

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

FORM 8-K

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

Date of report (Date of earliest event reported): May 5, 2021
THE ALLSTATE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of incorporation)

1-11840
(Commission
File Number)

36-3871531
(IRS 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**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 Chicago Stock Exchange
5.100% Fixed-to-Floating Rate Subordinated Debentures due 2053	ALL.PR.B	New York Stock Exchange
Depository Shares represent 1/1,000th of a share of 5.625% Noncumulative Preferred Stock, Series G	ALL.PR.G	New York Stock Exchange
Depository Shares represent 1/1,000th of a share of 5.100% Noncumulative Preferred Stock, Series H	ALL.PR.H	New York Stock Exchange
Depository Shares represent 1/1,000th of a share of 4.750% Noncumulative Preferred Stock, Series I	ALL.PR.I	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

The Registrant's press release dated May 5, 2021, announcing its financial results for the first quarter of 2021, and the Registrant's first quarter 2021 investor supplement are furnished as Exhibits 99.1 and 99.2, respectively, to this report. The information contained in the press release and the investor supplement are furnished and not filed pursuant to instruction B.2 of Form 8-K.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- 99.1 [Registrant's press release dated May 5, 2021](#)
- 99.2 [First quarter 2021 Investor Supplement of The Allstate Corporation](#)
- 104 Cover Page Interactive Data File (formatted as inline XBRL).

SIGNATURES

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

THE ALLSTATE CORPORATION
(Registrant)

By: /s/ John C. Pintozzi

Name: John C. Pintozzi

Title: Senior Vice President, Controller and Chief Accounting Officer

Date: May 5, 2021



FOR IMMEDIATE RELEASE

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Allstate's Strategic Actions Increase Growth and Returns

NORTHBROOK, Ill., May 5, 2021 – The Allstate Corporation (NYSE: ALL) today reported financial results for the first quarter of 2021.

The Allstate Corporation Consolidated Highlights			
(\$ in millions, except per share data and ratios)	Three months ended March 31,		
	2021	2020	% / pts Change
Consolidated revenues	\$ 12,451	\$ 9,866	26.2
Net (loss) income applicable to common shareholders	(1,408)	513	NM
per diluted common share	(4.60)	1.59	NM
Adjusted net income*	1,871	1,202	55.7
per diluted common share*	6.11	3.73	63.8
Return on Allstate common shareholders' equity (trailing twelve months)			
Net income applicable to common shareholders	15.1 %	18.0 %	(2.9)
Adjusted net income*	23.2 %	17.5 %	5.7
Book value per common share	81.08	69.67	16.4
Property-Liability combined ratio			
Recorded	83.3	84.8	(1.5)
Underlying combined ratio*	77.1	82.1	(5.0)
Catastrophe losses	590	211	179.6
Total policies in force (in thousands)	182,912	151,622	20.6

* Measures used in this release that are not based on accounting principles generally accepted in the United States of America ("non-GAAP") are denoted with an asterisk and defined and reconciled to the most directly comparable GAAP measure in the "Definitions of Non-GAAP Measures" section of this document.

NM = not meaningful

"Allstate increased our customer base and generated excellent returns this quarter, reflecting strong operating results, the acquisition of National General and divestitures of the life and annuity businesses," said Tom Wilson, Chair, President and CEO of The Allstate Corporation. "Personal property-liability premiums earned and policies in force increased by 11.4% and 12.1% from the prior year, respectively. Revenues from the Protection Services segment increased by 21.6% from 2020, reflecting continued expansion of Allstate Protection Plans. The announced divestitures of the life and annuity businesses generated a \$4.0 billion loss, which resulted in a net loss for the quarter of \$1.4 billion. Adjusted net income*, however, was \$1.9 billion, or \$6.11 per common share, for the quarter, representing a 23.2% return on equity over the last twelve months.

"Our long-term approach to investing, reinsurance and building a digital insurer is creating shareholder value and positively impacted results this quarter," continued Wilson. "Total investment income increased by 188% (\$708 million) as performance-based income rebounded from last year's first quarter loss. Gross catastrophe losses of \$1.67 billion for the quarter were nearly eight times greater than 2020 but were offset by \$1.08 billion of reinsurance and subrogation recoveries. The Transformative Growth plan to increase property-liability market share is also

progressing, with higher new business sales in the Allstate brand, driven by the direct channel. Last year's cost reductions also enabled us to improve customer value while achieving an 83.3 combined ratio for the quarter," concluded Wilson.

First Quarter 2021 Results

- Total revenues of \$12.5 billion in the first quarter of 2021 increased 26.2% compared to the prior year quarter, primarily reflecting the acquisition of National General. Higher earned premiums from Protection Services, increased performance-based investment income and net realized capital gains also contributed to revenue growth in the quarter.
- Net loss applicable to common shareholders was \$1.4 billion in the first quarter of 2021, compared to net income of \$513 million in the first quarter of 2020. This was driven by the previously announced agreements to sell Allstate Life Insurance Company and Allstate Life Insurance Company of New York, which generated an aggregate net loss of approximately \$4 billion in the quarter.
- Adjusted net income* of \$1.9 billion, or \$6.11 per diluted share, increased \$669 million compared to the prior year quarter, reflecting increased underwriting income and higher net investment income.

Property-Liability Results				
(\$ in millions, except ratios)	Three months ended March 31,			
	2021	2020	% / pts Change	
Premiums written	\$ 9,768	\$ 8,592	13.7 %	
Allstate Brand	8,421	8,370	0.6	
National General	1,347	222	NM	
Underwriting income	1,657	1,348	22.9	
Allstate Brand	1,515	1,336	13.4	
National General	138	14	NM	
Recorded combined ratio	83.3	84.8	(1.5)	
Allstate Protection auto	80.5	89.3	(8.8)	
Allstate Protection homeowners	88.8	71.5	17.3	
Underlying combined ratio*	77.1	82.1	(5.0)	
Allstate Protection auto	80.1	88.7	(8.6)	
Allstate Protection homeowners	67.7	62.4	5.3	

- **Property-Liability** written premium of \$9.8 billion increased 13.7% in the first quarter of 2021 compared to the prior year quarter, primarily driven by the acquisition of National General. Allstate brand written premium increased 0.6% to \$8.4 billion. The recorded combined ratio of 83.3 in the first quarter of 2021 generated underwriting income of \$1.7 billion, an increase of \$309 million compared to the prior year quarter. Income increased primarily due to the addition of National General results and lower auto insurance losses in the Allstate brand, partially offset by higher catastrophe losses.
 - The underlying combined ratio* of 77.1 for the first quarter of 2021 was 5.0 points below the prior year quarter, reflecting lower non-catastrophe losses and an improved underwriting expense ratio.
 - The expense ratio of 23.2 decreased 2.5 points compared to the prior year quarter, due to the absence of Shelter-in-Place payments made in 2020 and cost reductions to improve customer value, partially offset by increased advertising. The expense ratio excluding Coronavirus-related expenses, restructuring charges and the amortization of purchased intangibles associated with the acquisition of National General was 22.8, an improvement of 0.5 points compared to the prior year quarter.
 - **Allstate Protection auto** insurance net written premium increased 12.9% and policies in force increased 14.1% compared to the prior year quarter, driven by the acquisition of National General. Allstate brand net written premium declined slightly, primarily due to lower average premiums from approved rate

decreases. This more than offset new issued applications growth, primarily in the direct channel, driven by increased advertising and higher conversion rates.

The recorded combined ratio of 80.5 in the first quarter of 2021 was 8.8 points below the prior year quarter, and the underlying combined ratio* of 80.1 was 8.6 points below the prior year quarter, primarily due to decreased accident frequency and a lower expense ratio, partially offset by higher claim severity.

- **Allstate Protection homeowners** insurance net written premium grew 20.3% and policies in force increased 7.6% compared to the first quarter of 2020, due to the acquisition of National General and growth of Allstate brand policies. Allstate brand net written premium increased 5.0% compared to the prior year quarter, driven by higher average premiums and new issued application growth.

The recorded combined ratio of 88.8 in the first quarter of 2021 was 17.3 points higher than the first quarter of 2020, primarily driven by increased catastrophe losses, partially offset by favorable prior year catastrophe reserve reestimates from reinsurance and subrogation recoveries, and increased premiums earned. The underlying combined ratio* of 67.7 was 5.3 points higher than the prior year quarter, reflecting the inclusion of National General's results and higher non-catastrophe losses.

Protection Services Results				
(\$ in millions)	Three months ended March 31,			
	2021	2020	% / \$ Change	
Total revenues ⁽⁴⁾	\$ 552	\$ 454	21.6 %	
Allstate Protection Plans	275	219	25.6	
Allstate Dealer Services	123	117	5.1	
Allstate Roadside	59	60	(1.7)	
Arity	64	30	113.3	
Allstate Identity Protection	31	28	10.7	
Adjusted net income (loss)	\$ 49	\$ 37	\$ 12	
Allstate Protection Plans	45	34	11	
Allstate Dealer Services	8	7	1	
Allstate Roadside	4	2	2	
Arity	2	(3)	5	
Allstate Identity Protection	(10)	(3)	(7)	

⁽⁴⁾ Excludes realized capital gains and losses

- **Protection Services** revenues increased to \$552 million in the first quarter of 2021, 21.6% higher than the prior year quarter. Adjusted net income of \$49 million increased by \$12 million compared to the prior year quarter, primarily due to profitable growth at Allstate Protection Plans.
 - **Allstate Protection Plans** revenue of \$275 million increased \$56 million, or 25.6%, compared to the prior year quarter, reflecting increased policies in force. Adjusted net income of \$45 million in the first quarter of 2021 was \$11 million higher than the prior year quarter, driven by higher revenue from new business.
 - **Allstate Dealer Services** revenue of \$123 million was 5.1% higher than the first quarter of 2020, driven by higher earned premium. Adjusted net income of \$8 million in the first quarter was \$1 million higher than the prior year quarter.
 - **Allstate Roadside** revenue of \$59 million in the first quarter of 2021 decreased 1.7% compared to the first quarter of 2020. Adjusted net income of \$4 million in the first quarter was \$2 million favorable to the prior year quarter.
 - **Arity** revenue of \$64 million was \$34 million higher than the first quarter of 2020, primarily driven by the inclusion of Transparent.ly and LeadCloud as a result of the National General acquisition. Adjusted net income of \$2 million in the first quarter of 2021 improved \$5 million compared to the prior year quarter.

- **Allstate Identity Protection** revenue of \$31 million in the first quarter of 2021 increased 10.7% compared to the prior year quarter. Adjusted net loss of \$10 million in the first quarter of 2021 was \$7 million below the prior year quarter, primarily due to restructuring charges related to a facility closure.

Allstate Health and Benefits Results			
(\$ in millions)	Three months ended March 31,		
	2021	2020	% Change
Premiums and contract charges	455	282	61.3
Employer voluntary benefits	263	282	(6.7)
Group health	83	—	NM
Individual accident and health	109	—	NM
Adjusted net income	65	24	170.8

- **Allstate Health and Benefits** premiums and contract charges increased 61.3% compared to the prior year quarter, primarily due to the addition of group health and individual accident and health businesses following the acquisition of National General. Employer voluntary benefits premiums and contract charges declined 6.7%, driven by lower premiums primarily due to economic impacts from the Coronavirus and a reduction in policies in force. Adjusted net income of \$65 million in the first quarter of 2021 increased by \$41 million compared to the first quarter of 2020, primarily due to the addition of National General.

Allstate Investment Results			
(\$ in millions, except ratios)	Three months ended March 31,		
	2021	2020	\$ / pts Change
Net investment income	\$ 708	\$ 246	462
Market-based investment income ⁽¹⁾	354	360	(6)
Performance-based investment income ⁽¹⁾	378	(86)	464
Realized capital gains (losses)	426	(162)	588
Change in unrealized net capital gains and losses, pre-tax	(1,374)	(1,125)	NM
Total return on investment portfolio	(0.2)%	(2.1)%	1.9
Total return on investment portfolio (trailing twelve months)	8.8 %	3.9 %	4.9

⁽¹⁾ Investment expenses are not allocated between market-based and performance-based portfolios with the exception of investee level expenses.

- **Allstate Investments** \$60.1 billion portfolio generated net investment income of \$708 million in the first quarter of 2021, an increase of \$462 million from the prior year quarter, driven by higher performance-based income.
 - **Market-based investment income** totaled \$354 million in the first quarter of 2021, a decrease of \$6 million, or 1.7%, compared to the prior year quarter due to lower interest-bearing reinvestment yields, partially offset by higher average invested assets.
 - **Performance-based investment income** totaled \$378 million in the first quarter of 2021, an increase of \$464 million compared to the prior year quarter. The increase primarily reflects higher private equity investment valuations and sales of underlying investments in the quarter.
 - **Net realized capital gains** were \$426 million in the first quarter of 2021, compared to losses of \$162 million in the prior year quarter, primarily due to gains on sales of fixed income securities and real estate and higher equity valuations.
 - **Unrealized net capital gains** decreased \$1.4 billion from the prior year-end as increases in rates resulted in lower fixed income valuations.
 - **Total return** on the investment portfolio was (0.2%) for the first quarter of 2021.
- In the first quarter of 2021, the assets and liabilities of Allstate Life Insurance Company and Allstate Life Insurance Company of New York were reclassified as held for sale with results presented as discontinued operations. This

includes \$36.8 billion of assets and \$33.4 billion of liabilities. Discontinued operations generated \$205 million of income in the first quarter, excluding the \$4 billion loss on disposition, primarily driven by higher performance-based income.

Proactive Capital Management

"Allstate continues to generate strong returns on capital, invest in growth and return significant cash to shareholders," said Mario Rizzo, Chief Financial Officer. "Adjusted net income return on equity* of 23.2% for the last 12 months improved 5.7 points compared to the prior year quarter due to excellent operating results and the divestitures of Allstate Life Insurance Company and Allstate Life Insurance Company of New York. In the first quarter, Allstate returned \$765 million to shareholders through a combination of \$601 million in share repurchases and \$164 million in common share dividends. In February, we announced a quarterly dividend of \$0.81, an increase of 50%, reflecting our growth strategy and sustainable earnings potential," concluded Rizzo.

Visit www.allstateinvestors.com for additional information about Allstate's results, including a webcast of its quarterly conference call and the call presentation. The conference call will be at 9 a.m. ET on Thursday, May 6. Financial information, including material announcements about The Allstate Corporation, is routinely posted on www.allstateinvestors.com.

Forward-Looking Statements

This news release 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. These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like "plans," "seeks," "expects," "will," "should," "anticipates," "estimates," "intends," "believes," "likely," "targets" and other words with similar meanings. We believe these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements may be found in our filings with the U.S. Securities and Exchange Commission, including the "Risk Factors" section in our most recent annual report on Form 10-K. Forward-looking statements are as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statement.

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(\$ in millions, except par value data)

	March 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed income securities, at fair value (amortized cost, net \$39,437 and \$40,034)	\$ 40,594	\$ 42,565
Equity securities, at fair value (cost \$2,655 and \$2,740)	3,154	3,168
Mortgage loans, net	902	746
Limited partnership interests	6,367	4,563
Short-term, at fair value (amortized cost \$6,017 and \$6,807)	6,017	6,807
Other, net	3,042	1,691
Total investments	60,076	59,540
Cash	709	311
Premium installment receivables, net	7,921	6,463
Deferred policy acquisition costs	4,129	3,774
Reinsurance and indemnification recoverables, net	9,645	7,215
Accrued investment income	347	371
Property and equipment, net	1,002	1,057
Goodwill	3,350	2,369
Other assets, net	5,803	2,756
Assets held for sale	36,829	42,131
Total assets	\$ 129,811	\$ 125,987
Liabilities		
Reserve for property and casualty insurance claims and claims expense	\$ 31,414	\$ 27,610
Reserve for future policy benefits	1,219	1,028
Contractholder funds	878	857
Unearned premiums	18,177	15,946
Claim payments outstanding	951	957
Deferred income taxes	493	382
Other liabilities and accrued expenses	8,508	7,840
Long-term debt	7,996	7,825
Liabilities held for sale	33,383	33,325
Total liabilities	103,019	95,770
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; \$0.1 par value, 8.0 million shares authorized, 200.0 thousand shares issued and outstanding, \$200 aggregate liquidation preference for \$200 in 2021	2,170	1,970
Common stock, \$0.1 par value, 2.0 billion shares authorized and 900 million issued, 300 million and 304 million shares outstanding	9	9
Additional capital paid-in	3,596	3,498
Retained income	51,107	52,767
Treasury stock, at cost (600 million and 596 million shares)	(31,886)	(31,331)
Accumulated other comprehensive income:		
Other unrealized net capital gains and losses	2,143	3,860
Unrealized adjustment to DAC, DSI and insurance reserves	(463)	(680)
Total unrealized net capital gains and losses	1,680	3,180
Unrealized foreign currency translation adjustments	27	(7)
Unamortized pension and other postretirement prior service credit	116	131
Total accumulated other comprehensive income	1,823	3,304
Total Allstate shareholders' equity	26,819	30,217
Noncontrolling interest	(27)	—
Total equity	26,792	30,217
Total liabilities and equity	\$ 129,811	\$ 125,987

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(\$ in millions, except per share data)

	Three months ended March 31,	
	2021	2020
Revenues		
Property and casualty insurance premiums	\$ 10,307	\$ 9,235
Accident and health insurance premiums and contract charges	455	282
Other revenue	555	265
Net investment income	708	246
Realized capital gains (losses)	426	(162)
Total revenues	<u>12,451</u>	<u>9,866</u>
Costs and expenses		
Property and casualty insurance claims and claims expense	6,043	5,341
Shelter-in-Place Payback expense	—	210
Accident and health insurance policy benefits	233	141
Interest credited to contractholder funds	9	9
Amortization of deferred policy acquisition costs	1,523	1,365
Operating costs and expenses	1,731	1,338
Pension and other postretirement remeasurement (gains) losses	(310)	318
Restructuring and related charges	51	4
Amortization of purchased intangibles	53	28
Interest expense	86	81
Total costs and expenses	<u>9,419</u>	<u>8,835</u>
Income from operations before income tax expense	3,032	1,031
Income tax expense	626	194
Net income from continuing operations	2,406	837
Loss from discontinued operations, net of tax	(3,793)	(288)
Net (loss) income	(1,387)	549
Less: Net loss attributable to noncontrolling interest	(6)	—
Net (loss) income attributable to Allstate	(1,381)	549
Less: Preferred stock dividends	27	36
Net (loss) income applicable to common shareholders	<u>\$ (1,408)</u>	<u>\$ 513</u>
Earnings per common share applicable to common shareholders		
Basic		
Continuing operations	7.88	2.52
Discontinued operations	(12.53)	(0.90)
Total	<u>(4.65)</u>	<u>1.62</u>
Diluted		
Continuing operations	7.78	2.48
Discontinued operations	(12.38)	(0.89)
Total	<u>(4.60)</u>	<u>1.59</u>
Weighted average common shares – Basic	<u>302.5</u>	<u>317.4</u>
Weighted average common shares – Diluted	<u>306.4</u>	<u>322.4</u>

Definitions of Non-GAAP Measures

We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP measures. Our methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

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

- realized capital gains and losses, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses 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, and
- related income tax expense or benefit of these items

Net income (loss) applicable to common shareholders is the GAAP measure that is most directly comparable to adjusted net income.

We use adjusted net income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, 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 and adjustments for other significant non-recurring, infrequent or unusual items and related tax expense or benefit of these items. Realized capital gains and losses, pension and other postretirement remeasurement gains and losses may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Business combination expenses and income or loss from discontinued operations are excluded because they are non-recurring in nature and the amortization or impairment of purchased intangibles is excluded because it relates to the acquisition purchase price and is not indicative of our underlying business results or trends. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, adjusted net income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine adjusted net income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Adjusted net income is used by management along with the other components of net income (loss) applicable to common shareholders to assess our performance. We use adjusted measures of adjusted net income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income (loss) applicable to common shareholders, adjusted net income and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize adjusted net income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses adjusted net income as the denominator. Adjusted net income should not be considered a substitute for net income (loss) applicable to common shareholders and does not reflect the overall profitability of our business.

The following tables reconcile net income (loss) applicable to common shareholders and adjusted net income. Taxes on adjustments to reconcile net income (loss) applicable to common shareholders and adjusted net income generally use a 21% effective tax rate.

(\$ in millions, except per share data)

	Three months ended March 31,			
	Consolidated		Per diluted common share	
	2021	2020	2021	2020
Net income (loss) applicable to common shareholders	\$ (1,408)	\$ 513	\$ (4.60)	\$ 1.59
Realized capital (gains) losses	(426)	162	(1.39)	0.50
Pension and other postretirement remeasurement (gains) losses	(310)	318	(1.01)	0.99
Reclassification of periodic settlements and accruals on non-hedge derivative instruments	1	—	—	—
Business combination expenses and the amortization of purchased intangibles	75	28	0.25	0.09
(Income) loss from discontinued operations	4,163	370	13.59	1.15
Income tax expense (benefit)	(224)	(189)	(0.73)	(0.59)
Adjusted net income *	\$ 1,871	\$ 1,202	\$ 6.11	\$ 3.73

Adjusted net income return on Allstate common shareholders' equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month adjusted net income by the average of Allstate common shareholders' equity at the beginning and at the end of the 12-months, after excluding the effect of unrealized net capital gains and losses. Return on Allstate common shareholders' equity is the most directly comparable GAAP measure. We use adjusted net income as the numerator for the same reasons we use adjusted net income, as discussed above. We use average Allstate common shareholders' equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of common shareholders' equity primarily applicable to the Allstate's earned and realized business operations because it eliminates the effect of items that are unrealized and vary significantly between periods due to external economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income (loss) applicable to common shareholders and return on Allstate common shareholders' equity because it excludes the effect of items that tend to be highly variable from period to period. We believe that this measure is useful to investors and that it provides a valuable tool for investors when considered along with return on Allstate common shareholders' equity because it eliminates the after-tax effects of realized and unrealized net capital gains and losses that can fluctuate significantly from period to period and that are driven by economic developments, the magnitude and timing of which are generally not influenced by management. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine adjusted net income return on Allstate common shareholders' equity from return on common shareholders' equity is the transparency and understanding of their significance to return on Allstate common shareholders' equity variability and profitability while recognizing these or similar items may recur in subsequent periods. We use adjusted measures of adjusted net income return on Allstate common shareholders' equity in incentive compensation. Therefore, we believe it is useful for investors to have adjusted net income return on Allstate common shareholders' equity and return on Allstate common shareholders' equity when evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize adjusted net income return on Allstate common shareholders' equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's utilization of capital. We also provide it to facilitate a comparison to our long-term adjusted net income return on Allstate common shareholders' equity goal. Adjusted net income return on Allstate common shareholders' equity should not be considered a substitute for return on Allstate common shareholders' equity and does not reflect the overall profitability of our business.

The following tables reconcile return on Allstate common shareholders' equity and adjusted net income return on Allstate common shareholders' equity.

	For the twelve months ended March 31,	
	2021	2020
Return on Allstate common shareholders' equity		
Numerator:		
Net income applicable to common shareholders	\$ 3,540	\$ 3,930
Denominator:		
Beginning Allstate common shareholders' equity ⁽¹⁾	\$ 22,203	\$ 21,488
Ending Allstate common shareholders' equity ⁽¹⁾	24,649	22,203
Average Allstate common shareholders' equity	\$ 23,426	\$ 21,846
Return on Allstate common shareholders' equity	15.1 %	18.0 %

	For the twelve months ended March 31,	
	2021	2020
Adjusted net income return on Allstate common shareholders' equity		
Numerator:		
Adjusted net income *	\$ 5,179	\$ 3,687
Denominator:		
Beginning Allstate common shareholders' equity ⁽¹⁾	\$ 22,203	\$ 21,488
Less: Unrealized net capital gains and losses	530	972
Adjusted beginning Allstate common shareholders' equity	21,673	20,516
Ending Allstate common shareholders' equity ⁽¹⁾	24,649	22,203
Less: Unrealized net capital gains and losses	1,680	530
Adjusted ending Allstate common shareholders' equity	22,969	21,673
Average adjusted Allstate common shareholders' equity	\$ 22,321	\$ 21,095
Adjusted net income return on Allstate common shareholders' equity *	23.2 %	17.5 %

⁽¹⁾ Excludes equity related to preferred stock of \$2,170 million as of March 31, 2021, \$1,970 million as of March 31, 2020 and \$1,930 million as of March 31, 2019.

Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization or impairment of purchased intangibles ("underlying combined ratio") is a non-GAAP ratio, which is computed as the difference between four GAAP operating ratios: the combined ratio, the effect of catastrophes on the combined ratio, the effect of prior year non-catastrophe reserve reestimates on the combined ratio, and the effect of amortization or impairment of purchased intangibles on the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends in our Property-Liability business that may be obscured by catastrophe losses, prior year reserve reestimates and amortization or impairment of purchased intangibles. Catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves, which could increase or decrease current year net income. Amortization or impairment of purchased intangibles relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide it to facilitate a comparison to our outlook on the underlying combined ratio. The most directly comparable GAAP measure is the combined ratio. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.

The following tables reconcile the respective combined ratio to the underlying combined ratio. Underwriting margin is calculated as 100% minus the combined ratio.

Property-Liability

Combined ratio
Effect of catastrophe losses
Effect of prior year non-catastrophe reserve reestimates
Effect of amortization of purchased intangibles
Underlying combined ratio*
Effect of prior year catastrophe reserve reestimates

Three months ended March 31,		
	2021	2020
	83.3	84.8
	(6.0)	(2.4)
	(0.1)	(0.3)
	(0.1)	—
	<u>77.1</u>	<u>82.1</u>
	(2.5)	(0.2)

Allstate Protection - Auto Insurance

Combined ratio
Effect of catastrophe losses
Effect of prior year non-catastrophe reserve reestimates
Effect of amortization of purchased intangibles
Underlying combined ratio*
Effect of prior year catastrophe reserve reestimates

Three months ended March 31,		
	2021	2020
	80.5	89.3
	(0.4)	(0.2)
	0.2	(0.4)
	(0.2)	—
	<u>80.1</u>	<u>88.7</u>
	(0.3)	(0.2)

Allstate Protection - Homeowners Insurance

Combined ratio
Effect of catastrophe losses
Effect of prior year non-catastrophe reserve reestimates
Effect of amortization of purchased intangibles
Underlying combined ratio*
Effect of prior year catastrophe reserve reestimates

Three months ended March 31,		
	2021	2020
	88.8	71.5
	(20.7)	(9.0)
	(0.2)	(0.1)
	(0.2)	—
	<u>67.7</u>	<u>62.4</u>
	(8.7)	(0.4)

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The Allstate Corporation

**Investor Supplement
First Quarter 2021**

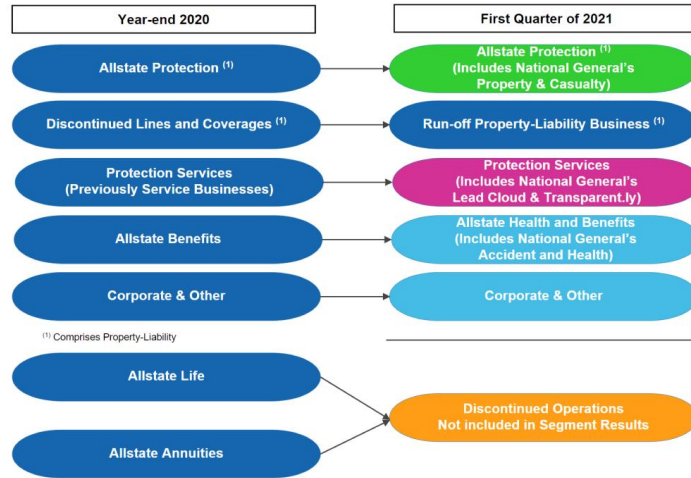
The condensed consolidated financial statements and financial exhibits included herein are unaudited. These condensed consolidated financial statements and exhibits should be read in conjunction with the consolidated financial statements and notes thereto included in the most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The results of operations for interim periods should not be considered indicative of results to be expected for the full year.

Measures used in these financial statements and exhibits that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (*). These measures are defined on the pages "Definitions of Non-GAAP Measures" and are reconciled to the most directly comparable generally accepted accounting principles ("GAAP") measure herein.

THE ALLSTATE CORPORATION
Investor Supplement
Historical Results Updated to Reflect Divestitures and Acquisition

In the first quarter of 2021, we completed the acquisition of National General Holdings Corp. We also announced the sale of Allstate Life Insurance Company and certain subsidiaries, and Allstate Life Insurance Company of New York.

These changes are reflected in the following reportable segments: Allstate Protection, Run-off Property-Liability Business (previously Discontinued Lines and Coverages), Protection Services, Allstate Health and Benefits (previously Allstate Benefits) and Corporate and Other.



⁽¹⁾ Comprises Property-Liability

The Allstate Corporation
Investor Supplement - First Quarter 2021

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		Items included in the glossary are denoted with a caret (^) the first time used.	
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The Allstate Corporation
Condensed Consolidated Statements of Operations

(\$ in millions, except per share data)

	Three months ended				March 31, 2020
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	
Revenues					
Property and casualty insurance premiums ¹	\$ 10,307	\$ 9,279	\$ 9,338	\$ 9,223	\$ 9,225
Accident and health insurance premiums and contract charges ²	455	262	287	263	282
Other revenue ³	555	271	272	257	265
Net investment income	708	660	464	220	246
Realized capital gains (losses)	426	490	319	440	(162)
Total revenues	<u>12,451</u>	<u>10,962</u>	<u>10,678</u>	<u>10,403</u>	<u>9,866</u>
Costs and expenses					
Property and casualty insurance claims and claims expense	6,043	5,366	6,072	5,222	5,241
Shareholder Payback expense	-	-	-	738	210
Accident and health insurance policy benefits	233	124	128	123	141
Interest credited to contractholder funds	9	7	8	9	9
Amortization of deferred policy acquisition costs	1,523	1,382	1,386	1,344	1,365
Operating costs and expenses	1,731	1,440	1,322	1,394	1,338
Pension and other postretirement remeasurement (gains) losses	(310)	(371)	(71)	73	318
Restructuring and related charges	51	40	196	13	4
Amortization of purchased intangibles	53	30	31	29	28
Interest expense	86	80	78	79	81
Total costs and expenses	<u>9,419</u>	<u>8,098</u>	<u>9,150</u>	<u>9,024</u>	<u>8,835</u>
Income from operations before income tax expense	<u>3,032</u>	<u>2,864</u>	<u>1,528</u>	<u>1,379</u>	<u>1,031</u>
Income tax expense	626	594	312	273	194
Net income from continuing operations	<u>2,406</u>	<u>2,270</u>	<u>1,216</u>	<u>1,106</u>	<u>837</u>
Income (loss) from discontinued operations, net of tax	(3,783)	354	(63)	144	(288)
Net income (loss)	<u>(1,387)</u>	<u>2,624</u>	<u>1,153</u>	<u>1,250</u>	<u>549</u>
Less: Net loss attributable to noncontrolling interest	(6)	-	-	-	-
Net income (loss) attributable to Allstate	<u>(1,381)</u>	<u>2,624</u>	<u>1,153</u>	<u>1,250</u>	<u>549</u>
Less: Preferred stock dividends	27	26	27	26	36
Net income (loss) applicable to common shareholders	<u>\$ (1,408)</u>	<u>\$ 2,598</u>	<u>\$ 1,126</u>	<u>\$ 1,224</u>	<u>\$ 513</u>
Earnings per common share					
Basic					
Continuing operations	\$ 7.88	\$ 7.38	\$ 3.82	\$ 3.44	\$ 2.52
Discontinued operations	(12.53)	1.16	(0.20)	0.46	(0.90)
Total	<u>\$ (4.65)</u>	<u>\$ 8.54</u>	<u>\$ 3.62</u>	<u>\$ 3.90</u>	<u>\$ 1.62</u>
Diluted					
Continuing operations	\$ 7.78	\$ 7.30	\$ 3.78	\$ 3.41	\$ 2.48
Discontinued operations	(12.38)	1.15	(0.20)	0.45	(0.89)
Total	<u>\$ (4.60)</u>	<u>\$ 8.45</u>	<u>\$ 3.58</u>	<u>\$ 3.86</u>	<u>\$ 1.59</u>
Weighted average common shares - Basic	302.5	304.3	311.2	313.7	317.4
Weighted average common shares - Diluted	306.4	307.6	314.1	317.0	322.4
Cash dividends declared per common share	<u>\$ 0.81</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>

The Allstate Corporation
Contribution to Income

(\$ in millions, except per share data)

Three months ended

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Contribution to income					
Net income (loss) applicable to common shareholders	\$ (1,408)	\$ 2,598	\$ 1,126	\$ 1,224	\$ 513
Realized capital (gains) losses	(426)	(490)	(319)	(440)	162
Pension and other postretirement remeasurement (gains) losses	(310)	(371)	(71)	73	318
Curtailment (gains) losses	-	-	(8)	-	-
Reclassification of periodic settlements and accruals on non-hedge derivative instruments	1	(1)	1	-	-
Business combination expenses and the amortization of purchased intangibles	75	30	31	29	28
(Income) loss from discontinued operations	4,163	(446)	86	(167)	370
Income tax expense (benefit)	(224)	272	54	97	(189)
Adjusted net income *	\$ 1,871	\$ 1,592	\$ 900	\$ 816	\$ 1,202
Income per common share - Diluted					
Net income (loss) applicable to common shareholders	\$ (4.60)	\$ 8.45	\$ 3.58	\$ 3.86	\$ 1.59
Realized capital (gains) losses	(1.39)	(1.59)	(1.01)	(1.39)	0.50
Pension and other postretirement remeasurement (gains) losses	(1.01)	(1.21)	(0.22)	0.23	0.99
Curtailment (gains) losses	-	-	(0.02)	-	-
Reclassification of periodic settlements and accruals on non-hedge derivative instruments	-	-	-	-	-
Business combination expenses and the amortization of purchased intangibles	0.25	0.10	0.10	0.09	0.09
(Income) loss from discontinued operations	13.59	(1.45)	0.27	(0.52)	1.15
Income tax expense (benefit)	(0.73)	0.88	0.17	0.31	(0.59)
Adjusted net income *	\$ 6.11	\$ 5.18	\$ 2.87	\$ 2.58	\$ 3.73
Weighted average common shares - Diluted	306.4	307.6	314.1	317.0	322.4

The Allstate Corporation
Book Value per Common Share and Debt to Capital

(\$ in millions, except per share data)

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Book value per common share					
Numerator:					
Allstate common shareholders' equity ⁽¹⁾	\$ 24,649	\$ 28,247	\$ 25,293	\$ 25,016	\$ 22,203
Denominator:					
Common shares outstanding and dilutive potential common shares outstanding ⁽²⁾	304.0	308.7	307.0	315.8	318.7
Book value per common share	\$ 81.08	\$ 91.50	\$ 82.39	\$ 79.21	\$ 69.67
Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities					
Numerator:					
Allstate common shareholders' equity	\$ 24,649	\$ 28,247	\$ 25,293	\$ 25,016	\$ 22,203
Less: Unrealized net capital gains and losses on fixed income securities	1,680	3,185	2,750	2,610	534
Adjusted Allstate common shareholders' equity	\$ 22,969	\$ 25,062	\$ 22,543	\$ 22,406	\$ 21,669
Denominator:					
Common shares outstanding and dilutive potential common shares outstanding	304.0	308.7	307.0	315.8	318.7
Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities *	\$ 75.56	\$ 81.19	\$ 73.43	\$ 70.95	\$ 67.99
Total debt	\$ 7,996	\$ 7,825	\$ 6,635	\$ 6,634	\$ 6,633
Total capital resources	\$ 34,815	\$ 38,042	\$ 33,898	\$ 33,620	\$ 30,806
Ratio of debt to Allstate shareholders' equity	29.8 %	25.9 %	24.3 %	24.6 %	27.4 %
Ratio of debt to capital resources	23.0 %	20.6 %	19.6 %	19.7 %	21.5 %

⁽¹⁾ Excludes equity related to preferred stock of \$2,170 at March 31, 2021 and \$1,970 million at December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020.
⁽²⁾ Common shares outstanding were 300,124,914 and 304,192,788 as of March 31, 2021 and December 31, 2020, respectively.

The Allstate Corporation
Return on Allstate Common Shareholders' Equity

(\$ in millions)

Twelve months ended

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Return on Allstate common shareholders' equity					
Numerator:					
Net income applicable to common shareholders ⁽¹⁾	\$ 3,540	\$ 5,461	\$ 4,570	\$ 4,333	\$ 3,930
Denominator:					
Beginning Allstate common shareholders' equity	\$ 22,203	\$ 23,750	\$ 23,088	\$ 22,546	\$ 21,488
Ending Allstate common shareholders' equity ⁽²⁾	24,649	28,247	25,293	25,016	22,203
Average Allstate common shareholders' equity [^]	\$ 23,426	\$ 25,999	\$ 24,191	\$ 23,781	\$ 21,846
Return on Allstate common shareholders' equity	15.1 %	21.0 %	18.9 %	18.2 %	18.0 %
Adjusted net income return on Allstate common shareholders' equity					
Numerator:					
Adjusted net income * ⁽¹⁾	\$ 5,179	\$ 4,510	\$ 3,897	\$ 3,887	\$ 3,687
Denominator:					
Beginning Allstate common shareholders' equity	\$ 22,203	\$ 23,750	\$ 23,088	\$ 22,546	\$ 21,488
Less: Unrealized net capital gains and losses	530	1,887	2,023	1,654	972
Adjusted beginning Allstate common shareholders' equity	21,673	21,863	21,065	20,892	20,516
Ending Allstate common shareholders' equity	24,649	28,247	25,293	25,016	22,203
Less: Unrealized net capital gains and losses	1,680	3,180	2,744	2,602	530
Adjusted ending Allstate common shareholders' equity	22,969	25,067	22,549	22,414	21,673
Average adjusted Allstate common shareholders' equity [^]	\$ 22,321	\$ 23,465	\$ 21,807	\$ 21,653	\$ 21,095
Adjusted net income return on Allstate common shareholders' equity *	23.2 %	19.2 %	17.9 %	18.0 %	17.5 %

⁽¹⁾ Net income applicable to common shareholders and adjusted net income reflect a trailing twelve-month period.

⁽²⁾ Excludes equity related to preferred stock of \$2,170 at March 31, 2021 and \$1,970 million at December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020.

The Allstate Corporation
Policies in Force and Other Statistics

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Policies in force statistics (in thousands) ⁽¹⁾					
Allstate Protection					
Auto	25,453	22,260	22,360	22,451	22,311
Homeowners	7,090	6,643	6,634	6,616	6,590
Other personal lines	4,774	4,530	4,528	4,489	4,460
Commercial lines	325	216	219	221	224
Total	<u>37,642</u>	<u>33,649</u>	<u>33,741</u>	<u>33,777</u>	<u>33,585</u>
Allstate brand					
Auto	21,824	21,809	21,900	21,979	21,826
Homeowners	6,427	6,427	6,414	6,391	6,360
National General ⁽²⁾					
Auto	3,629	451	460	473	485
Homeowners	663	216	220	225	230
Protection Services					
Allstate Protection Plans	133,510	128,982	125,831	120,301	107,124
Allstate Dealer Services	3,996	4,042	4,075	4,101	4,096
Allstate Roadside	540	548	558	562	576
Allstate Identity Protection	2,702	2,700	2,490	2,312	1,932
Total	<u>140,748</u>	<u>136,272</u>	<u>132,954</u>	<u>127,276</u>	<u>113,728</u>
Allstate Health and Benefits					
	<u>4,522</u>	<u>3,950</u>	<u>4,092</u>	<u>4,410</u>	<u>4,309</u>
Total policies in force	<u><u>182,912</u></u>	<u><u>173,871</u></u>	<u><u>170,787</u></u>	<u><u>165,463</u></u>	<u><u>151,622</u></u>

⁽¹⁾ 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.

• PIF does not reflect banking relationships for our lender-placed insurance products to customers including fire, home and flood products, as well as collateral protection insurance and guaranteed asset protection products for automobiles.

• Commercial lines PIF for shared economy agreements reflect contracts that cover multiple drivers as opposed to individual drivers.

• Allstate Roadside reflects memberships in force and do not include their wholesale partners as the customer relationship is managed by the wholesale partner.

• Allstate Dealer Services reflects service contracts and other products sold in conjunction with auto lending and vehicle sales transactions and do not include their third party administrators ("TPAs") as the customer relationship is managed by the TPAs.

• Allstate Protection Plans represents active consumer product protection plans.

• Allstate Identity Protection reflects individual customer counts for identity protection products.

• Allstate Health and Benefits reflects certificate counts as opposed to group counts.

⁽²⁾ Encompass brand has been combined into National General in the first quarter of 2021 and results prior to 2021 reflect Encompass brand results only.

The Allstate Corporation
Property-Liability Results

(\$ in millions, except ratios)

Three months ended

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Premiums written	\$ 9,768	\$ 8,609	\$ 9,295	\$ 9,172	\$ 8,592
Decrease (increase) in unearned premiums	(280)	244	(470)	40	(349)
Other	408	31	27	40	(81)
Premiums earned	9,896	8,884	8,952	8,652	8,861
Other revenue	385	218	220	206	213
Claims and claims expense	(5,845)	(5,268)	(5,968)	(5,139)	(5,251)
Shelter-in-Place Payback expense	-	-	-	(738)	(218)
Amortization of deferred policy acquisition costs	(1,303)	(1,188)	(1,158)	(1,149)	(1,167)
Operating costs and expenses	(1,344)	(1,207)	(1,207)	(1,133)	(1,116)
Restructuring and related charges	(52)	(50)	(187)	(8)	(6)
Underwriting income ⁽¹⁾	\$ 1,657	\$ 1,423	\$ 752	\$ 902	\$ 1,348
Catastrophe losses	\$ 590	\$ 424	\$ 990	\$ 1,186	\$ 211
Amortization of purchased intangibles	\$ 19	\$ 5	\$ 3	\$ 3	\$ 1
Operating ratios and reconciliations to underlying ratios					
Loss ratio	60.1	59.3	66.7	59.0	59.1
Effect of catastrophe losses	(6.0)	(4.8)	(11.1)	(13.4)	(2.4)
Effect of prior year non-catastrophe reserve reestimates	(0.1)	-	(0.8)	0.4	(0.3)
Underlying loss ratio *	54.0	54.5	54.8	45.0	56.4
Expense ratio ⁽²⁾	23.2	24.7	24.9	31.8	25.7
Effect of amortization of purchased intangibles	(0.1)	(0.1)	-	-	-
Underlying expense ratio *	23.1	24.6	24.9	31.8	25.7
Combined ratio	83.3	84.0	91.6	89.8	84.8
Effect of catastrophe losses	(6.0)	(4.8)	(11.1)	(13.4)	(2.4)
Effect of prior year non-catastrophe reserve reestimates	(0.1)	-	(0.8)	0.4	(0.3)
Effect of amortization of purchased intangibles	(0.1)	(0.1)	-	-	-
Underlying combined ratio *	77.1	79.1	79.7	76.8	82.1
Effect of restructuring and related charges on combined ratio	0.3	0.4	2.1	0.1	-
Effect of Run-off Property-Liability on combined ratio	0.1	0.1	1.5	-	-
Effect of Shelter-in-Place Payback expense on combined and expense ratios	-	-	-	8.3	2.4
(1) Underwriting income (loss)					
Allstate brand ⁽³⁾	\$ 1,515	\$ 1,414	\$ 842	\$ 899	\$ 1,336
National General ⁽³⁾	136	12	48	6	14
Answer Financial	7	-	2	-	1
Total underwriting income for Allstate Protection	1,660	1,426	892	905	1,351
Run-off Property-Liability	(3)	(3)	(135)	(3)	(3)
Total underwriting income for Property Liability	\$ 1,657	\$ 1,423	\$ 757	\$ 902	\$ 1,348
Investment results and taxes					
Net investment income	\$ 673	\$ 619	\$ 422	\$ 178	\$ 202
Realized capital gains (losses), after-tax	314	327	230	299	(82)
Income tax expense on operations	(471)	(414)	(240)	(209)	(302)

⁽¹⁾ Encompass brand has been combined into National General in the first quarter of 2021 and results prior to 2021 reflect Encompass brand results only.

The Allstate Corporation
Allstate Protection Profitability Measures

(\$ in millions, except ratios)

Three months ended

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Net premiums earned					
Auto	\$ 6,809	\$ 6,103	\$ 6,210	\$ 6,172	\$ 6,155
Homeowners	2,392	2,090	2,073	2,054	2,037
Other personal lines	505	484	486	478	471
Commercial lines	190	207	183	159	218
Total	\$ 9,896	\$ 8,884	\$ 8,952	\$ 8,863	\$ 8,881
Underwriting income (loss)					
Auto	\$ 1,327	\$ 883	\$ 906	\$ 998	\$ 657
Homeowners	268	449	(67)	(139)	581
Other personal lines	33	89	42	43	90
Commercial lines	(2)	(16)	(14)	(11)	5
Other business lines [^]	27	21	18	14	17
Answer Financial	7	-	2	-	1
Total	\$ 1,660	\$ 1,426	\$ 887	\$ 905	\$ 1,351
Operating ratios and reconciliations to underlying ratios					
Loss ratio	60.0	59.3	65.2	58.0	59.1
Effect of catastrophe losses	(6.0)	(4.8)	(11.1)	(13.4)	(2.4)
Effect of prior year non-catastrophe reserve reestimates	-	-	0.7	0.4	(0.3)
Underlying loss ratio [*]	54.0	54.5	54.8	45.0	56.4
Expense ratio	23.2	24.6	24.9	31.8	25.7
Effect of amortization of purchased intangibles	(0.1)	-	-	-	-
Underlying expense ratio [*]	23.1	24.6	24.9	31.8	25.7
Combined ratio	83.2	83.9	90.1	89.8	84.8
Underlying combined ratio [*]	77.1	79.1	79.7	76.8	82.1
Effect of advertising expenses on combined ratio	3.2	3.7	2.3	2.4	2.3
Effect of restructuring and related charges on combined ratio	0.3	0.4	2.1	0.1	-
Effect of Shelter-in-Place Payback expense on combined and expense ratios	-	-	-	8.3	2.4

The Allstate Corporation
Auto Profitability Measures

(\$ in millions, except ratios)

	Three months ended				
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Allstate Protection					
Net premiums earned	\$ 6,809	\$ 6,103	\$ 6,210	\$ 6,172	\$ 6,195
Underwriting income	\$ 1,327	\$ 883	\$ 906	\$ 998	\$ 657
Operating ratios and reconciliations to underlying ratios					
Loss ratio	57.2	60.2	59.7	47.9	62.2
Effect of catastrophe losses	(0.4)	(0.6)	(1.6)	(2.2)	(0.2)
Effect of prior year non-catastrophe reserve reestimates	0.2	-	0.5	0.8	(0.4)
Underlying loss ratio *	<u>57.0</u>	<u>59.6</u>	<u>58.6</u>	<u>46.5</u>	<u>61.6</u>
Expense ratio	23.3	25.3	25.7	35.9	27.1
Effect of amortization of purchased intangibles	(0.2)	-	-	-	-
Underlying expense ratio *	<u>23.1</u>	<u>25.3</u>	<u>25.7</u>	<u>35.9</u>	<u>27.1</u>
Combined ratio	80.5	85.5	85.4	83.8	89.3
Effect of catastrophe losses	(0.4)	(0.6)	(1.6)	(2.2)	(0.2)
Effect of prior year non-catastrophe reserve reestimates	0.2	-	0.5	0.8	(0.4)
Effect of amortization of purchased intangibles	(0.2)	-	-	-	-
Underlying combined ratio *	<u>80.1</u>	<u>84.9</u>	<u>84.3</u>	<u>82.4</u>	<u>88.7</u>
Effect of Shelter-in-Place Payback expense on combined and expense ratios	-	-	-	11.9	3.4
New issued applications (in thousands) ^Δ	1,471	846	902	882	897
Allstate brand					
Net premiums earned	\$ 6,014	\$ 5,977	\$ 6,081	\$ 6,037	\$ 6,020
Underwriting income	\$ 1,203	\$ 882	\$ 897	\$ 966	\$ 659
Combined ratio	80.0	85.2	85.2	84.0	89.1
Underlying combined ratio *	79.6	84.7	84.2	82.6	88.5
New issued applications (in thousands)					
Agency channel	651	603	682	664	672
Direct channel	278	227	206	204	209
Average premium - gross written ^Δ (\$)	607	621	621	612	616
Renewal ratio ^Δ (%)	86.7	87.2	87.9	87.6	87.4
Property damage gross claim frequency ^Δ (%)	(18.8)	(28.7)	(28.6)	(46.4)	(12.2)
Property damage paid claim severity ^Δ (%)	5.5	5.1	7.9	20.4	6.1
National General ⁽¹⁾					
Net premiums earned	\$ 795	\$ 126	\$ 129	\$ 135	\$ 135
Underwriting income (loss)	\$ 124	\$ 1	\$ 9	\$ 32	\$ (2)
Combined ratio	84.4	99.2	93.0	76.3	101.5
Underlying combined ratio *	83.8	96.0	89.1	74.1	100.0
New issued application (in thousands)	542	16	14	14	16

⁽¹⁾ Encompass brand has been combined into National General in the first quarter of 2021 and results prior to 2021 reflect Encompass brand results only.

The Allstate Corporation
Homeowners Profitability Measures

(\$ in millions, except ratios)

	Three months ended				
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Allstate Protection					
Net premiums earned	\$ 2,392	\$ 2,090	\$ 2,073	\$ 2,054	\$ 2,037
Underwriting income (loss)	\$ 268	\$ 449	\$ (67)	\$ (139)	\$ 581
Operating ratios and reconciliations to underlying ratios					
Loss ratio	64.9	55.1	89.4	84.8	48.9
Effect of catastrophe losses	(20.7)	(16.8)	(39.1)	(46.4)	(9.0)
Effect of prior year non-catastrophe reserve reestimates	(0.2)	(0.1)	0.7	0.2	(0.1)
Underlying loss ratio *	<u>44.0</u>	<u>38.2</u>	<u>42.0</u>	<u>38.6</u>	<u>39.8</u>
Expense ratio	23.9	23.4	22.8	22.0	22.6
Effect of amortization of purchased intangibles	(0.2)	(0.1)	-	-	-
Underlying expense ratio *	<u>23.7</u>	<u>23.3</u>	<u>22.8</u>	<u>22.0</u>	<u>22.6</u>
Combined ratio	88.8	78.5	103.2	106.8	71.5
Effect of catastrophe losses	(20.7)	(16.8)	(39.1)	(46.4)	(9.0)
Effect of prior year non-catastrophe reserve reestimates	(0.2)	(0.1)	0.7	0.2	(0.1)
Effect of amortization of purchased intangibles	(0.2)	(0.1)	-	-	-
Underlying combined ratio *	<u>67.7</u>	<u>61.5</u>	<u>64.8</u>	<u>60.6</u>	<u>62.4</u>
New issued applications (in thousands)	242	227	256	238	212
Allstate brand					
Net premiums earned	\$ 2,008	\$ 1,993	\$ 1,974	\$ 1,955	\$ 1,936
Underwriting income	\$ 262	\$ 442	\$ (93)	\$ (118)	\$ 567
Combined ratio	87.0	77.8	104.7	106.0	70.7
Underlying combined ratio *	63.3	60.8	64.6	60.2	61.8
New issued applications (in thousands)					
Agency channel	204	201	231	214	191
Direct channel	16	17	16	16	13
Average premium - gross written (\$)	1,360	1,342	1,334	1,324	1,310
Renewal ratio (%)	87.0	87.4	87.8	87.3	87.6
Gross claim frequency (%)	19.3	3.6	3.5	(8.6)	(13.2)
Paid claim severity (%)	1.4	0.7	3.3	9.5	15.9
National General ⁽¹⁾					
Net premiums earned	\$ 394	\$ 97	\$ 99	\$ 99	\$ 101
Underwriting income (loss)	\$ 6	\$ 7	\$ 26	\$ (21)	\$ 14
Combined ratio	98.4	92.8	73.7	121.2	86.1
Underlying combined ratio *	90.6	76.3	68.7	68.7	75.2
New issued application (in thousands)	22	9	9	8	8

⁽¹⁾ Encompass brand has been combined into National General in the first quarter of 2021 and results prior to 2021 reflect Encompass brand results only.

The Allstate Corporation
Protection Services Segment Results

(\$ in millions)

	Three months ended				
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Protection Services					
Net premiums written	\$ 583	\$ 559	\$ 485	\$ 467	\$ 379
Net premiums earned	\$ 411	\$ 395	\$ 384	\$ 360	\$ 354
Other revenue	90	53	52	51	52
Intersegment insurance premiums and service fees	41	38	36	35	38
Net investment income	10	11	12	11	10
Claims and claims expense	(103)	(102)	(107)	(85)	(92)
Amortization of deferred policy acquisition costs	(181)	(176)	(169)	(160)	(153)
Operating costs and expenses	(198)	(167)	(160)	(163)	(161)
Restructuring and related charges	(9)	(2)	2	(3)	-
Income tax expense on operations	(12)	(12)	(10)	(9)	(11)
Adjusted net income ⁽¹⁾	\$ 49	\$ 38	\$ 40	\$ 38	\$ 37
Depreciation	8	8	7	6	7
Restructuring and related charges	9	2	(2)	3	-
Income tax expense on operations	12	12	10	8	11
Adjusted earnings before taxes, depreciation and restructuring *	\$ 78	\$ 60	\$ 55	\$ 55	\$ 55
Allstate Protection Plans					
Net premiums written	\$ 388	\$ 385	\$ 300	\$ 310	\$ 221
Net premiums earned	\$ 260	\$ 248	\$ 236	\$ 219	\$ 206
Revenue ⁽²⁾	275	263	251	232	219
Claims and claims expense	(66)	(69)	(70)	(56)	(55)
Amortization of deferred policy acquisition costs	(91)	(87)	(83)	(75)	(70)
Other costs and expenses ⁽³⁾	(61)	(61)	(56)	(57)	(50)
Restructuring and related charges	-	-	3	-	-
Income tax expense on operations	(12)	(14)	(9)	(9)	(10)
Adjusted net income	\$ 45	\$ 32	\$ 36	\$ 35	\$ 34
Allstate Dealer Services					
Revenue	\$ 123	\$ 121	\$ 121	\$ 118	\$ 117
Adjusted net income	8	7	7	8	7
Allstate Roadside					
Revenue	\$ 59	\$ 58	\$ 59	\$ 53	\$ 60
Adjusted net income	4	4	4	2	2
Arity					
Revenue	\$ 64	\$ 26	\$ 25	\$ 26	\$ 30
Adjusted net income (loss)	2	(2)	(3)	(3)	(3)
Allstate Identity Protection					
Revenue	\$ 31	\$ 29	\$ 28	\$ 28	\$ 28
Adjusted net loss	(10)	(3)	(4)	(4)	(3)

⁽¹⁾ Adjusted net income is the GAAP segment measure.

The Allstate Corporation
Allstate Health and Benefits Segment Results and Other Statistics

(\$ in millions)

	Three months ended				
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Allstate Health and Benefits					
Premiums	\$ 428	\$ 235	\$ 247	\$ 237	\$ 253
Contract charges	27	27	40	26	29
Other revenue	80	-	-	-	-
Net investment income	19	20	18	20	20
Accident and health insurance policy benefits	(233)	(124)	(128)	(123)	(141)
Interest credited to contractholder funds	(9)	(7)	(8)	(9)	(9)
Amortization of deferred policy acquisition costs	(39)	(38)	(59)	(35)	(45)
Operating costs and expenses	(190)	(69)	(68)	(110) ⁽¹⁾	(75)
Restructuring and related charges	-	-	-	(1)	-
Income tax expense on operations	(18)	(10)	(9)	-	(8)
Adjusted net income [^]	\$ 65	\$ 34	\$ 33	\$ 5	\$ 24
Benefit ratio [^]	51.2 %	47.3 %	44.6 %	46.8 %	50.0 %
Premiums and contract charges					
Employer voluntary benefits [^]	\$ 263	\$ 262	\$ 287	\$ 263	\$ 282
Group health [^]	83	-	-	-	-
Individual accident and health [^]	109	-	-	-	-
Total	\$ 455	\$ 262	\$ 287	\$ 263	\$ 282

⁽¹⁾ Includes \$41 million, pre-tax, write-off of capitalized software costs associated with a billing system.

The Allstate Corporation
Corporate and Other Segment Results

(\$ in millions)

Three months ended

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Net investment income	\$ 6	\$ 10	\$ 12	\$ 11	\$ 14
Operating costs and expenses	(32)	(37)	(23)	(25)	(25)
Restructuring and related charges	(10)	(1)	(11)	-	-
Interest expense	(86)	(80)	(78)	(79)	(81)
Income tax benefit on operations	26	23	16	20	21
Preferred stock dividends	(27)	(26)	(27)	(26)	(36)
Adjusted net loss ^a	\$ (123)	\$ (111)	\$ (111)	\$ (99)	\$ (107)

The Allstate Corporation
Investment Position and Results

(\$ in millions)

As of or for the three months ended

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Investment position					
Fixed income securities, at fair value	\$ 40,594	\$ 42,565	\$ 43,683	\$ 42,034	\$ 38,447
Equity securities [^]	3,154	3,168	2,977	2,638	2,331
Mortgage loans, net	902	746	788	805	766
Limited partnership interests [^]	6,367	4,563	4,284	4,093	4,154
Short-term, at fair value	6,017	6,807	3,145	4,140	4,580
Other investments, net	3,042	1,691	1,860	1,949	1,841
Total	<u>\$ 60,076</u>	<u>\$ 59,540</u>	<u>\$ 56,737</u>	<u>\$ 55,659</u>	<u>\$ 52,119</u>
Net investment income					
Fixed income securities	\$ 301	\$ 314	\$ 314	\$ 306	\$ 298
Equity securities	14	29	18	21	10
Mortgage loans	10	9	8	8	9
Limited partnership interests	378	309	123	(117)	(77)
Short-term	1	2	2	2	11
Other	41	33	29	31	31
Investment income, before expense	745	696	494	251	282
Less: Investment expense	(37)	(36)	(30)	(31)	(36)
Net investment income	<u>\$ 708</u>	<u>\$ 660</u>	<u>\$ 464</u>	<u>\$ 220</u>	<u>\$ 246</u>
Pre-tax yields on fixed income securities [^]	3.1 %	3.1 %	3.1 %	3.1 %	3.2 %
Realized capital gains (losses), pre-tax by transaction type					
Sales	\$ 246	\$ 212	\$ 214	\$ 160	\$ 388
Credit losses	2	(3)	7	1	(37)
Valuation of equity investments	167	294	128	265	(591)
Valuation and settlements of derivative instruments	11	(13)	(30)	14	78
Total	<u>\$ 426</u>	<u>\$ 490</u>	<u>\$ 319</u>	<u>\$ 440</u>	<u>\$ (162)</u>
Total return on investment portfolio [^]					
Net investment income	1.2 %	1.1 %	0.8 %	0.4 %	0.5 %
Valuation-interest bearing	(1.8)	1.0	0.8	3.9	(1.5)
Valuation-equity investments	0.4	0.6	0.2	0.5	(1.1)
Total	<u>(0.2) %</u>	<u>2.7 %</u>	<u>1.8 %</u>	<u>4.8 %</u>	<u>(2.1) %</u>
Fixed income securities portfolio duration [^] (in years)	4.81	5.17	5.14	5.15	5.10

The Allstate Corporation
Investment Position and Results by Strategy

(\$ in millions)

As of or for the three months ended

	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Investment Position					
Market-based [▲]					
Interest-bearing investments [▲]	\$ 49,422	\$ 50,975	\$ 48,581	\$ 48,062	\$ 44,762
Equity securities [▲]	2,787	2,984	2,732	2,395	2,095
LP and other alternative investments [▲]	298	257	215	180	162
Total	\$ 52,507	\$ 54,116	\$ 51,528	\$ 50,637	\$ 47,019
Performance-based [▲]					
Private equity	\$ 5,702	\$ 3,965	\$ 3,689	\$ 3,491	\$ 3,608
Real estate	1,867	1,459	1,520	1,531	1,492
Total	\$ 7,569	\$ 5,424	\$ 5,209	\$ 5,022	\$ 5,100
Investment Income					
Market-based					
Interest-bearing investments	\$ 331	\$ 339	\$ 339	\$ 331	\$ 336
Equity securities	15	28	19	20	24
LP and other alternative investments	9	4	1	2	1
Investment income, before expense	355	371	359	353	361
Investee level expenses	(1)	(1)	(1)	(1)	(1)
Income for yield calculation	\$ 354	\$ 370	\$ 358	\$ 352	\$ 360
Pre-tax yield	2.8 %	2.9 %	2.9 %	2.9 %	3.1 %
Performance-based					
Private equity	\$ 330	\$ 277	\$ 134	\$ (110)	\$ (95)
Real estate	80	48	1	8	16
Investment income, before expense	390	325	135	(102)	(79)
Investee level expenses	(12)	(11)	(6)	(8)	(7)
Income for yield calculation	\$ 378	\$ 314	\$ 129	\$ (110)	\$ (86)
Pre-tax yield	20.7 %	23.7 %	10.0 %	(8.7) %	(6.7) %
Total return on investments portfolio					
Market-based	(1.1) %	2.3 %	1.8 %	5.5 %	(2.2) %
Performance-based	6.3	6.8	2.3	(2.3)	(1.2)
Internal rate of return ^{(1) ▲}					
Performance-based					
10 year	11.7 %	11.5 %	11.5 %	11.3 %	12.1 %
5 year	10.8	9.6	8.5	8.6	10.2
3 year	8.5	8.0	7.2	7.5	10.4
1 year	11.1	4.4	(1.1)	(2.2)	6.5

⁽¹⁾ Calculations are based on consolidated results including held for sale investments.

Definitions of Non-GAAP Measures

We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP measures. Our methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

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

- realized capital gains and losses except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses 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, and
- related income tax expense or benefit of these items.

Net income (loss) applicable to common shareholders is the GAAP measure that is most directly comparable to adjusted net income. We use adjusted net income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the Company's ongoing performance because it reveals trends in our insurance and financial service business that may be obscured by the net effect of realized capital gains and losses, pension and other postretirement remeasurement gains and losses, valuation changes on embedded derivatives that are not hedged, business combination expenses, and the amortization or impairment of purchased intangibles, income or loss from discontinued operations and adjustments for other significant non-recurring, infrequent or unusual items and the related tax expense or benefit of these items. Realized capital gains and losses, pension and other postretirement remeasurement gains and losses, and valuation changes on embedded derivatives that are not hedged may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Business combination expenses and income or loss from discontinued operations are excluded because they are non-recurring in nature and the amortization or impairment of purchased intangibles is excluded because it relates to the acquisition purchase price and is not indicative of our underlying business results or trends. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, adjusted net income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine adjusted net income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Adjusted net income is used by management along with the other components of net income (loss) applicable to common shareholders to assess our performance. We use adjusted measures of adjusted net income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income (loss) applicable to common shareholders, adjusted net income and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize adjusted net income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the Company and management's performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses adjusted net income as the denominator. Adjusted net income should not be considered a substitute for net income (loss) applicable to common shareholders and does not reflect the overall profitability of our business. A reconciliation of adjusted net income to net income (loss) applicable to common shareholders is provided in the schedule, "Contribution to Income".

Underlying loss ratio is a non-GAAP ratio, which is computed as the difference between three GAAP operating ratios: the loss ratio, the effect of catastrophes on the combined ratio, and the effect of prior year non-catastrophe reserve reestimates on the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends that may be obscured by catastrophe losses and prior year reserve reestimates. Catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. The most directly comparable GAAP measure is the loss ratio. The underlying loss ratio should not be considered a substitute for the loss ratio and does not reflect the overall loss ratio of our business. A reconciliation of underlying loss ratio is provided in the schedules "Property-Liability Results", "Allstate Protection Profitability Measures", "Auto Profitability Measures" and "Homeowners Profitability Measures".

Underlying expense ratio is a non-GAAP ratio, which is computed as the difference between the expense ratio and the effect of amortization or impairment of purchased intangibles on the expense ratio. We believe that the measure provides investors with a valuable measure of ongoing performance because it reveals trends that may be obscured by the amortization or impairment of purchased intangible assets. Amortization or impairment of purchased intangible assets is excluded because it relates to the acquisition purchase price and is not indicative of our business results or trends. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. The most directly comparable GAAP measure is the expense ratio. The underlying expense ratio should not be considered a substitute for the expense ratio and does not reflect the overall expense ratio of our business. A reconciliation of underlying expense ratio is provided in the schedules "Property-Liability Results", "Allstate Protection Profitability Measures", "Auto Profitability Measures" and "Homeowners Profitability Measures".

Underlying combined ratio is a non-GAAP ratio, which is the sum of underlying loss and underlying expense ratios. We believe that this ratio is useful to investors and it is used by management to reveal the trends in our Property-Liability business that may be obscured by catastrophe losses, prior year reserve reestimates and amortization or impairment of purchased intangibles. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. The most directly comparable GAAP measure is the combined ratio. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business. A reconciliation of the underlying combined ratio to combined ratio is provided in the schedule "Property-Liability Results", "Auto Profitability Measures" and "Homeowners Profitability Measures".

Definitions of Non-GAAP Measures (continued)

Protection Services adjusted earnings before taxes, depreciation and restructuring, is a non-GAAP measure, which is computed as adjusted net income (loss), excluding taxes, depreciation and restructuring. Adjusted net income (loss) is the GAAP measure that is most directly comparable to adjusted earnings before taxes, depreciation and restructuring. We use adjusted earnings before taxes, depreciation and restructuring, as an important measure to evaluate Protection Services' results of operations. We believe that the measure provides investors with a valuable measure of Protection Services' ongoing performance because it reveals trends that may be obscured by the taxes, depreciation and restructuring expenses. Taxes, depreciation and restructuring are excluded because these are not directly attributable to the underlying operating performance of Protection Services' segment. Adjusted earnings before taxes, depreciation and restructuring highlights the results from ongoing operations and the underlying profitability of our business and is used by management along with the other components of adjusted net income (loss) to assess our performance. We believe it is useful for investors to evaluate adjusted net income (loss), adjusted earnings before taxes, depreciation and restructuring, and their components separately and in the aggregate when reviewing and evaluating Protection Services segment's performance. Adjusted earnings before taxes, depreciation and restructuring should not be considered a substitute for adjusted net income (loss) and does not reflect the overall profitability of our business. A reconciliation of adjusted net income (loss) to adjusted earnings before taxes, depreciation and restructuring, is provided in the schedule, "Protection Services Segment Results".

Adjusted net income return on Allstate common shareholders' equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month adjusted net income by the average of Allstate common shareholders' equity at the beginning and at the end of the 12-months, after excluding the effect of unrealized net capital gains and losses. Return on Allstate common shareholders' equity is the most directly comparable GAAP measure. We use adjusted net income as the numerator for the same reasons we use adjusted net income, as discussed previously. We use average Allstate common shareholders' equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of common shareholders' equity primarily applicable to Allstate's earned and realized business operations because it eliminates the effect of items that are unrealized and vary significantly between periods due to external economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income (loss) applicable to common shareholders and return on Allstate common shareholders' equity because it excludes the effect of items that tend to be highly volatile from period to period. We believe that this measure is useful to investors and that it provides a valuable tool for investors when considered along with return on Allstate common shareholders' equity because it eliminates the after-tax effects of realized and unrealized net capital gains and losses that can fluctuate significantly from period to period and that are driven by economic developments, the magnitude and timing of which are generally not influenced by management. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine adjusted net income return on Allstate common shareholders' equity from return on Allstate common shareholders' equity is the transparency and understanding of their significance to return on common shareholders' equity variability and profitability while recognizing these or similar items may recur in subsequent periods. We use adjusted measures of adjusted net income return on common shareholders' equity in incentive compensation. Therefore, we believe it is useful for investors to have adjusted net income return on Allstate common shareholders' equity and return on Allstate common shareholders' equity when evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize adjusted net income return on common shareholders' equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's utilization of capital. Adjusted net income return on Allstate common shareholders' equity should not be considered a substitute for return on Allstate common shareholders' equity and does not reflect the overall profitability of our business. A reconciliation of return on Allstate common shareholders' equity and adjusted net income return on Allstate common shareholders' equity can be found in the schedule, "Return on Allstate Common Shareholders' Equity".

Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, is a ratio that uses a non-GAAP measure. It is calculated by dividing Allstate common shareholders' equity after excluding the impact of unrealized net capital gains and losses on fixed income securities and related DAC, DISI and life insurance reserves by total common shares outstanding plus dilutive potential common shares outstanding. We use the trend in book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, in conjunction with book value per common share to identify and analyze the change in net worth applicable to management efforts between periods. We believe the non-GAAP ratio is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period and are generally driven by economic developments, primarily capital market conditions, the magnitude and timing of which are generally not influenced by management, and we believe it enhances understanding and comparability of performance by highlighting underlying business activity and profitability drivers. We note that book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, is a measure commonly used by insurance investors as a valuation technique. Book value per common share is the most directly comparable GAAP measure. Book value per common share, excluding the impact of unrealized net capital gains and losses on fixed income securities, should not be considered a substitute for book value per common share, and does not reflect the recorded net worth of our business. A reconciliation of book value per common share, excluding the impact of unrealized net capital gains on fixed income securities, and book value per common share can be found in the schedule, "Book Value per Common Share and Debt to Capital".

Glossary

Consolidated Operations

Accident and health insurance premiums and contract charges are reported in the Allstate Health and Benefits segment and include employer voluntary benefits, group health and individual accident and health products.

Adjusted net income is the GAAP segment measure used for the Protection Services, Allstate Health and Benefits, and Corporate and Other segments.

Average Allstate common shareholders' equity and average adjusted Allstate common shareholders' equity are determined using a two-point average, with the beginning and ending Allstate common shareholders' equity and Allstate adjusted common shareholders' equity, respectively, for the twelve-month period as data points.

Other revenue primarily 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.

Property and casualty insurance premiums are reported in the Allstate Protection and Protection Services segments and include auto, homeowners, other personal lines and commercial lines insurance products, as well as consumer product protection plans, roadside assistance and finance and insurance products.

Property-Liability

Average premium - gross written: 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, which is 6 months for auto and 12 months for homeowners.

Gross claim frequency is calculated as annualized notice counts received in the period divided by the average of policies in force with the applicable coverage during the period. It 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). Frequency statistics exclude counts associated with catastrophe events. The percent change in gross claim frequency is calculated as the amount of increase or decrease in the gross claim frequency in the current period compared to the same period in the prior year, divided by the prior year gross claim frequency.

New issued applications: Item counts of automobiles or homeowners insurance applications for insurance policies that were issued during the period, regardless of whether the customer was previously insured by another Allstate Protection brand. Allstate brand includes automobiles added by existing customers when they exceed the number allowed (currently 12) on a policy.

Other business lines primarily represent commissions earned and other costs and expenses for liability and non-proprietary life and annuity products.

Expense ratio: Other revenue is deducted from other costs and expenses in the expense ratio calculator.

Paid claim severity is calculated by dividing the sum of paid losses and less expenses by claims closed with a payment during the period. The percent change in paid claim severity is calculated as the amount of increase or decrease in paid claim severity in the current period compared to the same period in the prior year, divided by the prior year paid claim severity.

Protection Services

Other costs and expenses may include amortization of deferred policy acquisition costs, operating costs and expenses, and restructuring and related charges.

Revenue may include net premiums earned, intersegment insurance premiums and service fees, other revenue, revenue earned from external customers and net investment income.

Allstate Health and Benefits

Benefit ratio is contract benefits divided by premiums and contract charges.

Employer voluntary benefits include supplemental life and health products offered through workplace enrollment.

Group health includes health products sold to employers for use by their employees.

Individual accident and health includes short-term medical and supplemental products sold directly to individuals.

Investments

Duration measures the price sensitivity of assets and liabilities to changes in interest rates.

Equity securities include investments in exchange traded and mutual funds whose underlying investments are fixed income securities.

Interest-bearing investments comprise fixed income securities, mortgage loans, short-term investments, and other investments including bank and agent loans and derivatives.

Internal rate of return is one of the measures we use to evaluate the performance of these investments. The IRR represents the rate of return on the investments considering the cash flows paid and received and, until the investment is fully liquidated, the estimated value of investment holdings at the end of the measurement period. The calculated IRR for any measurement period is highly influenced by the values of the portfolio at the beginning and end of the period, which reflect the estimated fair values of the investments as of such dates. As a result, the IRR can vary significantly for different measurement periods based on macroeconomic, or other events that impact the estimated beginning or ending portfolio value, such as the global financial crisis. Our IRR calculation method may differ from those used by other investors. The timing of the recognition of income in the financial statements may differ significantly from the cash distributions and changes in the value of these investments.

Limited partnership interests: Income from equity method of accounting LP is generally recognized on a three-month delay due to the availability of the related financial statements from investees.

LP and other investments comprise limited partnership interests and other alternative investments, including real estate investments classified as other investments. Market-based investments include publicly traded equity securities classified as limited partnerships.

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 primarily through investments in private equity and real estate.

Pre-tax yields: Quarterly pre-tax yield is calculated as annualized quarterly investment income, before investment expense divided by the average of the ending investment balances of the current and prior quarter. Year-to-date pre-tax yield is calculated as annualized year-to-date investment income, before investment expense divided by the average of investment balances at the beginning of the year and the end of each quarter during the year. For the purpose of the pre-tax yield calculation, income for directly held real estate and other investments is net of investee level expenses (asset level operating expenses reported in investment expense). Fixed income securities investment balances exclude unrealized capital gains and losses. Equity securities investment balances use cost in the calculation.

Total return on investment portfolio is calculated from GAAP results, including the total of net investment income, realized capital gains and losses, the change in unrealized net capital gains and losses, and the change in the difference between fair value and carrying value of mortgage loans, bank loans and agent loans divided by the average fair value balances.

