|---|---|---|---|---|
| Decrease in net fair value of the assets [(2)] | $ | 1,731 | $ | 2,042 |

(1) Represents an immediate, parallel increase of 100 basis points across all asset classes, industry sectors and credit ratings based on information and assumptions used in the spread duration calculations and market interest rates as of December 31, 2021.

(2) Reflects effects of tactical positions that include the use of credit default swaps to manage spread risk.

**Equity price risk** is the risk that we will incur losses due to adverse changes in the general levels of the markets.

*Equity investments* As of December 31, 2021, we held $6.69 billion in equity securities, excluding those with fixed income securities as their underlying investments, and limited partnership interests where the underlying assets are predominately public equity securities, compared to $2.52 billion as of December 31, 2020. 97.7% of the common stocks and other investments with public equity risk supported property and casualty products as of December 31, 2021, compared to 95.5% as of December 31, 2020. As of December 31, 2021, these investments had an equity market portfolio beta of 1.06, compared to a beta of 1.07 as of December 31, 2020. Beta represents a widely used methodology to describe, quantitatively, an investment's market risk characteristics relative to an index such as the Standard & Poor's 500 Composite Price Index ("S&P 500").

**Change in S&P 500 by 10%**

| ($ in millions) | As of December 31, 2021 | | 2020 | |
|---|---|---|---|---|
| Change in net fair value of equity investments | $ | 708 | $ | 269 |

We periodically use put options to reduce equity price risk or call options to adjust our equity risk profile. Put options provide an offset to declines in equity market values below a targeted level, while call options provide participation in equity market appreciation above a targeted level. Options can expire, terminate early or the option can be exercised. If the equity index does not fall below the put's strike price or rise above the call's strike price, the maximum loss on purchased puts and calls is limited to the amount of the premium paid.

*Limited partnership interests* As of December 31, 2021, we held $7.26 billion in limited partnership interests excluding those limited partnership interests where the underlying assets are predominately public equity securities compared to $4.35 billion as of December 31, 2020. All of our limited partnership interests supported property and casualty products as of December 31, 2021 and 2020. These investments are primarily comprised of private equity and real estate funds. These investments are idiosyncratic in nature and a greater portion of the return is derived from asset operating performance. They are not actively traded, and valuation changes typically reflect the performance of the underlying asset.

**Change in private market valuations by 10%**

| | As of December 31, | |
|---|---|---|
| **($ in millions)** | **2021** | **2020** |
| Change in net fair value of limited partnership interests | $ 726 | $ 435 |

For limited partnership interests, quarterly changes in fair values may not be highly correlated to equity indices in the short term and changes in value of these investments are generally recognized on a three-month delay due to the availability of the related investee financial statements. The illustrations noted above may not reflect our actual experience if the future composition of the portfolio (hence its beta) and correlation relationships differ from the historical relationships.

**Foreign currency exchange rate risk** is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates. This risk primarily arises from our foreign equity investments, including common stocks, limited partnership interests, and our Canada, Northern Ireland and India operations. We use foreign currency derivative contracts to partially offset this risk.

As of December 31, 2021, we had $2.04 billion in foreign currency denominated equity investments, including the impact of foreign currency derivative contracts, $1.30 billion net investment in our foreign subsidiaries, primarily related to our Canada operations, and $27 million in unhedged non-U.S. dollar fixed income securities. These amounts were $671 million, $1.30 billion, and $28 million, respectively, as of December 31, 2020.

**Change in foreign currency exchange rates** [1]

| | As of December 31, | |
|---|---|---|
| **($ in millions)** | **2021** | **2020** |
| Decrease in value of foreign currency denominated instruments | $ 396 | $ 246 |

[1] Represents a 10% immediate unfavorable change in each of the foreign currency exchange rates to which we are exposed based on information and assumptions used, including the impact of foreign currency derivative contracts.

The modeling technique we use to report our currency exposure does not take into account correlation among foreign currency exchange rates. Even though we believe it is very unlikely that all of the foreign currency exchange rates that we are exposed to would simultaneously decrease by 10%, we nonetheless stress test our portfolio under this and other hypothetical extreme adverse market scenarios. Our actual experience may differ from these results because of assumptions we have used or because significant liquidity and market events could occur that we did not foresee.

## 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.

**Capital resources**

| ($ in millions) | As of December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Preferred stock, common stock, treasury stock, retained income and other shareholders' equity items | $ 24,524 | $ 26,913 | $ 24,048 |
| Accumulated other comprehensive (loss) income | 655 | 3,304 | 1,950 |
| **Total Allstate shareholders' equity** | **25,179** | **30,217** | **25,998** |
| Debt | 7,976 | 7,825 | 6,631 |
| **Total capital resources** | **$ 33,155** | **$ 38,042** | **$ 32,629** |
| Ratio of debt to Allstate shareholders' equity | 31.7 % | 25.9 % | 25.5 % |
| Ratio of debt to capital resources | 24.1 % | 20.6 % | 20.3 % |

*Shareholders' equity* decreased in 2021, primarily due to loss on disposition from the sales of ALIC, ALNY and certain affiliates, common share repurchases, decreased net unrealized capital gains on investments and dividends paid to shareholders, partially offset by net income. In 2021, we paid dividends of $885 million and $114 million related to our common and preferred shares, respectively. Shareholders' equity increased in 2020, primarily due to net income and increased net unrealized capital gains on investments, partially offset by common share repurchases, dividends paid to shareholders and redemption of preferred stock. In 2020, we paid dividends of $668 million and $108 million related to our common and preferred shares, respectively.

*Common share repurchases* In August 2021, the Board authorized a new $5.00 billion common share repurchase program that is expected to be completed by March 31, 2023. We also completed the $3.00 billion common share repurchase program that commenced in February 2020.

In August 2021, we entered into an accelerated share repurchase agreement ("ASR agreement") with JP Morgan Chase Bank, to purchase $750 million of our outstanding common stock. Under the ASR agreement, we paid $750 million upfront and initially acquired 4.7 million shares. The ASR agreement concluded on September 17, 2021, and we repurchased a total of 5.6 million shares at an average price of $133.39.

As of December 31, 2021, there was $3.30 billion remaining in the $5.00 billion program.

During 2021, we repurchased 26.3 million common shares, or 8.7% of total common shares outstanding as of December 31, 2020, for $3.26 billion. The common share repurchases were completed through open market transactions and ASR agreements.

Since 1995, we have acquired 769 million shares of our common stock at a cost of $40.24 billion, primarily as part of various stock repurchase programs. We have reissued 151 million common shares since 1995, primarily associated with our equity incentive plans, the 1999 acquisition of American Heritage Life Investment Corporation and the 2001 redemption of certain mandatorily redeemable preferred securities. Since 1995, total common shares outstanding has decreased by 618 million shares or 68.8%, primarily due to our repurchase programs.

*Common shareholder dividends* On January 4, 2021, April 1, 2021, July 1, 2021, and October 1, 2021, we paid common shareholder dividends of $0.54, $0.81, $0.81 and $0.81, respectively. On November 19, 2021, we declared a common shareholder dividend of $0.81, payable on January 3, 2022.

*Redemption of preferred stock* On July 15, 2021, we redeemed all outstanding Depositary shares, representing 1/40th of a share of National General's 7.50% Noncumulative Preferred Stock, Series C and the underlying shares of 7.50% Noncumulative Preferred Stock, Series C, par value $0.01 per share for a total redemption of $200 million.

## Financial ratings and strength

**Senior long-term debt, commercial paper and insurance financial strength ratings**

| | As of December 31, 2021 | | |
|---|---|---|---|
| | **Moody's** | **S&P Global Ratings** | **A.M. Best** |
| The Allstate Corporation (debt) | A3 | A- | a |
| The Allstate Corporation (short-term issuer) | P-2 | A-2 | AMB-1+ |
| Allstate Insurance Company (insurance financial strength) | Aa3 | AA- | A+ |

Our ratings are influenced by many factors including our operating and financial performance, asset quality, liquidity, overall portfolio mix, financial leverage (i.e., debt), exposure to risks such as catastrophes and the current level of operating leverage. The preferred stock and subordinated debentures are viewed as having a common equity component by certain rating agencies and are given equity credit up to a pre-determined limit in our capital structure as determined by their respective methodologies. These respective methodologies consider the existence of certain terms and features in the instruments such as the noncumulative dividend feature in the preferred stock.

*The Allstate Corporation (the "Corporation") and Allstate Insurance Company ("AIC")* In January 2021, Moody's affirmed The Allstate Corporation's debt and short-term issuer ratings of A3 and P-2, respectively, and the insurance financial strength rating of Aa3 for Allstate Insurance Company ("AIC"). The outlook for the ratings is stable.

In June 2021, S&P affirmed the Corporation's debt and short-term issuer ratings of A- and A-2, respectively, and the insurance financial strength rating of AA- for AIC. The outlook for the ratings is stable.

In July 2021, A.M. Best affirmed the Corporation's debt and short-term issuer ratings of a and AMB-1+, respectively, and the insurance financial strength rating of A+ for AIC. The outlook for the ratings is stable.

*American Heritage Life ("AHL")* In July 2021, A.M. Best affirmed the insurance financial strength rating of A+ for AHL. The outlook for the rating is stable.

*Other property and casualty companies* We have distinct and separately capitalized groups of subsidiaries licensed to sell property and casualty insurance that maintain separate group ratings. The ratings of these groups are influenced by the risks that relate specifically to each group. Many mortgage companies require property owners to have insurance from an insurance carrier with a secure financial strength rating from an accredited rating agency. In July 2021, A.M. Best affirmed the A rating of ANJ, which writes auto and homeowners insurance in New Jersey, and the A+ rating of North Light, our excess and surplus lines carrier. The outlook for the ANJ rating and North Light rating is stable. ANJ also has a Financial Stability Rating® of A" from Demotech, which was affirmed in September 2021. In July 2021, A.M. Best affirmed the B+ rating of CKIC, which underwrites personal lines property insurance in Florida. CKIC also has a Financial Stability Rating of A' from Demotech that was affirmed in August 2021. ANJ, North Light and CKIC do not have support agreements with AIC.

Allstate's domestic property and casualty and life insurance subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the insurance department of the applicable state of domicile. Statutory surplus is a measure that is often used as a basis for determining dividend paying capacity, operating leverage and premium growth capacity, and it is also reviewed by rating agencies in determining their ratings.

The property and casualty business is comprised of 57 insurance companies as of December 31, 2021, each of which has individual company dividend limitations. As of December 31, 2021, total statutory surplus is $21.51 billion compared to $21.38 billion as of December 31, 2020. Property and casualty subsidiaries surplus was $21.19 billion as of December 31, 2021, compared to $17.13 billion as of December 31, 2020. Life insurance subsidiaries surplus was $322 million as of December 31, 2021, compared to $4.26 billion as of December 31, 2020.

The National Association of Insurance Commissioners (“NAIC”) has developed financial relationships or tests known as the Insurance Regulatory Information System to assist state insurance regulators in monitoring the financial condition of insurance companies and identifying companies that require special attention or actions by state insurance regulators. The NAIC analyzes financial data provided by insurance companies using prescribed ratios, each with defined “usual ranges”. Additional regulatory scrutiny may occur if a company’s ratios fall outside the usual ranges for four or more of the ratios. Two of our domestic insurance companies have more than four ratios outside the usual ranges.

**Liquidity sources and uses** Our potential sources and uses of funds principally include the following activities below.

| **Activities for potential sources of funds** | *Property-Liability* | *Protection Services* | *Allstate Health and Benefits* | *Corporate and Other* |
|---|---|---|---|---|
| Receipt of insurance premiums | ü | ü | ü | |
| Recurring service fees | ü | ü | ü | |
| Contractholder fund deposits | | | ü | |
| Reinsurance and indemnification program recoveries | ü | ü | ü | |
| Receipts of principal, interest and dividends on investments | ü | ü | ü | ü |
| Sales of investments | ü | ü | ü | ü |
| Funds from securities lending, commercial paper and line of credit agreements | ü | | | ü |
| Intercompany loans | ü | ü | ü | ü |
| Capital contributions from parent | ü | ü | ü | ü |
| Dividends or return of capital from subsidiaries | ü | ü | ü | ü |
| Tax refunds/settlements | ü | ü | ü | ü |
| Funds from periodic issuance of additional securities | | | | ü |
| Receipt of intercompany settlements related to employee benefit plans | | | | ü |

| **Activities for potential uses of funds** | *Property-Liability* | *Protection Services* | *Allstate Health and Benefits* | *Corporate and Other* |
|---|---|---|---|---|
| | | ü | | |
| Payment of claims and related expenses | ü | | | |
| Payment of contract benefits, surrenders and withdrawals | | | ü | |
| Reinsurance cessions and indemnification program payments | ü | ü | ü | |
| Operating costs and expenses | ü | ü | ü | ü |
| Purchase of investments | ü | ü | ü | ü |
| Repayment of securities lending, commercial paper and line of credit agreements | ü | | | ü |
| Payment or repayment of intercompany loans | ü | ü | ü | ü |
| Capital contributions to subsidiaries | ü | ü | ü | ü |
| Dividends or return of capital to shareholders/parent company | ü | ü | ü | ü |
| Tax payments/settlements | ü | ü | ü | ü |
| Common share repurchases | | | | ü |
| Debt service expenses and repayment | ü | | | ü |
| Payments related to employee benefit plans | ü | ü | ü | ü |
| Payments for acquisitions | ü | ü | ü | ü |

*Contractual obligations and commitments* We have short-term and long-term contractual obligations and commitments. We manage our short-term liquidity position to ensure the availability of a sufficient amount of liquid assets to extinguish short-term liabilities as they come due in the normal course of business, including utilizing potential sources of liquidity. Long-term obligations include known contractual commitments that require cash needs beyond 12 months.

*Short-term contractual obligations* are typically settled with cash or short-term investments and operating cash flows. Most of these obligations are paid within one year. These include unconditional purchase obligations, other liabilities and accrued expenses, including liabilities for collateral and operating leases, and net unrecognized tax benefits.

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. Additionally, we have existing intercompany agreements in place that facilitate liquidity management across the Company to enhance flexibility.

As of December 31, 2021, we held $13.27 billion of cash, U.S. government and agencies fixed income securities, and public equity securities which we would expect to be able to liquidate within one week. In addition, we regularly estimate how much of the total portfolio, which includes high quality corporate fixed income and municipal holdings, can be reasonably liquidated within one quarter. These estimates are subject to considerable uncertainty associated with evolving market conditions. As of December 31, 2021, cash and estimated liquidity available within one quarter, under normal market conditions and at current market prices, was $25.4 billion.

Certain remote events and circumstances could constrain our liquidity. Those events and circumstances include, for example, a catastrophe resulting in extraordinary losses, a downgrade in our senior long-term debt ratings to non-investment grade status, or a downgrade in AIC's financial strength ratings. The rating agencies also consider the interdependence of our individually rated entities; therefore, a rating change in one entity could potentially affect the ratings of other related entities.

The Allstate Corporation is party to an Amended and Restated Intercompany Liquidity Agreement ("Liquidity Agreement") with certain subsidiaries, which includes, but is not limited to AIC. The Liquidity Agreement 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. AIC serves as a lender and borrower, certain other subsidiaries serve only as borrowers, and the Corporation serves only as a lender. 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 includes, but is not limited to, AIC. 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 securities lending to fund intercompany borrowings.

*Parent company capital capacity* At the parent holding company level, we have deployable assets totaling $3.31 billion as of December 31, 2021, primarily comprised of cash and investments that are generally saleable within one quarter. The substantial earnings capacity of the operating subsidiaries is the primary source of capital generation for the Corporation.

The payment of dividends by AIC to The Allstate Corporation is limited by Illinois insurance law to formula amounts based on statutory net income and statutory surplus, as well as the timing and amount of dividends paid in the preceding twelve months. Based on the greater of 2021 statutory net income or 10% of statutory surplus, the maximum amount of dividends that AIC will be able to pay, without prior Illinois Department of Insurance approval, at a given point in time in 2022 is estimated at $5.51 billion, less dividends paid during the preceding twelve months measured at that point in time. Notification and approval of intercompany lending activities are also required by the Illinois Department of Insurance for those transactions that exceed formula amounts based on statutory admitted assets and statutory surplus.

These holding company assets and subsidiary dividends provide funds for the parent company's fixed charges and other corporate purposes.

Intercompany dividends were paid in 2021, 2020 and 2019 between the following companies: AIC, Allstate Insurance Holdings, LLC ("AIH"), the Corporation, ALIC, American Heritage Life Insurance Company ("AHL") and Allstate Financial Insurance Holdings Corporation ("AFIHC").

**Intercompany dividends**

| ($ in millions) | 2021 | 2020 | 2019 |
|---|---|---|---|
| AIC to AIH | $ 5,946 | $ 4,435 | $ 2,732 |
| AIH to the Corporation | 5,586 | 4,443 | 2,747 |
| ALIC to AIC | 1,642 | — | 75 |
| AHL to AFIHC | 90 | 80 | 80 |
| AFIHC to the Corporation | 128 | 115 | 50 |

Dividends may not be paid or declared on our common stock and shares of common stock may not be repurchased unless the full dividends for the latest completed dividend period on our preferred stock have been declared and paid or provided for.

We are prohibited from declaring or paying dividends on our Series G preferred stock if we fail to meet specified capital adequacy, net income or shareholders' equity levels, except out of the net proceeds of common stock issued during the 90 days prior to the date of declaration. As of December 31, 2021, we satisfied all the requirements with no current restrictions on the payment of preferred stock dividends. There were no capital contributions paid by the Corporation to AIC in 2021, 2020 or 2019.

The terms of our outstanding subordinated debentures also prohibit us from declaring or paying any dividends or distributions on our common or preferred stock or redeeming, purchasing, acquiring, or making liquidation payments on our common stock or preferred stock if we have elected to defer interest payments on the subordinated debentures, subject to certain limited exceptions. In 2021, we did not defer interest payments on the subordinated debentures.

Additional resources to support liquidity are as follows:

- The Corporation and AIC have access to a $750 million unsecured revolving credit facility that is available for short-term liquidity requirements. In November 2021, the maturity date of this facility was extended to November 2026. The facility is fully subscribed among 11 lenders with the largest commitment being $95 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, subject to the lenders' commitment. This facility has a financial covenant requiring that we not exceed a 37.5% debt to capitalization ratio as defined in the agreement. This ratio was 19.0% as of December 31, 2021. 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, unguaranteed long-term debt. There were no borrowings under the credit facility during 2021.
- To cover short-term cash needs, the Corporation has access to a commercial paper facility with a borrowing capacity limited to any undrawn credit facility balance up to $750 million.
- As of December 31, 2021, there were no balances outstanding for the credit facility or the commercial paper facility and therefore the remaining borrowing capacity was $750 million.
- The Corporation has access to a universal shelf registration statement with the Securities and Exchange Commission that expires in 2024. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 619 million shares of treasury stock as of December 31, 2021), 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.

**Long-term contractual obligations**

*Defined benefit pension plans and other postretirement benefit plans ("OPEB")* Pension plan obligations within the next 12 months represent our planned contributions to certain unfunded non-qualified plans where the benefit obligation exceeds the assets. Obligations beyond 12 months are projected based on the average remaining service period using the current underfunded status of the plans. The OPEB plans' obligations are estimated based on the expected benefits to be paid. See Note 18 of the consolidated financial statements for further information.

*Reserves for property and casualty insurance claims and claims expense* represent estimated amounts necessary to settle all outstanding claims, including claims that have been IBNR as of the balance sheet date. Estimated timing of payments for reserves is based on our historical experience and our expectation of future payment patterns. The ultimate cost of losses may vary materially from recorded amounts that are our best estimates. See Note 9 of the consolidated financial statements and Application of Critical Accounting Estimates section of the MD&A for further information.

*Reserve for future policy benefits and contractholder funds* We estimate the present value of cash payments to be made to contractholders and policyholders. We are currently making payments for contracts where the timing of a portion or all of the payments has been determined by the contract. Contracts such as voluntary accident and health insurance, interest-sensitive life and traditional life insurance involve payment obligations where a portion or all of the amount and timing of future payments is uncertain. We have estimated the timing of payments related to these contracts based on historical experience and our expectation of future payment patterns. Uncertainties relating to these liabilities include mortality, morbidity, expenses, customer lapse and withdrawal activity, estimated additional deposits for interest-sensitive life contracts, and renewal premium for life policies, which may significantly impact both the timing and amount of future payments. See Note 10 of the consolidated financial statements for further information.

*Contractual commitments* represent investment commitments such as private placements, limited partnership interests and other loans. Limited partnership interests are typically funded over the commitment period which is shorter than the contractual expiration date of the partnership and as a result, the actual timing of the funding may vary.

We have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. All material intercompany transactions have been appropriately eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate departments of insurance as required.

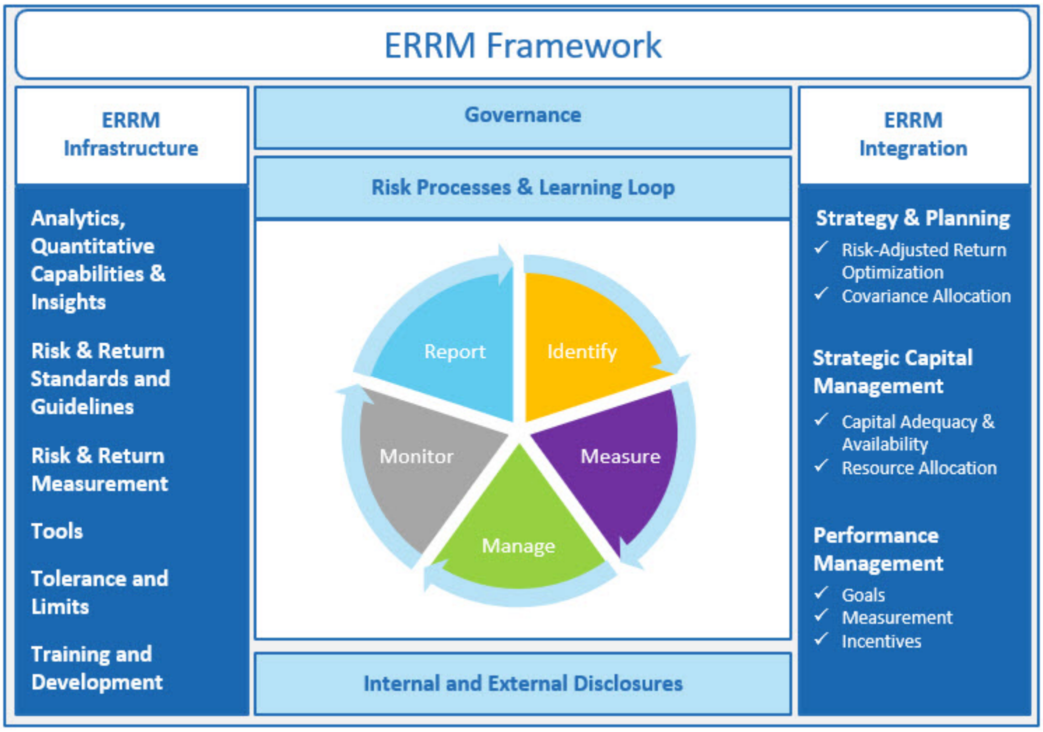
For a more detailed discussion of our off-balance sheet arrangements, see Note 7 of the consolidated financial statements.

## Enterprise Risk and Return Management

Allstate is subject to significant risks as an insurer and a provider of other products and services. These risks are discussed in more detail in the Risk Factors section of this document.

We regularly identify, measure, manage, monitor and report all significant risks. Major categories of enterprise risk are strategic, insurance, investment, financial, operational and culture.

Allstate manages these risks through an Enterprise Risk and Return Management ("ERRM") framework that includes governance, processes, culture, and activities that are performed on an integrated, enterprise-wide basis, following our risk and return principles. Our legal and capital structures are designed to manage capital and solvency on a legal entity basis. Our risk-return principles define how we operate and guide risk and return decision making. These principles state that our priority is to maintain a strong foundation by protecting solvency, complying with laws and acting with integrity. We strive to build strategic value and optimize risk and return.




*Governance* ERRM governance includes board oversight, an executive management committee, and enterprise and market-facing business chief risk officers.

- The Allstate Corporation Board of Directors ("Allstate Board") has overall responsibility for oversight of Management's design and implementation of ERRM.
- The Risk and Return Committee ("RRC") of the Allstate Board oversees effectiveness of the ERRM program, governance structure and risk-related decision-making, while focusing on the Company's overall risk profile.
- The Audit Committee oversees the effectiveness of internal controls over financial reporting, disclosure controls and procedures as well as management's risk control framework and cybersecurity program.
- The Enterprise Risk and Return Council ("ERRC"), directs ERRM activities by establishing risk and return targets, determining economic capital levels and monitoring integrated strategies and actions from an enterprise risk and return perspective. The ERRC consists of Allstate's chief executive officer, vice chair, chief financial officer, chief risk officer and other senior leaders.
- Other key committees work with the ERRC to direct ERRM activities, including the Operating Committee, the Operational Risk and Return Council, the Information Security Council, the ESG (Environmental, Social, and Governance) Steering

Committee, liability governance committees, and investment committees.

Key risks are assessed and reported through comprehensive ERRM reports prepared for senior management and the RRC. The risk summary report communicates alignment of Allstate's risk profile with risk and return principles while providing a perspective on risk positioning. Discussion promotes active engagement with management and the RRC. Internal controls over key risks are managed and reported to senior management and the Audit Committee of the Company through a semi-annual risk control dashboard. Annually, we review risks related to the strategic plan, operating plan and incentive compensation programs with the Allstate Board.

*Framework* We apply these principles using an integrated ERRM framework that focuses on assessment, transparency and dialogue. Our framework provides a comprehensive view of risks and is used by senior management and business managers to drive risk-return based decisions. We continually validate and improve our ERRM practices by benchmarking and obtaining external perspectives.

Management and the ERRC rely on internal and external perspectives to determine an appropriate level of target economic capital. Internal perspectives include enterprise solvency and volatility assessments, stress scenarios, model assumptions and management judgment. External considerations include NAIC risk-based capital as well as S&P's, Moody's, and A.M. Best's capital adequacy measurement. Our economic capital reflects management's view of the aggregate level of capital necessary to satisfy stakeholder interests, manage Allstate's risk profile and maintain financial strength. The impact of strategic initiatives on enterprise risk is evaluated through the economic capital framework.

The NAIC has adopted the Risk Management and Own Risk and Solvency Assessment Model Act ("ORSA Model Act"), which has been enacted by our insurance subsidiaries' domiciliary states. The ORSA Model Act requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer's material risks in normal and stressed environments. Results of the assessment are filed annually.

Allstate's risk appetite is measured through our economic capital framework. The enterprise risk appetite is cascaded into individual risk limits which set boundaries on the amount of risk we are willing to accept from one specific risk category before escalating for further management discussion and action. Risk limits are established based upon expected returns, volatility, potential tail losses and impact on the enterprise portfolio. To effectively operate within risk limits and for risk-return optimization, business units establish risk limits and capital targets specific to their businesses. Allstate's risk management strategies adapt to changes in business and market environments.

*Process* Our ERRM framework establishes a basis for transparency and dialogue across the enterprise and for continuous learning by embedding our risk and return management culture of identifying, assessing, managing, monitoring and reporting risks within the organization. Allstate designs business and enterprise strategies that seek to optimize risk-adjusted returns on capital. Risks are managed at both the legal entity and enterprise level.

A summary of our process to manage each of our major risk categories follows:

**Strategic risk and return management** addresses loss associated with inadequate or flawed business planning or strategy setting, including product mix, mergers or acquisitions and market positioning, and unexpected changes within the market or regulatory environment in which Allstate operates. This includes reputational risk, which is the potential for negative publicity regarding a company's conduct or business practices to adversely impact its profitability, operations, or consumer base, or to require costly litigation and other defensive measures.

We manage strategic risk in part through Allstate Board and senior management strategy reviews that include risk and return assessment of our strategic plans and ongoing monitoring of strategic actions, key assumptions and the external competitive environment. Using the ERRM framework, Allstate designs strategies that seek to optimize risk-adjusted returns on economic capital for risk types including interest rate risk, credit risk, equity investments, including those with idiosyncratic return potential, auto profitability and property risk exposure.

**Insurance risk and return management** addresses fluctuations in the timing, frequency and severity of benefits, expenses, and premiums relative to the return expectations inclusive of systemic risk, concentration of insurance exposures, policy terms, reinsurance coverage, and claims handling practices.

Insurance risk is the potential for loss due to adverse changes in actual or anticipated insurance claims experience (including claims adjustment expenses), net of reinsurance, and lost future profits. Insurance risk exposures include our operating results and financial condition, claims frequency and severity, and catastrophe and severe weather.

Insurance risk exposures are measured and monitored with different approaches including:

- Stochastic methods: measure and monitor risks such as natural catastrophes and severe weather. We develop probabilistic estimates of risk based on our exposures, historical observed volatility or industry-recognized models in the case of catastrophe risk.
- Scenario analysis: measures and monitors risks and estimated losses due to extreme low frequency events that include combined multiple event scenarios across risk categories and time periods.

**Investment risk and return management** addresses financial loss due to changes in the valuations of assets held in the Allstate investment portfolio. Such losses may be caused by macro developments, such as changes to interest rates, credit spreads and equity price levels, or could be specific to individual investments in the portfolio. These losses can encompass both daily market volatility and permanent impairments of capital due to credit defaults and equity write-downs.

Investment risk exposures include interest rate risk, credit spread risk, equity price risk and foreign currency exchange rate risk.

Investment risk exposures are measured and monitored in a number of ways including:

- Sensitivity analysis: measures the impact from a unit change in a market risk input.
- Stochastic and probabilistic estimation of potential losses: combines portfolio risk exposures with historical or recent market volatilities and correlations to assess the potential range of future investment results.
- Scenario analysis: measures material adverse outcomes such as shock scenarios applied to credit, public and private equity markets.

Some of the stress scenarios are a combination of multiple scenarios across risk categories and over multiple time periods, considering the effects of macroeconomic conditions.

**Financial risk and return management** addresses the risk of insufficient cash flows to meet corporate or policyholder needs, risk of inadequate aggregate capital or capital within any subsidiary, inability to access capital markets, credit risk that arises when an external party fails to meet a contractual obligation such as reinsurance for ceded claims, or risk associated with a business counterparty default.

We actively manage our capital and liquidity levels in light of changing market, economic and business conditions. Our capital position, capital generation capacity, and targeted risk profile provide strategic and financial flexibility.

We generally assess solvency on a statutory accounting basis, but also consider holding company capital and liquidity needs. Current enterprise capital, which exceeds economic targeted levels, is based on a combination of statutory surplus and deployable assets at the parent holding company level.

**Operational risk and return management** addresses loss as a result of the failure of people, processes, or systems. Operational risk exposures include human capital, privacy, regulatory compliance, ethics, fraud, system availability, cybersecurity, data quality, disaster recovery and business continuity.

Operational risk is managed at the enterprise and market-facing business levels, through an integrated Operational Risk and Return Management ("ORRM") program, with resources throughout the enterprise identifying, measuring, monitoring, managing, and reporting on operational risks at a detailed level.

From time to time, we engage independent advisers to assess and consult on operational risks. We also perform assessments of the quality of our operational risk program and identify opportunities to strengthen our internal controls.

**Culture risk and return management** addresses the potential for loss of stakeholder value from a suboptimal work environment, missed opportunities, or ineffective risk management practices. Allstate defines organization culture as a self-sustaining system of shared values, principles and priorities that shape beliefs, drive behavior and influence decision-making within an organization. Allstate's approach is grounded in its Risk and Return Principles and organized by Our Shared Purpose.

Culture is managed using a set of cultural risk categories established as a basis for assessment and measurement, and the learning loop is applied to ensure continuous improvement. Results of culture risk assessments are reported to the ERRC and RRC throughout the year. To strengthen oversight, the Culture Risk and Return Management ("CRRM") team partners with Human Resources and the broader organization to enhance the sophistication of the CRRM framework, including the following key components:

- Key risk categories, defining the most important areas of culture to track and enhance.
- Key risk indicators, reflecting the health of the system, providing early warnings, and helping Allstate prioritize risk and return activities.
- Governance, ensuring timely discussion, escalation, and prioritization of issues, as well as identification of opportunities.

Many risk drivers impact more than one of these key risk categories. Examples include risks related to the Coronavirus, inflation, and ESG factors. Such risks are managed within processes listed above, but overall strategy is coordinated at the enterprise level, and holistic governance is provided by cross-functional committees such as the Enterprise Risk and Return Council and ESG Steering Committee.

## Application of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. The most critical estimates, presented in the order they appear in the Consolidated Statements of Financial Position, include those used in determining:

- Fair value of financial assets
- Impairment of fixed income securities with credit losses
- Business combinations and purchase price allocations
- Evaluation of goodwill
- Reserve for property and casualty insurance claims and claims expense estimation
- Pension and other postretirement plans net costs and assumptions

In making these determinations, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to our businesses and operations. It is reasonably likely that changes in these estimates could occur from period to period and result in a material impact on our consolidated financial statements.

A summary of each of these critical accounting estimates follows. For a more detailed discussion of the effect of these estimates on our consolidated financial statements, and the judgments and assumptions related to these estimates, see the referenced sections of this document. For a more detailed summary of our significant accounting policies, see the notes to the consolidated financial statements.

**Fair value of financial assets** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are responsible for the determination of fair value of financial assets and the supporting assumptions and methodologies. We use independent third-party valuation service providers, broker quotes and internal pricing methods to determine fair values. We obtain or calculate only one single quote or price for each financial instrument.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of proprietary models, produce valuation information in the form of a single fair value for individual fixed income and other securities for which a fair value has been requested under the terms of our agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, liquidity spreads, currency rates, and other information, as applicable. Credit and liquidity spreads are typically implied from completed transactions and transactions of comparable securities. Valuation service providers also use proprietary discounted cash flow models that are widely accepted in the financial services industry and similar to those used by other market participants to value the same financial instruments. The valuation models take into account, among other things, market observable information as of the measurement date, as described above, as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector, and where applicable, collateral quality and other issue or issuer specific information. Executing valuation models effectively requires seasoned professional judgment and experience. For certain equity securities, valuation service providers provide market quotations for completed transactions on the measurement date. In cases where market transactions or other market observable data is limited, the extent to which judgment is applied varies inversely with the availability of market observable information.

For certain of our financial assets measured at fair value, where our valuation service providers cannot provide fair value determinations, we obtain a single non-binding price quote from a broker familiar with the security who, similar to our valuation service providers, may consider transactions or activity in similar securities among other information. The brokers providing price quotes are generally from the brokerage divisions of financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation.

The fair value of certain financial assets, including privately placed corporate fixed income securities and free-standing derivatives, for which our valuation service providers or brokers do not provide fair value determinations, is developed using valuation methods and models widely accepted in the financial services industry. Our internal pricing methods are primarily based on models using discounted cash flow methodologies that develop a single best estimate of fair value. Our models generally incorporate inputs that we believe are representative of inputs other market participants would use to determine fair value of the same instruments, including yield curves, quoted market prices of comparable securities or instruments, published credit spreads, and other applicable market data as well as instrument-specific characteristics that include, but are not limited to, coupon rates, expected cash flows, sector of the issuer, and call provisions. Because judgment is required in developing the fair values of these financial assets, they may differ from the amount actually received to sell an asset in an orderly transaction between market participants at the measurement date. Moreover, the use of different valuation assumptions may have a material effect on the financial assets' fair values.

For most of our financial assets measured at fair value, all significant inputs are based on or corroborated by market observable data, and significant management judgment does not affect the periodic determination of fair value. The determination of fair value using discounted cash flow models involves management judgment when significant model inputs are not based on or corroborated by market observable data. However, where market observable data is available, it takes precedence, and as a result, no range of reasonably likely inputs exists from which the basis of a sensitivity analysis could be constructed.

We gain assurance that our financial assets are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, our processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, we assess the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. We perform procedures to understand and assess the methodologies, processes and controls of valuation service providers.

In addition, we may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third-party valuation sources for selected securities. We perform ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, we validate them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

During periods of high volatility or market disruption, we may perform an analysis to determine whether there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity, and if so, whether transactions may not be orderly. Among the indicators we consider in determining whether a significant decrease in the volume and level of market activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, level of credit spreads over historical levels, bid-ask spread, and price consensuses among market participants and sources. If evidence indicates that prices are based on transactions that are not orderly, we place little, if any, weight on the transaction price and will estimate fair value using an internal model. As of December 31, 2021 and 2020, we did not adjust fair values provided by our valuation service providers or brokers or substitute them with an internal model for such securities.

**Fixed income, equity securities and short-term investments by source of fair value determination**

| ($ in millions) | December 31, 2021 Fair value | Percent to total |
|---|---|---|
| Fair value based on internal sources | $ 275 | 0.5 % |
| Fair value based on external sources [1] | 52,931 | 99.5 |
| **Total** | **$ 53,206** | **100.0 %** |

[1] Includes $94 million that are valued using broker quotes and $290 million that are valued using quoted prices or quoted net asset values from deal sponsors.

For additional detail on fair value measurements, see Note 6 of the consolidated financial statements.

**Impairment of fixed income securities with credit losses** For fixed income securities classified as available-for-sale, the difference between amortized cost, net of credit loss allowance (“amortized cost, net”) and fair value, net of certain other items and deferred income taxes (as disclosed in Note 5 of the consolidated financial statements), is reported as a component of AOCI on the Consolidated Statements of Financial Position and is not reflected in the operating results of any period until reclassified to net income upon the consummation of a transaction with an unrelated third party or when a credit loss allowance is recorded. We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income security that may require a credit loss allowance.

For each fixed income security in an unrealized loss position, we assess whether management with the appropriate authority has made the decision to sell or whether it is more likely than not we will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, any existing credit loss allowance would be written-off against the amortized cost basis of the asset along with any remaining unrealized losses, with the incremental losses recorded in earnings.

If we have not made the decision to sell the fixed income security and it is not more likely than not we will be required to sell the fixed income security before recovery of its amortized cost basis, we evaluate whether we expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. We calculate the estimated recovery value based on the best estimate of future cash flows considering past events, current conditions and reasonable and supportable forecasts. The estimated future cash flows are discounted at the security's current effective rate, and are compared to the amortized cost of the security. The determination of cash flow estimates is inherently subjective, and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security are considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, origination vintage year, geographic concentration of underlying collateral, available reserves or escrows, current subordination levels, third-party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if we determine that the security is dependent on the liquidation of collateral for ultimate settlement.

If we do not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, a credit loss allowance is recorded in earnings for the shortfall in expected cash flows; however, the amortized cost, net of the credit loss allowance, may not be lower than the fair value of the security. The portion of the unrealized loss related to factors other than credit remains classified in AOCI. If we determine that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, we may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

When a security is sold or otherwise disposed or the security is deemed uncollectible and written off, we remove amounts previously recognized in the credit loss allowance. Recoveries after write-offs are recognized when received.

For additional detail on investment impairments, see Note 5 of the consolidated financial statements.

**Business combinations and purchase price allocations** We have acquired significant intangible assets through acquisitions of businesses. Intangible assets (reported in other assets in the Consolidated Statements of Financial Position) consist of capitalized costs, primarily of the estimated fair value of distribution and customer relationships, trade names, licenses and technology assets. The estimated useful lives of these assets generally range from 3 to 10 years.

On January 4, 2021, the Company completed the acquisition of National General Holdings Corp. ("National General"), an insurance holding company serving customers predominantly through independent agents for property and casualty and accident and health products. The estimated fair value of distribution and customer relationship intangible assets was determined using an income approach that considered cash flows and profits expected to be generated by the acquired relationships, a weighted-average cost of capital discount rate reflecting the relative risk of achieving the anticipated cash flows, profits, the time value of money, and other relevant inputs. Technology and trade names were valued using estimated useful lives and market licensing rates discounted at a weighted-average cost of capital. Licenses are primarily insurance licenses which were valued using the median value of market transactions executed over an extended observation period.

*Value of business acquired* (reported in DAC in the Consolidated Statements of Financial Position) recognized in connection with the acquisition of National General represents the value of future profits expected to be earned over the lives of the contracts acquired determined using a weighted-average cost of capital discount and other relevant assumptions. These costs are amortized over the policy term of the contracts in force at the acquisition date, generally over six or twelve months.

**Evaluation of goodwill** Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired, less any impairment of goodwill recognized. Goodwill is recognized when acquired and allocated to reporting units based on which unit is expected to benefit from the synergies of the business combination. Our goodwill reporting units are equivalent to our reportable segments: Allstate Protection, Protection Services, and Allstate Health and Benefits to which goodwill has been assigned.

The goodwill balance was $3.50 billion and $2.37 billion at December 31, 2021 and 2020, respectively. During 2021, our goodwill increased primarily reflecting the acquisition of National General and SafeAuto.

Upon acquisition, the purchase price of the acquired business is assumed to be its fair value. Subsequently, we estimate the fair value of our businesses in each goodwill reporting unit, utilizing a combination of widely accepted valuation techniques including a stock price and market capitalization analysis, discounted cash flow ("DCF") calculations and an estimate of a business's fair value using market to book multiples derived from peer company analysis. The stock price and market capitalization analysis takes into consideration the quoted market price of our outstanding common stock and includes a control premium, derived from relevant historical acquisition activity, in determining the estimated fair value of the consolidated entity before allocating that fair value to individual reporting units. The DCF analysis utilizes long term assumptions for revenues, investment income, benefits, claims, other operating expenses and income taxes to produce projections of both income and cash flows available for dividends that are present valued using the weighted average cost of capital. Market to book multiples represent the mean market to book multiple for selected peer companies with operations similar to our goodwill reporting units to which the multiple is applied. The outputs from these methods are weighted based on the nature of the business and the relative amount of market observable assumptions supporting the estimates. The computed values are then weighted to reflect the fair value estimate based on the specific attributes of each goodwill reporting unit.

Estimating the fair value of reporting units is a subjective process that involves the use of significant estimates by management. Changes in market inputs or other events impacting the fair value of these businesses, including discount rates, operating results, investment returns, strategies and growth rate assumptions, among other factors, could result in goodwill impairments, resulting in a charge to income. Certain of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have substantial internally generated and unrecognized intangibles and fair values that significantly exceed their carrying values.

Our Protection Services goodwill reporting unit is more heavily comprised of newly acquired businesses and as a result does not have a significant excess of fair value over its carrying value attributable to internally generated unrecognized intangibles. Therefore, this reporting unit may be more susceptible to potential future goodwill impairment based on changes to growth or margin assumptions.

The most significant assumptions utilized in the determination of the estimated fair value of the Protection Services reporting unit are the earnings growth rate and discount rate. The growth rate utilized in our fair value estimates is consistent with our plans to grow these businesses more rapidly over the near-term with more moderated growth rates in later years.

The discount rate, which is consistent with the weighted average cost of capital expected by a market participant, is based upon industry specific required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by changes in the risk-free rate, cost of debt, equity risk premium and entity specific risks.

Changes in our growth assumptions, including the risk of loss of key customers, or adverse changes in the discount rates could result in a decline in fair value and result in a goodwill impairment charge.

**Reserve for property and casualty insurance claims and claims expense estimation** Reserves are established to provide for the estimated costs of paying claims and claims expenses under insurance policies we have issued. Underwriting results are significantly influenced by estimates of property and casualty insurance claims and claims expense reserves. These reserves are an estimate of amounts necessary to settle all outstanding claims, including IBNR, as of the financial statement date.

*Characteristics of reserves* Reserves are established independently of business segment management for each business segment and line of business based on estimates of the ultimate cost to settle claims, less losses that have been paid. The significant lines of business are auto, homeowners, and other personal lines for Allstate Protection, and asbestos, environmental, and other run-off lines for Run-off Property-Liability. Allstate Protection's claims are typically reported promptly with relatively little reporting lag between the date of occurrence and the date the loss is reported. Auto and homeowners liability losses generally take an average of about two years to settle, while auto physical damage, homeowners property and other personal lines have an average settlement time of less than one year. Run-off Property-Liability involves long-tail losses, such as those related to asbestos and environmental claims, which often involve substantial reporting lags and extended times to settle.

Reserves are the difference between the estimated ultimate cost of losses incurred and the amount of paid losses as of the reporting date. Reserves are estimated for both reported and unreported claims, and include estimates of all expenses associated with processing and settling all incurred claims. We update most of our reserve estimates quarterly and as new information becomes available or as events emerge that may affect the resolution of unsettled claims. Changes in prior reserve estimates (reserve reestimates), which may be material, are determined by comparing updated estimates of ultimate losses to prior estimates, with the differences recorded as property and casualty insurance claims and claims expense in the Consolidated Statements of Operations in the period such changes are determined. Estimating the ultimate cost of claims and claims expenses is an inherently uncertain and complex process involving a high degree of judgment and is subject to the evaluation of numerous variables.

*The actuarial methods used to develop reserve estimates* Reserve estimates are derived by using several different actuarial estimation methods that are variations on one primary actuarial technique. The actuarial technique is known as a "chain ladder" estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves established by claim adjusters) for an accident year or a report year to create an estimate of how losses are likely to develop over time. An accident year refers to classifying claims based on the year in which the claims occurred. A report year refers to classifying claims based on the year in which the claims are reported. Both classifications are used to prepare estimates of required reserves for payments to be made in the future. The key assumptions affecting our reserve estimates comprise data elements including claim counts, paid losses, case reserves, and development factors calculated with this data.

See Run-off Property-Liability reserve estimates section for specific disclosures of industry and actuarial best practices for this segment.

In the chain ladder estimation technique, a ratio (development factor) is calculated which compares current period results to results in the prior period for each accident year. Typically, a multi-year average development factor, based on historical results, is used to estimate the development of losses of each accident year into the next time period. The effects of inflation are implicitly considered in the reserving process, the implicit assumption being that a development factor includes an adequate provision. The development factor estimation methodology may require modification when data changes due to changing claim reporting practices, changing claim settlement patterns, external regulatory or financial influences, or contractual coverage changes. The modifications include exclusion of unusual losses or aberrations and adjustment of historical data to present conditions. Actuarial judgment is then applied to develop a best estimate of gross ultimate losses. These developments are discussed further in the loss ratio disclosures within the Allstate Protection Segment and the Claims and Claims Expense Reserves sections of the MD&A.

*How reserve estimates are established and updated* Reserve estimates are developed at a very detailed level, and the results are aggregated to form a consolidated reserve estimate. The detailed estimates include each line of insurance, major components of losses (such as coverages and perils), major states or groups of states and for reported losses and IBNR. The actuarial methods described above are used to analyze the settlement patterns of claims used in the reserve estimation process. Development factors are calculated for data elements such as claim counts reported and settled, paid losses, and paid losses combined with case reserves. The calculation of development factors from changes in these data elements also impacts claim severity trends. The historical development patterns for these data elements are used to calculate reserve estimates.

Estimates are prepared for each detailed component, incorporating alternative analyses of changing claim settlement patterns and other influences on losses, from which we select our best estimate. Actuarial judgments that may be applied to these components generally do not have a material impact on the consolidated level of reserves. Based on this review our best estimate of required reserves is recorded.

Reserves are reestimated quarterly and periodically throughout the year, by combining historical results with current actual results to calculate new development factors. This process continuously incorporates the historic and latest actual trends, and other underlying changes in the data elements used to calculate reserve estimates. New development factors are likely to differ from previous development factors used in prior reserve estimates because actual results (claims reported or settled, losses paid, or changes to case reserves) occur differently than the assumptions contained in the previous development factor calculations. When actual development of these data elements is different than the historical development pattern used in a prior period reserve estimate, a new reserve is determined. The difference between indicated reserves based on new reserve estimates and recorded reserves (the previous estimate) is the amount of reserve reestimate and is recognized as an increase or decrease in claims and claims expense in the Consolidated Statements of Operations. A more detailed discussion of reserve reestimates is presented in the Claims and Claims Expense Reserves section of the MD&A.

**Favorable (unfavorable) impact of reserve reestimates on net income applicable to common shareholders** [1]

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Net reserve reestimates, after-tax | (6.5)% | 6.3 % | 2.2 % |

[1] 2020 includes approximately $495 million of favorable reserve reestimates related to the PG&E Corporation and Southern California Edison subrogation settlements.

**3-year average of net reserve reestimates as a percentage of total reserves for each segment** [1] [2]

| | 2021 |
|---|---|
| Allstate Protection | (1.3)% |
| Run-off Property-Liability | 8.7 % |
| Protection Services | (4.7)% |

[1] Favorable reserve reestimates are shown in parentheses.

[2] Each of these results is consistent within a reasonable actuarial tolerance for the respective businesses.

**Net claims and claims expense reserves by segment and line of business**

| ($ in millions) | As of December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Allstate Protection | | | |
| Auto | $ 15,134 | $ 14,164 | $ 14,728 |
| Homeowners | 3,741 | 2,315 | 2,138 |
| Other lines [1] | 3,249 | 2,657 | 2,530 |
| **Total Allstate Protection** | **22,124** | **19,136** | **19,396** |
| Run-off Property-Liability | | | |
| Asbestos | 828 | 827 | 810 |
| Environmental | 226 | 206 | 179 |
| Other run-off lines | 367 | 375 | 376 |
| **Total Run-off Property-Liability** | **1,421** | **1,408** | **1,365** |
| **Total Protection Services** | **36** | **33** | **39** |
| **Total net claims and claims expense reserves** | **$ 23,581** | **$ 20,577** | **$ 20,800** |

[1] 2021 includes the unamortized fair value adjustment related to the acquisition of National General.

*Allstate Protection reserve estimate*

*Factors affecting reserve estimates* Reserve estimates are developed based on the processes and historical development trends described above. These estimates are considered in conjunction with known facts and interpretations of circumstances and factors including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. When we experience changes of the type previously mentioned, we may need to apply actuarial judgment in the determination and selection of development factors considered more reflective of the new trends, such as combining shorter or longer periods of historical results with current actual results to produce development factors based on two-year, three-year, or longer development periods to reestimate our reserves. For example:

- The Coronavirus has had a significant impact on driving patterns and auto frequency that may lead to historical development trends being less predictive of future loss development, potentially creating additional reserve variability.
- If a legal change is expected to have a significant impact on the development of claim severity for a coverage which is part of a particular line of insurance in a specific state, actuarial judgment is applied to determine appropriate development factors that will most accurately reflect the expected impact on that specific estimate.
- A change in economic conditions is expected to affect the cost of repairs to damaged autos or property for a particular line, coverage, or state, actuarial judgment is applied to determine appropriate development factors to use in the reserve estimate that will most accurately reflect the expected impacts on severity development.

As claims are reported, for certain liability claims of sufficient size and complexity, the field adjusting staff establishes case reserve estimates of ultimate cost, based on their assessment of facts and circumstances related to each individual claim. For other claims which occur in large volumes and settle in a relatively short time frame, it is not practical or efficient to set case reserves for each claim, and a statistical case reserve is set for these claims based on estimation techniques described above. In the normal course of business, we may also supplement our claims processes by utilizing third-party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims.

Historically, the case reserves set by the field adjusting staff have not proven to be an entirely accurate estimate of the ultimate cost of claims. To provide for this, a development reserve is estimated using the processes described above and allocated to pending claims as a supplement to case reserves. Typically, the case, including statistical case, and supplemental development reserves comprise about 90% of total reserves.

Another major component of reserves is IBNR, which comprises about 10% of total reserves. IBNR can be a small percentage of reserves for relatively short-term claims, such as auto physical damage claims, or a large percentage of reserves for claims that have uncertain payout requirements over a long period of time, such as auto injury and MCCA claims. All major components of reserves are affected by changes in claim frequency as well as claim severity.

Generally, the initial reserves for a new accident year are established based on actual claim frequency and severity assumptions for different business segments, lines and coverages based on historical relationships to relevant inflation indicators. Reserves for prior accident years are statistically determined using processes described above. Changes in auto claim frequency may result from changes in mix of business, the rate of distracted driving, miles driven or other macroeconomic factors. Changes in auto current year claim severity are generally influenced by inflation in the medical and auto repair sectors of the economy, the effectiveness and efficiency of our claim practices and changes in mix of claim type. We mitigate these effects through various loss management programs. Injury claims are affected largely by medical cost inflation while physical damage claims are affected largely by auto repair cost inflation and used car prices. For auto physical damage coverages, we monitor our rate of increase in average cost per claim against the auto maintenance, repair, parts and equipment price indices. We believe our claim settlement initiatives, such as improvements to the claim review and settlement process, the use of special investigative units to detect fraud and handle suspect claims, litigation management and defense strategies, as well as various other loss management initiatives underway, contribute to the mitigation of injury and physical damage severity trends.

Changes in homeowners current year claim severity are generally influenced by inflation in the cost of building materials, the cost of construction and property repair services, the cost of replacing home furnishings and other contents, the types of claims that qualify for coverage, deductibles, other economic and environmental factors and the effectiveness and efficiency of our claim practices.

As loss experience for the current year develops for each type of loss, it is monitored relative to initial assumptions until it is judged to have sufficient statistical credibility. From that point in time and forward, reserves are reestimated using statistical actuarial processes to reflect the impact actual loss trends have on development factors incorporated into the actuarial estimation processes.

The very detailed processes for developing reserve estimates, and the lack of a need and existence of a common set of assumptions or development factors, limits aggregate reserve level testing for variability of data elements. However, by applying standard actuarial methods to consolidated historic accident year loss data for major loss types, comprising auto injury losses, auto physical damage losses and homeowner losses, we develop variability analyses consistent with the way we develop reserves by measuring the potential variability of development factors, as described in the section titled “Potential Reserve Estimate Variability” below.

*Causes of reserve estimate uncertainty* Since reserves are estimates of unpaid portions of claims and claims expenses that have occurred, including IBNR losses, the establishment of appropriate reserves, including reserves for catastrophe losses, requires regular reevaluation and refinement of estimates to determine our ultimate loss estimate.

At each reporting date, the highest degree of uncertainty in estimates for most of our losses from ongoing businesses arise from claims remaining to be settled for the current accident year and the most recent preceding accident year. The greatest degree of uncertainty exists in the current accident year because the current accident year contains the greatest proportion of losses that have not been reported or settled but must be estimated as of the current reporting date. Most of these losses relate to damaged property such as automobiles and homes, and medical care for injuries from accidents. During the first year after the end of an accident year, a large portion of the total losses for that accident year are settled. When accident year losses paid through the end of the first year following the initial accident year are incorporated into updated actuarial estimates, the trends inherent in the settlement of claims emerge more clearly. Consequently, this is the point in time at which we tend to make our largest reestimates of losses for an accident year. After the second year, the losses that we pay for an accident year typically relate to claims that are more difficult to settle, such as those involving serious injuries or litigation. Private passenger auto insurance provides a good illustration of the uncertainty of future loss estimates: our typical annual percentage payout of reserves remaining at December 31 for an accident year is approximately 45% in the first year after the end of the accident year, 20% in the second year, 15% in the third year, 10% in the fourth year, and the remaining 10% thereafter.

*Reserves for catastrophe losses* Catastrophe losses are an inherent risk of the property and casualty insurance industry that have contributed, and will continue to contribute, to potentially material year-to-year fluctuations in our results of operations and financial position. 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 a winter weather 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 and freezes, tornadoes, hailstorms, wildfires, tropical storms, hurricanes, earthquakes and volcanoes. We are also exposed to man-made catastrophic events, such as certain types of terrorism or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

The estimation of claims and claims expense reserves for catastrophe losses also comprises estimates of losses from reported claims and IBNR, primarily for damage to property. In general, our estimates for catastrophe reserves are based on claim adjuster inspections and the application of historical loss development factors as described above. However, depending on the nature of the catastrophe, the estimation process can be further complicated. For example, for hurricanes, complications could include the inability of insureds to promptly report losses, limitations placed on claims adjusting staff affecting their ability to inspect losses, determining whether losses are covered by our homeowners policy (generally for damage caused by wind or wind driven rain) or specifically excluded coverage caused by flood, estimating additional living expenses, and assessing the impact of demand surge, exposure to mold damage, and the effects of numerous other considerations, including the timing of a catastrophe in relation to other events, such as at or near the end of a financial reporting period, which can affect the availability of information needed to estimate reserves for that reporting period. In these situations, we may need to adapt our practices to accommodate these circumstances in order to determine a best estimate of our losses from a catastrophe. For example, to complete estimates for certain areas affected by catastrophes not yet inspected by our claims adjusting staff, or where we believed our historical loss development factors were not predictive, we rely on analysis of actual claim notices received compared to total PIF, as well as visual, governmental and third-party information, including aerial photos, using satellites, aircrafts and drones, area observations, and data on wind speed and flood depth to the extent available.

*Potential reserve estimate variability* The aggregation of numerous micro-level estimates for each business segment, line of insurance, major components of losses (such as coverages and perils), and major states or groups of states for reported losses and IBNR forms the reserve liability recorded in the Consolidated Statements of Financial Position. Because of this detailed approach to developing our reserve estimates, there is not a single set of assumptions that determines our reserve estimates at the consolidated level. Given the numerous micro-level estimates for reported losses and IBNR, management does not believe the processes that we follow will produce a statistically credible or reliable actuarial reserve range that would be meaningful. Reserve estimates, by their very nature, are very complex to determine and subject to significant judgment, and do not represent an exact determination for each outstanding claim. Accordingly, as actual claims, paid losses, and case reserve results emerge, our estimate of the ultimate cost to settle will be different than previously estimated.

To develop a statistical indication of potential reserve variability within reasonably likely possible outcomes, an actuarial technique (stochastic modeling) is applied to the countrywide consolidated data elements for paid losses and paid losses combined with case reserves separately for injury losses, auto physical damage losses, and homeowners losses excluding catastrophe losses. Based on the combined historical variability of the development factors calculated for these data elements, an estimate of the standard error or standard deviation around these reserve estimates is calculated within each accident year for the last twelve years for each type of loss. The variability of these reserve estimates within one standard deviation of the mean (a measure of frequency of dispersion often viewed to be an acceptable level of accuracy) is believed by management to represent a reasonable and statistically probable measure of potential variability. Based on our products and coverages, historical experience, the statistical credibility of our extensive data and stochastic modeling of actuarial chain ladder methodologies used to develop reserve estimates, we estimate that the potential variability of our Allstate Protection reserves, excluding reserves for catastrophe losses, within a reasonable probability of other possible outcomes, may be approximately plus or minus 4%, or plus or minus $900 million in net income applicable to common shareholders. A lower level of variability exists for auto injury losses, which comprise approximately 80% of reserves, due to their relatively stable development patterns over a longer duration of time required to settle claims. Other types of losses, such as auto physical damage, homeowners losses and other personal lines losses, which comprise about 20% of reserves, tend to have greater variability but are settled in a much shorter period of time. Although this evaluation reflects most reasonably likely outcomes, it is possible the final outcome may fall below or above these amounts. Historical variability of reserve estimates is reported in the Claims and Claims Expense Reserves section of the MD&A.

*Reserves for Michigan and New Jersey unlimited personal injury protection* Claims and claims expense reserves include reserves for Michigan mandatory unlimited personal injury protection coverage to insureds involved in qualifying motor vehicle accidents. The administration of this program is through the MCCA, a state-mandated, non-profit association of which all insurers actively writing automobile coverage in Michigan are members.

The process employed to estimate MCCA covered losses involves a number of activities including the comprehensive review and interpretation of MCCA actuarial reports, other MCCA members' reports and our personal injury protection loss trends which have increased in severity over time. A significant portion of incurred claim reserves can be attributed to a small number of catastrophic claims and thus a large portion of the recoverable is similarly concentrated. We conduct comprehensive claim file reviews to develop case reserve type estimates of specific claims, which inform our view of future claim development and longevity of claimants. Each year, we update the actuarial estimate of our ultimate reserves and recoverables. We report our paid and unpaid claims based on MCCA requirements. The MCCA develops its own reserving estimates based on its own reserve methodologies, which may not align with our estimations. The MCCA does not provide member companies with its estimate of a company's claim costs. We continue to update each comprehensive claim file case reserve estimate when there is a significant change in the status of the claimant, or once every three years if there have been no significant changes.

We provide similar personal injury protection coverage in New Jersey for auto policies issued or renewed in New Jersey prior to 1991 that is administered by PLIGA. We use similar actuarial estimating techniques as for the MCCA exposures to estimate loss reserves for unlimited personal injury protection coverage for policies covered by PLIGA. We continue to update our estimates for these claims as the status of claimant's changes. However, unlimited coverage was no longer offered after 1991; therefore, no new claimants are being added.

Reserve estimates are confidential and proprietary and by their nature are very complex to determine and subject to significant judgments. Reserve estimates do not represent an exact determination for each outstanding claim. Claims may be subject to litigation. As actual claims, paid losses and case reserve results emerge, our estimate of the ultimate cost to settle may be materially greater or less than previously estimated amounts.

For additional information related to indemnification recoverables, see Item 1 - Regulation, Indemnification Programs and Note 11 of the consolidated financial statements.

*Adequacy of reserve estimates* We believe our net claims and claims expense reserves are appropriately established based on available methodologies, facts, technology, laws and regulations. We calculate and record a single best reserve estimate, in conformance with generally accepted actuarial standards and practices, for each line of insurance, its components (coverages and perils) and state, for reported losses and for IBNR losses, and as a result we believe that no other estimate is better than our recorded amount. Due to the uncertainties involved, the ultimate cost of losses may vary materially from recorded amounts, which are based on our best estimates.

*Run-off Property-Liability reserve estimates*

*Characteristics of Run-off exposure* Our exposure to asbestos, environmental and other run-off claims arise principally from assumed reinsurance coverage written during the 1960s through the mid-1980s, including reinsurance on primary insurance written on large U.S. companies, and from direct excess commercial insurance written from 1972 through 1985, including substantial excess general liability coverages on large U.S. companies. Additional exposure stems from direct primary commercial insurance written during the 1960s through the mid-1980s. Asbestos claims relate primarily to bodily injuries asserted by claimants who were exposed to asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up costs. Other run-off claims exposures primarily relate to general liability and product liability mass tort claims, such as those for medical devices and other products, workers' compensation claims and claims for various other coverage exposures other than asbestos and environmental.

In 1986, the general liability policy form used by us and others in the property and casualty industry was amended to introduce an "absolute pollution exclusion," which excluded coverage for environmental damage claims, and to add an asbestos exclusion. Most general liability policies issued prior to 1987 contain annual aggregate limits for product liability coverage. General liability policies issued in 1987 and thereafter contain annual aggregate limits for product liability coverage and annual aggregate limits for all coverages. Our experience to date is that these policy form changes have limited the extent of our exposure to environmental and asbestos claim risks.

Our exposure to liability for asbestos, environmental and other run-off claims losses manifests differently depending on whether it arises from assumed reinsurance coverage, direct excess commercial insurance or direct primary commercial insurance. The direct insurance coverage we provided that covered asbestos, environmental and other run-off claims was substantially "excess" in nature.

Direct excess commercial insurance and reinsurance involve coverage written by us for specific layers of protection above retentions and other insurance plans. The nature of excess coverage and reinsurance provided to other insurers limits our exposure to loss to specific layers of protection in excess of policyholder retention on primary insurance plans. Our exposure is further limited by the significant reinsurance that we had purchased on our direct excess business.

Our assumed reinsurance business involved writing generally small participations in other insurers' reinsurance programs. The reinsured losses in which we participate may be a proportion of all eligible losses or eligible losses in excess of defined retentions. Of the majority of our assumed reinsurance exposure, approximately 85%, is for excess of loss coverage, while the remaining 15% is for pro-rata coverage.

Our direct primary commercial insurance business did not include coverage to large asbestos manufacturers. This business comprises a cross section of policyholders engaged in many diverse business sectors throughout the country.

*How reserve estimates are established and updated* We conduct an annual review in the third quarter to evaluate, establish and adjust as necessary, asbestos, environmental and other run-off claims reserves. Changes to reserves are recorded in the reporting period in which they are determined. Using established industry and actuarial best practices and assuming no change in the regulatory or economic environment, this detailed and comprehensive methodology determines asbestos reserves based on assessments of the characteristics of exposure (i.e. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, and determines environmental reserves based on assessments of the characteristics of exposure (i.e. environmental damages, respective shares of liability of potentially responsible parties, appropriateness and cost of remediation) to pollution and related clean-up costs. The number and cost of these claims are affected by advertising by trial lawyers seeking asbestos plaintiffs, and entities with asbestos exposure seeking bankruptcy protection as a result of asbestos liabilities, initially causing a delay in the reporting of claims, often followed by an acceleration and an increase in claims and claims expenses as settlements occur.

After evaluating our insureds' probable liabilities for asbestos and environmental claims, we evaluate our insureds' coverage programs for such claims. We consider our insureds' total available insurance coverage, including the coverage we issued. We also consider relevant judicial interpretations of policy language and applicable coverage defenses or determinations, if any.

Evaluation of both the insureds' estimated liabilities and our exposure to the insureds depends heavily on an analysis of the relevant legal issues and litigation environment. This analysis is conducted by our specialized claims adjusting staff and legal counsel. Based on these evaluations, case reserves are established by claims adjusting staff and actuarial analysis is employed to develop an IBNR reserve, which includes estimated potential reserve development and claims that have occurred but have not been reported. As of December 31, 2021 and 2020, IBNR was 54.8% and 50.3%, respectively, of combined net asbestos and environmental reserves.

For both asbestos and environmental reserves, we also evaluate our historical direct net loss and expense paid and incurred experience to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid and incurred activity. Other run-off claims reserves are based on considerations similar to those described above, as they relate to the characteristics of specific individual coverage exposures.

*Potential reserve estimate variability* Establishing Run-off Property-Liability net loss reserves for asbestos, environmental and other run-off claims is subject to uncertainties that are much greater than those presented by other types of property and casualty claims. Among the complications are lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure and unresolved legal issues regarding policy coverage; unresolved legal issues regarding the determination, availability and timing of exhaustion of policy limits; plaintiffs' evolving and expanding theories of liability; availability and collectability of recoveries from reinsurance; retrospectively determined premiums and other contractual agreements; estimates of the extent and timing of any contractual liability; the impact of bankruptcy protection sought by various asbestos producers and other asbestos defendants; and other uncertainties. There are also complex legal issues concerning the interpretation of various insurance policy provisions and whether those losses are covered, or were ever intended to be covered, and could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements. Courts have reached different and sometimes inconsistent conclusions as to when losses are deemed to have occurred and which policies provide coverage; what types of losses are covered; whether there is an insurer obligation to defend; how policy limits are determined; how policy exclusions and conditions are applied and interpreted; and whether clean-up costs represent insured property damage. Our reserves for asbestos and environmental exposures could be affected by tort reform, class action litigation, and other potential legislation and judicial decisions. Environmental exposures could also be affected by a change in the existing federal Superfund law and similar state statutes. There can be no assurance that any reform legislation will be enacted or that any such legislation will provide for a fair, effective and cost-efficient system for settlement of asbestos or environmental claims. We believe these issues are not likely to be resolved in the near future, and the ultimate costs may vary materially from the amounts currently recorded resulting in material changes in loss reserves. Historical variability of reserve estimates is demonstrated in the Claims and Claims Expense Reserves section of the MD&A.

*Adequacy of reserve estimates* Management believes its net loss reserves for asbestos, environmental and other run-off claims exposures are appropriately established based on available facts, technology, laws, regulations, and assessments of other pertinent factors and characteristics of exposure (i.e. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, assuming no change in the legal, legislative or economic environment. Due to the uncertainties and factors described above, management believes it is not practicable to develop a meaningful range for any such additional net loss reserves that may be required.

*Further discussion of reserve estimates* For further discussion of these estimates and quantification of the impact of reserve estimates, reserve reestimates and assumptions, see Note 9 and Note 15 of the consolidated financial statements and the Claims and Claims Expense Reserves section of the MD&A.

**Pension and other postretirement plans net costs and assumptions** Our defined benefit pension plans cover most full-time employees, certain part-time employees and employee-agents. Benefits are provided to plan participants based on a cash balance formula. Certain participants have a significant portion of their benefits attributable to a former final average pay formula. 84% of the projected benefit obligation ("PBO") of our primary qualified employee plan is related to the former final average pay formula. See Note 18 of the consolidated financial statements for a discussion of these plans and their effect on the consolidated financial statements.

Our pension and other postretirement benefit costs are calculated using various actuarial assumptions and methodologies. These assumptions include discount rates, health care cost trend rates, inflation, expected returns on plan assets, mortality and other factors. The assumptions utilized in recording the obligations under our pension plans represent our best estimates and we believe they are reasonable based on information as to historical experience and performance as well as other factors that might cause future expectations to differ from past trends.

Net costs for our defined benefit plans are recognized on the Consolidated Statements of Operations and consist of two elements: 1) costs comprised of service and interest costs, expected return of plan assets, amortization of prior service credit and curtailment gains and losses which are reported in property and casualty claims and claims expense, operating costs and expenses, net investment income and, if applicable, restructuring and related charges and 2) remeasurement gains and losses comprised of changes in actuarial assumptions and the difference between actual and expected returns on plan assets which are recognized immediately in earnings as part of pension and other postretirement remeasurement gains and losses.

We recognize expected returns on plan assets using an unadjusted fair value method. Our policy is to remeasure our pension and postretirement plans on a quarterly basis. We immediately recognize remeasurement of projected benefit obligation and plan assets in earnings as it provides greater transparency of our economic obligations in accounting results and better aligns the recognition of the effects of economic and interest rate changes on pension and other postretirement plan assets and liabilities in the year in which the gains and losses are incurred.

Differences in actual experience or changes in assumptions affect our pension and other postretirement obligations, plan assets and expenses. The primary factors contributing to pension and postretirement remeasurement gains and losses are 1) changes in the discount rate used to value pension and postretirement obligations as of the measurement date, 2) differences between the expected and the actual return on plan assets and 3) changes in demographic assumptions, including mortality and participant experience.

Pension and other postretirement service cost, interest cost, expected return on plan assets and amortization of prior service credits are allocated to our reportable segments. The pension and other postretirement remeasurement gains and losses are reported in the Corporate and Other segment.

**Pension and postretirement benefits remeasurement gains and losses**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Remeasurement of projected benefit obligation (gains) losses: | | | |
| Discount rate | $ (285) | $ 553 | $ 633 |
| Other assumptions | (40) | 282 | 313 |
| Remeasurement of plan assets (gains) losses | (319) | (886) | (832) |
| **Remeasurement (gains) losses** | **$ (644)** | **$ (51)** | **$ 114** |

*Impact of assumption changes to net cost for pension and other postretirement plans* Remeasurement gains in 2021 primarily related to favorable asset performance compared to the expected return on plan assets and an increase in the liability discount rate. Remeasurement gains in 2020 primarily related to favorable asset performance compared to the expected return on plan assets, partially offset by a decrease in the discount rate and changes in actuarial assumptions.

The discount rate is based on rates at which expected pension benefits attributable to past employee service could effectively be settled on a present value basis at the measurement date. We develop the assumed discount rate by utilizing the weighted average yield of a theoretical dedicated portfolio derived from non-callable bonds and callable bonds with a make-whole provision available in the Bloomberg corporate bond universe having ratings of at least “AA” by S&P or at least “Aa” by Moody’s on the measurement date with cash flows that match expected plan benefit requirements. Significant changes in discount rates, such as those caused by changes in the credit spreads, yield curve, the mix of bonds available in the market, the duration of selected bonds and expected benefit payments, may result in volatility in pension cost. The weighted average discount rate used to measure the benefit obligation increased to 2.93% in 2021 compared to 2.51% in 2020, resulting in gains for 2021.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on plan assets. While this rate reflects long-term assumptions and is consistent with long-term historical returns, sustained changes in the market or changes in the mix of plan assets may lead to revisions in the assumed long-term rate of return on plan assets that may result in variability of pension cost. Differences between the actual return on plan assets and the expected long-term rate of return on plan assets are immediately recognized through earnings upon remeasurement. Short-term asset performance can differ significantly from the expected rate of return, especially in volatile markets. In 2021, the actual return on plan assets was higher than the expected return primarily due to strong equity market performance. In 2020, the actual return on plan assets was higher than the expected return primarily due to a decline in interest rates which increased the fair value of our fixed income investments and strong equity market performance.

We complete periodic evaluations of demographic information and historical experience that affects our pension and other postretirement obligations to identify any required changes to long-term actuarial assumptions and methodologies. Demographic assumptions affect both our pension and postretirement plans and include elements such as retirement rates and participation rates in our postretirement programs, among other factors.

These actuarial assumption updates affect our pension and other postretirement obligations and are incorporated into our best estimates of these assumptions. Remeasurement losses for other assumptions in 2020 primarily related to a decrease in lump sum interest rates and changes in the estimated percentage of employees taking lump sum distributions.

**Sensitivity of assumption changes included in the calculation of net cost as of December 31, 2021**

| ($ in millions) | Basis/percentage point change | Increase (decrease) to net cost |
|---|---|---|
| Pension plans discount rate | +100 basis points | $ (755) |
| | -100 basis points | 928 |
| Expected long-term rate of return on assets | +100 basis points | (62) |
| | -100 basis points | 62 |

## Regulation and Legal Proceedings

We are subject to extensive regulation and we are involved in various legal and regulatory actions, all of which have an effect on specific aspects of our business. For a detailed discussion of the legal and regulatory actions in which we are involved, see Note 15 of the consolidated financial statements.

## Pending Accounting Standard

There is a pending accounting standard that we have not implemented because the implementation date has not yet occurred. For a discussion of this pending standard, see Note 2 of the consolidated financial statements.

The effect of implementing certain accounting standards on our financial results and financial condition is often based in part on market conditions at the time of implementation of the standard and other factors we are unable to determine prior to implementation. For this reason, we are sometimes unable to estimate the effect of certain pending accounting standards until the relevant authoritative body finalizes these standards or until we implement them.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required for Item 7A is incorporated by reference to the material under the caption “Market Risk” in Part II, Item 7 of this report.

# Item 8.  Financial Statements and Supplementary Data

## The Allstate Corporation and Subsidiaries
## Consolidated Statements of Operations

| ($ in millions, except per share data) | Years Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | | |
| Property and casualty insurance premiums (net of reinsurance ceded and indemnification programs of $1,904, $1,141 and $1,122) | $ 42,218 | $ 37,073 | $ 36,07 |
| Accident and health insurance premiums and contract charges (net of reinsurance ceded of $78, $13 and $14) | 1,821 | 1,094 | 1,14 |
| Other revenue | 2,172 | 1,065 | 1,05 |
| Net investment income | 3,293 | 1,590 | 1,72 |
| Net gains (losses) on investments and derivatives | 1,084 | 1,087 | 1,53 |
| **Total revenues** | **50,588** | **41,909** | **41,54** |
| **Costs and expenses** | | | |
| Property and casualty insurance claims and claims expense (net of reinsurance ceded and indemnification programs of $3,484, $530 and $524) | 29,318 | 22,001 | 23,97 |
| Shelter-in-Place Payback expense | 29 | 948 | - |
| Accident and health insurance policy benefits (net of reinsurance ceded of $85, $15 and $12) | 1,015 | 516 | 60 |
| Interest credited to contractholder funds (net of reinsurance ceded of $1, zero and zero) | 34 | 33 | 3 |
| Amortization of deferred policy acquisition costs | 6,252 | 5,477 | 5,35 |
| Operating costs and expenses | 7,260 | 5,494 | 5,42 |
| Pension and other postretirement remeasurement (gains) losses | (644) | (51) | 11 |
| Restructuring and related charges | 170 | 253 | 3 |
| Amortization of purchased intangibles | 376 | 118 | 12 |
| Impairment of purchased intangibles | — | — | 10 |
| Interest expense | 330 | 318 | 32 |
| **Total costs and expenses** | **44,140** | **35,107** | **36,09** |
| **Income from operations before income tax expense** | **6,448** | **6,802** | **5,44** |
| Income tax expense | 1,289 | 1,373 | 1,11 |
| **Net income from continuing operations** | **5,159** | **5,429** | **4,32** |
| (Loss) income from discontinued operations, net of tax | (3,593) | 147 | 52 |
| **Net income** | **1,566** | **5,576** | **4,84** |
| Less: Net loss attributable to noncontrolling interest | (33) | — | - |
| **Net income attributable to Allstate** | **1,599** | **5,576** | **4,84** |
| Less: Preferred stock dividends | 114 | 115 | 10 |
| **Net income applicable to common shareholders** | **$ 1,485** | **$ 5,461** | **$ 4,67** |
| **Earnings per common share applicable to common shareholders** | | | |
| Basic | | | |
| Continuing operations | $ 17.23 | $ 17.06 | $ 12.6 |
| Discontinued operations | (12.19) | 0.47 | 1.5 |
| **Total** | **$ 5.04** | **$ 17.53** | **$ 14.2** |
| Diluted | | | |
| Continuing operations | $ 16.98 | $ 16.84 | $ 12.4 |
| Discontinued operations | (12.02) | 0.47 | 1.5 |
| **Total** | **$ 4.96** | **$ 17.31** | **$ 14.0** |
| Weighted average common shares - Basic | 294.8 | 311.6 | 328 |
| Weighted average common shares - Diluted | 299.1 | 315.5 | 333 |

See notes to consolidated financial statements.

## The Allstate Corporation and Subsidiaries
## Consolidated Statements of Comprehensive Income

| | Years Ended December 31, | | |
|---|---|---|---|
| **($ in millions)** | **2021** | **2020** | **2019** |
| **Net income** | $ 1,566 | $ 5,576 | $ 4,84 |
| | | | |
| **Other comprehensive (loss) income, after-tax** | | | |
| Changes in: | | | |
| Unrealized net capital gains and losses | (2,582) | 1,293 | 1,88 |
| Unrealized foreign currency translation adjustments | (8) | 52 | (1 |
| Unamortized pension and other postretirement prior service credit | (59) | 9 | (4 |
| **Other comprehensive (loss) income, after-tax** | **(2,649)** | **1,354** | **1,83** |
| | | | |
| **Comprehensive (loss) income** | (1,083) | 6,930 | 6,67 |
| Less: Comprehensive loss attributable to noncontrolling interest | (36) | — | - |
| **Comprehensive (loss) income attributable to Allstate** | **$ (1,047)** | **$ 6,930** | **$ 6,67** |

See notes to consolidated financial statements.

## The Allstate Corporation and Subsidiaries
## Consolidated Statements of Financial Position

| ($ in millions, except par value data) | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Investments | | |
| Fixed income securities, at fair value (amortized cost, net $41,376 and $40,034) | $ 42,136 | $ 42,565 |
| Equity securities, at fair value (cost $6,016 and $2,740) | 7,061 | 3,168 |
| Mortgage loans, net | 821 | 746 |
| Limited partnership interests | 8,018 | 4,563 |
| Short-term, at fair value (amortized cost $4,009 and $6,807) | 4,009 | 6,807 |
| Other investments, net | 2,656 | 1,691 |
| **Total investments** | **64,701** | **59,540** |
| Cash | 763 | 311 |
| Premium installment receivables, net | 8,364 | 6,463 |
| Deferred policy acquisition costs | 4,722 | 3,774 |
| Reinsurance and indemnification recoverables, net | 10,024 | 7,215 |
| Accrued investment income | 339 | 371 |
| Property and equipment, net | 939 | 1,057 |
| Goodwill | 3,502 | 2,369 |
| Other assets, net | 6,086 | 2,756 |
| Assets held for sale | — | 42,131 |
| **Total assets** | **99,440** | **125,987** |
| **Liabilities** | | |
| Reserve for property and casualty insurance claims and claims expense | 33,060 | 27,610 |
| Reserve for future policy benefits | 1,273 | 1,028 |
| Contractholder funds | 908 | 857 |
| Unearned premiums | 19,844 | 15,946 |
| Claim payments outstanding | 1,123 | 957 |
| Deferred income taxes | 833 | 382 |
| Other liabilities and accrued expenses | 9,296 | 7,840 |
| Long-term debt | 7,976 | 7,825 |
| Liabilities held for sale | — | 33,325 |
| **Total liabilities** | **74,313** | **95,770** |
| **Commitments and Contingent Liabilities (Note 7, 9 and 15)** | | |
| **Shareholders' equity** | | |
| Preferred stock and additional capital paid-in, $1 par value, 25 million shares authorized, 81.0 thousand shares issued and outstanding, $2,025 aggregate liquidation preference | 1,970 | 1,970 |
| Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 281 million and 304 million shares outstanding | 9 | 9 |
| Additional capital paid-in | 3,722 | 3,498 |
| Retained income | 53,294 | 52,767 |
| Treasury stock, at cost (619 million and 596 million shares) | (34,471) | (31,331) |
| Accumulated other comprehensive income: | | |
| Unrealized net capital gains and losses | 598 | 3,180 |
| Unrealized foreign currency translation adjustments | (15) | (7) |
| Unamortized pension and other postretirement prior service credit | 72 | 131 |
| **Total accumulated other comprehensive income ("AOCI")** | **655** | **3,304** |
| **Total Allstate shareholders' equity** | **25,179** | **30,217** |
| Noncontrolling interest | (52) | — |
| **Total equity** | **25,127** | **30,217** |
| **Total liabilities and equity** | **$ 99,440** | **$ 125,987** |

See notes to consolidated financial statements.

## The Allstate Corporation and Subsidiaries
## Consolidated Statements of Shareholders' Equity

| ($ in millions, except per share data) | Years Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Preferred stock par value** | **$ —** | **$ —** | **$ -** |
| **Preferred stock additional capital paid-in** | | | |
| Balance, beginning of year | 1,970 | 2,248 | 1,93 |
| Acquisition | 450 | — | - |
| Preferred stock issuance, net of issuance costs | — | — | 1,41 |
| Preferred stock redemption | (450) | (278) | (1,09 |
| **Balance, end of year** | **1,970** | **1,970** | **2,24** |
| | | | |
| **Common stock par value** | **9** | **9** | |
| **Common stock additional capital paid-in** | | | |
| Balance, beginning of year | 3,498 | 3,463 | 3,31 |
| Forward contract on accelerated share repurchase agreement | 113 | (38) | 7 |
| Equity incentive plans activity | 111 | 73 | 7 |
| **Balance, end of year** | **3,722** | **3,498** | **3,46** |
| | | | |
| **Retained income** | | | |
| Balance, beginning of year | 52,767 | 48,074 | 44,03 |
| Cumulative effect of change in accounting principle | — | (88) | 2 |
| Net income | 1,599 | 5,576 | 4,84 |
| Dividends on common stock (declared per share of $3.24, $2.16 and $2.00) | (958) | (680) | (65 |
| Dividends on preferred stock | (114) | (115) | (16 |
| **Balance, end of year** | **53,294** | **52,767** | **48,07** |
| | | | |
| **Deferred employee stock ownership plan ("ESOP") expense** | | | |
| Balance, beginning of year | — | — | ( |
| Payments | — | — | |
| **Balance, end of year** | **—** | **—** | **-** |
| | | | |
| **Treasury stock** | | | |
| Balance, beginning of year | (31,331) | (29,746) | (28,08 |
| Shares acquired | (3,262) | (1,700) | (1,81 |
| Shares reissued under equity incentive plans, net | 122 | 115 | 14 |
| **Balance, end of year** | **(34,471)** | **(31,331)** | **(29,74** |
| | | | |
| **Accumulated other comprehensive income (loss)** | | | |
| Balance, beginning of year | 3,304 | 1,950 | 11 |
| Change in unrealized net capital gains and losses | (2,582) | 1,293 | 1,88 |
| Change in unrealized foreign currency translation adjustments | (8) | 52 | (1 |
| Change in unamortized pension and other postretirement prior service credit | (59) | 9 | (4 |
| **Balance, end of year** | **655** | **3,304** | **1,95** |
| **Total Allstate shareholders' equity** | **25,179** | **30,217** | **25,99** |
| | | | |
| **Noncontrolling interest** | | | |
| Balance, beginning of period | — | — | - |
| Acquisition | (16) | — | - |
| Change in unrealized net capital gains and losses | (3) | — | - |
| Noncontrolling loss | (33) | — | - |
| **Balance, end of period** | **(52)** | **—** | **-** |
| **Total equity** | **$ 25,127** | **$ 30,217** | **$ 25,99** |

See notes to consolidated financial statements.

## The Allstate Corporation and Subsidiaries Consolidated Statements of Cash Flows

| ($ in millions) | Years Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income | $ 1,566 | $ 5,576 | $ 4,847 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, amortization and other non-cash items | 1,086 | 686 | 647 |
| Net (gains) losses on investments and derivatives | (1,279) | (1,356) | (1,885) |
| Pension and other postretirement remeasurement (gains) losses | (644) | (51) | 114 |
| Amortization of deferred gain on reinsurance | (4) | (4) | (6) |
| Interest credited to contractholder funds | 448 | 638 | 640 |
| Impairment of purchased intangibles | — | — | 106 |
| Loss on disposition of operations, net of tax | 4,031 | — | — |
| Changes in: | | | |
| Policy benefits and other insurance reserves | 1,984 | (682) | (508) |
| Unearned premiums | 1,618 | 598 | 801 |
| Deferred policy acquisition costs | (608) | (125) | (85) |
| Premium installment receivables, net | (498) | (3) | (299) |
| Reinsurance recoverables, net | (1,565) | (11) | 320 |
| Income taxes | 349 | (232) | 487 |
| Other operating assets and liabilities | (1,368) | 457 | (50) |
| **Net cash provided by operating activities** | **5,116** | **5,491** | **5,129** |
| **Cash flows from investing activities** | | | |
| Proceeds from sales | | | |
| Fixed income securities | 31,774 | 31,950 | 29,849 |
| Equity securities | 4,513 | 8,405 | 5,277 |
| Limited partnership interests | 886 | 1,350 | 756 |
| Mortgage loans | — | 230 | — |
| Other investments | 1,406 | 340 | 303 |
| Investment collections | | | |
| Fixed income securities | 2,284 | 2,235 | 2,570 |
| Mortgage loans | 860 | 626 | 695 |
| Other investments | 550 | 209 | 254 |
| Investment purchases | | | |
| Fixed income securities | (33,857) | (38,121) | (31,317) |
| Equity securities | (6,409) | (4,648) | (7,176) |
| Limited partnership interests | (1,766) | (1,265) | (1,332) |
| Mortgage loans | (221) | (203) | (844) |
| Other investments | (1,647) | (371) | (666) |
| Change in short-term and other investments, net | 4,017 | (3,871) | (725) |
| Purchases of property and equipment, net | (345) | (308) | (433) |
| Acquisition of operations, net of cash acquired | (3,593) | 1 | (18) |
| Proceeds from disposition of operations, net of cash transferred | 2,058 | — | — |
| **Net cash provided by (used in) investing activities** | **510** | **(3,441)** | **(2,807)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of long-term debt | — | 1,189 | 491 |
| Redemption and repayment of long-term debt | (436) | — | (317) |
| Proceeds from issuance of preferred stock | — | — | (1,132) |
| Redemption of preferred stock | (450) | (288) | 1,414 |
| Contractholder fund deposits | 826 | 991 | 996 |
| Contractholder fund withdrawals | (1,140) | (1,494) | (1,662) |
| Dividends paid on common stock | (885) | (668) | (653) |
| Dividends paid on preferred stock | (114) | (108) | (134) |
| Treasury stock purchases | (3,120) | (1,737) | (1,735) |
| Shares reissued under equity incentive plans, net | 114 | 63 | 120 |
| Other | (35) | 41 | 129 |
| **Net cash used in financing activities** | **(5,240)** | **(2,011)** | **(2,483)** |
| **Net increase (decrease) in cash, including cash classified as assets held for sale** | **386** | **39** | **(161)** |
| Cash from continuing operations at beginning of period | 311 | 273 | 425 |
| Cash classified as assets held for sale at beginning of period | 66 | 65 | 74 |
| Less: Cash classified as assets held for sale at end of period | — | 66 | 65 |
| **Cash from continuing operations at end of period** | **$ 763** | **$ 311** | **$ 273** |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## Note 1 General

### Basis of presentation

The accompanying consolidated financial statements include the accounts of The Allstate Corporation (the "Corporation") and its wholly owned subsidiaries, primarily Allstate Insurance Company ("AIC"), a property and casualty insurance company with various property and casualty and life and investment subsidiaries (collectively referred to as the "Company" or "Allstate") and variable interest entities in which the Company is considered primary beneficiary. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### Nature of operations

Allstate is engaged, principally in the United States, in the property and casualty insurance business. Allstate is one of the country's largest personal property and casualty insurers and is organized into five reportable segments: Allstate Protection, Run-off Property Liability (previously Discontinued Lines and Coverages), Protection Services, Allstate Health and Benefits (previously Allstate Benefits), and Corporate and Other.

Allstate's primary business is the sale of private passenger auto and homeowners insurance. The Company also offers several other personal property and casualty insurance products, select commercial property and casualty coverages, consumer product protection plans, device and mobile data collection services and analytic solutions using automotive telematics information, roadside assistance, finance and insurance products, employer voluntary benefits and group accident and health insurance and identity protection. Allstate primarily distributes its products through exclusive agents, financial specialists, independent agents and brokers, major retailers, contact centers and the internet.

### Risks and uncertainties

Allstate has exposure to catastrophic events, including wind and hail, wildfires, tornadoes, hurricanes, tropical storms, earthquakes, severe freeze events, volcanic eruptions, terrorism and industrial accidents.

Catastrophes, an inherent risk of the property and casualty insurance business, have contributed, and will continue to contribute, to material year-to-year fluctuations in the Company's results of operations and financial position (see Note 9). The nature and level of catastrophic loss experienced in any period cannot be predicted and could be material to results of operations and financial position.

The Company considers the following categories and locations to be the greatest areas of potential catastrophe losses:

- Wildfires — California, Colorado, Oregon, Texas and Arizona
- Hurricanes — Major metropolitan centers in counties along the eastern and gulf coasts of the United States
- Wind/Hail, Rain and Tornado — Texas, Illinois, Georgia and Colorado
- Earthquakes and fires following earthquakes —Major metropolitan areas near fault lines in the states of California, Oregon, Washington, South Carolina and Kentucky

### The Novel Coronavirus Pandemic or COVID-19 ("Coronavirus")

The Novel Coronavirus Pandemic or COVID-19 ("Coronavirus") resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings. These measures moderated in 2021 as vaccines have become more widely available in the United States and Canada. There is no way of predicting with certainty how long the pandemic might last. We continue to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the impact to our operations, but the effects have been and could be material.

## Note 2 Summary of Significant Accounting Policies

### Investments

Fixed income securities include bonds and asset-backed securities ("ABS"). ABS includes mortgage-backed securities ("MBS") that were previously disclosed separately. Fixed income securities, which may be sold prior to their contractual maturity, are designated as available-for-sale ("AFS") and are carried at fair value. The difference between amortized cost, net of credit loss allowances ("amortized cost, net") and fair value, net of deferred income taxes and related life deferred policy acquisition costs ("DAC"), is reflected as a component of AOCI. The Company excludes accrued interest receivable from the amortized cost basis of its AFS fixed income securities. Cash received from calls and make-whole payments is reflected as a component of proceeds from sales and cash received from maturities and pay-downs is reflected as a component of investment collections within the Consolidated Statements of Cash Flows.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. Certain exchange traded and mutual funds have fixed income securities as their underlying investments. Equity securities are carried at fair value. Equity securities without readily determinable or estimable fair values are measured using the measurement alternative, which is cost less impairment, if any, and adjustments resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Mortgage loans and bank loans are carried at amortized cost, net, which represent the amount expected to be collected. The Company excludes accrued interest receivable from the amortized cost basis of its mortgage and bank loans. Credit loss allowances are estimates of expected credit losses, established for loans upon origination or purchase, and are established considering all relevant information available, including past events, current conditions, and reasonable and supportable forecasts over the life of the loans. Loans are evaluated on a pooled basis when they share similar risk characteristics; otherwise, they are evaluated individually.

Investments in limited partnership interests are primarily accounted for in accordance with the equity method of accounting ("EMA") and include interests in private equity funds, real estate funds and other funds. Investments in limited partnership interests purchased prior to January 1, 2018, where the Company's interest is so minor that it exercises virtually no influence over operating and financial policies, are accounted for at fair value primarily utilizing the net asset value ("NAV") as a practical expedient to determine fair value.

Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value. Other investments primarily consist of bank loans, policy loans, real estate and derivatives. Bank loans are primarily senior secured corporate loans. Policy loans are carried at unpaid principal balances. Real estate is carried at cost less accumulated depreciation. Derivatives are carried at fair value.

Investment income primarily consists of interest, dividends, income from limited partnership interests, rental income from real estate, and income from certain derivative transactions. Interest is recognized on an accrual basis using the effective yield method and dividends are recorded at the ex-dividend date. Interest income for ABS is determined considering estimated pay-downs, including prepayments, obtained from third-party data sources and internal estimates. Actual prepayment experience is periodically reviewed, and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. For ABS of high credit quality with fixed interest rates, the effective yield is recalculated on a retrospective basis. For all others, the effective yield is generally recalculated on a prospective basis. Net investment income for AFS fixed income securities includes the impact of accreting the credit loss allowance for the time value of money. Accrual of income is suspended for fixed income securities when the timing and amount of cash flows expected to be received is not reasonably estimable. Accrual of income is suspended for mortgage loans and bank loans that are in default or when full and timely collection of principal and interest payments is not probable. Accrued income receivable is monitored for recoverability and when not expected to be collected is written off through net investment income. Cash receipts on investments on nonaccrual status are generally recorded as a reduction of amortized cost. Income from limited partnership interests carried at fair value is recognized based upon the changes in fair value of the investee's equity primarily determined using NAV. Income from EMA limited partnership interests is recognized based on the Company's share of the partnerships' earnings. Income from EMA limited partnership interests is generally recognized on a three month delay due to the availability of the related financial statements from investees.

Net gains and losses on investments and derivatives include gains and losses on investment sales, changes in the credit loss allowances related to fixed income securities, mortgage loans and bank loans, impairments, valuation changes of equity investments, including equity securities and certain limited partnerships where the underlying assets are predominately public equity securities, and periodic changes in fair value and settlements of certain derivatives, including hedge ineffectiveness. Net gains and losses on sales of investments and derivatives are determined on a specific identification basis and are net of credit losses already recognized through an allowance.

### Derivative and embedded derivative financial instruments

Derivative financial instruments include interest rate swaps, credit default swaps, futures (interest rate and equity), options (including swaptions), warrants and rights, foreign currency forwards and total return swaps.

All derivatives are accounted for on a fair value basis and reported as other investments, other assets, other liabilities and accrued expenses. Embedded derivative instruments subject to bifurcation are also accounted for on a fair value basis and are reported together with the host contract. Cash flows from other derivatives are reported in cash flows from investing activities within the Consolidated Statements of Cash Flows.

For derivatives for which hedge accounting is not applied, the income statement effects, including fair value gains and losses and accrued periodic settlements, are reported either in net gains and losses on investments and derivatives or in a single line item together with the results of the associated asset or liability for which risks are being managed.

### Securities loaned

The Company's business activities include securities lending transactions, which are used primarily to generate net investment income. The proceeds received in conjunction with securities lending transactions can be reinvested in short-term investments or fixed income securities. These transactions are short-term in nature, usually 30 days or less.

The Company receives cash collateral for securities loaned in an amount generally equal to 102% and 105% of the fair value of domestic and foreign securities, respectively, and records the related obligations to return the collateral in other liabilities and accrued expenses. The carrying value of these obligations approximates fair value because of their relatively short-term nature. The Company monitors the market value of securities loaned on a daily basis and obtains additional collateral as necessary under the terms of the agreements to mitigate counterparty credit risk. The Company maintains the right and ability to repossess the securities loaned on short notice.

### Recognition of premium revenues and contract charges, and related benefits and interest credited

Property and casualty insurance premiums include premiums from personal lines policies, protection plans, other contracts (primarily finance and insurance products) and roadside assistance.

Personal lines insurance premiums are deferred and earned on a pro-rata basis over the terms of the policies, typically periods of six or twelve months.

Revenues related to protection plans, other contracts (primarily finance and insurance products) and roadside assistance are deferred and earned over the term of the contract in a manner that recognizes revenue as obligations under the contracts are performed. Revenues from these products are classified as premiums as the products are backed by insurance. Protection plans and finance and insurance premiums are recognized using a cost-based incurrence method over the term of the contracts, which is generally one to five years. Roadside assistance premiums are recognized evenly over the term of the contract as performance obligations are fulfilled.

The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums.

**Unearned premiums**

| ($ in millions) | December 31, 2021 | 2020 |
|---|---|---|
| Allstate Protection | $ 15,762 | $ 12,772 |
| Protection Services | 4,054 | 3,167 |
| **Total** | **$ 19,816** | **$ 15,939** |

*Protection Services* For the year ended December 31, 2021, the Company recognized $1.28 billion of property and casualty insurance premiums for Protection Services that were included in the unearned premium balance as of December 31, 2020.

For the year ended December 31, 2020, the Company recognized $1.11 billion of property and casualty insurance premiums for Protection Services that were included in the unearned premium balance as of December 31, 2019.

The Company expects to recognize approximately $1.48 billion, $1.07 billion and $1.50 billion of the December 31, 2021 unearned premium balance in 2022, 2023 and thereafter, respectively.

Premium installment receivables represent premiums written and not yet collected, net of the credit loss allowance for uncollectible premiums. These receivables are primarily outstanding for one year or less. The Company utilizes historical internal data including aging analyses to estimate allowances under current conditions and for the forecast period. The Company regularly evaluates and updates the data and adjusts its allowance as appropriate.

The increase in the provision for credit losses primarily related to the acquisition of National General.

**Rollforward of credit loss allowance for premium installment receivables**

| ($ in millions) | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Beginning balance | $ (153) | $ (91) |
| Increase in the provision for credit losses | (293) | (223) |
| Write-off of uncollectible premium installment receivable amounts | 339 | 161 |
| **Ending balance** | $ (107) | $ (153) |

Voluntary accident and health insurance products are expected to remain in force for an extended period and therefore are primarily classified as long-duration contracts. Traditional life insurance products consist principally of products with fixed and guaranteed premiums and benefits, primarily term and whole life insurance products. Premiums from these products are recognized as revenue when due from policyholders, net of any credit loss allowance for uncollectible premiums. Benefits are reflected in accident and health insurance policy benefits and recognized over the life of the policy in relation to premiums.

Interest-sensitive life contracts, such as universal life, are insurance contracts whose terms are not fixed and guaranteed. The terms that may be changed include premiums paid by the contractholder, interest credited to the contractholder account balance and contract charges assessed against the contractholder account balance. Premiums from these contracts are reported as contractholder fund deposits. Contract charges consist of fees assessed against the contractholder account balance for the cost of insurance (mortality risk), contract administration and surrender of the contract prior to contractually specified dates. These contract charges are recognized as revenue when assessed against the contractholder account balance. Benefit payments in excess of the contractholder account balance are reflected in accident and health insurance policy benefits.

Interest credited to contractholder funds represents interest accrued or paid on interest-sensitive life contracts. Crediting rates for interest-sensitive life contracts are adjusted periodically by the Company to reflect current market conditions subject to contractually guaranteed minimum rates.

### Other revenue

Other revenue represents fees collected from policyholders relating to premium installment payments, commissions on sales of non-proprietary products, sales of identity protection services, fee-based services and other revenue transactions. Other revenue is recognized when performance obligations are fulfilled.

### Deferred policy acquisition costs

Costs that are related directly to the successful acquisition of new or renewal policies or contracts are deferred and recorded as DAC. These costs are principally agent and broker remuneration, premium taxes and certain underwriting expenses. All other acquisition costs are expensed as incurred and included in operating costs and expenses.

For property and casualty insurance, DAC is amortized into income as premiums are earned, typically over periods of six or twelve months for personal lines policies or generally one to five years for protection plans and other contracts (primarily related to finance and insurance products), and is included in amortization of deferred policy acquisition costs. DAC associated with property and casualty insurance is periodically reviewed for recoverability and adjusted if necessary. Future investment income is considered in determining the recoverability of DAC.

For voluntary accident and health insurance and traditional life, DAC is amortized over the premium paying period of the related policies in proportion to the estimated revenues on such business.

Assumptions used in the amortization of DAC and reserve calculations are established at the time the policy is issued and are generally not revised during the life of the policy. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these policies approximates the estimated lives of the policies. The Company periodically reviews the recoverability of DAC using actual experience and current assumptions. Voluntary accident and health insurance products and traditional life insurance products are reviewed individually. If actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required for any remaining deficiency.

For interest-sensitive life insurance, DAC is amortized in proportion to the incidence of the total present value of gross profits expected to be earned over the estimated lives of the contracts.

Gross profits primarily consist of the following components: contract charges for the cost of insurance less mortality costs and other benefits; investment income and net gains and losses on investments less interest credited; and surrender and other contract charges less maintenance expenses. The principal assumptions for determining the amount of gross profits are mortality, persistency, expenses, investment returns and interest crediting rates to contractholders.

The Company performs quarterly reviews of DAC recoverability for interest-sensitive life using actual experience and current assumptions.

The DAC balance presented includes adjustments to reflect the amount by which the amortization of DAC would increase or decrease if the unrealized capital gains or losses in the respective product investment portfolios were actually realized. The adjustments are recorded net of tax in AOCI. DAC and deferred income taxes determined on unrealized capital gains and losses and reported in AOCI recognize the impact on shareholders' equity consistently with the amounts that would be recognized in the income statement on net gains and losses on investments and derivatives.

Customers of the Company may exchange one insurance policy for another offered by the Company, or make modifications to an existing life, accident and health or property and casualty contract issued by the Company. These transactions are identified as internal replacements for accounting purposes. Internal replacement transactions determined to result in replacement contracts that are substantially unchanged from the replaced contracts are accounted for as continuations of the replaced contracts. Unamortized DAC related to the replaced contracts continue to be deferred and amortized in connection with the replacement contracts. For traditional life, accident and health and property and casualty insurance policies, any changes to unamortized DAC that result from replacement contracts are treated as prospective revisions and any costs associated with the issuance of replacement contracts are characterized as maintenance costs and expensed as incurred.

The costs assigned to the right to receive future cash flows from certain business purchased from other insurers are also classified as DAC in the Consolidated Statements of Financial Position. The costs capitalized represent the present value of future profits expected to be earned over the lives of the contracts acquired. These costs are amortized as profits emerge over the lives of the acquired business and are periodically evaluated for recoverability. The present value of future profits was $24 million and $23 million as of December 31, 2021 and 2020, respectively. Amortization expense of the present value of future profits was $323 million, $14 million and $6 million in 2021, 2020 and 2019, respectively.

**Reinsurance and Indemnification**

*Reinsurance* In the normal course of business, the Company seeks to limit aggregate and single exposure to losses on large risks by purchasing reinsurance. The Company has also used reinsurance to affect the disposition of certain blocks of business. Reinsurance does not extinguish the Company's primary liability under the policies written. Therefore, in addition to establishing allowances as appropriate after evaluating reinsurers' activities related to claims settlement practices and commutations, the Company evaluates reinsurer counterparty credit risk and records reinsurance recoverables net of credit loss allowances. The Company assesses counterparty credit risk for individual reinsurers separately when more relevant or on a pooled basis when shared risk characteristics exist. The evaluation considers the credit quality of the reinsurer and the period over which the recoverable balances are expected to be collected. The Company considers factors including past events, current conditions and reasonable and supportable forecasts in the development of the estimate of credit loss allowances.

Allowances for property and casualty and accident and health reinsurance recoverables are established primarily through risk-based evaluations.

The property and casualty recoverable evaluation considers the credit rating of the reinsurer, the period over which the reinsurance recoverable balances are expected to be recovered and other relevant factors including historical experience of reinsurer failures. Reinsurers in liquidation or in default status are evaluated individually using the Company's historical liquidation recovery assumptions and any other relevant information available including the most recent public information related to the financial condition or liquidation status of the reinsurer. For accident and health reinsurance recoverables, the Company uses a probability of default and loss given default model developed independently of the Company to estimate current expected credit losses. The accident and health reinsurance recoverable evaluation utilizes factors including historical industry factors based on the probability of liquidation, and incorporates current loss given default factors reflective of the industry.

The Company monitors the credit ratings of reinsurer counterparties and evaluates the circumstances surrounding credit rating changes as inputs into its credit loss assessments. Uncollectible reinsurance recoverable balances are written off against the allowances when there is no reasonable expectation of recovery.

The changes in the allowances are reported in property and casualty insurance claims and claims expense and accident and health insurance policy benefits.

*Indemnification* The Company also participates in various indemnification mechanisms, including industry pools and facilities, which are reimbursement mechanisms that assess participating insurers for expected insured claims, reimburse participating insurers for qualifying paid claims and permit participating insurers to recoup amounts assessed directly from insureds. Indemnification recoverables are backed by the financial resources of the property and casualty insurance company market participants.

The amounts reported as indemnification recoverables include amounts paid and due from indemnitors as well as estimates of amounts expected to be recovered from indemnitors on insurance liabilities that have been incurred but not yet paid. The design and function of these indemnification programs does not result in the retention of insurance or reinsurance risk by the indemnitor. Based on the Company's evaluation of these programs on an individual basis, the establishment of credit loss allowances is not warranted at this time. The Company has not experienced any historical credit losses related to its indemnification programs. The Company continues to monitor these programs to determine whether any changes from historical experience have emerged or are expected to emerge or whether there have been any changes in the design or administration of the programs that would require establishment of credit loss allowances.

### Goodwill

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired, less any impairment of goodwill recognized. The Company's goodwill reporting units are equivalent to its reportable segments, Allstate Protection, Protection Services, and Allstate Health and Benefits to which goodwill has been assigned.

**Goodwill by reporting unit**

| ($ in millions) | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Allstate Protection | $ 1,563 | $ 810 |
| Protection Services | 1,494 | 1,463 |
| Allstate Health and Benefits | 445 | 96 |
| **Total** | **$ 3,502** | **$ 2,369** |

Goodwill is recognized when acquired and allocated to reporting units based on which unit is expected to benefit from the synergies of the business combination. Goodwill is not amortized but is tested for impairment at least annually. The Company performs its annual goodwill impairment testing during the fourth quarter of each year based upon data as of the close of the third quarter. Goodwill impairment is measured and recognized as the amount by which a reporting unit's carrying value, including goodwill, exceeds its fair value, not to exceed the carrying amount of goodwill allocated to the reporting unit. The Company also reviews goodwill for impairment whenever events or changes in circumstances, such as deteriorating or adverse market conditions, indicate that it is more likely than not that the carrying amount of the reporting unit including goodwill may exceed the fair value of the reporting unit. The goodwill impairment analysis is performed at the reporting unit level.

As of December 31, 2021 and 2020, the fair value of the Company's goodwill reporting units exceeded their carrying values.

As disclosed in Note 3, the Company completed the sales of Allstate Life Insurance Company ("ALIC") and certain affiliates and Allstate Life Insurance Company of New York ("ALNY") involving business in both the Allstate Life and Allstate Annuities segments. As a result of these transactions, the Company's goodwill was reduced by $175 million in 2021.

### Intangible assets

Intangible assets (reported in other assets) consist of capitalized costs primarily related to acquired customer relationships, trade names and licenses, technology and other assets. The estimated useful lives of customer relationships, technology and other intangible assets are generally 10 years, 5 years and 7 years, respectively. Intangible assets are carried at cost less accumulated amortization. Amortization expense is calculated using an accelerated amortization method. Amortization expense on intangible assets was $376 million, $118 million and $126 million in 2021, 2020 and 2019, respectively.

**Amortization expense of intangible assets for the next five years and thereafter**

| ($ in millions) | |
|---|---|
| 2022 | $ 342 |
| 2023 | 291 |
| 2024 | 226 |
| 2025 | 179 |
| 2026 | 92 |
| Thereafter | 151 |
| **Total amortization** | **$ 1,281** |

Accumulated amortization of intangible assets was $1.13 billion and $751 million as of December 31, 2021 and 2020, respectively. Trade names and licenses are considered to have an indefinite useful life and are reviewed for impairment at least annually or more frequent if circumstances arise that indicate an impairment may have occurred. An impairment is recognized if the carrying amount of the asset exceeds its estimated fair value.

**Intangible assets by type**

| ($ in millions) | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Customers relationships | $ 909 | $ 322 |
| Trade names and licenses | 206 | 37 |
| Technology and other | 305 | 94 |
| **Total** | **$ 1,420** | **$ 453** |

During second quarter 2019, the Company made the decision to phase-out the use of the SquareTrade trade name in the United States and sell consumer protection plans under the Allstate Protection Plans name. The SquareTrade trade name will continue to be used outside of the United States. The change required an impairment evaluation of the indefinite-lived intangible asset recognized in the Protection Services segment for SquareTrade's trade name recorded when SquareTrade was acquired in 2017.

During fourth quarter 2019, the Company made the decision to integrate Esurance into the Allstate brand as part of Transformative Growth. This required an impairment evaluation of the indefinite-lived intangible asset recognized in the Allstate Protection segment for the Esurance trade name recorded when Esurance was acquired in 2011.

As a result of these actions, the Company recognized total impairment charges of $106 million pre-tax during 2019.

### Property and equipment

Property and equipment is carried at cost less accumulated depreciation. Included in property and equipment are capitalized costs related to computer software licenses and software developed for internal use. These costs generally consist of certain external payroll and payroll related costs. Property and equipment depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 3 to 10 years for equipment and 40 years for real property. Depreciation expense is reported in operating costs and expenses. Accumulated depreciation on property and equipment was $2.44 billion and $2.81 billion as of December 31, 2021 and 2020, respectively. Depreciation expense on property and equipment was $411 million, $353 million and $326 million in 2021, 2020 and 2019, respectively. The Company reviews its property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Income taxes

Income taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are DAC, unearned premiums, investments (including unrealized capital gains and losses), intangible assets and insurance reserves. A deferred tax asset valuation allowance is established when it is more likely than not such assets will not be realized. The Company recognizes interest expense related to income tax matters in income tax expense and penalties in other expense.

### Reserve for property and casualty insurance claims and claims expense

The reserve for property and casualty insurance claims and claims expense is the estimate of amounts necessary to settle all reported and unreported incurred claims for the ultimate cost of insured property and casualty losses, based upon the facts of each case and the Company's experience with similar cases. Estimated amounts of salvage and subrogation are deducted from the reserve for claims and claims expense. The establishment of appropriate reserves, including reserves for catastrophe losses, is an inherently uncertain and complex process. Reserve estimates are primarily derived using an actuarial estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves established by claim adjusters) for an accident or report year to create an estimate of how losses are likely to develop over time. Development factors are calculated quarterly and periodically throughout the year for data elements such as claims reported and settled, paid losses, and paid losses combined with case reserves. The historical development patterns for these data elements are used as the assumptions to calculate reserve estimates, including the reserves for reported and unreported claims. Reserve estimates are regularly reviewed and updated, using the most current information available. Any resulting reestimates are reflected in current results of operations.

### Reserve for future policy benefits

The reserve for future policy benefits payable under insurance policies, including voluntary accident and health insurance and traditional life insurance products, is computed on the basis of long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses. These assumptions include provisions for adverse deviation and generally vary by characteristics such as type of coverage, year of issue and policy duration. The assumptions are established at the time the policy is issued and are generally not changed during the life of the policy. The Company periodically reviews the adequacy of reserves using actual experience and current assumptions. If actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required for any remaining deficiency. Voluntary accident and health insurance and traditional life insurance products are reviewed individually. The Company also reviews these policies for circumstances where projected profits would be recognized in early years followed by projected losses in later years. If this circumstance exists, the Company will accrue a liability, during the period of profits, to offset the losses at such time as the future losses are expected to commence using a method updated prospectively over time.

*Accident and health short duration contracts* The reserve for future policy benefits includes unpaid losses and loss adjustment expense ("LAE") reserves for individual and certain voluntary accident and health short-duration contracts and is an estimate of the Company's liability from incurred claims at the end of the reporting period. The unpaid losses and LAE reserves are the result of an ongoing analysis of recent loss development trends and emerging historical experience. Original estimates are increased or decreased as additional information becomes known regarding individual claims. In setting its reserves, the Company reviews its loss data to estimate expected loss development. Management believes that its use of standard actuarial methodology applied to its analyses of its historical experience provides a reasonable estimate of future losses. However, actual future losses may differ from the Company's estimate, and may be affected by future events beyond the control of management, including inflation, which may favorably or unfavorably impact the ultimate settlement of the Company's losses and LAE, as well as changes in the law and judicial interpretations.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. In addition to inflation, the average severity of claims is affected by a number of factors that may vary by types and features of policies written. Future average severities are projected from historical trends, adjusted for implemented changes in underwriting standards and policy provisions, as well as general economic trends. These estimated trends are monitored and revised as necessary based on actual development.

Unpaid losses include a provision for incurred-but-not-reported ("IBNR") reserve estimates representing claims that have occurred but have not yet been reported, some of which are not yet known to the insured, as well as a provision for future development on reported claims. IBNR reserves are generally calculated by first projecting the ultimate cost of all claims that have occurred and then subtracting reported losses and loss expenses. Reported losses include cumulative paid losses and loss expenses plus case reserves.

The Company's accident and health claims are counted by claim number assigned to each claimant per illness, injury or death, regardless of number of services rendered for each incident. Claims closed without payment are not included in the cumulative number of reported accident and health claims.

### Contractholder funds

Contractholder funds represent interest-bearing liabilities arising from the sale of interest-sensitive life insurance contracts. Contractholder funds primarily comprise cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals and contract charges for mortality or administrative expenses. Contractholder funds also include reserves for secondary guarantees on interest-sensitive life insurance.

### Pension and other postretirement remeasurement gains and losses

Pension and other postretirement gains and losses represent the remeasurement of projected benefit obligation and plan assets, which are immediately recognized in earnings and are referred to as pension and other postretirement remeasurement gains and losses on the Consolidated Statements of Operations. The Company's policy is to remeasure its pension and postretirement plans on a quarterly basis.

Differences between expected and actual returns and changes in assumptions affect our pension and other postretirement obligations, plan assets and expenses.

The primary factors contributing to pension and postretirement remeasurement gains and losses are:

- Changes in the discount rate used to value pension and postretirement obligations as of the measurement date
- Differences between the expected and the actual return on plan assets
- Changes in demographic assumptions, including mortality and participant experience

Pension and other postretirement service cost, interest cost, expected return on plan assets and amortization of prior service credits are allocated to the Company's reportable segments. The pension and other postretirement remeasurement gains and losses are reported in the Corporate and Other segment.

### Legal contingencies

The Company reviews its lawsuits, regulatory inquiries, and other legal proceedings on an ongoing basis. The Company establishes accruals for such matters at management's best estimate when the Company assesses that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company's assessment of whether a loss is reasonably possible or probable is based on its assessment of the ultimate outcome of the matter following all appeals. The Company does not include potential recoveries in its estimates of reasonably possible or probable losses. Legal fees are expensed as incurred.

### Long-term debt

Long-term debt includes senior notes, senior debentures, subordinated debentures and junior subordinated debentures issued by the Corporation. Unamortized debt issuance costs and fair value adjustments are reported in long-term debt and are amortized over the expected period the debt will remain outstanding.

### Equity incentive plans

The Company has equity incentive plans under which it grants nonqualified stock options, restricted stock units and performance stock awards ("equity awards") to certain employees and directors of the Company. The Company measures the fair value of equity awards at the grant date and recognizes the expense over the shorter of the period in which the requisite service is rendered or retirement eligibility is attained. The expense for performance stock awards with no market condition is adjusted each period to reflect the performance factor most likely to be achieved at the end of the performance period. The expense for performance stock awards with a market condition is based on the fair value of the awards at the grant date which incorporates the probability of achieving the market condition. In the event the market condition is not met, any previously recognized expense is not reversed. The Company uses a binomial lattice model to determine the fair value of employee stock options. The Company uses a Monte Carlo simulation model to determine the fair value of performance stock awards with market condition.

### Measurement of credit losses

The Company carries an allowance for expected credit losses for all financial assets measured at amortized cost on the Consolidated Statements of Financial Position. The Company considers past events, current conditions, and reasonable and supportable forecasts in estimating an allowance for credit losses. The Company also carries a credit loss allowance for fixed income securities where applicable and, when amortized cost is reported, it is net of credit loss allowances. For additional information, refer to the Investments, Reinsurance, Indemnification or Recognition of premium revenues and contract charges, topics of this section.

The Company also estimates a credit loss allowance for commitments to fund mortgage loans and bank loans unless they are unconditionally cancellable by the Company. The related allowance is reported in other liabilities and accrued expenses.

**Allowance for credit losses**

| ($ in millions) | As of December 31, 2021 | 2020 |
|---|---|---|
| Fixed income securities | $ 6 | $ 2 |
| Mortgage loans [1] | 6 | 67 |
| Bank loans [1] | 61 | 67 |
| **Investments** | **73** | **136** |
| Premium installment receivables | 107 | 153 |
| Reinsurance recoverables | 74 | 60 |
| Other assets | 26 | 17 |
| **Assets** | **280** | **366** |
| Commitments to fund mortgage loans and bank loans | — | 1 |
| **Liabilities** | **—** | **1** |
| **Total** | **$ 280** | **$ 367** |

[1] Includes credit loss allowance for investments that are classified as held for sale as of December 31, 2020.

### Leases

The Company has certain operating leases for office facilities, computer and office equipment, and vehicles. The Company's leases have remaining lease terms of generally 1 year to 9 years, some of which include options to extend the leases for up to 20 years, and some of which include options to terminate the leases within 32 days.

The Company determines if an arrangement is a lease at inception. Leases with an initial term less than one year are not recorded on the balance sheet and the lease costs for these leases are recorded as an expense on a straight-line basis over the lease term. Operating leases with terms greater than one year result in a lease liability recorded in other liabilities with a corresponding right-of-use ("ROU") asset recorded in other assets. As of December 31, 2021 and 2020, the Company had $465 million and $511 million in lease liabilities and $314 million and $393 million in ROU assets, respectively.

Operating lease liabilities are recognized at the commencement date based on the present value of future minimum lease payments over the lease term. ROU assets are recognized based on the corresponding lease liabilities adjusted for qualifying initial direct costs, prepaid or accrued lease payments and unamortized lease incentives. As most of the Company's leases do not disclose the implicit interest rate, the Company uses collateralized incremental borrowing rates based on information available at lease commencement when determining the present value of future lease payments. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease. Lease terms may include options to extend or terminate the lease which are incorporated into the Company's measurements when it is reasonably certain that the Company will exercise the option.

Operating lease costs are recognized on a straight-line basis over the lease term and include interest expense on the lease liability and amortization of the ROU asset. Variable lease costs are expensed as incurred and include maintenance costs and real estate taxes. Lease costs are reported in operating costs and expenses and totaled $162 million and $166 million, including $30 million and $30 million of variable lease costs in 2021 and 2020, respectively.

**Other information related to operating leases**

| | December 31, 2021 | 2020 |
|---|---|---|
| Weighted average remaining lease term (years) | 5 | 5 |
| Weighted average discount rate | 3.09 % | 3.10 % |

**Maturity of lease liabilities**

| ($ in millions) | Operating leases |
|---|---|
| 2022 | $ 95 |
| 2023 | 125 |
| 2024 | 101 |
| 2025 | 79 |
| 2026 | 48 |
| Thereafter | 56 |
| **Total lease payments** | **$ 504** |
| Less: interest | (39) |
| **Present value of lease liabilities** | **$ 465** |

### Consolidation of variable interest entities ("VIEs")

A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not participate in the gains and losses of the entity. The Company consolidates VIEs in which the Company is deemed the primary beneficiary. The primary beneficiary is the entity that has both (1) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE and (2) the power to direct the activities of the VIE that most significantly affect that entity's economic performance.

### Discontinued Operations and Held for Sale

A business is classified as held for sale when management having the authority to approve the action commits to a plan to sell the business, the sale is probable to occur during the next 12 months at a price that is reasonable in relation to its current fair value and certain other criteria are met. A business classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. When the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized and updated each reporting period as appropriate.

The results of operations of business classified as held for sale are reported as discontinued operations if the disposal represents a strategic shift that will have a major effect on the entity's operations and financial results. The disposal of a reportable segment generally qualifies for discontinued operations presentation.

When a business is identified for discontinued operations reporting:

- Results for prior periods are retrospectively reclassified as discontinued operations
- Results of operations are reported in a single line, net of tax, in the Consolidated Statements of Operations
- Assets and liabilities are reported as held for sale in the Consolidated Statements of Financial Position in the period in which the business is classified as held for sale

Additional details by major classification of operating results and financial position are included in Note 3.

### Foreign currency translation

The local currency of the Company's foreign subsidiaries is deemed to be the functional currency of the country in which these subsidiaries operate. The financial statements of the Company's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of a reporting period for assets and liabilities and at average exchange rates during the period for results of operations.

The unrealized gains and losses from the translation of the net assets are recorded as unrealized foreign currency translation adjustments and included in AOCI. Changes in unrealized foreign currency translation adjustments are included in OCI. Gains and losses from foreign currency transactions are reported in operating costs and expenses and have not been material.

### Earnings per common share

Basic earnings per common share is computed using the weighted average number of common shares outstanding, including vested unissued participating restricted stock units. Diluted earnings per common share is computed using the weighted average number of common and dilutive potential common shares outstanding.

For the Company, dilutive potential common shares consist of outstanding stock options and unvested non-participating restricted stock units and contingently issuable performance stock awards. The effect of dilutive potential common shares does not include options with an anti-dilutive effect on earnings per common share because their exercise prices exceed the average market price of Allstate common shares during the period or for which the unrecognized compensation cost would have an anti-dilutive effect.

**Computation of basic and diluted earnings per common share**

| ($ in millions, except per share data) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Numerator: | | | |
| Net income from continuing operations | $ 5,159 | $ 5,429 | $ 4,327 |
| Less: Net loss attributable to noncontrolling interest | (33) | — | — |
| Net income from continuing operations attributable to Allstate | 5,192 | 5,429 | 4,327 |
| Less: Preferred stock dividends | 114 | 115 | 169 |
| Net income from continuing operations applicable to common shareholders | 5,078 | 5,314 | 4,158 |
| (Loss) income from discontinued operations, net of tax | (3,593) | 147 | 520 |
| **Net income applicable to common shareholders** | **$ 1,485** | **$ 5,461** | **$ 4,678** |
| Denominator: | | | |
| Weighted average common shares outstanding | 294.8 | 311.6 | 328.2 |
| Effect of dilutive potential common shares: | | | |
| Stock options | 2.7 | 2.2 | 3.2 |
| Restricted stock units (non-participating) and performance stock awards | 1.6 | 1.7 | 2.1 |
| **Weighted average common and dilutive potential common shares outstanding** | **299.1** | **315.5** | **333.5** |
| Earnings per share applicable to common shareholders | | | |
| Basic | | | |
| Continuing operations | $ 17.23 | $ 17.06 | $ 12.67 |
| Discontinued operations | (12.19) | 0.47 | 1.58 |
| **Total** | **$ 5.04** | **$ 17.53** | **$ 14.25** |
| Diluted | | | |
| Continuing operations | $ 16.98 | $ 16.84 | $ 12.47 |
| Discontinued operations | (12.02) | 0.47 | 1.56 |
| **Total** | **$ 4.96** | **$ 17.31** | **$ 14.03** |
| Anti-dilutive options excluded from diluted earnings per common share | 1.3 | 2.9 | 3.7 |

## Adopted accounting standards

*Simplifications to the Accounting for Income Taxes* Effective January 1, 2021, the Company adopted new Financial Accounting Standards Board ("FASB") guidance which simplified the accounting for income taxes by eliminating certain exceptions and clarifying certain guidance. The adoption had an immaterial impact on the Company's results of operations and financial position.

*Changes to the Disclosure Requirements for Defined Benefit Plans* Effective January 1, 2021, the Company adopted new FASB guidance to modify certain annual disclosure requirements for defined benefit plans. New disclosures include explanations for significant gains and losses related to changes in the benefit obligation during the reporting period, as well as the weighted-average interest crediting rate assumptions used to determine the benefit obligation and net benefit cost for cash balance plans and other plans with interest crediting rates. Disclosures to be eliminated include amounts expected to be reclassified out of AOCI and into the income statement in the coming year and the anticipated impact of a one-percentage point change in the assumed health care cost trend rate on service and interest cost and on the accumulated benefit obligation. The impacts of adoption are to the Company's annual disclosures only.

### Pending accounting standard

*Accounting for Long-Duration Insurance Contracts* In August 2018, the FASB issued guidance revising the accounting for certain long-duration insurance contracts. As disclosed in Note 3, the Company sold substantially all of its life and annuity business in scope of the new standard. The Company's reserves and deferred policy acquisition costs for certain voluntary and individual life and accident and health insurance products are subject to the new guidance.

Under the new guidance, measurement assumptions, including those for mortality, morbidity and policy terminations, will be required to be reviewed at least annually, and updated as appropriate. The effect of updating assumptions other than the discount rate are required to be measured on a retrospective basis and reported in net income. In addition, reserves under the new guidance are required to be discounted using an upper-medium grade fixed income instrument yield that is updated through OCI at each reporting date. Current GAAP requires the measurement of reserves to utilize assumptions set at policy issuance unless updated current assumptions indicate that recorded reserves are deficient.

The new guidance also requires DAC and other capitalized balances currently amortized in proportion to premiums or gross profits to be amortized on a constant level basis over the expected term for all long-duration insurance contracts. DAC will not be subject to loss recognition testing but will be reduced when actual lapse experience exceeds expected experience.

The new guidance is effective for financial statements issued for reporting periods beginning after December 15, 2022 and restatement of prior periods presented is required. The new guidance will be applied to affected contracts and DAC on the basis of existing carrying amounts at the earliest period presented.

The Company is evaluating the anticipated impacts of applying the new guidance to both retained income and AOCI and does not anticipate the financial statement impact of adopting the new guidance to be material to the Company's results of operations or financial position due to the dispositions of ALIC, ALNY and certain affiliates.

## Note 3 Acquisitions and Dispositions

### Acquisitions

*National General* On January 4, 2021, the Company completed the acquisition of National General Holdings Corp. ("National General"), an insurance holding company serving customers predominantly through independent agents for property and casualty and accident and health products.

National General provides personal and commercial automobile, homeowners, umbrella, recreational vehicle, motorcycle, lender-placed, health and other niche insurance products. This acquisition increased the Company's market share in personal property-liability and enhance its independent agent distribution platform.

**Assets and liabilities recognized in the National General acquisition** [1]

| ($ in millions) | January 4, 2021 |
|---|---|
| **Assets** | |
| Investments | $ 4,962 |
| Cash | 400 |
| Premiums and other receivables, net | 1,539 |
| Deferred acquisition costs (value of business acquired) | 317 |
| Reinsurance recoverables, net | 1,212 |
| Intangible assets | 1,199 |
| Other assets | 734 |
| Goodwill [2] | 1,038 |
| **Total assets** | **11,401** |
| **Liabilities** | |
| Reserve for property and casualty insurance claims and claims expense | 2,765 |
| Reserve for future policy benefits | 186 |
| Unearned premiums | 2,245 |
| Reinsurance payable | 363 |
| Debt [3] | 593 |
| Deferred tax liabilities | 162 |
| Other liabilities | 776 |
| **Total liabilities** | **$ 7,090** |

[1] The amounts reflect allocation of assets acquired and liabilities assumed.

[2] $675 million, $20 million and $343 million of goodwill were allocated to the Allstate Protection, Protection Services and Allstate Health and Benefits segments, respectively, and is non-deductible for income tax purposes. Goodwill is primarily attributable to expected synergies and future growth opportunities.

[3] Subsequent to the acquisition, the Company repaid $100 million of 7.625% Subordinated Notes and $72 million of Subordinated Debentures on February 3, 2021 and March 15, 2021, respectively. As of December 31, 2021, the Company had principal balance remaining of $350 million 6.750% Senior Notes due 2024, with a fair value adjustment of $45 million.

**Intangible assets by type**

| ($ in millions) | January 4, 2021 |
|---|---|
| Distribution and customer relationships | $ 795 |
| Trade names | 102 |
| Licenses | 97 |
| Technology | 205 |
| **Total** | **$ 1,199** |

Intangible assets (reported in other assets in the Consolidated Statements of Financial Position) consist of capitalized costs, primarily of the estimated fair value of distribution and customer relationships, trade names, licenses and technology assets. The estimated useful lives of these assets generally range from 3 to 10 years.

The estimated fair value of distribution and customer relationship intangible assets was determined using an income approach that considered cash flows and profits expected to be generated by the acquired relationships, a weighted-average cost of capital discount rate reflecting the relative risk of achieving the anticipated cash flows, profits, the time value of money, and other relevant inputs. Technology and trade names were valued using estimated useful lives and market licensing rates discounted at a weighted-average cost of capital. Licenses are primarily insurance licenses which were valued using the median value of market transactions executed over an extended observation period.

Licenses are considered to have an indefinite useful life and are reviewed for impairment at least annually or more frequently if circumstances arise that indicate an impairment may have occurred. An impairment is recognized if the carrying amount of the asset exceeds its estimated fair value.

Intangible assets are carried at cost less accumulated amortization. Amortization expense is primarily calculated using accelerated amortization methods. Amortization expense on intangible assets was $251 million in 2021.

**Estimated amortization expense of National General intangible assets for the next five years and thereafter**

| ($ in millions) | |
|---|---|
| 2022 | $ 218 |
| 2023 | 185 |
| 2024 | 135 |
| 2025 | 103 |
| 2026 | 70 |
| Thereafter | 140 |
| **Total amortization** | **$ 851** |

*Value of business acquired* (reported in DAC in the Consolidated Statements of Financial Position) recognized in connection with the acquisition of National General represents the value of future profits expected to be earned over the lives of the contracts acquired determined using a weighted-average cost of capital discount and other relevant assumptions. These costs are amortized over the policy term of the contracts in force at the acquisition date, generally over six or twelve months. The value of business acquired asset recognized in connection with the National General acquisition totaled $317 million, all of which was expensed in 2021. The most significant portion relates to insurance contracts in the Allstate Protection segment.

Other fair value adjustments included an increase in reserves of $62 million, a $9 million reduction to investments that were not held at fair value, and a net increase in current and deferred tax liabilities of $153 million.

*Preferred stock* On February 2, 2021, subsequent to the acquisition, the Company redeemed all outstanding shares of 7.50% Non-Cumulative Preferred Stock, Series A, par value $0.01 per share, all outstanding Depositary shares, representing 1/40th of a Share of 7.50% Non-Cumulative Preferred Stock, Series B, and the underlying shares of 7.50% Non-Cumulative Preferred Stock, Series B, par value $0.01 per share, and all outstanding shares of Fixed/Floating Rate Non-Cumulative Convertible Preferred Stock, Series D, par value $0.01 per share for a total redemption payment of $250 million.

On July 15, 2021, the Company redeemed all outstanding Depositary shares, representing 1/40th of a share of National General's 7.50% Noncumulative Preferred Stock, Series C, and the underlying shares of 7.50% Noncumulative Preferred Stock, Series C, par value $0.01 per share for a total redemption payment of $200 million.

*Transactions costs* (reported in operating costs and expenses in the Consolidated Statements of Operations) of $22 million related to the acquisition were expensed as incurred in the Corporate and Other segment.

*SafeAuto* On June 1, 2021, the Company announced an agreement to acquire Safe Auto Insurance Group, Inc. ("SafeAuto"), a non-standard auto insurance carrier focused on providing state-minimum private-passenger auto insurance with coverage options in 28 states. On October 1, 2021, the Company completed the acquisition of SafeAuto for $262 million in cash. Starting in the fourth quarter of 2021, the Allstate Protection segment includes SafeAuto.

In connection with the acquisition, the Company recorded goodwill of $79 million, intangible assets of $30 million and value of business acquired of $7 million. The intangible assets include $24 million and $6 million related to acquired customer relationships and licenses, respectively.

On December 17, 2021, subsequent to the acquisition, the Company redeemed the outstanding principal of SafeAuto's trust preferred securities for $13 million.

**Dispositions**

*Life and annuity business* On January 26, 2021, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with Everlake US Holdings Company (formerly Antelope US Holdings Company), an affiliate of an investment fund associated with The Blackstone Group Inc. to sell ALIC and certain affiliates.

On March 29, 2021, the Company entered into a Stock Purchase Agreement with Wilton Reassurance Company to sell ALNY.

On October 1, 2021, the Company closed the sale of ALNY to Wilton Reassurance Company for $400 million. On November 1, 2021, the Company closed the sale of ALIC and certain affiliates to entities managed by Blackstone for total proceeds of $4 billion, including a pre-close dividend of $1.25 billion paid by ALIC.

In 2021, the loss on disposition was $4.09 billion, after-tax, and reflects purchase price adjustments associated with certain pre-close transactions specified in the stock purchase agreements, changes in statutory capital and surplus prior to the closing date and the closing date equity of the sold entities determined under GAAP, excluding AOCI derecognized related to the dispositions.

Beginning in the first quarter of 2021, the assets and liabilities of the business were reclassified as held for sale and results are presented as discontinued operations. This change was applied on a retrospective basis.

**Financial results from discontinued operations**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | | |
| Life premiums and contract charges | $ 1,109 | $ 1,350 | $ 1,356 |
| Net investment income | 1,336 | 1,262 | 1,431 |
| Net gains (losses) on investments and derivatives | 195 | 269 | 347 |
| **Total revenues** | **2,640** | **2,881** | **3,134** |
| **Costs and expenses** | | | |
| Life contract benefits | 1,315 | 1,726 | 1,438 |
| Interest credited to contractholder funds | 414 | 605 | 606 |
| Amortization of DAC | 87 | 153 | 180 |
| Operating costs and expenses | 163 | 238 | 268 |
| Restructuring and related charges | 31 | 7 | 2 |
| **Total costs and expenses** | **2,010** | **2,729** | **2,494** |
| Amortization of deferred gain on reinsurance | 4 | 4 | 6 |
| Income (loss) from discontinued operations before income tax expense | 634 | 156 | 646 |
| Income tax expense | 136 | 9 | 126 |
| **Income from discontinued operations, net of tax** | **498** | **147** | **520** |
| Loss on disposition of operations | (4,315) | — | — |
| Income tax benefit | (224) | — | — |
| **Loss on disposition of operations, net of tax** | **(4,091)** | **—** | **—** |
| **(Loss) income from discontinued operations, net of tax** | **$ (3,593)** | **$ 147** | **$ 520** |

**Major classes of assets and liabilities disposed in transactions**

| ($ in millions) | Closing [1] | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Investments | | |
| Fixed income securities, at fair value | $ 26,425 | $ 23,789 |
| Equity securities, at fair value | 11 | 1,542 |
| Mortgage loans, net | 2,662 | 3,329 |
| Limited partnership interests | 1,624 | 3,046 |
| Short-term, at fair value | 643 | 993 |
| Other investments, net | 690 | 1,998 |
| Total investments | $ 32,055 | $ 34,697 |
| Cash | 1,081 | 66 |
| Deferred policy acquisitions costs | 996 | 925 |
| Reinsurance recoverables, net | 1,979 | 2,005 |
| Accrued investment income | 240 | 229 |
| Other assets | 536 | 865 |
| Separate accounts | 3,465 | 3,344 |
| **Total assets** | **$ 40,352** | **$ 42,131** |
| **Liabilities** | | |
| Reserve for future policy benefits | $ 11,573 | $ 11,740 |
| Contractholder funds | 15,880 | 16,356 |
| Deferred income taxes | 834 | 973 |
| Other liabilities and accrued expenses | 452 | 912 |
| Separate accounts | 3,465 | 3,344 |
| **Total liabilities** | **$ 32,204** | **$ 33,325** |

[1] The Company closed the sales of Allstate Life Insurance Company of New York and Allstate Life Insurance Company and certain affiliates on October 1, 2021 and November 1, 2021, respectively.

**Cash flows from discontinued operations**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Net cash provided by operating activities from discontinued operations | $ 634 | $ 311 | $ 346 |
| Net cash provided by investing activities from discontinued operations | 984 | 330 | 448 |

## Note 4 Reportable Segments

The Company's chief operating decision maker reviews financial performance and makes decisions about the allocation of resources for the five reportable segments. These segments are described below and align with the Company's key product and service offerings.

*Allstate Protection* principally offers private passenger auto and homeowners insurance in the United States and Canada, with earned premiums accounting for 80.0% of Allstate's 2021 consolidated revenues. Allstate Protection primarily operates in the U.S. (all 50 states and the District of Columbia ("D.C.")) and Canada. For 2021, the top U.S. geographic locations for premiums earned by the Allstate Protection segment were Texas, California, New York and Florida. No other jurisdiction accounted for more than 5% of premium earned for Allstate Protection. Revenues from external customers generated outside the United States were $1.86 billion, $1.57 billion and $1.37 billion in 2021, 2020 and 2019, respectively.

*Run-off Property-Liability* includes property and casualty insurance coverage that primarily relates to policies written during the 1960s through the mid-1980s. Our exposure to asbestos, environmental and other run-off lines claims arises principally from direct excess commercial insurance, assumed reinsurance coverage, direct primary commercial insurance and other businesses in run-off.

*Protection Services* comprise Allstate Protection Plans, Allstate Dealer Services, Allstate Roadside, Arity and Allstate Identity Protection. Protection Services offer consumer product protection plans, finance and insurance products (including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel and paintless dent repair protection), roadside assistance, device and mobile data collection services and analytic solutions using automotive telematics information and identity protection. Protection Services primarily operate in the U.S. and Canada, with Allstate Protection Plans also offering services in Europe, Australia and Asia. Revenues from external customers generated outside the United States relate to consumer product protection plans sold primarily in the European Union and were $232 million, $188 million and $95 million in 2021, 2020 and 2019, respectively.

*Allstate Health and Benefits* offers employer voluntary benefits, group health and individual health products, including life, accident, critical illness, hospital, short-term disability and other health products. Allstate Health and Benefits primarily operates in the U.S. (all 50 states and D.C.) and Canada. For 2021, the top geographic locations for statutory direct accident and health insurance premiums were Florida, Texas, Georgia, Ohio and North Carolina. No other jurisdiction accounted for more than 5% of statutory direct accident and health insurance premiums. Revenues from external customers generated outside the United States relate to voluntary accident and health insurance sold in Canada and were not material.

*Corporate and Other* comprises holding company activities and certain non-insurance operations, including expenses associated with strategic initiatives.

National General results are included in the following segments:

- Property and casualty - Allstate Protection
- Accident and health - Allstate Health and Benefits
- Technology solutions - Protection Services

Allstate Protection and Run-off Property Liability segments comprise Property-Liability. The Company does not allocate investment income, net gains and losses on investments and derivatives, or assets to the Allstate Protection and Run-off Property Liability segments. Management reviews assets at the Property-Liability, Protection Services, Allstate Health and Benefits, and Corporate and Other levels for decision-making purposes.

The accounting policies of the reportable segments are the same as those described in Note 2. The effects of intersegment transactions are eliminated in the consolidated results. For segment results, services provided by Protection Services to Allstate Protection are not eliminated as management considers those transactions in assessing the results of the respective segments.

## Measuring segment profit or loss

The measure of segment profit or loss used in evaluating performance is underwriting income for the Allstate Protection and Run-off Property-Liability and adjusted net income for the Protection Services, Allstate Health and Benefits and Corporate and Other segments.

*Underwriting income* is calculated as premiums earned and other revenue, less claims and claims expenses ("losses"), Shelter-in-Place Payback expense, amortization of DAC, operating costs and expenses, amortization or impairment of purchased intangibles and restructuring and related charges as determined using GAAP.

*Adjusted net income* is net income (loss) applicable to common shareholders, excluding:

- Net gains and losses on investments and derivatives except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with net gains and losses on investments and derivatives but included in adjusted net income
- Pension and other postretirement remeasurement gains and losses
- Business combination expenses and the amortization or impairment of purchased intangibles
- Income or loss from discontinued operations
- Adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years
- Income tax expense or benefit on reconciling items

A reconciliation of these measures to net income (loss) applicable to common shareholders is provided below.

**Reportable segments financial performance**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| ***Underwriting income (loss) by segment*** | | | |
| Allstate Protection | $ 1,785 | $ 4,569 | $ 2,921 |
| Run-off Property-Liability | (120) | (144) | (108) |
| Total Property-Liability | 1,665 | 4,425 | 2,813 |
| ***Adjusted net income (loss) by segment, after-tax*** | | | |
| Protection Services | 179 | 153 | 38 |
| Allstate Health and Benefits | 208 | 96 | 115 |
| Corporate and Other | (433) | (428) | (438) |
| ***Reconciling items*** | | | |
| Property-Liability net investment income | 3,118 | 1,421 | 1,533 |
| Net gains (losses) on investments and derivatives | 1,084 | 1,087 | 1,538 |
| Pension and other postretirement remeasurement gains (losses) | 644 | 51 | (114) |
| Curtailment gains (losses) | — | 8 | — |
| Business combination expenses and amortization of purchased intangibles [(1)] | (157) | (106) | (122) |
| Business combination fair value adjustment | 6 | — | — |
| Impairment of purchased intangibles [(1)] | — | — | (55) |
| Income tax (expense) benefit on reconciling items | (1,270) | (1,393) | (1,150) |
| **Total reconciling items** | **3,425** | **1,068** | **1,630** |
| (Loss) income from discontinued operations | (3,612) | 157 | 646 |
| Income tax benefit (expense) from discontinued operations | 19 | (10) | (126) |
| **Total from discontinued operations** | **$ (3,593)** | **$ 147** | **$ 520** |
| Less: Net loss attributable to noncontrolling interest [(2)] | (34) | — | — |
| **Net income applicable to common shareholders** | **$ 1,485** | **$ 5,461** | **$ 4,678** |

(1) Excludes amortization or impairment of purchased intangibles in Property-Liability, which is included above in underwriting income.

(2) Reflects net loss attributable to noncontrolling interest in Property-Liability.

**Reportable segments revenue information**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| ***Property-Liability*** | | | |
| Insurance premiums | | | |
| Auto | $ 27,623 | $ 24,640 | $ 24,1 |
| Homeowners | 9,927 | 8,254 | 7,9 |
| Other personal lines | 2,077 | 1,919 | 1,8 |
| Commercial lines | 827 | 767 | 8 |
| Allstate Protection | 40,454 | 35,580 | 34,8 |
| Run-off Property-Liability | — | — | — |
| Total Property-Liability insurance premiums | 40,454 | 35,580 | 34,8 |
| Other revenue | 1,437 | 857 | 8 |
| Net investment income | 3,118 | 1,421 | 1,5 |
| Net gains (losses) on investments and derivatives | 1,021 | 990 | 1,4 |
| **Total Property-Liability** | **46,030** | **38,848** | **38,7** |
| ***Protection Services*** | | | |
| Protection Plans | 1,132 | 909 | 6 |
| Roadside assistance | 192 | 188 | 2 |
| Finance and insurance products | 440 | 396 | 3 |
| Intersegment premiums and service fees [1] | 175 | 147 | 1 |
| Other revenue | 354 | 208 | 1 |
| Net investment income | 43 | 44 | [illegible] |
| Net gains (losses) on investments and derivatives | 25 | 30 | [illegible] |
| **Total Protection Services** | **2,361** | **1,922** | **1,6** |
| ***Allstate Health and Benefits*** | | | |
| Employer voluntary benefits | 1,031 | 1,094 | 1,1 |
| Group health | 350 | — | — |
| Individual health | 440 | — | — |
| Other revenue | 359 | — | — |
| Net investment income | 74 | 78 | [illegible] |
| Net gains (losses) on investments and derivatives | 7 | 8 | [illegible] |
| **Total Allstate Health and Benefits** | **2,261** | **1,180** | **1,2** |
| ***Corporate and Other*** | | | |
| Other revenue | 22 | — | — |
| Net investment income | 58 | 47 | [illegible] |
| Net gains (losses) on investments and derivatives | 31 | 59 | [illegible] |
| **Total Corporate and Other** | **111** | **106** | [illegible] |
| Intersegment eliminations [1] | (175) | (147) | (1 |
| **Consolidated revenues** | **$ 50,588** | **$ 41,909** | **$ 41,5** |

[1] Intersegment insurance premiums and service fees are primarily related to Arity and Allstate Roadside and are eliminated in the consolidated financial statements.

**Additional significant financial performance data**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Amortization of DAC** | | | |
| Property-Liability | $ 5,313 | $ 4,642 | $ 4,64 |
| Protection Services | 795 | 658 | 54 |
| Allstate Health and Benefits | 144 | 177 | 16 |
| **Consolidated** | **$ 6,252** | **$ 5,477** | **$ 5,35** |
| **Income tax expense (benefit)** | | | |
| Property-Liability | $ 1,151 | $ 1,382 | $ 1,19 |
| Protection Services | 39 | 26 | (1 |
| Allstate Health and Benefits | 50 | 28 | 3 |
| Corporate and Other | 49 | (63) | (9 |
| **Consolidated** | **$ 1,289** | **$ 1,373** | **$ 1,11** |

Interest expense is primarily incurred in the Corporate and Other segment. Capital expenditures for long-lived assets are generally made in Property-Liability as the Company does not allocate assets to the Allstate Protection and Run-off Property-Liability segments. A portion of these long-lived assets are used by entities included in the Protection Services, Allstate Health and Benefits and Corporate and Other segments and, accordingly, are charged to expenses in proportion to their use.

**Reportable segment total assets, investments and deferred policy acquisition costs**

| ($ in millions) | As of December 31, 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Property-Liability | $ 84,846 | $ 69,171 |
| Protection Services | 6,909 | 6,177 |
| Allstate Health and Benefits | 4,015 | 2,905 |
| Corporate and Other | 3,670 | 5,603 |
| Assets held for sale | — | 42,131 |
| **Consolidated** | **$ 99,440** | **$ 125,987** |
| **Investments** [(1)] | | |
| Property-Liability | $ 57,258 | $ 50,134 |
| Protection Services | 1,890 | 1,822 |
| Allstate Health and Benefits | 2,191 | 2,012 |
| Corporate and Other | 3,362 | 5,572 |
| **Consolidated** | **$ 64,701** | **$ 59,540** |
| **Deferred policy acquisition costs** | | |
| Property-Liability | $ 1,951 | $ 1,608 |
| Protection Services | 2,294 | 1,696 |
| Allstate Health and Benefits | 477 | 470 |
| **Consolidated** | **$ 4,722** | **$ 3,774** |

(1) The balances reflect the elimination of related party investments between segments.

## Note 5 Investments

**Portfolio composition**

| ($ in millions) | As of December 31, 2021 | 2020 |
|---|---|---|
| Fixed income securities, at fair value | $ 42,136 | $ 42,565 |
| Equity securities, at fair value | 7,061 | 3,168 |
| Mortgage loans, net | 821 | 746 |
| Limited partnership interests | 8,018 | 4,563 |
| Short-term investments, at fair value | 4,009 | 6,807 |
| Other investments, net | 2,656 | 1,691 |
| **Total** | **$ 64,701** | **$ 59,540** |

**Amortized cost, gross unrealized gains (losses) and fair value for fixed income securities**

| ($ in millions) | Amortized cost, net | Gross unrealized Gains | Gross unrealized Losses | Fair value |
|---|---|---|---|---|
| **December 31, 2021** | | | | |
| U.S. government and agencies | $ 6,287 | $ 12 | $ (26) | $ 6,273 |
| Municipal | 6,130 | 279 | (16) | 6,393 |
| Corporate | 26,834 | 688 | (192) | 27,330 |
| Foreign government | 982 | 9 | (6) | 985 |
| ABS | 1,143 | 14 | (2) | 1,155 |
| **Total fixed income securities** | **$ 41,376** | **$ 1,002** | **$ (242)** | **$ 42,136** |
| **December 31, 2020** | | | | |
| U.S. government and agencies | $ 2,058 | $ 50 | $ (1) | $ 2,107 |
| Municipal | 7,100 | 480 | (2) | 7,578 |
| Corporate | 29,057 | 1,986 | (26) | 31,017 |
| Foreign government | 921 | 37 | — | 958 |
| ABS | 898 | 10 | (3) | 905 |
| **Total fixed income securities** | **$ 40,034** | **$ 2,563** | **$ (32)** | **$ 42,565** |

**Scheduled maturities for fixed income securities**

| ($ in millions) | As of December 31, 2021 Amortized cost, net | Fair value |
|---|---|---|
| Due in one year or less | $ 1,105 | $ 1,111 |
| Due after one year through five years | 21,039 | 21,291 |
| Due after five years through ten years | 13,808 | 14,079 |
| Due after ten years | 4,281 | 4,500 |
| | **40,233** | **40,981** |
| ABS | 1,143 | 1,155 |
| **Total** | **$ 41,376** | **$ 42,136** |

Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers. ABS is shown separately because of potential prepayment of principal prior to contractual maturity dates.

**Net investment income**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Fixed income securities | $ 1,148 | $ 1,232 | $ 1,201 |
| Equity securities | 100 | 78 | 175 |
| Mortgage loans | 43 | 34 | 27 |
| Limited partnership interests | 1,973 | 238 | 296 |
| Short-term investments | 5 | 17 | 70 |
| Other investments | 195 | 124 | 131 |
| **Investment income, before expense** | **3,464** | **1,723** | **1,900** |
| Investment expense | (171) | (133) | (172) |
| **Net investment income** | **$ 3,293** | **$ 1,590** | **$ 1,728** |

**Net gains (losses) on investments and derivatives by asset type**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Fixed income securities | $ 425 | $ 925 | $ 433 |
| Equity securities | 520 | 117 | 930 |
| Mortgage loans | 20 | (1) | — |
| Limited partnership interests | (52) | (14) | 157 |
| Derivatives | 49 | 49 | (26) |
| Other investments | 122 | 11 | 44 |
| **Net gains (losses) on investments and derivatives** | **$ 1,084** | **$ 1,087** | **$ 1,538** |

**Net gains (losses) on investments and derivatives by transaction type**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Sales | $ 578 | $ 974 | $ 519 |
| Credit losses | (42) | (32) | (26) |
| Valuation change of equity investments [1] | 499 | 96 | 1,071 |
| Valuation change and settlements of derivatives | 49 | 49 | (26) |
| **Net gains (losses) on investments and derivatives** | **$ 1,084** | **$ 1,087** | **$ 1,538** |

[1] Includes valuation change of equity securities and certain limited partnership interests where the underlying assets are predominately public equity securities.

**Gross realized gains (losses) on sales of fixed income securities**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Gross realized gains | $ 587 | $ 1,105 | $ 541 |
| Gross realized losses | (158) | (177) | (99) |

The following table presents the net pre-tax appreciation (decline) recognized in net income of equity securities and limited partnership interests carried at fair value that are still held as of December 31, 2021 and 2020, respectively.

**Net appreciation (decline) recognized in net income**

| ($ in millions) | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Equity securities | $ 377 | $ 247 |
| Limited partnership interests carried at fair value | 435 | 150 |
| **Total** | **$ 812** | **$ 397** |

**Credit losses recognized in net income**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Fixed income securities: | | | |
| Corporate | $ (5) | $ (1) | $ (6) |
| ABS | 1 | (2) | (3) |
| **Total fixed income securities** | **(4)** | **(3)** | **(9)** |
| Mortgage loans | 18 | (1) | — |
| Limited partnership interests | (34) | (6) | (4) |
| Other investments | | | |
| Bank loans | (22) | (23) | (13) |
| **Total credit losses by asset type** | **$ (42)** | **$ (33)** | **$ (26)** |
| **Liabilities** | | | |
| Commitments to fund commercial mortgage loans and bank loans | — | 1 | — |
| **Total** | **$ (42)** | **$ (32)** | **$ (26)** |

**Unrealized net capital gains and losses included in AOCI**

| ($ in millions) December 31, 2021 | Fair value | Gross unrealized Gains | Gross unrealized Losses | Unrealized net gains (losses) |
|---|---|---|---|---|
| Fixed income securities | $ 42,136 | $ 1,002 | $ (242) | $ 760 |
| Short-term investments | 4,009 | — | — | — |
| Derivative instruments | — | — | (3) | (3) |
| EMA limited partnerships [1] | | | | (1) |
| Investments classified as held for sale | | | | — |
| **Unrealized net capital gains and losses, pre-tax** | | | | **756** |
| Amounts recognized for: | | | | |
| Insurance reserves [2] | | | | — |
| DAC and DSI [3] | | | | 1 |
| Reclassification of noncontrolling interest | | | | 4 |
| **Amounts recognized** | | | | **5** |
| Deferred income taxes | | | | (163) |
| **Unrealized net capital gains and losses, after-tax** | | | | **$ 598** |
| | | | | |
| **December 31, 2020** | | | | |
| Fixed income securities | $ 42,565 | $ 2,563 | $ (32) | $ 2,531 |
| Short-term investments | 6,807 | — | — | — |
| Derivative instruments | — | — | (3) | (3) |
| EMA limited partnerships | | | | (1) |
| Investments classified as held for sale | | | | 2,369 |
| **Unrealized net capital gains and losses, pre-tax** | | | | **4,896** |
| Amounts recognized for: | | | | |
| Insurance reserves [2] | | | | (496) |
| DAC and DSI [3] | | | | (364) |
| **Amounts recognized** | | | | **(860)** |
| Deferred income taxes | | | | (856) |
| **Unrealized net capital gains and losses, after-tax** | | | | **$ 3,180** |

[1] Unrealized net capital gains and losses for limited partnership interests represent the Company's share of EMA limited partnerships' OCI. Fair value and gross unrealized gains and losses are not applicable.

[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 lower interest rates, resulting in a premium deficiency. This adjustment primarily relates to structured settlement annuities with life contingencies (a type of immediate fixed annuity), classified as held for sale as of December 31, 2020.

[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. This adjustment relates primarily to life insurance products, which are classified as held for sale as of December 31, 2020.

**Change in unrealized net capital gains (losses)**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Fixed income securities | $ (1,771) | $ 2,152 | $ 2,715 |
| EMA limited partnerships | — | — | (4) |
| Investments classified as held for sale | (2,369) | — | — |
| **Total** | **(4,140)** | **2,152** | **2,711** |
| Amounts recognized for: | | | |
| Insurance reserves | 496 | (370) | (126) |
| DAC and DSI | 365 | (140) | (191) |
| Reclassification of noncontrolling interest | 4 | — | — |
| **Amounts recognized** | **865** | **(510)** | **(317)** |
| Deferred income taxes | 693 | (349) | (505) |
| **(Decrease) increase in unrealized net capital gains and losses, after-tax** | **$ (2,582)** | **$ 1,293** | **$ 1,889** |

**Mortgage loans** The Company's mortgage loans are commercial mortgage loans collateralized by a variety of commercial real estate property types located across the United States and totaled $821 million and $746 million, net of credit loss allowance, as of December 31, 2021 and 2020, respectively. Substantially all of the commercial mortgage loans are non-recourse to the borrower.

**Principal geographic distribution of commercial real estate exceeding 5% of the mortgage loans portfolio**

| | As of December 31, | |
|---|---|---|
| **(% of mortgage loan portfolio carrying value)** | **2021** | **2020** |
| Texas | 20.4 % | 22.0 % |
| California | 19.6 | 15.6 |
| Illinois | 6.7 | 2.4 |
| Florida | 6.0 | 8.6 |
| Massachusetts | 5.7 | 3.6 |
| Tennessee | 5.7 | 4.7 |
| Ohio | 5.3 | 7.2 |
| Missouri | 4.4 | 5.7 |

**Types of properties collateralizing the mortgage loan portfolio**

| | As of December 31, | |
|---|---|---|
| **(% of mortgage loan portfolio carrying value)** | **2021** | **2020** |
| Apartment complex | 35.3 % | 53.2 % |
| Retail | 23.8 | 7.9 |
| Office | 18.5 | 21.8 |
| Warehouse | 11.0 | 14.2 |
| Other | 11.4 | 2.9 |
| **Total** | **100.0 %** | **100.0 %** |

**Contractual maturities of the mortgage loan portfolio**

| | As of December 31, 2021 | | |
|---|---|---|---|
| **($ in millions)** | **Number of loans** | **Amortized cost, net** | **Percent** |
| 2022 | 5 | $ 98 | 11.9 % |
| 2023 | 6 | 44 | 5.4 |
| 2024 | 5 | 89 | 10.8 |
| 2025 | 7 | 115 | 14.0 |
| Thereafter | 30 | 475 | 57.9 |
| **Total** | **53** | **$ 821** | **100.0 %** |

**Limited partnerships** Investments in limited partnership interests include interests in private equity funds, real estate funds and other funds. Principal factors influencing carrying value appreciation or decline include operating performance, comparable public company earnings multiples, capitalization rates and the economic environment. For equity method limited partnerships, the Company recognizes an impairment loss when evidence demonstrates that the loss is other than temporary. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment. Changes in fair value limited partnerships are recorded through net investment income and therefore are not tested for impairment.

**Carrying value for limited partnership interests**

| | As of December 31, 2021 | | | As of December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **($ in millions)** | **EMA** | **Fair Value** | **Total** | **EMA** | **Fair Value** | **Total** |
| Private equity | $ 4,905 | $ 1,434 | $ 6,339 | $ 2,667 | $ 988 | $ 3,655 |
| Real estate | 823 | 97 | 920 | 623 | 74 | 697 |
| Other [1] | 759 | — | 759 | 211 | — | 211 |
| **Total** [2] | **$ 6,487** | **$ 1,531** | **$ 8,018** | **$ 3,501** | **$ 1,062** | **$ 4,563** |

[1] Other consists of certain limited partnership interests where the underlying assets are predominately public equity and debt securities.

[2] Carrying value for limited partnership interests as of December 31, 2021, includes certain investments classified as assets held for sale as of December 31, 2020 and March 31, 2021, and transferred to continuing operations in the first and second quarter of 2021, respectively.

**Municipal bonds** The Company maintains a diversified portfolio of municipal bonds, including tax exempt and taxable securities, which totaled $6.39 billion and $7.58 billion as of December 31, 2021 and 2020, respectively.

The municipal bond portfolio includes general obligations of state and local issuers and revenue bonds (including pre-refunded bonds, which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest).

**Principal geographic distribution of municipal bond issuers exceeding 5% of the portfolio**

| | As of December 31, | |
|---|---|---|
| **(% of municipal bond portfolio carrying value)** | **2021** | **2020** |
| California | 11.8 % | 11.8 % |
| Texas | 8.7 | 9.5 |
| Pennsylvania | 5.4 | 5.8 |
| New York | 5.1 | 5.2 |
| Colorado | 4.4 | 5.5 |
| Florida | 4.2 | 5.5 |

**Short-term investments** Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value. As of December 31, 2021 and 2020, the fair value of short-term investments totaled $4.01 billion and $6.81 billion, respectively.

**Other investments** Other investments primarily consist of bank loans, real estate, policy loans and derivatives. Bank loans are primarily senior secured corporate loans and are carried at amortized cost, net. Policy loans are carried at unpaid principal balances. Real estate is carried at cost less accumulated depreciation. Derivatives are carried at fair value.

**Other investments by asset type**

| | As of December 31, | |
|---|---|---|
| **($ in millions)** | **2021** | **2020** |
| Bank loans, net | $ 1,574 | $ 772 |
| Real estate | 809 | 659 |
| Policy loans | 148 | 181 |
| Derivatives | 12 | 20 |
| Other | 113 | 59 |
| **Total [1]** | **$ 2,656** | **$ 1,691** |

[1] Other investments as of December 31, 2021 include certain real estate and other investments classified as held for sale as of December 31, 2020 and transferred to continuing operations in the first quarter of 2021.

*Agent loans* were loans issued to exclusive Allstate agents and were carried at amortized cost, net. On November 15, 2021, the Company sold its portfolio of agent loans which were previously reported in other investments. Agent loans were assets of the Allstate Life segment and classified as assets held for sale as of December 31, 2020.

**Concentration of credit risk** As of December 31, 2021, the Company is not exposed to any credit concentration risk of a single issuer and its affiliates greater than 10% of the Company's shareholders' equity, other than the U.S. government and its agencies.

**Securities loaned** The Company's business activities include securities lending programs with third parties, mostly large banks. As of December 31, 2021 and 2020, fixed income and equity securities with a carrying value of $1.38 billion and $872 million, respectively, were on loan under these agreements. Interest income on collateral, net of fees, was $1 million, $2 million and $3 million in 2021, 2020 and 2019, respectively.

**Other investment information** Included in fixed income securities are below investment grade assets totaling $7.50 billion and $6.06 billion as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, fixed income securities and short-term investments with a carrying value of $211 million were on deposit with regulatory authorities as required by law.

As of December 31, 2021, the carrying value of fixed income securities and other investments that were non-income producing was $57 million.

### Portfolio monitoring and credit losses

**Fixed income securities** The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed income security that may require a credit loss allowance.

For each fixed income security in an unrealized loss position, the Company assesses whether management with the appropriate authority has made the decision to sell or whether it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, any existing credit loss allowance would be written-off against the amortized cost basis of the asset along with any remaining unrealized losses, with incremental losses recorded in earnings.

If the Company has not made the decision to sell the fixed income security and it is not more likely than not the Company will be required to sell the fixed income security before recovery of its amortized cost basis, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. The Company calculates the estimated recovery value based on the best estimate of future cash flows considering past events, current conditions and reasonable and supportable forecasts. The estimated future cash flows are discounted at the security's current effective rate and is compared to the amortized cost of the security.

The determination of cash flow estimates is inherently subjective, and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security is considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, origination vintage year, geographic concentration of underlying collateral, available reserves or escrows, current subordination levels, third-party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of collateral for ultimate settlement.

If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, a credit loss allowance is recorded in earnings for the shortfall in expected cash flows; however, the amortized cost, net of the credit loss allowance, may not be lower than the fair value of the security. The portion of the unrealized loss related to factors other than credit remains classified in AOCI. If the Company determines that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, the Company may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

When a security is sold or otherwise disposed or when the security is deemed uncollectible and written off, the Company removes amounts previously recognized in the credit loss allowance. Recoveries after write-offs are recognized when received. Accrued interest excluded from the amortized cost of fixed income securities totaled $311 million and $351 million as of December 31, 2021, and 2020, respectively, and is reported within the accrued investment income line of the Consolidated Statements of Financial Position. The Company monitors accrued interest and writes off amounts when they are not expected to be received.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost is below internally established thresholds. The process also includes the monitoring of other credit loss indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential credit losses using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of credit losses for these securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value requires a credit loss allowance are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 3) the extent to which the fair value has been less than amortized cost.

**Rollforward of credit loss allowance for fixed income securities**

| ($ in millions) | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Beginning balance | $ (2) | $ — |
| Credit losses on securities for which credit losses not previously reported | (5) | (2) |
| Net decreases related to credit losses previously reported | 1 | — |
| Reduction of allowance related to sales | — | — |
| Write-offs | — | — |
| **Ending balance** [1] | **$ (6)** | **$ (2)** |

[1] Allowance for fixed income securities as of December 31, 2021 comprised $6 million of corporate bonds. Allowance for fixed income securities as of December 31, 2020 comprised $1 million and $1 million of corporate bonds and ABS, respectively.

**Gross unrealized losses and fair value by type and length of time held in a continuous unrealized loss position**

| ($ in millions) | Less than 12 months: Number of issues | Fair value | Unrealized losses | 12 months or more: Number of issues | Fair value | Unrealized losses | Total unrealized losses |
|---|---|---|---|---|---|---|---|
| **December 31, 2021** | | | | | | | |
| Fixed income securities | | | | | | | |
| U.S. government and agencies | 112 | $ 5,451 | $ (24) | 4 | $ 72 | $ (2) | $ (26) |
| Municipal | 767 | 1,213 | (15) | 2 | 14 | (1) | (16) |
| Corporate | 1,197 | 9,725 | (176) | 22 | 130 | (16) | (192) |
| Foreign government | 51 | 415 | (6) | 4 | 3 | — | (6) |
| ABS | 80 | 500 | (2) | 53 | 8 | — | (2) |
| **Total fixed income securities** | **2,207** | **$ 17,304** | **$ (223)** | **85** | **$ 227** | **$ (19)** | **$ (242)** |
| Investment grade fixed income securities | 1,993 | $ 15,391 | $ (188) | 71 | $ 183 | $ (8) | $ (196) |
| Below investment grade fixed income securities | 214 | 1,913 | (35) | 14 | 44 | (11) | (46) |
| **Total fixed income securities** | **2,207** | **$ 17,304** | **$ (223)** | **85** | **$ 227** | **$ (19)** | **$ (242)** |
| **December 31, 2020** | | | | | | | |
| Fixed income securities | | | | | | | |
| U.S. government and agencies | 26 | $ 215 | $ (1) | — | $ — | $ — | $ (1) |
| Municipal | 43 | 116 | (2) | — | — | — | (2) |
| Corporate | 107 | 730 | (21) | 14 | 46 | (5) | (26) |
| Foreign government | 7 | 7 | — | — | — | — | — |
| ABS | 32 | 157 | (2) | 69 | 43 | (1) | (3) |
| **Total fixed income securities** | **215** | **$ 1,225** | **$ (26)** | **83** | **$ 89** | **$ (6)** | **$ (32)** |
| Investment grade fixed income securities | 146 | $ 855 | $ (8) | 66 | $ 45 | $ — | $ (8) |
| Below investment grade fixed income securities | 69 | 370 | (18) | 17 | 44 | (6) | (24) |
| **Total fixed income securities** | **215** | **$ 1,225** | **$ (26)** | **83** | **$ 89** | **$ (6)** | **$ (32)** |

**Gross unrealized losses by unrealized loss position and credit quality as of December 31, 2021**

| ($ in millions) | Investment grade | Below investment grade | Total |
|---|---|---|---|
| Fixed income securities with unrealized loss position less than 20% of amortized cost, net [1] [2] | $ (196) | $ (35) | $ (231) |
| Fixed income securities with unrealized loss position greater than or equal to 20% of amortized cost, net [3] [4] | — | (11) | (11) |
| **Total unrealized losses** | **$ (196)** | **$ (46)** | **$ (242)** |

[1] Below investment grade fixed income securities include $33 million that have been in an unrealized loss position for less than twelve months.

[2] Related to securities with an unrealized loss position less than 20% of amortized cost, net, the degree of which suggests that these securities do not pose a high risk of having credit losses.

[3] No below investment grade fixed income securities have been in an unrealized loss position for a period of twelve or more consecutive months.

[4] Evaluated based on factors such as discounted cash flows and the financial condition and near-term and long-term prospects of the issue or issuer and were determined to have adequate resources to fulfill contractual obligations.

Investment grade 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 S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Unrealized losses on investment grade securities are principally related to an increase in market yields which may include increased risk-free interest rates or wider credit spreads since the time of initial purchase. The unrealized losses are expected to reverse as the securities approach maturity.

ABS in an unrealized loss position were evaluated based on actual and projected collateral losses relative to the securities' positions in the respective securitization trusts, security specific expectations of cash flows, and credit ratings. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, and (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread. Municipal bonds in an unrealized loss position were evaluated based on the underlying credit quality of the primary obligor, obligation type and quality of the underlying assets.

As of December 31, 2021, the Company has not made the decision to sell and it is not more likely than not the Company will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis.

**Loans** The Company establishes a credit loss allowance for mortgage loans and bank loans when they are originated or purchased, and for unfunded commitments unless they are unconditionally cancellable by the Company. The Company uses a probability of default and loss given default model for mortgage loans and bank loans to estimate current expected credit losses that considers all relevant information available including past events, current conditions, and reasonable and supportable forecasts over the life of an asset. The Company also considers such factors as historical losses, expected prepayments and various economic factors. For mortgage loans the Company considers origination vintage year and property level information such as debt service coverage, property type, property location and collateral value. For bank loans the Company considers the credit rating of the borrower, credit spreads and type of loan. After the reasonable and supportable forecast period, the Company's model reverts to historical loss trends.

Loans are evaluated on a pooled basis when they share similar risk characteristics. The Company monitors loans through a quarterly credit monitoring process to determine when they no longer share similar risk characteristics and are to be evaluated individually when estimating credit losses.

Loans are written off against their corresponding allowances when there is no reasonable expectation of recovery. If a loan recovers after a write-off, the estimate of expected credit losses includes the expected recovery.

Accrual of income is suspended for loans that are in default or when full and timely collection of principal and interest payments is not probable. Accrued income receivable is monitored for recoverability and when not expected to be collected is written off through net investment income. Cash receipts on loans on non-accrual status are generally recorded as a reduction of amortized cost.

Accrued interest is excluded from the amortized cost of loans and is reported within the accrued investment income line of the Consolidated Statements of Financial Position.

**Accrued interest**

| ($ in millions) | As of December 31, 2021 | 2020 |
|---|---|---|
| Mortgage loans | $ 2 | $ 2 |
| Bank Loans | 4 | 3 |

*Mortgage loans* When it is determined a mortgage loan shall be evaluated individually, the Company uses various methods to estimate credit losses on individual loans such as using collateral value less estimated costs to sell where applicable, including when foreclosure is probable or when repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. When collateral value is used, the mortgage loans may not have a credit loss allowance when the fair value of the collateral exceeds the loan's amortized cost. An alternative approach may be utilized to estimate credit losses using the present value of the loan's expected future repayment cash flows discounted at the loan's current effective interest rate.

Individual loan credit loss allowances are adjusted for subsequent changes in the fair value of the collateral less costs to sell, when applicable, or present value of the loan's expected future repayment cash flows.

Debt service coverage ratio is considered a key credit quality indicator when mortgage loan credit loss allowances are estimated. Debt service coverage ratio represents the amount of estimated cash flow from the property available to the borrower to meet principal and interest payment obligations. Debt service coverage ratio estimates are updated annually or more frequently if conditions are warranted based on the Company's credit monitoring process.

**Mortgage loans amortized cost by debt service coverage ratio distribution and year of origination**

| | December 31, 2021 | | | | | | | December 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| **($ in millions)** | **2016 and prior** | **2017** | **2018** | **2019** | **2020** | **Current** | **Total** | **Total** |
| Below 1.0 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| 1.0 - 1.25 | 11 | — | — | 25 | 10 | — | 46 | 46 |
| 1.26 - 1.50 | 39 | 5 | — | 104 | — | 12 | 160 | 201 |
| Above 1.50 | 65 | 39 | 106 | 141 | 67 | 203 | 621 | 507 |
| **Amortized cost before allowance** | **$ 115** | **$ 44** | **$ 106** | **$ 270** | **$ 77** | **$ 215** | **$ 827** | **$ 754** |
| Allowance | | | | | | | (6) | (8) |
| **Amortized cost, net** | | | | | | | **$ 821** | **$ 746** |

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to situations where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable term, the decrease in cash flows from the properties is considered temporary, or there are other risk mitigating factors such as additional collateral, escrow balances or borrower guarantees. Payments on all mortgage loans were current as of December 31, 2021, 2020 and 2019.

**Rollforward of credit loss allowance for mortgage loans**

| | For the years ended December 31, | |
|---|---|---|
| **($ in millions)** | **2021** | **2020** |
| Beginning balance | $ (67) | $ (3) |
| Cumulative effect of change in accounting principle | — | (42) |
| Net decreases related to credit losses | 40 | (39) |
| Reduction of allowance related to sales | 21 | 17 |
| Write-offs | — | — |
| **Ending balance** [1] | **$ (6)** | **$ (67)** |

[1] Includes $59 million of credit loss allowance for mortgage loans that are classified as held for sale as of December 31, 2020.

*Bank loans* When it is determined a bank loan shall be evaluated individually, the Company uses various methods to estimate credit losses on individual loans such as the present value of the loan's expected future repayment cash flows discounted at the loan's current effective interest rate.

Credit ratings of the borrower are considered a key credit quality indicator when bank loan credit loss allowances are estimated. The ratings are updated quarterly and are either received from a nationally recognized rating agency or a comparable internal rating is derived if an externally provided rating is not available. The year of origination is determined to be the year in which the asset is acquired.

**Bank loans amortized cost by credit rating and year of origination**

| ($ in millions) | December 31, 2021 | | | | | | | December 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| | 2016 and prior | 2017 | 2018 | 2019 | 2020 | Current | Total | Total |
| BBB | $ — | $ — | $ 5 | $ 14 | $ 7 | $ 60 | $ 86 | $ 38 |
| BB | 9 | 16 | 15 | 24 | 31 | 561 | 656 | 168 |
| B | — | 18 | 47 | 34 | 63 | 606 | 768 | 456 |
| CCC and below | 3 | 21 | 18 | 40 | 9 | 34 | 125 | 161 |
| **Amortized cost before allowance** | **$ 12** | **$ 55** | **$ 85** | **$ 112** | **$ 110** | **$ 1,261** | **$ 1,635** | **$ 823** |
| Allowance | | | | | | | (61) | (51) |
| **Amortized cost, net** | | | | | | | **$ 1,574** | **$ 772** |

**Rollforward of credit loss allowance for bank loans**

| ($ in millions) | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| Beginning balance | $ (67) | $ — |
| Cumulative effect of change in accounting principle | — | (53) |
| Net increases related to credit losses | (15) | (28) |
| Reduction of allowance related to sales | 21 | 9 |
| Write-offs | — | 5 |
| **Ending balance** [1] | **$ (61)** | **$ (67)** |

[1] Includes $16 million of credit loss allowance for bank loans that are classified as held for sale as of December 31, 2020.

## Note 6 Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Consolidated Statements of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

*Level 1:* Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

*Level 2:* Assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets;

(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or

(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

*Level 3:* Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance that assets and liabilities are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, the Company's processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third-party valuation sources for selected securities. The Company performs ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy:

(1) Specific inputs significant to the fair value estimation models are not market observable. This primarily occurs in the Company's use of broker quotes to value certain securities where the inputs have not been corroborated to be market observable, and the use of valuation models that use significant non-market observable inputs.

(2) Quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

Certain assets are not carried at fair value on a recurring basis, including mortgage loans, bank loans and policy loans and are only included in the fair value hierarchy disclosure when the individual investment is reported at fair value.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

**Summary of significant inputs and valuation techniques for Level 2 and Level 3 assets and liabilities measured at fair value on a recurring basis**

*Level 2 measurements*

- *Fixed income securities:*

  *U.S. government and agencies, municipal, corporate - public and foreign government:* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  *Corporate - privately placed:* Privately placed are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

  Corporate - privately placed also includes redeemable preferred stock that are valued using quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, underlying stock prices and credit spreads.

  *ABS:* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, collateral performance, and credit spreads. Certain ABS are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable. Residential MBS, included in ABS, uses prepayment speeds as a primary input for valuation.

- *Equity securities:* The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are not active.

- *Short-term:* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

- *Other investments:* Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical instruments in markets that are not active.

  Over-the-counter ("OTC") derivatives, including interest rate swaps, foreign currency swaps, total return swaps, foreign exchange forward contracts, certain options and certain credit default swaps, are valued using models that rely on inputs such as interest rate yield curves, implied volatilities, index price levels, currency rates, and credit spreads that are observable for substantially the full term of the contract. The valuation techniques underlying the models are widely accepted in the financial services industry and do not involve significant judgment.

- *Assets held for sale:* Comprise U.S. government and agencies, municipal, corporate, foreign government and ABS fixed income securities, equity securities, short-term investments and other investments. The valuation is based on the respective asset type as described above.
- *Liabilities held for sale:* Comprise other liabilities, mainly free-standing exchange listed derivatives, that are not actively traded and are valued based on quoted prices for identical instruments in markets that are not active.

*Level 3 measurements*

- *Fixed income securities:*

  *Municipal:* Comprise municipal bonds that are not rated by third-party credit rating agencies. The primary inputs to the valuation of these municipal bonds include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads. Also included are municipal bonds valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and municipal bonds in default valued based on the present value of expected cash flows.

  *Corporate - public and privately placed, ABS:* Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Other inputs for corporate fixed income securities include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.
- *Equity securities:* The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are less active relative to those markets supporting Level 2 fair value measurements.
- *Short-term:* For certain short-term investments, amortized cost is used as the best estimate of fair value.
- *Other investments:* Certain OTC derivatives, such as interest rate caps, certain credit default swaps and certain options (including swaptions), are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility. Other primary inputs include interest rate yield curves and credit spreads and quoted prices for identical or similar assets in the markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.
- *Other assets:* Includes the contingent consideration provision in the sale agreement for ALIC which meets the definition of a derivative. This derivative is valued internally using a model that includes stochastically determined cash flows and inputs that include spot and forward interest rates, volatility, corporate credit spreads and a liquidity discount. This derivative is categorized as Level 3 due to the significance of non-market observable inputs.
- *Assets held for sale:* Comprise municipal, corporate and ABS fixed income securities and equity securities. The valuation is based on the respective asset type as described above.
- *Liabilities held for sale:* Comprise derivatives embedded in certain life and annuity contracts which are valued internally using models widely accepted in the financial services industry that determine a single best estimate of fair value for the embedded derivatives within a block of contractholder liabilities. The models primarily use stochastically determined cash flows based on the contractual elements of embedded derivatives, projected option cost and applicable market data, such as interest rate yield curves and equity index volatility assumptions. These are categorized as Level 3 as a result of the significance of non-market observable inputs.

**Assets measured at fair value on a non-recurring basis**

Comprise long-lived assets to be disposed of by sale, including real estate, that are written down to fair value less costs to sell and bank loans with individual credit loss allowance where amortized cost, net is equal to fair value based on broker quotes.

**Investments excluded from the fair value hierarchy**

Limited partnerships carried at fair value, which do not have readily determinable fair values, use NAV provided by the investees and are excluded from the fair value hierarchy. These investments are generally not redeemable by the investees and generally cannot be sold without approval of the general partner. The Company receives distributions of income and proceeds from the liquidation of the underlying assets of the investees, which usually takes place in years 4-9 of the typical contractual life of 10-12 years. As of December 31, 2021, the Company has commitments to invest $236 million in these limited partnership interests.

**Assets and liabilities measured at fair value**

| ($ in millions) | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Counterparty and cash collateral netting | Total |
|---|---|---|---|---|---|
| | As of December 31, 2021 | | | | |
| **Assets** | | | | | |
| Fixed income securities: | | | | | |
| U.S. government and agencies | $ 6,247 | $ 26 | $ — | | $ 6,273 |
| Municipal | — | 6,375 | 18 | | 6,393 |
| Corporate - public | — | 16,569 | 20 | | 16,589 |
| Corporate - privately placed | — | 10,675 | 66 | | 10,741 |
| Foreign government | — | 985 | — | | 985 |
| ABS | — | 1,115 | 40 | | 1,155 |
| **Total fixed income securities** | **6,247** | **35,745** | **144** | | **42,136** |
| Equity securities | 6,312 | 400 | 349 | | 7,061 |
| Short-term investments | 1,140 | 2,864 | 5 | | 4,009 |
| Other investments | — | 34 | 2 | $ (22) | 14 |
| Other assets | 1 | — | 65 | | 66 |
| **Total recurring basis assets** | **13,700** | **39,043** | **565** | **(22)** | **53,286** |
| Non-recurring basis | — | — | 32 | | 32 |
| **Total assets at fair value** | **$ 13,700** | **$ 39,043** | **$ 597** | **$ (22)** | **$ 53,318** |
| % of total assets at fair value | 25.7 % | 73.2 % | 1.1 % | — % | 100.0 % |
| | | | | | |
| Investments reported at NAV | | | | | 1,531 |
| **Total** | | | | | **$ 54,849** |
| **Liabilities** | | | | | |
| Other liabilities | $ (3) | $ (12) | $ — | $ 7 | $ (8) |
| **Total recurring basis liabilities** | **(3)** | **(12)** | **—** | **7** | **(8)** |
| **Total liabilities at fair value** | **$ (3)** | **$ (12)** | **$ —** | **$ 7** | **$ (8)** |
| % of total liabilities at fair value | 37.5 % | 150.0 % | — % | (87.5)% | 100.0 % |

**Assets and liabilities measured at fair value**

| ($ in millions) | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Counterparty and cash collateral netting | Total |
|---|---|---|---|---|---|
| | As of December 31, 2020 | | | | |
| **Assets** | | | | | |
| Fixed income securities: | | | | | |
| U.S. government and agencies | $ 2,061 | $ 45 | $ — | | $ 2,106 |
| Municipal | — | 7,562 | 17 | | 7,579 |
| Corporate - public | — | 21,885 | 67 | | 21,952 |
| Corporate - privately placed | — | 9,002 | 63 | | 9,065 |
| Foreign government | — | 958 | — | | 958 |
| ABS | — | 826 | 79 | | 905 |
| **Total fixed income securities** | **2,061** | **40,278** | **226** | | **42,565** |
| Equity securities | 2,468 | 396 | 304 | | 3,168 |
| Short-term investments | 6,549 | 223 | 35 | | 6,807 |
| Other investments | — | 29 | — | $ (9) | 20 |
| Other assets | 1 | — | — | | 1 |
| Assets held for sale | 6,488 | 23,103 | 267 | (6) | 29,852 |
| **Total recurring basis assets** | **17,567** | **64,029** | **832** | **(15)** | **82,413** |
| **Total assets at fair value** | **$ 17,567** | **$ 64,029** | **$ 832** | **$ (15)** | **$ 82,413** |
| % of total assets at fair value | 21.3 % | 77.7 % | 1.0 % | — % | 100.0 % |
| | | | | | |
| Investments reported at NAV | | | | | 1,062 |
| Assets held for sale at NAV | | | | | 762 |
| **Total** | | | | | **$ 84,237** |
| **Liabilities** | | | | | |
| Other liabilities | $ — | $ (34) | $ — | $ 18 | $ (16) |
| Liabilities held for sale | — | (119) | (516) | 9 | (626) |
| **Total recurring basis liabilities** | **—** | **(153)** | **(516)** | **27** | (642) |
| **Total liabilities at fair value** | **$ —** | **$ (153)** | **$ (516)** | **$ 27** | **$ (642)** |
| % of total liabilities at fair value | — % | 23.8 % | 80.4 % | (4.2)% | 100.0 % |

As of December 31, 2021 and 2020, Level 3 fair value measurements of fixed income securities total $144 million and $226 million, respectively, and include $41 million and $69 million, respectively, of securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and $16 million and $18 million, respectively, of municipal fixed income securities that are not rated by third-party credit rating agencies. As the Company does not develop the Level 3 fair value unobservable inputs for these fixed income securities, they are not included in the table above. However, an increase (decrease) in credit spreads for fixed income securities valued based on non-binding broker quotes would result in a lower (higher) fair value, and an increase (decrease) in the credit rating of municipal bonds that are not rated by third-party credit rating agencies would result in a higher (lower) fair value.

**Rollforward of Level 3 assets and liabilities held at fair value during the year ended December 31, 2021**

| ($ in millions) | Balance as of December 31, 2020 | Total gains (losses) included in: Net income | Total gains (losses) included in: OCI | Transfers: Into Level 3 | Transfers: Out of Level 3 | Transfers to (from) held for sale | Purchases | Sales | Issues | Settlements | Balance as of December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Fixed income securities: | | | | | | | | | | | |
| Municipal | $ 17 | $ — | $ — | $ 1 | $ — | $ — | $ 3 | $ — | $ — | $ (3) | $ 18 |
| Corporate - public | 67 | 1 | (1) | — | — | (7) | 13 | (53) | — | — | 20 |
| Corporate - privately placed | 63 | (2) | 3 | 10 | — | 14 | 6 | (23) | — | (5) | 66 |
| ABS | 79 | — | 1 | 4 | (32) | — | 47 | (5) | — | (54) | 40 |
| **Total fixed income securities** | **226** | **(1)** | **3** | **15** | **(32)** | **7** | **69** | **(81)** | **—** | **(62)** | **144** |
| Equity securities | 304 | 61 | — | — | — | 101 | 43 | (160) | — | — | 349 |
| Short-term investments | 35 | — | — | — | — | — | 5 | — | — | (35) | 5 |
| Other investments | — | — | — | — | — | — | 3 | (1) | — | — | 2 |
| Other assets | — | 65 | — | — | — | — | — | — | — | — | 65 |
| Assets held for sale | 267 | 3 | (1) | 17 | (13) | (108) | 4 | (163) | — | (6) | — |
| **Total recurring Level 3 assets** | **832** | **128** | **2** | **32** | **(45)** | **—** | **124** | **(405)** | **—** | **(103)** | **565** |
| **Liabilities** | | | | | | | | | | | |
| Liabilities held for sale | (516) | 35 | — | — | — | — | — | 492 | (28) | 17 | — |
| **Total recurring Level 3 liabilities** | **$ (516)** | **$ 35** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ 492** | **$ (28)** | **$ 17** | **$ —** |

**Rollforward of Level 3 assets and liabilities held at fair value during the year ended December 31, 2020**

| ($ in millions) | Balance as of December 31, 2019 | Total gains (losses) included in: Net income | Total gains (losses) included in: OCI | Transfers: Into Level 3 | Transfers: Out of Level 3 | Purchases | Sales | Issues | Settlements | Balance as of December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Fixed income securities: | | | | | | | | | | |
| Municipal | $ 22 | $ — | $ — | $ — | $ — | $ — | $ (3) | $ — | $ (2) | $ 17 |
| Corporate - public | 36 | — | 1 | 1 | — | 48 | (19) | — | — | 67 |
| Corporate - privately placed | 32 | — | (5) | 21 | — | 17 | (2) | — | — | 63 |
| ABS | 84 | (1) | — | 54 | (49) | 59 | (26) | — | (42) | 79 |
| **Total fixed income securities** | **174** | **(1)** | **(4)** | **76** | **(49)** | **124** | **(50)** | **—** | **(44)** | **226** |
| Equity securities | 255 | — | — | — | — | 57 | (8) | — | — | 304 |
| Short-term investments | 25 | — | — | — | (25) | 35 | — | — | — | 35 |
| Assets held for sale | 284 | 1 | (8) | 52 | (42) | 24 | (37) | — | (7) | 267 |
| **Total recurring Level 3 assets** | **738** | **—** | **(12)** | **128** | **(116)** | **240** | **(95)** | **—** | **(51)** | **832** |
| **Liabilities** | | | | | | | | | | |
| Liabilities held for sale | (462) | (43) | — | — | — | — | — | (34) | 23 | (516) |
| **Total recurring Level 3 liabilities** | **$ (462)** | **$ (43)** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ (34)** | **$ 23** | **$ (516)** |

**Rollforward of Level 3 assets and liabilities held at fair value during the year ended December 31, 2019**

| ($ in millions) | Balance as of December 31, 2018 | Total gains (losses) included in: Net income | OCI | Transfers Into Level 3 | Out of Level 3 | Purchases | Sales | Issues | Settlements | Balance a of December 3 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Fixed income securities: | | | | | | | | | | |
| Municipal | $ 31 | $ — | $ 1 | $ — | $ (6) | $ — | $ (3) | $ — | $ (1) | $ |
| Corporate - public | 38 | — | 2 | — | — | — | (4) | — | — | $ |
| Corporate - privately placed | 32 | — | — | 2 | — | 1 | (2) | — | (1) | $ |
| ABS | 73 | — | — | 2 | (21) | 33 | — | — | (3) | $ |
| **Total fixed income securities** | **174** | **—** | **3** | **4** | **(27)** | **34** | **(9)** | **—** | **(5)** | **1** |
| Equity securities | 212 | 16 | — | — | (1) | 73 | (44) | — | (1) | 2 |
| Short-term investments | 30 | — | — | — | — | 35 | (40) | — | — | |
| Other investments | — | — | — | — | — | — | — | — | — | |
| Assets held for sale | 281 | 15 | 4 | 57 | (4) | 14 | (53) | — | (30) | 2 |
| **Total recurring Level 3 assets** | **697** | **31** | **7** | **61** | **(32)** | **156** | **(146)** | **—** | **(36)** | **7** |
| **Liabilities** | | | | | | | | | | |
| Liabilities held for sale | (224) | (61) | — | (175) | — | — | — | (16) | 14 | (4 |
| **Total recurring Level 3 liabilities** | **$ (224)** | **$ (61)** | **$ —** | **$ (175)** | **$ —** | **$ —** | **$ —** | **$ (16)** | **$ 14** | **$ (4** |

**Total Level 3 gains (losses) included in net income**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Net investment income | $ 1 | $ (16) | $ — |
| Net gains (losses) on investments and derivatives | 124 | 15 | 16 |

Transfers into Level 3 during 2021, 2020 and 2019 included situations where a quote was not provided by the Company's independent third-party valuation service provider and as a result the price was stale or had been replaced with a broker quote where the inputs had not been corroborated to be market observable resulting in the security being classified as Level 3. Transfers into Level 3 during 2019 also included derivatives embedded in equity-indexed universal life contracts due to refinements in the valuation modeling resulting in an increase in significance of non-market observable inputs.

Transfers out of Level 3 during 2021, 2020 and 2019 included situations where a broker quote was used in the prior period and a quote became available from the Company's independent third-party valuation service provider in the current period. A quote utilizing the new pricing source was not available as of the prior period, and any gains or losses related to the change in valuation source for individual securities were not significant.

**Valuation changes included in net income and OCI for Level 3 assets and liabilities held as of December 31,**

| ($ in millions) | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Fixed income securities: | | | |
| Corporate - public | $ — | $ (1) | $ — |
| Corporate - privately placed | (2) | — | — |
| ABS | — | — | (1) |
| **Total fixed income securities** | **(2)** | **(1)** | **(1)** |
| Equity securities | 28 | (1) | 5 |
| Other assets | 65 | — | — |
| Assets held for sale | — | — | 2 |
| **Total recurring Level 3 assets** | **$ 91** | **$ (2)** | **$ 6** |
| **Liabilities** | | | |
| Liabilities held for sale | $ — | $ (43) | $ (61) |
| **Total recurring Level 3 liabilities** | **—** | **(43)** | **(61)** |
| **Total included in net income** | **$ 91** | **$ (45)** | **$ (55)** |
| | | | |
| **Components of net income** | | | |
| Net investment income | $ 1 | $ (16) | $ — |
| Net gains (losses) on investments and derivatives | 90 | 14 | 4 |
| **Total included in net income** | **$ 91** | **$ (2)** | **$ 4** |
| | | | |
| **Assets** | | | |
| Corporate - public | $ — | $ 1 | |
| Corporate - privately placed | 3 | (5) | |
| Assets held for sale | — | (5) | |
| **Changes in unrealized net capital gains and losses reported in OCI** [1] | **$ 3** | **$ (9)** | |

[1] Effective January 1, 2020, the Company adopted the fair value accounting standard that prospectively requires the disclosure of valuation changes reported in OCI.

**Financial instruments not carried at fair value**

| ($ in millions) | | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|---|
| **Financial assets** | **Fair value level** | **Amortized cost, net** | **Fair value** | **Amortized cost, net** | **Fair value** |
| Mortgage loans | Level 3 | $ 821 | $ 853 | $ 746 | $ 792 |
| Bank loans | Level 3 | 1,574 | 1,634 | 772 | 803 |
| Assets held for sale | Level 3 | — | — | 4,206 | 4,440 |
| | | | | | |
| **Financial liabilities** | **Fair value level** | **Carrying value** [1] | **Fair value** | **Carrying value** [1] | **Fair value** |
| Contractholder funds on investment contracts | Level 3 | $ 55 | $ 55 | $ — | $ — |
| Long-term debt | Level 2 | 7,976 | 9,150 | 7,825 | 9,489 |
| Liability for collateral | Level 2 | 1,444 | 1,444 | 914 | 914 |
| Liabilities held for sale [2] | Level 3 | — | — | 8,130 | 9,424 |

[1] Represents the amounts reported on the Consolidated Statements of Financial Position.

[2] Includes certain liabilities for collateral measured at Level 2 fair value as of December 31, 2020.

## Note 7 Derivative Financial Instruments and Off-balance Sheet Financial Instruments

The Company uses derivatives for risk reduction and to increase investment portfolio returns through asset replication. Risk reduction activity is focused on managing the risks with certain assets and liabilities arising from the potential adverse impacts from changes in risk-free interest rates, changes in equity market valuations, increases in credit spreads and foreign currency fluctuations.

Asset replication refers to the “synthetic” creation of assets through the use of derivatives. The Company replicates fixed income securities using a combination of a credit default swap, index total return swap, options, or a foreign currency forward contract and one or more highly rated fixed income securities, primarily investment grade host bonds, to synthetically replicate the economic characteristics of one or more cash market securities. The Company replicates equity securities using futures, index total return swaps, and options to increase equity exposure.

Property-Liability may use interest rate swaps, swaptions, futures and options to manage the interest rate risks of existing investments. These instruments are utilized to change the duration of the portfolio in order to offset the economic effect that interest rates would otherwise have on the fair value of its fixed income securities. Fixed income index total return swaps are used to offset valuation losses in the fixed income portfolio during periods of declining market values. Credit default swaps are typically used to mitigate the credit risk within the Property-Liability fixed income portfolio. Equity index total return swaps, futures and options are used by Property-Liability to offset valuation losses in the equity portfolio during periods of declining equity market values. In addition, equity futures are used to hedge the market risk related to deferred compensation liability contracts. Forward contracts are primarily used by Property-Liability to hedge foreign currency risk associated with holding foreign currency denominated investments and foreign operations.

The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of embedded derivatives reported in net income.

When derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, foreign currency fair value or foreign currency cash flow hedges.

The notional amounts specified in the contracts are used to calculate the exchange of contractual payments under the agreements and are generally not representative of the potential for gain or loss on these agreements. However, the notional amounts specified in credit default swaps where the Company has sold credit protection represent the maximum amount of potential loss, assuming no recoveries.

Fair value, which is equal to the carrying value, is the estimated amount that the Company would receive or pay to terminate the derivative contracts at the reporting date. The carrying value amounts for OTC derivatives are further adjusted for the effects, if any, of enforceable master netting agreements and are presented on a net basis, by counterparty agreement, in the Consolidated Statements of Financial Position.

For those derivatives which qualify and have been designated as fair value accounting hedges, net income includes the changes in the fair value of both the derivative instrument and the hedged risk. For cash flow hedges, gains and losses are amortized from AOCI and are reported in net income in the same period the forecasted transactions being hedged impact net income.

Non-hedge accounting is generally used for “portfolio” level hedging strategies where the terms of the individual hedged items do not meet the strict homogeneity requirements to permit the application of hedge accounting. For non-hedge derivatives, net income includes changes in fair value and accrued periodic settlements, when applicable. With the exception of non-hedge derivatives used for asset replication and non-hedge embedded derivatives, all of the Company’s derivatives are evaluated for their ongoing effectiveness as either accounting hedge or non-hedge derivative financial instruments on at least a quarterly basis.

*Assets and liabilities held for sale* Asset-liability management is a risk management practice that balances the cash flows and risk and return characteristics of assets and liabilities. Depending upon the attributes of the assets acquired and liabilities issued, derivative instruments such as interest rate swaps, caps, swaptions and futures were utilized to change the interest rate characteristics of existing assets and liabilities to ensure the relationship is maintained within specified ranges and to reduce exposure to rising or falling interest rates. Futures and options were used for hedging the equity exposure contained in equity indexed life and annuity product contracts that offer equity returns to contractholders.

The Company’s primary embedded derivatives were equity options in life and annuity product contracts, which provided returns linked to equity indices to contractholders.

In connection with the sale of ALIC and certain affiliates, the sale agreement includes a provision related to contingent consideration that may be earned over a ten-year period commencing on January 1, 2026 and ending January 1, 2035. The contingent consideration is determined annually based on the average 10-year Treasury rate over the preceding 3-year period compared to a designated rate. The contingent consideration meets the definition of a derivative and is accounted for on a fair value basis with periodic changes in fair value reflected in earnings. As of December 31, 2021, the Company recorded $65 million in other assets related to this derivative.

**Summary of the volume and fair value positions of derivative instruments as of December 31, 2021**

| ($ in millions, except number of contracts) | Balance sheet location | Volume [(1)] Notional amount | Volume [(1)] Number of contracts | Fair value, net | Gross asset | Gross liability |
|---|---|---|---|---|---|---|
| **Asset derivatives** | | | | | | |
| **Derivatives not designated as accounting hedging instruments** | | | | | | |
| **Interest rate contracts** | | | | | | |
| Futures | Other assets | n/a | 1,181 | $ 1 | $ 1 | $ — |
| **Equity and index contracts** | | | | | | |
| Options | Other investments | n/a | 61 | 5 | 5 | — |
| Futures | Other assets | n/a | 113 | — | — | — |
| **Foreign currency contracts** | | | | | | |
| Foreign currency forwards | Other investments | $ 2 | n/a | — | — | — |
| **Embedded derivative financial instruments** | Other investments | 750 | n/a | — | — | — |
| **Contingent consideration** | Other assets | 250 | n/a | 65 | 65 | — |
| **Credit default contracts** | | | | | | |
| Credit default swaps – buying protection | Other investments | 33 | n/a | (1) | — | (1) |
| Credit default swaps – selling protection | Other investments | 250 | n/a | 6 | 6 | — |
| **Total asset derivatives** | | **$ 1,285** | **1,355** | **$ 76** | **$ 77** | **$ (1)** |
| | | | | | | |
| **Liability derivatives** | | | | | | |
| **Derivatives not designated as accounting hedging instruments** | | | | | | |
| **Interest rate contracts** | | | | | | |
| Futures | Other liabilities & accrued expenses | n/a | 36,668 | $ (2) | $ — | $ (2) |
| **Equity and index contracts** | | | | | | |
| Futures | Other liabilities & accrued expenses | — | 1,260 | (1) | — | (1) |
| **Foreign currency contracts** | | | | | | |
| Foreign currency forwards | Other liabilities & accrued expenses | 715 | n/a | 16 | 23 | (7) |
| **Credit default contracts** | | | | | | |
| Credit default swaps – buying protection | Other liabilities & accrued expenses | 70 | n/a | (4) | — | (4) |
| Credit default swaps – selling protection | Other liabilities & accrued expenses | 5 | n/a | — | — | — |
| **Total liability derivatives** | | **790** | **37,928** | **9** | **$ 23** | **$ (14)** |
| **Total derivatives** | | **$ 2,075** | **39,283** | **$ 85** | | |

(1) Volume for OTC and cleared derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

**Summary of the volume and fair value positions of derivative instruments as of December 31, 2020**

| ($ in millions, except number of contracts) | Balance sheet location | Volume: Notional amount | Volume: Number of contracts | Fair value, net | Gross asset | Gross liability |
|---|---|---|---|---|---|---|
| **Asset derivatives** | | | | | | |
| **Derivatives not designated as accounting hedging instruments** | | | | | | |
| **Interest rate contracts** | | | | | | |
| Futures | Other assets | n/a | 290 | $ — | $ — | $ — |
| **Equity and index contracts** | | | | | | |
| Options | Other investments | n/a | 56 | 6 | 6 | — |
| Futures | Other assets | n/a | 905 | 1 | 1 | — |
| **Foreign currency contracts** | | | | | | |
| Foreign currency forwards | Other investments | $ 291 | n/a | 4 | 9 | (5) |
| **Embedded derivative financial instruments** | Other investments | 750 | n/a | — | — | — |
| **Credit default contracts** | | | | | | |
| Credit default swaps – buying protection | Other investments | 60 | n/a | (3) | — | (3) |
| Credit default swaps – selling protection | Other investments | 750 | n/a | 13 | 13 | — |
| Assets held for sale | | 158 | 3,189 | 185 | 189 | (4) |
| **Total asset derivatives** | | **$ 2,009** | **4,440** | **$ 206** | **$ 218** | **$ (12)** |
| | | | | | | |
| **Liability derivatives** | | | | | | |
| **Derivatives not designated as accounting hedging instruments** | | | | | | |
| **Interest rate contracts** | | | | | | |
| Futures | Other liabilities & accrued expenses | n/a | 705 | $ — | $ — | $ — |
| **Equity and index contracts** | | | | | | |
| Futures | Other liabilities & accrued expenses | n/a | 666 | — | — | — |
| **Total return index contracts** | | | | | | |
| Total return swap agreements - fixed income | Other liabilities & accrued expenses | 50 | n/a | — | — | — |
| **Foreign currency contracts** | | | | | | |
| Foreign currency forwards | Other liabilities & accrued expenses | 250 | n/a | (9) | 1 | (10) |
| **Credit default contracts** | | | | | | |
| Credit default swaps – buying protection | Other liabilities & accrued expenses | 638 | n/a | (16) | — | (16) |
| Credit default swaps – selling protection | Other liabilities & accrued expenses | 4 | n/a | — | — | — |
| Liabilities held for sale | | 2,240 | 2,737 | (630) | 1 | (631) |
| **Total liability derivatives** | | **3,182** | **4,108** | **(655)** | **$ 2** | **$ (657)** |
| **Total derivatives** | | **$ 5,191** | **8,548** | **$ (449)** | | |

**Gross and net amounts for OTC derivatives** [1]

| ($ in millions) | Gross amount | Offsets: Counter-party netting | Offsets: Cash collateral (received) pledged | Net amount on balance sheet | Securities collateral (received) pledged | Net amount |
|---|---|---|---|---|---|---|
| **December 31, 2021** | | | | | | |
| Asset derivatives | $ 23 | $ (24) | $ 2 | $ 1 | $ — | $ 1 |
| Liability derivatives | (10) | 24 | (17) | (3) | — | (3) |
| | | | | | | |
| **December 31, 2020** | | | | | | |
| Asset derivatives | $ 10 | $ (9) | $ — | $ 1 | $ — | $ 1 |
| Liability derivatives | (19) | 9 | 9 | (1) | — | (1) |

[1] All OTC derivatives are subject to enforceable master netting agreements.

**Gains (losses) from valuation and settlements reported on derivatives not designated as accounting hedges**

| ($ in millions) | Net gains (losses) on investments and derivatives | Accident and health insurance policy benefits and interest credited to contractholder funds | Operating costs and expenses | (Loss) income from discontinued operations | Total gain (loss) recognized in net income on derivatives |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Interest rate contracts | $ 22 | — | $ — | — | $ 22 |
| Equity and index contracts | (7) | 27 | 45 | — | 65 |
| Contingent consideration | — | — | — | 65 | 65 |
| Foreign currency contracts | 32 | — | — | — | 32 |
| Credit default contracts | 7 | — | — | — | 7 |
| Total return swaps - fixed income | 4 | — | — | — | 4 |
| **Total** | **$ 58** | **$ 27** | **$ 45** | **$ 65** | **$ 195** |
| **2020** | | | | | |
| Interest rate contracts | $ 36 | $ — | $ — | $ — | $ 36 |
| Equity and index contracts | 15 | — | 29 | — | 44 |
| Foreign currency contracts | (13) | — | — | — | (13) |
| Credit default contracts | 6 | — | — | — | 6 |
| Total return swaps - fixed income | 1 | — | — | — | 1 |
| Total return swaps - equity index | 4 | — | — | — | 4 |
| **Total** | **$ 49** | **$ —** | **$ 29** | **$ —** | **$ 78** |
| **2019** | | | | | |
| Interest rate contracts | $ 51 | $ — | $ — | $ — | $ 51 |
| Equity and index contracts | (121) | — | 40 | — | (81) |
| Foreign currency contracts | 5 | — | — | — | 5 |
| Credit default contracts | (7) | — | — | — | (7) |
| Total return swaps - fixed income | 13 | — | — | — | 13 |
| Total return swaps - equity | 33 | — | — | — | 33 |
| **Total** | **$ (26)** | **$ —** | **$ 40** | **$ —** | **$ 14** |

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements ("MNAs") and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions that permit either party to net payments due for transactions and collateral is either pledged or obtained when certain predetermined exposure limits are exceeded.

**OTC cash and securities collateral pledged**

| ($ in millions) | December 31, 2021 |
|---|---|
| Pledged by the Company | $ 2 |
| Pledged to the Company [(1)] | 17 |

[(1)] Includes no collateral posted under MNA's for contracts containing credit-risk-contingent provisions that are in a liability provision.

The Company has not incurred any losses on derivative financial instruments due to counterparty nonperformance. Other derivatives, including futures and certain option contracts, are traded on organized exchanges which require margin deposits and guarantee the execution of trades, thereby mitigating any potential credit risk.

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contracts and all collateral, if any, becomes worthless. This exposure is measured by the fair value of OTC derivative contracts with a positive fair value at the reporting date reduced by the effect, if any, of legally enforceable master netting agreements.

**OTC derivatives counterparty credit exposure by counterparty credit rating**

| ($ in millions) | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| Rating [1] | Number of counter-parties | Notional amount [2] | Credit exposure [2] | Exposure, net of collateral [2] | Number of counter-parties | Notional amount [2] | Credit exposure [2] | Exposure, net of collateral [2] |
| A+ | 1 | $ 199 | $ 7 | $ — | 1 | $ 186 | $ 4 | $ — |
| A | 1 | 367 | 9 | — | — | — | — | — |
| **Total** | **2** | **$ 566** | **$ 16** | **$ —** | **1** | **$ 186** | **$ 4** | **$ —** |

[1] Allstate uses the lower of S&P's or Moody's long-term debt issuer ratings.
[2] Only OTC derivatives with a net positive fair value are included for each counterparty.

For certain exchange traded and cleared derivatives, margin deposits are required as well as daily cash settlements of margin accounts.

**Exchange traded and cleared margin deposits**

| ($ in millions) | December 31, 2021 |
|---|---|
| Pledged by the Company | $ 73 |
| Received by the Company | 3 |

Market risk is the risk that the Company will incur losses due to adverse changes in market rates and prices. Market risk exists for all of the derivative financial instruments the Company currently holds, as these instruments may become less valuable due to adverse changes in market conditions. To limit this risk, the Company's senior management has established risk control limits. In addition, changes in fair value of the derivative financial instruments that the Company uses for risk management purposes are generally offset by the change in the fair value or cash flows of the hedged risk component of the related assets, liabilities or forecasted transactions.

Certain of the Company's derivative transactions contain credit-risk-contingent termination events and cross-default provisions. Credit-risk-contingent termination events allow the counterparties to terminate the derivative agreement or a specific trade on certain dates if AIC's financial strength credit ratings by Moody's or S&P fall below a certain level. Credit-risk-contingent cross-default provisions allow the counterparties to terminate the derivative agreement if the Company defaults by pre-determined threshold amounts on certain debt instruments.

The following summarizes the fair value of derivative instruments with termination, cross-default or collateral credit-risk-contingent features that are in a liability position, as well as the fair value of assets and collateral that are netted against the liability in accordance with provisions within legally enforceable MNAs.

| ($ in millions) | 2021 | 2020 |
|---|---|---|
| Gross liability fair value of contracts containing credit-risk-contingent features | $ 8 | $ 19 |
| Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs | (7) | (6) |
| Collateral posted under MNAs for contracts containing credit-risk-contingent features | — | (13) |
| **Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently** | **$ 1** | **$ —** |

### Credit derivatives - selling protection

A credit default swap ("CDS") is a derivative instrument, representing an agreement between two parties to exchange the credit risk of a specified entity (or a group of entities), or an index based on the credit risk of a group of entities (all commonly referred to as the "reference entity" or a portfolio of "reference entities"), in return for a periodic premium.

In selling protection, CDS are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. CDS typically have a five-year term.

**CDS notional amounts by credit rating and fair value of protection sold**

| ($ in millions) | Notional amount AAA | AA | A | BBB | BB and lower | Total | Fair value |
|---|---|---|---|---|---|---|---|
| **December 31, 2021** | | | | | | | |
| **Single name** | | | | | | | |
| Corporate debt | $ — | $ — | $ — | $ — | $ 5 | $ 5 | $ — |
| **Index** | | | | | | | |
| Corporate debt | 2 | 4 | 46 | 190 | 8 | 250 | 6 |
| **Total** | **$ 2** | **$ 4** | **$ 46** | **$ 190** | **$ 13** | **$ 255** | **$ 6** |
| **December 31, 2020** | | | | | | | |
| **Single name** | | | | | | | |
| Corporate debt | $ — | $ — | $ — | $ — | $ 4 | $ 4 | $ — |
| **Index** | | | | | | | |
| Corporate debt | 6 | 12 | 156 | 492 | 84 | 750 | 13 |
| **Total** | **$ 6** | **$ 12** | **$ 156** | **$ 492** | **$ 88** | **$ 754** | **$ 13** |

In selling protection with CDS, the Company sells credit protection on an identified single name, a basket of names in a first-to-default (“FTD”) structure or credit derivative index (“CDX”) that is generally investment grade, and in return receives periodic premiums through expiration or termination of the agreement. With single name CDS, this premium or credit spread generally corresponds to the difference between the yield on the reference entity’s public fixed maturity cash instruments and swap rates at the time the agreement is executed. With a FTD basket, because of the additional credit risk inherent in a basket of named reference entities, the premium generally corresponds to a high proportion of the sum of the credit spreads of the names in the basket and the correlation between the names. CDX is utilized to take a position on multiple (generally 125) reference entities. Credit events are typically defined as bankruptcy, failure to pay, or restructuring, depending on the nature of the reference entities. If a credit event occurs, the Company settles with the counterparty, either through physical settlement or cash settlement. In a physical settlement, a reference asset is delivered by the buyer of protection to the Company, in exchange for cash payment at par, whereas in a cash settlement, the Company pays the difference between par and the prescribed value of the reference asset. When a credit event occurs in a single name or FTD basket (for FTD, the first credit event occurring for any one name in the basket), the contract terminates at the time of settlement. For CDX, the reference entity’s name incurring the credit event is removed from the index while the contract continues until expiration. The maximum payout on a CDS is the contract notional amount. A physical settlement may afford the Company with recovery rights as the new owner of the asset.

The Company monitors risk associated with credit derivatives through individual name credit limits at both a credit derivative and a combined cash instrument/credit derivative level. The ratings of individual names for which protection has been sold are also monitored.

### Off-balance sheet financial instruments

Commitments to invest, commitments to purchase private placement securities, commitments to fund loans, financial guarantees and credit guarantees have off-balance sheet risk because their contractual amounts are not recorded in the Company’s Consolidated Statements of Financial Position.

**Contractual amounts of off-balance sheet financial instruments**

| ($ in millions) | As of December 31, 2021 | 2020 |
|---|---|---|
| Commitments to invest in limited partnership interests | $ 2,720 | $ 2,015 |
| Private placement commitments | 104 | 36 |
| Other loan commitments | 16 | 17 |

In the preceding table, the contractual amounts represent the amount at risk if the contract is fully drawn upon, the counterparty defaults and the value of any underlying security becomes worthless. Unless noted otherwise, the Company does not require collateral or other security to support off-balance sheet financial instruments with credit risk.

Commitments to invest in limited partnership interests represent agreements to acquire new or additional participation in certain limited partnership investments. The Company enters into these agreements in the normal course of business. Because the investments in limited partnerships are not actively traded, it is not practical to estimate the fair value of these commitments.

Private placement commitments represent commitments to purchase private placement debt and private equity securities at a future date. The Company enters into these agreements in the normal course of business. The fair value of the debt commitments generally cannot be estimated on the date the commitment is made as the terms and conditions of the underlying private placement securities are not yet final. Because the private equity securities are not actively traded, it is not practical to estimate fair value of the commitments.

Other loan commitments are agreements to lend to a borrower provided there is no violation of any condition established in the contract. The Company enters into these agreements to commit to future loan fundings at predetermined interest rates. Unless unconditionally cancellable, the Company recognizes a credit loss allowance on such commitments. Commitments have either fixed or varying expiration dates or other termination clauses. The fair value of these commitments is insignificant.

## Note 8 Variable Interest Entities

Consolidated VIEs, of which the Company is the primary beneficiary, primarily include Adirondack Insurance Exchange, a New York reciprocal insurer, and New Jersey Skylands Insurance Association, a New Jersey reciprocal insurer (together “Reciprocal Exchanges”). The Reciprocal Exchanges are insurance carriers organized as unincorporated associations. The Company does not own the equity of the Reciprocal Exchanges, which is owned by their respective policyholders.

The Company manages the business operations of the Reciprocal Exchanges and has the power to direct their activities that most significantly impact their economic performance. The Company receives a management fee for the services provided to the Reciprocal Exchanges. In addition, the Company holds interests that provide capital to the Reciprocal Exchanges and would absorb any expected losses. The Company is therefore the primary beneficiary.

In the event of dissolution, policyholders would share any residual unassigned surplus but are not subject to assessment for any deficit in unassigned surplus of the Reciprocal Exchanges. The assets of the Reciprocal Exchanges can be used only to settle the obligations of the Reciprocal Exchanges and general creditors have no recourse to the Company. The results of operations of the Reciprocal Exchanges are included in the Company’s Allstate Protection segment and generated $181 million of earned premiums and $135 million in claims and claims expenses in 2021.

**Assets and liabilities of Reciprocal Exchanges**

| ($ in millions) | December 31, 2021 |
|---|---|
| **Assets** | |
| Fixed income securities | $ 324 |
| Short-term investments | 30 |
| Deferred policy acquisition costs | 15 |
| Premium installment and other receivables, net | 42 |
| Reinsurance recoverables, net | 114 |
| Other assets | 82 |
| **Total assets** | **607** |
| **Liabilities** | |
| Reserve for property and casualty insurance claims and claims expense | 226 |
| Unearned premiums | 175 |
| Other liabilities and expenses | 265 |
| **Total liabilities** | **$ 666** |

## Note 9 Reserve for Property and Casualty Insurance Claims and Claims Expense

The Company establishes reserves for claims and claims expense on reported and unreported claims of insured losses. The Company’s reserving process takes into account known facts and interpretations of circumstances and factors including the Company’s experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions.

When the Company experiences changes in the mix or type of claims or changing claim settlement patterns, it may need to apply actuarial judgment in the determination and selection of development factors to be more reflective of the new trends. For example, the Coronavirus has had a significant impact on driving patterns and auto frequency. Supply chain disruptions have resulted in higher parts costs and used car values which have combined with labor shortages to increase physical damage loss costs while medical inflation, treatment trends and higher levels of attorney representation have increased liability losses. These factors may lead to historical development trends being less predictive of future loss development, potentially creating additional reserve variability. Generally, the initial reserves for a new accident year are established based on actual claim frequency and severity assumptions for different business segments, lines and coverages based on historical relationships to relevant inflation indicators. Reserves for prior accident years are statistically determined using several different actuarial estimation methods. Changes in auto claim frequency may result from changes in mix of business, the rate of distracted driving, miles driven or other macroeconomic factors. Changes in auto current year claim severity are generally influenced by inflation in the medical and auto repair sectors, the effectiveness and efficiency of claim practices and changes in mix of claim types. The Company mitigates these effects through various loss management programs. When such changes in claim data occur, actuarial judgment is used to determine appropriate development factors to establish reserves.

As part of the reserving process, the Company may also supplement its claims processes by utilizing third-party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. The effects of inflation are implicitly considered in the reserving process.

Because reserves are estimates of unpaid portions of losses that have occurred, including IBNR losses, the establishment of appropriate reserves, including reserves for catastrophes, Run-off Property-Liability and reinsurance and indemnification recoverables, is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates.

The highest degree of uncertainty is associated with reserves for losses incurred in the initial reporting period as it contains the greatest proportion of losses that have not been reported or settled. The Company also has uncertainty in the Run-off Property-Liability reserves that are based on events long since passed and are complicated by lack of historical data, legal interpretations, unresolved legal issues and legislative intent based on establishment of facts.

The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in reserve estimates, which may be material, are reported in property and casualty insurance claims and claims expense in the Consolidated Statements of Operations in the period such changes are determined.

**Rollforward of reserve for property and casualty insurance claims and claims expense**

| ($ in millions) | 2021 | 2020 | 2019 |
|---|---|---|---|
| Balance as of January 1 | $ 27,610 | $ 27,712 | $ 27,423 |
| Less recoverables [1] | (7,033) | (6,912) | (7,155) |
| **Net balance as of January 1** | **20,577** | **20,800** | **20,268** |
| National General acquisition as of January 4, 2021 | 1,797 | — | — |
| SafeAuto acquisition as of October 1, 2021 | 134 | — | — |
| Incurred claims and claims expense related to: | | | |
| Current year | 29,196 | 22,437 | 24,106 |
| Prior years | 122 | (436) | (130) |
| **Total incurred** | **29,318** | **22,001** | **23,976** |
| Claims and claims expense paid related to: | | | |
| Current year | (18,438) | (14,245) | (15,160) |
| Prior years | (9,807) | (7,979) | (8,284) |
| **Total paid** | **(28,245)** | **(22,224)** | **(23,444)** |
| Net balance as of December 31 | 23,581 | 20,577 | 20,800 |
| Plus recoverables | 9,479 | 7,033 | 6,912 |
| **Balance as of December 31** | **$ 33,060** | **$ 27,610** | **$ 27,712** |

[1] Recoverables comprises reinsurance and indemnification recoverables. See Note 11 for further details.

**Reconciliation of total claims and claims expense incurred and paid by coverage**

| ($ in millions) | December 31, 2021 Incurred | Paid |
|---|---|---|
| Allstate Protection | | |
| Auto insurance - liability coverage | $ 10,830 | $ (9,420) |
| Auto insurance - physical damage coverage | 7,170 | (7,150) |
| Homeowners insurance | 6,371 | (6,045) |
| Total auto and homeowners insurance | 24,371 | (22,615) |
| Other personal lines | 1,144 | (1,163) |
| Commercial lines | 767 | (581) |
| Protection Services | 376 | (373) |
| Run-off Property-Liability | 109 | (97) |
| Unallocated loss adjustment expenses ("ULAE") | 2,569 | (2,726) |
| Claims incurred and paid from before 2017 | (69) | (622) |
| Other [1] | 51 | (68) |
| **Total** | **$ 29,318** | **$ (28,245)** |

(1) Paid and incurred includes amounts primarily related to the acquisition of SafeAuto. Additionally, incurred includes the amortization of the fair value adjustment related to the acquisition of National General.

Incurred claims and claims expense represents the sum of paid losses, claim adjustment expenses and reserve changes in the calendar year. This expense includes losses from catastrophes of $3.34 billion, $2.81 billion and $2.56 billion in 2021, 2020 and 2019, respectively, net of recoverables. Catastrophes are an inherent risk of the property and casualty insurance business that have contributed to, and will continue to contribute to, material year-to-year fluctuations in the Company's results of operations and financial position.

The Company calculates and records a single best reserve estimate for losses from catastrophes, in conformance with generally accepted actuarial standards. As a result, management believes that no other estimate is better than the recorded amount. Due to the uncertainties involved, including the factors described above, the ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates. Accordingly, management believes that it is not practical to develop a meaningful range for any such changes in losses incurred.

**Prior year reserve reestimates included in claims and claims expense** [1]

| | Twelve months ended December 31, Non-catastrophe losses | | | Catastrophe losses | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| ($ in millions) | 2021 | 2020 | 2019 | 2021 [2][3] | 2020 [4] | 2019 | 2021 | 2020 | 2019 |
| Auto | $ 178 | $ (63) | $ (306) | $ (29) | $ (44) | $ (17) | $ 149 | $ (107) | $ (323) |
| Homeowners | 12 | (17) | (1) | (165) | (422) | 66 | (153) | (439) | 65 |
| Other personal lines | (96) | (27) | 8 | (11) | (39) | — | (107) | (66) | 8 |
| Commercial lines | 116 | 34 | 18 | 3 | 2 | (1) | 119 | 36 | 17 |
| Run-off Property-Liability [5] | 116 | 141 | 105 | — | — | — | 116 | 141 | 105 |
| Protection Services | (2) | (1) | (2) | — | — | — | (2) | (1) | (2) |
| **Total prior year reserve reestimates** | **$ 324** | **$ 67** | **$ (178)** | **$ (202)** | **$ (503)** | **$ 48** | **$ 122** | **$ (436)** | **$ (130)** |

(1) Favorable reserve reestimates are shown in parentheses.

(2) Includes approximately $240 million of estimated recoveries related to Nationwide Aggregate Reinsurance Program cover for aggregate catastrophe losses occurring between April 1, 2020 and December 31, 2020, which primarily impacted homeowners reestimates.

(3) Includes approximately $110 million favorable subrogation settlements arising from the Woolsey wildfire, which primarily impacted homeowners reestimates.

(4) 2020 includes approximately $495 million of favorable reserve reestimates related to the PG&E Corporation and Southern California Edison subrogation settlements, which primarily impacted homeowners.

(5) The Company's 2021 annual reserve review, using established industry and actuarial best practices, resulted in unfavorable reestimates of $111 million.

The following presents information about incurred and paid claims development as of December 31, 2021, net of recoverables, as well as the cumulative number of reported claims and the total of IBNR reserves plus expected development on reported claims included in the net incurred claims amounts. See Note 2 for the accounting policy and methodology for determining reserves for claims and claims expense, including both reported and IBNR claims. The cumulative number of reported claims is identified by coverage and excludes reported claims for industry pools and facilities where information is not available. The information about incurred and paid claims development for the 2017 to 2021 years, and the average annual percentage payout of incurred claims by age as of December 31, 2021, is presented as required supplementary information.

**Auto insurance – liability coverage**

| ($ in millions, except number of reported claims) | Incurred claims and allocated claim adjustment expenses, net of recoverables | | | | | | IBNR reserves plus expected development on reported claims | Cumulative number of reported claims |
|---|---|---|---|---|---|---|---|---|
| | For the years ended December 31, | | | | | | | |
| Accident year | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | 2021 | Prior year reserve reestimates | As of December 31, 2021 | |
| 2017 | $ 9,424 | $ 9,341 | $ 9,286 | $ 9,332 | $ 9,392 | $ 60 | $ 581 | 2,519,909 |
| 2018 | — | 9,817 | 9,786 | 9,825 | 9,862 | 37 | 1,140 | 2,499,583 |
| 2019 | — | — | 10,557 | 10,503 | 10,750 | 247 | 2,080 | 2,632,610 |
| 2020 | — | — | — | 8,773 | 8,770 | (3) | 2,901 | 1,891,726 |
| 2021 | — | — | — | — | 10,489 | | 6,860 | 2,150,167 |
| | | | | **Total** | **$ 49,263** | **$ 341** | | |
| *Reconciliation to total prior year reserve reestimates recognized by line* | | | | | | | | |
| Prior year reserve reestimates for pre-2017 accident years | | | | | | **(51)** | | |
| Prior year reserve reestimates for ULAE | | | | | | **29** | | |
| Other | | | | | | **(18)** | | |
| **Total prior year reserve reestimates** | | | | | | **$ 301** | | |

| | Cumulative paid claims and allocated claims adjustment expenses, net of recoverables | | | | |
|---|---|---|---|---|---|
| | For the years ended December 31, | | | | |
| Accident year | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | 2021 |
| 2017 | $ 3,554 | $ 6,058 | $ 7,386 | $ 8,241 | $ 8,811 |
| 2018 | — | 3,672 | 6,417 | 7,801 | 8,722 |
| 2019 | — | — | 3,985 | 7,096 | 8,670 |
| 2020 | — | — | — | 3,143 | 5,869 |
| 2021 | — | — | — | — | 3,629 |
| | | | | **Total** | **$ 35,701** |
| All outstanding liabilities before 2017, net of recoverables | | | | | 1,393 |
| Liabilities for claims and claim adjustment expenses, net of recoverables | | | | | **$ 14,955** |

| **Average annual percentage payout of incurred claims by age, net of recoverables, as of December 31, 2021** | | | | | |
|---|---|---|---|---|---|
| | 1 year | 2 years | 3 years | 4 years | 5 years |
| Auto insurance – liability coverage | 38.8 % | 28.1 % | 13.2 % | 8.4 % | 5.1 % |

**Auto insurance – physical damage coverage**

| ($ in millions, except number of reported claims) | Incurred claims and allocated claim adjustment expenses, net of recoverables | | | | | | IBNR reserves plus expected development on reported claims | Cumulative number of reported claims |
|---|---|---|---|---|---|---|---|---|
| | For the years ended December 31, | | | | | | | |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | | | | |
| Accident year | 2017 | 2018 | 2019 | 2020 | 2021 | Prior year reserve reestimates | As of December 31, 2021 | |
| 2017 | $ 5,738 | $ 5,627 | $ 5,612 | $ 5,610 | $ 5,613 | $ 3 | $ 4 | 4,634,171 |
| 2018 | — | 5,788 | 5,704 | 5,659 | 5,652 | (7) | 5 | 4,686,395 |
| 2019 | — | — | 6,269 | 6,188 | 6,150 | (38) | (2) | 4,860,355 |
| 2020 | — | — | — | 5,508 | 5,419 | (89) | (8) | 4,008,243 |
| 2021 | — | — | — | — | 7,301 | | 429 | 4,407,369 |
| | | | | **Total** | **$ 30,135** | **$ (131)** | | |
| *Reconciliation to total prior year reserve reestimates recognized by line* | | | | | | | | |
| Prior year reserve reestimates for pre-2017 accident years | | | | | | **(5)** | | |
| Prior year reserve reestimates for ULAE | | | | | | **(14)** | | |
| Other | | | | | | **(2)** | | |
| **Total prior year reserve reestimates** | | | | | | **$ (152)** | | |

| | Cumulative paid claims and allocated claims adjustment expenses, net of recoverables | | | | |
|---|---|---|---|---|---|
| | For the years ended December 31, | | | | |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | |
| Accident year | 2017 | 2018 | 2019 | 2020 | 2021 |
| 2017 | $ 5,398 | $ 5,625 | $ 5,614 | $ 5,609 | $ 5,609 |
| 2018 | — | 5,475 | 5,693 | 5,650 | 5,647 |
| 2019 | — | — | 5,959 | 6,158 | 6,152 |
| 2020 | — | — | — | 5,140 | 5,427 |
| 2021 | — | — | — | — | 6,872 |
| | | | | **Total** | **$ 29,707** |
| All outstanding liabilities before 2017, net of recoverables | | | | | 7 |
| Liabilities for claims and claim adjustment expenses, net of recoverables | | | | | **$ 435** |

| Average annual percentage payout of incurred claims by age, net of recoverables, as of December 31, 2021 | | | | | |
|---|---|---|---|---|---|
| | 1 year | 2 years | 3 years | 4 years | 5 years |
| Auto insurance – physical damage coverage | 96.2 % | 3.9 % | (0.3)% | (0.1)% | — % |

## Homeowners insurance

| ($ in millions, except number of reported claims) | Incurred claims and allocated claim adjustment expenses, net of recoverables | | | | | | IBNR reserves plus expected development on reported claims | Cumulative number of reported claims |
|---|---|---|---|---|---|---|---|---|
| | For the years ended December 31, | | | | | | | |
| Accident year | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | 2021 | Prior year reserve reestimates | As of December 31, 2021 | |
| 2017 | $ 4,929 | $ 5,036 | $ 5,037 | $ 4,805 | $ 4,816 | $ 11 | $ 60 | 977,319 |
| 2018 | — | 5,155 | 5,262 | 4,958 | 4,829 | (129) | 82 | 898,425 |
| 2019 | — | — | 4,864 | 4,924 | 4,931 | 7 | 153 | 868,577 |
| 2020 | — | — | — | 5,792 | 5,839 | 47 | 280 | 982,690 |
| 2021 | — | — | — | — | 6,435 | | 1,884 | 908,890 |
| | | | | **Total** | **$ 26,850** | **$ (64)** | | |
| *Reconciliation to total prior year reserve reestimates recognized by line* | | | | | | | | |
| Prior year reserve reestimates for pre-2017 accident years | | | | | | **(13)** | | |
| Prior year reserve reestimates for ULAE | | | | | | **(70)** | | |
| Other | | | | | | **(6)** | | |
| **Total prior year reserve reestimates** | | | | | | **$ (153)** | | |

| | Cumulative paid claims and allocated claims adjustment expenses, net of recoverables | | | | |
|---|---|---|---|---|---|
| | For the years ended December 31, | | | | |
| Accident year | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | 2021 |
| 2017 | $ 3,521 | $ 4,634 | $ 4,835 | $ 4,734 | $ 4,756 |
| 2018 | — | 3,775 | 4,883 | 4,759 | 4,747 |
| 2019 | — | — | 3,535 | 4,587 | 4,778 |
| 2020 | — | — | — | 4,266 | 5,559 |
| 2021 | — | — | — | — | 4,551 |
| | | | | **Total** | **$ 24,391** |
| All outstanding liabilities before 2017, net of recoverables | | | | | 115 |
| Liabilities for claims and claim adjustment expenses, net of recoverables | | | | | **$ 2,574** |

**Average annual percentage payout of incurred claims by age, net of recoverables, as of December 31, 2021**

| | 1 year | 2 years | 3 years | 4 years | 5 years |
|---|---|---|---|---|---|
| Homeowners insurance | 73.7 % | 20.7 % | 2.8 % | 0.8 % | 0.7 % |

**Reconciliation of the net incurred and paid claims development tables above to the reserve for property and casualty insurance claims and claims expense**

| ($ in millions) | As of December 31, 2021 |
|---|---|
| Net outstanding liabilities | |
| Allstate Protection | |
| Auto insurance - liability coverage | $ 14,955 |
| Auto insurance - physical damage coverage | 435 |
| Homeowners insurance | 2,574 |
| Other personal lines | 1,316 |
| Commercial lines | 1,316 |
| Protection Services | 33 |
| Run-off Property-Liability [(1)] | 1,342 |
| ULAE | 1,430 |
| Other [(2)] | 180 |
| **Net reserve for property and casualty insurance claims and claims expense** | **23,581** |
| Recoverables | |
| Allstate Protection | |
| Auto insurance - liability coverage | 7,247 |
| Auto insurance - physical damage coverage | 81 |
| Homeowners insurance | 1,023 |
| Other personal lines | 173 |
| Commercial lines | 256 |
| Protection Services | 9 |
| Run-off Property-Liability | 494 |
| ULAE | 196 |
| **Total recoverables** | **9,479** |
| **Gross reserve for property and casualty insurance claims and claims expense** | **$ 33,060** |

(1) Run-off Property-Liability includes business in run-off with most of the claims related to accident years more than 30 years ago. IBNR reserves represent $733 million of the total reserves as of December 31, 2021.

(2) Includes amounts primarily related to the acquisition of SafeAuto and the unamortized fair value adjustment related to the acquisition of National General.

Management believes that the reserve for property and casualty insurance claims and claims expense, net of recoverables, is appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by the date of the Consolidated Statements of Financial Position based on available facts, technology, laws and regulations.

## Note 10 Reserve for Future Policy Benefits and Contractholder Funds

**Reserve for future policy benefits**

| ($ in millions) | As of December 31, 2021 | As of December 31, 2020 |
|---|---|---|
| Traditional life insurance and other | $ 313 | $ 299 |
| Accident and health insurance | 960 | 729 |
| **Reserve for future policy benefits** | **$ 1,273** | **$ 1,028** |

**Key assumptions generally used in calculating the reserve for future policy benefits**

| Product | Mortality | Interest rate | Estimation method |
|---|---|---|---|
| Traditional life insurance | Actual company experience plus loading | Interest rate assumptions range from 1.8% to 7.0% | Net level premium reserve method using the Company's withdrawal experience rates; includes reserves for unpaid claims |
| Accident and health insurance | Actual company experience plus loading | Interest rate assumptions range from 2.8% to 7.0% | Unearned premium; additional contract reserves for mortality risk and unpaid claims |

### Accident and health short-duration contracts

The following presents information about incurred and paid claims development as of December 31, 2021, net of recoverables, as well as the cumulative number of reported claims and the total of IBNR reserves plus expected development on reported claims included in the net incurred claims amounts. See Note 2 for the accounting policy and methodology for determining reserves for future policy benefits, including both reported and IBNR claims. The information about incurred and paid claims development for the 2017 to 2021 years, as of December 31, 2021, is presented as required supplementary information.

#### Group and individual accident and health

| ($ in millions, except number of reported claims) | Incurred claims and allocated claim adjustment expenses, net of recoverables | | | | | IBNR reserves plus expected development on reported claims | Cumulative number of reported claims |
|---|---|---|---|---|---|---|---|
| | For the years ended December 31, | | | | | | |
| Accident year | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | 2021 | As of December 31, 2021 | |
| 2017 | $ 211 | $ 186 | $ 183 | $ 183 | $ 183 | $ — | 302,100 |
| 2018 | — | 235 | 205 | 203 | 203 | — | 269,095 |
| 2019 | — | — | 257 | 239 | 242 | — | 306,998 |
| 2020 | — | — | — | 297 | 293 | 9 | 410,031 |
| 2021 | — | — | — | — | 424 | 152 | 465,525 |
| | | | | **Total** | **$ 1,345** | | |

| | Cumulative paid claims and allocated claims adjustment expenses, net of recoverables | | | | |
|---|---|---|---|---|---|
| | For the years ended December 31, | | | | |
| Accident year | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | 2021 |
| 2017 | $ 105 | $ 178 | $ 182 | $ 183 | $ 183 |
| 2018 | — | 126 | 201 | 203 | 203 |
| 2019 | — | — | 158 | 234 | 242 |
| 2020 | — | — | — | 184 | 284 |
| 2021 | — | — | — | — | 272 |
| | | | | **Total** | **$ 1,184** |
| All outstanding liabilities before 2017, net of recoverables | | | | | — |
| Liabilities for claims and claim adjustment expenses, net of recoverables | | | | | **$ 161** |

**Reconciliation of the net incurred and paid claims development tables above to the reserve for future policy benefits**

| ($ in millions) | As of December 31, 2021 |
|---|---|
| **Net outstanding liabilities** | |
| Group and individual accident and health short-duration contracts | $ 161 |
| Other accident and health short-duration contracts | 28 |
| Long duration accident and health insurance | 617 |
| Long duration traditional life insurance and other | 313 |
| **Net reserve for future policy benefits** | **1,119** |
| Recoverables | |
| Group and individual accident and health short-duration contracts | 38 |
| Other accident and health short-duration contracts | — |
| Insurance lines other than short-duration | 116 |
| **Gross reserve for future policy benefits** | **$ 1,273** |

**Average annual percentage payout of incurred claims by age, net of recoverables, as of December 31, 2021**

| | 1 year | 2 years | 3 years | 4 years | 5 years |
|---|---|---|---|---|---|
| Group and individual accident and health | 62.6 % | 35.1 % | 1.9 % | 0.4 % | — % |

**Contractholder funds** for interest-sensitive life insurance were $853 million and $857 million as of December 31, 2021 and 2020, respectively.

**Contractholder funds activity**

| | For the years ended December 31, | | |
|---|---|---|---|
| **($ in millions)** | **2021** | **2020** | **2019** |
| Balance, beginning of year | $ 857 | $ 915 | $ 898 |
| Deposits | 118 | 121 | 126 |
| Interest credited | 34 | 33 | 34 |
| Benefits | (41) | (34) | (11) |
| Surrenders and partial withdrawals | (23) | (61) | (21) |
| Contract charges | (107) | (123) | (114) |
| Other adjustments | 70 | 6 | 3 |
| **Balance, end of year** | **$ 908** | **$ 857** | **$ 915** |

## Note 11 Reinsurance and Indemnification

**Effects of reinsurance and indemnification on property and casualty premiums written and earned and accident and health insurance premiums and contract charges**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Property and casualty insurance premiums written** | | | |
| Direct | $ 45,523 | $ 38,695 | $ 37,976 |
| Assumed | 213 | 105 | 95 |
| Ceded | (1,736) | (1,142) | (1,117) |
| **Property and casualty insurance premiums written, net of recoverables** | **$ 44,000** | **$ 37,658** | **$ 36,954** |
| | | | |
| **Property and casualty insurance premiums earned** | | | |
| Direct | $ 43,944 | $ 38,115 | $ 37,104 |
| Assumed | 178 | 99 | 94 |
| Ceded | (1,904) | (1,141) | (1,122) |
| **Property and casualty insurance premiums earned, net of recoverables** | **$ 42,218** | **$ 37,073** | **$ 36,076** |
| | | | |
| **Accident and health insurance premiums and contract charges** | | | |
| Direct | $ 1,878 | $ 1,093 | $ 1,145 |
| Assumed | 21 | 14 | 14 |
| Ceded | (78) | (13) | (14) |
| **Accident and health insurance premiums and contract charges, net of recoverables** | **$ 1,821** | **$ 1,094** | **$ 1,145** |

### Reinsurance and indemnification recoverables

**Reinsurance and indemnification recoverables, net**

| ($ in millions) | As of December 31, 2021 | 2020 |
|---|---|---|
| **Property and casualty** | | |
| Paid and due from reinsurers and indemnitors | $ 391 | $ 101 |
| Unpaid losses estimated (including IBNR) | 9,479 | 7,033 |
| **Total property and casualty** | **$ 9,870** | **$ 7,134** |
| **Accident and health insurance** | 154 | 81 |
| **Total** | **$ 10,024** | **$ 7,215** |

**Rollforward of credit loss allowance for reinsurance recoverables**

| ($ in millions) | For the years ended December 31, 2021 | 2020 |
|---|---|---|
| **Property and casualty** [(1) (2)] | | |
| Beginning balance | $ (59) | $ (60) |
| (Increase)/Decrease in the provision for credit losses | (8) | 1 |
| Write-offs | 1 | — |
| **Ending balance** | **$ (66)** | **$ (59)** |
| | | |
| **Accident and health insurance** | | |
| Beginning balance | $ (1) | $ (1) |
| Increase in the provision for credit losses | (7) | — |
| Write-offs | — | — |
| **Ending Balance** | **$ (8)** | **$ (1)** |

(1) Primarily related to run-off lines reinsurance ceded.

(2) Indemnification recoverables are considered collectible based on the industry pool and facility enabling legislation.

### Property and casualty

Property and casualty programs are grouped by the following characteristics:

1. Indemnification programs - industry pools, facilities or associations that are governed by state insurance statutes or regulations or the federal government.
2. Catastrophe reinsurance programs - reinsurance protection for catastrophe exposure nationwide and by specific states, as applicable.
3. Other reinsurance programs - reinsurance protection for asbestos, environmental and other liability exposures as well as commercial lines, including shared economy.

Property and casualty reinsurance is in place for the Allstate Protection, Run-off lines and Protection Services segments. The Company purchases reinsurance after evaluating the financial condition of the reinsurer as well as the terms and price of coverage.

*Indemnification programs*

The Company participates in state-based industry pools or facilities mandating participation by insurers offering certain coverage in their state, including the Michigan Catastrophic Claims Association ("MCCA"), the New Jersey Property-Liability Insurance Guaranty Association ("PLIGA"), the North Carolina Reinsurance Facility ("NCRF") and the Florida Hurricane Catastrophe Fund ("FHCF"). When the Company pays qualifying claims under the coverage indemnified by a state's pool or facility, the Company is reimbursed for the qualifying claim losses or expenses. Each state pool or facility may assess participating companies to collect sufficient amounts to meet its total indemnification requirements. The enabling legislation for each state's pool or facility compels the pool or facility only to indemnify participating companies for qualifying claim losses or expenses; the state pool or facility does not underwrite the coverage or take on the ultimate risk of the indemnified business. As a pass through, these pools or facilities manage the receipt of assessments paid by participating companies and payment of indemnified amounts for covered claims presented by participating companies. The Company has not had any credit losses related to these indemnification programs.

*State-based industry pools or facilities*

*Michigan Catastrophic Claims Association* The MCCA is a statutory indemnification mechanism for member insurers' qualifying personal injury protection claims paid for the unlimited lifetime medical benefits above the applicable retention level for qualifying injuries from automobile, motorcycle and commercial vehicle accidents. Indemnification recoverables on paid and unpaid claims, including IBNR, as of December 31, 2021 and 2020 include $6.70 billion and $5.65 billion, respectively, from the MCCA for its indemnification obligation.

The MCCA is funded by annually assessing participating member companies actively writing motor vehicle coverage in Michigan on a per vehicle basis that is currently $86 per vehicle insured. The MCCA's calculation of the annual assessment is based upon the total of members' actuarially determined present value of expected payments on lifetime claims by all persons expected to be catastrophically injured in that year and ultimately qualify for MCCA reimbursement, its operating expenses, and adjustments for the amount of excesses or deficiencies in prior assessments. The MCCA has also included its calculation of the impacts of the auto insurance reforms which have begun to phase in since their passage in June 2019, including the personal injury protection medical fee schedule that became effective July 2, 2021. The assessment is incurred by the Company as policies are written and recovered as a component of premiums from the Company's customers.

The MCCA indemnifies qualifying claims of all current and former member companies (whether or not actively writing motor vehicle coverage in Michigan) for qualifying claims and claims expenses incurred while the member companies were actively writing the mandatory personal injury protection coverage in Michigan. Member companies actively writing automobile coverage in Michigan include the MCCA annual assessments in determining the level of premiums to charge insureds in the state.

As required for member companies by the MCCA, the Company reports covered paid and unpaid claims to the MCCA when estimates of loss for a reported claim are expected to exceed the retention level, the claims involve certain types of severe injuries, or there are litigation demands received suggesting the claim value exceeds certain thresholds. The retention level is adjusted upward every other MCCA fiscal year by the lesser of 6% or the increase in the Consumer Price Index. The retention level will be $600 thousand per claim for the fiscal two-years ending June 30, 2023 compared to $580 thousand per claim for the fiscal two-years ending June 30, 2021.

The MCCA is obligated to fund the ultimate liability of member companies' qualifying claims and claim expenses. The MCCA does not underwrite the insurance coverage or hold any underwriting risk.

The MCCA indemnifies members as qualifying claims are paid and billed by members to the MCCA. Unlimited lifetime covered losses result in significant levels of ultimate incurred claim reserves being recorded by member companies along with offsetting indemnification recoverables. Disputes with claimants over coverage on certain reported claims can result in additional losses, which may be recoverable from the MCCA, excluding litigation expenses. There is currently no method by which insurers are able to obtain the benefit of managed care programs to reduce claims costs through the MCCA.

The MCCA annual assessments fund current operations and member company reimbursements. The MCCA prepares statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan Department of Insurance and Financial Services (“MI DOI”). The MI DOI has granted the MCCA a statutory permitted practice that expires in June 30, 2022 to discount its liabilities for loss and loss adjustment expense. As of June 30, 2021, the date of its most recent annual financial report, the MCCA had cash and invested assets of $27.26 billion and an accumulated surplus of $5.04 billion. The permitted practice reduced the accumulated deficit by $31.28 billion. As a result of the auto insurance reforms passed in June 2019, the MCCA announced on November 3, 2021 that the surplus had increased beyond a level necessary to safely cover its expected losses and expenses and will return a portion of its surplus to its member insurance companies as a pass-through to issue a refund of $400 per vehicle and $80 per historical vehicle to the policyholders. At the time the returned surplus is received a liability will be recorded until the refunds are disbursed to the policyholders.

*New Jersey Property-Liability Insurance Guaranty Association* PLIGA serves as the statutory administrator of the Unsatisfied Claim and Judgment Fund (“UCJF”), Workers’ Compensation Security Fund and the New Jersey Surplus Lines Insurance Guaranty Fund.

In addition to its insolvency protection responsibilities, PLIGA reimburses insurers for unlimited excess medical benefits (“EMBs”) paid in connection with personal injury protection claims in excess of $75,000 for policies issued or renewed prior to January 1, 1991, and limited EMB claims in excess of $75,000 and capped at $250,000 for policies issued or renewed on or after January 1, 1991, to December 31, 2003.

A significant portion of the incurred claim reserves and the recoverables can be attributed to a small number of catastrophic claims. Assessments paid to PLIGA for the EMB program totaled $7 million in 2021. The amounts of paid and unpaid recoverables as of December 31, 2021 and 2020 were $371 million and $389 million, respectively.

PLIGA annually assesses all admitted property and casualty insurers writing covered lines in New Jersey for PLIGA indemnification and expenses. PLIGA assessments may be recouped as a surcharge on premiums collected. PLIGA does not ultimately retain underwriting risk as it assesses member companies for their expected qualifying losses to provide funding for payment of its indemnification obligation to member companies for their actual losses. As a pass through, PLIGA facilitates these transactions of receipt of assessments paid by member companies and payment to member companies for covered claims presented by them for indemnification. As of December 31, 2020, the date of its most recent annual financial report, PLIGA had a fund balance of $254 million.

As statutory administrator of the UCJF, PLIGA provides compensation to qualified claimants for personal injury protection, bodily injury, or death caused by private passenger automobiles operated by uninsured or “hit and run” drivers. The UCJF also provides private passenger pedestrian personal injury protection benefits when no other coverage is available.

PLIGA annually collects a UCJF assessment from all admitted property and casualty insurers writing motor vehicle liability insurance in New Jersey for UCJF indemnification and expenses. UCJF assessments can be expensed as losses recoverable in rates as appropriate. As of December 31, 2020, the date of its most recent annual financial report, the UCJF fund had a balance of $57 million.

*North Carolina Reinsurance Facility* The NCRF provides automobile liability insurance to drivers that insurers are not otherwise willing to insure. All insurers licensed to write automobile insurance in North Carolina are members of the NCRF. Premiums, losses and expenses are assigned to the NCRF. North Carolina law allows the NCRF to recoup operating losses for certain insureds through a surcharge to policyholders. As of September 30, 2021, the NCRF reported a deficit of $67 million in members’ equity. The NCRF implemented a loss recoupment surcharge on all private passenger and commercial fleet policies effective October 1, 2021, through September 30, 2022. Member companies are assessed the recoupment surcharge. The loss recoupment surcharge will be adjusted on October 1, 2022 and discontinued once losses are recovered. The NCRF results are shared by the member companies in proportion to their respective North Carolina automobile liability writings. For the fiscal year ending September 30, 2021, net gain was $58 million, including $1.11 billion of earned premiums, $244 million of certain private passenger auto risk recoupment and $127 million of member loss recoupments. As of December 31, 2021, the NCRF recoverables on paid claims is $51 million and recoverables on unpaid claims is $228 million. Paid recoverable balances, if covered, are typically settled within sixty days of monthly filing.

*Florida Hurricane Catastrophe Fund* Allstate subsidiaries Castle Key Insurance Company (“CKIC”) and Castle Key Indemnity Company (“CKI”, and together with CKIC, “Castle Key”) participate in the mandatory coverage provided by the FHCF and therefore have access to reimbursement for certain qualifying Florida hurricane losses from the FHCF. Castle Key has exposure to assessments and pays annual premiums to the FHCF for this reimbursement protection. The FHCF has the authority to issue bonds to pay its obligations to participating insurers in excess of its capital balances. Payment of these bonds is funded by emergency assessments on all property and casualty premiums in the state, except workers’ compensation, medical malpractice, accident and health insurance and policies written under the National Flood Insurance Program (“NFIP”). The FHCF emergency assessments are limited to 6% of premiums per year beginning the first year in which reimbursements require bonding, and up to a total of 10% of premiums per year for assessments in the second and subsequent years, if required to fund additional bonding. The FHCF issued $2.00 billion in pre-event bonds in 2013 to build its capacity to reimburse member companies' claims. The FHCF plans to fund these pre-event bonds through current FHCF cash flows. Pursuant to an Order issued by the Florida Office of Insurance Regulation, the emergency assessment is zero for all policies issued or renewed on or after January 1, 2015.

Annual premiums earned and paid under the FHCF agreement were $15 million, $9 million and $9 million in 2021, 2020 and 2019, respectively. Qualifying losses were $13 million, $15 million and $33 million in 2021, 2020 and 2019, respectively. The Company has access to reimbursement provided by the FHCF for 90% of qualifying personal property losses that exceed its current retention of $104 million for the two largest hurricanes and $35 million for other hurricanes, up to a maximum total of $251 million, effective from June 1, 2021 to May 31, 2022. The amounts recoverable from the FHCF totaled $25 million and $32 million as of December 31, 2021 and 2020, respectively.

*Federal Government - National Flood Insurance Program* NFIP is a program administered by the Federal Emergency Management Agency ("FEMA") whereby the Company sells and services NFIP flood insurance policies as an agent of FEMA and receives fees for its services. The Company is fully indemnified for claims and claim expenses and does not retain any ultimate risk for the indemnified business. The federal government is obligated to pay all claims and certain allocated loss adjustment expenses in accordance with the arrangement.

Congressional authorization for the NFIP is periodically evaluated and may be subjected to freezes, including when the federal government experiences a shutdown. FEMA has a NFIP reinsurance program to manage the future exposure of the NFIP through the transfer of risk to private reinsurance companies and capital market investors. Congress is evaluating the funding of the program as well as considering reforms to the program that would be incorporated in legislation to reauthorize the NFIP.

The amounts recoverable as of December 31, 2021 and 2020 were $34 million and $30 million, respectively. Premiums earned under the NFIP include $350 million, $261 million and $258 million in 2021, 2020 and 2019, respectively. Qualifying losses incurred include $267 million, $87 million and $150 million in 2021, 2020 and 2019, respectively.

*Catastrophe reinsurance*

The Company's reinsurance program is designed to provide reinsurance protection for catastrophes resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, winter storms, wildfires, earthquakes and fires following earthquakes.

- The Company purchases reinsurance from traditional reinsurance companies as well as the insurance linked securities market.
- The majority of the Company's program comprises multi-year contracts, primarily placed in the traditional reinsurance market, such that generally one-third of the program is renewed every year.
- Coverage is generally purchased on a broad geographic, product line and multiple peril loss basis.
- Florida personal lines property is covered by a separate agreement, as the risk of loss is different and the Company's subsidiaries operating in this state are separately capitalized.
- A portion of New Jersey personal lines property and automobile remains covered by a separate standalone agreement.
- When applicable, reinsurance reinstatement premiums are recognized in the same period as the loss event that gave rise to the reinstatement premium and are recorded in claims and claims expense in the consolidated statements of operations.

The Company's current catastrophe reinsurance program supports the Company's risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes, earthquakes and wildfires, net of reinsurance, exceeding $2.5 billion.

The program includes coverage for losses to personal lines property, personal lines automobile, commercial lines property or commercial lines automobile arising out of multiple perils, in addition to hurricanes and earthquakes. These reinsurance agreements are part of the catastrophe management strategy, which is intended to provide shareholders an acceptable return on the risks assumed in the property business, and to reduce variability of earnings, while providing protection to customers. The Company has the following catastrophe reinsurance agreements in effect as of December 31, 2021.

The June 1, 2021 Nationwide Excess Catastrophe Reinsurance Program (the "Nationwide Program") provides coverage up to $5.76 billion of loss less a $500 million retention, and is subject to the percentage of reinsurance placed in each of its agreements. Property business in the state of Florida is excluded from this program. Separate reinsurance agreements address the distinct needs of separately capitalized legal entities. The Nationwide Program includes reinsurance agreements with both the traditional and insurance linked securities ("ILS") markets as described below:

- *The traditional market placement* provides limits totaling $3.73 billion for losses arising out of multiple perils and is comprised of four contracts providing coverage of $3.25 billion with one annual reinstatement of limits, two contracts combining $348 million of limits with one reinstatement of limits over two eight-year terms, and one single-year term contract providing $132 million of coverage, subject to a $3.75 billion retention, with no reinstatement of limits. In addition to Allstate and its affiliated companies covered under the 2020-2021 program, coverage also includes the National General Companies.

- *ILS placements* provide $1.70 billion of limits, with remaining available limit of $1.40 billion, with no reinstatement of limits, and are comprised of the following:
  - – $500 million, $400 million, 75% placed, $400 million, 62.5% placed, $250 million, $225 million, 67% placed, $150 million and $100 million placements reinsuring losses in all states except Florida caused by named storms, earthquakes and fire following earthquakes, severe weather, wildfires, and other naturally occurring or man-made events determined to be a catastrophe by the Company.
  - – The $500 million, $400 million, 75% placed, and $100 million placements also provide that for each annual period beginning April 1, Allstate declared catastrophes to personal lines property and automobile business can be aggregated to erode the aggregate retention and qualify for coverage under the aggregate limit. Recoveries are limited to our ultimate net loss from the reinsured event.
  - – At the annual reset of the Sanders Re Catastrophe Bonds, National General was added as ceding companies.

The New Jersey agreement consists of one contract that reinsures personal lines property and automobile catastrophe losses caused by multiple perils in New Jersey and provides 32% of $400 million of limits in excess of provisional retentions of $150 million. The contract includes one annual reinstatement of limits. The New Jersey contract inures to portions of the Nationwide Program.

The Kentucky earthquake agreement comprises a three-year term contract that reinsures personal lines property losses caused by earthquakes and fire following earthquakes in Kentucky and provides $28 million of limits, 95% placed, in excess of a $2 million retention.

The 2021 Florida program includes reinsurance agreements placed with the traditional market, the Florida Hurricane Catastrophe Fund (“FHCF”), and the ILS market as follows:

- The Florida program provides limit up to $1.53 billion of a single event loss, less a $40 million retention.
- The traditional market placement comprises $999 million of reinsurance limits for losses to personal lines property in Florida arising out of multiple perils. The Excess contracts, which form a part of the traditional market placement, with $939 million of limits, subject to a $100 million retention and the Below FHCF contract with $60 million of limits subject to $40 million retention, provide coverage for perils not covered by the FHCF contracts, which only cover hurricanes.
- Two FHCF contracts provide $253 million of limits for qualifying losses to personal lines property in Florida caused by storms the National Hurricane Center declares to be hurricanes. Both contracts are 90% placed.
- The ILS placement provides $275 million of reinsurance limits, 73% placed, for qualifying losses to personal lines property in Florida caused by a named storm event, a severe weather event, an earthquake event, a fire event, a volcanic eruption event, or a meteorite impact event.

*National General Lender Services Standalone Program* is placed in the traditional market and provides $190 million of coverage, subject to a $50 million retention, with one reinstatement of limits.

*National General Florida Hurricane Catastrophe Program* provides $37 million of limit and is 90% placed.

*National General Reciprocal Excess Catastrophe Reinsurance Contract* is placed in the traditional market and provides $545 million of coverage, subject to a $20 million retention, with one reinstatement of limits.

The Company has not experienced credit losses on its catastrophe reinsurance programs. The total cost of the property catastrophe reinsurance program was $556 million, $425 million and $386 million in 2021, 2020 and 2019, respectively.

*Other reinsurance programs*

The Company’s other reinsurance programs relate to commercial lines, including shared economy, and asbestos, environmental, and other liability exposures. The largest reinsurance recoverable balance the Company had outstanding was $187 million and $165 million from Aleka Insurance Inc. as of December 31, 2021 and 2020, respectively. These programs also include reinsurance recoverables of $165 million and $166 million from Lloyd’s of London as of December 31, 2021 and 2020, respectively.

## Note 12 Deferred Policy Acquisition Costs

**Deferred policy acquisition costs activity**

| | For the years ended December 31, | | |
|---|---|---|---|
| **($ in millions)** | **2021** | **2020** | **2019** |
| Balance, beginning of year | $ 3,774 | $ 3,600 | $ 3,457 |
| National General acquisition | 317 | — | — |
| SafeAuto acquisition | 7 | — | — |
| Acquisition costs deferred | 6,874 | 5,651 | 5,499 |
| Amortization charged to income | (6,252) | (5,477) | (5,353) |
| Effect of unrealized gains and losses | 2 | — | (3) |
| **Balance, end of year** | **$ 4,722** | **$ 3,774** | **$ 3,600** |

## Note 13 Capital Structure

**Total debt outstanding**

| | As of December 31, | |
|---|---|---|
| **($ in millions)** | **2021** | **2020** |
| Floating Rate Senior Notes, due 2021 | $ — | $ 250 |
| Floating Rate Senior Notes, due 2023 [1] | 250 | 250 |
| 3.150% Senior Notes, due 2023 [2] | 500 | 500 |
| 6.750% Senior Notes due 2024 [2] [3] | 350 | — |
| 0.750% Senior Notes, due 2025 [2] | 600 | 600 |
| 3.280% Senior Notes, due 2026 [2] | 550 | 550 |
| ***Due after one year through five years*** | **2,250** | **2,150** |
| 1.450% Senior Notes, due 2030 [2] | 600 | 600 |
| ***Due after five years through ten years*** | **600** | **600** |
| 6.125% Senior Notes, due 2032 [2] | 159 | 159 |
| 5.350% Senior Notes due 2033 [2] | 323 | 323 |
| 5.550% Senior Notes due 2035 [2] | 546 | 546 |
| 5.950% Senior Notes, due 2036 [2] | 386 | 386 |
| 6.900% Senior Debentures, due 2038 | 165 | 165 |
| 5.200% Senior Notes, due 2042 [2] | 62 | 62 |
| 4.500% Senior Notes, due 2043 [2] | 500 | 500 |
| 4.200% Senior Notes, due 2046 [2] | 700 | 700 |
| 3.850% Senior Notes, due 2049 [2] | 500 | 500 |
| 5.100% Subordinated Debentures, due 2053 | 500 | 500 |
| 5.750% Subordinated Debentures, due 2053 | 800 | 800 |
| 6.500% Junior Subordinated Debentures, due 2067 | 500 | 500 |
| ***Due after ten years*** | **5,141** | **5,141** |
| **Long-term debt total principal** | **7,991** | **7,891** |
| Fair value adjustments [3] | 45 | — |
| Debt issuance costs | (60) | (66) |
| **Total long-term debt** | **7,976** | **7,825** |
| Short-term debt [4] | — | — |
| **Total debt** | **$ 7,976** | **$ 7,825** |

[1] 2023 Floating Rate Senior Notes are not redeemable prior to the applicable maturity dates and bear interest at a floating rate equal to three-month LIBOR, reset quarterly on each interest reset date, plus 0.63% per year.

[2] Senior Notes are subject to redemption at the Company's option in whole or in part at any time at the greater of either 100% of the principal amount plus accrued and unpaid interest to the redemption date or the discounted sum of the present values of the remaining scheduled payments of principal and interest and accrued and unpaid interest to the redemption date.

[3] Debt acquired as part of the National General acquisition completed on January 4, 2021.

[4] The Company classifies any borrowings which have a maturity of twelve months or less at inception as short-term debt.

**Repayment of debt** On March 29, 2021, the Company repaid, at maturity, $250 million of Floating Rate Senior Notes that bear interest at a floating rate equal to three-month LIBOR plus 0.43% per year.

| Debt maturities for each of the next five years and thereafter | | |
|---|---|---|
| **($ in millions)** | | |
| 2022 | $ | — |
| 2023 | | 750 |
| 2024 | | 350 |
| 2025 | | 600 |
| 2026 | | 550 |
| Thereafter | | 5,741 |
| **Total long-term debt principal** | **$** | **7,991** |

The Subordinated Debentures may be redeemed (i) in whole at any time or in part from time to time on or after January 15, 2023 for the 5.100% Subordinated Debentures and August 15, 2023 for the 5.750% Subordinated Debentures at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption; provided that if the Subordinated Debentures are not redeemed in whole, at least $25 million aggregate principal amount must remain outstanding, or (ii) in whole, but not in part, prior to January 15, 2023 for the 5.100% Subordinated Debentures and August 15, 2023 for the 5.750% Subordinated Debentures, within 90 days after the occurrence of certain tax and rating agency events, at their principal amount or, if greater, a make-whole redemption price, plus accrued and unpaid interest to, but excluding, the date of redemption. The 5.750% Subordinated Debentures have this make-whole redemption price provision only when a reduction of equity credit assigned by a rating agency has occurred.

Interest on the 5.100% Subordinated Debentures is payable quarterly at the stated fixed annual rate to January 14, 2023, or any earlier redemption date, and then at an annual rate equal to the three-month LIBOR plus 3.165%. Interest on the 5.750% Subordinated Debentures is payable semi-annually at the stated fixed annual rate to August 14, 2023, or any earlier redemption date, and then quarterly at an annual rate equal to the three-month LIBOR plus 2.938%. The Company may elect to defer payment of interest on the Subordinated Debentures for one or more consecutive interest periods that do not exceed five years. During a deferral period, interest will continue to accrue on the Subordinated Debentures at the then-applicable rate and deferred interest will compound on each interest payment date. If all deferred interest on the Subordinated Debentures is paid, the Company can again defer interest payments.

As of December 31, 2021, the Company had outstanding $500 million of Series A 6.500% Fixed-to-Floating Rate Junior Subordinated Debentures (“Debentures”). The scheduled maturity date for the Debentures is May 15, 2057 with a final maturity date of May 15, 2067. The Debentures may be redeemed (i) in whole or in part, at any time on or after May 15, 2037 at the principal amount plus accrued and unpaid interest to the date of redemption, or (ii) in certain circumstances, in whole or in part, prior to May 15, 2037 at the principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a make-whole price.

Interest on the Debentures is payable semi-annually at the stated fixed annual rate to May 15, 2037, and then payable quarterly at an annual rate equal to the three-month LIBOR plus 2.120%. The Company may elect at one or more times to defer payment of interest on the Debentures for one or more consecutive interest periods that do not exceed 10 years. Interest compounds during such deferral periods at the rate in effect for each period. The interest deferral feature obligates the Company in certain circumstances to issue common stock or certain other types of securities if it cannot otherwise raise sufficient funds to make the required interest payments. The Company has reserved 75 million shares of its authorized and unissued common stock to satisfy this obligation.

The terms of the Company’s outstanding subordinated debentures prohibit the Company from declaring or paying any dividends or distributions on common or preferred stock or redeeming, purchasing, acquiring, or making liquidation payments on common stock or preferred stock if the Company has elected to defer interest payments on the subordinated debentures, subject to certain limited exceptions.

In connection with the issuance of the Debentures, the Company entered into a replacement capital covenant (“RCC”). This covenant was not intended for the benefit of the holders of the Debentures and could not be enforced by them. Rather, it was for the benefit of holders of one or more other designated series of the Company’s indebtedness (“covered debt”), currently the 5.750% Subordinated Debentures due 2053. Pursuant to the RCC, the Company has agreed that it will not repay, redeem, or purchase the Debentures on or before May 15, 2067 (or such earlier date on which the RCC terminates by its terms) unless, subject to certain limitations, the Company has received net cash proceeds in specified amounts from the sale of common stock or certain other qualifying securities. The promises and covenants contained in the RCC will not apply if (i) S&P upgrades the Company’s issuer credit rating to A or above, (ii) the Company redeems the Debentures due to a tax event, (iii) after notice of redemption has been given by the Company and a market disruption event occurs preventing the Company from raising proceeds in accordance with the RCC, or (iv) the Company repurchases or redeems up to 10% of the outstanding principal of the Debentures in any one-year period, provided that no more than 25% will be so repurchased, redeemed or purchased in any ten-year period.

The RCC terminates in 2067. The RCC will terminate prior to its scheduled termination date if (i) the Debentures are no longer outstanding and the Company has fulfilled its obligations under the RCC or it is no longer applicable, (ii) the holders of a majority of the then-outstanding principal amount of the then-effective series of covered debt consent to agree to the termination of the RCC, (iii) the Company does not have any series of outstanding debt that is eligible to be treated as covered debt under the RCC, (iv) the Debentures are accelerated as a result of an event of default, (v) certain rating agency or change in control events occur, (vi) S&P, or any successor thereto, no longer assigns a solicited rating on senior debt issued or guaranteed by the Company, or (vii) the termination of the RCC would have no effect on the equity credit provided by S&P with respect to the Debentures. An event of default, as defined by the supplemental indenture, includes default in the payment of interest or principal and bankruptcy proceedings.

The administrator of LIBOR has announced it will cease the publication of the one week and two month U.S. dollar ("USD") LIBOR settings immediately after December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. The Subordinated Debentures and the 2023 Floating Rate Senior Notes allow for the use of an alternative methodology to determine the interest rate if LIBOR is no longer available.

To manage short-term liquidity, the Company maintains a commercial paper program and a credit facility as a potential source of funds. The commercial paper program has a borrowing limit of $750 million. In November 2020, the Company entered into a new agreement for a $750 million unsecured revolving credit facility with a maturity date of November 2025. In November 2021, the maturity date was extended to November 2026. This facility contains an increase provision that would allow up to an additional $500 million of borrowing. This facility has a financial covenant requiring the Company not to exceed a 37.5% debt to capitalization ratio as defined in the agreement. 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 the Company's senior unsecured, unguaranteed long-term debt. 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. No amounts were outstanding under the credit facility as of December 31, 2021 or 2020. The Company had no commercial paper outstanding as of December 31, 2021 or 2020.

The Company paid $321 million, $311 million and $312 million of interest on debt in 2021, 2020 and 2019, respectively.

The Company had $401 million and $306 million of investment-related debt that is reported in other liabilities and accrued expenses as of December 31, 2021 and 2020, respectively.

During 2021, the Company filed a universal shelf registration statement with the Securities and Exchange Commission ("SEC") that expires in 2024. The registration statement covers an unspecified amount of securities and can be used to issue debt securities, common stock, preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries.

**Common stock** The Company had 900 million shares of issued common stock of which 281 million shares were outstanding and 619 million shares were held in treasury as of December 31, 2021. In 2021, the Company acquired 26 million shares at an average cost of $123.87 and reissued 3 million net shares under equity incentive plans.

**Preferred stock** All outstanding preferred stock represents noncumulative perpetual preferred stock with a $1.00 par value per share and a liquidation preference of $25,000 per share.

**Total preferred stock outstanding**

| | As of December 31, | | Aggregate liquidation preference ($ in millions) | | | Dividend per depository share [1] | | | Aggregate dividend payment ($ in millions) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | Dividend rate | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Series A | — | — | $ — | $ — | 5.625 % | $ — | $ — | $ 1.41 | $ — | $ 4 [2] | $ 16 |
| Series D | — | — | — | — | 6.625 % | — | — | 1.66 | — | — | 9 [2] |
| Series E | — | — | — | — | 6.625 % | — | — | 1.66 | — | — | 49 [2] |
| Series F | — | — | — | — | 6.250 % | — | — | 1.56 | — | — | 16 [2] |
| Series G | 23,000 | 23,000 | 575.0 | 575.0 | 5.625 % | 1.41 | 1.41 | 1.41 | 32 | 32 | 32 |
| Series H | 46,000 | 46,000 | 1,150.0 | 1,150.0 | 5.100 % | 1.28 | 1.28 | 1.28 | 59 | 59 | 12 |
| Series I | 12,000 | 12,000 | 300.0 | 300.0 | 4.750 % | 1.19 | 1.19 | 1.19 | 14 | 13 | — |
| National General Series [3] | | | | | | | | | 9 | — | — |
| **Total** | **81,000** | **81,000** | **$ 2,025** | **$ 2,025** | | | | | **$ 114** | **$ 108** | **$ 134** [2] |

(1) Each depositary share represents a 1/1,000th interest in a share of preferred stock.

(2) Excludes $10 million and $37 million in 2020 and 2019, respectively, related to original issuance costs in preferred stock dividends on the Consolidated Statements of Operations and Consolidated Statements of Shareholders' Equity as a result of the preferred stock redemptions.

(3) On February 2, 2021 and July 15, 2021, the Company redeemed all outstanding shares of National General Preferred Stock Series A, B and D, and National General Preferred Stock Series C, respectively.

The preferred stock ranks senior to the Company’s common stock with respect to the payment of dividends and liquidation rights. The Company will pay dividends on the preferred stock on a noncumulative basis only when, as and if declared by the Company’s board of directors (or a duly authorized committee of the board) and to the extent that the Company has legally available funds to pay dividends. If dividends are declared on the preferred stock, they will be payable quarterly in arrears at an annual fixed rate. Dividends on the preferred stock are not cumulative. Accordingly, in the event dividends are not declared on the preferred stock for payment on any dividend payment date, then those dividends will cease to be payable. If the Company has not declared a dividend before the dividend payment date for any dividend period, the Company has no obligation to pay dividends for that dividend period, whether or not dividends are declared for any future dividend period. No dividends may be paid or declared on the Company’s common stock and no shares of the Company’s common stock may be repurchased unless the full dividends for the latest completed dividend period on the preferred stock have been declared and paid or provided for.

The Company is prohibited from declaring or paying dividends on its Series G preferred stock in excess of the amount of net proceeds from an issuance of common stock taking place within 90 days before a dividend declaration date if, on that dividend declaration date, either: (1) the risk-based capital ratios of the largest U.S. property-casualty insurance subsidiaries that collectively account for 80% or more of the net written premiums of U.S. property-casualty insurance business on a weighted average basis were less than 175% of their company action level risk-based capital as of the end of the most recent year; or (2) consolidated net income for the four-quarter period ending on the preliminary quarter end test date (the quarter that is two quarters prior to the most recently completed quarter) is zero or negative and consolidated shareholders’ equity (excluding AOCI, and subject to certain other adjustments relating to changes in U.S. GAAP) as of each of the preliminary quarter test date and the most recently completed quarter has declined by 20% or more from its level as measured at the end of the benchmark quarter (the date that is ten quarters prior to the most recently completed quarter). If the Company fails to satisfy either of these tests on any dividend declaration date, the restrictions on dividends will continue until the Company is able again to satisfy the test on a dividend declaration date. In addition, in the case of a restriction arising under (2) above, the restrictions on dividends will continue until consolidated shareholders’ equity (excluding AOCI, and subject to certain other adjustments relating to changes in U.S. GAAP) has increased, or has declined by less than 20%, in either case as compared to its level at the end of the benchmark quarter for each dividend payment date as to which dividend restrictions were imposed.

The preferred stock does not have voting rights except with respect to certain changes in the terms of the preferred stock, in the case of certain dividend nonpayments, certain other fundamental corporate events, mergers or consolidations and as otherwise provided by law. If and when dividends have not been declared and paid in full for at least six quarterly dividend periods or their equivalent (whether or not consecutive), the authorized number of directors then constituting our board of directors will be increased by two. The holders of the preferred stock, together with the holders of all other affected classes and series of voting parity stock, voting as a single class, will be entitled to elect the two additional members of the board of directors of the Company, subject to certain conditions. The board of directors shall at no time have more than two preferred stock directors.

The preferred stock is perpetual and has no maturity date. The preferred stock is redeemable at the Company’s option in whole or in part, on or after April 15, 2023 for Series G, October 15, 2024 for Series H and January 15, 2025 for Series I at a redemption price of $25,000 per share of preferred stock, plus declared and unpaid dividends. Prior to April 15, 2023 for Series G, October 15, 2024 for Series H and January 15, 2025 for Series I, the preferred stock is redeemable at the Company’s option, in whole but not in part, within 90 days of the occurrence of certain regulatory capital event at a redemption price equal to $25,000 or $25,500 per share or a certain rating agency event at a redemption price equal to $25,000 or $25,500 per share, plus declared and unpaid dividends for Series G and for Series H and I, respectively.

## Note 14 Company Restructuring

The Company undertakes various programs to reduce expenses. These programs generally involve a reduction in staffing levels, and in certain cases, office closures. Restructuring and related charges primarily include the following costs related to these programs:

- *Employee* - severance and relocation benefits
- *Exit* - contract termination penalties

The expenses related to these activities are included in the Consolidated Statements of Operations as restructuring and related charges and totaled $170 million, $253 million and $39 million in 2021, 2020 and 2019, respectively.

Restructuring expenses in 2021 are primarily due to the future of work environment as we reevaluate our facilities footprint. The Company continues to identify ways to improve operating efficiency and reduce cost which may result in additional restructuring charges in the future.

| **Restructuring programs** | | | | |
|---|---|---|---|---|
| **($ in millions)** | | **Future work environment** | | **Transformative Growth** |
| Expected program charges | $ | 110 | $ | 290 |
| 2020 expenses | | — | | (238) |
| 2021 expenses | | (131) | | 6 |
| Change in estimated program costs in 2021 | | 37 | | (52) |
| **Remaining program charges** | **$** | **16** | **$** | **6** |

These charges are primarily in the Allstate Protection segment. The actions related to the Transformative Growth program are substantially complete as of December 31, 2021. The future work environment program will be substantially complete in the first half of 2022 based on decisions made through December 31, 2021.

Employee costs include severance and employee benefits primarily impacting claims, sales, service and support functions. Exit costs, primarily related to future work environment, reflect real estate costs primarily related to accelerated amortization of right of use assets and related leasehold improvements at facilities to be vacated.

| **Restructuring activity during the period** | | | | | | |
|---|---|---|---|---|---|---|
| **($ in millions)** | | **Employee costs** | | **Exit costs** | | **Total liability** |
| Restructuring liability as of December 31, 2020 | $ | 72 | $ | — | $ | [illegible] |
| Expense incurred | | 51 | | 144 | | 19 |
| Adjustments to liability | | (25) | | — | | (2 |
| Payments and non-cash charges | | (84) | | (137) | | (22 |
| **Restructuring liability as of December 31, 2021** | **$** | **14** | **$** | **7** | **$** | **2** |

As of December 31, 2021, the cumulative amount incurred to date for active programs related to employee severance, relocation benefits and exit expenses totaled $247 million for employee costs and $157 million for exit costs.

## Note 15 Commitments, Guarantees and Contingent Liabilities

### Shared markets and state facility assessments

The Company is required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations in various states that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers.

The Company routinely reviews its exposure to assessments from these plans, facilities and government programs. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to the Company's results of operations in the last three years. Because of the Company's participation, it may be exposed to losses that surpass the capitalization of these facilities or assessments from these facilities.

*Florida Citizens* Castle Key is subject to assessments from Citizens Property Insurance Corporation in the state of Florida ("FL Citizens"), which was initially created by the state of Florida to provide insurance to property owners unable to obtain coverage in the private insurance market. FL Citizens, at the discretion and direction of its Board of Governors, can levy a regular assessment on assessable insurers and assessable insureds for a deficit in any calendar year up to a maximum of the greater of: 2% of the projected deficit or 2% of the aggregate statewide direct written premium for the prior calendar year. The base of assessable insurers includes all property and casualty premiums in the state, except workers' compensation, medical malpractice, accident and health insurance and policies written under the NFIP. An insurer may recoup a regular assessment through a surcharge to policyholders. In order to recoup this assessment, an insurer must file for a policy surcharge with the Florida Office of Insurance Regulation at least fifteen days prior to imposing the surcharge on policies. If a deficit remains after the regular assessment, FL Citizens can also levy emergency assessments in the current and subsequent years. Companies are required to collect the emergency assessments directly from residential property policyholders and remit to FL Citizens as collected. Currently, the emergency assessment is zero for all policies issued or renewed on or after July 1, 2015.

*Louisiana Citizens* Louisiana Citizens Property Insurance Corporation ("LA Citizens") can levy a regular assessment on participating companies for a deficit in any calendar year up to a maximum of the greater of 10% of the calendar year deficit or 10% of Louisiana direct property premiums industry-wide for the prior calendar year. If the plan year deficit exceeds the amount that can be recovered through regular assessments, LA Citizens may fund the remaining deficit by issuing revenue assessment bonds in the capital markets. LA Citizens then declares emergency assessments each year to provide debt service on the bonds until they are retired. Companies writing assessable lines must surcharge their policyholders emergency assessments in the percentage established annually by LA Citizens and must remit amounts collected to the bond trustee on a quarterly basis. Emergency assessments to pay off bonds issued in 2007 for the hurricanes of 2005 will continue until 2025.

Facilities such as FL Citizens and LA Citizens are generally designed so that the ultimate cost is borne by policyholders; however, the exposure to assessments from these facilities and the availability of recoupments or premium rate increases may not offset each other in the Company's financial statements. Moreover, even if they do offset each other, they may not offset each other in financial statements for the same fiscal period due to the ultimate timing of the assessments and recoupments or premium rate increases, as well as the possibility of policies not being renewed in subsequent years.

*California Earthquake Authority* Exposure to certain potential losses from earthquakes in California is limited by the Company's participation in the California Earthquake Authority ("CEA"), which provides insurance for California earthquake losses. The CEA is a privately-financed, publicly-managed state agency created to provide insurance coverage for earthquake damage. Insurers selling homeowners insurance in California are required to offer earthquake insurance to their customers either through their company or by participation in the CEA. The Company's homeowners policies continue to include coverages for losses caused by explosions, theft, glass breakage and fires following an earthquake, which are not underwritten by the CEA.

As of October 31, 2021, the CEA's capital balance was approximately $5.70 billion. Should losses arising from an earthquake cause a deficit in the CEA, an additional $1.70 billion would be obtained from the proceeds of revenue bonds the CEA may issue, an existing $9.50 billion reinsurance layer, $1.00 billion from policy surcharge, and finally, if needed, assessments on participating insurance companies. Participating insurers are required to pay an assessment, currently estimated not to exceed $1.70 billion, if the capital of the CEA falls below $350 million. Within the limits previously described, the assessment could be intended to restore the CEA's capital to a level of $350 million. There is no provision that allows insurers to recover assessments through a premium surcharge or other mechanism. The CEA's projected aggregate claim paying capacity is $19.60 billion as of October 31, 2021 and if an event were to result in claims greater than its capacity, affected policyholders may be paid a prorated portion of their covered losses, paid on an installment basis, or no payments may be made if the claim paying capacity of the CEA is insufficient.

All future assessments on participating CEA insurers are based on their CEA insurance market share as of December 31 of the preceding year. As of December 31, 2020, the Company's market share was 8.7%. The Company does not expect its market share to materially change. At this level, the Company's maximum possible CEA assessment was $144 million during 2021. These amounts are re-evaluated by the board of directors of the CEA on an annual basis. Accordingly, assessments from the CEA for a particular quarter or annual period may be material to the results of operations and cash flows, but not the financial position of the Company. Management believes the Company's exposure to earthquake losses in California has been significantly reduced as a result of its participation in the CEA.

*Texas Windstorm Insurance Association* The Company participates as a member of the Texas Windstorm Insurance Association ("TWIA"), which provides wind and hail property coverage to coastal risks unable to procure coverage in the voluntary market. Wind and hail coverage is written on a TWIA-issued policy. TWIA follows a funding structure first utilizing currently available funds set aside from current and prior years. Under the current law, to the extent losses exceed premiums received from policyholders, TWIA utilizes a combination of reinsurance, TWIA issued securities, as well as member and policyholder assessments to fund loss payments.

Any assessments from TWIA for a particular quarter or annual period may be material to the results of operations and cash flows, but not to the financial position of the Company.

*Texas Fair Plan Association* The Company participates as a member of the Texas Fair Plan Association ("FAIR Plan"), which provides residential property insurance to inland areas designated as underserved by the Commissioner of Insurance and the applicant(s) are unable to procure coverage in the voluntary market. The FAIR Plan issues insurance policies, like an insurance company, and it also functions as a pooling mechanism that allocates premiums, claims and expenses back to the insurance industry. As a result of the losses incurred related to Hurricane Harvey, in 2017 the FAIR Plan Board unanimously voted to approve its first ever member assessment of which the Company's share was $8 million based on total direct premium written in Texas. Insurers are permitted to recover the assessment through either a premium surcharge applied to existing customers over a three-year period or increased rates, but the ability to fully recover the assessment may be impacted by market conditions or other factors.

*North Carolina Joint Underwriters Association* The North Carolina Joint Underwriters Association ("NCJUA") was created to provide property insurance for properties (other than the state's beach and coastal areas) that insurers are not otherwise willing to insure. All insurers licensed to write property insurance in North Carolina are members of the NCJUA. Premiums, losses and expenses of the NCJUA are shared by the member companies in proportion to their respective North Carolina property insurance writings. Member companies participate in plan deficits or surpluses based on their participation ratios, which are determined annually. The Company had a $5 million receivable from the NCJUA at December 31, 2021 representing our participation in the NCJUA's surplus of $16 million for all open years.

*North Carolina Insurance Underwriting Association* The North Carolina Insurance Underwriting Association ("NCIUA") provides windstorm and hail coverage as well as homeowners policies for properties located in the state's beach and coastal areas that insurers are not otherwise willing to insure. All insurers licensed to write residential and commercial property insurance in North Carolina are members of the NCIUA. Members are assessed in proportion to their North Carolina residential and commercial property insurance writings, which is determined annually and varies by coverage, for plan deficits. As of December 31, 2021, the NCIUA had a surplus of $664 million. No member company is entitled to the distribution of any portion of the Association's surplus. The Company does not recognize any interest related to this surplus. Legislation in 2009 capped insurers' assessments for losses incurred in any calendar year at $1.00 billion. Subsequent to an industry assessment of $1.00 billion, if the plan continues to require funding, it may authorize insurers to assess a 10% catastrophe recovery charge on each property insurance policy statewide to be remitted to the plan.

*Other programs* The Company is also subject to assessments by the NCRF and the FHCF, which are described in Note 11.

### Guaranty funds

Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. Since most states allow a credit against premium or other state related taxes for assessments, an asset is recorded based on paid and accrued assessments for the amount the Company expects to recover on the respective state's tax return and is realized over the period allowed by each state. As of December 31, 2021 and 2020, the liability balance included in other liabilities and accrued expenses was $17 million and $9 million, respectively. The related premium tax offsets included in other assets were $7 million and $8 million as of December 31, 2021 and 2020, respectively.

### Guarantees

In the normal course of business, the Company provides standard indemnifications to contractual counterparties in connection with numerous transactions, including acquisitions and divestitures. The types of indemnifications typically provided include indemnifications for breaches of representations and warranties, taxes and certain other liabilities, such as third-party lawsuits. The indemnification clauses are often standard contractual terms and are entered into in the normal course of business based on an assessment that the risk of loss would be remote. The terms of the indemnifications vary in duration and nature. In many cases, the maximum obligation is not explicitly stated and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur. Consequently, the maximum amount of the obligation under such indemnifications is not determinable. Historically, the Company has not made any material payments pursuant to these obligations.

Related to the sale of ALNY on October 1, 2021, AIC agreed to indemnify Wilton Reassurance Company in connection with certain representations, warranties and covenants of AIC, and certain liabilities specifically excluded from the transaction, subject to specific contractual limitations regarding AIC's maximum obligation. Management does not believe these indemnifications will have a material effect on results of operations, cash flows or financial position of the Company.

Related to the sale of ALIC and Allstate Assurance Company on November 1, 2021, AIC and Allstate Financial Insurance Holdings Corporation (collectively, the "Sellers") agreed to indemnify Everlake US Holdings Company in connection with certain representations, warranties and covenants of the Sellers, and certain liabilities specifically excluded from the transaction, subject to specific contractual limitations regarding the Sellers' maximum obligation. Management does not believe these indemnifications will have a material effect on results of operations, cash flows or financial position of the Company.

The aggregate liability balance related to all guarantees was not material as of December 31, 2021.

### Regulation and compliance

The Company is subject to extensive laws, regulations, administrative directives, and regulatory actions. From time to time, regulatory authorities or legislative bodies seek to influence and restrict premium rates, require premium refunds to policyholders, require reinstatement of terminated policies, prescribe rules or guidelines on how affiliates compete in the marketplace, restrict the ability of insurers to cancel or non-renew policies, require insurers to continue to write new policies or limit their ability to write new policies, limit insurers' ability to change coverage terms or to impose underwriting standards, impose additional regulations regarding agency and broker compensation, regulate the nature of and amount of investments, impose fines and penalties for unintended errors or mistakes, impose additional regulations regarding cybersecurity and privacy, and otherwise expand overall regulation of insurance products and the insurance industry. In addition, the Company is subject to laws and regulations administered and enforced by federal agencies, international agencies, and other organizations, including but not limited to the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority, the U.S. Equal Employment Opportunity Commission, and the U.S. Department of Justice. The Company has established procedures and policies to facilitate compliance with laws and regulations, to foster prudent business operations, and to support financial reporting. The

Company routinely reviews its practices to validate compliance with laws and regulations and with internal procedures and policies. As a result of these reviews, from time to time the Company may decide to modify some of its procedures and policies. Such modifications, and the reviews that led to them, may be accompanied by payments being made and costs being incurred. The ultimate changes and eventual effects of these actions on the Company's business, if any, are uncertain.

**Legal and regulatory proceedings and inquiries**

The Company and certain subsidiaries are involved in a number of lawsuits, regulatory inquiries, and other legal proceedings arising out of various aspects of its business.

*Background* These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including the underlying facts of each matter; novel legal issues; variations between jurisdictions in which matters are being litigated, heard, or investigated; changes in assigned judges; differences or developments in applicable laws and judicial interpretations; judges reconsidering prior rulings; the length of time before many of these matters might be resolved by settlement, through litigation, or otherwise; adjustments with respect to anticipated trial schedules and other proceedings; developments in similar actions against other companies; the fact that some of the lawsuits are putative class actions in which a class has not been certified and in which the purported class may not be clearly defined; the fact that some of the lawsuits involve multi-state class actions in which the applicable law(s) for the claims at issue is in dispute and therefore unclear; and the challenging legal environment faced by corporations and insurance companies.

The outcome of these matters may be affected by decisions, verdicts, and settlements, and the timing of such decisions, verdicts, and settlements, in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers, or other entities. The outcome may also be affected by future state or federal legislation, the timing or substance of which cannot be predicted.

In the lawsuits, plaintiffs seek a variety of remedies which may include equitable relief in the form of injunctive and other remedies and monetary relief in the form of contractual and extra-contractual damages. In some cases, the monetary damages sought may include punitive or treble damages. Often specific information about the relief sought, such as the amount of damages, is not available because plaintiffs have not requested specific relief in their pleadings. When specific monetary demands are made, they are often set just below a state court jurisdictional limit in order to seek the maximum amount available in state court, regardless of the specifics of the case, while still avoiding the risk of removal to federal court. In Allstate's experience, monetary demands in pleadings bear little relation to the ultimate loss, if any, to the Company.

In connection with regulatory examinations and proceedings, government authorities may seek various forms of relief, including penalties, restitution, and changes in business practices. The Company may not be advised of the nature and extent of relief sought until the final stages of the examination or proceeding.

*Accrual and disclosure policy* The Company reviews its lawsuits, regulatory inquiries, and other legal proceedings on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for such matters at management's best estimate when the Company assesses that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company does not establish accruals for such matters when the Company does not believe both that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company's assessment of whether a loss is reasonably possible or probable is based on its assessment of the ultimate outcome of the matter following all appeals. The Company does not include potential recoveries in its estimates of reasonably possible or probable losses. Legal fees are expensed as incurred.

The Company continues to monitor its lawsuits, regulatory inquiries, and other legal proceedings for further developments that would make the loss contingency both probable and estimable, and accordingly accruable, or that could affect the amount of accruals that have been previously established. There may continue to be exposure to loss in excess of any amount accrued. Disclosure of the nature and amount of an accrual is made when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the amount of accrual.

When the Company assesses it is reasonably possible or probable that a loss has been incurred, it discloses the matter. When it is possible to estimate the reasonably possible loss or range of loss above the amount accrued, if any, for the matters disclosed, that estimate is aggregated and disclosed. Disclosure is not required when an estimate of the reasonably possible loss or range of loss cannot be made.

For certain of the matters described below in the "Claims related proceedings" and "Other proceedings" subsections, the Company is able to estimate the reasonably possible loss or range of loss above the amount accrued, if any. In determining whether it is possible to estimate the reasonably possible loss or range of loss, the Company reviews and evaluates the disclosed matters, in conjunction with counsel, in light of potentially relevant factual and legal developments.

These developments may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, information obtained from other sources, experience from managing these and other matters, and other rulings by courts, arbitrators or others. When the Company possesses sufficient appropriate information to develop an estimate of the reasonably possible loss or range of loss above the amount accrued, if any, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible, but such an estimate is not possible. Disclosure of the estimate of the reasonably possible loss or range of loss above the amount accrued, if any, for any individual matter would only be considered when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the individual estimate.

The Company currently estimates that the aggregate range of reasonably possible loss in excess of the amount accrued, if any, for the disclosed matters where such an estimate is possible is zero to $135 million, pre-tax. This disclosure is not an indication of expected loss, if any. Under accounting guidance, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." This estimate is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimate will change from time to time, and actual results may vary significantly from the current estimate. The estimate does not include matters or losses for which an estimate is not possible. Therefore, this estimate represents an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum possible loss exposure. Information is provided below regarding the nature of all of the disclosed matters and, where specified, the amount, if any, of plaintiff claims associated with these loss contingencies.

Due to the complexity and scope of the matters disclosed in the "Claims related proceedings" and "Other proceedings" subsections below and the many uncertainties that exist, the ultimate outcome of these matters cannot be predicted and in the Company's judgment, a loss, in excess of amounts accrued, if any, is not probable. In the event of an unfavorable outcome in one or more of these matters, the ultimate liability may be in excess of amounts currently accrued, if any, and may be material to the Company's operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters described below, as they are resolved over time, is not likely to have a material effect on the financial position of the Company.

*Claims related proceedings* The Company is managing various disputes in Florida that raise challenges to the Company's practices, processes, and procedures relating to claims for personal injury protection benefits under Florida auto policies. Medical providers continue to pursue litigation under various theories that challenge the amounts that the Company pays under the personal injury protection coverage, seeking additional benefit payments, as well as applicable interest, penalties and fees. There is a pending class action, *Revival Chiropractic v. Allstate Insurance Company, et al.* (M.D. Fla., filed January 2019; appeal pending, 11th Circuit Court of Appeals), where the court denied class certification and plaintiff's request to file a renewed motion for class certification. The Company is also defending litigation involving individual plaintiffs.

The Company is defending putative class actions in various courts that raise challenges to the Company's depreciation practices in homeowner property claims. In these lawsuits, plaintiffs generally allege that, when calculating actual cash value, the costs of "non-materials" such as labor, general contractor's overhead and profit, and sales tax should not be subject to depreciation. The Company is currently defending the following lawsuits on this issue: *Perry v. Allstate Indemnity Company, et al.* (N.D. Ohio, filed May 2016); *Lado v. Allstate Vehicle and Property Insurance Company* (S.D. Ohio, filed March 2020); *Maniaci v. Allstate Insurance Company* (N.D. Ohio, filed March 2020); *Ferguson-Luke, et al. v. Allstate Property and Casualty Insurance Company* (N.D. Ohio, filed April 2020); *Clark v. Allstate Vehicle and Property Insurance Company* (Circuit Court of Independence Co., Ark., filed February 2016); and *Mitchell, et al. v. Allstate Vehicle and Property Insurance Company, et al.* (S.D. Ala., filed August 2021). No classes have been certified in these matters. A settlement has been reached in *Huey v. Allstate Vehicle and Property Insurance Company* (N.D. Miss., filed October 2019), and a settlement-in-principle has been reached in *Thaxton v. Allstate Indemnity Company* (Madison Co., Ill., filed July 2020); and *Hester v. Allstate Vehicle and Property Insurance Company* (St. Clair Co., Ill., filed 2020).

The Company is defending putative class actions pending in multiple states alleging that the Company underpays total loss vehicle physical damage claims on auto policies. The allegedly systematic underpayments result from one or more of the following theories: (a) the third party valuation tool used by the Company as part of a comprehensive adjustment process is allegedly flawed, biased, or contrary to applicable law; (b) the Company allegedly does not pay sales tax, title fees, registration fees, and/or other specified fees that are allegedly mandatory under policy language or state legal authority; or (c) after paying for the value of the loss vehicle, then the Company allegedly is not entitled to retain the residual salvage value, and the Company allegedly must pay salvage value to the owner (or if the loss vehicle is retained by the owner, then the Company allegedly may not apply any offset for the salvage value).

The following cases are currently pending against the Company: *Olberg v. Allstate Insurance Company, Allstate Fire and Casualty Insurance Company, and CCC Information Services, Inc*. (W.D. Wash., filed April 2018); *Bloomgarden v. Allstate Fire and Casualty Insurance Company* (S.D. Fla., filed July 2018, dismissed August 2019, refiled on September 2019, remanded to 17th Judicial Circuit, Broward Co. October 2020); *Erby v. Allstate Fire and Casualty Insurance Company* (E.D. Pa., filed October 2018); *Kronenberg v. Allstate Insurance Company and Allstate Fire and Casualty Insurance Company* (E.D.N.Y., filed December 2018); *Durgin v. Allstate Property and Casualty Insurance Company* (W.D. La., filed June 7, 2019); *Saad v. National General Insurance Company* (Superior Ct., Los Angeles Co., Cal., filed May 2020); *Williams v. Esurance Property and Casualty Insurance Company* (C.D. Cal., filed September 2020); *Cotton v. Allstate Fire and Casualty Insurance Company* (Cir. Ct. of Cook Co. Ill., Chancery Div., filed October 2020); *Romaniak v. Esurance Property and Casualty Insurance Company* (N.D. Ohio, filed December 2020); *Rawlins v. Esurance Property and Casualty Insurance Company* (E.D. Mo., filed February 2021).

None of the courts in any of the pending matters has ruled on class certification.

*Other proceedings* The Company is defending against an investigatory hearing before the California Insurance Commissioner concerning the private passenger automobile insurance rating practices of Allstate Insurance Company and Allstate Indemnity Company in California. The investigatory hearing is captioned: *In the Matter of the Rating Practices of Allstate Insurance Company and Allstate Indemnity Company.* Pursuant to the Notice of Hearing issued by the California Insurance Commissioner, the California Insurance Commissioner is investigating: (1) whether Allstate has potentially violated California insurance law by using illegal price optimization; (2) how Allstate implemented any such potentially illegal price optimization in its private passenger auto insurance rates and/or class plans; and (3) how such potentially illegal price optimization impacted Allstate's private passenger auto insurance policyholders. Fact discovery has been completed in the investigatory hearing and an administrative hearing is scheduled to begin on May 10, 2022.

The stockholder derivative actions described below are disclosed pursuant to SEC disclosure requirements for these types of matters. The putative class action alleging violations of the federal securities laws is disclosed because it involves similar allegations to those made in the stockholder derivative actions.

*Biefeldt / IBEW* Consolidated Action. Two separately filed stockholder derivative actions have been consolidated into a single proceeding that is pending in the Circuit Court for Cook County, Illinois, Chancery Division. The original complaint in the first-filed of those actions, *Biefeldt v. Wilson, et al.*, was filed on August 3, 2017, in that court by a plaintiff alleging that she is a stockholder of the Company. On June 29, 2018, the court granted defendants' motion to dismiss that complaint for failure to make a pre-suit demand on the Allstate Board but granted plaintiff permission to file an amended complaint. The original complaint in *IBEW Local No. 98 Pension Fund v. Wilson, et al.*, was filed on April 12, 2018, in the same court by another plaintiff alleging to be a stockholder of the Company. After the court issued its dismissal decision in the *Biefeldt* action, plaintiffs agreed to consolidate the two actions and filed a consolidated amended complaint naming as defendants the Company's chairman, president and chief executive officer, its former president, and certain present or former members of the Allstate Board. In that complaint, plaintiffs allege that the directors and officer defendants breached their fiduciary duties to the Company in connection with allegedly material misstatements or omissions concerning the Company's automobile insurance claim frequency statistics and the reasons for a claim frequency increase for Allstate brand auto insurance between October 2014 and August 3, 2015. The factual allegations are substantially similar to those at issue in *In re The Allstate Corp. Securities Litigation*. Plaintiffs further allege that a senior officer and several outside directors engaged in stock option exercises allegedly while in possession of material nonpublic information. Plaintiffs seek, on behalf of the Company, an unspecified amount of damages and various forms of equitable relief. Defendants moved to dismiss the consolidated complaint on September 24, 2018 for failure to make a demand on the Allstate Board. On May 14, 2019, the court granted defendants' motion to dismiss the complaint, but allowed plaintiffs leave to file a second consolidated amended complaint which they filed on September 17, 2019. Defendants moved to dismiss the complaint on November 1, 2019 for failure to make a demand on the Allstate Board. The court subsequently requested supplemental briefing on the motion which concluded on February 1, 2021. On February 24, 2021, the court dismissed the second amended consolidated complaint with prejudice. Plaintiffs appealed and the court held a hearing on February 8, 2022. The Company awaits the court's decision.

In *Sundquist v. Wilson, et al*., another plaintiff alleging to be a stockholder of the Company filed a stockholder derivative complaint in the United States District Court for the Northern District of Illinois on May 21, 2018. Plaintiff seeks, on behalf of the Company, an unspecified amount of damages and various forms of equitable relief. The complaint names as defendants the Company's chairman, president and chief executive officer, its former president, its former vice chairman, and certain present or former members of the board of directors.

The complaint alleges breaches of fiduciary duty based on allegations similar to those asserted in *In re The Allstate Corp. Securities Litigation* as well as state law "misappropriation" claims based on stock option transactions by the Company's chairman, president and chief executive officer, its former vice chairman, and certain members of the board of directors. Defendants moved to dismiss and/or stay the complaint on August 7, 2018. On December 4, 2018, the court granted defendants' motion and stayed the case pending the final resolution of the consolidated *Biefeldt/IBEW* matter.

*Mims v. Wilson, et al.,* is an additional stockholder derivative action filed on February 12, 2020 in the United States District Court for the Northern District of Illinois. Plaintiff alleges that she previously made a demand on the Allstate Board and seeks, on behalf of the Company, an unspecified amount of damages and various forms of equitable relief. The complaint names as defendants the Company's chairman, president and chief executive officer, its former president, its former vice chairman, and certain present or former members of the Allstate Board. The complaint alleges breaches of fiduciary duty and unjust enrichment based on allegations similar to those asserted in *In re The Allstate Corp. Securities Litigation*. On February 20, 2020, the Allstate Board appointed a special committee to investigate the allegations in plaintiff's demand. The Company moved to dismiss the complaint on August 24, 2020 and on December 8, 2020, the court granted defendants' motion, and dismissed the complaint with prejudice. On January 5, 2021, plaintiff filed a motion to alter the judgment and requested leave to file an amended complaint and defendants opposed the motion. On February 10, 2021, the court denied plaintiff's motion to alter the judgment. No appeal was filed.

*In re The Allstate Corp. Securities Litigation* is a certified class action filed on November 11, 2016 in the United States District Court for the Northern District of Illinois against the Company and two of its officers asserting claims under the federal securities laws. Plaintiffs allege that they purchased Allstate common stock during the class period and suffered damages as the result of the conduct alleged. Plaintiffs seek an unspecified amount of damages, costs, attorney's fees, and other relief as the court deems appropriate. Plaintiffs allege that the Company and certain senior officers made allegedly material misstatements or omissions concerning claim frequency statistics and the reasons for a claim frequency increase for Allstate brand auto insurance between October 2014 and August 3, 2015.

Plaintiffs further allege that a senior officer engaged in stock option exercises during that time allegedly while in possession of material nonpublic information about Allstate brand auto insurance claim frequency. The Company, its chairman, president and chief executive officer, and its former president are the named defendants. After the court denied their motion to dismiss on February 27, 2018, defendants answered the complaint, denying plaintiffs' allegations that there was any misstatement or omission or other misconduct. On June 22, 2018, plaintiffs filed their motion for class certification. The court allowed the lead plaintiffs to amend their complaint to add the City of Providence Employee Retirement System as a proposed class representative and on September 12, 2018, the amended complaint was filed. On March 26, 2019, the court granted plaintiffs' motion for class certification and certified a class consisting of all persons who purchased Allstate common stock between October 29, 2014 and August 3, 2015. On April 9, 2019, defendants filed with the U.S. Court of Appeals for the Seventh Circuit a petition for permission to appeal this ruling and the Seventh Circuit granted that petition on April 25, 2019. On July 16, 2020, the Seventh Circuit vacated the class certification order and remanded the matter for further consideration by the district court. Discovery in this matter concluded on October 5, 2020. On December 21, 2020, the district court again granted plaintiffs' motion for class certification and certified a class consisting of all persons who purchased Allstate common stock between October 29, 2014 and August 3, 2015. On January 4, 2021, defendants filed with the Seventh Circuit a petition for permission to appeal this ruling. The petition was denied on January 28, 2021. On January 10, 2022, the magistrate judge denied the parties' *Daubert* challenges in all material aspects. The court held a status conference on February 1, 2022 and set a schedule for summary judgment briefing to commence on March 23, 2022.

The Company is continuing to defend two putative class actions in California federal court, *Holland Hewitt v. Allstate Life Insurance Company* (E.D. Cal., filed May 2020) and *Farley v. Lincoln Benefit Life Company* (E.D. Cal., filed Dec. 2020), following the sale of ALIC. No classes have been certified in these matters. The Company is also defending an individual action in California state court, *Gilmore v. Lincoln Benefit Life Company* (San Diego Co., Cal., filed October 29, 2021). In these cases, plaintiffs generally allege that the defendants failed to comply with certain California statutes which address contractual grace periods and lapse notice requirements for certain life insurance policies. Plaintiffs claim that these statutes apply to life insurance policies that existed before the statutes' effective date. The plaintiffs seek damages and injunctive relief. Similar litigation is pending against other insurance carriers. In August 2021, the California Supreme Court in *McHugh v. Protective Life*, a matter involving another insurer, determined that the statutory notice requirements apply to life insurance policies issued before the statutes' effective date. The Company asserts various defenses to plaintiffs' claims and to class certification.

## Note 16 Income Taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. Tax liabilities and benefits realized by the consolidated group are allocated as generated by the respective entities.

Deferred income taxes result from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are adjusted through income tax expense as changes in tax laws or rates are enacted.

The Company qualified and claimed certain employer payroll tax credits that are allowed under the Coronavirus Aid, Relief and Economic Security Act. For the year ended December 31, 2021, the Company recorded $21 million of refundable employee retention tax credit reported in property and casualty claims and claims expense in the Consolidated Statements of Operations.

**Regulatory tax examinations** On January 4, 2021 and October 1, 2021, the Company acquired National General and SafeAuto, respectively. For tax years prior to the acquisition, National General and SafeAuto are subject to separate Internal Revenue Service ("IRS") audits. The IRS has completed its exam of Allstate's tax years prior to 2017, National General tax years prior to 2016, and SafeAuto's tax years prior to 2018. Currently, the Company is under exam for the 2017 and 2018 tax years and National General is under exam for the 2016, 2017, and 2018 tax years. Any adjustments that may result from IRS examinations of the Company's tax returns are not expected to have a material effect on the consolidated financial statements.

**Unrecognized tax benefits** The Company recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

**Reconciliation of the change in the amount of unrecognized tax benefits**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Balance – beginning of year | $ 12 | $ 70 | $ 70 |
| Acquisitions | 5 | — | — |
| Decrease for settlements | — | (58) | — |
| **Balance – end of year** | **$ 17** | **$ 12** | **$ 70** |

The Company believes that the unrecognized tax benefits balance will not materially change within the next twelve months.

**Components of the deferred income tax assets and liabilities**

| ($ in millions) | As of December 31, 2021 | 2020 |
|---|---|---|
| **Deferred tax assets** | | |
| Unearned premium reserves | $ 742 | $ 659 |
| Discount on loss reserves | 169 | 79 |
| Accrued compensation | 151 | 146 |
| Net operating loss carryover | 88 | 23 |
| Other postretirement benefits | 31 | 34 |
| Pension | — | 187 |
| Other assets | 90 | 91 |
| **Total deferred tax assets before valuation allowance** | **1,271** | **1,219** |
| Valuation allowance | (24) | — |
| **Total deferred tax assets after valuation allowance** | **1,247** | **1,219** |
| **Deferred tax liabilities** | | |
| DAC | (924) | (683) |
| Investments | (666) | (216) |
| Intangible assets | (219) | (86) |
| Unrealized net capital gains | (163) | (539) |
| Pension | (9) | — |
| Other liabilities | (99) | (77) |
| **Total deferred tax liabilities** | **(2,080)** | **(1,601)** |
| **Net deferred tax liabilities** | **$ (833)** | **$ (382)** |

As of December 31, 2021, the Company has U.S. federal and foreign net operating loss ("NOL") carryforwards, some of which will expire on various dates from 2024 through 2037 as indicated in the table below. In assessing the realizability of gross deferred tax assets, management considers whether it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment, as well as limitations on use in future periods. Accordingly, management believes that it is more likely than not that the benefit from certain NOL carryforwards from recent acquisitions will not be realized. The Company had a valuation allowance of $24 million on the deferred tax assets related to these NOL carryforwards.

The provisions of the Tax Cuts and Jobs Act of 2017 eliminated the 20-year carryforward period and made it indefinite for federal net operating losses generated in tax years after December 31, 2017. For such amounts generated prior to 2018, the 20-year carryforward period continues to apply.

**Components of the net operating loss carryforwards as of December 31, 2021**

| ($ in millions) | 20-Year Carryforward Expires in 2024-2037 | Indefinite Carryforward Period | Total |
|---|---|---|---|
| US Federal | $ 195 | $ 9 | $ 204 |
| Foreign | — | 218 | 218 |
| **Total** | **$ 195** | **$ 227** | **$ 422** |

**Components of income tax expense**

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Current | $ 841 | $ 1,480 | $ 919 |
| Deferred | 448 | (107) | 197 |
| **Total income tax expense** | **$ 1,289** | **$ 1,373** | **$ 1,116** |

The Company paid income taxes of $1.05 billion, $1.48 billion and $648 million in 2021, 2020 and 2019, respectively.

The Company had current income tax receivable of $370 million and payable of $55 million as of December 31, 2021 and 2020, respectively.

**Reconciliation of the statutory federal income tax rate to the effective income tax rate**

| ($ in millions) | For the years ended December 31, 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| Income before income taxes | $ 6,448 | | $ 6,802 | | $ 5,443 | |
| Statutory federal income tax rate on income from operations | 1,354 | 21.0 % | 1,428 | 21.0 % | 1,141 | 21.0 % |
| State income taxes | 13 | 0.2 | 31 | 0.4 | 39 | 0.7 |
| Tax credits | (42) | (0.6) | (24) | (0.4) | (19) | (0.3) |
| Tax-exempt income | (18) | (0.3) | (23) | (0.3) | (27) | (0.5) |
| Share-based payments | (18) | (0.3) | (30) | (0.4) | (24) | (0.4) |
| Other | — | — | (9) | (0.1) | 6 | — |
| **Effective income tax rate on income from operations** | **$ 1,289** | **20.0 %** | **$ 1,373** | **20.2 %** | **$ 1,116** | **20.5 %** |

## Note 17 Statutory Financial Information and Dividend Limitations

Allstate's domestic property and casualty and life insurance subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the insurance department of the applicable state of domicile. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

All states require domiciled insurance companies to prepare statutory-basis financial statements in conformity with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the applicable insurance commissioner or director. Statutory accounting practices differ from GAAP primarily since they require charging policy acquisition costs to expense as incurred, establishing life insurance reserves based on different actuarial assumptions, and valuing certain investments and establishing deferred taxes on a different basis.

**Statutory net income (loss) and capital and surplus of Allstate's domestic insurance subsidiaries**

| | Net income (loss) | | | Capital and surplus | |
|---|---|---|---|---|---|
| **($ in millions)** | **2021** | **2020** | **2019** | **2021** | **2020** |
| Amounts by major business type: | | | | | |
| Property and casualty insurance | $ 5,975 | $ 6,232 | $ 3,989 | $ 21,186 | $ 17,12 |
| Accident and health insurance | 96 | 95 | 92 | 322 | 23 |
| Life and annuity business sold | 1,642 | (81) | 330 | — | 4,02 |
| **Amount per statutory accounting practices** | **$ 7,713** | **$ 6,246** | **$ 4,411** | **$ 21,508** | **$ 21,38** |

### Dividend Limitations

There are no regulatory restrictions that limit the payment of dividends by the Corporation, except those generally applicable to corporations incorporated in Delaware. Dividends are payable only out of certain components of shareholders' equity as permitted by Delaware law. However, the ability of the Corporation to pay dividends is dependent on business conditions, income, cash requirements of the Company, receipt of dividends from AIC and other relevant factors.

The payment of shareholder dividends by AIC without the prior approval of the Illinois Department of Insurance ("IL DOI") is limited to formula amounts based on net income and capital and surplus, determined in conformity with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. AIC paid dividends of $5.95 billion in 2021. The maximum amount of dividends AIC will be able to pay without prior IL DOI approval at a given point in time during 2022 is $5.51 billion, less dividends paid during the preceding twelve months measured at that point in time. The payment of a dividend in excess of this amount requires 30 days advance written notice to the IL DOI. The dividend is deemed approved, unless the IL DOI disapproves it within the 30-day notice period. Additionally, any dividend must be paid out of unassigned surplus excluding unrealized appreciation from investments, which for AIC totaled $12.72 billion as of December 31, 2021, and cannot result in capital and surplus being less than the minimum amount required by law.

Under state insurance laws, insurance companies are required to maintain paid up capital of not less than the minimum capital requirement applicable to the types of insurance they are authorized to write. Insurance companies are also subject to risk-based capital ("RBC") requirements adopted by state insurance regulators. A company's "authorized control level RBC" is calculated using various factors applied to certain financial balances and activity. Companies that do not maintain adjusted statutory capital and surplus at a level in excess of the company action level RBC, which is two times authorized control level RBC, are required to take specified actions. Company action level RBC is significantly in excess of the minimum capital requirements. Total adjusted statutory capital and surplus and authorized control level RBC of AIC were $18.43 billion and $2.90 billion, respectively, as of December 31, 2021. Most of the Corporation's insurance subsidiaries are subsidiaries of or reinsure all of their business to AIC. AIC's subsidiaries are included as a component of AIC's total statutory capital and surplus.

The amount of restricted net assets, as represented by the Corporation's investment in its insurance subsidiaries, was $27.72 billion as of December 31, 2021.

### Intercompany transactions

Notification and approval of intercompany lending activities is also required by the IL DOI for transactions that exceed a level that is based on a formula using statutory admitted assets and statutory surplus.

## Note 18 Benefit Plans

### Pension and other postretirement plans

Defined benefit pension plans cover most full-time employees, certain part-time employees and employee-agents. Benefits under the pension plans are based upon the employee's length of service, eligible annual compensation and, prior to January 1, 2014, either a cash balance or final average pay formula. A cash balance formula applies to all eligible employees hired after August 1, 2002. Eligible employees hired before August 1, 2002 chose between the cash balance formula and the final average pay formula. In July 2013, the Company amended its primary plans effective January 1, 2014 to introduce a new cash balance formula to replace the previous formulas (including the final average pay formula and the previous cash balance formula) under which eligible employees accrue benefits. The Company merged two of its qualified pension plans effective March 31, 2019.

The Company also provides a medical coverage subsidy for eligible employees hired before January 1, 2003, including their eligible dependents, when they retire and certain life insurance benefits for eligible retirees ("postretirement benefits"). Effective January 1, 2021, the Company eliminated the medical coverage subsidy for employees who were not eligible to retire as of December 31, 2020.

Qualified employees may become eligible for a medical subsidy if they retire in accordance with the terms of the applicable plans and are insured under the Company's group plans or other approved plans in accordance with the plan's participation requirements. The Company shares the cost of retiree medical benefits with non Medicare-eligible retirees based on years of service, with the Company's share being subject to a 5% limit on future annual medical cost inflation after retirement. For Medicare-eligible retirees, the Company provides a fixed Company contribution based on years of service and other factors, which is not subject to adjustments for inflation.

In July 2013, the Company amended the plan to eliminate the life insurance benefits effective January 1, 2014 for current eligible employees and effective January 1, 2016 for eligible retirees who retired after 1989. Subject to a court order, the Company paid life insurance premiums for certain retiree plaintiffs until their lawsuit seeking to keep their life insurance benefits intact was resolved. In September 2020, the court entered summary judgment in favor of the Company and dismissed the action, releasing the Company from the order requiring the continued payment of premiums for certain retirees. In December 2021, the Court of Appeals affirmed summary judgment in favor of the Company. In January 2022, the remaining plaintiffs signaled they will appeal to U.S. Supreme Court.

The Company has reserved the right to modify or terminate its benefit plans at any time and for any reason.

### Obligations and funded status

The Company calculates benefit obligations based upon generally accepted actuarial methodologies using the projected benefit obligation ("PBO") for pension plans and the accumulated postretirement benefit obligation ("APBO") for other postretirement plans. Pension costs and other postretirement obligations are determined using a December 31 measurement date. The benefit obligations represent the actuarial present value of all benefits attributed to employee service rendered as of the measurement date. The PBO is measured using the pension benefit formulas and assumptions. A plan's funded status is calculated as the difference between the benefit obligation and the fair value of plan assets. The Company's funding policy for the pension plans is to make contributions at a level in accordance with regulations under the Internal Revenue Code ("IRC") and generally accepted actuarial principles. The Company's other postretirement benefit plans are not funded.

**Change in projected benefit obligation, plan assets and funded status**

| | As of December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pension benefits | | | | Postretirement benefits | | | |
| **($ in millions)** | **2021** | | **2020** | | **2021** | | **2020** | |
| **Change in projected benefit obligation** | | | | | | | | |
| Benefit obligation, beginning of year | $ | 7,763 | $ | 7,139 | $ | 318 | $ | 39 |
| Service cost | | 103 | | 104 | | 1 | | [illegible] |
| Interest cost | | 191 | | 210 | | 8 | | 1 |
| Participant contributions | | — | | — | | 16 | | 1 |
| Remeasurement of projected benefit obligation (gains) losses | | (309) | | 813 | | (16) | | 2 |
| Benefits paid | | (1,242) | | (522) | | (43) | | (3 |
| Plan amendments | | — | | — | | — | | (10 |
| Translation adjustment and other | | (6) | | (1) | | — | | ( |
| Curtailment losses (gains) | | — | | 20 | | — | | 1 |
| **Benefit obligation, end of year** | **$** | **6,500** | **$** | **7,763** | **$** | **284** | **$** | **31** |
| **Change in plan assets** | | | | | | | | |
| Fair value of plan assets, beginning of year | $ | 6,987 | $ | 6,192 | | | | |
| Actual return on plan assets | | 764 | | 1,300 | | | | |
| Employer contribution | | 22 | | 18 | | | | |
| Benefits paid | | (1,242) | | (522) | | | | |
| Translation adjustment and other | | (6) | | (1) | | | | |
| **Fair value of plan assets, end of year** | **$** | **6,525** | **$** | **6,987** | | | | |
| **Funded status** [(1)] | **$** | **25** | **$** | **(776)** | **$** | **(284)** | **$** | **(31** |
| **Amounts recognized in AOCI** | | | | | | | | |
| **Unamortized pension and other postretirement prior service credit** | **$** | **(28)** | **$** | **(78)** | **$** | **(65)** | **$** | **(8** |

(1) The funded status is recorded within other assets or other liabilities and accrued expenses on the Consolidated Statements of Financial Position.

**Changes in items not yet recognized as a component of net cost for pension and other postretirement plans**

| **($ in millions)** | **Pension benefits** | | **Postretirement benefits** | |
|---|---|---|---|---|
| Items not yet recognized as a component of net cost – December 31, 2020 | $ | (78) | $ | (89) |
| Prior service credit amortized to net cost | | 50 | | 25 |
| Translation adjustment and other | | — | | (1) |
| **Items not yet recognized as a component of net cost – December 31, 2021** | **$** | **(28)** | **$** | **(65)** |

The prior service credit is recognized as a component of net cost for pension and other postretirement plans amortized over the average remaining service period of active employees expected to receive benefits.

The accumulated benefit obligation ("ABO") for all defined benefit pension plans was $6.36 billion and $7.55 billion as of December 31, 2021 and 2020, respectively. The ABO is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered at the measurement date. However, it differs from the PBO due to the exclusion of an assumption as to future compensation levels.

The PBO, ABO and fair value of plan assets for the Company's pension plans with an ABO in excess of plan assets were $123 million, $121 million and zero, respectively, as of December 31, 2021 and $7.33 billion, $7.13 billion and $6.56 billion, respectively, as of December 31, 2020. Included in the accrued benefit cost of the pension benefits are certain unfunded non-qualified plans with accrued benefit costs of $123 million and $139 million for 2021 and 2020, respectively.

**Components of net cost (benefit) for pension and other postretirement plans**

| | For the years ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pension benefits | | | Postretirement benefits | | | Total pension and postretirement benefits | | |
| **($ in millions)** | **2021** | **2020** | **2019** | **2021** | **2020** | **2019** | **2021** | **2020** | **2019** |
| Service cost | $ 103 | $ 104 | $ 117 | $ 1 | $ 4 | $ 8 | $ 104 | $ 108 | $ 125 |
| Interest cost | 191 | 210 | 240 | 8 | 11 | 14 | 199 | 221 | 254 |
| Expected return on plan assets | (445) | (414) | (403) | — | — | — | (445) | (414) | (403) |
| Amortization of prior service credit | (50) | (54) | (56) | (25) | (10) | (3) | (75) | (64) | (59) |
| Curtailment losses (gains) | — | 10 | — | — | (8) | — | — | 2 | — |
| **Costs and expenses** | **(201)** | **(144)** | **(102)** | **(16)** | **(3)** | **19** | **(217)** | **(147)** | **(83)** |
| Remeasurement of projected benefit obligation | (309) | 813 | 927 | (16) | 22 | 19 | (325) | 835 | 946 |
| Remeasurement of plan assets | (319) | (886) | (832) | — | — | — | (319) | (886) | (832) |
| **Remeasurement (gains) losses** | **(628)** | **(73)** | **95** | **(16)** | **22** | **19** | **(644)** | **(51)** | **114** |
| **Total net (benefit) cost** | **$ (829)** | **$ (217)** | **$ (7)** | **$ (32)** | **$ 19** | **$ 38** | **$ (861)** | **$ (198)** | **$ 31** |

The service cost component is the actuarial present value of the benefits attributed by the plans' benefit formula to services rendered by the employees during the period.

Interest cost is the increase in the PBO in the period due to the passage of time at the discount rate.

Interest cost fluctuates as the discount rate changes and is also impacted by the related change in the size of the PBO.

The expected return on plan assets is determined as the product of the expected long-term rate of return on plan assets and the fair value of plan assets.

Pension and other postretirement service cost, interest cost, expected return on plan assets, amortization of prior service credit and curtailment gains and losses are reported in property and casualty insurance claims and claims expense, operating costs and expenses, net investment income and (if applicable) restructuring and related charges on the Consolidated Statements of Operations.

Remeasurement gains and losses relate to changes in discount rates, the differences between actual return on plan assets and the expected long-term rate of return on plan assets, and differences between actual plan experience and actuarial assumptions.

**Weighted average assumptions used to determine net pension cost and net postretirement benefit cost**

| | For the years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | Pension benefits | | | Postretirement benefits | | |
| | **2021** | **2020** | **2019** | **2021** | **2020** | **2019** |
| Discount rate | 2.84 % | 3.00 % | 3.70 % | 2.75 % | 2.99 % | 3.61 % |
| Expected long-term rate of return on plan assets | 7.06 | 7.08 | 7.34 | n/a | n/a | n/a |
| Cash balance interest credit rate | 2.04 | 1.65 | 2.59 | n/a | n/a | n/a |

**Weighted average assumptions used to determine benefit obligations**

| | For the years ended December 31, | | | |
|---|---|---|---|---|
| | Pension benefits | | Postretirement benefits | |
| | **2021** | **2020** | **2021** | **2020** |
| Discount rate | 2.93 % | 2.51 % | 2.86 % | 2.39 % |
| Cash balance interest credit rate | 1.90 | 1.65 | n/a | n/a |

The weighted average health care cost trend rate used in measuring the accumulated postretirement benefit cost is 6.6% for 2022, gradually declining to 4.5% in 2035 and remaining at that level thereafter.

*Pension plan assets* In general, the Company's pension plan assets are managed in accordance with investment policies approved by pension investment committees. The purpose of the policies is to ensure the plans' long-term ability to meet benefit obligations by prudently investing plan assets and Company contributions, while taking into consideration regulatory and legal requirements and current market conditions. The investment policies are reviewed periodically and specify target plan asset allocation by asset category. In addition, the policies specify various asset allocation and other risk limits. The target asset allocation takes the plans' funding status into consideration, among other factors, including anticipated demographic changes or liquidity requirements that may affect the funding status such as the potential impact of lump sum settlements as well as existing or expected market conditions. In general, the allocation has a lower overall investment risk when a plan is in a stronger funded status position since there is less economic incentive to take risk to increase the expected returns on the plan assets. The pension plans' asset exposure within each asset category is tracked against widely accepted established benchmarks for each asset class with limits on variation from the benchmark established in the investment policy. Pension plan assets are regularly monitored for compliance with these limits and other risk limits specified in the investment policies.

**Weighted average target asset allocation and actual percentage of plan assets by asset category**

| | As of December 31, 2021 | | |
|---|---|---|---|
| | Target asset allocation [1] | Actual percentage of plan assets | |
| **Pension plan's asset category** | **2021** | **2021** | **2020** |
| Equity securities [2] | 42 - 56% | 55 % | 50 % |
| Fixed income securities | 26 - 45 | 30 | 38 |
| Limited partnership interests | 1 - 18 | 14 | 10 |
| Short-term investments and other | — | 1 | 2 |
| **Total without securities lending [3]** | | **100 %** | **100 %** |

[1] The target asset allocation considers risk-based exposure while the actual percentage of plan assets utilizes a financial reporting view excluding exposure provided through derivatives.

[2] The actual percentage of plan assets for equity securities includes 3% and 1% of fixed income mutual funds in 2021 and 2020, respectively, that are subject to the fixed income securities target allocation.

[3] Securities lending collateral reinvestment of $121 million and $101 million is excluded from the table above in 2021 and 2020, respectively.

The target asset allocation for an asset category may be achieved either through direct investment holdings, through replication using derivative instruments (e.g., futures or swaps) or net of hedges using derivative instruments to reduce exposure to an asset category. The net notional amount of derivatives used for replication and non-hedging strategies is limited to 115% of total plan assets. Market performance of the different asset categories may, from time to time, cause deviation from the target asset allocation. The asset allocation mix is reviewed on a periodic basis and rebalanced to bring the allocation within the target ranges.

Outside the target asset allocation, the pension plans participate in a securities lending program to enhance returns. As of December 31, 2021, fixed income securities are lent out and cash collateral is invested in short-term investments.

**Fair values of pension plan assets as of December 31, 2021**

| ($ in millions) | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Balance as of December 31, 2021 |
|---|---|---|---|---|
| Equity securities | $ 311 | $ 44 | $ 2 | $ 357 |
| Fixed income securities: | | | | |
| Government bonds [1] | 58 | 1,206 | — | 1,264 |
| Corporate bonds | — | 696 | — | 696 |
| Short-term investments | 135 | 65 | — | 200 |
| Free-standing derivatives: | | | | |
| Assets | — | 4 | — | 4 |
| Liabilities | — | (3) | — | (3) |
| Other assets | 2 | — | — | 2 |
| **Total plan assets at fair value** | **$ 506** | **$ 2,012** | **$ 2** | **2,520** |
| % of total plan assets at fair value | 20.1 % | 79.8 % | 0.1 % | 100.0 % |
| | | | | |
| Investments measured using the net asset value practical expedient | | | | 4,109 |
| Securities lending obligation [2] | | | | (121) |
| Derivatives counterparty and cash collateral netting | | | | (3) |
| Other net plan assets [3] | | | | 20 |
| **Total reported plan assets** | | | | **$ 6,525** |

[1] Includes U.S. government and agencies and foreign government bonds.

[2] The securities lending obligation represents the plan's obligation to return securities lending collateral received under a securities lending program. The terms of the program allow both the plan and the counterparty the right and ability to redeem/return the securities loaned on short notice. Due to its relatively short-term nature, the outstanding balance of the obligation approximates fair value.

[3] Other net plan assets represent cash and cash equivalents, interest and dividends receivable and net receivables related to settlements of investment transactions, such as purchases and sales.

**Fair values of pension plan assets as of December 31, 2020**

| ($ in millions) | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Balance as of December 31, 2020 |
|---|---|---|---|---|
| Equity securities | $ 227 | $ 42 | $ — | $ 269 |
| Fixed income securities: | | | | |
| Government bonds | 32 | 865 | — | 897 |
| Corporate bonds | — | 1,709 | 2 | 1,711 |
| Short-term investments | 210 | 35 | — | 245 |
| Free-standing derivatives: | | | | |
| Assets | — | 21 | — | 21 |
| Liabilities | (2) | (21) | — | (23) |
| Other assets | 2 | — | — | 2 |
| **Total plan assets at fair value** | **$ 469** | **$ 2,651** | **$ 2** | **3,122** |
| % of total plan assets at fair value | 15.0 % | 84.9 % | 0.1 % | 100.0 % |
| | | | | |
| Investments measured using the net asset value practical expedient | | | | 3,908 |
| Securities lending obligation | | | | (101) |
| Derivatives counterparty and cash collateral netting | | | | (19) |
| Other net plan assets | | | | 77 |
| **Total reported plan assets** | | | | **$ 6,987** |

The fair values of pension plan assets are estimated using the same methodologies and inputs as those used to determine the fair values for the respective asset category of the Company. These methodologies and inputs are disclosed in Note 6.

**Rollforward of Level 3 plan assets during December 31, 2021**

| ($ in millions) | Balance as of December 31, 2020 | Actual return on plan assets: Relating to assets sold during the period | Actual return on plan assets: Relating to assets still held at the reporting date | Purchases, sales and settlements, net | Net transfers in (out) of Level 3 | Balance as of December 31, 2021 |
|---|---|---|---|---|---|---|
| Equity securities | $ — | $ — | $ — | $ 2 | $ — | $ 2 |
| Fixed income securities: | | | | | | |
| Corporate | 2 | — | — | (2) | — | — |
| **Total Level 3 plan assets** | **$ 2** | **$ —** | **$ —** | **$ —** | **$ —** | **$ 2** |

**Rollforward of Level 3 plan assets during December 31, 2020**

| ($ in millions) | Balance as of December 31, 2019 | Actual return on plan assets: Relating to assets sold during the period | Actual return on plan assets: Relating to assets still held at the reporting date | Purchases, sales and settlements, net | Net transfers in (out) of Level 3 | Balance as of December 31, 2020 |
|---|---|---|---|---|---|---|
| Fixed income securities: | | | | | | |
| Corporate | $ — | $ — | $ — | $ 2 | $ — | $ 2 |
| **Total Level 3 plan assets** | **$ —** | **$ —** | **$ —** | **$ 2** | **$ —** | **$ 2** |

**Rollforward of Level 3 plan assets during December 31, 2019**

| ($ in millions) | Balance as of December 31, 2018 | Actual return on plan assets: Relating to assets sold during the period | Actual return on plan assets: Relating to assets still held at the reporting date | Purchases, sales and settlements, net | Net transfers in (out) of Level 3 | Balance as of December 31, 2019 |
|---|---|---|---|---|---|---|
| Fixed income securities: | | | | | | |
| Corporate | $ 5 | $ — | $ — | $ (5) | $ — | $ — |
| **Total Level 3 plan assets** | **$ 5** | **$ —** | **$ —** | **$ (5)** | **$ —** | **$ —** |

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on plan assets. The Company's assumption for the expected long-term rate of return on plan assets is evaluated annually giving consideration to appropriate data including, but not limited to, the plan asset allocation, forward-looking expected returns for the period over which benefits will be paid, historical returns on plan assets and other relevant market data. Given the long-term forward-looking nature of this assumption, the actual returns in any one year do not immediately result in a change to the expected long-term rate of return on plan assets. In consideration of the targeted plan asset allocation, the Company evaluated expected returns using sources including historical average asset class returns from independent nationally recognized providers of this type of data blended together using the asset allocation policy weights for the Company's pension plans; asset class return forecasts developed by employees with relevant expertise in such forecasts and who are independent from those charged with managing the pension plan assets; and expected portfolio returns from a proprietary simulation methodology of a widely recognized external investment consulting firm that performs asset allocation and actuarial services for corporate pension plan sponsors. The above sources support the Company's weighted average long-term rate of return on plan assets assumption of 7.06% used for 2021 and an estimate of 7.06% that will be used for 2022. As of the 2021 measurement date, the arithmetic average of the annual actual return on plan assets for the most recent 10 and 5 years was 11.7% and 15.0%, respectively.

*Cash flows* There was no required cash contribution necessary to satisfy the minimum funding requirement under the IRC for the tax qualified pension plan for the year ended December 31, 2021.

The Company currently plans to contribute $24 million to its unfunded non-qualified plans and zero to both its primary and other qualified funded pension plans in 2022.

The Company contributed $27 million and $23 million to the postretirement benefit plans in 2021 and 2020, respectively. Contributions by participants were $16 million and $14 million in 2021 and 2020, respectively.

**Estimated future benefit payments expected to be paid in the next 10 years**

| | As of December 31, 2021 | |
|---|---|---|
| **($ in millions)** | **Pension benefits** | **Postretirement benefits** |
| 2022 | $ 602 | $ 25 |
| 2023 | 586 | 25 |
| 2024 | 566 | 25 |
| 2025 | 533 | 25 |
| 2026 | 517 | 24 |
| 2027-2031 | 2,180 | 85 |
| **Total benefit payments** | **$ 4,984** | **$ 209** |

### Allstate 401(k) Savings Plan

Employees of the Company, with the exception of those employed by the Company's international, SquareTrade and InfoArmor subsidiaries, are eligible to become members of the Allstate 401(k) Savings Plan ("Allstate Plan"). The Company's contributions are based on the Company's matching obligation. The Company is responsible for funding its contribution to the Allstate Plan.

The Company's contribution to the Allstate Plan was $110 million, $103 million and $93 million in 2021, 2020 and 2019, respectively. In 2019, the amount was reduced by $41 million of ESOP benefit. Prior to 2020, the Allstate Plan had a leveraged ESOP to fund a portion of the contribution. The ESOP note matured on December 31, 2019.

Allstate's Canadian, SquareTrade and InfoArmor subsidiaries sponsor defined contribution plans for their eligible employees. Expense for subsidiary sponsored defined contribution plans was $9 million, $13 million and $15 million in 2021, 2020 and 2019, respectively.

## Note 19 Equity Incentive Plans

The Company currently has equity incentive plans under which it grants nonqualified stock options, restricted stock units and performance stock awards to certain employees and directors of the Company.

| Equity awards<br>($ in millions) | 2021 | 2020 | 2019 |
|---|---|---|---|
| Compensation expense | $ 120 | $ 124 | $ 105 |
| Income tax benefits | 18 | 18 | 17 |
| Cash received from exercise of options | 151 | 111 | 154 |
| Tax benefit realized on options exercised and release of stock restrictions | 37 | 53 | 43 |

The Company records compensation expense related to awards under these plans over the shorter of the period in which the requisite service is rendered or retirement eligibility is attained. Compensation expense for performance stock awards with no market condition is based on the probable number of awards expected to vest using the performance level most likely to be achieved at the end of the performance period. Compensation expense for performance stock awards with a market condition is based on the number of awards expected to vest as estimated at the grant date and does not change if the market condition is not met.

| Nonvested awards as of December 31, 2021<br>($ in millions) | Unrecognized compensation | Weighted average vesting period |
|---|---|---|
| Nonqualified stock options | $ 16 | 1.61 |
| Restricted stock units | 44 | 1.87 |
| Performance stock awards | 30 | 1.65 |
| **Total** | **$ 90** | |

Options are granted to employees with exercise prices equal to the closing share price of the Company's common stock on the applicable grant date. Options granted to employees vest ratably over a three-year period. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances. Options may be exercised once vested and will expire no later than ten years after the date of grant.

Restricted stock units for directors vest immediately and convert into shares of stock on the earlier of the day of the third anniversary of the grant date or the date the director's service terminates, unless a deferred period of restriction is elected. Restricted stock units granted to directors prior to June 1, 2016 convert upon leaving the board. Restricted stock units granted to employees prior to February 19, 2020 vest on the day prior to the third anniversary of the grant date. Restricted stock units granted to employees on or after February 19, 2020 vest ratably over a three-year period. Restricted stock units granted to employees subsequently convert into shares of stock on the day of the respective anniversary of the grant date. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances.

Performance stock awards vest into shares of stock based on achieving established company-specific performance goals. Performance stock awards granted prior to February 19, 2020 vest into shares of stock on the day prior to the third anniversary of the grant date. Performance stock awards granted on or after February 19, 2020 vest into shares of stock on the third anniversary of the grant date.

The numbers of shares earned upon vesting of the performance stock awards is based on the attainment of performance goals for each of the performance periods, subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances.

Since 2001, a total of 110.8 million shares of common stock were authorized to be used for awards under the plans, subject to adjustment in accordance with the plans' terms. As of December 31, 2021, 17.0 million shares were reserved and remained available for future issuance under these plans. The Company uses its treasury shares for these issuances.

The fair value of each option grant is estimated on the date of grant using a binomial lattice model. The Company uses historical data to estimate option exercise and employee termination within the valuation model. In addition, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the binomial lattice model and represents the period of time that options granted are expected to be outstanding. The expected volatility of the price of the underlying shares is implied based on traded options and historical volatility of the Company's common stock. The expected dividends were based on the current dividend yield of the Company's stock as of the date of the grant. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

**Option grant assumptions**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Weighted average expected term | 7.5 years | 6.1 years | 5.8 years |
| Expected volatility | 16.5% - 28.8% | 16.3% - 37.1% | 15.6% - 28.9% |
| Weighted average volatility | 23.0 % | 17.6 % | 18.4 % |
| Expected dividends | 2.0% - 3.0% | 1.6% - 2.4% | 1.9% - 2.2% |
| Weighted average expected dividends | 3.1 % | 1.8 % | 2.2 % |
| Risk-free rate | —% - 1.7% | 0.1% - 1.8% | 1.3% - 2.7% |

**Summary of option activity**

| | For the year ended December 31, 2021 | | | |
|---|---|---|---|---|
| | Number (in 000s) | Weighted average exercise price | Aggregate intrinsic value (in 000s) | Weighted average remaining contractual term (years) |
| Outstanding as of January 1, 2021 | 10,617 | $ 83.65 | | |
| Granted | 1,738 | 105.45 | | |
| Exercised | (2,167) | 74.05 | | |
| Forfeited | (319) | 106.33 | | |
| Expired | (15) | 104.22 | | |
| **Outstanding as of December 31, 2021** | **9,854** | 88.84 | $ 292,514 | 5.8 |
| Outstanding, net of expected forfeitures | 9,791 | 88.71 | 291,849 | 5.8 |
| Outstanding, exercisable (“vested”) | 6,654 | 79.96 | 253,563 | 4.6 |

The weighted average grant date fair value of options granted was $15.61, $18.17 and $14.96 during 2021, 2020 and 2019, respectively. The intrinsic value, which is the difference between the fair value and the exercise price, of options exercised was $112 million, $119 million and $114 million during 2021, 2020 and 2019, respectively.

**Changes in restricted stock units**

| | For the year ended December 31, 2021 | |
|---|---|---|
| | Number (in 000s) | Weighted average grant date fair value |
| Nonvested as of January 1, 2021 | 948 | $ 98.61 |
| Granted | 552 | 108.99 |
| Vested | (322) | 102.45 |
| Forfeited | (140) | 105.68 |
| **Nonvested as of December 31, 2021** | **1,038** | 101.98 |

The fair value of restricted stock units is based on the market value of the Company’s stock as of the date of the grant. The market value in part reflects the payment of future dividends expected. The weighted average grant date fair value of restricted stock units granted was $108.99, $118.61 and $92.97 during 2021, 2020 and 2019, respectively. The total fair value of restricted stock units vested was $35 million, $32 million and $29 million during 2021, 2020 and 2019, respectively.

**Changes in performance stock awards**

| | For the year ended December 31, 2021 | |
|---|---|---|
| | **Number (in 000s)** | **Weighted average grant date fair value** |
| Nonvested as of January 1, 2021 | 951 | $ 100.89 |
| Granted | 442 | 107.14 |
| Adjustment for performance achievement | 338 | 92.88 |
| Vested | (676) | 92.88 |
| Forfeited | (81) | 107.91 |
| **Nonvested as of December 31, 2021** | **974** | 105.92 |

The change in performance stock awards comprises those initially granted in 2021 and the adjustment to previously granted performance stock awards for performance achievement.

The fair value of performance stock awards that do not include a market condition is based on the market value of the Company's stock as of the date of the grant.

Starting with the February 2020 award, the fair value of performance stock awards includes a component with market-based condition measured on the grant date using a Monte Carlo simulation model. Market-based condition measures the Company's total shareholder return ("TSR") relative to the TSR of peer companies, expressed in terms of the Company's TSR percentile rank among the peer companies, over a three-calendar-year performance period. The Monte Carlo simulation model uses a risk-neutral framework to model future stock price movements based upon the risk-free rate of return at the time of grant, volatilities of the Company and the peer companies, and expected term assumed to be equal to the remaining measurement period. The market value in part reflects the payment of future dividends expected.

For the year ended December 31, 2021, the 2021 performance stock awards with market-based condition assumes a risk-free rate of 0.2%, volatility of 29.9%, average peer volatility of 37.4% and an expected term of 2.9 years.

The weighted average grant date fair value of performance stock awards granted was $107.14, $123.48 and $92.49 during 2021, 2020 and 2019, respectively. The total fair value of performance stock awards vested was $70 million, $101 million and $65 million during 2021, 2020 and 2019, respectively.

The Company recognizes all tax effects related to share-based payments at settlement or expiration through the income statement.

## Note 20 Supplemental Cash Flow Information

Non-cash investing activities include $51 million, $55 million and $131 million related to mergers and exchanges completed with equity securities, fixed income securities and limited partnerships, and modifications of certain mortgage loans and other investments in 2021, 2020 and 2019, respectively.

Non-cash financing activities include $53 million, $56 million and $50 million related to the issuance of Allstate common shares for vested equity awards in 2021, 2020 and 2019, respectively.

Cash flows used in operating activities in the Consolidated Statements of Cash Flows include cash paid for operating leases related to amounts included in the measurement of lease liabilities of $181 million, $156 million and $155 million for the twelve months ended December 31, 2021, 2020 and 2019, respectively. Non-cash operating activities include $98 million, $51 million and $604 million related to right-of-use assets obtained in exchange for lease obligations for the twelve months ended December 31, 2021, 2020 and 2019, respectively. Non-cash operating activities related to right-of-use assets obtained in exchange for lease obligations for twelve months ended December 31, 2019 include the impact of $488 million related to the adoption of the accounting for leases standard.

Liabilities for collateral received in conjunction with the Company's securities lending program and OTC and cleared derivatives are reported in other liabilities and accrued expenses or other investments. The accompanying cash flows are included in cash flows from operating activities in the Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds as follows:

| ($ in millions) | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Net change in proceeds managed** | | | |
| Net change in fixed income securities | $ — | $ — | $ 52 |
| Net change in short-term investments | (539) | 396 | (417) |
| **Operating cash flow (used) provided** | **(539)** | **396** | **(365)** |
| Net change in cash | 9 | (12) | — |
| **Net change in proceeds managed** | **$ (530)** | **$ 384** | **$ (365)** |
| **Net change in liabilities** | | | |
| Liabilities for collateral, beginning of year | $ (914) | $ (1,298) | $ (933) |
| Liabilities for collateral, end of year | (1,444) | (914) | (1,298) |
| **Operating cash flow provided (used)** | **$ 530** | **$ (384)** | **$ 365** |

## Note 21 Other Comprehensive Income

**Components of other comprehensive income (loss) on a pre-tax and after-tax basis**

| ($ in millions) | For the years ended December 31, 2021 Pre-tax | Tax | After-tax | 2020 Pre-tax | Tax | After-tax | 2019 Pre-tax | Tax | After-tax |
|---|---|---|---|---|---|---|---|---|---|
| Unrealized net holding gains and losses arising during the period, net of related offsets [1] | $ (2,839) | $ 601 | $ (2,238) | $ 2,512 | $ (532) | $ 1,980 | $ 2,807 | $ (592) | $ 2,215 |
| Less: reclassification adjustment of net gains and losses on investments and derivatives | 436 | (92) | 344 | 870 | (183) | 687 | 413 | (87) | 326 |
| **Unrealized net capital gains and losses** | **(3,275)** | **693** | **(2,582)** | **1,642** | **(349)** | **1,293** | **2,394** | **(505)** | **1,889** |
| **Unrealized foreign currency translation adjustments** | **(10)** | **2** | **(8)** | **66** | **(14)** | **52** | **(13)** | **3** | **(10)** |
| **Unamortized pension and other postretirement prior service credit [2]** | **(75)** | **16** | **(59)** | **12** | **(3)** | **9** | **(59)** | **12** | **(47)** |
| **Other comprehensive (loss) income** | **$ (3,360)** | **$ 711** | **$ (2,649)** | **$ 1,720** | **$ (366)** | **$ 1,354** | **$ 2,322** | **$ (490)** | **$ 1,832** |

[1] Includes $2.4 billion of losses related to held for sale investments in connection with 2021 sale of life and annuity business.

[2] Represents prior service credits reclassified out of other comprehensive income and amortized into operating costs and expenses.

## Note 22 Quarterly Results (unaudited)

| ($ in millions, except per share data) | First Quarter 2021 | 2020 | Second Quarter 2021 | 2020 | Third Quarter 2021 | 2020 | Fourth Quarter 2021 | 2020 |
|---|---|---|---|---|---|---|---|---|
| Revenues | $ 12,451 | $ 9,866 | $ 12,646 | $ 10,403 | $ 12,480 | $ 10,678 | $ 13,011 | $ 10,96 |
| Net income from continuing operations applicable to common shareholders | 2,385 | 801 | 1,399 | 1,080 | 183 | 1,189 | 1,111 | 2,24 |
| Income (loss) from discontinued operations, net of tax | (3,793) | (288) | 196 | 144 | 325 | (63) | (321) | 35 |
| **Net income (loss) applicable to common shareholders** | **$ (1,408)** | **$ 513** | **$ 1,595** | **$ 1,224** | **$ 508** | **$ 1,126** | **$ 790** | **$ 2,59** |
| **Earnings per common share applicable to common shareholders** | | | | | | | | |
| Basic | | | | | | | | |
| Continuing operations | $ 7.88 | $ 2.52 | $ 4.68 | $ 3.44 | $ 0.62 | $ 3.82 | $ 3.90 | $ 7.3 |
| Discontinued operations | (12.53) | (0.90) | 0.66 | 0.46 | 1.11 | (0.20) | (1.13) | 1.1 |
| **Total** | **$ (4.65)** | **$ 1.62** | **$ 5.34** | **$ 3.90** | **$ 1.73** | **$ 3.62** | **$ 2.77** | **$ 8.5** |
| Diluted | | | | | | | | |
| Continuing operations | $ 7.78 | $ 2.48 | $ 4.61 | $ 3.41 | $ 0.62 | $ 3.78 | $ 3.84 | $ 7.3 |
| Discontinued operations | (12.38) | (0.89) | 0.65 | 0.45 | 1.09 | (0.20) | (1.11) | 1.1 |
| **Total** | **$ (4.60)** | **$ 1.59** | **$ 5.26** | **$ 3.86** | **$ 1.71** | **$ 3.58** | **$ 2.73** | **$ 8.4** |

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
The Allstate Corporation
Northbrook, Illinois 60062

### Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying Consolidated Statements of Financial Position of The Allstate Corporation and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related Consolidated Statements of Operations, Comprehensive Income, Shareholders’ Equity, and Cash Flows for each of the three years in the period ended December 31, 2021, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

### Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Item 9A. Controls and Procedures*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### Reserve for Property and Casualty Insurance Claims and Claims Expense - Refer to Notes 2 and 9 to the Financial Statements

*Critical Audit Matter Description*

As of December 31, 2021, the reserve for property and casualty insurance claims and claims expense was $33.06 billion. The Company establishes reserves for property and casualty insurance claims and claims expense on reported and unreported claims of insured losses. Using established industry and actuarial best practices as well as the Company's historical claims experience, the reserve for property and casualty insurance claims and claims expense is estimated based on (i) claims reported, (ii) claims incurred but not reported, and (iii) projections of claim payments to be made in the future.

Given the subjectivity of estimating claims incurred but not reported and projections of claim payments to be made in the future, particularly those with payout requirements over a longer period of time, the related audit effort in evaluating the reserve for property and casualty insurance claims and claims expense required a high degree of auditor judgment and an increased extent of effort, including involvement of our actuarial specialists.

*How the Critical Audit Matter Was Addressed in the Audit*

Our principal audit procedures related to the reserve for property and casualty insurance claims and claims expense included the following:

- We tested the effectiveness of controls related to the reserve for property and casualty insurance claims and claims expense, including those over the Company's estimates and projections.
- We evaluated the methods and assumptions used by the Company to estimate the reserve for property and casualty insurance claims and claims expense by:
  - Testing the underlying data that served as the basis for the actuarial analysis, including historical claims, to test that the inputs to the actuarial estimate were complete and accurate.
  - Comparing the Company's prior year assumptions of expected development and ultimate loss to actual losses incurred during the year to assess the reasonableness of those assumptions, including consideration of potential bias, in the determination of the reserve for property and casualty claims and claims expense.
  - With the assistance of our actuarial specialists, we developed independent estimates for the reserve for property and casualty insurance claims and claims expense, particularly related to those with payout requirements over a longer period of time, utilizing loss data and industry claim development factors, and compared our estimates to management's estimates.

### National General Acquisition - Refer to Notes 2 and 3 to the Financial Statements

*Critical Audit Matter Description*

The Company completed the acquisition of National General Holdings Corp. ("National General") on January 4, 2021 for approximately $4 billion in cash. The Company accounted for the acquisition of National General under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values, including distribution and customer relationship intangible assets of $795 million. Management estimated the fair value of such intangible assets using an income approach that considered cash flows expected to be generated by the acquired relationships, a weighted-average cost of capital discount rate reflecting the relative risk of achieving the anticipated cash flows, profits, the time value of money and other relevant inputs, which required management to make significant estimates and assumptions. Changes in the assumptions could impact the amount allocated to acquired intangible assets and ultimately the amount recorded as goodwill.

Given the fair value determination of distribution and customer relationship intangible assets requires management to make significant estimates and assumptions regarding projected cash flows and discount rates, performing audit procedures to evaluate the reasonableness of those estimates and assumptions required a high degree of auditor judgment, and an increased extent of effort, including involving fair value specialists.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the fair value of distribution and customer relationship intangible assets acquired from National General included the following, among others:

- We tested the effectiveness of controls over the valuation methodology used for these acquired intangible assets, including management’s controls over assumptions used in developing estimated future cash flows, and discount rates used to present value cash flows.
- We assessed the knowledge, skill, ability and objectivity of management’s valuation specialist and evaluated the work performed.
- We assessed the reasonableness of management’s forecasts by comparing the projection to historical cash flow results of National General, as well as to certain peer companies of National General. We also performed sensitivity analyses to evaluate the impact of changes in assumptions to the valuation of the customer relationship intangible assets.
- With the assistance of fair value specialists, we evaluated:
  - The reasonableness of the valuation methodology, and
  - The reasonableness of the discount rate used to present value the expected cash flows by:
    - Testing the source information underlying the determination of the discount rate and testing mathematical accuracy of the calculation.
    - Developing a range of independent estimates and comparing those to the discount rate selected by management to evaluate the inputs used in the calculation.
- We evaluated whether the estimated cash flows were consistent with evidence obtained in other areas of the audit.
- We tested the accuracy and evaluated the relevance of the data used by management on the date of the acquisition.

/s/ Deloitte & Touche LLP

Chicago, Illinois

February 18, 2022

We have served as the Company's auditor since 1992.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

## Item 9A. Controls and Procedures

*Evaluation of Disclosure Controls and Procedures.* We maintain disclosure controls and procedures as defined in Rule 13a-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 recorded, processed, summarized and reported within the time periods specified by the Securities Exchange Act and made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

*Management's Report on Internal Control over Financial Reporting.* Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) 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 internal control over financial reporting as of December 31, 2021 based on the criteria related to internal control over financial reporting described in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued their attestation report on the Company's internal control over financial reporting, which is included herein.

*Changes in Internal Control over Financial Reporting.* On January 4, 2021, Allstate completed the acquisition of National General. We integrated all material policies, processes, technology and operations for the company as it relates to our internal control over financial reporting framework. During the fourth quarter of 2021, Allstate completed the sales of ALIC, ALNY and certain affiliates. Other than the integration of National General and divestitures of ALIC, ALNY and certain affiliates, 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 during the fiscal year ended December 31, 2021.

## Item 9B. Other Information

None.

## Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

# Part III

## Item 10. Directors, Executive Officers and Corporate Governance

Information regarding directors of The Allstate Corporation standing for election at the 2022 annual stockholders meeting is incorporated in this Item 10 by reference to the descriptions in the Proxy Statement under the caption “Corporate Governance – Director Nominees.”

Information regarding our audit committee and audit committee financial experts is incorporated in this Item 10 by reference to the information under the caption “Corporate Governance – Board Meetings and Committees” in the Proxy Statement.

Information regarding executive officers of The Allstate Corporation is incorporated in this Item 10 by reference to Part I, Item 1 of this report under the caption “Information about our Executive Officers.”

We have adopted a Global Code of Business Conduct that applies to all of our directors and employees, including our principal executive officer, principal financial officer and controller and principal accounting officer. The text of our Global Code of Business Conduct is posted on our website, www.allstateinvestors.com. We intend to satisfy the disclosure requirements, regarding amendments to, and waiver from, the provisions of our Global Code of Business Conduct by posting such information on the same website pursuant to applicable NYSE and SEC rules.

## Item 11. Executive Compensation

Information required for Item 11 is incorporated by reference to the sections of the Proxy Statement with the following captions:

- Corporate Governance – Director Compensation
- Executive Compensation

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management is incorporated in this Item 12 by reference to the sections of the Proxy Statement with the following captions:

- Stock Ownership Information – Security Ownership of Directors and Executive Officers
- Stock Ownership Information – Security Ownership of Certain Beneficial Owners

**Equity compensation plan information**

The following table includes information as of December 31, 2021, with respect to The Allstate Corporation's equity compensation plans:

| Plan Category | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) |
|---|---|---|---|
| Equity Compensation Plans Approved by Security Holders [1] | 12,784,333 [2] | $ 88.84 [3] | 15,027,799 [4] |
| Total | 12,784,333 [2] | $ 88.84 [3] | 15,027,799 [4] |

[1] Consists of the 2019 Equity Incentive Plan, which amended and restated the 2013 Equity Incentive Plan; the 2017 Equity Compensation Plan for Non-Employee Directors; the 2006 Equity Compensation Plan for Non-Employee Directors; and the Equity Incentive Plan for Non-Employee Directors (the equity plan for non-employee directors prior to 2006). The Corporation does not maintain any equity compensation plans not approved by stockholders.

[2] As of December 31, 2021, 1,038,343 restricted stock units ("RSUs") and 1,891,555 performance stock awards ("PSAs") were outstanding. PSAs are reported at the maximum potential amount awarded for incomplete performance periods and the amount earned for the 2019 PSA grant, reduced for forfeitures. For incomplete performance periods, the actual number of shares earned may be less and are based upon measures achieved at the end of the three-year performance period for those PSAs granted in 2020 and 2021.

[3] The weighted-average exercise price of outstanding options, warrants, and rights does not take into account RSUs and PSAs, which have no exercise price.

[4] Includes 14,708,292 shares that may be issued in the form of stock options, unrestricted stock, restricted stock, restricted stock units, stock appreciation rights, performance units, performance stock, and stock in lieu of cash under the 2019 Equity Incentive Plan; and 319,507 shares that may be issued in the form of stock options, unrestricted stock, restricted stock, restricted stock units, and stock in lieu of cash compensation under the 2017 Equity Compensation Plan for Non-Employee Directors.

Asset managers, such as those that manage mutual funds and exchange traded funds, principally on behalf of third-party investors, at times acquire sufficient voting ownership interests in Allstate to require disclosure. State Street Corp. manages an investment portfolio of $5.47 billion on behalf of participants in Allstate's 401(k) Savings Plan and $2.42 billion on behalf of the Allstate domestic qualified pension plan. The terms of these arrangements are customary, and the aggregate related fees are not material.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required for Item 13 is incorporated by reference to the material in the Proxy Statement under the captions "Corporate Governance – Board Independence and Related Person Transactions - Nominee Independence Determinations," "Corporate Governance – Board Independence and Related Person Transactions - Related Person Transactions" and "Other Information - Appendix B – Categorical Standards of Independence."

## Item 14. Principal Accounting Fees and Services

Information required for Item 14 is incorporated by reference to the material in the Proxy Statement under the caption "Audit Committee Matters – Proposal 3 Ratification of Deloitte & Touche LLP (PCAOB ID No. 34) as the Independent Registered Public Accountant for 2022."

# Part IV

## Item 15. (a) (1) Exhibits and Financial Statement Schedules.

The following consolidated financial statements, notes thereto and related information of The Allstate Corporation (the "Company") are included in Item 8.

- Consolidated Statements of Operations
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Financial Position
- Consolidated Statements of Shareholders' Equity
- Consolidated Statements of Cash Flows
- Notes to the Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

## Item 15. (a) (2)

The following additional financial statement schedules are furnished herewith pursuant to the requirements of Form 10-K.

| **The Allstate Corporation** | | **Page** |
|---|---|---|
| Schedules required to be filed under the provisions of Regulation S-X Article 7: | | |
| Schedule I | Summary of Investments – Other than Investments in Related Parties | S-1 |
| Schedule II | Condensed Financial Information of Registrant (The Allstate Corporation) | S-2 |
| Schedule III | Supplementary Insurance Information | S-6 |
| Schedule IV | Reinsurance | S-7 |
| Schedule V | Valuation Allowances and Qualifying Accounts | S-8 |

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

## Item 15. (a) (3)

The following is a list of the exhibits filed as part of this Form 10-K. The exhibit numbers followed by an asterisk (*) indicate exhibits that are management contracts or compensatory plans or arrangements.

| | | Incorporated by Reference | | | | |
|---|---|---|---|---|---|---|
| **Exhibit Number** | **Exhibit Description** | **Form** | **File Number** | **Exhibit** | **Filing Date** | **Filed or Furnished Herewith** |
| 2.1 | Agreement and Plan of Merger, dated as of July 7, 2020, by and among the Registrant, Bluebird Acquisition Corp. and National General Holdings Corp. (certain schedules and exhibits to the Agreement and Plan of Merger are omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any omitted schedule or exhibit). | 8-K | 1-11840 | 2.1 | July 8, 2020 | |
| 2.2 | Stock Purchase Agreement, dated as of January 26, 2021, by and among Allstate Insurance Company, Allstate Financial Insurance Holdings Corporation, and Antelope US Holdings Company (certain schedules and exhibits to the Stock Purchase Agreement are omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any omitted schedule or exhibit). | 8-K | 1-11840 | 2.1 | January 27, 2021 | |
| 2.3 | Stock Purchase Agreement, dated as of March 29, 2021, by and between Allstate Life Insurance Company, Allstate Insurance Company, Allstate Financial Insurance Holdings Corporation, Allstate Insurance Holdings, LLC and Wilton Reassurance Company (certain schedules and exhibits to the Stock Purchase Agreement are omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any omitted schedule or exhibit). | 8-K | 1-11840 | 2.1 | March 29, 2021 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 3.1 | Restated Certificate of Incorporation filed with the Secretary of State of Delaware on May 23, 2012 | 8-K | 1-11840 | 3(i) | May 23, 2012 | |
| 3.2 | Amended and Restated Bylaws of The Allstate Corporation as amended July 16, 2021 | 8-K | 1-11840 | 3.1 | July 16, 2021 | |
| 3.3 | Certificate of Designations with respect to the Preferred Stock, Series G of the Registrant, dated March 27, 2018 | 8-K | 1-11840 | 3.1 | March 29, 2018 | |
| 3.4 | Certificate of Designations with respect to the Preferred Stock, Series H of the Registrant, date August 5, 2019 | 8-K | 1-11840 | 3.1 | August 5, 2019 | |
| 3.5 | Certificate of Designations with respect to the Preferred Stock, Series I of the Registrant, dated November 8, 2019 | 8-K | 1-11840 | 3.1 | November 8, 2019 | |
| 4.1 | The Allstate Corporation hereby agrees to furnish to the Commission, upon request, the instruments defining the rights of holders of each issue of long-term debt of it and its consolidated subsidiaries | | | | | |
| 4.2 | Description of Registrant's Securities | | | | | X |
| 4.3 | Deposit Agreement, dated March 29, 2018, among the Registrant, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein (Series G) | 8-K | 1-11840 | 4.1 | March 29, 2018 | |
| 4.4 | Form of Preferred Stock Certificate, Series G (included as Exhibit A to Exhibit 3.3 above) | 8-K | 1-11840 | 4.2 | March 29, 2018 | |
| 4.5 | Form of Depositary Receipt, Series G (included as Exhibit A to Exhibit 4.3 above) | 8-K | 1-11840 | 4.3 | March 29, 2018 | |
| 4.6 | Deposit Agreement, dated August 8, 2019, among the Registrant, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein (Series H) | 8-K | 1-11840 | 4.1 | August 8, 2019 | |
| 4.7 | Form of Preferred Stock Certificate, Series H (included as Exhibit A to Exhibit 3.4 above) | 8-K | 1-11840 | 4.2 | August 8, 2019 | |
| 4.8 | Form of Depositary Receipt, Series H (included as Exhibit A to Exhibit 4.6 above) | 8-K | 1-11840 | 4.3 | August 8, 2019 | |
| 4.9 | Deposit Agreement, dated November 8, 2019, among the Registrant, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein (Series I) | 8-K | 1-11840 | 4.1 | November 8, 2019 | |
| 4.10 | Form of Preferred Stock, Series I (included as Exhibit A to Exhibit 3.5 above) | 8-K | 1-11840 | 4.2 | November 8, 2019 | |
| 4.11 | Form of Depositary Receipt, Series I (included as Exhibit A to Exhibit 4.9 above) | 8-K | 1-11840 | 4.3 | November 8, 2019 | |
| 10.1 | Credit Agreement dated November 16, 2020, among The Allstate Corporation, Allstate Insurance Company, and Allstate Life Insurance Company, as Borrowers; the lenders party thereto, Wells Fargo Bank, National Association, as Syndication Agent; Bank of America, N.A., Barclays Bank PLC, Credit Suisse AG, New York Branch, Goldman Sachs Bank USA, Morgan Stanley MUFG Loan Partners, LLC, and U.S. Bank National Association, as Documentation Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent. | 8-K | 1-11840 | 10.1 | November 17, 2020 | |
| 10.2 | Amendment No. 1 to Credit Agreement dated as of May 4, 2021 | 10-Q | 1-11840 | 10.1 | May 5, 2021 | |
| 10.3* | The Allstate Corporation Annual Executive Incentive Plan, as amended and restated effective November 17, 2020 | 10-K | 1-11840 | 10.2 | February 22, 2021 | |
| 10.4* | The Allstate Corporation Deferred Compensation Plan, as amended and restated effective January 1, 2019 | S-8 | 1-11840 | 4 | November 20, 2018 | |
| 10.5* | The Allstate Corporation 2019 Equity Incentive Plan, as amended and restated effective February 19, 2020 | 10-Q | 1-11840 | 10.1 | May 5, 2020 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference: Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.6 | The Allstate Corporation Clawback Policy, effective February 19, 2020 | 10-Q | 1-11840 | 10.6 | May 5, 2020 | |
| 10.7* | Form of Performance Stock Award Agreement for awards granted on or after February 19, 2020, under The Allstate Corporation 2019 Equity Incentive Plan to officers subject to reporting obligations under Section 16 of the Securities Exchange Act of 1934 or an executive vice president | 10-Q | 1-11840 | 10.5 | May 5, 2020 | |
| 10.8* | Form of Performance Stock Award Agreement for awards granted on or after April 13, 2018, under The Allstate Corporation 2013 Equity Incentive Plan | 10-Q | 1-11840 | 10.2 | May 1, 2018 | |
| 10.9* | Form of Performance Stock Award Agreement for awards granted on or after March 6, 2012 and prior to April 13, 2018 under The Allstate Corporation 2009 Equity Incentive Plan | 10-Q | 1-11840 | 10.4 | May 2, 2012 | |
| 10.10* | Form of Option Award Agreement for awards granted on or after February 19, 2020, under The Allstate Corporation 2019 Equity Incentive Plan to officers subject to reporting obligations under Section 16 of the Securities Exchange Act of 1934 or an executive vice president | 10-Q | 1-11840 | 10.3 | May 5, 2020 | |
| 10.11* | Form of Option Award Agreement for awards granted on or after April 13, 2018, under The Allstate Corporation 2013 Equity Incentive Plan | 10-Q | 1-11840 | 10.3 | May 1, 2018 | |
| 10.12* | Form of Option Award Agreement for awards granted on or after February 21, 2012 and prior to April 13, 2018 under The Allstate Corporation 2009 Equity Incentive Plan | 10-Q | 1-11840 | 10.3 | May 2, 2012 | |
| 10.13* | Form of Option Award Agreement for awards granted on or after December 30, 2011 and prior to February 21, 2012 under The Allstate Corporation 2009 Equity Incentive Plan | 8-K | 1-11840 | 10.2 | December 28, 2011 | |
| 10.14* | Form of Restricted Stock Unit Award Agreement for awards granted on or after February 19, 2020, under The Allstate Corporation 2019 Equity Incentive Plan to officers subject to reporting obligations under Section 16 of the Securities Exchange Act of 1934 or an executive vice president | 10-Q | 1-11840 | 10.4 | May 5, 2020 | |
| 10.15* | Form of Restricted Stock Unit Award Agreement for awards granted on or after April 13, 2018, under The Allstate Corporation 2013 Equity Incentive Plan | 10-Q | 1-11840 | 10.4 | May 1, 2018 | |
| 10.16* | Form of Restricted Stock Unit Award Agreement for awards granted on or after February 21, 2012 and prior to April 13, 2018 under The Allstate Corporation 2009 Equity Incentive Plan | 10-Q | 1-11840 | 10.2 | May 2, 2012 | |
| 10.17* | Supplemental Retirement Income Plan, as amended and restated effective October 19, 2018 | 10-K | 1-11840 | 10.16 | February 15, 2019 | |
| 10.18* | The Allstate Corporation Change in Control Severance Plan effective December 30, 2011 | 8-K | 1-11840 | 10.1 | December 28, 2011 | |
| 10.19* | Amendment to The Allstate Corporation Change in Control Severance Plan effective March 1, 2021 | 8-K | 1-11840 | 10.1 | March 1, 2021 | |
| 10.20* | The Allstate Corporation Deferred Compensation Plan for Non-Employee Directors, as amended and restated effective September 15, 2008 | 8-K | 1-11840 | 10.7 | September 19, 2008 | |
| 10.21* | The Allstate Corporation Equity Incentive Plan for Non-Employee Directors, as amended and restated effective September 15, 2008 | 8-K | 1-11840 | 10.5 | September 19, 2008 | |
| 10.22* | The Allstate Corporation 2006 Equity Compensation Plan for Non-Employee Directors, as amended and restated effective September 15, 2008 | 8-K | 1-11840 | 10.6 | September 19, 2008 | |
| 10.23* | The Allstate Corporation 2017 Equity Compensation Plan for Non-Employee Directors | Proxy | 1-11840 | App. D | April 12, 2017 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | File Number | Exhibit | Filing Date | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| 10.24* | Form of amended and restated Restricted Stock Unit Award Agreement with regards to awards outstanding on September 15, 2008 under The Allstate Corporation 2006 Equity Compensation Plan for Non-Employee Directors | 8-K | 1-11840 | 10.8 | September 19, 2008 | |
| 10.25* | Form of Restricted Stock Unit Award Agreement for awards granted on or after September 15, 2008, and prior to June 1, 2016, under The Allstate Corporation 2006 Equity Compensation Plan for Non-Employee Directors | 8-K | 1-11840 | 10.9 | September 19, 2008 | |
| 10.26* | Form of Restricted Stock Unit Award Agreement for awards granted on or after June 1, 2016, and prior to June 1, 2017, under The Allstate Corporation 2006 Equity Compensation Plan for Non-Employee Directors | 10-Q | 1-11840 | 10.2 | August 3, 2016 | |
| 10.27* | Form of Restricted Stock Unit Award Agreement for awards granted on or after June 1, 2017, under The Allstate Corporation 2017 Equity Compensation Plan for Non-Employee Directors | 10-Q | 1-11840 | 10.2 | August 1, 2017 | |
| 10.28* | Form of Indemnification Agreement between the Registrant and Director | 10-Q | 1-11840 | 10.2 | August 1, 2007 | |
| 10.29* | Resolutions regarding Non-Employee Director Compensation adopted November 18, 2016 | 10-K | 1-11840 | 10.24 | February 17, 2017 | |
| 10.30* | Resolutions regarding Non-Employee Director Compensation adopted November 16, 2018 | 10-K | 1-11840 | 10.29 | February 15, 2019 | |
| 10.31* | Resolutions regarding Non-Employee Director Compensation adopted November 19, 2021 | | | | | X |
| 10.32 | Purchase and Sale Agreement, dated November 26, 2021, by and between Allstate Insurance Company and DPIF3 Acquisition Co LLC | 8-K | 1-11840 | 10.1 | November 29, 2021 | |
| 21 | Subsidiaries of The Allstate Corporation | | | | | X |
| 23 | Consent of Independent Registered Public Accounting Firm | | | | | X |
| 31(i) | Rule 13a-14(a) Certification of Principal Executive Officer | | | | | X |
| 31(i) | Rule 13a-14(a) Certification of Principal Financial Officer | | | | | X |
| 32 | Section 1350 Certifications | | | | | X |
| 101.INS | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase | | | | | X |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | | | | | X |

## Item 15. (b)

The exhibits are listed in Item 15. (a)(3) above.

## Item 15. (c)

The financial statement schedules are listed in Item 15. (a)(2) above.

## Item 16.

None.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) 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)

/s/ John C. Pintozzi

***By: John C. Pintozzi***
Senior Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)
February 18, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Thomas J. Wilson<br>Thomas J. Wilson | Chairman of the Board, President, Chief Executive Officer and a Director<br>(Principal Executive Officer) | February 18, 2022 |
| /s/ Mario Rizzo<br>Mario Rizzo | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | February 18, 2022 |
| /s/ John C. Pintozzi<br>John C. Pintozzi | Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer) | February 18, 2022 |
| /s/ Donald E. Brown<br>Donald E. Brown | Director | February 18, 2022 |
| /s/ Kermit R. Crawford<br>Kermit R. Crawford | Director | February 18, 2022 |
| /s/ Michael L. Eskew<br>Michael L. Eskew | Director | February 18, 2022 |
| /s/ Richard T. Hume<br>Richard T. Hume | Director | February 18, 2022 |
| /s/ Margaret M. Keane<br>Margaret M. Keane | Director | February 18, 2022 |
| /s/ Siddharth N. Mehta<br>Siddharth N. Mehta | Director | February 18, 2022 |
| /s/ Jacques P. Perold<br>Jacques P. Perold | Director | February 18, 2022 |
| /s/ Andrea Redmond<br>Andrea Redmond | Director | February 18, 2022 |
| /s/ Gregg M. Sherrill<br>Gregg M. Sherrill | Lead Director | February 18, 2022 |
| /s/ Judith A. Sprieser<br>Judith A. Sprieser | Director | February 18, 2022 |
| /s/ Perry M. Traquina<br>Perry M. Traquina | Director | February 18, 2022 |

## The Allstate Corporation and Subsidiaries
### Schedule I — Summary of Investments Other than Investments in Related Parties

| ($ in millions) | As of December 31, 2021<br>Cost/amortized cost, net | Fair value (if applicable) | Amount shown i the Balance Sheet |
|---|---|---|---|
| Type of investment | | | |
| Fixed maturities: | | | |
| Bonds: | | | |
| United States government, government agencies and authorities | $ 6,287 | $ 6,273 | $ 6,2 |
| States, municipalities and political subdivisions | 6,130 | 6,393 | 6,3 |
| Foreign governments | 982 | 985 | 9 |
| Public utilities | 2,009 | 2,024 | 2,0 |
| All other corporate bonds | 24,825 | 25,306 | 25,3 |
| Asset-backed securities | 1,143 | 1,155 | 1,1 |
| **Total fixed maturities** | **41,376** | **42,136** | **42,1** |
| Equity securities: | | | |
| Common stocks: | | | |
| Public utilities | 99 | 118 | 1 |
| Banks, trusts and insurance companies | 548 | 653 | 6 |
| Industrial, miscellaneous and all other | 5,145 | 5,954 | 5,9 |
| Nonredeemable preferred stocks | 224 | 336 | 3 |
| **Total equity securities** | **6,016** | **7,061** | **7,0** |
| Mortgage loans on real estate | 821 | 853 | 8 |
| Real estate (none acquired in satisfaction of debt) | 809 | | 8 |
| Policy loans | 148 | | 1 |
| Derivative instruments | 12 | 12 | [illegible] |
| Limited partnership interests | 8,018 | | 8,0 |
| Other long-term investments | 1,687 | | 1,6 |
| Short-term investments | 4,009 | 4,009 | 4,0 |
| **Total investments** | **$ 62,896** | | **$ 64,7** |

## The Allstate Corporation and Subsidiaries
### Schedule II — Condensed Financial Information of Registrant Statement of Operations

| ($ in millions) | Year Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | | |
| Investment income, less investment expense | $ 13 | $ 12 | $ 35 |
| Net gains (losses) on investments and derivatives | 12 | 33 | 9 |
| Other income | — | — | 41 |
| **Total revenues** | **25** | **45** | **85** |
| **Expenses** | | | |
| Interest expense | 328 | 328 | 355 |
| Pension and other postretirement remeasurement (gains) losses | (611) | (73) | 103 |
| Pension and other postretirement (benefit) expense | (218) | (168) | (122) |
| Other operating expenses | 71 | 73 | 49 |
| **Total expenses** | **(430)** | **160** | **385** |
| **Gain (loss) from operations before income tax benefit and equity in net income of subsidiaries** | **455** | **(115)** | **(300)** |
| Income tax expense (benefit) | 93 | (26) | (75) |
| **Gain (loss) before equity in net income of subsidiaries** | **362** | **(89)** | **(225)** |
| Equity in net income of subsidiaries [1] | 1,237 | 5,665 | 5,072 |
| **Net income** | **1,599** | **5,576** | **4,847** |
| Preferred stock dividends | 114 | 115 | 169 |
| **Net income applicable to common shareholders** | **1,485** | **5,461** | **4,678** |
| **Other comprehensive income (loss), after-tax** | | | |
| Changes in: | | | |
| Unrealized net capital gains and losses | (2,582) | 1,293 | 1,889 |
| Unrealized foreign currency translation adjustments | (8) | 52 | (10) |
| Unamortized pension and other postretirement prior service credit | (59) | 9 | (47) |
| **Other comprehensive (loss) income, after-tax** | **(2,649)** | **1,354** | **1,832** |
| **Comprehensive (loss) income** | **$ (1,050)** | **$ 6,930** | **$ 6,679** |

[1] Includes results of operations for the life and annuity business held for sale reported as discontinued operations in the Consolidated Statements of Operations.

See accompanying notes to condensed financial information and notes to consolidated financial statements.

## The Allstate Corporation and Subsidiaries

### Schedule II (Continued) — Condensed Financial Information of Registrant Statement of Financial Position

| ($ in millions, except par value data) | December 31, 2021 | | 2020 | |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments in subsidiaries [1] | $ | 32,058 | $ | 35,60 |
| Fixed income securities, at fair value (amortized cost, net $1,708 and zero) | | 1,718 | | - |
| Short-term investments, at fair value (amortized cost, net $297 and $4,479) | | 297 | | 4,47 |
| Cash | | 1 | | - |
| Receivable from subsidiaries | | 504 | | 52 |
| Deferred income taxes | | 22 | | 18 |
| Other assets | | 222 | | 8 |
| **Total assets** | | **34,822** | | **40,88** |
| **Liabilities** | | | | |
| Long-term debt | | 7,581 | | 7,82 |
| Pension and other postretirement benefit obligations | | 211 | | 87 |
| Deferred compensation | | 383 | | 35 |
| Payable to subsidiaries | | — | | - |
| Notes due to subsidiaries | | 1,000 | | 1,25 |
| Dividends payable to shareholders | | 269 | | 20 |
| Other liabilities | | 199 | | 16 |
| **Total liabilities** | | **9,643** | | **10,66** |
| **Shareholders' equity** | | | | |
| Preferred stock and additional capital paid-in, $1 par value, 25 million shares authorized, 81.0 thousand shares issued and outstanding, $2,025 aggregate liquidation preference | | 1,970 | | 1,97 |
| Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 281 million and 304 million shares outstanding | | 9 | | |
| Additional capital paid-in | | 3,722 | | 3,49 |
| Retained income | | 53,294 | | 52,76 |
| Treasury stock, at cost (619 million and 596 million shares) | | (34,471) | | (31,33 |
| Accumulated other comprehensive income: | | | | |
| Unrealized net capital gains and losses | | 598 | | 3,18 |
| Unrealized foreign currency translation adjustments | | (15) | | ( |
| Unamortized pension and other postretirement prior service credit | | 72 | | 13 |
| **Total accumulated other comprehensive income** | | **655** | | **3,30** |
| **Total Allstate shareholders' equity** | | **25,179** | | **30,21** |
| **Total liabilities and equity** | **$** | **34,822** | **$** | **40,88** |

[1] 2020 includes results for life and annuity business classified as held for sale in the Consolidated Statements of Financial Position.

See accompanying notes to condensed financial information and notes to consolidated financial statements.

# The Allstate Corporation and Subsidiaries
## Schedule II (Continued) — Condensed Financial Information of Registrant Statement of Cash Flows

| ($ in millions) | Years Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income | $ 1,599 | $ 5,576 | $ 4,84 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Equity in net income of subsidiaries [1] | (1,237) | (5,665) | (5,07 |
| Dividends received from subsidiaries | 5,112 | 4,157 | 2,43 |
| Net (gains) losses on investments and derivatives | (12) | (33) | |
| Pension and other postretirement remeasurement (gains) losses | (611) | (73) | 10 |
| Changes in: | | | |
| Pension and other postretirement benefits | (218) | (168) | (12 |
| Income taxes | 177 | 54 | 1 |
| Operating assets and liabilities | 158 | 110 | 11 |
| **Net cash provided by operating activities** | **4,968** | **3,958** | **2,30** |
| **Cash flows from investing activities** | | | |
| Proceeds from sales of investments | 1,743 | 1,251 | 1,09 |
| Investment purchases | (2,673) | (402) | (89 |
| Investment collections | 38 | 16 | 6 |
| Capital contribution or return of capital from subsidiaries | 383 | 251 | 4 |
| Change in short-term investments, net | 4,182 | (3,777) | (41 |
| Acquisition of subsidiaries | (4,144) | — | — |
| **Net cash used in investing activities** | **(471)** | **(2,661)** | **(10** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings from subsidiaries | 2,200 | 1,250 | 1,00 |
| Repayment of notes due to subsidiaries | (2,450) | (1,000) | (1,25 |
| Proceeds from issuance of long-term debt | — | 1,189 | 49 |
| Redemption of preferred stock | — | (288) | (1,13 |
| Redemption and repayment of long-term debt | (250) | — | (31 |
| Proceeds from issuance of preferred stock | — | — | 1,41 |
| Dividends paid on common stock | (885) | (668) | (65 |
| Dividends paid on preferred stock | (105) | (108) | (13 |
| Treasury stock purchases | (3,120) | (1,737) | (1,73 |
| Shares reissued under equity incentive plans, net | 114 | 63 | 12 |
| Other | — | — | — |
| **Net cash used in financing activities** | **(4,496)** | **(1,299)** | **(2,19** |
| **Net increase (decrease) in cash** | **1** | **(2)** | |
| Cash at beginning of year | — | 2 | — |
| **Cash at end of year** | **$ 1** | **$ —** | **$** |

[1] Includes results of operations for the life and annuity business held for sale reported as discontinued operations in the Consolidated Statements of Operations.

See accompanying notes to condensed financial information and notes to consolidated financial statements.

# The Allstate Corporation and Subsidiaries
## Schedule II (Continued) — Condensed Financial Information of Registrant
## Notes to Condensed Financial Information

### 1. General

Pursuant to rules and regulations of the SEC, the unconsolidated condensed financial statements of the Parent Company do not reflect all of the information and notes normally included with financial statements prepared in accordance with GAAP. Therefore, these condensed financial statements of the Registrant should be read in conjunction with the consolidated financial statements and notes thereto included in Item 8.

The long-term debt presented in Note 13 “Capital Structure” are direct obligations of or guaranteed by the Registrant. A majority of the pension and other postretirement benefits plans presented in Note 18 “Benefit Plans” are direct obligations of the Registrant.

Participating subsidiaries fund the pension plans contributions under a master services cost sharing agreement. In addition, as a result of joint and several pension liability rules under the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended, many liabilities that arise in connection with pension plans are joint and several across all members of a controlled group of entities.

### 2. Notes due to subsidiaries

On March 1, 2021 and June 18, 2021, the Registrant issued $200 million and $1.00 billion notes, with rates of 0.21% and 0.20%, due on March 1, 2022 and June 18, 2022, respectively, to Kennett Capital Inc. The proceeds of these issuances were used for cash management purposes. On April 05, 2021, the Registrant repaid $200 million to Kennett Capital Inc.

On June 18, 2020 and December 29, 2020, the Registrant issued $1.00 billion and $250 million notes, with rates of 0.43% and 0.33%, due on June 18, 2021 and December 29, 2021, respectively, to Kennett Capital Inc. The proceeds of these issuances were used for cash management purposes. On April 5, 2021 and June 18, 2021, the Registrant repaid $250 million and $1.00 billion, respectively, to Kennett Capital Inc.

On June 19, 2019, the Registrant issued a $1.00 billion note, with a rate of 2.63% due on June 19, 2020 to Kennett Capital Inc. The proceeds of this issuance were used for cash management purposes. On June 18, 2020, the Registrant repaid $1.00 billion to Kennett Capital Inc.

### 3. Supplemental Disclosures of Cash Flow Information

The Registrant paid $321 million, $311 million and $312 million of interest on debt in 2021, 2020 and 2019, respectively.

## The Allstate Corporation and Subsidiaries
### Schedule III — Supplementary Insurance Information

| ($ in millions) | As of December 31, | | | For the years ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Segment | Deferred policy acquisition costs | Reserves for claims and claims expense, contract benefits and contractholder funds | Unearned premiums | Premium revenue and contract charges | Net investment income [1] | Claims and claims expense, contract benefits and interest credited to contractholders | Amortization of deferred policy acquisition costs | Other operating costs and expenses | Premiums written (excluding life) |
| **2021** | | | | | | | | | |
| Property-Liability | | | | | | | | | |
| Allstate Protection | $ 1,951 | $ 31,099 | $ 15,763 | $ 40,454 | | $ 28,760 | $ 5,313 | $ 6,033 | $ 41,358 |
| Run-off Property-Liability | — | 1,916 | — | — | | 116 | — | 4 | — |
| Total Property-Liability | 1,951 | 33,015 | 15,763 | 40,454 | $ 3,118 | 28,876 | 5,313 | 6,037 | 41,358 |
| Protection Services [2] | 2,294 | 45 | 4,054 | 1,939 | 43 | 458 | 795 | 938 | 2,642 |
| Allstate Health and Benefits | 477 | 2,181 | 27 | 1,821 | 74 | 1,049 | 144 | 838 | 1,630 |
| Corporate and Other | — | — | — | — | 58 | — | — | (133) | — |
| Intersegment Eliminations [2] | — | — | — | (175) | — | (16) | — | (159) | — |
| **Total** | **$ 4,722** | **$ 35,241** | **$ 19,844** | **$ 44,039** | **$ 3,293** | **$ 30,367** | **$ 6,252** | **$ 7,521** | **$ 45,630** |
| **2020** | | | | | | | | | |
| Property-Liability | | | | | | | | | |
| Allstate Protection | $ 1,608 | $ 25,679 | $ 12,772 | $ 35,580 | | $ 21,485 | $ 4,642 | $ 5,741 | $ 35,768 |
| Run-off Property-Liability | — | 1,888 | — | — | | 141 | — | 3 | — |
| Total Property-Liability | 1,608 | 27,567 | 12,772 | 35,580 | $ 1,421 | 21,626 | 4,642 | 5,744 | 35,768 |
| Protection Services [2] | 1,696 | 43 | 3,167 | 1,640 | 44 | 386 | 658 | 760 | 1,890 |
| Allstate Health and Benefits | 470 | 1,885 | 7 | 1,094 | 78 | 549 | 177 | 323 | 839 |
| Corporate and Other | — | — | — | — | 47 | — | — | 389 | — |
| Intersegment Eliminations [2] | — | — | — | (147) | — | (11) | — | (136) | — |
| **Total** | **$ 3,774** | **$ 29,495** | **$ 15,946** | **$ 38,167** | **$ 1,590** | **$ 22,550** | **$ 5,477** | **$ 7,080** | **$ 38,497** |
| **2019** | | | | | | | | | |
| Property-Liability | | | | | | | | | |
| Allstate Protection | $ 1,624 | $ 25,843 | $ 12,567 | $ 34,843 | | $ 23,517 | $ 4,649 | $ 4,622 | $ 35,419 |
| Run-off Property-Liability | — | 1,818 | — | — | | 105 | — | 3 | — |
| Total Property-Liability | 1,624 | 27,661 | 12,567 | 34,843 | $ 1,533 | 23,622 | 4,649 | 4,625 | 35,419 |
| Protection Services [2] | 1,449 | 51 | 2,765 | 1,387 | 42 | 363 | 543 | 838 | 1,535 |
| Allstate Health and Benefits | 527 | 1,950 | 8 | 1,145 | 83 | 635 | 161 | 285 | 868 |
| Corporate and Other | — | — | — | — | 70 | — | — | 531 | — |
| Intersegment Eliminations [2] | — | — | — | (154) | — | (9) | — | (145) | — |
| **Total** | **$ 3,600** | **$ 29,662** | **$ 15,340** | **$ 37,221** | **$ 1,728** | **$ 24,611** | **$ 5,353** | **$ 6,134** | **$ 37,822** |

[1] A single investment portfolio supports both Allstate Protection and Run-off Property-Liability segments.

[2] Includes intersegment premiums and service fees and the related incurred losses and expenses that are eliminated in the consolidated financial statements.

## The Allstate Corporation and Subsidiaries
### Schedule IV — Reinsurance

| ($ in millions) | Gross amount | Ceded to other companies [1] | Assumed from other companies | Net amount | Percentage of amount assumed to n |
|---|---|---|---|---|---|
| **Year ended December 31, 2021** | | | | | |
| **Life insurance in force** | **$ 20,535** | **$ 640** | **$ 1,528** | **$ 21,423** | 7.1 |
| Premiums and contract charges: | | | | | |
| Life insurance | $ 156 | $ 6 | $ 15 | $ 165 | 9.1 |
| Accident and health insurance | 1,722 | 72 | 6 | 1,656 | 0.4 |
| Property and casualty insurance | 43,944 | 1,904 | 178 | 42,218 | 0.4 |
| **Total premiums and contract charges** | **$ 45,822** | **$ 1,982** | **$ 199** | **$ 44,039** | **0.5** |
| **Year ended December 31, 2020** | | | | | |
| **Life insurance in force** | **$ 17,124** | **$ 16,528** | **$ 1,003** | **$ 1,599** | **62.7** |
| Premiums and contract charges: | | | | | |
| Life insurance | $ 162 | $ 8 | $ 14 | $ 168 | 8.3 |
| Accident and health insurance | 931 | 5 | — | 926 | — |
| Property and casualty insurance | 38,115 | 1,141 | 99 | 37,073 | 0.3 |
| **Total premiums and contract charges** | **$ 39,208** | **$ 1,154** | **$ 113** | **$ 38,167** | **0.3** |
| **Year ended December 31, 2019** | | | | | |
| **Life insurance in force** | **$ 18,575** | **$ 17,801** | **$ 1,062** | **$ 1,836** | **57.8** |
| Premiums and contract charges: | | | | | |
| Life insurance | $ 151 | $ 8 | $ 14 | $ 157 | 8.9 |
| Accident and health insurance | 994 | 6 | — | 988 | — |
| Property and casualty insurance | 37,104 | 1,122 | 94 | 36,076 | 0.3 |
| **Total premiums and contract charges** | **$ 38,249** | **$ 1,136** | **$ 108** | **$ 37,221** | **0.3** |

[1] No reinsurance or coinsurance income was netted against premium ceded in 2021, 2020 or 2019.

# The Allstate Corporation and Subsidiaries
## Schedule V — Valuation Allowances and Qualifying Accounts

| ($ in millions) Description | Balance as of beginning of period [1] | Additions: Charged to costs and expenses | Additions: Other additions | Deductions | Balance as of end of period |
|---|---|---|---|---|---|
| **Year ended December 31, 2021** | | | | | |
| Fixed income securities | $ 2 | $ 4 | $ — | $ — | $ |
| Mortgage loans | 67 | (61) | — | — | |
| Bank loans | 67 | (6) | — | — | 6 |
| **Investments** | **136** | **(63)** | **—** | **—** | **7** |
| Premium installment receivable | 153 | 274 | 19 | 339 | 10 |
| Reinsurance recoverables | 60 | 15 | — | 1 | 7 |
| Other assets | 17 | 9 | — | — | 2 |
| **Assets** | **366** | **235** | **19** | **340** | **28** |
| Commitments to fund mortgage loans and bank loans | 1 | — | — | 1 | — |
| **Liabilities** | 1 | — | — | 1 | — |
| **Total** | **$ 367** | **$ 235** | **$ 19** | **$ 341** | **$ 28** |
| Valuation allowance for deferred tax assets | $ — | $ — | $ 38 | $ 14 | $ 2 |
| **Year ended December 31, 2020** | | | | | |
| Fixed income securities | $ — | $ 2 | $ — | $ — | $ |
| Mortgage loans [2] | 45 | 39 | — | 17 | 6 |
| Bank loans [2] | 53 | 28 | — | 14 | 6 |
| **Investments** | **98** | **69** | **—** | **31** | **13** |
| Premium installment receivable | 91 | 223 | — | 161 | 15 |
| Reinsurance recoverables | 61 | (1) | — | — | 6 |
| Other assets | 15 | 2 | — | — | 1 |
| **Assets** | **265** | **293** | **—** | **192** | **36** |
| Commitments to fund mortgage loans and bank loans | 3 | — | — | 2 | |
| **Liabilities** | 3 | — | — | 2 | |
| **Total** | **$ 268** | **$ 293** | **$ —** | **$ 194** | **$ 36** |
| **Year ended December 31, 2019** | | | | | |
| Mortgage loans [2] | $ 3 | $ — | $ — | $ — | $ |
| Premium installment receivable | 77 | 137 | — | 124 | 9 |
| Reinsurance recoverables | $ 65 | $ (5) | $ — | $ — | $ 6 |

[1] Effective January 1, 2020, the Company adopted the measurement of credit losses on financial instruments accounting standard that primarily affected mortgage loans, bank loans and reinsurance recoverables. After consideration of existing valuation allowances maintained prior to adopting the new guidance, the Company increased its valuation allowances for credit losses at January 1, 2020 to conform to the new requirements.

[2] Includes credit loss allowance for investments that are classified as held for sale as of December 31, 2020 and 2019.

**Exhibit 4.2**

## DESCRIPTION OF THE ALLSTATE CORPORATION'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

*References herein to "we," "us," "our" and "Allstate" are references to The Allstate Corporation, and not to any of our subsidiaries, unless we state otherwise or the context otherwise requires.*

## DESCRIPTION OF CAPITAL STOCK

The following summary of the terms of our capital stock is based upon our Restated Certificate of Incorporation and our Amended and Restated Bylaws and the Delaware General Corporation Law. The summary is not complete, and is qualified by reference to our Restated Certificate of Incorporation and our Amended and Restated Bylaws, which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein.

Our Restated Certificate of Incorporation authorizes us to issue up to 2,000,000,000 shares of common stock, par value of $0.01 per share, and up to 25,000,000 shares of preferred stock, par value $1.00 per share.

***Common Stock***

Outstanding shares of our common stock are listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "ALL." All outstanding shares of common stock are fully paid and non-assessable.

*Dividends.* Subject to the prior rights of the holders of shares of preferred stock that may be issued and outstanding, the holders of common stock are entitled to receive dividends as and when declared by our Board of Directors. The issuance of dividends will depend upon, among other factors deemed relevant by our Board of Directors, our financial condition, results of operations, cash requirements, future prospects, changes in tax or other applicable laws relating to the treatment of dividends and regulatory restrictions on the payment of dividends that apply under applicable insurance laws. Dividends may be paid in cash, stock or other form. Each such dividend shall be payable to holders of record as they appear on our stock books on such record dates as shall be fixed by the Board of Directors.

Subject to certain limited exceptions, unless the full dividends on each of our (i) 5.625% Fixed Rate Noncumulative Perpetual Preferred Stock, Series G ("*Series G Preferred Stock*"), (ii) 5.10% Fixed Rate Noncumulative Perpetual Preferred Stock, Series H ("*Series H Preferred Stock*"), and (iii) our 4.750% Fixed Rate Noncumulative Perpetual Preferred Stock, Series I (the "*Series I Preferred Stock*", and together with the Series G Preferred Stock and the Series H Preferred Stock, our "*Preferred Stock*"), for the preceding dividend period have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside and any declared but unpaid dividends on such Preferred Stock for any prior period have been paid, we may not pay dividends on our common stock. If and when dividends on our Preferred Stock have not been declared and paid in full for at least six quarterly dividend periods, the authorized number of directors then constituting our Board of Directors will be increased by two additional directors, to be elected by the holders of our Preferred Stock together with the holders of all other affected classes and series of voting parity stock, voting as a single class, subject to certain conditions.

We are prohibited from declaring or paying dividends on the Series G Preferred Stock if we fail to meet specified capital adequacy, net income or stockholders' equity levels. The prohibition is subject to an exception permitting us to declare dividends out of the net proceeds of common stock issued by us during the 90 days prior to the date of declaration even if we fail to meet such levels.

The terms of our outstanding Series A 6.50% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067, 5.100% Fixed-To-Floating Rate Subordinated Debentures due 2053 and Series B 5.750% Fixed-to-Floating Rate Subordinated Debentures due 2053 (collectively, the "*Outstanding Subordinated Debentures*") also prohibit us from declaring or paying any dividends or distributions on our common or preferred stock if we have elected to defer interest payments on the Outstanding Subordinated Debentures, subject to certain limited exceptions.

*Voting Rights.* Each holder of common stock is entitled to one vote for each share held of record on all matters presented to a vote at a stockholders meeting, including the election of directors. The holders of common stock are not entitled to cumulative voting rights. Directors are elected if they receive the vote of the majority of the votes cast at any meeting for the election of directors at which a quorum is present. A majority of votes cast means the number of shares voted "for" a director exceeds 50% of the votes cast with respect to that director's election. Votes cast shall include votes to withhold authority in each case and exclude abstentions. Except as otherwise provided in our Restated Certificate of Incorporation or Amended and Restated Bylaws or as required by law, all other matters can be approved by the affirmative vote of a majority of the common shares represented at a meeting and entitled to vote on the matter.

*Liquidation Rights.* In the event of any liquidation, dissolution or winding-up of Allstate, the holders of common stock will share equally in the assets remaining after creditors and preferred stockholders are paid.

*Other Rights.* The holders of common stock have no preemptive rights to purchase or subscribe for any additional shares of common stock or other securities and there are no conversion rights or redemption or sinking fund provisions with respect to the common stock.

***Preferred Stock***

Each series of the Preferred Stock is perpetual and has no maturity date.

*Liquidation Rights*. The Preferred Stock has preference over our common stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, winding-up or dissolution. Each series of Preferred Stock ranks on a parity with each other series of Preferred Stock. In the event of our liquidation, dissolution or winding-up, the holders of the Preferred Stock will be entitled to receive out of our assets, before any distribution of assets is made to holders of common stock, liquidating distributions in the amount of $25,000 per share, plus all accrued and unpaid dividends. If, upon any liquidation, dissolution or winding-up of Allstate, the amounts payable with respect to the Preferred Stock and any other shares of our stock ranking as to any such distribution on a parity with the Preferred Stock are not paid in full, the holders of the Preferred Stock and of such other shares will share ratably in any such distribution of our assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution the holders of Preferred Stock will not be entitled to any further participation in any distribution of our assets. Our consolidation or merger with or into any other corporation or corporations or a sale of all or substantially all of our assets shall not be deemed to be our liquidation, dissolution or winding-up.

*Other Rights*. The holders of our Preferred Stock do not have preemptive or subscription rights to acquire more of our stock. The Preferred Stock is not convertible or exchangeable into our common stock or other securities. Neither holders of our Preferred Stock nor holders of the Depositary Shares representing the Preferred Stock will have the right to require the redemption or repurchase of the Preferred Stock.

*Transfer Agent, Registrar & Dividend Disbursement Agent.* Equiniti Trust Company, located at 1110 Centre Pointe Curve, Suite 101, Mendota Heights, MN 55120, is the transfer agent, registrar and dividend disbursement agent for our Preferred Stock. We may terminate such appointment and may appoint a successor transfer agent, registrar and/or dividend disbursement agent at any time and from time to time, *provided* that we will use our best efforts to ensure that there is, at all relevant times when the Preferred Stock is outstanding, a person or entity appointed and serving as transfer agent, registrar and/or dividend disbursement agent.

***Dividends***

The Preferred Stock, in preference to the holders of our common stock and of any other junior stock, are entitled to receive, only when, as and if declared by our Board of Directors (or a duly authorized committee thereof), out of funds legally available for payment, noncumulative cash dividends on each dividend payment date applied to the liquidation amount of $25,000 per share at the annual rate of (i) 5.625%, with respect to the Series G Preferred Stock, (ii) 5.100%, with respect to the Series H Preferred Stock and (iii) 4.750%, with respect to the Series I Preferred Stock.

A "*business day*" means any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed.

A "*dividend payment date*" means each January 15, April 15, July 15 and October 15; *provided* that if any such date is not a business day, then such date will nevertheless be a dividend payment date but dividends on the Preferred Stock, when, as and if declared, will be paid on the next succeeding business day (without adjustment in the amount of the dividend per share of such Preferred Stock).

A "*dividend period*" means each period from and including a dividend payment date (except that the initial dividend period will commence on the original issue date of the applicable series of the Preferred Stock, as applicable) and continuing to but not including the next succeeding dividend payment date. As that term is used herein, each dividend payment date "relates" to the dividend period most recently ending before such dividend payment date.

Dividends will be paid to holders of record of Preferred Stock as they appear on our books on the applicable record date, which will be the 15th calendar day before such dividend payment date, or such other record date fixed for that purpose by our Board of Directors (or a duly authorized committee thereof) that is not more than 60 nor less than 10 days prior to such dividend payment date, in advance of payment of each particular dividend.

The amount of dividends payable per share of the Preferred Stock will be computed by Equiniti Trust Company as the dividend disbursement agent (as defined below) on the basis of a 360-day year consisting of twelve 30-day months.

Dividends on shares of the Preferred Stock will not be cumulative and will not be mandatory. If our Board of Directors (or a duly authorized committee of the board) does not declare a dividend on any series of the Preferred Stock in respect of a dividend period, then no dividend will be deemed to have accrued for such dividend period for such series, be payable on the related dividend payment date, or accumulate, and we will have no obligation to pay any dividend accrued for such dividend period for such series, whether or not our Board of Directors (or a duly authorized committee of the board) declares a dividend on the Preferred Stock or any other series of our preferred stock or on our common stock for any future dividend period. References to the "accrual" (or similar terms) of dividends herein refer only to the determination of the amount of such dividend and do not imply that any right to a dividend arises prior to the date on which a dividend is declared.

During any dividend period while any series of the Preferred Stock is outstanding, unless the full dividends for the preceding dividend period on all such outstanding shares of each series have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside and any declared but unpaid dividends for any prior period have been paid:

**(i)** no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any junior stock (other than (1) a dividend payable solely in junior stock or (2) any dividend in connection with the implementation of a shareholders' rights plan or the redemption or repurchase of any rights under such plan),

**(ii)** no shares of junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (1) as a result of a reclassification of junior stock for or into other junior stock, (2) the exchange or conversion of one share of junior stock for or into another share of junior stock, (3) purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (4) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such securities or the security being converted or exchanged and (5) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock) nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by us and

**(iii)** no shares of stock designated as ranking on a parity with the Preferred Stock, as to payments of dividends and the distribution of assets on our liquidation, dissolution or winding-up ("*dividend parity stock*"), shall be repurchased, redeemed or otherwise acquired for consideration by us other than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Preferred Stock and such dividend parity stock (other than the exchange or conversion of such dividend parity stock for or into shares of junior stock).

When dividends are not paid in full upon the shares of the Preferred Stock (except with respect to the Series G Preferred Stock for the reasons described below) and any dividend parity stock, all dividends declared upon shares of the Preferred Stock and any dividend parity stock will be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current dividend period, and any prior dividend periods for which dividends were declared but not paid, per share on the Preferred Stock, and accrued dividends, including any accumulations, on any dividend parity stock, bear to each other.

We may pay dividends on the Series H Preferred Stock and the Series I Preferred Stock, neither of which include the dividend restrictions described below, for periods during which we may not be able to pay dividends on the Series G Preferred Stock as a result of such dividend restrictions in such series of the Preferred Stock.

*Restrictions on Declaration and Payment of Dividends – Series G Preferred Stock.* We are prohibited from declaring dividends for payment on the Series G Preferred Stock on any dividend payment date in an aggregate amount exceeding the New Common Equity Amount, if on that declaration date, either:

- our Covered Insurance Subsidiaries' Most Recent Weighted Average RBC Ratio was less than 175%; or

- (x) our Trailing Four Quarters Net Income Amount for the period ending on the quarter that is two quarters prior to the most recently completed quarter is less than or equal to zero and (y) our Adjusted Shareholders' Equity Amount as of the most recently completed quarter and as of the end of the quarter that is two quarters before the most recently completed quarter has declined by 20% or more as compared to our Adjusted Shareholders' Equity Amount at the date that is ten quarters prior to the most recently completed quarter (the "*Benchmark Quarter End Test Date*").

The limitation on dividends provided for in the first bullet point above will be of no force and effect if, as of a dividend declaration date, the combined total assets of our Insurance Subsidiaries do not account for 25% or more of our consolidated total assets as reflected on our most recent consolidated financial statements.

If we fail to satisfy either of the above tests for any dividend payment date, the restrictions on dividends will continue until we satisfy both tests for a dividend payment date. In addition, in the case of a restriction arising under the second bullet point above, the restriction on payment of dividends on the Series G Preferred Stock in an aggregate amount exceeding the New Common Equity Amount will continue until we satisfy the two tests set forth above for a dividend payment date and our Adjusted Shareholders' Equity Amount has increased, or has declined by less than 20%, in either case as compared to our Adjusted Shareholders' Equity Amount at the end of the Benchmark Quarter End Test Date for each dividend payment date as to which dividend restrictions were imposed under the second test above. For example, if we failed to satisfy the second test above for three consecutive dividend payment dates, we would be able to declare dividends on the Series G Preferred Stock on the fourth dividend payment date only if, as of the related declaration date:

- we satisfied both of the tests set forth above for that fourth dividend payment date; and

- our Adjusted Shareholders' Equity Amount as of the last completed quarter for that dividend payment date had increased from, or was less than 20% below, its level as of the end of each of the eleventh, twelfth and thirteenth quarters, preceding the most recently completed quarter.

The information required to calculate the Covered Insurance Subsidiaries' Most Recent Weighted Average RBC Ratio for a year will be set forth in the Annual Statements of the Covered Insurance Subsidiaries, which are typically filed on or before March 1 of the following year.

There can be no assurance that future financial results will not result in these tests restricting the declaration of dividends.

The term "Covered Insurance Subsidiaries' Most Recent Weighted Average RBC Ratio" is defined below and is based upon the "RBC" or "risk-based capital" ratios that insurance companies are required to calculate and report to their regulators as of the end of each year in accordance with prescribed procedures. The ratio measures the relationship of an insurance company's "total adjusted capital", calculated in accordance with those prescribed procedures, relative to a standard that is determined based on the magnitude of various risks present in an insurance company's operations. The prescribed procedures set forth the RBC levels, ranging from the "company action level" to the "mandatory control level", at which certain corrective actions are required and at which a state insurance regulator is required, or authorized and expected, to take regulatory action.

The highest RBC level is known as the "company action level". If an insurance company's "total adjusted capital" is greater than the "company action level", no corrective action is required to be taken. At progressively lower levels of "total adjusted capital", an insurance company faces increasingly rigorous levels of corrective action, including the submission of a comprehensive financial plan to the insurance regulator in its state of domicile, a mandatory examination or analysis of the insurance company's business and operations by the regulator and the issuance of appropriate corrective orders to address the insurance company's financial problems, and, at the lowest levels, either voluntary or mandatory action by the regulator to place the insurer under regulatory control. The "company action level" is twice the level (known as the "authorized control level") below which the regulator is authorized (but not yet required) to place the insurance company under regulatory control. The Covered Insurance Subsidiaries' Most Recent Weighted Average RBC Ratio is based upon the "company action level".

If because of a change or cumulative effect of changes in insurance company statutory accounting or in the determination of Company Action Level RBC, our Covered Insurance Subsidiaries' Most Recent Weighted Average RBC Ratio is higher or lower than it would have been absent such change or cumulative effect of changes, then, for purposes of the calculations in the first test set forth above, and for so long as such calculations are required to be performed, our Covered Insurance Subsidiaries' Most Recent Weighted Average RBC Ratio may, in our discretion, be calculated on a best efforts *pro forma* basis as if such change or cumulative effect of changes had not occurred.

With the exception of terms that have specific insurance regulatory meanings such as "risk-based capital", all financial terms used herein will be determined in accordance with U.S. GAAP as applied and reflected in our related financial statements as of the relevant dates, except as provided in the next sentence. If because of a change or cumulative effect of changes in U.S. GAAP, either:

- our net income for the quarter in which such change or cumulative effect of changes take effect is higher or lower than it would have been absent such change or cumulative effect of changes and our Trailing Four Quarters Net Income Amount is higher or lower than it would have been absent such change or cumulative effect of changes, then, for purposes of the calculations described in the second test set forth above, commencing with the fiscal quarter for which such changes in U.S. GAAP becomes effective, and for so long as such calculations are required to be performed, such Trailing Four Quarters Net Income Amount may, in our discretion, be calculated on a best efforts *pro forma* basis as if such change or cumulative effect of changes had not occurred; or

- our Adjusted Shareholders' Equity Amount as of the end of the quarter in which such change or cumulative effect of changes take effect is higher or lower than it would have been absent such change or cumulative effect of changes then, for purposes of the calculations described in the second test set forth above, commencing with the fiscal quarter for which such changes in U.S. GAAP becomes effective, and for so long as such calculations are required to be performed, our Adjusted Shareholders' Equity Amount may, in our discretion, be calculated on a best efforts *pro forma* basis as if such change or cumulative effect of changes had not occurred.

If at any relevant time or for any relevant period, we are not a reporting company under the Exchange Act, then for any such relevant dates and periods we will prepare and post on our web site, or otherwise make publicly available, the financial statements that we would have been required to file with the SEC had we continued to be a reporting company under the Exchange Act, in each case on or before the dates that we would have been required to file such financial statements had we continued to be a "large accelerated filer" within the meaning of Rule 12b-2 under the Exchange Act.

As used in this section:

"*Adjusted Shareholders' Equity Amount*" means, as of any quarter end, our shareholders' equity, as reflected on our consolidated statement of financial position as of such quarter end, excluding (i) accumulated other comprehensive income and loss and (ii) any increase in our shareholders' equity resulting from the issuance of preferred stock during the period from and including the first dividend payment date on which we were restricted in our ability to pay dividends on the Series G Preferred Stock as a result of our Trailing Four Quarters Net Income Amount having been less than zero and our Adjusted Shareholders' Equity Amount having declined by 20% or more as compared to the Benchmark Quarter End Test Date, through to the first quarter end thereafter as of which our Adjusted Shareholders' Equity Amount has declined by less than 20% or increased as compared to the Benchmark Quarter End Test Date, in each case, as reflected on such consolidated statement of financial position.

"*Annual Statement*" means, as to an Insurance Subsidiary, the annual statement of such Insurance Subsidiary containing its statutory balance sheet and income statement as required to be filed by it with one or more state insurance commissioners or other state insurance regulatory authorities.

"*Company Action Level RBC*" has the meaning specified in Section 35A-15 (or the relevant successor section, if any) of the Illinois Insurance Code or similar provision of the laws governing property-casualty insurance companies for the state in which a Covered Insurance Subsidiary is domiciled.

"*Covered Insurance Subsidiaries*" means, for any year, Insurance Subsidiaries that account for 80% or more of the Net Written Premiums of our property liability Insurance Subsidiaries for such year. Our Insurance Subsidiaries for any year will be identified by first ranking the Insurance Subsidiaries from largest to smallest based upon the amount of each Insurance Subsidiary's Net Written Premiums during such year and then, beginning with the Insurance Subsidiary that has the greatest amount of Net Written Premiums during such year, identifying such Insurance Subsidiaries as Covered Insurance Subsidiaries until the ratio of the combined Net Written Premiums of the Insurance Subsidiaries so identified to the combined Net Written Premiums of all of the Insurance Subsidiaries during such year equals or exceeds 80%.

"*Covered Insurance Subsidiaries' Most Recent Weighted Average RBC Ratio*" means, as of any date, an amount (expressed as a percentage) calculated as (i) the sum of the Total Adjusted Capital of each of our Covered Insurance Subsidiaries as shown on such Covered Insurance Subsidiary's most recently filed Annual Statement, divided by (ii) the sum of the Company Action Level RBC of each of our Covered Insurance Subsidiaries, which is determined as two times the authorized control level RBC, as shown on such Covered Subsidiary's most recently filed Annual Statement. The computation will be done in a manner that does not double count subsidiary RBC.

"*Insurance Subsidiary*" means any of our subsidiaries that is organized under the laws of any state in the United States and is licensed as a property-casualty insurance company in any state in the United States.

"*Net Written Premiums*" means, as to an Insurance Subsidiary for any full fiscal year, the total net written premiums by such Insurance Subsidiary for such year as shown on such Insurance Subsidiary's most recently filed Annual Statement including any affiliate assumed or ceded premiums.

"*New Common Equity Amount*" means, at any date, the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuances) received by us from new issuances of our common stock (whether in one or more public offerings registered under the Securities Act of 1933, as amended (the "*Securities Act*"), or private placements or other transactions exempt from registration under the Securities Act) during the period commencing on the 90th day prior to such date, and which are designated by our Board of Directors (or a duly authorized committee of the board) at or before the time of issuance as available to pay dividends on the Series G Preferred Stock.

"*Total Adjusted Capital*" has the meaning specified in Section 35A-5 (or the relevant successor section, if any) of the Illinois Insurance Code or similar provision of the laws governing property-casualty insurance companies for the state in which a Covered Insurance Subsidiary is domiciled.

"*Trailing Four Quarters Net Income Amount*" means, for any period ending on the last day of a fiscal quarter, the sum of our U.S. GAAP net income for the four fiscal quarters ending on the last day of such fiscal quarter, with losses being treated as negative numbers for such purpose.

"*U.S. GAAP*" means, at any date or for any period, U.S. generally accepted accounting principles as in effect on such date or for such period.

*Notices Related to Potential or Actual Restrictions on Declaration and Payment of Dividends – Series G Preferred Stock.* We are required to give notice to holders of the Series G Preferred Stock of a potential restriction on the declaration and payment of dividends that could take effect for a subsequent dividend payment date two quarters in the future if:

- our Trailing Four Quarters Net Income Amount for the most recently completed quarter is less than or equal to zero; and
- our Adjusted Shareholders' Equity Amount as of the most recently completed quarter has declined by 20% or more as compared to our Adjusted Shareholders' Equity Amount as of the date that is eight quarters prior to the most recently completed quarter.

We will send such a notice no later than the first dividend payment date following the end of the most recently completed quarter as of which the above tests indicate that a potential restriction on declaration and payment of dividends could occur. Such notice will be sent by first class mail, postage prepaid, addressed to the holders of record of the Series G Preferred Stock at their respective last addresses appearing on our books, and we will file a copy of such notice on Form 8-K with the SEC. Such notice will (i) set forth the results of our Trailing Four Quarters Net Income Amount and our Adjusted Shareholders' Equity Amounts for the relevant period and dates, and (ii) state that we may be limited by the terms of the Series G Preferred Stock from declaring and paying dividends on such future dividend payment date unless we, through the generation of earnings or new issuances of our common stock, increase our Adjusted Shareholders' Equity Amount by an amount specified in such notice by the second dividend payment date after the date of such notice.

By not later than the 15th day prior to each dividend payment date for which dividends are being suspended because we have failed either of the two tests set forth above and we are not otherwise able to pay dividends out of New Common Equity Amount, we will give notice of such suspension by first class mail, postage prepaid, addressed to the holders of record of the Series G Preferred Stock, and we will file a copy of such notice on Form 8-K with the SEC. Such notice, in addition to stating that dividends will be suspended, will set forth the fact that the Covered Insurance Subsidiaries' risk based capital ratio is less than 175% of such subsidiaries' company action level if dividends are suspended by reason of failing to satisfy the first test above and the applicable Adjusted Shareholders' Equity Amount (and the amount by which our Adjusted Shareholders' Equity Amount must increase in order for declaration and payment of dividends to be resumed) if dividends are suspended by reason of failing to satisfy the second test above.

*Interpretive Provisions and Qualifications – Series G Preferred Stock.* In order to give effect to the foregoing, the terms of the Series G Preferred Stock prohibit our Board of Directors (or duly authorized committee of the board) from declaring dividends on such series of Preferred Stock on a declaration date (i) that is more than 60 days prior to the related dividend payment date or (ii) that is earlier than the date on which our financial statements for the most recently completed quarter prior to the related dividend payment date have been filed with or furnished to the SEC (*e.g*., on a Form 10-K, 10-Q or 8-K) or have otherwise been made publicly available. The limitation in clause (ii) of the preceding sentence is subject to the exception that, if the Board of Directors determines to delay filing our financial statements with the SEC to a date later than the date on which "large accelerated filers" under the SEC's rules would normally be required to file such financial statements (without giving effect to any permitted extensions), for example because of concerns over the accuracy of such financial statements or their compliance with U.S. GAAP, then the Board of Directors (or any duly authorized committee of the board) will be permitted to determine the ability of the Board of Directors (or any duly authorized committee of the board) to declare dividends under the financial test outlined above based upon our financial statements as most recently filed with the SEC or otherwise made publicly available.

Any other class or series of our preferred stock will not be deemed to rank senior to (or other than on a parity with) the Series G Preferred Stock in the payment of dividends solely because such other class or series of our stock does not include the limitation on payment of dividends (and the related exceptions) described herein. Therefore, we may pay dividends on the shares of any such other class or series of our stock that is otherwise on a parity with the Series G Preferred Stock for periods during which we may not pay dividends on such series of Preferred Stock because of such limitation.

***Redemption***

*Redemption – Series G Preferred Stock.* We may, at our option, redeem the shares of the Series G Preferred Stock (i) in whole but not in part at any time prior to April 15, 2023, within 90 days after the occurrence of a "rating agency event" at a redemption price equal to $25,000 per share, or if greater, a "make-whole redemption price" calculated as described below, in each case, plus any declared and unpaid dividends, without regard to any undeclared dividends, to, but excluding, the redemption date, or (ii) in whole or in part, from time to time, on any dividend payment date on or after April 15, 2023, at a redemption price equal to $25,000 per share, plus any declared and unpaid dividends, without regard to any undeclared dividends, to, but excluding, the redemption date.

Dividends will cease to accrue on the shares of the Series G Preferred Stock called for redemption from, and including, the redemption date.

For the purposes of the preceding paragraph:

- "*make-whole redemption price*" means, with respect to a redemption of the Series G Preferred Stock in whole prior to April 15, 2023, the present values of (i) $25,000 per share of Series G Preferred Stock and (ii) all undeclared dividends for the dividend periods from the date of redemption to and including April 15, 2023, discounted to the date of redemption on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate, as calculated by the treasury dealer plus 0.40%;

- "*rating agency event*" means that any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act, that then publishes a rating for us (a "*rating agency*") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series G Preferred Stock, which amendment, clarification or change results in:

  - o the shortening of the length of time the Series G Preferred Stock is assigned a particular level of equity credit by that rating agency as compared to the length of time it would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series G Preferred Stock; or

  - o the lowering of the equity credit (including up to a lesser amount) assigned to the Series G Preferred Stock by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series G Preferred Stock;

- "*treasury dealer*" means Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Wells Fargo Securities, LLC or their respective successors, as selected by us, or if any of the foregoing refuse to act as treasury dealer for this purpose or cease to be primary U.S. Government securities dealers in the United States (a *"Primary Treasury Dealer"*). another Primary Treasury Dealer specified by us for these purposes;

- "*treasury price*" means the bid-side price for the treasury security as of the third trading day preceding the redemption date, as set forth in the Wall Street Journal in the table entitled "Treasury Bonds, Notes and Bills", except that: (i) if that table (or any successor table) is not published or does not contain that price information on that trading day, or (ii) if the treasury dealer determines that the price information is not reasonably reflective of the actual bid-side price of the treasury security prevailing at 3:30 p.m., New York City time, on that trading day, then treasury price will instead mean the bid-side price for the treasury security at or around 3:30 p.m., New York City time, on that trading day (expressed on a next trading day settlement basis) as determined by the treasury dealer through such alternative means as are commercially reasonable under the circumstances;

- "*treasury rate*" means the quarterly equivalent yield to maturity of the treasury security that corresponds to the treasury price (calculated in accordance with standard market practice and computed by the treasury dealer as of the second trading day preceding the redemption date); and

- "*treasury security*" means the United States Treasury security that the treasury dealer determines would be appropriate to use, at the time of determination and in accordance with standard market practice, in pricing the Series G Preferred Stock being redeemed in a tender offer based on a spread to United States Treasury yields.

*Redemption – Series H Preferred Stock and Series I Preferred Stock*. We may, at our option, redeem the shares of the Series H Preferred Stock or the Series I Preferred Stock (i) in whole but not in part at any time prior to (x) October 15, 2024, with respect to the Series H Preferred Stock or (y) January 15, 2025, with respect to the Series I Preferred Stock, in each case, within 90 days after the occurrence of a "rating agency event" at a redemption price equal to $25,500 per share, plus any declared and unpaid dividends, without regard to any undeclared dividends, to, but excluding, the redemption date, or (ii) (a) in whole but not in part at any time prior to (x) October 15, 2024, with respect to the Series H Preferred Stock or (y) January 15, 2025, with respect to the Series I Preferred Stock, in each case, within 90 days after the occurrence of a "regulatory capital event," or (b) in whole or in part, from time to time, on any dividend payment date on or after (x) October 15, 2024, with respect to the Series H Preferred Stock or (y) January 15, 2025, with respect to the Series I Preferred Stock, in each case, at a redemption price equal to $25,000 per share, plus any declared and unpaid dividends, without regard to any undeclared dividends, to, but excluding, the redemption date. Dividends will cease to accrue on the shares of the Series H Preferred Stock or the Series I Preferred Stock called for redemption from, and including, the redemption date.

For the purposes of the preceding paragraph:

- "*rating agency event*" means that any rating agency that then publishes a rating for us amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series H Preferred Stock or the Series I Preferred Stock, as applicable, which amendment, clarification or change results in:

  - the shortening of the length of time the Series H Preferred Stock or the Series I Preferred Stock, as applicable, is assigned a particular level of equity credit by that rating agency as compared to the length of time it would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series H Preferred Stock or the Series I Preferred Stock, as applicable; or

  - the lowering of the equity credit (including up to a lesser amount) assigned to the Series H Preferred Stock or the Series I Preferred Stock, as applicable, by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series H Preferred Stock or the Series I Preferred Stock, as applicable.

- "*regulatory capital event*" means our good faith determination that, as a result of:

  - any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States or any other governmental agency or instrumentality as may then have group-wide oversight of our regulatory capital that is enacted or becomes effective after the initial issuance of the Series H Preferred Stock or the Series I Preferred Stock, as applicable,

- any proposed amendment to, or change in, those laws, rules or regulations that is announced or becomes effective after the initial issuance of the Series H Preferred Stock or the Series I Preferred Stock, as applicable, or

- any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations that is announced after the initial issuance of the Series H Preferred Stock or the Series I Preferred Stock, as applicable.

***Provisions of Our Restated Certificate of Incorporation and Amended and Restated Bylaws that May Delay or Make More Difficult Unsolicited Acquisitions or Changes of Our Control***

Some provisions of our Restated Certificate of Incorporation and Amended and Restated Bylaws may delay or make more difficult unsolicited acquisitions or changes of our control. We believe that these provisions will enable us to develop our business in a manner that will foster long-term growth without disruption caused by the threat of a takeover not thought by our Board of Directors to be in the best interests of Allstate and its stockholders.

Those provisions could have the effect of discouraging third parties from making proposals involving an unsolicited acquisition or change of control of our company, although the proposals, if made, might be considered desirable by a majority of our stockholders. Those provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of our Board of Directors.

These provisions include:

- our Amended and Restated Bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before annual or special stockholders meetings;

- special meetings of the stockholders may be called only by (i) the Secretary upon the written request of stockholders owning not less than 10% of all outstanding common stock, in accordance with the applicable requirements and procedures of the Amended and Restated Bylaws or (ii) the chairman of the Board of Directors; and

- stockholders may act by written consent only if such action is taken in accordance with the applicable requirements of the Restated Certificate of Incorporation or by holders of a class or series of preferred stock, if the terms of such class or series of preferred stock expressly provide for such action by written consent.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law. Generally, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" during the three years after the date the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes a merger, asset sale or a transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person, who together with affiliates and associates, owns (or, in certain cases, within the preceding three years, did own) 15% or more of the corporation's outstanding voting stock. Under Section 203, a business combination between us and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became an interested stockholder, our Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon the completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, shares owned by persons who are directors and officers; or

- the business combination is approved by our Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

***Limitations on Liability***

Our Restated Certificate of Incorporation limits our directors' liability to the fullest extent permitted by law. Generally, our directors will not be held liable for their actions. However, they will be held liable for:

- a breach of their duty of loyalty to us or our stockholders;

- acts or omissions not in good faith or in a way which involves intentional misconduct or a knowing violation of law;

- payment of an improper dividend or improper repurchase of our stock; or

- acting or not acting for improper personal benefit.

Because of these limitations on liability, our stockholders may not sue one of our directors for money unless the stockholder can show the director committed one of the offenses listed above. These provisions do not affect our directors' liability under federal securities laws. Also, our directors still have a duty of care. The limitation of our directors' liability may discourage or deter stockholders or management from suing directors for a breach of their duties, even though such an action, if successful, might otherwise have benefited us or our stockholders. This limitation on our directors' liability should not affect the availability of equitable remedies such as injunctions or rescissions based upon a director's breach of his or her duty of care.

## DESCRIPTION OF DEPOSITARY SHARES

The following description of the depositary shares representing each series of the Preferred Stock and the terms of the applicable deposit agreements is a summary. It is the deposit agreement, and not this summary, which defines the rights of the holder of depositary shares representing each series of the Preferred Stock. Please read the deposit agreement for a full description of the terms of the depositary shares representing each series of the Preferred Stock.

As described above under “Description of the Preferred Stock”, we issued fractional interests in shares of the Preferred Stock in the form of the Depositary Shares. Each Depositary Share represents a 1/1,000th interest in a share of the Preferred Stock and is evidenced by a depositary receipt. The shares of the applicable series of the Preferred Stock represented by the Depositary Shares were each deposited under a separate deposit agreement among us, Equiniti Trust Company, as the Depositary, and the holders from time to time of the depositary receipts evidencing the applicable Depositary Shares. Subject to the terms of the applicable deposit agreement, each holder of Depositary Shares is entitled, through the Depositary, in proportion to the applicable fraction of a share of the applicable series of the Preferred Stock represented by such Depositary Shares, to all the rights and preferences of the applicable series of the Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

***Dividends and Other Distributions***

The Depositary will distribute any cash dividends or other cash distributions received in respect of each series of the deposited Preferred Stock to the record holders of the applicable Depositary Shares relating to the underlying series of the Preferred Stock in proportion to the number of the applicable Depositary Shares held by the holders. The Depositary will distribute any property received by it other than cash to the record holders of the applicable Depositary Shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the Depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders of the applicable Depositary Shares in proportion to the number of such Depositary Shares they hold.

Record dates for the payment of dividends and other matters relating to the Depositary Shares will be the same as the corresponding record dates for the applicable series of the Preferred Stock.

The amounts distributed to holders of the Depositary Shares will be reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

***Redemption of the Depositary Shares***

If we redeem any series of the Preferred Stock represented by Depositary Shares, the applicable Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of such series of the Preferred Stock held by the Depositary. The redemption price per applicable Depositary Share will be equal to 1/1,000th of the redemption price per share payable with respect to the applicable series of the Preferred Stock (equivalent to $25 per Depositary Share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends, on the shares of such Preferred Stock. Whenever we redeem shares of the applicable series of the Preferred Stock held by the Depositary, the Depositary will redeem, as of the same redemption date, the number of the applicable Depositary Shares representing shares of the applicable series of the Preferred Stock so redeemed.

In case of any redemption of less than all of the outstanding Depositary Shares representing shares of a series of the Preferred Stock, the applicable Depositary Shares to be redeemed will be selected by us *pro rata*, by lot or in such other manner we determine to be equitable. In any such case, we will redeem the applicable Depositary Shares only in increments of 1,000 shares and any integral multiple thereof.

***Voting of the Preferred Stock***

When the Depositary receives notice of any meeting at which the holders of the applicable series of the Preferred Stock are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the applicable Depositary Shares relating to the such series of the Preferred Stock. Each record holder of Depositary Shares on the record date, which will be the same date as the record date for the applicable series of the Preferred Stock, may instruct the Depositary to vote the amount of the applicable series of the Preferred Stock represented by the holder's Depositary Shares. To the extent possible, the Depositary will vote the amount of the applicable series of the Preferred Stock represented by the Depositary Shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any Depositary Shares, it will not vote the amount of the applicable series of the Preferred Stock represented by such Depositary Shares.

***Amendment and Termination of each Deposit Agreement***

We and the Depositary may amend the form of each depositary receipt evidencing the applicable Depositary Shares and any provision of the applicable Deposit Agreement at any time. However, any amendment which materially and adversely alters the rights of the holders of the applicable Depositary Shares will not be effective unless the amendment has been approved by the holders of at least a majority of such series of Depositary Shares then outstanding.

Each Deposit Agreement will terminate if:

- all outstanding Depositary Shares with respect thereto have been redeemed; or
- there has been a final distribution in respect of the applicable Preferred Stock, including in connection with our liquidation, dissolution or winding-up, and the repayment, redemption or distribution proceeds, as the case may be, has been distributed the holders of the applicable series of Depositary Shares.

***Listing***

The Series G Depositary Shares are listed on the New York Stock Exchange under the symbol "ALL PR G".

The Series H Depositary Shares are listed on the New York Stock Exchange under the symbol "ALL PR H".

The Series I Depositary Shares are listed on the New York Stock Exchange under the symbol "ALL PR I".

***Form of the Depositary Shares***

Each series of the Depositary Shares representing the Preferred Stock was issued in book-entry form through DTC. Each series of the Preferred Stock was issued in registered form to the Depositary.

***Depositary***

Equiniti Trust Company is the Depositary for each series of the Depositary Shares. We may terminate any such appointment and may appoint a successor Depositary at any time and from time to time, *provided* that we will use our best efforts to ensure that there is, at all relevant times when any series of the Preferred Stock is outstanding, a person or entity appointed and serving as such Depositary with respect to such series.

***Resignation and Removal of Depositary***

The Depositary may resign at any time by delivering to us notice of its election to do so. We also may, at any time, remove the Depositary. Any resignation or removal will take effect upon the appointment of a successor Depositary and its acceptance of such appointment. We must appoint the successor Depositary within 60 days after delivery of the notice of resignation or removal. The successor Depositary must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50,000,000.

***Charges of Depositary***

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the Depositary in connection with the initial deposit of the Preferred Stock and the issuance of depositary receipts, all withdrawals of Depositary Shares representing the applicable series of Preferred Stock and any repayment or redemption of such Preferred Stock, as the case may be. The holders of the Depositary Shares will pay other transfer and other taxes and governmental charges, as well as the other charges that are expressly provided in the applicable Deposit Agreement to be for the account of the holders.

***Miscellaneous***

The Depositary will forward all reports and communications from us which are delivered to the Depositary and which we are required or otherwise determine to furnish to holders of the Preferred Stock.

Neither we nor the Depositary will be liable under any Deposit Agreement other than for gross negligence, willful misconduct or bad faith. Neither we nor the Depositary will be obligated to prosecute or defend any legal proceedings relating to any Depositary Shares or Preferred Stock unless satisfactory indemnity is furnished. We and the Depositary may rely upon written advice of counsel or accountants, or upon information provided by persons presenting the Preferred Stock for deposit, believed to be competent and on documents which we and the Depositary believe to be genuine.

**EXHIBIT 10.31**

# RESOLUTION

## Director Compensation

RESOLVED, that the Board hereby sets forth in full the components of Non-Employee Director compensation of the Corporation and increases the amount of equity compensation by $20,000.

FURTHER RESOLVED, that Non-Employee Directors shall be entitled to receive for their services as directors, a quarterly cash retainer in the amount of $31,250 (“Quarterly Retainer”), to be paid on each January 1, April 1, July 1, and October 1 (each a “Quarterly Payment Date”), provided such Non-Employee Director is serving as a director on such date.

FURTHER RESOLVED, each Non-Employee Director who serves as the chair of the Audit Committee or the Risk and Return Committee shall be entitled to receive a quarterly chair fee in the amount of $8,750, and each Non-Employee Director who serves as a chair of the Compensation and Human Capital Committee or Nominating, Governance and Social Responsibility Committee, or as Lead Director shall be entitled to receive a quarterly fee in the amount of $7,500, $5,000, and $12,500, respectively, (each such fee, a “Quarterly Chair Fee” or “Quarterly Lead Director Fee”, respectively), to be paid on each Quarterly Payment Date, provided such Non-Employee Director is serving as a committee chair or as Lead Director on such date.

FURTHER RESOLVED, that any Non-Employee Director *initially* elected to the Board or *initially* appointed as a committee chair or as Lead Director effective on any date other than a Quarterly Payment Date, shall be entitled to receive on the Quarterly Payment Date following the date he or she joins the Board or becomes such chair or Lead Director, as the case may be, an additional one-time fee in an amount equal to the Quarterly Retainer, Quarterly Chair Fee, or Quarterly Lead Director Fee, as the case may be, multiplied by a fraction, the numerator of which is the number of calendar days such Non-Employee Director has served on the Board or as such chair prior to such Quarterly Payment Date and the denominator of which is the number of calendar days in such calendar quarter.

FURTHER RESOLVED, effective June 1, 2022, and on each June 1 of each year thereafter, each Non-Employee Director who is serving as a director on that date shall be entitled to receive a number of restricted stock units (“RSU”s) equal to $175,000 divided by the price at which a share of the Corporation’s common stock was last sold in the principal United States market for the stock as of such June 1, with any fractional amount rounded up to the next whole RSU.

FURTHER RESOLVED, that effective June 1, 2022, any Non-Employee Director *initially* elected to the Board effective on any date other than June 1 shall be entitled to receive on the date he or she joins the Board, a number of RSUs equal to $175,000 divided by the price at which a share of the Corporation's common stock was last sold in the principal United States market for the stock as of the date the Non-Employee Director joins the Board, multiplied by a fraction, the numerator of which is the number of full calendar months from such date until the following May 31 and the denominator of which is 12, with any fractional amount rounded up to the next whole RSU.

FURTHER RESOLVED, that awards of RSUs under the 2017 Equity Compensation Plan for Non-Employee Directors (the "Plan"), shall be evidenced by the form of Restricted Stock Unit Award Agreement in the approved form.

FURTHER RESOLVED, that for RSU awards, the period of restriction will begin on the date of grant and continue through the earlier of (i) the day prior to the third anniversary of the date of grant, (ii) the date on which the Non-Employee Director's Board service terminates, and (iii) the date of the Non-Employee Director's death or disability as defined in the Plan (the "Standard Period of Restriction"), unless the Non-Employee Director elects a period of restriction other than the Standard Period of Restriction, as provided in the resolution immediately below.

FURTHER RESOLVED, that for RSU awards, a Non-Employee Director may elect a period of restriction other than the Standard Period of Restriction, which shall begin on the date of grant and continue through either (i) the date on which the Non-Employee Director's Board service terminates, or (ii) the day prior to the tenth anniversary of the date of grant, except in the event of the Non-Employee Director's death or disability as defined in the Plan, which event shall terminate the period of restriction on the date of such death or disability, (the "Deferral"), by delivering written notice to the Executive Vice President, Human Resources, Allstate Insurance Company not later than December 31 of the calendar year immediately preceding the year in which the RSUs are granted.

FURTHER RESOLVED, that for any Non-Employee Director *initially* elected to the Board, such Deferral election must be made by written notice to the Executive Vice President, Human Resources, Allstate Insurance Company by the date of his or her election or appointment to the Board or such other date that complies with Section 409A of the Internal Revenue Code and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

FURTHER RESOLVED, that each such Deferral election shall be irrevocable after the calendar year in which such election is made and thereafter, and shall remain in effect for all successive RSU awards unless and until the Non-Employee Director files a subsequent change to an existing deferral election.

FURTHER RESOLVED, that the Executive Vice President, Human Resources, Allstate Insurance Company is authorized to prepare election forms consistent with these resolutions and applicable law.

FURTHER RESOLVED, that effective as of January 1, 2022, the foregoing resolutions, pertaining to Non-Employee Director cash compensation supercede the resolutions adopted by the Board of Directors on November 18, 2016 and November 16, 2018; and that effective as of June 1, 2022, the foregoing resolutions pertaining to Non-Employee Director equity compensation, supercede the resolutions adopted by the Board of Directors on November 18, 2016.

| Company Name | Domicile |
|---|---|
| 1100 Compton, LLC | Delaware |
| ABC Agency Network, Inc.[(1)] | Louisiana |
| ABC Agency Network of Texas, LLC[(2)] | Texas |
| Adirondack AIF, LLC | New York |
| Agent Alliance Insurance Company | Alabama |
| AgentCubed, LLC | Idaho |
| AIMCO Private Fund II, LLC | Delaware |
| ALINV Mosaic, LLC | Delaware |
| Allstate County Mutual Insurance Company | Texas |
| Allstate Digital Ventures, LLC | Delaware |
| Allstate Enterprises, LLC | Delaware |
| Allstate Exchange Services, LLC | Delaware |
| Allstate Finance Company, LLC | Delaware |
| Allstate Financial Advisors, LLC | Delaware |
| Allstate Financial Corporation | Illinois |
| Allstate Financial Insurance Holdings Corporation | Delaware |
| Allstate Financial Services, LLC [(3)] | Delaware |
| Allstate Financial, LLC | Delaware |
| Allstate Fire and Casualty Insurance Company | Illinois |
| Allstate Global Holdings Limited | Northern Ireland |
| Allstate Indemnity Company | Illinois |
| Allstate Insurance Company | Illinois |
| Allstate Insurance Company of Canada | Canada |
| Allstate Insurance Holdings, LLC | Delaware |
| Allstate Insurance Services, Inc. | Delaware |
| Allstate International Holdings, Inc. | Delaware |
| Allstate Investment Management Company | Delaware |
| Allstate Investments, LLC | Delaware |
| Allstate Life Insurance Company of Canada | Canada |
| Allstate Motor Club, Inc. | Delaware |
| Allstate New Jersey Insurance Company | Illinois |
| Allstate New Jersey Property and Casualty Insurance Company | New Jersey |
| Allstate Non-Insurance Holdings, Inc. | Delaware |
| Allstate North American Insurance Company | Illinois |
| Allstate Northbrook Indemnity Company | Illinois |
| Allstate Northern Ireland Limited | Northern Ireland |
| Allstate Property and Casualty Insurance Company | Illinois |
| Allstate Short Term Pool, LLC | Delaware |
| Allstate Solutions Private Limited | India |
| Allstate Texas Lloyd’s | Texas |
| Allstate Texas Lloyd’s, Inc. | Texas |
| Allstate Vehicle and Property Insurance Company | Illinois |
| America’s Health Care/Rx Plan Agency, Inc.[(4)] | Delaware |
| American Capital Acquisition Investments, S.A. | Luxembourg |
| American Heritage Life Insurance Company | Florida |
| American Heritage Service Company | Florida |
| ANIHI Newco, LLC[(5)] | Delaware |
| Answer Financial Inc. | Delaware |

| Company Name | Domicile |
|---|---|
| Answer Marketplace, LLC | Delaware |
| AP Real Estate, LLC | Delaware |
| AP Riverway Plaza, LLC | Delaware |
| AP Timber, LLC | Delaware |
| Arity, LLC[6] | Delaware |
| Arity 875, LLC | Delaware |
| Arity International Limited | Northern Ireland |
| Arity Services, LLC | Delaware |
| ASMI Auto Insurance Company | Illinois |
| Assigned Risk Solutions, Ltd.[7] | New Jersey |
| AutoTex MGA, Inc. | Delaware |
| Castle Key Indemnity Company | Illinois |
| Castle Key Insurance Company | Illinois |
| CE Care Plan Corp | Delaware |
| Century-National Insurance Company | California |
| ClearSide General Insurance Services, LLC | California |
| Collective Sourcing, LLC[8] | Delaware |
| Complete Product Care Corp | Delaware |
| Current Creek Investments, LLC | Delaware |
| Direct Administration, Inc. | Tennessee |
| Direct Bay, LLC | Florida |
| Direct General Consumer Products, Inc. | Tennessee |
| Direct General Financial Services, Inc. | Tennessee |
| Direct General Insurance Agency, Inc.[9] | Tennessee |
| Direct General Insurance Company | Indiana |
| Direct General Insurance Company of Mississippi | Mississippi |
| Direct General Life Insurance Company | South Carolina |
| Direct General Premium Finance Company | Tennessee |
| Direct Insurance Company | North Carolina |
| Direct National Insurance Company | North Carolina |
| E.R.J. Insurance Group, Inc.[10] | Florida |
| ECMI Auto Insurance Company | Illinois |
| Encompass Floridian Indemnity Company | Illinois |
| Encompass Floridian Insurance Company | Illinois |
| Encompass Home and Auto Insurance Company | Illinois |
| Encompass Indemnity Company | Illinois |
| Encompass Independent Insurance Company | Illinois |
| Encompass Insurance Company | Illinois |
| Encompass Insurance Company of America | Illinois |
| Encompass Insurance Company of Massachusetts | Massachusetts |
| Encompass Insurance Company of New Jersey | Illinois |
| Encompass Insurance Holdings, LLC | Delaware |
| Encompass Property and Casualty Company | Illinois |
| Encompass Property and Casualty Insurance Company of New Jersey | Illinois |
| ESMI Auto Insurance Company | Illinois |
| Esurance Holdings, Inc. | Delaware |
| Esurance Insurance Company | Illinois |
| Esurance Insurance Company of Canada | Canada |

| Company Name | Domicile |
|---|---|
| Esurance Insurance Company of New Jersey | Illinois |
| Esurance Insurance Services Company of Canada | Canada |
| Esurance Insurance Services, Inc.(11) | Delaware |
| Esurance Property and Casualty Insurance Company | Illinois |
| First Colonial Insurance Company | Florida |
| Health Network Group, LLC | Delaware |
| Healthcare Solutions Team, LLC(12) | Illinois |
| HealthCompare Insurance Services, Inc. | Delaware |
| iCracked Japan, Inc. | Japan |
| IDentityUSA, LLC | Delaware |
| Identity Protection Strategic Solutions, LLC | New Jersey |
| Imperial Fire and Casualty Insurance Company | North Carolina |
| Imperial General Agency of Texas, Inc. | Texas |
| Imperial Insurance Managers, LLC | Texas |
| Imperial Marketing Corporation | Louisiana |
| InfoArmor, Inc. | Delaware |
| Insurance Answer Center, LLC(13) | Delaware |
| Integon Casualty Insurance Company | North Carolina |
| Integon General Insurance Corporation | North Carolina |
| Integon Indemnity Corporation | North Carolina |
| Integon National Insurance Company | North Carolina |
| Integon Preferred Insurance Company | North Carolina |
| Integon Properties S.A. de C.V. | Mexico |
| Integon Service Co., S.A. de C.V. | Mexico |
| Ivantage Insurance Brokers Inc. | Canada |
| Ivantage Select Agency, Inc. | Illinois |
| John Alden Financial Corporation | Delaware |
| Kennett Capital, Inc. | Delaware |
| LeadCloud, LLC | Maryland |
| MIC General Insurance Corporation | Michigan |
| National Farmers Union Property and Casualty Company | North Carolina |
| National General Assurance Company | Missouri |
| National General Georgia, LLC | Delaware |
| National General Holdings Corp. | Delaware |
| National General Insurance Company | Missouri |
| National General Insurance Ltd. | Bermuda |
| National General Insurance Management Ltd. | Bermuda |
| National General Insurance Marketing Inc.(14) | Missouri |
| National General Insurance Online, Inc. | Missouri |
| National General Lender Services, Inc. | Delaware |
| National General Management Corp. | Delaware |
| National General Motor Club, Inc. | North Carolina |
| National General Premier Insurance Company | California |
| National General Re, Ltd. | Bermuda |
| National Health Corporation | Texas |
| National Health Insurance Company | Texas |
| NBInv AF1, LLC | Delaware |
| NBInv AF2, LLC | Delaware |

| Company Name | Domicile |
|---|---|
| NBInv AF3, LLC | Delaware |
| NBInv AF4, LLC | Delaware |
| NBInv AF5, LLC | Delaware |
| NBInv AP2, LLC | Delaware |
| NBInv AP3, LLC | Delaware |
| NBInv AP4, LLC | Delaware |
| NBInv AP5, LLC | Delaware |
| NBInv AP6, LLC | Delaware |
| NBInv AP7, LLC | Delaware |
| NBInv AP8, LLC | Delaware |
| NBInv AP9, LLC | Delaware |
| NBInv AP10, LLC | Delaware |
| NBInv AP11, LLC | Delaware |
| NBInv AP13, LLC | Delaware |
| NBInv Riverside Cars1, LLC | Delaware |
| NBInv Riverside Management, LLC | Delaware |
| New Jersey Skylands Management, LLC | Delaware |
| New South Insurance Company | North Carolina |
| Newport Management Corporation | California |
| NG Holdings LLC | Delaware |
| NGLS Adjusting, LLC | Delaware |
| NGLS Insurance Services, Inc. | California |
| North Light Specialty Insurance Company | Illinois |
| Northeast Agencies, Inc.(15) | New York |
| NSM Sales Corporation(16) | Nevada |
| Pablo Creek Services, Inc. | Illinois |
| Pafco Insurance Company | Canada |
| Pembridge Insurance Company | Canada |
| Personal Express Insurance Services, Inc. | California |
| PlumChoice, Inc. | Delaware |
| Protection Plan Group, Inc. | Delaware |
| Pullman Crossing, LLC | Delaware |
| Pullman QOZB, LLC | Delaware |
| Quotit Corporation(17) | California |
| RAC Insurance Partners, LLC | Florida |
| Renuant, LLC(18) | Nevada |
| Right Answer Insurance Agency, LLC | Delaware |
| Right Choice Insurance Agency, Inc.(19) | Tennessee |
| Road Bay Investments, LLC | Delaware |
| Safe Auto Choice Insurance Company | Ohio |
| Safe Auto Group Agency, Inc.(20) | Ohio |
| Safe Auto Insurance Group, Inc. | Ohio |
| Safe Auto Insurance Company | Ohio |
| Safe Auto Value Insurance Company | Ohio |
| SafeAuto Capital, LLC | Ohio |
| SafeAuto Services, LLC | Ohio |
| Seattle Specialty Insurance Services, Inc. | Washington |
| Signature Agency, Inc. | Delaware |

| Company Name | Domicile |
|---|---|
| Signature Motor Club of California, Inc. | California |
| Signature Motor Club, Inc. | Delaware |
| Signature Nationwide Auto Club of California, Inc. | California |
| Signature's Nationwide Auto Club, Inc. | Delaware |
| Socialmine, Inc. | Delaware |
| SquareTradeGo, Inc. | Delaware |
| SquareTrade, Inc.(21) | Delaware |
| SquareTrade Australia Pty Ltd | Australia |
| SquareTrade Canada, Inc. | Canada |
| SquareTrade Europe Limited | Malta |
| SquareTrade European Services AS | Norway |
| SquareTrade Holding Company, Inc. | Delaware |
| SquareTrade Insurance Services, Inc. | Delaware |
| SquareTrade Japan GK | Japan |
| SquareTrade Limited | United Kingdom |
| SquareTrade Protection Solutions, Inc. | Delaware |
| SquareTrade Singapore Pte. Ltd. | Singapore |
| ST Product Care Corp | Delaware |
| Standard Property and Casualty Insurance Company | Illinois |
| Syndeste, LLC | Virginia |
| Team Corp.(22) | Nevada |
| Tech-Cor, LLC | Delaware |
| The Association Benefits Solution, LLC | Delaware |
| Velapoint, LLC(23) | Washington |
| West Plaza RE Holdings, LLC | Delaware |
| Western General Agency, Inc. | California |

(1) Doing business as ABC Insurance Agencies and Direct Auto Insurance in Louisiana
(2) Doing business as ABC Insurance Agencies in Texas
(3) Doing business as LSA Securities in Louisiana and Pennsylvania
(4) Doing business as AHCP Insurance Agency, Inc. in California
(5) Doing business as Avail in California, Colorado, Florida, Georgia, Maryland, North Carolina, Oregon, Pennsylvania, Tennessee, Texas, Utah, and Washington, and doing business as Avail Car Sharing in Illinois
(6) Doing business as Arity Rating Services LLC in the District of Columbia
(7) Doing business as Stewart Park Insurance Agency in California
(8) Doing business as Collective Crowdsourcing, LLC in New York
(9) Doing business as Direct Auto Insurance in Alabama, Arkansas, Florida, Georgia, Missouri, Mississippi, North Carolina, Tennessee, Texas, and Virginia; Direct Auto Insurance Agency in California; and Insurance 4 Less in Texas
(10) Doing business as American Heritage Insurance Services in all states except Massachusetts
(11) Doing business as Esurance Insurance Agency Services in New York
(12) Doing business as HST Insurance Agency, LLC in California
(13) Doing business as Insurance Answer Center, LLC, an Insurance Agency in New York
(14) Doing business as NGMI Insurance Services in California and NGI Agency in New York
(15) Doing business as Northeast Agency Insurance Services in California, NEA Insurance Services in Georgia, NEA Brokerage Solutions in New Hampshire, and Northeast Insurance Agencies, Inc. in Utah
(16) Doing business as NSM Insurance Sales in California
(17) Doing business as Quotit Insurance Services in California
(18) Doing business as Transparent.ly
(19) Doing business as Easy Auto Insurance Agency in California
(20) Doing business as S.A.G.A. Insurance Agency in California
(21) Doing business as SquareTrade New York in New York
(22) Doing business as The Elite Association Marketing Insurance Agency in California, Michigan, Texas, Utah, and Virginia
(23) Doing business as Velapoint Insurance Agency, LLC in California

Exhibit 23

## Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following registration statements of our reports dated February 18, 2022, relating to the financial statements of The Allstate Corporation, and the effectiveness of The Allstate Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of The Allstate Corporation for the year ended December 31, 2021.

| Form S-3 Registration Statement Nos. | Form S-8 Registration Statement Nos. |
|---|---|
| 333-255698 | 333-04919 |
| | 333-40283 |
| | 333-134243 |
| | 333-175526 |
| | 333-188821 |
| | 333-200390 |
| | 333-218343 |
| | 333-228490 |
| | 333-228491 |
| | 333-228492 |
| | 333-231753 |

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 18, 2022

## Certifications

**Exhibit 31 (i)**

I, Thomas J. Wilson, certify that:

1. I have reviewed this report on Form 10-K of The Allstate Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2022

/s/ Thomas J. Wilson

Thomas J. Wilson

Chairman of the Board, President and Chief Executive Officer

## Certifications

**Exhibit 31 (i)**

I, Mario Rizzo, certify that:

1. I have reviewed this report on Form 10-K of The Allstate Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2022

/s/ Mario Rizzo

Mario Rizzo

Executive Vice President and Chief Financial Officer

**Exhibit 32**

## Section 1350 Certifications

Each of the undersigned hereby certifies that to his knowledge the report on Form 10-K for the fiscal year ended December 31, 2021 of The Allstate Corporation filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and result of operations of The Allstate Corporation.

Date: February 18, 2022

/s/ Thomas J. Wilson

Thomas J. Wilson

Chairman of the Board, President and Chief Executive Officer

/s/ Mario Rizzo

Mario Rizzo

Executive Vice President and Chief Financial Officer