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, 2023

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.)

3100 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 5.100% 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
Depositary Shares represent 1/1,000th of a share of 7.375% Noncumulative Preferred Stock, Series J	ALL PR J	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 17, 2023, the registrant had 261,573,754 common shares, $.01 par value, outstanding.

The Allstate Corporation
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June 30, 2023

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Part I. Financial Information

Item 1. Financial Statements

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

(In millions, except per share data)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenues				
Property and casualty insurance premiums	$ 12,470	$ 11,362	$ 24,643	$ 22,343
Accident and health insurance premiums and contract charges	453	465	916	933
Other revenue	597	563	1,158	1,123
Net investment income	610	562	1,185	1,156
Net gains (losses) on investments and derivatives	(151)	(733)	(137)	(1,000)
Total revenues	**13,979**	**12,219**	**27,765**	**24,555**
Costs and expenses				
Property and casualty insurance claims and claims expense	11,727	9,367	22,053	17,189
Accident, health and other policy benefits	258	265	523	533
Amortization of deferred policy acquisition costs	1,789	1,618	3,533	3,226
Operating costs and expenses	1,786	1,850	3,502	3,752
Pension and other postretirement remeasurement (gains) losses	(40)	259	(93)	12
Restructuring and related charges	27	1	54	13
Amortization of purchased intangibles	82	87	163	174
Interest expense	98	83	184	166
Total costs and expenses	**15,727**	**13,530**	**29,919**	**25,065**
Loss from operations before income tax expense	**(1,748)**	**(1,311)**	**(2,154)**	**(510)**
Income tax benefit	(373)	(289)	(458)	(138)
Net loss	**(1,375)**	**(1,022)**	**(1,696)**	**(372)**
Less: Net loss attributable to noncontrolling interest	(23)	(9)	(24)	(19)
Net loss attributable to Allstate	**(1,352)**	**(1,013)**	**(1,672)**	**(353)**
Less: Preferred stock dividends	37	27	63	53
Net loss applicable to common shareholders	**$ (1,389)**	**$ (1,040)**	**$ (1,735)**	**$ (406)**
Earnings per common share:				
Net loss applicable to common shareholders per common share - Basic	$ (5.29)	$ (3.80)	$ (6.59)	$ (1.47)
Weighted average common shares - Basic	262.6	273.8	263.1	275.9
Net loss applicable to common shareholders per common share - Diluted	$ (5.29)	$ (3.80)	$ (6.59)	$ (1.47)
Weighted average common shares - Diluted	262.6	273.8	263.1	275.9

See notes to condensed consolidated financial statements.

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

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net loss	**$ (1,375)**	**$ (1,022)**	**$ (1,696)**	**$ (372)**
Other comprehensive (loss) income, after-tax				
Changes in:				
Unrealized net capital gains and losses	(272)	(1,144)	410	(2,738)
Unrealized foreign currency translation adjustments	28	(47)	78	(47)
Unamortized pension and other postretirement prior service credit	(5)	(15)	(9)	(30)
Discount rate for reserve for future policy benefits	8	85	(1)	180
Other comprehensive (loss) income, after-tax	**(241)**	**(1,121)**	**478**	**(2,635)**
Comprehensive loss	**(1,616)**	**(2,143)**	**(1,218)**	**(3,007)**
Less: Comprehensive loss attributable to noncontrolling interest	(24)	(17)	(20)	(39)
Comprehensive loss attributable to Allstate	**$ (1,592)**	**$ (2,126)**	**$ (1,198)**	**$ (2,968)**

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, 2023	December 31, 2022
Assets		
Investments		
Fixed income securities, at fair value (amortized cost, net $47,904 and $45,370)	$ 45,550	$ 42,485
Equity securities, at fair value (cost $2,231 and $4,253)	2,290	4,567
Mortgage loans, net	823	762
Limited partnership interests	8,150	8,114
Short-term, at fair value (amortized cost $5,138 and $4,174)	5,137	4,173
Other investments, net	1,718	1,728
Total investments	**63,668**	**61,829**
Cash	699	736
Premium installment receivables, net	9,713	9,165
Deferred policy acquisition costs	5,607	5,442
Reinsurance and indemnification recoverables, net	9,151	9,619
Accrued investment income	471	423
Deferred income taxes	480	382
Property and equipment, net	945	987
Goodwill	3,502	3,502
Other assets, net	6,278	5,904
Total assets	**100,514**	**97,989**
Liabilities		
Reserve for property and casualty insurance claims and claims expense	40,531	37,541
Reserve for future policy benefits	1,339	1,322
Contractholder funds	881	879
Unearned premiums	23,355	22,299
Claim payments outstanding	1,387	1,268
Other liabilities and accrued expenses	9,700	9,353
Debt	7,949	7,964
Total liabilities	**85,142**	**80,626**
Commitments and Contingent Liabilities (Note 14)		
Equity		
Preferred stock and additional capital paid-in, $1 par value, 25 million shares authorized, 82.0 thousand and 81.0 thousand shares issued and outstanding, $2,050 and $2,025 aggregate liquidation preference	2,001	1,970
Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 262 million and 263 million shares outstanding	9	9
Additional capital paid-in	3,786	3,788
Retained income	48,766	50,970
Treasury stock, at cost (638 million and 637 million shares)	(37,131)	(36,857)
Accumulated other comprehensive income (loss):		
Unrealized net capital gains and losses	(1,845)	(2,255)
Unrealized foreign currency translation adjustments	(87)	(165)
Unamortized pension and other postretirement prior service credit	20	29
Discount rate for reserve for future policy benefits	(2)	(1)
Total accumulated other comprehensive income	**(1,914)**	**(2,392)**
Total Allstate shareholders' equity	**15,517**	**17,488**
Noncontrolling interest	(145)	(125)
Total equity	**15,372**	**17,363**
Total liabilities and equity	**$ 100,514**	**$ 97,989**

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Preferred stock par value	$ —	$ —	$ —	$ —
Preferred stock additional capital paid-in				
Balance, beginning of period	1,970	1,970	1,970	1,970
Preferred stock issuance, net of issuance costs	587	—	587	—
Preferred stock redemption	(556)	—	(556)	—
Balance, end of period	**2,001**	**1,970**	**2,001**	**1,970**
Common stock par value	**9**	**9**	**9**	**9**
Common stock additional capital paid-in				
Balance, beginning of period	3,780	3,706	3,788	3,722
Equity incentive plans activity	6	34	(2)	18
Balance, end of period	**3,786**	**3,740**	**3,786**	**3,740**
Retained income				
Balance, beginning of period	50,388	53,686	50,970	53,288
Net loss	(1,352)	(1,013)	(1,672)	(353)
Dividends on common stock (declared per share of $0.89, $0.85, $1.78 and $1.70)	(233)	(234)	(469)	(470)
Dividends on preferred stock	(37)	(27)	(63)	(53)
Balance, end of period	**48,766**	**52,412**	**48,766**	**52,412**
Treasury stock				
Balance, beginning of period	(36,980)	(35,208)	(36,857)	(34,471)
Shares acquired	(154)	(683)	(307)	(1,477)
Shares reissued under equity incentive plans, net	3	33	33	90
Balance, end of period	**(37,131)**	**(35,858)**	**(37,131)**	**(35,858)**
Accumulated other comprehensive income (loss)				
Balance, beginning of period	(1,673)	(1,088)	(2,392)	426
Change in unrealized net capital gains and losses	(272)	(1,144)	410	(2,738)
Change in unrealized foreign currency translation adjustments	28	(47)	78	(47)
Change in unamortized pension and other postretirement prior service credit	(5)	(15)	(9)	(30)
Change in discount rate for reserve for future policy benefits	8	85	(1)	180
Balance, end of period	**(1,914)**	**(2,209)**	**(1,914)**	**(2,209)**
Total Allstate shareholders' equity	**15,517**	**20,064**	**15,517**	**20,064**
Noncontrolling interest				
Balance, beginning of period	(121)	(74)	(125)	(52)
Change in unrealized net capital gains and losses	(1)	(8)	4	(20)
Noncontrolling loss	(23)	(9)	(24)	(19)
Balance, end of period	**(145)**	**(91)**	**(145)**	**(91)**
Total equity	**$ 15,372**	**$ 19,973**	**$ 15,372**	**$ 19,973**

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, 2023	2022
Cash flows from operating activities		
Net loss	$ (1,696)	$ (372)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and other non-cash items	363	452
Net (gains) losses on investments and derivatives	137	1,000
Pension and other postretirement remeasurement (gains) losses	(93)	12
Changes in:		
Policy benefits and other insurance reserves	2,917	1,222
Unearned premiums	1,032	1,201
Deferred policy acquisition costs	(162)	(315)
Premium installment receivables, net	(532)	(664)
Reinsurance recoverables, net	468	645
Income taxes	(538)	(288)
Other operating assets and liabilities	(126)	(788)
Net cash provided by operating activities	**1,770**	**2,105**
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	12,454	19,928
Equity securities	4,183	7,622
Limited partnership interests	516	633
Other investments	81	926
Investment collections		
Fixed income securities	992	259
Mortgage loans	36	60
Other investments	53	110
Investment purchases		
Fixed income securities	(15,875)	(22,907)
Equity securities	(1,717)	(6,028)
Limited partnership interests	(424)	(590)
Mortgage loans	(100)	(89)
Other investments	(140)	(232)
Change in short-term and other investments, net	(986)	398
Purchases of property and equipment, net	(141)	(228)
Proceeds from sale of property and equipment	19	—
Net cash used in investing activities	**(1,049)**	**(138)**
Cash flows from financing activities		
Proceeds from issuance of debt	743	—
Repayment of debt	(750)	—
Proceeds from issuance of preferred stock	587	—
Redemption of preferred stock	(575)	—
Contractholder fund deposits	66	69
Contractholder fund withdrawals	(16)	(21)
Dividends paid on common stock	(459)	(466)
Dividends paid on preferred stock	(53)	(53)
Treasury stock purchases	(307)	(1,485)
Shares reissued under equity incentive plans, net	10	55
Other	(4)	(63)
Net cash used in financing activities	**(758)**	**(1,964)**
Net (decrease) increase in cash	**(37)**	**3**
Cash at beginning of period	736	763
Cash at end of period	**$ 699**	**$ 766**

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 (collectively referred to as the "Company" or "Allstate") and variable interest entities ("VIEs") 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, 2023 and for the three and six month periods ended June 30, 2023 and 2022 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, 2022. 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.

To reflect the application of the new guidance to all in-scope long-duration insurance contracts, certain amounts in the condensed consolidated financial statements and notes for 2022 have been recast.

Adopted accounting standard

Accounting for Long-Duration Insurance Contracts Effective January 1, 2023, the Company adopted the Financial Accounting Standards Board ("FASB") guidance revising the accounting for certain long-duration insurance contracts using the modified retrospective approach to the transition date of January 1, 2021.

Under the new guidance, measurement assumptions, including those for mortality, morbidity and policy lapses, are required to be reviewed at least annually, and updated as appropriate. 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. Additionally, deferred policy acquisition costs ("DAC") for all long-duration products are amortized on a simplified basis. Also, the Company's reserve for future policy benefits and DAC are subject to new disclosure guidance.

In addition, the Company met the conditions included in Accounting Standards Update No. 2022-05, *Transition for Sold Contracts*, and elected to not apply the new guidance for contracts that were part of the 2021 sales of Allstate Life Insurance Company ("ALIC") and Allstate Life Insurance Company of New York ("ALNY").

After-tax cumulative effect of change in accounting principle on transition date

($ in millions)	January 1, 2021
Decrease in retained income	$ 21
Decrease in accumulated other comprehensive income ("AOCI")	277
Total decrease in equity	**$ 298**

The decrease in AOCI was primarily attributable to a change in the discount rate used in measuring the reserve for future policy benefits for traditional life contracts and other long-term products with guaranteed terms from a portfolio-based rate at contract issuance to an upper-medium grade fixed income-based rate at the transition date. The decrease in retained income primarily related to certain cohorts of long-term contracts whose expected net premiums exceeded expected gross premiums which resulted in an increase in reserves and a decrease in retained income equal to the present value of expected future benefits less the present value of expected future premiums at the transition date.

Transition disclosures The following tables summarize the balance of and changes in the reserve for future policy benefits and DAC on January 1, 2021 upon the adoption of the guidance.

Impact of adoption for reserve for future policy benefits

($ in millions)	Accident and health	Traditional life	Total
Pre-adoption 12/31/2020 balance [1]	$ 728	$ 311	$ 1,039
Adjustments:			
Effect of the remeasurement of the reserve at upper-medium grade fixed income-based rate [2]	232	153	385
Adjustments for contracts with net premiums in excess of gross premiums [3]	77	—	77
Total adjustments	**309**	**153**	**462**
Post-adoption 1/1/2021 balance	**1,037**	**464**	**1,501**
Less: reinsurance recoverables [4]	159	3	162
Post-adoption 1/1/2021 balance, after reinsurance recoverables	**$ 878**	**$ 461**	**$ 1,339**

(1) Traditional life includes $11 million in reserves related to riders of traditional life insurance products reclassified from contractholder funds.

(2) Adjustment reflected with a corresponding decrease to AOCI.

(3) Adjustment reflected with a corresponding decrease to retained income.

(4) Represents post-adoption January 1, 2021 balance of reinsurance recoverables. Adjustments to reinsurance recoverables for accident and health products increased January 1, 2021 AOCI by $33 million due to the remeasurement of the reserve at upper-medium grade fixed income based rate and increased January 1, 2021 retained income by $51 million due to adjustments for contracts with net premiums in excess of gross premiums.

Impact of adoption for DAC

($ in millions)	Accident and health	Traditional life	Interest-sensitive life	Total
Pre-adoption 12/31/2020 balance	$ 343	$ 32	$ 95	$ 470
Adjustment for removal of impact of unrealized gains or losses [1]	—	—	2	2
Post-adoption 1/1/2021 balance	**$ 343**	**$ 32**	**$ 97**	**$ 472**

(1) Adjustment reflected with a corresponding increase to AOCI.

Impacts of the adoption on the financial statements

Condensed Consolidated Statements of Operations						
	As reported		Impact of change		As adjusted	
($ in millions, except per share data)	Three months ended June 30, 2022					
Revenues						
Accident and health insurance premiums and contract charges	$	466	$	(1)	$	465
Total revenues		**12,220**		**(1)**		**12,219**
Costs and expenses						
Accident, health and other policy benefits		269		(4)		265
Amortization of deferred policy acquisition costs		1,619		(1)		1,618
Total costs and expenses		**13,535**		**(5)**		**13,530**
Loss from operations before income tax expense		**(1,315)**		**4**		**(1,311)**
Income tax benefit		(291)		2		(289)
Net loss		**(1,024)**		**2**		**(1,022)**
Net loss attributable to Allstate		**(1,015)**		**2**		**(1,013)**
Net loss applicable to common shareholders	**$**	**(1,042)**	**$**	**2**	**$**	**(1,040)**
Earnings per common share:						
Net loss applicable to common shareholders per common share - Basic	$	(3.81)	$	0.01	$	(3.80)
Net loss applicable to common shareholders per common share - Diluted	$	(3.81)	$	0.01	$	(3.80)
	Six months ended June 30, 2022					
Revenues						
Accident and health insurance premiums and contract charges	$	935	$	(2)	$	933
Total revenues		**24,557**		**(2)**		**24,555**
Costs and expenses						
Accident, health and other policy benefits		538		(5)		533
Amortization of deferred policy acquisition costs		3,231		(5)		3,226
Total costs and expenses		**25,075**		**(10)**		**25,065**
Loss from operations before income tax expense		**(518)**		**8**		**(510)**
Income tax benefit		(140)		2		(138)
Net loss		**(378)**		**6**		**(372)**
Net loss attributable to Allstate		**(359)**		**6**		**(353)**
Net loss applicable to common shareholders	**$**	**(412)**	**$**	**6**	**$**	**(406)**
Earnings per common share:						
Net loss applicable to common shareholders per common share - Basic	$	(1.49)	$	0.02	$	(1.47)
Net loss applicable to common shareholders per common share - Diluted	$	(1.49)	$	0.02	$	(1.47)

Condensed Consolidated Statements of Comprehensive Income (unaudited)

($ in millions)	As reported	Impact of change	As adjusted
	Three months ended June 30, 2022		
Net loss	**$ (1,024)**	**$ 2**	**$ (1,022)**
Other comprehensive income (loss), after-tax			
Changes in:			
Unrealized net capital gains and losses	(1,143)	(1)	(1,144)
Discount rate for reserve for future policy benefits	—	85	85
Other comprehensive income (loss), after-tax	**(1,205)**	**84**	**(1,121)**
Comprehensive loss	**(2,229)**	**86**	**(2,143)**
Comprehensive loss attributable to Allstate	**$ (2,212)**	**$ 86**	**$ (2,126)**
	Six months ended June 30, 2022		
Net loss	**$ (378)**	**$ 6**	**$ (372)**
Other comprehensive income (loss), after-tax			
Changes in:			
Unrealized net capital gains and losses	(2,736)	(2)	(2,738)
Discount rate for reserve for future policy benefits	—	180	180
Other comprehensive income (loss), after-tax	**(2,813)**	**178**	**(2,635)**
Comprehensive loss	**(3,191)**	**184**	**(3,007)**
Comprehensive loss attributable to Allstate	**$ (3,152)**	**$ 184**	**$ (2,968)**

Condensed Consolidated Statements of Financial Position (unaudited)

($ in millions)	As reported	Impact of change	As adjusted
	December 31, 2022		
Assets			
Deferred policy acquisition costs	$ 5,418	$ 24	$ 5,442
Reinsurance and indemnification recoverables, net	9,606	13	9,619
Deferred income taxes	386	(4)	382
Other assets, net	5,905	(1)	5,904
Total assets	**97,957**	**32**	**97,989**
Liabilities			
Reserve for future policy benefits	1,273	49	1,322
Contractholder funds	897	(18)	879
Unearned premiums	22,311	(12)	22,299
Total liabilities	**80,607**	**19**	**80,626**
Equity			
Retained income	50,954	16	50,970
Accumulated other comprehensive income (loss):			
Unrealized net capital gains and losses	(2,253)	(2)	(2,255)
Discount rate for reserve for future policy benefits	—	(1)	(1)
Total AOCI	**(2,389)**	**(3)**	**(2,392)**
Total Allstate shareholders’ equity	**17,475**	**13**	**17,488**
Total equity	**17,350**	**13**	**17,363**
Total liabilities and equity	**$ 97,957**	**$ 32**	**$ 97,989**

Condensed Consolidated Statements of Shareholders' Equity (unaudited)

($ in millions)	As reported	Impact of change	As adjusted
	Three months ended June 30, 2022		
Retained income			
Balance, beginning of period	$ 53,688	$ (2)	$ 53,686
Net loss	(1,015)	2	(1,013)
Balance, end of period	**52,412**	**—**	**52,412**
Accumulated other comprehensive income (loss)			
Balance, beginning of period	(953)	(135)	(1,088)
Change in unrealized net capital gains and losses	(1,143)	(1)	(1,144)
Change in discount rate for reserve for future policy benefits	—	85	85
Balance, end of period	**(2,158)**	**(51)**	**(2,209)**
Total Allstate shareholders' equity	**20,115**	**(51)**	**20,064**
Total equity	**$ 20,024**	**$ (51)**	**$ 19,973**
	Six months ended June 30, 2022		
Retained income			
Balance, beginning of period	$ 53,294	$ (6)	$ 53,288
Net loss	(359)	6	(353)
Balance, end of period	**52,412**	**—**	**52,412**
Accumulated other comprehensive income (loss)			
Balance, beginning of period	655	(229)	426
Change in unrealized net capital gains and losses	(2,736)	(2)	(2,738)
Change in discount rate for reserve for future policy benefits	—	180	180
Balance, end of period	**(2,158)**	**(51)**	**(2,209)**
Total Allstate shareholders' equity	**20,115**	**(51)**	**20,064**
Total equity	**$ 20,024**	**$ (51)**	**$ 19,973**

Condensed Consolidated Statements of Cash Flows (unaudited)

($ in millions)	As reported	Impact of change	As adjusted
	Six months ended June 30, 2022		
Cash flows from operating activities			
Net loss	$ (378)	$ 6	$ (372)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Changes in:			
Policy benefits and other insurance reserves	1,223	(1)	1,222
Unearned premiums	1,202	(1)	1,201
Deferred policy acquisition costs	(310)	(5)	(315)
Reinsurance recoverables, net	645	—	645
Income taxes	(290)	2	(288)
Other operating assets and liabilities	(787)	(1)	(788)
Net cash provided by operating activities	**$ 2,105**	**$ —**	**$ 2,105**

Changes to significant accounting policies

Reserve for future policy benefits

Long-duration voluntary accident and health insurance and traditional life insurance contracts The reserve for future policy benefits ("RFPB") is calculated using the net premium reserving model, which uses the present value of insurance contract benefits less the present value of net premiums. Under the net premium reserving model, the Company computes a net premium ratio which is the present value of insurance contract benefits divided by the present value of gross premiums. The present value of contract benefits and gross premiums are determined using the discount rate at contract inception. The net premium ratio is applied to premiums due on a periodic basis to compute the RFPB. The net premium ratio is recomputed at least annually using both actual historical cash flows and future cash flows anticipated over the life of cohort of contracts subject to measurement. Assumptions including mortality, morbidity, and lapses affect the timing and amount of estimated cash flows used to calculate the RFPB.

The Company has grouped contracts into cohorts based on product type and issue year. Examples of insurance product types include whole life, term life, critical illness and disability. Issue year is based on the issuance date of the contract to the policyholder, except in the case of contracts acquired in a business combination, where the issue date is based on the acquisition date of the business combination. The RFPB is calculated for contracts in force at the end of each period, which results in the Company recognizing the effects of actual experience in the period it occurs.

Annually, in the third quarter, the Company obtains historical premiums and benefits information and evaluates future cash flow assumptions that include mortality, morbidity, and terminations, and updates cash flow assumptions as necessary. The Company has elected to not update the expense assumption when annually reviewing and updating future cash flow assumptions. Actual premiums and benefits and any updates to future cash flow assumptions are incorporated into the calculation of an updated net premium ratio. Updates for actual premiums and benefits and changes to future cash flow assumptions will result in a liability remeasurement gain or loss that is recognized in net income. The first step to determining the liability remeasurement gain or loss is to calculate the RFPB using revised net premiums discounted at the locked-in discount rate set at contract issuance. The result of the first step is then compared to the carrying amount of the RFPB before the updates for actual experience and changes to future cash flow assumptions. The decrease (gain) or increase (loss) in the RFPB is reported as liability remeasurement gain or loss in net income and presented parenthetically as part of Accident, health and other policy benefits on the Condensed Consolidated Statements of Operations. The updated net premium ratio is used in future quarters to measure the RFPB until the next annual update or an earlier date if the Company determines it is necessary to revise future cash flow assumptions based on available evidence, including actual experience.

The discount rate assumption is determined using a yield curve approach. The yield curve consists of U.S. dollar-denominated senior unsecured fixed-income securities issued by U.S. companies that have an A credit rating based on the ratings provided by nationally recognized rating agencies that include Moody’s, Standard & Poor’s, and Fitch. For points on the yield curve that do not have observable yields, the Company uses linear interpolation which calculates the unobservable yield based on the two nearest observable yields, except for any points beyond the last observable yield at 30 years, where interest rates are held constant with the last observable point on the yield curve. The Company updates the current discount rate quarterly and the change in the RFPB resulting from the updated current discount rate is recognized in OCI.

Deferred policy acquisition costs

Deferred policy acquisition costs are related directly to the successful acquisition of new or renewal insurance contracts and are deferred and recognized as an expense over the life of the related contracts. These costs are principally agent and broker remuneration, premium taxes and certain underwriting expenses. All other acquisition costs are expensed as incurred and included in operating costs and expenses.

Long-duration voluntary accident and health insurance, traditional life insurance contracts, and interest-sensitive life insurance contracts
Voluntary accident and health insurance and traditional life insurance contracts are grouped by product and issue year into cohorts consistent with the cohorts used to calculate the RFPB. Interest-sensitive life insurance contracts are grouped into cohorts by issue year, and the issue year is determined based on contract issue date. DAC is amortized on a constant level basis over the expected contract term and is included in Amortization of deferred policy acquisition costs on the Condensed Consolidated Statements of Operations. The constant level basis used for all cohorts is based on policies-in-force. The expected contract term and mortality, morbidity, and termination assumptions are used to calculate both DAC amortization and the RFPB. If actual contract terminations are greater than expected terminations for any cohort, each affected cohort’s DAC balance will be reduced in the current period based on the difference between the actual and expected terminations. No adjustments to DAC amortization are recorded if actual contract terminations are less than expected terminations for any cohort. If the Company makes an update to any of its mortality, morbidity, or termination assumptions, the Company will use the assumptions prospectively to amortize any cohort’s remaining DAC over the remaining expected contract term.

The costs assigned to the right to receive future cash flows from certain business purchased from other insurers are also classified as DAC in the Condensed Consolidated Statements of Financial Position. The costs capitalized represent the present value of future profits expected to be earned over the lives of the contracts acquired. The Company amortizes the present value of future profits using the same methodology and assumptions as the amortization of DAC. The present value of future profits is subject to premium deficiency testing.

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)	**2023**	**2022**	**2023**	**2022**
Numerator:				
Net loss	$ (1,375)	$ (1,022)	$ (1,696)	$ (372)
Less: Net loss attributable to noncontrolling interest	(23)	(9)	(24)	(19)
Net loss attributable to Allstate	(1,352)	(1,013)	(1,672)	(353)
Less: Preferred stock dividends	37	27	63	53
Net loss applicable to common shareholders	**$ (1,389)**	**$ (1,040)**	**$ (1,735)**	**$ (406)**
Denominator:				
Weighted average common shares outstanding	262.6	273.8	263.1	275.9
Effect of dilutive potential common shares [1]:				
Stock options	—	—	—	—
Restricted stock units (non-participating) and performance stock awards	—	—	—	—
Weighted average common and dilutive potential common shares outstanding	**262.6**	**273.8**	**263.1**	**275.9**
Earnings per common share - Basic	$ (5.29)	$ (3.80)	$ (6.59)	$ (1.47)
Earnings per common share - Diluted [1]	$ (5.29)	$ (3.80)	$ (6.59)	$ (1.47)
Anti-dilutive options excluded from diluted earnings per common share	3.2	1.3	2.9	1.5
Weighted average dilutive potential common shares excluded due to net loss applicable to common shareholders [1]	1.7	3.2	2.1	3.5

[1] As a result of the net loss reported for the three and six month periods ended June 30, 2023 and 2022, weighted average shares for basic earnings per share is also used for calculating diluted earnings per share because all dilutive potential common shares are anti-dilutive and are therefore excluded from the calculation.

Note 3 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 segments and adjusted net income for the Protection Services, Allstate Health and Benefits and Corporate and Other segments.

Allstate Protection and Run-off Property Liability segments comprise Property-Liability. The Company does not allocate investment income, net gains and losses on investments and derivatives, or assets to the Allstate Protection and Run-off Property Liability segments. Management reviews assets at the Property-Liability, Protection Services, Allstate Health and Benefits, and Corporate and Other levels for decision-making purposes.

Underwriting income is calculated as premiums earned and other revenue, less claims and claims expenses ("losses"), amortization of DAC, operating costs and expenses, amortization or impairment of purchased intangibles and restructuring and related charges as determined using GAAP.

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

- Net gains and losses on investments and derivatives
- Pension and other postretirement remeasurement gains and losses
- Amortization or impairment of purchased intangibles
- Gain or loss on disposition
- 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				
	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2023	2022	2023	2022
Underwriting income (loss) by segment				
Allstate Protection	$ (2,092)	$ (861)	$ (3,090)	$ (579)
Run-off Property-Liability	(2)	(3)	(5)	(5)
Total Property-Liability	**(2,094)**	**(864)**	**(3,095)**	**(584)**
Adjusted net income (loss) by segment, after-tax				
Protection Services	41	43	75	96
Allstate Health and Benefits	57	67	113	124
Corporate and Other	(111)	(107)	(200)	(218)
Reconciling items				
Property-Liability net investment income	544	506	1,053	1,064
Net gains (losses) on investments and derivatives	(151)	(733)	(137)	(1,000)
Pension and other postretirement remeasurement gains (losses)	40	(259)	93	(12)
Amortization of purchased intangibles [1]	(24)	(28)	(48)	(57)
Gain (loss) on disposition	(8)	27	1	11
Non-recurring costs [2]	(90)	—	(90)	—
Income tax benefit on reconciling items	384	298	476	150
Total reconciling items	**695**	**(189)**	**1,348**	**156**
Less: Net loss attributable to noncontrolling interest [3]	(23)	(10)	(24)	(20)
Net loss applicable to common shareholders	**$ (1,389)**	**$ (1,040)**	**$ (1,735)**	**$ (406)**

(1) Excludes amortization of purchased intangibles in Property-Liability, which is included above in underwriting income.
(2) Relates to settlement costs for non-recurring litigation that is outside of the ordinary course of business. See Note 14 for additional details.
(3) Reflects net loss attributable to noncontrolling interest in Property-Liability.

Reportable segments revenue information

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Property-Liability				
Insurance premiums				
Auto	$ 8,121	$ 7,348	$ 16,029	$ 14,429
Homeowners	2,883	2,566	5,693	5,056
Other personal lines	587	545	1,149	1,076
Commercial lines	202	295	434	578
Other business lines	128	120	251	233
Allstate Protection	11,921	10,874	23,556	21,372
Run-off Property-Liability	—	—	—	—
Total Property-Liability insurance premiums	11,921	10,874	23,556	21,372
Other revenue	389	355	742	702
Net investment income	544	506	1,053	1,064
Net gains (losses) on investments and derivatives	(135)	(662)	(123)	(865)
Total Property-Liability	**12,719**	**11,073**	**25,228**	**22,273**
Protection Services				
Protection plans	373	318	734	631
Roadside assistance	48	49	97	102
Finance and insurance products	128	121	256	238
Intersegment premiums and service fees [(1)]	35	38	68	79
Other revenue	84	91	168	185
Net investment income	18	12	34	21
Net gains (losses) on investments and derivatives	(4)	(30)	(5)	(43)
Total Protection Services	**682**	**599**	**1,352**	**1,213**
Allstate Health and Benefits				
Employer voluntary benefits	245	257	500	520
Group health	110	95	217	189
Individual health	98	113	199	224
Other revenue	101	92	202	187
Net investment income	21	16	40	33
Net gains (losses) on investments and derivatives	1	(12)	3	(19)
Total Allstate Health and Benefits	**576**	**561**	**1,161**	**1,134**
Corporate and Other				
Other revenue	23	25	46	49
Net investment income	27	28	58	38
Net gains (losses) on investments and derivatives	(13)	(29)	(12)	(73)
Total Corporate and Other	**37**	**24**	**92**	**14**
Intersegment eliminations [(1)]	(35)	(38)	(68)	(79)
Consolidated revenues	**$ 13,979**	**$ 12,219**	**$ 27,765**	**$ 24,555**

[(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 4 Investments

Portfolio composition

($ in millions)	June 30, 2023	December 31, 2022
Fixed income securities, at fair value	$ 45,550	$ 42,485
Equity securities, at fair value	2,290	4,567
Mortgage loans, net	823	762
Limited partnership interests	8,150	8,114
Short-term investments, at fair value	5,137	4,173
Other investments, net	1,718	1,728
Total	**$ 63,668**	**$ 61,829**

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, 2023				
U.S. government and agencies	$ 7,957	$ 3	$ (231)	$ 7,729
Municipal	7,069	34	(263)	6,840
Corporate	30,801	63	(1,910)	28,954
Foreign government	1,075	—	(31)	1,044
ABS	1,002	3	(22)	983
Total fixed income securities	**$ 47,904**	**$ 103**	**$ (2,457)**	**$ 45,550**
December 31, 2022				
U.S. government and agencies	$ 8,123	$ 6	$ (231)	$ 7,898
Municipal	6,500	36	(326)	6,210
Corporate	28,562	46	(2,345)	26,263
Foreign government	997	—	(40)	957
ABS	1,188	4	(35)	1,157
Total fixed income securities	**$ 45,370**	**$ 92**	**$ (2,977)**	**$ 42,485**

Scheduled maturities for fixed income securities

($ in millions)	June 30, 2023 Amortized cost, net	June 30, 2023 Fair value	December 31, 2022 Amortized cost, net	December 31, 2022 Fair value
Due in one year or less	$ 3,694	$ 3,626	$ 2,870	$ 2,836
Due after one year through five years	24,428	23,235	26,546	25,217
Due after five years through ten years	12,231	11,401	11,035	9,870
Due after ten years	6,549	6,305	3,731	3,405
	46,902	**44,567**	**44,182**	**41,328**
ABS	1,002	983	1,188	1,157
Total	**$ 47,904**	**$ 45,550**	**$ 45,370**	**$ 42,485**

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

Net investment income

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Fixed income securities	$ 422	$ 299	$ 812	$ 566
Equity securities	21	34	32	70
Mortgage loans	8	9	16	17
Limited partnership interests	122	224	256	516
Short-term investments	69	10	135	12
Other investments	39	42	80	82
Investment income, before expense	**681**	**618**	**1,331**	**1,263**
Investment expense	(71)	(56)	(146)	(107)
Net investment income	**$ 610**	**$ 562**	**$ 1,185**	**$ 1,156**

Net gains (losses) on investments and derivatives by asset type

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Fixed income securities	$ (132)	$ (326)	$ (268)	$ (478)
Equity securities	21	(636)	188	(983)
Mortgage loans	(3)	—	(3)	(1)
Limited partnership interests	(15)	(74)	7	(175)
Derivatives	(7)	272	(59)	590
Other investments	(15)	31	(2)	47
Net gains (losses) on investments and derivatives	**$ (151)**	**$ (733)**	**$ (137)**	**$ (1,000)**

Net gains (losses) on investments and derivatives by transaction type

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Sales	$ (130)	$ (303)	$ (250)	$ (430)
Credit losses	(37)	(13)	(49)	(24)
Valuation change of equity investments [1]	23	(689)	221	(1,136)
Valuation change and settlements of derivatives	(7)	272	(59)	590
Net gains (losses) on investments and derivatives	**$ (151)**	**$ (733)**	**$ (137)**	**$ (1,000)**

[1] Includes valuation change of equity securities and certain limited partnership interests where the underlying assets are predominately public equity securities.

Gross realized gains (losses) on sales of fixed income securities

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Gross realized gains	$ 28	$ 27	$ 74	$ 93
Gross realized losses	(153)	(349)	(326)	(567)

Net appreciation (decline) recognized in net income for assets that are still held

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Equity securities	$ 19	$ (511)	$ 66	$ (600)
Limited partnership interests carried at fair value	32	6	48	44
Total	**$ 51**	**$ (505)**	**$ 114**	**$ (556)**

Credit losses recognized in net income

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Assets				
Fixed income securities:				
Corporate	$ (7)	$ (4)	$ (16)	$ (4)
Total fixed income securities	**(7)**	**(4)**	**(16)**	**(4)**
Mortgage loans	(3)	—	(3)	(1)
Limited partnership interests	(16)	(3)	(16)	(3)
Other investments				
Bank loans	(11)	(6)	(14)	(16)
Total credit losses by asset type	**$ (37)**	**$ (13)**	**$ (49)**	**$ (24)**
Liabilities				
Commitments to fund commercial mortgage loans and bank loans	—	—	—	—
Total	**$ (37)**	**$ (13)**	**$ (49)**	**$ (24)**

Unrealized net capital gains and losses included in AOCI

($ in millions) June 30, 2023	Fair value	Gross unrealized Gains	Gross unrealized Losses	Unrealized net gains (losses)
Fixed income securities	$ 45,550	$ 103	$ (2,457)	$ (2,354)
Short-term investments	5,137	—	(1)	(1)
Derivative instruments	—	—	(2)	(2)
Limited partnership interests [1]				—
Unrealized net capital gains and losses, pre-tax				**(2,357)**
Reclassification of noncontrolling interest				19
Deferred income taxes				493
Unrealized net capital gains and losses, after-tax				**$ (1,845)**
December 31, 2022				
Fixed income securities	$ 42,485	$ 92	$ (2,977)	$ (2,885)
Short-term investments	4,173	—	(1)	(1)
Derivative instruments	—	—	(3)	(3)
Limited partnership interests [1]				2
Unrealized net capital gains and losses, pre-tax				**(2,887)**
Reclassification of noncontrolling interest				23
Deferred income taxes				609
Unrealized net capital gains and losses, after-tax				**$ (2,255)**

[1] Unrealized net capital gains and losses for limited partnership interests represent the Company's share of the equity method of accounting ("EMA") limited partnerships' OCI. Fair value and gross unrealized gains and losses are not applicable.

Change in unrealized net capital gains (losses)

($ in millions)	Six months ended June 30, 2023
Fixed income securities	$ 531
Short-term investments	—
Derivative instruments	1
Limited partnership interests	(2)
Total	**530**
Reclassification of noncontrolling interest	(4)
Deferred income taxes	(116)
Increase in unrealized net capital gains and losses, after-tax	**$ 410**

Carrying value for limited partnership interests

	June 30, 2023			December 31, 2022		
($ in millions)	EMA	Fair Value	Total	EMA	Fair Value	Total
Private equity	$ 5,722	$ 1,200	$ 6,922	$ 5,372	$ 1,217	$ 6,589
Real estate	1,036	28	1,064	1,013	29	1,042
Other [1]	164	—	164	483	—	483
Total	**$ 6,922**	**$ 1,228**	**$ 8,150**	**$ 6,868**	**$ 1,246**	**$ 8,114**

[1] Other consists of certain limited partnership interests where the underlying assets are predominately public equity and debt securities.

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, 2023 and December 31, 2022, the fair value of short-term investments totaled $5.14 billion and $4.17 billion, respectively.

Other investments Other investments primarily consist of bank loans, real estate, policy loans and derivatives. Bank loans are primarily senior secured corporate loans and are carried at amortized cost, net. Policy loans are carried at unpaid principal balances. Real estate is carried at cost less accumulated depreciation. Derivatives are carried at fair value.

Other investments by asset type

($ in millions)	June 30, 2023	December 31, 2022
Bank loans, net	$ 667	$ 686
Real estate	825	813
Policy loans	121	120
Derivatives	—	1
Other	105	108
Total	**$ 1,718**	**$ 1,728**

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 $435 million and $389 million as of June 30, 2023 and December 31, 2022, respectively, 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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Beginning balance	$ (22)	$ (6)	$ (13)	$ (6)
Credit losses on securities for which credit losses not previously reported	(4)	—	(4)	—
Net increases related to credit losses previously reported	(3)	(4)	(12)	(4)
Reduction of allowance related to sales	—	—	—	—
Write-offs	—	—	—	—
Ending balance	**$ (29)**	**$ (10)**	**$ (29)**	**$ (10)**
Components of credit loss allowance as of June 30				
Corporate bonds			$ (27)	$ (10)
ABS			(2)	—
Total			**$ (29)**	**$ (10)**

Gross unrealized losses and fair value by type and length of time held in a continuous unrealized loss position

	Less than 12 months			12 months or more			
($ in millions)	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	Total unrealized losses
June 30, 2023							
Fixed income securities							
U.S. government and agencies	111	$ 4,297	$ (99)	107	$ 2,971	$ (132)	$ (231)
Municipal	1,432	2,543	(35)	1,857	2,391	(228)	(263)
Corporate	926	9,291	(261)	2,028	16,295	(1,649)	(1,910)
Foreign government	41	671	(10)	87	333	(21)	(31)
ABS	94	82	(3)	173	747	(19)	(22)
Total fixed income securities	**2,604**	**$ 16,884**	**$ (408)**	**4,252**	**$ 22,737**	**$ (2,049)**	**$ (2,457)**
Investment grade fixed income securities	2,486	$ 16,370	$ (388)	3,827	$ 19,841	$ (1,678)	$ (2,066)
Below investment grade fixed income securities	118	514	(20)	425	2,896	(371)	(391)
Total fixed income securities	**2,604**	**$ 16,884**	**$ (408)**	**4,252**	**$ 22,737**	**$ (2,049)**	**$ (2,457)**
December 31, 2022							
Fixed income securities							
U.S. government and agencies	112	$ 4,900	$ (138)	75	$ 2,393	$ (93)	$ (231)
Municipal	3,015	3,944	(215)	507	740	(111)	(326)
Corporate	2,085	18,072	(1,389)	845	6,105	(956)	(2,345)
Foreign government	74	739	(22)	42	200	(18)	(40)
ABS	194	874	(27)	83	109	(8)	(35)
Total fixed income securities	**5,480**	**$ 28,529**	**$ (1,791)**	**1,552**	**$ 9,547**	**$ (1,186)**	**$ (2,977)**
Investment grade fixed income securities	4,959	$ 25,487	$ (1,409)	1,437	$ 8,791	$ (1,009)	$ (2,418)
Below investment grade fixed income securities	521	3,042	(382)	115	756	(177)	(559)
Total fixed income securities	**5,480**	**$ 28,529**	**$ (1,791)**	**1,552**	**$ 9,547**	**$ (1,186)**	**$ (2,977)**

Gross unrealized losses by unrealized loss position and credit quality as of June 30, 2023

($ in millions)	Investment grade		Below investment grade		Total	
Fixed income securities with unrealized loss position less than 20% of amortized cost, net [1] [2]	$	(1,884)	$	(300)	$	(2,184)
Fixed income securities with unrealized loss position greater than or equal to 20% of amortized cost, net [3] [4]		(182)		(91)		(273)
Total unrealized losses	**$**	**(2,066)**	**$**	**(391)**	**$**	**(2,457)**

(1) Below investment grade fixed income securities include $19 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) Below investment grade fixed income securities include $90 million that 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 National Association of Insurance Commissioners ("NAIC") designation of 1 or 2, which is comparable to a rating of Aaa, Aa, A or Baa from Moody's or AAA, AA, A or BBB from S&P Global Ratings ("S&P"), or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Unrealized losses on investment grade securities are principally related to an increase in market yields which may include increased risk-free interest rates or wider credit spreads since the time of initial purchase. The unrealized losses are expected to reverse as the securities approach maturity.

ABS in an unrealized loss position were evaluated based on actual and projected collateral losses relative to the securities' positions in the respective securitization trusts, security specific expectations of cash flows, and credit ratings. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, and (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread. Municipal bonds in an unrealized loss position were evaluated based on the underlying credit quality of the primary obligor, obligation type and quality of the underlying assets.

As of June 30, 2023, the Company has not made the decision to sell and it is not more likely than not the Company will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis.

Loans The Company establishes a credit loss allowance for mortgage loans and bank loans when they are originated or purchased, and for unfunded commitments unless they are unconditionally cancellable by the Company. The Company uses a probability of default and loss given default model for mortgage loans and bank loans to estimate current expected credit losses that considers all relevant information available including past events, current conditions, and reasonable and supportable forecasts over the life of an asset. The Company also considers such factors as historical losses, expected prepayments and various economic factors. For mortgage loans the Company considers origination vintage year and property level information such as debt service coverage, property type, property location and collateral value. For bank loans, the Company considers the credit rating of the borrower, credit spreads and type of loan. After the reasonable and supportable forecast period, the Company's model reverts to historical loss trends.

Loans are evaluated on a pooled basis when they share similar risk characteristics. The Company monitors loans through a quarterly credit monitoring process to determine when they no longer share similar risk characteristics and are to be evaluated individually when estimating credit losses.

Loans are written off against their corresponding allowances when there is no reasonable expectation of recovery. If a loan recovers after a write-off, the estimate of expected credit losses includes the expected recovery.

Accrual of income is suspended for loans that are in default or when full and timely collection of principal and interest payments is not probable. Accrued income receivable is monitored for recoverability and when not expected to be collected is written off through net investment income. Cash receipts on loans on non-accrual status are generally recorded as a reduction of amortized cost.

Accrued interest is excluded from the amortized cost of loans and is reported within the accrued investment income line of the Condensed Consolidated Statements of Financial Position.

Accrued interest

($ in millions)	June 30, 2023		December 31, 2022	
Mortgage loans	$	3	$	3
Bank Loans		4		3

Mortgage loans When it is determined a mortgage loan shall be evaluated individually, the Company uses various methods to estimate credit losses on individual loans such as using collateral value less estimated costs to sell where applicable, including when foreclosure is probable or when repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. When collateral value is used, the mortgage loans may not have a credit loss allowance when the fair value of the collateral exceeds the loan's amortized cost. An alternative approach may be utilized to estimate credit losses using the present value of the loan's expected future repayment cash flows discounted at the loan's current effective interest rate. Individual loan credit loss allowances are adjusted for subsequent changes in the fair value of the collateral less costs to sell, when applicable, or present value of the loan's expected future repayment cash flows.

Debt service coverage ratio is considered a key credit quality indicator when mortgage loan credit loss allowances are estimated. Debt service coverage ratio represents the amount of estimated cash flow from the property available to the borrower to meet principal and interest payment obligations. Debt service coverage ratio estimates are updated annually or more frequently if conditions are warranted based on the Company's credit monitoring process.

Mortgage loans amortized cost by debt service coverage ratio distribution and year of origination

	June 30, 2023							December 31, 2022
($ in millions)	**2018 and prior**	**2019**	**2020**	**2021**	**2022**	**Current**	**Total**	**Total**
Below 1.0	$ —	$ —	$ —	$ —	$ 18	$ —	$ 18	$ 18
1.0 - 1.25	23	—	10	12	—	—	45	42
1.26 - 1.50	41	65	—	—	20	48	174	151
Above 1.50	82	172	42	185	64	51	596	558
Amortized cost before allowance	**$ 146**	**$ 237**	**$ 52**	**$ 197**	**$ 102**	**$ 99**	**$ 833**	**$ 769**
Allowance							(10)	(7)
Amortized cost, net							**$ 823**	**$ 762**

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, 2023 and December 31, 2022.

Rollforward of credit loss allowance for mortgage loans

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Beginning balance	$ (7)	$ (7)	$ (7)	$ (6)
Net increases related to credit losses	(3)	—	(3)	(1)
Write-offs	—	—	—	—
Ending balance	**$ (10)**	**$ (7)**	**$ (10)**	**$ (7)**

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 either received from the Securities Valuation Office of the NAIC based on availability of applicable ratings from rating agencies on the NAIC credit rating provider list or a comparable internal rating. 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, 2023							December 31, 2022
	2018 and prior	2019	2020	2021	2022	Current	Total	Total
NAIC 2 / BBB	$ 4	$ 6	$ 4	$ 42	$ 5	$ 2	$ 63	$ 54
NAIC 3 / BB	—	4	1	150	15	49	219	266
NAIC 4 / B	15	17	15	202	37	60	346	329
NAIC 5-6/ CCC and below	38	30	2	22	7	2	101	94
Amortized cost before allowance	**$ 57**	**$ 57**	**$ 22**	**$ 416**	**$ 64**	**$ 113**	**$ 729**	**$ 743**
Allowance							(62)	(57)
Amortized cost, net							**$ 667**	**$ 686**

Rollforward of credit loss allowance for bank loans

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Beginning balance	$ (52)	$ (68)	$ (57)	$ (61)
Net increases related to credit losses	(11)	(6)	(14)	(16)
Reduction of allowance related to sales	1	18	6	21
Write-offs	—	—	3	—
Ending balance	**$ (62)**	**$ (56)**	**$ (62)**	**$ (56)**

Note 5 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 and policy loans and are only included in the fair value hierarchy disclosure when the individual investment is reported at fair value.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

Summary of significant inputs and valuation techniques for Level 2 and Level 3 assets and liabilities measured at fair value on a recurring basis

Level 2 measurements

- *Fixed income securities:*

  U.S. government and agencies, municipal, corporate - public and foreign government: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  Corporate - privately placed: Privately placed are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

  Corporate - privately placed also includes redeemable preferred stock that are valued using quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, underlying stock prices and credit spreads.

  ABS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, collateral performance and credit spreads. Certain ABS are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable. Residential mortgage-backed securities ("MBS"), included in ABS, use 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.

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 that are not market observable, 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 and ABS: Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Other inputs for corporate fixed income securities include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

- *Equity securities:* The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets that are not market observable.

- *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.

- *Other assets:* Includes the contingent consideration provision in the sale agreement for ALIC which meets the definition of a derivative. This derivative is valued internally using a model that includes stochastically determined cash flows and inputs that include spot and forward interest rates, volatility, corporate credit spreads and a liquidity discount. This derivative is categorized as Level 3 due to the significance of non-market observable inputs.

Assets measured at fair value on a non-recurring basis

Comprise long-lived assets to be disposed of by sale, including real estate, that are written down to fair value less costs to sell and bank loans written down to fair value in connection with recognizing other-than-temporary impairments.

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, 2023, the Company has commitments to invest $197 million in these limited partnership interests.

Assets and liabilities measured at fair value

($ in millions)	June 30, 2023 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	$ 7,716	$ 13	$ —		$ 7,729
Municipal	—	6,828	12		6,840
Corporate - public	—	21,213	26		21,239
Corporate - privately placed	—	7,655	60		7,715
Foreign government	—	1,044	—		1,044
ABS	—	949	34		983
Total fixed income securities	**7,716**	**37,702**	**132**		**45,550**
Equity securities	1,777	132	381		2,290
Short-term investments	1,155	3,976	6		5,137
Other investments	—	10	2	$ (10)	2
Other assets	2	—	104		106
Total recurring basis assets	**10,650**	**41,820**	**625**	**(10)**	**53,085**
Non-recurring basis	—	—	2		2
Total assets at fair value	**$ 10,650**	**$ 41,820**	**$ 627**	**$ (10)**	**$ 53,087**
% of total assets at fair value	20.0 %	78.8 %	1.2 %	— %	100.0 %
Investments reported at NAV					1,228
Total					**$ 54,315**
Liabilities					
Other liabilities	$ (6)	$ (21)	$ —	$ 18	$ (9)
Total recurring basis liabilities	**(6)**	**(21)**	**—**	**18**	**(9)**
Total liabilities at fair value	**$ (6)**	**$ (21)**	**$ —**	**$ 18**	**$ (9)**
% of total liabilities at fair value	66.7 %	233.3 %	— %	(200.0)%	100.0 %

Assets and liabilities measured at fair value

	December 31, 2022				
($ 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	$ 7,878	$ 20	$ —		$ 7,898
Municipal	—	6,189	21		6,210
Corporate - public	—	18,547	69		18,616
Corporate - privately placed	—	7,592	55		7,647
Foreign government	—	957	—		957
ABS	—	1,129	28		1,157
Total fixed income securities	**7,878**	**34,434**	**173**		**42,485**
Equity securities	3,936	298	333		4,567
Short-term investments	508	3,659	6		4,173
Other investments	—	23	3	$ (22)	4
Other assets	3	—	103		106
Total recurring basis assets	**12,325**	**38,414**	**618**	**(22)**	**51,335**
Non-recurring basis	—	—	23		23
Total assets at fair value	**$ 12,325**	**$ 38,414**	**$ 641**	**$ (22)**	**$ 51,358**
% of total assets at fair value	24.0 %	74.8 %	1.2 %	— %	100.0 %
Investments reported at NAV					1,246
Total					**$ 52,604**
Liabilities					
Other liabilities	$ (1)	$ (25)	$ —	$ 21	$ (5)
Total recurring basis liabilities	**(1)**	**(25)**	**—**	**21**	**(5)**
Total liabilities at fair value	**$ (1)**	**$ (25)**	**$ —**	**$ 21**	**$ (5)**
% of total liabilities at fair value	20.0 %	500.0 %	— %	(420.0)%	100.0 %

As of June 30, 2023 and December 31, 2022, Level 3 fair value measurements of fixed income securities total $132 million and $173 million, respectively, and include $27 million and $70 million, respectively, of securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and $11 million and $21 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, 2023

($ in millions)	Balance as of March 31, 2023	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, 2023
Assets										
Fixed income securities:										
Municipal	$ 17	$ 3	$ (1)	$ —	$ —	$ —	$ (6)	$ —	$ (1)	$ 12
Corporate - public	29	—	—	—	—	—	(3)	—	—	26
Corporate - privately placed	49	(7)	1	16	—	1	—	—	—	60
ABS	27	—	—	—	—	7	—	—	—	34
Total fixed income securities	**122**	**(4)**	**—**	**16**	**—**	**8**	**(9)**	**—**	**(1)**	**132**
Equity securities	358	7	—	—	—	28	(12)	—	—	381
Short-term investments	6	—	—	—	—	—	—	—	—	6
Other investments	2	—	—	—	—	—	—	—	—	2
Other assets	112	(8)	—	—	—	—	—	—	—	104
Total recurring Level 3 assets	**$ 600**	**$ (5)**	**$ —**	**$ 16**	**$ —**	**$ 36**	**$ (21)**	**$ —**	**$ (1)**	**$ 625**

Rollforward of Level 3 assets and liabilities held at fair value during the six month period ended June 30, 2023

($ in millions)	Balance as of December 31, 2022	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, 2023
Assets										
Fixed income securities:										
Municipal	$ 21	$ 3	$ (1)	$ —	$ —	$ —	$ (9)	$ —	$ (2)	$ 12
Corporate - public	69	(1)	2	—	—	—	(44)	—	—	26
Corporate - privately placed	55	(11)	1	16	—	1	(2)	—	—	60
ABS	28	—	—	—	—	7	—	—	(1)	34
Total fixed income securities	**173**	**(9)**	**2**	**16**	**—**	**8**	**(55)**	**—**	**(3)**	**132**
Equity securities	333	7	—	—	—	70	(29)	—	—	381
Short-term investments	6	—	—	—	—	—	—	—	—	6
Other investments	3	(1)	—	—	—	—	—	—	—	2
Other assets	103	1	—	—	—	—	—	—	—	104
Total recurring Level 3 assets	**$ 618**	**$ (2)**	**$ 2**	**$ 16**	**$ —**	**$ 78**	**$ (84)**	**$ —**	**$ (3)**	**$ 625**

Rollforward of Level 3 assets and liabilities held at fair value during the three month period ended June 30, 2022

($ in millions)	Balance as of March 31, 2022	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, 2022
Assets										
Fixed income securities:										
Municipal	$ 17	$ —	$ 1	$ —	$ —	$ 1	$ —	$ —	$ (1)	$ 18
Corporate - public	49	—	(1)	—	(35)	71	(5)	—	(2)	77
Corporate - privately placed	130	19	(3)	—	(51)	2	(24)	—	—	73
ABS	19	—	—	—	—	—	—	—	(1)	18
Total fixed income securities	**215**	**19**	**(3)**	**—**	**(86)**	**74**	**(29)**	**—**	**(4)**	**186**
Equity securities	373	4	—	—	—	—	(5)	—	—	372
Short-term investments	11	—	—	—	—	17	—	—	(20)	8
Other investments	2	—	—	—	—	—	—	—	—	2
Other assets	77	31	—	—	—	—	—	—	—	108
Total recurring Level 3 assets	**$ 678**	**$ 54**	**$ (3)**	**$ —**	**$ (86)**	**$ 91**	**$ (34)**	**$ —**	**$ (24)**	**$ 676**

Rollforward of Level 3 assets and liabilities held at fair value during the six month period ended June 30, 2022

($ in millions)	Balance as of December 31, 2021	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, 2022
Assets										
Fixed income securities:										
Municipal	$ 18	$ —	$ 1	$ —	$ —	$ 1	$ —	$ —	$ (2)	$ 18
Corporate - public	20	—	(3)	—	—	71	(9)	—	(2)	77
Corporate - privately placed	66	19	(2)	—	—	14	(24)	—	—	73
ABS	40	1	—	—	(28)	7	—	—	(2)	18
Total fixed income securities	**144**	**20**	**(4)**	**—**	**(28)**	**93**	**(33)**	**—**	**(6)**	**186**
Equity securities	349	29	—	—	—	2	(8)	—	—	372
Short-term investments	5	—	—	—	—	23	—	—	(20)	8
Other investments	2	—	—	—	—	—	—	—	—	2
Other assets	65	43	—	—	—	—	—	—	—	108
Total recurring Level 3 assets	**$ 565**	**$ 92**	**$ (4)**	**$ —**	**$ (28)**	**$ 118**	**$ (41)**	**$ —**	**$ (26)**	**$ 676**

Total Level 3 gains (losses) included in net income

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net investment income	$ 3	$ 4	$ (2)	$ 13
Net gains (losses) on investments and derivatives	(8)	50	—	79

Transfers into Level 3 during the three and six months ended June 30, 2023 included situations where securities were written down utilizing an internal price where the inputs have not been corroborated to be market observable resulting in the securities being classified as Level 3. There were no transfers into Level 3 during the three and six months ended June 30, 2022.

There were no transfers out of Level 3 during the three and six months ended June 30, 2023. Transfers out of Level 3 during the three and six months ended June 30, 2022 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,	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2023	2022	2023	2022
Assets				
Fixed income securities:				
Corporate - privately placed	$ (7)	$ —	$ (11)	$ —
Total fixed income securities	**(7)**	**—**	**(11)**	**—**
Equity securities	7	4	6	29
Other investments	—	—	(1)	—
Other assets	(8)	31	1	44
Total recurring Level 3 assets	**$ (8)**	**$ 35**	**$ (5)**	**$ 73**
Total included in net income	**$ (8)**	**$ 35**	**$ (5)**	**$ 73**
Components of net income				
Net investment income	$ 3	$ 4	$ (2)	$ 13
Net gains (losses) on investments and derivatives	(11)	31	(3)	60
Total included in net income	**$ (8)**	**$ 35**	**$ (5)**	**$ 73**
Assets				
Municipal	$ —	$ 1	$ —	$ 1
Corporate - public	—	(1)	1	(3)
Corporate - privately placed	1	(3)	1	(2)
Changes in unrealized net capital gains and losses reported in OCI	**$ 1**	**$ (3)**	**$ 2**	**$ (4)**

Financial instruments not carried at fair value		June 30, 2023		December 31, 2022	
($ in millions)					
Financial assets	**Fair value level**	**Amortized cost, net**	**Fair value**	**Amortized cost, net**	**Fair value**
Mortgage loans	Level 3	$ 823	$ 750	$ 762	$ 700
Bank loans	Level 3	667	686	686	686
Financial liabilities	**Fair value level**	**Carrying value [(1)]**	**Fair value**	**Carrying value [(1)]**	**Fair value**
Contractholder funds on investment contracts	Level 3	$ 47	$ 47	$ 50	$ 50
Debt	Level 2	7,949	7,465	7,964	7,449
Liability for collateral	Level 2	1,791	1,791	2,011	2,011

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

Note 6 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, futures, 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.

In 2022, the Company also had derivatives embedded in non-derivative host contracts that were 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.

In connection with the sale of ALIC and certain affiliates in 2021, the sale agreement included a provision related to contingent consideration that may be earned over a ten-year period with the first potential payment date commencing on January 1, 2026 and a final potential payment date of January 1, 2035. The contingent consideration is determined annually based on the average 10-year Treasury rate over the preceding 3-year period compared to a designated rate. The contingent consideration meets the definition of a derivative and is accounted for on a fair value basis with periodic changes in fair value reflected in earnings. There are no collateral requirements related to the contingent consideration.

Summary of the volume and fair value positions of derivative instruments as of June 30, 2023

($ 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	6,642	$ —	$ —	$ —
Equity and index contracts						
Futures	Other assets	n/a	1,956	2	2	—
Contingent consideration	Other assets	$ 250	n/a	104	104	—
Total asset derivatives		**$ 250**	**8,598**	**$ 106**	**$ 106**	**$ —**
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Futures	Other liabilities & accrued expenses	n/a	13,862	$ (2)	$ —	$ (2)
Equity and index contracts						
Futures	Other liabilities & accrued expenses	n/a	1,476	(4)	—	(4)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	$ 669	n/a	(9)	9	(18)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	104	n/a	(2)	1	(3)
Total liability derivatives		**773**	**15,338**	**(17)**	**$ 10**	**$ (27)**
Total derivatives		**$ 1,023**	**23,936**	**$ 89**		

[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, 2022

($ 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	24,380	$ 3	$ 3	$ —
Equity and index contracts						
Futures	Other assets	n/a	343	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other investments	$ 354	n/a	1	14	(13)
Contingent consideration	Other assets	250	n/a	103	103	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	24	n/a	—	1	(1)
Total asset derivatives		**$ 628**	**24,723**	**$ 107**	**$ 121**	**$ (14)**
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Futures	Other liabilities & accrued expenses	n/a	1,624	$ —	$ —	$ —
Equity and index contracts						
Futures	Other liabilities & accrued expenses	n/a	1,229	(1)	—	(1)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	$ 283	n/a	—	7	(7)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	525	n/a	(3)	1	(4)
Total liability derivatives		**808**	**2,853**	**(4)**	**$ 8**	**$ (12)**
Total derivatives		**$ 1,436**	**27,576**	**$ 103**		

[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)

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, 2023						
Asset derivatives	$ 10	$ (10)	$ —	$ —	$ —	$ —
Liability derivatives	(20)	10	8	(2)	—	(2)
December 31, 2022						
Asset derivatives	$ 23	$ (22)	$ —	$ 1	$ —	$ 1
Liability derivatives	(22)	22	(1)	(1)	—	(1)

(1) All OTC derivatives are subject to enforceable master netting agreements.

Gains (losses) from valuation and settlements reported on derivatives not designated as accounting hedges

($ in millions)	Net gains (losses) on investments and derivatives	Operating costs and expenses	Total gain (loss) recognized in net income on derivatives
Three months ended June 30, 2023			
Interest rate contracts	$ 18	$ —	$ 18
Equity and index contracts	(20)	10	(10)
Contingent consideration	—	(8)	(8)
Foreign currency contracts	(4)	—	(4)
Credit default contracts	(1)	—	(1)
Total	**$ (7)**	**$ 2**	**$ (5)**
Six months ended June 30, 2023			
Interest rate contracts	$ (17)	$ —	$ (17)
Equity and index contracts	(16)	18	2
Contingent consideration	—	1	1
Foreign currency contracts	(11)	—	(11)
Credit default contracts	(15)	—	(15)
Total	**$ (59)**	**$ 19**	**$ (40)**
Three months ended June 30, 2022			
Interest rate contracts	$ 158	$ —	$ 158
Equity and index contracts	53	(34)	19
Contingent consideration	—	31	31
Foreign currency contracts	37	(2)	35
Credit default contracts	24	—	24
Total	**$ 272**	**$ (5)**	**$ 267**
Six months ended June 30, 2022			
Interest rate contracts	$ 474	$ —	$ 474
Equity and index contracts	56	(47)	9
Contingent consideration	—	43	43
Foreign currency contracts	44	(2)	42
Credit default contracts	16	—	16
Total	**$ 590**	**$ (6)**	**$ 584**

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements (“MNAs”) and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions that permit either party to net payments due for transactions and collateral is either pledged or obtained when certain predetermined exposure limits are exceeded.

OTC cash and securities collateral pledged

($ in millions)	June 30, 2023
Pledged by the Company	$ 11
Pledged to the Company [1]	3

(1) $11 million of collateral was posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability provision.

The Company has not incurred any losses on derivative financial instruments due to counterparty nonperformance. Other derivatives, including futures and certain option contracts, are traded on organized exchanges which require margin deposits and guarantee the execution of trades, thereby mitigating any potential credit risk.

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contracts and all collateral, if any, becomes worthless. This exposure is measured by the fair value of OTC derivative contracts with a positive fair value at the reporting date reduced by the effect, if any, of legally enforceable master netting agreements.

OTC derivatives counterparty credit exposure by counterparty credit rating

($ in millions)	June 30, 2023				December 31, 2022			
Rating [1]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]
A+	1	$ 199	$ 2	$ —	1	$ 128	$ 5	$ —
A	—	—	—	—	1	192	7	—
Total	**1**	**$ 199**	**$ 2**	**$ —**	**2**	**$ 320**	**$ 12**	**$ —**

(1) Allstate uses the lower of S&P's or Moody's long-term debt issuer ratings.

(2) Only OTC derivatives with a net positive fair value are included for each counterparty.

For certain exchange traded and cleared derivatives, margin deposits are required as well as daily cash settlements of margin accounts.

Exchange traded and cleared margin deposits

($ in millions)	June 30, 2023
Pledged by the Company	$ 146
Received by the Company	—

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 table 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, 2023	December 31, 2022
Gross liability fair value of contracts containing credit-risk-contingent features	$ 20	$ 21
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(8)	(11)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(11)	(10)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	**$ 1**	**$ —**

Note 7 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, as of June 30, 2023 and December 31, 2022, the Company holds interests of $123 million in the form of surplus notes included in other liabilities and expenses on the Statement of Assets and Liabilities of the Reciprocal Exchanges that provide capital to the Reciprocal Exchanges and would absorb any expected losses. The Company is therefore the primary beneficiary. In addition, the Company provides quota share reinsurance on the property business of the Reciprocal Exchanges.

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 $57 million and $114 million of earned premiums for the three and six months ended June 30, 2023, respectively, compared to $41 million and $83 million for the three and six months ended June 30, 2022, respectively.

Total costs and expenses were $85 million and $144 million for the three and six months ended June 30, 2023, respectively, compared to $55 million and $113 million for the three and six months ended June 30, 2022, respectively.

Assets and liabilities of Reciprocal Exchanges

($ in millions)	June 30, 2023	December 31, 2022
Assets		
Fixed income securities	$ 269	$ 302
Short-term investments	18	13
Deferred policy acquisition costs	17	15
Premium installment and other receivables, net	42	43
Reinsurance recoverables, net	83	97
Other assets	27	90
Total assets	**456**	**560**
Liabilities		
Reserve for property and casualty insurance claims and claims expense	194	209
Unearned premiums	132	171
Other liabilities and expenses	280	311
Total liabilities	**$ 606**	**$ 691**

Note 8 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 or data, it applies actuarial judgment in the determination and selection of development factors to develop reserve liabilities. Supply chain disruptions and inflation have resulted in higher part costs, used car values and longer time to claim resolution, which have combined with labor shortages to increase physical damage loss costs. Medical inflation, treatment trends, attorney representation, litigation costs and more severe accidents have contributed to higher third-party bodily injury loss costs. The Company has also digitized and modified claim processes to increase effectiveness and efficiency. These factors may lead to historical development trends being less predictive of future loss development, potentially creating additional reserve variability.

Generally, the initial reserves for a new accident year are established based on 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 different actuarial estimation methods. Changes in auto claim frequency may result from changes in mix of business, driving behaviors, miles driven or other factors. Changes in auto current year claim severity are generally influenced by inflation in the medical and auto repair sectors, the effectiveness and efficiency of claim settlements and changes in mix of claim types. When changes in claim data occur, actuarial judgment is used to determine appropriate development factors to establish reserves. The Company's reserving process incorporates changes in loss patterns, operational statistics and changes in claims reporting processes to determine its best estimate of recorded 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 as well as heightened uncertainty for claims that involve litigation or take longer to settle during periods of rapidly increasing loss costs. The Company also has uncertainty in the Run-off Property-Liability reserves that are based on events long since passed and are complicated by lack of historical data, legal interpretations, unresolved legal issues and legislative intent based on establishment of facts.

The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in reserve estimates, which may be material, are reported in property and casualty insurance claims and claims expense in the 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

	Six months ended June 30,	
($ in millions)	**2023**	**2022**
Balance as of January 1	$ 37,541	$ 33,060
Less recoverables [1]	(9,176)	(9,479)
Net balance as of January 1	**28,365**	**23,581**
Incurred claims and claims expense related to:		
Current year	21,856	16,585
Prior years	197	604
Total incurred	**22,053**	**17,189**
Claims and claims expense paid related to:		
Current year	(9,094)	(7,753)
Prior years	(9,523)	(7,691)
Total paid	**(18,617)**	**(15,444)**
Net balance as of June 30	31,801	25,326
Plus recoverables	8,730	8,950
Balance as of June 30	**$ 40,531**	**$ 34,276**

[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 $4.39 billion and $1.57 billion in the six months ended June 30, 2023 and 2022, 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]						
	Non-catastrophe losses		Catastrophe losses		Total	
($ in millions)	2023	2022	2023	2022	2023	2022
Three months ended June 30,						
Auto	$ 116	$ 275	$ (19)	$ (38)	$ 97	$ 237
Homeowners	41	50	53	85	94	135
Other personal lines	8	(5)	(5)	3	3	(2)
Commercial lines	6	91	2	1	8	92
Other business lines	10	(3)	—	—	10	(3)
Run-off Property-Liability	1	3	—	—	1	3
Protection Services	(1)	(3)	—	—	(1)	(3)
Total prior year reserve reestimates	**$ 181**	**$ 408**	**$ 31**	**$ 51**	**$ 212**	**$ 459**
Six months ended June 30,						
Auto	$ 119	$ 426	$ (47)	$ (47)	$ 72	$ 379
Homeowners	29	54	45	74	74	128
Other personal lines	18	(16)	(12)	7	6	(9)
Commercial lines	29	111	3	—	32	111
Other business lines	11	(10)	—	4	11	(6)
Run-off Property-Liability	3	4	—	—	3	4
Protection Services	(1)	(3)	—	—	(1)	(3)
Total prior year reserve reestimates	**$ 208**	**$ 566**	**$ (11)**	**$ 38**	**$ 197**	**$ 604**

[1] Favorable reserve reestimates are shown in parentheses.

Note 9 Reserve for Future Policy Benefits and Contractholder Funds

Rollforward of reserve for future policy benefits [1]

($ in millions)	Accident and health 2023	Accident and health 2022	Traditional life 2023	Traditional life 2022	Total 2023	Total 2022
Present value of expected net premiums						
Beginning balance	**$ 1,464**	**$ 1,785**	**$ 238**	**$ 254**	**$ 1,702**	**$ 2,039**
Beginning balance at original discount rate	1,549	1,604	246	215	1,795	1,819
Effect of changes in cash flow assumptions	—	—	(12)	—	(12)	—
Effect of actual variances from expected experience	(26)	(61)	19	20	(7)	(41)
Adjusted beginning balance	1,523	1,543	253	235	1,776	1,778
Issuances	259	243	18	5	277	248
Interest accrual	25	24	5	4	30	28
Net premiums collected	(186)	(199)	(25)	(21)	(211)	(220)
Lapses and withdrawals	—	—	—	—	—	—
Ending balance at original discount rate	1,621	1,611	251	223	1,872	1,834
Effect of changes in discount rate assumptions	(68)	(29)	(7)	4	(75)	(25)
Ending balance	**1,553**	**1,582**	**244**	**227**	**1,797**	**1,809**
Present value of expected future policy benefits						
Beginning balance	**2,229**	**2,796**	**524**	**673**	**2,753**	**3,469**
Beginning balance at original discount rate	2,316	2,426	534	511	2,850	2,937
Effect of changes in cash flow assumptions	—	—	(12)	—	(12)	—
Effect of actual variances from expected experience	(30)	(63)	20	(7)	(10)	(70)
Adjusted beginning balance	2,286	2,363	542	504	2,828	2,867
Issuances	256	242	18	5	274	247
Interest accrual	47	37	12	11	59	48
Benefit payments	(199)	(218)	(26)	11	(225)	(207)
Lapses and withdrawals	—	—	—	—	—	—
Ending balance at original discount rate	2,390	2,424	546	531	2,936	2,955
Effect of changes in discount rate assumptions	(64)	9	(7)	30	(71)	39
Ending balance	**$ 2,326**	**$ 2,433**	**$ 539**	**$ 561**	**$ 2,865**	**$ 2,994**
Net reserve for future policy benefits [1]	**$ 773**	**$ 851**	**$ 295**	**$ 334**	**$ 1,068**	**$ 1,185**
Less: reinsurance recoverables	84	127	2	2	86	129
Net reserve for future policy benefits, after reinsurance recoverables	**$ 689**	**$ 724**	**$ 293**	**$ 332**	**$ 982**	**$ 1,056**

Six months ended June 30.

[1] Excludes $271 million and $281 million of reserves related to short-duration and other contracts as of June 30, 2023 and 2022, respectively.

Revenue and interest recognized in the condensed consolidated statements of operations

($ in millions)	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenues [1]		
Accident and health	$ 446	$ 494
Traditional life	50	44
Total	**$ 496**	**$ 538**
Interest expense [2]		
Accident and health	$ 22	$ 13
Traditional life	7	7
Total	**$ 29**	**$ 20**

[1] Total revenues reflects gross premiums used in the calculation for reserve for future policy benefits. Revenues included in Accident and health insurance premiums and contract charges on the Condensed Consolidated Statements of Operations reflect premium revenue recognized for traditional life insurance and long-duration and short-duration accident and health insurance contracts.

[2] Total interest expense presented as part of Accident, health and other policy benefits on the Condensed Consolidated Statements of Operations.

The following table provides the amount of undiscounted and discounted expected gross premiums and expected future benefits and expenses for nonparticipating traditional and limited-payment contracts.

	As of June 30,			
	2023		2022	
($ in millions)	Undiscounted	Discounted	Undiscounted	Discounted
Accident and health				
Expected future gross premiums	$ 5,020	$ 3,602	$ 5,133	$ 3,833
Expected future benefits and expenses	3,350	2,326	3,416	2,433
Traditional life				
Expected future gross premiums	696	489	636	457
Expected future benefits and expenses	1,008	539	956	561

Key assumptions used in calculating the reserve for future policy benefits

	As of June 30,			
	Accident and health		Traditional life	
	2023	2022	2023	2022
Weighted-average duration (in years)	3.9	4.0	14.0	13.0
Weighted-average interest rates				
Interest accretion rate (discount rate at contract issuance)	5.08 %	5.46 %	5.46 %	5.67 %
Current discount rate (upper-medium grade fixed income yield)	4.79	3.66	5.14	4.55

Significant assumptions To determine mortality and morbidity assumptions, the Company uses a combination of Company historical experience and industry data. Mortality and morbidity are monitored throughout the year. Historical experience is obtained through annual Company experience studies in the third quarter that consider the Company's historical claim patterns. The lapse assumption is determined based on historical lapses of the Company's insurance contracts.

The following table summarizes the ratio of actual to expected lapses used in the determination of the reserve for future policy benefits.

	As of June 30,			
	Accident and health		Traditional life	
	2023	2022	2023	2022
Actual to expected lapses	**102 %**	**104 %**	**93 %**	**91 %**

Contractholder funds

Contractholder funds activity

	Six months ended June 30,	
($ in millions)	2023	2022
Beginning balance	$ 879	$ 890
Deposits	66	69
Interest credited	17	17
Benefits	(6)	(11)
Surrenders and partial withdrawals	(10)	(11)
Contract charges	(60)	(58)
Other adjustments	(5)	(4)
Ending balance	**$ 881**	**$ 892**
Components of contractholder funds		
Interest-sensitive life insurance	$ 833	$ 839
Fixed annuities	48	53
Total	**$ 881**	**$ 892**
Weighted-average crediting rate	4.27 %	4.28 %
Net amount at risk [1]	$ 11,640	$ 11,934
Cash surrender value	$ 725	$ 727

[1] Guaranteed benefit amounts in excess of the current account balances.

Account values: comparison of current crediting rate to guaranteed minimum crediting rate [1]

($ in millions) Range of guaranteed minimum crediting rates	At guaranteed minimum	1-50 basis points above	Total
June 30, 2023			
Less than 3.00%	$ —	$ —	$ —
3.00% - 3.49%	—	23	23
3.50% - 3.99%	11	—	11
4.00% - 4.49%	433	—	433
4.50% - 4.99%	265	—	265
5.00% or greater	69	—	69
Non-account balances [2]			80
Total	**$ 778**	**$ 23**	**$ 881**
June 30, 2022			
Less than 3.00%	$ —	$ —	$ —
3.00% - 3.49%	—	10	10
3.50% - 3.99%	12	—	12
4.00% - 4.49%	437	—	437
4.50% - 4.99%	270	—	270
5.00% or greater	71	—	71
Non-account balances [2]			92
Total	**$ 790**	**$ 10**	**$ 892**

[1] Difference, in basis points, between rates being credited to contractholders and the respective guaranteed minimum crediting rates.

[2] Non-account balances include unearned revenue and amounts related to policies where a claim is either in the course of settlement or incurred but not reported. A claim on a life insurance policy results in the accrual of interest at a rate and over a period of time that is specified by state insurance regulations.

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Property and casualty insurance premiums earned	$ (495)	$ (456)	$ (941)	$ (883)
Accident and health insurance premiums and contract charges	(10)	(8)	(19)	(16)

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

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Property and casualty insurance claims and claims expense [1]	$ 60	$ (406)	$ (260)	$ (515)
Accident, health and other policy benefits	(17)	(10)	(25)	(17)

[1] Includes approximately $37 million of ceded losses related to the Nationwide Reinsurance Program for the six months ended June 30, 2023.

Reinsurance and indemnification recoverables

Reinsurance and indemnification recoverables, net

($ in millions)	June 30, 2023	December 31, 2022
Property and casualty		
Paid and due from reinsurers and indemnitors	$ 259	$ 291
Unpaid losses estimated (including IBNR)	8,730	9,176
Total property and casualty	**$ 8,989**	**$ 9,467**
Accident and health insurance	**162**	**152**
Total	**$ 9,151**	**$ 9,619**

Rollforward of credit loss allowance for reinsurance recoverables

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Property and casualty [1] [2]				
Beginning balance	$ (61)	$ (66)	$ (62)	$ (66)
Decrease in the provision for credit losses	—	—	1	—
Write-offs	—	—	—	—
Ending balance	**$ (61)**	**$ (66)**	**$ (61)**	**$ (66)**
Accident and health insurance				
Beginning balance	$ (3)	$ (8)	$ (3)	$ (8)
Increase in the provision for credit losses	—	—	—	—
Write-offs	—	—	—	—
Ending balance	**$ (3)**	**$ (8)**	**$ (3)**	**$ (8)**

(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 Deferred Policy Acquisition Costs

Deferred policy acquisition costs activity

($ in millions)	Accident and health	Traditional life	Interest-sensitive life	Total
Six months ended June 30, 2023				
Accident and health insurance				
Long-duration contracts				
Beginning balance	$ 322	$ 79	$ 101	$ 502
Acquisition costs deferred	25	13	7	45
Amortization charged to income	(16)	(7)	(7)	(30)
Experience adjustment	(13)	—	(1)	(14)
Total	**$ 318**	**$ 85**	**$ 100**	**503**
Short-duration contracts				27
Property and casualty				5,077
Ending balance				**$ 5,607**
Six months ended June 30, 2022				
Accident and health insurance				
Long-duration contracts				
Beginning balance	$ 339	$ 47	$ 90	$ 476
Acquisition costs deferred	20	22	16	58
Amortization charged to income	(11)	(5)	(7)	(23)
Experience adjustment	(21)	(1)	(1)	(23)
Total	**$ 327**	**$ 63**	**$ 98**	**488**
Short-duration contracts				23
Property and casualty				4,538
Ending balance				**$ 5,049**

Note 12 Capital Structure

Repayment of debt On March 29, 2023, the Company repaid, at maturity, $250 million of Floating Rate Senior Notes that bear interest at a floating rate equal to three-month London Interbank Offered Rate ("LIBOR") plus 0.63% per year. On June 15, 2023, the Company repaid, at maturity, $500 million of 3.15% Senior Notes.

Issuance of debt On March 31, 2023, the Company issued $750 million of 5.250% Senior Notes due 2033. Interest on the Senior Notes is payable semi-annually in arrears on March 30 and September 30 of each year, beginning on September 30, 2023. The Senior Notes are redeemable at any time at the applicable redemption price prior to the maturity date. The net proceeds of this issuance were used to repay the $500 million senior debt maturity and for general corporate purposes.

Redemption of preferred stock On April 17, 2023, the Company redeemed all 23,000 shares of Fixed Rate Noncumulative Preferred Stock, Series G, par value $1.00 per share and liquidation preference amount of $25,000 per share, and the corresponding depositary shares for a total redemption payment of $575 million. The Company recognized $18 million of original issuance costs in preferred stock dividends on the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Shareholders' Equity.

Issuance of preferred stock On May 18, 2023, the Company issued 24,000 shares of Fixed Rate Noncumulative Preferred Stock, Series J, par value $1.00 per share and liquidation preference amount of $25,000 per share, and the corresponding depositary shares for gross proceeds of $600 million. The preferred stock is perpetual and has no maturity date. The preferred stock is redeemable at the Company's option in whole or in part, on or after July 15, 2028 at a redemption price of $25,000 per share, plus declared and unpaid dividends. Prior to July 15, 2028, the preferred stock is redeemable at the Company's option, in whole but not in part, within 90 days after the occurrence of certain rating agency events at a redemption price equal to $25,500 per share, plus declared and unpaid dividends, or in whole but not in part, within 90 days after the occurrence of a regulatory capital event, at a redemption price equal to $25,000 per share, plus declared and unpaid dividends.

LIBOR-linked debt Interest on the 5.100% Subordinated Debentures is payable quarterly at the stated fixed annual rate to January 14, 2023, or any earlier redemption date, and then at an annual rate equal to the three-month LIBOR plus 3.165%. Interest on the 5.750% Subordinated Debentures is payable semi-annually at the stated fixed annual rate to August 14, 2023, or any earlier redemption date, and then quarterly at an annual rate equal to the three-month LIBOR plus 2.938%. The Company may elect to defer payment of interest on the Subordinated Debentures for one or more consecutive interest periods that do not exceed five years. During a deferral period, interest will continue to accrue on the Subordinated Debentures at the then-applicable rate and deferred interest will compound on each interest payment date. If all deferred interest on the Subordinated Debentures is paid, the Company can again defer interest payments.

The administrator of LIBOR ceased the publication of the one week and two month U.S. dollar ("USD") LIBOR settings since December 31, 2021, and the remaining USD LIBOR settings ceased following the LIBOR publication on June 30, 2023. The Subordinated Debentures allow for the use of an alternative methodology to determine the interest rate if LIBOR is no longer available. The Federal Reserve Board adopted a final rule that implemented the Adjustable Interest Rate (LIBOR) Act on December 16, 2022. This guidance impacts the alternative rate methodology utilized by the Subordinated Debentures.

Both Subordinated Debentures will replace the three-month LIBOR with the CME Term SOFR Reference Rate published for a three-month tenor plus a spread adjustment of 0.26161% effective for interest paid under the terms of each of the Subordinated Debentures after June 30, 2023, as shown in the table below.

Interest rates for LIBOR-linked debt

($ in millions)	5.100% Subordinated Debentures, due 2053	5.750% Subordinated Debentures, due 2053
Debt outstanding	$ 500	$ 800
Dividend accrual date [1]	July 15, 2023	August 15, 2023
Rate following commencement date	3-month SOFR + 3.165% + .26161%	3-month SOFR + 2.938% + .26161%

[1] First dividend accrual date following the last published three-month LIBOR rate on June 30, 2023.

Note 13 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 and real estate costs primarily related to accelerated amortization of right-of-use assets and related leasehold improvements at facilities to be vacated

The expenses related to these activities are included in the Condensed Consolidated Statements of Operations as restructuring and related charges and totaled $27 million and $1 million during the three months ended June 30, 2023 and 2022, respectively, and $54 million and $13 million during the six months ended June 30, 2023 and 2022, respectively.

Restructuring expenses during the second quarter and first six months of 2023 are primarily due to real estate costs related to facilities being vacated and employee costs related to global workforce enablement, including outsourcing various elements of operations. The Company continues to identify ways to improve operating efficiency and reduce cost which may result in additional restructuring charges in the future.

Restructuring activity during the period

($ in millions)	Employee costs	Exit costs	Total liability
Restructuring liability as of December 31, 2022	$ 27	$ 7	$ 34
Expense incurred	15	45	60
Adjustments to liability	—	(6)	(6)
Payments and non-cash charges	(25)	(45)	(70)
Restructuring liability as of June 30, 2023	**$ 17**	**$ 1**	**$ 18**

As of June 30, 2023, the cumulative amount incurred to date for active programs related to employee severance, relocation benefits and exit expenses totaled $28 million for employee costs and $174 million for exit costs.

Note 14 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.

Related to the sale of ALNY on October 1, 2021, AIC agreed to indemnify Wilton Reassurance Company in connection with certain representations, warranties and covenants of AIC, and certain liabilities specifically excluded from the transaction, subject to specific contractual limitations regarding AIC's maximum obligation. Management does not believe these indemnifications will have a material effect on results of operations, cash flows or financial position of the Company.

Related to the sale of ALIC and Allstate Assurance Company on November 1, 2021, AIC and Allstate Financial Insurance Holdings Corporation (collectively, the "Sellers") agreed to indemnify Everlake US Holdings Company in connection with certain representations, warranties and covenants of the Sellers, and certain liabilities specifically excluded from the transaction, subject to specific contractual limitations regarding the Sellers' maximum obligation. Management does not believe these indemnifications will have a material effect on results of operations, cash flows or financial position of the Company.

The aggregate liability balance related to all guarantees was not material as of June 30, 2023.

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 $70 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 lawsuit, *Revival Chiropractic v. Allstate Insurance Company, et al.* (M.D. Fla. filed January 2019; appeal pending, 11th Circuit Court of Appeals), where the federal district court denied class certification and plaintiff's request to file a renewed motion for class certification. In *Revival*, on June 2, 2022, the 11th Circuit certified to the Florida Supreme Court Allstate's appeal of the federal district court's interpretation of the state personal injury protection statute. The 11th Circuit is holding determination on plaintiff's class certification appeal pending the outcome of the Florida Supreme Court certification. The oral argument before the Florida Supreme Court was on March 8, 2023. 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: *Sims, et al. v. Allstate Fire and Casualty Insurance Company, et al.* (W.D. Tex. filed June 2022); *Thompson, et al. v. Allstate Insurance Company* (Circuit Court of Cole Co., Mo. filed June 2022); *Hill v. Allstate Vehicle and Property Insurance Company* (Circuit Court of Cole Co., Mo. filed October 2022); *Tabuga v. Allstate Vehicle and Property Insurance Company* (D. Md. filed April 2023); and *Shumway, et al. v. Allstate Vehicle and*

Property Insurance Company (D. Ariz. filed April 2023). No classes have been certified in any of these matters. The court granted preliminary approval of a class-wide settlement in the following cases: *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); *Mitchell, et al. v. Allstate Vehicle and Property Insurance Company, et al*. (S.D. Ala. filed August 2021). The court granted final approval of a class-wide settlement in *Hester, et al. v. Allstate Vehicle and Property Insurance Company, et al*. (St. Clair Co., Ill. filed June 2020) (as part of the class-wide settlement, the plaintiff and defendant in *Thaxton v. Allstate Indemnity Company* (Madison Co., Ill. filed July 2020) were added to the *Hester* complaint).

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 alleged systematic underpayments result from 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; and/or (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.

The following cases are currently pending against the Company: *Kronenberg v. Allstate Insurance Company and Allstate Fire and Casualty Insurance Company* (E.D.N.Y. filed December 2018); *Durgin v. Allstate Property and Casualty Insurance Company* (W.D. La. filed June 2019); *Cotton v. Allstate Fire and Casualty Insurance Company* (Cir. Ct. of Cook Co. Ill., Chancery Div. filed October 2020); *Bass v. Imperial Fire and Casualty Insurance Company* (W.D. La. filed February 2022); *Cummings v. Allstate Property and Casualty Insurance Company* (M.D. La. filed April 2022); *Slaughter v. Esurance Property and Casualty Insurance Company* (Cir. Ct. of Cook Co, Ill., Chancery Div. filed September 2022); *Kanak v. Allstate Fire and Casualty Insurance Company* (Cir. Ct. of Cook Co., Ill., Chancery Div. filed September 2022); *Golla v. Allstate Insurance Company* (Ct. of Common Pleas, Cuyahoga Co., Ohio filed June 2023); and *Moore v. Esurance Property and Casualty Insurance Company* (E.D. Mich. filed July 2023).

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

Other proceedings The Company has pending an investigatory hearing before the California Insurance Commissioner concerning the private passenger automobile insurance rating practices of Allstate Insurance Company and Allstate Indemnity Company in California. The investigatory hearing is captioned: *In the Matter of the Rating Practices of Allstate Insurance Company and Allstate Indemnity Company*. Pursuant to the Notice of Hearing issued by the California Insurance Commissioner, the California Insurance Commissioner is investigating: (1) whether Allstate has potentially violated California insurance law by using illegal price optimization; (2) how Allstate implemented any such potentially illegal price optimization in its private passenger auto insurance rates and/or class plans; and (3) how such potentially illegal price optimization impacted Allstate's private passenger auto insurance policyholders. Fact discovery was completed in the investigatory hearing. Allstate and the California Department of Insurance have reached an agreement in principle to resolve the investigatory hearing. The May 22, 2023 hearing was continued. A new hearing date has not been set.

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. A class was certified on March 26, 2019, vacated by the U.S. Court of Appeals for the Seventh Circuit on July 16, 2020 and remanded for further consideration by the district court. 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. Defendants' petition for permission to appeal this ruling was denied on January 28, 2021. Following the close of discovery, defendants moved for summary judgment on March 23, 2022. On July 26, 2022, the court entered its order granting summary judgment in part (as to plaintiffs' claims relating to certain statements made in October 2014) and denying it as to the remainder of plaintiffs' claims. On January 10, 2023, the parties filed a joint pre-trial order. A pre-trial conference has not occurred. Subsequently, on June 28, 2023, the parties reached an agreement in principle to settle the action, without any admission of liability or wrongdoing. The settlement is subject to final approval by the District Court and any appeals therefrom.

The Company is continuing to defend two putative class actions in California federal court, *Holland Hewitt v. Allstate Life Insurance Company* (E.D. Cal. filed May 2020) and *Farley v. Lincoln Benefit Life Company* (E.D. Cal. filed Dec. 2020), following the sale of ALIC. On April 19, 2023, the court certified a class in *Farley.* This ruling is currently being challenged by the Company. There has been no ruling on plaintiff's motion for class certification in *Hewitt.* In these cases, plaintiffs generally allege that the defendants failed to comply with certain California statutes which address contractual grace periods and lapse notice requirements for certain life insurance policies. Plaintiffs claim that these statutes apply to life insurance policies that existed before the statutes' effective date. The plaintiffs seek damages and injunctive relief. Similar litigation is pending against other insurance carriers. In August 2021, the California Supreme Court in *McHugh v. Protective Life*, a matter involving another insurer, determined that the statutory notice requirements apply to life insurance policies issued before the statutes' effective date. The Company asserts various defenses to plaintiffs' claims and to class certification.

Note 15 Benefit Plans

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

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Pension benefits				
Service cost	$ 32	$ 28	$ 65	$ 57
Interest cost	58	52	118	98
Expected return on plan assets	(79)	(100)	(156)	(210)
Amortization of prior service credit	—	(12)	—	(25)
Costs and expenses	**11**	**(32)**	**27**	**(80)**
Remeasurement of projected benefit obligation	(68)	(421)	55	(1,173)
Remeasurement of plan assets	30	699	(150)	1,228
Remeasurement (gains) losses	**(38)**	**278**	**(95)**	**55**
Pension net (benefit) cost	**$ (27)**	**$ 246**	**$ (68)**	**$ (25)**
Postretirement benefits				
Service cost	$ —	$ 1	$ —	$ 1
Interest cost	2	2	5	4
Amortization of prior service credit	(6)	(6)	(12)	(12)
Costs and expenses	**(4)**	**(3)**	**(7)**	**(7)**
Remeasurement of projected benefit obligation	(2)	(19)	2	(43)
Remeasurement of plan assets	—	—	—	—
Remeasurement (gains) losses	**(2)**	**(19)**	**2**	**(43)**
Postretirement net benefit	**$ (6)**	**$ (22)**	**$ (5)**	**$ (50)**
Pension and postretirement benefits				
Costs and expenses	$ 7	$ (35)	$ 20	$ (87)
Remeasurement (gains) losses	(40)	259	(93)	12
Total net (benefit) cost	**$ (33)**	**$ 224**	**$ (73)**	**$ (75)**

Differences in actual experience and changes in other assumptions affect our pension and other postretirement obligations and expenses. Differences between expected and actual returns on plan assets affect remeasurement (gains) losses.

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 Statements of Operations.

Pension and postretirement benefits remeasurement gains and losses

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Remeasurement of projected benefit obligation (gains) losses:				
Discount rate	$ (73)	$ (420)	$ 51	$ (1,005)
Other assumptions	3	(20)	6	(211)
Remeasurement of plan assets (gains) losses	30	699	(150)	1,228
Remeasurement (gains) losses	**$ (40)**	**$ 259**	**$ (93)**	**$ 12**

Remeasurement gains for the second quarter of 2023 are primarily related to an increase in the liability discount rate, partially offset by unfavorable asset performance compared to expected return on plan assets. Remeasurement gains in the first six months of 2023 are primarily related to favorable asset performance compared to expected return on plan assets, partially offset by a decrease in the liability discount rate.

The weighted average discount rate used to measure the pension benefit obligation increased to 5.50% at June 30, 2023 compared to 5.33% at March 31, 2023 and decreased compared to 5.64% at December 31, 2022 resulting in gains for the second quarter and losses for the first six months of 2023.

For the second quarter of 2023, the actual return on plan assets was lower than the expected return due to lower fixed income valuations from higher market yields during the quarter partially offset by higher equity returns. For the first six months of 2023, the actual return on plan assets was higher than the expected return due to higher fixed income valuations from lower market yields and positive equity returns.

Note 16 Supplemental Cash Flow Information

Non-cash investing activities include $53 million and $51 million related to mergers and exchanges completed with equity securities, fixed income securities, bank loans, real estate and limited partnerships for the six months ended June 30, 2023 and 2022, respectively. Non-cash investing activities include $15 million related to right-of-use real estate obtained in exchange for lease obligations and $51 million related to debt assumed by purchaser on sale of real estate for the six months ended June 30, 2023.

Non-cash financing activities include $37 million and $64 million related to the issuance of Allstate common shares for vested equity awards for the six months ended June 30, 2023 and 2022, 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 $66 million and $83 million for the six months ended June 30, 2023 and 2022, respectively. Non-cash operating activities include $6 million and $16 million related to right-of-use assets obtained in exchange for lease obligations for the six months ended June 30, 2023 and 2022, 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, 2023	Six months ended June 30, 2022
Net change in proceeds managed		
Net change in fixed income securities	$ 202	$ (373)
Net change in short-term investments	18	(203)
Operating cash flow provided (used)	**220**	**(576)**
Net change in cash	—	(12)
Net change in proceeds managed	**$ 220**	**$ (588)**
Cash flows from operating activities		
Net change in liabilities		
Liabilities for collateral, beginning of period	$ (2,011)	$ (1,444)
Liabilities for collateral, end of period	(1,791)	(2,032)
Operating cash flow (used) provided	**$ (220)**	**$ 588**

Note 17 Other Comprehensive Income (Loss)

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

($ in millions)	Three months ended June 30, 2023 Pre-tax	2023 Tax	2023 After-tax	2022 Pre-tax	2022 Tax	2022 After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ (472)	$ 96	$ (376)	$ (1,773)	$ 376	$ (1,397)
Less: reclassification adjustment of realized capital gains and losses	(131)	27	(104)	(320)	67	(253)
Unrealized net capital gains and losses	**(341)**	**69**	**(272)**	**(1,453)**	**309**	**(1,144)**
Unrealized foreign currency translation adjustments	**36**	**(8)**	**28**	**(59)**	**12**	**(47)**
Unamortized pension and other postretirement prior service credit [(1)]	**(6)**	**1**	**(5)**	**(19)**	**4**	**(15)**
Discount rate for reserve for future policy benefits	**10**	**(2)**	**8**	**108**	**(23)**	**85**
Other comprehensive (loss) income	**$ (301)**	**$ 60**	**$ (241)**	**$ (1,423)**	**$ 302**	**$ (1,121)**

($ in millions)	Six months ended June 30, 2023 Pre-tax	2023 Tax	2023 After-tax	2022 Pre-tax	2022 Tax	2022 After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 257	$ (60)	$ 197	$ (3,922)	$ 834	$ (3,088)
Less: reclassification adjustment of realized capital gains and losses	(269)	56	(213)	(443)	93	(350)
Unrealized net capital gains and losses	**526**	**(116)**	**410**	**(3,479)**	**741**	**(2,738)**
Unrealized foreign currency translation adjustments	**99**	**(21)**	**78**	**(59)**	**12**	**(47)**
Unamortized pension and other postretirement prior service credit [(1)]	**(12)**	**3**	**(9)**	**(38)**	**8**	**(30)**
Discount rate for reserve for future policy benefits	**(1)**	**—**	**(1)**	**228**	**(48)**	**180**
Other comprehensive (loss) income	**$ 612**	**$ (134)**	**$ 478**	**$ (3,348)**	**$ 713**	**$ (2,635)**

[(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, 2023, the related condensed consolidated statements of operations, comprehensive income (loss) and shareholders’ equity for the three and six month periods ended June 30, 2023 and 2022, and of cash flows for the six month periods ended June 30, 2023 and 2022, and the related notes (collectively referred to as the “interim financial information”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it 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 Company as of December 31, 2022, and the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows for the year then ended prior to the retrospective adjustment for a change in the Company’s method of accounting for reserve for future policy benefits and deferred policy acquisition costs for long-duration insurance contracts (not presented herein); and in our report dated February 16, 2023, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 1 that were applied to retrospectively adjust the December 31, 2022, consolidated statement of financial position of the Company (not presented herein). 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 condensed consolidated statement of financial position as of December 31, 2022.

Basis for Review Results

This interim financial information is 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 interim financial information 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 1, 2023

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 2022, filed February 16, 2023. Certain amounts have been reclassified to conform to current year presentation.

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, Protection Services and Allstate Health and 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.

Macroeconomic Impacts

The Novel Coronavirus Pandemic or COVID-19 ("Coronavirus") and subsequent U.S. government fiscal and monetary policies, banking system instability and the Russia/Ukraine conflict have and may continue to affect economic activity through longer-term impacts such as supply chain disruptions, labor shortages and other macroeconomic factors that have increased inflation and affected our operations. These factors may continue to significantly affect results of operations, financial condition and liquidity. The impact from the pandemic and the ongoing effects should be considered when comparing the current period to prior periods.

Over the past several quarters, inflation continued to remain elevated, which led to increases in interest rates by the Federal Reserve and a widening of credit spreads reflecting ongoing recession concerns. Many foreign governmental authorities and central banks have also responded to inflationary pressure, generally through more restrictive monetary policy, such as increasing target interest rates. These actions and other ongoing impacts from the pandemic could create significant economic uncertainty. Market volatility resulting from these factors and from disruptions in the banking industry have and may continue to impact our investment valuations and returns.

This 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 macroeconomic impacts on our 2023 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 capabilities.

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

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

- Improving customer value
- Expanding customer access
- Increasing sophistication and investment in customer acquisition
- Modernizing the technology ecosystem
- Driving organizational transformation

We are expanding protection services businesses utilizing enterprise capabilities and resources such as the Allstate brand, distribution, analytics, claims, investment expertise, talent and capital.

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"), amortization of deferred policy acquisition costs ("DAC"), operating costs and expenses, amortization or impairment of purchased intangibles and restructuring and related charges, as determined using accounting principles generally accepted in the United States of America ("GAAP"). We use this measure in our evaluation of results of operations to analyze profitability.

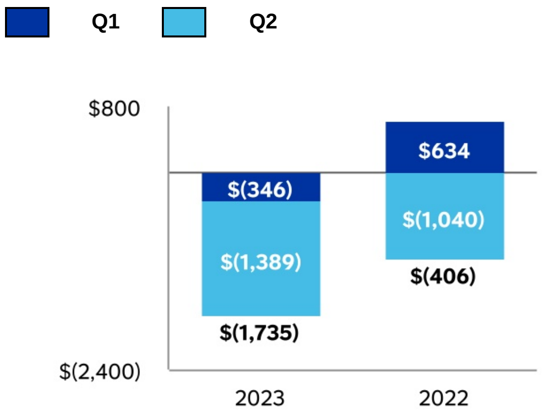
Adjusted net income is net income (loss) applicable to common shareholders, excluding:

- Net gains and losses on investments and derivatives
- Pension and other postretirement remeasurement gains and losses
- Amortization or impairment of purchased intangibles
- Gain or loss on disposition
- 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 (loss) applicable to common shareholders

($ in millions)

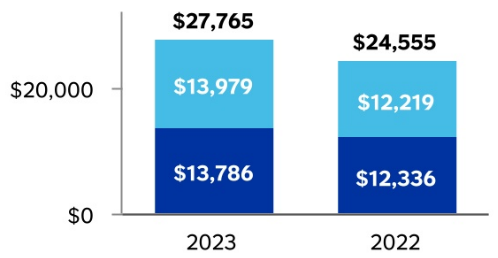


Consolidated net loss applicable to common shareholders was $1.39 billion and $1.74 billion in the second quarter and first six months of 2023, respectively, compared to a loss of $1.04 billion and $406 million in the second quarter and first six months of 2022, respectively, primarily due to higher catastrophe losses and higher incurred losses driven by severity and frequency, partially offset by increased Property-Liability premiums earned and gains on equity valuations in 2023 compared to losses in 2022.

For the six months ended June 30, 2023, return on Allstate common shareholders' equity was (17.2)%.

Total revenue

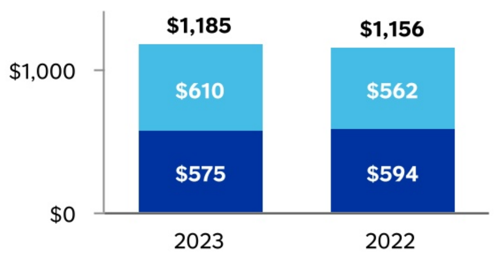
($ in millions)



Total revenues increased 14.4% to $13.98 billion and increased 13.1% to $27.77 billion in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022 due to an increase of 9.8% and 10.3% in property and casualty insurance premiums earned in the second quarter and first six months of 2023, respectively, compared to the second quarter and first six months of 2022 and net gains on equity valuations in 2023 compared to losses in 2022.

Net investment income

($ in millions)



Net investment income increased $48 million to $610 million in the second quarter of 2023 and increased $29 million to $1.19 billion in the first six months of 2023 compared to the same periods of 2022, primarily due to higher market-based income reflecting higher fixed income portfolio yields and investment balances, partially offset by lower performance-based investment results, mainly from limited partnerships.

Financial highlights

Investments totaled $63.67 billion as of June 30, 2023, increasing from $61.83 billion as of December 31, 2022.

Allstate shareholders' equity was $15.52 billion as of June 30, 2023, decreasing from $17.49 billion as of December 31, 2022, primarily due to a net loss, dividends paid to shareholders and common share repurchases, partially offset by lower unrealized net capital losses on investments.

Book value per diluted common share (ratio of Allstate common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was $51.29, a decrease of 22.2% from $65.96 as of June 30, 2022, and a decrease of 11.8% from $58.12 as of December 31, 2022.

Return on average Allstate common shareholders' equity For the twelve months ended June 30, 2023, return on Allstate common shareholders' equity was (17.2)%, a decrease of 21.4 points from 4.2% for the twelve months ended June 30, 2022. The decrease was primarily due to a net loss applicable to common shareholders for the trailing twelve-month period ending June 30, 2023 and a decrease in average Allstate common shareholders' equity.

Pension and other postretirement remeasurement gains and losses We recorded pension and other postretirement remeasurement gains of $40 million in the second quarter primarily related to an increase in the liability discount rate, partially offset by unfavorable asset performance compared to expected return on plan assets. We recorded gains of $93 million in the first six months of 2023 primarily related to favorable asset performance compared to expected return on plan assets, partially offset by a decrease in the liability discount rate.

Summarized consolidated financial results

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenues				
Property and casualty insurance premiums	$ 12,470	$ 11,362	$ 24,643	$ 22,343
Accident and health insurance premiums and contract charges	453	465	916	933
Other revenue	597	563	1,158	1,123
Net investment income	610	562	1,185	1,156
Net gains (losses) on investments and derivatives	(151)	(733)	(137)	(1,000)
Total revenues	**13,979**	**12,219**	**27,765**	**24,555**
Costs and expenses				
Property and casualty insurance claims and claims expense	(11,727)	(9,367)	(22,053)	(17,189)
Accident, health and other policy benefits	(258)	(265)	(523)	(533)
Amortization of deferred policy acquisition costs	(1,789)	(1,618)	(3,533)	(3,226)
Operating, restructuring and interest expenses	(1,911)	(1,934)	(3,740)	(3,931)
Pension and other postretirement remeasurement gains (losses)	40	(259)	93	(12)
Amortization of purchased intangibles	(82)	(87)	(163)	(174)
Total costs and expenses	**(15,727)**	**(13,530)**	**(29,919)**	**(25,065)**
Loss from operations before income tax expense	**(1,748)**	**(1,311)**	(2,154)	(510)
Income tax benefit	373	289	458	138
Net loss	**(1,375)**	**(1,022)**	**(1,696)**	**(372)**
Less: Net loss attributable to noncontrolling interest	(23)	(9)	(24)	(19)
Net loss attributable to Allstate	**(1,352)**	**(1,013)**	**(1,672)**	**(353)**
Preferred stock dividends	(37)	(27)	(63)	(53)
Net loss applicable to common shareholders	**$ (1,389)**	**$ (1,040)**	**$ (1,735)**	**$ (406)**

Segment highlights

Allstate Protection underwriting loss was $2.09 billion in the second quarter of 2023 compared to underwriting loss of $861 million in the second quarter of 2022. Underwriting loss totaled $3.09 billion in the first six months of 2023 compared to underwriting loss of $579 million in the first six months of 2022. The higher losses in both periods was primarily due to higher catastrophe losses and non-catastrophe losses primarily for auto insurance, partially offset by increased premiums. We are executing a comprehensive plan to improve auto insurance profitability, by raising rates, reducing operating expenses and advertising, implementing underwriting restrictions in underperforming states and enhancing claims processes to manage loss costs.

Catastrophe losses were $2.70 billion and $4.39 billion in the second quarter and first six months of 2023, respectively, compared to $1.11 billion and $1.57

billion in the second quarter and first six months of 2022, respectively.

Premiums written increased 9.7% to $12.62 billion and 9.6% to $24.40 billion in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, reflecting higher premiums in both Allstate and National General brands.

Protection Services adjusted net income was $41 million in the second quarter of 2023 compared to $43 million in the second quarter of 2022. Adjusted net income was $75 million in the first six months of 2023 compared to $96 million in the first six months of 2022. The decrease in both periods was due to Allstate Protection Plans higher appliance and furniture claim severity, a shift in business mix and lower third-party advertising sales by Arity, partially offset by improved margins at Allstate Roadside.

Premiums and other revenue increased 9.3% or $54 million and 8.6% or $99 million in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, primarily due to Allstate Protection Plans and Allstate Dealer Services.

Allstate Health and Benefits adjusted net income was $57 million in the second quarter of 2023 compared to $67 million in the second quarter of 2022. Adjusted net income was $113 million in the first six months of 2023 compared to $124 million in the first six months of 2022. The decrease in both periods was primarily due to a decline in employer voluntary benefits and individual health, partially offset by growth in group health.

Premiums and contract charges decreased 2.6% to $453 million in the second quarter of 2023 and decreased 1.8% to $916 million in the first six months of 2023 compared to the same periods of 2022, primarily due to a decline in individual health and employer voluntary benefits, partially offset by growth in group health.

Adopted accounting standard

Accounting for Long-Duration Insurance Contracts Effective January 1, 2023, we adopted the Financial Accounting Standards Board ("FASB") guidance revising the accounting for certain long-duration insurance contracts using the modified retrospective approach to the transition date of January 1, 2021.

Under the new guidance, measurement assumptions, including those for mortality, morbidity and policy lapses, are required to be reviewed at least annually, and updated as appropriate. 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. Additionally, DAC for all long-duration products are amortized on a simplified basis. Our reserve for future policy benefits and DAC are subject to new disclosure guidance.

In addition, the Company met the conditions included in Accounting Standards Update No. 2022-05, *Transition for Sold Contracts*, and elected to not apply the new guidance for contracts that were part of the 2021 sales of Allstate Life Insurance Company and Allstate Life Insurance Company of New York.

After-tax cumulative effect of change in accounting principle on transition date

($ in millions)	**January 1, 2021**
Decrease in retained income	$ 21
Decrease in accumulated other comprehensive income ("AOCI")	277
Total decrease in equity	**$ 298**

The decrease in AOCI was primarily attributable to a change in the discount rate used in measuring the reserve for future policy benefits for traditional life contracts and other long-term products with guaranteed terms from a portfolio-based rate at contract issuance to an upper-medium grade fixed income-based rate at the transition date. The decrease in retained income primarily related to certain cohorts of long-term contracts whose expected net premiums exceeded expected gross premiums which resulted in an increase in reserves and a decrease in retained income equal to the present value of expected future benefits less the present value of expected future premiums at the transition date.

See Note 1 of the condensed consolidated financial statements for further information regarding the impact of the adopted accounting standard on our condensed consolidated financial statements.

Property-Liability Operations

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

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

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

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

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

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

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

- *PIF*: policy counts are based on items rather than customers. A multi-car customer would generate multiple item (policy) counts, even if all cars were insured under one policy. Commercial lines PIF counts for shared economy agreements typically reflect contracts that cover multiple rather than individual drivers. Lender-placed policies are excluded from policy counts because relationships are with the lenders.
- *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.
- *Implemented rate changes:* represents the impact in the locations (U.S. states, the District of Columbia or Canadian provinces) where rate changes were implemented during the period as a percentage of total brand prior year-end premiums written.

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).

- *Report year incurred claim severity* is calculated by dividing the sum of recorded estimated incurred losses and allocated loss adjustment expenses, excluding catastrophes, by the reported notice counts during that report year. Report year incurred claim severity does not include incurred but not reported ("IBNR") losses or benefits from subrogation and salvage.
- *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 paid claim severity statistics* are 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.
- *Percent change in report year incurred claim severity statistic* is calculated as the amount of increase or decrease in report year incurred claim severity recorded in the year-to-date period divided by the current estimate of the prior report year incurred claim severity.

Underwriting results

($ in millions, except ratios)	**Three months ended June 30, 2023**	**Three months ended June 30, 2022**	**Six months ended June 30, 2023**	**Six months ended June 30, 2022**
Premiums written	$ 12,620	$ 11,509	$ 24,403	$ 22,270
Premiums earned	$ 11,921	$ 10,874	$ 23,556	$ 21,372
Other revenue	389	355	742	702
Claims and claims expense	(11,575)	(9,231)	(21,755)	(16,933)
Amortization of DAC	(1,496)	(1,355)	(2,948)	(2,703)
Other costs and expenses	(1,249)	(1,450)	(2,528)	(2,895)
Restructuring and related charges [(1)]	(26)	2	(47)	(10)
Amortization of purchased intangibles	(58)	(59)	(115)	(117)
Underwriting (loss) income	**$ (2,094)**	**$ (864)**	**$ (3,095)**	**$ (584)**
Catastrophe losses				
Catastrophe losses, excluding reserve reestimates	$ 2,665	$ 1,057	$ 4,398	$ 1,532
Catastrophe reserve reestimates [(2)]	31	51	(11)	38
Total catastrophe losses	**$ 2,696**	**$ 1,108**	**$ 4,387**	**$ 1,570**
Non-catastrophe reserve reestimates [(2)]	$ 182	$ 411	$ 209	$ 569
Prior year reserve reestimates [(2)]	213	462	198	607
GAAP operating ratios				
Loss ratio	97.1	84.9	92.3	79.2
Expense ratio [(3)]	20.5	23.0	20.8	23.5
Combined ratio	117.6	107.9	113.1	102.7
Effect of catastrophe losses on combined ratio	22.6	10.2	18.6	7.3
Effect of prior year reserve reestimates on combined ratio	1.9	4.2	0.8	2.9
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	0.3	0.4	(0.1)	0.2
Effect of restructuring and related charges on combined ratio [(1)]	0.2	—	0.2	—
Effect of amortization of purchased intangibles on combined ratio	0.5	0.5	0.5	0.5
Effect of Run-off Property-Liability business on combined ratio	0.1	—	—	—

(1) Restructuring and related charges for the second quarter and first six months of 2023 are primarily for real estate costs related to facilities being vacated and employee costs related to global workforce enablement, including outsourcing various elements of operations. See Note 13 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

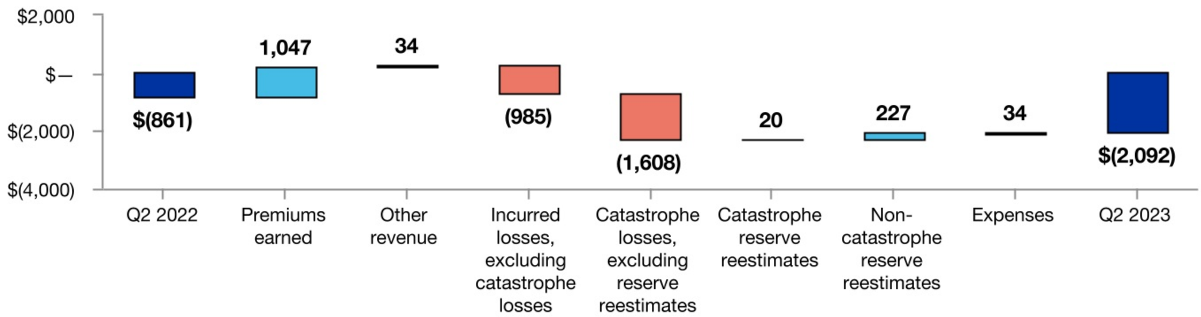
Allstate You're in good hands. NATIONAL GENERAL an Allstate company Answer financial

Underwriting results				
	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2023	2022	2023	2022
Premiums written	$ 12,620	$ 11,509	$ 24,403	$ 22,270
Premiums earned	$ 11,921	$ 10,874	$ 23,556	$ 21,372
Other revenue	389	355	742	702
Claims and claims expense	(11,574)	(9,228)	(21,752)	(16,929)
Amortization of DAC	(1,496)	(1,355)	(2,948)	(2,703)
Other costs and expenses	(1,248)	(1,450)	(2,526)	(2,894)
Restructuring and related charges	(26)	2	(47)	(10)
Amortization of purchased intangibles	(58)	(59)	(115)	(117)
Underwriting loss	**$ (2,092)**	**$ (861)**	**$ (3,090)**	**$ (579)**
Catastrophe losses	$ 2,696	$ 1,108	$ 4,387	$ 1,570

Underwriting loss was $2.09 billion and $3.09 billion in the second quarter and first six months of 2023, respectively, compared to underwriting loss of $861 million and $579 million in the second quarter and first six months of 2022, respectively, due to higher catastrophe losses and non-catastrophe losses primarily for auto insurance, partially offset by increased premiums. We are executing a comprehensive plan to improve auto insurance profitability, by raising rates, reducing operating expenses and advertising, implementing underwriting restrictions in underperforming states and enhancing claims processes to manage loss costs.

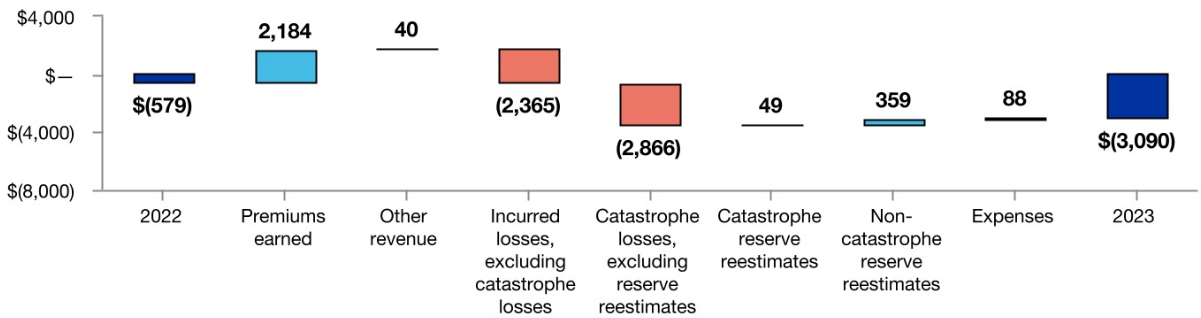
Change in underwriting results from prior year period - three months ended

($ in millions)



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

($ in millions)



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

($ in millions)	Allstate brand 2023	Allstate brand 2022	National General 2023	National General 2022	Allstate Protection 2023	Allstate Protection 2022
Three months ended June 30,						
Auto	$ (546)	$ (578)	$ (132)	$ —	$ (678)	$ (578)
Homeowners [1]	(1,195)	(132)	(112)	(60)	(1,307)	(192)
Other personal lines	(70)	5	—	6	(70)	11
Commercial lines	(60)	(145)	(1)	10	(61)	(135)
Other business lines [1]	24	25	(3)	6	21	31
Answer Financial	—	—	—	—	3	2
Total	**$ (1,847)**	**$ (825)**	**$ (248)**	**$ (38)**	**$ (2,092)**	**$ (861)**
Six months ended June 30,						
Auto	$ (878)	$ (715)	$ (146)	$ (10)	$ (1,024)	$ (725)
Homeowners [1]	(1,703)	236	(138)	(28)	(1,841)	208
Other personal lines	(160)	23	1	6	(159)	29
Commercial lines	(124)	(164)	3	7	(121)	(157)
Other business lines [1]	46	46	4	16	50	62
Answer Financial	—	—	—	—	5	4
Total	**$ (2,819)**	**$ (574)**	**$ (276)**	**$ (9)**	**$ (3,090)**	**$ (579)**

[1] Other business lines represents commissions earned and other costs and expenses for Ivantage, non-proprietary life and annuity products, and lender-placed products and related services. In the first quarter of 2023, National General lender-placed products and related services results were reclassified from homeowners to other business lines. Historical results have been updated to conform with this presentation.

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 reporting 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 2023	Allstate brand 2022	National General 2023	National General 2022	Allstate Protection 2023	Allstate Protection 2022
Three months ended June 30,						
Auto	$ 6,821	$ 6,374	$ 1,448	$ 1,096	$ 8,269	$ 7,470
Homeowners	2,937	2,665	444	343	3,381	3,008
Other personal lines	621	576	54	33	675	609
Commercial lines	146	247	54	50	200	297
Other business lines	—	—	95	125	95	125
Total premiums written	**$ 10,525**	**$ 9,862**	**$ 2,095**	**$ 1,647**	**$ 12,620**	**$ 11,509**
Six months ended June 30,						
Auto	$ 13,647	$ 12,682	$ 2,971	$ 2,350	$ 16,618	$ 15,032
Homeowners	5,147	4,685	768	604	5,915	5,289
Other personal lines	1,113	1,045	110	68	1,223	1,113
Commercial lines	323	485	104	106	427	591
Other business lines	—	—	220	245	220	245
Total premiums written	**$ 20,230**	**$ 18,897**	**$ 4,173**	**$ 3,373**	**$ 24,403**	**$ 22,270**

Premiums earned by brand and by line of business

($ in millions)	Allstate brand		National General		Allstate Protection	
	2023	2022	2023	2022	2023	2022
Three months ended June 30,						
Auto	$ 6,772	$ 6,253	$ 1,349	$ 1,095	$ 8,121	$ 7,348
Homeowners	2,537	2,281	346	285	2,883	2,566
Other personal lines	540	510	47	35	587	545
Commercial lines	153	244	49	51	202	295
Other business lines	—	—	128	120	128	120
Total premiums earned	**$ 10,002**	**$ 9,288**	**$ 1,919**	**$ 1,586**	**$ 11,921**	**$ 10,874**
Six months ended June 30,						
Auto	$ 13,432	$ 12,326	$ 2,597	$ 2,103	$ 16,029	$ 14,429
Homeowners	5,025	4,491	668	565	5,693	5,056
Other personal lines	1,061	1,006	88	70	1,149	1,076
Commercial lines	336	476	98	102	434	578
Other business lines	—	—	251	233	251	233
Total premiums earned	**$ 19,854**	**$ 18,299**	**$ 3,702**	**$ 3,073**	**$ 23,556**	**$ 21,372**

Reconciliation of premiums written to premiums earned

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Total premiums written	**$ 12,620**	**$ 11,509**	**$ 24,403**	**$ 22,270**
(Increase) decrease in unearned premiums	(753)	(599)	(880)	(857)
Other	54	(36)	33	(41)
Total premiums earned	**$ 11,921**	**$ 10,874**	**$ 23,556**	**$ 21,372**

Policies in force by brand and by line of business

PIF (thousands)	Allstate brand		National General		Allstate Protection	
	2023	2022	2023	2022	2023	2022
Auto	20,821	21,979	4,699	4,213	25,520	26,192
Homeowners	6,614	6,566	654	631	7,268	7,197
Other personal lines	4,574	4,632	316	287	4,890	4,919
Commercial lines	194	206	113	105	307	311
Total	**32,203**	**33,383**	**5,782**	**5,236**	**37,985**	**38,619**

Auto insurance premiums written increased 10.7% or $799 million in the second quarter of 2023 compared to the second quarter of 2022 and 10.6% or $1.59 billion in the first six months of 2023 compared to the first six months of 2022, primarily due to the following factors:

- Increased average premiums driven by rate increases primarily taken in 2022. Additionally, in the six months ended June 30, 2023:
  - Rate increases of 9.7% were taken for Allstate brand in 47 locations, resulting in total Allstate brand insurance premium impact of 7.5%
  - Rate increases of 9.8% were taken for National General brand in 38 locations, resulting in total National General brand insurance premium impact of 5.5%
- We expect to continue to pursue rate increases for both Allstate and National General brands throughout 2023 to improve auto insurance profitability
- PIF decreased 2.6% or 672 thousand to 25,520 thousand as of June 30, 2023 compared to June 30, 2022
- Renewal ratio decreased 2.0 and 1.9 points in the second quarter and the first six months of 2023, respectively, compared to the second quarter and first six months of 2022
- Decreased new issued applications driven by the direct and exclusive agency channels, partially offset by growth in the independent agency channel
- The impact of the ongoing rate increases and temporary reductions in advertising have and may continue to have an adverse effect on the renewal ratio, premiums and future PIF growth

Auto premium measures and statistics

	Three months ended June 30, 2023	2022	Change	Six months ended June 30, 2023	2022	Change
New issued applications (thousands)						
Allstate Protection by brand						
Allstate brand	724	959	(24.5)%	1,475	1,923	(23.3)%
National General	754	672	12.2 %	1,537	1,390	10.6 %
Total new issued applications	**1,478**	**1,631**	**(9.4)%**	**3,012**	**3,313**	**(9.1)%**
Allstate Protection by channel						
Exclusive agency channel	574	619	(7.3)%	1,163	1,218	(4.5)%
Direct channel	415	571	(27.3)%	878	1,202	(27.0)%
Independent agency channel	489	441	10.9 %	971	893	8.7 %
Total new issued applications	**1,478**	**1,631**	**(9.4)%**	**3,012**	**3,313**	**(9.1)%**
Allstate brand average premium	$ 737	$ 644	14.4 %	$ 732	$ 635	15.3 %
Allstate brand renewal ratio (%)	85.5	87.5	(2.0)	85.6	87.5	(1.9)

Homeowners insurance premiums written increased 12.4% or $373 million in the second quarter of 2023 compared to the second quarter of 2022 and increased 11.8% or $626 million in the first six months of 2023 compared to the first six months of 2022, primarily due to the following factors:

- Higher Allstate brand average premiums from implemented rate increases primarily taken in 2022 and inflation in insured home replacement costs, combined with policies in force growth
- In the six months ended June 30, 2023, rate increases of 13.4% were taken for Allstate brand in 34 locations, resulting in total Allstate brand insurance premium impact of 7.4%
- National General policy growth is expected to be negatively impacted in future quarters as we improve underwriting margins to targeted levels through underwriting and rate actions. In the six months ended June 30, 2023, rate increases of 20.0% were taken for National General brand in 15 locations, resulting in total National General brand insurance premium impact of 5.3%
- Decreased new issued applications in the direct and exclusive agency channels, partially offset by growth in the independent agency channel
- Policy growth is being reduced in states and lines of business that are underperforming. We are no longer writing new homeowners business in California and Florida, and we may take further actions to reduce our exposure, which have and will continue to negatively impact premiums
- The impact of the ongoing rate increases and temporary reductions in advertising have and may continue to have an adverse effect on the renewal ratio, premiums and future PIF growth

Homeowners premium measures and statistics

	Three months ended June 30, 2023	2022	Change	Six months ended June 30, 2023	2022	Change
New issued applications (thousands)						
Allstate Protection by brand						
Allstate brand	234	263	(11.0)%	464	498	(6.8)%
National General	46	40	15.0 %	81	67	20.9 %
Total new issued applications	**280**	**303**	**(7.6)%**	**545**	**565**	**(3.5)%**
Allstate Protection by channel						
Exclusive agency channel	202	222	(9.0)%	398	423	(5.9)%
Direct channel	19	27	(29.6)%	38	50	(24.0)%
Independent agency channel	59	54	9.3 %	109	92	18.5 %
Total new issued applications	**280**	**303**	**(7.6)%**	**545**	**565**	**(3.5)%**
Allstate brand average premium	$ 1,800	$ 1,590	13.2 %	$ 1,758	$ 1,574	11.7 %
Allstate brand renewal ratio (%)	86.3	86.9	(0.6)	86.3	86.6	(0.3)

Other personal lines premiums written increased 10.8% or $66 million in the second quarter of 2023 compared to the second quarter of 2022 and increased 9.9% or $110 million in the first six months of 2023 compared to the first six months of 2022, primarily due to increases in landlords and condominiums for Allstate brand. We are no longer writing condominium new business in California and Florida, we are non-renewing certain policies in Florida, and we may take further actions to reduce exposure in Florida, which will continue to negatively impact premiums.

Commercial lines premiums written decreased 32.7% or $97 million in the second quarter of 2023 compared to the second quarter of 2022 and decreased 27.7% or $164 million in the first six months of 2023 compared to the first six months of 2022, due to profitability actions taken to no longer offer coverage to transportation network companies unless the contracts utilize telematics-based pricing and the Allstate brand exiting traditional commercial insurance in five states, with non-renewals for those states beginning in 2023.

Other business lines premiums written decreased 24.0% or $30 million in the second quarter of 2023 compared to the second quarter of 2022 and decreased 10.2% or $25 million in the first six months of 2023 compared to the first six months of 2022.

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	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Three months ended June 30,						
Auto	87.9	84.9	20.4	23.0	108.3	107.9
Homeowners	125.0	84.5	20.3	23.0	145.3	107.5
Other personal lines	93.5	74.9	18.4	23.1	111.9	98.0
Commercial lines	105.4	127.1	24.8	18.7	130.2	145.8
Other business lines	51.6	35.0	32.0	39.2	83.6	74.2
Total	**97.0**	**84.9**	**20.5**	**23.0**	**117.5**	**107.9**
Impact of amortization of purchased intangibles	—	—	0.5	0.5	0.5	0.5
Impact of restructuring and related charges	—	—	0.2	—	0.2	—
Six months ended June 30,						
Auto	85.7	81.3	20.7	23.7	106.4	105.0
Homeowners	111.9	73.4	20.4	22.5	132.3	95.9
Other personal lines	93.6	73.5	20.2	23.8	113.8	97.3
Commercial lines	103.7	107.6	24.2	19.6	127.9	127.2
Other business lines	47.4	33.1	32.7	40.3	80.1	73.4
Total	**92.3**	**79.2**	**20.8**	**23.5**	**113.1**	**102.7**
Impact of amortization of purchased intangibles	—	—	0.5	0.5	0.5	0.5
Impact of restructuring and related charges	—	—	0.2	—	0.2	—

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

Loss ratios by line of business

	Loss ratio		Effect of catastrophe losses [1]		Effect of prior year reserve reestimates		Effect of catastrophe losses included in prior year reserve reestimates	
	2023	2022	2023	2022	2023	2022	2023	2022
Three months ended June 30,								
Auto	87.9	84.9	4.2	1.5	1.2	3.3	(0.2)	(0.5)
Homeowners	125.0	84.5	75.9	35.6	3.2	5.2	1.8	3.3
Other personal lines	93.5	74.9	24.2	13.0	0.5	(0.4)	(0.9)	0.5
Commercial lines	105.4	127.1	4.0	2.7	3.9	31.2	1.0	0.4
Other business lines	51.6	35.0	9.4	6.7	7.8	(2.5)	—	—
Total	**97.0**	**84.9**	**22.6**	**10.2**	**1.8**	**4.2**	**0.3**	**0.4**
Six months ended June 30,								
Auto	85.7	81.3	2.7	1.0	0.5	2.6	(0.3)	(0.3)
Homeowners	111.9	73.4	63.9	25.6	1.3	2.6	0.8	1.5
Other personal lines	93.6	73.5	24.0	9.8	0.5	(0.8)	(1.1)	0.7
Commercial lines	103.7	107.6	3.9	1.4	7.4	19.2	0.7	—
Other business lines	47.4	33.1	7.2	4.3	4.4	(2.6)	—	1.7
Total	**92.3**	**79.2**	**18.6**	**7.3**	**0.8**	**2.9**	**(0.1)**	**0.2**

[1] The ten-year average effect of catastrophe losses on the total combined ratio was 13.1 points in the second quarter of 2023.

Auto underwriting results

	For the periods ended									
	2023		2022				2021			
($ in millions, except ratios)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Underwriting income (loss)	(678)	(346)	(974)	(1,315)	(578)	(147)	(300)	(159)	394	1,327
Loss ratio	87.9	83.4	90.6	95.3	84.9	77.6	78.9	76.9	68.7	57.2
Effect of prior year non-catastrophe reserve reestimates on combined ratio	1.4	(0.1)	2.3	8.5	3.8	2.1	2.1	1.1	(0.4)	(0.2)

Frequency and severity are influenced by:

- Supply chain disruptions and labor shortages
- Value of total losses due to higher used car prices
- Labor and part cost increases
- Changes in commuting activity
- Driving behavior (e.g., speed, time of day) impacting severity and mix of claim types
- Organizational and process changes impacting claim opening and closing practices and shifts in timing, if any, can impact comparisons to prior periods

The quarterly auto loss ratio has been more variable due to these and additional factors discussed below.

Auto loss ratio increased 3.0 and 4.4 points in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022. Estimated report year 2023 incurred claim severity for Allstate brand, excluding Esurance and Canada, had a weighted average increase of 11% compared to report year 2022 for major coverages due to higher part costs and labor rates for repairable vehicles, a higher mix of total losses, an increase in claims with attorney representation, higher medical consumption, and inflation. Gross claim frequency increased but remains below pre-pandemic levels. We are enhancing our claims practices to manage loss costs by increasing resources and expanding re-inspections, accelerating resolution of bodily injury claims, and negotiating improved vendor services and parts agreements.

Homeowners loss ratio increased 40.5 and 38.5 points in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, primarily due to higher catastrophe losses and severity, partially offset by increased premiums earned.

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

(% change year-over-year)	
Three months ended June 30, 2023	
Gross claim frequency	(5.5)%
Paid claim severity	11.3
Six months ended June 30, 2023	
Gross claim frequency	(2.3)%
Paid claim severity	11.2

Gross claim frequency decreased in the second quarter of 2023 compared to the same period of 2022 due to wind/hail perils and decreased in the first six months of 2023 compared to the same period of 2022, primarily due to water and wind/hail perils. Paid claim severity increased in the second quarter and first six months of 2023 compared to the same periods of 2022 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 18.6 and 20.1 points in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, primarily due to higher catastrophe losses and increased severity, partially offset by increased premiums earned.

Commercial lines loss ratio decreased 21.7 and 3.9 points in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, primarily due to the result of profitability actions taken and less unfavorable reserve reestimates, partially offset by continued elevated frequency and severity.

Other business lines loss ratio increased 16.6 and 14.3 points in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, primarily due to higher catastrophe and non-catastrophe losses.

Catastrophe losses increased $1.59 billion to $2.70 billion in the second quarter of 2023 compared to the second quarter of 2022 and increased $2.82 billion to $4.39 billion in the first six months of 2023 compared to the first six months of 2022, primarily related to an increased number of wind/hail events and larger losses per event. The catastrophe losses for the second quarter and first six months of 2023 represent the highest and second highest level for the respective periods in the Company's history.

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, wildfires 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. The establishment of appropriate reserves, including reserves for catastrophe losses, is an inherently uncertain and complex process. Reserving for hurricane losses is complicated by the inability of insureds to promptly report losses, limitations placed on claims adjusting staff affecting their ability to inspect losses, determining whether losses are covered by our homeowners policy (generally for damage caused by wind or wind driven rain) or specifically excluded coverage caused by flood, exposure to mold damage, and the effects of numerous other considerations, including the timing of a catastrophe in relation to other events, such as at or near the end of a financial reporting period, which can affect the availability of information needed to estimate reserves for that reporting period. In these situations, we may need to adapt our practices to accommodate these circumstances in order to determine a best estimate of our losses from a catastrophe.

Over time, we have limited our aggregate insurance exposure to catastrophe losses in certain regions of the country that are subject to high levels of natural catastrophes by our participation in various state facilities.

Catastrophe losses by the type of event

	Three months ended June 30,				Six months ended June 30,			
($ in millions)	**Number of events**	**2023**	**Number of events**	**2022**	**Number of events**	**2023**	**Number of events**	**2022**
Tornadoes	1	$ 25	2	$ 93	3	$ 138	3	$ 158
Wind/hail	39	2,858	32	966	63	4,230	46	1,328
Wildfires	2	26	4	28	2	26	4	28
Freeze/other events	—	—	—	—	2	4	1	18
Prior year reserve reestimates		31		61		(11)		48
Prior year aggregate reinsurance recoveries		—		(10)		—		(10)
Prior quarter reserve reestimates		(244)		(30)		—		—
Total catastrophe losses	**42**	**$ 2,696**	**38**	**$ 1,108**	**70**	**$ 4,387**	**54**	**$ 1,570**

Catastrophe reinsurance

Our current catastrophe reinsurance program supports the Company's risk tolerance framework which utilizes a modeled 1-in-100 annual aggregate limit for catastrophe losses from hurricanes, earthquakes and wildfires of $2.5 billion, net of reinsurance.

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 2023, we completed the placement of our 2023-2024 Florida Excess Catastrophe Reinsurance Program ("Florida program") and the National General Lender Services Standalone Program. Additionally, we placed four single-year term contracts as part of our 2023-2024 Nationwide Excess Catastrophe Reinsurance Program, which provide $120 million of coverage.

Florida program updates Our 2023 Florida program provides coverage for property policies of Castle Key Insurance Company and certain affiliate companies for Florida catastrophe events up to $1.29 billion of loss less a $40 million retention. The Florida program includes reinsurance agreements placed in the traditional market, the Florida Hurricane Catastrophe Fund ("FHCF"), the Florida Reinsurance to Assist Policyholders Program ("RAP") and the insurance-linked securities ("ILS") market as follows:

- Traditional market placements comprise reinsurance limits for losses to personal lines property in Florida arising out of multiple perils. These contracts provide a combined $695 million of limits, with a portion of the traditional market placements providing coverage for perils not covered by the FHCF and RAP contracts, which only cover hurricanes.
- Three FHCF contracts provide $330 million of limits for qualifying losses to personal lines property in Florida caused by storms the National Hurricane Center declares to be hurricanes. The three contracts are 90% placed.
- Three RAP contracts provide $49 million of limits for qualifying losses to personal lines property in Florida caused by storms the National Hurricane Center declares to be hurricanes. The three contracts are 90% placed.
- ILS placements provide $620 million of reinsurance limits 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 $255 million of coverage, subject to a $60 million retention, with one reinstatement of limits. Inuring contracts include the National General Florida Hurricane Catastrophe Fund contract providing $64 million of limits in excess of a $33 million retention, 90% placed, and the National General RAP Contract providing $10 million of limits in excess of a $24 million retention, 90% placed.

For a complete summary of the 2023 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, 2023.

The total cost of our property catastrophe reinsurance programs, excluding reinstatement premiums, during the second quarter and first six months of 2023 was $242 million and $461 million, respectively, compared to $173 million and $317 million in the second quarter and first six months of 2022, respectively. Catastrophe placement premiums reduce net written and earned premium with approximately 75% of the reduction related to homeowners premium.

Prior year reserve reestimates Unfavorable reserve reestimates were $212 million and $195 million in the second quarter and the first six months of 2023, respectively, primarily due to National General personal auto lines, primarily injury coverages, and unfavorable reserve reestimates in homeowners lines.

For a more detailed discussion on reinsurance and reserve reestimates, see Note 8 of the condensed consolidated financial statements.

Prior year reserve reestimates

	Three months ended June 30,				Six months ended June 30,			
	Prior year reserve reestimates [1]		Effect on combined ratio [2]		Prior year reserve reestimates [1]		Effect on combined ratio [2]	
($ in millions, except ratios)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Auto	$ 97	$ 237	0.8	2.2	$ 72	$ 379	0.3	1.8
Homeowners	94	135	0.8	1.2	74	128	0.3	0.6
Other personal lines	3	(2)	—	—	6	(9)	—	—
Commercial lines	8	92	0.1	0.8	32	111	0.1	0.5
Other business lines	10	(3)	0.1	—	11	(6)	0.1	—
Total Allstate Protection	**$ 212**	**$ 459**	**1.8**	**4.2**	**$ 195**	**$ 603**	**0.8**	**2.9**
Allstate brand	$ 36	$ 442	0.3	4.1	$ (18)	$ 590	(0.1)	2.8
National General	176	17	1.5	0.1	213	13	0.9	0.1
Total Allstate Protection	**$ 212**	**$ 459**	**1.8**	**4.2**	**$ 195**	**$ 603**	**0.8**	**2.9**

[1] Favorable reserve reestimates are shown in parentheses.

[2] Ratios are calculated using Allstate Protection premiums earned.

Expense ratio decreased 2.5 and 2.7 points in the second quarter and the first six months of 2023, respectively, compared to the second quarter and the first six months of 2022, primarily due to higher earned premium growth relative to fixed costs, and lower advertising, agent and employee-related costs.

Impact of specific costs and expenses on the expense ratio

	Three months ended June 30,			Six months ended June 30,		
($ in millions, except ratios)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Amortization of DAC	$ 1,496	$ 1,355	$ 141	$ 2,948	$ 2,703	$ 245
Advertising expense	113	253	(140)	271	596	(325)
Amortization of purchased intangibles	58	59	(1)	115	117	(2)
Other costs and expenses, net of other revenue	746	842	(96)	1,513	1,596	(83)
Restructuring and related charges	26	(2)	28	47	10	37
Total underwriting expenses	**$ 2,439**	**$ 2,507**	**$ (68)**	**$ 4,894**	**$ 5,022**	**$ (128)**
Premiums earned	**$ 11,921**	**$ 10,874**	**$ 1,047**	**$ 23,556**	**$ 21,372**	**$ 2,184**
Expense ratio						
Amortization of DAC	12.6	12.5	0.1	12.5	12.7	(0.2)
Advertising expense	0.9	2.3	(1.4)	1.2	2.8	(1.6)
Other costs and expenses	6.3	7.7	(1.4)	6.4	7.5	(1.1)
Subtotal	19.8	22.5	(2.7)	20.1	23.0	(2.9)
Amortization of purchased intangibles	0.5	0.5	—	0.5	0.5	—
Restructuring and related charges	0.2	—	0.2	0.2	—	0.2
Total expense ratio	**20.5**	**23.0**	**(2.5)**	**20.8**	**23.5**	**(2.7)**

Run-off Property-Liability Segment

Underwriting results

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Claims and claims expense	$ (1)	$ (3)	$ (3)	$ (4)
Operating costs and expenses	(1)	—	(2)	(1)
Underwriting loss	**$ (2)**	**$ (3)**	**$ (5)**	**$ (5)**

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

($ in millions)	June 30, 2023	December 31, 2022
Asbestos claims		
Gross reserves	$ 1,156	$ 1,190
Reinsurance	(368)	(379)
Net reserves	788	811
Environmental claims		
Gross reserves	318	328
Reinsurance	(61)	(61)
Net reserves	257	267
Other run-off claims		
Gross reserves	429	437
Reinsurance	(64)	(64)
Net reserves	365	373
Total		
Gross reserves	1,903	1,955
Reinsurance	(493)	(504)
Net reserves	**$ 1,410**	**$ 1,451**

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

($ in millions)	June 30, 2023	December 31, 2022
Direct excess commercial insurance		
Gross reserves	$ 1,073	$ 1,106
Reinsurance	(375)	(385)
Net reserves	698	721
Assumed reinsurance coverage		
Gross reserves	600	618
Reinsurance	(54)	(56)
Net reserves	546	562
Direct primary commercial insurance		
Gross reserves	147	148
Reinsurance	(63)	(62)
Net reserves	84	86
Other run-off business		
Gross reserves	1	1
Reinsurance	—	—
Net reserves	1	1
Unallocated loss adjustment expenses		
Gross reserves	82	82
Reinsurance	(1)	(1)
Net reserves	81	81
Total		
Gross reserves	1,903	1,955
Reinsurance	(493)	(504)
Net reserves	**$ 1,410**	**$ 1,451**

Percentage of gross and ceded reserves by case and IBNR

	June 30, 2023		December 31, 2022	
	Case	IBNR	Case	IBNR
Direct excess commercial insurance				
Gross reserves [1]	64 %	36 %	58 %	42 %
Ceded [2]	69	31	63	37
Assumed reinsurance coverage				
Gross reserves	31	69	31	69
Ceded	41	59	33	67
Direct primary commercial insurance				
Gross reserves	59	41	57	43
Ceded	81	19	81	19

[1] Approximately 66% and 64% of gross case reserves as of June 30, 2023 and December 31, 2022, respectively, are subject to settlement agreements.

[2] Approximately 70% and 70% of ceded case reserves as of June 30, 2023 and December 31, 2022, respectively, are subject to settlement agreements.

Gross payments from case reserves by type of exposure

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2023	2022	2023	2022
Direct excess commercial insurance				
Gross [1]	$ 9	$ 10	$ 32	$ 28
Ceded [2]	(4)	(3)	(9)	(10)
Assumed reinsurance coverage				
Gross	14	5	19	11
Ceded	(2)	—	(3)	(1)
Direct primary commercial insurance				
Gross	1	2	2	3
Ceded	—	(1)	—	(1)

[1] In the second quarter and first six months of 2023, 79% and 85% of payments related to settlement agreements, respectively, compared to 77% and 84% of the second quarter and first six months of 2022, respectively.

[2] In the second quarter and first six months of 2023, 74% and 87% of payments related to settlement agreements, respectively, compared to 85% and 91% of the second quarter and first six months of 2022, respectively.

Total net reserves as of June 30, 2023, included $700 million or 50% of estimated IBNR reserves compared to $765 million or 53% of estimated IBNR reserves as of December 31, 2022.

Total gross payments were $24 million and $53 million for the second quarter and first six months of 2023, respectively, compared to $16 million and $41 million for the second quarter and first six months of 2022, respectively. Payments for both periods 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 $9 million and $24 million for the second quarter and first six months of 2023, respectively, compared to $11 million and $21 million for the second quarter and first six months of 2022, respectively.

Protection Services Segment

Summarized financial information

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Premiums written	**$ 658**	**$ 670**	**$ 1,277**	**$ 1,300**
Revenues				
Premiums	$ 549	$ 488	$ 1,087	$ 971
Other revenue	84	91	168	185
Intersegment insurance premiums and service fees [(1)]	35	38	68	79
Net investment income	18	12	34	21
Costs and expenses				
Claims and claims expense	(153)	(128)	(306)	(251)
Amortization of DAC	(259)	(228)	(510)	(449)
Operating costs and expenses	(218)	(213)	(439)	(431)
Restructuring and related charges	—	—	(1)	—
Income tax expense on operations	(15)	(16)	(26)	(28)
Less: noncontrolling interest	**—**	**1**	**—**	**1**
Adjusted net income	**$ 41**	**$ 43**	**$ 75**	**$ 96**
Allstate Protection Plans	$ 31	$ 36	$ 59	$ 79
Allstate Dealer Services	6	8	13	17
Allstate Roadside	6	1	10	3
Arity	(3)	(1)	(7)	(2)
Allstate Identity Protection	1	(1)	—	(1)
Adjusted net income	**$ 41**	**$ 43**	**$ 75**	**$ 96**
Allstate Protection Plans			138,172	137,292
Allstate Dealer Services			3,825	3,921
Allstate Roadside			545	519
Allstate Identity Protection			3,222	2,961
Policies in force as of June 30 (in thousands)			**145,764**	**144,693**

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

Adjusted net income decreased 4.7% or $2 million in the second quarter of 2023 and decreased 21.9% or $21 million in the first six months of 2023 compared to the same periods of 2022, due to Allstate Protection Plans higher appliance and furniture claim severity, a shift in business mix and lower third-party advertising sales by Arity, partially offset by improved margins at Allstate Roadside.

Premiums written decreased 1.8% or $12 million in the second quarter of 2023 and decreased 1.8% or $23 million in the first six months of 2023 compared to the same periods of 2022, primarily due to a decrease in sales at Allstate Dealer Services and lower rescue volumes at Allstate Roadside, partially offset by growth at Allstate Protection Plans.

PIF increased 0.7% or 1 million as of June 30, 2023 compared to June 30, 2022 due to an increase in Allstate Protection Plans.

Other revenue decreased 7.7% or $7 million in the second quarter of 2023 and decreased 9.2% or $17 million in the first six months of 2023 compared to the same periods of 2022, primarily due to lower revenue from reductions in customer advertising at Arity.

Intersegment premiums and service fees decreased 7.9% or $3 million in the second quarter of 2023 and decreased 13.9% or $11 million in the first six months of 2023 compared to the same periods of 2022, driven by decreased device sales for the Drivewise® offering at Arity due to a shift from devices to a mobile phone program.

Claims and claims expense increased 19.5% or $25 million in the second quarter 2023 and increased 21.9% or $55 million in the first six months of 2023 compared to the same periods of 2022, primarily driven by growth in the business and higher severity at both Allstate Protection Plans and Allstate Dealer Services, partially offset by lower frequency at Allstate Protection Plans.

Amortization of DAC increased 13.6% or $31 million in the second quarter of 2023 and increased 13.6% or $61 million in the first six months of 2023 compared to the same periods of 2022, driven by revenue growth at both Allstate Protection Plans and Allstate Dealer Services.

Operating costs and expenses increased 2.3% or $5 million in the second quarter of 2023 and increased 1.9% or $8 million in the first six months of 2023 compared to the same periods of 2022, primarily due to growth at Allstate Protection Plans.

Allstate Health and Benefits Segment

Effective January 1, 2023, we adopted the FASB guidance revising the accounting for certain long-duration insurance contracts in the Allstate Health and Benefits segment using the modified retrospective approach at the transition date of January 1, 2021. See Note 1 of the condensed consolidated financial statements for further information regarding the impact of the adopted accounting standard on our condensed consolidated financial statements.

Summarized financial information

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenues				
Accident and health insurance premiums and contract charges	$ 453	$ 465	$ 916	$ 933
Other revenue	101	92	202	187
Net investment income	21	16	40	33
Costs and expenses				
Accident, health and other policy benefits	(258)	(265)	(523)	(533)
Amortization of DAC	(34)	(35)	(75)	(74)
Operating costs and expenses	(210)	(185)	(413)	(387)
Restructuring and related charges	—	(2)	(4)	(2)
Income tax expense on operations	(16)	(19)	(30)	(33)
Adjusted net income	**$ 57**	**$ 67**	**$ 113**	**$ 124**
Benefit ratio [(1)]	55.0	55.1	55.2	55.3
Employer voluntary benefits [(2)]			3,736	3,832
Group health [(3)]			131	115
Individual health [(4)]			406	421
Policies in force as of June 30 (in thousands)			**4,273**	**4,368**

(1) Benefit ratio is calculated as accident, health and other policy benefits less interest credited to contractholder funds of $9 million for both the three months ended June 30, 2023 and 2022, and $17 million for both the six months ended June 30, 2023 and 2022, divided by premiums and contract charges.

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

(3) Group health includes health products and administrative services sold to employers.

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

Adjusted net income decreased $10 million in the second quarter of 2023 and decreased $11 million in the first six months of 2023 compared to the same periods of 2022, primarily due to a decline in employer voluntary benefits and individual health, partially offset by growth in group health.

Premiums and contract charges decreased 2.6% or $12 million in the second quarter of 2023 and decreased 1.8% or $17 million in the first six months of 2023 compared to the same periods of 2022, primarily due to a decline in individual health and employer voluntary benefits, partially offset by growth in group health.

Premiums and contract charges by line of business

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Employer voluntary benefits	$ 245	$ 257	$ 500	$ 520
Group health	110	95	217	189
Individual health	98	113	199	224
Premiums and contract charges	**$ 453**	**$ 465**	**$ 916**	**$ 933**

Other revenue increased $9 million in the second quarter of 2023 and increased $15 million in the first six months of 2023 compared to the same periods of 2022, primarily due to an increase in group health administrative fees.

Accident, health and other policy benefits decreased 2.6% or $7 million in the second quarter of 2023 and decreased 1.9% or $10 million in the first six months of 2023 compared to the same periods of 2022, primarily due to lower benefit utilization in group and individual health, partially offset by increased contract benefits for employer voluntary benefits and growth in group health.

Accident, health and other policy benefits include changes in the reserve for future policy benefits, expected development on reported claims, and reserves for incurred but not reported claims as shown in Note 9.

Benefit ratio decreased 0.1 points to 55.0 in the second quarter of 2023 compared to 55.1 in the second quarter of 2022. Benefit ratio decreased 0.1 points to 55.2 in the first six months of 2023 compared to 55.3 in the same period of 2022.

Amortization of DAC decreased 2.9% or $1 million in the second quarter of 2023 and increased 1.4% or $1 million in the first six months of 2023 compared to the same periods of 2022.

Operating costs and expenses

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Non-deferrable commissions	$ 78	$ 72	$ 157	$ 153
General and administrative expenses	132	113	256	234
Total operating costs and expenses	**$ 210**	**$ 185**	**$ 413**	**$ 387**

Operating costs and expenses increased $25 million in the second quarter of 2023 and increased $26 million in the first six months of 2023 compared to the same periods of 2022, primarily due to growth in group health.

Investments

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

($ in millions)	June 30, 2023 Property-Liability	Protection Services	Allstate Health and Benefits	Corporate and Other	Total
Fixed income securities [(2)]	$ 40,034	$ 1,785	$ 1,579	$ 2,152	$ 45,550
Equity securities [(3)]	1,490	178	46	576	2,290
Mortgage loans, net	711	—	112	—	823
Limited partnership interests	8,135	—	—	15	8,150
Short-term investments [(4)]	4,462	165	120	390	5,137
Other investments, net	1,594	—	121	3	1,718
Total	**$ 56,426**	**$ 2,128**	**$ 1,978**	**$ 3,136**	**$ 63,668**
Percent to total	**88.6 %**	**3.4 %**	**3.1 %**	**4.9 %**	**100.0 %**
Market-based	$ 47,003	$ 2,128	$ 1,978	$ 3,133	$ 54,242
Performance-based	9,423	—	—	3	9,426
Total	**$ 56,426**	**$ 2,128**	**$ 1,978**	**$ 3,136**	**$ 63,668**

(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 $42.05 billion, $1.90 billion, $1.73 billion, $2.23 billion and $47.90 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, 2023, was $59 million in excess of cost. These net gains were primarily concentrated in the technology, banking and consumer goods sectors. Equity securities include $1.09 billion of funds with underlying investments in fixed income securities as of June 30, 2023.

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

Investments totaled $63.67 billion as of June 30, 2023, increasing from $61.83 billion as of December 31, 2022, primarily due to higher fixed income and equity valuations and positive operating cash flows, partially offset by dividends paid to shareholders and common share repurchases.

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.

Market-based strategy seeks to deliver predictable earnings aligned to business needs and provide flexibility to adjust investment risk profile based on enterprise objectives and market 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, including infrastructure investments, and real estate with a majority being limited partnerships. These investments include investee level expenses, reflecting asset level operating expenses on directly held real estate and other consolidated investments.

Portfolio composition by investment strategy

($ in millions)	June 30, 2023 Market-based	Performance-based	Total
Fixed income securities	$ 45,458	$ 92	$ 45,550
Equity securities	1,850	440	2,290
Mortgage loans, net	823	—	823
Limited partnership interests	164	7,986	8,150
Short-term investments	5,137	—	5,137
Other investments, net	810	908	1,718
Total	**$ 54,242**	**$ 9,426**	**$ 63,668**
Percent to total	**85.2 %**	**14.8 %**	**100.0 %**
Unrealized net capital gains and losses			
Fixed income securities	$ (2,353)	$ (1)	$ (2,354)
Short-term investments	(1)	—	(1)
Other	(2)	—	(2)
Total	**$ (2,356)**	**$ (1)**	**$ (2,357)**

Fixed income securities

Fixed income securities by type

($ in millions)	Fair value as of June 30, 2023	Fair value as of December 31, 2022
U.S. government and agencies	$ 7,729	$ 7,898
Municipal	6,840	6,210
Corporate	28,954	26,263
Foreign government	1,044	957
Asset-backed securities (“ABS”)	983	1,157
Total fixed income securities	**$ 45,550**	**$ 42,485**

Fixed income securities are rated by third-party credit rating agencies or are internally rated. The Securities Valuation Office (“SVO”) of the National Association of Insurance Commissioners (“NAIC”) evaluates the fixed income securities of insurers for regulatory reporting and capital assessment purposes. The NAIC assigns securities to one of six credit quality categories defined as “NAIC designations”. In general, securities with NAIC designations of 1 and 2 are considered investment grade and securities with NAIC designations of 3 through 6 are considered below investment grade. The rating is either received from the SVO based on availability of applicable ratings from rating agencies on the NAIC Nationally Recognized Statistical Rating Organizations (“NRSRO”) provider list, including Moody’s Investors Service (“Moody’s”), S&P Global Ratings (“S&P”), Fitch Ratings (“Fitch”), or a comparable internal rating.

As a result of time lags between the funding of investments, the finalization of legal documents, and the completion of the SVO filing process, the portfolio includes certain securities that have not yet been designated by the SVO as of each balance sheet date and the categorization of these securities is based on the expected ratings indicated by internal analysis.

As of June 30, 2023, 91.2% of the consolidated fixed income securities portfolio was rated investment grade. Credit ratings below these designations are considered lower credit quality or below investment grade, which includes high yield bonds.

Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Our initial investment decisions and ongoing monitoring procedures for fixed income securities are based on a due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure, and liquidity risks of each issuer.

Fixed income portfolio monitoring is a comprehensive process to identify and evaluate each fixed income security that may require a credit loss allowance. The process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost is below internally established thresholds. For further detail on our fixed income portfolio monitoring process, see Note 4 of the condensed consolidated financial statements.

The following table presents total fixed income securities by the applicable NAIC designation and comparable S&P rating.

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

	June 30, 2023					
	NAIC 1 A and above		NAIC 2 BBB		NAIC 3 BB	
($ in millions)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)
U.S. government and agencies	$ 7,729	$ (228)	$ —	$ —	$ —	$ —
Municipal	6,730	(222)	101	(9)	7	1
Corporate						
Public	6,264	(245)	14,059	(904)	758	(66)
Privately placed	1,773	(105)	2,927	(217)	1,605	(138)
Total corporate	**8,037**	**(350)**	**16,986**	**(1,121)**	**2,363**	**(204)**
Foreign government	1,043	(31)	1	—	—	—
ABS	917	(16)	14	(1)	9	(1)
Total fixed income securities	**$ 24,456**	**$ (847)**	**$ 17,102**	**$ (1,131)**	**$ 2,379**	**$ (204)**
	NAIC 4 B		**NAIC 5-6 CCC and lower**		**Total**	
	Fair value	**Unrealized gain (loss)**	**Fair value**	**Unrealized gain (loss)**	**Fair value**	**Unrealized gain (loss)**
U.S. government and agencies	$ —	$ —	$ —	$ —	$ 7,729	$ (228)
Municipal	—	—	2	1	6,840	(229)
Corporate						
Public	158	(12)	—	—	21,239	(1,227)
Privately placed	1,263	(120)	147	(40)	7,715	(620)
Total corporate	**1,421**	**(132)**	**147**	**(40)**	**28,954**	**(1,847)**
Foreign government	—	—	—	—	1,044	(31)
ABS	1	—	42	(1)	983	(19)
Total fixed income securities	**$ 1,422**	**$ (132)**	**$ 191**	**$ (40)**	**$ 45,550**	**$ (2,354)**

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 issued by public entities 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 or insurance. ABS also includes residential mortgage-backed securities and commercial mortgage back securities.

Equity securities of $2.29 billion primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust (“REIT”) equity investments. Certain exchange traded and mutual funds have fixed income securities as their underlying investments.

Mortgage loans of $823 million mainly comprise loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification. For further detail on our mortgage loan portfolio, see Note 4 of the condensed consolidated financial statements.

Limited partnership interests include $6.92 billion of interests in private equity funds, $1.06 billion of interests in real estate funds and $164 million of interests in other funds as of June 30, 2023. We have commitments to invest additional amounts in limited partnership interests totaling $2.74 billion as of June 30, 2023.

Other investments include $667 million of bank loans, net, and $825 million of direct investments in real estate as of June 30, 2023.

Unrealized net capital gains (losses)		
($ in millions)	June 30, 2023	December 31, 2022
U.S. government and agencies	$ (228)	$ (225)
Municipal	(229)	(290)
Corporate	(1,847)	(2,299)
Foreign government	(31)	(40)
ABS	(19)	(31)
Fixed income securities	**(2,354)**	**(2,885)**
Short-term investments	(1)	(1)
Derivatives	(2)	(3)
Equity method of accounting (“EMA”) limited partnerships	—	2
Unrealized net capital gains and losses, pre-tax	**$ (2,357)**	**$ (2,887)**

Gross unrealized gains (losses) on fixed income securities by type and sector				
($ in millions)	Amortized cost, net	Gross unrealized Gains	Gross unrealized Losses	Fair value
June 30, 2023				
Corporate				
Banking [1]	$ 4,078	$ 5	$ (223)	$ 3,860
Basic industry	975	3	(65)	913
Capital goods	2,506	6	(155)	2,357
Communications	2,806	3	(216)	2,593
Consumer goods (cyclical and non-cyclical)	6,824	16	(418)	6,422
Financial services	2,233	3	(154)	2,082
Energy	2,660	5	(124)	2,541
Technology	2,956	7	(237)	2,726
Transportation	1,027	1	(58)	970
Utilities	4,373	14	(211)	4,176
Other	363	—	(49)	314
Total corporate fixed income portfolio	**30,801**	**63**	**(1,910)**	**28,954**
U.S. government and agencies	7,957	3	(231)	7,729
Municipal	7,069	34	(263)	6,840
Foreign government	1,075	—	(31)	1,044
ABS	1,002	3	(22)	983
Total fixed income securities	**$ 47,904**	**$ 103**	**$ (2,457)**	**$ 45,550**
December 31, 2022				
Corporate				
Banking	$ 5,153	$ 16	$ (314)	$ 4,855
Basic industry	1,019	2	(75)	946
Capital goods	2,288	3	(197)	2,094
Communications	2,422	1	(261)	2,162
Consumer goods (cyclical and non-cyclical)	5,984	6	(531)	5,459
Financial services	2,243	4	(176)	2,071
Energy	2,364	2	(156)	2,210
Technology	3,137	4	(298)	2,843
Transportation	959	1	(73)	887
Utilities	2,633	7	(203)	2,437
Other	360	—	(61)	299
Total corporate fixed income portfolio	**28,562**	**46**	**(2,345)**	**26,263**
U.S. government and agencies	8,123	6	(231)	7,898
Municipal	6,500	36	(326)	6,210
Foreign government	997	—	(40)	957
ABS	1,188	4	(35)	1,157
Total fixed income securities	**$ 45,370**	**$ 92**	**$ (2,977)**	**$ 42,485**

[1] As of June 30, 2023, we have exposure of approximately $115 million to regional banks primarily through investment grade corporate bonds.

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, 2023 Cost	June 30, 2023 Over (under) cost	June 30, 2023 Fair value	December 31, 2022 Cost	December 31, 2022 Over (under) cost	December 31, 2022 Fair value
Banking	$ 39	$ 33	$ 72	$ 135	$ 56	$ 191
Basic Industry	14	2	16	57	16	73
Capital Goods	88	(31)	57	196	3	199
Energy	45	1	46	110	44	154
Funds						
Equities	228	2	230	904	(19)	885
Fixed income	1,157	(68)	1,089	1,067	(84)	983
Other	—	—	—	3	—	3
Total funds	**1,385**	**(66)**	**1,319**	**1,974**	**(103)**	**1,871**
Utilities	59	(10)	49	67	12	79
Transportation	24	16	40	48	19	67
Other [1]	577	114	691	1,666	267	1,933
Total equity securities	**$ 2,231**	**$ 59**	**$ 2,290**	**$ 4,253**	**$ 314**	**$ 4,567**

[1] As of June 30, 2023, other is generally comprised of consumer goods, technology, REITs, financial services and communications sectors.

Net investment income

($ in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Fixed income securities	$ 422	$ 299	$ 812	$ 566
Equity securities	21	34	32	70
Mortgage loans	8	9	16	17
Limited partnership interests	122	224	256	516
Short-term investments	69	10	135	12
Other investments	39	42	80	82
Investment income, before expense	**681**	**618**	**1,331**	**1,263**
Investment expense				
Investee level expenses	(18)	(14)	(35)	(30)
Securities lending expense	(22)	(3)	(43)	(3)
Operating costs and expenses	(31)	(39)	(68)	(74)
Total investment expense	**(71)**	**(56)**	**(146)**	**(107)**
Net investment income	**$ 610**	**$ 562**	**$ 1,185**	**$ 1,156**
Property-Liability	$ 544	$ 506	$ 1,053	$ 1,064
Protection Services	18	12	34	21
Allstate Health and Benefits	21	16	40	33
Corporate and Other	27	28	58	38
Net investment income	**$ 610**	**$ 562**	**$ 1,185**	**$ 1,156**
Market-based	$ 538	$ 369	$ 1,046	$ 694
Performance-based	143	249	285	569
Investment income, before expense	**$ 681**	**$ 618**	**$ 1,331**	**$ 1,263**

Net investment income increased $48 million and $29 million in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, primarily due to higher market-based results driven by reinvesting into fixed income securities with higher yields and to a lesser extent, the reinvestment of proceeds from sales of equity securities into fixed income securities, partially offset by lower performance-based results, mainly from limited partnerships.

Performance-based investment income

($ in millions)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Private equity	$ 112	$ 129	$ 217	$ 377
Real estate	31	120	68	192
Total performance-based income before investee level expenses	**$ 143**	**$ 249**	**$ 285**	**$ 569**
Investee level expenses [1]	(16)	(13)	(32)	(27)
Total performance-based income	**$ 127**	**$ 236**	**$ 253**	**$ 542**

[1] Investee level expenses include asset level operating expenses on directly held real estate and other consolidated investments reported in investment expense.

Performance-based investment income decreased $109 million and $289 million in the second quarter and first six months of 2023, respectively, compared to the same periods of 2022, primarily due to lower valuation increases and lower net gains on the sales of underlying investments.

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. The Company typically employs a lag in recording and recognizing changes in valuations of limited partnership interests due to the availability of investee financial statements.

Components of net gains (losses) on investments and derivatives and the related tax effect

($ in millions)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Sales	$ (130)	$ (303)	$ (250)	$ (430)
Credit losses	(37)	(13)	(49)	(24)
Valuation change of equity investments - appreciation (decline):				
Equity securities	26	(508)	174	(855)
Equity fund investments in fixed income securities	(5)	(128)	14	(128)
Limited partnerships [1]	2	(53)	33	(153)
Total valuation of equity investments	**23**	**(689)**	**221**	**(1,136)**
Valuation change and settlements of derivatives	(7)	272	(59)	590
Net gains (losses) on investments and derivatives, pre-tax	**(151)**	**(733)**	**(137)**	**(1,000)**
Income tax benefit	35	160	29	216
Net gains (losses) on investments and derivatives, after-tax	**$ (116)**	**$ (573)**	**$ (108)**	**$ (784)**
Property-Liability	$ (104)	$ (517)	$ (98)	$ (678)
Protection Services	(3)	(23)	(4)	(33)
Allstate Health and Benefits	1	(10)	3	(15)
Corporate and Other	(10)	(23)	(9)	(58)
Net gains (losses) on investments and derivatives, after-tax	**$ (116)**	**$ (573)**	**$ (108)**	**$ (784)**
Market-based	$ (124)	$ (778)	$ (127)	$ (1,082)
Performance-based	(27)	45	(10)	82
Net gains (losses) on investments and derivatives, pre-tax	**$ (151)**	**$ (733)**	**$ (137)**	**$ (1,000)**

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

Net losses on investments and derivatives in the second quarter of 2023 related primarily to losses on sales and credit losses, partially offset by higher valuation on equity investments. Net losses in the first six months of 2023 related primarily to losses on sales and valuation change and settlements of derivatives, partially offset by higher valuation on equity investments.

Net losses on sales in the second quarter and first six months of 2023 related primarily to sales of fixed income securities in connection with ongoing portfolio management.

Net losses on valuation change and settlements of derivatives were $7 million and $59 million in the second quarter and first six months of 2023, respectively. Losses in the second quarter of 2023 primarily related to net losses on equity futures used to mitigate impacts to equity exposure, partially offset by net gains on rate futures used to manage duration. Losses in the first six months of 2023 primarily related to losses on credit default swaps used to reduce credit risk, net losses on equity futures used to mitigate impacts to equity exposure and losses on interest rate futures used to manage duration.

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

($ in millions)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Sales	$ (5)	$ 27	$ 3	$ 50
Credit losses	(24)	(3)	(27)	(7)
Valuation change of equity investments	6	(16)	25	(5)
Valuation change and settlements of derivatives	(4)	37	(11)	44
Total performance-based	**$ (27)**	**$ 45**	**$ (10)**	**$ 82**

Net losses on performance-based investments and derivatives in the second quarter of 2023 primarily related to increased credit losses from limited partnerships. Net losses on performance-based investments and derivatives in the first six months of 2023 primarily related to increased credit losses from limited partnerships and decreased valuation change and settlements of derivatives, partially offset by 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, 2023	December 31, 2022
Preferred stock, common stock, treasury stock, retained income and other shareholders' equity items	$ 17,431	$ 19,880
Accumulated other comprehensive loss	(1,914)	(2,392)
Total Allstate shareholders' equity	**15,517**	**17,488**
Debt	7,949	7,964
Total capital resources	**$ 23,466**	**$ 25,452**
Ratio of debt to Allstate shareholders' equity	51.2 %	45.5 %
Ratio of debt to capital resources	33.9	31.3

Allstate shareholders' equity decreased in the first six months of 2023, primarily due to a net loss, dividends paid to shareholders and common share repurchases, partially offset by lower unrealized net capital losses on investments. In the six months ended June 30, 2023, we paid dividends of $459 million and $53 million related to our common and preferred shares, respectively.

Repayment of debt On March 29, 2023, the Company repaid, at maturity, $250 million of Floating Rate Senior Notes that bear interest at a floating rate equal to three-month London Interbank Offered Rate ("LIBOR") plus 0.63% per year. On June 15, 2023, the Company repaid, at maturity, $500 million of 3.15% Senior Notes.

Issuance of debt On March 31, 2023, the Company issued $750 million of 5.250% Senior Notes due 2033. Interest on the Senior Notes is payable semi-annually in arrears on March 30 and September 30 of each year, beginning on September 30, 2023. The Senior Notes are redeemable at any time at the applicable redemption price prior to the maturity date. The net proceeds of this issuance were used to repay the $500 million senior debt maturity and for general corporate purposes.

Debt maturities

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

($ in millions)	
2024	$ 350
2025	600
2026	550
2027	—
2028	—
Thereafter	6,491
Total long-term debt principal	**$ 7,991**

Redemption of preferred stock On April 17, 2023, the Company redeemed all 23,000 shares of Fixed Rate Noncumulative Preferred Stock, Series G, par value $1.00 per share and liquidation preference $25,000 per share, and the corresponding depositary shares for a total redemption payment of $575 million. The Company recognized $18 million of original issuance costs in preferred stock dividends on the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Shareholders' Equity.

Issuance of preferred stock On May 18, 2023, the Company issued 24,000 shares of Fixed Rate Noncumulative Preferred Stock, Series J, par value $1.00 per share and liquidation preference amount of $25,000 per share, and the corresponding depositary shares for gross proceeds of $600 million. The preferred stock is perpetual and has no maturity date. The preferred stock is redeemable at the Company's option in whole or in part, on or after July 15, 2028 at a redemption price of $25,000 per share, plus declared and unpaid dividends. Prior to July 15, 2028, the preferred stock is redeemable at the Company's option, in whole but not in part, within 90 days of the occurrence of certain rating agency events at a redemption price equal to $25,500 per share, plus declared and unpaid dividends, or in whole but not in part, within 90 days after the occurrence of a regulatory capital event, at a redemption price equal to $25,000 per share, plus declared and unpaid dividends.

Common share repurchases As of June 30, 2023, there was $495 million remaining in the $5.00 billion common share repurchase program. In July, we suspended repurchasing shares under the current authorization. The authorization for the share repurchase program expires in March 2024.

During the first six months of 2023, we repurchased 2.6 million common shares, or 1.0% of total common shares outstanding at December 31, 2022, for $307 million.

Common shareholder dividends On January 3, 2023 and April 3, 2023, we paid a common shareholder dividend of $0.85 and $0.89, respectively. On May 22, 2023, we declared a common shareholder dividend of $0.89 payable on July 3, 2023.

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 March 2023, Moody's affirmed the A3 and P-2 senior debt and short-term issuer ratings of The Allstate Corporation (the "Corporation") and the Aa3 insurance financial strength ratings of Allstate Insurance Company ("AIC"). The rating outlook for Allstate was changed from stable to negative.

In March 2023, A.M. Best placed under review with negative implications the B+ insurance financial strength rating of the members of Castle Key Group (Castle Key Insurance Company, Castle Key Indemnity Company, Encompass Floridian Insurance Company, Encompass Floridian Indemnity Company).

In May 2023, 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 negative.

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 includes, but is not limited to AIC. The Liquidity Agreement allows for short-term advances of funds to be made between parties for liquidity and other general corporate purposes. The Liquidity Agreement does not establish a commitment to advance funds on the part of any party. AIC serves as a lender and borrower, certain other subsidiaries serve only as borrowers, and the Corporation serves only as a lender. The maximum amount of potential funding under each of these agreements is $1.00 billion.

In addition to the Liquidity Agreement, the Corporation also has an intercompany loan agreement with certain of its subsidiaries, which includes, but is not limited to, AIC. The amount of intercompany loans available to the Corporation's subsidiaries is at the discretion of the Corporation. The maximum amount of loans the Corporation will have outstanding to all its eligible subsidiaries at any given point in time is limited to $1.00 billion. The Corporation may use commercial paper borrowings, bank lines of credit and securities lending to fund intercompany borrowings.

Parent company capital capacity At the parent holding company level, we have deployable assets totaling $3.28 billion as of June 30, 2023, primarily comprised of cash and investments that are generally saleable within one quarter. The earnings capacity of the operating subsidiaries is the primary source of capital generation for the Corporation.

As of June 30, 2023, we held $15.32 billion of cash, U.S. government and agencies fixed income securities, public equity securities, and short-term investments, which we would expect to be able to liquidate within one week.

Intercompany dividends of $40 million were paid from American Heritage Life Insurance Company to Allstate Financial Insurance Holdings Corporation in the first six months of 2023.

Based on the greater of 2022 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 through February 2024, is estimated at $1.22 billion, less dividends paid during the preceding twelve months measured at that point in time. As of June 30, 2023, no dividends have been paid.

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.

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 2023, we did not defer interest payments on the subordinated debentures.

Additional resources to support liquidity are as follows:

- The Corporation and AIC have access to a $750 million unsecured revolving credit facility that is available for short-term liquidity requirements. The maturity date of this facility is November 2027. 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 24.4% as of June 30, 2023. 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 2023.
- To cover short-term cash needs, the Corporation has access to a commercial paper facility with a

borrowing capacity limited to any undrawn credit facility balance up to $750 million.
- As of June 30, 2023, 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 638 million shares of treasury stock as of June 30, 2023), 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. Forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. These statements may address, among other things, our strategy for growth, catastrophe exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update any forward-looking statements as a result of new information or future events or developments. In addition, forward-looking statements are subject to certain risks or uncertainties that could cause actual results to differ materially from those communicated in these forward-looking statements. 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 regulation and underwriting standards; (5) actual claim costs exceeding current reserves; (6) market risk, inflation, and declines in credit quality of our investment portfolios; (7) our subjective determination of fair value and amount of credit losses for investments; (8) our participation in indemnification programs, including state industry pools and facilities; (9) inability to mitigate the impact associated with changes in capital requirements; (10) a downgrade in financial strength ratings;

Business, Strategy and Operations (11) competition in the industries in which we compete and new or changing technologies; (12) implementation of our Transformative Growth strategy; (13) our catastrophe management strategy; (14) restrictions on our subsidiaries’ ability to pay dividends; (15) restrictions under terms of certain of our securities on our ability to pay dividends or repurchase our stock; (16) the availability of reinsurance at current levels and prices; (17) counterparty risk related to reinsurance; (18) acquisitions and divestitures of businesses; (19) intellectual property infringement, misappropriation and third-party claims;

Macro, Regulatory and Risk Environment (20) conditions in the global economy and capital markets; (21) a large-scale pandemic, the occurrence of terrorism, military actions or social unrest; (22) the failure in cyber or other information security controls, as well as the occurrence of events unanticipated in our disaster recovery processes and business continuity planning; (23) changing climate and weather conditions; (24) evolving environmental, social and governance standards and expectations; (25) restrictive regulations and regulatory reforms, including limitations on rate increases and requirements to underwrite business and participate in loss sharing arrangements; (26) losses from legal and regulatory actions; (27) changes in or the application of accounting standards; (28) vendor-related business disruptions or failure of a vendor to provide and protect data, confidential and proprietary information, or personal information of our customers, claimants or employees; (29) our ability to attract, develop and retain talent; and (30) 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.

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, 2023, 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 14 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, 2022.

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, 2023 - April 30, 2023				
Open Market Purchases	409,553	$ 115.11	408,428	
May 1, 2023 - May 31, 2023				
Open Market Purchases	474,607	$ 115.25	473,005	
June 1, 2023 - June 30, 2023				
Open Market Purchases	479,607	$ 110.00	477,250	
Total	**1,363,767**	**$ 113.36**	**1,358,683**	**$ 495 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: 1,125
May: 1,602
June: 2,357

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

(3) In August 2021, we announced the approval of a common share repurchase program for $5 billion. In July, we suspended repurchasing shares under the current authorization. The authorization for the share repurchase program expires in March 2024. The Inflation Reduction Act, enacted in August 2022 imposes a 1% excise tax on stock repurchases occurring after December 31, 2022. The excise tax on stock repurchases is classified as an additional cost of the stock acquired included in treasury stock in shareholders’ equity.

Item 5. Other Information

During the three months ended June 30, 2023, no director or officer of the Company who is required to file reports under Section 16 of the Exchange Act adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Exhibits

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

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
3.1	Restated Certificate of Incorporation filed with the Secretary of State of Delaware on May 23, 2012	8-K	1-11840	3(i)	May 23, 2012	
3.2	Amended and Restated Bylaws of The Allstate Corporation as amended July 14, 2023	8-K	1-11840	3.1	July 17, 2023	
3.3	Certificate of Designations with respect to the Preferred Stock of the Registrant, Series H, dated August 5, 2019	8-K	1-11840	3.1	August 5, 2019	
3.4	Certificate of Designations with respect to the Preferred Stock of the Registrant, Series I, dated November 6, 2019	8-K	1-11840	3.1	November 8, 2019	
3.5	Certificate of Elimination with respect to the Preferred Stock, Series A, C, D, E and F of the Registrant, dated February 20, 2020	10-K	1-11840	3.6	February 21, 2020	
3.6	Certificate of Elimination with respect to the Preferred Stock, Series G of the Registrant, dated May 1, 2023	10-Q	1-11840	3.6	May 3, 2023	
3.7	Certificate of Designations with respect to the Preferred Stock of the Registrant, Series J, dated May 16, 2023	8-K	1-11840	3.1	May 18, 2023	
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 2, 2023, 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 1, 2023	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
3100 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, 2023 and 2022, as indicated in our report dated August 1, 2023; 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, 2023, 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 1, 2023

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 1, 2023

/s/ Thomas J. Wilson

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

Certifications **Exhibit 31 (i)**

I, Jesse E. Merten, 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 1, 2023

/s/ Jesse E. Merten

Jesse E. Merten

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, 2023 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 1, 2023

/s/ Thomas J. Wilson

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

/s/ Jesse E. Merten

Jesse E. Merten
Executive Vice President and Chief Financial Officer