

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended March 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



THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3871531

(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 \$.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 (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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 19, 2021, the registrant had 299,338,684 common shares, \$.01 par value, outstanding.

The Allstate Corporation
Index to Quarterly Report on Form 10-Q
March 31, 2021

Part I Financial Information

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Part I. Financial Information
Item 1. Financial Statements
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	12,451	9,866
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	9,419	8,835
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	\$ (1,408)	\$ 513
Earnings per common share applicable to common shareholders		
Basic		
Continuing operations	\$ 7.88	\$ 2.52
Discontinued operations	(12.53)	(0.90)
Total	\$ (4.65)	\$ 1.62
Diluted		
Continuing operations	\$ 7.78	\$ 2.48
Discontinued operations	(12.38)	(0.89)
Total	\$ (4.60)	\$ 1.59
Weighted average common shares - Basic	302.5	317.4
Weighted average common shares - Diluted	306.4	322.4

See notes to condensed consolidated financial statements.

The Allstate Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (unaudited)

(\$ in millions)	Three months ended March 31,	
	2021	2020
Net (loss) income	\$ (1,387)	\$ 549
Other comprehensive loss, after-tax		
Changes in:		
Unrealized net capital gains and losses	(1,500)	(1,357)
Unrealized foreign currency translation adjustments	34	(39)
Unamortized pension and other postretirement prior service credit	(15)	4
Other comprehensive loss, after-tax	(1,481)	(1,392)
Comprehensive loss	(2,868)	(843)
Less: Comprehensive loss attributable to noncontrolling interest	(6)	—
Comprehensive loss applicable to Allstate	\$ (2,862)	\$ (843)

See notes to condensed consolidated financial statements.

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
Commitments and Contingent Liabilities (Note 13)		
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; \$.01 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, \$.01 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 ("AOCI")	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

See notes to condensed consolidated financial statements.

The Allstate Corporation and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity (unaudited)

(\$ in millions, except per share data)	Three months ended March 31,	
	2021	2020
Preferred stock par value	\$ —	\$.
Preferred stock additional capital paid-in		
Balance, beginning of period	1,970	2,24
Acquisition	450	.
Preferred stock redemption	(250)	(27
Balance, end of period	2,170	1,97
Common stock par value	9	
Common stock additional capital paid-in		
Balance, beginning of period	3,498	3,46
Forward contract on accelerated share repurchase agreement	113	.
Equity incentive plans activity	(15)	(1
Balance, end of period	3,596	3,57
Retained income		
Balance, beginning of period	52,767	48,07
Cumulative effect of change in accounting principle	—	(8
Net (loss) income	(1,387)	54
Dividends on common stock (declared per share of \$0.81 and \$0.54)	(246)	(17
Dividends on preferred stock	(27)	(3
Balance, end of period	51,107	48,32
Treasury stock		
Balance, beginning of period	(31,331)	(29,74
Shares acquired	(601)	(51
Shares reissued under equity incentive plans, net	46	4
Balance, end of period	(31,886)	(30,20
Accumulated other comprehensive income		
Balance, beginning of period	3,304	1,99
Change in unrealized net capital gains and losses	(1,500)	(1,35
Change in unrealized foreign currency translation adjustments	34	(3
Change in unamortized pension and other postretirement prior service credit	(15)	
Balance, end of period	1,823	51
Total Allstate shareholders' equity	26,819	24,17
Noncontrolling interest		
Balance, beginning of period	—	.
Acquisition	(21)	.
Noncontrolling loss	(6)	.
Balance, end of period	(27)	.
Total equity	\$ 26,792	\$ 24,17

See notes to condensed consolidated financial statements.

The Allstate Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)	Three months ended March 31,	
	2021	2020
Cash flows from operating activities		
Net (loss) income	\$ (1,387)	\$ 549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other non-cash items	260	155
Realized capital (gains) losses	(505)	462
Pension and other postretirement remeasurement (gains) losses	(310)	318
Amortization of deferred gain on reinsurance	(2)	(1)
Interest credited to contractholder funds	94	132
Loss on disposition of operations	3,998	—
Changes in:		
Policy benefits and other insurance reserves	817	(654)
Unearned premiums	33	(272)
Deferred policy acquisition costs	(26)	38
Premium installment receivables, net	(124)	26
Reinsurance recoverables, net	(1,201)	24
Income taxes	181	28
Other operating assets and liabilities	(440)	222
Net cash provided by operating activities	1,388	1,027
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	10,290	12,114
Equity securities	992	5,250
Limited partnership interests	152	749
Other investments	328	116
Investment collections		
Fixed income securities	737	555
Mortgage loans	134	118
Other investments	109	61
Investment purchases		
Fixed income securities	(7,968)	(14,667)
Equity securities	(539)	(1,619)
Limited partnership interests	(322)	(357)
Mortgage loans	—	(142)
Other investments	(603)	(129)
Change in short-term and other investments, net	744	(1,916)
Purchases of property and equipment, net	(61)	(65)
Acquisition of operations, net of cash acquired	(3,480)	—
Net cash provided by investing activities	513	68
Cash flows from financing activities		
Redemption and repayment of long-term debt	(422)	—
Redemption of preferred stock	(250)	(288)
Contractholder fund deposits	252	246
Contractholder fund withdrawals	(374)	(471)
Dividends paid on common stock	(164)	(159)
Dividends paid on preferred stock	(27)	(29)
Treasury stock purchases	(467)	(414)
Shares reissued under equity incentive plans, net	4	8
Other	(32)	12
Net cash used in financing activities	(1,480)	(1,095)
Net increase in cash, including cash classified as assets held for sale	421	—
Cash from continuing operations at beginning of period	311	273
Cash classified as assets held for sale at beginning of period	66	65
Less: Cash classified as assets held for sale at end of period	89	58
Cash from continuing operations at end of period	\$ 709	\$ 280

See notes to condensed consolidated financial statements.

The Allstate Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 General

Basis of presentation

The accompanying condensed 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 a primary beneficiary. These condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The condensed consolidated financial statements and notes as of March 31, 2021 and for the three month periods ended March 31, 2021 and 2020 are unaudited. The condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods.

These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2020. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year. All significant intercompany accounts and transactions have been eliminated.

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

The Coronavirus resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which have included the implementation of travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings, have caused material disruption to businesses globally, resulting in increased unemployment, a recession and increased economic uncertainty. Additionally, there is no way of predicting with certainty how long the pandemic might last, including the potential for restrictions being restored or new restrictions being implemented that could result in further economic volatility.

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 create significant uncertainty. The Company continues to closely monitor and proactively adapt to developments and changing conditions. Currently, it is

not possible to reliably estimate the length and severity of the pandemic or its impact to the Company's operations, but the effects could be material and may continue, emerge, evolve or accelerate in 2021.

Adopted accounting standards

Simplifications to the Accounting for Income Taxes Effective January 1, 2021, the Company adopted the 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 the weighted-average interest crediting rates for cash balance plans and other plans with interest crediting rates and explanations for significant gains and losses related to changes in the benefit obligation during the reporting period. 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.

Significant accounting policies

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 power to direct the activities of the VIE that most significantly affect that entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

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 Condensed Consolidated Statements of Operations
- Assets and liabilities are reported as held for sale in the Condensed 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.

Pending accounting standards

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 entered into agreements to sell substantially all of its life and annuity business in scope of the new standard. The Company's reserves and deferred policy acquisition costs ("DAC") for certain voluntary and individual life and accident and health insurance products not held for sale 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 effects 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, assuming the dispositions of Allstate Life Insurance Company and Allstate Life Insurance Company of New York are completed.

Note 2 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

invested non-participating restricted stock units and contingently issuable performance stock awards. The effect of dilutive potential common shares does not include the effect of 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)	Three months ended March 31,	
	2021	2020
Numerator:		
Net income from continuing operations	\$ 2,406	\$ 837
Less: Net loss attributable to noncontrolling interest	(6)	—
Net income from continuing operations attributable to Allstate	2,412	837
Less: Preferred stock dividends	27	36
Net income from continuing operations applicable to common shareholders	2,385	801
Loss from discontinued operations, net of tax	(3,793)	(288)
Net (loss) income applicable to common shareholders	\$ (1,408)	\$ 513
Denominator:		
Weighted average common shares outstanding	302.5	317.4
Effect of dilutive potential common shares:		
Stock options	2.5	3.3
Restricted stock units (non-participating) and performance stock awards	1.4	1.7
Weighted average common and dilutive potential common shares outstanding	306.4	322.4
Earnings per common share applicable to common shareholders		
Basic		
Continuing operations	\$ 7.88	\$ 2.52
Discontinued operations	(12.53)	(0.90)
Total	\$ (4.65)	\$ 1.62
Diluted		
Continuing operations	\$ 7.78	\$ 2.48
Discontinued operations	(12.38)	(0.89)
Total	\$ (4.60)	\$ 1.59
Anti-dilutive options excluded from diluted earnings per common share	2.2	0.8

Note 3 Acquisition and Dispositions

Acquisition

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 will increase the Company's market share in personal property-liability and enhance its independent agent distribution platform.

Assets and liabilities recognized in acquisition ⁽¹⁾		January 4, 2021
(\$ in millions)		
Assets		
Investments		\$ 4,957
Cash		402
Premiums and other receivables, net		1,545
Deferred acquisition costs (value of business acquired)		317
Reinsurance recoverables, net		1,219
Intangible assets		1,199
Other assets		734
Goodwill ⁽²⁾		980
Total assets		11,353
Liabilities		
Reserve for property and casualty insurance claims and claims expense		2,774
Reserve for future policy benefits		189
Unearned premiums		2,245
Reinsurance payable		364
Debt ⁽³⁾		592
Deferred tax liabilities		177
Other liabilities		701
Total liabilities		\$ 7,042

⁽¹⁾ The amounts reflect preliminary allocation of assets acquired and liabilities assumed. The acquisition date fair values of assets and liabilities, including insurance reserves and intangible assets, as well as the related estimated useful lives of intangibles, are preliminary estimates and are subject to revisions within one year of acquisition date.

⁽²⁾ \$616 million, \$29 million and \$335 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. The Company had principal balance remaining of \$417 million 6.750% Senior Notes due 2024 as of March 31, 2021, including a purchase accounting fair value adjustment of \$67 million.

Intangible assets by type		January 4, 2021
(\$ in millions)		
Distribution and customer relationships	\$	795
Trade names		102
Licenses		97
Technology and other		205
Total	\$	1,199

Intangible assets (reported in other assets in the Condensed Consolidated Statements of Financial Position), consist of capitalized costs, primarily of the estimated fair value of distribution, and customer relationships, trade names and licenses, technology and other 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 \$23 million for the first three months of 2021 and we expect to recognize \$228 million of amortization expense for the remainder of 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 Condensed 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; the most significant portion relates to insurance contracts in the Allstate Protection segment. Amortization expense of the value of business acquired was \$134 million for the first three months of 2021 and we expect to record an additional \$183 million in 2021.

Other fair value purchase accounting adjustments included an increase in reserves of \$74 million, a \$13 million reduction to investments that were not held at fair value, and a net increase in current and deferred tax liabilities of \$98 million.

Preferred stock 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.

Transactions costs (reported in operating costs and expenses in the Condensed Consolidated Statements of Operations) of \$22 million related to the acquisition were expensed as incurred in the Corporate and Other segment.

Dispositions

On January 26, 2021, the Company entered into a Stock 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 Allstate Life Insurance Company and certain affiliates for approximately \$2.8 billion in cash.

On March 29, 2021, the Company entered into a Stock Purchase Agreement with Wilton Reassurance Company to sell Allstate Life Insurance Company of New York for \$220 million in cash.

A loss on disposition of approximately \$4 billion, after-tax, was recorded in the first quarter of 2021 related to these transactions. The loss on disposition is related to the run-off annuity segment, whose returns have been low. The ultimate amount of the loss on sale will be impacted by 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 unrealized gains and losses. The transactions are expected to close in the second half of 2021, subject to regulatory approvals and other customary closing conditions.

In the first quarter of 2021, the assets and liabilities of the business are 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)	Three months ended March 31,	
	2021	2020
Revenues		
Life premiums and contract charges	\$ 340	\$ 335
Net investment income	439	175
Realized capital gains (losses)	79	(300)
Total revenues	858	210
Costs and expenses		
Life contract benefits	410	360
Interest credited to contractholder funds	85	123
Amortization of DAC	36	36
Operating costs and expenses	55	61
Restructuring and related charges	19	1
Total costs and expenses	605	581
Amortization of deferred gain on reinsurance	2	1
Income (loss) from discontinued operations before income tax expense	255	(370)
Income tax expense (benefit)	50	(82)
Income (loss) from discontinued operations, net of tax	205	(288)
Loss on disposition of operations	(4,418)	—
Income tax benefit	(420)	—
Loss on disposition, net of tax	(3,998)	—
Loss from discontinued operations, net of tax	\$ (3,793)	\$ (288)

Major classes of assets and liabilities to be transferred in transactions

(\$ in millions)	March 31, 2021	December 31, 2020
Assets		
Investments		
Fixed income securities, at fair value (amortized cost, net \$23,511 and \$21,417)	\$ 25,073	\$ 23,789
Equity securities, at fair value (cost \$1,191 and \$1,113)	1,643	1,542
Mortgage loans, net	3,062	3,329
Limited partnership interests	1,942	3,046
Short-term, at fair value (amortized cost \$1,652 and \$993)	1,652	993
Other, net	936	1,998
Total investments	34,308	34,697
Cash	89	66
Deferred policy acquisitions costs	1,039	925
Reinsurance recoverables, net	1,982	2,005
Accrued investment income	248	229
Other assets	236	865
Separate accounts	3,339	3,344
Assets held for sale	41,241	42,131
Less: loss accrual	4,412	—
Total assets held for sale	\$ 36,829	\$ 42,131
Liabilities		
Reserve for future policy benefits	\$ 11,581	\$ 11,740
Contractholder funds	16,112	16,356
Deferred income taxes	857	973
Other liabilities and accrued expenses	1,494	912
Separate accounts	3,339	3,344
Total liabilities held for sale	\$ 33,383	\$ 33,325

Cash flows from discontinued operations

(\$ in millions)	Three months ended March 31,	
	2021	2020
Net cash provided by operating activities from discontinued operations	\$ 64	\$ 111
Net cash provided by investing activities from discontinued operations	88	85

Note 4 Reportable 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 (previously Discontinued Lines and Coverages) segments and adjusted net income for the Protection Services, Allstate Health and Benefits (previously Allstate Benefits) and Corporate and Other segments.

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

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:

- 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 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)	Three months ended March 31,	
	2021	2020
<i>Underwriting income (loss) by segment</i>		
Allstate Protection	\$ 1,660	\$ 1,351
Run-off Property-Liability	(3)	(3)
<i>Adjusted net income (loss) by segment, after-tax</i>		
Protection Services	49	37
Allstate Health and Benefits	65	24
Corporate and Other	(123)	(107)
<i>Reconciling items</i>		
Property-Liability net investment income	673	202
Realized capital gains (losses)	426	(162)
Pension and other postretirement remeasurement gains (losses)	310	(318)
Business combination expenses and amortization of purchased intangibles	(56)	(27)
Income tax expense on reconciling items	(622)	(196)
Total reconciling items	731	(501)
Loss from discontinued operations	(4,163)	(370)
Income tax benefit from discontinued operations	370	82
Total from discontinued operations	\$ (3,793)	\$ (288)
Less: Net loss attributable to noncontrolling interest	(6)	—
Net (loss) income applicable to common shareholders	\$ (1,408)	\$ 513

Reportable segments revenue information

(\$ in millions)	Three months ended March 31,	
	2021	2020
Property-Liability		
Insurance premiums		
Auto	\$ 6,809	\$ 6,155
Homeowners	2,392	2,037
Other personal lines	505	471
Commercial lines	190	218
Allstate Protection	9,896	8,881
Run-off Property-Liability	—	—
Total Property-Liability insurance premiums	9,896	8,881
Other revenue	385	213
Net investment income	673	202
Realized capital gains (losses)	404	(103)
Total Property-Liability	11,358	9,193
Protection Services		
Protection plans	260	206
Roadside assistance	47	51
Finance and insurance products	104	97
Intersegment premiums and service fees ⁽¹⁾	41	38
Other revenue ⁽²⁾	90	52
Net investment income	10	10
Realized capital gains (losses)	10	(24)
Total Protection Services	562	430
Allstate Health and Benefits		
Employer voluntary benefits	263	282
Group health	83	—
Individual accident and health	109	—
Other revenue	80	—
Net investment income	19	20
Realized capital gains (losses)	2	(14)
Total Allstate Health and Benefits	556	288
Corporate and Other		
Net investment income	6	14
Realized capital gains (losses)	10	(21)
Total Corporate and Other	16	(7)
Intersegment eliminations ⁽¹⁾	(41)	(38)
Consolidated revenues	\$ 12,451	\$ 9,866

⁽¹⁾ Intersegment insurance premiums and service fees are primarily related to Arity and Allstate Roadside and are eliminated in the condensed consolidated financial statements.

⁽²⁾ Other revenue is primarily related to Arity, Allstate Identity Protection, Allstate Dealer Services, and Allstate Protection Plans.

Note 5 Investments**Portfolio composition**

(\$ in millions)	March 31, 2021		December 31, 2020	
Fixed income securities, at fair value	\$	40,594	\$	42,565
Equity securities, at fair value		3,154		3,168
Mortgage loans, net		902		746
Limited partnership interests		6,367		4,563
Short-term investments, at fair value		6,017		6,807
Other, net		3,042		1,691
Total	\$	60,076	\$	59,540

Amortized cost, gross unrealized gains (losses) and fair value for fixed income securities

(\$ in millions)	Amortized cost, net	Gross unrealized		Fair value
		Gains	Losses	
March 31, 2021				
U.S. government and agencies	\$ 3,103	\$ 26	\$ (19)	\$ 3,110
Municipal	7,226	310	(36)	7,500
Corporate	27,145	1,045	(187)	28,003
Foreign government	977	16	(8)	985
ABS	934	11	(2)	943
MBS	52	1	—	53
Total fixed income securities	\$ 39,437	\$ 1,409	\$ (252)	\$ 40,594
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	840	9	(3)	846
MBS	58	1	—	59
Total fixed income securities	\$ 40,034	\$ 2,563	\$ (32)	\$ 42,565

Scheduled maturities for fixed income securities

(\$ in millions)	March 31, 2021	
	Amortized cost, net	Fair value
Due in one year or less	\$ 1,279	\$ 1,291
Due after one year through five years	18,216	18,810
Due after five years through ten years	13,464	13,818
Due after ten years	5,492	5,679
	38,451	39,598
ABS and MBS	986	996
Total	\$ 39,437	\$ 40,594

Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers. ABS and MBS are shown separately because of potential prepayment of principal prior to contractual maturity dates.

Net investment income

(\$ in millions)	Three months ended March 31,	
	2021	2020
Fixed income securities	\$ 301	\$ 298
Equity securities	14	10
Mortgage loans	10	9
Limited partnership interests	378	(77)
Short-term investments	1	11
Other	41	31
Investment income, before expense	745	282
Investment expense	(37)	(36)
Net investment income	\$ 708	\$ 246

Realized capital gains (losses) by asset type

(\$ in millions)	Three months ended March 31,	
	2021	2020
Fixed income securities	\$ 183	\$ 374
Equity securities	164	(510)
Mortgage loans	6	(10)
Limited partnership interests	4	(86)
Derivatives	11	78
Other	58	(8)
Realized capital gains (losses)	\$ 426	\$ (162)

Realized capital gains (losses) by transaction type

(\$ in millions)	Three months ended March 31,	
	2021	2020
Sales	\$ 246	\$ 388
Credit losses	2	(37)
Valuation of equity investments ⁽¹⁾	167	(591)
Valuation and settlements of derivative instruments	11	78
Realized capital gains (losses)	\$ 426	\$ (162)

⁽¹⁾ Includes valuation 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)	Three months ended March 31,	
	2021	2020
Gross realized gains	\$ 245	\$ 435
Gross realized losses	(64)	(59)

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 March 31, 2021 and 2020, respectively.

Net appreciation (decline) recognized in net income

(\$ in millions)	Three months ended March 31,	
	2021	2020
Equity securities	\$ 125	\$ (417)
Limited partnership interests carried at fair value	141	(28)
Total	\$ 266	\$ (445)

Credit losses recognized in net income

(\$ in millions)	Three months ended March 31,	
	2021	2020
Assets		
Fixed income securities:		
Corporate	\$ 1	\$ (1)
ABS	1	—
MBS	—	(1)
Total fixed income securities	2	(2)
Mortgage loans	6	(9)
Limited partnership interests	—	(5)
Other investments		
Bank loans	(6)	(20)
Total credit losses by asset type	\$ 2	\$ (36)
Liabilities		
Commitments to fund commercial mortgage loans, bank loans and agent loans	—	(1)
Total	\$ 2	\$ (37)

Unrealized net capital gains and losses included in AOCI

(\$ in millions)	Fair value	Gross unrealized		Unrealized net gains (losses)
		Gains	Losses	
March 31, 2021				
Fixed income securities	\$ 40,594	\$ 1,409	\$ (252)	\$ 1,157
Short-term investments	6,017	—	—	—
Derivative instruments	—	—	(3)	(3)
Equity method of accounting ("EMA") limited partnerships ⁽¹⁾	—	—	—	(1)
Investments classified as held for sale	—	—	—	1,562
Unrealized net capital gains and losses, pre-tax				2,715
Amounts recognized for:				
Insurance reserves ⁽²⁾	—	—	—	(358)
DAC and DSI ⁽³⁾	—	—	—	(228)
Reclassification of noncontrolling interest	—	—	—	4
Amounts recognized				(582)
Deferred income taxes	—	—	—	(453)
Unrealized net capital gains and losses, after-tax				\$ 1,680
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	—	—	—	(496)
DAC and DSI	—	—	—	(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), which are now classified as held for sale.

⁽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 to life insurance products, which are now primarily classified as held for sale.

Change in unrealized net capital gains (losses)	
(\$ in millions)	Three months ended March 31, 2021
Fixed income securities	\$ (1,374)
Short-term investments	—
Derivative instruments	—
EMA limited partnerships	—
Investments classified as held for sale	(807)
Total	(2,181)
Amounts recognized for:	
Insurance reserves	138
DAC and DSI	136
Reclassification of noncontrolling interest	4
Amounts recognized	278
Deferred income taxes	403
Decrease in unrealized net capital gains and losses, after-tax	\$ (1,500)

Carrying value for limited partnership interests

(\$ in millions)	March 31, 2021			December 31, 2020		
	EMA	Fair Value	Total	EMA	Fair Value	Total
Private equity	\$ 3,935	\$ 1,295	\$ 5,230	\$ 2,667	\$ 988	\$ 3,655
Real estate	816	68	884	623	74	697
Other ⁽¹⁾	253	—	253	211	—	211
Total ⁽²⁾	\$ 5,004	\$ 1,363	\$ 6,367	\$ 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 March 31, 2021 includes certain investments which were classified as assets held for sale as of December 31, 2020 and transferred to continuing operations in the first quarter of 2021.

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 March 31, 2021 and December 31, 2020, the fair value of short-term investments totaled \$6.02 billion and \$6.81 billion, respectively.

Other investments Other investments primarily consist of bank loans, real estate, policy loans, agent 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. Agent loans are loans issued to exclusive Allstate agents and are carried at amortized cost, net. Derivatives are carried at fair value.

Other investments by asset type

(\$ in millions)	March 31, 2021	December 31, 2020
Bank loans, net	\$ 1,260	\$ 772
Real estate	871	659
Policy loans	164	181
Agent loans, net	607	—
Derivatives	22	20
Other	118	59
Total ⁽¹⁾	\$ 3,042	\$ 1,691

⁽¹⁾ Other investments as of March 31, 2021 includes certain real estate, agent loans and other investments which were classified as assets held for sale as of December 31, 2020 and transferred to continuing operations in the first quarter of 2021.

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 \$322 million and \$351 million as of March 31, 2021 and December 31, 2020 and is reported within the accrued investment income line of the Condensed 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)	Three months ended March 31,	
	2021	2020
Beginning balance	\$ (3)	\$ —
Credit losses on securities for which credit losses not previously reported	—	(4)
Net decreases related to credit losses previously reported	2	—
Reduction of allowance related to sales	—	—
Ending balance ^{(1) (2)}	\$ (1)	\$ (4)

⁽¹⁾ Allowance for fixed income securities as of March 31, 2021 comprised \$1 million of ABS. Allowance for fixed income securities as of March 31, 2020 comprised \$1 million and \$3 million of corporate bonds and MBS, respectively.

⁽²⁾ Includes \$1 million and \$2 million of credit loss allowance for fixed income securities that are classified as held for sale as of March 31, 2021 and 2020, 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			12 months or more			Total unrealized losses
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	
March 31, 2021							
Fixed income securities							
U.S. government and agencies	108	\$ 2,084	\$ (19)	—	\$ —	\$ —	\$ (19)
Municipal	804	1,398	(36)	1	5	—	(36)
Corporate	1,003	6,715	(176)	25	121	(11)	(187)
Foreign government	64	289	(8)	—	—	—	(8)
ABS	15	79	(2)	13	50	—	(2)
MBS	15	2	—	55	—	—	—
Total fixed income securities	2,009	\$ 10,567	\$ (241)	94	\$ 176	\$ (11)	\$ (252)
Investment grade fixed income securities	1,821	\$ 9,206	\$ (207)	69	\$ 67	\$ (1)	\$ (208)
Below investment grade fixed income securities	188	1,361	(34)	25	109	(10)	(44)
Total fixed income securities	2,009	\$ 10,567	\$ (241)	94	\$ 176	\$ (11)	\$ (252)
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	21	157	(2)	12	43	(1)	(3)
MBS	11	—	—	57	—	—	—
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 March 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⁾	\$ (207)	\$ (34)	\$ (241)
Fixed income securities with unrealized loss position greater than or equal to 20% of amortized cost, net ⁽³⁾⁽⁴⁾	(1)	(10)	(11)
Total unrealized losses	\$ (208)	\$ (44)	\$ (252)

⁽¹⁾ Below investment grade fixed income securities include \$30 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 and/or wider credit spreads since the time of initial purchase. The unrealized losses are expected to reverse as the securities approach maturity.

ABS and MBS 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 March 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, bank loans and agent 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. Given the less complex and homogenous nature of agent loans, the Company estimates current expected credit losses using historical loss experience over the estimated life of the loans, adjusted for current conditions, reasonable and supportable forecasts and expected prepayments.

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 Condensed Consolidated Statements of Financial Position. As of March 31, 2021, accrued interest totaled \$4 million, \$3 million and \$2 million for mortgage loans, bank loans and agent loans, respectively. As of December 31, 2020, accrued interest totaled \$2 million and \$3 million for mortgage loans and bank loans, respectively.

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								
(\$ in millions)	March 31, 2021						December 31, 2020	
	2016 and prior	2017	2018	2019	2020	Current	Total	Total
Below 1.0	\$ 15	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15	\$ —
1.0 - 1.25	29	—	13	23	10	—	75	46
1.26 - 1.50	105	36	24	130	—	—	295	201
Above 1.50	134	45	119	166	67	—	531	507
Amortized cost before allowance	\$ 283	\$ 81	\$ 156	\$ 319	\$ 77	\$ —	\$ 916	\$ 754
Allowance							(14)	(8)
Amortized cost, net							\$ 902	\$ 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 March 31, 2021 and December 31, 2020.

Rollforward of credit loss allowance for mortgage loans

(\$ in millions)	Three months ended March 31,	
	2021	2020
Beginning balance	\$ (67)	\$ (3)
Cumulative effect of change in accounting principle	—	(42)
Net decreases (increases) related to credit losses	22	(40)
Write-offs	—	—
Ending balance ⁽¹⁾	\$ (45)	\$ (85)

⁽¹⁾ Includes \$31 million and \$68 million of credit loss allowance for mortgage loans that are classified as held for sale as of March 31, 2021 and 2020, respectively.

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)	March 31, 2021						December 31, 2020	
	2016 and prior	2017	2018	2019	2020	Current	Total	Total
BBB	\$ —	\$ 5	\$ 7	\$ 11	\$ 8	\$ 29	\$ 60	\$ —
BB	9	22	30	42	36	172	311	16
B	13	68	86	77	139	389	772	48
CCC and below	11	28	32	55	27	13	166	16
Amortized cost before allowance	\$ 33	\$ 123	\$ 155	\$ 185	\$ 210	\$ 603	\$ 1,309	\$ 88
Allowance							(49)	(5)
Amortized cost, net							\$ 1,260	\$ 83

Rollforward of credit loss allowance for bank loans

(\$ in millions)	Three months ended March 31,	
	2021	2020
Beginning balance	\$ —	\$ —
Cumulative effect of change in accounting principle	(67)	(53)
Net increases related to credit losses	(2)	(27)
Reduction of allowance related to sales	9	1
Write-offs	—	—
Ending balance ⁽¹⁾	\$ (60)	\$ (79)

⁽¹⁾ Includes \$11 million and \$22 million of credit loss allowance for bank loans that are classified as held for sale as of March 31, 2021 and 2020, respectively.

Agent loans The Company monitors agent loans to determine when they should be removed from the pool and assessed for credit losses individually by using internal credit risk grades that classify the loans into risk categories. The categorization is based on relevant information about the ability of borrowers to service their debt, such as historical payment experience, current business trends, cash flow coverage and collateral quality. Internal credit risk grades are updated annually or more frequently if conditions are warranted based on the Company's credit monitoring process.

As of March 31, 2021, 85% of agent loans balance represents the top three highest credit quality categories. The allowance for agent loans totaled \$6 million as of March 31, 2021. Agent loans were all classified as assets held for sale as of December 31, 2020 and transferred to continuing operations in the first quarter of 2021.

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 Condensed 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, agent 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 and MBS: 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 include 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, ABS and MBS 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 and MBS: 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 exhibit less liquidity 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 markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.

- **Assets held for sale:** Comprise municipal, corporate, ABS and MBS 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.

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 March 31, 2021, the Company has commitments to invest \$274 million in these limited partnership interests.

Assets and liabilities measured at fair value

(\$ in millions)	March 31, 2021				
	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
Assets					
Fixed income securities:					
U.S. government and agencies	\$ 3,074	\$ 36	\$ —		\$ 3,110
Municipal	—	7,482	18		7,500
Corporate - public	—	18,818	43		18,861
Corporate - privately placed	—	9,037	105		9,142
Foreign government	—	985	—		985
ABS	—	864	79		943
MBS	—	30	23		53
Total fixed income securities	3,074	37,252	268		40,594
Equity securities	2,318	426	410		3,154
Short-term investments	3,530	2,487	—		6,017
Other investments	—	39	3	\$ (17)	25
Other assets	1	—	—		1
Assets held for sale	6,380	25,319	170	(7)	31,862
Total recurring basis assets	15,303	65,523	851	(24)	81,653
Total assets at fair value	\$ 15,303	\$ 65,523	\$ 851	\$ (24)	\$ 81,653
% of total assets at fair value	18.7 %	80.3 %	1.0 %	— %	100.0 %
Investments reported at NAV					1,363
Assets held for sale at NAV					562
Total					\$ 83,578
Liabilities					
Other liabilities	\$ (1)	\$ (21)	\$ —	\$ 13	\$ (9)
Liabilities held for sale	—	(97)	(463)	4	(556)
Total recurring basis liabilities	(1)	(118)	(463)	17	(565)
Total liabilities at fair value	\$ (1)	\$ (118)	\$ (463)	\$ 17	\$ (565)
% of total liabilities at fair value	0.2 %	20.9 %	81.9 %	(3.0)%	100.0 %

Assets and liabilities measured at fair value

(\$ in millions)	December 31, 2020				
	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
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	—	794	52		846
MBS	—	32	27		59
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 %

Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements ⁽¹⁾

(\$ in millions)	Fair value	Valuation technique	Unobservable input	Range	Weighted average
March 31, 2021					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	\$ (435)	Stochastic cash flow model	Projected option cost	1.0 - 4.2%	2.83%
December 31, 2020					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	\$ (483)	Stochastic cash flow model	Projected option cost	1.0 - 4.2%	2.80%

⁽¹⁾ These were included in the liabilities held for sale as of March 31, 2021 and December 31, 2020.

The embedded derivatives are equity-indexed and forward starting options in certain life and annuity products that provide customers with interest crediting rates based on the performance of the S&P 500. If the projected option cost increased (decreased), it would result in a higher (lower) liability fair value.

As of March 31, 2021 and December 31, 2020, Level 3 fair value measurements of fixed income securities total \$268 million and \$226 million, respectively, and include \$62 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 \$15 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 three month period ended March 31, 2021

(\$ in millions)	Balance as of December 31, 2020	Total gains (losses) included in:		Transfers		Transfers to (from) held for sale	Purchases	Sales	Issues	Settlements	Balance as of March 31, 2021
		Net income	OCI	Into Level 3	Out of Level 3						
Assets											
Fixed income securities:											
Municipal	\$ 17	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ (2)	\$ 18
Corporate - public	67	1	(3)	—	—	(6)	17	(33)	—	—	43
Corporate - privately placed	63	—	(1)	10	(7)	13	27	—	—	—	105
ABS	52	—	—	—	(32)	—	59	—	—	—	79
MBS	27	—	—	—	—	—	—	(4)	—	—	23
Total fixed income securities	226	1	(4)	10	(39)	7	106	(37)	—	(2)	268
Equity securities	304	16	—	—	—	92	5	(7)	—	—	410
Short-term investments	35	—	—	—	—	—	—	—	—	(35)	—
Other investments	—	—	—	—	—	—	3	—	—	—	3
Assets held for sale	267	1	—	3	(8)	(99)	11	(3)	—	(2)	170
Total recurring Level 3 assets	832	18	(4)	13	(47)	—	125	(47)	—	(39)	851
Liabilities											
Liabilities held for sale	(516)	55	—	—	—	—	—	—	(8)	6	(463)
Total recurring Level 3 liabilities	\$ (516)	\$ 55	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (8)	\$ 6	\$ (463)

Rollforward of Level 3 assets and liabilities held at fair value during the three month period ended March 31, 2020

(\$ in millions)	Balance as of December 31, 2019	Total gains (losses) included in:		Transfers		Purchases	Sales	Issues	Settlements	Balance as of March 31, 2020
		Net income	OCI	Into Level 3	Out of Level 3					
Assets										
Fixed income securities:										
Municipal	\$ 22	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ (1)	\$ —
Corporate - public	36	—	—	—	—	—	—	—	—	—
Corporate - privately placed	32	—	—	—	—	1	—	—	—	—
ABS	49	—	—	26	(49)	33	—	—	(27)	—
MBS	35	—	—	—	—	—	—	—	—	—
Total fixed income securities	174	—	(1)	26	(49)	34	(1)	—	(28)	1
Equity securities	255	(17)	—	—	—	1	—	—	—	2
Short-term investments	25	—	—	—	—	25	—	—	—	—
Assets held for sale	284	(12)	(1)	—	(25)	—	(10)	—	(3)	2
Total recurring Level 3 assets	738	(29)	(2)	26	(74)	60	(11)	—	(31)	6
Liabilities										
Liabilities held for sale	(462)	48	—	—	—	—	—	(8)	5	(4)
Total recurring Level 3 liabilities	\$ (462)	\$ 48	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (8)	\$ 5	\$ (4)

Total Level 3 gains (losses) included in net income

(\$ in millions)	Three months ended March 31,	
	2021	2020
Net investment income	\$ (1)	\$ (14)
Realized capital gains (losses)	18	(3)

Transfers into Level 3 during the three months ended March 31, 2021 and 2020 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 out of Level 3 during the three months ended March 31, 2021 and 2020 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 March 31,

(\$ in millions)	Three months ended March 31,	
	2021	2020
Assets		
Fixed income securities:		
Corporate - public	\$ 1	\$ —
Corporate - privately placed	—	—
Total fixed income securities	1	—
Equity securities	\$ 16	\$ (17)
Assets held for sale	1	(12)
Total recurring Level 3 assets	\$ 18	\$ (29)
Liabilities		
Liabilities held for sale	\$ 55	\$ 48
Total recurring Level 3 liabilities	55	48
Total included in net income	\$ 73	\$ 19
Components of net income		
Net investment income	\$ (1)	\$ (14)
Realized capital gains (losses)	18	(3)
Assets		
Municipal	\$ —	\$ (1)
Corporate - public	(3)	—
Corporate - privately placed	(1)	—
Assets held for sale	—	(1)
Changes in unrealized net capital gains and losses reported in OCI	\$ (4)	\$ (2)

Financial instruments not carried at fair value

(\$ in millions)	Fair value level	March 31, 2021		December 31, 2020	
		Amortized cost, net	Fair value	Amortized cost, net	Fair value
Financial assets					
Mortgage loans	Level 3	\$ 902	\$ 948	\$ 746	\$ 792
Bank loans	Level 3	1,260	1,286	772	803
Agent loans	Level 3	607	606	—	—
Assets held for sale	Level 3	3,278	3,484	4,206	4,440
Financial liabilities					
Contractholder funds on investment contracts	Level 3	\$ 33	\$ 35	\$ —	\$ —
Long-term debt	Level 2	7,577	9,046	7,825	9,489
Liability for collateral	Level 2	1,096	1,096	914	914
Liabilities held for sale ⁽²⁾	Level 3	8,099	8,950	8,130	9,424

⁽¹⁾ Represents the amounts reported on the Condensed Consolidated Statements of Financial Position.

⁽²⁾ Includes certain liabilities for collateral measured at Level 2 fair value as of March 31, 2021 and December 31, 2020.

Note 7 Derivative 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 Condensed 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 is principally employed by the life and annuity business to balance the respective interest-rate sensitivities of its 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 are 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. Fixed income index total return swaps are used to offset valuation losses in the portfolio during periods of declining market values. Credit default swaps are typically used to mitigate the credit risk within the life and annuity fixed income portfolios. Futures and options are used for hedging the equity exposure contained in equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, the Company uses equity index total return swaps, options and futures to offset valuation losses in the equity portfolio during periods of declining equity market values. Foreign currency swaps and forwards are primarily used to reduce the foreign currency risk associated with holding foreign currency denominated investments.

The Company's primary embedded derivatives are equity options in life and annuity product contracts, which provide returns linked to equity indices to contractholders.

Summary of the volume and fair value positions of derivative instruments as of March 31, 2021

(\$ in millions, except number of contracts)	Balance sheet location	Volume ⁽¹⁾				
		Notional amount	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	614	\$ —	\$ —	\$ —
Equity and index contracts						
Options	Other investments	n/a	59	4	4	—
Futures	Other assets	n/a	1,142	1	1	—
Total return index contracts						
Total return swap agreements – fixed income	Other investments	\$ 100	n/a	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other investments	20	n/a	—	—	—
Embedded derivative financial instruments						
Other embedded derivative financial instruments	Other investments	750	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	33	n/a	(2)	—	(2)
Credit default swaps – selling protection	Other investments	900	n/a	18	18	—
Assets held for sale		15	2,485	155	155	—
Total asset derivatives		\$ 1,818	4,300	\$ 176	\$ 178	\$ (2)
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Futures	Other liabilities & accrued expenses	n/a	3,560	\$ (1)	\$ —	\$ (1)
Equity and index contracts						
Futures	Other liabilities & accrued expenses	n/a	215	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	\$ 543	n/a	5	17	(12)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	100	n/a	(7)	—	(7)
Credit default swaps – selling protection	Other liabilities & accrued expenses	5	n/a	—	—	—
Liabilities held for sale		2,340	2,670	(553)	7	(560)
Total liability derivatives		2,988	6,445	(556)	\$ 24	\$ (580)
Total derivatives		\$ 4,806	10,745	\$ (380)		

⁽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		Fair value, net	Gross asset	Gross liability
		Notional amount	Number of contracts			
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 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			Securities collateral (received) pledged	Net amount
		Counter-party netting	Cash collateral (received) pledged	Net amount on balance sheet		
March 31, 2021						
Asset derivatives	\$ 17	\$ (19)	\$ 2	\$ —	\$ —	\$ —
Liability derivatives	(15)	19	(6)	(2)	—	(2)
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)	Realized capital gains (losses)	Operating costs and expenses	Total gain (loss) recognized in net income on derivatives
Three months ended March 31, 2021			
Interest rate contracts	\$ (1)	\$ —	\$ (1)
Equity and index contracts	(2)	16	14
Foreign currency contracts	10	—	10
Credit default contracts	4	—	4
Total	\$ 11	\$ 16	\$ 27
Three months ended March 31, 2020			
Interest rate contracts	\$ 35	\$ —	\$ 35
Equity and index contracts	33	(45)	(12)
Foreign currency contracts	25	—	25
Credit default contracts	(10)	—	(10)
Total return swaps - fixed income	(9)	—	(9)
Total return swaps - equity index	4	—	4
Total	\$ 78	\$ (45)	\$ 33

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. As of March 31, 2021, counterparties pledged \$10 million in collateral to the Company, and the Company pledged \$6 million in cash and securities to counterparties which includes \$4 million of collateral posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability position.

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)	March 31, 2021				December 31, 2020			
	Number of counterparties	Notional amount ⁽²⁾	Credit exposure ⁽²⁾	Exposure, net of collateral ⁽²⁾	Number of counterparties	Notional amount ⁽²⁾	Credit exposure ⁽²⁾	Exposure, net of collateral ⁽²⁾
Rating ⁽¹⁾								
A+	1	\$ 189	\$ 8	\$ —	1	\$ 186	\$ 4	\$ —
A	1	149	2	—	—	—	—	—
Total	2	\$ 338	\$ 10	\$ —	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. As of March 31, 2021, the Company pledged \$54 million and received \$12 million in the form of margin deposits.

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)	March 31, 2021		December 31, 2020	
Gross liability fair value of contracts containing credit-risk-contingent features	\$	13	\$	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		(4)		(13)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	\$	2	\$	—

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					Total	Fair value
	AAA	AA	A	BBB	BB and lower		
March 31, 2021							
Single name							
Corporate debt	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ 5	\$ —
Index							
Corporate debt	7	14	179	610	90	900	18
Total	\$ 7	\$ 14	\$ 179	\$ 610	\$ 95	\$ 905	\$ 18
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.

Note 8 Variable Interest Entities

Consolidated VIEs, of which the Company is the primary beneficiary, 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

surplus notes 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 \$45 million of earned premiums in the first quarter of 2021.

Assets and liabilities of consolidated VIEs

(\$ in millions)	March 31, 2021	
Assets		
Investments		
Fixed income securities, at fair value (amortized cost, net \$286)	\$	281
Short-term, at fair value (amortized cost \$61)		61
Investments		342
Cash		8
Premium installment and other receivables, net		43
Reinsurance recoverables, net		112
Other assets		109
Total assets		614
Liabilities		
Reserve for property and casualty insurance claims and claims expense		223
Unearned premiums		189
Other liabilities and expenses		229
Total liabilities	\$	641

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 that 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 of the economy and the effectiveness and efficiency of claim practices. 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 incurred but not reported ("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 prior year reserve estimates, which may be material, are reported in property and casualty insurance claims and claims expense in the Condensed Consolidated Statements of Operations in the period such changes are determined.

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 Condensed Consolidated Statements of Financial Position based on available facts, laws and regulations.

Rollforward of the reserve for property and casualty insurance claims and claims expense

(\$ in millions)	Three months ended March 31,	
	2021	2020
Balance as of January 1	\$ 27,610	\$ 27,771
Less recoverables ⁽¹⁾	(7,033)	(6,921)
Net balance as of January 1	20,577	20,850
National General acquisition as of January 4, 2021	1,797	-
Incurred claims and claims expense related to:		
Current year	6,284	5,331
Prior years	(241)	-
Total incurred	6,043	5,331
Claims and claims expense paid related to:		
Current year	(2,541)	(2,351)
Prior years	(3,731)	(3,551)
Total paid	(6,272)	(5,902)
Net balance as of March 31	22,145	20,279
Plus recoverables	9,269	6,921
Balance as of March 31	\$ 31,414	\$ 27,144

⁽¹⁾ Recoverables comprises reinsurance and indemnification recoverables.

Incurred claims and claims expense represents the sum of paid losses, claim adjustment expenses and reserve changes in the period. This expense included losses from catastrophes of \$590 million and \$211 million in the three months ended March 31, 2021 and 2020, 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.

Prior year reserve reestimates included in claims and claims expense ⁽¹⁾

(\$ in millions)	Three months ended March 31,					
	Non-catastrophe losses		Catastrophe losses		Total	
	2021	2020	2021 ^{(2) (3)}	2020	2021	2020
Auto	\$ (17)	\$ 22	\$ (19)	\$ (9)	\$ (36)	\$ -
Homeowners	5	1	(208)	(8)	(203)	-
Other personal lines	—	(2)	(18)	(4)	(18)	-
Commercial lines	13	5	2	1	15	-
Run-off Property-Liability	1	2	—	—	1	-
Total prior year reserve reestimates	\$ 2	\$ 28	\$ (243)	\$ (20)	\$ (241)	\$ -

⁽¹⁾ Favorable reserve reestimates are shown in parentheses.

⁽²⁾ Includes approximately \$150 million of estimated recoveries related to Nationwide Aggregate Reinsurance Program cover for aggregate catastrophe losses occurring between April 1, 2020 and March 31, 2021, which primarily impacted homeowners reestimates.

⁽³⁾ Includes approximately \$110 million favorable subrogation settlements arising from the Woolsey wildfire, which primarily impacted homeowners reestimates.

Note 10 Reinsurance and indemnification**Effects of reinsurance ceded and indemnification programs on property and casualty premiums earned and accident and health insurance premiums and contract charges**

(\$ in millions)	Three months ended March 31,	
	2021	2020
Property and casualty insurance premiums earned	\$ (508)	\$ (289)
Accident and health insurance premiums and contract charges	(24)	(3)

Effects of reinsurance ceded and indemnification programs on property and casualty insurance claims and claims expense and accident and health insurance policy benefits

(\$ in millions)	Three months ended March 31,	
	2021	2020
Property and casualty insurance claims and claims expense ^{(1) (2)}	\$ (1,593)	\$ (131)
Accident and health insurance policy benefits	(29)	(6)

⁽¹⁾ Includes approximately \$955 million of ceded losses, net of approximately \$75 million of reinstatement premiums, related to the Nationwide Reinsurance Program for the three months ended March 31, 2021.

⁽²⁾ Includes \$386 million and \$47 million of ceded losses related to the Michigan Catastrophic Claims Association for the three months ended March 31, 2021 and 2020, respectively.

Reinsurance and indemnification recoverables**Reinsurance and indemnification recoverables, net**

(\$ in millions)	March 31, 2021	December 31, 2020
Property and casualty		
Paid and due from reinsurers and indemnitors	\$ 256	\$ 101
Unpaid losses estimated (including IBNR)	9,269	7,033
Total property and casualty	\$ 9,525	\$ 7,134
Allstate Health and Benefits	120	81
Total	\$ 9,645	\$ 7,215

Rollforward of credit loss allowance for reinsurance recoverables

(\$ in millions)	Three months ended March 31,	
Property and casualty ^{(1) (2)}	2021	2020
Beginning balance	\$ (59)	\$ (60)
(Increase) decrease in the provision for credit losses	(1)	1
Ending balance	\$ (60)	\$ (59)
Allstate Health and Benefits		
Beginning balance	\$ (1)	\$ (1)
Increase in the provision for credit losses	—	—
Write-offs	—	—
Ending balance	\$ (1)	\$ (1)

⁽¹⁾ Primarily related to Run-off Property-Liability reinsurance ceded.

⁽²⁾ Indemnification recoverables are considered collectible based on the industry pool and facility enabling legislation.

Note 11 Capital Structure

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.

Note 12 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 Condensed Consolidated Statements of Operations as restructuring and related charges and totaled \$51 million and \$4 million during the three months ended March 31, 2021 and 2020, respectively.

Restructuring expenses in 2021 are primarily due to Transformative Growth to optimize and simplify the Company's operating model and cost structure and costs related to the future work environment.

In connection with Transformative Growth, the Company expects to incur restructuring and related charges totaling approximately \$290 million, with \$238 million recorded in 2020 and \$17 million recorded in the first quarter of 2021.

In connection with the future work environment, the Company expects to incur restructuring and related charges, primarily for real estate exit costs totaling approximately \$110 million with \$33 million recognized in the first quarter of 2021.

These charges are primarily recorded in the Allstate Protection segment. The Company expects these actions will be completed in 2021.

Employee costs related to the Transformative Growth program include severance and employee benefits primarily impacting claims, sales, service and support functions. Exit costs 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	\$ —	\$ 72
Expense incurred	2	53	55
Adjustments to liability	(4)	—	(4)
Payments and non-cash charges	(29)	(53)	(82)
Restructuring liability as of March 31, 2021	\$ 41	\$ —	\$ 41

As of March 31, 2021, the cumulative amount incurred to date for active programs related to employee severance, relocation benefits and exit expenses totaled \$220 million for employee costs and \$105 million for exit costs.

Note 13 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 two 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.

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.

The aggregate liability balance related to all guarantees was not material as of March 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 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 \$85 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); *Huey v. Allstate Vehicle and Property Insurance Company* (N.D. Miss. filed October 2019); *Floyd, et al. v. Allstate Indemnity Company et al.* (D.S.C. filed January 2020); *Clark v. Allstate Vehicle and Property Insurance Company* (Circuit Court of

Independence Co., Ark. filed February 2016); Thaxton v. Allstate Indemnity Company (Madison Co., Ill. filed July 2020); Hester v. Allstate Vehicle and Property Insurance Company (St. Clair Co., Ill. filed June 2020). No classes have been certified in any of the other matters.

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 County 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); Ryan v. Allstate Fire and Casualty Insurance Company (7th Judicial Circuit, Volusia County, Fla.; filed May 2019, dismissed and refiled October 2019); Durgin v. Allstate Property and Casualty Insurance Company (W.D. LA, filed June 7, 2019); Anderson v. Allstate Insurance Company (20th Judicial Circuit, Collier County, Fla.; filed August 2019); Cody v. Allstate Fire and Casualty Insurance Company and Allstate County Mutual Insurance Company (N.D. Tex., filed August 2019); Saad v. National General Insurance Company (Superior Ct., Los Angeles County, 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 County, Chancery Div., Ill.; filed October 2020); Romaniak v. Esurance Property and Casualty Insurance Company (N.D. Ohio, filed December 2020); Keita v. Esurance Property and Casualty Insurance Company (17th Judicial Circuit, Broward County, Fla.; filed March 2021).

None of the courts in any of the pending matters has ruled on class certification.

Other proceedings 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 board of directors. 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 filed a notice of appeal on March 26, 2021.

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 of directors 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 board of directors. 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 of directors 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.

The parties concluded briefing Daubert motions on April 22, 2021.

Note 14 **Benefit Plans****Components of net cost (benefit) for pension and other postretirement plans**

(\$ in millions)	Three months ended March 31,	
	2021	2020
Pension benefits		
Service cost	\$ 26	\$ 28
Interest cost	46	56
Expected return on plan assets	(117)	(104)
Amortization of prior service credit	(13)	(14)
Costs and expenses	(58)	(34)
Remeasurement of projected benefit obligation	(512)	(116)
Remeasurement of plan assets	221	434
Remeasurement (gains) losses	(291)	318
Pension net (benefit) cost	\$ (349)	\$ 284
Postretirement benefits		
Service cost	\$ —	\$ 1
Interest cost	2	3
Amortization of prior service credit	(6)	(1)
Costs and expenses	(4)	3
Remeasurement of projected benefit obligation	(19)	—
Remeasurement of plan assets	—	—
Remeasurement (gains) losses	(19)	—
Postretirement net (benefit) cost	\$ (23)	\$ 3
Pension and postretirement benefits		
Costs and expenses	\$ (62)	\$ (31)
Remeasurement (gains) losses	(310)	318
Total net (benefit) cost	\$ (372)	\$ 287

Differences between expected and actual returns on plan assets and changes in assumptions affect the Company's pension and other postretirement obligations, plan assets and expenses.

Pension and other postretirement service cost, interest cost, expected return on plan assets and amortization of prior service credit 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 Condensed Consolidated Statement of Operations.

Pension and postretirement benefits remeasurement gains and losses

(\$ in millions)	Three months ended March 31,	
	2021	2020
Remeasurement of projected benefit obligation (gains) losses:		
Discount rate	\$ (417)	\$ (36)
Other assumptions	(114)	(80)
Remeasurement of plan assets (gains) losses	221	434
Remeasurement (gains) losses	\$ (310)	\$ 318

Remeasurement gains for the first quarter of 2021 primarily related to an increase in the discount rate and changes in actuarial assumptions, partially offset by unfavorable asset performance compared to the expected return on plan assets.

The weighted average discount rate used to measure the benefit obligation increased to 3.13% at March 31, 2021 compared to 2.51% at December 31, 2020 resulting in gains for the first quarter of 2021.

Remeasurement gains for other assumptions in the first quarter of 2021 are primarily related to an increase in the long-term lump sum interest rate, partially offset by a remeasurement loss from an increase in the long-term cash balance interest crediting rate.

For the first quarter of 2021, the actual return on plan assets was lower than the expected return due to higher market yields resulting in lower fixed income valuations partially offset by strong equity performance.

Note 15 Supplemental Cash Flow Information

Non-cash investing activities include \$14 million and \$20 million related to mergers and exchanges completed with equity securities for the three months ended March 31, 2021 and 2020, respectively.

Non-cash financing activities include \$50 million and \$51 million related to the issuance of Allstate common shares for vested equity awards for the three months ended March 31, 2021 and 2020, respectively.

Cash flows used in operating activities in the Condensed Consolidated Statements of Cash Flows include cash paid for operating leases related to amounts included in the measurement of lease liabilities of \$46 million and \$39 million for the three months ended March 31, 2021 and 2020, respectively.

Non-cash operating activities include \$103 million and \$31 million related to right-of-use ("ROU") assets obtained in exchange for lease obligations for the three months ended March 31, 2021 and 2020, respectively.

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 Condensed Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds, as follows:

(\$ in millions)	Three months ended March 31,	
	2021	2020
Net change in proceeds managed		
Net change in short-term investments	\$ (183)	\$ 370
Operating cash flow (used) provided	(183)	370
Net change in cash	1	—
Net change in proceeds managed	\$ (182)	\$ 370
Cash flows from operating activities		
Net change in liabilities		
Liabilities for collateral, beginning of period	\$ (914)	\$ (1,298)
Liabilities for collateral, end of period	(1,096)	(928)
Operating cash flow provided (used)	\$ 182	\$ (370)

Note 16 Other Comprehensive Income**Components of other comprehensive income (loss) on a pre-tax and after-tax basis**

(\$ in millions)	Three months ended March 31,					
	2021			2020		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	\$ (1,718)	\$ 364	\$ (1,354)	\$ (1,433)	\$ 303	\$ (1,130)
Less: reclassification adjustment of realized capital gains and losses	185	(39)	146	287	(60)	227
Unrealized net capital gains and losses	(1,903)	403	(1,500)	(1,720)	363	(1,357)
Unrealized foreign currency translation adjustments	43	(9)	34	(49)	10	(39)
Unamortized pension and other postretirement prior service credit ⁽¹⁾	(19)	4	(15)	6	(2)	4
Other comprehensive (loss) income	\$ (1,879)	\$ 398	\$ (1,481)	\$ (1,763)	\$ 371	\$ (1,392)

⁽¹⁾ Represents prior service credits reclassified out of other comprehensive income and amortized into operating costs and expenses.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
The Allstate Corporation
Northbrook, Illinois 60062

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated statement of financial position of The Allstate Corporation and subsidiaries (the "Company") as of March 31, 2021, the related condensed consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the three month periods ended March 31, 2021 and 2020, and the related notes (collectively referred to as the "condensed consolidated financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statement of financial position of The Allstate Corporation and subsidiaries as of December 31, 2020, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended prior to the reclassification for the discontinued operations described in Note 3 to the accompanying interim financial information (not presented herein); and in our report dated February 19, 2021, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 3 that were applied to reclassify the December 31, 2020 consolidated statement of financial position of The Allstate Corporation and subsidiaries (not presented herein) for discontinued operations. In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated statement of financial position in deriving the accompanying retrospectively adjusted consolidated statement of financial position as of December 31, 2020.

Basis for Review Results

These condensed consolidated financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the 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 reviews in accordance with standards of the PCAOB. A review of the condensed consolidated financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
May 5, 2021

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 condensed consolidated financial statements and related notes thereto found under Part I. Item 1. contained herein, and with the discussion, analysis, consolidated financial statements and notes thereto in Part I. Item 1. and Part II. Item 7. and Item 8. of The Allstate Corporation annual report on Form 10-K for 2020, filed February 19, 2021.

Further analysis of our insurance segments is provided in the Property-Liability Operations and Segment Results sections, including Allstate Protection and Run-off Property-Liability (previously Discontinued Lines and Coverages), Protection Services and Allstate Health and Benefits (previously Allstate Benefits), of Management's Discussion and Analysis ("MD&A"). The segments are consistent with the way in which the chief operating decision maker reviews financial performance and makes decisions about the allocation of resources.

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

The Coronavirus resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which have included the implementation of travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings, have caused material disruption to businesses globally, resulting in increased unemployment, a recession and increased economic uncertainty. Additionally, there is no way of predicting with certainty how long the pandemic might last, including the potential for restrictions being restored or new restrictions being implemented that could result in further economic volatility.

We have been proactive in protecting the health and safety of our employees and agents, while delivering on our commitment to protect our customers. We executed business continuity plans, maximized work from home, expanded use of virtual tools to allow for safe claims handling, provided financial relief to employees experiencing financial hardship, developed exposure escalation protocols and a return to office framework.

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 create significant uncertainty. We continue to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the length and severity of the pandemic or its impact to our operations, but the effects could be material.

We supported our customers in 2020 during the Coronavirus pandemic by providing Shelter-in-Place Payback, Allstate Special Payment plan, free Allstate Identity Protection and extended personal auto insurance for commercial purposes.

The following sections summarize the potential impacts of the Coronavirus on our operations, each of our segments and investments that may continue, emerge, evolve or accelerate in 2021. 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 first quarter of 2021 results.

Allstate's operations

- Employee availability and productivity
- Increased regulatory restrictions on profitability, rate actions or claim practices, potentially outside the scope of current policies
- Availability and performance of third party vendors, including technology development, car or home repair and marketing programs
- Cybersecurity risks related to remote workforce

Allstate Protection

- Slower written premiums growth
- Impact to future rate filings and pricing
- Lower auto accident frequency from reduced miles driven, including usage in shared economy products
- Expanding the availability of our pay-per-mile insurance product, Milewise®
- Increased auto claim severity due to more severe accidents or replacement parts cost variability
- Increased exposure to allowances for uncollectible receivables
- Validity of statistical models given changes in underlying statistics such as auto frequency or investment projections
- Agent availability and productivity

Protection Services

- Increased consumer spending and retail sales in Allstate Protection Plans resulting from shelter-in-place orders
- Decline in claims in Allstate Dealer Services and Allstate Roadside due to lower miles driven
- Decreased sales of Allstate Identity Protection products due to higher unemployment

Allstate Health and Benefits

- Decreased accident injury claims and deferral of non-essential medical procedures, reducing accident, hospital and critical illness product exposure, partially offset by increased claim cost exposure for our life products
- Decreased sales and increased policy lapses due to higher employee turnover, business closures and employee layoffs and furloughs

Investments

- Impact on the market values, liquidity and valuations of fixed income and equity securities and performance-based investments as well as changes in the expected pace of funding performance-based and loan commitments
- Negative impact on fixed income securities in certain sectors such as energy, automotive, retail, travel, lodging and airlines
- Returns of our municipal bond portfolio may be impacted as state and local government budgets are strained by the costs of responding to the Coronavirus and reduced tax revenues

Corporate Strategy

Our strategy has two components: increase personal property-liability market share and expand protection offerings by leveraging the Allstate brand, customer base and other core capabilities.

Transformative Growth is about creating business models, capabilities and culture to build growth businesses that deliver affordable, simple and connected protection solutions for consumers.

In the personal property-liability businesses this has four key components:

- Expanding customer access
- Improving customer value
- Increasing marketing sophistication and investment
- Building new technology applications

The protection businesses are being expanded by leveraging enterprise capabilities and resources such as distribution, brand, analytics, claims, investment expertise, talent and capital.

Enhancing Strategic Position in the Independent Agent Channel 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 will increase our market share in personal property-liability by over one percentage point and enhance our independent agent-facing technology. It will significantly expand our distribution footprint, leading us to be a top five personal lines carrier in the independent agency distribution channel.

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

- Migrating Encompass policyholders and business operations to National General and retiring Encompass's technology
- Transitioning Allstate Independent Agent new business to National General as mid-market products roll out

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 for \$3.0 billion in cash. We expect

to discontinue sales of proprietary life insurance products during the second quarter of 2021. A loss on disposition of approximately \$4 billion, after-tax, was recorded in the first quarter of 2021 related to these transactions. The transactions are expected to close in the second half of 2021, subject to regulatory approvals and other customary closing conditions. In the first quarter of 2021, the assets and liabilities of the business are 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 condensed consolidated financial statements for further information.

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.

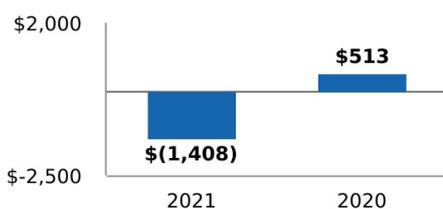
Adjusted net income is net income (loss) applicable to common shareholders, excluding:

- 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
- Income tax expense or benefit on reconciling items

Highlights

Consolidated net income

(\$ in millions)

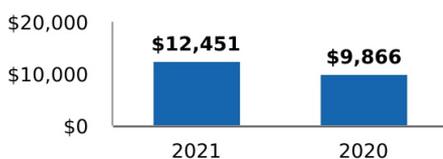


Consolidated net loss applicable to common shareholders was \$1.41 billion in the first quarter of 2021 compared to income of \$513 million the first quarter of 2020 primarily due to a loss from discontinued operations. Partially offsetting were net realized capital gains in 2021 compared to losses in 2020, higher Allstate Protection underwriting income and pension and other postretirement gains in 2021 compared to losses in 2020.

For the twelve months ended March 31, 2021, return on Allstate common shareholders' equity was 15.1%, a decrease of 2.9 points from 18.0% for the twelve months ended March 31, 2020.

Total revenue

(\$ in millions)

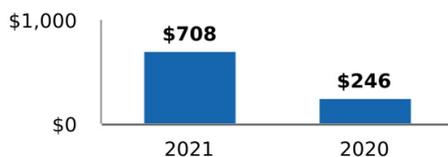


Total revenue increased 26.2% to \$12.45 billion in the first quarter of 2021 compared to the same period of 2020, driven by an 11.6% increase in property and casualty insurance premiums earned, net realized capital gains in 2021 compared to losses in 2020 and higher net investment income.

Insurance premiums earned increased in Property-Liability, primarily due to the acquisition of National General, and higher premiums in Protection Services.

Net investment income

(\$ in millions)



Net investment income increased 187.8% to \$708 million in the first quarter of 2021 compared to the same period of 2020, primarily due to increases in performance-based income results, mainly from limited partnerships.

Financial highlights

Investments totaled \$60.08 billion as of March 31, 2021, increasing from \$59.54 billion as of December 31, 2020.

Allstate shareholders' equity As of March 31, 2021, Allstate shareholders' equity was \$26.82 billion. This included \$4.21 billion in deployable assets at the parent holding company level comprising cash and investments that are generally saleable within one quarter.

Book value per diluted common share (ratio of Allstate common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was \$81.08, an increase of 16.4% from \$69.67 as of March 31, 2020, and a decrease of 11.4% from \$91.50 as of December 31, 2020.

Return on average Allstate common shareholders' equity For the twelve months ended March 31, 2021, return on Allstate common shareholders' equity was 15.1%, a decrease of 2.9 points from 18.0% for the twelve months ended March 31, 2020. The decrease was primarily due to lower net income applicable to common shareholders for the trailing twelve-month period ended March 31, 2021 and an increase in average Allstate common shareholders' equity.

Pension and other postretirement remeasurement gains and losses We recorded pension and other postretirement remeasurement gains of \$310 million in the first quarter of 2021 primarily related to an increase in the discount rate and changes in actuarial assumptions, partially offset by unfavorable asset performance compared to the expected return on plan assets.

Summarized consolidated financial results

(\$ in millions)	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	12,451	9,866
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 and interest credited to contractholder funds	(242)	(150)
Amortization of deferred policy acquisition costs	(1,523)	(1,365)
Operating, restructuring and interest expenses	(1,868)	(1,423)
Pension and other postretirement rereasurement gains (losses)	310	(318)
Amortization of purchased intangibles	(53)	(28)
Total costs and expenses	(9,419)	(8,835)
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
Preferred stock dividends	(27)	(36)
Net (loss) income applicable to common shareholders	\$ (1,408)	\$ 513

Segment highlights

Allstate Protection underwriting income was \$1.66 billion in the first quarter of 2021, an increase of \$309 million from \$1.35 billion in the first quarter of 2020. The increase was related to underwriting income from the acquisition of National General and favorable auto non-catastrophe losses, partially offset by higher catastrophe losses.

Catastrophe losses were \$590 million in the first quarter of 2021 compared to \$211 million in the first quarter of 2020.

Premiums written increased 13.7% to \$9.77 billion in the first quarter of 2021 compared to the same period of 2020, reflecting the acquisition of National General.

Protection Services adjusted net income was \$49 million in the first quarter of 2021 compared to \$37 million in the first quarter of 2020. The increase was primarily due to Allstate Protection Plans growth and the acquisition of LeadCloud and Transparent.ly. These favorable impacts were partially offset by restructuring charges at Allstate Identity Protection related to resizing of our facilities due to changes to our future work environment.

Allstate Health and Benefits adjusted net income was \$65 million in the first quarter of 2021 compared to \$24 million in the first quarter of 2020. The increase was primarily due to the acquisition of National General's group health and individual accident and health business, which resulted in higher premiums and contract charges and the addition of other revenue, partially offset by higher policy benefits and operating costs and expenses.

Premiums and contract charges increased 61.3% to \$455 million in the first quarter of 2021 compared to the same period of 2020, primarily due to the addition of group health and individual accident and health business.

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, realized capital gains and losses, 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 to premiums earned. Loss ratios include the impact of catastrophe losses.
- **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.

- **Effect of catastrophe losses on combined ratio:** the ratio of catastrophe losses included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- **Effect of prior year reserve reestimates on combined ratio:** the ratio of prior year reserve reestimates included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- **Effect of amortization of purchased intangibles on combined ratio:** the ratio of amortization of purchased intangibles to premiums earned.
- **Effect of restructuring and related charges on combined ratio:** the ratio of restructuring and related charges to premiums earned.
- **Effect of Run-off Property-Liability business on combined ratio:** the ratio of claims and claims expense and operating costs and expenses in Run-off Property-Liability segment to Property-Liability premiums earned.

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 the paid or gross claim frequency or 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)	Three months ended March 31,	
	2021	2020
Premiums written	\$ 9,768	\$ 8,592
Premiums earned	\$ 9,896	\$ 8,881
Other revenue	385	213
Claims and claims expense	(5,945)	(5,251)
Shelter-in-Place Payback expense	—	(210)
Amortization of DAC	(1,303)	(1,167)
Other costs and expenses	(1,344)	(1,114)
Restructuring and related charges ⁽¹⁾	(32)	(4)
Underwriting income	\$ 1,657	\$ 1,348
Catastrophe losses		
Catastrophe losses, excluding reserve reestimates	\$ 833	\$ 231
Catastrophe reserve reestimates ⁽²⁾	(243)	(20)
Total catastrophe losses	\$ 590	\$ 211
Non-catastrophe reserve reestimates ⁽²⁾	2	28
Prior year reserve reestimates ⁽²⁾	(241)	8
GAAP operating ratios		
Loss ratio	60.1	59.1
Expense ratio ⁽³⁾	23.2	25.7
Combined ratio	83.3	84.8
Effect of catastrophe losses on combined ratio	6.0	2.4
Effect of prior year reserve reestimates on combined ratio	(2.4)	0.1
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	(2.5)	(0.2)
Effect of amortization of purchased intangibles on combined ratio	0.1	—
Effect of restructuring and related charges on combined ratio ⁽³⁾	0.3	—
Effect of Shelter-in-Place Payback expense on combined and expense ratios	—	2.4
Effect of Run-off Property-Liability business on combined ratio	0.1	—

⁽¹⁾ Restructuring and related charges for the first quarter of 2021 primarily related to Transformative Growth and future work environment. See Note 12 of the condensed 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

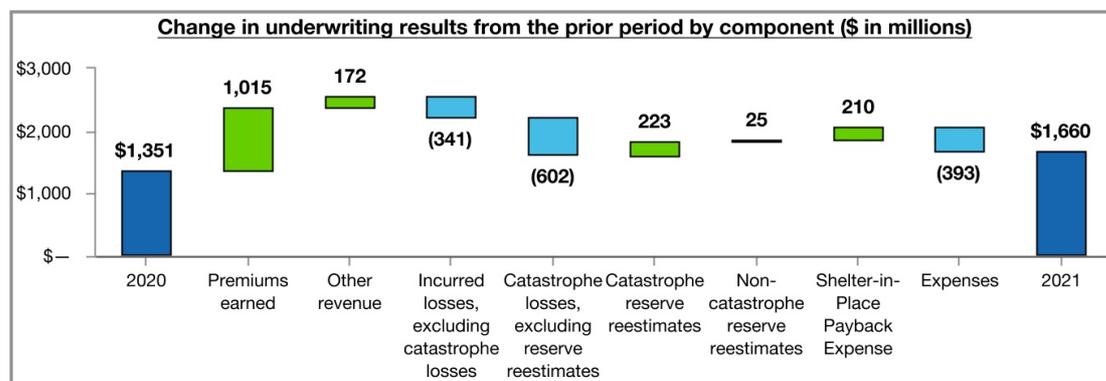


Allstate Protection consists of the Allstate brand, National General and Answer Financial. The Encompass brand was combined into National General in the first quarter of 2021 and results prior to 2021 reflect Encompass brand results only.

Underwriting results

(\$ in millions)	Three months ended March 31,	
	2021	2020
Premiums written	\$ 9,768	\$ 8,592
Premiums earned	\$ 9,896	\$ 8,881
Other revenue	385	213
Claims and claims expense	(5,944)	(5,249)
Shelter-in-Place Payback expense	—	(210)
Amortization of DAC	(1,303)	(1,167)
Other costs and expenses	(1,342)	(1,113)
Restructuring and related charges	(32)	(4)
Underwriting income	\$ 1,660	\$ 1,351
Catastrophe losses	\$ 590	\$ 211

Underwriting income increased 22.9% or \$309 million in the first quarter of 2021 compared to the first quarter of 2020 primarily due to underwriting income from the acquisition of National General and favorable auto non-catastrophe losses, partially offset by higher catastrophe losses.

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

(\$ in millions)	Allstate brand		Three months ended March 31, National General		Allstate Protection	
	2021	2020	2021	2020	2021	2020
	Auto ⁽¹⁾	\$ 1,203	\$ 659	\$ 124	\$ (2)	\$ 1,327
Homeowners ⁽²⁾	262	567	6	14	268	581
Other personal lines	25	88	8	2	33	90
Commercial lines	(2)	5	—	—	(2)	5
Other business lines ⁽³⁾	27	17	—	—	27	17
Answer Financial	—	—	—	—	7	1
Total	\$ 1,515	\$ 1,336	\$ 138	\$ 14	\$ 1,660	\$ 1,351

⁽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 business lines now include revenue and direct operating expenses for distribution of non-proprietary life and annuity products.

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 Condensed Consolidated Statements of Financial Position.

Premiums written and earned by brand and by line of business

(\$ in millions)	Three months ended March 31,					
	Allstate brand		National General		Allstate Protection	
	2021	2020	2021	2020	2021	2020
Premiums written						
Auto	\$ 6,060	\$ 6,091	\$ 952	\$ 118	\$ 7,012	\$ 6,209
Homeowners	1,727	1,645	356	87	2,083	1,732
Other personal lines	437	413	39	17	476	430
Commercial lines	197	221	—	—	197	221
Total premiums written	\$ 8,421	\$ 8,370	\$ 1,347	\$ 222	\$ 9,768	\$ 8,592
<i>Reconciliation of premiums written to premiums earned:</i>						
Increase (decrease) in unearned premiums ⁽¹⁾					\$ (280)	\$ 370
Other					408	(81)
Total premiums earned					\$ 9,896	\$ 8,881
Auto	6,014	6,020	795	135	6,809	6,155
Homeowners	2,008	1,936	384	101	2,392	2,037
Other personal lines	469	451	36	20	505	471
Commercial lines	190	218	—	—	190	218
Total premiums earned	\$ 8,681	\$ 8,625	\$ 1,215	\$ 256	\$ 9,896	\$ 8,881

⁽¹⁾ 2021 results include unearned premiums related to acquisition of National General.

Policies in force by brand and by line of business

PIF (thousands)	Allstate brand		National General		Allstate Protection	
	2021	2020	2021	2020	2021	2020
Auto	21,824	21,826	3,629	485	25,453	22,311
Homeowners	6,427	6,360	663	230	7,090	6,590
Other personal lines	4,483	4,385	291	75	4,774	4,460
Commercial lines	214	224	111	—	325	224
Total	32,948	32,795	4,694	790	37,642	33,585

Auto insurance premiums written increased 12.9% or \$803 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to the following factors:

- Acquisition of National General
- Increased new issued applications in the Allstate brand direct channel driven by increased advertising and higher close ratio
- Decreased Allstate brand average premium from approved rate decreases, reflecting the decline in auto miles driven and lower expenses
 - In the first quarter of 2021, we had rate decreases of approximately 2%
- PIF increased 14.1% or 3,142 thousand to 25,453 thousand as of March 31, 2021 compared to March 31, 2020 due to the acquisition of National General

Auto premium measures and statistics

	Three months ended March 31,		
	2021	2020	Change
New issued applications (thousands)			
Agency channel	651	672	(3.1)%
Direct channel	278	209	33.0 %
Allstate brand	929	881	5.4 %
National General	542	16	NM
Total new issued applications	1,471	897	64.0 %
Allstate brand average premium	\$ 607	\$ 616	(1.5)%
Allstate brand renewal ratio (%)	86.7	87.4	(0.7)

Homeowners insurance premiums written increased 20.3% or \$351 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to the acquisition of National General, higher average premiums, including both rate changes and inflation in insured home valuations, and Allstate brand's new issued applications growth.

Homeowners premium measures and statistics

	Three months ended March 31,		Change
	2021	2020	
New issued applications (thousands)			
Agency channel	204	191	6.8 %
Direct channel	16	13	23.1 %
Allstate brand	220	204	7.8 %
National General	22	8	NM
New issued applications	242	212	14.2 %
Allstate brand average premium	\$ 1,360	\$ 1,310	3.8 %
Allstate brand renewal ratio (%)	87.0	87.6	(0.6)

Other personal lines premiums written increased 10.7% or \$46 million in the first quarter of 2021 compared to the first quarter of 2020. The increase was primarily due to the acquisition of National General and increases in condominiums, personal umbrella and renters premiums for Allstate brand.

Commercial lines premiums written decreased 10.9% or \$24 million in the first quarter of 2021 compared to the first quarter of 2020. The decrease was primarily due to lower miles driven in our shared

economy business related to the impacts of the Coronavirus. PIF for the shared economy agreements typically reflect contracts that cover multiple insureds as opposed to individual insureds.

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

	Loss ratio		Expense ratio ⁽¹⁾		Combined ratio	
	2021	2020	2021	2020	2021	2020
Three months ended March 31,						
Auto	57.2	62.2	23.3	27.1	80.5	89.3
<i>Impact of Shelter-in-Place Payback expense</i>	—	—	—	3.4	—	3.4
Homeowners	64.9	48.9	23.9	22.6	88.8	71.5
Other personal lines	68.1	54.4	25.4	26.5	93.5	80.9
Commercial lines	78.4	78.4	22.7	19.3	101.1	97.7
Total	60.0	59.1	23.2	25.7	83.2	84.8
<i>Impact of amortization of purchased intangibles</i>	—	—	0.1	—	0.1	—
<i>Impact of restructuring and related charges</i>	—	—	0.3	—	0.3	—
<i>Impact of Shelter-in-Place Payback expense</i>	—	—	—	2.4	—	2.4

⁽¹⁾ Other revenue is deducted from operating costs and expenses in the expense ratio calculation.

Loss ratios by line of business

	Loss ratio		Effect of catastrophe losses ⁽¹⁾		Effect of prior year reserve reestimates		Effect of catastrophe losses included in prior year reserve reestimates	
	2021	2020	2021	2020	2021	2020	2021	2020
Three months ended March 31,								
Auto	57.2	62.2	0.4	0.2	(0.5)	0.2	(0.3)	(0.2)
Homeowners	64.9	48.9	20.7	9.0	(8.5)	(0.3)	(8.7)	(0.4)
Other personal lines	68.1	54.4	11.5	2.8	(3.6)	(1.3)	(3.6)	(0.8)
Commercial lines	78.4	78.4	4.2	0.9	7.9	2.8	1.0	0.5
Total	60.0	59.1	6.0	2.4	(2.5)	0.1	(2.5)	(0.2)

⁽¹⁾ The ten-year average effect of catastrophe losses on the total combined ratio was 6.1 points in the first quarter of 2021.

Auto loss ratio decreased 5.0 points in the first quarter of 2021 compared to the same period of 2020, primarily due to favorable frequency and higher premiums earned, partially offset by increased severity.

Allstate brand auto property damage frequency and severity statistics (excluding catastrophe losses)

(% change year-over-year)	Three months ended March 31, 2021
Gross claim frequency	(18.8)%
Paid claim severity	5.5

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

- Shelter-in-place restrictions, social distancing requirements, limits on large gatherings and events, and restrictions on non-essential businesses as these become more or less strict
- Unemployment levels
- Reduced commuting activity
- Paid claims settlement rates as the low frequency environment creates capacity to settle claims faster
- Driving behavior (e.g., speed, time of day) impacting mix of claim types
- Labor and part cost increases
- Changes in limits purchased
- Court system variability in both timing and magnitude of claim settlement

Property damage gross claim frequency decreased in the first quarter of 2021 compared to the same period of 2020 due to factors including:

- Declines in auto miles driven, particularly during peak commuting hours
- Declines in gross claim frequency compared to the prior year moderated since the second quarter of 2020, reflecting an increase in miles driven as shelter-in-place restrictions were lifted in many states

Property damage paid claim severity increased in the first quarter of 2021 compared to the same period of 2020 due to factors including:

- Claims settled within days or weeks of the loss tend to be less complex and have lower severity, while higher severity property damage claims generally take longer to resolve.
- The reduction in new claims due to lower frequency, as described above, led to an increase in the proportion of more complex, higher severity paid claims to total paid claims.
- Higher costs to repair more sophisticated newer model vehicles, higher third-party subrogation demands and increased costs associated with total losses.

Bodily injury gross claim frequency was consistent with the trends noted in property damage. Bodily injury severity trends increased at a rate above medical care inflation indices.

Homeowners loss ratio increased 16.0 points in the first quarter of 2021 compared to the first quarter of 2020, primarily due to higher catastrophe losses and increased claim frequency, partially offset by favorable catastrophe reserve reestimates driven by reinsurance and subrogation recoveries and increased premiums earned.

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

(% change year-over-year)	Three months ended March 31, 2021
Gross claim frequency	19.3 %
Paid claim severity	1.4

Gross claim frequency increased in the first quarter of 2021 compared to 2020 primarily due to increases in wind/hail, water and fire. Paid claim severity increased in the first quarter of 2021 compared to the same period of 2020. 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 13.7 points in the first quarter of 2021 compared to the first quarter of 2020, primarily due to higher catastrophe and non-catastrophe losses, partially offset by favorable catastrophe reserve reestimates and increased premiums earned.

Commercial lines loss ratio in the first quarter of 2021 was comparable to the same period of 2020 as favorable auto frequency was partially offset by decreased premiums earned.

Catastrophe losses increased 179.6% or \$379 million to \$590 million in the first quarter of 2021 compared to the first quarter of 2020. Losses before reinsurance, subrogation recoveries and taxes for the first quarter of 2021 totaled \$1.67 billion and were partially offset by \$1.08 billion in anticipated reinsurance and subrogation recoveries.

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, civil unrest or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

Loss estimates are generally based on claim adjuster inspections and the application of historical loss development factors. Our loss estimates are calculated in accordance with the coverage provided by our policies. Auto policyholders generally have coverage for physical damage due to flood if they have purchased optional auto comprehensive coverage. Our homeowners policies specifically exclude coverage for losses caused by flood.

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, limited by our participation in various state facilities.

Catastrophe losses by the type of event

(\$ in millions)	Number of events	Three months ended March 31,		
		2021	Number of events	2020
Hurricanes/Tropical storms	—	\$ —	—	\$ —
Tornadoes	1	13	2	42
Wind/Hail	11	277	8	180
Wildfires	—	—	1	2
Freeze/other events	1	586	1	7
Prior year reserve reestimates		(91)		(20)
Prior year aggregate reinsurance cover		(152)		—
Current year aggregate reinsurance cover		(43)		—
Total catastrophe losses	13	\$ 590	12	\$ 211

Catastrophe reinsurance Our current catastrophe reinsurance program supports our risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes and earthquakes, net of reinsurance, exceeding \$2 billion. We have completed the placement of portions of our 2021 catastrophe reinsurance program. The placement of the remainder of the program will be completed in the second quarter of 2021.

Similar to our 2020 program, our 2021 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.

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 our 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 \$3.60 billion for losses arising out of multiple perils and is comprised of \$3.25 billion of limits with one annual reinstatement of limits and two contracts combining \$348 million of limits with one reinstatement of limits over two eight-year terms. In addition to Allstate and its affiliated companies covered under the 2020-2021 program, coverage also includes the National General Companies.

ILS placements provide \$1.53 billion of limits, with no reinstatement of the limits, and are comprised of a \$375 million placement reinsuring losses in all states

except Florida caused by named storms, earthquakes and fire following earthquakes, severe thunderstorms, winter storms, wildfires, volcanic eruptions, and meteorite impacts and \$150 million, \$100 million, \$500 million and \$400 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 \$100 million, \$500 million and \$400 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. This 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.

In addition, National General reciprocal reinsurance contracts placed prior to the January 4, 2021 acquisition remain effective through June 30, 2021. New contracts will be placed in the second quarter of 2021.

The total cost of our property catastrophe reinsurance programs during the first quarter of 2021 and 2020 were \$113 million and \$99 million, respectively. Catastrophe placement premiums are a reduction of premium with approximately 75% related to homeowners. The total cost of our catastrophe reinsurance programs during 2020 was \$425 million or an average quarterly cost of \$106 million.

Reserve reestimates were favorable in the first quarter of 2021 due to approximately \$150 million of estimated recoveries related to our aggregate reinsurance cover and approximately \$110 million of subrogation settlements arising from the Woolsey wildfire, partially offset by strengthening of reserves in commercial lines.

For a more detailed discussion on reinsurance and reserve reestimates, see Note 9 of the condensed consolidated financial statements.

Reserve reestimates

(\$ in millions, except ratios)	Three months ended March 31,			
	Reserve reestimate ⁽¹⁾		Effect on combined ratio ⁽²⁾	
	2021	2020	2021	2020
Auto	\$ (36)	\$ 13	(0.4)	0.2
Homeowners	(203)	(7)	(2.1)	(0.1)
Other personal lines	(18)	(6)	(0.2)	(0.1)
Commercial lines	15	6	0.2	0.1
Total Allstate Protection	\$ (242)	\$ 6	(2.5)	0.1
Allstate brand	\$ (228)	\$ 8	(2.4)	0.1
National General	(14)	(2)	(0.1)	—
Total Allstate Protection	\$ (242)	\$ 6	(2.5)	0.1

⁽¹⁾ Favorable reserve reestimates are shown in parentheses.

⁽²⁾ Ratios are calculated using Allstate Protection premiums earned.

Expense ratio decreased 2.5 points in the first quarter of 2021 compared to the same period of 2020, primarily due to the following:

- Higher premiums earned and expenses, including amortization of DAC and purchased intangibles, associated with the acquisition of National General
- Lower operating expenses and agent compensation, partially offset by increased advertising and restructuring and related charges
- Shelter-in-Place Payback in first quarter of 2020

Impact of specific costs and expenses on the expense ratio

(\$ in millions, except ratios)	Three months ended March 31,		
	2021	2020	Change
Amortization of DAC	\$ 1,303	\$ 1,167	\$ 136
Advertising expense	312	200	112
Amortization of purchased intangibles	19	1	18
Other costs and expenses, net of other revenue	626	699	(73)
Restructuring and related charges	32	4	28
Shelter-in-Place Payback expense	—	210	(210)
Total underwriting expenses	\$ 2,292	\$ 2,281	\$ 11
Premiums earned	\$ 9,896	\$ 8,881	\$ 1,015
Expense ratio			
Amortization of DAC	13.2	13.1	0.1
Advertising expense	3.2	2.3	0.9
Other costs and expenses	6.4	7.9	(1.5)
Subtotal	22.8	23.3	(0.5)
Amortization of purchased intangibles	0.1	—	0.1
Restructuring and related charges	0.3	—	0.3
Shelter-in-Place Payback expense	—	2.4	(2.4)
Total expense ratio	23.2	25.7	(2.5)

Run-off Property-Liability Segment

Underwriting results

(\$ in millions)	Three months ended March 31,	
	2021	2020
Claims and claims expense	\$ (1)	\$ (2)
Operating costs and expenses	(2)	(1)
Underwriting loss	\$ (3)	\$ (3)

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

(\$ in millions)	March 31, 2021	December 31, 2020
Asbestos claims		
Gross reserves	\$ 1,181	\$ 1,204
Reinsurance	(369)	(377)
Net reserves	812	827
Environmental claims		
Gross reserves	244	249
Reinsurance	(42)	(43)
Net reserves	202	206
Other run-off claims		
Gross reserves	432	435
Reinsurance	(60)	(60)
Net reserves	372	375
Total		
Gross reserves	1,857	1,888
Reinsurance	(471)	(480)
Net reserves	\$ 1,386	\$ 1,408

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

(\$ in millions)	March 31, 2021	December 31, 2020
Direct excess commercial insurance		
Gross reserves	\$ 993	\$ 1,011
Reinsurance	(351)	(358)
Net reserves	642	653
Assumed reinsurance coverage		
Gross reserves	625	636
Reinsurance	(56)	(58)
Net reserves	569	578
Direct primary commercial insurance		
Gross reserves	158	160
Reinsurance	(63)	(63)
Net reserves	95	97
Other run-off business		
Gross reserves	2	2
Reinsurance	—	—
Net reserves	2	2
Unallocated loss adjustment expenses		
Gross reserves	79	79
Reinsurance	(1)	(1)
Net reserves	78	78
Total		
Gross reserves	1,857	1,888
Reinsurance	(471)	(480)
Net reserves	\$ 1,386	\$ 1,408

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

	March 31, 2021		December 31, 2020	
	Case	IBNR	Case	IBNR
Direct excess commercial insurance				
Gross reserves ⁽¹⁾	64 %	36 %	65 %	35 %
Ceded ⁽²⁾	71	29	71	29
Assumed reinsurance coverage				
Gross reserves	33	67	34	66
Ceded	31	69	35	65
Direct primary commercial insurance				
Gross reserves	54	46	55	45
Ceded	78	22	79	21

⁽¹⁾ Approximately 67% of gross case reserves as of March 31, 2021 are subject to settlement agreements.

⁽²⁾ Approximately 75% of ceded case reserves as of March 31, 2021 are subject to settlement agreements.

Gross payments from case reserves by type of exposure

(\$ in millions)	Three months ended March 31,	
	2021	2020
Direct excess commercial insurance		
Gross ⁽¹⁾	\$ 18	\$ 29
Ceded ⁽²⁾	(8)	11
Assumed reinsurance coverage		
Gross	11	9
Ceded	(2)	1
Direct primary commercial insurance		
Gross	4	2
Ceded	(1)	1

⁽¹⁾ In the first quarter of 2021 74% of payments related to settlement agreements.

⁽²⁾ In the first quarter of 2021 79% of payments related to settlement agreements.

Total net reserves as of March 31, 2021, included \$693 million or 50% of estimated IBNR reserves compared to \$695 million or 49% of estimated IBNR reserves as of December 31, 2020.

Total gross payments were \$33 million for the first quarter of 2021, primarily related to settlement agreements reached with several insureds on large

claims, mainly asbestos related losses, 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 \$13 million for the first quarter of 2021.

Protection Services Segment



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.

Summarized financial information

(\$ in millions)	Three months ended March 31,	
	2021	2020
Premiums written	\$ 583	\$ 379
Revenues		
Premiums	\$ 411	\$ 354
Other revenue	90	52
Intersegment insurance premiums and service fees ⁽¹⁾	41	38
Net investment income	10	10
Costs and expenses		
Claims and claims expense	(103)	(92)
Amortization of DAC	(181)	(153)
Operating costs and expenses	(198)	(161)
Restructuring and related charges	(9)	—
Income tax expense on operations	(12)	(11)
Adjusted net income	\$ 49	\$ 37
Allstate Protection Plans	\$ 45	\$ 34
Allstate Dealer Services	8	7
Allstate Roadside	4	2
Arity	2	(3)
Allstate Identity Protection	(10)	(3)
Adjusted net income	\$ 49	\$ 37
Allstate Protection Plans	133,510	107,124
Allstate Dealer Services	3,996	4,096
Allstate Roadside	540	576
Allstate Identity Protection	2,702	1,932
Policies in force as of March 31 (in thousands)	140,748	113,728

⁽¹⁾ Primarily related to Arity and Allstate Roadside Services and are eliminated in our condensed consolidated financial statements.

Adjusted net income increased 32.4% or \$12 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to Allstate Protection Plans growth and the acquisition of LeadCloud and Transparent.ly. These favorable impacts were partially offset by restructuring charges at Allstate Identity Protection related to resizing of our facilities due to changes to our future work environment.

Premiums written increased 53.8% or \$204 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to growth at Allstate Protection Plans and increased premiums written by Allstate Dealer Services.

PIF increased 23.8% or 27 million in the first quarter of 2021 compared to the first quarter of 2020 due to continued growth at Allstate Protection Plans.

Other revenue increased 73.1% or \$38 million in the first quarter of 2021 compared to the first quarter of 2020, reflecting the addition of LeadCloud and Transparent.ly.

Intersegment premiums and service fees increased 7.9% or \$3 million in the first quarter of 2021 compared to the first quarter of 2020, primarily related to growth in automotive rescue services provided to Allstate brand through Allstate Roadside.

Claims and claims expense increased 12.0% or \$11 million in the first quarter 2021 compared to the first quarter of 2020, primarily due to higher levels of claims at Allstate Protection Plans driven by growth of the business.

Amortization of DAC increased 18.3% or \$28 million in the first quarter of 2021 compared to the first quarter of 2020. The increase is driven by the growth experienced at Allstate Protection Plans and Allstate Dealer Services.

Operating costs and expenses increased 23.0% or \$37 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to higher operating costs at Arity due to the addition of LeadCloud and Transparent.ly and growth experienced at Allstate Protection Plans.

Restructuring and related charges increased \$9 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to a facility closure at Allstate Identify Protection.

Allstate Health and Benefits Segment

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.

Summarized financial information

(\$ in millions)	Three months ended March 31,	
	2021	2020
Revenues		
Accident and health insurance premiums and contract charges	\$ 455	\$ 282
Other revenue	80	—
Net investment income	19	20
Costs and expenses		
Accident and health insurance policy benefits	(233)	(141)
Interest credited to contractholder funds	(9)	(9)
Amortization of DAC	(39)	(45)
Operating costs and expenses	(190)	(75)
Income tax expense on operations	(18)	(8)
Adjusted net income	\$ 65	\$ 24
Benefit ratio ⁽¹⁾	51.2	50.0
Employer voluntary benefits ⁽²⁾	3,983	4,309
Group health ⁽³⁾	115	—
Individual accident and health ⁽⁴⁾	424	—
Policies in force as of March 31 (in thousands)	4,522	4,309

⁽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 sold to employers for use by their employees.

⁽⁴⁾ Individual accident and health includes short-term medical and supplemental products sold directly to individuals.

Adjusted net income increased \$41 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to the acquisition of National General's group health and individual accident and health business, which resulted in higher premiums and contract charges and the addition of other revenue, partially offset by higher policy benefits and operating costs and expenses.

Premiums and contract charges increased 61.3% or \$173 million in the first quarter of 2021 compared to the same period of 2020, primarily due to the addition of group health and individual accident and health business.

Premiums and contract charges by line of business

(\$ in millions)	Three months ended March 31,	
	2021	2020
Employer voluntary benefits	\$ 263	\$ 282
Group health	83	—
Individual accident and health	109	—
Premiums and contract charges	\$ 455	\$ 282

Other revenue increased \$80 million in the first quarter of 2021 compared to the same period of 2020, reflecting National General's commission revenue, group health administrative fees, agency fees and technology fees.

Accident and health insurance policy benefits increased 65.2% or \$92 million in the first quarter of 2021 compared to the same period of 2020, primarily due to the addition of the group health and individual accident and health products, partially offset by lower claim experience on employer voluntary benefit products driven by limited activities and deferral of non-essential medical procedures from the Coronavirus.

Benefit ratio increased to 51.2 in the first quarter of 2021 compared to 50.0 in the same period of 2020, primarily due to a higher benefit ratio associated with group health products added in the first quarter of 2021, partially offset by lower policy benefits for employer voluntary benefits reflecting the impacts of the Coronavirus and a lower benefit ratio associated with individual accident and health products added in the first quarter of 2021.

Amortization of DAC decreased 13.3% or \$6 million in the first quarter of 2021 compared to the same periods of 2020, primarily due to lower health product lapses for employer voluntary benefits.

Operating costs and expenses

(\$ in millions)	Three months ended March 31,	
	2021	2020
Non-deferrable commissions	\$ 74	\$ 26
General and administrative expenses	116	49
Total operating costs and expenses	\$ 190	\$ 75

Operating costs and expenses increased \$115 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to the addition of the group health and individual accident and health business.

Analysis of reserves**Reserve for future policy benefits**

(\$ in millions)	March 31, 2021	December 31, 2020
Traditional life insurance	\$ 294	\$ 299
Accident and health insurance	924	729
Reserve for future policy benefits	\$ 1,218	\$ 1,028

Investments

Portfolio composition and strategy by reporting segment ⁽¹⁾

(\$ in millions)	March 31, 2021				
	Property-Liability	Protection Services	Allstate Health and Benefits	Corporate and Other	Total
Fixed income securities ⁽²⁾	\$ 35,702	\$ 1,488	\$ 1,696	\$ 1,708	\$ 40,594
Equity securities ⁽³⁾	2,573	125	76	380	3,154
Mortgage loans, net	763	—	139	—	902
Limited partnership interests	6,367	—	—	—	6,367
Short-term investments ⁽⁴⁾	3,504	245	81	2,187	6,017
Other, net	2,876	—	164	2	3,042
Total	\$ 51,785	\$ 1,858	\$ 2,156	\$ 4,277	\$ 60,076
Percent to total	86.2 %	3.1 %	3.6 %	7.1 %	100.0 %
Market-based	\$ 44,218	\$ 1,858	\$ 2,156	\$ 4,275	\$ 52,507
Performance-based	7,567	—	—	2	7,569
Total	\$ 51,785	\$ 1,858	\$ 2,156	\$ 4,277	\$ 60,076

⁽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 \$34.70 billion, \$1.45 billion, \$1.63 billion, \$1.66 billion and \$39.44 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 March 31, 2021, was \$499 million in excess of cost. These net gains were primarily concentrated in equity index funds and the banking and technology sectors. Equity securities include \$802 million of funds with underlying investments in fixed income securities as of March 31, 2021.

⁽⁴⁾ Short-term investments are carried at fair value.

Investments totaled \$60.08 billion as of March 31, 2021, increasing from \$59.54 billion as of December 31, 2020, primarily due to positive operating cash flows, partially offset by common share repurchases, lower fixed income valuations and dividends paid to shareholders.

Portfolio composition by investment strategy 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, or assets may be moved between strategies.

Market-based strategy includes investments primarily in public fixed income and equity securities. It 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. These investments include investee level expenses, reflecting asset level operating expenses on directly held real estate and other consolidated investments.

Low interest rate environment In April 2021, the Federal Open Market Committee ("FOMC") maintained the target range for federal funds at 0 percent to 1/4 percent. The FOMC noted that the ongoing public health crisis continues to weigh on the economy and risks to the economic outlook remain. The FOMC expects to maintain this target range until labor market conditions have reached levels consistent with

the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.

Investing activity will continue to decrease our portfolio yield as long as market yields remain below the current portfolio yield. Any decline in market-based portfolio yield is expected to result in lower net investment income for the market-based portfolio in future periods.

Interest-bearing investments are comprised of fixed income securities, mortgage loans, short-term investments and other investments, including bank and agent loans.

Coronavirus impacts Ongoing uncertainty related to the future path of the pandemic created market volatility that impacted valuations, liquidity, prospects and risks of fixed income securities, equity securities and performance-based investments, primarily limited partnership interests, during 2020. Fixed income securities in certain sectors such as energy, automotive, retail, travel, lodging and airlines were negatively impacted. Fixed income and equity security values generally increased since the first quarter of 2020.

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.

Portfolio composition by investment strategy

(\$ in millions)	March 31, 2021		
	Market-based	Performance-based	Total
Fixed income securities	\$ 40,481	\$ 113	\$ 40,594
Equity securities	2,787	367	3,154
Mortgage loans, net	902	—	902
Limited partnership interests	252	6,115	6,367
Short-term investments	6,017	—	6,017
Other, net	2,068	974	3,042
Total	\$ 52,507	\$ 7,569	\$ 60,076
Percent to total	87.4 %	12.6 %	100.0 %
Unrealized net capital gains and losses			
Fixed income securities	\$ 1,155	\$ 2	\$ 1,157
Limited partnership interests	—	(1)	(1)
Other	(3)	—	(3)
Total	\$ 1,152	\$ 1	\$ 1,153

Fixed income securities**Fixed income securities by type**

(\$ in millions)	Fair value as of	
	March 31, 2021	December 31, 2020
U.S. government and agencies	\$ 3,110	\$ 2,107
Municipal	7,500	7,578
Corporate	28,003	31,017
Foreign government	985	958
Asset-backed securities ("ABS")	943	846
Mortgage-backed securities ("MBS")	53	59
Total fixed income securities	\$ 40,594	\$ 42,565

Fixed income securities are rated by third-party credit rating agencies and/or are internally rated. As of March 31, 2021, 85.2% 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 issue.

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 condensed consolidated financial statements.

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

(\$ in millions)	March 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	\$ 3,110	\$ 7	\$ —	\$ —	\$ —	\$ —
Municipal	7,247	268	236	5	2	—
Corporate						
Public	5,397	154	11,560	426	1,573	78
Privately placed	1,669	37	3,477	97	1,843	30
Total corporate	7,066	191	15,037	523	3,416	108
Foreign government	984	8	1	—	—	—
ABS	841	5	10	—	6	—
MBS	31	1	20	—	2	—
Total fixed income securities	\$ 19,279	\$ 480	\$ 15,304	\$ 528	\$ 3,426	\$ 108

	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	\$ —	\$ —	\$ —	\$ —	\$ 3,110	\$ 7
Municipal	10	1	5	—	7,500	274
Corporate						
Public	310	6	21	—	18,861	664
Privately placed	1,864	25	289	5	9,142	194
Total corporate	2,174	31	310	5	28,003	858
Foreign government	—	—	—	—	985	8
ABS	3	(1)	83	5	943	9
MBS	—	—	—	—	53	1
Total fixed income securities	\$ 2,187	\$ 31	\$ 398	\$ 10	\$ 40,594	\$ 1,157

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

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 in unregistered form.

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 and/or insurance.

MBS includes residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS"). RMBS is subject to interest rate risk, but unlike other fixed income securities, is additionally subject to prepayment risk from the underlying residential mortgage loans. RMBS consists of a U.S. Agency portfolio having collateral issued or guaranteed by U.S. government agencies and a non-agency portfolio consisting of securities collateralized by Prime, Alt-A and Subprime loans. CMBS investments are primarily traditional conduit transactions collateralized by commercial mortgage loans and typically are diversified across property types and geographical area.

Equity securities 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 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.

Types of properties collateralizing the mortgage loan portfolio

(% of mortgage loan portfolio carrying value)	March 31, 2021
Apartment complex	40.9 %
Office buildings	20.1
Warehouse	11.4
Retail	11.0
Other	16.6
Total	100.0 %

For further detail on our mortgage loan portfolio, see Note 5 of the condensed consolidated financial statements.

Limited partnership interests include \$5.23 billion of interests in private equity funds, \$884 million of interests in real estate funds and \$253 million of interests in other funds as of March 31, 2021. We have commitments to invest additional amounts in limited partnership interests totaling \$2.34 billion as of March 31, 2021.

Private equity limited partnerships by sector	
(% of carrying value)	March 31, 2021
Industrial	17.8 %
Consumer staples	11.9
Healthcare	11.0
Consumer discretionary	10.2
Utilities	10.2
Information Technology	9.8
Other	29.1
Total	100.0 %

Real estate limited partnerships by sector	
(% of carrying value)	March 31, 2021
Industrial	28.0 %
Residential	26.9
Office	19.6
Other	25.5
Total	100.0 %

Other investments include \$871 million of direct investments in real estate as of March 31, 2021.

Direct real estate investments by sector	
(% of carrying value)	March 31, 2021
Residential	37.9 %
Retail	15.7
Agriculture	14.2
Industrial	13.0
Timber	11.8
Other	7.4
Total	100.0 %

Bank loans As of March 31, 2021, we have trades to invest in bank loans totaling \$455 million that are not reported as assets until they settle.

Unrealized net capital gains (losses)		
(\$ in millions)	March 31, 2021	December 31, 2020
U.S. government and agencies	\$ 7	\$ 4
Municipal	274	47
Corporate	858	1,96
Foreign government	8	3
ABS	9	
MBS	1	
Fixed income securities	1,157	2,53
Derivatives	(3)	(
EMA limited partnerships	(1)	(
Unrealized net capital gains and losses, pre-tax	\$ 1,153	\$ 2,52

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

(\$ in millions)	Amortized cost, net	March 31, 2021		Fair value
		Gains	Losses	
Corporate				
Consumer goods				
Cyclical				
Automotive	\$ 1,330	\$ 56	\$ (4)	\$ 1,382
Gaming, lodging and leisure	467	16	(2)	481
Retailers	529	19	(6)	542
Restaurants	246	8	(2)	252
Other	459	20	(2)	477
Total cyclical	3,031	119	(16)	3,134
Non-cyclical	4,021	149	(31)	4,139
Total consumer goods	7,052	268	(47)	7,273
Communications	2,452	94	(27)	2,519
Banking	3,840	117	(23)	3,934
Utilities	2,377	76	(23)	2,430
Technology	2,573	108	(16)	2,665
Financial services				
Finance companies	434	18	(2)	450
Life insurance	449	15	(3)	461
Other	868	28	(8)	888
Total financial services	1,751	61	(13)	1,799
Energy				
Midstream	1,104	39	(7)	1,136
Integrated	205	14	—	219
Independent/upstream	232	15	(2)	245
Other	169	7	(2)	174
Total energy	1,710	75	(11)	1,774
Transportation				
Airlines	317	14	(2)	329
Railroad and other	762	41	(9)	794
Total transportation	1,079	55	(11)	1,123
Capital goods	2,671	108	(10)	2,769
Basic industry	1,394	80	(3)	1,471
Other	246	3	(3)	246
Total corporate fixed income portfolio	27,145	1,045	(187)	28,003
U.S. government and agencies	3,103	26	(19)	3,110
Municipal	7,226	310	(36)	7,500
Foreign government	977	16	(8)	985
ABS	934	11	(2)	943
MBS	52	1	—	53
Total fixed income securities	\$ 39,437	\$ 1,409	\$ (252)	\$ 40,594

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

(\$ in millions)	Amortized cost	December 31, 2020		Fair value
		Gains	Losses	
Corporate				
Consumer goods				
Cyclical				
Automotive	\$ 1,387	\$ 79	\$ —	\$ 1,466
Gaming, lodging and leisure	446	26	—	472
Retailers	642	56	—	698
Restaurants	329	22	—	351
Other	541	35	—	576
Total cyclical	3,345	218	—	3,563
Non-cyclical	4,475	298	(2)	4,771
Total consumer goods	7,820	516	(2)	8,334
Communications	2,529	201	(4)	2,726
Banking	4,353	244	—	4,597
Utilities	2,749	156	(2)	2,903
Technology	2,443	191	(1)	2,633
Financial services				
Finance companies	364	24	(2)	386
Life insurance	586	33	—	619
Other	835	59	—	894
Total financial services	1,785	116	(2)	1,899
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				
Airlines	250	9	(6)	253
Railroad and other	805	75	(5)	875
Total transportation	1,055	84	(11)	1,128
Capital goods	2,906	205	—	3,111
Basic industry	1,512	136	—	1,648

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	840	9	(3)	846
MBS	58	1	—	59
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	March 31, 2021			December 31, 2020		
	Cost	Over (under) cost	Fair value	Cost	Over (under) cost	Fair value
(\$ in millions)						
Capital goods	\$ 120	\$ (10)	\$ 110	\$ 92	\$ (4)	\$ 88
Utilities	39	6	45	37	3	40
Basic industry	30	10	40	29	10	39
Transportation	30	10	40	24	7	31
Energy	98	12	110	84	(1)	83
Other ⁽¹⁾	973	282	1,255	823	211	1,034
Funds						
Fixed income	762	40	802	804	55	859
Equities	596	149	745	847	147	994
Other	7	—	7	—	—	—
Total funds	1,365	189	1,554	1,651	202	1,853
Total equity securities	\$ 2,655	\$ 499	\$ 3,154	\$ 2,740	\$ 428	\$ 3,168

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

Net investment income	Three months ended March 31,	
	2021	2020
(\$ in millions)		
Fixed income securities	\$ 301	\$ 298
Equity securities	14	10
Mortgage loans	10	9
Limited partnership interests	378	(77)
Short-term investments	1	11
Other	41	31
Investment income, before expense	745	282
Investment expense		
Investee level expenses	(13)	(8)
Securities lending expense	—	(4)
Operating costs and expenses	(24)	(24)
Total investment expense	(37)	(36)
Net investment income	\$ 708	\$ 246
Property-Liability	\$ 673	\$ 202
Protection Services	10	10
Allstate Health and Benefits	19	20
Corporate and Other	6	14
Net investment income	\$ 708	\$ 246
Market-based	355	361
Performance-based	390	(79)
Investment income, before expense	\$ 745	\$ 282

Net investment income increased \$462 million in the first quarter of 2021 compared to the same period of 2020, primarily due to increases in performance-based income results, mainly from limited partnerships.

Performance-based investment income	Three months ended March 31,	
	2021	2020
(\$ in millions)		
Private equity	\$ 330	\$ (95)
Real estate	60	16
Total performance-based income before investee level expenses	\$ 390	\$ (79)
Investee level expenses ⁽¹⁾	(12)	(7)
Total performance-based income	\$ 378	\$ (86)

⁽¹⁾ Investee level expenses include depreciation and asset level operating expenses reported in investment expense.

Performance-based investment income increased \$464 million in the first quarter of 2021 compared to the first quarter of 2020, primarily due to increased valuations, gains on sales of underlying investments and lower 2020 results from declines in the equity market and lower valuations related to the Coronavirus. Performance-based investment income in the first quarter of 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 realized capital gains (losses) and the related tax effect

(\$ in millions)	Three months ended March 31,	
	2021	2020
Sales	\$ 246	\$ 388
Credit losses		
Fixed income securities	2	(2)
Mortgage Loans	6	(10)
Limited partnership interests	—	(5)
Other investments	(6)	(20)
Total credit losses	2	(37)
Valuation of equity investments - appreciation (decline):		
Equity securities	181	(369)
Equity fund investments in fixed income securities	(17)	(141)
Limited partnerships ⁽⁴⁾	3	(81)
Total valuation of equity investments	167	(591)
Valuation and settlements of derivative instruments	11	78
Realized capital gains (losses), pre-tax	426	(162)
Income tax (expense) benefit	(94)	34
Realized capital gains (losses), after-tax	\$ 332	\$ (128)
Property-Liability	\$ 314	\$ (82)
Protection Services	8	(19)
Allstate Health and Benefits	2	(10)
Corporate and Other	8	(17)
Realized capital gains (losses), after-tax	\$ 332	\$ (128)
Market-based	\$ 337	\$ (187)
Performance-based	89	25
Realized capital gains (losses), pre-tax	\$ 426	\$ (162)

⁽⁴⁾ Relates to limited partnerships where the underlying assets are predominately public equity securities.

Realized capital gains in the first quarter of 2021 related primarily to gains on sales of fixed income securities and increased valuation of equity investments.

Sales in the first quarter of 2021 related primarily to fixed income securities in connection with ongoing portfolio management, as well as gains on sales of real estate investments.

Valuation and settlements of derivative instruments in the first quarter of 2021 primarily comprised of gains on foreign currency contracts due to the strengthening of the U.S. dollar.

Realized capital gains (losses) for performance-based investments

(\$ in millions)	Three months ended March 31,	
	2021	2020
Sales	\$ 59	\$ 13
Credit losses	—	(6)
Valuation of equity investments	20	(7)
Valuation and settlements of derivative instruments	10	25
Total performance-based	\$ 89	\$ 25

Realized capital gains for performance-based investments in the first quarter of 2021 primarily related to gains on sales of real estate investments.

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)	March 31, 2021		December 31, 2020	
Preferred stock, common stock, treasury stock, retained income and other shareholders' equity items	\$	24,996	\$	26,913
Accumulated other comprehensive income		1,823		3,304
Total Allstate shareholders' equity		26,819		30,217
Debt		7,996		7,825
Total capital resources	\$	34,815	\$	38,042
Ratio of debt to Allstate shareholders' equity		29.8 %		25.9 %
Ratio of debt to capital resources		23.0		20.6

Allstate shareholders' equity decreased in the first three months of 2021, primarily due to decreased unrealized capital gains on investments, net losses attributable to discontinued operations, common share repurchases and dividends paid to shareholders. In the three months ended March 31, 2021, we paid dividends of \$164 million and \$27 million related to our common and preferred shares, respectively.

Debt maturities \$250 million of floating rate senior notes matured on March 29, 2021. We do not have any other scheduled debt maturities in 2021.

Debt maturities for each of the next five years and thereafter (excluding issuance costs and other)

(\$ in millions)	
2022	\$ —
2023	750
2024 ⁽¹⁾	350
2025	600
2026	550
Thereafter	5,741
Total long-term debt principal	\$ 7,991

⁽¹⁾ Reflects National General 6.750% Senior Notes.

Common share repurchases As of March 31, 2021, there was \$959 million remaining on the \$3.00 billion common share repurchase program that is expected to be completed by the end of 2021.

In September 2020, we entered into an accelerated share repurchase agreement ("ASR agreement") with Goldman Sachs & Co. LLC ("Goldman Sachs") to purchase \$750 million of our outstanding common stock. Under the ASR agreement, we paid \$750 million upfront and initially acquired 7.0 million shares. The ASR agreement settled on January 12, 2021, and we repurchased a total of 7.8 million shares at an average price of \$96.21.

During the first three months of 2021, we repurchased 5.2 million common shares, or 1.7% of total common shares outstanding at December 31, 2020, for \$601 million.

Common shareholder dividends On January 4, 2021, we paid a common shareholder dividend of \$0.54. On February 22, 2021, we declared a common shareholder dividend of \$0.81 payable on April 1, 2021.

Financial ratings and strength 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.

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

In March 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.

There have been no changes to the Corporation's or AIC's ratings from A.M. Best since December 31, 2020.

Liquidity sources and uses 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.

The Corporation is party to an Amended and Restated Intercompany Liquidity Agreement ("Liquidity Agreement") with certain subsidiaries, which include but are not limited to ALIC and 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. ALIC and AIC each serve as a lender and borrower, certain other subsidiaries serve only as borrowers, and the Corporation serves only as a lender. AIC also has a capital support agreement with ALIC. Under the capital support agreement, AIC is committed to providing capital to ALIC to maintain an adequate capital level. 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 include, but are not limited to, AIC and ALIC. 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 Parent holding company deployable assets totaled \$4.21 billion as of March 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.

As of March 31, 2021, we held \$6.07 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.

Intercompany dividends were paid in the first three months of 2021 between the following companies: AIC, Allstate Insurance Holdings, LLC ("AIH") and the Corporation.

Intercompany dividends

(\$ in millions)	March 31, 2021
AIC to AIH	\$ 3,571
AIH to the Corporation	3,571

Based on the greater of 2020 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 2021 is estimated at \$5.95 billion, less dividends paid during the preceding twelve months measured at that point in time. As of March 31, 2021, we paid dividends of \$3.57 billion.

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 March 31, 2021, we satisfied all the requirements with no current restrictions on the payment of preferred stock dividends.

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 the first three months of 2021, we did not defer interest payments on the subordinated debentures.

Additional resources to support liquidity are as follows:

- The Corporation, AIC and ALIC have access to a \$750 million unsecured revolving credit facility that is available for short-term liquidity requirements. The maturity date of this facility is November 2025. 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 18.9% as of March 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.
- The Corporation has access to a commercial paper facility with a borrowing limit equal to our undrawn credit facility balance of \$750 million to cover short-term cash needs.
- As of March 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 that was filed with the Securities and Exchange Commission on April 30, 2021 and expires in 2024. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 600 million shares of treasury stock as of March 31, 2021), preferred stock, depository 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.

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. 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. 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 include risks related to:

Insurance and Financial Services (1) unexpected increases in claim frequency and severity; (2) catastrophes and severe weather events; (3) limitations in analytical models used for loss cost estimates; (4) price competition and changes in underwriting standards; (5) actual claims costs exceeding current reserves; (6) market risk and declines in credit quality of our investment portfolio; (7) our subjective determination of fair value and amount of credit losses for investments; (8) changes in market interest rates or performance-based investment returns impacting our annuity business; (9) changes in reserve estimates and amortization of deferred acquisition costs impacting our life, benefits and annuity businesses; (10) our participation in indemnification programs, including state industry pools and facilities; (11) inability to mitigate the capital impact associated with statutory reserving and capital requirements; (12) a downgrade in financial strength ratings; (13) changes in tax laws;

Business, Strategy and Operations (14) competition in the insurance industry and new or changing technologies; (15) implementation of our transformative growth strategy; (16) our catastrophe management strategy; (17) restrictions on our subsidiaries’ ability to pay dividends; (18) restrictions under terms of certain of our securities on our ability to pay dividends or repurchase our stock; (19) the availability of reinsurance at current levels and prices; (20) counterparty risk related to reinsurance; (21) acquisitions and divestitures of businesses; (22) intellectual property infringement, misappropriation and third-party claims;

Macro, Regulatory and Risk Environment (23) conditions in the global economy and capital markets; (24) a large-scale pandemic, such as the Coronavirus and its impacts, or occurrence of terrorism, military actions or social unrest; (25) the failure in cyber or other information security controls, or the occurrence of events unanticipated in our disaster recovery processes and business continuity planning; (26) changing climate and weather conditions; (27) restrictive regulations and regulatory reforms, including limitations on rate increases and requirements to underwrite business and participate in loss sharing arrangements; (28) losses from legal and regulatory actions; (29) changes in or the application of accounting standards; (30) loss of key vendor relationships or failure of a vendor to protect our data or confidential, proprietary and personal information; (31) our ability to attract, develop and retain key personnel; and (32) misconduct or fraudulent acts by employees, agents and third parties.

Additional information concerning these and other factors may be found in our filings with the Securities and Exchange Commission, including the “Risk Factors” section in our most recent annual report on Form 10-K. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statement.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures as defined in Rules 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 made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended March 31, 2021, 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.

Part II. Other Information

Item 1. Legal Proceedings

Information required for Part II, Item 1 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 13 of the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A in our annual report on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 ⁽³⁾	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs ⁽⁴⁾
January 1, 2021 - January 31, 2021				
Open Market Purchases	628,300	\$ 110.01	628,189	
ASR Agreement ⁽²⁾	811,431	\$ 96.21	811,431	
February 1, 2021 - February 28, 2021				
Open Market Purchases	2,141,566	\$ 105.94	1,815,786	
March 1, 2021 - March 31, 2021				
Open Market Purchases	1,985,883	\$ 113.76	1,985,548	
Total	5,567,180	\$ 107.77	5,240,954	\$ 959 million

⁽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.

January: 111
February: 325,780
March: 335

⁽²⁾ On September 18, 2020, Allstate entered into an accelerated share repurchase agreement (“ASR agreement”) with Goldman Sachs & Co. LLC (“Goldman Sachs”), to purchase \$750 million of our outstanding shares of common stock, which settled on January 12, 2021. Under this ASR agreement, we repurchased a total of 7.8 million shares at an average price of \$96.21.

⁽³⁾ 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.

⁽⁴⁾ In February 2020, we announced the approval of a common share repurchase program for \$3 billion that is expected to be completed by the end of 2021.

Item 5. Other Information

On May 4, 2021, The Allstate Corporation (the “Registrant”), Allstate Insurance Company and Allstate Life Insurance Company (the “Borrowers”) entered into Amendment No. 1 to Credit Agreement with the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the “Amendment”). Pursuant to the terms of the underlying Credit Agreement (the “Agreement”), dated as of November 16, 2020, both Allstate Insurance Company and Allstate Life Insurance Company are “Subsidiary Borrowers.” In connection with the previously announced sale of Allstate Life Insurance Company, the underlying agreement is being amended to reflect that Allstate Life Insurance Company will be terminated as both a “Subsidiary Borrower” and a “Borrower” under the Agreement effective upon the consummation of the sale of Allstate Life Insurance Company. Pursuant to the terms of the Amendment, the Registrant will provide prompt notice to the Administrative Agent of the proposed date of consummation of the sale and prompt notice of the actual consummation of the sale of Allstate Life Insurance Company. The Amendment has been filed herewith as Exhibit 10.1 and is incorporated herein by reference, and the description set forth above is qualified in its entirety by the full terms and conditions of the Amendment.

Allstate Insurance Company is an indirect, wholly owned subsidiary of the Registrant, and Allstate Life Insurance Company is a wholly owned subsidiary of Allstate Insurance Company.

Item 6. Exhibits

(a) Exhibits

The following is a list of exhibits filed as part of this Form 10-Q.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File Number	Exhibit	Filing Date	
2	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	
4	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					
10.1	Amendment No. 1 to Credit Agreement dated as of May 4, 2021					X
10.2	Amendment to The Allstate Corporation Change in Control Severance Plan effective March 1, 2021	8-K	1-11840	10.1	March 1, 2021	
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated May 5, 2021, concerning unaudited interim financial information					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 Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

Signature

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 thereunto duly authorized.

The Allstate Corporation
(Registrant)

May 5, 2021

By /s/ John C. Pintozzi

John C. Pintozzi

Senior Vice President, Controller and Chief Accounting Officer
(Authorized Signatory and Principal Accounting Officer)

EXECUTION COPY

AMENDMENT NO. 1

Dated as of May 4, 2021

to

CREDIT AGREEMENT

Dated as of November 16, 2020

THIS AMENDMENT NO. 1 (this "Amendment") is made as of May 4, 2021 by and among The Allstate Corporation, a Delaware corporation (the "Company"), Allstate Insurance Company, an Illinois insurance company ("Allstate Insurance"), and Allstate Life Insurance Company, an Illinois insurance company ("Allstate Life") and, together with the Company and Allstate Insurance, the "Borrowers"), the Lenders listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), under that certain Credit Agreement, dated as of November 16, 2020, by and among the Company, Allstate Insurance, Allstate Life, the Lenders from time to time party thereto and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrowers have requested that the Lenders and the Administrative Agent agree to (i) terminate Allstate Life as a Borrower under the Credit Agreement and (ii) make certain amendments to the Credit Agreement; and

WHEREAS, the Borrowers, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Credit Agreement. The parties hereto agree that, effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended to insert the following new terms and related definitions therein in the appropriate alphabetical order and, where applicable, replace the corresponding previously existing terms and related definitions therein as follows:

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which may include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided that, if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.

“FCA” has the meaning assigned to such term in Section 1.5.

“Insurance Company” means Allstate Insurance, solely prior to the consummation of the Specified Allstate Life Sale, Allstate Life, and any other Subsidiary that is an insurance company.

“Interest Period” means the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, three, six or if made available by all of the Lenders, nine or twelve months thereafter, as the Company (on behalf of the applicable Borrower) may elect, provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“LIBOR” has the meaning assigned to such term in Section 1.5.

“Payment” has the meaning assigned to such term in Section 9.1(j).

“Payment Notice” has the meaning assigned to such term in Section 9.1(j).

“SOFR” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“Specified Allstate Life Sale” means the sale by Allstate Insurance, pursuant to the terms of that certain Stock Purchase Agreement, dated January 26, 2021, by and among Allstate Insurance, Allstate Financial Insurance Holdings Corporation and Everlake US Holdings Company, formerly Antelope US Holdings Company, (an affiliate of an investment fund associated with The Blackstone Group Inc.) (the “Buyer”), of all of the shares of the capital stock of Allstate Life to the Buyer.

“Subsidiary Borrowers” means Allstate Insurance and, solely prior to the consummation of the Specified Allstate Life Sale, Allstate Life.”

(b) Section 1.1 of the Credit Agreement is hereby further amended to delete the definition of “IBA” set forth therein in its entirety.

(c) The definition of “Debt” appearing in Section 1.1 of the Credit Agreement hereby amended to replace the reference to “Financial Accounting Standards Board ASC 10” therein with a reference to “Financial Accounting Standards Board ASC 810” therefor.

(d) Section 1.5 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Section 1.5 Interest Rates; LIBOR Notification. The interest rate on Eurodollar Loans is determined by reference to the LIBO Rate, which is derived from the London interbank offered rate (“LIBOR”). LIBOR is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. On March 5, 2021, the U.K. Financial Conduct Authority (the “FCA”) publicly announced that: (a) immediately after December 31, 2021, publication of the 1-week and 2-month U.S. Dollar LIBOR settings will permanently cease; (b) immediately after June 30, 2023, publication of the overnight and 12-month U.S. Dollar LIBOR settings will permanently cease; and (c) immediately after June 30, 2023, the 1-month, 3-month and 6-month U.S. Dollar LIBOR settings will cease to be provided or, subject to the FCA’s consideration of the case, be provided on a changed methodology (or “synthetic”) basis and no longer be representative of the underlying market and economic reality they are intended to measure and that representativeness will not be restored. There is no assurance that dates announced by the FCA will not change or that the administrator of LIBOR and/or regulators will not take further action that could impact the availability, composition, or characteristics of LIBOR or the currencies and/or tenors for which LIBOR is published. Each party to this agreement should consult its own advisors to stay informed of any such developments. Public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of LIBOR. Upon the occurrence of a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election, Section 3.4(b) and Section 3.4(c) provide the mechanism for determining an alternative rate of interest. The Administrative Agent will promptly notify the Borrower, pursuant to Section 3.4(e), of any change to the reference rate upon which the interest rate on Eurodollar Loans is based. However, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to LIBOR or other rates in the definition of “LIBO Rate” or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to Section 3.4(b) or Section 3.4(c), whether upon the occurrence of a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election, and (ii) the implementation of any Benchmark Replacement Conforming Changes pursuant to Section 3.4(d)), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.”

(e) Article II of the Credit Agreement is hereby amended to insert a new Section 2.11 therein immediately following Section 2.10 thereof as follows:

“Section 2.11 Termination of Allstate Life as a Borrower. The parties hereto agree that, effective upon the consummation of the Specified Allstate Life Sale, Allstate Life will be terminated as a “Subsidiary Borrower” and a “Borrower” under this Agreement. The Company will provide prompt notice to the Administrative Agent of the proposed date of the consummation of the Specified Allstate Life Sale as well as prompt

notice of the actual consummation of the Specified Allstate Life Sale. The Company represents and warrants on the date of the consummation of the Specified Allstate Life Sale that no Loans made to Allstate Life are outstanding as of the date of the consummation of the Specified Allstate Life Sale and that all amounts payable by Allstate Life in respect of interest, fees and/or any other amounts payable under this Agreement have been paid in full on or prior to the date of the Specified Allstate Life Sale, and Allstate Life covenants and agrees to repay all Loans made to it and to pay all amounts payable by it in respect of interest, fees and/or any other amounts payable under this Agreement in full, in each case on or prior to the date of the Specified Allstate Life Sale.

(f) Section 3.4(e) of the Credit Agreement is hereby amended to remove the phrase “and its related Benchmark Replacement Date,” from clause (i) thereof.

(g) Section 6.7 of the Credit Agreement is hereby amended to insert the following sentence at the end thereof:

“It is understood and agreed that (i) this Section 6.7 shall not prohibit the consummation of the Specified Allstate Life Sale and (ii) for the avoidance of doubt, from and after the consummation of the Specified Allstate Life Sale, this Section 6.7 shall not apply to Allstate Life or the assets of Allstate Life.”

(h) Section 9.1(j) of the Credit Agreement is hereby amended to add a new subsection (j) therein as follows:

“(j)

(i) Each Lender hereby agrees that (x) if the Administrative Agent notifies such Lender that the Administrative Agent has determined in its sole discretion that any funds received by such Lender from the Administrative Agent or any of its Affiliates (whether as a payment, prepayment or repayment of principal, interest, fees or otherwise; individually and collectively, a “Payment”) were erroneously transmitted to such Lender (whether or not known to such Lender), and demands the return of such Payment (or a portion thereof), such Lender shall promptly, but in no event later than one (1) Business Day thereafter, return to the Administrative Agent the amount of any such Payment (or portion thereof) as to which such a demand was made in same day funds, together with interest thereon in respect of each day from and including the date such Payment (or portion thereof) was received by such Lender to the date such amount is repaid to the Administrative Agent at the greater of the NYFRB Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect, and (y) to the extent permitted by applicable law, such Lender shall not assert, and hereby waives, as to the Administrative Agent, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Payments received, including without limitation any defense based on “discharge for value” or any similar doctrine. A notice of the Administrative Agent to any Lender under this Section 9.1(j) shall be conclusive, absent manifest error.

(ii) Each Lender hereby further agrees that if it receives a Payment from the Administrative Agent or any of its Affiliates (x) that is in a different amount

than, or on a different date from, that specified in a notice of payment sent by the Administrative Agent (or any of its Affiliates) with respect to such Payment (a “Payment Notice”) or (y) that was not preceded or accompanied by a Payment Notice, it shall be on notice, in each such case, that an error has been made with respect to such Payment. Each Lender agrees that, in each such case, or if it otherwise becomes aware a Payment (or portion thereof) may have been sent in error, such Lender shall promptly notify the Administrative Agent of such occurrence and, upon demand from the Administrative Agent, it shall promptly, but in no event later than one (1) Business Day thereafter, return to the Administrative Agent the amount of any such Payment (or portion thereof) as to which such a demand was made in same day funds, together with interest thereon in respect of each day from and including the date such Payment (or portion thereof) was received by such Lender to the date such amount is repaid to the Administrative Agent at the greater of the NYFRB Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(iii) Each Borrower hereby agrees that (x) in the event an erroneous Payment (or portion thereof) are not recovered from any Lender that has received such Payment (or portion thereof) for any reason, the Administrative Agent shall be subrogated to all the rights of such Lender with respect to such amount and (y) an erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by such Borrower, except, in each case, to the extent such erroneous Payment is, and solely with respect to the amount of such erroneous Payment that is, comprised of funds of any Borrower.

(iv) Each party’s obligations under this Section 9.1(j) shall survive the resignation or replacement of the Administrative Agent or any transfer of rights or obligations by, or the replacement of, a Lender, the termination of the Commitments or the repayment, satisfaction or discharge of all Obligations under any Loan Document.”

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the satisfaction of each of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts to this Amendment duly executed by the Borrowers, the Required Lenders and the Administrative Agent.

(b) The Administrative Agent shall have received payment of the Administrative Agent’s and its Affiliates’ expenses (including reasonable fees and expenses of counsel for the Administrative Agent) in connection with this Amendment and the other Loan Documents.

3. Representations and Warranties of the Borrowers. Each of the Borrowers hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as modified hereby are within such Borrower’s corporate powers and have been duly authorized by all necessary corporate or similar proceedings of such Borrower.

(b) This Amendment and the Credit Agreement as modified hereby constitute legal, valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with

their respective terms, subject to applicable bankruptcy, insolvency, reorganization, rehabilitation, moratorium or other laws affecting creditors' rights and rights of creditors of insurers generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) As of the date hereof and immediately after giving effect to the terms of this Amendment, (i) no Default has occurred and is continuing and (ii) the representations and warranties of the Borrowers set forth in Article 4 of the Credit Agreement (other than those contained in Section 4.4(c) and Section 4.5 of the Credit Agreement) are true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect are true and correct in all respects) except to the extent that any such representations and warranties expressly relate to an earlier date (including those contained in Sections 4.4(a), 4.4(b) and 4.8 of the Credit Agreement), in which case such representations and warranties are true and correct in all material respects (provided that any representation or warranty qualified by materiality or Material Adverse Effect are true and correct in all respects) on and as of such earlier date.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) The Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(c) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other Loan Documents.

(d) This Amendment is a Loan Document.

5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment and/or any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures (as defined below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. As used herein, "Electronic Signatures" means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

THE ALLSTATE CORPORATION

By: /s/ Mario Rizzo
Name: Mario Rizzo
Title: Executive Vice President and Chief Financial Officer

By: /s/ John C. Pintozzi
Name: John C. Pintozzi
Title: Senior Vice President, Controller and Chief Accounting Officer

ALLSTATE INSURANCE COMPANY

By: /s/ Mario Rizzo
Name: Mario Rizzo
Title: Executive Vice President and Chief Financial Officer

By: /s/ John C. Pintozzi
Name: John C. Pintozzi
Title: Senior Vice President, Controller and Chief Accounting Officer

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ Mario Imbarrato
Name: Mario Imbarrato
Title: Senior Vice President and Chief Financial Officer

By: /s/ John C. Pintozzi
Name: John C. Pintozzi
Title: Senior Vice President and Controller

JPMORGAN CHASE BANK, N.A.,
individually as a Lender and as Administrative Agent

By: /s/ James S. Mintzer
Name: James S. Mintzer
Title: Executive Director

Signature Page to Amendment No. 1 to
Credit Agreement dated as of November 16, 2020
The Allstate Corporation, *et al*

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Michelle S. Dagenhart
Name: Michelle S. Dagenhart
Title: Managing Director

Signature Page to Amendment No. 1 to
Credit Agreement dated as of November 16, 2020
The Allstate Corporation, *et al*

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ Chris Choi
Name: Chris Choi
Title: Director

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The Allstate Corporation, *et al*

BARCLAYS BANK PLC,
as a Lender

By: /s/ Anh Tran
Name: Anh Tran
Title: Assistant Vice President

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Credit Agreement dated as of November 16, 2020
The Allstate Corporation, *et al*

CREDIT SUISSE AG, NEW YORK BRANCH,
as a Lender

By: /s/ Doreen Barr
Name: Doreen Barr
Title: Authorized Signatory

By: /s/ Komal Shah
Name: Komal Shah
Title: Authorized Signatory

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Credit Agreement dated as of November 16, 2020
The Allstate Corporation, *et al*

GOLDMAN SACHS BANK USA,
as a Lender

By: /s/ Dan Martis
Name: Dan Martis
Title: Authorized Signatory

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The Allstate Corporation, *et al*

MORGAN STANLEY BANK, N.A.,
as a Lender

By: /s/ David White
Name: David White
Title: Authorized Signatory

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The Allstate Corporation, *et al*

MUFG BANK, LTD.,
as a Lender

By: /s/ Rajiv Ranjan
Name: Rajiv Ranjan
Title: Vice President

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The Allstate Corporation, *et al*

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Callen M. Strunk
Name: Callen M. Strunk
Title: Vice President

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The Allstate Corporation, *et al*

THE BANK OF NEW YORK MELLON,
as a Lender

By: /s/ Kenneth P. Sneider, Jr.
Name: Kenneth P. Sneider, Jr.
Title: Director

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The Allstate Corporation, *et al*

THE NORTHERN TRUST COMPANY,
as a Lender

By: /s/ Chris McKean
Name: Chris McKean
Title: Senior Vice President

Signature Page to Amendment No. 1 to
Credit Agreement dated as of November 16, 2020
The Allstate Corporation, *et al*

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of The Allstate Corporation and subsidiaries for the periods ended March 31, 2021 and 2020, as indicated in our report dated May 5, 2021; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, is incorporated by reference in the following Registration Statements:

Form S-3 Registration Statement Nos.

333-255698

Form S-8 Registration Statement Nos.

333-04919
333-40283
333-134243
333-175526
333-188821
333-200390
333-218343
333-228490
333-228491
333-228492
333-231753

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
May 5, 2021

Certifications

Exhibit 31 (j)

I, Thomas J. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 5, 2021

/s/ Thomas J. Wilson

Thomas J. Wilson
Chairman of the Board, President and Chief Executive
Officer

Certifications

Exhibit 31 (j)

I, Mario Rizzo, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 5, 2021

/s/ Mario Rizzo

Mario Rizzo

Executive Vice President and Chief Financial Officer

Section 1350 Certifications

Each of the undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q for the fiscal period ended March 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: May 5, 2021

/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