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 June 30, 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	**36-3871531**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2775 Sanders Road, Northbrook, Illinois 60062

(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value $.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
Depositary Shares represent 1/1,000th of a share of 5.625% Noncumulative Preferred Stock, Series G	ALL PR G	New York Stock Exchange
Depositary Shares represent 1/1,000th of a share of 5.100% Noncumulative Preferred Stock, Series H	ALL PR H	New York Stock Exchange
Depositary Shares represent 1/1,000th of a share of 4.750% Noncumulative Preferred Stock, Series I	ALL PR I	New York Stock Exchange

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

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

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

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

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

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

As of July 26, 2021, the registrant had 295,681,408 common shares, $.01 par value, outstanding.

The Allstate Corporation
Index to Quarterly Report on Form 10-Q
June 30, 2021

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenues				
Property and casualty insurance premiums	$ 10,444	$ 9,223	$ 20,751	$ 18,458
Accident and health insurance premiums and contract charges	447	263	902	545
Other revenue	494	257	1,049	522
Net investment income	974	220	1,682	466
Realized capital gains (losses)	287	440	713	278
Total revenues	**12,646**	**10,403**	**25,097**	**20,269**
Costs and expenses				
Property and casualty insurance claims and claims expense	7,207	5,222	13,250	10,563
Shelter-in-Place Payback expense	29	738	29	948
Accident and health insurance policy benefits	244	123	477	264
Interest credited to contractholder funds	8	9	17	18
Amortization of deferred policy acquisition costs	1,545	1,344	3,068	2,709
Operating costs and expenses	1,683	1,394	3,414	2,732
Pension and other postretirement remeasurement (gains) losses	(134)	73	(444)	391
Restructuring and related charges	71	13	122	17
Amortization of purchased intangibles	105	29	158	57
Interest expense	91	79	177	160
Total costs and expenses	**10,849**	**9,024**	**20,268**	**17,859**
Income from operations before income tax expense	**1,797**	**1,379**	**4,829**	**2,410**
Income tax expense	362	273	988	467
Net income from continuing operations	**1,435**	**1,106**	**3,841**	**1,943**
Income (loss) from discontinued operations, net of tax	196	144	(3,597)	(144)
Net income	**1,631**	**1,250**	**244**	**1,799**
Less: Net income attributable to noncontrolling interest	6	—	—	—
Net income attributable to Allstate	1,625	1,250	244	1,799
Less: Preferred stock dividends	30	26	57	62
Net income applicable to common shareholders	**$ 1,595**	**$ 1,224**	**$ 187**	**$ 1,737**
Earnings per common share applicable to common shareholders				
Basic				
Continuing operations	$ 4.68	$ 3.44	$ 12.59	$ 5.96
Discontinued operations	0.66	0.46	(11.97)	(0.46)
Total	**$ 5.34**	**$ 3.90**	**$ 0.62**	**$ 5.50**
Diluted				
Continuing operations	$ 4.61	$ 3.41	$ 12.41	$ 5.88
Discontinued operations	0.65	0.45	(11.80)	(0.45)
Total	**$ 5.26**	**$ 3.86**	**$ 0.61**	**$ 5.43**
Weighted average common shares - Basic	298.8	313.7	300.6	315.6
Weighted average common shares - Diluted	303.3	317.0	304.9	319.8

See notes to condensed consolidated financial statements.

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

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net income	$ 1,631	$ 1,250	$ 244	$ 1,799
Other comprehensive income (loss), after-tax				
Changes in:				
Unrealized net capital gains and losses	484	2,072	(1,016)	715
Unrealized foreign currency translation adjustments	(3)	9	31	(30)
Unamortized pension and other postretirement prior service credit	(14)	(11)	(29)	(7)
Other comprehensive income (loss), after-tax	**467**	**2,070**	**(1,014)**	**678**
Comprehensive income (loss)	**2,098**	**3,320**	**(770)**	**2,477**
Less: Comprehensive income (loss) attributable to noncontrolling interest	5	—	(1)	—
Comprehensive income (loss) applicable to Allstate	**$ 2,093**	**$ 3,320**	**$ (769)**	**$ 2,477**

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)	June 30, 2021	December 31, 2020
Assets		
Investments		
Fixed income securities, at fair value (amortized cost, net $41,344 and $40,034)	$ 42,825	$ 42,565
Equity securities, at fair value (cost $2,537 and $2,740)	3,059	3,168
Mortgage loans, net	786	746
Limited partnership interests	7,073	4,563
Short-term, at fair value (amortized cost $5,516 and $6,807)	5,516	6,807
Other, net	3,311	1,691
Total investments	**62,570**	**59,540**
Cash	656	311
Premium installment receivables, net	8,146	6,463
Deferred policy acquisition costs	4,374	3,774
Reinsurance and indemnification recoverables, net	9,497	7,215
Accrued investment income	350	371
Property and equipment, net	1,026	1,057
Goodwill	3,349	2,369
Other assets, net	5,706	2,756
Assets held for sale	36,969	42,131
Total assets	**$ 132,643**	**$ 125,987**
Liabilities		
Reserve for property and casualty insurance claims and claims expense	$ 31,637	$ 27,610
Reserve for future policy benefits	1,239	1,028
Contractholder funds	858	857
Unearned premiums	18,756	15,946
Claim payments outstanding	1,040	957
Deferred income taxes	758	382
Other liabilities and accrued expenses	9,392	7,840
Long-term debt	7,996	7,825
Liabilities held for sale	32,775	33,325
Total liabilities	**104,451**	**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 million shares authorized, 200.0 thousand shares issued and outstanding, $200 aggregate liquidation preference for $200 in 2021	2,170	1,970
Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 297 million and 304 million shares outstanding	9	9
Additional capital paid-in	3,668	3,498
Retained income	52,464	52,767
Treasury stock, at cost (603 million and 596 million shares)	(32,394)	(31,331)
Accumulated other comprehensive income:		
Other unrealized net capital gains and losses	2,726	3,860
Unrealized adjustment to DAC, DSI and insurance reserves	(562)	(680)
Total unrealized net capital gains and losses	**2,164**	**3,180**
Unrealized foreign currency translation adjustments	24	(7)
Unamortized pension and other postretirement prior service credit	102	131
Total accumulated other comprehensive income (“AOCI”)	**2,290**	**3,304**
Total Allstate shareholders’ equity	**28,207**	**30,217**
Noncontrolling interest	(15)	—
Total equity	**28,192**	**30,217**
Total liabilities and equity	**$ 132,643**	**$ 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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Preferred stock par value	$ —	$ —	$ —	$ —
Preferred stock additional capital paid-in				
Balance, beginning of period	2,170	1,970	1,970	2,248
Acquisition	—	—	450	—
Preferred stock redemption	—	—	(250)	(278)
Balance, end of period	**2,170**	**1,970**	**2,170**	**1,970**
Common stock par value	**9**	**9**	**9**	**9**
Common stock additional capital paid-in				
Balance, beginning of period	3,596	3,519	3,498	3,463
Forward contract on accelerated share repurchase agreement	—	—	113	75
Equity incentive plans activity	72	22	57	3
Balance, end of period	**3,668**	**3,541**	**3,668**	**3,541**
Retained income				
Balance, beginning of period	51,107	48,326	52,767	48,074
Cumulative effect of change in accounting principle	—	—	—	(88)
Net income	1,631	1,250	244	1,799
Dividends on common stock (declared per share of $0.81, $0.54, $1.62 and $1.08)	(244)	(170)	(490)	(343)
Dividends on preferred stock	(30)	(26)	(57)	(62)
Balance, end of period	**52,464**	**49,380**	**52,464**	**49,380**
Treasury stock				
Balance, beginning of period	(31,886)	(30,209)	(31,331)	(29,746)
Shares acquired	(562)	(391)	(1,163)	(902)
Shares reissued under equity incentive plans, net	54	58	100	106
Balance, end of period	**(32,394)**	**(30,542)**	**(32,394)**	**(30,542)**
Accumulated other comprehensive income				
Balance, beginning of period	1,823	558	3,304	1,950
Change in unrealized net capital gains and losses	484	2,072	(1,016)	715
Change in unrealized foreign currency translation adjustments	(3)	9	31	(30)
Change in unamortized pension and other postretirement prior service credit	(14)	(11)	(29)	(7)
Balance, end of period	**2,290**	**2,628**	**2,290**	**2,628**
Total Allstate shareholders' equity	**28,207**	**26,986**	**28,207**	**26,986**
Noncontrolling interest				
Balance, beginning of period	(27)	—	—	—
Acquisition	7	—	(14)	—
Change in unrealized net capital gains and losses	(1)	—	(1)	—
Noncontrolling income	6	—	—	—
Balance, end of period	**(15)**	**—**	**(15)**	**—**
Total equity	**$ 28,192**	**$ 26,986**	**$ 28,192**	**$ 26,986**

See notes to condensed consolidated financial statements.

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

($ in millions)	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows from operating activities		
Net income	$ 244	$ 1,799
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other non-cash items	571	318
Realized capital (gains) losses	(902)	(242)
Pension and other postretirement remeasurement (gains) losses	(444)	391
Amortization of deferred gain on reinsurance	(4)	(2)
Interest credited to contractholder funds	261	332
Loss on disposition of operations, net of tax	3,971	—
Changes in:		
Policy benefits and other insurance reserves	854	(594)
Unearned premiums	599	143
Deferred policy acquisition costs	(273)	(42)
Premium installment receivables, net	(335)	81
Reinsurance recoverables, net	(1,032)	(56)
Income taxes	165	257
Other operating assets and liabilities	(759)	491
Net cash provided by operating activities	**2,916**	**2,876**
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	16,493	19,952
Equity securities	1,867	6,473
Limited partnership interests	352	862
Other investments	637	135
Investment collections		
Fixed income securities	1,390	1,054
Mortgage loans	480	156
Other investments	243	81
Investment purchases		
Fixed income securities	(16,733)	(24,214)
Equity securities	(1,322)	(2,907)
Limited partnership interests	(576)	(513)
Mortgage loans	(4)	(196)
Other investments	(1,251)	(199)
Change in short-term and other investments, net	1,941	(1,477)
Purchases of property and equipment, net	(197)	(166)
Acquisition of operations, net of cash acquired	(3,481)	1
Other	4	—
Net cash used in investing activities	**(157)**	**(958)**
Cash flows from financing activities		
Redemption and repayment of long-term debt	(422)	—
Redemption of preferred stock	(250)	(288)
Contractholder fund deposits	499	494
Contractholder fund withdrawals	(711)	(791)
Dividends paid on common stock	(409)	(331)
Dividends paid on preferred stock	(57)	(56)
Treasury stock purchases	(1,031)	(821)
Shares reissued under equity incentive plans, net	85	52
Other	(26)	32
Net cash used in financing activities	**(2,322)**	**(1,709)**
Net increase in cash, including cash classified as assets held for sale	**437**	**209**
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	158	66
Cash from continuing operations at end of period	**$ 656**	**$ 481**

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 June 30, 2021 and for the three and six month periods ended June 30, 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, including travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings. These measures have moderated in 2021 as vaccines have become more widely available in the United States and Canada. There is no way of predicting with certainty how long the pandemic might last. The Company continues to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the impact to its operations, but the effects could be material.

Adopted accounting standards

Simplifications to the Accounting for Income Taxes Effective January 1, 2021, the Company adopted new Financial Accounting Standards Board ("FASB") guidance which simplified the accounting for income taxes by eliminating certain exceptions and clarifying certain guidance. The adoption had an immaterial impact on the Company's results of operations and financial position.

Changes to the Disclosure Requirements for Defined Benefit Plans Effective January 1, 2021, the Company adopted new FASB guidance to modify certain annual disclosure requirements for defined benefit plans. New disclosures include 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 other comprehensive income ("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, unvested 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

	Three months ended June 30,		Six months ended June 30,	
(In millions, except per share data)	**2021**	**2020**	**2021**	**2020**
Numerator:				
Net income from continuing operations	$ 1,435	$ 1,106	$ 3,841	$ 1,943
Less: Net income attributable to noncontrolling interest	6	—	—	—
Net income from continuing operations attributable to Allstate	1,429	1,106	3,841	1,943
Less: Preferred stock dividends	30	26	57	62
Net income from continuing operations applicable to common shareholders	1,399	1,080	3,784	1,881
Income (loss) from discontinued operations, net of tax	196	144	(3,597)	(144)
Net income applicable to common shareholders	**$ 1,595**	**$ 1,224**	**$ 187**	**$ 1,737**
Denominator:				
Weighted average common shares outstanding	298.8	313.7	300.6	315.6
Effect of dilutive potential common shares:				
Stock options	3.2	2.1	2.8	2.7
Restricted stock units (non-participating) and performance stock awards	1.3	1.2	1.5	1.5
Weighted average common and dilutive potential common shares outstanding	**303.3**	**317.0**	**304.9**	**319.8**
Earnings per common share applicable to common shareholders				
Basic				
Continuing operations	$ 4.68	$ 3.44	$ 12.59	$ 5.96
Discontinued operations	0.66	0.46	(11.97)	(0.46)
Total	**$ 5.34**	**$ 3.90**	**$ 0.62**	**$ 5.50**
Diluted				
Continuing operations	$ 4.61	$ 3.41	$ 12.41	$ 5.88
Discontinued operations	0.65	0.45	(11.80)	(0.45)
Total	**$ 5.26**	**$ 3.86**	**$ 0.61**	**$ 5.43**
Anti-dilutive options excluded from diluted earnings per common share	0.8	3.2	2.0	1.4

Note 3 Acquisitions and Dispositions

Acquisitions

SafeAuto On June 1, 2021, the Company announced an agreement to acquire SafeAuto, a non-standard auto insurance carrier focused on providing state-minimum private-passenger auto insurance with coverage options in 28 states, for $270 million in cash. The transaction is expected to close in 2021, subject to regulatory approval and customary closing conditions.

National General On January 4, 2021, the Company completed the acquisition of National General Holdings Corp. ("National General"), an insurance holding company serving customers predominantly through independent agents for property and casualty and accident and health products.

National General provides personal and commercial automobile, homeowners, umbrella, recreational vehicle, motorcycle, lender-placed, health and other niche insurance products. This acquisition will increase the Company's market share in personal property-liability and enhance its independent agent distribution platform.

Assets and liabilities recognized in the National General acquisition [1]

($ in millions)	January 4, 2021	
Assets		
Investments	$	4,958
Cash		400
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		736
Goodwill [2]		970
Total assets		**11,344**
Liabilities		
Reserve for property and casualty insurance claims and claims expense		2,765
Reserve for future policy benefits		186
Unearned premiums		2,245
Reinsurance payable		364
Debt [3]		593
Deferred tax liabilities		179
Other liabilities		701
Total liabilities	**$**	**7,033**

[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] $608 million, $21 million and $341 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 $350 million 6.750% Senior Notes due 2024 as of June 30, 2021, with a fair value adjustment of $67 million.

Intangible assets by type

($ in millions)	January 4, 2021	
Distribution and customer relationships	$	795
Trade names		102
Licenses		97
Technology		205
Total	**$**	**1,199**

Intangible assets (reported in other assets in the 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 $76 million and $99 million for the three and six months ended June 30, 2021, respectively, and the Company expects to recognize $152 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 $98 million and $232 million for the three and six months ended June 30, 2021, respectively, and the Company expects to record an additional $85 million in 2021.

Other fair value adjustments included an increase in reserves of $62 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 $101 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.

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

Transactions costs (reported in operating costs and expenses in the 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 $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 2021, subject to regulatory approvals and other customary closing conditions.

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

Financial results from discontinued operations

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenues				
Life premiums and contract charges	$ 336	$ 341	$ 676	$ 676
Net investment income	385	189	824	364
Realized capital gains (losses)	110	264	189	(36)
Total revenues	**831**	**794**	**1,689**	**1,004**
Costs and expenses				
Life contract benefits	386	374	796	734
Interest credited to contractholder funds	159	191	244	314
Amortization of DAC	21	5	57	41
Operating costs and expenses	51	57	106	118
Restructuring and related charges	4	1	23	2
Total costs and expenses	**621**	**628**	**1,226**	**1,209**
Amortization of deferred gain on reinsurance	2	1	4	2
Income (loss) from discontinued operations before income tax expense	212	167	467	(203)
Income tax expense (benefit)	43	23	93	(59)
Income (loss) from discontinued operations, net of tax	**169**	**144**	**374**	**(144)**
Loss on disposition of operations	281	—	(4,137)	—
Income tax expense (benefit)	254	—	(166)	—
Loss on disposition, net of tax	**27**	**—**	**(3,971)**	**—**
Income (loss) from discontinued operations, net of tax	**$ 196**	**$ 144**	**$ (3,597)**	**$ (144)**

Major classes of assets and liabilities to be transferred in transactions

($ in millions)	June 30, 2021	December 31, 2020
Assets		
Investments		
Fixed income securities, at fair value (amortized cost, net $23,968 and $21,417)	$ 25,948	$ 23,789
Equity securities, at fair value (cost $1,050 and $1,113)	1,519	1,542
Mortgage loans, net	2,855	3,329
Limited partnership interests	1,746	3,046
Short-term, at fair value (amortized cost $901 and $993)	901	993
Other, net	923	1,998
Total investments	**33,892**	**34,697**
Cash	158	66
Deferred policy acquisitions costs	978	925
Reinsurance recoverables, net	1,956	2,005
Accrued investment income	242	229
Other assets	378	865
Separate accounts	3,486	3,344
Assets held for sale	41,090	42,131
Less: loss accrual	4,121	—
Total assets held for sale	**$ 36,969**	**$ 42,131**
Liabilities		
Reserve for future policy benefits	$ 11,633	$ 11,740
Contractholder funds	16,025	16,356
Deferred income taxes	1,028	973
Other liabilities and accrued expenses	603	912
Separate accounts	3,486	3,344
Total liabilities held for sale	**$ 32,775**	**$ 33,325**

Cash flows from discontinued operations

($ in millions)	Six months ended June 30, 2021	2020
Net cash provided by operating activities from discontinued operations	$ 66	$ 113
Net cash provided by investing activities from discontinued operations	317	169

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Underwriting income (loss) by segment				
Allstate Protection	$ 431	$ 905	$ 2,091	$ 2,256
Run-off Property-Liability	(2)	(3)	(5)	(6)
Adjusted net income (loss) by segment, after-tax				
Protection Services	56	38	105	75
Allstate Health and Benefits	62	5	127	29
Corporate and Other	(112)	(99)	(235)	(206)
Reconciling items				
Property-Liability net investment income	931	178	1,604	380
Realized capital gains (losses)	287	440	713	278
Pension and other postretirement remeasurement gains (losses)	134	(73)	444	(391)
Business combination expenses and amortization of purchased intangibles [1]	(34)	(26)	(90)	(53)
Business combination fair value adjustment	6	—	6	—
Income tax expense on reconciling items	(354)	(285)	(976)	(481)
Total reconciling items	**970**	**234**	**1,701**	**(267)**
Income (loss) from discontinued operations	493	167	(3,670)	(203)
Income tax (expense) benefit from discontinued operations	(297)	(23)	73	59
Total from discontinued operations	**$ 196**	**$ 144**	**$ (3,597)**	**$ (144)**
Less: Net income (loss) attributable to noncontrolling interest	6	—	—	—
Net income applicable to common shareholders	**$ 1,595**	**$ 1,224**	**$ 187**	**$ 1,737**

[1] Excludes amortization of purchased intangibles in Property-Liability, which is included above in underwriting income.

Reportable segments revenue information

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Property-Liability				
Insurance premiums				
Auto	$ 6,883	$ 6,172	$ 13,692	$ 12,327
Homeowners	2,411	2,054	4,803	4,091
Other personal lines	519	478	1,024	949
Commercial lines	196	159	386	377
Allstate Protection	10,009	8,863	19,905	17,744
Run-off Property-Liability	—	—	—	—
Total Property-Liability insurance premiums	10,009	8,863	19,905	17,744
Other revenue	321	206	706	419
Net investment income	931	178	1,604	380
Realized capital gains (losses)	265	382	669	279
Total Property-Liability	**11,526**	**9,629**	**22,884**	**18,822**
Protection Services				
Protection plans	279	219	539	425
Roadside assistance	47	44	94	95
Finance and insurance products	109	97	213	194
Intersegment premiums and service fees [(1)]	46	35	87	73
Other revenue	88	51	178	103
Net investment income	12	11	22	21
Realized capital gains (losses)	6	19	16	(5)
Total Protection Services	**587**	**476**	**1,149**	**906**
Allstate Health and Benefits				
Employer voluntary benefits	255	263	518	545
Group health	87	—	170	—
Individual accident and health	105	—	214	—
Other revenue	83	—	163	—
Net investment income	19	20	38	40
Realized capital gains (losses)	4	11	6	(3)
Total Allstate Health and Benefits	**553**	**294**	**1,109**	**582**
Corporate and Other				
Other revenue	2	—	2	—
Net investment income	12	11	18	25
Realized capital gains (losses)	12	28	22	7
Total Corporate and Other	**26**	**39**	**42**	**32**
Intersegment eliminations [(1)]	(46)	(35)	(87)	(73)
Consolidated revenues	**$ 12,646**	**$ 10,403**	**$ 25,097**	**$ 20,269**

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

Note 5 Investments

Portfolio composition

($ in millions)	June 30, 2021	December 31, 2020
Fixed income securities, at fair value	$ 42,825	$ 42,565
Equity securities, at fair value	3,059	3,168
Mortgage loans, net	786	746
Limited partnership interests	7,073	4,563
Short-term investments, at fair value	5,516	6,807
Other, net	3,311	1,691
Total	**$ 62,570**	**$ 59,540**

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

($ in millions)	Amortized cost, net	Gross unrealized Gains	Gross unrealized Losses	Fair value
June 30, 2021				
U.S. government and agencies	$ 4,766	$ 24	$ (15)	$ 4,775
Municipal	7,284	374	(9)	7,649
Corporate	27,196	1,167	(85)	28,278
Foreign government	994	17	(5)	1,006
ABS	1,054	13	(1)	1,066
MBS	50	1	—	51
Total fixed income securities	**$ 41,344**	**$ 1,596**	**$ (115)**	**$ 42,825**
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)	June 30, 2021 Amortized cost, net	June 30, 2021 Fair value
Due in one year or less	$ 1,099	$ 1,111
Due after one year through five years	20,247	20,845
Due after five years through ten years	13,728	14,278
Due after ten years	5,166	5,474
	40,240	**41,708**
ABS and MBS	1,104	1,117
Total	**$ 41,344**	**$ 42,825**

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Fixed income securities	$ 290	$ 306	$ 591	$ 604
Equity securities	13	21	27	31
Mortgage loans	12	8	22	17
Limited partnership interests	651	(117)	1,029	(194)
Short-term investments	1	2	2	13
Other	48	31	89	62
Investment income, before expense	**1,015**	**251**	**1,760**	**533**
Investment expense	(41)	(31)	(78)	(67)
Net investment income	**$ 974**	**$ 220**	**$ 1,682**	**$ 466**

Realized capital gains (losses) by asset type

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Fixed income securities	$ 86	$ 168	$ 269	$ 542
Equity securities	152	248	316	(262)
Mortgage loans	13	7	19	(3)
Limited partnership interests	12	15	16	(71)
Derivatives	(3)	14	8	92
Other	27	(12)	85	(20)
Realized capital gains (losses)	**$ 287**	**$ 440**	**$ 713**	**$ 278**

Realized capital gains (losses) by transaction type

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Sales	$ 115	$ 160	$ 361	$ 548
Credit losses	12	1	14	(36)
Valuation of equity investments [(1)]	163	265	330	(326)
Valuation and settlements of derivative instruments	(3)	14	8	92
Realized capital gains (losses)	**$ 287**	**$ 440**	**$ 713**	**$ 278**

[(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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Gross realized gains	$ 111	$ 263	$ 356	$ 698
Gross realized losses	(24)	(94)	(88)	(153)

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 June 30, 2021 and 2020, respectively.

Net appreciation (decline) recognized in net income

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Equity securities	$ 132	$ 196	$ 226	$ (114)
Limited partnership interests carried at fair value	137	(26)	278	(54)
Total	**$ 269**	**$ 170**	**$ 504**	**$ (168)**

Credit losses recognized in net income

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Assets				
Fixed income securities:				
Corporate	(1)	—	$ —	$ (1)
ABS	—	(2)	1	(2)
MBS	—	1	—	—
Total fixed income securities	**(1)**	**(1)**	**1**	**(3)**
Mortgage loans	11	6	17	(3)
Limited partnership interests	—	(1)	—	(6)
Other investments				
Bank loans	3	(4)	(3)	(24)
Agent loans	(1)	—	(1)	—
Total credit losses by asset type	**$ 12**	**$ —**	**$ 14**	**$ (36)**
Liabilities				
Commitments to fund commercial mortgage loans, bank loans and agent loans	—	1	—	—
Total	**$ 12**	**$ 1**	**$ 14**	**$ (36)**

Unrealized net capital gains and losses included in AOCI				
($ in millions)	Fair value	Gross unrealized		Unrealized net gains (losses)
June 30, 2021		Gains	Losses	
Fixed income securities	$ 42,825	$ 1,596	$ (115)	$ 1,481
Short-term investments	5,516	—	—	—
Derivative instruments	—	—	(3)	(3)
Equity method of accounting (“EMA”) limited partnerships [1]				(1)
Investments classified as held for sale				1,980
Unrealized net capital gains and losses, pre-tax				**3,457**
Amounts recognized for:				
Insurance reserves [2]				(414)
DAC and DSI [3]				(298)
Reclassification of noncontrolling interest				1
Amounts recognized				**(711)**
Deferred income taxes				(582)
Unrealized net capital gains and losses, after-tax				**$ 2,164**
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)	Six months ended June 30, 2021
Fixed income securities	$ (1,050)
Short-term investments	—
Derivative instruments	—
EMA limited partnerships	—
Investments classified as held for sale	(389)
Total	**(1,439)**
Amounts recognized for:	
Insurance reserves	82
DAC and DSI	66
Reclassification of noncontrolling interest	1
Amounts recognized	**149**
Deferred income taxes	274
Decrease in unrealized net capital gains and losses, after-tax	**$ (1,016)**

Carrying value for limited partnership interests

	June 30, 2021			December 31, 2020		
($ in millions)	**EMA**	**Fair Value**	**Total**	**EMA**	**Fair Value**	**Total**
Private equity	$ 4,439	$ 1,424	$ 5,863	$ 2,667	$ 988	$ 3,655
Real estate	880	59	939	623	74	697
Other [(1)]	271	—	271	211	—	211
Total [(2)]	**$ 5,590**	**$ 1,483**	**$ 7,073**	**$ 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 June 30, 2021 includes certain investments which were classified as assets held for sale as of December 31, 2020 and March 31, 2021, and transferred to continuing operations in the first and second quarter of 2021, respectively.

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 June 30, 2021 and December 31, 2020, the fair value of short-term investments totaled $5.52 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)	**June 30, 2021**	**December 31, 2020**
Bank loans, net	$ 1,584	$ 772
Real estate	822	659
Agent loans, net	581	—
Policy loans	162	181
Derivatives	47	20
Other	115	59
Total [(1)]	**$ 3,311**	**$ 1,691**

(1) Other investments as of June 30, 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 $323 million and $351 million as of June 30, 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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Beginning balance	$ (1)	$ (4)	$ (3)	$ —
Credit losses on securities for which credit losses not previously reported	—	(5)	—	(8)
Net (increases) decreases related to credit losses previously reported	(1)	1	1	—
Reduction of allowance related to sales	—	1	—	1
Write-offs	—	—	—	—
Ending balance [(1)] [(2)]	**$ (2)**	**$ (7)**	**$ (2)**	**$ (7)**

(1) Allowance for fixed income securities as of June 30, 2021 comprised $1 million and $1 million of corporate bonds and ABS, respectively. Allowance for fixed income securities as of June 30, 2020 comprised $3 million, $1 million, $2 million and $1 million of municipal bonds, corporate bonds, ABS and MBS, respectively.

(2) Includes $1 million and $4 million of credit loss allowance for fixed income securities that are classified as held for sale as of June 30, 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			
	Number of issues	**Fair value**	**Unrealized losses**	**Number of issues**	**Fair value**	**Unrealized losses**	**Total unrealized losses**
June 30, 2021							
Fixed income securities							
U.S. government and agencies	109	$ 3,926	$ (15)	—	$ —	$ —	$ (15)
Municipal	479	800	(9)	1	4	—	(9)
Corporate	749	4,868	(71)	16	61	(14)	(85)
Foreign government	50	224	(5)	—	—	—	(5)
ABS	23	198	(1)	8	15	—	(1)
MBS	18	2	—	50	—	—	—
Total fixed income securities	**1,428**	**$ 10,018**	**$ (101)**	**75**	**$ 80**	**$ (14)**	**$ (115)**
Investment grade fixed income securities	1,316	$ 9,205	$ (85)	59	$ 16	$ —	$ (85)
Below investment grade fixed income securities	112	813	(16)	16	64	(14)	(30)
Total fixed income securities	**1,428**	**$ 10,018**	**$ (101)**	**75**	**$ 80**	**$ (14)**	**$ (115)**
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 June 30, 2021

($ in millions)	Investment grade	Below investment grade	Total
Fixed income securities with unrealized loss position less than 20% of amortized cost, net [1] [2]	$ (85)	$ (15)	$ (100)
Fixed income securities with unrealized loss position greater than or equal to 20% of amortized cost, net [3] [4]	—	(15)	(15)
Total unrealized losses	**$ (85)**	**$ (30)**	**$ (115)**

(1) Below investment grade fixed income securities include $12 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 June 30, 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 June 30, 2021, accrued interest totaled $3 million, $5 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)	June 30, 2021							December 31, 2020
	2016 and prior	2017	2018	2019	2020	Current	Total	Total
Below 1.0	$ 9	$ —	$ —	$ —	$ —	$ —	$ 9	$ —
1.0 - 1.25	29	—	—	14	10	—	53	46
1.26 - 1.50	31	10	29	134	—	—	204	201
Above 1.50	118	44	127	171	67	—	527	507
Amortized cost before allowance	**$ 187**	**$ 54**	**$ 156**	**$ 319**	**$ 77**	**$ —**	**$ 793**	**$ 754**
Allowance							(7)	(8)
Amortized cost, net							**$ 786**	**$ 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 June 30, 2021 and December 31, 2020.

Rollforward of credit loss allowance for mortgage loans

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Beginning balance	$ (45)	$ (85)	$ (67)	$ (3)
Cumulative effect of change in accounting principle	—	—	—	(42)
Net decreases (increases) related to credit losses	15	(1)	37	(41)
Write-offs	—	—	—	—
Ending balance [(1)]	**$ (30)**	**$ (86)**	**$ (30)**	**$ (86)**

(1) Includes $23 million and $75 million of credit loss allowance for mortgage loans that are classified as held for sale as of June 30, 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)	June 30, 2021							December 31, 20
	2016 and prior	2017	2018	2019	2020	Current	Total	Total
BBB	$ —	$ 5	$ 7	$ 13	$ 8	$ 58	$ 91	$ 3
BB	9	17	28	28	31	443	556	16
B	2	41	70	54	94	582	843	45
CCC and below	11	23	18	49	12	25	138	16
Amortized cost before allowance	**$ 22**	**$ 86**	**$ 123**	**$ 144**	**$ 145**	**$ 1,108**	**$ 1,628**	**$ 82**
Allowance							(44)	(5
Amortized cost, net							**$ 1,584**	**$ 77**

Rollforward of credit loss allowance for bank loans

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Beginning balance	$ (60)	$ (79)	$ (67)	$ —
Cumulative effect of change in accounting principle	—	—	—	(53)
Net decreases (increases) related to credit losses	6	(3)	4	(30)
Reduction of allowance related to sales	2	1	11	2
Write-offs	—	5	—	5
Ending balance [1]	**$ (52)**	**$ (76)**	**$ (52)**	**$ (76)**

[1] Includes $8 million and $20 million of credit loss allowance for bank loans that are classified as held for sale as of June 30, 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 June 30, 2021, 84% of agent loans balance represents the top three highest credit quality categories. The allowance for agent loans totaled $6 million as of June 30, 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.

Assets measured at fair value on a non-recurring basis

Long-lived assets to be disposed of by sale, including real estate, are written down to fair value less costs to sell.

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 June 30, 2021, the Company has commitments to invest $268 million in these limited partnership interests.

Assets and liabilities measured at fair value

($ in millions)	June 30, 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	$ 4,739	$ 36	$ —		$ 4,775
Municipal	—	7,631	18		7,649
Corporate - public	—	18,497	20		18,517
Corporate - privately placed	—	9,677	84		9,761
Foreign government	—	1,006	—		1,006
ABS	—	1,056	10		1,066
MBS	—	28	23		51
Total fixed income securities	**4,739**	**37,931**	**155**		**42,825**
Equity securities	2,248	406	405		3,059
Short-term investments	3,515	2,001	—		5,516
Other investments	—	61	3	$ (14)	50
Assets held for sale	5,984	25,888	164	(5)	32,031
Total recurring basis assets	**16,486**	**66,287**	**727**	**(19)**	**83,481**
Non-recurring basis	—	—	42		42
Total assets at fair value	**$ 16,486**	**$ 66,287**	**$ 769**	**$ (19)**	**$ 83,523**
% of total assets at fair value	19.7 %	79.4 %	0.9 %	— %	100.0 %
Investments reported at NAV					1,483
Assets held for sale at NAV					518
Total					**$ 85,524**
Liabilities					
Other liabilities	$ —	$ (36)	$ —	$ 13	$ (23)
Liabilities held for sale	—	(115)	(490)	3	(602)
Total recurring basis liabilities	**—**	**(151)**	**(490)**	**16**	**(625)**
Total liabilities at fair value	**$ —**	**$ (151)**	**$ (490)**	**$ 16**	**$ (625)**
% of total liabilities at fair value	— %	24.2 %	78.4 %	(2.6)%	100.0 %

Assets and liabilities measured at fair value

	December 31, 2020				
($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	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
June 30, 2021					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (466)	Stochastic cash flow model	Projected option cost	1.0 - 4.2%	2.87%
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 June 30, 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 June 30, 2021 and December 31, 2020, Level 3 fair value measurements of fixed income securities total $155 million and $226 million, respectively, and include $43 million and $69 million, respectively, of securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and $16 million and $18 million, respectively, of municipal fixed income securities that are not rated by third-party credit rating agencies. As the Company does not develop the Level 3 fair value unobservable inputs for these fixed income securities, they are not included in the table above. However, an increase (decrease) in credit spreads for fixed income securities valued based on non-binding broker quotes would result in a lower (higher) fair value, and an increase (decrease) in the credit rating of municipal bonds that are not rated by third-party credit rating agencies would result in a higher (lower) fair value.

Rollforward of Level 3 assets and liabilities held at fair value during the three month period ended June 30, 2021

($ in millions)	Balance as of March 31, 2021	Total gains (losses) included in:		Transfers		Transfers to (from) held for sale	Purchases	Sales	Issues	Settlements	Balance as of June 30, 2021
		Net income	OCI	Into Level 3	Out of Level 3						
Assets											
Fixed income securities:											
Municipal	$ 18	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 18
Corporate - public	43	—	1	—	(3)	—	—	(21)	—	—	20
Corporate - privately placed	105	—	2	—	(27)	1	23	(20)	—	—	84
ABS	79	—	—	—	(25)	—	—	(4)	—	(40)	10
MBS	23	—	—	—	—	—	—	—	—	—	23
Total fixed income securities	**268**	**—**	**3**	**—**	**(55)**	**1**	**23**	**(45)**	**—**	**(40)**	**155**
Equity securities	410	8	—	—	—	8	6	(27)	—	—	405
Short-term investments	—	—	—	—	—	—	—	—	—	—	—
Other investments	3	—	—	—	—	—	—	—	—	—	3
Assets held for sale	170	1	—	—	—	(9)	7	(3)	—	(2)	164
Total recurring Level 3 assets	**851**	**9**	**3**	**—**	**(55)**	**—**	**36**	**(75)**	**—**	**(42)**	**727**
Liabilities											
Liabilities held for sale	(463)	(24)	—	—	—	—	—	—	(8)	5	(490)
Total recurring Level 3 liabilities	**$ (463)**	**$ (24)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (8)**	**$ 5**	**$ (490)**

Rollforward of Level 3 assets and liabilities held at fair value during the six month period ended June 30, 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 June 30, 2021
		Net income	OCI	Into Level 3	Out of Level 3						
Assets											
Fixed income securities:											
Municipal	$ 17	$ —	$ 1	$ —	$ —	$ —	$ 3	$ —	$ —	$ (3)	$ 18
Corporate - public	67	—	(2)	—	—	(6)	14	(53)	—	—	20
Corporate - privately placed	63	1	—	10	—	14	16	(20)	—	—	84
ABS	52	—	—	—	(32)	—	34	(4)	—	(40)	10
MBS	27	—	—	—	—	—	—	(4)	—	—	23
Total fixed income securities	**226**	**1**	**(1)**	**10**	**(32)**	**8**	**67**	**(81)**	**—**	**(43)**	**155**
Equity securities	304	25	—	—	—	100	10	(34)	—	—	405
Short-term investments	35	—	—	—	—	—	—	—	—	(35)	—
Other investments	—	—	—	—	—	—	3	—	—	—	3
Assets held for sale	267	1	1	3	(1)	(108)	11	(7)	—	(3)	164
Total recurring Level 3 assets	**832**	**27**	**—**	**13**	**(33)**	**—**	**91**	**(122)**	**—**	**(81)**	**727**
Liabilities											
Liabilities held for sale	(516)	31	—	—	—	—	—	—	(16)	11	(490)
Total recurring Level 3 liabilities	**$ (516)**	**$ 31**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (16)**	**$ 11**	**$ (490)**

Rollforward of Level 3 assets and liabilities held at fair value during the three month period ended June 30, 2020

($ in millions)	Balance as of March 31, 2020	Total gains (losses) included in: Net income	OCI	Transfers: Into Level 3	Out of Level 3	Purchases	Sales	Issues	Settlements	Balance as of June 3[illegible] 2020
Assets										
Fixed income securities:										
Municipal	$ 19	$ —	$ —	$ —	$ —	$ 7	$ —	$ —	$ —	$ [illegible]
Corporate - public	36	—	(8)	—	—	15	—	—	—	[illegible]
Corporate - privately placed	33	—	—	—	—	21	(2)	—	—	[illegible]
ABS	32	2	(2)	43	(25)	5	(10)	—	—	[illegible]
MBS	35	—	—	—	—	10	(1)	—	—	[illegible]
Total fixed income securities	**155**	**2**	**(10)**	**43**	**(25)**	**58**	**(13)**	**—**	**—**	**2[illegible]**
Equity securities	239	5	—	—	—	29	—	—	—	2[illegible]
Short-term investments	50	—	—	—	(40)	—	—	—	—	[illegible]
Assets held for sale	233	9	(3)	26	—	25	(8)	—	(1)	2[illegible]
Total recurring Level 3 assets	**677**	**16**	**(13)**	**69**	**(65)**	**112**	**(21)**	**—**	**(1)**	**7[illegible]**
Liabilities										
Liabilities held for sale	(417)	(69)	—	—	—	—	—	(7)	5	(4[illegible]
Total recurring Level 3 liabilities	**$ (417)**	**$ (69)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (7)**	**$ 5**	**$ (4[illegible]**

Rollforward of Level 3 assets and liabilities held at fair value during the six months period ended June 30, 2020

($ in millions)	Balance as of December 31, 2019	Total gains (losses) included in: Net income	OCI	Transfers: Into Level 3	Out of Level 3	Purchases	Sales	Issues	Settlements	Balance as of June 30, 2020
Assets										
Fixed income securities:										
Municipal	$ 22	$ —	$ (1)	$ —	$ —	$ 7	$ (1)	$ —	$ (1)	$ 26
Corporate - public	36	—	(8)	—	—	15	—	—	—	43
Corporate - privately placed	32	—	(1)	—	—	23	(2)	—	—	52
ABS	49	—	(2)	55	(49)	19	—	—	(27)	45
MBS	35	—	—	—	—	10	(1)	—	—	44
Total fixed income securities	**174**	**—**	**(12)**	**55**	**(49)**	**74**	**(4)**	**—**	**(28)**	**210**
Equity securities	255	(12)	—	—	—	30	—	—	—	273
Short-term investments	25	—	—	—	(25)	10	—	—	—	10
Assets held for sale	284	(3)	(3)	25	(25)	26	(18)	—	(5)	281
Total recurring Level 3 assets	**738**	**(15)**	**(15)**	**80**	**(99)**	**140**	**(22)**	**—**	**(33)**	**774**
Liabilities										
Liabilities held for sale	(462)	(21)	—	—	—	—	—	(15)	10	**(488)**
Total recurring Level 3 liabilities	**$ (462)**	**$ (21)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (15)**	**$ 10**	**$ (488)**

Total Level 3 gains (losses) included in net income

($ in millions)	Three months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
Net investment income	$ (5)	$ —	$ (6)	$ (14)
Realized capital gains (losses)	13	7	32	2

Transfers into Level 3 during the three and six months ended June 30, 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 and six months ended June 30, 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 June 30,

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Assets				
Fixed income securities:				
Corporate - public	$ —	$ —	$ —	$ —
Corporate - privately placed	—	—	—	—
Total fixed income securities	—	—	—	—
Equity securities	$ 5	$ 5	$ 22	$ (12)
Assets held for sale	1	8	1	(4)
Total recurring Level 3 assets	**$ 6**	**$ 13**	**$ 23**	**$ (16)**
Liabilities				
Liabilities held for sale	$ (24)	$ (69)	$ 31	$ (21)
Total recurring Level 3 liabilities	**(24)**	**(69)**	**31**	**(21)**
Total included in net income	**$ (18)**	**$ (56)**	**$ 54**	**$ (37)**
Components of net income				
Net investment income	$ (5)	$ —	$ (6)	$ (14)
Realized capital gains (losses)	10	5	28	2
Total included in net income	**$ 5**	**$ 5**	**$ 22**	**$ (12)**
Assets				
Municipal	$ —	$ —	$ 1	$ (1)
Corporate - public	1	(7)	(2)	(7)
Corporate - privately placed	2	—	—	(1)
ABS	—	(3)	—	(2)
Assets held for sale	—	(2)	1	(2)
Changes in unrealized net capital gains and losses reported in OCI	**$ 3**	**$ (12)**	**$ —**	**$ (13)**

Financial instruments not carried at fair value

($ in millions)		June 30, 2021		December 31, 2020	
Financial assets	**Fair value level**	**Amortized cost, net**	**Fair value**	**Amortized cost, net**	**Fair value**
Mortgage loans	Level 3	$ 786	$ 831	$ 746	$ 792
Bank loans	Level 3	1,584	1,606	772	803
Agent loans	Level 3	581	583	—	—
Assets held for sale	Level 3	3,039	3,239	4,206	4,440
Financial liabilities	**Fair value level**	**Carrying value [1]**	**Fair value**	**Carrying value [1]**	**Fair value**
Contractholder funds on investment contracts	Level 3	$ 20	$ 20	$ —	$ —
Long-term debt	Level 2	7,996	9,311	7,825	9,489
Liability for collateral	Level 2	1,495	1,495	914	914
Liabilities held for sale [2]	Level 3	7,475	8,489	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 June 30, 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 June 30, 2021

($ in millions, except number of contracts)	Balance sheet location	Volume [(1)] Notional amount	Volume [(1)] Number of contracts	Fair value, net	Gross asset	Gross liability
Asset derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Futures	Other assets	n/a	280	$ —	$ —	$ —
Equity and index contracts						
Options	Other investments	n/a	15,061	25	25	—
Futures	Other assets	n/a	1,183	—	—	—
Total return index contracts						
Total return swap agreements – fixed income	Other investments	$ 50	n/a	1	1	—
Foreign currency contracts						
Foreign currency forwards	Other investments	593	n/a	6	16	(10)
Embedded derivative financial instruments						
Other embedded derivative financial instruments	Other investments	750	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	61	n/a	(3)	—	(3)
Credit default swaps – selling protection	Other investments	905	n/a	19	19	—
Assets held for sale		221	2,601	180	182	(2)
Total asset derivatives		**$ 2,580**	**19,125**	**$ 228**	**$ 243**	**$ (15)**
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Futures	Other liabilities & accrued expenses	n/a	1,073	$ —	$ —	$ —
Equity and index contracts						
Options	Other liabilities & accrued expenses	n/a	15,000	(13)	—	(13)
Futures	Other liabilities & accrued expenses	n/a	693	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	$ 10	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	102	n/a	(10)	—	(10)
Liabilities held for sale		2,179	2,525	(601)	2	(603)
Total liability derivatives		**2,291**	**19,291**	**(624)**	**$ 2**	**$ (626)**
Total derivatives		**$ 4,871**	**38,416**	**$ (396)**		

(1) Volume for OTC and cleared derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

Summary of the volume and fair value positions of derivative instruments as of December 31, 2020

($ in millions, except number of contracts)	Balance sheet location	Volume: Notional amount	Volume: Number of contracts	Fair value, net	Gross asset	Gross liability
Asset derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Futures	Other assets	n/a	290	$ —	$ —	$ —
Equity and index contracts						
Options	Other investments	n/a	56	6	6	—
Futures	Other assets	n/a	905	1	1	—
Foreign currency contracts						
Foreign currency forwards	Other investments	$ 291	n/a	4	9	(5)
Embedded derivative financial instruments						
Other embedded derivative financial instruments	Other investments	750	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	60	n/a	(3)	—	(3)
Credit default swaps – selling protection	Other investments	750	n/a	13	13	—
Assets held for sale		158	3,189	185	189	(4)
Total asset derivatives		**$ 2,009**	**4,440**	**$ 206**	**$ 218**	**$ (12)**
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Futures	Other liabilities & accrued expenses	n/a	705	$ —	$ —	$ —
Equity and index contracts						
Futures	Other liabilities & accrued expenses	n/a	666	—	—	—
Total return index contracts						
Total return swap agreements – fixed income	Other liabilities & accrued expenses	$ 50	n/a	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	250	n/a	(9)	1	(10)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	638	n/a	(16)	—	(16)
Credit default swaps – selling protection	Other liabilities & accrued expenses	4	n/a	—	—	—
Liabilities held for sale		2,240	2,737	(630)	1	(631)
Total liability derivatives		**3,182**	**4,108**	**(655)**	**$ 2**	**$ (657)**
Total derivatives		**$ 5,191**	**8,548**	**$ (449)**		

Gross and net amounts for OTC derivatives [(1)]

($ in millions)	Gross amount	Offsets: Counter-party netting	Offsets: Cash collateral (received) pledged	Net amount on balance sheet	Securities collateral (received) pledged	Net amount
June 30, 2021						
Asset derivatives	$ 17	$ (13)	$ (1)	$ 3	$ —	$ 3
Liability derivatives	(13)	13	—	—	—	—
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 June 30, 2021			
Interest rate contracts	$ 2	$ —	$ 2
Equity and index contracts	(6)	14	8
Foreign currency contracts	(2)	—	(2)
Credit default contracts	1	—	1
Total return swaps - fixed income	2	—	2
Total	**$ (3)**	**$ 14**	**$ 11**
Six months ended June 30, 2021			
Interest rate contracts	$ 1	$ —	$ 1
Equity and index contracts	(8)	30	22
Foreign currency contracts	8	—	8
Credit default contracts	5	—	5
Total return swaps - fixed income	2	—	2
Total	**$ 8**	**$ 30**	**$ 38**
Three months ended June 30, 2020			
Interest rate contracts	$ 1	$ —	$ 1
Equity and index contracts	(3)	31	28
Foreign currency contracts	(4)	—	(4)
Credit default contracts	13	—	13
Total return swaps - fixed income	7	—	7
Total return swaps - equity index	—	—	—
Total	**$ 14**	**$ 31**	**$ 45**
Six months ended June 30, 2020			
Interest rate contracts	$ 36	$ —	$ 36
Equity and index contracts	30	(14)	16
Foreign currency contracts	21	—	21
Credit default contracts	3	—	3
Total return swaps - fixed income	(2)	—	(2)
Total return swaps - equity index	4	—	4
Total	**$ 92**	**$ (14)**	**$ 78**

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 June 30, 2021, counterparties pledged $7 million in collateral to the Company, and the Company pledged $6 million in cash and securities to counterparties which includes $3 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)	June 30, 2021				December 31, 2020			
Rating [1]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]
A+	2	$ 190	$ 6	$ 1	1	$ 186	$ 4	$ —
A	1	236	3	—	—	—	—	—
Total	**3**	**$ 426**	**$ 9**	**$ 1**	**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 June 30, 2021, the Company pledged $56 million and received $10 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)	June 30, 2021	December 31, 2020
Gross liability fair value of contracts containing credit-risk-contingent features	$ 12	$ 19
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(9)	(6)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(3)	(13)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	**$ —**	**$ —**

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

	Notional amount						
($ in millions)	**AAA**	**AA**	**A**	**BBB**	**BB and lower**	**Total**	**Fair value**
June 30, 2021							
Single name							
Corporate debt	$ —	$ —	$ —	$ —	$ 5	$ 5	$ —
Index							
Corporate debt	7	14	179	610	90	900	19
Total	**$ 7**	**$ 14**	**$ 179**	**$ 610**	**$ 95**	**$ 905**	**$ 19**
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, primarily include Adirondack Insurance Exchange, a New York reciprocal insurer, and New Jersey Skylands Insurance Association, a New Jersey reciprocal insurer (together “Reciprocal Exchanges”). The Reciprocal Exchanges are insurance carriers organized as unincorporated associations. The Company does not own the equity of the Reciprocal Exchanges, which is owned by their respective policyholders.

The Company manages the business operations of the Reciprocal Exchanges and has the power to direct their activities that most significantly impact their economic performance. The Company receives a management fee for the services provided to the Reciprocal Exchanges. In addition, the Company holds interests that provide capital to the Reciprocal Exchanges and would absorb any expected losses. The Company is therefore the primary beneficiary.

In the event of dissolution, policyholders would share any residual unassigned surplus but are not subject to assessment for any deficit in unassigned surplus of the Reciprocal Exchanges. The assets of the Reciprocal Exchanges can be used only to settle the obligations of the Reciprocal Exchanges and general creditors have no recourse to the Company. The results of operations of the Reciprocal Exchanges are included in the Company’s Allstate Protection segment and generated $45 million and $90 million of earned premiums in the three and six months ended June 30, 2021, respectively.

Assets and liabilities of Reciprocal Exchanges

($ in millions)	June 30, 2021
Assets	
Fixed income securities	$ 332
Short-term investments	23
Deferred policy acquisition costs	11
Premium installment and other receivables, net	44
Reinsurance recoverables, net	99
Other assets	99
Total assets	**608**
Liabilities	
Reserve for property and casualty insurance claims and claims expense	211
Unearned premiums	194
Other liabilities and expenses	226
Total liabilities	**$ 631**

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 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)	Six months ended June 30, 2021		2020	
Balance as of January 1	$	27,610	$	27,7
Less recoverables [1]		(7,033)		(6,9
Net balance as of January 1		**20,577**		**20,8**
National General acquisition as of January 4, 2021		1,797		—
Incurred claims and claims expense related to:				
Current year		13,476		10,5
Prior years		(226)		
Total incurred		**13,250**		**10,5**
Claims and claims expense paid related to:				
Current year		(6,919)		(5,7
Prior years		(6,134)		(5,1
Total paid		**(13,053)**		**(10,9**
Net balance as of June 30		22,571		20,4
Plus recoverables		9,066		7,0
Balance as of June 30	**$**	**31,637**	**$**	**27,4**

[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 $1.54 billion and $1.40 billion in the six months ended June 30, 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]

	Six months ended June 30,											
	Non-catastrophe losses				Catastrophe losses				Total			
($ in millions)	2021		2020		2021 [2] [3]		2020		2021		2020	
Auto	$	(46)	$	(26)	$	(23)	$	(15)	$	(69)	$	(4
Homeowners		(2)		(3)		(171)		19		(173)		1
Other personal lines		(3)		(6)		(14)		(2)		(17)		
Commercial lines		31		24		2		3		33		2
Run-off Property-Liability		2		4		—		—		2		
Protection Services		(2)		(1)		—		—		(2)		
Total prior year reserve reestimates	**$**	**(20)**	**$**	**(8)**	**$**	**(206)**	**$**	**5**	**$**	**(226)**	**$**	

[1] Favorable reserve reestimates are shown in parentheses.

[2] Includes approximately $200 million of estimated recoveries related to Nationwide Aggregate Reinsurance Program cover for aggregate catastrophe losses occurring between April 1, 2020 and December 31, 2020, which primarily impacted homeowners reestimates.

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

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Property and casualty insurance premiums earned [1]	$ (538)	$ (279)	$ (1,046)	$ (568)
Accident and health insurance premiums and contract charges	(24)	(3)	(48)	(6)

[1] Includes approximately $475 million of ceded premiums related to the acquisition of National General for the six months ended June 30, 2021.

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Property and casualty insurance claims and claims expense [1]	$ (158)	$ (210)	$ (1,751)	$ (341)
Accident and health insurance policy benefits	(26)	(2)	(55)	(8)

[1] Includes approximately $675 million, $450 million and $275 million of ceded losses related to the Nationwide Catastrophe Reinsurance Program, the Michigan Catastrophic Claims Association and the acquisition of National General, respectively, for the six months ended June 30, 2021, and $167 million of ceded losses related to the Michigan Catastrophic Claims Association for the six months ended June 30, 2020.

Reinsurance and indemnification recoverables

Reinsurance and indemnification recoverables, net

($ in millions)	June 30, 2021	December 31, 2020
Property and casualty		
Paid and due from reinsurers and indemnitors	$ 306	$ 101
Unpaid losses estimated (including IBNR)	9,066	7,033
Total property and casualty	**$ 9,372**	**$ 7,134**
Allstate Health and Benefits	**125**	**81**
Total	**$ 9,497**	**$ 7,215**

Rollforward of credit loss allowance for reinsurance recoverables

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Property and casualty [1] [2]				
Beginning balance	$ (60)	$ (59)	$ (59)	$ (60)
(Increase) decrease in the provision for credit losses	—	—	(1)	1
Ending balance	$ (60)	$ (59)	$ (60)	$ (59)
Allstate Health and Benefits				
Beginning balance	$ (1)	$ (1)	$ (1)	$ (1)
Increase in the provision for credit losses	—	—	—	—
Write-offs	—	—	—	—
Ending balance	**$ (1)**	**$ (1)**	**$ (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 $71 million and $13 million during the three months ended June 30, 2021 and 2020, respectively, and $122 million and $17 million during the six months ended June 30, 2021 and 2020, respectively.

Restructuring expenses during the second quarter and first six months of 2021 are primarily due to the future work environment and Transformative Growth to optimize and simplify the Company's operating model and cost structure. The estimated cost of the remaining Transformative Growth actions announced in the third quarter of 2020 was reduced by $40 million as of June 30, 2021, primarily due to lower severance costs due to attrition. The Company continues to identify ways to improve operating efficiency and reduce cost which may result in additional restructuring charges in the future.

Restructuring programs

($ in millions)	Future work environment	Transformative Growth
Expected program charges	$ 110	$ 290
2020 expenses	—	(238)
2021 expenses	(79)	1
Change in estimated program costs	—	(40)
Remaining program charges	**$ 31**	**$ 13**

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

Employee costs, which primarily relate to Transformative Growth, include severance and employee benefits primarily impacting claims, sales, service and support functions. Exit costs related to future work environment and Transformative Growth 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	50	95	145
Adjustments to liability	(23)	—	(23)
Payments and non-cash charges	(35)	(95)	(130)
Restructuring liability as of June 30, 2021	**$ 64**	**$ —**	**$ 64**

As of June 30, 2021, the cumulative amount incurred to date for active programs related to employee severance, relocation benefits and exit expenses totaled $249 million for employee costs and $147 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 June 30, 2021.

Regulation and compliance

The Company is subject to extensive laws, regulations, administrative directives, and regulatory actions. From time to time, regulatory authorities or legislative bodies seek to influence and restrict premium rates, require premium refunds to policyholders, require reinstatement of terminated policies, prescribe rules or guidelines on how affiliates compete in the marketplace, restrict the ability of insurers to cancel or non-renew policies, require insurers to continue to write new policies or limit their ability to write new policies, limit insurers' ability to change coverage terms or to impose underwriting standards, impose additional regulations regarding agency and broker compensation, regulate the nature of and amount of investments, impose fines and penalties for unintended errors or mistakes, impose additional regulations regarding cybersecurity and privacy, and otherwise expand overall regulation of insurance products and the insurance industry. In addition, the Company is subject to laws and regulations administered and enforced by federal agencies, international agencies, and other organizations, including but not limited to the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority, the U.S. Equal Employment Opportunity Commission, and the U.S. Department of Justice. The Company has established procedures and policies to facilitate compliance with laws and regulations, to foster prudent business operations, and to support financial reporting. The Company routinely reviews its practices to validate compliance with laws and regulations and with internal procedures and policies. As a result of these reviews, from time to time the Company may decide to modify some of its procedures and policies. Such modifications, and the reviews that led to them, may be accompanied by payments being made and costs being incurred. The ultimate changes and eventual effects of these actions on the Company's business, if any, are uncertain.

Legal and regulatory proceedings and inquiries

The Company and certain subsidiaries are involved in a number of lawsuits, regulatory inquiries, and other legal proceedings arising out of various aspects of its business.

Background These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including the underlying facts of each matter; novel legal issues; variations between jurisdictions in which matters are being litigated, heard, or investigated; changes in assigned judges; differences or developments in applicable laws and judicial interpretations; judges reconsidering prior rulings; the length of time before many of these matters might be resolved by settlement, through litigation, or otherwise; adjustments with respect to anticipated trial schedules and other proceedings; developments in similar actions against other companies; the fact that some of the lawsuits are putative class actions in which a class has not been certified and in which the purported class may not be clearly defined; the fact that some of the lawsuits involve multi-state class actions in which the applicable law(s) for the claims at issue is in dispute and therefore unclear; and the challenging legal environment faced by corporations and insurance companies.

The outcome of these matters may be affected by decisions, verdicts, and settlements, and the timing of such decisions, verdicts, and settlements, in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers, or other entities. The outcome may also be affected by future state or federal legislation, the timing or substance of which cannot be predicted.

In the lawsuits, plaintiffs seek a variety of remedies which may include equitable relief in the form of injunctive and other remedies and monetary relief in the form of contractual and extra-contractual damages. In some cases, the monetary damages sought may include punitive or treble damages. Often specific information about the relief sought, such as the amount of damages, is not available because plaintiffs have not requested specific relief in their pleadings. When specific monetary demands are made, they are often set just below a state court jurisdictional limit in order to seek the maximum amount available in state court, regardless of the specifics of the case, while still avoiding the risk of removal to federal court. In Allstate's experience, monetary demands in pleadings bear little relation to the ultimate loss, if any, to the Company.

In connection with regulatory examinations and proceedings, government authorities may seek various forms of relief, including penalties, restitution, and changes in business practices. The Company may not be advised of the nature and extent of relief sought until the final stages of the examination or proceeding.

Accrual and disclosure policy The Company reviews its lawsuits, regulatory inquiries, and other legal proceedings on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for such matters at management's best estimate when the Company assesses that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company does not establish accruals for such matters when the Company does not believe both that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company's assessment of whether a loss is reasonably possible, or probable, is based on its assessment of the ultimate outcome of the matter following all appeals. The Company does not include potential recoveries in its estimates of reasonably possible or probable losses. Legal fees are expensed as incurred.

The Company continues to monitor its lawsuits, regulatory inquiries, and other legal proceedings for further developments that would make the loss contingency both probable and estimable, and accordingly accruable, or that could affect the amount of accruals that have been previously established. There may continue to be exposure to loss in excess of any amount accrued. Disclosure of the nature and amount of an accrual is made when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the amount of accrual.

When the Company assesses it is reasonably possible or probable that a loss has been incurred, it discloses the matter. When it is possible to estimate the reasonably possible loss or range of loss above the amount accrued, if any, for the matters disclosed, that estimate is aggregated and disclosed. Disclosure is not required when an estimate of the reasonably possible loss or range of loss cannot be made.

For certain of the matters described below in the "Claims related proceedings" and "Other proceedings" subsections, the Company is able to estimate the reasonably possible loss or range of loss above the amount accrued, if any. In determining whether it is possible to estimate the reasonably possible loss or range of loss, the Company reviews and evaluates the disclosed matters, in conjunction with counsel, in light of potentially relevant factual and legal developments.

These developments may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, information obtained from other sources, experience from managing these and other matters, and other rulings by courts, arbitrators or others. When the Company possesses sufficient appropriate information to develop an estimate of the reasonably possible loss or range of loss above the amount accrued, if any, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible, but such an estimate is not possible. Disclosure of the estimate of the reasonably possible loss or range of loss above the amount accrued, if any, for any individual matter would only be considered when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the individual estimate.

The Company currently estimates that the aggregate range of reasonably possible loss in excess of the amount accrued, if any, for the disclosed matters where such an estimate is possible is zero to $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); 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); Mitchell, et al. v. Allstate Vehicle and Property Insurance Company, et al. (S.D. Ala. filed August 2021). No classes have been certified in these matters.

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); Rawlins v. Esurance Property and Casualty Insurance Company (E.D. Missouri; filed February 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 and the appeal will be fully briefed as of September 8, 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.

The Company is defending two putative class actions in California federal court, Holland Hewitt v. Allstate Life Insurance Company (E.D. Cal., filed May 2020) and Farley v. Lincoln Benefit Life Company (E.D. Cal., filed Dec. 2020), where the plaintiffs generally allege that the defendants failed to comply with certain California statutes which address contractual grace periods and lapse notice requirements for certain life insurance policies. Plaintiffs claim that these statutes apply to life insurance policies that existed before the statutes’ effective date. The plaintiffs seek damages and injunctive relief. No classes have been certified in these matters.

Note 14 Benefit Plans

Components of net cost (benefit) for pension and other postretirement plans

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Pension benefits				
Service cost	$ 25	$ 25	$ 51	$ 53
Interest cost	52	56	98	112
Expected return on plan assets	(109)	(95)	(226)	(199)
Amortization of prior service credit	(12)	(14)	(25)	(28)
Costs and expenses	**(44)**	**(28)**	**(102)**	**(62)**
Remeasurement of projected benefit obligation	245	672	(267)	556
Remeasurement of plan assets	(388)	(623)	(167)	(189)
Remeasurement (gains) losses	**(143)**	**49**	**(434)**	**367**
Pension net (benefit) cost	**$ (187)**	**$ 21**	**$ (536)**	**$ 305**
Postretirement benefits				
Service cost	$ 1	$ 2	$ 1	$ 3
Interest cost	2	3	4	6
Amortization of prior service credit	(7)	(1)	(13)	(2)
Costs and expenses	**(4)**	**4**	**(8)**	**7**
Remeasurement of projected benefit obligation	9	24	(10)	24
Remeasurement of plan assets	—	—	—	—
Remeasurement (gains) losses	**9**	**24**	**(10)**	**24**
Postretirement net cost (benefit)	**$ 5**	**$ 28**	**$ (18)**	**$ 31**
Pension and postretirement benefits				
Costs and expenses	**$ (48)**	**$ (24)**	**$ (110)**	**$ (55)**
Remeasurement (gains) losses	**(134)**	**73**	**(444)**	**391**
Total net (benefit) cost	**$ (182)**	**$ 49**	**$ (554)**	**$ 336**

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Remeasurement of projected benefit obligation (gains) losses:				
Discount rate	$ 178	$ 433	$ (239)	$ 397
Other assumptions	76	263	(38)	183
Remeasurement of plan assets (gains) losses	(388)	(623)	(167)	(189)
Remeasurement (gains) losses	**$ (134)**	**$ 73**	**$ (444)**	**$ 391**

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

The weighted average discount rate used to measure the benefit obligation decreased to 2.85% at June 30, 2021 compared to 3.13% at March 31, 2021 and increased compared to 2.51% at December 31, 2020 resulting in losses for the second quarter and gains for the first six months of 2021.

For the second quarter and first six months of 2021, the actual return on plan assets was higher due to strong equity performance. The increase in the second quarter of 2021 was also due to lower market yields resulting in higher fixed income valuations.

Note 15 Supplemental Cash Flow Information

Non-cash investing activities include $15 million and $21 million related to mergers and exchanges completed with equity securities, limited partnerships, and modification of other investments for the six months ended June 30, 2021 and 2020, respectively.

Non-cash financing activities include $51 million and $56 million related to the issuance of Allstate common shares for vested equity awards for the six months ended June 30, 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 $91 million and $78 million for the six months ended June 30, 2021 and 2020, respectively. Non-cash operating activities include $92 million and $52 million related to right-of-use ("ROU") assets obtained in exchange for lease obligations for the six months ended June 30, 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)	Six months ended June 30, 2021	Six months ended June 30, 2020
Net change in proceeds managed		
Net change in short-term investments	$ (583)	$ 336
Operating cash flow (used) provided	**(583)**	**336**
Net change in cash	2	(8)
Net change in proceeds managed	**$ (581)**	**$ 328**
Cash flows from operating activities		
Net change in liabilities		
Liabilities for collateral, beginning of period	$ (914)	$ (1,298)
Liabilities for collateral, end of period	(1,495)	(970)
Operating cash flow provided (used)	**$ 581**	**$ (328)**

Note 16 Other Comprehensive Income

Components of other comprehensive income (loss) on a pre-tax and after-tax basis

($ in millions)	Three months ended June 30, 2021 Pre-tax	2021 Tax	2021 After-tax	2020 Pre-tax	2020 Tax	2020 After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 706	$ (149)	$ 557	$ 2,796	$ (590)	$ 2,206
Less: reclassification adjustment of realized capital gains and losses	93	(20)	73	169	(35)	134
Unrealized net capital gains and losses	**613**	**(129)**	**484**	**2,627**	**(555)**	**2,072**
Unrealized foreign currency translation adjustments	**(4)**	**1**	**(3)**	**11**	**(2)**	**9**
Unamortized pension and other postretirement prior service credit (1)	**(18)**	**4**	**(14)**	**(14)**	**3**	**(11)**
Other comprehensive income (loss)	**$ 591**	**$ (124)**	**$ 467**	**$ 2,624**	**$ (554)**	**$ 2,070**

	Six months ended June 30, 2021 Pre-tax	2021 Tax	2021 After-tax	2020 Pre-tax	2020 Tax	2020 After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ (1,007)	$ 215	$ (792)	$ 1,363	$ (288)	$ 1,075
Less: reclassification adjustment of realized capital gains and losses	283	(59)	224	456	(96)	360
Unrealized net capital gains and losses	**(1,290)**	**274**	**(1,016)**	**907**	**(192)**	**715**
Unrealized foreign currency translation adjustments	**39**	**(8)**	**31**	**(38)**	**8**	**(30)**
Unamortized pension and other postretirement prior service credit (1)	**(37)**	**8**	**(29)**	**(8)**	**1**	**(7)**
Other comprehensive (loss) income	**$ (1,288)**	**$ 274**	**$ (1,014)**	**$ 861**	**$ (183)**	**$ 678**

(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 June 30, 2021, the related condensed consolidated statements of operations, comprehensive income and shareholders' equity for the three and six month periods ended June 30, 2021 and 2020, and cash flows for the six month periods ended June 30, 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
August 4, 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, including travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings. These measures have moderated in 2021 as vaccines have become more widely available in the United States and Canada. There is no way of predicting with certainty how long the pandemic might last. We continue to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the impact to our operations, but the effects could be material.

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

- Sales of new and retention of existing policies
- Premium for transportation network products
- Claim severity costs, driving behavior and auto accident frequency
- Hospital and outpatient claim costs
- Investment valuations and returns
- Bad debt and credit allowance exposure
- Consumer utilization of Milewise®, our pay-per-mile insurance product
- Retail sales in Allstate Protection Plans

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

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 customer acquisition 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 increased our market share in personal property-liability by over one percentage point and enhanced 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 are no longer accepting new proprietary life insurance applications through Allstate exclusive agents. A loss on disposition of $4 billion, after-tax, was recorded in the first quarter of 2021 related to these transactions. The transactions are expected to close in 2021, subject to regulatory approvals and other customary closing conditions. Beginning in the first quarter of 2021, the assets and liabilities of the business were reclassified as held for sale and results are presented as discontinued operations. This change was applied on a retrospective basis.

SafeAuto On June 1, 2021, we announced an agreement to acquire SafeAuto, a non-standard auto insurance carrier focused on providing state-minimum private-passenger auto insurance with coverage options in 28 states, for $270 million in cash. The transaction is expected to close in 2021, subject to regulatory approval and customary closing conditions.

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

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.

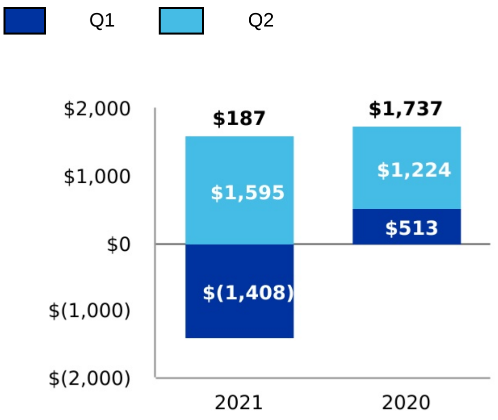
Adjusted net income is net income (loss) applicable to common shareholders, excluding:

- 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)



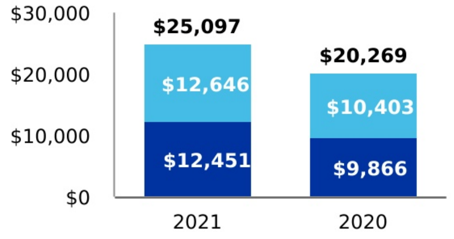
Consolidated net income applicable to common shareholders increased 30.3% to $1.60 billion in the second quarter of 2021 compared to the same period of 2020 primarily due to higher property and casualty insurance premiums, higher net investment income and lower Shelter-in-Place Payback expense, partially offset by higher non-catastrophe losses.

Consolidated net income applicable to common shareholders decreased 89.2% to $187 million in first six months of 2021 compared to the same period of 2020 primarily due to a loss from discontinued operations and higher non-catastrophe losses. Partially offsetting were higher net investment income, pension and other postretirement gains in 2021 compared to losses in 2020 and net realized capital gains.

For the twelve months ended June 30, 2021, return on Allstate common shareholders' equity was 15.3%, a decrease of 2.9 points from 18.2% for the twelve months ended June 30, 2020.

Total revenue

($ in millions)

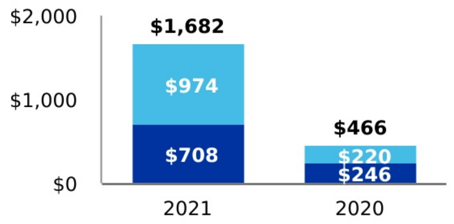


Total revenue increased 21.6% to $12.65 billion and 23.8% to $25.10 billion in the second quarter and first six months of 2021, respectively, compared to the same periods of 2020, driven by 13.2% and 12.4% increase in property and casualty insurance premiums in the second quarter and first six months of 2021, respectively, and higher net investment income.

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

Net investment income

($ in millions)



Net investment income increased $754 million to $974 million in the second quarter of 2021 compared to the same period of 2020 and increased $1.22 billion to $1.68 billion in the first six months of 2021 compared to the same period of 2020. The increase in both periods was primarily due to increases in performance-based income results, mainly from limited partnerships.

Financial highlights

Investments totaled $62.57 billion as of June 30, 2021, increasing from $59.54 billion as of December 31, 2020.

Allstate shareholders' equity As of June 30, 2021, Allstate shareholders' equity was $28.21 billion.

Book value per diluted common share (ratio of Allstate common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was $86.33, an increase of 9.0% from $79.21 as of June 30, 2020, and a decrease of 5.7% from $91.50 as of December 31, 2020.

Return on average Allstate common shareholders' equity For the twelve months ended June 30, 2021, return on Allstate common shareholders' equity was 15.3%, a decrease of 2.9 points from 18.2% for the twelve months ended June 30, 2020. The decrease was primarily due to lower net income applicable to common shareholders for the trailing twelve-month period ended June 30, 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 $134 million in the second quarter of 2021 primarily related to favorable asset performance compared to the expected return on plan assets, partially offset by a decrease in the liability discount rate and changes in actuarial assumptions. Pension and other postretirement remeasurement gains of $444 million in the first six months of 2021 primarily related to an increase in the liability discount rate and favorable asset performance compared to the expected return on plan assets.

Summarized consolidated financial results

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenues				
Property and casualty insurance premiums	$ 10,444	$ 9,223	$ 20,751	$ 18,458
Accident and health insurance premiums and contract charges	447	263	902	545
Other revenue	494	257	1,049	522
Net investment income	974	220	1,682	466
Realized capital gains (losses)	287	440	713	278
Total revenues	**12,646**	**10,403**	**25,097**	**20,269**
Costs and expenses				
Property and casualty insurance claims and claims expense	(7,207)	(5,222)	(13,250)	(10,563)
Shelter-in-Place Payback expense	(29)	(738)	(29)	(948)
Accident and health insurance policy benefits	(244)	(123)	(477)	(264)
Interest credited to contractholder funds	(8)	(9)	(17)	(18)
Amortization of deferred policy acquisition costs	(1,545)	(1,344)	(3,068)	(2,709)
Operating, restructuring and interest expenses	(1,845)	(1,486)	(3,713)	(2,909)
Pension and other postretirement remeasurement gains (losses)	134	(73)	444	(391)
Amortization of purchased intangibles	(105)	(29)	(158)	(57)
Total costs and expenses	**(10,849)**	**(9,024)**	**(20,268)**	**(17,859)**
Income from operations before income tax expense	1,797	1,379	4,829	2,410
Income tax expense	(362)	(273)	(988)	(467)
Net income from continuing operations	**1,435**	**1,106**	**3,841**	**1,943**
Income (loss) from discontinued operations, net of tax	196	144	(3,597)	(144)
Net income	**1,631**	**1,250**	**244**	**1,799**
Less: Net income attributable to noncontrolling interest	6	—	—	—
Net income attributable to Allstate	**1,625**	**1,250**	**244**	**1,799**
Preferred stock dividends	(30)	(26)	(57)	(62)
Net income applicable to common shareholders	**$ 1,595**	**$ 1,224**	**$ 187**	**$ 1,737**

Segment highlights

Allstate Protection underwriting income was $431 million in the second quarter of 2021, a decrease of $474 million from $905 million in the second quarter of 2020. Underwriting income totaled $2.09 billion in the first six months of 2021, a $165 million decrease from $2.26 billion in the first six months of 2020. The decrease in both periods was related to higher auto and home non-catastrophe losses, amortization of DAC and advertising expenses, partially offset by premiums from the acquisition of National General and lower Shelter-in-Place Payback expense.

Catastrophe losses were $952 million and $1.54 billion in the second quarter and first six months of 2021, respectively, compared to $1.19 billion and $1.40 billion in the second quarter and first six months of 2020, respectively.

Premiums written increased 12.5% to $10.32 billion in the second quarter of 2021 and 13.1% to $20.09 billion in the first six months of 2021 compared to the same periods of 2020, reflecting the acquisition of National General.

Protection Services adjusted net income was $56 million in the second quarter of 2021 compared to $38 million in the second quarter of 2020. Adjusted net income was $105 million in the first six months of 2021 compared to $75 million in the first six months of 2020. The increase in both periods was primarily due to growth at Allstate Protection Plans and Allstate Identity Protection.

Allstate Health and Benefits adjusted net income was $62 million and $127 million in the second quarter and first six months of 2021, respectively, compared to $5 million and $29 million in the second quarter and first six months of 2020, respectively. The increase in both periods 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. Results for the second quarter of 2020 included an after-tax charge of $32 million related to the write-off of previously capitalized software.

Premiums and contract charges increased 70.0% to $447 million in the second quarter of 2021 and 65.5% to $902 million in the first six months of 2021 compared to the same periods 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, restructuring and related charges 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 gross claim frequency or paid claim severity in the current period compared to the same period in the prior year divided by the prior year gross claim frequency or paid claim severity.

Underwriting results

($ in millions, except ratios)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Premiums written	$ 10,323	$ 9,172	$ 20,091	$ 17,764
Premiums earned	$ 10,009	$ 8,863	$ 19,905	$ 17,744
Other revenue	321	206	706	419
Claims and claims expense	(7,103)	(5,139)	(13,048)	(10,390)
Shelter-in-Place Payback expense	(29)	(738)	(29)	(948)
Amortization of DAC	(1,319)	(1,149)	(2,622)	(2,316)
Other costs and expenses	(1,384)	(1,133)	(2,728)	(2,247)
Restructuring and related charges [1]	(66)	(8)	(98)	(12)
Underwriting income	**$ 429**	**$ 902**	**$ 2,086**	**$ 2,250**
Catastrophe losses				
Catastrophe losses, excluding reserve reestimates	$ 915	$ 1,161	$ 1,748	$ 1,392
Catastrophe reserve reestimates [2]	37	25	(206)	5
Total catastrophe losses	**$ 952**	**$ 1,186**	**$ 1,542**	**$ 1,397**
Non-catastrophe reserve reestimates [2]	(20)	(35)	(18)	(7)
Prior year reserve reestimates [2]	17	(10)	(224)	(2)
GAAP operating ratios				
Loss ratio	71.0	58.0	65.5	58.5
Expense ratio [3]	24.7	31.8	24.0	28.8
Combined ratio	95.7	89.8	89.5	87.3
Effect of catastrophe losses on combined ratio	9.5	13.4	7.7	7.9
Effect of prior year reserve reestimates on combined ratio	0.2	(0.1)	(1.1)	(0.1)
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	0.4	0.3	(1.0)	—
Effect of amortization of purchased intangibles on combined ratio	0.7	—	0.5	—
Effect of restructuring and related charges on combined ratio [3]	0.6	0.1	0.5	0.1
Effect of Shelter-in-Place Payback expense on combined and expense ratios	0.3	8.3	0.1	5.3
Effect of Run-off Property-Liability business on combined ratio	—	—	—	—

[1] Restructuring and related charges for the second quarter and first six months of 2021 primarily related to future work environment or Transformative Growth. 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 You're in good hands. NATIONAL GENERAL an Allstate company Answer financial

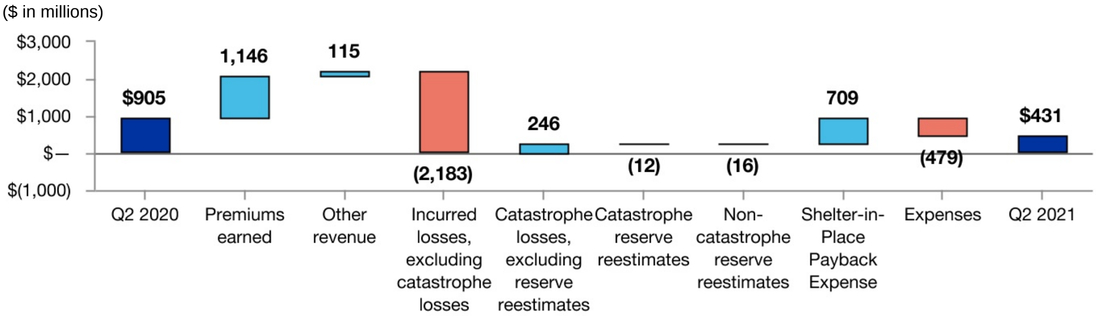
Allstate Protection consists of the Allstate brand, National General and Answer Financial. The Encompass brand was combined into National General beginning in the first quarter of 2021 and results prior to 2021 reflect Encompass brand results only.

Underwriting results

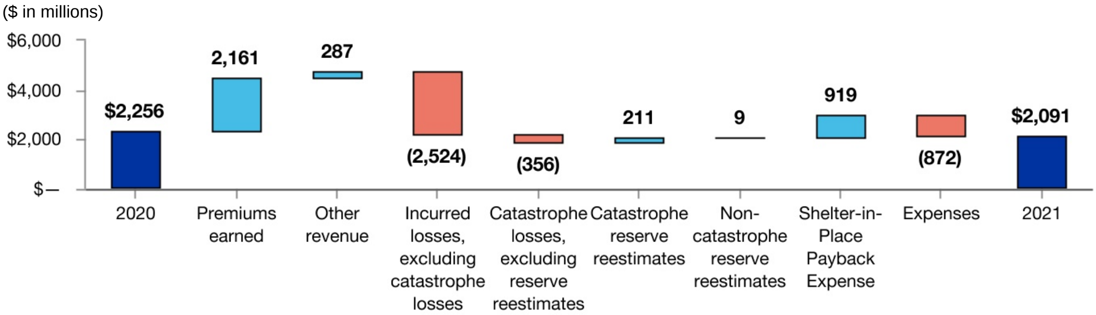
($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Premiums written	$ 10,323	$ 9,172	$ 20,091	$ 17,764
Premiums earned	$ 10,009	$ 8,863	$ 19,905	$ 17,744
Other revenue	321	206	706	419
Claims and claims expense	(7,102)	(5,137)	(13,046)	(10,386)
Shelter-in-Place Payback expense	(29)	(738)	(29)	(948)
Amortization of DAC	(1,319)	(1,149)	(2,622)	(2,316)
Other costs and expenses	(1,384)	(1,132)	(2,726)	(2,245)
Restructuring and related charges	(65)	(8)	(97)	(12)
Underwriting income	**$ 431**	**$ 905**	**$ 2,091**	**$ 2,256**
Catastrophe losses	$ 952	$ 1,186	$ 1,542	$ 1,397

Underwriting income decreased 52.4% or $474 million and 7.3% or $165 million in the second quarter and the first six months of 2021, respectively, compared to the same periods of 2020 primarily due to higher auto and home non-catastrophe losses, amortization of DAC and advertising expenses, partially offset by premiums from the acquisition of National General and lower Shelter-in-Place Payback expense.

Change in underwriting results from the prior period - three months ended



Change in underwriting results from the prior period - six months ended



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

($ in millions)	Allstate brand		National General		Allstate Protection	
	2021	2020	2021	2020	2021	2020
Three months ended June 30,						
Auto [1]	$ 364	$ 966	$ 30	$ 32	$ 394	$ 998
Homeowners [2]	7	(118)	(14)	(21)	(7)	(139)
Other personal lines	40	48	(1)	(5)	39	43
Commercial lines	(25)	(11)	—	—	(25)	(11)
Other business lines [3]	28	14	—	—	28	14
Answer Financial	—	—	—	—	2	—
Total	**$ 414**	**$ 899**	**$ 15**	**$ 6**	**$ 431**	**$ 905**
Six months ended June 30,						
Auto [1]	$ 1,567	$ 1,625	$ 154	$ 30	$ 1,721	$ 1,655
Homeowners [2]	269	449	(8)	(7)	261	442
Other personal lines	65	136	7	(3)	72	133
Commercial lines	(27)	(6)	—	—	(27)	(6)
Other business lines [3]	55	31	—	—	55	31
Answer Financial	—	—	—	—	9	1
Total	**$ 1,929**	**$ 2,235**	**$ 153**	**$ 20**	**$ 2,091**	**$ 2,256**

[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 includes 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 by brand and by line of business

($ in millions)	Allstate brand		National General		Allstate Protection	
	2021	2020	2021	2020	2021	2020
Three months ended June 30,						
Auto	$ 5,952	$ 6,054	$ 866	$ 136	$ 6,818	$ 6,190
Homeowners	2,313	2,178	409	106	2,722	2,284
Other personal lines	539	507	40	21	579	528
Commercial lines	204	170	—	—	204	170
Total premiums written	**$ 9,008**	**$ 8,909**	**$ 1,315**	**$ 263**	**$ 10,323**	**$ 9,172**
Six months ended June 30,						
Auto	$ 12,012	$ 12,145	$ 1,818	$ 254	$ 13,830	$ 12,399
Homeowners	4,040	3,823	765	193	4,805	4,016
Other personal lines	976	920	79	38	1,055	958
Commercial lines	401	391	—	—	401	391
Total premiums written	**$ 17,429**	**$ 17,279**	**$ 2,662**	**$ 485**	**$ 20,091**	**$ 17,764**

Premiums earned by brand and by line of business

($ in millions)	Allstate brand 2021	Allstate brand 2020	National General 2021	National General 2020	Allstate Protection 2021	Allstate Protection 2020
Three months ended June 30,						
Auto	$ 6,036	$ 6,037	$ 847	$ 135	$ 6,883	$ 6,172
Homeowners	2,032	1,955	379	99	2,411	2,054
Other personal lines	482	459	37	19	519	478
Commercial lines	196	159	—	—	196	159
Total premiums earned	**$ 8,746**	**$ 8,610**	**$ 1,263**	**$ 253**	**$ 10,009**	**$ 8,863**
Six months ended June 30,						
Auto	$ 12,050	$ 12,057	$ 1,642	$ 270	$ 13,692	$ 12,327
Homeowners	4,040	3,891	763	200	4,803	4,091
Other personal lines	951	910	73	39	1,024	949
Commercial lines	386	377	—	—	386	377
Total premiums earned	**$ 17,427**	**$ 17,235**	**$ 2,478**	**$ 509**	**$ 19,905**	**$ 17,744**

Reconciliation of premiums written to premiums earned:

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Total premiums written	**$ 10,323**	**$ 9,172**	**$ 20,091**	**$ 17,764**
(Increase) decrease in unearned premiums [1]	(312)	(349)	(592)	21
Other	(2)	40	406	(41)
Total premiums earned	**$ 10,009**	**$ 8,863**	**$ 19,905**	**$ 17,744**

[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 2021	Allstate brand 2020	National General 2021	National General 2020	Allstate Protection 2021	Allstate Protection 2020
Auto	21,920	21,978	3,694	473	25,614	22,451
Homeowners	6,459	6,391	652	225	7,111	6,616
Other personal lines	4,525	4,415	291	74	4,816	4,489
Commercial lines	213	221	109	—	322	221
Total	**33,117**	**33,005**	**4,746**	**772**	**37,863**	**33,777**

Auto insurance premiums written increased 10.1% or $628 million in the second quarter of 2021 compared to the second quarter of 2020 and increased 11.5% or 1.43 billion in the first six months of 2021 compared to the first six months of 2020, primarily due to the following factors:

- Acquisition of National General
- Increased new issued applications in the Allstate brand driven by increased advertising and higher close ratio
- Decreased Allstate brand average premium reflecting approved rate decreases of approximately 3% for the trailing twelve months ended June 30, 2021
  - Targeted rate increases due to higher inflationary trends will be implemented, as necessary, to maintain target returns
- PIF increased 14.1% or 3,163 thousand to 25,614 thousand as of June 30, 2021 compared to June 30, 2020 due to the acquisition of National General
  - PIF increased by 161 thousand as of June 30, 2021 compared to March 31, 2021, with increases in both Allstate brand and National General

Auto premium measures and statistics

	Three months ended June 30, 2021	Three months ended June 30, 2020	Change	Six months ended June 30, 2021	Six months ended June 30, 2020	Change
New issued applications (thousands)						
Agency channel	658	664	(0.9)%	1,309	1,336	(2.0)%
Direct channel	268	204	31.4 %	546	413	32.2 %
Allstate brand	926	868	6.7 %	1,855	1,749	6.1 %
National General	495	14	NM	1,037	30	NM
Total new issued applications	1,421	882	61.1 %	2,892	1,779	62.6 %
Allstate brand average premium	$ 600	$ 612	(2.0)%	$ 604	$ 614	(1.6)%
Allstate brand renewal ratio (%)	87.1	87.6	(0.5)	86.9	87.5	(0.6)

Homeowners insurance premiums written increased 19.2% or $438 million in the second quarter of 2021 compared to the second quarter of 2020 and increased 19.6% or $789 million in the first six months of 2021 compared to the first six months of 2020, primarily due to the following factors:

- Acquisition of National General
- Higher Allstate brand average premiums from approved rate increases of approximately 3.5% for the trailing twelve months ended June 30, 2021 and inflation in insured home valuations
- Increased new issued applications in the Allstate brand driven by higher quote volumes and improved close rates

Homeowners premium measures and statistics

	Three months ended June 30, 2021	Three months ended June 30, 2020	Change	Six months ended June 30, 2021	Six months ended June 30, 2020	Change
New issued applications (thousands)						
Agency channel	243	214	13.6 %	447	405	10.4 %
Direct channel	22	16	37.5 %	38	29	31.0 %
Allstate brand	265	230	15.2 %	485	434	11.8 %
National General	27	8	NM	49	16	NM
New issued applications	292	238	22.7 %	534	450	18.7 %
Allstate brand average premium	$ 1,404	$ 1,324	6.0 %	$ 1,384	$ 1,318	5.0 %
Allstate brand renewal ratio (%)	87.3	87.3	—	87.2	87.4	(0.2)

Other personal lines premiums written increased 9.7% or $51 million in the second quarter of 2021 compared to the second quarter of 2020 and increased 10.1% or $97 million in the first six months of 2021 compared to the first six months of 2020. The increase in both periods 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 increased 20.0% or $34 million in the second quarter of 2021 compared to the second quarter of 2020 and increased 2.6% or $10 million in the first six months of 2021 compared to the first six months of 2020. The increase in both periods was primarily due to the addition of a large transportation network company, higher miles driven in our shared economy business as the impacts of the Coronavirus decrease and an increase in average premiums. 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 June 30,						
Auto	68.7	47.9	25.6	35.9	94.3	83.8
Impact of Shelter-in-Place Payback expense	—	—	0.4	11.9	0.4	11.9
Homeowners	76.3	84.8	24.0	22.0	100.3	106.8
Other personal lines	68.0	65.1	24.5	25.9	92.5	91.0
Commercial lines	90.8	78.6	22.0	28.3	112.8	106.9
Impact of Shelter-in-Place Payback expense	—	—	—	2.5	—	2.5
Total	**71.0**	**58.0**	**24.7**	**31.8**	**95.7**	**89.8**
Impact of amortization of purchased intangibles	—	—	0.7	—	0.7	—
Impact of Shelter-in-Place Payback expense	—	—	0.3	8.3	0.3	8.3
Impact of restructuring and related charges	—	—	0.6	0.1	0.6	0.1
Impact of Allstate Special Payment plan bad debt expense [2]	—	—	(0.1)	0.5	(0.1)	0.5
Six months ended June 30,						
Auto	63.0	55.1	24.4	31.5	87.4	86.6
Impact of Shelter-in-Place Payback expense	—	—	0.2	7.7	0.2	7.7
Homeowners	70.6	66.9	24.0	22.3	94.6	89.2
Other personal lines	68.1	59.8	24.9	26.2	93.0	86.0
Commercial lines	84.7	78.5	22.3	23.1	107.0	101.6
Impact of Shelter-in-Place Payback expense	—	—	—	1.1	—	1.1
Total	**65.5**	**58.5**	**24.0**	**28.8**	**89.5**	**87.3**
Impact of amortization of purchased intangibles	—	—	0.5	—	0.5	—
Impact of Shelter-in-Place Payback expense	—	—	0.1	5.3	0.1	5.3
Impact of restructuring and related charges	—	—	0.5	0.1	0.5	0.1
Impact of Allstate Special Payment plan bad debt expense [2]	—	—	(0.1)	0.3	(0.1)	0.3

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

(2) Relates to the Allstate Special Payment plan offered in 2020 to customers as a result of the Coronavirus to provide more flexible payment options. Approximately 70% of the higher bad debt expense was attributed to auto.

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 June 30,								
Auto	68.7	47.9	2.2	2.2	(0.5)	(0.9)	(0.1)	(0.1)
Homeowners	76.3	84.8	30.3	46.4	1.2	1.1	1.5	1.3
Other personal lines	68.0	65.1	11.9	18.6	0.2	(0.4)	0.7	0.4
Commercial lines	90.8	78.6	3.6	5.7	9.2	13.2	—	1.3
Total	**71.0**	**58.0**	**9.5**	**13.4**	**0.2**	**(0.1)**	**0.4**	**0.3**
Six months ended June 30,								
Auto	63.0	55.1	1.3	1.2	(0.5)	(0.3)	(0.2)	(0.1)
Homeowners	70.6	66.9	25.5	27.8	(3.6)	0.4	(3.6)	0.5
Other personal lines	68.1	59.8	11.7	10.7	(1.6)	(0.8)	(1.4)	(0.2)
Commercial lines	84.7	78.5	3.9	2.9	8.5	7.2	0.5	0.8
Total	**65.5**	**58.5**	**7.7**	**7.9**	**(1.1)**	**(0.1)**	**(1.0)**	**—**

(1) The ten-year average effect of catastrophe losses on the total combined ratio was 11.7 points in the second quarter of 2021.

Auto loss ratio increased 20.8 and 7.9 points in the second quarter and first six months of 2021, respectively, compared to the same periods of 2020, primarily due to:

- Higher gross claim frequency in all coverages, as miles driven continue to rebound toward pre-pandemic levels
- Increased severity, primarily for property damage, collision and bodily injury coverages, driven by inflationary pressures and accident type mix
- Partially offset by higher premiums earned

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

- Shelter-in-place and travel restrictions, which have moderated in 2021 as vaccines have become more widely available in the US and Canada
- Unemployment levels
- Changes in commuting activity
- Shifts in the frequency environment may impact the speed claims are settled
- Driving behavior (e.g., speed, time of day) impacting mix of claim types
- Labor and part cost increases
- Changes in limits purchased

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

(% change year-over-year)	
Three months ended June 30, 2021	
Property damage gross claim frequency	47.3 %
Property damage paid claim severity	(4.9)
Six months ended June 30, 2021	
Property damage gross claim frequency	6.6 %
Property damage paid claim severity	1.1

Property damage gross claim frequency increased in the second quarter and the first six months of 2021 compared to the same periods of 2020 due to factors including:

- Increases in miles driven compared to the second quarter of 2020 which was significantly impacted by the implementation of shelter-in-place restrictions due to the Coronavirus
- Gross claim frequency decreased 21.0% and 24.8% in the second quarter and first six months of 2021, respectively, when compared to pre-pandemic levels of 2019 as auto miles driven, particularly during peak commuting hours, is lower

Property damage paid claim severity decreased in the second quarter of 2021 and increased in the first six months of 2021 compared to the same periods of 2020.

- Results in both periods were impacted by the Coronavirus, including more restrictive shelter-in-place orders in the second quarter of 2020
- When compared to pre-pandemic levels of 2019, property damage paid claim severity increased 14.6% and 14.3% in the second quarter and first six months of 2021, respectively, or an average annual increase of approximately 7.0%. The increase in both periods is due to rising inflationary impacts in both used car values and replacement part costs, including higher costs to repair more sophisticated newer model vehicles and increased costs associated with total losses

Collision severity trends increased in the second quarter and the first six months of 2021 compared to the same periods of 2020 due to inflationary pressures from higher used car values and replacement part costs.

Bodily injury severity trends increased in the second quarter and the first six months of 2021 compared to the same periods of 2020 due to injury mix and higher medical care inflation.

Homeowners loss ratio decreased 8.5 points in the second quarter of 2021 compared to the second quarter of 2020, primarily due to increased premiums earned and lower catastrophe losses, partially offset by increased non-catastrophe claim frequency and severity. Homeowners loss ratio increased 3.7 points in the first six months of 2021 compared to the first six months of 2020, primarily due to higher frequency and severity.

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

(% change year-over-year)	
Three months ended June 30, 2021	
Gross claim frequency	10.4 %
Paid claim severity	8.3
Six months ended June 30, 2021	
Gross claim frequency	14.5 %
Paid claim severity	4.7

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

Other personal lines loss ratio increased 2.9 and 8.3 points in the second quarter and first six months of 2021, respectively, compared to the same periods of 2020, primarily due to higher non-catastrophe losses, partially offset by increased premiums earned.

Commercial lines loss ratio increased 12.2 and 6.2 points in the second quarter and the first six months of 2021, respectively, compared to the same periods of 2020 due to higher auto frequency and severity, partially offset by increased premiums earned.

Catastrophe losses decreased 19.7% or $234 million in the second quarter of 2021 compared to the second quarter of 2020. Catastrophe losses increased 10.4% or $145 million in the first six months of 2021 compared to the first six months of 2020.

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)	Three months ended June 30, Number of events	2021	Number of events	2020	Six months ended June 30, Number of events	2021	Number of events	2020
Hurricanes/Tropical storms	1	$ 6	—	$ —	1	$ 6	—	$ —
Tornadoes	—	—	—	—	1	17	2	39
Wind/Hail	22	877	23	1,141	33	1,166	31	1,340
Wildfires	—	—	—	—	—	—	1	2
Freeze/other events	—	—	1	4	1	613	2	11
Prior year reserve reestimates		84		25		(7)		5
Prior year aggregate reinsurance cover		(47)		—		(199)		—
Current year aggregate reinsurance cover		(11)		—		(54)		—
Prior quarter reserve reestimates		43		16		—		—
Total catastrophe losses	**23**	**$ 952**	**24**	**$ 1,186**	**36**	**$ 1,542**	**36**	**$ 1,397**

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. Our program provides reinsurance protection for catastrophes resulting from multiple perils, including, but not limited to, hurricanes, windstorms, hail, tornadoes, fires following earthquakes, earthquakes and wildfires.

These reinsurance agreements are part of our catastrophe management strategy, which is intended to provide our shareholders with an acceptable return on the risks assumed in our property business, and to reduce variability of earnings, while providing protection to our customers.

During the second quarter of 2021, we completed placements of our 2021-2022 Nationwide Excess Catastrophe Reinsurance Program (“Nationwide Program”) with the Single-year term contract and the 2021-1 Excess Catastrophe Reinsurance Contract layers, the Florida program that is designed to address the distinct needs of our separately capitalized companies in that state, and National General Lender Services and Reciprocal reinsurance contracts.

Single-Year Term Contract layer is placed in the traditional market and provides $132 million of coverage, subject to a $3.75 billion retention, with no reinstatement of limits.

2021-1 Excess Catastrophe Reinsurance Contract layer is placed in the Insurance Linked Securities (“ILS”) market and provides $400 million of coverage, 62.5% placed, in excess of a minimum of $3.75 billion retention.

Florida program updates Our 2021 Florida program provides coverage up to $1.24 billion of loss less a $40 million retention. The Florida program includes reinsurance agreements placed with the traditional market, the Florida Hurricane Catastrophe Fund (“FHCF”), and the ILS market as follows:

- The traditional market placement comprises reinsurance limits for losses to personal lines property in Florida arising out of multiple perils. The Excess contracts, which form a part of the traditional market placement, with $939 million of limits, subject to a $100 million retention, provide coverage for perils not covered by the FHCF contracts, which only cover hurricanes.

- Three FHCF contracts provide $313 million of limits for qualifying losses to personal lines property in Florida caused by storms the National Hurricane Center declares to be hurricanes. Two contracts are 90% placed and one contract is 100% placed.
- The ILS placement provides $275 million of reinsurance limits, 73% placed, for qualifying losses to personal lines property in Florida caused by a named storm event, a severe weather event, an earthquake event, a fire event, a volcanic eruption event, or a meteorite impact event.

National General Lender Services Standalone Program is placed in the traditional market and provides $190 million of coverage, subject to a $50 million retention, with one reinstatement of limits.

National General Reciprocal Excess Catastrophe Reinsurance Contract is placed in the traditional market and provides $545 million of coverage, subject to a $20 million retention, with one reinstatement of limits.

For a complete summary of the 2021 reinsurance placement, please read this in conjunction with the discussion and analysis in Part I. Item 2. Management's Discussion and Analysis - Allstate Protection Segment Results, Catastrophe Reinsurance of The Allstate Corporation Form 10-Q for the quarterly period ended March 31, 2021.

The total cost of our property catastrophe reinsurance programs during the second quarter and first six months of 2021 were $128 million and $241 million, respectively, compared to $105 million and $204 million in the second quarter and first six months of 2020. The increases were due to increases in the Nationwide and Florida program costs due to program expansion for growth in policies, including National General exposures. Catastrophe placement premiums are a reduction of premium with approximately 75% related to homeowners.

Reserve reestimates were unfavorable in the second quarter of 2021 primarily due to strengthening of reserves in homeowners and commercial lines. Reserve reestimates were favorable in the first six months of 2021 due to approximately $200 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

	Three months ended June 30,				Six months ended June 30,			
	Reserve reestimate (1)		Effect on combined ratio (2)		Reserve reestimate (1)		Effect on combined ratio (2)	
($ in millions, except ratios)	2021	2020	2021	2020	2021	2020	2021	2020
Auto	$ (33)	$ (54)	(0.3)	(0.6)	$ (69)	$ (41)	(0.3)	(0.3)
Homeowners	30	23	0.3	0.3	(173)	16	(0.9)	0.1
Other personal lines	1	(2)	—	—	(17)	(8)	(0.1)	—
Commercial lines	18	21	0.2	0.2	33	27	0.2	0.1
Total Allstate Protection	**$ 16**	**$ (12)**	**0.2**	**(0.1)**	**$ (226)**	**$ (6)**	**(1.1)**	**(0.1)**
Allstate brand	$ 12	$ (11)	0.2	(0.1)	$ (216)	$ (3)	(1.0)	(0.1)
National General	4	(1)	—	—	(10)	(3)	(0.1)	—
Total Allstate Protection	**$ 16**	**$ (12)**	**0.2**	**(0.1)**	**$ (226)**	**$ (6)**	**(1.1)**	**(0.1)**

(1) Favorable reserve reestimates are shown in parentheses.

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

Expense ratio decreased 7.1 and 4.8 points in the second quarter and first six months of 2021, respectively, compared to the same periods of 2020, primarily due to the following:

- Lower Shelter-in-Place Payback expense and a reduction in bad debt expense related to 2020 Special Payment Plan enrollments
- Lower operating expenses
- Partially offset by increased amortization of DAC, advertising expense, amortization of purchased intangibles and restructuring and related charges

Impact of specific costs and expenses on the expense ratio

($ in millions, except ratios)	Three months ended June 30, 2021	Three months ended June 30, 2020	Change	Six months ended June 30, 2021	Six months ended June 30, 2020	Change
Amortization of DAC	$ 1,319	$ 1,149	$ 170	$ 2,622	$ 2,316	$ 306
Advertising expense	312	213	99	624	413	211
Amortization of purchased intangibles	71	3	68	90	4	86
Other costs and expenses, net of other revenue	694	666	28	1,325	1,362	(37)
Restructuring and related charges	65	8	57	97	12	85
Shelter-in-Place Payback expense	29	738	(709)	29	948	(919)
Allstate Special Payment plan bad debt expense	(14)	44	(58)	(19)	47	(66)
Total underwriting expenses	**$ 2,476**	**$ 2,821**	**$ (345)**	**$ 4,768**	**$ 5,102**	**$ (334)**
Premiums earned	**$ 10,009**	**$ 8,863**	**$ 1,146**	**$ 19,905**	**$ 17,744**	**$ 2,161**
Expense ratio						
Amortization of DAC	13.2	13.0	0.2	13.2	13.1	0.1
Advertising expense	3.1	2.4	0.7	3.1	2.3	0.8
Other costs and expenses	6.9	7.5	(0.6)	6.7	7.7	(1.0)
Subtotal	23.2	22.9	0.3	23.0	23.1	(0.1)
Amortization of purchased intangibles	0.7	—	0.7	0.5	—	0.5
Restructuring and related charges	0.6	0.1	0.5	0.5	0.1	0.4
Shelter-in-Place Payback expense	0.3	8.3	(8.0)	0.1	5.3	(5.2)
Allstate Special Payment plan bad debt expense	(0.1)	0.5	(0.6)	(0.1)	0.3	(0.4)
Total expense ratio	**24.7**	**31.8**	**(7.1)**	**24.0**	**28.8**	**(4.8)**

Run-off Property-Liability Segment

Underwriting results

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Claims and claims expense	$ (1)	$ (2)	$ (2)	$ (4)
Operating costs and expenses [1]	(1)	(1)	(3)	(2)
Underwriting loss	**$ (2)**	**$ (3)**	**$ (5)**	**$ (6)**

[1] Includes $781 thousand of restructuring and related charges for the second quarter of 2021.

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

($ in millions)	June 30, 2021	December 31, 2020
Asbestos claims		
Gross reserves	$ 1,166	$ 1,204
Reinsurance	(365)	(377)
Net reserves	801	827
Environmental claims		
Gross reserves	240	249
Reinsurance	(42)	(43)
Net reserves	198	206
Other run-off claims		
Gross reserves	424	435
Reinsurance	(56)	(60)
Net reserves	368	375
Total		
Gross reserves	1,830	1,888
Reinsurance	(463)	(480)
Net reserves	**$ 1,367**	**$ 1,408**

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

($ in millions)	June 30, 2021	December 31, 2020
Direct excess commercial insurance		
Gross reserves	$ 976	$ 1,011
Reinsurance	(343)	(358)
Net reserves	633	653
Assumed reinsurance coverage		
Gross reserves	614	636
Reinsurance	(56)	(58)
Net reserves	558	578
Direct primary commercial insurance		
Gross reserves	159	160
Reinsurance	(63)	(63)
Net reserves	96	97
Other run-off business		
Gross reserves	1	2
Reinsurance	—	—
Net reserves	1	2
Unallocated loss adjustment expenses		
Gross reserves	80	79
Reinsurance	(1)	(1)
Net reserves	79	78
Total		
Gross reserves	1,830	1,888
Reinsurance	(463)	(480)
Net reserves	**$ 1,367**	**$ 1,408**

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

	June 30, 2021		December 31, 2020	
	Case	IBNR	Case	IBNR
Direct excess commercial insurance				
Gross reserves [1]	71 %	29 %	65 %	35 %
Ceded [2]	78	22	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 63% of gross case reserves as of June 30, 2021 are subject to settlement agreements.
(2) Approximately 70% of ceded case reserves as of June 30, 2021 are subject to settlement agreements.

Gross payments from case reserves by type of exposure

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Direct excess commercial insurance				
Gross [1]	$ 16	$ 9	$ 34	$ 38
Ceded [2]	(7)	(3)	(15)	(14)
Assumed reinsurance coverage				
Gross	11	13	22	22
Ceded	(1)	(1)	(3)	(2)
Direct primary commercial insurance				
Gross	2	1	6	3
Ceded	(2)	—	(3)	(1)

(1) In the second quarter and first six months of 2021, 73% and 74% of payments related to settlement agreements.
(2) In the second quarter and first six months of 2021, 79% and 79% of payments related to settlement agreements.

Total net reserves as of June 30, 2021, included $639 million or 47% of estimated IBNR reserves compared to $695 million or 49% of estimated IBNR reserves as of December 31, 2020.

Total gross payments were $29 million and $62 million for the second quarter and first six months of 2021, respectively. Payments for the second quarter and first six months 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 $11 million and $24 million for the second quarter and first six months of 2021, respectively.

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Premiums written	$ 692	$ 467	$ 1,275	$ 846
Revenues				
Premiums	$ 435	$ 360	$ 846	$ 714
Other revenue	88	51	178	103
Intersegment insurance premiums and service fees [(1)]	46	35	87	73
Net investment income	12	11	22	21
Costs and expenses				
Claims and claims expense	(109)	(85)	(212)	(177)
Amortization of DAC	(194)	(160)	(375)	(313)
Operating costs and expenses	(203)	(163)	(401)	(324)
Restructuring and related charges	(4)	(3)	(13)	(3)
Income tax expense on operations	(15)	(8)	(27)	(19)
Adjusted net income	**$ 56**	**$ 38**	**$ 105**	**$ 75**
Allstate Protection Plans	$ 42	$ 35	$ 87	$ 69
Allstate Dealer Services	10	8	18	15
Allstate Roadside	2	2	6	4
Arity	1	(3)	3	(6)
Allstate Identity Protection	1	(4)	(9)	(7)
Adjusted net income	**$ 56**	**$ 38**	**$ 105**	**$ 75**
Allstate Protection Plans			139,453	120,301
Allstate Dealer Services			4,013	4,101
Allstate Roadside			539	562
Allstate Identity Protection			3,041	2,312
Policies in force as of June 30 (in thousands)			**147,046**	**127,276**

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

Adjusted net income increased 47.4% or $18 million in the second quarter of 2021 and increased 40.0% or $30 million in the first six months of 2021 compared to the same periods of 2020, primarily due to growth at Allstate Protection Plans and Allstate Identity Protection. Adjusted net income in the first six months of 2021 was also impacted by restructuring charges at Allstate Identity Protection in the first quarter of 2021.

Premiums written increased 48.2% or $225 million in the second quarter of 2021 and increased 50.7% or $429 million in the first six months of 2021 compared to the same periods of 2020, primarily due to growth at Allstate Protection Plans, increased auto industry sales at Allstate Dealer Services and lower volumes in the second quarter of 2020 at Allstate Dealer Services and Allstate Roadside from the impacts of the pandemic.

PIF increased 15.5% or 20 million to 147 million as of June 30, 2021 compared to June 30, 2020 due to continued growth at Allstate Protection Plans and Allstate Identity Protection.

Other revenue increased 72.5% or $37 million in the second quarter of 2021 and increased 72.8% or $75 million in the first six months of 2021 compared to the same periods of 2020, reflecting the addition of LeadCloud and Transparent.ly, which were acquired as part of the National General acquisition.

Intersegment premiums and service fees increased 31.4% or $11 million in the second quarter of 2021 and increased 19.2% or $14 million in the first six months of 2021 compared to the same periods of 2020, primarily related to increased device sales through Arity driven by growth in the Allstate Brand Milewise® product and growth in automotive rescue services provided by Allstate Roadside for Allstate Brand auto customers.

Claims and claims expense increased 28.2% or $24 million in the second quarter 2021 and increased 19.8% or $35 million in the first six months of 2021 compared to the same periods of 2020, primarily due to higher levels of claims at Allstate Protection Plans driven by growth of the business and increased claims at Allstate Roadside due to higher severity and rescue volumes.

Amortization of DAC increased 21.3% or $34 million in the second quarter of 2021 and increased 19.8% or $62 million in the first six months of 2021 compared to the same periods of 2020, primarily due to the growth experienced at Allstate Protection Plans and Allstate Dealer Services.

Operating costs and expenses increased 24.5% or $40 million in the second quarter of 2021 and increased 23.8% or $77 million in the first six months of 2021 compared to the same periods 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 $1 million in the second quarter of 2021 and increased $10 million in the first six months of 2021 compared to the same periods of 2020, primarily due to a facility closure at Allstate Identity Protection in the first quarter of 2021.

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenues				
Accident and health insurance premiums and contract charges	$ 447	$ 263	$ 902	$ 545
Other revenue	83	—	163	—
Net investment income	19	20	38	40
Costs and expenses				
Accident and health insurance policy benefits	(244)	(123)	(477)	(264)
Interest credited to contractholder funds	(8)	(9)	(17)	(18)
Amortization of DAC	(32)	(35)	(71)	(80)
Operating costs and expenses	(186)	(110)	(376)	(185)
Restructuring and related charges	(1)	(1)	(1)	(1)
Income tax expense on operations	(16)	—	(34)	(8)
Adjusted net income	**$ 62**	**$ 5**	**$ 127**	**$ 29**
Benefit ratio (1)	54.6	46.8	52.9	48.4
Employer voluntary benefits (2)			3,913	4,410
Group health (3)			120	—
Individual accident and health (4)			419	—
Policies in force as of June 30 (in thousands)			**4,452**	**4,410**

(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 $57 million and $98 million in the second quarter and the first six months of 2021, respectively, compared to the same periods 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. Results for the second quarter of 2020 included an after-tax charge of $32 million related to the write-off of previously capitalized software.

Premiums and contract charges increased 70.0% or $184 million in the second quarter of 2021 and increased 65.5% or $357 million in the first six months of 2021 compared to the same periods 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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Employer voluntary benefits	$ 255	$ 263	$ 518	$ 545
Group health	87	—	170	—
Individual accident and health	105	—	214	—
Premiums and contract charges	**$ 447**	**$ 263**	**$ 902**	**$ 545**

Other revenue of $83 million and $163 million in the second quarter and first six months of 2021, respectively, reflects National General's commission revenue, group health administrative fees, agency fees and technology fees.

Accident and health insurance policy benefits increased 98.4% or $121 million in the second quarter of 2021 and increased 80.7% or $213 million in the first six months of 2021, respectively, compared to the same periods of 2020, primarily due to the addition of the group health and individual accident and health products.

Benefit ratio increased to 54.6 and 52.9 in the second quarter and the first six months of 2021 compared to 46.8 and 48.4 in the same periods of 2020, primarily due to a higher benefit ratio associated with group health products added in 2021 and a higher benefit ratio for employer voluntary benefit products due to lower claim experience in the prior year, primarily driven by the impacts of the pandemic on benefit utilization. This was partially offset by a lower benefit ratio associated with individual accident and health products added in 2021.

Amortization of DAC decreased 8.6% or $3 million in the second quarter of 2021 and decreased 11.3% or $9 million in the first six months 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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Non-deferrable commissions	$ 77	$ 25	$ 151	$ 51
General and administrative expenses	109	85	225	134
Total operating costs and expenses	**$ 186**	**$ 110**	**$ 376**	**$ 185**

Operating costs and expenses increased $76 million in the second quarter of 2021 and increased $191 million in the first six months of 2021 compared to the same periods of 2020, primarily due to the addition of the group health and individual accident and health business in 2021, partially offset by a write-off of capitalized software costs associated with a billing system in the prior year.

Analysis of reserves

Reserve for future policy benefits

($ in millions)	June 30, 2021	December 31, 2020
Traditional life insurance	$ 298	$ 299
Accident and health insurance	941	729
Reserve for future policy benefits	**$ 1,239**	**$ 1,028**

Investments

Portfolio composition and strategy by reporting segment [(1)]

($ in millions)	June 30, 2021 Property-Liability	Protection Services	Allstate Health and Benefits	Corporate and Other	Total
Fixed income securities [(2)]	$ 36,436	$ 1,720	$ 1,814	$ 2,855	$ 42,825
Equity securities [(3)]	2,224	145	80	610	3,059
Mortgage loans, net	662	—	124	—	786
Limited partnership interests	7,073	—	—	—	7,073
Short-term investments [(4)]	4,425	193	55	843	5,516
Other, net	3,147	—	162	2	3,311
Total	**$ 53,967**	**$ 2,058**	**$ 2,235**	**$ 4,310**	**$ 62,570**
Percent to total	**86.2 %**	**3.3 %**	**3.6 %**	**6.9 %**	**100.0 %**
Market-based	$ 45,759	$ 2,058	$ 2,235	$ 4,308	$ 54,360
Performance-based	8,208	—	—	2	8,210
Total	**$ 53,967**	**$ 2,058**	**$ 2,235**	**$ 4,310**	**$ 62,570**

(1) Balances reflect the elimination of related party investments between segments.

(2) Fixed income securities are carried at fair value. Amortized cost, net for these securities was $35.15 billion, $1.67 billion, $1.72 billion, $2.81 billion and $41.34 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 June 30, 2021, was $522 million in excess of cost. These net gains were primarily concentrated in equity index funds and the banking and technology sectors. Equity securities include $993 million of funds with underlying investments in fixed income securities as of June 30, 2021.

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

Investments totaled $62.57 billion as of June 30, 2021, increasing from $59.54 billion as of December 31, 2020, primarily due to positive operating cash flows, partially offset by common share repurchases 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 July 2021, the Federal Open Market Committee (“FOMC”) maintained the target range for federal funds at 0 percent to 1/4 percent. The FOMC noted progress on vaccinations will likely continue to reduce the effects of the public health crisis on the economy, but 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.

As long as market yields remain below the current portfolio yield, market-based portfolio yield is expected to decline resulting 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)	June 30, 2021 Market-based	Performance-based	Total
Fixed income securities	$ 42,730	$ 95	$ 42,825
Equity securities	2,676	383	3,059
Mortgage loans, net	786	—	786
Limited partnership interests	271	6,802	7,073
Short-term investments	5,516	—	5,516
Other, net	2,381	930	3,311
Total	**$ 54,360**	**$ 8,210**	**$ 62,570**
Percent to total	**86.9 %**	**13.1 %**	**100.0 %**
Unrealized net capital gains and losses			
Fixed income securities	$ 1,479	$ 2	$ 1,481
Limited partnership interests	—	(1)	(1)
Other	(3)	—	(3)
Total	**$ 1,476**	**$ 1**	**$ 1,477**

Fixed income securities

Fixed income securities by type

($ in millions)	Fair value as of June 30, 2021	December 31, 2020
U.S. government and agencies	$ 4,775	$ 2,107
Municipal	7,649	7,578
Corporate	28,278	31,017
Foreign government	1,006	958
Asset-backed securities (“ABS”)	1,066	846
Mortgage-backed securities (“MBS”)	51	59
Total fixed income securities	**$ 42,825**	**$ 42,565**

Fixed income securities are rated by third-party credit rating agencies and/or are internally rated. As of June 30, 2021, 85.1% 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

	June 30, 2021					
	A and above		BBB		BB	
($ in millions)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)
U.S. government and agencies	$ 4,775	$ 9	$ —	$ —	$ —	$ —
Municipal	7,396	355	236	9	2	—
Corporate						
Public	5,268	177	11,348	544	1,626	101
Privately placed	1,864	49	3,510	111	2,187	56
Total corporate	7,132	226	14,858	655	3,813	157
Foreign government	1,005	12	1	—	—	—
ABS	1,002	5	10	—	6	—
MBS	48	1	—	—	3	—
Total fixed income securities	**$ 21,358**	**$ 608**	**$ 15,105**	**$ 664**	**$ 3,824**	**$ 157**

	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	$ —	$ —	$ —	$ —	$ 4,775	$ 9
Municipal	10	—	5	1	7,649	365
Corporate						
Public	273	6	2	—	18,517	828
Privately placed	1,905	40	295	(2)	9,761	254
Total corporate	2,178	46	297	(2)	28,278	1,082
Foreign government	—	—	—	—	1,006	12
ABS	3	—	45	7	1,066	12
MBS	—	—	—	—	51	1
Total fixed income securities	**$ 2,191**	**$ 46**	**$ 347**	**$ 6**	**$ 42,825**	**$ 1,481**

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.

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

Limited partnership interests include $5.86 billion of interests in private equity funds, $939 million of interests in real estate funds and $271 million of interests in other funds as of June 30, 2021.

We have commitments to invest additional amounts in limited partnership interests totaling $2.47 billion as of June 30, 2021.

Other investments include $822 million of direct investments in real estate as of June 30, 2021.

Unrealized net capital gains (losses)

($ in millions)	June 30, 2021	December 31, 2020
U.S. government and agencies	$ 9	$ 49
Municipal	365	478
Corporate	1,082	1,960
Foreign government	12	37
ABS	12	6
MBS	1	1
Fixed income securities	**1,481**	**2,531**
Derivatives	(3)	(3)
EMA limited partnerships	(1)	(1)
Unrealized net capital gains and losses, pre-tax	**$ 1,477**	**$ 2,527**

Gross unrealized gains (losses) on fixed income securities by type and sector				
	June 30, 2021			
		Gross unrealized		
($ in millions)	**Amortized cost, net**	**Gains**	**Losses**	**Fair value**
Corporate				
Consumer goods (cyclical and non-cyclical)	6,808	281	(19)	7,070
Utilities	2,211	84	(17)	2,278
Communications	2,266	104	(13)	2,357
Banking	4,070	118	(10)	4,178
Technology	3,009	137	(6)	3,140
Transportation	1,028	58	(6)	1,080
Financial services	1,837	72	(5)	1,904
Energy	1,697	95	(4)	1,788
Capital goods	2,599	122	(3)	2,718
Basic industry	1,361	92	(1)	1,452
Other	310	4	(1)	313
Total corporate fixed income portfolio	**27,196**	**1,167**	**(85)**	**28,278**
U.S. government and agencies	4,766	24	(15)	4,775
Municipal	7,284	374	(9)	7,649
Foreign government	994	17	(5)	1,006
ABS	1,054	13	(1)	1,066
MBS	50	1	—	51
Total fixed income securities	**$ 41,344**	**$ 1,596**	**$ (115)**	**$ 42,825**

Gross unrealized gains (losses) on fixed income securities by type and sector				
	December 31, 2020			
		Gross unrealized		
($ in millions)	**Amortized cost**	**Gains**	**Losses**	**Fair value**
Corporate				
Consumer goods (cyclical and non-cyclical)	7,820	516	(2)	8,334
Utilities	2,749	156	(2)	2,903
Communications	2,529	201	(4)	2,726
Banking	4,353	244	—	4,597
Technology	2,443	191	(1)	2,633
Transportation	1,055	84	(11)	1,128
Financial services	1,785	116	(2)	1,899
Energy	1,690	129	(4)	1,815
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

($ in millions)	June 30, 2021 Cost	June 30, 2021 Over (under) cost	June 30, 2021 Fair value	December 31, 2020 Cost	December 31, 2020 Over (under) cost	December 31, 2020 Fair value
Capital Goods	$ 116	$ (10)	$ 106	$ 92	$ (4)	$ 88
Utilities	38	8	46	37	3	40
Basic Industry	31	10	41	29	10	39
Transportation	30	11	41	24	7	31
Energy	67	16	83	84	(1)	83
Other [1]	988	340	1,328	823	211	1,034
Funds						
Fixed income	945	48	993	804	55	859
Equities	315	99	414	847	147	994
Other	7	—	7	—	—	—
Total funds	1,267	147	1,414	1,651	202	1,853
Total equity securities	**$ 2,537**	**$ 522**	**$ 3,059**	**$ 2,740**	**$ 428**	**$ 3,168**

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

Net investment income

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Fixed income securities	$ 290	$ 306	$ 591	$ 604
Equity securities	13	21	27	31
Mortgage loans	12	8	22	17
Limited partnership interests	651	(117)	1,029	(194)
Short-term investments	1	2	2	13
Other	48	31	89	62
Investment income, before expense	1,015	251	1,760	533
Investment expense				
Investee level expenses	(11)	(9)	(24)	(17)
Securities lending expense	—	—	—	(4)
Operating costs and expenses	(30)	(22)	(54)	(46)
Total investment expense	(41)	(31)	(78)	(67)
Net investment income	**$ 974**	**$ 220**	**$ 1,682**	**$ 466**
Property-Liability	931	178	$ 1,604	$ 380
Protection Services	12	11	22	21
Allstate Health and Benefits	19	20	38	40
Corporate and Other	12	11	18	25
Net investment income	**$ 974**	**$ 220**	**$ 1,682**	**$ 466**
Market-based	356	353	711	714
Performance-based	659	(102)	1,049	(181)
Investment income, before expense	**$ 1,015**	**$ 251**	**$ 1,760**	**$ 533**

Net investment income increased $754 million and $1.22 billion in the second quarter and first six months of 2021, respectively, compared to the same periods of 2020, primarily due to increases in performance-based income results, mainly from limited partnerships.

Performance-based investment income

($ in millions)	Three months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
Private equity	$ 552	$ (110)	$ 882	$ (205)
Real estate	107	8	167	24
Total performance-based income before investee level expenses	**$ 659**	**$ (102)**	**$ 1,049**	**$ (181)**
Investee level expenses [(1)]	(10)	(8)	(22)	(15)
Total performance-based income	**$ 649**	**$ (110)**	**$ 1,027**	**$ (196)**

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

Performance-based investment income increased $759 million and $1.22 billion in the second quarter and the first six months of 2021, respectively, compared to the same periods 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 six months 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 June 30, 2021	2020	Six months ended June 30, 2021	2020
Sales	$ 115	$ 160	$ 361	$ 548
Credit losses	12	1	14	(36)
Valuation of equity investments - appreciation (decline):				
Equity securities	138	182	319	(188)
Equity fund investments in fixed income securities	14	66	(3)	(74)
Limited partnerships [(1)]	11	17	14	(64)
Total valuation of equity investments	**163**	**265**	**330**	**(326)**
Valuation and settlements of derivative instruments	(3)	14	8	92
Realized capital gains (losses), pre-tax	**287**	**440**	**713**	**278**
Income tax expense	(64)	(96)	(158)	(62)
Realized capital gains (losses), after-tax	**$ 223**	**$ 344**	**$ 555**	**$ 216**
Property-Liability	207	299	$ 521	$ 217
Protection Services	4	15	12	(4)
Allstate Health and Benefits	3	7	5	(3)
Corporate and Other	9	23	17	6
Realized capital gains (losses), after-tax	**$ 223**	**$ 344**	**$ 555**	**$ 216**
Market-based	248	444	$ 585	$ 257
Performance-based	39	(4)	128	21
Realized capital gains (losses), pre-tax	**287**	**440**	**$ 713**	**$ 278**

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

Realized capital gains in the second quarter and first six months of 2021 related primarily to increased valuation of equity investments, gains on sales of fixed income securities in connection with ongoing portfolio management and gains on sales of real estate investments.

Realized capital gains (losses) for performance-based investments				
	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2021	2020	2021	2020
Sales	$ 25	$ (5)	$ 84	$ 8
Credit losses	—	(2)	—	(8)
Valuation of equity investments	17	6	37	(1)
Valuation and settlements of derivative instruments	(3)	(3)	7	22
Total performance-based	**$ 39**	**$ (4)**	**$ 128**	**$ 21**

Realized capital gains for performance-based investments in the second quarter and first six months of 2021 primarily related to gains on sales of real estate investments and increased valuation of equity 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)	June 30, 2021	December 31, 2020
Preferred stock, common stock, treasury stock, retained income and other shareholders' equity items	$ 25,917	$ 26,913
Accumulated other comprehensive income	2,290	3,304
Total Allstate shareholders' equity	**28,207**	**30,217**
Debt	7,996	7,825
Total capital resources	**$ 36,203**	**$ 38,042**
Ratio of debt to Allstate shareholders' equity	28.3 %	25.9 %
Ratio of debt to capital resources	22.1	20.6

Allstate shareholders' equity decreased in the first six months of 2021, primarily due to common share repurchases, decreased unrealized capital gains on investments and dividends paid to shareholders, partially offset by net income. In the six months ended June 30, 2021, we paid dividends of $409 million and $57 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 June 30, 2021, there was $397 million remaining on the $3.00 billion common share repurchase program which is expected to be completed by the end of August 2021.

On August 4, 2021, the Board authorized a new $5.00 billion common share repurchase program that is expected to be completed by March 31, 2023.

During the first six months of 2021, we repurchased 9.6 million common shares, or 3.2% of total common shares outstanding at December 31, 2020, for $1.16 billion.

Common shareholder dividends On January 4, 2021 and April 1, 2021 we paid a common shareholder dividend of $0.54 and $0.81, respectively. On May 25, 2021 and July 15, 2021, we declared a common shareholder dividend of $0.81 payable on July 1, 2021 and October 1, 2021, respectively.

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

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 rating of Aa3 for Allstate Insurance Company ("AIC"). The outlook for the ratings is stable.

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

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

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 Allstate Life Insurance Company ("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 $4.30 billion as of June 30, 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 June 30, 2021, we held $7.60 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 six months of 2021 between the following companies: AIC, Allstate Insurance Holdings, LLC ("AIH"), the Corporation and ALIC.

Intercompany dividends	
($ in millions)	**June 30, 2021**
AIC to AIH	$ 4,389
AIH to the Corporation	4,389
ALIC to AIC	392

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 June 30, 2021, we paid dividends of $4.39 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 June 30, 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 six 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 18.4% as of June 30, 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 June 30, 2021, there were no balances outstanding for the credit facility or the commercial paper facility and therefore the remaining borrowing capacity was $750 million.
- The Corporation has access to a universal shelf registration statement with the Securities and Exchange Commission that expires in 2024. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 603 million shares of treasury stock as of June 30, 2021), preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries. The specific terms of any securities we issue under this registration statement will be provided in the applicable prospectus supplements.

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 June 30, 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 [2]	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs [3]
April 1, 2021 - April 30, 2021				
Open Market Purchases	1,464,140	$ 121.04	1,463,600	
May 1, 2021 - May 31, 2021				
Open Market Purchases	1,376,467	$ 134.06	1,290,683	
June 1, 2021 - June 30, 2021				
Open Market Purchases	1,612,369	$ 131.38	1,611,300	
Total	**4,452,976**	**$ 128.81**	**4,365,583**	**$ 397 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.

April: 540
May: 85,784
June: 1,069

[2] From time to time, repurchases under our programs are executed under the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934.

[3] In February 2020, we announced the approval of a common share repurchase program for $3 billion which is expected to be completed by the end of August 2021.

Item 6. Exhibits

(a) Exhibits

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

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
3.1	Amended and Restated Bylaws of The Allstate Corporation, as amended July 16, 2021	8-K	1-11840	3.1	July 16, 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					
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated August 4, 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)

August 4, 2021	By	/s/ John C. Pintozzi
		John C. Pintozzi
		Senior Vice President, Controller and Chief Accounting Officer
		(Authorized Signatory and Principal Accounting Officer)

Exhibit 15

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 June 30, 2021 and 2020, as indicated in our report dated August 4, 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 June 30, 2021, is incorporated by reference in the following Registration Statements:

Form S-3 Registration Statement Nos.	Form S-8 Registration Statement Nos.
333-255698	333-04919
	333-40283
	333-134243
	333-175526
	333-188821
	333-200390
	333-218343
	333-228490
	333-228491
	333-228492
	333-231753

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
August 4, 2021

Certifications **Exhibit 31 (i)**

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: August 4, 2021

/s/ Thomas J. Wilson

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

Certifications **Exhibit 31 (i)**

I, Mario Rizzo, certify that:

1. I have reviewed this 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: August 4, 2021

/s/ Mario Rizzo

Mario Rizzo

Executive Vice President and Chief Financial Officer

Exhibit 32

Section 1350 Certifications

Each of the undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q for the fiscal period ended June 30, 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: August 4, 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