Allstate Prosperity Report

Allstate®

Our Shared Purpose

We are the Good Hands®: We help customers realize their hopes and dreams by providing the best products and services to protect them from life's uncertainties and prepare them for the future.

OUR STRATEGIC VISION

Deliver substantially more value than the competition by reinventing protection and retirement to improve customers' lives.

OUR CORPORATE GOAL

Create long-term value by serving our stakeholders, taking appropriate risks, and leveraging our capabilities and strategic assets.

OUR VALUES

- Honesty, caring and integrity
- Inclusive diversity
- Engagement
- Accountability
- Superior performance

OUR PRIORITIES

- Customer focus
- Operational excellence
- Enterprise risk and return
- Sustainable growth
- Capital management

OUR LEADERSHIP PRINCIPLES

We empower every employee to lead and drive change.

- We're here to serve.
- We win together.
- We drive results.
- We're transparent.
- We continuously get better.
- We develop each other.

OUR OPERATING PRINCIPLES

- Put the customer at the center of all our actions.
- Use consumer insights, data, technology and people to better serve customers and generate growth.
- Execute well-considered decisions with precision and speed.
- Focus relentlessly on those few things that provide the greatest impact.
- Be a learning organization that leverages successes, learns from failures and continuously improves.
- Provide employees, agency owners, financial specialists and licensed sales professionals fulfilling opportunities, personal growth and performance-based rewards.
- Take an enterprise view of our people and processes, and work as a single team to advance Allstate rather than our individual interests.

Tom Wilson
Board Chair, President and Chief Executive Officer

Why a Prosperity Report?

Allstate is about creating the future

Annual reports were created before ubiquitous and continuous information flows. Today, a company's successes and disappointments are tweeted while blogs and social media sites shape reputation one word at a time. As a result, we want to share the broader story of Allstate's successes and challenges in the first of many Prosperity Reports.

Businesses create prosperity. Iron rocks are molded into steel skyscrapers and molecules are combined to create lifesaving drugs. Allstate protects tens of millions of people from life's uncertainties and helps them rebuild their lives after disaster strikes. Private enterprises employ 85% of the U.S. workforce. Capital, people, intelligence and processes are combined to make the world a better place. Quite simply, the world is a better place because of one of society's greatest organizational creations: business.

To continue creating prosperity businesses must take on a bigger role in society. Let's be clear, a business needs to make an acceptable profit since this is a measure of how effectively it uses society's resources. Yet more is expected and needed from business. Eighty-seven percent of young Americans believe that businesses need to do more than make a profit. Companies also need to be held accountable for creating jobs, making sure free markets work and improving our communities.

At Allstate we pursue these four goals by following Our Shared Purpose, which is shown on the opposite page. In business, it is often said what gets measured gets done. We created this Prosperity Report to show how we measure up to our aspirations.

Tom Wilson

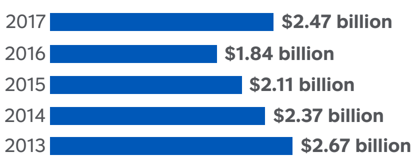
We create attractive risk-adjusted returns

Our Corporate Goal: Create long-term value by serving our stakeholders, taking appropriate risks, and leveraging our capabilities and strategic assets.

"We measure financial returns by annual profit, return on capital and total return to shareholders. In 2017 we had very strong profitability as a multiyear auto insurance profit improvement plan paid off. Investment return was a strong 5.9% on our $83 billion diversified portfolio. We proactively manage capital for the total enterprise, each market-facing business and by risk type. As a result, we generated a 13.4% adjusted net income return on equity†. Shareholder returns should be measured across a range of time periods, and Allstate exceeded its peers over one-, three- and five-year periods."

— Mario Rizzo
Chief Financial Officer

ADJUSTED NET INCOME†



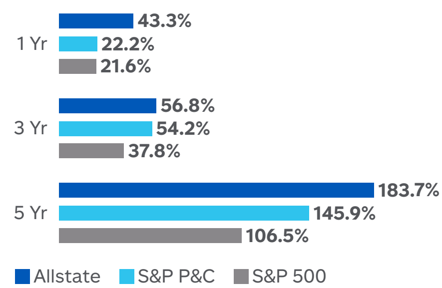
ADJUSTED NET INCOME PER COMMON SHARE†

- Property-liability combined ratio of 93.6 in 2017 improved 2.4 points from the prior year.
- Auto insurance underwriting profit increased by $1.14 billion in 2017 from 2016. Homeowners insurance generated an underwriting profit of $658 million despite elevated catastrophe losses.

ADJUSTED NET INCOME RETURN ON COMMON EQUITY†

- Our capital structure includes a mix of debt, preferred stock and common shares, resulting in substantial financial strength and an attractive cost of capital.
- We protect over 6 million homes from catastrophe losses after natural disasters. Allstate is a leader in using reinsurance and capital markets to mitigate this risk for shareholders.
- The $83 billion investment portfolio is 62% investment-grade fixed income securities but also includes $13.4 billion of equity and performance-based investments, which provides balanced risk-adjusted returns.

TOTAL SHAREHOLDER RETURN VS. MARKET INDICES



- Our quarterly dividend per common share increased 12% in 2017 and an additional 24% in 2018.
- Since the beginning of 2013, we returned $12 billion to common shareholders by repurchasing 32% of common shares outstanding and paying dividends of $2.3 billion on common shares.

BOOK VALUE PER COMMON SHARE

"Superior investment returns require a disciplined process, rigorous risk management and intellectual curiosity to actively examine opportunities overlooked by others."

— John Dugenske, *Chief Investment and Corporate Strategy Officer*

†For definition of this term, please see the definitions of Non-GAAP measures on pages 83-86 of our 2018 Proxy Statement.

We focus relentlessly on our priorities

Our Shared Purpose Priorities:

- Customer focus
- Operational excellence
- Enterprise risk and return
- Sustainable growth
- Capital management

"We manage our business and fulfill our role in society by broadly defining our purpose. In the near term, we are guided by five annual operating priorities. Long-term priorities are equally important and are fully integrated into our strategies and operating plans."

— Steve Shebik
Vice Chair

CUSTOMER FOCUS

- We serve distinct customer segments with differentiated offerings enabling them to do business with Allstate when, where and how they choose. Through Allstate, Encompass, Esurance and Answer Financial, we're the only insurer to cover all segments of the property-liability market.
- We're doing a better job taking care of our customers. Our Net Promoter Score, which measures how likely customers are to recommend us, finished 2017 1.6 points higher than year-end 2016, reflecting increases across our market-facing businesses.

"We're reimagining life insurance end-to-end, starting with customer insights, bringing in breakthrough technologies, and marrying it with our strong personal lines business in unique ways."

— Mary Jane Fortin, *President, Allstate Financial*

OPERATIONAL EXCELLENCE

- An integrated digital enterprise is being built that uses technology, data, advanced analytics and process redesign to improve effectiveness and efficiency.
- More than 70% of drivable cars are now inspected through QuickFoto Claim®, our smartphone app that enables customers to start a claim by sending us photos of damage to their vehicles. Claims are now settled in hours instead of days.

"(The money) was automatically deposited right into my bank account. It was ridiculously easy."

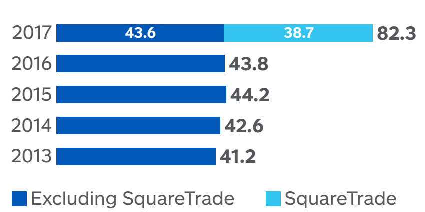
— Karen, *QuickFoto Claim customer*

- Nearly 50% of Allstate employees are trained in the principles of Continuous Improvement, which empowers them to transform how we work through the use of strategic problem-solving tools and techniques.

SUSTAINABLE GROWTH

- Allstate's business model is being broadened to create additional growth opportunities, leverage capabilities and diversify risk and return. SquareTrade® was acquired in 2017 for $1.4 billion.
- SquareTrade policies grew 35.8% for the year, as the company expanded its U.S. retail and European cellphone businesses.
- Property-liability policies declined slightly in 2017 as we continued to execute our profit improvement plan, but we are positioned for growth in 2018.
- Allstate Benefits continued its 17-year track record of growth in 2017, with policies in force increasing 7.4%.

POLICIES IN FORCE (MILLIONS)



We live our values every day

Our Values:
- Honesty, caring and integrity
- Inclusive diversity
- Engagement
- Accountability
- Superior performance

"Our values represent who we are and how we conduct ourselves – not just as employees, but as people, leaders, decision makers and members of society. They define our culture and what it means to be an Allstater. They are non-negotiable. It's about doing the right thing in the right way at the right time."

— Tom Wilson

ETHICS

- The 2017 Integrity Index, which measures the ethical health of our corporate culture across the Allstate family of companies on a 7-point scale, reported:
  - For "Comfort Speaking Up," employees scored their environment a 6.12.
  - For "Direct Manager Leadership," employees scored their management a 6.19.
- Our survey results consistently score above the external benchmark, reflecting the effectiveness of our ethics and compliance culture.
- As we expand our businesses and brands, we work hard to instill a culture where everyone has an obligation to ask questions, raise concerns and report violations of our Global Code of Business Conduct.

"Global corporations operating with a common rule of law are now society's strongest force to improve the human condition. ... The World's Most Ethical Companies in particular continued to show exemplary leadership. I congratulate everyone at Allstate for being recognized as one of the World's Most Ethical Companies."

— Timothy Erblich, *CEO, Ethisphere*

INCLUSIVE DIVERSITY

- We strive for a workforce that mirrors the diversity of the customers and communities we serve.
  - We have 11 diverse Employee Resource Groups with over 10,000 members. These groups bring employees together to develop professionally around shared communities.
  - We have Inclusive Diversity commitments (hiring, development and advancement) in all areas of the business.
  - We continuously work to ensure we have a diverse pipeline of talent at all leadership levels.

2017 employee diversity

Female	56.3%
Minority	35.1%
African-American	16.4%
Hispanic	11.0%
Asian/Pacific Islander	5.5%
Native American	0.3%
Two or more races	1.9%

2017 leadership diversity

Board of Directors	50%
Officers	35%
Managers	57%

For more on ethics and inclusive diversity, see Allstate's Sustainability Report at www.allstatesustainability.com

ENGAGEMENT

- As a service business, employee engagement enhances effectiveness and efficiency.

2017 Inspire Culture* employee survey

Engagement *(favorability)*	83%
I believe strongly in Allstate's Shared Purpose	88%

- Our Shared Purpose declares that we provide employees fulfilling opportunities, personal growth and performance rewards. In line with these principles, Allstate shared a portion of recently reduced federal taxes, providing $1,000 to $2,000 of employee Choice Dollars and investing more in development. Employee satisfaction on benefits has declined as efforts to equalize medical benefits have led to higher cost increases for employees with families.

- The Allstate system harnesses the talent of 82,900 people, 9,300 more than in 2013.

- In 2017, we retained 86% of our employees.

- Agency owner satisfaction increased in 2017 after it declined in the previous two years, reflecting a need to lower growth and increase average auto insurance prices.

2017 Agency Relationship Survey

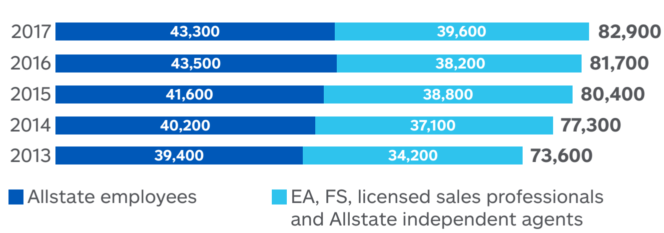
	EA	FS
Overall satisfaction	73%	66%
Confidence index	80%	71%

Exclusive agency owners (EA), financial specialists (FS)

"(Sharing the tax savings) shows the company truly cares for its employees."

— Barbara G., *employee, Roanoke, Virginia*

NUMBER OF ALLSTATERS



*The Inspire Culture survey is one of two biannual engagement surveys that make up Allstate's "continuous listening strategy."

We lead from every seat

Our Leadership Principles

- We're here to serve.
- We win together.
- We drive results.
- We're transparent.
- We continuously get better.
- We develop each other.

"Everyone is a leader at Allstate. We have six Leadership Principles that guide and empower employees. These principles define our culture, drive business results and are embedded in talent recruitment and performance management."

— Harriet Harty
Executive Vice President, Human Resources

PERSONAL PURPOSE

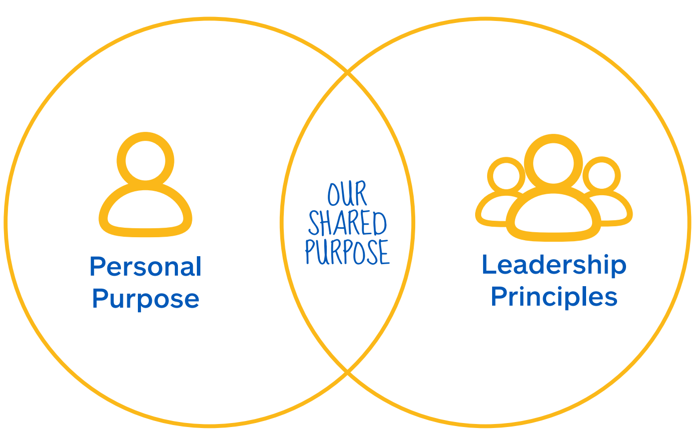
- Allstate is striving to be a purpose-driven company powered by purpose-driven people.
- Energy for Life (EFL) is a program that enables employees to clarify their personal purpose and build a plan to achieve more meaning in their lives. Over 27,000 Allstaters have completed EFL since it was launched for employees in 2010 and agency owners in 2012.
- The Allstate Ambassador network is a movement of more than 7,800 Allstaters who are engaging beyond their day-to-day roles. From on-the-job innovation to giving back, Ambassadors offer unique ways for every Allstater to bring the promise of our Employee Value Proposition to life.

EMPLOYABILITY

- We empower our employees to continue to learn, develop and take ownership of their careers. Our enterprise learning strategy is grounded in foundational pillars:
  - Building the technical skills needed in the future, enabling sustainable long-term employability
  - Creating lifelong learning opportunities through education, job assignments and our Tuition Assistance Program
- Allstate provides employees with abundant training opportunities, such as webinars, seminars and classroom learning. In 2017, employees completed more than 300,000 courses, accounting for nearly 360,000 hours of learning.

PERFORMANCE REWARDS

- Pay for performance and competitive pay are critical elements of Allstate's compensation philosophy and attract, retain and engage talent.
- Allstate performs pay fairness analyses on employees' salaries annually as well as analyzes discretionary pay decisions for its bonus-eligible leaders, looking for unintentional consequences that may negatively impact women, minorities and employees over 40. If discrepancies are identified, action is taken to adjust pay to ensure fairness in compensation.
- Our Annual Incentive Plan (AIP) rewarded 3,788 leaders in 2017. Reflecting the company's strong year, AIP funding was significantly above target in 2017, following two years of company results below target.



We protect and restore people's lives

We are the Good Hands®: We help customers realize their hopes and dreams by providing the best products and services to protect them from life's uncertainties and prepare them for the future.

"This is what it means to be in good hands. When the worst happens, we're out in force. Taking care of our customers is job No. 1. That's Allstate's purpose."

— Glenn Shapiro
President, Allstate Personal Lines

TRUSTED ADVISORS

- At Allstate, we do more than protect things. Our agency owners and financial specialists dedicate themselves to being trusted advisors, strengthening relationships with customers and helping them manage the risks they face.
- During 2017, we surpassed 6 million personalized insurance proposals to support Allstate agencies as trusted advisors. Personalized proposals provide a dynamic, new way for agencies to present insurance options, help educate prospects about their unique needs and discuss tailored solutions.

GOOD WORK, GUARANTEED

- We believe in the claim service we provide. That's why we offer Claim Satisfaction Guarantee®. If customers aren't happy with their auto claim, they'll get their money back.

"We say we sell insurance, but the truth is we sell the promise that if our customer's life falls apart, Allstate will help put it back together."

— Morris G., *employee, Nashville, Tennessee*

CATASTROPHE RESPONSE

- Our priority is helping customers recover as quickly as possible from life's uncertainties.
- With over $3 billion in catastrophe losses, 2017 was Allstate's fourth–highest catastrophe loss year.
- We expanded our use of drones, airplanes and satellite imagery to quickly identify and assess damage.
- When hurricanes brought extensive flooding and damage to Texas and Florida, Allstate did more than pay claims; we provided reassurance, relief and guidance on rebuilding. Our National Catastrophe Team sent hundreds of personnel, including Mobile Claim Centers stocked with basic relief supplies.
- The Allstate Foundation, Allstate and its employees and agency force contributed more than $2.1 million to disaster relief and recovery efforts in 2017.

We drive innovation

Our Strategic Vision is to deliver substantially more value than the competition by reinventing protection and retirement to improve customers' lives.

"Allstate has a history of innovation. We have led in information technology, insurance pricing sophistication, and making it easier for customers to protect and restore their lives. Many of our industry-leading innovations, such as Your Choice Auto®, have been copied by our competitors. Substantial investments in innovation are focused on the increasing connectivity of customers."

— Don Civgin
President, Service Businesses

NEW PRODUCTS AND SERVICES

- In 2017, Allstate broadened consumer protection through the acquisition of SquareTrade, a provider of protection plans for consumer electronics and appliances.
- Allstate is serving the insurance needs of the sharing economy.
  - In 2015, we launched the ride-hailing endorsement Ride for Hire®, now in 47 states.
  - In 2016, we added HostAdvantage℠, an endorsement to cover insurance gaps for home-sharing hosts.
  - More recently, Allstate established a partnership with Uber to protect drivers and passengers with commercial auto coverage.

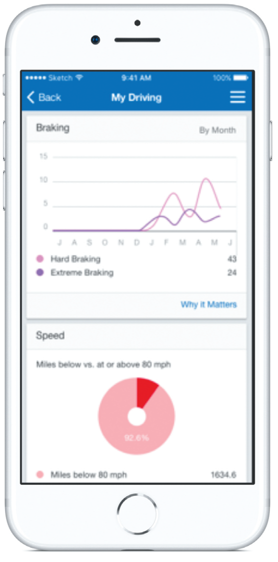
"We will substantially improve our customer value proposition by using data, analytics and emerging technologies."

— Suren Gupta,
Executive Vice President,
Enterprise Technology and Strategic Ventures

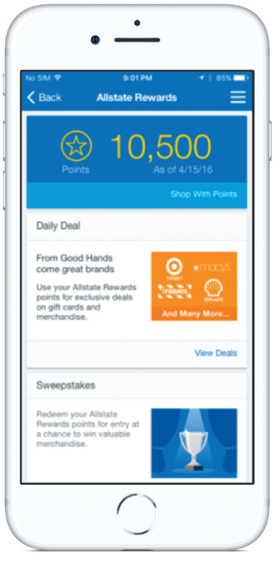
CONNECTED CAR

- The Allstate Drivewise® and Esurance DriveSense® telematics offerings provide customers with the tools and real-time, personalized driving feedback they need to become safer drivers and reward them with incentives and discounts.
- Arity provides telematics-based solutions to over 1 million Allstate and Esurance customers.
- Allstate was the first major U.S. insurer to introduce a mobile app to provide customers with insights into how they drive and reward them for safe driving.

Telematics and connected-car technology improve pricing accuracy and driving experience



My Driving



My Rewards

THE FUTURE OF TRANSPORTATION

> *"Autonomous cars are really just the tip of the iceberg. We have the opportunity to create prosperity for virtually every family in America by improving the efficiency of the personal transportation system."*
>
> — Tom Wilson

- The value of personal transportation vehicles in America is $4 trillion. On average, utilization of personal vehicles during peak hours is only 33%. A 20% improvement in the efficiency of the personal transportation system could generate $3,000 in savings per U.S. household each year, or $250 per month. That is a 5% increase in household income.
- To thrive in a multimodal world, Allstate is working with the public and private sectors to create the necessary technologies and infrastructure. We are committed to shaping this change, with the aim of improving economic mobility for millions of Americans.

Arity provides telematics-based solutions.

A LEGACY OF INNOVATION

- **1931:** Allstate, **founded** in the depths of the Great Depression, offers insurance via mail order.
- **1934:** Opens the **first sales location,** in a Chicago Sears store.
- **1939:** Allstate **tailors auto rates** by age, mileage and use of car. The industry follows suit.
- **1952:** Opens the **first drive-in claim office,** revolutionizing the way auto claims are handled.
- **1961:** Allstate creates the **first truly national motor club.**
- **1968:** Allstate begins **advocating** for greater auto passenger safety, including seat belts and air bags.
- **1996:** Establishes the **first dedicated catastrophe unit,** which quickly deploys adjusters to affected customers.
- **2005:** Introduces **Allstate Your Choice Auto® Insurance**, which provides customers with more coverage choices and savings.
- **2005:** Allstate is the first insurance company to offer **"accident forgiveness,"** now imitated by competitors.
- **2011:** Offers an innovative **Claim Satisfaction Guarantee®** for auto claims.
- **2011:** Expands to **serve all customer segments** through our four brands: Allstate, Encompass, Esurance and Answer Financial.
- **2013:** Allstate introduces **QuickFoto Claim®** to provide a faster, simpler, easier auto claim experience.
- **2016:** Allstate **launches Arity** to build insurance, automotive and shared mobility technologies to make transportation smarter, safer and more useful.
- **2016:** The **Allstate Good Hands Rescue® App** leverages GPS and proprietary technology to deliver rapid roadside services.
- **2017:** Allstate **acquires SquareTrade** to serve broader consumer protection needs.

We bring out the good

We're here to serve, and we care a lot. It's at the heart of everything we do here at Allstate. We make a conscious choice to lead by serving our customers, communities and each other.

"Allstate creates prosperity for the communities where we live and serve. We are a force for good – both as a company and as individuals united through purpose. We embody the belief that corporations can do more to make the world a better place."

— Vicky Dinges
Senior Vice President, Corporate Responsibility

EMPOWERMENT

- More than 5 million youth are engaged in Allstate Foundation Good Starts Young programs, aimed at helping young people thrive not just as students, but also as leaders, dreamers, entrepreneurs and citizens.
  - Through WE Schools, Allstate programs were in 4,500 U.S. schools or youth groups in 2017.
- We empower survivors of domestic violence by helping them take steps toward financial independence. The Allstate Foundation Purple Purse® program is the nation's longest-running program providing financial empowerment education.
  - We raised $4.3 million in 2017 for service organizations that work directly with domestic violence survivors.

VOLUNTEERISM AND LOCAL AGENCY INVOLVEMENT

- Allstate employees and agencies know that giving back is part of Allstate's DNA. They are also community leaders.
  - In 2017, our employees and agency force reported over 258,000 hours of service.
  - Allstate, The Allstate Foundation and Allstaters made $47 million in charitable contributions.
  - The Allstate Foundation provided Helping Hands® grants to 2,352 nonprofit organizations in nearly 1,500 towns.
  - Helping Hands grants encourage and recognize agency owners and financial specialists who volunteer in their communities. Forty-two percent of agencies received grants to support their involvement in local causes.

SUPPLIER DIVERSITY

- We empower diverse and emerging leaders and businesses through our Supplier Diversity Program. We provide training, tools, mentoring and opportunities to help diverse suppliers compete and build their businesses.
- Allstate spent $450 million, or 9% of total supplier spending, with diverse suppliers in 2017.

INVESTING IN COMMUNITIES

- We have supported state and local communities through investments in $8.3 billion of municipal bonds.
- We helped expand access to affordable housing through investing in low-income housing tax credit programs that finance over 70,000 units.

For more on how Allstate brings out the good, see Allstate's Sustainability Report at www.allstatesustainability.com

Honors and recognition

WE ARE A FORCE FOR GOOD

- World's Most Ethical Companies® 2015, 2016, 2017, 2018 – Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.
- Best Compliance and Ethics Program (large cap) Corporate Governance 2016 from Corporate Secretary – Recognizes companies for their successful integration of good governance principles across all disciplines to achieve ethical governance environments.
- Civic 50 Honoree 2017 from Points of Light – Recognizes the 50 most community-minded companies in the nation each year and showcases how companies can use their time, skills and other resources to improve the quality of life in communities.
- Top 100 Green Companies in the United States 2016 – Newsweek

RECOGNITION OF OUR INNOVATION

- Fortune Change the World 2017 – Honors 50 companies around the globe that are tackling major societal problems and whose good works contribute to their bottom lines.
- Top 10 Innovator of the Decade by InformationWeek and No. 13 on 2016 InformationWeek Elite 100 List – Honored for technology initiatives, ranging from the use of data analytics to the introduction of information technology-based products and services.
- CIO (Chief Information Officer) 100 Award 2016 – Recognizes organizations around the world that exemplify the highest level of operational and strategic excellence in information technology.

COMMITMENT TO DIVERSITY

- Top 50 Companies for Supplier Diversity 2017 – Black Enterprise magazine
- 2017 Diversity Best Practices Inclusion Index – Diversity Best Practices
- Top 50 Companies for Diversity 2017 – DiversityInc
- Best Companies for Diversity 2017 – Black Enterprise
- Top 60 Companies for Executive Women 2017 – National Association for Female Executives
- Best Companies for Multicultural Women 2017 – Working Mother
- Top Corporation for Women's Business Enterprise 2017 – Women's Business Enterprise National Council
- Best-of-the-Best Corporation for Inclusion – National Business Inclusion Consortium
- Military Friendly Employer Gold Award – Military Friendly®
- Military Friendly Spouse Employer – Military Friendly®

"Allstaters are people with purpose. We come together head and heart each day to do the right thing for our customers, communities and each other. The external recognition we receive is a testament to our commitment to be a force for good in society."

— Susie Lees, *General Counsel*

For more on recognition Allstate has received, see Allstate's Sustainability Report at www.allstatesustainability.com

Notice of 2018 Annual Meeting and Proxy Statement

What's Inside

LETTER FROM INDEPENDENT DIRECTORS TO STOCKHOLDERS

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062

March 28, 2018

Fellow Stockholders,

Thank you for trusting us to oversee the long-term health and sustainability of Allstate. We focus on continuous improvement and transparency, informed by our stockholder engagement, outside advisors and best practices. Below is a list of our major initiatives and accomplishments in 2017.

Corporate Governance

Once again last year, we reached out to stockholders representing over one-third of our outstanding shares to discuss performance, strategy, corporate governance, and Board composition, diversity, tenure and independence as part of our effort to continuously get better. Our Chair and CEO, Tom Wilson, Lead Director, Judy Sprieser, and nominating and governance committee chair, Andrea Redmond, participated in these conversations. We implemented the following improvements to our governance practices:

- *Board Composition* – We added two new directors to our Board, Gregg Sherrill and Margaret Keane. Gregg is Executive Chairman and former CEO at Tenneco. His strategic, operating and leadership experience in the automotive industry will add to our capabilities and discussions, especially related to the rapid transformation occurring in the personal transportation industry. Margaret is President and CEO of Synchrony Financial. She is an accomplished leader with financial services expertise and a passion for innovation, customer focus and employee development that will further strengthen our operating and strategic dialogue.

  Mary Alice Taylor and John Rowe are retiring from the Board in May 2018. Mary Alice has served as a director for 20 years under different operating environments and management teams. The breadth and depth of her Allstate experience has been extremely beneficial to our new directors and in her role leading the audit committee for the last three years. John joined Allstate in 2012 following nearly three decades as CEO of a highly regulated business and led our compensation and succession and nominating and governance committees. We are extremely grateful for their service and dedication to Allstate.
- *Board Capabilities and Refreshment* – To effectively represent your long-term interests, we strive to maintain an appropriate balance of tenure, diversity, skill sets and experience on our Board. A comprehensive Board evaluation process is utilized to ensure governance and oversight responsibilities are updated and well executed. This includes assessing our performance at the end of every meeting, an annual Board assessment and individual director evaluations. The members of our Board reflect diverse perspectives, experiences and backgrounds and have an average tenure of 6.8 years, demonstrating our commitment to ensure continual refreshment. Half of the Board nominees are women or ethnic minorities who currently hold four of the Board's leadership roles.
- *Sustainability Report* – In response to stockholder input, Allstate issued a Sustainability Report in 2017, detailing environmental, social, and governance practices, including diversity measures and fair pay practices.

Performance and Strategy

We regularly review Allstate's relative competitive positioning, and actively participate and discuss strategies and key initiatives for each market-facing business and the entire corporation. We also devoted significant time to Allstate's strategy and how to effectively capture opportunities presented by changes in the automobile industry, including autonomous vehicle technology and ride-sharing.

- Allstate delivered on all five operating priorities in 2017 which focused on both near-term performance and long-term value creation.
  - The Net Promoter Score, which measures how likely customers are to recommend Allstate, improved.
  - Investment income was strong, reflecting equity and fixed income market appreciation and increased allocations to performance-based investments.
  - Allstate achieved its target economic returns on capital, despite significant catastrophe events. Particularly impressive was the increased profitability from auto insurance.
  - Total policies in force increased due to the acquisition of SquareTrade and continued growth at Allstate Benefits.
  - Long-term growth was enhanced through existing businesses and the creation of new businesses. Allstate agencies are being positioned as trusted advisors; Allstate Benefits continues to expand; SquareTrade is growing; and significant investments are being made in automotive telematics.

Risk Oversight

Oversight of Allstate's enterprise risk and return program is the responsibility of the full Board and the risk and return and audit committees. We implemented several enhancements:

- *Independent Review* – Allstate uses economic capital to quantify returns and provide transparency into risk-return decision making. Allstate had an independent external review of its methodologies for determining economic capital and allocating it within the enterprise to provide insight into its business risk profile and risk-return opportunities. The review, performed by leading experts in economics and regulation, confirmed Allstate has a sound process for determining economic capital.

- *Cybersecurity Oversight* – The relationship with our independent cybersecurity advisor, hired by the audit committee in 2016, was expanded in 2017 to further strengthen Allstate's cybersecurity defenses and cybersecurity risk management practices. The full Board and audit committee participated in this important work.

Executive Compensation and Succession

We completed our annual evaluation of the executive compensation program to ensure alignment with long-term interests of stockholders. The say-on-pay proposal received 95% support at the 2017 annual meeting. No significant changes were made to our programs in 2017.

Management succession for the CEO and senior leaders is reviewed four times annually across multiple time periods (immediate, less than 2 years, 3 to 5 years, and over 5 years) and under different operating scenarios. Most recently, our robust succession strategy and careful planning resulted in several internal senior leadership promotions in connection with the retirement of Matt Winter, Allstate's President, including Steve Shebik to Vice Chair, Glenn Shapiro to President of Allstate Personal Lines, and Mario Rizzo to Executive Vice President and Chief Financial Officer. We are confident these leadership changes will enable Allstate's long-term success.

Capital Management and Stockholder Return

Capital allocation decisions are aligned with Allstate's enterprise risk and return management principles: maintain a strong foundation, build strategic value, and optimize return per unit of risk. Investments were made in existing businesses to support long-term profitable growth. With the acquisition of SquareTrade, Allstate expanded the protection products it offers to customers.

- *Dividends* – The quarterly dividend was increased 12% to $0.37 cents per share in 2017.
- *Share Repurchase Program* – Allstate completed the $1.5 billion share repurchase authorization that was approved in 2016 and instituted an additional $2 billion share repurchase planned to be completed by February 2019.
- *Total Shareholder Return* – Allstate achieved returns of 43.3%, 56.8%, and 183.7% over the last one, three and five years, respectively, which compares favorably to the company's peers and the Standard & Poor's ("S&P") 500 index.

Societal Responsibilities

Allstate maintains a strong reputation by operating with integrity, serving customers and improving local communities. This includes the following:

- Allstate was named "a most ethical company" for the fourth year in a row by Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.
- Allstate and The Allstate Foundation contributed more than $41 million to community service projects across the nation in 2017, including funding for more than 3,290 nonprofit organizations. Over 4,700 Allstate agencies earned Allstate Foundation Helping Hands Grants to support their involvement in local causes.
- The Allstate Foundation, Allstate and its employees and agency force contributed more than $2.1 million to disaster relief and recovery efforts in 2017, including grants to social service organizations and resources to help consumers navigate the rebuilding process.
- Our employees and agency force engage in numerous community service programs and volunteered over 258,000 reported hours to over 2,430 community groups in 2017.

We welcome your feedback on this letter or other matters important to Allstate. You can reach us by email at directors@allstate.com.

We pledge to continue to work hard for you to ensure the sustainability and success of Allstate's long-term strategies and commitment to enhance the communities it serves. Thank you for your continued support.

Kermit R. Crawford

Michael L. Eskew

Margaret M. Keane

Siddharth N. (Bobby) Mehta

Jacques P. Perold

Andrea Redmond

John W. Rowe

Gregg M. Sherrill

Judith A. Sprieser

Mary Alice Taylor

Perry M. Traquina

NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

Items of Business:

Proposal 1 Election of 10 directors.

Proposal 2 Say-on-pay: advisory vote on the compensation of the named executives.

Proposal 3 Ratification of appointment of Deloitte & Touche LLP as Allstate's independent registered public accountant for 2018.

Proposals 4-5 Two stockholder proposals, if properly presented at the meeting.

In addition, any other business properly presented may be acted upon at the meeting.

Who Can Vote:

Holders of Allstate common stock at the close of business on March 13, 2018. Each share of common stock is entitled to one vote for each director position and one vote for each of the other proposals.

Who Can Attend:

Stockholders who wish to attend the meeting in person should review pages 81-82.

Date of Mailing:

On or about March 28, 2018, these proxy materials and annual report are being mailed or made available to stockholders and to participants in the Allstate 401(k) Savings Plan.

By Order of the Board,

Susan L. Lees
Secretary
March 28, 2018

When:

Friday, May 11, 2018, at 11:00 a.m. Central time.
Registration begins at 10:00 a.m.

Where:

Allstate, West Plaza Auditorium
3100 Sanders Road
Northbrook, Illinois 60062

How To Vote In Advance

Your vote is important. Please vote as soon as possible by one of the methods shown below. **Make sure to have your proxy card, voting instruction form, or notice of Internet availability in hand and follow the instructions.**

By Telephone:
In the U.S. or Canada, you can vote your shares toll-free by calling 1-800-690-6903.

By Internet:
You can vote your shares online at www.proxyvote.com.

By Mail:
You can vote by mail by marking, dating, and signing your proxy card or voting instruction form and returning it in the postage-paid envelope.

By Tablet or Smartphone:
You can vote your shares online with your tablet or smartphone by scanning the QR code.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 11, 2018

The Notice of 2018 Annual Meeting, Proxy Statement, and 2017 Annual Report and the means to vote by Internet are available at www.proxyvote.com.

PROXY SUMMARY

This summary highlights selected information about the items to be voted on at the annual meeting. This summary does not contain all of the information that you should consider in deciding how to vote. You should read the entire proxy statement carefully before voting.

Meeting Agenda and Voting Recommendations

PROPOSAL 1

Election of 10 Directors

✓ The Board recommends a vote FOR each nominee.

- Diverse slate of directors with broad leadership experience; four leadership roles bring gender or ethnic diversity.
- All candidates are highly successful executives with relevant skills and expertise.
- Average director tenure of 5.5 years with 9 of 10 independent of management.
- Strong corporate governance practices and stockholder engagement program that receive exceptional corporate governance ratings.

See **pages 10-15** for further information

Name	Principal Professional Experience	Years of Tenure	# of Other Public Company Boards	Committee Memberships[1]				
				AC[2]	CSC[3]	NGC	RRC	EC
Kermit R. Crawford	President and Chief Operating Officer of Rite Aid Corporation	5	1	●		●		
Michael L. Eskew	Former Chairman and CEO of United Parcel Service, Inc.	4	3	●	●			
NEW **Margaret M. Keane**[4]	President and CEO of Synchrony Financial	<1	1					
Siddharth N. Mehta	Former President and CEO of TransUnion	4	2	●			C	●
Jacques P. Perold	Former President of Fidelity Management & Research Company	2	1			●	●	
Andrea Redmond	Former Managing Director of Russell Reynolds Associates Inc.	8	0		●	C		●
NEW **Gregg M. Sherrill**[4]	Executive Chair and former Chair and CEO of Tenneco Inc.	<1	2					
Judith A. Sprieser Lead Independent Director	Former CEO of Transora, Inc. and senior executive at Sara Lee Corporation	19	2			●	●	●
Perry M. Traquina	Former Chairman, CEO and Managing Partner of Wellington Management Company, LLP	1	2		●		●	
Thomas J. Wilson	Chair, President, and CEO of The Allstate Corporation	12	0					C

AC = Audit Committee
CSC = Compensation and Succession Committee
NGC = Nominating and Governance Committee
RRC = Risk and Return Committee
EC = Executive Committee
C = Chair of Committee

(1) Committee assignments for 2018 will be made after the annual election of directors.
(2) Mary Alice Taylor serves as the chair of the audit committee and will continue to serve until the annual meeting. Mr. Crawford is expected to fill this role after the annual meeting.
(3) John W. Rowe serves as the chair of the compensation and succession committee and will continue to serve until the annual meeting. Mr. Eskew is expected to fill this role after the annual meeting.
(4) Consistent with Allstate's onboarding practices, committee assignments for Ms. Keane and Mr. Sherrill will be established during their first year of service. It is expected that Ms. Keane will be assigned to the Compensation and Succession Committee, and Mr. Sherrill will be assigned to the Audit and Nominating and Governance Committees after the annual meeting.

BOARD NOMINEE HIGHLIGHTS

Relevant Skills and Experience

Broad governance experience by serving on other public company boards

9/10

Nine of our nominees have other public company board experience

Significant corporate leadership experience in relevant industries

9/10

Nine of our nominees have served as a CEO or President

Tenure

Mix of seasoned directors who have been with Allstate through different external operating environments and fresh perspectives

7/10

Seven highly qualified nominees have joined the Board in the last five years

Diversity

Diversity of skill set, experience, thought, gender, ethnicity and background

5/10

Three of our nominees bring gender diversity, and **two** of our nominees bring ethnic diversity to the Allstate boardroom

GOVERNANCE HIGHLIGHTS

Allstate has a history of strong corporate governance guided by three primary principles - **dialogue, transparency and responsiveness.** The Board has adjusted our governance over time to align with best practices, drive sustained stockholder value and serve the interests of stockholders.

Stockholder Rights

- ✓ Annual election of directors with a majority vote standard in uncontested elections
- ✓ Proxy access rights
- ✓ No stockholder rights plan ("poison pill") and no supermajority voting provisions
- ✓ Confidential voting
- ✓ Right to call a special meeting and request action by written consent for stockholders with 10% or more of outstanding shares

Independent Oversight

- ✓ Strong independent lead director and committee chair roles with clearly articulated responsibilities
- ✓ Independent Board committees
- ✓ Eleven out of twelve current directors are independent
- ✓ Executive sessions at every in-person Board and committee meeting without management present
- ✓ Independent reviews by the Board, audit, and risk and return committees of Allstate's strategy, business, and the related key risks and mitigation activities.
  See page 20 for information about current developments related to risk oversight in 2017.

Good Governance

- ✓ Extensive Board dialogue with formal processes for stockholder engagement and frequent cross-committee communications
- ✓ Annual letter to stockholders from the independent directors on Board accomplishments
- ✓ Stockholder engagement with holders of approximately 1/3 of outstanding shares each year
- NEW ✓ Enhanced Board and committee self-evaluation process, including at the end of each in-person meeting and annual reviews for the entire Board and each individual director
  See page 17 for more information, including a new annual evaluation to ensure Board effectiveness
- NEW ✓ Comprehensive Sustainability Report with information on public policy, climate change, information security, environmental, social, and governance performance and management and inclusive diversity
- ✓ Robust global code of business conduct and ethics training for all directors
- ✓ Effective director education program
- ✓ Strong equity ownership requirements for executives

PROPOSAL 2

Say-on-Pay: Advisory Vote on the Compensation of the Named Executives

The Board recommends a vote FOR this proposal.

- Independent oversight by compensation and succession committee with the assistance of an independent consultant.
- Executive compensation targeted at 50th percentile of peers and aligned with short- and long-term business goals and strategy.
- Compensation programs are working effectively. Annual incentive compensation funding for our named executives in 2017 was 181.4% of target, from 55.1% of target in the prior year, reflecting significant improvement in operating results.
- Compensation compares favorably to Total Shareholder Return.

See **pages 30-67** for further information

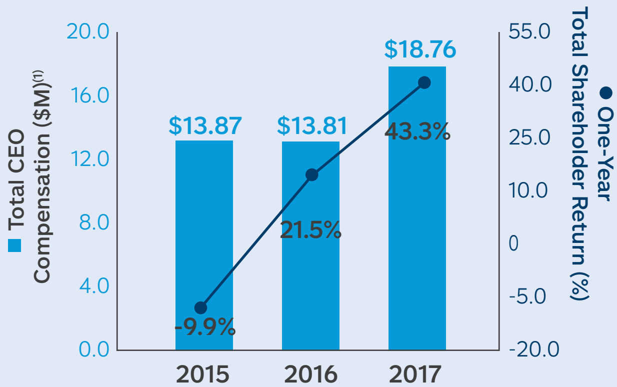
EXECUTIVE COMPENSATION HIGHLIGHTS

We compensated our named executives using the following elements for total target direct compensation in 2017:

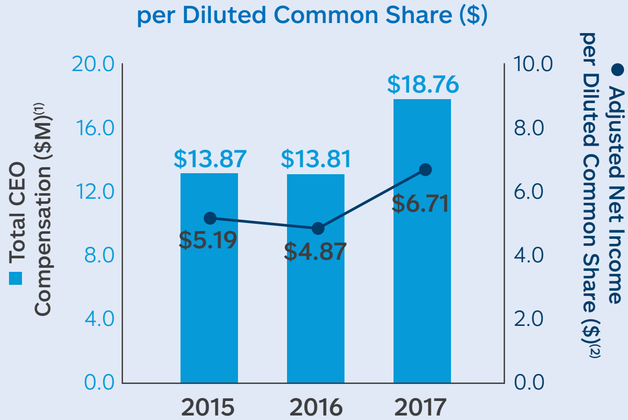
	Element	Description	Further Information (pages)
Targeted at 50th percentile of peers	Salary	A competitive level of cash is provided to attract and retain executive talent	35, 40
	Annual Cash Incentive	A funding pool for 2017 of 181.4% of target was based on performance against four performance measures: Performance Net Income, Total Premiums, Net Investment Income, and Total Return • Amounts awarded were based on pool funding, established target amounts, and individual performance	35, 40-41
	Long-term Equity Incentive	The mix of equity incentives granted in 2017 was 60% performance stock awards ("PSAs") and 40% stock options • Awards granted were based on target amounts and individual performance • Actual PSAs vesting will be determined by Average Performance Net Income Return on Equity ("ROE") (70%) and Earned Book Value (30%) results (both measured over a three-year period)	35, 41-43

Our executive compensation programs have delivered pay supported by performance. The following charts show CEO total compensation in comparison to Total Shareholder Return and Adjusted Net Income per Diluted Common Share over the last three years.

Total CEO Compensation ($M) vs. One-Year Total Shareholder Return (%)



Total CEO Compensation ($M) vs. Adjusted Net Income per Diluted Common Share ($)



(1) As reported in the "Total" column of the *Summary Compensation Table*.

(2) The Adjusted Net Income per Diluted Common Share measure is not based on accounting principles generally accepted in the United States of America ("non-GAAP") and is defined and reconciled to the most directly comparable GAAP measure (net income applicable to common shareholders per diluted common share) in Appendix A.

PROPOSAL 3

Ratification of Deloitte & Touche LLP as the Independent Registered Public Accountant for 2018

The Board recommends a vote FOR ratification of Deloitte & Touche LLP for 2018.

- Independent firm with few ancillary services and reasonable fees.
- Significant industry and financial reporting expertise.
- The audit committee annually evaluates Deloitte & Touche LLP and determined that its retention continues to be in the best interests of Allstate and its stockholders.

See **pages 69-71** for further information

PROPOSAL 4

Stockholder Proposal on Independent Board Chairman

The Board recommends a vote AGAINST this proposal.

- Allstate's independent lead director provides meaningful independent leadership of the Board.
- Allstate's independent lead director is selected through a robust process, and her performance is evaluated annually.
- The Board should continue to have flexibility to determine whether to split or combine the Chair and CEO roles and not be required to utilize one approach.
- The Board has split the roles of Chair and CEO in the past.
- The lead director is just one of many structural safeguards that provide effective independent oversight of Allstate.

See **pages 72-74** for further information

PROPOSAL 5

Stockholder Proposal on Reporting Political Contributions

The Board recommends a vote AGAINST this proposal.

- Allstate already provides stockholders with comprehensive disclosures on Allstate's involvement in the public policy arena (found at www.allstatesustainability.com).
- Allstate's Board has strong governance and oversight practices over the Company's public policy involvement.
- Allstate surpasses all disclosure requirements pertaining to political contributions under federal, state, and local laws.

See **pages 75-76** for further information

TABLE OF CONTENTS

About Allstate

We Are
The Good Hands.

The Allstate Corporation is the largest publicly held personal lines insurer in the United States. Founded in 1931, Allstate has been dedicated to protecting our customers from life's uncertainties and preparing them for the future for more than 85 years. Allstate offers a broad array of protection products through multiple brands and diverse distribution channels, including auto, home, life and other insurance offered through its Allstate®, Esurance®, Encompass® and Answer Financial® brands. The company provides additional protection products and services through Allstate Benefits, Allstate Roadside Services, Allstate Dealer Services, Arity and SquareTrade.

Report Highlights

See information about the Board's oversight of risk on page 20

See information about Allstate's sustainability initiatives on page 25

See information about our compensation decisions for our named executives in 2017 on pages 36-38

CORPORATE GOVERNANCE

PROPOSAL 1

Election of 10 Directors

✓ The Board recommends a vote FOR each nominee.

- Diverse slate of directors with broad leadership experience; four leadership roles bring gender or ethnic diversity.
- All candidates are highly successful executives with relevant skills and expertise.
- Average director tenure of 5.5 years with 9 of 10 independent of management.
- Strong corporate governance practices and stockholder engagement program that receive exceptional corporate governance ratings.

The Board recommends 10 nominees for election to the Allstate Board for one-year terms beginning in May 2018 and until a successor is duly elected and qualified or his or her earlier resignation or removal. These nominees are talented, both as individuals and as a team. They bring a full array of business and leadership skills to their oversight responsibilities. Most nominees serve on other public company boards, enabling our Board to more quickly adopt best practices from other companies. Their diversity of experience and expertise facilitates robust and thoughtful decision-making on Allstate's Board.

Each nominee, other than Mr. Sherrill and Ms. Keane, was previously elected at Allstate's annual meeting of stockholders on May 25, 2017, for one-year terms. Mr. Sherrill and Ms. Keane were elected by the Board effective October 1, 2017, and January 1, 2018, respectively. The Board expects all nominees named in this proxy statement to be available for election. If any nominee is not available, then the proxies may vote for a substitute. On the following pages, we list the reasons for nominating each individual. Mrs. Taylor is not standing for re-election at the annual meeting. Mr. Rowe is retiring at the annual meeting in accordance with Allstate's retirement policy and is not standing for re-election.

Director Nominees' Skills and Experience

Our Board selected the nominees based on their diverse set of skills and experiences, which align with our business strategy and contribute to the effective oversight of Allstate.

Core Competencies Required of All Director Nominees

Strategic Oversight	100% of Directors
Stockholder Advocacy	100% of Directors
Corporate Governance	100% of Directors
Leadership	100% of Directors

Additional Capabilities that Facilitate Oversight of Our Business

Financial Services	70% of Directors
Complex, Highly-Regulated Businesses	90% of Directors
Risk Management	80% of Directors
Operational Risk Management	80% of Directors
Accounting and Finance	80% of Directors
Succession Planning	80% of Directors
Technology	90% of Directors
Innovation and Consumer Focus	90% of Directors
Global Perspective	60% of Directors
Government, Public Policy and Regulatory Affairs	60% of Directors

Director Nominees

KERMIT R. CRAWFORD

Age: 58

Allstate Board Service

- Tenure: 5 years (2013)
- Audit committee
- Nominating and governance committee

INDEPENDENT

Professional Experience

- Current President and Chief Operating Officer of Rite Aid Corporation, which operates the third largest retail drugstore chain in the United States based on both revenues and number of stores.
- Former Executive Vice President and President, Pharmacy, Health and Wellness for Walgreen Co., which operates one of the largest drugstore chains in the United States.

Relevant Skills

- Expertise assessing the strategies and performance of a geographically distributed and consumer-focused service business in a highly competitive industry.
- Effectively led operational change, including through the use of technology, and established strong platforms for long-term stockholder value creation.
- Extensive knowledge about analyzing consumer experience and insights.
- Effectively transformed the pharmacy experience from a model focused primarily on drug delivery to a pharmacist-patient centric model.

Other Public Board Service

- LifePoint Health 2016–present

Committee Expertise Highlights

Audit Committee Member

- Responsible for all aspects of strategic, operational, and profit and loss management of one of the largest drugstore chains in the United States.
- Significant experience overseeing the strategy and transformation of a highly competitive consumer-focused business.
- Current member of the audit and compliance committee at LifePoint Health.

Nominating and Governance Committee Member

- Member of the governing bodies of Northwestern Lake Forest Hospital and the University of Southern California School of Pharmacy.
- Current member of the corporate governance and nominating committee at LifePoint Health.

MICHAEL L. ESKEW

Age: 68

Allstate Board Service

- Tenure: 4 years (2014)
- Audit committee
- Compensation and succession committee

INDEPENDENT

Professional Experience

- Former Chairman and CEO of United Parcel Service, Inc., a provider of specialty transportation and logistics services.
- Presiding director at International Business Machines Corporation since May 2014 and lead director at 3M Company since 2012.

Relevant Skills

- Effectively re-designed UPS's operational platforms by using digital technologies to more effectively and efficiently deliver a customer-focused worldwide service.
- Expertise in strategy and leadership development.
- Oversight of a highly regulated company as a director of Eli Lilly and Company.

Other Public Board Service

- Eli Lilly and Company 2008–present
- IBM 2005–present
- 3M Company 2003–present

Committee Expertise Highlights

Audit Committee Member

- Chair of the IBM and Eli Lilly audit committees and a past member of the 3M audit committee.
- Successful execution of financial oversight responsibilities as CEO of UPS.

Compensation and Succession Committee Member

- Significant management experience as former Chairman and CEO of UPS from 2002 to 2007 and director of other publicly-traded companies.
- Current chair of the 3M compensation committee and member of the Eli Lilly compensation committee.

MARGARET M. KEANE NEW

Age: 58

Allstate Board Service
- Tenure: <1 year
- Elected to the Board effective on January 1, 2018

INDEPENDENT

Professional Experience
- Current President and CEO of Synchrony Financial, a consumer financial services company.
- Former President and CEO of GE Capital Retail Finance.

Relevant Skills
- Extensive operational and strategic experience in the financial services industry as President and CEO of Synchrony Financial.
- Valuable insights into innovation, emerging technology, and employee development.
- Successful leadership experience across roles spanning consumer finance, vendor financial services, operations and quality.
- Expanded the business focus on ecommerce and mobile capabilities, developing new tools for both business clients and consumers.

Other Public Board Service
- Synchrony Financial 2014–present

Nomination Considerations

Ms. Keane meets all of the Board's qualifications for Board service. In addition, her extensive experience leading one of the nation's premier financial services companies complements the Board's diverse skill sets and strengthens the strategic dialogue. For more information about the Board's nomination considerations, please refer to page 16.

Committee Expertise Highlights

Consistent with past practice, committee assignments will be established during first year of service. It is expected that Ms. Keane will be assigned to the Compensation and Succession Committee after the annual meeting.

SIDDHARTH N. (BOBBY) MEHTA

Age: 59

Allstate Board Service
- Tenure: 4 years (2014)
- Audit committee
- Risk and return committee chair
- Executive committee

INDEPENDENT

Professional Experience
- Former President, CEO, and current director of TransUnion, a global provider of credit information and risk management solutions.
- Former Chairman and CEO, HSBC North America Holdings, Inc.
- Former CEO, HSBC Finance Corporation.

Relevant Skills
- Successful CEO leadership that increased revenues and global reach through the use of technology and advanced analytics.
- Extensive operational and strategic experience in the financial services industry, including in banking and the credit markets, which provides valuable insights into the highly regulated insurance industry and investment activities.

Other Public Board Service
- Piramal Enterprises Ltd. 2013–present
- TransUnion 2012–present

Committee Expertise Highlights

Audit Committee Member
- Multiple leadership positions with financial oversight responsibility, including President and CEO of TransUnion, CEO of HSBC Finance Corporation, and Chairman and CEO of HSBC North America Holdings, Inc.
- Chair of Allstate risk and return committee.

Risk and Return Committee Chair
- Significant experience in financial markets through multiple executive leadership positions at HSBC Group.

JACQUES P. PEROLD

Age: 59

Allstate Board Service
- Tenure: 2 years (2015)
- Nominating and governance committee
- Risk and return committee

INDEPENDENT

Professional Experience
- Former President of Fidelity Management & Research Company, a privately-held investment and asset management company serving clients worldwide with $1.8 trillion in assets under management.
- Former Chief Operating Officer for Fidelity Asset Management.
- Former Founder, President and Chief Investment Officer of Geode Capital Management, LLC, a global asset manager and independent institutional investment firm and sub-advisor to Fidelity.
- Current trustee of New York Life Insurance Company's MainStay Mutual Funds.

Relevant Skills
- 30 years of successful leadership of strategy and operations and investment expertise in the financial services industry.
- Leader of one of the world's largest asset management firms.
- Oversaw investments and operations for Fidelity's family of mutual funds with over $1.8 trillion in assets under management.

Other Public Board Service
- MSCI Inc. 2017–present

Committee Expertise Highlights

Nominating and Governance Committee Member
- Investor perspective on corporate governance as a result of asset management expertise.
- Significant governance experience as President of Geode Capital which involved interlocking financial and operating relationships.

Risk and Return Committee Member
- Significant experience in management and oversight of risk for three large asset management firms.
- Current trustee of several mutual funds.

ANDREA REDMOND

Age: 62

Allstate Board Service
- Tenure: 8 years (2010)
- Compensation and succession committee
- Nominating and governance committee chair
- Executive committee

INDEPENDENT

Professional Experience
- Former Managing Director, co-head of the CEO/board services practice, founder and leader of global insurance practice, and member of financial services practice at Russell Reynolds Associates Inc., a global executive search firm, with 20 years of experience at the firm.
- Independent consultant providing executive recruiting, succession planning, and talent management services.

Relevant Skills
- Expert in public company succession planning, talent management, and compensation across a wide range of industries.
- Substantial experience in financial services leadership selection and executive development.
- Effectively helped companies identify and recruit leaders capable of building high-performance organizations.
- Extensive experience in assessing required board capabilities and evaluating director candidates.

Committee Expertise Highlights

Compensation and Succession Committee Member
- Experience in executive recruiting, succession planning, and talent management.
- Extensive experience working with numerous publicly-traded companies to recruit and place senior executives.

Nominating and Governance Committee Chair
- Significant expertise recruiting and evaluating directors for a variety of public companies.
- A senior partner at a highly regarded global executive search firm, Russell Reynolds Associates, from 1986 to 2007, including significant tenure as co-head of the CEO/board services practice.

GREGG M. SHERRILL NEW

Age: 65

Allstate Board Service

- Tenure: <1 year
- Elected to the Board effective on October 1, 2017

INDEPENDENT

Professional Experience

- Current Executive Chairman, and former Chairman and CEO of Tenneco, Inc., a producer of automotive emission control and ride control products and systems (will become non-Executive Chairman in May 2018).
- Former Corporate Vice President and President of Power Solutions at Johnson Controls Inc., a global diversified technology and industrial company.

Relevant Skills

- Extensive operational and strategic experience in the automotive industry as Chair and CEO at Tenneco, which provides valuable insights into Allstate's strategic discussions related to the rapid changes in the personal transportation system.
- Successful experience managing the international operations as CEO at a global public company with employees across 23 countries.
- Established a strong track record of revenue growth, higher earnings and improved profitability during his tenure at Tenneco.

Other Public Board Service

• Snap-On, Inc.	2010–present
• Tenneco, Inc.	2007–present

Nomination Considerations

Mr. Sherrill meets all of the Board's qualifications for Board service, including its guidelines on the number of other public company boards on which he can serve. In addition, the timing of his appointment at Allstate coincided with his election as Executive Chairman at Tenneco, which helped him manage the transition as a new director at Allstate. Mr. Sherrill will become the non-Executive Chairman at Tenneco in May 2018. For more information about the Board's nomination considerations please refer to page 16.

Committee Expertise Highlights

Consistent with past practice, committee assignments will be established during first year of service. It is expected that Mr. Sherrill will be assigned to the Audit and Nominating and Governance Committees after the annual meeting.

JUDITH A. SPRIESER

LEAD DIRECTOR

Age: 64

Allstate Board Service

- Tenure: 19 years (1999)
- Nominating and governance committee
- Risk and return committee
- Executive committee

INDEPENDENT

Professional Experience

- Former CEO of Transora, Inc., a technology software and services company.
- Former CFO and other senior operating executive positions at Sara Lee Corporation, a global manufacturer and marketer of brand-name consumer goods.
- Former director at Royal Ahold NV and Experian.

Relevant Skills

- Extensive service on boards of publicly-traded and international companies, including highly regulated companies.
- More than 20 years operational experience in executive positions at Sara Lee Corporation, and other consumer goods and services companies.
- Extensive evaluation of financial statements and supervision of financial executives.

Other Public Board Service

• Intercontinental Exchange, Inc.	2004–present
• Reckitt Benckiser Group plc	2003–present

Committee Expertise Highlights

Lead Director

- Prior chair of audit committee (7 years).
- Board service at Allstate during many different external operating environments and two CEOs.

Nominating and Governance Committee Member

- Significant experience on boards of publicly-traded and international companies, and current member of nominating and governance committee at Intercontinental Exchange, Inc.
- Numerous key leadership positions, including CEO of Transora, Inc., CFO of Sara Lee Corporation, and CEO of Sara Lee's Food Group.

Risk and Return Committee Member

- Insight from service as prior chair of Allstate's audit committee and current audit committee chair at Intercontinental Exchange, Inc.
- Significant risk oversight and management experience.
- Tenure as an Allstate director has provided experience through multiple operating environments.

PERRY M. TRAQUINA

Age: 61

Allstate Board Service

- Tenure: 1 year (2016)
- Compensation and succession committee
- Risk and return committee

INDEPENDENT

Professional Experience

- Former Chairman, CEO and Managing Partner of Wellington Management Company, LLP, one of the world's largest global investment management firms.

Relevant Skills

- Extensive leadership and management experience as CEO of one of the world's largest institutional investors.
- Strong financial services and global investment management expertise through 34 years at Wellington.
- Oversaw the globalization of Wellington's investment platform.
- Successfully led company in a highly regulated climate with volatile capital markets.
- Brings valuable market-oriented investor perspective.

Other Public Board Service

• Morgan Stanley	2015–present
• eBay	2015–present

Committee Expertise Highlights

Compensation and Succession Committee Member

- Significant management experience as former Chairman and CEO of Wellington Management Company, LLP from 2004 through June 2014 and as a director of other publicly-traded companies.

Risk and Return Committee Member

- Current chair of the risk committee at Morgan Stanley.

THOMAS J. WILSON

Board Chair, President, and Chief Executive Officer

Age: 60

Allstate Board Service

- Tenure: 12 years (2006)
- Executive committee chair

Professional Experience

- CEO since January 2007 and Chair of Board since May 2008.
- President from June 2005 to January 2015, and from February 23, 2018 to present.
- Held senior executive roles other than CEO, leading all major operating units over a 23-year period.

Relevant Skills

- Key leadership roles throughout Allstate over a 23-year period.
- Thorough and in-depth understanding of Allstate's business, including its employees, agencies, products, investments, customers, and investors.
- Developed Allstate's strategy to provide differentiated customer value propositions to four consumer segments.
- Created and implemented Allstate's risk and return optimization program, allowing Allstate to withstand the 2008 financial market crisis and adapt to increases in severe weather and hurricanes.
- In-depth understanding of the insurance industry.
- Industry and community leadership, including former chair of the Financial Services Roundtable, co-chair of a public-private partnership to reduce violence in Chicago, and national and Illinois co-chair for WE Day.

Committee Expertise Highlights

Executive Committee Chair

- Comprehensive knowledge of Allstate's business and industry with 23 years of leadership experience at the company.

Board Composition and Nominee Considerations

The Board and nominating and governance committee believe that **each director should be well-versed in strategic oversight, corporate governance, stockholder advocacy, and leadership in order to be an effective member of the Allstate Board.** In addition to this fundamental expertise, the Board and committee seek directors with experience in the areas listed on page 10.

The Board and committee expect each non-employee director to be free of interests or affiliations that could give rise to a biased approach or a conflict of interest and be free of any significant relationship with Allstate that would interfere with the exercise of independent judgment. The Board and committee also expect each director to devote the time and effort necessary to serve as an effective director and act in a manner consistent with a director's fiduciary duties of loyalty and care. Allstate executive officers may not serve on boards of other corporations whose executive officers serve on Allstate's Board.

The Board also has limits on the number of other public boards on which our directors may sit. Directors who are active executives may serve on the board of no more than two other public companies, and other directors may serve on the board of no more than four other public companies (in addition to Allstate's Board in each case).

Board nominees are identified through a retained search firm, suggestions from current directors and stockholders, and through other methods including self-nominations. Our newest directors, Ms. Keane and Mr. Sherrill, were identified by a search firm.

The nominating and governance committee will consider director candidates recommended by a stockholder in the same manner as all other candidates recommended by other sources. A stockholder may recommend a candidate at any time of the year by writing to the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite F7, Northbrook, Illinois 60062-6127.

All candidates are evaluated and considered for their diversity, including gender, ethnic and diversity of background, expertise, and perspective, as well as the criteria described in our *Corporate Governance Guidelines* at www.allstateinvestors.com.

A stockholder or group of up to 20 stockholders owning 3% or more of Allstate's outstanding common stock continuously for at least three years can nominate director candidates constituting up to 20% of the Board in the company's annual meeting proxy materials.

Nomination Process for Board Election

The Board continuously identifies potential director candidates in anticipation of retirements, resignations, or the need for additional capabilities. The graphic below describes the ongoing process to identify highly qualified candidates for Board service.

Consider current Board skill sets and needs	Ensure Board is strong in core competencies of strategic oversight, corporate governance, stockholder advocacy and leadership and has diversity of expertise and perspective to meet existing and future business needs
Check conflicts of interest and references	All candidates are screened for conflicts of interest, and all directors are independent, except the CEO
Nominating and governance committee dialogue	Considered 126 candidates since 2010
Meet with qualified candidates	To ensure appropriate personal qualities, such as independence of mind, tenacity, and skill set to meet existing or future business needs
Nominating and governance committee dialogue	To consider shortlisted candidates, and after deliberations, recommend candidates for election to the Board
Board dialogue and decision	Added seven highly qualified directors in the past five years

EVALUATION PROCESS

Allstate's Board evaluation processes include multiple layers performed throughout the year. They ensure that the Board's governance and oversight responsibilities are updated to reflect best practice and are well executed. They include discussions after every meeting, an annual Board assessment and individual director evaluations.

Steps to Achieve Board Effectiveness

	Process	Performed By	Description	
Board and Committees	**Evaluation at every in-person meeting**	Independent Directors	• Measures effectiveness of Board and committee oversight • Ensures objectives were satisfied, all agenda items sufficiently considered and information presented was sufficient, complete, understandable and organized • Identifies issues that need additional dialogue	**OUTCOME** Based on the Board's new evaluation process, enhancements were made to Board meeting schedules, agendas and materials.
	Biennial review of responsibilities and time allocation	Board and Committees	• Ensures all necessary agenda items were considered to fulfill Board and committee responsibilities • Adjustments made to future agendas and timelines	
	Annual evaluation NEW	Board	• Ensures Boards and committees are functioning effectively • Results reviewed by nominating and governance committee and summarized for full Board; recommendations for improvement are reviewed and plans initiated	
Individual Directors	**Annual evaluation**	Lead Director, NGC Chair, and Chair	• Review contributions and performance in light of Allstate's business and strategies and confirm continued independence • Feedback provided to each director by the Lead Director, Nominating and Governance Chair, or Board Chair	**OUTCOME** Results of evaluations are used by the nominating and governance committee in connection with the annual nomination process; additional interactions with senior management are being added to support directors on key business and strategic matters.
	Biennial evaluation	Lead Director, NGC Chair, and Chair	• Discuss each director's future plans for continued Board service • Determine whether overall skills align with business strategy	
	Change in circumstances	Board	• Determine appropriateness of director's continued membership on the Board after a change in primary employment • Review potential conflicts and whether change impacts director's ability to devote the necessary time and effort to Board service	

NOMINEE INDEPENDENCE DETERMINATIONS

The Board has determined that all non-employee directors who served during 2017 and all nominees, other than Mr. Wilson, are independent according to applicable law, the NYSE listing standards, and the Board's *Director Independence Standards* (which are included on www.allstateinvestors.com). In accordance with the *Director Independence Standards*, the Board has determined that the nature of the relationships with the corporation that are set forth in Appendix B do not create a conflict of interest that would impair a director's independence. The Board also determined that the members of the audit, compensation and succession, nominating and governance, and risk and return committees are independent within the meaning of applicable laws, the NYSE listing standards and the *Director Independence Standards*.

When evaluating the independence of director nominees, the Board weighs numerous factors, including tenure. In particular, **the Board weighed the potential impact of tenure on the independence of our longest-serving director, Ms. Sprieser**. Ms. Sprieser has significant experience serving at Allstate under different operating environments and management teams, and served on the Board under two CEOs and prior to Mr. Wilson's appointment. The Board concluded that Ms. Sprieser is an effective director who fulfills her responsibilities with integrity and independence of thought. She appropriately challenges management and the status quo, and is reasoned, balanced, and thoughtful in Board deliberations and in communications with management. The Board determined that her independence from management has not been diminished by her years of service.

Board Leadership Structure and Practices

BOARD CHAIR

The independent directors periodically review Allstate's leadership structure and whether separating the roles of Chair and CEO is in the best interests of Allstate and its stockholders. When making this determination, the independent directors consider the recommendation of the nominating and governance committee, the current circumstances at Allstate, the skills and experiences of the individuals involved and the leadership composition of the Board. **The roles of Chair and CEO were split during a transition of leadership in 2007 and 2008.** The independent directors also appoint an independent lead director with robust powers and responsibilities. **A strong lead director role provides an effective independent counterbalance if the independent directors choose to combine the Chair and CEO roles.**

At present, the independent directors have determined Allstate is well-served by having these roles performed by Mr. Wilson, who provides excellent leadership and direction for both management and the Board. This promotes a strong connection between the Board and management that is subject to strong independent oversight by Allstate's independent lead director and the other independent directors. The Board believes it benefits from the considerable knowledge and perspective that Mr. Wilson has acquired from more than 23 years of insurance industry experience. Given his extensive company knowledge and his ability to effectively fulfill both roles simultaneously, he is uniquely qualified to lead discussions of the Board and is in the best position to facilitate the flow of business information and communications between the Board and management.

INDEPENDENT LEAD DIRECTOR

Allstate's Board places great importance on strong independent Board leadership and has had a strong lead director role in place for over seven years. Allstate's Corporate Governance Guidelines describe the responsibilities of the lead director and the selection process, including the characteristics that the Board considers important in a lead director.

The lead director is elected annually by the independent directors, and it is generally expected that the lead director serve more than one year.

JUDITH A. SPRIESER

- Lead director since 2015
- Member of the nominating and governance, risk and return and executive committees
- Prior chair of audit committee for seven years
- Allstate Board experience in multiple operating environments and under two CEOs

Considerations in Selecting Current Lead Director

The independent directors consider several factors, including the director's corporate governance expertise, operational and leadership experience, board service and tenure, integrity, prior Board leadership roles, and ability to meet the required time commitment. It is preferable that the lead director hold a previous position as chair of a Board committee, either at Allstate or another company. Ms. Sprieser was chosen by the independent directors as she exemplified these characteristics. She has devoted significant time fulfilling her duties as lead director since May of 2015. During her tenure on Allstate's Board, she has cultivated an expansive knowledge of Allstate in multiple operating environments. Her long-term perspective complements the perspectives of newer Board members, seven of whom have joined in the last five years. The independent directors believe that Ms. Sprieser is exceptionally well-qualified to serve as Allstate's independent lead director.

Lead Independent Director Responsibilities

Board Meetings and Executive Sessions

- Has the authority to call meetings of the independent directors
- Approves meeting agendas and schedules and information sent to the Board to ensure there is sufficient time for discussion of all items and that directors have the information necessary to perform their duties
- Chairs executive sessions of independent directors at every Board meeting
- Presides at all Board meetings when the Chair is not present

Duties to the Board

- Has regular communications with the CEO about Allstate's strategy and performance
- Performs additional duties designated by the independent directors

Succession Plans

- Facilitates the development of a succession plan for the Chair and CEO

Board and Individual Director Evaluations

- Facilitates the evaluation of individual director, Board and committee performance with the chair of the nominating and governance committee and the Chair

CEO Performance Evaluation

- Facilitates and communicates the Board's performance evaluation of the Chair and CEO with the chair of the compensation and succession committee

Communication Between Chair and Independent Directors

- Serves as liaison between the Chair and independent directors
- Consults with the Chair and discusses items raised in executive sessions

Communication with Stockholders

- Communicates with significant stockholders and other stakeholders on matters involving broad corporate policies and practices, when appropriate

Committee Involvement

- Works with the Chair and committee chairs to ensure coordinated coverage of Board responsibilities and ensures effective functioning of all committees
- Ensures the implementation of a committee self-evaluation process and regular committee reports to the Board

BOARD ROLE IN RISK OVERSIGHT

The Board oversees enterprise risk and return management practices ("ERRM") and regularly reviews Allstate's significant risk exposures and management's design and implementation of ERRM. Allstate's overall risk position and alignment with risk and return principles is reviewed twice a year. External resources are used when appropriate. Material risks, including those affected by climate, investment markets, and cybersecurity, are regularly identified, measured, managed, and reported to senior management and the Board.

The key risk areas overseen by each Board committee are included below.

BOARD OF DIRECTORS
Formal Review at Least Twice a Year

Audit Committee

Reviews Risk At Least Four Times Annually

- Oversees Allstate's internal controls related to key risks and the major financial risk exposures and how they are managed
  - Reported through a semi-annual risk control dashboard
- Conducts *quarterly* reviews to oversee the efficacy of cybersecurity risk initiatives and related policies and procedures
  - Receives regular reports from the chief risk officer, chief information security officer, and outside experts
- Reviews Risk Factors included in our Form 10-K
- The risk and return committee chair is an audit committee member to enhance cross-committee communication
- The chief audit executive attends all meetings and has regular executive sessions with committee
- The chief risk officer attends all meetings

Risk and Return Committee

Reviews Risk At Least Five Times Annually

- Oversees the effectiveness of Allstate's ERRM framework, governance structure and decision making
  - Reported through a quarterly risk dashboard that identifies key risks and provides an overall perspective of Allstate's risk profile
  - Includes a review of Allstate's risk and return position, capital level, and strategic/ operating plans
  - Reviews extremely low frequency scenarios ("ELFs") at least annually
  - Reviews regulatory Own Risk and Solvency Assessment ("ORSA") report
- Reviews Risk Factors included in our Form 10-K
- The audit committee chair is a risk and return committee member to enhance cross-committee communication
- The chief risk officer attends all meetings and has regular executive sessions with committee

Nominating and Governance Committee

Reviews Risk As Needed

- Oversees the major risks and mitigation activities related to its area of responsibility, i.e., director elections and corporate governance practices, to ensure they appropriately reflect Allstate's risk and return appetite

Compensation and Succession Committee

Reviews Risk At Least Once Annually

- Oversees executive compensation programs (including the design, performance measures and ranges in incentive plans)
  - Includes a review of incentive compensation programs from a risk and return perspective
- Oversees talent development and succession planning to ensure they appropriately reflect Allstate's risk and return appetite

Current Developments in the Board's Risk Oversight

Independent Risk Review	The risk and return committee oversaw an independent external review of Allstate's methodologies for determining economic capital and allocating it within the enterprise to provide insight into our business risk profile and risk-return opportunities. The review, performed by leading experts in economics and regulation, confirmed Allstate has a sound process for determining economic capital.
Cybersecurity	In 2016, the audit committee engaged an independent cybersecurity advisor to provide additional independent oversight. This relationship was expanded in 2017 to further strengthen Allstate's cybersecurity defenses and risk management practices.
Severe Weather Risks	The Board and risk and return committee continued to oversee efforts to assess and mitigate weather-related risks. The impact of several major hurricanes in 2017 validated the effectiveness of Allstate's catastrophe response and risk management programs.

RISK MANAGEMENT AND COMPENSATION

We believe our compensation policies and practices are appropriately structured and do not provide incentives for employees to take unnecessary or excessive risks, utilizing analysis provided by an external consultant, the chief risk officer, and a review by the compensation and succession committee. Compensation plans provide a balanced and appropriate mix of cash and equity through annual and long-term incentives that align with short and long-term business goals. No one, regardless of eligibility, is guaranteed an award under the annual cash incentive program. We utilize multiple performance measures that correlate with long-term stockholder value creation and diversify the risk associated with any single performance indicator. In addition, the annual incentive program contains a funding adjustment for senior executives in the event of a net loss, which reduces the corporate pool funding for those officers by 50% of actual performance. Likewise, for the performance stock award program, the committee requires positive net income for our executives to earn awards above target. Equity awards to executive officers after 2009 and annual cash incentive awards beginning in 2010 are subject to clawback in the event of certain financial restatements. Executives are also subject to rigorous stock ownership requirements.

Based on this analysis, we believe Allstate's compensation policies ensure appropriate levels of risk-taking, while avoiding unnecessary risks that could have a material adverse effect on Allstate.

BOARD ROLE IN MANAGEMENT SUCCESSION

The Board oversees the recruitment, development, and retention of executive talent. Management succession is discussed four times annually in compensation and succession committee meetings, Board meetings, and executive sessions. Discussions cover the CEO and other senior executive roles and include a broader discussion on organizational health. The Board also has regular and direct exposure to senior leadership and high-potential officers through one-on-one breakfasts and other informal meetings held throughout the year.

Board Review of Succession Planning and Talent Development Practices

APRIL

Topic:
CEO succession planning

Primary Focus:
Internal succession alternatives across multiple time periods – immediate, less than 2 years, 3-5 years, and long-term under different operating scenarios

JULY

Topic:
Organizational health and pay fairness analyses – how the organization recruits, develops and retains people, including its inclusive diversity commitments

Primary Focus:
Systematic approach to talent development

NOVEMBER

Topic:
CEO and senior leadership succession – "what if" scenario planning

Primary Focus:
Board dialogue in advance of unexpected succession issues

SEPTEMBER

Topic:
Senior leadership succession, including CEO

Primary Focus:
Key leader development and retention

OUTCOME

Based on these succession planning discussions, in early 2018, Allstate announced several internal senior leadership promotions in connection with the retirement of Matt Winter, Allstate's President. Steve Shebik was promoted to Vice Chair, Glenn Shapiro to President of Allstate Personal Lines, and Mario Rizzo to Executive Vice President and Chief Financial Officer.

BOARD ROLE IN SETTING COMPENSATION

The compensation and succession committee reviews the executive compensation program throughout the year with the assistance of an independent compensation consultant, Compensation Advisory Partners ("CAP"). CAP benchmarks Allstate's plans and compensation payments to the market and evaluates changes to the executive compensation program. The compensation consultant also assesses Allstate's executive compensation design, peer group selection, relative pay for performance, and total direct compensation for individual senior executive positions. Representatives of the compensation consultant participated in six out of seven compensation and succession committee meetings in 2017.

The compensation and succession committee annually evaluates the compensation consultant's performance and independence.

The compensation and succession committee makes recommendations to the Board on compensation for the CEO and executive officers and the structure of plans used for executive officers.

The compensation and succession committee grants all equity awards to individuals designated as executive officers for purposes of Section 16 of the Securities Exchange Act of 1934 or covered employees as defined in Internal Revenue Code section 162(m). The compensation and succession committee has authority to grant equity awards to eligible employees in accordance with the terms of our 2013 Equity Incentive Plan. The Board has delegated limited authority to the CEO to grant equity awards to non-executive officers. All awards granted between compensation and succession committee meetings are reported at the next meeting.

The compensation consultant also provides the nominating and governance committee with competitive information on director compensation, including updates on practices and emerging trends.

STOCKHOLDER ENGAGEMENT

Allstate proactively discusses corporate governance issues with significant stockholders throughout the year. Dialogue, transparency, and responsiveness are the cornerstones of our stockholder engagement program. Such discussions are held before the annual meeting, during stockholder voting, and after the annual meeting and include our lead director, chair of the nominating and governance committee, Chair of the Board, and other committee chairs or directors as necessary. **Direct engagement typically involves our largest stockholders representing approximately one-third of our total outstanding shares.** We also engage with proxy and other investor advisory firms that represent the interests of various stockholders. In addition to input on current governance and executive compensation topics specific to Allstate, we invite discussion on any other topics or trends stockholders may wish to share with us. Their input is reported to the nominating and governance committee, which in turn allocates specific issues to relevant Board committees for further consideration. **Each Board committee reviews relevant feedback and determines if additional discussion or actions are necessary by the respective committee or full Board.** In addition, broader investor surveys provide perspective on investor concerns.

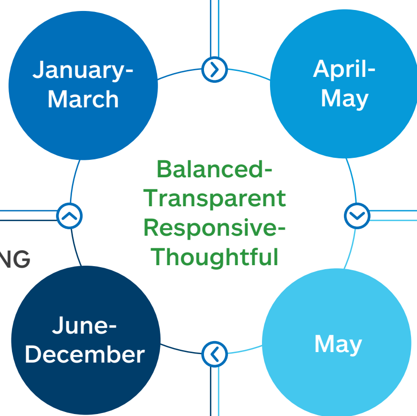
Stockholder Engagement Cycle

BEFORE ANNUAL MEETING

- Preview with investors plans for governance and compensation issues/actions.
- Request feedback from investors.

DURING STOCKHOLDER VOTING

- Follow up on previous conversations and discuss final Board decisions and reasoning.
- Review vote proposals and solicit support for Board recommendations.



AFTER ANNUAL MEETING

- Discuss with investors potential actions in response to results and new governance and compensation topics of interest for the upcoming year.

ANNUAL MEETING OF STOCKHOLDERS

- Stockholders vote on issues such as directors, say-on-pay, auditor ratification and stockholder proposals.

OUTCOME

During 2017, Allstate reached out to stockholders representing approximately 38% of outstanding shares and spent a significant amount of time discussing the Board's diversity and refreshment practices, Board leadership structure (including the strengthened role of the committee chairs), and Allstate's approach to environmental, social and governance issues, particularly those related to inclusive diversity and weather-related risks.

BOARD ATTENDANCE

Each incumbent director attended at least 75% of the combined Board meetings and meetings of committees of which he or she was a member. Directors are expected to attend Board and committee meetings and the annual meeting of stockholders. All directors who stood for election at the 2017 annual meeting of stockholders attended the annual meeting.

99%

Average attendance of incumbent directors as a group at Board and committee meetings during 2017.

RELATED PERSON TRANSACTIONS

The nominating and governance committee has adopted a written policy on the review, approval, or ratification of transactions with related persons, which is posted on the Corporate Governance section of allstateinvestors.com.

There were no related person transactions identified for 2017.

The committee or committee chair reviews transactions with Allstate in which the amount involved exceeds $120,000 and in which any related person had, has, or will have a direct or indirect material interest. In general, related persons are directors, executive officers, their immediate family members, and stockholders beneficially owning more than 5% of our outstanding stock. The committee or committee chair approves or ratifies only those transactions that are in, or not inconsistent with, the best interest of Allstate and its stockholders. Transactions are reviewed and approved or ratified by the committee chair when it is not practicable or desirable to delay review of a transaction until a committee meeting. The committee chair reports any approved transactions to the committee. Any ongoing, previously approved, or ratified related person transactions are reviewed annually.

MANAGEMENT PARTICIPATION IN COMMITTEE MEETINGS

Key members of management regularly attend and participate in Board meetings, presenting on key topics for the Board. Regular attendees include the CEO, Vice Chair, CFO, General Counsel, President of Allstate Personal Lines, President of Allstate Financial, President of Service Businesses, Chief Investment and Corporate Strategy Officer, and Chief Risk Officer. Other senior leaders attend as meeting topics warrant. In addition, senior leadership also participates in committee meetings.

Audit Committee	The CFO, chief audit executive, chief compliance executive, chief risk officer, CEO, vice chair, general counsel and controller all actively participate in meetings. Senior business unit and technology executives, including the chief technology officer, are present when appropriate. Executive sessions of the committee are scheduled and held throughout the year, including sessions in which the committee meets exclusively with the independent registered public accountant, chief audit executive, and chief ethics, compliance and privacy officer.
Compensation and Succession Committee	The executive vice president, human resources, general counsel, CFO and CEO regularly participate in meetings. The committee regularly meets in executive sessions that include just the independent compensation consultant or executive vice president, human resources, when necessary. • The senior human resources executive provides the committee with internal and external analyses of the structure of compensation programs. Throughout the year, the estimated and actual results under our incentive compensation plans are reviewed. • The CFO discusses financial results relevant to incentive compensation, other financial measures, and accounting rules. • The CEO advises on the alignment of incentive plan performance measures with strategy and the design of equity incentive awards. He also provides the committee with performance evaluations of senior executives and recommends merit increases and compensation awards. • The general counsel is available at meetings to provide input on the legal and regulatory environment and corporate governance best practices and to ensure the proxy materials accurately reflect the committee's actions. • The chief risk officer reports annually on compensation plan alignment with Board-approved risk and return principles.
Nominating and Governance Committee	The CEO and general counsel participate in meetings. The committee regularly meets in executive session without management present.
Risk and Return Committee	The chief risk officer, CFO, general counsel, CEO, vice chair, chief audit executive, and operating unit risk officers participate in meetings. The committee regularly meets in executive session, including sessions with the chief risk officer.

COMMUNICATION WITH THE BOARD

The Board has established a process to facilitate communication by stockholders and other interested parties with directors as a group. The general counsel reports regularly to the nominating and governance committee on all correspondence received that, in her opinion, involves functions of the Board or its committees or that she otherwise determines merits Board attention.

In addition, the audit committee has established procedures for the receipt, retention, and treatment of any complaints about accounting, internal accounting controls, or auditing matters. The communication process and the methods to communicate with directors are posted on the "Corporate Governance" and "Management & Directors" sections of www.allstateinvestors.com.

The Allstate Board welcomes your input on compensation, governance, and other matters.

directors@allstate.com

The Allstate Corporation,
Nominating & Governance
Committee, 2775 Sanders Road,
Suite F7, Northbrook, IL 60062-6127
c/o General Counsel

CORPORATE SUSTAINABILITY

The Board believes operating sustainably benefits Allstate's many different stakeholders and drives long-term value creation.

Priorities	Recent Progress
Privacy and Information Security	An integral part of Allstate's commitment to its customers is preventing the loss of their data and ensuring that their data is protected and kept private. Allstate leverages a risk-based approach to implementing its information security program. • Allstate has established an Information Security Council, which reviews and ensures alignment of the program with regulatory and industry standards. • Allstate has a clear privacy policy and requires training and annual compliance confirmation by its employees. • Allstate's program maps to the National Institute of Standards and Technology Cybersecurity Framework, and International Organization for Standardization ("ISO") 27001.
Workforce and Diversity	We manage talent by providing employees with training, interesting work, mentoring, and career development; promoting from within; emphasizing inclusive diversity; retaining existing talent; attracting new employees by offering appropriate employee benefits; and monitoring engagement on annual employee surveys. • Allstate invests in training opportunities for its employees, and in 2017, employees completed 317,055 courses and 356,971 hours of learning. • Allstate strives for a workforce that mirrors the diversity of its customers and communities, and in 2017, 69% of Allstate employees were diverse. • In 2017, Allstate retained 86.4% of its employees. • In its last annual employee survey, which measures the general health of the work environment, Allstate achieved an engagement score of 83%.
Risk and Climate	In 2017, Allstate continued its efforts to assess and refine its exposure management, pricing, modeling, and underwriting practices related to climate risks. Some of Allstate's initiatives included: • Strengthening its catastrophe response and risk management programs through technology such as drone usage, QuickFoto Claim®, and Mobile Claims Centers, which expedited Allstate's catastrophe response. • Addressing the risk of loss from catastrophes by continuing to purchase reinsurance for specific states and countrywide for its personal lines property insurance. • Active participation in shaping federal legislation for the Write Your Own Flood Insurance Program. • Being selective with personal homeowners insurance new business underwritings in certain coastal areas, as well as other deductibles or exclusions where appropriate. • Assisting customers in mitigating their carbon footprint through an endorsement that allows customers to replace covered, damaged, or destroyed items with more energy efficient ones.
Community	• Allstate Foundation Purple Purse is the longest-running national campaign focused on ending domestic violence through financial empowerment services for survivors. Since 2005, The Allstate Foundation has helped over 1.3 million survivors and invested more than $60 million to help end domestic violence. • Good Starts Young is The Allstate Foundation's program supporting America's youth and it was instrumental in helping over five million youth participate in service-based learning last year. Since 2014, the Allstate Foundation has invested over $45 million in youth empowerment. • Allstate employees and agency force engage in numerous community service programs and volunteered over 258,000 reported hours to over 2,430 local nonprofit organizations in 2017.

To learn more about our corporate sustainability efforts, please view Allstate's 2016/2017 Sustainability Report at http://allstatesustainability.com

More Information

You can learn more about our corporate governance by visiting www.allstateinvestors.com, where you will find our *Corporate Governance Guidelines*, each standing committee charter, and *Director Independence Standards*. Allstate has adopted a comprehensive Global Code of Business Conduct that applies to the CEO, CFO, vice chair, controller, and other senior financial and executive officers, as well as the Board of Directors and other employees. It is also available at www.allstateinvestors.com. Each of the above documents is available in print upon request to the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite F7, Northbrook, Illinois 60062-6127.

Board Meetings and Committees

THE ALLSTATE CORPORATION BOARD OF DIRECTORS

Meetings in 2017: 7
Independent Lead Director: Judith A. Sprieser
Chair: Thomas J. Wilson

11 of 12 Allstate directors are independent

- ✓ Executive sessions without management present at every in-person meeting
- ✓ Strategy discussion at every meeting, including a meeting devoted solely to that topic
- ✓ Succession planning discussed at four meetings annually

Key Responsibilities:

"The primary role and responsibility of the Board of Directors is to oversee the affairs of the Corporation for the benefit of the stockholders. . . . [including] oversight of the Corporation's strategy, business performance, capital structure, management selection, compensation programs, shareholder advocacy, corporate reputation, social responsibility initiatives, ethical business practices, and Board and Committee structure and operations."

-Allstate's Corporate Governance Guidelines

AUDIT COMMITTEE[1]

Meetings in 2017: 10
Chair: Mary Alice Taylor
Other Members:
- Kermit R. Crawford
- Michael L. Eskew
- Siddharth N. Mehta

Report, pg. 71

"Cybersecurity risk oversight continued to be an area of attention and we enhanced our risk management practices in this area in 2017 by expanding our relationship with our independent cybersecurity advisor. Allstate's reporting segments and property and casualty reserve methodology and process were also areas of focus."
— **Mary Alice Taylor,** *Chair*

Key Responsibilities:
- Oversees integrity of financial statements and other financial information and disclosures
- Oversees the system of internal control over accounting and financial reporting and disclosure controls and procedures
- Reviews the enterprise risk control assessment and guidelines, including cybersecurity risk and the major financial risk exposures and management steps to monitor and control those risks
- Oversees the ethics and compliance program and compliance with legal and regulatory requirements
- Appoints, retains, and oversees the independent registered public accountant, and evaluates its qualifications, performance and independence
- Evaluates retaining independent cybersecurity advisor
- Oversees Allstate's internal audit function
- Has authority to engage independent counsel and other advisors to carry out its duties

COMPENSATION AND SUCCESSION COMMITTEE

Meetings in 2017: 7
Chair: John W. Rowe
Other Members:
- Michael L. Eskew
- Andrea Redmond
- Perry M. Traquina

Report, pg. 49

"In 2017, we spent a considerable amount of time on management succession, which resulted in several senior leadership changes in anticipation of Matt Winter's retirement. We also concentrated our review on Allstate's talent development practices, including inclusive diversity initiatives and pay equity practices."
— **John W. Rowe,** *Chair*

Key Responsibilities:
- Oversees Allstate's executive compensation plans
- Has authority to retain the committee's independent compensation consultant
- Assists the Board in determining all compensation elements of the executive officers, including the CEO
- Reviews the Compensation Discussion and Analysis and prepares the Compensation Committee Report in this proxy statement
- Reviews management succession plans, evaluation processes and organizational strength
- Reviews CEO's performance in light of approved goals and objectives

[1] The Board determined that all members of the audit committee are independent under the New York Stock Exchange and SEC requirements, and that Mrs. Taylor and Messrs. Eskew and Mehta are each an audit committee financial expert as defined under SEC rules. Ms. Sprieser and Messrs. Sherrill and Traquina also have the background and experience to qualify as audit committee financial experts.

Judith A. Sprieser,
Independent Lead Director

"Oversight of risk management and strategy continued to be areas of focus for our Board in 2017, and significant time was devoted to reviewing the risks and opportunities presented by changes in the personal lines insurance industry. Management succession was also an important area of focus, and several senior leadership changes were made in early 2018, demonstrating the effectiveness of our management succession programs. With the addition of two new directors, we believe our Board is well positioned to oversee the long-term sustainability of Allstate's business."

Strengthened Role of Independent Committee Chairs

Each of the committee chair roles was enhanced to include the approval of meeting agendas and committee materials. Prior to each meeting, each committee chair has a separate conference call with the CEO and relevant operating executives. The committee chairs discuss meeting materials and agendas in advance of each meeting, which fosters independence and successful execution of each committee's responsibilities.

Use of Independent Advisors

Each committee operates under a written charter and has the ability to hire third-party advisors. Outside experts such as independent auditors, compensation consultants, governance specialists, cybersecurity experts, board search firm representatives, and financial advisors attend meetings to provide directors with additional information on issues. All committees, other than the executive committee, used independent external consultants in 2017.

NOMINATING AND GOVERNANCE COMMITTEE

Meetings in 2017: 6

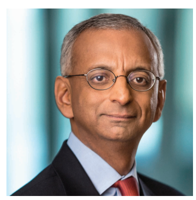
Chair: Andrea Redmond

Other Members:
- Kermit R. Crawford
- Jacques P. Perold
- John W. Rowe
- Judith A. Sprieser

"Director refreshment continued to be an area of emphasis. Since the last annual meeting, we added two highly accomplished and collaborative leaders to our Board. We also instituted an additional annual Board evaluation process to supplement our existing process and to ensure continuous improvement in our corporate governance practices."
— **Andrea Redmond,** *Chair*

Key Responsibilities:
- Recommends candidates for Board election and nominees for Board committees
- Recommends candidates for lead director and Chair
- Recommends criteria for selecting directors and the lead director, and determines director independence
- Reviews the Corporate Governance Guidelines and advises the Board on corporate governance issues
- Determines performance criteria and oversees the performance assessment of the Board, Board committees, and lead director
- Reviews Allstate's non-employee director compensation program
- Has authority to retain a director search firm and director compensation consultant

RISK AND RETURN COMMITTEE



Meetings in 2017: 5

Chair: Siddharth N. Mehta

Other Members:
- Jacques P. Perold
- Judith A. Sprieser
- Mary Alice Taylor
- Perry M. Traquina

"In 2017, we enhanced our enterprise risk management processes by overseeing an independent review of Allstate's economic capital determination processes. We spent considerable time reviewing risks related to severe weather, including climate-related scenarios with low frequency but high severity."
— **Siddharth N. Mehta,** *Chair*

Key Responsibilities:
- Assists the Board in risk and return governance and oversight
- Reviews risk and return processes, policies, and guidelines used by management to evaluate, monitor, and manage enterprise risk and return
- Reviews Allstate's enterprise risk and return management function, including its performance, organization, practices, budgeting, and staffing
- Supports the audit committee in its oversight of risk assessment and management policies
- Has authority to retain outside advisors to assist in its duties

EXECUTIVE COMMITTEE

Meetings in 2017:
No meetings were necessary

Chair: Thomas J. Wilson

Other Members:
- Siddharth N. Mehta
- Andrea Redmond
- John W. Rowe
- Judith A. Sprieser
- Mary Alice Taylor

Key Responsibilities:
- Has the powers of the Board in the management of Allstate's business affairs to the extent permitted under the bylaws, excluding any powers granted by the Board to any other committee of the Board
- Provides Board oversight if outside the scope of established committees or if an accelerated process is necessary
- Comprised of lead director, committee chairs and Chair

Director Compensation

DIRECTOR COMPENSATION PROGRAM

The nominating and governance committee reviews non-employee director compensation annually and proposes changes, as appropriate, based on its review, benchmark information from peer companies and relevant compensation surveys. The following table describes each component of our non-employee director compensation program for 2017. No meeting fees or other professional fees were paid to the directors.

Role	Quarterly Cash Retainer[1]	Equity
Non-Employee Director	$31,250	The Board believes that a meaningful portion of a director's compensation should be in the form of equity securities to create a linkage with corporate performance and stockholder interests. Directors are granted restricted stock units on June 1 equal in value to $155,000 divided by the closing price of a share of Allstate common stock on such grant date, rounded to the nearest whole share.
Lead Director	$12,500	
Audit Committee Chair	$8,750	
Compensation and Succession Committee Chair and Risk and Return Committee Chair	$6,250	
Nominating and Governance Committee Chair	$5,000	

(1) Paid in advance on the first day of January, April, July, and October. The retainer is prorated for a director who joins the Board during a quarter.

DIRECTOR STOCK OWNERSHIP GUIDELINES

Each director is expected, within five years of joining the Board or within five years of an increase in annual retainer, if applicable, to accumulate an ownership position in Allstate common stock equal to five times the annual value of the standard retainer.

Each director has met the ownership guideline, except for Ms. Keane, and Messrs. Mehta, Perold, Sherrill, and Traquina, who joined the Board in the last five years.

2017 DIRECTOR COMPENSATION

The following table summarizes the compensation for each of our non-employee directors who served as a member of the Board and its committees in 2017. Margaret Keane has not been included as she was elected to the Board effective January 1, 2018.

Name	Leadership Roles Held During 2017	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2][3]	All Other Compensation ($)	Total ($)
Mr. Crawford		125,000	155,014	–	280,014
Mr. Eskew		125,000	155,014	–	280,014
Mr. Henkel	Retired May 2017	62,500	0	–	62,500
Mr. Mehta	Risk and Return Committee Chair	150,000	155,014	–	305,014
Mr. Perold		125,000	155,014	–	280,014
Ms. Redmond	Nominating and Governance Committee Chair	145,000	155,014	–	300,014
Mr. Rowe	Compensation and Succession Committee Chair	150,000	155,014	–	305,014
Mr. Sherrill		31,250	103,399	–	134,649
Ms. Sprieser	Lead Director	175,000	155,014	–	330,014
Mrs. Taylor	Audit Committee Chair	160,000	155,014	–	315,014
Mr. Traquina		125,000	155,014	–	280,014

(1) Under the 2017 Equity Compensation Plan for Non-Employee Directors, directors may elect to receive Allstate common stock in lieu of cash compensation. In 2017, none of the directors elected to receive stock in lieu of cash. Also, under Allstate's Deferred Compensation Plan for Non-Employee Directors, directors may elect to defer their retainers to an account that is credited or debited, as applicable, based on (a) the fair market value of, and dividends paid on, Allstate common shares (common share units); (b) an average interest rate calculated

on 90-day dealer commercial paper; (c) S&P 500 Index, with dividends reinvested; or (d) a money market fund. No director has voting or investment powers in common share units, which are payable solely in cash. Subject to certain restrictions, amounts deferred under the plan, together with earnings thereon, may be transferred between accounts and are distributed after the director leaves the Board in a lump sum or over a period not in excess of ten years in accordance with the director's instructions. For 2017, Messrs. Eskew and Traquina elected to defer their cash retainer into common share units.

(2) Grant date fair value for restricted stock units granted in 2017 is based on the final closing price of Allstate common stock on the grant dates, which in part also reflects the payment of expected future dividend equivalent rights. (See note 18 to our audited financial statements for 2017.) Mr. Sherrill received a prorated award when he joined the Board in 2017. The final grant date closing price was $86.94, except with respect to the prorated award granted to Mr. Sherrill, which was $91.91. The values were computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. Each restricted stock unit entitles the director to receive one share of Allstate common stock on the conversion date (see footnote 3).

(3) The following table provides outstanding restricted stock units and stock options as of December 31, 2017, for each director.

Outstanding Awards at Fiscal Year-End 2017

Name	Restricted Stock Units (#)	Stock Options (#)
Mr. Crawford	13,066	0
Mr. Eskew	8,405	0
Mr. Henkel	0	0
Mr. Mehta	9,544	0
Mr. Perold	5,190	0
Ms. Redmond	28,538	0
Mr. Rowe	17,687	0
Mr. Sherrill	1,125	0
Ms. Sprieser	42,196	0
Mrs. Taylor	42,196	4,000
Mr. Traquina	3,749	0

Restricted stock unit awards granted before September 15, 2008, convert into common stock one year after termination of Board service. Restricted stock unit awards granted on or after September 15, 2008, and before June 1, 2016, convert into common stock upon termination of Board service. Restricted stock units granted on or after June 1, 2016, convert into common stock on the earlier of the third anniversary of the date of grant or upon termination of Board service. Directors had the option to defer the conversion of the restricted stock units granted on June 1, 2016, for ten years from the date of grant or the later of termination of Board service or June 1, 2024. The conversion of restricted stock units granted after June 1, 2016, may be deferred for ten years or until termination of Board service. In addition to the conversion periods described above, restricted stock units will convert upon death or disability. Each restricted stock unit includes a dividend equivalent right that entitles the director to receive a payment equal to regular cash dividends paid on Allstate common stock. Under the terms of the restricted stock unit awards, directors have only the rights of general unsecured creditors of Allstate and no rights as stockholders until delivery of the underlying shares.

Non-employee directors do not receive stock options as part of their compensation as a result of a policy change effective on June 1, 2009. All outstanding stock options were exercisable as of December 31, 2017.

All outstanding options were awarded under the terms of the 2006 Equity Compensation Plan for Non-Employee Directors, which specifies that the exercise price for the option awards is equal to the fair market value of Allstate common stock on the grant date. The fair market value is equal to the closing sale price on the date of the grant. If there was no such sale on the grant date, then on the last previous day on which there was a sale. The options became exercisable in three substantially equal annual installments and expire ten years after grant. Stock option repricing is not permitted. An outstanding stock option will not be amended to reduce the option exercise price. However, the plan permits repricing in the event of an equity restructuring (such as a split) or a change in corporate capitalization (such as a merger).

EXECUTIVE COMPENSATION

PROPOSAL 2

Say-on-Pay: Advisory Vote on the Compensation of the Named Executives

The Board recommends a vote FOR this proposal.

- Independent oversight by compensation and succession committee with the assistance of an independent consultant.
- Executive compensation targeted at 50th percentile of peers and aligned with short- and long-term business goals and strategy.
- Compensation programs are working effectively. Annual incentive compensation funding for our named executives in 2017 was 181.4% of target, from 55.1% of target in the prior year, reflecting significant improvement in operating results.
- Compensation compares favorably to Total Shareholder Return.

We conduct a say-on-pay vote every year at the annual meeting. While the vote is non-binding, the Board and the compensation and succession committee (the "committee" as referenced throughout the Compensation Discussion and Analysis and Executive Compensation sections) consider the results as part of their annual evaluation of our executive compensation program.

You may vote to approve or not approve the following advisory resolution on the executive compensation of the named executives:

RESOLVED, on an advisory basis, the stockholders of The Allstate Corporation approve the compensation of the named executives, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis and accompanying tables and narrative on pages 31-67 of the Notice of 2018 Annual Meeting and Proxy Statement.

- Allstate achieved all five 2017 operating priorities, and financial results improved, with net income rising to $3.07 billion in 2017 from $1.76 billion in the prior year.
- Total shareholder return was 43.3% for 2017 in comparison to 19.1% for the compensation peer group.
- Total 2017 compensation for the CEO increased from 2016 by $4,830,432 to $17,069,187 excluding the change in pension value, as shown in the Summary Compensation Table.
- The annual incentive compensation plan was funded for the named executives at 181.4% of target in 2017. Based on company and individual performance, the named executives received the following annual incentive payments, which were higher than the prior two years' awards:

Named Executive	2015 Annual Incentive ($)	2016 Annual Incentive ($)	2017 Annual Incentive ($)
Mr. Wilson	2,888,136	1,982,880	6,759,264
Mr. Shebik	850,000	600,000	2,600,000
Mr. Civgin	768,629	535,066	1,806,645
Mr. Dugenske[1]	–	–	1,377,908
Mr. Winter	1,600,000	1,017,513	3,625,590

(1) For Mr. Dugenske, only the last fiscal year is shown since this is the first year he is a named executive. The award was pro-rated based on his March 2017 start date.

Compensation Discussion and Analysis

EXECUTIVE OVERVIEW

Our Compensation Discussion and Analysis describes Allstate's executive compensation program, including total 2017 compensation for our named executives listed below[(1)]:

Thomas J. Wilson — Chair and Chief Executive Officer (CEO)
Steven E. Shebik — Executive Vice President and Chief Financial Officer (CFO)
Don Civgin — President, Emerging Businesses
John E. Dugenske — Executive Vice President and Chief Investment Officer
Matthew E. Winter — President

(1) The titles and responsibilities for certain of these officers changed in 2018. Additionally, Mr. Winter retired effective February 23, 2018. See Appendix C for current titles and a list of Allstate's other executive officers.

Business Highlights

In 2017, Allstate delivered strong results and implemented multiple initiatives to drive long-term profitable growth. Our management team continued to advance all five operating priorities:

$1.9 billion

Distributed to stockholders in cash through stock repurchases and common stock dividends

Operating Priorities	Results
Better serve our customers	• Net Promoter Score increased. • Customer retention improved for Allstate brand in the second half of 2017, and Esurance auto insurance improved in each quarter of 2017 compared to 2016. • Expanded QuickFoto Claim® utilization.

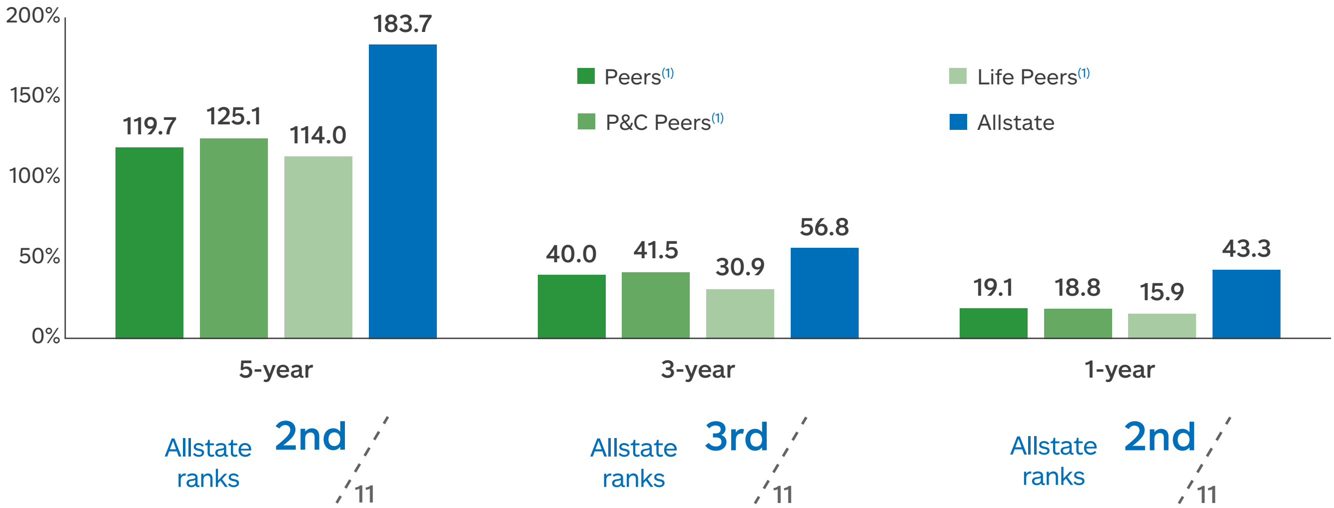
Achieve target economic returns on capital	• Property-Liability recorded combined ratio of 93.6 for the full year.
	  • Auto insurance underlying combined ratio* improved across all three underwritten brands.
	  • Allstate brand homeowners insurance generated an underwriting profit of $725 million despite $2.1 billion of catastrophe losses.
	• Allstate Annuities income increased significantly, while returns remained low.

Grow customer base	• Total policies in force increased to 82.3 million, due to acquisition of SquareTrade. • Property-Liability policies in force declined as a result of profit improvement actions. • SquareTrade policies grew 10 million or 35.8% for the year. • Allstate Benefits policy growth of 7.4%.
Proactively manage investments	• Total return of 5.9%, reflecting strong results from both the market-based and performance-based strategies.
Build long-term growth platforms	• SquareTrade expanded U.S. retail distribution and European cellphone protection. • Arity continued to support Allstate and Esurance telematics expansion; signed first third-party insurance carrier.

* Measures used in this proxy statement that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (*). These measures are defined and reconciled to the most directly comparable GAAP measures in Appendix A.

Allstate's one-year total shareholder return was 43.3%. The following chart shows Allstate's total shareholder return over one, three and five years relative to the market cap weighted average of the peer group used for 2017 compensation benchmarking (identified on page 45).

Comparison of Total Shareholder Return (%)



(1) Market Cap Weighted Average

Compensation Highlights

Compensation Governance

Allstate's executive compensation program includes industry best practices with a focus on **pay for performance** and a **strong link between performance measures and strategic objectives**.

Shareholder Feedback

The Board considers feedback from shareholders on matters including compensation. At our last shareholder meeting, **95% of votes cast supported our executive compensation program**. The committee considered the vote results, investor input, and current market practices and determined that no significant changes should be made to the program.

Comparison with Peers

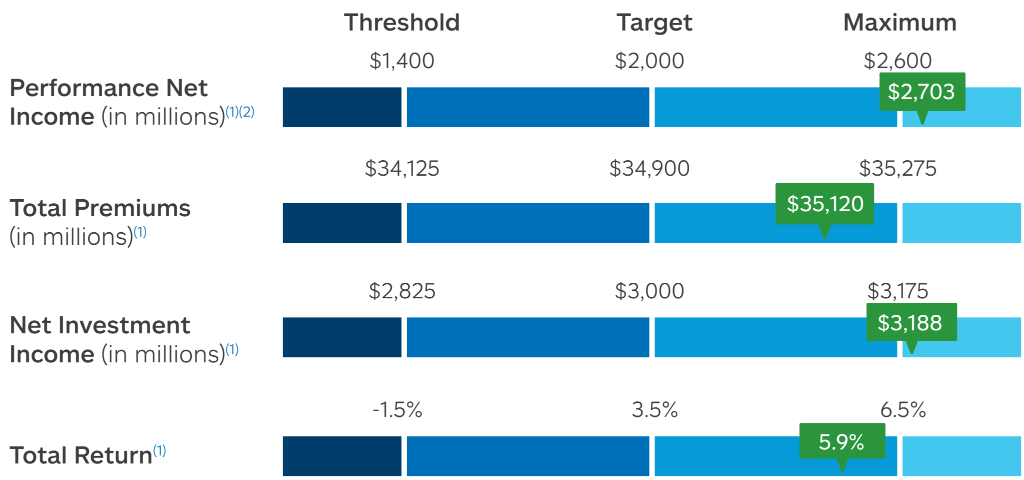
The committee uses the **50th percentile of our peer companies** as a guideline when setting total target direct compensation.

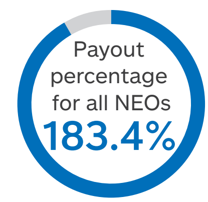
Independent Consultant

An independent compensation consultant provides **advice on incentive design** and the overall executive compensation program and pay levels.

Alignment of Pay with Performance

Annual Cash Incentive

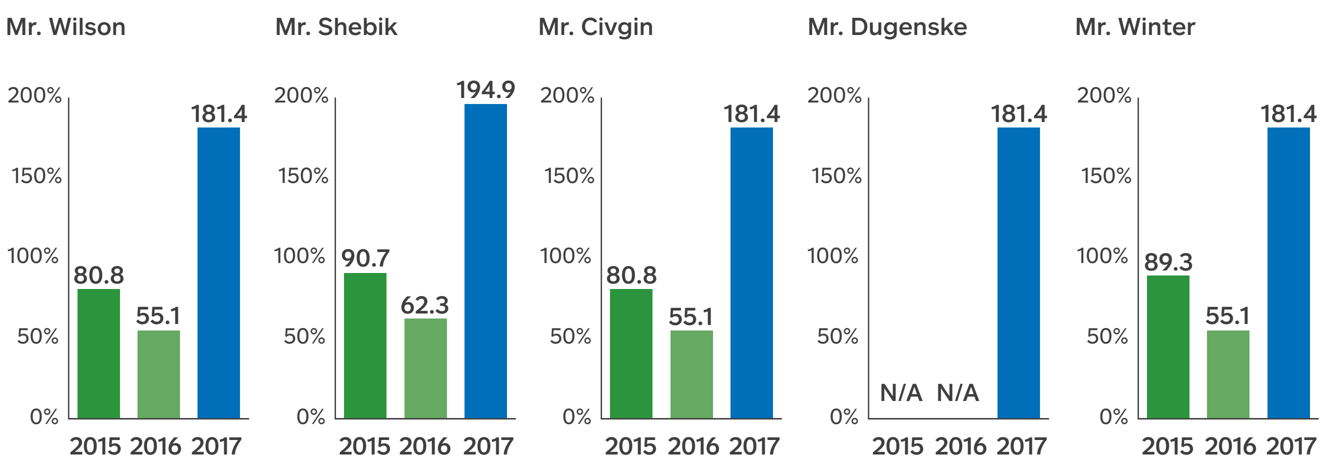




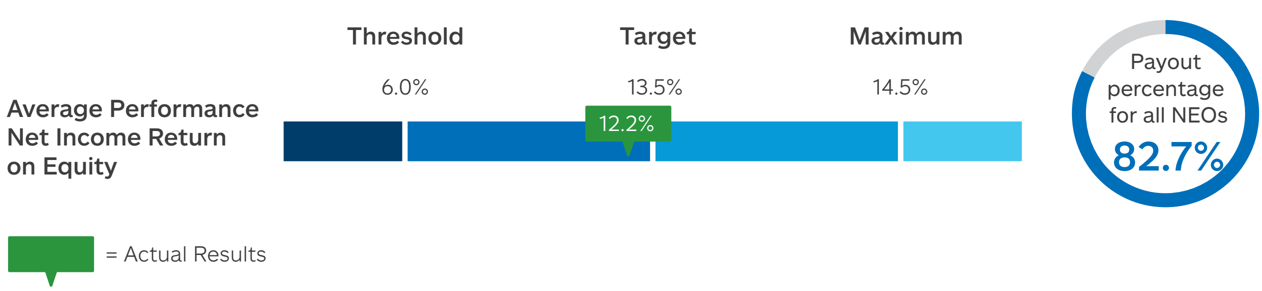
(1) For a description of how these measures are determined, see pages 64-66

(2) This performance measure has been utilized in prior years, and was previously called Adjusted Operating Income

Annual Incentive Plan ("AIP") % of Target



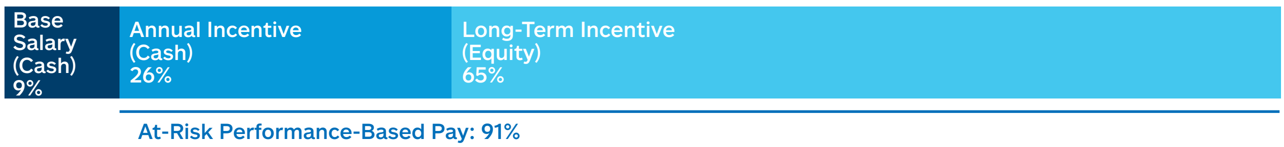
2015-2017 Performance Stock Awards



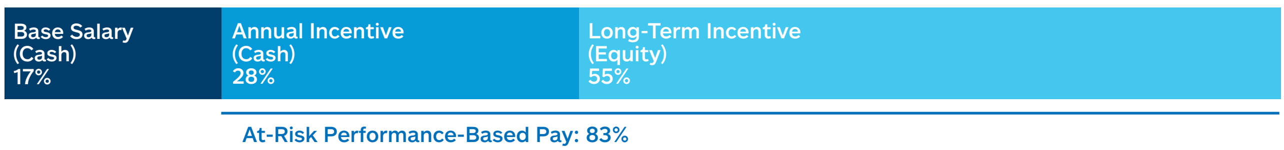
2017 COMPENSATION MIX

The committee designs the executive compensation program to award pay in accordance with corporate, business unit and individual performance. A large percentage of total target compensation is at risk through long-term equity awards and annual cash incentive awards. These awards are linked to performance measures that correlate with long-term stockholder value creation. The mix of target total direct compensation for 2017 for our CEO and the average of our other named executives is shown in the chart below.

Chief Executive Officer



Other NEOs



ALLSTATE'S EXECUTIVE COMPENSATION PRINCIPLES

Allstate's executive compensation program is designed to ensure that the interests of our executives are aligned with our shareholders:

We Pay for Performance

The majority of our CEO and other NEOs compensation opportunity is at-risk and based on measurable performance goals.

We Establish A Strong Link between Performance Measures and Strategic Objectives

Performance measures are linked to operating priorities designed to create long-term stockholder value.

Moreover, our program adheres to high standards of compensation governance.

What We Do

- ✓ Benchmark to Peers of Similar Industry, Size and Business Complexity.
- ✓ Target Pay at 50th Percentile of Peers.
- ✓ Independent Compensation Consultant.
- ✓ Moderate Change-in-Control Benefits.
- ✓ Double Trigger in the Event of a Change in Control.
- ✓ Maximum Payout Caps for Annual Cash Incentive Compensation and Performance Stock Awards ("PSAs").
- ✓ Robust Equity Ownership Requirements.
- ✓ Clawback of Certain Compensation if Restatement or Covenant Breach.

What We Do Not Do

- ✗ No Employment Agreements for Executive Officers.
- ✗ No Guaranteed Annual Salary Increases or Bonuses.
- ✗ No Special Tax Gross Ups.
- ✗ No Repricing or Exchange of Underwater Stock Options.
- ✗ No Plans that Encourage Excessive Risk-Taking.
- ✗ No Hedging or Pledging of Allstate Securities.
- ✗ No Inclusion of Equity Awards in Pension Calculations.
- ✗ No Dividends Paid on Unvested PSAs.
- ✗ No Excessive Perks.

COMPENSATION ELEMENTS

The following table lists the elements of target direct compensation for our 2017 executive compensation program.

	Type	Element and Delivery[1]	Why We Pay This Element	Key Characteristics	How We Determine Amount
Short-Term	Fixed	**Base Salary; Cash** 13%	Attract and retain executives with competitive level of cash compensation.	Reviewed annually and adjusted when appropriate.	Amounts based on experience, job scope, market data, and individual performance.
Mid-Term	Variable	**Annual Cash Incentive Awards; Cash** 27%	Motivate and reward executives for performance on key strategic, operational, and financial measures during the year.	A corporate-wide funding pool based on performance on four measures: • Performance Net Income[2] • Total Premiums[2] • Net Investment Income[2] • Total Return[2] Pool is then allocated based on individual performance.	Individual awards are based on job scope, market data, pool funding, and individual performance.
Long-Term[3]	Variable	**Performance Stock Awards (“PSAs”); Equity** 36%	Motivate and reward executives for performance on key long-term measures. Align the interests of executives with long-term stockholder value. Retain executive talent.	PSAs vest on the day before the third anniversary of the grant date.	Awards based on job scope, market data, and individual performance. Actual amounts of PSAs vesting based on performance on three-year Performance Net Income Return on Equity[2] and Earned Book Value[2] with a requirement of positive Net Income for any payout above target.
Long-Term[3]	Variable	**Stock Options; Equity** 24%	Align the interests of executives with long-term stockholder value. Retain executive talent.	Non-qualified stock options to purchase shares at the market price when awarded. Vest ratably over three years. Expire in ten years or, in the event of retirement, the earlier of five years or normal expiration.	Awards granted based on job scope, market data, and individual performance.

(1) Represents the average of the target direct compensation elements for all of the named executives in 2017.
(2) For a description of how these measures are determined, see pages 64-66.
(3) The compensation and succession committee may award cash and/or restricted stock units in connection with the hire of a new executive. Awards are typically to cover compensation amounts forfeited at prior employer.

COMPENSATION DECISIONS FOR 2017

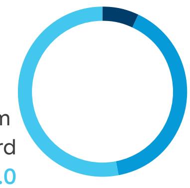
THOMAS J. WILSON

Chair and Chief Executive Officer[1]

Key Responsibilities

Our Chair and CEO was responsible for managing the company's business operations and the oversight of senior management. He led the execution of Allstate's overall strategic direction, performance, and operations.

2017 Compensation (millions)



2017 Performance

Mr. Wilson's total compensation and the amount of each compensation element are driven by the design of our compensation program, his experience, his responsibility for Allstate's overall strategic direction, performance and operations, and the committee's analysis of peer company CEO compensation. In conjunction with the committee's independent compensation consultant, the committee conducts an annual review of Mr. Wilson's total target direct compensation and determines if any changes are warranted.

Mr. Wilson's performance as Chair and CEO is evaluated under the following categories, which are determined by the committee: operating results, total shareholder return, developing and implementing long-term strategy, maintaining and motivating a high-performance team, corporate stewardship and Board effectiveness. Performance is assessed over one- and three-year time periods.

- *Operating Results.* Achieved all five 2017 operating priorities.
- *Total Shareholder Returns.* Strong shareholder returns over one, three, and five years.
- *Long-term Strategy.* Improved competitive position of existing businesses and building or acquiring new long-term growth platforms.
- *High-Performance Team.* Extremely competent, highly engaged team that had excellent operating performance.
- *Board Effectiveness.* Excellent governance processes, Board diversity, and shareholder engagement.

Compensation Decisions

During the 2017 annual review, the committee determined that Mr. Wilson's target direct compensation was appropriately aligned with the median of the compensation peer group. Furthermore, Mr. Wilson's annual cash incentive target of 300% of salary and long-term equity incentive target of 750% of salary remained unchanged.

- *Salary.* In 2017, the Board increased Mr. Wilson's salary from $1,200,000 to $1,250,000. Mr. Wilson's last salary increase was in March 2015.
- *Annual Cash Incentive Award.* Mr. Wilson's target annual incentive payment of 300% of base salary with a maximum funding opportunity for the award pool of 200% of target was unchanged in 2017. The committee approved an annual cash incentive award of $6,759,264, which was 181.4% of target and equal to the funding level as determined by the actual results for the four performance measures. This was 67.6% of the maximum payment established by the Board.
- *Equity Incentive Awards.* In February 2017, based on its assessment of Mr. Wilson's performance in delivering strong business results in 2016, the committee granted him equity awards of stock options with a grant date fair value of $3,599,997 and performance stock awards with a grant date fair value of $5,400,039, which was Mr. Wilson's target equity incentive award opportunity of 750% of salary.
- *Other.* The change in pension value for Mr. Wilson in 2017 of $1,688,142 was $2,599,785 lower than the change would have been had management not recommended a change in pension benefits beginning in 2014, as discussed on page 46. The total value of Mr. Wilson's pension benefit as of December 31, 2017, is $16,043,029 less than it would have been without the 2014 pension change.

(1) Served in these roles during 2017.

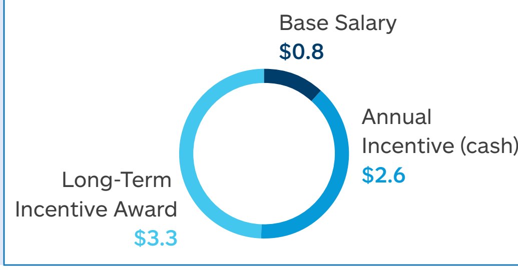
STEVEN E. SHEBIK

Executive Vice President and Chief Financial Officer[1]

Key Responsibilities

Our CFO had primary responsibility for the management of the company's overall financial condition, as well as for financial analysis and reporting. Mr. Shebik served as interim Chief Investment Officer until Mr. Dugenske joined the company in March 2017. Mr. Shebik also served as interim Chief Risk Officer until the election of Mr. Merten in December 2017.

2017 Compensation (millions)



2017 Performance

- Exceptional performance as Chief Financial Officer and acted as an interim Chief Investment Officer and Chief Risk Officer.

Compensation Decisions

- *Salary.* The committee approved an increase from $750,000 to $800,000 during 2017, based on an evaluation of his performance, level of responsibility, and target compensation as compared to the peer group.
- *Incentive Targets.* Mr. Shebik's AIP Target was increased during 2017. Mr. Shebik's annual incentive target was 175% of salary and his target equity incentive opportunity was 300% of salary.
- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $2,600,000 for Mr. Shebik. This award was slightly above pool funding based on his expanded responsibilities in 2017. This was 36.8% of the maximum payment established by the committee.
- *Equity Incentive Awards.* In February 2017, based on a review of Mr. Shebik's performance during 2016, the committee granted him equity awards with a grant date fair value of $3,325,020, which was approximately $1,000,000 above his target equity incentive award opportunity.

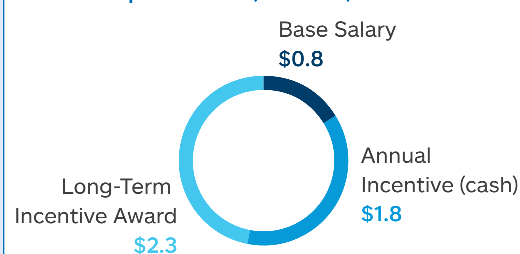
DON CIVGIN

President, Emerging Businesses[1]

Key Responsibilities

Mr. Civgin oversaw Allstate Emerging Businesses including Allstate Dealer Services, Allstate Roadside Services, Answer Financial, Arity, and SquareTrade. Mr. Civgin also oversaw Esurance.

2017 Compensation (millions)



2017 Performance

- Significant improvement in Esurance profitability, continued building Arity strategy and business capabilities, and strong growth of SquareTrade.

Compensation Decisions

- *Salary.* The committee approved an increase from $780,000 to $800,000 during 2017, based on an evaluation of his performance, level of responsibility, and target compensation as compared to the peer group.
- *Incentive Targets.* No changes were made to Mr. Civgin's incentive targets during 2017. Mr. Civgin's annual incentive target was 125% of salary and his target equity incentive opportunity was 300% of salary.
- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $1,806,645 for Mr. Civgin, which was at the calculated pool funding and 25.6% of the maximum payment established by the committee.
- *Equity Incentive Awards.* In February 2017, based on a review of Mr. Civgin's performance during 2016, the committee granted him equity awards with a grant date fair value of $2,340,028, which is aligned with his target equity incentive award opportunity.

(1) Served in this role during 2017.

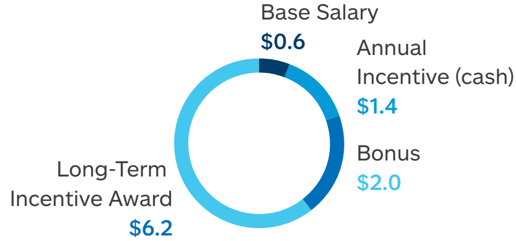
JOHN E. DUGENSKE

Executive Vice President and Chief Investment Officer[1]

Key Responsibilities

Mr. Dugenske was Executive Vice President and Chief Investment Officer of Allstate Insurance Company and President of Allstate Investments. He oversaw the company's $83 billion investment portfolio.

2017 Compensation (millions)



2017 Performance

- Strong investment results with a total return of 5.9%, which exceeded relevant benchmarks.

Compensation Decisions

- *Salary.* $725,000
- *Bonus.* Mr. Dugenske received a sign-on bonus of $4,000,000 payable in cash in two installments to offset the value of awards forfeited upon leaving his prior employer. The first installment of $2,000,000 became payable within sixty days of his start date, with the balance of $2,000,000 becoming payable within thirty days after the first anniversary of his start date. In order to receive the second installment, Mr. Dugenske must be employed by Allstate on the date the installment becomes payable. If Mr. Dugenske terminates his employment within twenty-four months of either sign-on payment date, he must repay a prorated amount calculated over a twenty-four month period from the payment date.
- *Incentive Targets.* Mr. Dugenske's annual incentive target was 125% of salary and his target equity incentive opportunity was 300% of salary.
- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $1,377,908 for Mr. Dugenske. The award was pro-rated based on his March 2017 start date. The award was calculated at pool funding and 19.5% of the maximum payment establishment by the committee.
- *Equity Incentive Awards.* Mr. Dugenske received a $4,000,002 grant of restricted stock units on April 5, 2017, to offset the value of awards forfeited upon leaving his prior employer. These RSUs will become 100% vested on April 4, 2020. The committee also granted Mr. Dugenske equity awards with a grant date fair value of $2,175,017, which is aligned with his target equity incentive award opportunity.

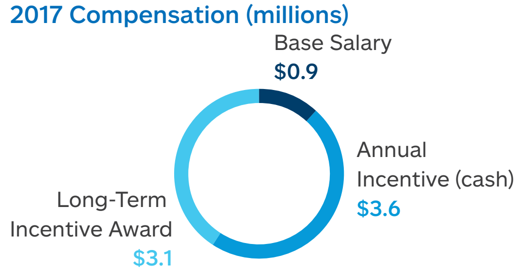
MATTHEW E. WINTER

President[1]

Key Responsibilities

Mr. Winter was President of The Allstate Corporation and Chief Executive Officer of Allstate Life Insurance Company. He led the personal property-liability businesses, including the Allstate agency and Encompass operations. He was responsible for all business operations and distribution, which includes the 15 field offices located across the United States and in Canada. Mr. Winter retired effective February 23, 2018.

2017 Compensation (millions)



2017 Performance

- Significant improvement in auto insurance margins, implementation of Allstate Agency trusted advisor initiative, and meaningful contributions to corporate-wide initiatives.

Compensation Decisions

- *Salary.* The committee approved an increase from $825,000 to $900,000 during 2017, based on an evaluation of his performance, level of responsibility, and target compensation as compared to the peer group.
- *Incentive Targets.* No changes were made to Mr. Winter's incentive targets during 2017. Mr. Winter's annual incentive target was 225% of salary and his target equity incentive opportunity was 375% of salary.
- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $3,625,590 for Mr. Winter, which was at calculated pool funding and 38.5% of the maximum payment established by the committee.
- *Equity Incentive Awards.* In February 2017, based on a review of Mr. Winter's performance during 2016, the committee granted him equity awards with a grant date fair value of $3,093,772, which is aligned with his target equity incentive award opportunity.

(1) Served in this role during 2017.

INCENTIVE DESIGN AND GOAL SETTING

For the annual and long-term incentive programs, the committee oversees a rigorous and comprehensive goal-setting process. The committee works to identify performance measures and ranges of performance in the annual and long-term programs that (1) align with the company's strategy, operating principles and priorities, and stockholder interests, (2) support the achievement of corporate goals, and (3) reflect the company's overall performance. The following timeline of key events reflects the committee's process:

Incentive Design, Payout, and Goal-Setting Process

March-June

- Evaluate peer group to determine if any changes are required for the next performance cycle
- Compare actual compensation paid, operating results and stockholder returns from previous year to peer group as provided by the independent compensation consultant
- Review feedback from stockholders and governance firms

July-October

- Independent compensation consultant provides advice on incentive design and overall executive compensation program and executive pay levels
- The consultant provides compensation data from the peer group and information on current market practices and industry trends

November-January

- Establish plan design, performance measures and ranges (target, threshold, and maximum) for upcoming year for annual incentive plan and long-term incentive awards
- Review plans and measures for alignment with enterprise risk and return principles

January-February

- Calculate the corporate pool for the annual incentive award based on actual performance
- Allocate the calculated corporate pool amongst Market-Facing Businesses and Areas of Responsibility based on their operating performance in relationship to target amounts. Allocate these pools based on individual performance
- Determine the number of performance stock awards that will vest for the applicable measurement period based on actual performance
- Approve specific measurable goals for current year for annual incentive plan and three-year performance stock awards
- Review and approve salary adjustments and annual incentive and equity targets for executive officers

Ongoing

- Review compensation philosophy and objectives in light of company performance, company goals and strategy, stockholder feedback, and external benchmarking
- Monitor compensation estimates in comparison to actual and relative performance

Salary

- **In setting executive salary levels, the committee uses the 50th percentile of total target direct compensation of our peer companies as a guideline**, which supports Allstate's ability to compete effectively for and to retain executive talent. Annual merit increases for named executives are based on evaluations of their performance, using the enterprise-wide merit increase budget as a guideline.

Annual Cash Incentive Awards

- The committee sets performance measure goals based on the operating plan. Target performance is equal to the operating plan. Threshold and maximum measures are based on a range of sensitivities relative to the operating plan. To further test the appropriateness of the ranges, the committee's independent consultant provides advice based on peer performance, market expectations and industry trends. The chief risk officer reviews the performance measures and ranges to ensure they are consistent with Allstate's risk and return principles.
- Actual performance on the performance measures determines the overall funding level of the corporate pool and the aggregate total award budget for eligible employees. In 2017, the pool was funded based on the collective results of four measures: Performance Net Income, Total Premiums, Net Investment Income, and Total Return. Funding for each measure is equal to 0% below threshold, 50% at threshold, 100% at target and 200% at maximum, and results between threshold, target and maximum are subject to interpolation.
- In the event of a net loss, the corporate pool funding is reduced by 50% of actual performance for senior executives. For example, if performance measures ordinarily would fund the corporate pool at 60% and there was a net loss, then the corporate pool would be funded at 30% for senior executives. This mechanism ensures alignment of pay and performance in the event of a natural catastrophe or extreme financial market conditions.
- **Target annual incentive percentages for each named executive are based on market data pay levels of peer companies and our benchmark target for total direct compensation at the 50th percentile.**
- Individual awards are based on job scope, market data, pool funding, and individual performance.
- Allstate has established the maximum awards that could be paid to any of the named executives as the lesser of the stockholder approved maximum of $10 million under the Annual Executive Incentive Plan or a percentage of an award pool, which we refer to herein as the "162(m) Pool." For 2017, the 162(m) Pool is equal to 1.0% of Performance Net Income (defined on pages 64-65), and the percentage of the award pool for Mr. Wilson is 35%, Mr. Winter, 20%, and for each other named executive, 15%. Allstate established these maximums in order to qualify annual cash incentive awards for 2017 as deductible performance-based awards under Internal Revenue Code Section 162(m) as was in effect prior to the passage of the Tax Cuts and Jobs Act (the "Tax Legislation"). Under the Tax Legislation, the exemption for deductibility of performance-based compensation under Internal Revenue Code Section 162(m) has generally been eliminated for fiscal years beginning after December 31, 2017. The committee retains complete discretion to pay less than the maximums established by the Annual Executive Incentive Plan and the award pool.

- We paid the 2017 cash incentive awards in March 2018. The following table shows how the corporate pool was funded and distributed to individual participants:

Formulaic Calculation of Corporate Funding Pool	Annual Corporate Pool Distribution
Actual performance is determined after the end of the performance period. The pool available for distribution is calculated in accordance with a formula based on four performance measures. Performance Net Income (aligns with stockholders' expectations of current performance) (43%)[(1)] Total Premiums (captures growth and competitive position of the businesses) (43%)[(1)] Net Investment Income (reflects a significant component of profitability) (10%)[(1)] Total Return (captures all investment results for the business) (4%)[(1)]	1. Committee approves corporate pool based on review of actual performance in comparison to goals. 2. CEO allocates corporate pool between Market-Facing Businesses and Areas of Responsibility based on relative performance against annual operating goals, **for participants other than senior executives.** • **In 2017, the CEO did not exercise discretion in allocating pool funding between the Market-Facing Businesses or Areas of Responsibility.** 3. Committee's compensation recommendations **for the CEO** are reviewed and approved by the independent directors of our Board in executive session. 4. Committee reviews and approves CEO recommendations **for executive officers** based on individual performance. 5. Individual awards **for other employees** are determined by senior leaders of Market-Facing Businesses and Areas of Responsibility and are subject to approval by CEO – **senior leaders are tasked to ensure high-performing participants earn awards (as a percent of funding) that are at least 2.0 times the awards earned by lower-performing participants for the annual incentive plan. The same level of discretion is targeted for equity components of compensation.**

(1) The committee has discretion to determine the amount of the awards paid from the corporate pool to the named executives. For treatment of catastrophe losses and performance-based long-term income in the funding calculation, see discussion of performance measures on pages 64-67.

Performance Stock Awards and Stock Options

- We grant equity awards annually to executives consistent with market practice and our philosophy that a significant amount of compensation should be in the form of equity. Additionally, from time to time, equity awards are granted to attract new executives and to retain existing executives.
- Since 2016, the mix of equity incentives for senior executives has been 60% PSAs and 40% stock options. We believe both PSAs and stock options are forms of performance-based incentive compensation because PSAs are earned based on achieving established performance goals and stock options require stock price appreciation to deliver value to an executive. The PSAs vest based on results for Performance Net Income ROE (70%) and Earned Book Value (30%) over the three-year measurement period. The actual number of PSAs vesting is between 0% to 200% of target number of PSAs granted.

- The committee selected Performance Net Income ROE as a performance measure because it:
  - Measures performance in a way that is tracked and understood by investors.
  - Captures both income and balance sheet impacts, including capital management actions.
  - Provides a useful gauge of overall performance while limiting the effects of factors management cannot influence, such as extreme weather conditions.
  - Correlates to changes in long-term stockholder value.
- Earned Book Value was selected to create greater alignment with the increase in performance-based assets in the investment portfolio.
- Both measures are further described on pages 64-67. For both measures, the committee considered historical and expected performance, market expectations and industry trends when approving the range of performance.
- For awards granted in 2015, the number of PSAs that vested depended on the three-year Average Performance Net Income ROE. Performance Net Income ROE for 2015 is defined on pages 64-67.
- For all PSA awards, Performance Net Income and Earned Book Value include a minimum or maximum amount of after-tax catastrophe losses if actual catastrophe losses are less than or exceed those amounts, respectively, which serves to decrease volatility and stabilize the measure.
- The committee requires positive net income in order for our executives to earn PSAs based on Performance Net Income ROE above target. If Allstate has a net loss in a measurement period, the number of PSAs vested would not exceed target, regardless of the Performance Net Income ROE. This positive Net Income hurdle is included to prevent misalignment between Allstate reported net income and the PSAs vested based on the Performance Net Income ROE result. This situation could occur if, for example, catastrophe losses or capital losses that are not included in Performance Net Income ROE caused Allstate to report a net loss for the period.
- At the end of each measurement period, the committee certifies the level of our Performance Net Income ROE and Earned Book Value achievement. PSAs will vest following the end of the three-year performance cycle if the performance conditions are met, subject to continued employment (other than in the event of death, disability, retirement, or a qualifying termination following a change in control).

For the 2018-2020 award, the Average Performance Net Income ROE and Earned Book Value measures are calculated, respectively, as follows:

Performance Net Income[(1)]	±	Catastrophe Losses Adjustment	÷	Adjusted Common Shareholders' Equity[(2)]	=	Average Performance Net Income ROE
Average for three years in the performance cycle		Adjusted to reflect a minimum or maximum amount of catastrophe losses		Average of common shareholders' equity excluding unrealized gains and losses, after tax, at December 2017, and at the end of each year in the performance cycle		**70% of PSA Performance Measure**

Common Shareholders' Equity	+	Capital Transactions	±	Catastrophe Losses Adjustment	→	Earned Book Value: Compound annual growth rate between reported common shareholders' equity at December 2017 and adjusted common shareholders' equity at December 2020[(3)]
Reported common shareholders' equity at December 2020		Adjusted to add back common share repurchases and common share dividends during the performance period		Adjusted to reflect a minimum or maximum amount of catastrophe losses		**30% of PSA Performance Measure**

Three-Year Measurement Period

(1) Performance Net Income for the 2018-2020 PSA award is defined on pages 64-67.
(2) Adjusted Common Shareholders' Equity for the 2018-2020 PSA award is defined on page 66.
(3) Earned Book Value is defined on pages 66-67.

2018-2020 Performance Stock Award Range of Performance

	Performance Measures		
	Threshold	Target	Maximum
Average Performance Net Income ROE (70%)[(1)]	7.0%	13.5%	15.0%
Earned Book Value (Compound Annual Growth) (30%)	7.0%	12.5%	14.0%
Payout	0%	100%	200%

(1) Subject to positive Net Income hurdle

Equity Ownership Requirements

Instituted in 1996, stock ownership guidelines require each of the named executives to own Allstate common stock worth a multiple of base salary to link management and stockholders' interests. The following chart shows the salary multiple guidelines and the equity holdings that count toward the requirement.

The current stock ownership guidelines apply to 94 of our senior executives and other officers as of December 31, 2017, and require these executives to hold 75% of net shares received as a result of equity compensation awards until their salary multiple guidelines are met.

Stock Ownership as Multiple of Base Salary as of December 31, 2017

Named Executive	Guideline	Actual	Vested in The Money Option Value (after-tax)
Mr. Wilson	6	49	60
Mr. Shebik	3	13	8
Mr. Civgin	3	15	5
Mr. Dugenske	3	7	0
Mr. Winter	3	16	8

49 times annual salary

The value of shares of Allstate's Common Stock held by Mr. Wilson as of December 31, 2017

What Counts Toward the Guideline

- Allstate shares owned personally and beneficially
- Shares held in the Allstate 401(k) Savings Plan
- Unvested restricted stock units

What Does Not Count Toward the Guideline

- Unexercised stock options
- Unvested performance stock awards

Retention Requirements

Allstate no longer utilizes additional equity holding requirements for any equity awards outstanding. Allstate previously required, regardless of stock ownership level, senior executives to retain 75% of net shares received as a result of equity compensation awards for one year. After benchmarking peers and reviewing leading practices, it was determined that the additional equity holding requirements are not aligned with the market, and are a minority practice.

Policies on Hedging and Pledging Securities

We have a policy that prohibits all officers, directors, and employees from engaging in transactions in securities issued by Allstate or any of its subsidiaries that might be considered speculative or hedging, such as selling short or buying or selling options. We also have a policy that prohibits senior executives and directors from pledging Allstate securities as collateral for a loan or holding such securities in a margin account, unless an exception is granted by the Chair or lead director.

Timing of Equity Awards and Grant Practices

Typically, the committee approves grants of equity awards during a meeting in the first fiscal quarter. The timing allows the committee to align awards with our annual performance and business goals.

Throughout the year, the committee may grant equity incentive awards to newly hired or promoted executives or to retain or recognize executives. The grant date for these awards was fixed as the third business day of a month following the later of committee action or the date of hire or promotion, or for recognition grants, such other date specified by the committee.

For additional information on the committee's practices, see portions of the Board Leadership Structure and Practices section of this proxy statement on pages 21-22, and 24.

Peer Benchmarking

The committee monitors performance toward goals throughout the year and reviews the executive compensation program design and executive pay levels annually. As part of that evaluation, Compensation Advisory Partners, the committee's independent compensation consultant, provided executive compensation data, information on current market practices, and alternatives to consider when determining compensation for our named executives. The committee benchmarks executive compensation program design, executive pay, and performance against a group of peer companies that are publicly traded. Product mix, market segment, annual revenues, premiums, assets, and market value were considered when identifying peer companies. The committee believes Allstate competes against these companies for executive talent, business and stockholder investment. The committee reviews the composition of the peer group annually with the assistance of its compensation consultant. In 2017, the committee made one change to the peer group. CNA Financial Corporation is now included in the peer group for 2017 compensation benchmarking. The following table reflects the peer group used for 2017 compensation benchmarking. No changes were made to the peer group for 2018.

Peer Companies[1]

Company Name	Revenue ($ in billions)	Market Cap ($ in billions)	Assets ($ in billions)	Premiums ($ in billions)	Total Shareholder Return (%) One Year	Total Shareholder Return (%) Three Years	Total Shareholder Return (%) Five Years
AFLAC Inc.	21.7	34.3	137.2	18.5	28.6	54.0	85.3
American International Group Inc.	49.5	53.6	498.3	34.3	-6.8	12.2	80.4
Chubb Limited	32.4	67.8	167.0	29.0	12.7	35.4	103.2
CNA Financial Corporation	9.5	14.4	56.6	7.0	35.3	68.8	149.9
The Hartford Financial Services Group Inc.	17.0	20.1	225.3	14.3	20.1	42.2	172.1
Manulife Financial Corporation	43.7	41.4	581.7	21.8	20.6	20.1	77.8
MetLife Inc.	62.1	52.8	719.9	44.5	8.3	14.5	96.2
The Progressive Corporation	26.8	32.8	38.7	25.7	60.6	121.1	201.6
Prudential Financial Inc.	59.7	48.6	831.9	37.4	13.4	37.9	144.1
The Travelers Companies Inc.	28.9	36.8	103.5	25.7	13.1	36.4	109.6
Allstate	38.5	37.1	112.4	34.7	43.3	56.8	183.7
Allstate Ranking Relative to Peers:							
— Property and Casualty Insurance Products	3 of 8	4 of 8	5 of 8	2 of 8	2 of 8	3 of 8	2 of 8
— Life Insurance and Financial Products	5 of 7	5 of 7	7 of 7	3 of 7	1 of 7	1 of 7	1 of 7
All Peer Companies	5 of 11	6 of 11	8 of 11	3 of 11	2 of 11	3 of 11	2 of 11

(1) Information as of year-end 2017.

In its executive pay discussions, the committee also reviewed compensation information for 19 general industry companies in the S&P 100 with fiscal year 2016 revenues between $16 billion and $56 billion. The committee uses compensation surveys for certain executives that provide information on companies of similar size and business mix as Allstate, as well as companies with a broader market context.

The committee uses the 50th percentile of our peer group as a guideline in setting the target total direct compensation of our named executives. Within the guideline, the committee balances the various elements of compensation based on individual experience, job scope and responsibilities, performance, and market practices.

Other Elements of Compensation

To remain competitive with other employers and to attract, retain, and motivate highly talented executives and other employees, we offer the benefits listed in the following table.

Benefit or Perquisite	Named Executives	Other Officers and Certain Managers	All Full-time and Regular Part-time Employees
401(k)[(1)] and defined benefit pension	●	●	●
Supplemental retirement benefit	●	●	
Health and welfare benefits[(2)]	●	●	●
Supplemental long-term disability	●	●	
Deferred compensation	●	●	
Tax preparation and financial planning services[(3)]	●	●	
Personal use of aircraft, ground transportation, and mobile devices[(4)]	●	●	
Tickets to Allstate events[(5)]	●	●	●

(1) Allstate contributed $0.80 for every dollar of matchable pre-tax or Roth 401(k) deposits made in 2017 (up to 5% of eligible pay).

(2) Including medical, dental, vision, life, accidental death and dismemberment, long-term disability, and group legal insurance. For named executives and other senior officers, Allstate offers an executive physical program.

(3) All officers are eligible for tax preparation services. Financial planning services were provided only to senior executives.

(4) The Board encourages the CEO to use our corporate aircraft when it improves his efficiency in managing the company, even if it is for personal purposes. Personal usage is counted as taxable compensation. The committee also approved the President's usage of corporate aircraft for personal use up to 40 hours annually. In limited circumstances approved by the CEO, other senior executives are permitted to use our corporate aircraft for personal purposes. Ground transportation is available to senior executives. Mobile devices are available to senior executives, other officers, and certain managers and employees depending on their job responsibilities.

(5) Tickets to Allstate-sponsored events or the Allstate Arena are offered as recognition for service.

Retirement Benefits

Each named executive participates in two different defined benefit pension plans. The Allstate Retirement Plan (ARP) is a tax qualified defined benefit pension plan available to all of our regular full-time and regular part-time employees who meet certain age and service requirements. The ARP provides an assured retirement income based on an employee's level of compensation and length of service at no cost to the employee. As the ARP is a tax qualified plan, federal tax law limits (1) the amount of an individual's compensation that can be used to calculate plan benefits and (2) the total amount of benefits payable to a plan participant on an annual basis. For certain employees, these limits may result in a lower benefit under the ARP than would have been payable otherwise. Therefore, the Supplemental Retirement Income Plan (SRIP) is used to provide ARP-eligible employees whose compensation or benefit amount exceeds the federal limits with an additional defined benefit in an amount equal to what would have been payable under the ARP if the federal limits did not exist. Effective January 1, 2014, Allstate modified its defined benefit pension plans so that all eligible employees earn future pension benefits under a new cash balance formula.

Change-in-Control and Post-Termination Benefits

Consistent with our compensation objectives, we offer these benefits to attract, motivate, and retain executives. A change in control of Allstate could have a disruptive impact on both Allstate and our executives. Change-in-control benefits and post-termination benefits are designed to mitigate that impact and to maintain alignment between the interests of our executives and our stockholders.

The following summarizes Allstate's change-in-control benefits for the executive officers:

- The change-in-control severance plan (CIC Plan) does not include excise tax gross ups or a lump sum cash pension enhancement.
- For the CEO, the amount of cash severance payable is three times the sum of base salary and target annual incentive. For the other executive officers, the amount of cash severance payable is two times the sum of base salary and target annual incentive.

- In order to receive the cash severance benefits under the CIC Plan, a participant must have been terminated (other than for cause, death, or disability) or the participant must have terminated employment for good reason (such as adverse changes in the terms or conditions of employment, including a material reduction in base compensation, a material change in authority, duties, or responsibilities, or a material change in job location) within two years following a change in control.
- Long-term equity incentive awards vest on an accelerated basis due to a change in control only if the participant has been terminated (other than for cause, death, or disability) or the participant terminated employment for good reason (as defined above) within two years following a change in control.

The change-in-control and post-termination arrangements that are described in the *Potential Payments as a Result of Termination or Change in Control* section on pages 60-62 are not provided exclusively to the named executives. A larger group of management employees is eligible to receive many of the post-termination benefits described in that section.

Clawback of Compensation

Awards made to executive officers after May 19, 2009, under short- and long-term incentive compensation plans, are subject to clawback in the event of certain financial restatements. Annual cash incentive and equity awards granted after May 19, 2009, are also subject to cancellation or recovery in certain circumstances if the recipient violates non-solicitation covenants. Equity awards granted after February 21, 2012, are subject to cancellation in certain circumstances if the recipient violates non-competition covenants.

Impact of Tax Considerations on Compensation

In 2017, we were able to take a tax deduction of no more than $1 million per executive for compensation paid in any year to our CEO and the three other most highly compensated executives, excluding any individual that served as CFO during the year, as of the last day of the fiscal year in which the compensation is otherwise deductible, unless the compensation met specific standards. Under Internal Revenue Code Section 162(m) as in effect before the passage of the Tax Legislation, we were able to deduct more than $1 million in compensation if the compensation was performance-based and paid under a plan that met certain requirements. The committee considered the impact of this Internal Revenue Code rule in developing, implementing, and administering our compensation programs for 2017. Under the Tax Legislation, the exemption for deductibility of performance-based compensation under Internal Revenue Code Section 162(m) has generally been eliminated for fiscal years beginning after December 31, 2017. The committee has and will continue to consider the deductibility of compensation, including in light of the revisions to Internal Revenue Code Section 162(m). However, the committee balances this consideration with our primary goals of structuring compensation programs to attract, motivate and retain executives and ensuring that pay aligns with performance. In light of this balance and the need to maintain flexibility in administering compensation programs, the committee may authorize compensation in any year that exceeds $1 million for which we may not be able to recognize a tax deduction.

Earned Annual Cash Incentive Awards

In 2017, the total corporate pool was based on four measures: Performance Net Income, Total Premiums, Net Investment Income, and Total Return. The 2017 annual incentive plan targets for Net Investment Income and Total Return were both lower than actual 2016 performance to reflect the business and market conditions in the operating plan. Modest adjustments were made to the range between threshold and maximum for each of the performance measures in alignment with the operating plan and the probability of achieving the results.

The 2018 annual incentive plan targets are not included since those targets do not relate to 2017 pay, and because target performance is set at the 2018 operating plan, which is proprietary information.

For a description of how the 2017 measures are determined, see pages 64-66. The ranges of performance and 2017 actual results are shown in the following table.

2017 Annual Cash Incentive Award Ranges of Performance

Measure	Threshold	Target	Maximum	Actual Results	%Target
Performance Net Income *(in millions)*	$1,400	$2,000	$2,600	$2,703	200
Total Premiums *(in millions)*	$34,125	$34,900	$35,275	$35,120	159
Net Investment Income *(in millions)*	$2,825	$3,000	$3,175	$3,188	200
Total Return	-1.5%	3.5%	6.5%	5.9%	180
Payout Percentages					
Named Executives[1]	50%[2]	100%	200%		181.4

[1] Payout percentages reflect contribution to incentive compensation pool. Actual awards are fully discretionary and vary depending on individual performance.

[2] Actual performance below threshold results in a 0% payout.

Performance Stock Awards ("PSAs")

For the last five PSA grants, the performance measures and levels of performance needed to earn the threshold, target and maximum number of PSAs, as well as actual results and payout percentages, are set forth in the table below. The total shareholder returns for Allstate and its peers are also shown.

Performance Stock Awards Ranges of Performance

Performance Cycle[1]	Threshold	Target	Maximum	Actual Results	Payout Percentage	Total Shareholder Returns: Allstate	Total Shareholder Returns: Peers
Vested Awards							
2013-2015[2]	6.0%	12.0%	13.5%	12.8%	154.8%	63.0%	63.1%
2014-2016	6.0%	13.0%	14.5%	12.1%	87.1%	43.2%	26.8%
2015-2017	6.0%	13.5%	14.5%	12.2%	82.7%	56.8%	40.0%
Outstanding Awards							
2016-2018							
- Performance Net Income ROE (70%)	6.0%	13.0%	14.0%	Two year results are above target for both measures[3]		74.1%	40.2%
- Earned Book Value (30%)	6.0%	12.0%	15.0%				
2017-2019							
- Performance Net Income ROE (70%)	6.0%	11.0%	13.0%	One year results are above target for both measures[3]		43.3%	19.1%
- Earned Book Value (30%)	6.0%	9.0%	11.0%				
Payout Percentages	0%	100%	200%				

Subject to positive Net Income hurdle For Performance Net Income ROE

[1] For the performance cycles prior to 2016, Average Performance Net Income ROE was the performance measure. In 2016, Earned Book Value was added as a second performance measure.

[2] Represents the average of the separate one-year performance goals and payouts. Actual results are 13.4%, 13.2%, 11.9% with payout percentage of 200.0%, 180.0% and 84.3% for 2013, 2014 and 2015, respectively.

[3] Payouts under the PSAs are based on performance over the three-year period, and actual results will not be known until the end of the performance period.

The following table shows the target number of PSAs granted to each of our named executives for the 2015-2017, 2016-2018, and 2017-2019 performance cycles.

Performance Cycle[1]

Named Executive	Target Number of PSAs for 2015-2017 Performance Cycle	Target Number of PSAs for 2016-2018 Performance Cycle	Target Number of PSAs for 2017-2019 Performance Cycle
Mr. Wilson	65,054	86,650	68,922
Mr. Shebik	15,910	26,476	25,463
Mr. Civgin	16,872	23,107	17,920
Mr. Dugenske	N/A	N/A	15,942
Mr. Winter	21,921	30,809	23,692

(1) The actual number of PSAs that will vest will vary from 0% to 200% of the target PSAs based on Average Performance Net Income ROE or Average Performance Net Income ROE and Earned Book Value for the measurement period. The number of PSAs that vest will be determined in 2018, 2019, and 2020, respectively.

Compensation Committee Report

The compensation and succession committee has reviewed and discussed with management the Compensation Discussion and Analysis contained on pages 31-49 of this proxy statement. Based on such review and discussions, the committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION AND SUCCESSION COMMITTEE

John W. Rowe (Chair) **Michael L. Eskew** **Andrea Redmond** **Perry M. Traquina**

Summary Compensation Table

The following table summarizes the compensation of the named executives for the last three fiscal years. However, only the last fiscal year is shown for Mr. Dugenske since this was the first year he is a named executive. The titles and responsibilities for the officers listed below changed in 2018. Additionally, Mr. Winter retired effective February 23, 2018. See Appendix C for their current titles.

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Stock Awards ($)[2][3]	Option Awards ($)[4]	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)[5]	All Other Compensation ($)[6]	Total ($)	Total Without Change in Pension Value ($)[7]
Thomas J. Wilson	2017	1,241,346	—	5,400,039	3,599,997	6,759,264	1,688,142	68,541	18,757,329	17,069,187
Chair and Chief Executive Officer	2016	1,200,000	—	5,400,028	3,600,000	1,982,880	1,574,760	55,847	13,813,515	12,238,755
	2015	1,191,346	—	4,599,968	4,599,996	2,888,136	532,116	62,131	13,873,693	13,341,577
Steven E. Shebik	2017	795,673	—	1,995,026	1,329,994	2,600,000	512,201	38,398	7,271,292	6,759,091
Executive Vice President and Chief Financial Officer	2016	770,673	—	1,649,984	1,100,001	600,000	479,800	28,690	4,629,148	4,149,348
	2015	750,000	—	1,124,996	1,124,999	850,000	185,312	28,180	4,063,487	3,878,175
Don Civgin	2017	796,538	—	1,404,032	935,996	1,806,645	83,779	27,730	5,054,720	4,970,941
President, Emerging Businesses	2016	776,885	—	1,440,028	959,999	535,066	88,721	38,727	3,839,426	3,750,705
	2015	760,808	—	1,193,019	1,192,993	768,629	46,822	37,195	3,999,466	3,952,644
John Dugenske *Executive Vice President and Chief Investment Officer*	2017	593,942	2,000,000	5,305,014	870,005	1,377,908	0	17,026	10,163,895	10,163,895
Matthew E. Winter	2017	887,020	—	1,856,268	1,237,504	3,625,590	101,812	101,513	7,809,707	7,707,895
President	2016	820,673	—	1,920,017	1,279,999	1,017,513	121,710	153,663	5,313,575	5,191,865
	2015	799,423	—	1,550,034	1,550,004	1,600,000	80,745	79,399	5,659,605	5,578,860

(1) Mr. Dugenske received a sign-on bonus in connection with the commencement of his employment on March 1, 2017. The cash bonus is payable in two installments. The first installment was paid within sixty days of his start date, and the second installment will be paid within thirty days after the first anniversary of his start date.

(2) Mr. Dugenske received a sign-on grant of restricted stock units on April 5, 2017. These RSUs will become 100% vested on April 4, 2020.

(3) The aggregate grant date fair value of PSAs granted in 2017, 2016, and 2015, and the RSUs granted in 2017 to Mr. Dugenske, is computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718 (ASC 718). The fair value of PSAs and RSUs is based on the final closing price of Allstate's common stock on the grant date, which in part reflects the payment of expected future dividends. (See note 18 to our audited financial statements for 2017). This amount reflects an accounting expense and does not correspond to actual value that will be realized by the named executives. The value of PSAs is based on the probable satisfaction of the performance conditions. The number of PSAs granted in 2017 to each named executive, and RSUs granted in 2017 to Mr. Dugenske, is provided in the *Grants of Plan-Based Awards* table on page 52. The value of the PSAs granted in 2017 at grant date share price if maximum corporate performance were to be achieved is as follows: Mr. Wilson $10,800,078, Mr. Shebik $3,990,052, Mr. Civgin $2,808,064, Mr. Dugenske $2,610,024 and Mr. Winter $3,712,536.

(4) The aggregate grant date fair value of option awards is computed in accordance with FASB ASC 718. The fair value of each option award is estimated on the grant date using a binomial lattice model and the assumptions (see note 18 to our audited financial statements for 2017) as set forth in the following table:

	2017	2016	2015
Weighted average expected term	6.1 years	5.0 years	6.5 years
Expected volatility	15.7-32.7%	16.0-34.3%	16.0-37.8%
Weighted average volatility	21.0%	24.3%	24.7%
Expected dividends	1.4-1.9%	1.9-2.1%	1.6-2.1%
Weighted average expected dividends	1.9%	2.1%	1.7%
Risk-free rate	0.5-2.5%	0.2-2.4%	0.0-2.4%

This amount reflects an accounting expense and does not correspond to actual value that will be realized by the named executives. The number of options granted in 2017 to each named executive is provided in the *Grants of Plan-Based Awards* table on page 52.

(5) Amounts reflect the aggregate increase in actuarial value of the pension benefits as set forth in the *Pension Benefits table*, accrued during 2017, 2016, and 2015. These are benefits under the Allstate Retirement Plan (ARP) and the Supplemental Retirement Income Plan (SRIP). Non-qualified deferred compensation earnings are not reflected since our Deferred Compensation Plan does not provide above-market earnings. The pension plan measurement date is December 31. (See note 17 to our audited financial statements for 2017.)

The following table reflects the respective change in the actuarial value of the benefits provided to the named executives in 2017:

Name	ARP ($)	SRIP ($)
Mr. Wilson	107,137	1,581,005
Mr. Shebik	119,463	392,738
Mr. Civgin	15,313	68,466
Mr. Dugenske	0	0
Mr. Winter	13,412	88,400

Interest rates and other assumptions can have a significant impact on the change in pension value from one year to another.

Effective January 1, 2014, Allstate modified its pension plans so that all eligible employees earn future pension benefits under a new cash balance formula. The change in actuarial value of benefits provided for each named executive in 2017 would have been as indicated in the following table under the prior formula:

Name	ARP ($)	SRIP ($)
Mr. Wilson	188,144	4,099,783
Mr. Shebik	147,659	1,728,615
Mr. Civgin	13,039	60,960
Mr. Dugenske	0	0
Mr. Winter	11,761	77,711

(6) The following table describes the incremental cost of other benefits provided in 2017 that are included in the "All Other Compensation" column.

Name	Personal Use of Aircraft[1] ($)	401(k) Match[2] ($)	Other[3] ($)	Total All Other Compensation ($)
Mr. Wilson	28,181	10,800	29,560	68,541
Mr. Shebik	—	10,800	27,598	38,398
Mr. Civgin	—	10,800	16,930	27,730
Mr. Dugenske	—	6,004	11,022	17,026
Mr. Winter	69,623	10,800	21,090	101,513

(1) The amount reported for personal use of aircraft is based on the incremental cost method, which is calculated based on Allstate's average variable costs per flight hour. Variable costs include fuel, maintenance, on-board catering, landing/ramp fees, and other miscellaneous variable costs. The total annual variable costs are divided by the annual number of flight hours flown by the aircraft to derive an average variable cost per flight hour. This average variable cost per flight hour is then multiplied by the flight hours flown for personal use to derive the incremental cost. This method of calculating the incremental cost excludes fixed costs that do not change based on usage, such as pilots' and other employees' salaries, costs incurred in purchasing the aircraft, and non-trip-related hangar expenses.

(2) Each of the named executives participated in our 401(k) plan during 2017. The amount shown is the amount allocated to their accounts as employer matching contributions. Mr. Dugenske will not be vested in the employer matching contribution until he has completed three years of vesting service.

(3) "Other" consists of personal benefits and perquisites related to mobile devices, tax preparation services, financial planning, ground transportation, executive physical related items and supplemental long-term disability coverage. There was no incremental cost for the use of mobile devices. We provide supplemental long-term disability coverage to all regular full- and part-time employees who participate in the long-term disability plan and whose annual earnings exceed the level that produces the maximum monthly benefit provided by the long-term disability plan. This coverage is self-insured (funded and paid for by Allstate when obligations are incurred). No obligations for the named executives were incurred in 2017, and therefore, no incremental cost is reflected in the table.

(7) We have included an additional column to show total compensation minus the change in pension value. The amounts reported in this column may differ substantially from, and are not a substitute for, the amounts reported in the "Total" column required under SEC rules. The change in pension value is subject to several external variables, including interest rates, that are not related to company or individual performance and may differ significantly based on the formula under which the benefits were earned.

Grants of Plan-Based Awards at Fiscal Year-end 2017

The following table provides information about awards granted to our named executives during fiscal year 2017.

				Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Future Payouts Under Equity Incentive Plan Awards[3]						Grant Date Fair Value ($)[6]	
Name	Grant Date	Date of Committee Action for Equity Incentive Plan Awards	Plan Awards[1]	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)[4]	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)[5]	Stock Awards	Option Awards
Mr. Wilson	—	—	Annual cash incentive	1,863,494	3,726,987	10,000,000								
	02/09/2017	02/09/2017	PSAs				0	68,922	137,844				5,400,039	
	02/09/2017	02/09/2017	Stock options								248,447	78.35		3,599,997
Mr. Shebik	—	—	Annual cash incentive	666,919	1,333,838	7,056,000								
	02/09/2017	02/09/2017	PSAs				0	25,463	50,926				1,995,026	
	02/09/2017	02/09/2017	Stock options								91,787	78.35		1,329,994
Mr. Civgin	—	—	Annual cash incentive	498,083	996,165	7,056,000								
	02/09/2017	02/09/2017	PSAs				0	17,920	35,840				1,404,032	
	02/09/2017	02/09/2017	Stock options								64,596	78.35		935,996
Mr. Dugenske	—	—	Annual cash incentive	379,882	759,764	7,056,000								
	03/03/2017	02/09/2017	PSAs				0	15,942	31,884				1,305,012	
	03/03/2017	02/09/2017	Stock options								57,540	81.86		870,005
	04/05/2017	09/28/2016	RSUs							49,128			4,000,002	
Mr. Winter	—	—	Annual cash incentive	999,556	1,999,112	9,408,000								
	02/09/2017	02/09/2017	PSAs				0	23,692	47,384				1,856,268	
	02/09/2017	02/09/2017	Stock options								85,404	78.35		1,237,504

(1) Awards under the Annual Executive Incentive Plan and the 2013 Equity Incentive Plan.

(2) The amounts in these columns consist of the threshold, target, and maximum annual cash incentive awards for the named executives. The threshold amount for each named executive is 50% of target, as the minimum amount payable (subject to individual performance) if threshold performance is achieved. If the threshold is not achieved, the payment to the named executives would be zero. The target amount is based upon achievement of the performance

measures listed under the *Earned Annual Cash Incentive Awards* caption on page 47. The maximum amount is based on the maximum amount that could be paid to a named executive to qualify the annual cash incentive award as deductible under section 162(m) as in effect prior to the passage of the Tax Legislation. The maximum amount payable to any named executive who served as CFO during the year is an amount equal to 15% of the 162(m) Pool described on pages 64-65. The maximum amount payable to the CEO and the three most highly compensated executives, excluding any named executive who served as CFO during the year, is the lesser of a stockholder-approved maximum of $10 million under the Annual Executive Incentive Plan or a percentage, which varies by executive, of the award pool. The award pool is equal to 1.0% of Performance Net Income with award opportunities capped at 35% of the pool for Mr. Wilson, 20% for Mr. Winter, and 15% of the pool for each other named executive. Performance Net Income is defined on pages 64-65. For a description of the ranges of performance established by the committee for the 2017 annual incentive, which are lower than the section 162(m) limits, see page 48.

(3) The amounts shown in these columns reflect the threshold, target, and maximum PSAs for the named executives. The threshold amount for each named executive is 0% payout. The target and maximum amounts are based upon achievement of the performance measures listed under the *Performance Stock Awards* caption on page 48.

(4) Mr. Dugenske received a sign-on grant of restricted stock units on April 5, 2017. These RSUs will become 100% vested on April 4, 2020.

(5) The exercise price of each option is equal to the closing sale price on the New York Stock Exchange on the grant date or, if there was no such sale on the grant date, then on the last previous day on which there was a sale.

(6) The aggregate grant date fair value of the PSAs was $78.35 and stock option awards was $14.49, with the exception of Mr. Dugenske's, which for the PSAs was $81.86, the stock option award was $15.12, and the RSUs was $81.42, computed in accordance with FASB ASC 718 based on the probable satisfaction of the performance conditions. The assumptions used in the valuation are discussed in footnotes 3 and 4 to the *Summary Compensation Table* on page 50.

PERFORMANCE STOCK AWARDS ("PSAs")

PSAs represent our promise to transfer shares of common stock in the future if certain performance measures are met. For the awards granted in 2017, the actual number of PSAs that vest will vary from 0% to 200% of target PSAs based on Average Performance Net Income ROE (70%) and Earned Book Value (30%) results for a three-year measurement period. For a definition of how those measures are calculated, see pages 64-67. Each PSA represents Allstate's promise to transfer one fully vested share in the future for each PSA that vests. Vested PSAs will be converted into shares of Allstate common stock and dividend equivalents accrued on these shares will be paid in cash. No dividend equivalents will be paid prior to vesting. PSAs will vest following the end of the three-year performance cycle if the performance conditions are met, subject to continued employment (other than in the event of death, disability, retirement, or a qualifying termination following a change in control).

STOCK OPTIONS

Stock options represent an opportunity to buy shares of our stock at a fixed exercise price at a future date. We use them to align the interests of our executives with long-term stockholder value, as the stock price must appreciate from the grant date for the executives to profit.

Under our stockholder-approved equity incentive plan, the exercise price cannot be less than the closing price of a share on the grant date. Stock option repricing is not permitted. In other words, without an event such as a stock split, if the committee cancels an award and substitutes a new award, the exercise price of the new award cannot be less than the exercise price of the canceled award.

All stock option awards have been made in the form of non-qualified stock options. The options granted to the named executives beginning in 2014 become exercisable over three years. One-third of the stock options will become exercisable on the anniversary of the grant date for each of the three years. The change to the vesting schedule beginning in 2014 was made to reflect current market practice. For the vesting schedule for other option grants, see footnote 1 to the *Outstanding Equity Awards at Fiscal Year-end 2017* table. All of the options expire ten years from the grant date, unless an earlier date has been approved by the committee in connection with certain change-in-control situations or other special circumstances such as termination, death, or disability.

RESTRICTED STOCK UNITS

Each restricted stock unit represents our promise to transfer one fully vested share of stock in the future if and when the restrictions expire (when the unit "vests"). Under the terms of the restricted stock unit award, the executive has only the rights of a general unsecured creditor of Allstate and no rights as a stockholder until delivery of the underlying shares. The restricted stock units granted to Mr. Dugenske in 2017 will become 100% vested on the day prior to the third anniversary of the grant date, except in certain change-in-control situations or under other special circumstances approved by the Committee. The restricted stock units granted to Mr. Dugenske include the right to receive previously accrued dividend equivalents payable in cash when the underlying restricted stock units vest.

Outstanding Equity Awards at Fiscal Year-end 2017

The following table summarizes the outstanding equity awards of the named executives as of December 31, 2017.

	Option Awards[1]					Stock Awards[2]				
Name	Option Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable[3]	Number of Securities Underlying Unexercised Options (#) Unexercisable[3]	Option Exercise Price ($)	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)[4]	Market Value of Shares or Units of Stock That Have Not Vested ($)[5]	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#)[6]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested ($)[5]
Mr. Wilson	02/22/2011	447,808	0	31.74	02/22/2021					
	02/21/2012	444,060	0	31.56	02/21/2022					
	02/12/2013	363,409	0	45.61	02/12/2023					
	02/18/2014	309,237	0	52.18	02/18/2024					
	02/18/2015	196,329	98,165	70.71	02/18/2025	02/18/2015	53,780	5,631,304		
	02/11/2016	98,441	196,883	62.32	02/11/2026	02/11/2016			173,300	18,146,243
	02/09/2017	0	248,447	78.35	02/09/2027	02/09/2017			137,844	14,433,645
Mr. Shebik	02/21/2012	26,446	0	31.56	02/21/2022					
	03/06/2012	35,014	0	31.00	03/06/2022					
	02/12/2013	75,188	0	45.61	02/12/2023					
	02/18/2014	72,289	0	52.18	02/18/2024					
	02/18/2015	48,015	24,008	70.71	02/18/2025	02/18/2015	13,153	1,377,251		
	02/11/2016	30,079	60,159	62.32	02/11/2026	02/11/2016			52,952	5,544,604
	02/09/2017	0	91,787	78.35	02/09/2027	02/09/2017			50,926	5,332,461
Mr. Civgin	02/12/2013	21,930	0	45.61	02/12/2023					
	02/18/2014	84,337	0	52.18	02/18/2024					
	02/18/2015	50,917	25,459	70.71	02/18/2025	02/18/2015	13,948	1,460,495		
	02/11/2016	26,251	52,502	62.32	02/11/2026	02/11/2016			46,214	4,839,068
	02/09/2017	0	64,596	78.35	02/09/2027	02/09/2017			35,840	3,752,806
Mr. Dugenske	03/03/2017	0	57,540	81.86	03/03/2027	03/03/2017			31,884	3,338,574
						04/05/2017	49,128	5,144,193		
Mr. Winter	02/12/2013	105,994	0	45.61	02/12/2023					
	02/18/2014	105,422	0	52.18	02/18/2024					
	02/18/2015	66,154	33,078	70.71	02/18/2025	02/18/2015	18,122	1,897,555		
	02/11/2016	35,001	70,003	62.32	02/11/2026	02/11/2016			61,618	6,452,021
	02/09/2017	0	85,404	78.35	02/09/2027	02/09/2017			47,384	4,961,579

(1) The options granted in 2014 and after vest over three years: one-third will become exercisable on the anniversary of the grant date for each of the three years. The options granted in 2012 and 2013 vest over four years: 50% on the second anniversary date and 25% on each of the third and fourth anniversary dates. The other options vest in four installments of 25% on each of the first four anniversaries of the grant date. The exercise price of each option is equal to the closing price of Allstate's common stock on the grant date. If there was no sale on the grant date, the closing price is calculated as of the last previous day on which there was a sale.

(2) The awards listed in this table are PSAs, except for Mr. Dugenske's sign-on award of 49,128 restricted stock units in 2017. Each restricted stock unit represents the right to receive, without the payment of any consideration, one share of Allstate common stock on the conversion date, which is April 5, 2020.

(3) The aggregate value and aggregate number of exercisable and unexercisable in-the-money options as of December 31, 2017, for each of the named executives are as follows:

	Exercisable		Unexercisable	
Name	Aggregate Number (#)	Aggregate Value ($)	Aggregate Number (#)	Aggregate Value ($)
Mr. Wilson	1,859,284	113,729,331	543,495	18,232,543
Mr. Shebik	287,031	15,663,918	175,954	5,785,917
Mr. Civgin	183,435	8,570,244	142,557	4,793,917
Mr. Dugenske	0	0	57,540	1,314,789
Mr. Winter	312,571	15,534,991	188,485	6,343,328

(4) The PSAs vest in one installment on the day before the third anniversary of the grant date.

(5) Amount is based on the closing price of our common stock of $104.71 on December 29, 2017.

(6) The PSAs vest in one installment on the day before the third anniversary of the grant date. The number of shares that ultimately vest may range from 0 to 200% of the target depending on actual performance during the three-year performance period. For a description of the PSA program and the performance measures used, see pages 41-43 and 48. The number of PSAs reflected in this column for the 2016 and 2017 awards is the number of shares that would vest if the maximum level of performance is achieved. Final payouts under the PSAs will not be known until the respective performance period is completed.

Option Exercises and Stock Vested During 2017

The following table summarizes the options exercised by the named executives during 2017 and the PSAs or restricted stock units that vested during 2017.

	Option Awards[1]		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Mr. Wilson	755,892	45,549,954	64,265	5,169,477
Mr. Shebik	68,813	4,010,172	15,023	1,208,450
Mr. Civgin	0	0	17,527	1,409,872
Mr. Dugenske	0	0	0	0
Mr. Winter	246,044	13,689,101	21,908	1,762,280

(1) Of the options exercised in 2017 by Mr. Wilson, 338,316 were due to expire in the first quarter of 2018.

Retirement Benefits

The following table provides information about the pension plans in which the eligible named executives participate. Each of the named executives participates, or will become eligible to participate, in the Allstate Retirement Plan (ARP) and the Supplemental Retirement Income Plan (SRIP).

Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit[(1)(2)] ($)	Payments During Last Fiscal Year ($)
Mr. Wilson	ARP	24.8	1,154,486	0
	SRIP	24.8	16,029,426	0
Mr. Shebik	ARP	29.2	1,395,258	0
	SRIP	29.2	4,059,740	0
Mr. Civgin	ARP	9.3	78,641	0
	SRIP	9.3	451,116	0
Mr. Dugenske[(3)]	ARP	0.8	0	0
	SRIP	0.8	0	0
Mr. Winter	ARP	8.2	66,444	0
	SRIP	8.2	583,431	0

(1) These amounts are estimates and do not necessarily reflect the actual amounts that will be paid to the named executives, which will be known only at the time they become eligible for payment. The present value of the accumulated benefit was determined using the same measurement date (December 31, 2017) and material assumptions that we use for year-end financial reporting purposes, except that we made no assumptions for early termination, disability, or pre-retirement mortality. Other assumptions include the following:

- Retirement at the normal retirement age as defined in the plans (age 65).
- Discount rate of 3.68%.

Other assumptions for the final average pay formula include the following:

- 80% paid as a lump sum and 20% paid as an annuity; for the cash balance formula, 100% paid as a lump sum.
- ARP lump-sum/annuity conversion segmented interest rates of 2.50% for the first five years, 4.75% for the next 15 years, and 5.50% for all years after 20.
- SRIP lump-sum conversion segmented interest rates of 2.00% for the first five years, 4.50% for the next 15 years, and 5.50% for all years after 20.
- Lump-sum calculations were done using the IRS Section 417(e)(3) mortality table projected with the MP-2017 projection table. Allstate adopted this table for accounting on December 31, 2017, to measure retirement program obligations in the United States.
- Annuity calculations were done using the RP-2014 white-collar mortality table for annuitants projected with the MP-2017 projection table.

See note 17 to our audited financial statements for 2017 for additional information.

(2) The following table shows the lump-sum present value of the non-qualified pension benefits for each named executive earned through December 31, 2017, if the named executive's employment terminated on that date.

Name	Plan Name	Lump Sum Amount ($)
Mr. Wilson	SRIP	17,060,041
Mr. Shebik	SRIP	4,343,669
Mr. Civgin	SRIP	439,565
Mr. Dugenske	SRIP	0
Mr. Winter	SRIP	576,135

The amount shown is based on the lump-sum methodology used by the Allstate pension plans in 2018. Specifically, the interest rate for 2018 is based on 100% of the average corporate bond segmented yield curve from August of the prior year. As required under the Internal Revenue Code, the mortality table used for 2018 is the 2018 combined static Pension Protection Act funding mortality table with a blend of 50% males and 50% females.

(3) Mr. Dugenske was not a member of the ARP or the SRIP in 2017 and therefore had not accrued a benefit under the ARP or the SRIP.

ALLSTATE RETIREMENT PLAN (ARP)

Contributions to the ARP are made entirely by Allstate and are paid into a trust fund from which benefits are paid. Before January 1, 2014, ARP participants earned benefits under one of two formulas (final average pay or cash balance) based on their date of hire or their choice at the time Allstate introduced the cash balance formula. In order to better align our pension benefits with market practices, provide future pension benefits more equitably to Allstate employees, and reduce costs, final average pay benefits were frozen as of December 31, 2013. As of January 1, 2014, all eligible participants earn benefits under a cash balance formula only.

Final Average Pay Formula — Frozen as of 12/31/13

Benefits under the final average pay formula were earned and are stated in the form of a straight life annuity payable at the normal retirement age of 65. Messrs. Shebik and Wilson have earned final average pay benefits equal to the sum of a Base Benefit and an Additional Benefit. The Base Benefit equals 1.55% of the participant's average annual compensation, multiplied by credited service after 1988 through 2013. The Additional Benefit equals 0.65% of the amount of the participant's average annual compensation that exceeds the participant's covered compensation, multiplied by credited service after 1988 through 2013. Covered compensation is the average of the maximum annual salary taxable for Social Security over the 35-year period ending the year the participant would reach Social Security retirement age. Messrs. Shebik and Wilson are eligible for a reduced early retirement benefit which would reduce their Base Benefit by 4.8% for each year of early payment before age 65 and their Additional Benefit by 8% for each year of early payment from age 62 to age 65 and 4% for each year of early payment from age 55 to age 62, prorated on a monthly basis based on age at the date payments begin.

Cash Balance Formula — For all Participants Beginning 1/1/14

All named executives, except Mr. Dugenske, earned benefits under the cash balance formula in 2017. Mr. Dugenske will earn benefits under the cash balance formula after completing one year of vesting service. Under this formula, participants receive pay credits while employed at Allstate, based on a percentage of eligible annual compensation and years of service, plus interest credits. Pay credits are allocated to a hypothetical account in an amount equal to 3% to 5% of eligible annual compensation, depending on years of vesting service. Interest credits are allocated to the hypothetical account based on the interest crediting rate in effect for that plan year as published by the Internal Revenue Service. The interest crediting rate is set annually and is currently based on the average yield for 30-year U.S. Treasury securities for August of the prior year. Prior to 2014, Messrs. Civgin and Winter earned cash balance credits equal to 2.5% of eligible annual compensation after they completed one year of vesting service based on the prior cash balance formula.

SUPPLEMENTAL RETIREMENT INCOME PLAN (SRIP)

SRIP benefits are generally determined using a two-step process: (1) determine the amount that would be payable under the ARP formula(s) specified above if Internal Revenue Code limits did not apply, then (2) reduce the amount described in (1) by the amount actually payable under the applicable ARP formula(s).

The normal retirement date under the SRIP is age 65. If eligible for early retirement under the ARP, the employee also is eligible for early retirement under the SRIP. SRIP benefits are not funded and are paid out of Allstate's general assets.

CREDITED SERVICE

No additional service credit beyond service with Allstate or its predecessors is granted under the ARP or the SRIP to any of the named executives. Messrs. Shebik and Wilson have combined service with Allstate and its former parent company, Sears, Roebuck and Co., of 29.2 and 24.8 years, respectively. As a result, a portion of their retirement benefits will be paid from the Sears pension plan. Consistent with the pension benefits of other employees with Sears service who were employed by Allstate at the time of the spin-off from Sears in 1995, Messrs. Shebik's and Wilson's final average pay pension benefits under the ARP and the SRIP are calculated as if each had worked his combined Sears-Allstate career with Allstate through December 31, 2013, and then are reduced by amounts earned under the Sears pension plan.

ELIGIBLE COMPENSATION

Under both the ARP and SRIP, eligible compensation consists of salary, annual cash incentive awards, and certain other forms of compensation, but does not include long-term cash incentive awards or income related to equity awards. Compensation used to determine benefits under the ARP is limited in accordance with the Internal Revenue Code. For final average pay benefits, average annual compensation is the average compensation of the five highest consecutive calendar years within the last ten consecutive calendar years through 2013.

PAYMENT OPTIONS

Payment options under the ARP include a lump sum, straight life annuity, and various survivor annuity options. The lump sum under the final average pay benefit is calculated in accordance with the applicable interest rate and mortality assumptions as required under the Internal Revenue Code. The lump-sum payment under the cash balance benefit is generally equal to a participant's account balance. Payments from the SRIP are paid in the form of a lump sum using the same interest rate and mortality assumptions used under the ARP.

TIMING OF PAYMENTS

Eligible employees are vested in the normal ARP and SRIP retirement benefits on the earlier of the completion of three years of service or upon reaching age 65.

Final average pay benefits are payable at age 65. A participant with final average pay benefits may be entitled to a reduced early retirement benefit on or after age 55 if he or she terminates employment after completing 20 or more years of vesting service.

A participant earning cash balance benefits who terminates employment with at least three years of vesting service is entitled to a lump sum benefit equal to his or her cash balance account balance.

The following SRIP payment dates assume a retirement or termination date of December 31, 2017:

- Messrs. Shebik's and Wilson's SRIP benefits earned prior to 2005 would become payable as early as January 1, 2018. Benefits earned after 2004 would be paid on July 1, 2018, or following death.
- Mr. Civgin's SRIP benefit would be paid on July 1, 2018, or following death.
- Mr. Dugenske is not currently a member of the SRIP and therefore has not accrued a benefit under the SRIP.
- Mr. Winter's SRIP benefit would be paid on July 1, 2018, or following death.

Non-Qualified Deferred Compensation at Fiscal Year-end 2017

The following table summarizes the non-qualified deferred compensation contributions, earnings, and account balances of our named executives in 2017. All amounts relate to The Allstate Corporation Deferred Compensation Plan.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)[1]	Aggregate Withdrawals/ Distributions in Last FY ($)	Aggregate Balance at Last FYE ($)[2]
Mr. Wilson	0	0	156,189	0	1,047,797
Mr. Shebik	0	0	30,342	0	186,139
Mr. Civgin	0	0	0	0	0
Mr. Dugenske	0	0	0	0	0
Mr. Winter	0	0	0	0	0

(1) Aggregate earnings were not included in the named executive's compensation in the last completed fiscal year in the *Summary Compensation Table*.

(2) There are no amounts reported in the Aggregate Balance at Last FYE column that previously were reported as compensation in the *Summary Compensation Table*.

In order to remain competitive with other employers, we allow the named executives and other employees whose annual compensation exceeds the amount specified in the Internal Revenue Code ($270,000 in 2017), to defer under the Deferred Compensation Plan up to 80% of their salary and/or up to 100% of their annual cash incentive award that exceeds the Internal Revenue Code limit. Allstate does not match participant deferrals and does not guarantee a stated rate of return.

Deferrals under the Deferred Compensation Plan are credited with earnings or debited for losses based on the results of the notional investment option or options selected by the participants. The notional investment options available in 2017 under the Deferred Compensation Plan are: stable value, S&P 500, international equity, Russell 2000, mid-cap, and bond funds. Under the Deferred Compensation Plan, deferrals are not actually invested in these funds, but instead are credited with earnings or debited for losses based on the funds' investment returns. Because the rate of return is based on actual investment measures in our 401(k) plan, no above-market earnings are credited, recorded, or paid. Our Deferred Compensation Plan and 401(k) plan allow participants to change their investment elections daily, subject to certain trading restrictions.

The Deferred Compensation Plan is unfunded. This means that Allstate does not set aside funds for the plan in a trust or otherwise. Participants have only the rights of general unsecured creditors and may lose their balances in the event of the company's bankruptcy. Account balances are 100% vested at all times.

An irrevocable distribution election is required before making any deferrals into the plan. Generally, a named executive may elect to begin receiving a distribution of his or her account balance immediately upon separation from service or in one of the first through fifth years after separation from service. The earliest distribution date for deferrals on or after January 1, 2005, and earnings and losses on these amounts, is six months following separation from service. The named executive may elect to receive payment in a lump sum or in annual cash installment payments over a period of two to ten years. In addition, a named executive may elect an in-service withdrawal of his or her entire balance earned and vested prior to January 1, 2005, and earnings and losses on these amounts, subject to forfeiture of 10% of such balance. Upon proof of an unforeseen emergency, a plan participant may be allowed to access certain funds in a deferred compensation account earlier than the dates specified above.

Potential Payments as a Result of Termination or Change in Control (CIC)

The following table lists the compensation and benefits that Allstate would generally provide to the named executives in various scenarios involving a termination of employment, other than compensation and benefits generally available to salaried employees. The table describes equity granting practices for the 2017 equity incentive awards. Relevant prior practices are described in the footnotes.

	Termination Scenarios				
Compensation Elements	**Termination**[(1)]	**Retirement**	**Termination due to Change-in-Control**[(2)]	**Death**	**Disability**
Base Salary	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately
Severance Pay	None	None	Lump sum equal to two times salary and annual incentive at target, except for CEO, who receives three times salary and annual incentive at target[(3)]	None	None
Annual Incentive[(4)]	Forfeited	Prorated for the year and subject to discretionary adjustments[(5)]	Prorated at target (reduced by any amounts actually paid)	Prorated for the year and subject to discretionary adjustments	Prorated for the year and subject to discretionary adjustments
Stock Options[(4)(6)]	Unvested are forfeited, vested expire at the earlier of three months or normal expiration	Awards granted more than 12 months before, and pro rata portion of award granted within 12 months of retirement, continue to vest. All expire at earlier of five years or normal expiration[(7)]	Awards vest upon qualifying termination after a CIC	Awards vest immediately and expire at earlier of two years or normal expiration	Awards vest immediately and expire at earlier of two years or normal expiration
Restricted Stock Units[(4)(6)]	Forfeited	Awards granted more than 12 months before, and pro rata portion of award granted within 12 months of retirement, continue to vest[(7)]	Awards vest upon qualifying termination after a CIC	Awards vest and are payable immediately	Awards vest and are payable immediately
Performance Stock Awards[(4)(6)]	Forfeited	Awards granted more than 12 months before, and pro rata portion of awards granted within 12 months of retirement, continue to vest and are paid out based on actual performance[(7)]	Awards vest based on performance upon a qualifying termination after a CIC[(8)]	Awards vest and are payable immediately[(9)]	Awards vest and are payable immediately[(9)]

Compensation Elements	Termination Scenarios: Termination[(1)]	Retirement	Termination due to Change-in-Control[(2)]	Death	Disability
Non-Qualified Pension Benefits[(10)]	Distributions commence per plan	Distributions commence per plan	Immediately payable upon a CIC	Distributions commence per plan	Participant may request payment if age 50 or older
Deferred Compensation[(11)]	Distributions commence per participant election	Distributions commence per participant election	Immediately payable upon a CIC	Payable within 90 days	Distributions commence per participant election
Health, Welfare and Other Benefits	None	None	Outplacement services provided; lump sum payment equal to additional cost of welfare benefits continuation coverage for 18 months[(12)]	None	Supplemental Long Term Disability benefits if enrolled in basic long-term disability plan

(1) Includes both voluntary and involuntary termination. Examples of involuntary termination independent of a change in control include performance-related terminations; terminations for employee dishonesty and violation of Allstate rules, regulations, or policies; and terminations resulting from lack of work, rearrangement of work, or reduction in force.

(2) In general, a change in control is one or more of the following events: (1) any person acquires 30% or more of the combined voting power of Allstate common stock within a 12-month period; (2) any person acquires more than 50% of the combined voting power of Allstate common stock; (3) certain changes are made to the composition of the Board; or (4) the consummation of a merger, reorganization, or similar transaction. These triggers were selected because any of these could cause a substantial change in management in a widely held company the size of Allstate. Effective upon a change in control, the named executives become subject to covenants prohibiting solicitation of employees, customers, and suppliers until one year after termination of employment. If a named executive incurs legal fees or other expenses in an effort to enforce the change-in-control plan, Allstate will reimburse the named executive for these expenses unless it is established by a court that the named executive had no reasonable basis for the claim or acted in bad faith.

(3) Under the change-in-control plan, severance benefits would be payable if a named executive's employment is terminated either by Allstate without cause or by the executive for good reason as defined in the plan during the two years following the change in control. Cause means the named executive has been convicted of a felony or other crime involving fraud or dishonesty, has willfully or intentionally breached the restrictive covenants in the change-in-control plan, has habitually neglected his or her duties, or has engaged in willful or reckless material misconduct in the performance of his or her duties. Good reason includes a material diminution in a named executive's base compensation, authority, duties, or responsibilities, or a material change in the geographic location where the named executive performs services.

(4) Named executives who receive an equity award or an annual cash incentive award after May 19, 2009, are subject to a non-solicitation covenant while they are employed and for the one-year period following termination of employment. If a named executive violates the non-solicitation covenant, to the extent permitted by applicable law, compensation provided to the named executive (including cancellation of outstanding awards or recovery of all or a portion of any gain realized upon vesting, settlement, or exercise of an award or recovery of all or a portion of any proceeds resulting from any disposition of shares received pursuant to an award) may be recovered if the vesting, settlement, or exercise of the award or the receipt of the sale proceeds occurred during the 12-month period prior to the violation.

(5) Retirement for purposes of the Annual Executive Incentive Plan is defined as voluntary termination on or after the date the named executive attains age 55 with at least 10 years of service or age 60 with five years of service.

(6) Named executives who receive an equity award on or after May 21, 2013, that remains subject to a period of restriction or other performance or vesting condition are subject to a non-compete provision while they are employed and for the one-year period following termination of employment. Named executives who received equity awards granted between February 21, 2012, and May 20, 2013, are subject to a non-compete provision

while they are employed and for the two-year period following termination of employment. If a named executive violates the non-competition covenant, to the extent permitted by applicable law, any or all of the named executive's outstanding awards that remain subject to a period of restriction or other performance or vesting condition as of the date on which the named executive first violated the non-competition provision may be canceled.

(7) Retirement definitions and treatment for purposes of stock options, restricted stock units, and performance stock awards are as follows:

	Date of award on or after February 21, 2012
Definition	Normal Retirement-age 55 with 10 years of service or age 60 with at least five years of service
Treatment	• Unvested awards not granted within 12 months of retirement continue to vest. • Prorated portion of unvested awards granted within 12 months of the retirement date continue to vest. • Vested stock options expire at the earlier of five years from the date of retirement or the expiration date of the option.

Stock option awards granted in 2012 and before have vested and will expire at the earlier of five years from the date of retirement or the expiration date of the option.

(8) The committee will determine the number of PSAs that continue to vest based on actual performance up to the change in control.

(9) For open cycles, the payout is based on the target number of PSAs.

(10) See the *Retirement Benefits* section for further detail on non-qualified pension benefits and timing of payments.

(11) See the *Non-Qualified Deferred Compensation at Fiscal Year-end 2017* section for additional information on the Deferred Compensation Plan and distribution options available.

(12) If a named executive's employment is terminated due to death during the two years after the date of a change in control, the named executive's estate or beneficiary will be entitled to survivor and other benefits, including retiree medical coverage, if eligible, that are not less favorable than the most favorable benefits available to the estates or surviving families of peer executives of Allstate. In the event of termination due to disability during the two years after the date of a change in control, Allstate will pay disability and other benefits, including supplemental long-term disability benefits and retiree medical coverage, if eligible, that are not less favorable than the most favorable benefits available to disabled peer executives.

Estimate of Potential Payments Upon Termination[1]

The table below describes the value of compensation and benefits payable to each named executive upon termination that would exceed the compensation or benefits generally available to salaried employees in each termination scenario. The total column in the following table does not reflect compensation or benefits previously accrued or earned by the named executives, such as deferred compensation and non-qualified pension benefits. Benefits and payments are calculated assuming a December 31, 2017, employment termination date.

Name	Severance ($)	Annual Incentive Plan[2] ($)	Stock Options — Unvested and Accelerated ($)	Restricted Stock Units and Performance Stock Awards — Unvested and Accelerated ($)	Welfare Benefits and Outplacement Services ($)	Total ($)
Mr. Wilson						
Termination/Retirement[3]	0	6,759,264	17,532,791	21,150,163	0	45,442,218
Termination due to Change in Control[4]	15,000,000	3,750,000	18,232,543	21,921,249	69,804[5]	58,973,596
Death	0	6,759,264	18,232,543	21,921,249	0	46,913,056
Disability	0	6,759,264	18,232,543	21,921,249	7,966,041[6]	54,879,097
Mr. Shebik						
Termination/Retirement[3]	0	2,600,000	5,527,405	6,530,867	0	14,658,272
Termination due to Change in Control[4]	4,400,000	1,400,000	5,785,917	6,815,784	69,804[5]	18,471,505
Death	0	2,600,000	5,785,917	6,815,784	0	15,201,701
Disability	0	2,600,000	5,785,917	6,815,784	2,394,188[6]	17,595,889
Mr. Civgin						
Termination/Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	3,600,000	1,000,000	4,793,917	5,756,432	70,335[5]	15,220,684
Death	0	1,806,645	4,793,917	5,756,432	0	12,356,994
Disability	0	1,806,645	4,793,917	5,756,432	5,008,276[6]	17,365,270
Mr. Dugenske						
Termination/Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	3,262,500	906,250	1,314,789	6,813,480	69,804[5]	12,366,823
Death	0	1,377,908	1,314,789	6,813,480	0	9,506,177
Disability	0	1,377,908	1,314,789	6,813,480	3,248,882[6]	12,755,059
Mr. Winter						
Termination/Retirement[3]	0	3,625,590	6,102,794	7,339,333	0	17,067,717
Termination due to Change in Control[4]	5,850,000	2,025,000	6,343,328	7,604,354	69,804[5]	21,892,486
Death	0	3,625,590	6,343,328	7,604,354	0	17,573,272
Disability	0	3,625,590	6,343,328	7,604,354	3,872,996[6]	21,446,268

(1) A "0" indicates either that there is no amount payable to the named executive, or the amount payable is the same for both the named executives and all salaried employees.

(2) The 2017 annual incentive plan payment is payable to all named executives as a result of death and disability. In addition, it is payable to Messrs. Wilson, Shebik, and Winter in the event of retirement. The amount listed for the annual incentive plan payment upon termination due to a change in control is shown at target as defined in the change-in-control severance plan.

(3) As of December 31, 2017, Messrs. Wilson, Shebik, and Winter are the only named executives eligible to retire in accordance with Allstate's policy and the terms of its equity incentive compensation and benefit plans.

(4) The values in this change-in-control row represent amounts paid if both the change in control and qualifying termination occur on December 31, 2017. PSAs are paid out based on actual performance; for purposes of this table, the 2015-2017 cycle is shown at 82.7% of target, 2016-2018, and 2017-2019 cycles are reflected at target.

Beginning with awards granted in 2012, equity awards do not accelerate in the event of a change in control unless also accompanied by a qualifying termination of employment. A change in control also would accelerate the distribution of each named executive's non-qualified deferred compensation and SRIP benefits. Please see the *Non-Qualified Deferred Compensation at Fiscal Year-end 2017* table and footnote 2 to the *Pension Benefits* table in the *Retirement Benefits* section for details regarding the applicable amounts for each named executive.

(5) The Welfare Benefits and Outplacement Services amount includes the cost to provide certain welfare benefits to the named executive and family during the period the named executive is eligible for continuation coverage under applicable law. The amount shown reflects Allstate's costs for these benefits or programs assuming an 18-month continuation period. The value of outplacement services is $50,000 for each named executive.

(6) The named executives who participate in the long-term disability plan are eligible to participate in Allstate's supplemental long-term disability plan for employees whose annual earnings exceed the level which produces the maximum monthly benefit provided by the long-term disability plan (basic plan). The monthly benefit is equal to 60% of the named executive's qualified annual earnings divided by twelve and rounded to the nearest $100, reduced by $7,500, which is the maximum monthly benefit payment that can be received under the basic plan. The amount reflected assumes the named executive remains totally disabled until age 65 and represents the present value of the monthly benefit payable until age 65.

Performance Measures for 2017

The following pages contain descriptions of the performance measures used for executive incentive compensation. They were developed uniquely for incentive compensation purposes, are non-GAAP measures and are not reported in our financial statements. The committee has approved the use of non-GAAP measures when appropriate to drive executive focus on particular strategic, operational, or financial factors, or to exclude factors over which our executives have little influence or control. The committee monitors compensation estimates during the year based on actual performance on these measures, and the internal audit department reviews the final results.

Performance Net Income: This measure is calculated uniquely for annual cash incentive awards, the 162(m) pool, and each PSA performance cycle. For each plan, Performance Net Income is equal to net income applicable to common shareholders as reported in The Allstate Corporation annual report on Form 10-K adjusted for the after-tax effect of the items indicated below:

✓ Indicates adjustments to Net Income	Annual Cash Incentive Awards/162(m) Pool	Performance Stock Awards[1]
Net income applicable to common shareholders, excluding:		
Realized capital gains and losses (which includes the related effect on amortization of deferred acquisition and deferred sales inducement costs) except for periodic settlements and accruals on certain non-hedge derivative instruments	✓	✓
Valuation changes on embedded derivatives not hedged (which includes the related effect on amortization of deferred acquisition and deferred sales inducement costs)	✓	✓
Business combination expenses and amortization of purchased intangible assets	✓	✓
Gain (loss) on disposition of operations	✓	✓
Other significant non-recurring, infrequent or unusual items, when the nature of the charge or gain is such that it is reasonably unlikely to recur within two years or there has been no similar charge or gain within the prior two years		✓
• Change in accounting for investments in qualified affordable housing projects[2]		✓
• Goodwill impairment	✓	✓
• Tax legislation benefit[3]	✓	✓
Adjusted Net Income subtotal (See Appendix A)		
Restructuring and related charges	✓	✓

✓ Indicates adjustments to Net Income	Annual Cash Incentive Awards/162(m) Pool	Performance Stock Awards[1]
Underwriting results of Discontinued Lines and Coverages segment	✓	✓
Effects of acquiring and selling businesses		✓
Adjustments to be consistent with financial reporting used in establishing the measure	✓[4]	✓
Adjustments for other significant, non-recurring, infrequent or unusual items[5]	✓[4]	✓
Adjustment to exclude income associated with parent holding company level deployable assets in excess of $1 billion[6]		✓
Performance Net Income before adjustment for volatile items[7]		
Adjustment for after-tax volatile items	Adjusted to include minimum or maximum amount of after-tax catastrophe losses and income from performance-based long-term investments[8]	Three-year average adjusted to include a minimum or maximum amount of after-tax catastrophe losses
Performance Net Income		

(1) Performance Net Income is a performance measure for the 2015-2017, 2016-2018, 2017-2019, and 2018-2020 performance cycles. The 2016-2018, 2017-2019, and 2018-2020 performance cycles do not qualify for final measurement as of December 31, 2017; the items checked above and after-tax volatile items indicate items that by definition may impact the final measurement when the three-year cycle and final measurement is completed.

(2) Adjustment impacts only the calculations for the 2015-2017 performance cycle.

(3) Adjustment not applicable to 2018-2020 performance cycle.

(4) Adjustment only impacts 2017 Annual Cash Incentive.

(5) Adjustment for 2016-2018, 2017-2019, and 2018-2020 performance cycles.

(6) Adjustment for 2018-2020 performance cycle.

(7) Volatile items include catastrophe losses and income from performance-based long-term investments (“PBLT income”) depending on the measure.

(8) 162(m) pool volatile items adjustment only excludes actual amount of after-tax catastrophe losses.

ANNUAL CASH INCENTIVE AWARD PERFORMANCE MEASURES FOR 2017

- *Performance Net Income:* This measure is used to assess financial performance. In 2017, Performance Net Income was $2,703 million compared to reported Adjusted Net Income* of $2,467 million, an increase of $236 million. It was adjusted to remove the impacts of the underwriting loss of the Discontinued Lines and Coverages segment, restructuring and related charges, a maximum amount of after-tax catastrophes and PBLT income, pension settlement charge and employee share-based accounting tax benefit.
- *Net Investment Income:* This measure is used to assess the financial operating performance provided from investments. Net Investment Income as reported in the consolidated statement of operations is adjusted to include a minimum or maximum amount of PBLT income if the actual amounts are less than or exceed those amounts, respectively. Net Investment Income is also subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the effects of acquiring and selling businesses. In 2017, an adjustment to reflect a maximum amount of PBLT income was necessary, resulting in Net Investment Income of $3,188 million, compared to reported net investment income of $3,401 million.
- *Total Premiums:* This measure is used to assess growth within the Allstate Protection, Service Businesses, Allstate Life, Allstate Benefits, and Allstate Annuities businesses. It is equal to the sum of Allstate

Protection and Service Businesses premiums written and Allstate Life, Benefits, and Annuities premiums and contract charges as described below.

Premiums written is equal to the Allstate Protection and Service Businesses net premiums written as reported in management's discussion and analysis in The Allstate Corporation annual report on Form 10-K.

Premiums and contract charges are equal to life premiums and contract charges reported in the consolidated statement of operations in The Allstate Corporation annual report on Form 10-K.

Total Premiums is subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the effects of acquiring and selling businesses. No such adjustments were necessary in 2017.

Total Premiums of $35,120 million were equal to reported Total Premiums.

- *Total Return:* This measure is used to assess financial performance of the investment portfolio. Total return is calculated as the ratio of the sum of net investment income, realized capital gains and losses, the change in unrealized net capital gains and losses, and the change in the difference between fair value and carrying value of mortgage loans, cost method limited partnerships, bank loans and agent loans, divided by the average fair value balances at the beginning and at the end of 2017.

  Total Return is subject to adjustment to be consistent with the financial reporting used in establishing the measure and to exclude the effects of acquiring and selling businesses. In 2017, no adjustments were necessary, and Total Return was 5.9%.

PERFORMANCE STOCK AWARD PERFORMANCE MEASURES FOR THE 2015-2017 PERFORMANCE CYCLE

- *Three-Year Average Performance Net Income Return on Equity:* It is calculated as the ratio of the average Performance Net Income for the three years in the period divided by the average of Adjusted Common Shareholders' Equity at December 31 of the year-end immediately preceding the period and at the end of each year in the three-year period.
- Adjusted Common Shareholders' Equity is equal to common shareholders' equity excluding the net effects of unrealized net capital gains and losses. It is subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the net effects of acquiring and selling businesses. Adjusted Common Shareholders' Equity at December 31 of the year-end immediately preceding the period is not subject to adjustment.
- Three-year Average Performance Net Income Return on Equity for the 2015-2017 performance cycle was 12.2%, compared to our reported Adjusted Net Income return on equity* of 13.4%, 10.4% and 11.6% for the three years ended 2017, 2016, and 2015, respectively, and the three-year average of 11.8%. The primary adjustments relate to underwriting loss of the Discontinued Lines and Coverages segment, restructuring and related charges, net effects of acquiring business, and employee share-based accounting tax benefit.

PERFORMANCE STOCK AWARD PERFORMANCE MEASURES FOR THE 2016-2018, 2017-2019 AND 2018-2020 PERFORMANCE CYCLES

- *Three-Year Average Performance Net Income Return on Equity (measure weighted at 70%):* These cycles are calculated in a similar manner to the 2015-2017 cycle as disclosed above, but are adjusted to reflect the foreign exchange rate used in establishing the measure (in place of actual foreign currency translation) for any period if the Total Premiums measure for the Annual Incentive Plan is adjusted for foreign exchange rates. For the 2018-2020 performance cycle, average common shareholders' equity will also be adjusted to remove the impact of other significant non-recurring, infrequent or unusual items in excess of a threshold and parent holding company level deployable assets in excess of $1 billion.
- *Earned Book Value (measure weighted at 30%):* Earned Book Value is the increase between common shareholders' equity at December 31 of the year-end immediately preceding the three-year period and adjusted common shareholders' equity at December 31 of the last year of the three-year period expressed as a compound annual growth rate.

Adjusted common shareholders' equity is equal to common shareholders' equity at December 31 of the last year of the three-year period adjusted to:

- Add back reductions for common share repurchases and declared common shareholder dividends during the three-year period.
- Remove the impact of other significant non-recurring, infrequent or unusual items in excess of a threshold.
- Reflect a minimum or maximum amount of after-tax catastrophe losses if the actual after-tax catastrophe losses are more or less than +/- 20% respectively of the three years of catastrophe losses used to establish the measure.
- Be consistent with the financial reporting used in establishing the measure.
- Exclude the effects of acquiring and selling businesses.
- Reflect the foreign exchange rate used in establishing the measure (in place of actual foreign currency translation) for any period if the Total Premiums measure for the Annual Incentive Plan is adjusted for foreign exchange rates.

CEO Pay Ratio

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing information about the relationship of the annual total compensation of our employees to the annual total compensation of Mr. Wilson, our Chief Executive Officer ("CEO"). This pay ratio is a reasonable estimate calculated in a manner consistent with the final SEC rules.

For 2017,

- the annual total compensation of our median employee was $81,573; and
- the annual total compensation of our CEO, as reported in the Summary Compensation Table in this Proxy Statement, was $18,757,329.
- The ratio of the annual total compensation of Mr. Wilson to our median employee was 230:1.

As required by SEC rules, the annual total compensation for both the CEO and median employee includes the change in pension value during the year. The change in pension value is subject to several external variables, including interest rates, that are not related to company or individual performance and may differ significantly based on the formula under which the benefits were earned. If we eliminated the change in pension value from our median employee and CEO's total compensation, our CEO to median employee pay ratio would have been 294:1.

We also note that, in contrast to the compensation of the median employee, a significant portion of our CEO's compensation is tied to company performance. If we were to calculate the ratio using Mr. Wilson's target annual cash incentive (as opposed to the actual cash incentive award paid to him based on 2017 company performance), our CEO to median employee pay ratio would have been 193:1.

To calculate the ratio, we used the following methodology and material assumptions, adjustments, and estimates:

- We selected October 2, 2017, which is within the last three months of 2017 as permitted by SEC rules, as the determination date because it enabled us sufficient time to calculate the ratio.
- As of October 2, 2017, our U.S. and non-U.S. employee population consisted of 44,432 full-time, part-time, seasonal and temporary employees.
- In determining the employee population to be used to calculate the compensation of the median employee, we included employees in all countries except for 2,155 employees in the United Kingdom, who represented less than 5% of our total employees, as permitted under the applicable SEC de minimis rule. As a result, the employee population that we used for purposes of determining the compensation of our median employee was 42,277.
- We excluded our agent population since they are not employees of Allstate or its subsidiaries.
- We selected total cash (base salary plus incentive compensation) as the most appropriate and consistently applied compensation measure to determine the median worker since we do not widely distribute equity awards.
- We measured compensation for our employees using a nine-month look-back period ending September 30, 2017.
- Permanent employees who were hired in 2017, but did not work for the entire period, had their compensation adjusted as if they were employed for the entire nine-month period.
- For employees outside of the United States, we use a year-to-date average of January 1, 2017, through September 30, 2017, for each of the exchange rates.
- After identifying the median worker based on total cash compensation, we calculated annual total compensation for that person using the same methodology we use for our named executives in the Summary Compensation Table in this Proxy Statement.
- As noted above, the median employee's annual total compensation was $81,573. The median employee was a U.S. claims employee with total cash compensation of $56,410, a change in pension value of $23,575, and other compensation in the amount of $1,588. The change in pension value is high in comparison to total cash compensation as a result of the median employee earning pension benefits under the final average pay formula until December 31, 2013. Approximately 30% of the pension-eligible Allstate employees in the U.S., including the CEO, earned pension benefits under the final average pay formula prior to 2014.

The SEC rules for identifying the median of our employees and calculating the pay ratio allow companies to use a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect a company's employee populations and compensation practices. For that reason, the pay ratio reported by other companies may not be comparable to the pay ratio reported above. Neither the Compensation and Succession Committee nor management of the company used the pay ratio measure in making compensation decisions.

AUDIT COMMITTEE MATTERS

PROPOSAL 3

Ratification of Deloitte & Touche LLP as the Independent Registered Public Accountant for 2018

The Board recommends a vote FOR ratification of Deloitte & Touche LLP for 2018.

- Independent firm with few ancillary services and reasonable fees.
- Significant industry and financial reporting expertise.
- The audit committee annually evaluates Deloitte & Touche LLP and determined that its retention continues to be in the best interests of Allstate and its stockholders.

The audit committee has established strong practices to evaluate the qualifications, compensation, performance, and independence of the independent registered public accountant both on an ongoing basis throughout the year and through the completion of an annual evaluation. Additional information regarding the audit committee's duties and responsibilities is available in the committee's charter located under the Governance section of Allstate's investor relations website at www.allstateinvestors.com. Deloitte & Touche LLP has been Allstate's independent registered public accountant since Allstate became a publicly traded entity in 1993.

As a starting point for the annual evaluation, a survey is administered by a Deloitte & Touche LLP partner who is not affiliated with the Allstate account and by a risk or internal audit executive. The survey assesses Allstate's general satisfaction with the quality and efficiency of the services provided. Results are reported to the audit committee for its discussion and analysis.

In addition, the audit committee reviews and discusses the results of the firm's reports on its quality controls and external assessments, including results of inspections conducted by the Public Company Accounting Oversight Board (PCAOB).

Rotation of the independent registered public accounting firm is explicitly considered each year by the committee in addition to the regular mandated rotation of audit partners.

The audit committee has adopted a policy regarding its pre-approval of all audit and permissible non-audit services provided by the independent registered public accountant. The policy identifies the basic principles that must be considered by the audit committee in approving services to ensure that the registered public accountant's independence is not impaired, describes the type of audit, audit-related, tax and other services that may be provided, and lists the non-audit services that may not be performed. The independent registered public accountant or management will submit to the audit committee detailed schedules with all of the proposed services within each category, together with the estimated fees. Each specific service will require approval before service can begin.

Prior to requesting approval from the audit committee, the registered public accountant and management consider and conclude that the services are permissible in that they: (1) do not place the registered public accountant in the position of auditing their own work, (2) do not result in the registered public accountant's personnel acting as management or an employee of Allstate, (3) do not place the registered public accountant in a position of being an advocate for Allstate, (4) do not create a mutual or conflicting interest between the registered public accountant and Allstate and (5) are not based on a contingent fee arrangement. The audit committee's policy delegates to the chair the authority to grant approvals, but the decisions of the chair must be reported to the audit committee at its next regularly scheduled meeting. All services provided by Deloitte & Touche LLP in 2016 and 2017 were approved in accordance with this pre-approval policy.

Based on the results of the annual evaluation, the audit committee has appointed Deloitte & Touche LLP as Allstate's independent registered public accountant for 2018. The factors considered by the audit committee include:

- Focus on independence, objectivity, and professional skepticism;
- Insurance and technical expertise and capability in handling the breadth and complexity of Allstate's operations and industry;
- Professionalism and responsiveness;
- Sharing industry insights, trends, and latest practices;
- Quality and efficiency of the work performed;
- Quality of discussions and feedback sessions;
- External data on audit quality and performance, including the results from the PCAOB; and
- Reasonableness of fees.

The audit committee and the Board believe it is in the best interests of Allstate and its stockholders to continue to retain Deloitte & Touche LLP as Allstate's independent registered public accountant. The committee and its chair approve the selection of Deloitte & Touche LLP's lead engagement partner.

The audit committee oversees and is ultimately responsible for the negotiation of audit fees associated with the retention of Deloitte & Touche LLP. The following fees have been, or are anticipated to be, billed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates, for professional services rendered to Allstate for the fiscal years ending December 31, 2016, and December 31, 2017.

	2016[5]	2017
Audit fees[1]	$10,164,000	$10,694,000
Audit-related fees[2]	$700,000	$740,000
Tax fees[3]	$106,000	$308,000
All other fees[4]	$95,000	$13,000
Total fees	$11,065,000	$11,755,000

(1) Fees for audits of annual financial statements, reviews of quarterly financial statements, statutory audits, attest services, comfort letters, consents, and review of documents filed with the Securities and Exchange Commission. The amount disclosed does not reflect reimbursements expected to be received for certain separate account audit fees from the managing entity in the amounts of $179,000 and $165,000 for 2016 and 2017, respectively.

(2) Audit-related fees relate to professional services, such as accounting consultations relating to new accounting standards and audits, service audit reports and other attest services for non-consolidated affiliates (i.e., employee benefit plans, various trusts, etc.) and are set forth below.

	2016	2017
Audits and other attest services for non-consolidated entities	$345,000	$346,000
Other audit-related fees	$355,000	$394,000
Total audit-related fees	$700,000	$740,000

(3) Tax fees include income tax return preparation, compliance assistance, tax studies and research, and international tax planning.

(4) "All other fees" includes all fees paid that are not audit, audit-related, or tax services. In 2016, these fees relate to advisory services.

(5) Fees for 2016 have been reallocated between audit and audit-related fees to account for additional 2016 work completed after the proxy.

Representatives of Deloitte & Touche LLP will be present at the 2018 annual meeting to respond to questions and may make a statement if they choose. If stockholders fail to ratify the appointment, the audit committee will reconsider the appointment, but no assurance can be given that the audit committee will change the appointment.

Audit Committee Report

Deloitte & Touche LLP (Deloitte) was Allstate's independent registered public accountant for the year ended December 31, 2017.

The audit committee reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2017.

The committee discussed with Deloitte the matters required to be discussed by Auditing Standard No. 1301, as adopted by the Public Company Accounting Oversight Board. The committee received the written disclosures and letter from Deloitte that is required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the committee concerning independence and has discussed with Deloitte its independence.

Based on these reviews and discussions and other information considered by the committee in its judgment, the committee recommended to the Board of Directors that the audited financial statements be included in Allstate's annual report on Form 10-K for the fiscal year ended December 31, 2017, for filing with the Securities and Exchange Commission, and furnished to stockholders with this Notice of Annual Meeting and Proxy Statement.

Mary Alice Taylor (Chair)	Kermit R. Crawford	Michael L. Eskew	Siddharth N. Mehta

STOCKHOLDER PROPOSALS

PROPOSAL 4

Stockholder Proposal on Independent Board Chairman

The Board recommends a vote AGAINST this proposal.

- Allstate's independent lead director provides meaningful independent leadership of the Board.
- Allstate's independent lead director is selected through a robust process, and her performance is evaluated annually.
- The Board should continue to have flexibility to determine whether to split or combine the Chair and CEO roles and not be required to utilize one approach.
- The Board has split the roles of Chair and CEO in the past.
- The lead director is just one of many structural safeguards that provide effective independent oversight of Allstate.

Mr. Kenneth Steiner, 14 Stoner Ave., 2M, Great Neck, NY 11021, beneficial owner of no less than 300 shares of Allstate common stock as of December 5, 2017, intends to propose the following resolution at the annual meeting.

Shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. The Board would have the discretion to phase in this policy for the next CEO transition, implemented so it does not violate any existing agreement.

If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chairman. This proposal requests that all the necessary steps be taken to accomplish the above.

Caterpillar is an example of a company recently changing course and naming an independent board chairman. Caterpillar had strongly opposed a shareholder proposal for an independent board chairman as recently as its 2016 annual meeting. Wells Fargo also changed course and named an independent board chairman in 2016.

It was reported that 53% of the Standard & Poors 1,500 firms separate these 2 positions (2015 report): Chairman and CEO. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix.

This proposal topic also won impressive 47%-support at our 2016 annual meeting. This 47%-support would have been higher (perhaps 51%) if small shareholders had the same access to corporate governance information as large shareholders.

Extra consideration could be given to this proposal since our Lead Director, Judith Sprieser lacked an important attribute. Ms. Sprieser had 18-years long tenure. Long-tenure can impair the independence of a director — no matter how well qualified. Independence is a highly valuable attribute in a director —especially in a Lead Director who has additional responsibilities in the oversight of our CEO.

An independent chairman would have the time to improve the qualifications and commitment of our directors. For instance the following 4 directors had almost zero "skin in the game" since they owned zero stock or almost zero stock:

Judith Sprieser
Jacques Perold
Michael Eskew
Siddharth Mehta

This is compounded by the fact that Allstate pays these directors $250,000 each for perhaps 250 hours of work in a year. This is further compounded by the fact that Ms. Sprieser had collected Allstate director pay for 18-years. In its response to this proposal management can let us know the total director pay that Allstate has given to Ms. Sprieser in 18-years.

Plus these 4 directors controlled 5 positions on our most important board committees and Ms. Sprieser was our Lead Director. Serious consideration should be given to whether a director who owns zero stock can serve on an important board committee or as a Lead Director.

Please vote to enhance the oversight of our CEO:

Independent Board Chairman – Proposal 4

Board of Directors' Statement in Opposition to the Stockholder Proposal on Independent Board Chairman

The Board recommends that stockholders vote AGAINST this proposal for the following reasons:

ALLSTATE'S INDEPENDENT LEAD DIRECTOR PROVIDES MEANINGFUL INDEPENDENT LEADERSHIP OF THE BOARD.

- **The powers of the lead director and committee chairs were formalized and expanded in 2016 as a result of stockholder dialogue. For a more detailed description of our lead director role, see page 19.**
- Our lead director is selected after a comprehensive annual process and has well-defined and substantive responsibilities:
  - Is elected solely by independent members of the Board;
  - Has authority to call meetings of the independent members of the Board;
  - Approves Board meeting agendas, schedules and information provided to the Board;
  - Facilitates and communicates the Board's performance evaluation of the CEO and Chair;
  - Facilitates the evaluation of Board and director performance;
  - Ensures implementation of the Board committee self-evaluation process and reports to the Board, and provides guidance to Committee chairs, as needed;
  - Facilitates the Chair and CEO succession process;
  - Presides at all Board meetings at which the Chair is not present and at all executive sessions; and
  - Communicates with significant stockholders and other stakeholders on matters involving broad corporate policies and practices, when appropriate.

ALLSTATE'S INDEPENDENT LEAD DIRECTOR IS SELECTED THROUGH A ROBUST PROCESS, AND HER PERFORMANCE IS EVALUATED ANNUALLY.

- Each year, the nominating and governance committee recommends a director to the independent members of the Board to serve as the independent lead director. The lead director is elected annually by the independent directors but is generally expected to serve for more than one year.
- The lead director's performance is assessed annually; as part of that review, the nominating and governance committee evaluates the criteria for nominees for the lead director role and assesses any needed changes. In selecting the lead director, the independent directors consider market, operational, and governance issues facing Allstate. They consider relevant leadership, operational and corporate governance experience, relationships with the other Board members and external commitments. In addition, the lead director is expected to have a thorough understanding of the company's business operations and history.
- Contrary to what the proponent states, each of Allstate's directors has "skin in the game." The restricted stock units held by each director at the end of 2017 are listed on page 29. As shown on that table, each of our directors has a substantial economic interest valued between \$118,000 and \$4,400,000 based on the closing price of Allstate's common stock of \$104.71 on December 29, 2017.

THE BOARD SHOULD CONTINUE TO HAVE FLEXIBILITY TO DETERMINE WHETHER TO SPLIT OR COMBINE THE CHAIR AND CEO ROLES AND NOT BE REQUIRED TO UTILIZE ONE APPROACH.

- The Board believes it is important to maintain the flexibility to choose whether to split the Board Chair and CEO roles at Allstate. Requiring a split of the roles would reduce the Board's ability to act in the best interests of the Company as the needs of the Board and the Company change over time.
- According to a survey by a major corporate governance firm in 2017, only 12% of the S&P 100 companies **REQUIRE** the separation of the roles. Most boards believe it is beneficial to have flexibility in determining whether to split or combine the roles.
- At present, the independent directors have determined Allstate is well-served by having both Chair and CEO roles performed by Mr. Wilson, who provides excellent leadership and direction for both management and the Board. Given his extensive Company knowledge and his ability to effectively fulfill both roles simultaneously, he is uniquely qualified to lead discussions of the Board and is in the best position to facilitate the flow of business information and communications.

THE BOARD HAS SPLIT THE ROLES OF CHAIR AND CEO IN THE PAST.

- Allstate's Board previously and effectively used the flexibility to separate the role of Chair and CEO. The Board split the roles of Chair and CEO in 2007 during a leadership transition. When Thomas Wilson replaced Edward Liddy as CEO, the Board determined that Mr. Liddy should remain Chair. Mr. Liddy retired in 2008 and the Board decided to elect Mr. Wilson to serve as Chair while retaining his role as CEO.
- The practice of splitting the roles during leadership transitions so that a company's former CEO can continue to provide perspective to a new CEO is common among companies. According to a study by a leading global advisory firm, published in January 2017, 37% of stand-alone board chairs of *Fortune* 500 companies previously served as CEO of the same company.

THE LEAD DIRECTOR IS JUST ONE OF MANY STRUCTURAL SAFEGUARDS THAT PROVIDE EFFECTIVE INDEPENDENT OVERSIGHT OF ALLSTATE.

- In addition to the strong role of our independent lead director, the Board has policies and practices that support a balanced and strong governance system, including:
  - All of Allstate's Board members are independent within the meaning of applicable laws, with the exception of the CEO;
  - All members of each of the key Board committees (the audit, compensation and succession, nominating and governance, and risk and return committees) are independent; and
  - The committee chairs' responsibilities were proactively enhanced to include the power to approve committee agendas and meeting materials.
- Each committee operates under a written charter that has been approved by the Board and that details the oversight of key matters, such as the integrity of Allstate's financial statements, executive compensation, CEO performance, nomination of directors, evaluation of the Board, and risk and return management;
- The Board performs a formal annual evaluation of the Chair and CEO in an executive session; and
- All key Board committees have access to and utilize independent external advisors.

PROPOSAL 5

Stockholder Proposal on Reporting Political Contributions

The Board recommends a vote AGAINST this proposal.

- Allstate already provides stockholders with comprehensive disclosures on Allstate's involvement in the public policy arena (found at www.allstatesustainability.com).
- Allstate's Board has strong governance and oversight practices over the Company's public policy involvement.
- Allstate surpasses all disclosure requirements pertaining to political contributions under federal, state, and local laws.

The International Brotherhood of Teamsters, 25 Louisiana Avenue, NW, Washington, D.C. 20001, beneficial owners of no less than 64 shares of Allstate common stock as of December 11, 2017, intends to propose the following resolution at the annual meeting.

Resolved, that the shareholders of Allstate Corporation ("Allstate" or "Company") hereby request that the Company provide a report, updated semiannually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:

   a. The identity of the recipient as well as the amount paid to each; and
   b. The title(s) of the person(s) in the Company responsible for decision making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website within 12 months from the date of the annual meeting. This proposal does not encompass lobbying spending.

Supporting Statement: As long-term shareholders of Allstate, we support transparency and accountability in corporate political spending. This includes any activity considered intervention in a political campaign under the Internal Revenue Code, such as direct and indirect contributions to political candidates, parties, or organizations, and independent expenditures or electioneering communications on behalf of federal, state, or local candidates.

Disclosure is in the best interest of the company and its shareholders. The Supreme Court recognized this in *Citizens United*: "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages."

Publicly available records show Allstate has contributed at least $4.4 million in corporate funds to state and local parties and candidates, and 527 political committees, since 2010. (CQ: moneyline.cq.com and National Institute on Money in State Politics: www.followthemoney.org)

However, relying on publicly available data does not provide a complete picture of the Company's political spending. For example, indirect contributions through trade associations are not publicly available. And while the Company discloses its aggregate payments to political entities and trade associations, it provides little detail about which candidates and entities are receiving company money. This proposal asks the Company to disclose all of its political spending, including payments to trade associations and other tax-exempt organizations, which may be used for political purposes. This would bring our Company in line with a growing number of leading companies, including Unum Group, AIG, and Capital One, which present this information on their websites. The Company's board and shareholders need comprehensive disclosure to fully evaluate the political use of corporate assets. We urge your support for this critical governance reform.

Board of Directors' Statement in Opposition to the Stockholder Proposal on Reporting Political Contributions

The Board recommends that stockholders vote AGAINST this proposal for the following reasons:

ALLSTATE ALREADY PROVIDES STOCKHOLDERS WITH COMPREHENSIVE DISCLOSURES ON ALLSTATE'S INVOLVEMENT IN THE PUBLIC POLICY ARENA (FOUND AT WWW.ALLSTATESUSTAINABILITY.COM).

- Allstate issues an annual Corporate Involvement in Public Policy report, which provides a comprehensive discussion of Allstate's activities. The report describes the Board's process for overseeing expenditures, the strategic and business rationale for expenditures, total amounts contributed by category (including non-deductible amounts for certain lobbying activities and to political candidates and organizations), those involved in the decision-making process, and the major organizations supported.
- The proponent seeks additional disclosure of line-item expenditures to each recipient, which is not necessary or relevant to the governance of Allstate.
- Investors have indicated strong support for Allstate's current political contribution disclosures.

ALLSTATE'S BOARD HAS STRONG GOVERNANCE AND OVERSIGHT PRACTICES OVER THE COMPANY'S PUBLIC POLICY INVOLVEMENT.

- The specific deployment of corporate resources in the public policy arena is presented formally to the Board each year. Our Corporate Governance Guidelines address the Board's annual review and our involvement in the public policy arena and can be found at www.allstateinvestors.com.
- We expanded the discussion of Allstate's oversight over political spending in the 2016 report and accelerated its availability to stockholders prior to the 2017 annual meeting. Subject matter experts within Allstate make recommendations with respect to which organizations and candidates to support financially, and members of Allstate's government and industry relations group consult with members of senior management to make the ultimate determinations.

ALLSTATE SURPASSES ALL DISCLOSURE REQUIREMENTS PERTAINING TO POLITICAL CONTRIBUTIONS UNDER FEDERAL, STATE, AND LOCAL LAWS.

- Allstate complies with all public disclosure laws at the federal, state, and local levels.
- Allstate maintains internal guidelines and procedures to ensure that the Company's public policy efforts remain consistent with its strategy and the long-term interests of our stockholders, employees, agencies, and customers. For example, we use our industry expertise in formulating public policy solutions that help mitigate weather-related risks and reduce the likelihood and severity of property loss for customers.
- The proposal would impose requirements on Allstate that are not dictated by law and are not standard among other companies.

Stockholder Proposals or Director Nominations for the 2019 Annual Meeting

Proposals that stockholders would like to include in Allstate's proxy materials for presentation at the 2019 annual meeting of stockholders must be received by the Office of the Secretary by November 28, 2018, and must otherwise comply with Securities and Exchange Commission rules in order to be eligible for inclusion in the proxy material for the 2019 annual meeting.

If a stockholder would like to bring a matter before the meeting which is not the subject of a proposal that meets the Securities and Exchange Commission proxy rule requirements for inclusion in the proxy statement, the stockholder must follow procedures in Allstate's bylaws in order to personally present the proposal at the meeting.

One of the procedural requirements in the bylaws is timely notice in writing of the business the stockholder proposes to bring before the meeting. Notice of business proposed to be brought before the 2019 annual meeting must be received by the Office of the Secretary no earlier than the close of business on January 11, 2019, and no later than the close of business on February 10, 2019. Among other things, the notice must describe the business proposed to be brought before the meeting, the reasons for conducting the business at the meeting, and any material interest of the stockholder in the business.

A stockholder also may directly nominate someone for election as a director at a stockholders' meeting. Under our bylaws, a stockholder may nominate a candidate at the 2019 annual meeting by providing advance notice to Allstate to the Office of the Secretary that is received no earlier than the close of business on January 11, 2019, and no later than the close of business on February 10, 2019. For proxy access nominees to be considered at the 2019 annual meeting, the nomination notice must be received by the Office of the Secretary no earlier than the close of business on October 29, 2018, and no later than the close of business on November 28, 2018. Among other things, the notice must include the information and documents described in Section 20 of the company's bylaws.

A copy of the procedures and requirements related to the above matters is available upon request from the Office of the Secretary or can be found on Allstate's website, allstateinvestors.com. The notices required above must be sent to the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite F7, Northbrook, Illinois 60062-6127.

STOCK OWNERSHIP INFORMATION

Security Ownership of Directors and Executive Officers

The following table shows the Allstate common shares beneficially owned as of March 1, 2018, by each director and named executive individually, and by all executive officers and directors of Allstate as a group. Shares reported as beneficially owned include shares held indirectly through the Allstate 401(k) Savings Plan and other shares held indirectly. It also includes shares subject to stock options exercisable, and restricted stock units subject to conversion into common shares, within sixty days of March 1. As of March 1, 2018, none of these shares were pledged as security.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Allstate Common Stock[1]	Common Stock Subject to Options Exercisable on or prior to April 29, 2018[1]	Restricted Stock Units[1][2]	Total Stock-Based Ownership[1][3]
Kermit R. Crawford	1,000	0	13,066	14,066
Michael L. Eskew	190	0	6,180	6,370
Margaret M. Keane	149	0	617	766
Siddharth N. Mehta	0	0	9,544	9,544
Jacques P. Perold[4]	35	0	5,190	5,225
Andrea Redmond	4,000	0	24,530	28,530
John W. Rowe	6,025	0	17,687	23,712
Gregg M. Sherrill	0	0	1,125	1,125
Judith A. Sprieser	0	0	34,196	34,196
Mary Alice Taylor	13,048	4,000	34,196	51,244
Perry M. Traquina	777	0	1,783	2,560
Thomas J. Wilson[4]	612,730	2,138,705	0	2,751,435
Steven E. Shebik	109,185	371,713	0	480,898
Don Civgin	124,673	256,677	0	381,350
John Dugenske	57	19,180	0	19,237
Matthew E. Winter[5]	147,345	409,118	0	556,463
All directors and executive officers as a group (24 total)	1,156,017	3,751,878	150,325	5,058,220

(1) As of March 1, 2018, no director or executive officer beneficially owned 1% or more of the outstanding common stock of Allstate. The directors and executive officers of Allstate as a group beneficially owned (including common stock subject to stock options exercisable and restricted stock units for which restrictions expire on or prior to April 29, 2018) approximately 1.4% of the common stock outstanding as of March 1, 2018.

(2) All non-employee directors hold restricted stock units granted under Allstate's equity compensation plans for non-employee directors. This column lists those restricted stock units that would be distributed to directors in the form of shares of common stock within 60 days if any of them were to have retired as a director on March 1, 2018. In addition, some directors hold additional restricted stock units which are not reflected in the table above because common stock would not be distributed to directors until at least one year, and in some cases, as many as ten years, following his or her retirement as a director. For more information regarding the restricted stock units held by each director at the end of 2017, please see the details on page 29.

(3) These amounts are the sum of the number of shares shown in the prior columns.

(4) Mr. Perold's common shares are held indirectly by trust. The shares held by Mr. Wilson include shares owned indirectly through a grantor retained annuity trust and a remainder grantor retained annuity trust.

(5) Mr. Winter retired effective February 23, 2018.

Security Ownership of Certain Beneficial Owners

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	BlackRock Inc. 55 East 52nd Street New York, NY 10055	26,955,890[1]	7.5%
Common	The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	24,334,379[2]	6.92%

(1) Reflects shares beneficially owned as of December 31, 2017, as set forth in a schedule 13G/A filed on January 29, 2018. Of these shares, BlackRock reported it held 23,019,052 shares with sole voting power; 0 shares with shared voting power; 26,955,890 shares with sole dispositive power; and 0 shares with shared dispositive power. BlackRock also manages approximately $3.6 billion of Allstate's investment portfolio as of December 31, 2017, under various investment management agreements and has licensed to Allstate an investment technology software system widely used by investors. The terms of these arrangements are customary and the aggregate related fees are not material.

(2) Reflects shares beneficially owned as of December 31, 2017, as set forth in a schedule 13G/A filed on February 12, 2018. Of these shares, The Vanguard Group reported it held 508,467 shares with sole voting power; 102,089 shares with shared voting power; 24,334,379 with sole dispositive power; and 597,870 shares with shared dispositive power.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Allstate's executive officers, directors, and persons who beneficially own more than 10% of Allstate's common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission.

Based upon a review of copies of such reports, or written representations that all such reports were timely filed, Allstate believes that each of its executive officers and directors complied with all Section 16(a) filing requirements applicable to them during 2017.

OTHER INFORMATION

Proxy and Voting Information

Who is asking for my vote and why?

The Allstate Board of Directors is soliciting proxies for use at the annual meeting of stockholders to be held on May 11, 2018, and any adjournments or postponements of the meeting. The annual meeting will be held only if there is a quorum, which means that a majority of the outstanding common stock entitled to vote is represented at the meeting by proxy or in person. To ensure there will be a quorum, the Allstate Board asks you to vote before the meeting, which allows your Allstate stock to be represented at the annual meeting.

Who can vote at the annual meeting?

The Allstate Board has set the close of business on March 13, 2018, as the record date for the meeting. This means that you are entitled to vote if you were a stockholder of record at the close of business on March 13, 2018. On that date, there were 353,139,462 shares of Allstate common stock outstanding and entitled to vote at the annual meeting.

Why did I receive a notice of Internet availability of proxy materials instead of the proxy materials?

We distribute our proxy materials to certain stockholders over the Internet using “Notice and Access” delivery, as permitted by the rules of the Securities and Exchange Commission. We elected to use this method for certain stockholders as it reduces our print and mail costs and the environmental impact of our annual stockholders’ meeting.

How do I vote?

Instructions on how to vote your shares are included on the Notice on page 4. If you hold shares in your own name as a registered stockholder, you may vote in person by attending the annual meeting, or you may instruct the proxies how to vote your shares by following the instructions on the proxy card/voting instruction form. **If you plan to attend the meeting in person, please see the details on pages 81-82.**

If you hold shares in street name (that is, through a broker, bank, or other record holder), you should follow the instructions provided by your broker, bank, or other record holder to vote your shares.

If you hold shares through the Allstate 401(k) Savings Plan, please see the instructions on page 82.

Can I change my vote?

Before your shares have been voted at the annual meeting by the proxies, you may change or revoke your voting instructions by providing instructions again by telephone, by Internet, in writing, or, if you are a registered stockholder, by voting in person at the annual meeting.

Are the votes kept confidential?

All proxies, ballots, and tabulations that identify the vote of a particular stockholder are confidential, except as necessary to allow the inspector of election to certify the voting results or to meet certain legal requirements. A representative of American Election Services, LLC will act as the inspector of election and will count the votes. The representative is independent of Allstate and its directors, officers, and employees.

If you write a comment on your proxy card, voting instruction form, or ballot, it may be provided to our Secretary along with your name and address.

Your comments will be provided without reference to how you voted, unless the vote is mentioned in your comment or unless disclosure of the vote is necessary to understand your comment. At our request, the distribution agent or the solicitation agent will provide us with periodic status reports on the aggregate vote. These status reports may include a list of stockholders who have not voted and breakdowns of vote totals by different types of stockholders, as long as we are not able to determine how a particular stockholder voted.

What happens if I submit a signed proxy card but do not indicate how I want to vote?

You may instruct the proxies to vote "FOR" or "AGAINST" on each proposal, or you may instruct the proxies to "ABSTAIN" from voting. If you submit a signed proxy card/voting instruction form to allow your shares to be represented at the annual meeting but do not indicate how your shares should be voted on one or more proposals, then the proxies will vote your shares as the Board of Directors recommends on those proposals. Other than the proposals listed on pages 5-8, we do not know of any other matters to be presented at the meeting. If any other matters are properly presented at the meeting, the proxies may vote your shares in accordance with their best judgment.

What vote is needed to approve each item?

Shares of common stock represented by a properly completed proxy card/voting instruction form will be counted as present at the meeting for purposes of determining a quorum, even if the stockholder is abstaining from voting.

Proposal 1. To be elected under Allstate's majority vote standard, each director must receive an affirmative vote of the majority of the votes cast. In other words, the number of shares voted "For" a director must exceed 50% of the votes cast on that director. Abstentions will not be counted as votes cast and will have no impact on the vote's outcome.

Proposals 2 – 5. A majority of the shares present in person or represented by proxy at the meeting and entitled to vote must be voted "For" the proposal. **Abstentions will have the effect of a vote against the proposal.**

Are broker non-votes counted at the meeting?

Brokers and banks have discretionary authority to vote shares in the absence of instructions on matters the New York Stock Exchange considers "routine," such as the ratification of the appointment of the auditors. They do not have discretionary authority to vote shares in the absence of instructions on "non-routine" matters, such as the election of directors, say-on-pay, or the stockholder proposals. Broker non-votes will not be counted as shares entitled to vote on any of the foregoing matters and will have no impact on the vote's outcome.

What is "householding" and how does it affect me?

Allstate has adopted the "householding" procedure approved by the SEC, which allows us to deliver one set of documents to a household of stockholders instead of delivering a set to each stockholder in a household, unless we have been instructed otherwise. This procedure is more environmentally friendly and cost-effective because it reduces the number of copies to be printed and mailed. Stockholders who receive proxy materials in paper form will continue to receive separate proxy cards/voting instruction forms to vote their shares. Stockholders who receive the Notice of Internet Availability of Proxy Materials will receive instructions on submitting their proxy cards/voting instruction form via the Internet.

If you would like to change your householding election, request that a single copy of the proxy materials be sent to your address, or request a separate copy of the proxy materials, please contact our distribution agent, Broadridge Financial Solutions, by calling (866) 540-7095 or by writing to Broadridge Householding Department, 51 Mercedes Way, Edgewood, NY 11717. We will promptly deliver the proxy materials to you upon receipt of your request. If you hold your shares in street name, please contact your bank, broker, or other record holder to request information about householding.

If you receive more than one proxy card/voting instruction form, your shares probably are registered in more than one account or you may hold shares both as a registered stockholder and through the Allstate 401(k) Savings Plan. You should vote each proxy card/voting instruction form you receive.

How do I attend the annual meeting?

If you plan to attend the meeting, you must be a holder of Allstate shares as of the record date of March 13, 2018. We encourage you to request an admission ticket in advance. You may request admission tickets by visiting www.proxyvote.com and following the instructions provided or calling 1-888-247-6053. You will need your proxy card, voting instruction form, or notice of Internet availability with you when you request the ticket.

At the entrance to the meeting, we will request to see your admission ticket and valid photo identification, such as a driver's license or passport.

If you do not request an admission ticket in advance, we will request to see your photo identification at the entrance to the meeting. We will then confirm your common stock ownership on the record date by:

- **For registered stockholders:** verifying your name and stock ownership against our list of registered stockholders.
- **For beneficial or street name stockholders** (those holding shares through a broker, bank or other record holder): asking to review evidence of your stock ownership as of March 13, 2018, such as your brokerage statement. **You must bring such evidence with you in order to be admitted to the meeting**.

If you are acting as a proxy, we will need to review a valid written legal proxy signed by the owner of the common stock granting you the required authority to vote the owner's shares.

Where can I find the results of the annual meeting?

Preliminary results will be announced at the meeting and final results will be reported in a current report on Form 8-K, which is expected to be filed with the SEC within four business days after the meeting.

Who will pay the cost of this proxy solicitation?

Allstate pays the cost of this proxy solicitation. Officers and other employees of Allstate and its subsidiaries may solicit proxies by mail, personal interview, telephone, facsimile, electronic means, or via the Internet. None of these individuals will receive special compensation for soliciting votes, which will be performed in addition to their regular duties, and some of them may not necessarily solicit proxies. Allstate also has made arrangements with brokerage firms, banks, record holders, and other fiduciaries to forward proxy solicitation materials to the beneficial owners of shares they hold on your behalf. Allstate will reimburse these intermediaries for reasonable out-of-pocket expenses. Georgeson LLC, 1290 Avenue of the Americas, 9th Floor, New York, NY 10104 has been retained to assist in the solicitation of proxies for a fee of $16,500 plus expenses.

How do I vote if I hold shares through the 401(k) Savings Plan?

If you hold Allstate common shares through the Allstate 401(k) Savings Plan, your proxy card/voting instruction form for those shares will instruct the plan trustee how to vote those shares. If you received your annual meeting materials electronically, and you hold Allstate common shares both through the plan and also directly as a registered stockholder, the voting instructions you provide electronically will be applied to both your plan shares and your registered shares. If you return a signed proxy card/voting instruction form or vote by telephone or the Internet on a timely basis, the trustee will follow your voting instructions for all Allstate common shares allocated to your plan account unless that would be inconsistent with the trustee's duties.

If your voting instructions are not received on a timely basis, the shares allocated to your plan account will be considered "unvoted." If you return a signed proxy card/ voting instruction form but do not indicate how your shares should be voted on a given matter, the shares represented by your proxy card/voting instruction form will be voted as the Board of Directors recommends. **The trustee will vote all unvoted shares and all unallocated shares held by the plan as follows:**

- If the trustee receives instructions (through voting instruction forms or through telephonic or Internet instruction) on a timely basis for at least 50% of the votable allocated shares in the plan, then it will vote all unvoted shares and unallocated shares in the same proportion and in the same manner as the shares for which timely instructions have been received, unless to do so would be inconsistent with the trustee's duties.
- If the trustee receives instructions for less than 50% of the votable allocated shares, the trustee will vote all unvoted and unallocated shares in its sole discretion. However, the trustee will not use its discretionary authority to vote on adjournment of the meeting in order to solicit further proxies.

Plan votes receive the same high level of confidentiality as all other votes. You may not vote the shares allocated to your plan account by voting in person at the meeting. You must instruct The Northern Trust Company, as trustee for the plan, how to vote your shares.

By order of the Board,

Susan L. Lees
Secretary

March 28, 2018

Appendix A – Definitions of Non-GAAP Measures

Measures that are not based on accounting principles generally accepted in the United States of America ("non-GAAP") are defined and reconciled to the most directly comparable GAAP measure. We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP measures. Our methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

Adjusted Net Income (previously called "operating income") is net income applicable to common shareholders, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in Adjusted Net Income,
- valuation changes on embedded derivatives not hedged, after-tax,
- amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements ("DSI"), to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives not hedged, after-tax,
- business combination expenses and the amortization of purchased intangible assets, after-tax,
- gain (loss) on disposition of operations, after-tax, and
- 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.

Net income applicable to common shareholders is the GAAP measure that is most directly comparable to Adjusted Net Income.

We use Adjusted Net Income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, valuation changes on embedded derivatives not hedged, business combination expenses and the amortization of purchased intangible assets, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items.

Realized capital gains and losses, valuation changes on embedded derivatives not hedged and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, Adjusted Net Income includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in Adjusted Net Income, we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments.

Business combination expenses are excluded because they are non-recurring in nature and the amortization of purchased intangible assets is excluded because it relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends.

Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends.

Accordingly, Adjusted Net Income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine Adjusted Net Income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods.

Adjusted Net Income is used by management along with the other components of net income applicable to common shareholders to assess our performance. We use adjusted measures of Adjusted Net Income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income applicable to common shareholders, Adjusted Net Income and their components separately and in the aggregate when reviewing and evaluating our performance.

We note that investors, financial analysts, financial and business media organizations and rating agencies utilize Adjusted Net Income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses Adjusted Net Income as the denominator. Adjusted Net Income should not be considered a substitute for net income applicable to common shareholders and does not reflect the overall profitability of our business.

The following table reconciles consolidated net income applicable to common shareholders and Adjusted Net Income for the years ended December 31. Taxes on adjustments to reconcile net income applicable to common shareholders and Adjusted Net Income generally use a 35% effective tax rate and are reported net of income taxes as the reconciling adjustment, except for goodwill impairment that has no income tax benefit and the Tax Legislation benefit and change in accounting for investments in qualified affordable housing projects that are adjustments directly related to tax.

						Per diluted common share				
($ in millions, except per share data)	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Net income applicable to common shareholders	$3,073	$1,761	$2,055	$2,746	$2,263	$8.36	$4.67	$5.05	$6.27	$4.81
Realized capital gains and losses, after-tax	(298)	56	(19)	(451)	(385)	(0.81)	0.15	(0.05)	(1.03)	(0.82)
Valuation changes on embedded derivatives not hedged, after-tax	—	2	1	15	16	—	—	—	0.03	0.03
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives not hedged, after-tax	10	4	3	3	5	0.03	0.01	—	0.01	0.01
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	—	—	—	—	(7)	—	—	—	—	(0.01)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(3)	(3)	(2)	(7)	7	(0.01)	(0.01)	—	(0.02)	0.01
Business combination expenses and the amortization of purchased intangible assets, after-tax	79	21	32	45	55	0.22	0.06	0.08	0.10	0.12
(Gain) loss on disposition of operations, after-tax	(13)	(3)	(2)	16	515	(0.04)	(0.01)	—	0.04	1.10
Loss on extinguishment of debt, after-tax	—	—	—	—	319	—	—	—	—	0.68
Postretirement benefits curtailment gain, after-tax	—	—	—	—	(118)	—	—	—	—	(0.25)
Change in accounting for investments in qualified affordable housing projects	—	—	45	—	—	—	—	0.11	—	—
Goodwill impairment	125	—	—	—	—	0.34	—	—	—	—
Tax Legislation benefit	(506)	—	—	—	—	(1.38)	—	—	—	—
Adjusted Net Income	$2,467	$1,838	$2,113	$2,367	$2,670	$6.71	$4.87	$5.19	$5.40	$5.68

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

The following table reconciles the Property-Liability combined ratio to the Property-Liability underlying combined ratio for the years ended December 31.

	2017	2016	2015	2014[(1)]	2013[(1)]
Combined ratio	93.6	96.0	94.7	93.9	92.0
Effect of catastrophe losses	(10.3)	(8.4)	(5.8)	(6.9)	(4.5)
Effect of prior year non-catastrophe reserve reestimates	1.6	0.1	(0.3)	0.4	0.1
Effect of amortization of purchased intangible assets	—	(0.1)	(0.1)	(0.2)	(0.3)
Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets (“underlying combined ratio”)	84.9	87.6	88.5	87.2	87.3
Effect of prior year catastrophe reserve reestimates	—	—	—	0.1	(0.3)

(1) Property-Liability results include the Allstate Protection and Discontinued Lines and Coverages segments for 2017 to 2015. Property-Liability results also include the Service Businesses segment results for 2014 and 2013.

Underwriting margin is calculated as 100% minus the combined ratio.

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

The following tables reconcile return on common shareholders' equity and Adjusted Net Income return on common shareholders' equity for the years ended December 31.

($ in millions)	2017	2016	2015	2014	2013
Return on common shareholders' equity					
Numerator:					
Net income applicable to common shareholders	$3,073	$1,761	$2,055	$2,746	$2,263
Denominator:					
Beginning common shareholders' equity[1]	$18,827	$18,279	$20,558	$20,700	$20,580
Ending common shareholders' equity[1]	20,805	18,827	18,279	20,558	20,700
Average common shareholders' equity	$19,816	$18,553	$19,419	$20,629	$20,640
Return on common shareholders' equity	15.5%	9.5%	10.6%	13.3%	11.0%

	2017	2016	2015	2014	2013
Adjusted Net Income return on common shareholders' equity					
Numerator:					
Adjusted Net Income	$2,467	$1,838	$2,113	$2,367	$2,670
Denominator:					
Beginning common shareholders' equity	$18,827	$18,279	$20,558	$20,700	$20,580
Less: Unrealized net capital gains and losses	1,053	620	1,926	1,646	2,834
Adjusted beginning common shareholders' equity	17,774	17,659	18,632	19,054	17,746
Ending common shareholders' equity	20,805	18,827	18,279	20,558	20,700
Less: Unrealized net capital gains and losses	1,662	1,053	620	1,926	1,646
Adjusted ending common shareholders' equity	19,143	17,774	17,659	18,632	19,054
Average adjusted common shareholders' equity	$18,459	$17,717	$18,146	$18,843	$18,400
Adjusted Net Income return on common shareholders' equity	13.4%	10.4%	11.6%	12.6%	14.5%

(1) Excludes equity related to preferred stock of $1,746 million, $1,746 million, $1,746 million, $1,746 million and $780 million as of December 31, 2017, 2016, 2015, 2014 and 2013, respectively.

Appendix B – Categorical Standards of Independence

In accordance with the Director Independence Standards, the Board has determined that the nature of the following relationships with the corporation do not create a conflict of interest that would impair a director's independence.

1. An Allstate director's relationship arising from (i) only such director's position as a director of another corporation or organization; (ii) only such director's direct or indirect ownership of a 5% or less equity interest in another corporation or organization (other than a partnership); (iii) both such position and such ownership; or (iv) such director's position only as a limited partner in a partnership in which he or she has an interest of 5% or less.
2. An Allstate director's relationship arising from an interest of the director, or any entity in which the director is an employee, director, partner, stockholder or officer, in or under any standard-form insurance policy or other financial product offered by the Allstate Group in the ordinary course of business.
3. An Allstate director's relationship with another company that participates in a transaction with the Allstate Group (i) where the rates or charges involved are determined by competitive bid or (ii) where the transaction involves the rendering of services as a common or contract carrier (including any airline) or public utility at rates or charges fixed in conformity with law or governmental authority.
4. An Allstate director's relationship with another company that has made payments to, or received payments from, the Allstate Group for property or services in an amount which, in the last fiscal year, does not exceed the greater of $1 million or 2% of such other company's consolidated gross revenues for such year.
5. An Allstate director's position as an executive officer of a tax-exempt organization to which the aggregate amount of discretionary contributions (other than employee matching contributions) made by the Allstate Group and The Allstate Foundation in any of the last three fiscal years of the tax-exempt organization were equal to or less than the greater of $1 million or 2% of such organization's consolidated gross revenues for such year.
6. An Allstate director's relationship with another company (i) in which the Allstate Group makes investments or (ii) which invests in securities issued by the Allstate Group or securities backed by any product issued by the Allstate Group, all in the ordinary course of such entity's investment business and on terms and under circumstances similar to those available to or from entities unaffiliated with such director.

Appendix C – Executive Officers

The following table lists the names and titles of our executive officers as of December 31, 2017. AIC refers to Allstate Insurance Company.

Name	Principal Positions and Offices Held
Thomas J. Wilson	Chair of the Board and Chief Executive Officer of The Allstate Corporation and AIC.
Matthew E. Winter	President of The Allstate Corporation and AIC.
Don Civgin	President, Emerging Businesses of AIC.
John E. Dugenske	Executive Vice President and Chief Investment Officer of AIC.
Eric K. Ferren	Senior Vice President, Controller, and Chief Accounting Officer of The Allstate Corporation and AIC.
Mary Jane Fortin	President, Allstate Financial of AIC.
Suren Gupta	Executive Vice President, Enterprise Technology and Strategic Ventures of AIC.
Harriet K. Harty	Executive Vice President, Human Resources of AIC.
Susan L. Lees	Executive Vice President, General Counsel, and Secretary of The Allstate Corporation and AIC (Chief Legal Officer).
Jesse E. Merten	Treasurer of The Allstate Corporation and Executive Vice President, Chief Risk Officer, and Treasurer of AIC.
Steven E. Shebik	Executive Vice President and Chief Financial Officer of The Allstate Corporation and AIC.

The following table lists the names and titles of our executive officers as of March 1, 2018.

Name	Principal Positions and Offices Held
Thomas J. Wilson	Chair of the Board, President, and Chief Executive Officer of The Allstate Corporation and AIC.
Steven E. Shebik	Vice Chair of The Allstate Corporation and AIC.
Don Civgin	President, Service Businesses of AIC.
John E. Dugenske	Executive Vice President and Chief Investment and Corporate Strategy Officer of AIC.
Eric K. Ferren	Senior Vice President, Controller, and Chief Accounting Officer of The Allstate Corporation and AIC.
Mary Jane Fortin	President, Allstate Financial of AIC.
Suren Gupta	Executive Vice President, Enterprise Technology and Strategic Ventures of AIC.
Harriet K. Harty	Executive Vice President, Human Resources of AIC.
Susan L. Lees	Executive Vice President, General Counsel, and Secretary of The Allstate Corporation and AIC (Chief Legal Officer).
Jesse E. Merten	Treasurer of The Allstate Corporation and Executive Vice President, Chief Risk Officer, and Treasurer of AIC.
Mario Rizzo	Executive Vice President and Chief Financial Officer of The Allstate Corporation and AIC.
Glenn T. Shapiro	President, Allstate Personal Lines of AIC.

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Business

The Allstate Corporation was incorporated under the laws of the State of Delaware on November 5, 1992 to serve as the holding company for Allstate Insurance Company. Its business is conducted principally through Allstate Insurance Company, Allstate Life Insurance Company and other subsidiaries (collectively, including The Allstate Corporation, "Allstate"). Allstate is primarily engaged in the property and casualty insurance business and the sale of life and accident and health insurance products in the United States and Canada.

The Allstate Corporation is the largest publicly held personal lines insurer in the United States. Allstate's strategy is to serve distinct customer segments with differentiated offerings. The Allstate brand is widely known through the "You're In Good Hands With Allstate®" slogan. Allstate is the 2nd largest personal property and casualty insurer in the United States on the basis of 2016 statutory direct premiums written according to A.M. Best.

In addition, according to A.M. Best, Allstate is the nation's 19th largest issuer of life insurance business on the basis of 2016 ordinary life insurance in force and 36th largest on the basis of 2016 statutory admitted assets. In this annual report on Form 10-K, we occasionally refer to statutory financial information. All domestic United States insurance companies are required to prepare statutory-basis financial statements. As a result, industry data is available that enables comparisons between insurance companies, including competitors that are not required to prepare financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). We frequently use industry publications containing statutory financial information to assess our competitive position.

To achieve its goals in 2018, Allstate is focused on the following priorities:

- *Better serve our customers*
- *Achieve target economic returns on capital*
- *Grow customer base*
- *Proactively manage investments*
- *Build long-term growth platforms*

Segment Information

We evaluate performance and make resource and capital decisions across seven reportable segments.

Reportable segments	
Allstate Protection [1]	Includes the Allstate, Encompass and Esurance brands and Answer Financial. Offers private passenger auto, homeowners, other personal lines and small commercial insurance products through agencies and directly through contact centers and the internet.
Service Businesses	Includes SquareTrade, Arity, Allstate Roadside Services and Allstate Dealer Services, which offer a broad range of products and services that expand and enhance our customer value propositions.
Allstate Life	Offers traditional, interest-sensitive and variable life insurance products through Allstate exclusive agencies and exclusive financial specialists.
Allstate Benefits	Offers voluntary benefits products, including life, accident, critical illness, short-term disability and other health products sold through workplace enrolling independent agents and Allstate exclusive agencies.
Allstate Annuities	Consists of deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements) in run-off. We exited the sale of annuities over an eight year period from 2006 to 2014. In 2006, we disposed of substantially all of the variable annuity business through reinsurance agreements.
Discontinued Lines and Coverages [1]	Relates to property and casualty insurance policies primarily written during the 1960s through the mid-1980s. Our exposure to asbestos, environmental and other discontinued lines claims arises from direct excess commercial insurance, assumed reinsurance coverage, direct primary commercial insurance and other businesses in run-off.
Corporate and Other	Includes holding company activities and certain non-insurance operations.

[1] Allstate Protection and Discontinued Lines and Coverages segments comprise Property-Liability.

To conform to the current year presentation, certain amounts in the prior years' financial information have been updated to reflect changes in reportable segments. See Notes 1, 2 and 4 of the consolidated financial statements for additional information on changes in reportable segments.

Allstate Protection Segment

Our Allstate Protection segment accounted for 91% of Allstate's 2017 consolidated insurance premiums and contract charges. In this segment, we principally offer consumer private passenger auto, homeowners, and other personal lines insurance products through agencies and directly through contact centers and the internet. Our strategy is to position our product offerings and distribution channels to meet customers' evolving needs and effectively address the risks they face.

Allstate Protection has four market-facing businesses with products and services that cater to different customer preferences for advice and brand recognition to improve our competitive position and performance.

Strategy

We serve all four consumer segments with unique products and value propositions, while leveraging our claims, pricing and operational capabilities.

Allstate brand strategy

Our strategy is to grow by positioning Allstate exclusive agencies as trusted advisors to customers and leveraging best-in-class operational capabilities. Our target customers prefer to purchase multiple products from one insurance provider, including auto, homeowners, life insurance and financial products. The Allstate brand differentiates itself by offering comprehensive product options and features through agencies that provide local advice and service, including a partnership with exclusive financial specialists to deliver life and retirement solutions.

Growth We are expanding distribution by strategically increasing the number of agency owners and licensed sales professionals based on market opportunities with a focus on penetrating underserved markets. We utilize targeted marketing, with messaging that communicates the value of our Good Hands®, the importance of having proper coverage, product options, and the ease of doing business with Allstate and our exclusive agencies.

Broader Customer Relationships Our trusted advisor initiative is a critical component to creating broader relationships by positioning agents, licensed sales professionals and exclusive financial specialists to better know their customers and their unique protection needs. Being a trusted advisor means that our agencies:

- Have a local presence that instills confidence
- Know their customers and understand the unique needs of their households
- Help our customers assess the potential risks they face
- Provide local expertise and personalized guidance on how to protect what matters most to customers by offering customized solutions
- Support customers when they have changes in their lives and during their times of need

Allstate exclusive agencies offer life and retirement solutions and can engage with exclusive financial specialists who provide expertise with advanced life and retirement cases and other financial needs of our customers.

We support our exclusive agencies and financial specialists, through marketing assistance, service and business processes, education, offering financing to grow their businesses and other resources to help them enhance the customer experience and to acquire and retain more customers.

We utilize the Net Promoter Score to measure how we serve our customers and how likely our customers are to recommend Allstate. It brings together customer survey data from our brands including Allstate, Esurance, and Encompass along with SquareTrade and Allstate Roadside Services included in our Services Businesses segment. The score is calculated by weighting the net written premium contribution of each business to the overall enterprise, with the Allstate brand comprising approximately 90% of the score. The Net Promoter Score improved 1.6 points during 2017, with Allstate brand, Esurance and SquareTrade all showing improvements.

Exclusive Agency Compensation Structure The compensation structure for Allstate exclusive agencies rewards agencies for delivering high value to customers and achieving certain business outcomes such as product profitability, net growth and household penetration. Allstate exclusive agent remuneration comprises a base commission, variable compensation and a bonus.

- Variable compensation includes factors such as customer satisfaction and life insurance and retirement policies sold relative to the size of the agency.
- Bonus compensation is based on a percentage of premiums and can be earned by agents who are meeting certain sales goals and selling additional policies to meet customer needs profitably.

Allstate exclusive agencies have the ability to earn commissions and additional bonuses on non-proprietary products provided to consumers when an Allstate product is not available.

Allstate exclusive financial specialists receive commissions for proprietary and non-proprietary sales and earn a bonus based on the volume of business produced with Allstate exclusive agents.

Allstate independent agent remuneration comprises a base commission and a bonus that can be earned by agents who achieve a target loss ratio.

Best-in-class Operational Capabilities We are actively focusing on enhancing the customer experience through the following strategic efforts:

- Improve our core operations is focused on enhanced loss cost management, expense control and customer experience. To achieve this, we are continuing to modernize our operating platform (including enhanced digital capabilities), improving estimating accuracy and optimizing vendor relationships.
- Invest in our foundation is focused on leveraging operational efficiency, mitigating risk, quality assurance and a continued pursuit to automate and simplify processes. To achieve this, we are investing in long-term growth platforms, leveraging continuous improvement, enabling consistent data and metrics, and modernizing claims handling through digitization.
- Lead into our future is focused on leveraging emerging technologies and predictive analytics to simplify the customer experience and expedite the claims process. To achieve this, we have opened several Digital Operating Centers to handle auto claims countrywide utilizing our virtual estimation capabilities, which includes estimating damage through photos and video with the use of QuickFoto Claim® and Virtual Assist℠ (video chat technology used to review supplemental damage with auto body shops). We are assessing wind and hail property claims using drones, piloted airplanes and satellite imagery.

Esurance strategy

Our strategy is to drive higher growth across all lines of business, improve our competitive position, maintain focus on expense management, and increase retention through investments in processes and operations to improve the customer experience. To best serve our self-directed customers we:

- Offer a seamless online and mobile experience.
- Provide hassle-free purchases and claims processing using regionalized call centers and intuitive tools.
- Offer a broad suite of protection products and solutions to our customers.
- Offer innovative product options and features.

Encompass strategy

Our strategy is to expand the agent footprint, geographic diversification, enhance pricing and underwriting sophistication and operational excellence in underwriting and claims processes. Over the past several years, Encompass has been executing on a profit improvement plan emphasizing pricing, governance and operational improvements at both the state and countrywide level. These actions have improved underlying profitability but led to a reduction of policies in force, new issued applications, and the renewal ratio compared to prior years for both auto and homeowners.

While profit improvement actions continue in many markets, targeted growth plans are in place for states with sustainable profitability trends and long-term growth potential. We are also focused on growing our independent agency distribution partners who understand the value of our products.

Answer Financial strategy

Our strategy as a technology-enabled insurance agency is to provide comparison shopping and related services for businesses, offering customers choice, convenience and ease of use.

Allstate Protection Pricing and Risk Management Strategies

Our pricing and underwriting strategies and decisions are designed to generate sustainable profitable growth.

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

- For auto insurance, risk evaluation factors can include, but are not limited to, vehicle make, model and year; driver age and marital status; territory;

years licensed; loss history; years insured with prior carrier; prior liability limits; prior lapse in coverage; and insurance scoring utilizing telematics data and certain consumer report information.

- For property insurance, risk evaluation factors can include, but are not limited to, the amount of insurance purchased; geographic location of the property; loss history; age, condition and construction characteristics of the property; and characteristics of the insured including insurance scoring utilizing certain consumer report information.

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

Pricing of property products is intended to establish risk-adjusted returns that are acceptable over a long-term period.

We pursue rate increases to keep pace with loss trends, including losses from catastrophic events and those that are weather-related (such as wind, hail, lightning and freeze not meeting our criteria to be declared a catastrophe). We also take into consideration potential customer disruption, the impact on our ability to market our auto and homeowners lines, regulatory limitations, our competitive position and profitability.

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

We manage our property catastrophe exposure with the goal of providing shareholders an acceptable return on the risks assumed in our property business and to reduce the variability of our earnings. Our property business includes personal homeowners, commercial property and other property insurance lines. As of December 31, 2017, we have less than a 1% likelihood of exceeding average annual aggregate catastrophe losses by $2 billion, net of reinsurance, from hurricanes and earthquakes, based on modeled assumptions and applications currently available. The use of different assumptions and updates to industry models, and updates to our risk transfer program, could materially change the projected loss. Our growth strategies include areas where we believe we can enhance diversification and earn an appropriate return for the risk and as a result our modeled exposure may increase, but in aggregate remain lower than $2 billion as noted above. In addition, we have exposure to other severe weather events, which impact catastrophe losses.

Property catastrophe exposure management includes purchasing reinsurance to provide coverage for known exposure to hurricanes, earthquakes, wildfires, fires following earthquakes and other catastrophes. We are also working to promote measures to prevent and mitigate losses and make homes and communities more resilient, including enactment of stronger building codes and effective enforcement of those codes, adoption of sensible land use policies, and development of effective and affordable methods of improving the resilience of existing structures.

Products and Distribution

Allstate Protection differentiates itself by offering solutions to meet broad-based household protection needs and a comprehensive range of innovative product options and features through distribution channels that best suit each consumer segment.

Insurance products	
Allstate brand	Auto
	Homeowners
	Specialty auto (motorcycle, trailer, motor home and off-road vehicle)
	Other personal lines (renters, condominium, landlord, boat, umbrella and manufactured home)
	Commercial lines
Esurance brand	Auto
	Homeowners
	Motorcycle
	Renters
Encompass brand	Auto
	Homeowners
	Other personal lines (renters, condominium, landlord, boat and umbrella)
Answer Financial	Comparison quotes for non-proprietary auto, homeowners and other personal lines (condominium, renters, motorcycle, recreational vehicle and boat)

Innovative product offerings and features		
Allstate brand	Your Choice Auto®	Qualified customers choose from a variety of options, such as Accident Forgiveness, Deductible Rewards®, Safe Driving Bonus® and New Car Replacement.
	Allstate House and Home®	Featured options include Claim RateGuard®, Claim-Free Bonus and flexibility in options and coverages, including graduated roof coverage and pricing based on roof type and age for damage related to wind and hail events.
	Claim Satisfaction Guarantee®	Promised return of premium to standard auto insurance customers dissatisfied with their claims experience.
	Drivewise®	Telematics-based insurance program, available in 49 states and the District of Columbia as of December 31, 2017, that uses a mobile application or an in-car device to capture driving behaviors and encourage safe driving. It provides customers with information and tools, incentives and driving challenges. For example, Allstate Rewards® provides reward points for safe driving.
	Milewise℠	Usage-based insurance product, launched in 2016, currently available as a limited market test. It gives customers flexibility to customize their insurance and pay based on the number of miles they drive.
Esurance brand	DriveSense®	Telematics-based insurance program, available in 32 states as of December 31, 2017, that uses a mobile application or an in-car device to capture driving behaviors and reward customers for safe driving.
	Esurance Pay Per Mile®	Usage-based insurance product that gives customers flexibility to customize their insurance and pay based on the number of miles they drive, currently available to a limited market.
Encompass brand	EncompassOne Policy®	Packaged insurance product with one premium, one bill, one policy deductible and one renewal date. Broad coverage options include customizable features such as enhanced accident forgiveness, new-car replacement coverage, walk-away home coverage option should the insured decide not to rebuild, flexible additional living expense coverage, water-sewer backup coverage options and roadside assistance.
Answer Financial	StreetWise	Telematics-based driving application available in all 50 states that uses location and motion settings to reward good drivers.

Distribution channels	
Allstate brand	In the U.S., we offer products through 10,430 Allstate exclusive agencies, operating in 10,300 locations, supported by 24,800 licensed sales professionals and 1,100 exclusive financial specialists. We also offer products through 2,400 independent agencies that are primarily in rural areas and through contact centers and online. In Canada, we offer Allstate brand products through 920 employee producers.
Esurance brand	Sold to customers online, through contact centers or through select agents.
Encompass brand	Distributed through 2,500 independent agencies.
Answer Financial	Comparison quotes offered to customers online or through contact centers.

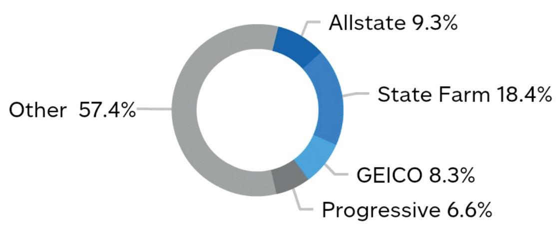
Allstate exclusive agencies also support the Service Businesses, Allstate Life and Allstate Benefits segments through offering roadside assistance, life insurance and voluntary benefits products.

When an Allstate product is not available, we may offer non-proprietary products to consumers through arrangements made with other companies, agencies, and brokers. As of December 31, 2017, Allstate agencies had approximately $1.4 billion of non-proprietary personal insurance premiums under management, primarily related to property business in hurricane exposed areas, and approximately $210 million of non-proprietary commercial insurance premiums under management. Additionally, we offer a homeowners product through our subsidiary North Light Specialty Insurance Company in certain areas with higher risk of catastrophes or where customers do not meet our standard underwriting profile.

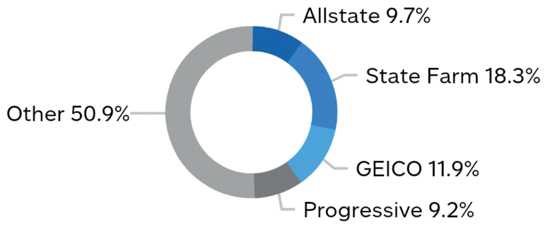
Competition

The markets for personal lines insurance, which includes private passenger auto and homeowners insurance, are highly competitive. The following charts provide Allstate Protection's market share compared to our principal competitors in the U.S. using statutory direct written premium for the year ended December 31, 2016, according to A.M. Best.

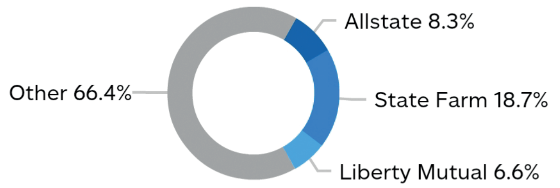
Personal Lines Insurance



Private Passenger Auto Insurance



Homeowners Insurance



Esurance is among the top 25 largest providers of personal property and casualty insurance products in the U.S., and Encompass is among the top 20 largest providers of personal property and casualty insurance products through independent agencies in the U.S., based on statutory direct written premium according to A.M. Best for 2016.

Our customer-focused strategy enables us to address changing needs in a targeted manner. This includes different brands, the scope and type of distribution system, price and the breadth of product offerings, product features, customer service, claims handling, and use of technology.

Geographic Markets

Our principal geographic markets are in the U.S. Through various subsidiaries, we are authorized to sell a variety of personal property and casualty products in all 50 states, the District of Columbia, Puerto Rico and Canada. The top U.S. geographic markets are reflected below.

Geographic distribution of premiums earned [1] [2]	
Texas	11.6%
California	9.9
New York	8.9
Florida	7.0

[1] Based on 2017 information contained in statements filed with the state insurance departments.

[2] No other jurisdiction accounted for more than 5 percent.

Service Businesses Segment

Service Businesses include SquareTrade, Arity, Allstate Roadside Services and Allstate Dealer Services, which offer a broad range of products and services that expand and enhance customer value propositions. Our strategy is to deliver superior value propositions and build strategic platforms to connect and engage with customers and effectively address their changing needs and preferences.

Strategy

SquareTrade®	Rapidly grow new and existing domestic retail customer accounts and expand internationally while increasing profitability and returns.
Arity℠	Build a strategic mobility platform that provides data and analytics solutions to insurance customers, consumers and other businesses (including government agencies) on a recurring basis.
Allstate Roadside Services®	Digitize the roadside assistance business and enhance capabilities to deliver a superior customer experience while lowering costs in the customer assistance centers and optimizing the rescue network.
Allstate Dealer Services®	Leverage relationships with auto dealerships while improving operational efficiency and profitability.

Products and Distribution

Products and services	
SquareTrade	A leading and innovative provider of consumer electronics and appliance protection plans, covering products including TVs, smartphones and computers. Under these protection plans, SquareTrade agrees to repair, replace or indemnify the customer for the cost to repair or replace consumer goods from mechanical or electrical failure due to normal wear and tear after expiration of the term of the original manufacturer's warranty. Our protection plans also provide additional coverages beyond the manufacturer's warranty, and in certain cases, accidental damage from handling.
Arity	A connected car technology and data analytics company with offerings including device and mobile data collection services, analytics and customer risk assessment solutions and telematics services.
Allstate Roadside Services	A leading roadside assistance provider in North America offering towing, jump-start, lockout, fuel delivery, and tire change services to retail customers and customers of our wholesale partners. Good Hands Rescue® is a 24/7 pay-per-use service offered through a mobile application that connects users to a select network of countrywide providers to assist with emergencies.
Allstate Dealer Services	Offers finance and insurance products through independent agencies and brokers to auto dealerships countrywide. Products primarily include vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel protection, and paintless dent repair protection.

Distribution channels	
SquareTrade	Distributed primarily through many of the U.S.'s major retailers and mobile operators in Europe.
Arity	Allstate and Esurance brands and Answer Financial use Arity's services through their Drivewise, DriveSense and StreetWise telematics solutions. In 2017, Arity began providing services to non-affiliates.
Allstate Roadside Services	Distributed through Allstate exclusive agencies, relationships with wholesale partners, affinity groups and through a mobile application. We serve customers through a combination of proprietary and third party services, Allstate-branded and pay-per-use plans.
Allstate Dealer Services	These products and services are distributed nationwide by independent agencies and brokers through auto dealerships in the U.S. to customers in conjunction with the purchase of a new or used vehicle.

Geographic Markets

The Service Businesses primarily operate in the U.S., with certain businesses offering services in Europe, Canada and Puerto Rico.

Competition

We compete on a wide variety of factors, including product offerings, brand recognition, financial strength, price, distribution and the customer experience. The market for these products and services continues to be highly fragmented and competitive.

Allstate Life Segment

Strategy

The Allstate Life segment's product offerings position Allstate exclusive agencies and financial specialists as trusted advisors. We also distribute non-proprietary retirement product solutions offered by third-party providers. Our target customers are those who prefer local personalized advice and service and are brand-sensitive.

Our strategy is to deepen Allstate customer relationships by fully integrating into the Allstate brand customer value proposition while modernizing our operating model through tailored distribution support, product innovation and enhancing the underwriting process. Our product positioning provides solutions to help meet customer needs during various life stages. Basic mortality protection solutions are provided through less complex products, such as term and whole life insurance, sold primarily through exclusive agents and licensed sales professionals. More advanced mortality and financial planning solutions such as universal life are provided primarily through exclusive financial specialists.

Many Allstate exclusive agencies partner with exclusive financial specialists to deliver life and retirement solutions. These specialists have expertise with advanced life and retirement cases and other financial needs of customers. Successful partnerships assist agencies with building stronger and deeper customer relationships. Sales producer education and technology improvements are being made to ensure agencies have the tools and information needed to help customers meet their needs and build personal relationships as trusted advisors.

Products and Distribution

Insurance products	
Term life	Interest-sensitive life
Whole life	Variable life

Distribution channel
Allstate exclusive agencies and 1,100 exclusive financial specialists. The majority of life insurance business written involves exclusive financial specialists, including referrals from exclusive agencies and licensed sales professionals.

Allstate exclusive agencies and exclusive financial specialists also sell certain non-proprietary products, including mutual funds, fixed and variable annuities, disability insurance, and long-term care insurance to provide a broad suite of protection and retirement products. As of December 31, 2017, Allstate agencies had approximately $16.8 billion of non-proprietary mutual funds and fixed and variable annuity account balances under management. New and additional deposits into these non-proprietary products were $2.1 billion in 2017.

Competition

We compete on a wide variety of factors, including product offerings, brand recognition, financial strength and ratings, price, distribution and the level of customer service. The market for life insurance continues to be highly fragmented and competitive. As of December 31, 2016, there were approximately 370 groups of life insurance companies in the United States.

Geographic Markets

Through subsidiaries, we are authorized to sell various types of these products in all 50 states, the District of Columbia and Puerto Rico. The top geographic markets are reflected below.

Geographic distribution of statutory direct premiums [1]	
New York	19.0%
California	10.3
Texas	8.7
Florida	6.1
Illinois	5.9

[1] No other jurisdiction accounted for more than 5 percent.

Allstate Benefits Segment

Strategy

The Allstate Benefits segment provides consumers with financial protection against the risk of accidents, illness, and mortality. We are an industry leader in the rapidly growing voluntary benefits market, offering a broad range of products through workplace enrollment. Market trends for voluntary benefits are favorable as the market has doubled in size over the last decade, driven by the ability of voluntary benefits to fill the increasing financial burden placed on employees from employers seeking to contain rising benefit costs. We have introduced new products and enhanced existing products to address these financial gaps by providing protection for catastrophic events such as a critical illness, accident or hospital stay. We are expanding our life capabilities, offering employer paid group term life in addition to employee paid individual and group term and permanent life solutions.

Our products are offered through a network of independent agents and Allstate exclusive agencies. We differentiate ourselves by offering a broad product portfolio, flexible enrollment solutions and technology (including significant presence on employer benefit administration systems), and our strong national accounts team, as well as the well-recognized Allstate brand.

Our strategy for growth includes investing in new generation enrollment and administrative technology to improve our customer experience and modernize our operating model, continued expansion of our national accounts team relationships, deeper engagement with independent agents and Allstate agencies, and continued investment in product innovation.

Products and Distribution

Our target customers are middle market consumers with family financial protection needs employed by small, medium and large sized firms.

Voluntary benefits products	
Life	Short-term disability
Accident	Other health
Critical illness	

Distribution channels
Our primary distribution channel continues to be through 6,000 workplace enrolling independent agents.
We also distribute products using Allstate exclusive agencies, focusing on small employers.

Competition

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

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

Geographic Markets

Through subsidiaries, we are authorized to sell voluntary benefits products in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and Canada. The top geographic markets are reflected below.

Geographic distribution of statutory direct premiums [1]	
Florida	11.9%
Texas	11.5
North Carolina	6.3
Georgia	5.1

[1] No other jurisdiction accounted for more than 5 percent.

Allstate Annuities Segment

Strategy

The Allstate Annuities segment consists of deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements). The segment is in run-off and is focused on increasing lifetime economic value. Both the deferred and immediate annuity businesses have been adversely impacted by the historically low interest rate environment. Our immediate annuity business has also been impacted by medical advancements that have resulted in annuitants living longer than anticipated when many of these contracts were originated.

Allstate Annuities focuses on the distinct risk and return profiles of the specific products when developing investment and liability management strategies. The level of legacy deferred annuities in force has been significantly reduced and the investment portfolio and crediting rates are proactively managed to improve profitability of the business while providing appropriate levels of liquidity.

The investment portfolio supporting our immediate annuities is managed to ensure the assets match the characteristics of the liabilities and provide the long-term returns needed to support this business. To better match the long-term nature of our immediate annuities, we continue to increase performance-based investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic asset or operating performance. While we anticipate higher returns on these investments over time, the investment income can vary significantly between periods.

We continue to review strategic options to reduce exposure and improve returns of the business. As a result, we may take additional operational and financial actions that offer return improvement and risk reduction opportunities.

Products and Distribution

We previously offered and continue to have in force deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements). We exited the continuing sale of annuities over an eight year period from 2006 to 2014, reflecting our expectations of declining returns. In 2006, we disposed of substantially all of the variable annuity business through reinsurance agreements. For discussion of non-proprietary retirement and investment products sold through our Allstate exclusive agencies and exclusive financial specialists, see the Allstate Life Segment of this report.

Other Business Segments

Discontinued Lines and Coverages Segment

The Discontinued Lines and Coverages segment includes results from property and casualty insurance coverage that primarily relates to policies written during the 1960s through the mid-1980s.

Strategy We have assigned management of this segment to a designated group of professionals with expertise in claims handling, policy coverage interpretation, exposure identification and reinsurance collection. As part of its responsibilities, this group may at times be engaged in policy buybacks, settlements and reinsurance assumed and ceded commutations.

We may continue to experience development in the reserves established for asbestos and/or environmental losses in the future, which could be due to the potential adverse impact of new information relating to new and additional claims or the impact of resolving unsettled claims based on unanticipated events such as arbitrations, litigation, legislative, judicial or regulatory actions. Environmental losses may also increase as the result of additional funding for environmental site cleanup.

We continue to address challenges related to the concentration of insurance and reinsurance claims from companies who specialize in this business.

Corporate and Other Segment

Our Corporate and Other segment is comprised of holding company activities and certain non-insurance operations.

Forward-Looking Statements

This report contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. We believe these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements include risks related to:

Insurance Industry Risks (1) adverse changes in the nature and level of catastrophes and severe weather events; (2) our catastrophe management strategy on premium growth; (3) unexpected increases in the frequency or severity of claims; (4) the cyclical nature of the property and casualty business; (5) the availability of reinsurance at current levels and prices; (6) risk of our reinsurers; (7) changing climate and weather conditions; (8) changes in underwriting and actual experience; (9) changes in reserve estimates; (10) changes in estimates of profitability on interest-sensitive life products

Financial Risks (11) conditions in the global economy and capital markets; (12) a downgrade in our financial strength ratings; (13) the effect of adverse capital and credit market conditions; (14) possible impairments in the value of goodwill; (15) the realization of deferred tax assets; (16) restrictions on our subsidiaries’ ability to pay dividends; (17) restrictions under the terms of certain of our securities on our ability to pay dividends or repurchase our stock

Investment Risks (18) market risk and declines in credit quality relating to our investment portfolio; (19) our subjective determination of the amount of realized capital losses recorded for impairments of our investments and the fair value of our fixed income and equity securities; (20) the influence of changes in market interest rates or performance-based investment returns on our annuity business

Operational Risks (21) impacts of new or changing technologies, including those impacting personal transportation, on our business; (22) failure in cyber or other information security, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning; (23) the impact of a large scale pandemic, the threat or occurrence of terrorism or military action; (24) loss of key vendor relationships or failure of a vendor to protect confidential, proprietary and personal information; (25) intellectual property infringement, misappropriation and third party claims

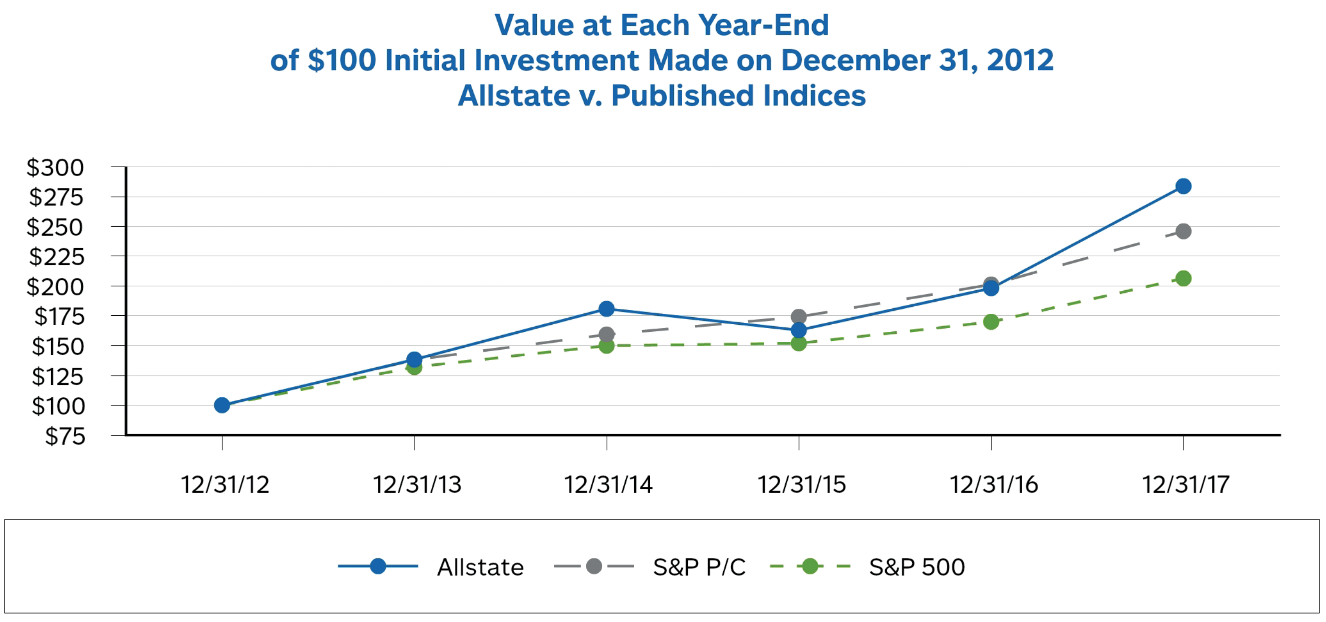
Regulatory and Legal Risks (26) regulatory changes, including limitations on rate increases and requirements to underwrite business and participate in loss sharing arrangements; (27) regulatory reforms and restrictive regulations; (28) changes in tax laws; (29) our ability to mitigate the capital impact associated with statutory reserving and capital requirements; (30) changes in accounting standards; (31) losses from legal and regulatory actions; (32) our participation in state industry pools and facilities; (33) impacts from the Covered Agreement, including changes in state insurance laws

Strategic Risks (34) competition in the insurance industry; (35) market convergence and regulatory changes on our risk segmentation and pricing; (36) acquisitions and divestitures of businesses; and (37) reducing our concentration in spread-based business and exiting certain distribution channels

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

Common stock performance graph

The following performance graph compares the cumulative total shareholder return on Allstate Common Stock for a five-year period (December 31, 2012 to December 31, 2017) with the cumulative total return of the S&P Property and Casualty Insurance Index (S&P P/C) and the S&P's 500 stock index.



Value at each year-end of $100 initial investment made on December 31, 2012

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Allstate	$ 100.00	$ 138.26	$ 180.93	$ 163.00	$ 198.05	$ 283.74
S&P P/C	$ 100.00	$ 138.13	$ 159.42	$ 174.29	$ 201.30	$ 245.90
S&P 500	$ 100.00	$ 132.04	$ 149.89	$ 151.94	$ 169.82	$ 206.49

Selected Financial Data

5-year summary of selected financial data ($ in millions, except per share data and ratios)	2017	2016	2015	2014	2013
Consolidated Operating Results					
Insurance premiums and contract charges	$ 34,678	$ 33,582	$ 32,467	$ 31,086	$ 29,970
Net investment income	3,401	3,042	3,156	3,459	3,943
Realized capital gains and losses	445	(90)	30	694	594
Total revenues	38,524	36,534	35,653	35,239	34,507
Net income applicable to common shareholders	3,073	1,761	2,055	2,746	2,263
Net income applicable to common shareholders per common share:					
Net income applicable to common shareholders per common share - Basic	8.49	4.72	5.12	6.37	4.87
Net income applicable to common shareholders per common share - Diluted	8.36	4.67	5.05	6.27	4.81
Cash dividends declared per common share	1.48	1.32	1.20	1.12	1.00
Consolidated Financial Position					
Investments	$ 82,803	$ 81,799	$ 77,758	$ 81,113	$ 81,155
Total assets [(1)]	112,422	108,610	104,656	108,479	123,460
Reserves for claims and claims expense, life-contingent contract benefits and contractholder funds	58,308	57,749	57,411	57,832	58,547
Long-term debt	6,350	6,347	5,124	5,140	6,141
Shareholders' equity	22,551	20,573	20,025	22,304	21,480
Shareholders' equity per diluted common share	57.58	50.77	47.34	48.24	45.31

(1) As of December 31, 2013, total assets include $11.98 billion of investments that were classified as held for sale relating to the sale of Lincoln Benefit Life Company.

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 5-year summary of selected financial data, consolidated financial statements and related notes.

In fourth quarter 2017, we changed from four to seven reportable segments. These segments align with our key product and service offerings and reflect the manner in which our chief operating decision maker reviews performance and makes decisions about the allocation of resources. To conform to the current year presentation, certain amounts in the prior years' financial information have been updated to reflect changes in reportable segments. For additional information on the changes in reportable segments, see Notes 1, 2 and 4 of the consolidated financial statements.

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

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

Measuring segment profit or loss

The measure of segment profit or loss used in evaluating performance is underwriting income for the Allstate Protection and Discontinued Lines and Coverages segments and adjusted net income for the Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, and Corporate and Other segments.

Underwriting income is calculated as premiums earned, less claims and claims expense ("losses"), amortization of DAC, operating costs and expenses 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 the profitability of the Property-Liability insurance operations separately from investment results. Underwriting income is reconciled to net income applicable to common shareholders in the Property-Liability Results section of Management's Discussion and Analysis ("MD&A").

Adjusted net income is net income applicable to common shareholders, excluding:

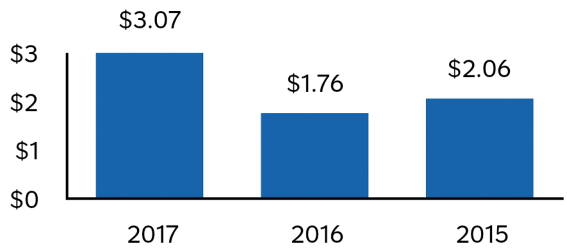
- Realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in adjusted net income
- Valuation changes on embedded derivatives not hedged, after-tax
- Amortization of DAC and DSI, to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives not hedged, after-tax
- Business combination expenses and the amortization of purchased intangible assets, after-tax
- Gain (loss) on disposition of operations, after-tax
- 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

Adjusted net income is reconciled to net income applicable to common shareholders in the Service Businesses, Allstate Life, Allstate Benefits and Allstate Annuities Segment sections of MD&A.

2017 Highlights

Consolidated Net Income

($ in billions)

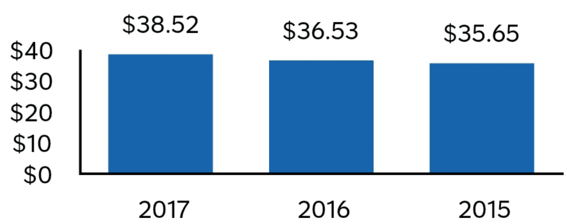


2017 vs. 2016 - Increase was primarily due to higher Allstate Protection insurance premiums, a tax benefit from the Tax Legislation, net realized capital gains in 2017 compared to net realized capital losses in 2016, higher net investment income, lower claims and claims expense, partially offset by higher catastrophe losses. The Property-Liability combined ratio was 93.6 in 2017 compared to 96.0 in 2016.

2016 vs. 2015 - Decrease was primarily due to higher claims and claims expense and catastrophe losses, net realized capital losses in 2016 compared to net realized capital gains in 2015 and lower net investment income, partially offset by higher Allstate Protection insurance premiums.

Total Revenue

($ in billions)

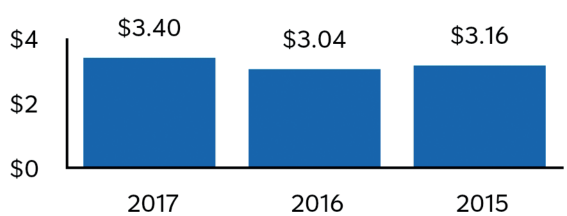


2017 vs. 2016 - Increase was primarily due to higher Allstate Protection insurance premiums, net realized capital gains in 2017 compared to net realized capital losses in 2016, higher net investment income and the acquisition of SquareTrade.

2016 vs. 2015 - Increase was primarily due to higher Allstate Protection insurance premiums and life and annuity premiums and contract charges, partially offset by net realized capital losses in 2016 compared to net realized capital gains in 2015 and lower net investment income.

Net Investment Income

($ in billions)



2017 vs. 2016 - 2017 benefited from strong performance-based results, primarily from limited partnerships, an increase in invested assets and stable market-based yields, partially offset by higher employee-related expenses. Limited partnership income reflects continued growth of our performance-based portfolio and included asset appreciation and sales of underlying investments.

2016 vs. 2015 - Decrease was primarily due to lower fixed income yields resulting from lower market yields and portfolio repositioning (including both the 2015 maturity profile shortening in the portfolio supporting annuity

Segment Highlights

Allstate Protection underwriting income totaled $2.11 billion in 2017, a 59.1% increase from $1.33 billion in 2016, primarily due to increased premiums earned, higher favorable prior year reserve reestimates and lower loss costs, partially offset by higher catastrophe losses.

Service Businesses adjusted net loss was $59 million in 2017 compared to adjusted net income of $3 million in 2016. The loss in 2017 was primarily due to investments in Arity's research and development, strategic investments in SquareTrade and Allstate Roadside Services, a SquareTrade restructuring charge and Hurricane Harvey's impacts on Allstate Dealer Services. Premiums written totaled $1.09 billion in 2017, an increase of 54.3% from $709 million in 2016, primarily due to the acquisition of SquareTrade.

Allstate Life adjusted net income was $253 million in 2017 compared to $247 million in 2016. The increase was primarily due to higher premiums and contract charges, partially offset by higher contract benefits and operating costs and expenses. Premiums and contract charges totaled $1.28 billion in 2017, an increase of 2.4% from $1.25 billion in 2016.

Allstate Benefits adjusted net income was $95 million in 2017 compared to $100 million in 2016. The decrease was primarily due to higher contract benefits and operating costs and expenses, partially offset by higher premiums and contract charges. Premiums and contract charges totaled $1.08 billion in 2017, an increase of 7.2% from $1.01 billion in 2016.

Allstate Annuities adjusted net income was $204 million in 2017 compared to $101 million in 2016. The increase was primarily due to higher net investment income, lower interest credited to contractholder funds and lower contract benefits. Net investment income increased 10.5% to $1.31 billion in 2017 from $1.18 billion in 2016.

Tax Reform

On December 22, 2017, Public Law 115-97, known as the Tax Cuts and Jobs Act of 2017 ("Tax Legislation") became effective, permanently reducing the U.S. corporate income tax rate from 35% to 21% beginning January 1, 2018. The Law changed the international system of taxation to a modified territorial system. The Tax Legislation resulted in a revaluation of Allstate's deferred tax assets and liabilities and the recognition of a transition tax liability for non-U.S. income from international subsidiaries, resulting in a $506 million reduction to income tax expense or a $1.38 per share benefit to earnings per common share for the year ended December 31, 2017. The impact of Tax Legislation is excluded from adjusted net income when evaluating segment performance.

We anticipate an effective tax rate between 19% and 20% for 2018. The actual effective tax rate in 2018 may differ from our estimate. The reduced applicable tax rate is expected to result in overall lower tax expense beginning in 2018, a portion of which will be used to accelerate growth investments and improve the employee value propositions. For a more detailed discussion of the Tax Legislation, see Note 15 of the consolidated financial statements.

Other Financial Highlights

Book value per diluted common share (ratio of common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was $57.58 as of December 31, 2017, an increase of 13.4% from $50.77 as of December 31, 2016.

Investments totaled $82.80 billion as of December 31, 2017, increasing from $81.80 billion as of December 31, 2016.

Return on average common shareholders' equity For the twelve months ended December 31, 2017, return on the average of beginning and ending period common shareholders' equity of 15.5% increased by 6.0 points from 9.5% for the twelve months ended December 31, 2016.

Shareholders' equity As of December 31, 2017, shareholders' equity was $22.55 billion. This total included $1.95 billion in deployable assets at the parent holding company level comprising cash and investments that are generally saleable within one quarter.

SquareTrade Acquisition On January 3, 2017, we acquired SquareTrade, a consumer product protection plan provider that distributes through many of America's major retailers and Europe's mobile operators, for $1.4 billion in cash. SquareTrade provides consumer electronic and appliance protection plans, covering products including TVs, smartphones and computers. This acquisition broadens Allstate's unique product offerings to better meet consumers' needs.

Pension settlement loss During 2017, the Company's qualified employee pension plan 2017 lump sum payments exceeded a threshold of service and interest cost, which resulted in a pension settlement loss of $122 million, pre-tax, and was recorded as part of operating costs and expenses in the Corporate and Other segment.

Goodwill impairment In conjunction with the adoption of new reportable segments in fourth quarter 2017, we recognized goodwill impairment of $125 million for goodwill allocated to the Allstate Annuities reporting unit. The impairment was recorded within the Corporate and Other segment.

Consolidated Net Income ($ in millions)	2017	2016	2015
Revenues			
Property and casualty insurance premiums	$ 32,300	$ 31,307	$ 30,309
Life premiums and contract charges	2,378	2,275	2,158
Net investment income	3,401	3,042	3,156
Realized capital gains and losses:			
Total other-than-temporary impairment ("OTTI") losses	(146)	(313)	(452)
OTTI losses reclassified to (from) other comprehensive income	(4)	10	36
Net OTTI losses recognized in earnings	(150)	(303)	(416)
Sales and other realized capital gains and losses	595	213	446
Total realized capital gains and losses	445	(90)	30
Total revenues	**38,524**	**36,534**	**35,653**
Costs and expenses			
Property and casualty insurance claims and claims expense	(21,929)	(22,221)	(21,034)
Life contract benefits	(1,923)	(1,857)	(1,803)
Interest credited to contractholder funds	(690)	(726)	(761)
Amortization of deferred policy acquisition costs	(4,784)	(4,550)	(4,364)
Operating costs and expenses	(4,658)	(4,106)	(4,081)
Restructuring and related charges	(109)	(30)	(39)
Goodwill impairment	(125)	—	—
Interest expense	(335)	(295)	(292)
Total costs and expenses	**(34,553)**	**(33,785)**	**(32,374)**
Gain on disposition of operations	20	5	3
Income tax expense [(1)]	(802)	(877)	(1,111)
Net income	**3,189**	**1,877**	**2,171**
Preferred stock dividends	(116)	(116)	(116)
Net income applicable to common shareholders	**$ 3,073**	**$ 1,761**	**$ 2,055**

[(1)] 2017 results include a Tax Legislation benefit of $506 million. For further information on the impacts of the Tax Legislation, see Note 15 of the consolidated financial statements. 2017 results also include a tax benefit of $63 million related to the adoption of the new accounting standard for share-based payments on January 1, 2017. For a description of these changes, see Note 2 of the consolidated financial statements.

Property-Liability Operations

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

We do not allocate Property-Liability investment income, realized capital gains and losses, or assets to the Allstate Protection and Discontinued Lines and Coverages segments. Management reviews assets at the Property-Liability level for decision-making purposes.

The table below includes GAAP operating ratios we use to measure our profitability. We believe that they enhance an investor's understanding of our profitability. They are calculated as follows:

- Loss ratio - the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.
- Expense ratio - the ratio of amortization of DAC, operating costs and expenses, and restructuring and related charges to premiums earned.
- Combined ratio - the ratio of claims and claims expense, amortization of DAC, operating costs and expenses, and restructuring and related charges to premiums earned. The combined ratio is the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of premiums earned, or underwriting margin.

We have also calculated the following impacts of specific items on the GAAP operating ratios because of the volatility of these items between fiscal periods.

- Effect of catastrophe losses on combined ratio - the ratio of catastrophe losses included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- Effect of prior year reserve reestimates on combined ratio - the ratio of prior year reserve reestimates included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- Effect of amortization of purchased intangible assets on combined ratio - the ratio of amortization of purchased intangible assets to premiums earned. Amortization of purchased intangible assets is reported in operating costs and expenses on the Consolidated Statements of Operations.
- Effect of restructuring and related charges on combined ratio - the ratio of restructuring and related charges to premiums earned.
- Effect of Discontinued Lines and Coverages on combined ratio - the ratio of claims and claims expense and operating costs and expenses in the Discontinued Lines and Coverages segment to Property-Liability premiums earned. The sum of the effect of Discontinued Lines and Coverages on the combined ratio and the Allstate Protection combined ratio is equal to the Property-Liability combined ratio.

Summarized financial data ($ in millions, except ratios)	2017	2016	2015
Premiums written	$ 31,648	$ 30,891	$ 30,115
Revenues			
Premiums earned	$ 31,433	$ 30,727	$ 29,748
Net investment income	1,478	1,253	1,226
Realized capital gains and losses	401	(6)	(237)
Total revenues	**33,312**	**31,974**	**30,737**
Costs and expenses			
Claims and claims expense	(21,566)	(21,968)	(20,771)
Amortization of DAC	(4,205)	(4,053)	(3,933)
Operating costs and expenses	(3,559)	(3,457)	(3,440)
Restructuring and related charges	(91)	(29)	(38)
Total costs and expenses	**(29,421)**	**(29,507)**	**(28,182)**
Gain on disposition of operations [1]	14	—	—
Income tax expense [2]	(1,318)	(806)	(867)
Net income applicable to common shareholders	**$ 2,587**	**$ 1,661**	**$ 1,688**
Underwriting income	$ 2,012	$ 1,220	$ 1,566
Net investment income	1,478	1,253	1,226
Income tax expense on operations [2]	(1,119)	(812)	(922)
Realized capital gains and losses, after-tax	272	—	(154)
Gain on disposition of operations, after-tax [1]	9	—	—
Change in accounting for investments in qualified affordable housing projects	—	—	(28)
Tax Legislation expense	(65)	—	—
Net income applicable to common shareholders	**$ 2,587**	**$ 1,661**	**$ 1,688**
Catastrophe losses [3]	$ 3,228	$ 2,571	$ 1,719
Operating ratios			
Claims and claims expense ratio	68.6	71.5	69.8
Expense ratio	25.0	24.5	24.9
Combined ratio	93.6	96.0	94.7
Effect of catastrophe losses on combined ratio	10.3	8.4	5.8
Effect of prior year reserve reestimates on combined ratio [4]	(1.6)	(0.1)	0.3
Effect of amortization of purchased intangible assets on combined ratio	—	0.1	0.1
Effect of restructuring and related charges on combined ratio	0.3	0.1	0.1
Effect of Discontinued Lines and Coverages on combined ratio	0.3	0.3	0.2

[1] 2017 results represent the conclusion of a contractual arrangement related to the sale of Sterling Collision Centers, Inc. in 2014.

[2] 2017 results include a tax benefit of $62 million related to the adoption of the new accounting standard for share-based payments on January 1, 2017.

[3] Prior year reserve reestimates included in catastrophe losses totaled $18 million favorable, $6 million unfavorable and $15 million favorable in 2017, 2016 and 2015, respectively, and had no effect on the combined ratio for all periods presented.

[4] Prior year reserve reestimates totaled $505 million favorable, $21 million favorable and $79 million unfavorable in 2017, 2016 and 2015, respectively.

Net investment income increased 18.0% or $225 million to $1.48 billion in 2017 from $1.25 billion in 2016 after increasing 2.2% in 2016 compared to 2015. The 2017 increase benefited from strong performance-based results, primarily from limited partnerships, an increase in invested assets and stable market-based yields, partially offset by higher employee-related expenses. Limited partnership income included asset appreciation and sales of underlying investments. The 2016 increase was primarily due to higher equity dividends and higher limited partnership income.

Net investment income

	For the years ended December 31,		
($ in millions)	2017	2016	2015
Fixed income securities	$ 909	$ 870	$ 873
Equity securities	122	95	81
Mortgage loans	12	11	15
Limited partnership interests	432	269	262
Short-term investments	17	9	6
Other	100	89	75
Investment income, before expense	1,592	1,343	1,312
Investment expense [1]	(114)	(90)	(86)
Net investment income	**$ 1,478**	**$ 1,253**	**$ 1,226**

[1] Investment expense includes $22 million, $19 million and $14 million of investee level expenses in 2017, 2016 and 2015, respectively. Investee level expenses include depreciation and asset level operating expenses on directly held real estate and other consolidated investments.

Realized capital gains and losses in 2017 primarily related to net gains on sales, as well as gains from valuation changes in public securities held in certain limited partnerships, partially offset by impairment and change in intent write-downs, and derivative valuation losses. Realized capital gains and losses in 2016 primarily related to impairment and change in intent write-downs, offset by net gains on sales.

Realized capital gains and losses

	For the years ended December 31,		
($ in millions)	2017	2016	2015
Impairment write-downs	$ (56)	$ (130)	$ (132)
Change in intent write-downs	(44)	(56)	(156)
Net other-than-temporary impairment losses recognized in earnings	(100)	(186)	(288)
Sales and other	531	185	85
Valuation and settlements of derivative instruments	(30)	(5)	(34)
Realized capital gains and losses, pre-tax	401	(6)	(237)
Income tax (expense) benefit	(129)	6	83
Realized capital gains and losses, after-tax	**$ 272**	**$ —**	**$ (154)**

Allstate Protection Segment

We principally offer consumer private passenger auto, homeowners, and other personal lines insurance products through agencies and directly through contact centers and the internet. Our strategy is to position our product offerings and distribution channels to meet customers' evolving needs and effectively address the risks they face. For additional information on our strategy and outlook, see Business - Segment information.

Underwriting results

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written	$ 31,648	$ 30,888	$ 30,115
Premiums earned	$ 31,433	$ 30,727	$ 29,748
Claims and claims expense	(21,470)	(21,863)	(20,718)
Amortization of DAC	(4,205)	(4,053)	(3,933)
Other costs and expenses	(3,556)	(3,455)	(3,438)
Restructuring and related charges	(91)	(29)	(38)
Underwriting income	**$ 2,111**	**$ 1,327**	**$ 1,621**
Catastrophe losses	$ 3,228	$ 2,571	$ 1,719
Underwriting income (loss) by line of business			
Auto	$ 1,298	$ 156	$ 23
Homeowners	658	1,075	1,431
Other personal lines [(1)]	124	160	175
Commercial lines	(19)	(110)	(40)
Other business lines [(2)]	51	53	40
Answer Financial	(1)	(7)	(8)
Underwriting income	**$ 2,111**	**$ 1,327**	**$ 1,621**

[(1)] Other personal lines include renters, condominium, landlord and other personal lines products.

[(2)] Other business lines primarily include Ivantage, a general agency for Allstate exclusive agencies. Ivantage provides agencies a solution for their customers when coverage through Allstate brand underwritten products is not available.

Changes in underwriting results from prior year by component and by line of business [(1)]

	For the years ended December 31, Auto		Homeowners		Other personal lines		Commercial lines		Allstate Protection [(2)]	
($ in millions)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Underwriting income (loss) - prior year	$ 156	$ 23	$ 1,075	$ 1,431	$ 160	$ 175	$ (110)	$ (40)	$ 1,327	$ 1,621
Changes in underwriting income (loss) from:										
Increase (decrease) premiums earned	614	854	53	121	50	8	(11)	(4)	706	979
(Increase) decrease incurred claims and claims expense ("losses"):										
Incurred losses, excluding catastrophe losses and reserve reestimates	623	(500)	(46)	14	(29)	26	51	(6)	599	(468)
Catastrophe losses, excluding reserve reestimates	(150)	(321)	(526)	(443)	(12)	(58)	7	(9)	(681)	(831)
Non-catastrophe reserve reestimates	328	193	89	13	(5)	27	39	(60)	451	175
Catastrophe reserve reestimates	7	(8)	18	(13)	(5)	—	4	—	24	(21)
Losses subtotal	808	(636)	(465)	(429)	(51)	(5)	101	(75)	393	(1,145)
(Increase) decrease expenses	(280)	(85)	(5)	(48)	(35)	(18)	1	9	(315)	(128)
Underwriting income (loss)	**$ 1,298**	**$ 156**	**$ 658**	**$ 1,075**	**$ 124**	**$ 160**	**$ (19)**	**$ (110)**	**$ 2,111**	**$ 1,327**

[(1)] The 2017 column presents changes in 2017 compared to 2016. The 2016 column presents changes in 2016 compared to 2015.

[(2)] Includes other business lines underwriting income of $51 million and $53 million in 2017 and 2016, respectively, and Answer Financial underwriting loss of $1 million and $7 million in 2017 and 2016, respectively.

Underwriting income totaled $2.11 billion in 2017, a 59.1% increase from $1.33 billion in 2016, primarily due to increased premiums earned, lower loss costs and higher favorable prior year reserve reestimates, partially offset by higher catastrophe losses. Underwriting income totaled $1.33 billion in 2016, an 18.1% decrease from $1.62 billion in 2015, primarily due to higher catastrophe losses and rising loss costs, partially offset by increased premiums earned.

Premiums written is the amount of premiums charged for policies issued during a fiscal period. Premiums are considered earned and are included in the financial results on a pro-rata basis over the policy period. The portion of premiums written applicable to the unexpired term of the policies is recorded as unearned premiums on our Consolidated Statements of Financial Position.

Premiums written and earned by line of business

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written			
Auto	$ 22,042	$ 21,425	$ 20,662
Homeowners	7,350	7,240	7,238
Other personal lines	1,768	1,724	1,699
Subtotal – Personal lines	31,160	30,389	29,599
Commercial lines	488	499	516
Total premiums written	**$ 31,648**	**$ 30,888**	**$ 30,115**
Reconciliation of premiums written to premiums earned:			
Increase in unearned premiums	(258)	(181)	(253)
Other	43	20	(114)
Total premiums earned	**$ 31,433**	**$ 30,727**	**$ 29,748**
Auto	$ 21,878	$ 21,264	$ 20,410
Homeowners	7,310	7,257	7,136
Other personal lines	1,750	1,700	1,692
Subtotal – Personal lines	30,938	30,221	29,238
Commercial lines	495	506	510
Total premiums earned	**$ 31,433**	**$ 30,727**	**$ 29,748**

Auto insurance premiums written totaled $22.04 billion in 2017, a 2.9% increase from $21.43 billion in 2016, following a 3.7% increase in 2016 from $20.66 billion in 2015.

Homeowners insurance premiums written totaled $7.35 billion in 2017, a 1.5% increase from $7.24 billion in 2016, while 2016 was comparable to 2015. Excluding the cost of catastrophe reinsurance, which is recorded as a reduction to premiums, premiums written increased 0.8% in 2017 compared to 2016. For a more detailed discussion on reinsurance, see the Claims and Claims Expense Reserves section of the MD&A and Note 10 of the consolidated financial statements.

Unearned premium balance and the time frame in which we expect to recognize these premiums as earned

($ in millions)	as of December 31, 2017	2016	% earned after Three months	Six months	Nine months	Twelve months
Allstate brand:						
Auto	$ 5,344	$ 5,134	71.3%	96.7%	99.2%	100.0%
Homeowners	3,745	3,682	43.4%	75.5%	94.2%	100.0%
Other personal lines	895	868	43.4%	75.4%	94.2%	100.0%
Commercial lines	246	253	44.1%	75.3%	93.9%	100.0%
Total Allstate brand	**10,230**	**9,937**	**58.2%**	**86.7%**	**96.8%**	**100.0%**
Esurance brand:						
Auto	404	399	74.3%	99.0%	99.8%	100.0%
Homeowners	42	31	43.4%	75.6%	94.2%	100.0%
Other personal lines	2	2	43.5%	75.5%	94.2%	100.0%
Total Esurance brand	**448**	**432**	**71.3%**	**96.7%**	**99.2%**	**100.0%**
Encompass brand:						
Auto	275	298	44.1%	75.9%	94.2%	100.0%
Homeowners	216	241	44.2%	76.1%	94.3%	100.0%
Other personal lines	44	50	44.4%	76.1%	94.3%	100.0%
Total Encompass brand	**535**	**589**	**44.2%**	**76.0%**	**94.3%**	**100.0%**
Allstate Protection unearned premiums	**$ 11,213**	**$ 10,958**	**58.0%**	**86.6%**	**96.8%**	**100.0%**

Combined ratios by line of business

	For the years ended December 31,								
	Loss ratio [1]			Expense ratio [1]			Combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	68.9	74.7	74.7	25.2	24.6	25.2	94.1	99.3	99.9
Homeowners	67.2	61.3	56.3	23.8	23.9	23.6	91.0	85.2	79.9
Other personal lines	64.0	62.9	62.9	28.9	27.7	26.8	92.9	90.6	89.7
Commercial lines	75.5	93.9	78.4	28.3	27.8	29.4	103.8	121.7	107.8
Total	**68.3**	**71.2**	**69.7**	**25.0**	**24.5**	**24.9**	**93.3**	**95.7**	**94.6**

[1] Ratios are calculated using the premiums earned for the respective line of business.

Loss ratios by line of business

	For the years ended December 31,											
	Loss ratio			Effect of catastrophe losses on combined ratio			Effect of prior year reserve reestimates on combined ratio			Effect of catastrophe losses included in prior year reserve reestimates on combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	68.9	74.7	74.7	3.3	2.7	1.2	(2.2)	(0.7)	0.1	(0.1)	—	(0.1)
Homeowners	67.2	61.3	56.3	31.2	24.4	18.4	(1.8)	(0.3)	(0.4)	(0.1)	0.2	—
Other personal lines	64.0	62.9	62.9	11.9	11.3	7.9	0.1	(0.5)	1.1	0.2	(0.1)	(0.1)
Commercial lines	75.5	93.9	78.4	4.8	6.9	5.1	3.8	12.2	0.4	0.2	1.0	1.0
Total	**68.3**	**71.2**	**69.7**	**10.3**	**8.4**	**5.8**	**(1.9)**	**(0.4)**	**0.1**	**(0.1)**	**—**	**—**

Catastrophe losses were $3.23 billion in 2017 compared to $2.57 billion in 2016 and $1.72 billion in 2015. 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 or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

Catastrophe losses in 2017 by the size of event

($ in millions)	Number of Events		Claims and claims expense		Combined ratio impact	Average catastrophe loss per event
Size of catastrophe loss						
Greater than $250 million	2	1.8%	$ 806	25.0%	2.6	$ 403
$101 million to $250 million	4	3.6	719	22.3	2.3	180
$50 million to $100 million	8	7.2	574	17.8	1.8	72
Less than $50 million	97	87.4	1,147	35.5	3.7	12
Total	**111**	**100.0%**	**3,246**	**100.6**	**10.4**	29
Prior year reserve reestimates			(18)	(0.6)	(0.1)	
Total catastrophe losses			**$ 3,228**	**100.0%**	**10.3**	

Catastrophe losses by the type of event

	For the years ended December 31,					
($ in millions)	Number of events	2017	Number of events	2016	Number of events	2015
Hurricanes/Tropical storms	3	$ 613	2	$ 156	1	$ 21
Tornadoes	3	100	2	7	2	152
Wind/Hail	93	1,973	72	2,255	72	1,274
Wildfires	10	536	8	92	6	51
Other events	2	24	2	55	4	236
Prior year reserve reestimates		(18)		6		(15)
Total catastrophe losses	**111**	**$3,228**	**86**	**$2,571**	**85**	**$1,719**

Catastrophe management

Historical catastrophe experience For the last ten years, the average annual impact of catastrophes on our loss ratio was 8.7 points, but it has varied from 4.5 points to 14.7 points. The average annual impact of catastrophes on the homeowners loss ratio for the last ten years was 33.5 points. Over time, we have limited our aggregate insurance exposure to catastrophe losses in certain regions of the country that are subject to high levels of natural catastrophes, limited by our participation in various state facilities. For further discussion of these facilities, see Note 14 of the consolidated financial statements. However, the impact of these actions may be diminished by the growth in insured values, and the effect of state insurance laws and regulations. In addition, in various states we are required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Because of our participation in these and other state facilities such as wind pools, we may be exposed to losses that surpass the capitalization of these facilities and to assessments from these facilities.

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

- Continuing to limit or not offer new homeowners, manufactured home and landlord package policy business in certain coastal geographies.
- Increased capacity in our brokerage platform for customers not offered an Allstate policy.
- In 2016, we began to write a limited number of homeowners policies in select areas of California. We continue to renew current policyholders and allow replacement policies for existing customers who buy a new home, or change their residence to rental property. Additionally, we write homeowners coverage through North Light Specialty Insurance Company ("NorthLight"), which includes earthquake coverage (other than fire following earthquakes) that is currently ceded via quota share reinsurance.
- In certain states, we have been ceding wind exposure related to insured property located in wind pool eligible areas.
- Starting in the second quarter of 2017, we are writing a limited number of homeowners policies in select areas of Florida and focusing on existing customers who replace their currently-insured home with an acceptable property. Encompass withdrew from property lines in Florida in 2009.
- Tropical cyclone deductibles are generally higher than all peril deductibles and are in place for a large portion of coastal insured properties.
- We have additional catastrophe exposure, beyond the property lines, for auto customers who have purchased physical damage coverage. Auto physical damage coverage generally includes coverage for flood-related loss. We manage this additional exposure through inclusion of auto losses in our nationwide reinsurance program, including Florida personal lines automobile business, as of June 1, 2016. New Jersey is excluded from the nationwide reinsurance program as auto losses are included in our New Jersey reinsurance program.
- Designed a homeowners new business offering available in 41 states, Allstate House and Home®, that provides options of coverage for roof damage, including graduated coverage and pricing based on roof type and age.

Hurricanes We consider the greatest areas of potential catastrophe losses due to hurricanes generally to be major metropolitan centers in counties along the eastern and gulf coasts of the United States. Usually, the average premium on a property policy near these coasts is greater than in other areas. However, average premiums are often not considered commensurate with the inherent risk of loss. In addition and as explained in Note 14 of the consolidated financial statements, in various states Allstate is subject to assessments from assigned risk plans, reinsurance facilities and joint underwriting associations providing insurance for wind related property losses.

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

Earthquakes We do not offer earthquake coverage in most states. We retain approximately 26,000 PIF with earthquake coverage, primarily in Kentucky, due to regulatory and other reasons. We purchase reinsurance in Kentucky and enter into arrangements in many states to make earthquake coverage available through non-proprietary insurers.

We continue to have exposure to earthquake risk on certain policies that do not specifically exclude coverage for earthquake losses, including our auto policies, and to fires following earthquakes. Allstate policyholders in California are offered coverage through the CEA, a privately-financed, publicly-managed state agency created to provide insurance coverage for earthquake damage. Allstate is subject to assessments from the CEA under certain circumstances as explained in Note 14 of the consolidated financial statements. While North Light writes property policies in California, which can include earthquake coverage, this coverage is 100% ceded via quota share reinsurance.

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

Wildfires Actions taken related to managing our risk of loss from wildfires include changing homeowners underwriting requirements in certain states and purchasing nationwide occurrence reinsurance. We also have inspection programs to identify homes that are susceptible to wildfires.

Reinsurance A description of our current catastrophe reinsurance program appears in Note 10 of the consolidated financial statements.

Expense ratio for Allstate Protection increased 0.5 points in 2017 compared to 2016.

Expense ratios by line of business

	For the years ended December 31,		
	2017	**2016**	**2015**
Auto	25.2	24.6	25.2
Homeowners	23.8	23.9	23.6
Other personal lines	28.9	27.7	26.8
Commercial lines	28.3	27.8	29.4
Total expense ratio	**25.0**	**24.5**	**24.9**

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2017	**2016**	**2015**
Amortization of DAC	13.4	13.2	13.2
Advertising expense	2.2	2.5	2.5
Amortization of purchased intangible assets	—	0.1	0.2
Other costs and expenses	9.1	8.6	8.9
Restructuring and related charges	0.3	0.1	0.1
Total expense ratio	**25.0**	**24.5**	**24.9**

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

DAC balance as of December 31 by product type

($ in millions)	2017	2016
Auto	$ 789	$ 738
Homeowners	558	540
Other personal lines	132	122
Commercial lines	31	32
Total DAC	**$ 1,510**	**$ 1,432**

The following table presents premiums written, PIF and underwriting income (loss), by line of business for Allstate brand, Esurance brand, Encompass brand and Allstate Protection for the year ended December 31, 2017. Detailed analysis of underwriting results, premiums written and earned, and the combined ratios, including loss and expense ratios, are discussed in the brand sections below.

Premiums written, policies in force and underwriting income (loss)

($ in millions)	Allstate brand		Esurance brand		Encompass brand		Allstate Protection	
Premiums written	**Amount**	**Percent to total**	**Amount**	**Percent to total**	**Amount**	**Percent to total**	**Amount**	**Percent to total**
Auto	$ 19,859	68.7%	$ 1,641	95.0%	$ 542	52.4 %	$ 22,042	69.7%
Homeowners	6,865	23.8	79	4.6	406	39.2	7,350	23.2
Other personal lines	1,673	5.8	8	0.4	87	8.4	1,768	5.6
Commercial lines	488	1.7	—	—	—	—	488	1.5
Total	**$ 28,885**	**100.0%**	**$ 1,728**	**100.0%**	**$1,035**	**100.0 %**	**$ 31,648**	**100.0%**
Percent to total Allstate Protection		**91.2%**		**5.5%**		**3.3 %**		
PIF (thousands)								
Auto	19,580	65.0%	1,352	91.6%	530	61.0 %	21,462	66.1%
Homeowners	6,088	20.2	79	5.4	254	29.2	6,421	19.8
Other personal lines	4,223	14.0	44	3.0	85	9.8	4,352	13.4
Commercial lines	245	0.8	—	—	—	—	245	0.7
Total	**30,136**	**100.0%**	**1,475**	**100.0%**	**869**	**100.0 %**	**32,480**	**100.0%**
Percent to total Allstate Protection		**92.8%**		**4.5%**		**2.7 %**		
Underwriting income (loss)								
Auto	$ 1,331	60.5%	$ (37)	66.1%	$ 4	(12.1)%	$ 1,298	61.5%
Homeowners	725	33.0	(20)	35.7	(47)	142.4	658	31.2
Other personal lines	113	5.1	1	(1.8)	10	(30.3)	124	5.9
Commercial lines	(19)	(0.9)	—	—	—	—	(19)	(0.9)
Other business lines	51	2.3	—	—	—	—	51	2.4
Answer Financial	—	—	—	—	—	—	(1)	(0.1)
Total	**$ 2,201**	**100.0%**	**$ (56)**	**100.0%**	**$ (33)**	**100.0 %**	**$ 2,111**	**100.0%**

When analyzing premium measures and statistics for all three brands the following calculations are used as described below.

- 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.
- 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 Protection brand. Allstate brand includes automobiles added by existing customers when they exceed the number allowed (currently 10) on a policy.
- 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. Allstate and Esurance brand policy terms are 6 months for auto and 12 months for homeowners. Encompass brand policy terms are 12 months for auto and homeowners.
- Renewal ratio: Renewal policies issued during the period, based on contract effective dates, divided by the total policies issued 6 months prior for auto (generally 12 months prior for Encompass brand) or 12 months prior for homeowners.

Allstate
You're in good hands.

Allstate brand products are sold primarily through Allstate exclusive agencies and serve customers who prefer local personalized advice and service and are brand-sensitive. In 2017, the Allstate brand represented 91.2% of the Allstate Protection segment's written premium. For additional information on our strategy and outlook, see Business - Segment information.

Underwriting results

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written	$ 28,885	$ 28,059	$ 27,258
Premiums earned	$ 28,631	$ 27,865	$ 26,891
Claims and claims expense	(19,352)	(19,750)	(18,593)
Amortization of DAC	(3,963)	(3,791)	(3,659)
Other costs and expenses	(3,032)	(2,840)	(2,783)
Restructuring and related charges	(83)	(27)	(37)
Underwriting income	**$ 2,201**	**$ 1,457**	**$ 1,819**
Catastrophe losses	$ 2,985	$ 2,424	$ 1,594
Underwriting income (loss) by line of business			
Auto	$ 1,331	$ 250	$ 204
Homeowners	725	1,098	1,418
Other personal lines [1]	113	166	197
Commercial lines	(19)	(110)	(40)
Other business lines [2]	51	53	40
Underwriting income	**$ 2,201**	**$ 1,457**	**$ 1,819**

[1] Other personal lines include renters, condominium, landlord and other personal lines products.
[2] Other business lines primarily include Ivantage.

Changes in underwriting results from prior year by component [1]

($ in millions)	For the years ended December 31, 2017	2016
Underwriting income (loss) - prior year	$ 1,457	$ 1,819
Changes in underwriting income (loss) from:		
Increase (decrease) premiums earned	766	974
(Increase) decrease incurred claims and claims expense ("losses"):		
Incurred losses, excluding catastrophe losses and reserve reestimates	506	(495)
Catastrophe losses, excluding reserve reestimates	(583)	(810)
Non-catastrophe reserve reestimates	453	168
Catastrophe reserve reestimates	22	(20)
Losses subtotal - loss	398	(1,157)
(Increase) decrease expenses	(420)	(179)
Underwriting income (loss)	**$ 2,201**	**$ 1,457**

[1] The 2017 column presents changes in 2017 compared to 2016. The 2016 column presents changes in 2016 compared to 2015.

Underwriting income totaled $2.20 billion in 2017, a 51.1% increase from $1.46 billion in 2016, primarily due to increased premiums earned, lower claim frequency and higher favorable prior year reserve reestimates, partially offset by higher catastrophe losses and higher agent and employee-related compensation costs.

Underwriting income totaled $1.46 billion in 2016, a 19.9% decrease from $1.82 billion in 2015, primarily due to lower homeowners underwriting income resulting from higher catastrophe losses and higher commercial lines underwriting losses due to rising loss costs, partially offset by increased auto underwriting income as a result of rate actions.

Premiums written and earned by line of business

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written			
Auto	$ 19,859	$ 19,209	$ 18,445
Homeowners	6,865	6,730	6,711
Other personal lines	1,673	1,621	1,586
Subtotal – Personal lines	28,397	27,560	26,742
Commercial lines	488	499	516
Total	**$ 28,885**	**$ 28,059**	**$ 27,258**
Premiums earned			
Auto	$ 19,676	$ 19,031	$ 18,191
Homeowners	6,811	6,736	6,613
Other personal lines	1,649	1,592	1,577
Subtotal – Personal lines	28,136	27,359	26,381
Commercial lines	495	506	510
Total	**$ 28,631**	**$ 27,865**	**$ 26,891**

Auto premium measures and statistics

	2017	2016	2015
PIF (thousands)	19,580	19,742	20,326
New issued applications (thousands)	2,520	2,312	2,962
Average premium	$ 550	$ 523	$ 492
Renewal ratio (%)	87.6	87.8	88.6
Approved rate changes [(1)]:			
# of locations [(2)]	49	53	50
Total brand (%) [(3)]	4.0 [(6)]	7.2	5.3
Location specific (%) [(4)(5)]	6.0 [(6)]	8.1	7.6

(1) Rate changes do not include rating plan enhancements, including the introduction of discounts and surcharges that result in no change in the overall rate level in a location. These rate changes do not reflect initial rates filed for insurance subsidiaries initially writing business in a location.

(2) Allstate brand operates in 50 states, the District of Columbia and 5 Canadian provinces.

(3) Represents the impact in the states, the District of Columbia and Canadian provinces where rate changes were approved during the period as a percentage of total brand prior year-end premiums written.

(4) Represents the impact in the states, the District of Columbia and Canadian provinces where rate changes were approved during the period as a percentage of its respective total prior year-end premiums written in those same locations.

(5) Based on historical premiums written in the locations noted above, rate changes approved for auto totaled $773 million, $1.33 billion, and $942 million in 2017, 2016 and 2015, respectively. Approximately 27% of the rate increases approved in 2017 are earned in 2017, with the remainder expected to be earned in 2018 and 2019.

(6) Includes a rate increase in California in first and fourth quarter 2017. Excluding California, Allstate brand auto total brand and location specific rate changes were 2.7% and 4.7% in 2017.

Auto insurance premiums written totaled $19.86 billion in 2017, a 3.4% increase from $19.21 billion in 2016. Factors impacting premiums written were:

- 0.8% or 162 thousand decrease in PIF as of December 31, 2017 compared to December 31, 2016. The rate of PIF change compared to the prior year improved throughout 2017. Auto PIF increased in 18 states, including 3 of our largest 10 states, as of December 31, 2017 compared to December 31, 2016.
- 9.0% increase in new issued applications in 2017 compared to 2016. 38 states, including 9 of our largest 10 states, experienced increases in new issued applications in 2017 compared to 2016, with 20 states experiencing double digit increases.
- 5.2% increase in average premium in 2017 compared to 2016, primarily due to rate increases. Rate changes approved for auto do not assume customer choices such as non-renewal or changes in policy terms which might reduce future premiums.
- 0.2 point decrease in the renewal ratio in 2017 compared to 2016. 20 states, including 3 of our largest 10 states, experienced increases in the renewal ratio in 2017 compared to 2016.

Auto insurance premiums written totaled $19.21 billion in 2016, a 4.1% increase from $18.45 billion in 2015. Factors impacting premiums written were:

- 2.9% or 584 thousand decrease in PIF as of December 31, 2016 compared to December 31, 2015. Allstate brand auto PIF increased in 9 states, including 1 of our largest 10 states, as of December 31, 2016 compared to December 31, 2015.
- 21.9% decrease in new issued applications in 2016 compared to 2015. All of our largest 10 states experienced decreases in new issued applications in 2016 compared to 2015. New issued

applications were relatively consistent throughout the year.

- 6.3% increase in average premium in 2016 compared to 2015, primarily due to rate increases. Approximately 61% of the change in rates approved for auto in 2016 were driven by the increases approved in our 10 largest states.
- 0.8 point decrease in the renewal ratio in 2016 compared to 2015. Of our largest 10 states, 9 experienced decreases in the renewal ratio in 2016 compared to 2015.

Homeowners premium measures and statistics

	2017	2016	2015
PIF (thousands)	6,088	6,120	6,174
New issued applications (thousands)	733	712	781
Average premium	$ 1,197	$ 1,177	$ 1,155
Renewal ratio (%)	87.3	87.8	88.5
Approved rate changes [1]:			
# of locations [2]	30	40	36
Total brand (%)	1.8	1.1 [4]	2.8
Location specific (%) [3]	3.7	2.2 [4]	5.0

[1] Includes rate changes approved based on our net cost of reinsurance.
[2] Allstate brand operates in 50 states, the District of Columbia, and 5 Canadian provinces.
[3] Based on historical premiums written in the locations noted above, rate changes approved for homeowners totaled $122 million, $75 million and $190 million in 2017, 2016 and 2015, respectively.
[4] Includes the impact of a rate decrease in California in first quarter 2016. Excluding California, Allstate brand homeowners total brand and location specific rate changes were 2.1% and 5.1% in 2016, respectively.

Homeowners insurance premiums written totaled $6.87 billion in 2017, a 2.0% increase from $6.73 billion in 2016. Factors impacting premiums written were:

- 0.5% or 32 thousand decrease in PIF as of December 31, 2017 compared to December 31, 2016. Allstate brand homeowners PIF increased in 20 states, including 4 of our largest 10 states, as of December 31, 2017 compared to December 31, 2016.
- 2.9% increase in new issued applications in 2017 compared to 2016. Of our largest 10 states, 6 experienced increases in new issued applications in 2017 compared to 2016.
- 1.7% increase in average premium in 2017 compared to 2016 primarily due to rate changes and increasing insured home valuations due to inflationary costs.
- 0.5 point decrease in the renewal ratio in 2017 compared to 2016. Of our largest 10 states, 1 experienced an increase in the renewal ratio in 2017 compared to 2016.
- $52 million decrease in the cost of our catastrophe reinsurance program to $283 million in 2017 from $335 million in 2016. Catastrophe reinsurance premiums are recorded primarily in Allstate brand and are a reduction of premium.

Premiums written for Allstate's House and Home product, our homeowners offering currently available in 41 of the 50 states we operate in, totaled $2.34 billion in 2017 compared to $1.89 billion in 2016.

Homeowners insurance premiums written totaled $6.73 billion in 2016, a 0.3% increase from $6.71 billion in 2015. Factors impacting premiums written were:

- 0.9% or 54 thousand decrease in PIF as of December 31, 2016 compared to December 31, 2015. Allstate brand homeowners PIF increased in 17 states, including 3 of our largest 10 states, as of December 31, 2016 compared to December 31, 2015.
- 8.8% decrease in new issued applications in 2016 compared to 2015. Of our largest 10 states, 8 experienced decreases in new issued applications in 2016 compared to 2015. New issued applications were relatively consistent throughout the year.
- 1.9% increase in average premium in 2016 compared to 2015 primarily due to rate changes and increasing insured home valuations due to inflationary costs.
- 0.7 point decrease in the renewal ratio in 2016 compared to 2015. Of our largest 10 states, 9 experienced decreases in the renewal ratio in 2016 compared to 2015.
- $35 million decrease in the cost of our catastrophe reinsurance program to $335 million in 2016 from $370 million in 2015.

Other personal lines premiums written totaled $1.67 billion in 2017, a 3.2% increase from $1.62 billion in 2016, following a 2.2% increase in 2016 from $1.59 billion in 2015. The increase in 2017 was primarily due to personal umbrella insurance premiums. The increase in 2016 was primarily due to increased average premium for condominium insurance, partially offset by a decreased volume of landlords insurance.

Commercial lines premiums written totaled $488 million in 2017, a 2.2% decrease from $499 million in 2016, following a 3.3% decrease in 2016 from $516 million in 2015. The decreases in 2017 and 2016 were driven by decreased new business and lower renewals due to profit improvement actions, partially offset by increased average premiums.

Combined ratios by line of business

	For the years ended December 31,								
	Loss ratio [1]			Expense ratio [1]			Combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	68.1	74.5	74.5	25.1	24.2	24.4	93.2	98.7	98.9
Homeowners	66.2	61.0	55.6	23.2	22.7	23.0	89.4	83.7	78.6
Other personal lines	64.3	62.0	60.9	28.8	27.6	26.6	93.1	89.6	87.5
Commercial lines	75.5	93.9	78.4	28.3	27.8	29.4	103.	121.	107.
Total	**67.6**	**70.9**	**69.1**	**24.7**	**23.9**	**24.1**	**92.3**	**94.8**	**93.2**

[1] Ratios are calculated using the premiums earned for the respective line of business.

Loss ratios by line of business

	For the years ended December 31,											
	Loss ratio			Effect of catastrophe losses on combined ratio			Effect of prior year reserve reestimates on combined ratio			Effect of catastrophe losses included in prior year reserve reestimates on combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	68.1	74.5	74.5	3.4	2.8	1.3	(2.5)	(0.7)	0.2	(0.1)	(0.1)	(0.1)
Homeowners	66.2	61.0	55.6	30.7	24.6	18.3	(1.9)	(0.3)	(0.3)	(0.1)	0.1	(0.1)
Other personal lines	64.3	62.0	60.9	12.2	11.8	8.1	0.7	(0.9)	0.5	0.2	(0.2)	(0.1)
Commercial lines	75.5	93.9	78.4	4.8	6.9	5.1	3.8	12.2	0.4	0.2	1.0	1.0
Total	**67.6**	**70.9**	**69.1**	**10.4**	**8.7**	**5.9**	**(2.0)**	**(0.4)**	**0.1**	**—**	**—**	**(0.1)**

Auto loss ratio decreased 6.4 points in 2017 compared to 2016, primarily due to increased premiums earned, lower claim frequency and higher favorable prior year reserve reestimates, partially offset by higher catastrophe losses and higher claim severity. Auto loss ratio in 2016 was comparable to 2015, primarily due to increased catastrophe losses and rising loss costs, offset by increased premiums earned and favorable prior year reserve reestimates.

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

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

Paid claim frequency trends will often differ from gross claim frequency trends due to differences in the timing of when notices are received and when claims are settled. For property damage claims, paid frequency trends reflect little differences as timing between opening and settlement is minimal. For bodily injury, gross frequency trends reflect emerging trends since the difference in timing between opening and settlement is much greater and gross frequency does not experience the same volatility in quarterly fluctuations seen in paid frequency. In evaluating frequency, we typically rely upon paid frequency trends for physical damage coverages such as property damage and gross frequency for casualty coverages such as bodily injury to provide an indicator of emerging trends in overall claim frequency while also providing insights for our analysis of severity.

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

We are continuing to aggressively seek new technology and process solutions to provide continued loss cost accuracy, efficient processing and enhanced customer experiences that are simple, fast and produce high degrees of satisfaction. For example, we have opened several Digital Operating Centers to handle auto claims countrywide utilizing our virtual estimation capabilities, which includes estimating damage through photos and video with the use of QuickFoto Claim® and Virtual Assist℠. These organizational and process changes have been beneficial to our operations as they are occurring, but frequency and severity statistics may be impacted as changes in claim opening and closing practices, if any, can impact comparisons to prior periods.

Property damage paid claim frequency decreased 5.2% in 2017 compared to 2016, following an increase of 0.3% in 2016 from 2015. 42 states experienced a year over year decrease in property damage paid claim frequency in 2017 when compared to 2016. Property damage paid claim severities increased 4.5% in 2017 compared to 2016, following an increase of 4.1% in 2016 from 2015 due to higher costs to repair more sophisticated, newer model vehicles and increased volume of total losses.

Bodily injury gross claim frequency decreased 4.8% in 2017 compared to 2016 and increased 0.5% in 2016 compared to 2015. Bodily injury paid claim frequency decreased 17.4% while bodily injury paid claim severity increased 22.0% in 2017 compared to 2016. Claim process changes in the second half of 2016 related to enhanced documentation of injuries and related medical treatments are having a related impact on paid claim frequency and severity due to payment mix and claim closure patterns. These process changes are beginning to normalize and the related impacts on the percent change in paid claim frequency and severity have begun to moderate. Bodily injury paid claim frequency decreased 7.9% while bodily injury paid claim severity increased 4.7% in 2016 compared to 2015 and were also impacted by the claim process changes in the second half of 2016. Paid claim severity was impacted by increases in medical inflationary trends that were offset by improvements in loss cost management.

Homeowners loss ratio increased 5.2 points to 66.2 in 2017 from 61.0 in 2016, primarily due to higher catastrophe losses, partially offset by higher favorable prior year reserve reestimates and increased premiums earned. Paid claim frequency excluding catastrophe losses decreased 0.1% in 2017 compared to 2016. Paid claim severity excluding catastrophe losses increased 5.0% in 2017 compared to 2016. Homeowner paid claim severity can be impacted by both the mix of perils and the magnitude of specific losses paid during the year. Homeowners loss ratio increased 5.4 points to 61.0 in 2016 from 55.6 in 2015, primarily due to higher catastrophe losses, partially offset by increases in premiums earned. Paid claim frequency excluding catastrophe losses decreased 4.3% in 2016 compared to 2015. Paid claim severity excluding catastrophe losses increased 0.9% in 2016 compared to 2015.

Other personal lines loss ratio increased 2.3 points in 2017 compared to 2016, primarily due to unfavorable prior year reserve reestimates, higher catastrophe losses and higher claim severity, partially offset by increased premiums earned. Other personal lines loss ratio increased 1.1 points in 2016 compared to 2015, primarily due to higher catastrophe losses, partially offset by favorable prior year reserve reestimates and increased premiums earned.

Commercial lines loss ratio decreased 18.4 points in 2017 compared to 2016, primarily due to lower unfavorable prior year reserve reestimates, lower claim frequency and lower catastrophe losses. Commercial lines loss ratio increased 15.5 points in 2016 compared to 2015, primarily due to higher unfavorable prior year reserve reestimates, higher claim severity and higher catastrophe losses.

Catastrophe losses were $2.99 billion in 2017 compared to $2.42 billion in 2016 and $1.59 billion in 2015.

Expense ratios by line of business

	For the years ended December 31,		
	2017	**2016**	**2015**
Auto	25.1	24.2	24.4
Homeowners	23.2	22.7	23.0
Other personal lines	28.8	27.6	26.6
Commercial lines	28.3	27.8	29.4
Total expense ratio	**24.7**	**23.9**	**24.1**

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2017	**2016**	**2015**
Amortization of DAC	13.8	13.6	13.6
Advertising expense	2.0	2.1	2.1
Other costs and expenses	8.6	8.1	8.3
Restructuring and related charges	0.3	0.1	0.1
Total expense ratio	**24.7**	**23.9**	**24.1**

Expense ratio increased 0.8 points in 2017 compared to 2016, primarily due to higher agent and employee-related compensation costs and restructuring and related costs. Amortization of DAC primarily includes agent remuneration and premium taxes. Allstate agency total incurred base commissions, variable compensation and bonuses in 2017 were higher than 2016.

Expense ratio decreased 0.2 point in 2016 compared to 2015. The decrease primarily related to expense spending reductions in professional services and lower compensation incentives earned by employees in 2016, partially offset by an increase in the amortization of acquisition costs. Allstate agency total incurred base commissions, variable compensation and bonuses in 2016 were higher than 2015.

esurance
an Allstate company

Esurance brand products are sold directly to self-directed, brand-sensitive consumers online and through call centers. We manage the direct-to-customer business based on its profitability over the lifetime of the customer relationship. In 2017, the Esurance brand represented 5.5% of the Allstate Protection segment's written premium. For additional information on our strategy and outlook, see Business - Segment information.

Underwriting results

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written	$ 1,728	$ 1,689	$ 1,613
Premiums earned	$ 1,712	$ 1,660	$ 1,588
Claims and claims expense	(1,329)	(1,258)	(1,192)
Amortization of DAC	(41)	(41)	(40)
Other costs and expenses	(395)	(485)	(520)
Restructuring and related charges	(3)	—	—
Underwriting loss	**$ (56)**	**$ (124)**	**$ (164)**
Catastrophe losses	$ 50	$ 36	$ 14
Underwriting income (loss) by line of business			
Auto	$ (37)	$ (65)	$ (145)
Homeowners	(20)	(59)	(19)
Other personal lines	1	—	—
Underwriting loss	**$ (56)**	**$ (124)**	**$ (164)**

Changes in underwriting results from prior year by component [1]

($ in millions)	For the years ended December 31, 2017	2016
Underwriting income (loss) - prior year	$ (124)	$ (164)
Changes in underwriting income (loss) from:		
Increase (decrease) premiums earned	52	72
(Increase) decrease incurred claims and claims expense ("losses"):		
Incurred losses, excluding catastrophe losses and reserve reestimates	(37)	(47)
Catastrophe losses, excluding reserve reestimates	(15)	(23)
Non-catastrophe reserve reestimates	(20)	3
Catastrophe reserve reestimates	1	1
Losses subtotal	(71)	(66)
(Increase) decrease expenses	87	34
Underwriting income (loss)	**$ (56)**	**$ (124)**

[1] The 2017 column presents changes in 2017 compared to 2016. The 2016 column presents changes in 2016 compared to 2015.

Underwriting loss totaled $56 million in 2017, an improvement from $124 million in 2016, primarily due to increased premiums earned, decreased homeowners marketing and lower amortization of purchased intangible assets, partially offset by lower favorable prior year reserve reestimates and higher catastrophe losses.

Underwriting loss totaled $124 million in 2016, a 24.4% decrease from $164 million in 2015, primarily due to improved auto underwriting losses resulting from profit improvement actions, partially offset by an increase in homeowners underwriting losses due to higher advertising expenses related to homeowners expansion.

Premiums written and earned by line of business

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written			
Auto	$ 1,641	$ 1,625	$ 1,576
Homeowners	79	56	30
Other personal lines	8	8	7
Total	**$ 1,728**	**$ 1,689**	**$ 1,613**
Premiums earned			
Auto	$ 1,636	$ 1,610	$ 1,562
Homeowners	68	42	19
Other personal lines	8	8	7
Total	**$ 1,712**	**$ 1,660**	**$ 1,588**

Auto premium measures and statistics

	2017	2016	2015
PIF (thousands)	1,352	1,391	1,415
New issued applications (thousands)	484	597	627
Average premium	$ 574	$ 547	$ 516
Renewal ratio (%)	81.5	79.4	79.5
Approved rate changes [1]:			
# of locations [2]	39	33	37
Total brand (%) [3]	5.0	4.2	7.1
Location specific (%) [4] [5]	5.7	6.1	9.3

(1) Rate changes do not include rating plan enhancements, including the introduction of discounts and surcharges that result in no change in the overall rate level in a location. These rate changes do not reflect initial rates filed for insurance subsidiaries initially writing business in a location.
(2) Esurance brand operates in 43 states and 2 Canadian provinces.
(3) Represents the impact in the states and Canadian provinces where rate changes were approved during the period as a percentage of total brand prior year-end premiums written.
(4) Represents the impact in the states and Canadian provinces where rate changes were approved during the period as a percentage of its respective total prior year-end premiums written in those same locations.
(5) Based on historical premiums written in the locations noted above, rate changes approved for auto totaled $81 million, $65 million and $106 million in 2017, 2016 and 2015, respectively.

Auto insurance premiums written totaled $1.64 billion in 2017, a 1.0% increase from $1.63 billion in 2016. Factors impacting premiums written were:

- 2.8% or 39 thousand decrease in PIF as of December 31, 2017 compared to December 31, 2016.
- 18.9% decrease in new issued applications in 2017 compared to 2016, primarily due to the impact of rate increases, decreased marketing activities and underwriting guideline changes.
- 4.9% increase in average premium in 2017 compared to 2016.
- 2.1 point increase in the renewal ratio in 2017 compared to 2016, primarily due to improved customer experience.

Auto insurance premiums written totaled $1.63 billion in 2016, a 3.1% increase from $1.58 billion in 2015. Factors impacting premiums written were:

- 1.7% or 24 thousand decrease in PIF as of December 31, 2016 compared to December 31, 2015.
- 4.8% decrease in new issued applications in 2016 compared to 2015 due to a decrease in marketing activities and the impact of rate increases.
- 6.0% increase in average premium in 2016 compared to 2015.
- 0.1 point decrease in the renewal ratio in 2016 compared to 2015 primarily due to continued pressure from rate actions.

Homeowners premium measures and statistics

	2017	2016	2015
PIF (thousands)	79	58	32
New issued applications (thousands)	34	37	28
Average premium	$ 917	$ 875	$ 833
Renewal ratio (%) [1]	85.5	82.6	81.9
Approved rate changes [2]:			
# of locations [3]	4	1	N/A
Total brand (%)	5.1	(0.5)	N/A
Location specific (%)	14.3	(10.0)	N/A

(1) Esurance's renewal ratios exclude the impact of risk related cancellations during the new business underwriting period. Customers can enter into a policy without a physical inspection. During the underwriting review period, a number of policies may be canceled if upon inspection the condition is unsatisfactory.
(2) Rate changes were approved in 4 states, totaled $2.9 million in 2017. Rate changes were only approved in Texas in 2016. No rate changes were approved in 2015. N/A reflects not applicable.
(3) Esurance brand operates in 31 states and 2 Canadian provinces.

Homeowners insurance premiums written totaled $79 million in 2017 compared to $56 million in 2016. Factors impacting premiums written were:

- 21 thousand increase in PIF as of December 31, 2017 compared to December 31, 2016.
- 3 thousand decrease in new issued applications in 2017 compared to 2016 due to reduced marketing activities.
- 4.8% increase in average premium in 2017 compared to 2016, primarily due to increased premium distribution in higher average premium states and rate changes. As of December 31, 2017, Esurance is writing homeowners insurance in 31 states with lower hurricane risk, contributing to lower average premium compared to the industry.

Homeowners insurance premiums written totaled $56 million in 2016 compared to $30 million in 2015. Factors impacting premiums written were:

- 26 thousand increase in PIF as of December 31, 2016 compared to December 31, 2015.
- 9 thousand increase in new issued applications in 2016 compared to 2015.
- As of December 31, 2016, Esurance was writing homeowners insurance in 31 states with lower hurricane risk.

Combined ratios by line of business

	For the years ended December 31,								
	Loss ratio [1]			Expense ratio [1]			Combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	77.5	75.8	75.3	24.8	28.2	34.0	102.3	104.0	109.3
Homeowners	83.8	78.6	63.2	45.6	161.9	136.8	129.4	240.5	200.0
Other personal lines	50.0	62.5	57.1	37.5	37.5	42.9	87.5	100.0	100.0
Total	**77.6**	**75.8**	**75.1**	**25.7**	**31.7**	**35.2**	**103.3**	**107.5**	**110.3**

(1) Ratios are calculated using the premiums earned for the respective line of business.

Loss ratios by line of business

	For the years ended December 31,											
	Loss ratio			Effect of catastrophe losses on combined ratio			Effect of prior year reserve reestimates on combined ratio			Effect of catastrophe losses included in prior year reserve reestimates on combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	77.5	75.8	75.3	2.1	1.5	0.7	0.1	(1.3)	(1.1)	—	—	—
Homeowners	83.8	78.6	63.2	23.5	28.6	15.8	(3.0)	—	—	(1.5)	—	—
Other personal lines	50.0	62.5	57.1	—	—	—	(12.5)	—	—	—	—	—
Total	**77.6**	**75.8**	**75.1**	**2.9**	**2.2**	**0.9**	**(0.1)**	**(1.3)**	**(1.1)**	**(0.1)**	**—**	**0.1**

Auto loss ratio increased 1.7 points in 2017 compared to 2016, primarily due to unfavorable prior year reserve reestimates in 2017 compared to favorable prior year reserve reestimates in 2016 and higher catastrophe losses. Auto loss ratio increased 0.5 points in 2016 compared to 2015, primarily due to higher claim frequency and catastrophe losses, partially offset by increases in premiums earned.

Catastrophe losses were $50 million in 2017 compared to $36 million in 2016 and $14 million in 2015.

Expense ratios by line of business

	For the years ended December 31,		
	2017	2016	2015
Auto	24.8	28.2	34.0
Homeowners	45.6	161.9	136.8
Other personal lines	37.5	37.5	42.9
Total expense ratio	**25.7**	**31.7**	**35.2**

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2017	2016	2015
Amortization of DAC	2.4	2.5	2.5
Advertising expense	8.3	11.2	12.6
Amortization of purchased intangible assets	0.2	1.4	2.2
Other costs and expenses	14.6	16.6	17.9
Restructuring and related charges	0.2	—	—
Total expense ratio	**25.7**	**31.7**	**35.2**

Expense ratio decreased 6.0 points in 2017 compared to 2016. Esurance uses a direct distribution model, therefore its primary acquisition-related costs are advertising as opposed to commissions. Esurance advertising expense ratio decreased 2.9 points in 2017 compared to 2016, primarily due to reductions in homeowners marketing. Other costs and expenses, including salaries of phone sales personnel and other underwriting costs related to customer acquisition, were lower in 2017 compared to 2016 due to the implementation of process efficiencies. Expense ratio includes amortization of purchased intangible assets from the original acquisition in 2011. Starting in 2017, the portion of the remaining purchased intangible asset related to the Esurance brand name was classified as an infinite-lived intangible and is no longer being amortized, but instead tested for impairment on an annual basis.

We continue to review our advertising spend to ensure our acquisition costs meet our targeted returns. Esurance incurs substantially all of its acquisition costs in the year of policy inception. As a result, the Esurance expense ratio will be higher or lower depending on the advertising expenditures incurred related to our profitability actions. Esurance's annual combined ratio is below 100, after the year of policy inception (in which substantially all acquisition costs are incurred), driven by pricing changes, customer mix and renewal experience.

Expense ratio decreased 3.5 points in 2016 compared to 2015. Esurance has continued to invest in growth, including offering a comprehensive suite of products such as homeowners, motorcycle and usage-based insurance as well as expanding into the Canadian market. Esurance advertising expense ratio decreased 1.4 points in 2016 compared to 2015 in conjunction with our profitability actions. Strategic reductions in marketing spending were made on auto while homeowners advertising spending was increased. Other costs and expenses, including salaries of phone sales personnel and other underwriting costs related to customer acquisition, were lower in 2016 than 2015.

Encompass
Creating protection around you

Encompass products are sold through independent agencies that serve brand-neutral customers who prefer personal service and support from an independent agent. In 2017, the Encompass brand represented 3.3% of the Allstate Protection segment's written premium. For additional information on our strategy and outlook, see Business - Segment information.

Underwriting results

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written	$ 1,035	$ 1,140	$ 1,244
Premiums earned	$ 1,090	$ 1,202	$ 1,269
Claims and claims expense	(789)	(855)	(933)
Amortization of DAC	(201)	(221)	(234)
Other costs and expenses	(128)	(124)	(127)
Restructuring and related charges	(5)	(1)	(1)
Underwriting (loss) income	**$ (33)**	**$ 1**	**$ (26)**
Catastrophe losses	$ 193	$ 111	$ 111
Underwriting income (loss) by line of business			
Auto	$ 4	$ (29)	$ (36)
Homeowners	(47)	36	32
Other personal lines	10	(6)	(22)
Underwriting (loss) income	**$ (33)**	**$ 1**	**$ (26)**

Changes in underwriting results from prior year by component [1]

($ in millions)	For the years ended December 31, 2017	2016
Underwriting income (loss) - prior year	$ 1	$ (26)
Changes in underwriting income (loss) from:		
Increase (decrease) premiums earned	(112)	(67)
(Increase) decrease incurred claims and claims expense ("losses"):		
Incurred losses, excluding catastrophe losses and reserve reestimates	130	74
Catastrophe losses, excluding reserve reestimates	(83)	2
Non-catastrophe reserve reestimates	18	4
Catastrophe reserve reestimates	1	(2)
Losses subtotal	66	78
(Increase) decrease expenses	12	16
Underwriting (loss) income	**$ (33)**	**$ 1**

[1] The 2017 column presents changes in 2017 compared to 2016. The 2016 column presents changes in 2016 compared to 2015.

Underwriting loss totaled $33 million in 2017 compared to underwriting income of $1 million in 2016, primarily due to higher homeowners catastrophe losses, partially offset by improved auto loss costs. Underwriting income totaled $1 million in 2016, an improvement from an underwriting loss of $26 million in 2015, primarily due to lower underwriting losses on other personal lines and auto and higher underwriting income on homeowners resulting from lower loss costs and expenses.

Premiums written and earned by line of business

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written			
Auto	$ 542	$ 591	$ 641
Homeowners	406	454	497
Other personal lines	87	95	106
Total	**$ 1,035**	**$ 1,140**	**$ 1,244**
Premiums earned			
Auto	$ 566	$ 623	$ 657
Homeowners	431	479	504
Other personal lines	93	100	108
Total	**$ 1,090**	**$ 1,202**	**$ 1,269**

Auto premium measures and statistics

	2017	2016	2015
PIF (thousands)	530	622	723
New issued applications (thousands)	52	54	82
Average premium	$ 1,079	$ 1,008	$ 945
Renewal ratio (%) [(1)]	73.0	74.4	77.3
Approved rate changes [(2)]:			
# of locations [(3)]	27	24	30
Total brand (%) [(4)]	6.2	10.5	9.4
Location specific (%) [(5)(6)]	7.8	14.3	11.1

(1) Encompass announced a plan to exit business in Massachusetts in the second quarter of 2017 and previously announced a plan to exit business in North Carolina in the first half of 2016, which has impacted the renewal ratio. Excluding Massachusetts and North Carolina, the renewal ratios were 74.5 points in 2017 compared to 75.0 points in 2016.

(2) Rate changes that are indicated based on loss trend analysis to achieve a targeted return will continue to be pursued. Rate changes do not include rating plan enhancements, including the introduction of discounts and surcharges that result in no change in the overall rate level in a location. These rate changes do not reflect initial rates filed for insurance subsidiaries initially writing business in a location.

(3) Encompass brand operates in 39 states and the District of Columbia.

(4) Represents the impact in the states and the District of Columbia where rate changes were approved during the period as a percentage of total brand prior year-end premiums written.

(5) Represents the impact in the states and the District of Columbia where rate changes were approved during the period as a percentage of its respective total prior year-end premiums written in those same locations.

(6) Based on historical premiums written in the locations noted above, rate changes approved for auto totaled $37 million, $68 million and $63 million in 2017, 2016 and 2015, respectively. Approximately 20% of the rate increases approved in 2017 are expected to be earned in 2017, with the remainder expected to be earned in 2018 and 2019.

Auto insurance premiums written totaled $542 million in 2017, a 8.3% decrease from $591 million in 2016. Factors impacting premiums written were:

- 14.8% or 92 thousand decrease in PIF as of December 31, 2017 compared to December 31, 2016.
- 3.7% decrease in new issued applications in 2017 compared to 2016.
- 7.0% increase in average premium in 2017 compared to 2016.
- 1.4 point decrease in the renewal ratio in 2017 compared to 2016, primarily due to profit improvement actions taken, including exiting states with inadequate returns. Encompass sells a high percentage of package policies that include both auto and homeowners; therefore, declines in one product can contribute to declines in the other.

Auto insurance premiums written totaled $591 million in 2016, a 7.8% decrease from $641 million in 2015. Factors impacting premiums written were:

- 14.0% or 101 thousand decrease in PIF as of December 31, 2016 compared to December 31, 2015.
- 34.1% decrease in new issued applications in 2016 compared to 2015.
- 6.7% increase in average premium in 2016 compared to 2015.
- 2.9 point decrease in the renewal ratio in 2016 compared to 2015.

Homeowners premium measure and statistics

	2017	2016	2015
PIF (thousands)	254	295	338
New issued applications (thousands)	30	34	48
Average premium	$ 1,684	$ 1,639	$ 1,555
Renewal ratio (%)	78.1	79.4	82.5
Approved rate changes [1]:			
# of locations [2]	21	19	27
Total brand (%)	4.8	5.1	6.5
Location specific (%) [3]	8.4	9.0	8.8

[1] Encompass announced a plan to exit business in Massachusetts in the second quarter of 2017 and previously announced a plan to exit business in North Carolina in the first half of 2016, which has impacted the renewal ratio. Excluding Massachusetts and North Carolina, the renewal ratios were 79.0 points in 2017 compared to 79.9 points in 2016.
[2] Includes rate changes approved based on our net cost of reinsurance.
[3] Encompass brand operates in 39 states and the District of Columbia.
[4] Based on historical premiums written in the locations noted above, rate changes approved for homeowner totaled $23 million, $27 million and $35 million in 2017, 2016 and 2015, respectively.

Homeowners insurance premiums written totaled $406 million in 2017, a 10.6% decrease from $454 million in 2016. Factors impacting premiums written were the following:

- 13.9% or 41 thousand decrease in PIF as of December 31, 2017 compared to December 31, 2016.
- 11.8% decrease in new issued applications in 2017 compared to 2016.
- 2.7% increase in average premium in 2017 compared to 2016, primarily due to rate changes.
- 1.3 point decrease in the renewal ratio in 2017 compared to 2016, primarily due to profit improvement actions taken to exit states with inadequate returns. Encompass sells a high percentage of package policies that include both auto and homeowners; therefore, declines in one product can contribute to declines in the other.

Homeowners insurance premiums written totaled $454 million in 2016, an 8.7% decrease from $497 million in 2015. Factors impacting premiums written were the following:

- 12.7% or 43 thousand decrease in PIF as of December 31, 2016 compared to December 31, 2015.
- 29.2% decrease in new issued applications in 2016 compared to 2015.
- 5.4% increase in average premium in 2016 compared to 2015, primarily due to rate changes.
- 3.1 point decrease in the renewal ratio in 2016 compared to 2015.

Combined ratios by line of business

	For the years ended December 31,								
	Loss ratio [1]			Expense ratio [1]			Combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	68.6	76.1	77.0	30.7	28.6	28.5	99.3	104.7	105.5
Homeowners	80.3	63.5	64.9	30.6	29.0	28.8	110.9	92.5	93.7
Other personal lines	59.1	77.0	92.6	30.1	29.0	27.8	89.2	106.0	120.4
Total	**72.4**	**71.1**	**73.5**	**30.6**	**28.8**	**28.5**	**103.0**	**99.9**	**102.0**

[1] Ratios are calculated using the premiums earned for the respective line of business.

Loss ratios by line of business

	For the years ended December 31,											
	Loss ratio			Effect of catastrophe losses on combined ratio			Effect of prior year reserve reestimates on combined ratio			Effect of catastrophe losses included in prior year reserve reestimates on combined ratio		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Auto	68.6	76.1	77.0	2.1	1.6	1.1	(1.1)	—	0.3	(0.2)	(0.4)	(0.1)
Homeowners	80.3	63.5	64.9	40.1	20.3	19.3	0.5	—	(1.0)	—	0.5	(0.2)
Other personal lines	59.1	77.0	92.6	8.6	4.0	6.5	(10.8)	5.0	9.3	—	—	—
Total	**72.4**	**71.1**	**73.5**	**17.7**	**9.2**	**8.7**	**(1.3)**	**0.4**	**0.6**	**(0.1)**	**—**	**(0.1)**

Auto loss ratio decreased 7.5 points in 2017 compared to 2016, primarily due to lower frequency and severity, favorable prior year reserve reestimates, partially offset by higher catastrophe losses. Auto loss ratio decreased 0.9 points in 2016 compared to 2015, primarily due to lower loss costs, partially offset by higher catastrophe losses.

Homeowners loss ratio increased 16.8 points in 2017 compared to 2016, primarily due to higher catastrophe losses. Homeowners loss ratio decreased 1.4 points in 2016 compared to 2015, primarily due to lower claim frequency.

Catastrophe losses were $193 million in 2017 compared to $111 million in both 2016 and 2015.

Expense ratios by line of business

	For the years ended December 31,		
	2017	2016	2015
Auto	30.7	28.6	28.5
Homeowners	30.6	29.0	28.8
Other personal lines	30.1	29.0	27.8
Total expense ratio	**30.6**	**28.8**	**28.5**

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2017	2016	2015
Amortization of DAC	18.3	18.4	18.4
Advertising expense	0.2	0.2	0.4
Other costs and expenses	11.6	10.1	9.6
Restructuring and related charges	0.5	0.1	0.1
Total expense ratio	**30.6**	**28.8**	**28.5**

Expense ratio increased 1.8 points in 2017 compared to 2016, primarily due to higher employee-related and technology costs, and restructuring and related charges. During the first half of 2017, Encompass exited certain operations and right-sized certain departments consistent with business volume. The costs associated with these changes have been recorded as restructuring and related charges. The Encompass brand DAC amortization rate is higher on average than Allstate brand DAC amortization due to higher commission rates paid to independent agencies.

Expense ratio increased 0.3 points in 2016 compared to 2015 primarily due to increased spending in professional services, partially offset by expense spending reductions in advertising and marketing.

Discontinued Lines and Coverages Segment

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

Underwriting Results

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written [(1)]	$ —	$ 3	$ —
Premiums earned	$ —	$ —	$ —
Claims and claims expense	(96)	(105)	(53)
Operating costs and expenses	(3)	(2)	(2)
Underwriting loss	**$ (99)**	**$ (107)**	**$ (55)**

[(1)] Primarily represents retrospective reinsurance premium recognized when billed.

Underwriting losses of $99 million in 2017 primarily related to our annual reserve review using established industry and actuarial best practices, resulting in unfavorable reestimates of $85 million, including $61 million for asbestos exposures, $10 million for environmental exposures and $27 million for other exposures, partially offset by a $13 million decrease in the allowance for future uncollectible reinsurance.

Underwriting losses of $107 million in 2016 primarily related to our annual reserve review resulting in unfavorable reestimates of $96 million, including a $67 million unfavorable reestimate of asbestos reserves, a $23 million unfavorable reestimate of environmental reserves and a $6 million increase in the allowance for future uncollectible reinsurance with other exposure reserves essentially unchanged.

Underwriting losses of $55 million in 2015 primarily related to our annual reserve review resulting in unfavorable reestimates of $44 million, including a $39 million unfavorable reestimate of asbestos reserves, a $1 million unfavorable reestimate of environmental reserves and a $9 million unfavorable reestimate of other exposure reserves, partially offset by a $5 million decrease in the allowance for future uncollectible reinsurance.

The cost of administering claims settlements totaled $11 million, $10 million and $10 million for 2017, 2016 and 2015, respectively.

Reserves for asbestos, environmental and other discontinued lines claims before and after the effects of reinsurance

($ in millions)	December 31, 2017	December 31, 2016
Asbestos claims		
Gross reserves	$ 1,296	$ 1,356
Reinsurance	(412)	(444)
Net reserves	884	912
Environmental claims		
Gross reserves	199	219
Reinsurance	(33)	(40)
Net reserves	166	179
Other discontinued lines		
Gross reserves	398	378
Reinsurance	(41)	(24)
Net reserves	357	354
Total		
Gross reserves	1,893	1,953
Reinsurance	(486)	(508)
Net reserves	**$ 1,407**	**$ 1,445**

Reserves by type of exposure before and after the effects of reinsurance		
($ in millions)	December 31, 2017	December 31, 2016
Direct excess commercial insurance		
Gross reserves [1]	$ 997	$ 1,051
Reinsurance [2]	(378)	(400)
Net reserves	619	651
Assumed reinsurance coverage		
Gross reserves [3]	622	623
Reinsurance [4]	(38)	(35)
Net reserves	584	588
Direct primary commercial insurance		
Gross reserves [5]	177	191
Reinsurance [6]	(48)	(51)
Net reserves	129	140
Other run-off business		
Gross reserves	24	25
Reinsurance	(21)	(21)
Net reserves	3	4
Unallocated loss adjustment expenses		
Gross reserves	73	63
Reinsurance	(1)	(1)
Net reserves	72	62
Total		
Gross reserves	1,893	1,953
Reinsurance	(486)	(508)
Net reserves	**$ 1,407**	**$ 1,445**

(1) Gross reserves as of December 31, 2017 comprised 65% case reserves and 35% incurred but not reported ("IBNR") reserves. Approximately 79% of the total gross case reserves are subject to settlement agreements. In 2017, total gross payments from case reserves were $126 million with approximately 88% attributable to settlements. Reserves as of December 31, 2016 comprised 60% case reserves and 40% IBNR reserves.

(2) Ceded reserves as of December 31, 2017 comprised 76% case reserves and 24% IBNR reserves. Approximately 86% of the total ceded case reserves are subject to settlement agreements. In 2017, reinsurance billings of ceded case reserves were $55 million with approximately 94% attributable to settlements. Reserves as of December 31, 2016 comprised 74% case reserves and 26% IBNR reserves.

(3) Gross reserves as of December 31, 2017 comprised 31% case reserves and 69% IBNR reserves. In 2017, total gross payments from case reserves were $54 million. Reserves as of December 31, 2016 comprised 33% case reserves and 67% IBNR reserves.

(4) Ceded reserves as of December 31, 2017 comprised 36% case reserves and 64% IBNR reserves. In 2017, reinsurance billings of ceded case reserves were $3 million. Reserves as of December 31, 2016 comprised 40% case reserves and 60% IBNR reserves.

(5) Gross reserves as of December 31, 2017 comprised 54% case reserves and 46% IBNR reserves. In 2017, total gross payments from case reserves were $7 million. Reserves as of December 31, 2016 comprised 46% case reserves and 54% IBNR reserves.

(6) Ceded reserves as of December 31, 2017 comprised 76% case reserves and 24% IBNR reserves. In 2017, reinsurance billings of ceded case reserves were $1 million. Reserves as of December 31, 2016 comprised 64% case reserves and 36% IBNR reserves.

Total net reserves included $733 million or 52% of estimated IBNR losses as of December 31, 2017 compared to $800 million or 55% as of December 31, 2016. The net decrease of $67 million from year-end 2016 relates to the transfer of IBNR to case reserves through settlement agreements reached with several insureds on large claims, mainly asbestos related losses, where the scope of coverages have been agreed.

The claims associated with these agreements are expected to be substantially paid out over the next several years as qualified claims conforming to the settlement agreements are submitted by these insureds. Total gross payments were $192 million and $233 million for 2017 and 2016, respectively, with reinsurance collections of $67 million and $58 million for 2017 and 2016, respectively.

See the Claims and Claims Expense Reserves section of the MD&A for a more detailed discussion.

Service Businesses

Service Businesses comprise SquareTrade, Arity, Allstate Roadside Services and Allstate Dealer Services. They offer consumer product protection plans, device and mobile data collection services and analytic solutions, roadside assistance, and finance and insurance products (including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel and paintless dent repair protection). SquareTrade was acquired on January 3, 2017, and contributed $426 million of premiums written in 2017 and 38,719 thousand PIF as of December 31, 2017. For additional information on our strategy and outlook, see Business - Segment information.

Summarized financial information

($ in millions)	For the years ended December 31, 2017	2016	2015
Premiums written	$ 1,094	$ 709	$ 756
Revenues			
Premiums	$ 867	$ 580	$ 561
Intersegment insurance premiums and service fees (1)	110	105	42
Net investment income	16	13	11
Realized capital gains and losses	—	—	—
Total revenues	**993**	**698**	**614**
Costs and expenses			
Claims and claims expense	(369)	(258)	(277)
Amortization of DAC	(296)	(214)	(169)
Operating costs and expenses	(401)	(223)	(164)
Amortization of purchased intangible assets	(92)	—	—
Restructuring and related charges (2)	(13)	—	—
Total costs and expenses	**(1,171)**	**(695)**	**(610)**
Income tax benefit (expense)	193	—	(2)
Net income applicable to common shareholders	**$ 15**	**$ 3**	**$ 2**
Adjusted net (loss) income	**$ (59)**	**$ 3**	**$ 2**
Amortization of purchased intangible assets, after-tax	(60)	—	—
Tax Legislation benefit	134	—	—
Net income applicable to common shareholders	**$ 15**	**$ 3**	**$ 2**
SquareTrade	$ (22)	$ —	$ —
Allstate Roadside Services	(20)	(12)	(14)
Allstate Dealers Services	(2)	4	16
Arity	(15)	11	—
Adjusted net (loss) income	**$ (59)**	**$ 3**	**$ 2**
Policies in force as of December 31 (in thousands)	43,506	4,910	4,812

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

(2) Primarily relates to a one-time contract termination of a SquareTrade European vendor.

Adjusted net loss was $59 million in 2017 compared to adjusted net income of $3 million and $2 million in 2016 and 2015, respectively. The loss in 2017 was primarily due to investments in Arity's research and development, strategic investments in SquareTrade and Allstate Roadside Services, a SquareTrade restructuring charge and Hurricane Harvey's impacts on Allstate Dealer Services.

Premiums written increased 54.3% or $385 million to $1.09 billion in 2017 from $709 million in 2016, primarily due to the acquisition of SquareTrade and its growth through its U.S. retail channel, partially offset by decreases in premiums written at Allstate Roadside Services. Premiums written decreased 6.2% or $47 million to $709 million in 2016 from $756 million in 2015, driven by lower wholesale rescue volume primarily due to partner exits and lower retail memberships in force at Allstate Roadside Services and a decrease in guaranteed asset protection contracts due to rate increases at Allstate Dealer Services. PIF increased by

38.6 million to 43.5 million as of December 31, 2017 compared to 4.9 million as of December 31, 2016 due to the acquisition of SquareTrade.

Intersegment premiums and service fees of $110 million in 2017 increased from $105 million and $42 million in 2016 and 2015, respectively, primarily due to Arity's device and mobile data collection services and analytic solutions used by Allstate brand, Esurance and Answer Financial. We launched Arity, a non-insurance technology company in 2016 and therefore Arity's revenues are not comparable between periods.

Claims and claims expense increased 43.0% to $369 million in 2017 from $258 million in 2016, primarily due to the acquisition of SquareTrade on January 3, 2017. Claims and claims expense decreased 6.9% to $258 million in 2016 from $277 million in 2015, primarily due to decreased business in Allstate Roadside Services and Allstate Dealer Services.

Operating costs and expenses increased 79.8% to $401 million in 2017 from $223 million and $164 million in 2016 and 2015, respectively, primarily due to the acquisition of SquareTrade on January 3, 2017, Allstate Roadside Services increase in strategic investments in the Good Hands Rescue Network, and investments in Arity's research and development.

Contractual liability insurance policies. SquareTrade and Allstate Dealer Services issue contractual liability insurance policies or guaranteed asset protection reimbursement insurance policies to cover the liabilities of their products where required by state regulations. The products offered through SquareTrade and Allstate Dealer Services fall under the regulation of departments of insurance in many states with requirements for filing of forms and rates varying by product and by state.

SquareTrade provides consumer electronic and appliance protection plans, covering products including TVs, smartphones and computers through retail distribution and mobile operator channels.

Under these protection plans, SquareTrade agrees to repair, replace or indemnify the customer for the cost to repair or replace such products from mechanical or electrical failure due to normal wear and tear. Protection plans also provide additional coverages beyond the manufacturer's warranty, and in certain cases, accidental damage from handling.

Premium revenue and claims and claims expense are recognized over the term of the protection plans. SquareTrade purchases contractual liability insurance from insurance companies to support claims settlements in the event SquareTrade is unable to fulfill its contractual obligations. The arrangement results in SquareTrade recognizing the claims settlement costs. The insurer would recognize claims settlement costs only in the event SquareTrade is unable to fulfill its contractual obligation or if claims costs are in excess of pre-determined thresholds. SquareTrade is generally required to deposit amounts expected to cover losses into a trust held for paying claims.

In conjunction with the acquisition of SquareTrade, we recognized $555 million of intangible assets for which we recognized amortization expense of $92 million in 2017. Intangible assets are being amortized on an accelerated basis, excluding the SquareTrade brand name which was classified as an infinite-lived intangible and will be tested for impairment on an annual basis, with approximately 75% of the balance expected to be amortized by 2021.

Pending revenue recognition changes. Beginning in first quarter 2018, we will adopt the Financial Accounting Standards Board issued guidance, which revises the criteria for revenue recognition. The Service Businesses segment will be impacted by this standard. For further discussion of impacts of these adjustments, see Note 2 of the consolidated financial statements.

Claims and Claims Expense Reserves

Underwriting results are significantly influenced by estimates of claims and claims expense reserves. For a description of our reserve process, see Note 8 of the consolidated financial statements. Further, for a description of our reserving policies and the potential variability in our reserve estimates, see the Application of Critical Accounting Estimates section of the MD&A. These reserves are an estimate of amounts necessary to settle all outstanding claims, including IBNR claims, as of the reporting date.

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

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

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

($ in millions)	2017	2016	2015
Allstate brand	$ 16,826	$ 16,108	$ 14,953
Esurance brand	777	740	717
Encompass brand	758	749	770
Total Allstate Protection	18,361	17,597	16,440
Discontinued Lines and Coverages	1,407	1,445	1,516
Total Property-Liability	19,768	19,042	17,956
Service Businesses	86	24	21
Total net reserves	**$ 19,854**	**$ 19,066**	**$ 17,977**

The year-end 2017 gross reserves of $26.3 billion for insurance claims and claims expense were $7.95 billion more than the net reserve balance of $18.37 billion recorded on the basis of statutory accounting practices for reports provided to state regulatory authorities. The principal differences are reinsurance recoverables from third parties totaling $6.47 billion, including $5.23 billion related to the Michigan Catastrophic Claims Association ("MCCA"), that reduce reserves for statutory reporting but are recorded as assets for GAAP reporting, and a liability for the reserves of the Canadian subsidiaries for $1.32 billion that are a component of our consolidated reserves, but not included in our U.S. statutory reserves. Remaining differences are due to variations in requirements between GAAP and statutory reporting. The tables below show net reserves representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2017, 2016 and 2015, and the effect of reestimates in each year.

Net reserves

($ in millions)	January 1 reserves		
	2017	2016	2015
Allstate brand	$ 16,108	$ 14,953	$ 14,195
Esurance brand	740	717	649
Encompass brand	749	770	754
Total Allstate Protection	17,597	16,440	15,598
Discontinued Lines and Coverages	1,445	1,516	1,612
Total Property-Liability	19,042	17,956	17,210
Service Businesses	24	21	19
Total net reserves	**$ 19,066**	**$ 17,977**	**$ 17,229**

Net reserves and prior year reserve reestimates

($ in millions, except ratios)	2017		2016		2015	
	Reserve reestimate [1]	Effect on combined ratio [2]	Reserve reestimate [1]	Effect on combined ratio [2]	Reserve reestimate [1]	Effect on combined ratio [2]
Allstate brand	$ (585)	(1.8)	$ (110)	(0.3)	$ 36	0.1
Esurance brand	(2)	—	(21)	(0.1)	(17)	—
Encompass brand	(14)	(0.1)	5	—	7	—
Total Allstate Protection	(601)	(1.9)	(126)	(0.4)	26	0.1
Discontinued Lines and Coverages	96	0.3	105	0.3	53	0.2
Total Property-Liability [3]	(505)	(1.6)	(21)	(0.1)	79	0.3
Service Businesses	2	—	4	—	2	—
Total	**$ (503)**		**$ (17)**		**$ 81**	
Reserve reestimates, after-tax	$ (327)		$ (11)		$ 53	
Consolidated net income applicable to common shareholders	$ 3,073		$ 1,761		$ 2,055	
Reserve reestimates as a % impact on consolidated net income applicable to common shareholders	10.6%		0.6%		(2.6)%	

[1] Favorable reserve reestimates are shown in parentheses.

[2] Ratios are calculated using property and casualty premiums earned.

[3] Prior year reserve reestimates included in catastrophe losses totaled $18 million favorable, $6 million unfavorable and $15 million favorable in 2017, 2016 and 2015, respectively.

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

2017 Prior year reserve reestimates

($ in millions)	2012 & prior	2013	2014	2015	2016	Total
Allstate brand	$ 3	$ (99)	$ (103)	$ (121)	$ (265)	$ (585)
Esurance brand	(3)	(1)	(12)	1	13	(2)
Encompass brand	(6)	(1)	(4)	(1)	(2)	(14)
Total Allstate Protection	(6)	(101)	(119)	(121)	(254)	(601)
Discontinued Lines and Coverages	96	—	—	—	—	96
Total Property-Liability	90	(101)	(119)	(121)	(254)	(505)
Service Businesses	—	—	—	—	2	2
Total	**$ 90**	**$ (101)**	**$ (119)**	**$ (121)**	**$ (252)**	**$ (503)**

2016 Prior year reserve reestimates

($ in millions)	2011 & prior	2012	2013	2014	2015	Total
Allstate brand	$ (11)	$ (52)	$ (69)	$ (40)	$ 62	$ (110)
Esurance brand	(7)	(3)	(5)	(9)	3	(21)
Encompass brand	(25)	7	3	14	6	5
Total Allstate Protection	(43)	(48)	(71)	(35)	71	(126)
Discontinued Lines and Coverages	105	—	—	—	—	105
Total Property-Liability	62	(48)	(71)	(35)	71	(21)
Service Businesses	—	—	—	—	4	4
Total	**$ 62**	**$ (48)**	**$ (71)**	**$ (35)**	**$ 75**	**$ (17)**

2015 Prior year reserve reestimates

($ in millions)	2010 & prior	2011	2012	2013	2014	Total
Allstate brand	$ (73)	$ (74)	$ (29)	$ 42	$ 170	$ 36
Esurance brand	(5)	(3)	(2)	(5)	(2)	(17)
Encompass brand	(11)	1	2	12	3	7
Total Allstate Protection	(89)	(76)	(29)	49	171	26
Discontinued Lines and Coverages	53	—	—	—	—	53
Total Property-Liability	(36)	(76)	(29)	49	171	79
Service Businesses	—	—	—	—	2	2
Total	**$ (36)**	**$ (76)**	**$ (29)**	**$ 49**	**$ 173**	**$ 81**

Allstate Protection

The tables below show Allstate Protection net reserves representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2017, 2016, and 2015, and the effect of reestimates in each year.

Net reserves by line

	January 1 reserves		
($ in millions)	**2017**	**2016**	**2015**
Auto	$ 13,530	$ 12,459	$ 11,698
Homeowners	1,990	1,937	1,849
Other personal lines	1,456	1,490	1,502
Commercial lines	621	554	549
Total Allstate Protection	**$ 17,597**	**$ 16,440**	**$ 15,598**

Net reserves and prior year reserve reestimates by line

($ in millions, except ratios)	2017		2016		2015	
	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio
Auto	$ (490)	(1.5)	$ (155)	(0.5)	$ 30	0.1
Homeowners	(131)	(0.4)	(24)	(0.1)	(24)	(0.1)
Other personal lines	1	—	(9)	—	18	0.1
Commercial lines	19	—	62	0.2	2	—
Total Allstate Protection	**$ (601)**	**(1.9)**	**$ (126)**	**(0.4)**	**$ 26**	**0.1**
Underwriting income	$ 2,111		$ 1,327		$ 1,621	
Reserve reestimates as a % impact on underwriting income	28.5%		9.5%		(1.6)%	

Prior year reserve reestimates are developed based on factors that are calculated quarterly and periodically throughout the year for data elements such as claims reported and settled, paid losses and paid losses combined with case reserves. These data elements are primarily responsible for revisions to loss development factors used to predict how losses are likely to develop from the end of a reporting period until all claims have been paid. When actual development of these data elements is different than the historical development pattern used in a prior period reserve estimate, reserves are revised as actuarial studies validate new trends based on the indications of updated development factor calculations. Claims organizational and process changes that are currently occurring are considered within our estimation process.

Favorable reserve reestimates for auto and homeowners in 2017 were primarily related to a reduction in claim severity estimates for liability coverages. Auto liability claims process changes implemented in prior years, including a program requiring enhanced documentation of injuries and related medical treatments, have resulted in favorable severity trends compared to those originally estimated as we continue to develop greater experience in settling claims under these programs. Auto liability legislative reforms, higher limits and longer settlement periods in Canada have resulted in uncertainty that has developed favorably as loss experience emerges. Unfavorable results for commercial lines in 2017 were primarily due to non-catastrophe auto loss development being higher than anticipated in previous estimates.

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

Favorable auto reserve reestimates in 2016 were primarily due to severity development for auto liability coverages that was better than expected. Auto reserve reestimates in 2015 were primarily due to claim severity development for bodily injury coverage for recent years that was more than expected and litigation settlements from older years for Allstate brand.

Favorable homeowners reserve reestimates in 2016 and 2015 were primarily due to severity development for liability coverages related to the timing of payments.

Other personal lines reserve reestimates in 2016 was primarily due to non-catastrophe loss development lower than anticipated in previous estimates. Other personal lines reserve reestimates in 2015 were primarily the result of non-catastrophe loss development higher than anticipated in previous estimates.

Commercial lines reserve reestimates in 2016 were primarily due to severity development for auto bodily injury coverage that was more than expected. Commercial lines reserve reestimates in 2015 were primarily the result of non-catastrophe loss development higher than anticipated in previous estimates.

Pending, new and closed claims for Allstate Protection are summarized in the following table for the years ended December 31. The increase in pending claims as of December 31, 2017 compared to December 31, 2016 was primarily due to an increase in the amount of time to settle claims. The increase in pending claims as of December 31, 2016 compared to December 31, 2015, was primarily due to higher auto claim counts.

Summary of pending new and closed claims for Allstate Protection

Number of claims	2017	2016	2015
Auto			
Pending, beginning of year	534,531	521,890	487,227
New	6,448,747	6,844,491	6,752,401
Total closed	(6,444,854)	(6,831,850)	(6,717,738)
Pending, end of year	538,424	534,531	521,890
Homeowners			
Pending, beginning of year	34,691	38,865	33,648
New	898,512	818,084	714,562
Total closed	(895,909)	(822,258)	(709,345)
Pending, end of year	37,294	34,691	38,865
Other personal lines			
Pending, beginning of year	14,937	15,835	15,494
New	242,427	219,053	307,011
Total closed	(240,287)	(219,951)	(306,670)
Pending, end of year	17,077	14,937	15,835
Commercial lines			
Pending, beginning of year	11,518	11,837	11,836
New	55,308	73,139	74,942
Total closed	(56,410)	(73,458)	(74,941)
Pending, end of year	10,416	11,518	11,837
Total Allstate Protection			
Pending, beginning of year	595,677	588,427	548,205
New	7,644,994	7,954,767	7,848,916
Total closed	(7,637,460)	(7,947,517)	(7,808,694)
Pending, end of year	603,211	595,677	588,427

Allstate brand prior year reserve reestimates were $585 million favorable in 2017, $110 million favorable in 2016 and $36 million unfavorable in 2015.

Impact of reestimates on the Allstate brand underwriting income

	For the years ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Reserve reestimates	$ (585)	$ (110)	$ 36
Allstate brand underwriting income	2,201	1,457	1,819
Reserve reestimates as a % impact on underwriting income	26.6%	7.5%	(2.0)%

Esurance brand prior year reserve reestimates were $2 million favorable in 2017, $21 million favorable in 2016 and $17 million favorable in 2015.

Impact of reestimates on the Esurance brand underwriting loss

	For the years ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Reserve reestimates	$ (2)	$ (21)	$ (17)
Esurance brand underwriting loss	(56)	(124)	(164)
Reserve reestimates as a % impact on underwriting loss	3.6%	16.9%	10.4%

Encompass brand prior year reserve reestimates were $14 million favorable in 2017 compared to $5 million and $7 million unfavorable in 2016 and 2015, respectively.

Impact of reestimates on the Encompass brand underwriting income (loss) is shown in the table below.

	For the years ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Reserve reestimates	$ (14)	$ 5	$ 7
Encompass brand underwriting income (loss)	(33)	1	(26)
Reserve reestimates as a % impact on underwriting income (loss)	42.4%	N/A	(26.9)%

N/A reflects not applicable.

Discontinued Lines and Coverages

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

Discontinued Lines and Coverages reserve reestimates

($ in millions)	2017		2016		2015	
	January 1 reserves	Reserve reestimate	January 1 reserves	Reserve reestimate	January 1 reserves	Reserve reestimate
Asbestos claims	$ 912	$ 61	$ 960	$ 67	$ 1,014	$ 39
Environmental claims	179	10	179	23	203	1
Other discontinued lines	354	25	377	15	395	13
Total	**$ 1,445**	**$ 96**	**$ 1,516**	**$ 105**	**$ 1,612**	**$ 53**
Underwriting loss		$ (99)		$ (107)		$ (55)
Reserve reestimates as a % impact on underwriting loss		(97.0)%		(98.1)%		(96.4)%

Reserve additions for asbestos in 2017 were primarily related to new reported information and settlement agreements, including bankruptcy proceedings. Reserve additions for asbestos in 2016 were primarily related to insured business and claim development, new reported information on insured's claims, expanded expected exposure periods and other legal settlements including insured's bankruptcy proceedings. Reserve additions for asbestos in 2015 were primarily related to a settlement with a large insured and more reported claims than expected.

Reserve additions for environmental in 2017 and 2016 were primarily related to greater reported loss activity than expected. There were no significant reserve additions for environmental reserves in 2015.

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

($ in millions, except ratios)	2017		2016		2015	
	Gross	Net	Gross	Net	Gross	Net
Asbestos claims						
Beginning reserves	$ 1,356	$ 912	$ 1,418	$ 960	$ 1,492	$ 1,014
Incurred claims and claims expense	79	61	96	67	51	39
Claims and claims expense paid	(139)	(89)	(158)	(115)	(125)	(93)
Ending reserves	**$ 1,296**	**$ 884**	**$ 1,356**	**$ 912**	**$ 1,418**	**$ 960**
Annual survival ratio	9.3	9.9	8.6	7.9	11.3	10.3
3-year survival ratio	9.2	8.9	9.9	9.2	11.7	10.8
Environmental claims						
Beginning reserves	$ 219	$ 179	$ 222	$ 179	$ 267	$ 203
Incurred claims and claims expense	9	10	24	23	(13)	1
Claims and claims expense paid	(29)	(23)	(27)	(23)	(32)	(25)
Ending reserves	**$ 199**	**$ 166**	**$ 219**	**$ 179**	**$ 222**	**$ 179**
Annual survival ratio	6.9	7.2	8.1	7.8	6.9	7.2
3-year survival ratio	6.9	6.9	8.1	7.8	9.3	9.0
Combined environmental and asbestos						
Annual survival ratio	8.9	9.4	8.5	7.9	10.4	9.7
3-year survival ratio	8.8	8.5	9.6	8.9	11.3	10.4
Percentage of IBNR in ending reserves		52.7%		56.7%		56.9%

The survival ratio is calculated by taking our ending reserves divided by payments made during the year. This is a commonly used but extremely simplistic and imprecise approach to measuring the adequacy of asbestos and environmental reserve levels. Many factors, such as mix of business, level of coverage provided and settlement procedures have significant impacts on the amount of environmental and asbestos claims and claims expense reserves, claim payments and the resultant ratio. As payments result in corresponding reserve reductions, survival ratios can be expected to vary over time. In 2017, 2016 and 2015, the asbestos and environmental net 3-year survival ratio decreased due to increased claim payments associated with settlement agreements expected to be substantially paid out over the next several years.

Net asbestos reserves by type of exposure and total reserve additions

($ in millions)	December 31, 2017			December 31, 2016			December 31, 2015		
	Active policy-holders	Net reserves	% of reserves	Active policy-holders	Net reserves	% of reserves	Active policy-holders	Net reserves	% of reserves
Direct policyholders:									
Primary	48	$ 10	1%	51	$ 9	1%	48	$ 10	1%
Excess	296	308	35	297	266	29	298	248	26
Total	**344**	**318**	**36**	**348**	**275**	**30**	**346**	**258**	**27**
Assumed reinsurance		117	13		125	14		156	16
IBNR		449	51		512	56		546	57
Total net reserves		**$ 884**	**100%**		**$ 912**	**100%**		**$ 960**	**100%**
Total reserve additions		$ 61			$ 67			$ 39	

During the last three years, 42 direct primary and excess policyholders reported new claims, and claims of 38 policyholders were closed, increasing the number of active policyholders by 4 during the period.

- There was a net decrease of 4 policyholders in 2017, including 10 new policyholders reporting new claims and the closing of 14 policyholders' claims.
- There was a net increase of 2 policyholders in 2016, including 17 new policyholders reporting new claims and the closing of 15 policyholders' claims.
- There was a net increase of 6 policyholders in 2015, including 15 new policyholders reporting new claims and the closing of 9 policyholders' claims.

IBNR net reserves decreased $63 million as of December 31, 2017 compared to December 31, 2016 due to the transfer of IBNR to case reserves through settlement agreements with insureds on large claims where the scope of coverages have been agreed. IBNR provides for reserve development of known claims and future reporting of additional unknown claims from current policyholders and ceding companies.

Claims counts for asbestos and environmental exposures

Number of claims	For the years ended December 31, 2017	2016	2015
Asbestos			
Pending, beginning of year	6,883	7,151	7,306
New	406	477	530
Closed	(630)	(745)	(685)
Pending, end of year	**6,659**	**6,883**	**7,151**
Closed without payment	377	373	398
Environmental			
Pending, beginning of year	3,399	3,504	3,552
New	375	292	347
Closed	(423)	(397)	(395)
Pending, end of year	**3,351**	**3,399**	**3,504**
Closed without payment	299	211	254

Reinsurance ceded We utilize reinsurance to reduce exposure to catastrophe risk and manage capital, and to support the required statutory surplus and the insurance financial strength ratings of certain subsidiaries such as Castle Key Insurance Company ("CKIC") and Allstate New Jersey Insurance Company. We purchase significant reinsurance to manage our aggregate countrywide exposure to an acceptable level. The price and terms of reinsurance and the credit quality of the reinsurer are considered in the purchase process, along with whether the price can be appropriately reflected in the costs that are considered in setting future rates charged to policyholders. We also participate in various reinsurance mechanisms, including industry pools and facilities, which are backed by the financial resources of the property and casualty insurance company market participants, and have historically purchased reinsurance to mitigate long-tail liability lines, including environmental, asbestos and other discontinued lines exposures. We retain primary liability as a direct insurer for all risks ceded to reinsurers. The MCCA provides indemnification for losses over a retention level and under the National Flood Insurance Program ("NFIP") the Federal Government pays all covered claims and certain qualifying claim expenses.

Reinsurance recoverable balances net of the allowance established			
($ in millions)	S&P financial strength rating [1]	Reinsurance recoverable on paid and unpaid claims, net	
		2017	2016
Industry pools and facilities			
MCCA [2] [3]	N/A	$ 5,261	$ 4,949
New Jersey Property-Liability Insurance Guaranty Association ("PLIGA") [3]	N/A	493	506
NFIP	N/A	88	77
North Carolina Reinsurance Facility	N/A	86	81
Florida Hurricane Catastrophe Fund	N/A	19	—
Other		6	6
Subtotal		5,953	5,619
Other reinsurance			
Lloyd's of London ("Lloyd's") [3]	A+	167	174
Westport Insurance Corporation	AA-	61	61
TIG Insurance Company	N/A	31	31
New England Reinsurance Corporation	N/A	27	35
St. Paul Fire & Marine Insurance Company	AA	17	18
Other, including allowance for future uncollectible reinsurance		293	323
Subtotal		596	642
Total Property-Liability [3]		**6,549**	**6,261**
Service Businesses		**18**	**16**
Total		**$ 6,567**	**$ 6,277**

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

[2] As of December 31, 2017 and 2016, MCCA includes $27 million and $28 million of reinsurance recoverable on paid claims, respectively, and $5.23 billion and $4.92 billion of reinsurance recoverable on unpaid claims, respectively.

[3] As of December 31, 2017, case reserves for MCCA, PLIGA, Lloyd's and total Property-Liability were 83%, 100%, 64% and 82% of the reinsurance recoverable for unpaid claims, respectively.

Reinsurance recoverables include an estimate of the amount of insurance claims and claims expense reserves that are ceded under the terms of the reinsurance agreements, including incurred but not reported unpaid losses. We calculate our ceded reinsurance estimate based on the terms of each applicable reinsurance agreement, including an estimate of how IBNR losses will ultimately be ceded under the agreement. We also consider other limitations and coverage exclusions under our reinsurance agreements. Accordingly, our estimate of reinsurance recoverables is subject to similar risks and uncertainties as our estimate of reserves claims and claims expense. We believe the recoverables are appropriately established; however, as our underlying reserves continue to develop, the amount ultimately recoverable may vary from amounts currently recorded. We regularly evaluate the reinsurers and the respective amounts recoverable, and a provision for uncollectible reinsurance is recorded if needed. The establishment of reinsurance recoverables and the related allowance for uncollectible reinsurance is also an inherently uncertain process involving estimates. Changes in estimates could result in additional changes to the Consolidated Statements of Operations.

The allowance for uncollectible reinsurance primarily relates to Discontinued Lines and Coverages reinsurance recoverables and was $70 million and $84 million as of December 31, 2017 and 2016, respectively. The allowance for Discontinued Lines and Coverages represents 12.0% and 13.3% of the related reinsurance recoverable balances as of December 31, 2017 and 2016, respectively. The allowance is based upon our ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing, and other relevant factors. In addition, in the ordinary course of business, we may become involved in coverage disputes with certain of our reinsurers that may ultimately result in lawsuits and arbitrations brought by or against such reinsurers to determine the parties' rights and obligations under the various reinsurance agreements. We employ dedicated specialists to manage reinsurance collections and disputes. We also consider recent developments in commutation activity between reinsurers and cedents, and recent trends in arbitration and litigation outcomes in disputes between cedents and reinsurers in seeking to maximize our reinsurance recoveries.

Adverse developments in the insurance industry have led to a decline in the financial strength of some of our reinsurance carriers, causing amounts recoverable from them and future claims ceded to them to be considered a higher risk. There has also been consolidation activity in the industry, which causes reinsurance risk across the industry to be concentrated among fewer companies. In addition, some companies have segregated asbestos, environmental, and other discontinued lines exposures into separate legal entities with dedicated capital. Regulatory bodies in certain cases have supported these actions. We are unable to determine the impact, if any, that these developments will have on the collectability of reinsurance recoverables in the future.

For a detailed description of the MCCA, PLIGA and Lloyd's, see Note 10 of the consolidated financial statements. As of December 31, 2017, other than the recoverable balances listed in the table above, no other amount due or estimated to be due from any single reinsurer was in excess of $17 million.

The effects of reinsurance ceded on our premiums earned and claims and claims expense

($ in millions)	For the years ended December 31, 2017	2016	2015
Allstate Protection			
Catastrophe Reinsurance Programs	$ 355	$ 393	$ 427
NFIP	263	274	293
MCCA	73	73	84
PLIGA	9	8	9
Other	108	99	91
Total Allstate Protection	**808**	**847**	**904**
Discontinued Lines and Coverages	—	—	—
Total Property-Liability	**808**	**847**	**904**
Service Businesses	**163**	**140**	**102**
Ceded premiums earned	**$ 971**	**$ 987**	**$ 1,006**
Allstate Protection			
NFIP	1,116	537	120
MCCA	410	386	337
Catastrophe Reinsurance Programs[1]	65	(9)	(7)
PLIGA	3	20	9
Other	89	82	89
Total Allstate Protection	**1,683**	**1,016**	**548**
Discontinued Lines and Coverages	35	27	(1)
Total Property-Liability	**1,718**	**1,043**	**547**
Service Businesses	**89**	**73**	**55**
Ceded claims and claims expense	**$ 1,807**	**$ 1,116**	**$ 602**

[1] We ceded $84 million of claims and claims expenses related to Hurricane Irma to the catastrophe reinsurance programs, of which $13 million of unallocated expenses were recorded in Other. Reinsurance recoverables related to named storm Sandy also decreased the ceded claims and claims expenses by $6 million.

In 2017, 2016 and 2015, ceded premiums earned decreased primarily due to decreased reinsurance premium rates and a decrease in policies written for the NFIP and MCCA.

In 2017, ceded claims and claims expenses increased $691 million, primarily due to higher amounts ceded to the NFIP related to claims as a result of Hurricanes Harvey and Irma. Ceded claims and claims expenses increased in 2016, primarily due to higher amounts ceded to the NFIP as the result of Louisiana flooding. Ceded claims and claims expense decreased in 2015 primarily due to lower reserve increases for the MCCA and PLIGA programs.

Our claim reserve development experience is similar to the MCCA with reported and pending claims increasing in recent years. Moreover, the MCCA has reported severity increasing with nearly 60% of reimbursements for attendant and residential care services. Michigan's unique no-fault motor vehicle insurance law provides unlimited lifetime coverage for medical expenses resulting from motor vehicle accidents. The reserve increases in the MCCA program are attributable to an increased recognition of longer term paid loss trends. The paid loss trends are rising due to increased costs in medical and attendant care and increased longevity of claimants. As a result of continuing to originate motor vehicle policies in Michigan with unlimited personal injury protection coverage, we expect the number of MCCA covered claims and losses to increase each year.

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

	For the years ended December 31,					
	2017		2016		2015	
($ in millions)	Gross	Net	Gross	Net	Gross	Net
Beginning reserves	$ 5,443	$ 522	$ 5,121	$ 486	$ 4,804	$ 417
Incurred claims and claims expense-current year	513	195	578	214	526	200
Incurred claims and claims expense-prior years	117	25	8	(15)	37	26
Claims and claims expense paid-current year [1]	(54)	(53)	(60)	(58)	(56)	(55)
Claims and claims expense paid-prior years [1]	(220)	(124)	(204)	(105)	(190)	(102)
Ending reserves [2]	**$ 5,799**	**$ 565**	**$ 5,443**	**$ 522**	**$ 5,121**	**$ 486**

[1] Paid claims and claims expenses reported in the table for the current and prior years, recovered from the MCCA totaled $97 million, $101 million and $89 million in 2017, 2016 and 2015, respectively.

[2] Gross reserves for the year ended December 31, 2017, comprise 87% case reserves and 13% IBNR. Gross reserves for the year ended December 31, 2016 comprise 85% case reserves and 15% IBNR. Reserves for the years ended December 31, 2015 comprise 86% case reserves and 14% IBNR. The MCCA does not require member companies to report ultimate case reserves.

Pending MCCA claims differ from most personal lines insurance pending claims as other personal lines policies have coverage limits and incurred claims settle in shorter periods. Claims are considered pending as long as payments are continuing pursuant to an outstanding MCCA claim, which can be for a claimant's lifetime. Claims that occurred more than five years ago and continue to be paid often reflect lifetime benefits.

Pending, new and closed claims for Michigan personal injury protection exposures

	For the years ended December 31,		
Number of claims [1]	2017	2016	2015
Pending, beginning of year	5,388	5,127	4,936
New	8,494	9,577	8,956
Closed	(8,899)	(9,316)	(8,765)
Pending, end of year	**4,983**	**5,388**	**5,127**

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

As of December 31, 2017, approximately 1,440 of our pending claims have been reported to the MCCA, of which approximately 60% represents claims that occurred more than 5 years ago. There are 70 Allstate brand claims with reserves in excess of $15 million as of December 31, 2017, which comprise approximately 35% of the gross ending reserves in the table above. As a result, significant developments with a single claimant can result in volatility in prior year incurred claims.

Reinsurance recoverable on paid and unpaid claims including IBNR as of December 31, 2017 and 2016 includes $5.26 billion and $4.95 billion, respectively, from the MCCA.

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

Catastrophe reinsurance Our catastrophe reinsurance program is designed, utilizing our risk management methodology, to address our exposure to catastrophes nationwide. Our program is designed to provide reinsurance protection for catastrophes resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, fires following earthquakes, earthquakes and wildfires. These reinsurance agreements are part of our catastrophe management strategy, which is intended to provide our shareholders an acceptable return on the risks assumed in our property business, and to reduce variability of earnings, while providing protection to our customers.

We anticipate completing the placement of our 2018 nationwide catastrophe reinsurance program in the second quarter of 2018. We expect the program will be similar to our 2017 nationwide catastrophe reinsurance program. For further details of the existing 2017 program, see Note 10 of the consolidated financial statements.

Allstate Life Segment

Allstate Life offers traditional, interest-sensitive and variable life insurance. Our target customers prefer local personalized advice and service and are brand-sensitive. For additional information on our strategy and outlook, see Business - Segment information.

2017 Highlights

- Net income applicable to common shareholders was $577 million in 2017 compared to $219 million in 2016. 2017 results include a tax benefit of $332 million related to the Tax Legislation.
- Adjusted net income was $253 million in 2017 compared to $247 million in 2016.
- Premiums and contract charges totaled $1.28 billion in 2017, an increase of 2.4% from $1.25 billion in 2016.
- Contract benefits totaled $765 million in 2017, an increase of 3.1% from $742 million in 2016.

Summarized financial information

($ in millions)	For the years ended December 31, 2017	2016	2015
Revenues			
Premiums and contract charges	$ 1,280	$ 1,250	$ 1,223
Net investment income	489	482	490
Realized capital gains and losses	5	(38)	2
Total revenues	**1,774**	**1,694**	**1,715**
Costs and expenses			
Contract benefits	(765)	(742)	(749)
Interest credited to contractholder funds	(282)	(285)	(282)
Amortization of DAC	(134)	(131)	(133)
Operating costs and expenses	(238)	(225)	(212)
Restructuring and related charges	(2)	(1)	(1)
Total costs and expenses	**(1,421)**	**(1,384)**	**(1,377)**
Loss on disposition of operations	—	—	(1)
Income tax benefit (expense)	224	(91)	(108)
Net income applicable to common shareholders	**$ 577**	**$ 219**	**$ 229**
Adjusted net income	**$ 253**	**$ 247**	**$ 239**
Realized capital gains and losses, after-tax	2	(24)	1
DAC and DSI amortization related to realized capital gains and losses, after-tax	(10)	(4)	(4)
Loss on disposition of operations, after-tax	—	—	(1)
Change in accounting for investments in qualified affordable housing projects	—	—	(6)
Tax Legislation benefit	332	—	—
Net income applicable to common shareholders	**$ 577**	**$ 219**	**$ 229**
Reserve for life-contingent contract benefits as of December 31	$ 2,636	$ 2,578	$ 2,536
Contractholder funds as of December 31	$ 7,608	$ 7,464	$ 7,359
Policies in force as of December 31 (in thousands)	2,026	2,023	2,026

Adjusted net income was $253 million in 2017 compared to $247 million in 2016. The increase was primarily due to higher premiums and contract charges, partially offset by higher contract benefits and operating costs and expenses.

Adjusted net income was $247 million in 2016 compared to $239 million in 2015. The increase was primarily due to higher premiums and contract charges, partially offset by higher operating costs and expenses.

Premiums and contract charges increased 2.4% or $30 million in 2017 compared to 2016. The increase primarily relates to higher traditional life insurance renewal premiums as well as lower levels of reinsurance premiums ceded. Approximately 85% of Allstate Life's traditional life insurance premium relates to term life insurance products.

Premiums and contract charges increased 2.2% or $27 million in 2016 compared to 2015. The increase primarily relates to increased traditional life insurance renewal premiums as well as lower levels of reinsurance premiums ceded.

Premiums and contract charges by product

($ in millions)	For the years ended December 31, 2017	2016	2015
Traditional life insurance premiums	$ 568	$ 533	$ 505
Accident and health insurance premiums	2	2	2
Interest-sensitive life insurance contract charges	710	715	716
Premiums and contract charges [(1)]	**$ 1,280**	**$ 1,250**	**$ 1,223**

[(1)] Contract charges related to the cost of insurance totaled $487 million, $488 million and $485 million in 2017, 2016 and 2015, respectively.

Contract benefits increased 3.1% or $23 million in 2017 compared to 2016, primarily due to growth in business in force. Contract benefits decreased 0.9% or $7 million in 2016 compared to 2015, primarily due to favorable life insurance mortality experience.

Our annual review of assumptions in 2017 resulted in a $12 million increase in reserves, primarily for secondary guarantees on interest-sensitive life insurance due to increased projected exposure to benefits paid under secondary guarantees resulting from continued low interest rates. In 2016, the review resulted in an $8 million increase in reserves primarily for secondary guarantees on interest-sensitive life insurance due to higher than anticipated retention.

Benefit spread reflects our mortality and morbidity results using the difference between premiums and contract charges earned for the cost of insurance and contract benefits ("benefit spread"). Benefit spread increased 3.9% to $292 million in 2017 compared to $281 million in 2016, primarily due to growth in business in force. Benefit spread increased 17.1% to $281 million in 2016 compared to $240 million in 2015, primarily due to higher life insurance premiums and favorable mortality experience.

Investment spread reflects the difference between net investment income and interest credited to contractholder funds ("investment spread") and is used to analyze the impact of net investment income and interest credited to contractholders on net income. Investment spread increased 5.1% to $207 million in 2017 compared to $197 million in 2016 primarily due to higher net investment income and lower credited interest. Investment spread decreased 6.6% to $197 million in 2016 compared to $211 million in 2015, primarily due to lower net investment income and higher credited interest.

Amortization of DAC increased 2.3% or $3 million in 2017 compared to 2016, primarily due to higher net realized capital gains and gross profits, partially offset by higher amortization deceleration for changes in assumptions. Amortization of DAC decreased 1.5% or $2 million in 2016 compared to 2015.

Components of amortization of DAC

($ in millions)	For the years ended December 31, 2017	2016	2015
Amortization of DAC before amortization relating to realized capital gains and losses and changes in assumptions	$ 134	$ 131	$ 127
Amortization relating to realized capital gains and losses [(1)]	14	6	5
Amortization (deceleration) acceleration for changes in assumptions (''DAC unlocking'')	(14)	(6)	1
Total amortization of DAC	**$ 134**	**$ 131**	**$ 133**

[(1)] The impact of realized capital gains and losses on amortization of DAC is dependent upon the relationship between the assets that give rise to the gain or loss and the product liability supported by the assets. Fluctuations result from changes in the impact of realized capital gains and losses on actual and expected gross profits.

Our annual comprehensive review of assumptions underlying estimated future gross profits for our interest-sensitive life contracts covers assumptions for mortality, persistency, expenses, investment returns, including capital gains and losses, interest crediting rates to policyholders, and the effect of any hedges.

In 2017, the review resulted in a deceleration of DAC amortization (increase to income) of $14 million. DAC amortization deceleration primarily related to the benefit margin component of estimated gross profits and was due to a decrease in projected mortality. This was partially offset by DAC amortization acceleration (decrease to income) for changes in the investment margin due to continued low interest rates and lower projected investment returns.

In 2016, the review resulted in a deceleration of DAC amortization of $6 million. DAC amortization deceleration for changes in the investment margin was due to increased projected investment margins from a favorable asset portfolio mix. DAC amortization deceleration for changes in the expense margin related primarily to variable life insurance and was due to a decrease in projected expenses.

In 2015, the review resulted in an acceleration of DAC amortization of $1 million.

Changes in DAC

($ in millions)	Traditional life and accident and health		Interest-sensitive life insurance		Total	
	For the years ended December 31,					
	2017	2016	2017	2016	2017	2016
Balance, beginning of year	$ 438	$ 424	$ 762	$ 847	$1,200	$1,271
Acquisition costs deferred	66	57	66	77	132	134
Amortization of DAC before amortization relating to realized capital gains and losses and changes in assumptions [1]	(39)	(43)	(95)	(88)	(134)	(131)
Amortization relating to realized capital gains and losses [1]	—	—	(14)	(6)	(14)	(6)
Amortization deceleration for changes in assumptions ("DAC unlocking") [1]	—	—	14	6	14	6
Effect of unrealized capital gains and losses [2]	—	—	(46)	(74)	(46)	(74)
Ending balance	**$ 465**	**$ 438**	**$ 687**	**$ 762**	**$1,152**	**$1,200**

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

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

Operating costs and expenses increased 5.8% or $13 million in 2017 compared to 2016, primarily due to higher employee related costs and higher net distribution expenses reflecting increased regulatory compliance costs, partially offset by lower non-deferrable commissions.

Operating costs and expenses increased 6.1% or $13 million in 2016 compared to 2015, primarily due to higher non-deferrable commissions and increased regulatory compliance costs.

Operating costs and expenses

($ in millions)	For the years ended December 31, 2017	2016	2015
Non-deferrable commissions	$ 13	$ 17	$ 5
General and administrative expenses	225	208	207
Total operating costs and expenses	**$ 238**	**$ 225**	**$ 212**

Analysis of reserves and contractholder funds

Reserve for life-contingent contract benefits

($ in millions)	For the years ended December 31, 2017	2016	2015
Traditional life insurance	$ 2,460	$ 2,398	$ 2,353
Accident and health insurance	176	180	183
Reserve for life-contingent contract benefits	**$ 2,636**	**$ 2,578**	**$ 2,536**

Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life insurance. The balance of contractholder funds is equal to the cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals and contract charges for mortality or administrative expenses.

Change in contractholder funds

($ in millions)	For the years ended December 31, 2017	2016	2015
Contractholder funds, beginning balance	$ 7,464	$ 7,359	$ 7,254
Deposits	973	991	1,034
Interest credited	282	284	282
Benefits, withdrawals and other adjustments			
Benefits	(241)	(245)	(273)
Surrenders and partial withdrawals	(254)	(250)	(253)
Contract charges	(704)	(705)	(702)
Net transfers from separate accounts	4	4	6
Other adjustments [1]	84	26	11
Total benefits, withdrawals and other adjustments	(1,111)	(1,170)	(1,211)
Contractholder funds, ending balance	**$ 7,608**	**$ 7,464**	**$ 7,359**

[1] The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the Consolidated Statements of Financial Position. The table above is intended to supplement our discussion and analysis of revenues, which are presented net of reinsurance on the Consolidated Statements of Operations. As a result, the net change in contractholder funds associated with products reinsured is reflected as a component of the other adjustments line.

Contractholder deposits decreased 1.8% in 2017 compared to 2016, and 4.2% in 2016 compared to 2015. The weighted average guaranteed crediting rate and weighted average current crediting rate for our interest-sensitive life insurance contracts, excluding variable life, are both 3.9% as of December 31, 2017.

Allstate Life reinsurance ceded

In the normal course of business, we seek to limit aggregate and single exposure to losses on large risks by purchasing reinsurance. In addition, we have used reinsurance to effect the disposition of certain blocks of business.

We retain primary liability as a direct insurer for all risks ceded to reinsurers. As of December 31, 2017, 16% of our face amount of life insurance in force was reinsured.

Reinsurance recoverables by reinsurer

($ in millions)	S&P financial strength rating [1]	Reinsurance recoverable on paid and unpaid benefits For the years ended December 31, 2017	2016
RGA Reinsurance Company	AA-	$ 229	$ 250
Swiss Re Life and Health America, Inc.	AA-	159	151
Munich American Reassurance	AA-	91	98
Scottish Re Group	N/A	87	90
Transamerica Life Group	AA-	77	80
John Hancock Life & Health Insurance Company	AA-	54	55
Triton Insurance Company	N/A	47	49
American Health & Life Insurance Co.	N/A	37	41
Lincoln National Life Insurance	AA-	28	32
Security Life of Denver	A	27	30
SCOR Global Life	AA-	17	17
Other [2]		39	41
Total		**$ 892**	**$ 934**

[1] N/A reflects no S&P rating available.

[2] As of December 31, 2017 and 2016, the other category includes $33 million and $35 million, respectively, of recoverables due from reinsurers rated A- or better by S&P.

We continuously monitor the creditworthiness of reinsurers in order to determine our risk of recoverability on an individual and aggregate basis, and a provision for uncollectible reinsurance is recorded if needed. No amounts have been deemed unrecoverable in the three-years ended December 31, 2017.

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

Allstate Benefits

Allstate Benefits offers voluntary benefits products, including life, accident, critical illness, short-term disability and other health products. Our target customers are middle market consumers with family financial protection needs. For additional information on our strategy and outlook, see Business - Segment information.

2017 Highlights

- Net income applicable to common shareholders was $146 million in 2017 compared to $96 million in 2016. 2017 results include a tax benefit of $51 million related to the Tax Legislation.
- Adjusted net income was $95 million in 2017 compared to $100 million in 2016.
- Premiums and contract charges totaled $1.08 billion in 2017, an increase of 7.2% from $1.01 billion in 2016.
- Contract benefits totaled $564 million in 2017, an increase of 10.8% from $509 million in 2016.

Summarized financial information

	For the years ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Revenues			
Premiums and contract charges	$ 1,084	$ 1,011	$ 921
Net investment income	72	71	71
Realized capital gains and losses	1	(5)	1
Total revenues	**1,157**	**1,077**	**993**
Costs and expenses			
Contract benefits	(564)	(509)	(452)
Interest credited to contractholder funds	(35)	(36)	(36)
Amortization of DAC	(142)	(145)	(124)
Operating costs and expenses	(266)	(240)	(222)
Restructuring and related charges	(3)	—	—
Total costs and expenses	**(1,010)**	**(930)**	**(834)**
Income tax expense	(1)	(51)	(55)
Net income applicable to common shareholders	**$ 146**	**$ 96**	**$ 104**
Adjusted net income	**$ 95**	**$ 100**	**$ 104**
Realized capital gains and losses, after-tax	—	(4)	—
Tax Legislation benefit	51	—	—
Net income applicable to common shareholders	**$ 146**	**$ 96**	**$ 104**
Benefit ratio [1]	52.0	50.3	49.1
Operating expense ratio [2]	24.5	23.7	24.1
Reserve for life-contingent contract benefits as of December 31	$ 979	$ 940	$ 894
Contractholder funds as of December 31	$ 890	$ 881	$ 866
Policies in force as of December 31 (in thousands)	4,033	3,755	3,312

[1] Benefit ratio is calculated as contract benefits divided by premiums and contract charges.

[2] Operating expense ratio is calculated as operating costs and expenses divided by premiums and contract charges.

Adjusted net income was $95 million in 2017 compared to $100 million in 2016. The decrease was primarily due to higher contract benefits and operating costs and expenses, partially offset by higher premiums and contract charges.

Adjusted net income was $100 million in 2016 compared to $104 million in 2015. The decrease was primarily due to higher contract benefits, amortization of DAC and operating costs and expenses, partially offset by higher premiums and contract charges.

Premiums and contract charges increased 7.2% or $73 million in 2017 compared to 2016, primarily related to growth in critical illness, short-term disability and accident products. New annualized premium sales (annualized premiums at initial customer enrollment, reduced by an estimate for policies expected to lapse) increased 11.6% to $444 million in 2017. Policies in force increased 7.4% to 4,033 thousand as of December 31, 2017 compared to 3,755 thousand as of December 31, 2016.

Premiums and contract charges increased 9.8% or $90 million in 2016 compared to 2015. The increase primarily relates to growth in critical illness, accident and hospital indemnity products. New annualized premium sales increased 5.6% to $398 million in 2016. Policies in force increased 13.4% to 3,755 thousand as of December 31, 2016 compared to 3,312 thousand as of December 31, 2015.

Premiums and contract charges by product

	For the years ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Life	$ 155	$ 154	$ 143
Accident	280	270	238
Critical illness	468	443	402
Short-term disability	102	78	75
Other health	79	66	63
Premiums and contract charges	**$ 1,084**	**$ 1,011**	**$ 921**

Contract benefits increased 10.8% or $55 million in 2017 compared to 2016, primarily due to higher claim experience and growth. Contract benefits increased 12.6% or $57 million in 2016 compared to 2015, primarily due to growth and higher claim experience.

Benefit ratio increased to 52.0 in 2017 compared to 50.3 and 49.1 in 2016 and 2015, respectively, due to higher claims experience in health products, including critical illness and accident.

Amortization of DAC decreased 2.1% or $3 million to $142 million in 2017 compared to 2016, primarily due to lower amortization associated with our annual comprehensive review of assumptions and lower lapses, partially offset by higher amortization related to growth. Amortization of DAC increased 16.9% or $21 million to $145 million in 2016 compared to 2015, primarily due to growth.

Our annual comprehensive review of assumptions underlying estimated future gross profits for our interest-sensitive life contracts resulted in an acceleration of DAC amortization (decrease to income) of $1 million in 2017 compared to $4 million in 2016 and zero in 2015.

Changes in DAC

	For the years ended	
($ in millions)	**2017**	**2016**
Balance, beginning of year	$ 526	$ 514
Acquisition costs deferred	158	157
Amortization of DAC before amortization relating to changes in assumptions [(1)]	(141)	(141)
Amortization acceleration for changes in assumptions (“DAC unlocking”) [(1)]	(1)	(4)
Ending balance	**$ 542**	**$ 526**

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

Operating costs and expenses increased 10.8% or $26 million in 2017 compared to 2016, primarily due to higher employee-related costs and non-deferrable commissions related to growth, as well as higher technology expenses. Operating expense ratio increased to 24.5 in 2017 compared to 23.7 in 2016.

Operating costs and expenses increased 8.1% or $18 million in 2016 compared to 2015, primarily due to increased employee and technology costs related to growth. Operating expense ratio decreased to 23.7 in 2016 compared to 24.1 in 2015.

Operating costs and expenses

	For the years ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Non-deferrable commissions	$ 98	$ 91	$ 87
General and administrative expenses	168	149	135
Total operating costs and expenses	**$ 266**	**$ 240**	**$ 222**

Analysis of reserves and contractholder funds

Reserve for life-contingent contract benefits

($ in millions)	For the years ended December 31, 2017	2016	2015
Traditional life insurance	$ 262	$ 247	$ 233
Accident and health insurance	717	693	661
Reserve for life-contingent contract benefits	**$ 979**	**$ 940**	**$ 894**

Contractholder funds relate to interest-sensitive life insurance and totaled $890 million as of December 31, 2017 compared to $881 million as of December 31, 2016 and $866 million as of December 31, 2015.

Allstate Benefits reinsurance ceded

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

Reinsurance recoverables by reinsurer

($ in millions)	S&P financial strength rating	Reinsurance recoverable on paid and unpaid benefits — For the years ended December 31, 2017	2016
Mutual of Omaha Insurance	AA-	$ 68	$ 84
General Re Life Corporation	AA+	19	21
Other [(1)]		5	5
Total		**$ 92**	**$ 110**

(1) As of December 31, 2017 and 2016, the other category includes $4 million and $4 million, respectively, of recoverables due from reinsurers rated A- or better by S&P.

We continuously monitor the creditworthiness of reinsurers in order to determine our risk of recoverability on an individual and aggregate basis, and a provision for uncollectible reinsurance is recorded if needed. No amounts have been deemed unrecoverable in the three-years ended December 31, 2017.

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

Allstate Annuities Segment

Allstate Annuities consists of deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements). We exited the continuing sale of annuities over an eight year period from 2006 to 2014, reflecting our expectations of declining returns. This segment is in run-off, and we manage it with a focus on increasing economic value through our investment strategy. For additional information on our strategy and outlook, see Business - Segment information.

2017 Highlights

- Net income applicable to common shareholders was $418 million in 2017 compared to $76 million in 2016. 2017 results include a tax benefit of $182 million related to the Tax Legislation.
- Adjusted net income was $204 million in 2017 compared to $101 million in 2016.
- Net investment income increased 10.5% to $1.31 billion in 2017 from $1.18 billion in 2016.
- Net realized capital gains totaled $44 million in 2017 compared to net realized capital losses of $38 million in 2016.
- Contractholder funds totaled $10.94 billion as of December 31, 2017, reflecting a decrease of $979 million from $11.92 billion as of December 31, 2016. Reserve for life-contingent contract benefits totaled $8.93 billion as of December 31, 2017 compared to $8.72 billion as of December 31, 2016.

Summarized financial information

($ in millions)	For the years ended December 31, 2017	2016	2015
Revenues			
Contract charges	$ 14	$ 14	$ 14
Net investment income	1,305	1,181	1,323
Realized capital gains and losses	44	(38)	264
Total revenues	**1,363**	**1,157**	**1,601**
Costs and expenses			
Contract benefits	(594)	(606)	(602)
Interest credited to contractholder funds	(373)	(405)	(443)
Amortization of DAC	(7)	(7)	(5)
Operating costs and expenses	(35)	(32)	(38)
Restructuring and related charges	—	—	1
Total costs and expenses	**(1,009)**	**(1,050)**	**(1,087)**
Gain on disposition of operations	6	5	4
Income tax benefit (expense)	58	(36)	(188)
Net income applicable to common shareholders	**$ 418**	**$ 76**	**$ 330**
Adjusted net income	**$ 204**	**$ 101**	**$ 166**
Realized capital gains and losses, after-tax	28	(26)	172
Valuation changes on embedded derivatives not hedged, after-tax	—	(2)	(1)
DAC and DSI amortization related to realized capital gains and losses and valuation changes on embedded derivatives not hedged, after-tax	—	—	1
Gain on disposition of operations, after-tax	4	3	3
Change in accounting for investments in qualified affordable housing projects	—	—	(11)
Tax Legislation benefit	182	—	—
Net income applicable to common shareholders	**$ 418**	**$ 76**	**$ 330**
Reserve for life-contingent contract benefits as of December 31	$ 8,934	$ 8,721	$ 8,817
Contractholder funds as of December 31	$ 10,936	$ 11,915	$ 13,070
Policies in force as of December 31 (in thousands)			
Deferred annuities	142	156	172
Immediate annuities	89	95	100
Total	**231**	**251**	**272**

Adjusted net income was $204 million in 2017 compared to $101 million in 2016. The increase was primarily due to higher net investment income, lower interest credited to contractholder funds and lower contract benefits.

Adjusted net income was $101 million in 2016 compared to $166 million in 2015. The decrease was primarily due to lower net investment income, partially offset by lower interest credited to contractholder funds.

Net investment income increased 10.5% or $124 million in 2017 compared to 2016, benefiting from strong performance-based investment results, primarily from limited partnerships, partially offset by lower average investment balances as a result of a decrease in contractholder funds. Net investment income decreased 10.7% or $142 million in 2016 compared to 2015, primarily due to lower fixed income portfolio yields and lower average investment balances. The lower fixed income yields relate to duration shortening in 2015 and the repositioning into performance-based investments and equity securities.

The investment portfolio supporting immediate annuities is managed to ensure the assets match the characteristics of the liabilities and provide the long-term returns needed to support this business. To better match the long-term nature of our immediate annuities, we continue to increase performance-based investments in which we have ownership interests, and a greater proportion of return is derived from idiosyncratic asset or operating performance. Performance-based income can vary significantly between periods and is 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.

Net realized capital gains in 2017 primarily relate to net gains on sales, as well as gains from valuation changes in public securities held in certain limited partnerships, partially offset by impairment write-downs and derivative valuation losses. Net realized capital losses in 2016 primarily related to impairment write-downs, partially offset by net gains on sales in connection with ongoing portfolio management. Net realized capital gains in 2015 included gains on sales of longer duration fixed income securities in connection with the maturity profile shortening and equity securities in connection with ongoing portfolio management.

Contract benefits decreased 2.0% or $12 million in 2017 compared to 2016, primarily due to immediate annuity mortality experience. Contract benefits increased 0.7% or $4 million in 2016 compared to 2015, primarily due to unfavorable immediate annuity mortality experience.

As of December 31, 2017, our premium deficiency and profits followed by losses evaluations for our immediate annuities with life contingencies concluded that no adjustments were required to be recognized. For further detail on these evaluations, see Reserve for life-contingent contract benefits estimation in the Application of Critical Accounting Estimates section.

Benefit spread reflects our mortality results using the difference between contract charges earned and contract benefits excluding the portion related to the implied interest on immediate annuities with life contingencies. This implied interest totaled $501 million, $511 million and $514 million in 2017, 2016 and 2015, respectively. Total benefit spread was $(84) million, $(86) million and $(80) million in 2017, 2016 and 2015, respectively.

Interest credited to contractholder funds decreased 7.9% or $32 million in 2017 compared to 2016 and decreased 8.6% or $38 million in 2016 compared to 2015, primarily due to lower average contractholder funds. Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged increased interest credited to contractholder funds by $1 million in 2017 compared to $3 million in 2016 and $2 million in 2015.

Investment spread reflects the difference between net investment income and the sum of interest credited to contractholder funds and the implied interest on immediate annuities with life contingencies, which is included as a component of contract benefits and is used to analyze the impact of net investment income and interest credited to contractholders on net income.

Investment spread

($ in millions)	For the years ended December 31, 2017	2016	2015
Investment spread before valuation changes on embedded derivatives not hedged	$ 432	$ 268	$ 368
Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged	(1)	(3)	(2)
Total investment spread	**$ 431**	**$ 265**	**$ 366**

Investment spread before valuation changes on embedded derivatives not hedged increased 61.2% to $432 million in 2017 compared to $268 million in 2016, primarily due to higher net investment income and lower credited interest.

Investment spread before valuation changes on embedded derivatives not hedged decreased 27.2% to $268 million in 2016 compared to $368 million in 2015, primarily due to lower net investment income.

To further analyze investment spreads, the following table summarizes the weighted average investment yield on assets supporting product liabilities, interest crediting rates and investment spreads. Investment spreads may vary significantly between periods due to the variability in investment income, particularly for immediate fixed annuities where the investment portfolio includes performance-based investments.

Analysis of investment spread

	Weighted average investment yield			Weighted average interest crediting rate			Weighted average investment spreads		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Deferred fixed annuities and institutional products	4.2%	4.1%	4.3%	2.8%	2.8%	2.8%	1.4%	1.3%	1.5%
Immediate fixed annuities with and without life contingencies	8.0	6.5	7.0	6.0	5.9	5.9	2.0	0.6	1.1

The following table summarizes the weighted average guaranteed crediting rates and weighted average current crediting rates as of December 31, 2017 for certain fixed annuities where management has the ability to change the crediting rate, subject to a contractual minimum. Other products, including equity-indexed, variable and immediate annuities totaling $4.66 billion of contractholder funds, have been excluded from the analysis because management does not have the ability to change the crediting rate or the minimum crediting rate is not considered meaningful in this context.

Weighted average guaranteed crediting rates and weighted average current crediting rates

($ in millions)	Weighted average guaranteed crediting rates	Weighted average current crediting rates	Contractholder funds
Annuities with annual crediting rate resets	3.12%	3.12%	$ 4,945
Annuities with multi-year rate guarantees [1]:			
Resettable in next 12 months	1.28	4.08	514
Resettable after 12 months	1.81	2.72	813

[1] These contracts include interest rate guarantee periods which are typically 5, 6 or 10 years.

Operating costs and expenses increased 9.4% or $3 million in 2017 compared to 2016, primarily due to higher guaranty fund expenses. 2016 included a reduction in the accrual for anticipated guaranty fund expenses.

Operating costs and expenses decreased 15.8% or $6 million in 2016 compared to 2015, primarily due to lower employee related and other operating costs as a result of the runoff of the business.

Analysis of reserves and contractholder funds

Product liabilities

($ in millions)	For the years ended December 31, 2017	2016	2015
Immediate fixed annuities with life contingencies			
Sub-standard structured settlements and group pension terminations [1]	$ 5,284	$ 5,029	$ 5,030
Standard structured settlements and SPIA [2]	3,565	3,592	3,682
Other	85	100	105
Reserve for life-contingent contract benefits	**$ 8,934**	**$ 8,721**	**$ 8,817**
Deferred fixed annuities	$ 8,128	$ 8,921	$ 9,748
Immediate fixed annuities without life contingencies	2,700	2,874	3,094
Other [3]	108	120	228
Contractholder funds	**$ 10,936**	**$ 11,915**	**$ 13,070**

[1] Comprises structured settlement annuities for annuitants with severe injuries or other health impairments which increased their expected mortality rate at the time the annuity was issued ("sub-standard structured settlements") and group annuity contracts issued to sponsors of terminated pension plans ("ABO"). Sub-standard structured settlements comprise 5% of our immediate annuity policies in force and 53% of the immediate annuity reserve for life-contingent contract benefits.

[2] Comprises structured settlement annuities for annuitants with standard life expectancy ("standard structured settlements") and single premium immediate annuities ("SPIA") with life contingencies.

[3] Includes $85 million of institutional products as of December 31, 2015.

Contractholder funds represent interest-bearing liabilities arising from the sale of products such as fixed annuities and funding agreements. The balance of contractholder funds is equal to the cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals, maturities and contract charges for mortality or administrative expenses.

Changes in contractholder funds

($ in millions)	For the years ended December 31, 2017	2016	2015
Contractholder funds, beginning balance	$ 11,915	$ 13,070	$ 14,427
Deposits	28	42	42
Interest credited	370	403	442
Benefits, withdrawals, maturities and other adjustments			
Benefits	(638)	(705)	(790)
Surrenders and partial withdrawals	(723)	(780)	(1,003)
Maturities of and interest payments on institutional products	—	(86)	(1)
Contract charges	(9)	(9)	(9)
Net transfers from separate accounts	1	1	1
Other adjustments [1]	(8)	(21)	(39)
Total benefits, withdrawals, maturities and other adjustments	(1,377)	(1,600)	(1,841)
Contractholder funds, ending balance	$ 10,936	$ 11,915	$ 13,070

[1] The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the Consolidated Statements of Financial Position. The table above is intended to supplement our discussion and analysis of revenues, which are presented net of reinsurance on the Consolidated Statements of Operations. As a result, the net change in contractholder funds associated with products reinsured is reflected as a component of the other adjustments line.

Contractholder funds decreased 8.2% and 8.8% in 2017 and 2016, respectively, primarily due to the continued runoff of our deferred fixed annuity business. We discontinued the sale of annuities but still accept additional deposits on existing contracts.

Contractholder deposits decreased 33.3% in 2017 compared to 2016, primarily due to lower additional deposits on fixed annuities. Contractholder deposits in 2016 were comparable to 2015.

Surrenders and partial withdrawals decreased 7.3% to $723 million in 2017 from $780 million in 2016. Surrenders and partial withdrawals decreased 22.2% to $780 million in 2016 from $1.00 billion in 2015. The surrender and partial withdrawal rate on deferred fixed annuities, based on the beginning of year contractholder funds, was 8.7% in 2017 compared to 8.6% in 2016 and 9.9% in 2015.

Maturities of and interest payments on institutional products included an $85 million maturity in 2016. There were no institutional products outstanding as of December 31, 2017 or 2016.

Allstate Annuities reinsurance ceded

We ceded substantially all of the risk associated with our variable annuity business to Prudential Insurance Company of America (“Prudential”). Our reinsurance recoverables from Prudential totaled $1.35 billion and $1.41 billion as of December 31, 2017 and 2016, respectively. We also have reinsurance recoverables from other reinsurers of $17 million and $18 million as of December 31, 2017 and 2016, respectively.

We retain primary liability as a direct insurer for all risks ceded to reinsurers. We continuously monitor the creditworthiness of reinsurers in order to determine our risk of recoverability on an individual and aggregate basis, and a provision for uncollectible reinsurance is recorded if needed. No amounts have been deemed unrecoverable in the three-years ended December 31, 2017.

Investments

2017 Highlights

- Investments totaled $82.80 billion as of December 31, 2017, increasing from $81.80 billion as of December 31, 2016.
- Unrealized net capital gains totaled $2.63 billion as of December 31, 2017, increasing from $1.77 billion as of December 31, 2016.
- Net investment income was $3.40 billion in 2017, an increase of 11.8% from $3.04 billion in 2016.
- Net realized capital gains were $445 million in 2017 compared to net realized capital losses of $90 million in 2016.

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

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

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

The Allstate Life portfolio is comprised of assets chosen to generate returns to support corresponding liabilities within an asset-liability framework that targets an appropriate return on capital. This portfolio is well diversified and primarily consists of longer duration fixed income securities and commercial mortgage loans.

The Allstate Benefits portfolio is focused on generating an appropriate return on capital. The portfolio is largely comprised of fixed income securities and commercial mortgage loans with a small allocation to equity securities.

The Allstate Annuities portfolio is managed to ensure the assets match the characteristics of the liabilities. For longer-term immediate annuity liabilities, we invest primarily in performance-based investments such as limited partnerships and equity securities. For shorter-term annuity liabilities, we invest primarily in fixed income securities and commercial mortgage loans with maturity profiles aligned with liability cash flow requirements.

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

Within each segment, we utilize two primary strategies to manage risks and returns and to position our portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. As strategies and market conditions evolve, the asset allocation may change or assets may be moved between strategies.

Market-based strategies include investments primarily in public fixed income and equity securities. *Market-based core* seeks to deliver predictable earnings aligned to business needs and returns consistent with the markets in which we invest. Private fixed income assets, such as commercial mortgages, bank loans and privately placed debt that provide liquidity premiums are also included in this category. *Market-based active* seeks to outperform within the public markets through tactical positioning and by taking advantage of short-term opportunities. This category may generate results that meaningfully deviate from those achieved by market indices, both favorably and unfavorably.

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

Outlook

In December 2017, the Federal Open Market Committee ("FOMC") tightened monetary policy by setting the new target range for the federal funds rate at 1-1/4 percent to 1-1/2 percent and maintained their inflation target of 2 percent. The FOMC noted that monetary policy remains accommodative, thereby supporting strong labor market conditions and a return to 2 percent inflation. The path of the federal funds rate increase will depend on economic conditions and their impact on the economic outlook. We anticipate that interest rates will continue to increase but remain below historical averages and that financial markets may continue to have periods of high volatility and less liquidity. We plan to focus on the following priorities:

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

We continue to increase performance-based investments in our portfolios, consistent with our ongoing strategy to have a greater proportion of return derived from idiosyncratic asset or operating performance.

Invested assets and market-based income are expected to decline in line with reductions in contractholder funds and income related to performance-based investments will result in variability of earnings for the Allstate Annuities segment. Additionally, investment income may decline to the extent we reinvest investment proceeds at market yields that are below the current portfolio yield.

Portfolio composition and strategy by reporting segment [1]

	As of December 31, 2017						
($ in millions)	**Property-Liability**	**Service Businesses**	**Allstate Life**	**Allstate Benefits**	**Allstate Annuities**	**Corporate and Other**	**Total**
Fixed income securities [2]	$ 31,740	$ 757	$ 7,904	$ 1,159	$ 15,691	$ 1,741	$ 58,992
Equity securities [3]	4,752	144	42	89	1,584	10	6,621
Mortgage loans	394	—	1,823	195	2,122	—	4,534
Limited partnership interests	3,599	—	—	—	3,141	—	6,740
Short-term investments [4]	909	53	228	18	529	207	1,944
Other	1,789	—	1,213	315	655	—	3,972
Total	**$ 43,183**	**$ 954**	**$ 11,210**	**$ 1,776**	**$ 23,722**	**$ 1,958**	**$ 82,803**
Market-based core	$ 31,255	$ 954	$ 11,210	$ 1,776	$ 19,368	$ 1,958	$ 66,521
Market-based active	8,157	—	—	—	1,191	—	9,348
Performance-based	3,771	—	—	—	3,163	—	6,934
Total	**$ 43,183**	**$ 954**	**$ 11,210**	**$ 1,776**	**$ 23,722**	**$ 1,958**	**$ 82,803**

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

[2] Fixed income securities are carried at fair value. Amortized cost basis for these securities was $31.59 billion, $760 million, $7.41 billion, $1.12 billion, $14.91 billion, $1.74 billion and $57.53 billion for Property-Liability, Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, Corporate and Other, and in Total, respectively.

[3] Equity securities are carried at fair value. Cost basis for these securities was $3.93 billion, $144 million, $41 million, $57 million, $1.28 billion, $10 million and $5.46 billion for Property-Liability, Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, Corporate and Other, and in Total, respectively.

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

Investments totaled $82.80 billion as of December 31, 2017, increasing from $81.80 billion as of December 31, 2016, primarily due to higher equity and fixed income valuations and positive operating cash flows partially offset by common share repurchases, the $1.4 billion SquareTrade acquisition on January 3, 2017, net reductions in contractholder funds and dividends paid to shareholders.

Portfolio composition by investment strategy

($ in millions)	As of December 31, 2017 Market-based core	Market-based active	Performance-based	Total
Fixed income securities	$ 50,891	$ 8,027	$ 74	$ 58,992
Equity securities	5,438	1,045	138	6,621
Mortgage loans	4,534	—	—	4,534
Limited partnership interests	695	—	6,045	6,740
Short-term investments	1,858	86	—	1,944
Other	3,105	190	677	3,972
Total	**$ 66,521**	**$ 9,348**	**$ 6,934**	**$ 82,803**
% of total	80%	11%	9%	
Unrealized net capital gains and losses				
Fixed income securities	$ 1,446	$ 21	$ —	$ 1,467
Equity securities	1,050	95	15	1,160
Limited partnership interests	—	—	1	1
Other	(1)	—	—	(1)
Total	**$ 2,495**	**$ 116**	**$ 16**	**$ 2,627**

During 2017, strategic actions focused on optimizing portfolio yield, return and risk in the low interest rate environment.

We continued to increase performance-based investments in both the Property-Liability and Allstate Annuities portfolios.

We maintained the maturity profile of our fixed income securities at a duration of 3.3, 5.7 and 4.1 years for the Property-Liability, Allstate Life and Allstate Annuities portfolios, respectively. These actions have reduced our exposure to rising rates.

In the Allstate Annuities portfolio, invested assets and market-based income declined in line with reductions in contractholder funds. Performance-based investments and equity securities will continue to be allocated primarily to the longer-term immediate annuity liabilities to improve returns on those products while shorter-term annuity liabilities will be invested in market-based investments.

Fixed income securities by type

($ in millions)	Fair value as of December 31, 2017	2016
U.S. government and agencies	$ 3,616	$ 3,637
Municipal	8,328	7,333
Corporate	44,026	43,601
Foreign government	1,021	1,075
Asset-backed securities (“ABS”)	1,272	1,171
Residential mortgage-backed securities (“RMBS”)	578	728
Commercial mortgage-backed securities (“CMBS”)	128	270
Redeemable preferred stock	23	24
Total fixed income securities	**$ 58,992**	**$ 57,839**

Fixed income securities are rated by third party credit rating agencies and/or are internally rated. As of December 31, 2017, 87.2% of the consolidated fixed income securities portfolio was rated investment grade, which is defined as a security having a rating of Aaa, Aa, A or Baa from Moody’s, a rating of AAA, AA, A or BBB from S&P, a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Credit ratings below these designations are considered low 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 thorough due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure, and liquidity risks of each issue.

Fair value and unrealized net capital gains and losses for fixed income securities by credit quality

($ in millions)	As of December 31, 2017					
	Investment grade		Below investment grade		Total	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
U.S. government and agencies	$ 3,616	$ 36	$ —	$ —	$ 3,616	$ 36
Municipal						
Tax exempt	5,969	(1)	41	—	6,010	(1)
Taxable	2,283	275	35	1	2,318	276
Corporate						
Public	27,881	602	4,190	103	32,071	705
Privately placed	9,225	258	2,730	67	11,955	325
Foreign government	1,021	16	—	—	1,021	16
ABS						
Collateralized debt obligations ("CDO")	539	—	40	7	579	7
Consumer and other asset-backed securities ("Consumer and other ABS")	688	(2)	5	1	693	(1)
RMBS						
U.S. government sponsored entities ("U.S. Agency")	103	2	—	—	103	2
Non-agency	30	1	445	95	475	96
CMBS	46	—	82	4	128	4
Redeemable preferred stock	23	2	—	—	23	2
Total fixed income securities	**$ 51,424**	**$ 1,189**	**$ 7,568**	**$ 278**	**$ 58,992**	**$ 1,467**

Municipal bonds, including tax exempt and taxable securities, totaled $8.33 billion as of December 31, 2017 with 99.1% rated investment grade and an unrealized net capital gain of $275 million. The municipal bond portfolio includes general obligations of state and local issuers and revenue bonds (including pre-refunded bonds, which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest).

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

Corporate bonds, including publicly traded and privately placed, totaled $44.03 billion as of December 31, 2017, with an unrealized net capital gain of $1.03 billion. Privately placed securities primarily consist of corporate issued senior debt securities that are directly negotiated with the borrower or are in unregistered form.

Our $11.96 billion portfolio of privately placed securities is diversified by issuer, industry sector and country. The portfolio is made up of 449 issuers. Privately placed corporate obligations may contain structural security features such as financial covenants and call protections that provide investors greater protection against credit deterioration, reinvestment risk or fluctuations in interest rates than those typically found in publicly registered debt securities. Additionally, investments in these securities are made after due diligence of the issuer, typically including discussions with senior management and on-site visits to company facilities. Ongoing monitoring includes direct periodic dialog with senior management of the issuer and continuous monitoring of operating performance and financial position. Every issue not rated by an independent rating agency is internally rated with a formal rating affirmation at least once a year.

Our corporate bonds portfolio includes $6.92 billion of below investment grade bonds, $2.73 billion of which are privately placed. These securities are diversified by issuer and industry sector. The below investment grade corporate bonds portfolio is made up of 294 issuers. We employ fundamental analyses of issuers and sectors along with macro and asset class views to identify investment opportunities. This results in a portfolio with broad exposure to the high yield market, yet with an emphasis on idiosyncratic positions reflective of our views of market conditions and opportunities.

Foreign government securities totaled $1.02 billion as of December 31, 2017, with 100.0% rated investment grade and an unrealized net capital gain of $16 million. Of these securities, 73.6% are in Canadian governmental and provincial securities (68.8% of which are held by our Canadian companies), 18.8% are backed by the U.S. government and the remaining 7.6% are highly diversified in other foreign governments.

ABS, RMBS and CMBS are structured securities that are primarily collateralized by consumer or corporate borrowings and residential and commercial real estate loans. The cash flows from the underlying collateral paid to the securitization trust are generally applied in a pre-determined order and are designed so that each security issued by the trust, typically referred to as a "class", qualifies for a specific original rating.

For example, the "senior" portion or "top" of the capital structure, or rating class, which would originally qualify for a rating of Aaa typically has priority in receiving principal repayments on the underlying collateral and retains this priority until the class is paid in full. In a sequential structure, underlying collateral principal repayments are directed to the most senior rated Aaa class in the structure until paid in full, after which principal repayments are directed to the next most senior Aaa class in the structure until it is paid in full. Senior Aaa classes generally share any losses from the underlying collateral on a pro-rata basis after losses are absorbed by classes with lower original ratings. The payment priority and class subordination included in these securities serves as credit enhancement for holders of the senior or top portions of the structures. These securities continue to retain the payment priority features that existed at the origination of the securitization trust. Other forms of credit enhancement may include structural features embedded in the securitization trust, such as overcollateralization, excess spread and bond insurance. The underlying collateral may contain fixed interest rates, variable interest rates (such as adjustable rate mortgages), or both fixed and variable rate features.

ABS, including CDO and Consumer and other ABS, totaled $1.27 billion as of December 31, 2017, with 96.5% rated investment grade and an unrealized net capital gain of $6 million. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees and/or insurance.

CDO totaled $579 million as of December 31, 2017, with 93.1% rated investment grade and an unrealized net capital gain of $7 million. CDO consist of obligations collateralized by cash flow CDO, which are structures collateralized primarily by below investment grade senior secured corporate loans.

Consumer and other ABS totaled $693 million as of December 31, 2017, with 99.3% rated investment grade. Consumer and other ABS consists of $273 million of consumer auto, $175 million of credit card and $245 million of other ABS with unrealized net capital losses of $1 million, $1 million and an unrealized net capital gain of $1 million, respectively.

RMBS totaled $578 million as of December 31, 2017, with 23.0% rated investment grade and an unrealized net capital gain of $98 million. The RMBS portfolio is subject to interest rate risk, but unlike other fixed income securities, is additionally subject to prepayment risk from the underlying residential mortgage loans. RMBS consists of a U.S. Agency portfolio having collateral issued or guaranteed by U.S. government agencies and a non-agency portfolio consisting of securities collateralized by Prime, Alt-A and Subprime loans. The non-agency portfolio totaled $475 million as of December 31, 2017, with 6.3% rated investment grade and an unrealized net capital gain of $96 million.

CMBS totaled $128 million as of December 31, 2017, with 35.9% rated investment grade and an unrealized net capital gain of $4 million. The CMBS portfolio is subject to credit risk and has a sequential pay-down structure. The CMBS investments are primarily traditional conduit transactions collateralized by commercial mortgage loans, broadly diversified across property types and geographical area.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. Certain exchange traded and mutual funds have fixed income securities as their underlying investments. The equity securities portfolio was $6.62 billion as of December 31, 2017, with an unrealized net capital gain of $1.16 billion.

Mortgage loans, which are primarily held in the life and annuity portfolios, totaled $4.53 billion as of December 31, 2017 and primarily comprise loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification. For further detail on our mortgage loan portfolio, see Note 5 of the consolidated financial statements.

Limited partnership interests include interests in private equity funds, real estate funds and other funds.

Carrying value and other information for limited partnership interests

($ in millions)	As of December 31, 2017 Private equity	Real estate	Other	Total
Cost method of accounting ("Cost") [(1)]	$ 1,179	$ 103	$ 45	$ 1,327
Equity method of accounting ("EMA") [(2)]	3,573	1,190	650	5,413
Total	**$ 4,752**	**$ 1,293**	**$ 695**	**$ 6,740**
Number of managers	130	46	13	189
Number of individual investments	252	90	15	357
Largest exposure to single investment	$ 197	$ 144	$ 265	

(1) Beginning January 1, 2018, due to the adoption of the new accounting standard for the recognition and measurement of financial assets and liabilities, cost method limited partnerships (excluding limited partnership interests accounted for on a cost recovery basis) will be measured at fair value with changes in fair value recognized in net income. The existing carrying value of these investments will increase to fair value with the offsetting adjustment, after-tax, recognized in retained income through a cumulative effect adjustment. See Note 2 of the consolidated financial statements for additional details on the new accounting standard.

(2) Total EMA includes approximately $854 million of cumulative pre-tax appreciation. EMA limited partnerships are included in our comprehensive portfolio monitoring process to identify other-than-temporary impairment. Evidence of a loss in value that is other-than-temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.

Short-term investments totaled $1.94 billion as of December 31, 2017, which includes securities lending collateral of $808 million.

Other investments primarily comprise $1.70 billion of bank loans, $905 million of policy loans, $538 million of agent loans (loans issued to exclusive Allstate agents), $468 million of real estate and $127 million of derivatives as of December 31, 2017. For further detail on our use of derivatives, see Note 7 of the consolidated financial statements.

Unrealized net capital gains totaled $2.63 billion as of December 31, 2017 compared to $1.77 billion as of December 31, 2016. The appreciation of equity securities reflected strong equity markets, partially offset by realization of gains from the sale of securities. Fixed income valuations increased on lower market yields resulting from tighter credit spreads, partially offset by realization of gains from the sale of securities.

Unrealized net capital gains and losses

($ in millions)	As of December 31, 2017	2016
U.S. government and agencies	$ 36	$ 65
Municipal	275	217
Corporate	1,030	859
Foreign government	16	32
ABS	6	2
RMBS	98	77
CMBS	4	8
Redeemable preferred stock	2	3
Fixed income securities	**1,467**	**1,263**
Equity securities [(1)]	1,160	509
Derivatives	(1)	2
EMA limited partnerships	1	(4)
Unrealized net capital gains and losses, pre-tax	**$ 2,627**	**$ 1,770**

(1) Beginning January 1, 2018, due to the adoption of the new accounting standard for the recognition and measurement of financial assets and liabilities, equity securities will be measured at fair value with changes in fair value recognized in net income. The existing unrealized net capital gains and losses, after-tax, will be reclassified to retained income through a cumulative-effect adjustment. See Note 2 of the consolidated financial statements for additional details on the new accounting standard.

We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security that may be other-than-temporarily impaired. The process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which we may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in our evaluation of other-than-temporary impairment for these fixed income and equity 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 is other than temporary 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 length of time and extent to which the fair value has been less than amortized cost or cost. All investments in an unrealized loss position as of December 31, 2017 were included in our portfolio monitoring process for determining whether declines in value were other than temporary.

The unrealized net capital gain for the fixed income portfolio totaled $1.47 billion, comprised of $1.75 billion of gross unrealized gains and $283 million of gross unrealized losses as of December 31, 2017. This is compared to an unrealized net capital gain for the fixed income portfolio totaling $1.26 billion, comprised of $1.71 billion of gross unrealized gains and $447 million of gross unrealized losses as of December 31, 2016.

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

	As of December 31, 2017			
	Amortized cost	Gross unrealized		Fair value
($ in millions)		Gains	Losses	
Corporate:				
Consumer goods (cyclical and non-cyclical)	$ 13,321	$ 264	$ (64)	$ 13,521
Utilities	5,655	360	(27)	5,988
Banking	3,219	32	(24)	3,227
Communications	3,331	73	(21)	3,383
Capital goods	4,835	113	(21)	4,927
Technology	3,568	56	(16)	3,608
Financial services	2,839	71	(10)	2,900
Energy	2,167	96	(9)	2,254
Basic industry	1,989	78	(5)	2,062
Transportation	1,706	83	(5)	1,784
Other	366	8	(2)	372
Total corporate fixed income portfolio	**42,996**	**1,234**	**(204)**	**44,026**
U.S. government and agencies	3,580	56	(20)	3,616
Municipal	8,053	311	(36)	8,328
Foreign government	1,005	27	(11)	1,021
ABS	1,266	13	(7)	1,272
RMBS	480	101	(3)	578
CMBS	124	6	(2)	128
Redeemable preferred stock	21	2	—	23
Total fixed income securities	**$ 57,525**	**$ 1,750**	**$ (283)**	**$ 58,992**

The consumer goods, utilities and capital goods sectors comprise 31%, 14% and 11%, respectively, of the carrying value of our corporate fixed income securities portfolio as of December 31, 2017. The consumer goods, utilities and banking sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio as of December 31, 2017. In general, the gross unrealized losses are related to an increase in market yields, which may include increased risk-free interest rates and/or wider credit spreads since the time of initial purchase. Similarly, gross unrealized gains reflect a decrease in market yields since the time of initial purchase.

The unrealized net capital gain for the equity portfolio totaled $1.16 billion, comprised of $1.17 billion of gross unrealized gains and $12 million of gross unrealized losses as of December 31, 2017. This is compared to an unrealized net capital gain for the equity portfolio totaling $509 million, comprised of $594 million of gross unrealized gains and $85 million of gross unrealized losses as of December 31, 2016.

Gross unrealized gains and losses on equity securities by sector

($ in millions)	Amortized Cost	As of December 31, 2017 Gross unrealized Gains	Losses	Fair value
Energy	$ 293	$ 35	$ (2)	$ 326
Communications	181	32	(2)	211
Consumer goods (cyclical and non-cyclical)	808	194	(2)	1,000
Basic industry	169	35	(1)	203
Utilities	92	17	(1)	108
Financial services	269	70	(1)	338
Real estate	212	20	(1)	231
Transportation	75	22	—	97
Technology	403	161	—	564
Capital goods	310	101	—	411
Banking	347	151	—	498
Funds	2,302	334	(2)	2,634
Total equity securities	**$ 5,461**	**$ 1,172**	**$ (12)**	**$ 6,621**

As of December 31, 2017, we have not made the decision to sell and it is not more likely than not we will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis.

As of December 31, 2017, we have the intent and ability to hold equity securities with unrealized losses for a period of time sufficient for them to recover.

Net investment income

($ in millions)	For the years ended December 31, 2017	2016	2015
Fixed income securities	$ 2,078	$ 2,060	$ 2,218
Equity securities	174	137	110
Mortgage loans	206	217	228
Limited partnership interests	889	561	549
Short-term investments	30	16	9
Other	236	222	192
Investment income, before expense	3,613	3,213	3,306
Investment expense [(1)]	(212)	(171)	(150)
Net investment income	**$ 3,401**	**$ 3,042**	**$ 3,156**
Market-based core	$ 2,360	$ 2,340	$ 2,495
Market-based active	301	262	213
Performance-based	952	611	598
Investment income, before expense	**$ 3,613**	**$ 3,213**	**$ 3,306**

[(1)] Investment expense includes $40 million, $36 million and $19 million of investee level expenses in 2017, 2016 and 2015, respectively. Investee level expenses include depreciation and asset level operating expenses on directly held real estate and other consolidated investments.

Net investment income increased 11.8% or $359 million in 2017 compared to 2016, after decreasing 3.6% or $114 million in 2016 compared to 2015. The 2017 increase benefited from strong performance-based results, primarily from limited partnerships, an increase in invested assets and stable market-based yields, partially offset by higher employee-related expenses. The 2016 decrease was primarily due to lower fixed income yields resulting from lower market yields and portfolio repositioning (including both the 2015 maturity profile shortening in the portfolio supporting annuity liabilities and the shift to performance-based investments).

Performance-based investments primarily include private equity and real estate.

Investment income for performance-based investments

($ in millions)	For the years ended December 31, 2017	2016	2015
Limited partnerships			
Private equity	$ 725	$ 455	$ 402
Real estate	164	106	157
Performance-based - limited partnerships [(1)]	**889**	**561**	**559**
Non-limited partnerships			
Private equity	19	9	10
Real estate	44	41	29
Performance-based - non-limited partnerships	**63**	**50**	**39**
Total			
Private equity	744	464	412
Real estate	208	147	186
Total performance-based	**$ 952**	**$ 611**	**$ 598**
Investee level expenses [(2)]	$ (35)	$ (32)	$ (19)

[(1)] Other limited partnership interests where the underlying assets consist of public securities are held in the market-based core portfolio and are not included in the table above. Investment income (loss) for these limited partnership interests was zero for both 2017 and 2016, and $(10) million in 2015.

[(2)] Investee level expenses include depreciation and asset level operating expenses reported in investment expense. When calculating the pre-tax yields, investee level operating expenses are netted against income for directly held real estate and other consolidated investments.

Performance-based investment income increased 55.8% or $341 million in 2017 compared to an increase of 2.2% or $13 million in 2016. The increase reflects asset appreciation, sales of underlying investments, and the continued growth of our performance-based portfolio.

The five highest contributing performance-based investments in 2017 and 2016 generated investment income of $210 million and $147 million, respectively. Performance-based results and income can vary significantly between periods and are influenced by economic conditions, equity market performance, comparable public company earnings multiples, capitalization rates, operating performance of the underlying investments and the timing of asset sales.

Components of realized capital gains and losses and the related tax effect

($ in millions)	For the year December 31, 2017	2016	2015
Impairment write-downs			
Fixed income securities	$ (26)	$ (44)	$ (75)
Equity securities	(38)	(125)	(59)
Mortgage Loans	(1)	—	4
Limited partnership interests	(32)	(56)	(51)
Other investments	(5)	(9)	(14)
Total impairment write-downs	**(102)**	**(234)**	**(195)**
Change in intent write-downs	(48)	(69)	(221)
Net other-than-temporary impairment losses recognized in earnings	**(150)**	**(303)**	**(416)**
Sales and other	641	213	470
Valuation and settlements of derivative instruments	(46)	—	(24)
Realized capital gains and losses, pre-tax	**445**	**(90)**	**30**
Income tax (expense) benefit	(147)	34	(11)
Realized capital gains and losses, after-tax	**$ 298**	**$ (56)**	**$ 19**
Market-based core	$ 309	$ (40)	$ 70
Market-based active	177	21	9
Performance-based	(41)	(71)	(49)
Realized capital gains and losses, pre-tax	**$ 445**	**$ (90)**	**$ 30**

Realized capital gains and losses in 2017 primarily related to net gains on sales, as well as gains from valuation changes in public securities held in certain limited partnerships, partially offset by impairment and change in intent write-downs, and derivative valuation losses.

Impairment write-downs totaled $102 million, $234 million and $195 million in 2017, 2016 and 2015, respectively.

Equity securities were written down in 2017, 2016 and 2015 primarily due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and prospects of the issuer, including relevant industry conditions and trends.

Impairment write-downs on limited partnership interests and fixed income securities in 2017 related to investment specific circumstances.

Impairment write-downs on fixed income securities in 2016 were primarily driven by corporate fixed income securities impacted by issuer specific circumstances. Limited partnership write-downs primarily related to investments with exposure to the energy sector, partially offset by the recovery in value of a limited partnership that was previously written-down. Impairment write-downs in 2016 included $108 million related to investments with exposure to the energy sector.

Impairment write-downs on fixed income securities in 2015 were primarily driven by corporate fixed income securities impacted by issuer specific circumstances including exposure to oil and natural gas, defaulted special assessment municipal bonds, and collateralized loan obligations that experienced deterioration in expected cash flows. Limited partnership write-downs primarily related to two investments that had been impacted by the decline in natural gas prices. Impairment write-downs in 2015 included $97 million and $18 million of investments with exposure to the energy sector and metals and mining exposure in the basic industry sector, respectively.

Change in intent write-downs totaled $48 million, $69 million and $221 million in 2017, 2016 and 2015, respectively. The change in intent write-downs primarily relate to equity securities that we may not hold for a period of time sufficient to recover unrealized losses given our preference to maintain flexibility to reposition the portfolio. As of December 31, 2017, these holdings totaled $2.03 billion. For certain equity securities managed by third parties, we do not retain decision making authority as it pertains to selling securities that are in an unrealized loss position and therefore we recognize any unrealized loss at the end of the period through a charge to earnings. As of December 31, 2017, these holdings totaled $58 million and we recognized change in intent write-downs of $1 million in 2017.

Sales and other generated $641 million, $213 million and $470 million of net realized capital gains in 2017, 2016 and 2015, respectively.

Sales and other in 2017 and 2016 included sales of equity and fixed income securities in connection with ongoing portfolio management, as well as gains from valuation changes in public securities held in certain limited partnerships. Sales in first quarter 2016 included $105 million of losses on $1.90 billion of sales to reduce our exposure to the energy, metals and mining sectors. Sales and other in 2015 included sales of longer duration fixed income securities in connection with the maturity profile shortening in the portfolio supporting annuity liabilities and equity securities in connection with ongoing portfolio management, as well as losses from valuation changes in public securities held in certain limited partnerships.

Valuation and settlements of derivative instruments net realized capital losses were $46 million in 2017, net realized capital gains netted to zero in 2016 and net realized capital losses were $24 million in 2015. 2017 primarily comprised losses on foreign currency contracts due to the weakening of the U.S. Dollar and losses on equity futures used for risk management due to increases in equity indices. 2016 primarily comprised gains on foreign currency contracts due to the strengthening of the U.S. Dollar, offset by losses on equity futures used for risk management due to increases in equity indices and losses on credit default swaps due to the tightening of credit spreads on the underlying credit names. The net realized capital losses in 2015 primarily comprised losses on foreign currency contracts due to the weakening of the Canadian dollar.

Realized capital gains and losses for performance-based investments

($ in millions)	For the years ended December 31, 2017	2016	2015
Limited partnerships			
Private equity	$ (38)	$ (57)	$ (46)
Real estate	7	5	(4)
Performance-based - limited partnerships [1]	**(31)**	**(52)**	**(50)**
Non-limited partnerships			
Private equity	(26)	(21)	3
Real estate	16	2	(2)
Performance-based - non-limited partnerships	**(10)**	**(19)**	**1**
Total			
Private equity	(64)	(78)	(43)
Real estate	23	7	(6)
Total performance-based	**$ (41)**	**$ (71)**	**$ (49)**

[1] Other limited partnership interests where the underlying assets consist of public securities are held in the market-based core portfolio and are not included in the table above. Realized capital gains and losses were $163 million, $31 million and $(43) million in 2017, 2016 and 2015, respectively, for these limited partnership interests.

Realized capital losses on performance based investments were $41 million, $71 million and $49 million in 2017, 2016 and 2015, respectively. 2017 included impairment write-downs on private equity investments and derivative losses related to the hedging of foreign currency risk, partially offset by gains on sale of real estate investments. 2016 included impairment write-downs on certain investments with exposure to the energy sector, partially offset by the recovery in value of a limited partnership that was previously written-down. 2015 included impairment write-downs primarily related to two energy related investments that had been impacted by a decline in natural gas prices.

Market Risk

Market risk is the risk that we will incur losses due to adverse changes in interest rates, credit spreads, equity prices, commodity prices or currency exchange rates. Adverse changes to these rates and prices may occur due to changes in fiscal policy, the economic climate, the liquidity of a market or market segment, insolvency or financial distress of key market makers or participants or changes in market perceptions of credit worthiness and/or risk tolerance. Our primary market risk exposures are to changes in interest rates, credit spreads and equity prices. We have no direct exposure to commodity price changes.

The active management of market risk is integral to our results of operations. We may use the following approaches to manage exposure to market risk within defined tolerance ranges: 1) rebalancing existing asset or liability portfolios, 2) changing the type of investments purchased in the future and 3) using derivative instruments to modify the market risk characteristics of existing assets and liabilities or assets expected to be purchased. For a more detailed discussion of our use of derivative instruments, see Note 7 of the consolidated financial statements.

Overview In formulating and implementing guidelines for investing funds, we seek to earn attractive risk-adjusted returns that enhance our ability to offer competitive rates and prices to customers while contributing to stable profits and long-term capital growth. Accordingly, our investment decisions and objectives are informed by the underlying risks and product profiles. Investment policies define the overall framework for managing market and other investment risks, including accountability and controls over risk management activities. Subsidiaries that conduct investment activities follow policies that have been approved by their respective boards of directors and which specify the investment limits and strategies that are appropriate given the liquidity, surplus, product profile and regulatory requirements of the subsidiary. Executive oversight of investment activities is conducted primarily through subsidiaries' boards of directors and investment committees.

For life and annuity products, the asset-liability management ("ALM") policies further define the overall framework for managing market and investment risks and are approved by the subsidiaries' respective boards of directors. ALM focuses on strategies to enhance yields, mitigate market risks and optimize capital to improve profitability and returns while incorporating future expected cash requirements to repay liabilities. These ALM policies specify limits, ranges and/or targets for investments that best meet business objectives in light of the unique demands and characteristics of the product liabilities and are intended to result in a prudent, methodical and effective adjudication of market risk and return.

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

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

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

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

For our corporate debt, we monitor market interest rates and evaluate refinancing opportunities as maturity dates approach. To mitigate this risk, we structure the maturity dates of our debt. For further detail regarding our debt, see Note 12 of the consolidated financial statements and the Capital Resources and Liquidity section of the MD&A.

We manage the interest rate risk in our assets relative to the interest rate risk in our liabilities and our assessment of overall economic and capital risk. One of the measures used to quantify this exposure is duration. The difference in the duration of our assets relative to our liabilities is our duration gap. To calculate the duration gap between assets and liabilities, we project asset and liability cash flows and calculate their net present value using a risk-free market interest rate adjusted for credit quality, sector attributes, liquidity and other specific risks. Duration is calculated by revaluing these cash flows at alternative interest rates and determining the percentage change in aggregate fair value. The cash flows used in this calculation include the expected maturity and repricing characteristics of our derivative financial instruments, all other financial instruments, and certain other items including, unearned premiums, claims and claims expense reserves, annuity liabilities and other interest-sensitive liabilities.

The projections include assumptions (based upon historical market experience and our experience) that reflect the effect of changing interest rates on the prepayment, lapse, leverage and/or option features of instruments, where applicable. The preceding assumptions relate primarily to callable municipal and corporate bonds, fixed rate single and flexible premium deferred annuities, mortgage-backed securities and municipal housing bonds. Additionally, the calculations include assumptions regarding the renewal of property and casualty products.

As of December 31, 2017, the difference between our asset and liability duration was a (2.16) gap compared to a (2.02) gap as of December 31, 2016. The calculation excludes traditional and interest-sensitive life insurance and accident and health insurance products that are not considered financial instruments. A negative duration gap indicates that the fair value of our liabilities is more sensitive to interest rate movements than the fair value of our assets, while a positive duration gap indicates that the fair value of our assets is more sensitive to interest rate movements than the fair value of our liabilities. Due to the relatively short duration of our property and casualty liabilities, primarily related to auto and homeowners claims, the investments generally maintain a positive duration gap between assets and liabilities. In contrast, for our annuity products the duration gap maybe positive or negative as the assets and liabilities vary based on the characteristics of the products in-force and investing activity. As of December 31, 2017, property and casualty products had a positive duration gap while annuity products had a negative duration gap.

To reduce the risk that investment returns are below levels required to meet the funding needs of certain liabilities, we are executing our performance-based strategy that supplements market risk with idiosyncratic risk. We are using these investments, in addition to public equity securities, to support a portion of our property and casualty products and long-term annuity liabilities. Shorter-term annuity liabilities will continue to be invested in market-based investments to generate cash flows that will fund future claims, benefits and expenses, and that will earn stable returns across a wide variety of interest rate and economic scenarios. Performance-based investments and public equity securities are generally not interest-bearing; accordingly, using them to support interest-bearing liabilities contributes toward a negative duration gap.

Based upon the information and assumptions used in the duration calculation, and market interest rates as of December 31, 2017, we estimate that a 100 basis point immediate, parallel increase in interest rates ("rate shock") would increase the fair value of the assets net of liabilities by $1.65 billion, compared to an increase of $1.50 billion as of December 31, 2016, reflecting year to year changes in duration and the amount of assets and liabilities. The selection of a 100 basis point immediate, parallel change in interest rates should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

The estimate excludes traditional and interest-sensitive life insurance and accident and health insurance products that are not considered financial instruments and the $11.06 billion of assets supporting them and the associated liabilities. The $11.06 billion of assets excluded from the calculation increased from $10.85 billion as of December 31, 2016. Based on assumptions described above, in the event of a 100 basis point immediate increase in interest rates, the assets supporting the excluded products would decrease in value by $620 million compared to a decrease of $560 million as of December 31, 2016. To the extent that conditions differ from the assumptions we used in these calculations, duration and rate shock measures could be significantly impacted. Additionally, our calculations assume the current relationship between short-term and long-term interest rates (the term structure of interest rates) will remain constant over time. As a result, these calculations may not fully capture the effect of non-parallel changes in the term structure of interest rates and/or large changes in interest rates.

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

Spread duration is calculated similarly to interest rate duration. As of December 31, 2017, the spread duration was 3.99, compared to 3.97 as of December 31, 2016. Based upon the information and assumptions we use in this spread duration calculation, and market spreads as of December 31, 2017, we estimate that a 100 basis point immediate, parallel increase in spreads across all asset classes, industry sectors and credit ratings ("spread shock") would decrease the net fair value of the assets by $2.46 billion compared to $2.40 billion as of December 31, 2016. Reflected in the spread duration calculation are the effects of tactical positions that include the use of credit default swaps to manage spread risk. The selection of a 100 basis point immediate parallel change in spreads should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

Equity price risk is the risk that we will incur losses due to adverse changes in the general levels of the equity markets. As of December 31, 2017, we held $6.33 billion in common stocks and exchange traded and mutual funds and $7.03 billion in other investments with equity risk (including primarily limited partnership interests and non-redeemable preferred securities), compared to $5.48 billion and $6.00 billion, respectively, as of December 31, 2016. 71.1% of the common stocks and exchange traded and mutual funds and 54.8% of the other securities with equity risk supported property and casualty products as of December 31, 2017, compared to 71.3% and 53.5%, respectively, as of December 31, 2016.

As of December 31, 2017, our portfolio of common stocks and other investments with equity risk had a cash market portfolio beta of 1.03, compared to a beta of 1.04 as of December 31, 2016. Beta represents a widely used methodology to describe, quantitatively, an investment's market risk characteristics relative to an index such as the Standard & Poor's 500 Composite Price Index ("S&P 500"). Based on the beta analysis, we estimate that if the S&P 500 increases or decreases by 10%, the fair value of our equity investments will increase or decrease by 10.3%, respectively. Based upon the information and assumptions we used to calculate beta as of December 31, 2017, we estimate that an immediate increase or decrease in the S&P 500 of 10% would increase or decrease the net fair value of our equity investments by $1.37 billion, of which approximately 50% relates to public securities, compared to $1.20 billion as of December 31, 2016. The selection of a 10% immediate increase or decrease in the S&P 500 should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event. The beta of our common stocks and other investments with equity risk was determined by calculating the change in the fair value of the portfolio resulting from stressing the equity market up and down 10%. The illustrations noted above may not reflect our actual experience if the future composition of the portfolio (hence its beta) and correlation relationships differ from the historical relationships.

As of December 31, 2017 and 2016, we had separate account assets related to variable annuity and variable life contracts with account values totaling $3.44 billion and $3.39 billion, respectively. Equity risk exists for contract charges based on separate account balances and guarantees for death and/or income benefits provided by our variable products. In 2006, we disposed of substantially all of the variable annuity business through reinsurance agreements with The Prudential Insurance Company of America, a subsidiary of Prudential Financial Inc. and therefore mitigated this aspect of our risk. Equity risk for our variable life business relates to contract charges and policyholder benefits. Total direct and assumed variable life contract charges for 2017 and 2016 were $41 million and $40 million, respectively. Separate account liabilities related to variable life contracts were $70 million and $66 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, we had $1.85 billion and $1.81 billion, respectively, in equity-indexed life and annuity liabilities that provide customers with interest crediting rates based on the performance of the S&P 500. We hedge the majority of the risk associated with these liabilities using equity-indexed options and futures and eurodollar futures, maintaining risk within specified value-at-risk limits.

Foreign currency exchange rate risk is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates. This risk primarily arises from our foreign equity investments, including common stocks, limited partnership interests, and our Canadian, Northern Ireland and Indian operations. We also have investments in certain fixed income securities and emerging market fixed income funds that are denominated in foreign currencies. Derivatives are used to hedge approximately 4% of this foreign currency risk.

As of December 31, 2017, we had $2.18 billion in foreign currency denominated equity investments, $1.02 billion net investment in our foreign subsidiaries, primarily related to our Canadian operations, and $112 million in unhedged non-U.S. dollar fixed income securities. These amounts were $1.86 billion, $901 million, and $97 million, respectively, as of December 31, 2016.

Based upon the information and assumptions used as of December 31, 2017, we estimate that a 10% immediate unfavorable change in each of the foreign currency exchange rates to which we are exposed would decrease the value of our foreign currency denominated instruments by $326 million, compared with an estimated $269 million decrease as of December 31, 2016. The selection of a 10% immediate decrease in all currency exchange rates should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

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

Pension and Other Postretirement Plans

Our defined benefit pension plans cover most full-time employees, certain part-time employees and employee-agents. Benefits are based primarily on a cash balance formula; however, certain participants have a significant portion of their benefits attributable to a former final average pay formula. 88% of the projected benefit obligation ("PBO") of our primary qualified employee plan is related to the former final average pay formula. See Note 17 of the consolidated financial statements for a discussion of these plans and their effect on the consolidated financial statements.

Changes in assumptions can significantly affect the amounts recorded for net periodic pension cost and AOCI, particularly the discount rate and the expected long-term rate of return on plan assets. The discount rate is based on rates at which expected pension benefits attributable to past employee service could effectively be settled on a present value basis at the measurement date. We develop the assumed discount rate by utilizing the weighted average yield of a theoretical dedicated portfolio derived from non-callable bonds and bonds with a make-whole provision available in the Bloomberg corporate bond universe having ratings of at least "AA" by S&P or at least "Aa" by Moody's on the measurement date with cash flows that match expected plan benefit requirements. Significant changes in discount rates, such as those caused by changes in the credit spreads, yield curve, the mix of bonds available in the market, the duration of selected bonds and expected benefit payments, may result in volatility in pension cost and AOCI.

Holding other assumptions constant, a hypothetical decrease of 100 basis points in the discount rate would result in an increase of $29 million, pre-tax, in net periodic pension cost and a $570 million, after-tax, increase in the unrecognized pension cost liability recorded as AOCI as of December 31, 2017, compared to an increase of $28 million, pre-tax, in net periodic pension cost and a $446 million, after-tax, increase in the unrecognized pension cost liability as of December 31, 2016. A hypothetical increase of 100 basis points in the discount rate would decrease net periodic pension cost by $24 million, pre-tax, and would decrease the unrecognized pension cost liability recorded as AOCI by $476 million, after-tax, as of December 31, 2017, compared to a decrease in net periodic pension cost of $25 million, pre-tax, and a $375 million, after-tax, decrease in the unrecognized pension cost liability recorded as AOCI as of December 31, 2016. The 2017 estimated change in the unrecognized pension cost liability recorded in AOCI is at the newly enacted 21% U.S. corporate tax rate.

This non-symmetrical range results from the non-linear relationship between discount rates and pension obligations, and changes in the amortization of unrealized net actuarial gains and losses.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on plan assets. While this rate reflects long-term assumptions and is consistent with long-term historical returns, sustained changes in the market or changes in the mix of plan assets may lead to revisions in the assumed long-term rate of return on plan assets that may result in variability of pension cost. Differences between the actual return on plan assets and the expected long-term rate of return on plan assets are a component of unrecognized pension cost liability recorded as AOCI.

Holding other assumptions constant, a hypothetical decrease of 100 basis points in the expected long-term rate of return on plan assets would result in an increase of $58 million, pre-tax, in net periodic pension cost as of December 31, 2017, compared to $56 million, pre-tax, as of December 31, 2016. A hypothetical increase of 100 basis points in the expected long-term rate of return on plan assets would result in a decrease in net periodic pension cost of $58 million, pre-tax, as of December 31, 2017, compared to $56 million, pre-tax, as of December 31, 2016.

Estimated 2018 net periodic pension cost is $81 million, decreasing from $255 million in 2017, primarily due to lower expected settlement charges and interest costs and higher than expected asset returns in 2017 and includes expected settlement charges of $27 million primarily for lump sum payments under the employee-agent plan. Pension expense is reported consistent with other types of employee compensation and as a result is included in claims expense, operating costs and expenses and investment expense.

Settlement losses are likely to continue for some period in the future as we settle our remaining pension obligations from the employee-agent plan by making lump sum distributions. We may incur settlement losses in our primary employee plan over time as a result of a lower threshold, continued low interest rates and the remaining participants of the Final Average Pay becoming payment eligible.

We anticipate that the net actuarial loss for our pension plans will exceed 10% of the greater of the PBO or the market-related value of assets in 2018 and into the foreseeable future, resulting in additional amortization and net periodic pension cost. The net actuarial loss for the primary qualified employee plan will be amortized over the remaining service life of active employees (approximately 10 years) or will reverse with increases in the discount rate or better-than-expected returns on plan assets.

Target funding levels are established in accordance with applicable regulations, including those under the Internal Revenue Code ("IRC") for U.S. pension plans, and generally accepted actuarial principles. Our funding levels were within our targeted range as of December 31, 2017. In 2017, we contributed $131 million to our pension plans. We expect to contribute $133 million for the 2018 fiscal year. This estimate could change significantly following either an improvement or decline in investment markets.

Capital Resources and Liquidity

2017 Highlights

- Shareholders' equity as of December 31, 2017 was $22.55 billion, an increase of 9.6% from $20.57 billion as of December 31, 2016.
- On January 3, 2017, April 3, 2017, July 3, 2017 and October 2, 2017, we paid common shareholder dividends of $0.33, $0.37, $0.37 and $0.37, respectively. On November 16, 2017, we declared a common shareholder dividend of $0.37, payable on January 2, 2018. On February 7, 2018, we declared a common shareholder dividend of $0.46 payable on April 2, 2018.
- In 2017, we returned $1.9 billion to shareholders through a combination of common stock dividends and repurchasing 4.3% of our beginning-of-year outstanding shares. As of December 31, 2017, there was $1.27 billion remaining on the $2.00 billion common share repurchase program.

Capital resources consist of shareholders' equity and debt, representing funds deployed or available to be deployed to support business operations or for general corporate purposes.

Capital resources

($ in millions)	As of December 31, 2017	2016	2015
Preferred stock, common stock, treasury stock, retained income and other shareholders' equity items	$ 22,245	$ 20,989	$ 20,780
Accumulated other comprehensive income (loss)	306	(416)	(755)
Total shareholders' equity	**22,551**	**20,573**	**20,025**
Debt	6,350	6,347	5,124
Total capital resources	**$ 28,901**	**$ 26,920**	**$ 25,149**
Ratio of debt to shareholders' equity	28.2%	30.9%	25.6%
Ratio of debt to capital resources	22.0%	23.6%	20.4%

Shareholders' equity increased in 2017, primarily due to net income, increased unrealized net capital gains on investments and lower unrecognized pension and other postretirement benefit costs, partially offset by common share repurchases and dividends paid to shareholders. In 2017, we paid dividends of $525 million and $116 million related to our common and preferred shares, respectively. Shareholders' equity increased in 2016, primarily due to net income and increased unrealized net capital gains on investments, partially offset by common share repurchases and dividends paid to shareholders.

Debt $176 million of senior debt is scheduled to mature in May 2018 and $317 million of senior debt is scheduled to mature in May 2019. We have no other debt maturities until June 2023. As of December 31, 2017 and 2016, there were no outstanding commercial paper borrowings. For further information on outstanding debt, see Note 12 of the consolidated financial statements.

Common share repurchases In August 2017, the Board authorized a new $2.00 billion common share repurchase program that is expected to be completed by February 2019. As of December 31, 2017, there was $1.27 billion remaining on the $2.00 billion common share repurchase program. In August 2017, we also completed the $1.50 billion common share repurchase program that commenced in May 2016.

On December 8, 2017, we entered into an ASR agreement with Morgan Stanley to purchase $300 million of our outstanding common stock. Under the ASR agreement, we paid $300 million upfront and initially acquired 2.5 million shares. This ASR agreement settled on January 5, 2018.

During 2017, we repurchased 15.8 million common shares for $1.42 billion. The common share repurchases were completed through open market transactions and two ASR agreements.

Since 1995, we have acquired 682 million shares of our common stock at a cost of $31.12 billion, primarily as part of various stock repurchase programs. We have reissued 138 million common shares since 1995, primarily associated with our equity incentive plans, the 1999 acquisition of American Heritage Life Investment Corporation and the 2001 redemption of certain mandatorily redeemable preferred securities. Since 1995, total common shares outstanding has decreased by 544 million shares or 60.5%, primarily due to our repurchase programs.

Financial ratings and strength

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

	As of December 31, 2017		
	Moody's	**S&P Global Ratings**	**A.M. Best**
The Allstate Corporation (debt)	A3	A-	a-
The Allstate Corporation (short-term issuer)	P-2	A-2	AMB-1
Allstate Insurance Company (insurance financial strength)	Aa3	AA-	A+
Allstate Life Insurance Company (insurance financial strength)	A1	A+	A+
Allstate Assurance Company (insurance financial strength)	A1	N/A	A+

Our ratings are influenced by many factors including our operating and financial performance, asset quality, liquidity, asset/liability management, 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 July 2017, Moody's affirmed The Allstate Corporation's debt and short-term issuer ratings of A3 and P-2, respectively, and the insurance financial strength ratings of Aa3 for AIC and A1 for both Allstate Life Insurance Company ("ALIC") and Allstate Assurance Company ("AAC"). The outlook for the ratings remained stable. In August 2017, S&P affirmed The Allstate Corporation's debt and short-term issuer ratings of A- and A-2, respectively, and the insurance financial strength ratings of AA- for AIC and A+ for ALIC. The outlook for the ratings remained stable. In October 2017, A.M. Best affirmed The Allstate Corporation's debt and short-term issuer ratings of a- and AMB-1, respectively, and the insurance financial strength ratings of A+ for AIC, ALIC and AAC. The outlook for the ratings was updated to positive.

We have distinct and separately capitalized groups of subsidiaries licensed to sell property and casualty insurance that maintain separate group ratings. The ratings of these groups are influenced by the risks that relate specifically to each group. Many mortgage companies require property owners to have insurance from an insurance carrier with a secure financial strength rating from an accredited rating agency. In October 2017, A.M. Best upgraded the Allstate New Jersey Insurance Company ("ANJ"), which writes auto and homeowners insurance, rating of A- to A, and affirmed the North Light Specialty Insurance Company ("North Light"), our excess and surplus lines carrier, rating of A+. The outlook for the ANJ rating was stable while the outlook for the North Light rating was updated to positive. ANJ also has a Financial Stability Rating® of A" from Demotech, which was affirmed in November 2017. In October 2017, A.M. Best affirmed the CKIC, which underwrites personal lines property insurance in Florida, rating of B-. CKIC also has a Financial Stability Rating of A′ from Demotech that was affirmed in December 2017.

Allstate's domestic property and casualty and life insurance subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the insurance department of the applicable state of domicile. Statutory surplus is a measure that is often used as a basis for determining dividend paying capacity, operating leverage and premium growth capacity, and it is also reviewed by rating agencies in determining their ratings. Property and casualty is comprised of 29 insurance companies, each of which has individual company dividend limitations. As of December 31, 2017, total statutory surplus is $18.63 billion compared to $16.82 billion as of December 31, 2016. Property and casualty subsidiaries surplus was $14.90 billion as of December 31, 2017, compared to $13.44 billion as of December 31, 2016. Life insurance subsidiaries surplus was $3.73 billion as of December 31, 2017, compared to $3.38 billion as of December 31, 2016.

The ratio of net premiums written to statutory surplus is a common measure of operating leverage used in the property and casualty insurance industry and serves as an indicator of a company's premium growth capacity. Ratios in excess of 3 to 1 are typically considered outside the usual range by insurance regulators and rating agencies, and for homeowners and related coverages that have significant net exposure to natural catastrophes, a ratio of 1 to 1 is typically within the usual range. AIC's combined premium to surplus ratio was 1.7x as of December 31, 2017 compared to 1.9x as of December 31, 2016.

The National Association of Insurance Commissioners ("NAIC") has developed financial relationships or tests known as the Insurance Regulatory Information System to assist state insurance regulators in monitoring the financial condition of insurance companies and identifying companies that require special attention or actions by state insurance regulators. The NAIC analyzes financial data provided by insurance companies using prescribed ratios, each with defined "usual ranges". Additional regulatory scrutiny may occur if a company's ratios fall outside the usual ranges for four or more of the ratios. Our domestic insurance companies have no significant departure from these ranges.

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

Activities for potential sources of funds

	Property-Liability	*Service Businesses*	*Allstate Life*	*Allstate Benefits*	*Allstate Annuities*	*Corporate and Other*
Receipt of insurance premiums	✓	✓	✓	✓	✓	
Recurring service fees		✓				
Contractholder fund deposits			✓	✓	✓	
Reinsurance recoveries	✓		✓	✓	✓	
Receipts of principal, interest and dividends on investments	✓	✓	✓	✓	✓	✓
Sales of investments	✓	✓	✓	✓	✓	✓
Funds from securities lending, commercial paper and line of credit agreements	✓		✓		✓	✓
Intercompany loans	✓	✓	✓	✓	✓	✓
Capital contributions from parent	✓	✓	✓	✓	✓	
Dividends or return of capital from subsidiaries	✓		✓		✓	✓
Tax refunds/settlements	✓	✓	✓	✓	✓	✓
Funds from periodic issuance of additional securities						✓
Receipt of intercompany settlements related to employee benefit plans						✓

Activities for potential uses of funds

	Property-Liability	*Service Businesses*	*Allstate Life*	*Allstate Benefits*	*Allstate Annuities*	*Corporate and Other*
Payment of claims and related expenses	✓	✓				
Payment of contract benefits, maturities, surrenders and withdrawals			✓	✓	✓	
Reinsurance cessions and payments	✓		✓	✓	✓	
Operating costs and expenses	✓	✓	✓	✓	✓	✓
Purchase of investments	✓	✓	✓	✓	✓	✓
Repayment of securities lending, commercial paper and line of credit agreements	✓		✓		✓	✓
Payment or repayment of intercompany loans	✓	✓	✓	✓	✓	✓
Capital contributions to subsidiaries	✓		✓		✓	✓
Dividends or return of capital to shareholders/parent company	✓	✓	✓	✓	✓	✓
Tax payments/settlements	✓	✓	✓	✓	✓	
Common share repurchases						✓
Debt service expenses and repayment	✓		✓		✓	✓
Payments related to employee and employee-agent benefit plans	✓	✓	✓	✓	✓	✓
Payments for acquisitions	✓	✓	✓	✓	✓	✓

We actively manage our financial position and liquidity levels in light of changing market, economic, and business conditions. Liquidity is managed at both the entity and enterprise level across the Company, and is assessed on both base and stressed level liquidity needs. We believe we have sufficient liquidity to meet these needs. Additionally, we have existing intercompany agreements in place that facilitate liquidity management across the Company to enhance flexibility.

As of December 31, 2017, we held $8.38 billion of cash, U.S. government and agencies fixed income securities, and public equity securities (excluding non-redeemable preferred stocks and foreign equities) which, under normal market conditions, we would expect to be able to liquidate within one week. In addition, we regularly estimate how much of the total portfolio, which includes high quality corporate fixed income and municipal holdings, can be reasonably liquidated within one quarter. These estimates are subject to considerable uncertainty associated with evolving market conditions. As of December 31, 2017, estimated liquidity available within one quarter without generating significant net realized capital losses was $20.99 billion. As of December 31, 2017, gross unrealized losses related to fixed income and equity securities totaled $295 million.

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

The Allstate Corporation is party to an Amended and Restated Intercompany Liquidity Agreement ("Liquidity Agreement") with certain subsidiaries, which include, but are not limited to, ALIC and AIC. The Liquidity Agreement allows for short-term advances of funds to be made between parties for liquidity and other general corporate purposes. The Liquidity Agreement does not establish a commitment to advance funds on the part of any party. ALIC and AIC each serve as a lender and borrower, certain other subsidiaries serve only as borrowers, and the Corporation serves only as a lender. AIC also has a capital support agreement with ALIC. Under the capital support agreement, AIC is committed to providing capital to ALIC to maintain an adequate capital level. The maximum amount of potential funding under each of these agreements is $1.00 billion.

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

Parent company capital capacity At the parent holding company level, we have deployable assets totaling $1.95 billion as of December 31, 2017, comprising cash and investments that are generally saleable within one quarter. The substantial earnings capacity of the operating subsidiaries is the primary source of capital generation for the Corporation. In 2018, AIC will have the capacity to pay dividends currently estimated at $2.87 billion without prior regulatory approval. This provides funds for the parent company's fixed charges and other corporate purposes. In addition, we have access to $1.00 billion of funds from either commercial paper issuance or an unsecured revolving credit facility.

In 2017, AIC paid dividends totaling $1.56 billion to its parent, Allstate Insurance Holdings, LLC ("AIH"), which then paid $1.61 billion of dividends to the Corporation. In 2016, AIC paid dividends totaling $1.90 billion to AIH, which then paid $1.87 billion of dividends to the Corporation. In 2015, AIC paid dividends totaling $2.31 billion to AIH, which then paid $2.30 billion of dividends to the Corporation. In 2017, 2016 and 2015, ALIC paid $600 million, zero and $103 million, respectively, of dividends to AIC. In 2017, 2016 and 2015, American Heritage Life Insurance Company paid dividends totaling $70 million, $55 million and $80 million, respectively, to Allstate Financial Insurance Holdings Corporation. There were no capital contributions paid by the Corporation to AIC in 2017, 2016 or 2015. There were no capital contributions by AIC to ALIC in 2017, 2016 or 2015.

Dividends may not be paid or declared on our common stock and shares of common stock may not be repurchased unless the full dividends for the latest completed dividend period on our preferred stock have been declared and paid or provided for. We are prohibited from declaring or paying dividends on our preferred stock if we fail to meet specified capital adequacy, net income or shareholders' equity levels, except out of the net proceeds of common stock issued during the 90 days prior to the date of declaration. As of December 31, 2017, we satisfied all of the tests with no current restrictions on the payment of preferred stock dividends.

The terms of our outstanding subordinated debentures also prohibit us from declaring or paying any dividends or distributions on our common or preferred stock or redeeming, purchasing, acquiring, or making liquidation payments on our common stock or preferred stock if we have elected to defer interest payments on the subordinated debentures, subject to certain limited exceptions. In 2017, we did not defer interest payments on the subordinated debentures.

Additional borrowings to support liquidity are as follows:

- The Corporation has access to a commercial paper facility with a borrowing limit of $1.00 billion to cover short-term cash needs. In December 2017, we issued $100 million of commercial paper which was outstanding for seven days with a weighted average interest rate of 1.47% and was used for general corporate purposes. As of December 31, 2017, there were no balances outstanding and therefore the remaining borrowing capacity was $1.00 billion; however, the outstanding balance can fluctuate daily.
- The Corporation, AIC and ALIC have access to a $1.00 billion unsecured revolving credit facility that is available for short-term liquidity requirements. The maturity date of this facility is April 2021. The facility is fully subscribed among 11 lenders with the largest commitment being $115 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. 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 14.9% as of December 31, 2017. 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 2017.

- The Corporation has access to a universal shelf registration statement that was filed with the Securities and Exchange Commission on April 30, 2015. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 545 million shares of treasury stock as of December 31, 2017), 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.

Liquidity exposure Contractholder funds were $19.43 billion as of December 31, 2017.

Contractholder funds by contractual withdrawal provisions

($ in millions)	As of December 31, 2017	Percent to total
Not subject to discretionary withdrawal	$ 3,015	15.5%
Subject to discretionary withdrawal with adjustments:		
Specified surrender charges [1]	4,878	25.1
Market value adjustments [2]	1,387	7.1
Subject to discretionary withdrawal without adjustments [3]	10,154	52.3
Total contractholder funds [4]	**$ 19,434**	**100.0%**

[1] Includes $1.09 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

[2] $850 million of the contracts with market value adjusted surrenders have a 30-45 day period at the end of their initial and subsequent interest rate guarantee periods (which are typically 1, 5, 7 or 10 years) during which there is no surrender charge or market value adjustment. $426 million of these contracts have their 30-45 day window period in 2018.

[3] 89% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.

[4] Includes $738 million of contractholder funds on variable annuities reinsured to The Prudential Insurance Company of America, a subsidiary of Prudential Financial Inc., in 2006.

Retail life and annuity products may be surrendered by customers for a variety of reasons. Reasons unique to individual customers include a current or unexpected need for cash or a change in life insurance coverage needs. Other key factors that may impact the likelihood of customer surrender include the level of the contract surrender charge, the length of time the contract has been in force, distribution channel, market interest rates, equity market conditions and potential tax implications.

In addition, the propensity for retail life insurance policies to lapse is lower than it is for fixed annuities because of the need for the insured to be re-underwritten upon policy replacement.

The surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 6.1% and 6.2% in 2017 and 2016, respectively. We strive to promptly pay customers who request cash surrenders; however, statutory regulations generally provide up to six months in most states to fulfill surrender requests.

Our asset-liability management practices enable us to manage the differences between the cash flows generated by our investment portfolio and the expected cash flow requirements of our life insurance and annuity product obligations.

Contractual obligations and commitments Our contractual obligations as of December 31, 2017, and the payments due by period are shown in the following table.

Contractual obligations and payments due by period

	As of December 31, 2017				
($ in millions)	Total	Less than 1 year	1 to 3 years	Over 3 years to 5 years	Over 5 years
Liabilities for collateral [1]	$ 1,124	$ 1,124	$ —	$ —	$ —
Contractholder funds [2]	38,474	2,452	4,216	3,856	27,950
Reserve for life-contingent contract benefits [2]	39,381	1,420	2,640	2,442	32,879
Long-term debt [3]	14,069	496	910	584	12,079
Operating leases [4]	643	126	208	134	175
Unconditional purchase obligations [4]	520	200	286	31	3
Defined benefit pension plans and other postretirement benefit plans [4][5]	979	39	115	118	707
Reserve for property and casualty insurance claims and claims expense [6]	26,325	11,809	8,553	3,083	2,880
Other liabilities and accrued expenses [7][8]	5,043	4,792	227	13	11
Net unrecognized tax benefits [9]	55	55	—	—	—
Total contractual cash obligations	**$126,613**	**$ 22,513**	**$ 17,155**	**$ 10,261**	**$ 76,684**

(1) Liabilities for collateral are typically fully secured with cash or short-term investments. We manage our short-term liquidity position to ensure the availability of a sufficient amount of liquid assets to extinguish short-term liabilities as they come due in the normal course of business, including utilizing potential sources of liquidity as disclosed previously.

(2) Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life and fixed annuities, including immediate annuities without life contingencies. The reserve for life-contingent contract benefits relates primarily to traditional life insurance, immediate annuities with life contingencies and voluntary accident and health insurance. These amounts reflect the present value of estimated cash payments to be made to contractholders and policyholders. Certain of these contracts, such as immediate annuities without life contingencies, involve payment obligations where the amount and timing of the payment are essentially fixed and determinable. These amounts relate to (i) policies or contracts where we are currently making payments and will continue to do so and (ii) contracts where the timing of a portion or all of the payments has been determined by the contract. Other contracts, such as interest-sensitive life, fixed deferred annuities, traditional life insurance and voluntary accident and health insurance, involve payment obligations where a portion or all of the amount and timing of future payments is uncertain. For these contracts, we are not currently making payments and will not make payments until (i) the occurrence of an insurable event such as death or illness or (ii) the occurrence of a payment triggering event such as the surrender or partial withdrawal on a policy or deposit contract, which is outside of our control. For immediate annuities with life contingencies, the amount of future payments is uncertain since payments will continue as long as the annuitant lives. We have estimated the timing of payments related to these contracts based on historical experience and our expectation of future payment patterns. Uncertainties relating to these liabilities include mortality, morbidity, expenses, customer lapse and withdrawal activity, estimated additional deposits for interest-sensitive life contracts, and renewal premium for life policies, which may significantly impact both the timing and amount of future payments. Such cash outflows reflect adjustments for the estimated timing of mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table exceeds the corresponding liabilities of $19.43 billion for contractholder funds and $12.55 billion for reserve for life-contingent contract benefits as included in the Consolidated Statements of Financial Position as of December 31, 2017. The liability amount in the Consolidated Statements of Financial Position reflects the discounting for interest as well as adjustments for the timing of other factors as described above.

(3) Amount differs from the balance presented on the Consolidated Statements of Financial Position as of December 31, 2017, because the long-term debt amount above includes interest and excludes debt issuance costs.

(4) Our payment obligations relating to operating leases, unconditional purchase obligations and pension and other postretirement benefits ("OPEB") contributions are managed within the structure of our intermediate to long-term liquidity management program.

(5) The pension plans' obligations in the next 12 months represent our planned contributions to certain unfunded non-qualified plans where the benefit obligation exceeds the assets, and the remaining years' contributions are projected based on the average remaining service period using the current underfunded status of the plans. The OPEB plans' obligations are estimated based on the expected benefits to be paid. These liabilities are discounted with respect to interest, and as a result the sum of the cash outflows shown for all years in the table exceeds the corresponding liability amount of $526 million included in other liabilities and accrued expenses on the Consolidated Statements of Financial Position.

(6) Reserve for property and casualty insurance claims and claims expense is an estimate of amounts necessary to settle all outstanding claims, including claims that have been IBNR as of the balance sheet date. We have estimated the timing of these payments based on our historical experience and our expectation of future payment patterns. However, the timing of these payments may vary significantly from the amounts shown above, especially for IBNR claims. The ultimate cost of losses may vary materially from recorded amounts that are our best estimates.

(7) Other liabilities primarily include accrued expenses and certain benefit obligations and claim payments and other checks outstanding. Certain of these long-term liabilities are discounted with respect to interest, as a result the sum of the cash outflows shown for all years in the table exceeds the corresponding liability amount by $5 million.

(8) Balance sheet liabilities not included in the table above include unearned and advance premiums of $14.20 billion and gross deferred tax liabilities of $1.75 billion. These items were excluded as they do not meet the definition of a contractual liability as we are not contractually obligated to pay these amounts to third parties. Rather, they represent an accounting mechanism that allows us to present our financial statements on an accrual basis. In addition, other liabilities of $306 million were not included in the table above because they did not represent a contractual obligation or the amount and timing of their eventual payment was sufficiently uncertain.

(9) Net unrecognized tax benefits represent our potential future obligation to the taxing authority for a tax position that was not recognized in the consolidated financial statements. We believe it is reasonably possible that the liability balance will not significantly increase within the next twelve months. The resolution of this obligation may be for an amount different than what we have accrued.

Contractual commitments and periods in which commitments expire

	As of December 31, 2017				
($ in millions)	**Total**	**Less than 1 year**	**1 to 3 years**	**Over 3 years to 5 years**	**Over 5 years**
Other commitments – conditional	$ 172	$ 114	$ 4	$ 3	$ 51
Other commitments – unconditional	3,142	197	192	442	2,311
Total commitments	**$ 3,314**	**$ 311**	**$ 196**	**$ 445**	**$ 2,362**

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

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

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

Enterprise Risk and Return Management

In addition to the normal risks of the business, Allstate is subject to significant risks as an insurer and a provider of other products and financial services. These risks are discussed in more detail in the Risk Factors section of this document. We regularly measure, monitor and report on all significant risks, but the major categories of enterprise risks are insurance, financial, investment, operational and strategic. Allstate manages these risks through Enterprise Risk and Return Management ("ERRM") governance practices, culture, and activities that are performed on an integrated, enterprise-wide basis, following our risk and return principles. Our legal and capital structures are designed to manage capital and solvency on a legal entity basis. Our risk-return principles define how we operate and guide decision-making around risk and return. These principles state that our priority is to protect solvency, comply with laws and act with integrity. Building upon this foundation, we strive to build strategic value and optimize risk and return.

Governance ERRM governance includes board oversight, an executive management committee structure, as well as enterprise and business unit chief risk officers ("CROs"). The Allstate Corporation Board of Directors ("Allstate Board") has overall responsibility for oversight of management's design and implementation of ERRM. The Risk and Return Committee ("RRC") of the Allstate Board oversees effectiveness of the ERRM framework, governance structure and decision-making, while focusing on the Company's overall risk profile. The Audit Committee oversees effectiveness of management's control framework for risks. The Enterprise Risk and Return Council ("ERRC") is Allstate's senior risk management committee that directs ERRM by establishing risk-return targets, determining economic capital levels and directing integrated strategies and actions from an enterprise perspective. The ERRC consists of Allstate's chief executive officer, president, vice chair, business unit presidents, chief investment officer, enterprise and business unit chief risk officers and chief financial officers, general counsel and treasurer. Other key committees work with the ERRC to direct ERRM activities, including the Strategy & Reinvention Committee ("S&RC"), the Operational Risk Council, the Corporate Asset Liability Committee, legal entity liability governance committees, and legal entity investment committees.

Key risks are assessed and reported quarterly through a comprehensive ERRM risk dashboard prepared for senior management and the RRC. The risk dashboard communicates key risk and return conditions, provides an overall perspective of Allstate's risk profile, and promotes active discussion and engagement with management and the RRC. Internal controls over key risks are managed and reported to senior management and the Audit Committee of the Company through a semiannual risk control dashboard. Annually, we communicate with both the Allstate Board and RRC about economic capital and risks related to the strategic plan, operating plan, and incentive compensation programs.

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

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

The NAIC has adopted the Risk Management and Own Risk and Solvency Assessment Model Act ("ORSA Model Act"), which has been enacted by our insurance subsidiaries' domiciliary states. The ORSA Model Act requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer's material risks in normal and stressed environments. The assessment must be documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request.

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

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

Insurance risk management addresses fluctuations in the timing, frequency, and severity of benefits, expenses, and premiums relative to the return expectations at the time of pricing inclusive of systemic risk, concentration of insurance exposures, policy terms, reinsurance coverage, and claims handling practices. This includes credit risk that arises when an external party fails to meet a contractual obligation such as reinsurance for ceded claims.

Insurance risk exposures include our operating results and financial conditions, claims frequency and severity, catastrophes and severe weather, and mortality and morbidity risk.

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

- Stochastic methods: measures and monitors risks such as natural catastrophes and severe weather. We develop probabilistic estimates of risk based on our exposures, historical observed volatility and/or industry-recognized models in the case of catastrophe risk.
- Scenario analysis: measures and monitors risks and estimated losses due to catastrophe scenarios and stress scenario events for mortality/morbidity exposures.

Financial risk management addresses the risk of insufficient cash flows to meet corporate or policyholder needs, risk of inadequate aggregate capital or capital within any subsidiary, inability to access capital markets or risk associated with a business counterparty default.

Financial risk exposures include capital resources and liquidity sources and uses.

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

We generally assess solvency on a statutory accounting basis, but also consider GAAP volatility. Current enterprise economic capital, which exceeds targeted levels, is based on a combination of statutory surplus and invested assets at the parent holding company level which were $18.63 billion and $1.95 billion, respectively, as of December 31, 2017.

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

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

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

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

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

Operational risk is managed at the enterprise and business unit levels, with business units identifying, measuring, monitoring, managing, and reporting these and other operational risks at a more detailed level.

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

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

Application of Critical Accounting Estimates

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

- Fair value of financial assets
- Impairment of fixed income and equity securities
- Deferred policy acquisition costs amortization
- Evaluation of goodwill for impairment
- Reserve for property and casualty insurance claims and claims expense estimation
- Reserve for life-contingent contract benefits estimation

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

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

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

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

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

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

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

We gain assurance that our financial assets are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, our processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, we assess the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. We perform procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, we may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities. We perform ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, we validate them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

We also perform an analysis to determine whether there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity, and if so, whether transactions may not be orderly. Among the indicators we consider in determining whether a significant decrease in the volume and level of market activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, level of credit spreads over historical levels, bid-ask spread, and price consensuses among market participants and sources. If evidence indicates that prices are based on transactions that are not orderly, we place little, if any, weight on the transaction price and will estimate fair value using an internal model. As of December 31, 2017 and 2016, we did not adjust fair values provided by our valuation service providers or brokers or substitute them with an internal model for such securities.

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

	December 31, 2017	
($ in millions)	**Fair value**	**Percent to total**
Fair value based on internal sources	$ 3,739	5.5%
Fair value based on external sources [(1)]	63,818	94.5
Total	**$ 67,557**	**100.0%**

[(1)] Includes $730 million that are valued using broker quotes.

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

Impairment of fixed income and equity securities

For investments classified as available for sale, the difference between fair value and amortized cost for fixed income securities and cost for equity securities, net of certain other items and deferred income taxes (as disclosed in Note 5), is reported as a component of AOCI on the Consolidated Statements of Financial Position and is not reflected in the operating results of any period until reclassified to net income upon the consummation of a transaction with an unrelated third party or when a write-down is recorded due to an other-than-temporary decline in fair value. We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

For each fixed income security in an unrealized loss position, we assess whether management with the appropriate authority has made the decision to sell or whether it is more likely than not we will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, the security's decline in fair value is considered other than temporary and is recorded in earnings.

If we have not made the decision to sell the fixed income security and it is not more likely than not we will be required to sell the fixed income security before recovery of its amortized cost basis, we evaluate whether we expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. We use our best estimate of future cash flows expected to be collected from the fixed income security, discounted at the security's original or current effective rate, as appropriate, to calculate a recovery value and determine whether a credit loss exists. 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, including past events, current conditions, and reasonable and supportable assumptions and forecasts, 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, foreign exchange rates, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, vintage, geographic concentration, available reserves or escrows, current subordination levels, third party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if we determine that the security is dependent on the liquidation of collateral for ultimate settlement. If the estimated recovery value is less than the amortized cost of the security, a credit loss exists and an other-than-temporary impairment for the difference between the estimated recovery value and amortized cost is recorded in earnings. The portion of the unrealized loss related to factors other than credit remains classified in AOCI. If we determine that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, we may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

There are a number of assumptions and estimates inherent in evaluating impairments of equity securities and determining if they are other than temporary, including: 1) our ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; 2) 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; 3) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 4) the length of time and extent to which the fair value has been less than cost.

Once assumptions and estimates are made, any number of changes in facts and circumstances could cause us to subsequently determine that a fixed income or equity security is other-than-temporarily impaired, including: 1) general economic conditions that are worse than previously forecast or that have a greater adverse effect on a particular issuer or industry sector than originally estimated; 2) changes in the facts and circumstances related to a particular issue or issuer's ability to meet all of its contractual obligations; and 3) changes in facts and circumstances that result in management's decision to sell or result in our assessment that it is more likely than not we will be required to sell before recovery of the amortized cost basis of a fixed income security or causes a change in our ability or intent to hold an equity security until it recovers in value. Changes in assumptions, facts and circumstances could result in additional charges to earnings in future periods to the extent that losses are realized. The charge to earnings, while potentially significant to net income, would not have a significant effect on shareholders' equity, since our securities are designated as available for sale and carried at fair value and as a result, any related unrealized loss, net of deferred income taxes and related DAC, deferred sales inducement costs and reserves for life-contingent contract benefits, would already be reflected as a component of AOCI in shareholders' equity.

The determination of the amount of other-than-temporary impairment is an inherently subjective process based on periodic evaluations of the factors described above. Such evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly and reflect changes in other-than-temporary impairments in our results of operations as such evaluations are revised. The use of different methodologies and assumptions in the determination of the amount of other-than-temporary impairments may have a material effect on the amounts recognized and presented within the consolidated financial statements.

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

Deferred policy acquisition costs amortization

We incur significant costs in connection with acquiring insurance policies and investment contracts. In accordance with GAAP, costs that are related directly to the successful acquisition of new or renewal insurance policies and investment contracts are deferred and recorded as an asset on the Consolidated Statements of Financial Position.

DAC related to property and casualty contracts is amortized into income as premiums are earned, typically over periods of six or twelve months for personal lines policies or generally one to five years for protection plans and service contracts.

DAC related to traditional life and voluntary accident and health insurance is amortized over the premium paying period of the related policies in proportion to the estimated revenues on such business. Significant assumptions relating to estimated premiums, investment returns, as well as mortality, persistency and expenses to administer the business are established at the time the policy is issued and are generally not revised during the life of the policy. The assumptions for determining the timing and amount of DAC amortization are consistent with the assumptions used to calculate the reserve for life-contingent contract benefits. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these policies approximate the estimated lives of the policies. The recovery of DAC is dependent upon the future profitability of the business. We periodically review the adequacy of reserves and recoverability of

DAC for these policies using actual experience and current assumptions. Prior to fourth quarter 2017, we evaluated our traditional life insurance products and immediate annuities with life contingencies on an aggregate basis. In conjunction with the segment changes in fourth quarter 2017, traditional life insurance products, immediate annuities with life contingencies, and voluntary accident and health insurance products are reviewed individually. In the event actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance must be expensed to the extent not recoverable and a premium deficiency reserve may be required if the remaining DAC balance is insufficient to absorb the deficiency. In 2017, 2016 and 2015, our reviews concluded that no premium deficiency adjustments were necessary. For additional detail on reserve adequacy, see the Reserve for life-contingent contract benefits estimation section.

DAC related to interest-sensitive life insurance and fixed annuities is amortized in proportion to the incidence of the total present value of gross profits, which includes both actual historical gross profits ("AGP") and estimated future gross profits ("EGP") expected to be earned over the estimated lives of the contracts. The amortization is net of interest on the prior period DAC balance using rates established at the inception of the contracts. Actual amortization periods generally range from 15-30 years; however, incorporating estimates of the rate of customer surrenders, partial withdrawals and deaths generally results in the majority of the DAC being amortized during the surrender charge period, which is typically 10-20 years for interest-sensitive life and 5-10 years for fixed annuities. The rate of DAC amortization is reestimated and adjusted by a cumulative charge or credit to income when there is a difference between the incidence of actual versus expected gross profits in a reporting period or when there is a change in total EGP.

AGP and EGP primarily consist of the following components: contract charges for the cost of insurance less mortality costs and other benefits (benefit margin); investment income and realized capital gains and losses less interest credited (investment margin); and surrender and other contract charges less maintenance expenses (expense margin). The principal assumptions for determining the amount of EGP are mortality, persistency, expenses, investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to contractholders, and the effects of any hedges, and these assumptions are reasonably likely to have the greatest impact on the amount of DAC amortization. Changes in these assumptions can be offsetting and we are unable to reasonably predict their future movements or offsetting impacts over time.

Each reporting period, DAC amortization is recognized in proportion to AGP for that period adjusted for interest on the prior period DAC balance. This amortization process includes an assessment of AGP compared to EGP, the actual amount of business remaining in force and realized capital gains and losses on investments supporting the product liability. The impact of realized capital gains and losses on amortization of DAC depends upon which product liability is supported by the assets that give rise to the gain or loss. If the AGP is greater than EGP in the period, but the total EGP is unchanged, the amount of DAC amortization will generally increase, resulting in a current period decrease to earnings. The opposite result generally occurs when the AGP is less than the EGP in the period, but the total EGP is unchanged. However, when DAC amortization or a component of gross profits for a quarterly period is potentially negative (which would result in an increase of the DAC balance) as a result of negative AGP, the specific facts and circumstances surrounding the potential negative amortization are considered to determine whether it is appropriate for recognition in the consolidated financial statements. Negative amortization is only recorded when the increased DAC balance is determined to be recoverable based on facts and circumstances. For products whose supporting investments are exposed to capital losses in excess of our expectations which may cause periodic AGP to become temporarily negative, EGP and AGP utilized in DAC amortization may be modified to exclude the excess capital losses.

Annually, we review and update the assumptions underlying the projections of EGP, including mortality, persistency, expenses, investment returns, comprising investment income and realized capital gains and losses, interest crediting rates and the effect of any hedges, using our experience and industry experience. At each reporting period, we assess whether any revisions to assumptions used to determine DAC amortization are required. These reviews and updates may result in amortization acceleration or deceleration, which are referred to as "DAC unlocking". If the update of assumptions causes total EGP to increase, the rate of DAC amortization will generally decrease, resulting in a current period increase to earnings. A decrease to earnings generally occurs when the assumption update causes the total EGP to decrease.

Effect on DAC amortization of changes in assumptions relating to gross profit components

	For the years ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Investment margin	$ 12	$ (1)	$ 2
Benefit margin	(23)	1	1
Expense margin	(2)	(2)	(2)
Net (deceleration) acceleration	**$ (13)**	**$ (2)**	**$ 1**

In 2017, DAC amortization acceleration for changes in the investment margin component of EGP related to interest-sensitive life insurance and was due to continued low interest rates and lower projected investment returns. The deceleration related to benefit margin primarily related to interest-sensitive life insurance and was due to a decrease in projected mortality.

In 2016, DAC amortization deceleration for changes in the investment margin component of EGP related to interest-sensitive life insurance and was due to increased projected investment margins from a favorable asset portfolio mix. The acceleration related to benefit margin primarily related to interest-sensitive life insurance and was due to lower than expected persistency on non-guaranteed products. The expense margin deceleration related primarily to variable life insurance and was due to a decrease in projected expenses.

In 2015, DAC amortization acceleration for changes in the investment margin component of EGP related to interest-sensitive life insurance and was due to lower projected investment returns. The acceleration related to benefit margin primarily related to interest-sensitive life insurance and was due to a true up of actual inforce data. The deceleration related to expense margin primarily related to interest-sensitive life insurance and was due to a decrease in projected expenses.

The following table displays the sensitivity of reasonably likely changes in assumptions included in the gross profit components of investment margin or benefit margin to amortization of the DAC balance as of December 31, 2017.

($ in millions)	Increase/(reduction)
Increase in future investment margins of 25 basis points	$ 54
Decrease in future investment margins of 25 basis points	$ (59)
Decrease in future life mortality by 1%	$ 15
Increase in future life mortality by 1%	$ (15)

Any potential changes in assumptions discussed above are measured without consideration of correlation among assumptions. Therefore, it would be inappropriate to add them together in an attempt to estimate overall variability in amortization.

For additional detail related to DAC, see the Allstate Life Segment section of the MD&A.

Evaluation of goodwill for impairment Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired, less any impairment of goodwill recognized. Our goodwill reporting units are equivalent to our reportable segments: Allstate Protection, Service Businesses, Allstate Life and Allstate Benefits to which goodwill has been assigned.

Goodwill by reporting unit

($ in millions)	December 31, 2017
Allstate Protection	$ 810
Service Businesses	1,100
Allstate Life	175
Allstate Benefits	96
Total	**$ 2,181**

Goodwill is recognized when acquired and allocated to reporting units based on which unit is expected to benefit from the synergies of the business combination. Goodwill is not amortized but is tested for impairment at least annually. We perform our annual goodwill impairment testing during the fourth quarter of each year based upon data as of the close of the third quarter. We also review goodwill for impairment whenever events or changes in circumstances, such as deteriorating or adverse market conditions, indicate that it is more likely than not that the carrying amount of goodwill may exceed its implied fair value. The goodwill impairment analysis is performed at the reporting unit level which is equal to our reportable segments.

In fourth quarter 2017, we adopted new reportable segments, which required us to evaluate goodwill, including the allocation of goodwill to any new reporting units on a relative fair value basis. The reallocation was computed using fair values for the goodwill reporting units determined using discounted cash flow ("DCF") calculations and market to book multiples derived from a peer company analysis as described below. In conjunction with the reallocation of goodwill, we recognized $125 million of goodwill impairment related to the goodwill allocated to the Allstate Annuities reporting unit reflecting a market-based valuation. The fair value of our remaining goodwill reporting units exceeded their carrying values. To periodically estimate the fair value of our goodwill reporting units, we may utilize a combination of widely accepted valuation techniques including a stock price and market capitalization analysis, DCF calculations and market to book multiples derived from a peer company analysis. The stock price and market capitalization analysis takes into consideration the quoted market price of our outstanding common stock and includes a control premium, derived from relevant historical acquisition activity, in determining the estimated fair value of the consolidated entity before allocating that fair value to individual reporting units. The DCF analysis utilizes long term assumptions for revenues, investment income, benefits, claims, other operating expenses and income taxes to produce projections of both income and cash flows available for dividends that are present valued using weighted average cost of capital. Market to book multiples represent the mean market to book multiple for selected peer companies with operations similar to our goodwill reporting units to which the multiple is applied. The outputs from these methods are weighted based on the nature of the business and the relative amount of market observable assumptions supporting the estimates. The computed values are then weighted to reflect the fair value estimate based on the specific attributes of each goodwill reporting unit.

Estimating the fair value of reporting units is a subjective process that involves the use of significant estimates by management. Regarding all reporting units tested, market declines or other events impacting the fair value of these businesses, including discount rates, operating results, investment returns and strategies and growth rate assumptions or increases in the level of equity required to support these businesses, could result in goodwill impairments, resulting in a charge to income.

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

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

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

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

In the chain ladder estimation technique, a ratio (development factor) is calculated which compares current period results to results in the prior period for each accident year. A three-year or two-year average development factor, based on historical results, is usually multiplied by the current period experience to estimate the development of losses of each accident year into the next time period. The development factors for the future time periods for each accident year are compounded over the remaining future periods to calculate an estimate of ultimate losses for each accident year. The implicit assumption of this technique is that an average of historical development factors is predictive of future loss development, as the significant size of our experience database achieves a high degree of statistical credibility in actuarial projections of this type. The effects of inflation are implicitly considered in the reserving process, the implicit assumption being that a multi-year average development factor includes an adequate provision. This assumption may require modification when data changes due to changing claim reporting practices, changing claim settlement patterns, external regulatory or financial influences, or contractual coverage changes. In these situations, actuarial estimation techniques are applied to appropriately modify the "chain ladder" assumptions. These actuarial techniques are necessary to analyze the effects of changing loss data to develop modified development factor selections. The actuarial estimation techniques include exclusion of unusual losses or aberrations and adjustment of historical data to present conditions. Actuarially modified patterns of development are calculated with the adjusted historical data. Actuarial judgment is then applied to make appropriate development factor assumptions needed to develop a best estimate of gross ultimate losses. These developments are discussed further in the Allstate brand loss ratio disclosures in the Allstate Protection Segment section of the MD&A.

How reserve estimates are established and updated Reserve estimates are developed at a very detailed level, and the results of these numerous micro-level best estimates are aggregated to form a consolidated reserve estimate. For example, over one thousand actuarial estimates of the types described above are prepared each quarter to estimate losses for each line of insurance, major components of losses (such as coverages and perils), major states or groups of states and for reported losses and IBNR. The actuarial methods described above are used to analyze the settlement patterns of claims by determining the development factors for specific data elements that are necessary components of a reserve estimation process. Development factors are calculated quarterly and periodically throughout the year for data elements such as claim counts reported and settled, paid losses, and paid losses combined with case reserves. The calculation of development factors from changes in these data elements also impacts claim severity trends, which is a common industry reference used to explain changes in reserve estimates. The historical development patterns for these data elements are used as the assumptions to calculate reserve estimates.

Often, several different estimates are prepared for each detailed component, incorporating alternative analyses of changing claim settlement patterns and other influences on losses, from which we select our best estimate for each component, occasionally incorporating additional analyses and actuarial judgment, as described above. These micro-level estimates are not based on a single set of assumptions. Actuarial judgments that may be applied to these components of certain micro-level estimates generally do not have a material impact on the consolidated level of reserves. Moreover, this detailed micro-level process does not permit or result in a compilation of a company-wide roll up to generate a range of needed loss reserves that would be meaningful. Based on our review of these estimates, our best estimate of required reserves for each state/line/coverage component is recorded for each accident year, and the required reserves for each component are summed to create the reserve balance carried on our Consolidated Statements of Financial Position.

Reserves are reestimated quarterly and periodically throughout the year, by combining historical results with current actual results to calculate new development factors. This process incorporates the historic and latest actual trends, and other underlying changes in the data elements used to calculate reserve estimates. New development factors are likely to differ from previous development factors used in prior reserve estimates because actual results (claims reported or settled, losses paid, or changes to case reserves) occur differently than the implied assumptions contained in the previous development factor calculations. If claims reported, paid losses, or case reserve changes are greater or less than the levels estimated by previous development factors, reserve reestimates increase or decrease. When actual development of these data elements is different than the historical development pattern used in a prior period reserve estimate, a new reserve is determined. The difference between indicated reserves based on new reserve estimates and recorded reserves (the previous estimate) is the amount of reserve reestimate and is recognized as an increase or decrease in claims and claims expense in the Consolidated Statements of Operations. Total net reserve reestimates, after-tax, impact on net income applicable to common shareholders were 10.6% favorable in 2017, 0.6% favorable in 2016 and 2.6% unfavorable in 2015. The 3-year average of net reserve reestimates as a percentage of total reserves was a favorable 1.3% for Allstate Protection, an unfavorable 5.8% for Discontinued Lines and Coverages and an unfavorable 6.1% for Service Businesses, each of these results being consistent within a reasonable actuarial tolerance for our respective businesses. A more detailed discussion of reserve reestimates is presented in the Claims and Claims Expense Reserves section of the MD&A.

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

($ in millions)	As of December 31, 2017	2016	2015
Allstate Protection			
Auto	$ 14,051	$ 13,530	$ 12,459
Homeowners	2,205	1,989	1,937
Other lines	2,105	2,078	2,044
Total Allstate Protection	**18,361**	**17,597**	**16,440**
Discontinued Lines and Coverages			
Asbestos	884	912	960
Environmental	166	179	179
Other discontinued lines	357	354	377
Total Discontinued Lines and Coverages	**1,407**	**1,445**	**1,516**
Total Service Businesses	**86**	**24**	**21**
Total net claims and claims expense reserves	**$ 19,854**	**$ 19,066**	**$ 17,977**

Allstate Protection reserve estimate

Factors affecting reserve estimates Reserve estimates are developed based on the processes and historical development trends described above. These estimates are considered in conjunction with known facts and interpretations of circumstances and factors including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. When we experience changes of the type previously mentioned, we may need to apply actuarial judgment in the determination and selection of development factors considered more reflective of the new trends, such as combining shorter or longer periods of historical results with current actual results to produce development factors based on two-year, three-year, or longer development periods to reestimate our reserves. For example, if a legal change is expected to have a significant impact on the development of claim severity for a coverage which is part of a particular line of insurance in a specific state, actuarial judgment is applied to determine appropriate development factors that will most accurately reflect the expected impact on that specific estimate. Another example would be when a change in economic conditions is expected to affect the cost of repairs to damaged autos or property for a particular line, coverage, or state, actuarial judgment is applied to determine appropriate development factors to use in the reserve estimate that will most accurately reflect the expected impacts on severity development.

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

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

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

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

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

As loss experience for the current year develops for each type of loss, it is monitored relative to initial assumptions until it is judged to have sufficient statistical credibility. From that point in time and forward, reserves are reestimated using statistical actuarial processes to reflect the impact actual loss trends have on development factors incorporated into the actuarial estimation processes. Statistical credibility is usually achieved by the end of the first calendar year; however, when trends for the current accident year exceed initial assumptions sooner, they are usually determined to be credible, and reserves are increased accordingly.

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

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

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

Reserves for catastrophe losses Catastrophe losses are an inherent risk of the property and casualty insurance industry that have contributed, and will continue to contribute, to potentially material year-to-year fluctuations in our results of operations and financial position. We define a "catastrophe" as an event that produces pre-tax losses before reinsurance in excess of $1 million and involves multiple first party policyholders, or a winter weather event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, winter storms and freezes, tornadoes, hailstorms, wildfires, tropical storms, hurricanes, earthquakes and volcanoes. We are also exposed to man-made catastrophic events, such as certain types of terrorism or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

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

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

To develop a statistical indication of potential reserve variability within reasonably likely possible outcomes, an actuarial technique (stochastic modeling) is applied to the countrywide consolidated data elements for paid losses and paid losses combined with case reserves separately for injury losses, auto physical damage losses, and homeowners losses excluding catastrophe losses. Based on the combined historical variability of the development factors calculated for these data elements, an estimate of the standard error or standard deviation around these reserve estimates is calculated within each accident year for the last twelve years for each type of loss. The variability of these reserve estimates within one standard deviation of the mean (a measure of frequency of dispersion often viewed to be an acceptable level of accuracy) is believed by management to represent a reasonable and statistically probable measure of potential variability. Based on our products and coverages, historical experience, the statistical credibility of our extensive data and stochastic modeling of actuarial chain ladder methodologies used to develop reserve estimates, we estimate that the potential variability of our Allstate Protection reserves, excluding reserves for catastrophe losses, within a reasonable probability of other possible outcomes, may be approximately plus or minus 4%, or plus or minus $750 million in net income applicable to common shareholders at the newly enacted 21% U.S. corporate tax rate. A lower level of variability exists for auto injury losses, which comprise approximately 80% of reserves, due to their relatively stable development patterns over a longer duration of time required to settle claims. Other types of losses, such as auto physical damage, homeowners losses and other personal lines losses, which comprise about 20% of reserves, tend to have greater variability but are settled in a much shorter period of time. Although this evaluation reflects most reasonably likely outcomes, it is possible the final outcome may fall below or above these amounts. Historical variability of reserve estimates is reported in the Claims and Claims Expense Reserves section of the MD&A.

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

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

We provide similar personal injury protection coverage in New Jersey for auto policies issued or renewed in New Jersey prior to 1991 that is administered by PLIGA. We use similar actuarial estimating techniques as for the MCCA exposures to estimate loss reserves for unlimited personal injury protection coverage for policies covered by PLIGA. We continue to update our estimates for these claims as the status of claimants changes. However, unlimited coverage was no longer offered after 1991, therefore no new claimants are being added.

Reserve estimates by their nature are very complex to determine and subject to significant judgments, and do not represent an exact determination for each outstanding claim. Claims may be subject to litigation. As actual claims, paid losses and/or case reserve results emerge, our estimate of the ultimate cost to settle may be materially greater or less than previously estimated amounts.

Adequacy of reserve estimates We believe our net claims and claims expense reserves are appropriately established based on available methodologies, facts, technology, laws and regulations. We calculate and record a single best reserve estimate, in conformance with generally accepted actuarial standards, for each line of insurance, its components (coverages and perils) and state, for reported losses and for IBNR losses, and as a result we believe that no other estimate is better than our recorded amount. Due to the uncertainties involved, the ultimate cost of losses may vary materially from recorded amounts, which are based on our best estimates.

Discontinued Lines and Coverages reserve estimates

Characteristics of Discontinued Lines exposure Our exposure to asbestos, environmental and other discontinued lines claims arise principally from assumed reinsurance coverage written during the 1960s through the mid-1980s, including reinsurance on primary insurance written on large U.S. companies, and from direct excess commercial insurance written from 1972 through 1985, including substantial excess general liability coverages on large U.S. companies. Additional exposure stems from direct primary commercial insurance written during the 1960 through the mid-1980s. Asbestos claims relate primarily to bodily injuries asserted by people who were exposed to asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up costs. Other discontinued lines exposures primarily relate to general liability and product liability mass tort claims, such as those for medical devices and other products, workers' compensation claims and claims for various other coverage exposures other than asbestos and environmental.

In 1986, the general liability policy form used by us and others in the property and casualty industry was amended to introduce an "absolute pollution exclusion," which excluded coverage for environmental damage claims, and to add an asbestos exclusion. Most general liability policies issued prior to 1987 contain annual aggregate limits for product liability coverage. General liability policies issued in 1987 and thereafter contain annual aggregate limits for product liability coverage and annual aggregate limits for all coverages. Our experience to date is that these policy form changes have limited the extent of our exposure to environmental and asbestos claim risks.

Our exposure to liability for asbestos, environmental and other discontinued lines losses manifests differently depending on whether it arises from assumed reinsurance coverage, direct excess commercial insurance or direct primary commercial insurance. The direct insurance coverage we provided that covered asbestos, environmental and other discontinued lines was substantially "excess" in nature.

Direct excess commercial insurance and reinsurance involve coverage written by us for specific layers of protection above retentions and other insurance plans. The nature of excess coverage and reinsurance provided to other insurers limits our exposure to loss to specific layers of protection in excess of policyholder retention on primary insurance plans. Our exposure is further limited by the significant reinsurance that we had purchased on our direct excess business.

Our assumed reinsurance business involved writing generally small participations in other insurers' reinsurance programs. The reinsured losses in which we participate may be a proportion of all eligible losses or eligible losses in excess of defined retentions. The majority of our assumed reinsurance exposure, approximately 85%, is for excess of loss coverage, while the remaining 15% is for pro-rata coverage.

Our direct primary commercial insurance business did not include coverage to large asbestos manufacturers. This business comprises a cross section of policyholders engaged in many diverse business sectors throughout the country.

How reserve estimates are established and updated We conduct an annual review in the third quarter to evaluate and establish asbestos, environmental and other discontinued lines reserves. Changes to reserves are recorded in the reporting period in which they are determined. Using established industry and actuarial best practices and assuming no change in the regulatory or economic environment, this detailed and comprehensive methodology determines asbestos reserves based on assessments of the characteristics of exposure (i.e. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, and determines environmental reserves based on assessments of the characteristics of exposure (i.e. environmental damages, respective shares of liability of potentially responsible parties, appropriateness and cost of remediation) to pollution and related clean-up costs. The number and cost of these claims is affected by intense advertising by trial lawyers seeking asbestos plaintiffs, and entities with asbestos exposure seeking bankruptcy protection as a result of asbestos liabilities, initially causing a delay in the reporting of claims, often followed by an acceleration and an increase in claims and claims expenses as settlements occur.

After evaluating our insureds' probable liabilities for asbestos and/or environmental claims, we evaluate our insureds' coverage programs for such claims. We consider our insureds' total available insurance coverage, including the coverage we issued. We also consider relevant judicial interpretations of policy language and applicable coverage defenses or determinations, if any.

Evaluation of both the insureds' estimated liabilities and our exposure to the insureds depends heavily on an analysis of the relevant legal issues and litigation environment. This analysis is conducted by our specialized claims adjusting staff and legal counsel. Based on these evaluations, case reserves are established by claims adjusting staff and actuarial analysis is employed to develop an IBNR reserve, which includes estimated potential reserve development and claims that have occurred but have not been reported. As of December 31, 2017 and 2016, IBNR was 53% and 57% of combined net asbestos and environmental reserves.

For both asbestos and environmental reserves, we also evaluate our historical direct net loss and expense paid and incurred experience to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid and incurred activity.

Other Discontinued Lines and Coverages

Characteristics of other exposures Other mass torts includes direct excess commercial and reinsurance general liability coverage provided for cumulative injury losses other than asbestos and environmental. Workers' compensation and commercial and other include run-off from discontinued direct primary, direct excess commercial and reinsurance commercial insurance operations of various coverage exposures other than asbestos and environmental. Reserves are based on considerations similar to those described above, as they relate to the characteristics of specific individual coverage exposures.

Reserves for other discontinued lines

	As of December 31,		
($ in millions)	**2017**	**2016**	**2015**
Other mass torts	$ 150	$ 142	$ 162
Workers' compensation	73	76	88
Commercial and other	134	136	127
Other discontinued lines	**$ 357**	**$ 354**	**$ 377**

Potential reserve estimate variability Establishing Discontinued Lines and Coverages net loss reserves for asbestos, environmental and other discontinued lines claims is subject to uncertainties that are much greater than those presented by other types of property and casualty claims. Among the complications are lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure and unresolved legal issues regarding policy coverage; unresolved legal issues regarding the determination, availability and timing of exhaustion of policy limits; plaintiffs' evolving and expanding theories of liability; availability and collectability of recoveries from reinsurance; retrospectively determined premiums and other contractual agreements; estimates of the extent and timing of any contractual liability; the impact of bankruptcy protection sought by various asbestos producers and other asbestos defendants; and other uncertainties. There are also complex legal issues concerning the interpretation of various insurance policy provisions and whether those losses are covered, or were ever intended to be covered, and could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements. Courts have reached different and sometimes inconsistent conclusions as to when losses are deemed to have occurred and which policies provide coverage; what types of losses are covered; whether there is an insurer obligation to defend; how policy limits are determined; how policy exclusions and conditions are applied and interpreted; and whether clean-up costs represent insured property damage. Our reserves for asbestos and environmental exposures could be affected by tort reform, class action litigation, and other potential legislation and judicial decisions. Environmental exposures could also be affected by a change in the existing federal Superfund law and similar state statutes. There can be no assurance that any reform legislation will be enacted or that any such legislation will provide for a fair, effective and cost-efficient system for settlement of asbestos or environmental claims. We believe these issues are not likely to be resolved in the near future, and the ultimate costs may vary materially from the amounts currently recorded resulting in material changes in loss reserves. Historical variability of reserve estimates is demonstrated in the Claims and Claims Expense Reserves section of the MD&A.

Adequacy of reserve estimates Management believes its net loss reserves for environmental, asbestos and other discontinued lines exposures are appropriately established based on available facts, technology, laws, regulations, and assessments of other pertinent factors and characteristics of exposure (i.e. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, assuming no change in the legal, legislative or economic environment. Due to the uncertainties and factors described above, management believes it is not practicable to develop a meaningful range for any such additional net loss reserves that may be required.

Further discussion of reserve estimates For further discussion of these estimates and quantification of the impact of reserve estimates, reserve reestimates and assumptions, see Notes 8 and 14 of the consolidated financial statements and the Claims and Claims Expense Reserves section of the MD&A.

Reserve for life-contingent contract benefits estimation Due to the long term nature of traditional life insurance, life-contingent immediate annuities and voluntary accident and health insurance products, benefits are payable over many years; accordingly, the reserves are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses are used when establishing the reserve for life-contingent contract benefits payable under these insurance policies. These assumptions, which for traditional life insurance are applied using the net level premium method, include provisions for adverse deviation and generally vary by characteristics such as type of coverage, year of issue and policy duration. Future investment yield assumptions are determined based upon prevailing investment yields as well as estimated reinvestment yields. Mortality, morbidity and policy termination assumptions are based on our experience and industry experience. Expense assumptions include the estimated effects of inflation and expenses to be incurred beyond the premium-paying period. These assumptions are established at the time the policy is issued, are consistent with assumptions for determining DAC amortization for these policies, and are generally not changed during the policy coverage period. However, if actual experience emerges in a manner that is significantly adverse relative to the original assumptions, adjustments to DAC or reserves may be required resulting in a charge to earnings which could have a material effect on our operating results and financial condition.

We periodically review the adequacy of reserves and recoverability of DAC for these policies using actual experience and current assumptions. In the event actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance must be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required.

Prior to fourth quarter 2017, we evaluated our traditional life insurance products and immediate annuities with life contingencies on an aggregate basis. In conjunction with the segment changes in fourth quarter 2017, traditional life insurance products, immediate annuities with life contingencies, and voluntary accident and health insurance are reviewed individually. In 2017, 2016 and 2015, our reviews concluded that no premium deficiency adjustments were necessary. As of December 31, 2017, traditional life insurance has a substantial sufficiency. As of December 31, 2017, there is marginal sufficiency in the evaluation of immediate annuities with life contingencies. Sufficiency has been adversely impacted primarily due to sub-standard structured settlement mortality expectations. The sufficiency represents approximately 86% and 1% of applicable reserves as of December 31, 2017 for Allstate Life and Allstate Annuities, respectively. Additional reserves may be required in future periods if the evaluation results in a premium deficiency.

In 2016, we completed a mortality study for our structured settlement annuities with life contingencies. The study indicated that annuitants are living longer and receiving benefits for a longer period than originally estimated due to medical advances and access to medical care. The results of the study were included in the premium deficiency and profits followed by losses evaluations as of December 31, 2016, and no adjustments were recognized.

In 2016, there was a favorable change in the long-term investment yield assumptions due to investment strategy changes to increase performance-based investments and equity securities. The favorable impact of higher long-term investment yield assumptions more than offset the impact of unfavorable mortality assumptions. The investment strategy changes for immediate annuities are discussed further in the Allstate Annuities Segment section of the MD&A.

The following table displays the sensitivity of changes in the future investment yield assumption included in the annuity premium deficiency evaluation to the sufficiency balance as of December 31, 2017.

($ in millions)	Increase/(reduction) in sufficiency	Change in sufficiency as a percentage of applicable reserves
Increase in future investment yields of 25 basis points	$207	3%
Decrease in future investment yields of 25 basis points	$(219)	(3)%

We also review these policies for circumstances where projected profits would be recognized in early years followed by projected losses in later years. In 2017, 2016 and 2015, our reviews concluded that there were no projected losses following projected profits in each long-term projection.

We will continue to monitor the experience of our traditional life insurance and immediate annuities. We anticipate that mortality, investment and reinvestment yields, and policy terminations are the factors that would be most likely to require premium deficiency adjustments to these reserves or related DAC. Mortality rates and investment and reinvestment yields are the factors that would be most likely to require a profits followed by losses liability accrual.

For further detail on the reserve for life-contingent contract benefits, see Note 9 of the consolidated financial statements.

Regulation and Legal Proceedings

We are subject to extensive regulation and we are involved in various legal and regulatory actions, all of which have an effect on specific aspects of our business. For a detailed discussion of the legal and regulatory actions in which we are involved, see Note 14 of the consolidated financial statements.

Pending Accounting Standards

There are several pending accounting standards that we have not implemented because the implementation date has not yet occurred. For a discussion of these pending standards, see Note 2 of the consolidated financial statements.

The effect of implementing certain accounting standards on our financial results and financial condition is often based in part on market conditions at the time of implementation of the standard and other factors we are unable to determine prior to implementation. For this reason, we are sometimes unable to estimate the effect of certain pending accounting standards until the relevant authoritative body finalizes these standards or until we implement them.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Operations

($ in millions, except per share data)	Years Ended December 31, 2017	2016	2015
Revenues			
Property and casualty insurance premiums (net of reinsurance ceded of $971, $987 and $1,006)	$ 32,300	$ 31,307	$ 30,309
Life premiums and contract charges (net of reinsurance ceded of $303, $309 and $332)	2,378	2,275	2,158
Net investment income	3,401	3,042	3,156
Realized capital gains and losses:			
Total other-than-temporary impairment ("OTTI") losses	(146)	(313)	(452)
OTTI losses reclassified to other comprehensive income	(4)	10	36
Net OTTI losses recognized in earnings	**(150)**	**(303)**	**(416)**
Sales and other realized capital gains and losses	595	213	446
Total realized capital gains and losses	**445**	**(90)**	**30**
Total revenues	**38,524**	**36,534**	**35,653**
Costs and expenses			
Property and casualty insurance claims and claims expense (net of reinsurance ceded of $1,807, $1,116 and $602)	21,929	22,221	21,034
Life contract benefits (net of reinsurance ceded of $179, $208 and $219)	1,923	1,857	1,803
Interest credited to contractholder funds (net of reinsurance ceded of $25, $26 and $25)	690	726	761
Amortization of deferred policy acquisition costs	4,784	4,550	4,364
Operating costs and expenses	4,658	4,106	4,081
Restructuring and related charges	109	30	39
Goodwill impairment	125	—	—
Interest expense	335	295	292
Total costs and expenses	**34,553**	**33,785**	**32,374**
Gain on disposition of operations	20	5	3
Income from operations before income tax expense	**3,991**	**2,754**	**3,282**
Income tax expense	802	877	1,111
Net income	**3,189**	**1,877**	**2,171**
Preferred stock dividends	116	116	116
Net income applicable to common shareholders	**$ 3,073**	**$ 1,761**	**$ 2,055**
Earnings per common share:			
Net income applicable to common shareholders per common share - Basic	$ 8.49	$ 4.72	$ 5.12
Weighted average common shares - Basic	362.0	372.8	401.1
Net income applicable to common shareholders per common share - Diluted	$ 8.36	$ 4.67	$ 5.05
Weighted average common shares - Diluted	367.8	377.3	406.8
Cash dividends declared per common share	$ 1.48	$ 1.32	$ 1.20

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
($ in millions)	**2017**	**2016**	**2015**
Net income	$ 3,189	$ 1,877	$ 2,171
Other comprehensive income (loss), after-tax			
Changes in:			
Unrealized net capital gains and losses	319	433	(1,306)
Unrealized foreign currency translation adjustments	47	10	(58)
Unrecognized pension and other postretirement benefit cost	307	(104)	48
Other comprehensive income (loss), after-tax	**673**	**339**	**(1,316)**
Comprehensive income	**$ 3,862**	**$ 2,216**	**$ 855**

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Financial Position

($ in millions, except par value data)	December 31, 2017	2016
Assets		
Investments		
Fixed income securities, at fair value (amortized cost $57,525 and $56,576)	$ 58,992	$ 57,839
Equity securities, at fair value (cost $5,461 and $5,157)	6,621	5,666
Mortgage loans	4,534	4,486
Limited partnership interests	6,740	5,814
Short-term, at fair value (amortized cost $1,944 and $4,288)	1,944	4,288
Other	3,972	3,706
Total investments	**82,803**	**81,799**
Cash	617	436
Premium installment receivables, net	5,786	5,597
Deferred policy acquisition costs	4,191	3,954
Reinsurance recoverables, net	8,921	8,745
Accrued investment income	569	567
Property and equipment, net	1,072	1,065
Goodwill	2,181	1,219
Other assets	2,838	1,835
Separate Accounts	3,444	3,393
Total assets	**$ 112,422**	**$ 108,610**
Liabilities		
Reserve for property and casualty insurance claims and claims expense	$ 26,325	$ 25,250
Reserve for life-contingent contract benefits	12,549	12,239
Contractholder funds	19,434	20,260
Unearned premiums	13,473	12,583
Claim payments outstanding	875	879
Deferred income taxes	782	487
Other liabilities and accrued expenses	6,639	6,599
Long-term debt	6,350	6,347
Separate Accounts	3,444	3,393
Total liabilities	**89,871**	**88,037**
Commitments and Contingent Liabilities (Note 7, 8 and 14)		
Shareholders' equity		
Preferred stock and additional capital paid-in, $1 par value, 25 million shares authorized, 72.2 thousand issued and outstanding, $1,805 aggregate liquidation preference	1,746	1,746
Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 355 million and 366 million shares outstanding	9	9
Additional capital paid-in	3,313	3,303
Retained income	43,162	40,678
Deferred ESOP expense	(3)	(6)
Treasury stock, at cost (545 million and 534 million shares)	(25,982)	(24,741)
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital gains and losses on fixed income securities with OTTI	85	57
Other unrealized net capital gains and losses	1,981	1,091
Unrealized adjustment to DAC, DSI and insurance reserves	(404)	(95)
Total unrealized net capital gains and losses	**1,662**	**1,053**
Unrealized foreign currency translation adjustments	(9)	(50)
Unrecognized pension and other postretirement benefit cost	(1,347)	(1,419)
Total accumulated other comprehensive income (loss) ("AOCI")	**306**	**(416)**
Total shareholders' equity	**22,551**	**20,573**
Total liabilities and shareholders' equity	**$ 112,422**	**$ 108,610**

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Shareholders' Equity

($ in millions)	Years Ended December 31, 2017	2016	2015
Preferred stock par value	**$ —**	**$ —**	**$ —**
Preferred stock additional capital paid-in	**1,746**	**1,746**	**1,746**
Common stock	**9**	**9**	**9**
Additional capital paid-in			
Balance, beginning of year	3,303	3,245	3,199
Forward contract on accelerated share repurchase agreement	(45)	—	—
Equity incentive plans activity	55	58	46
Balance, end of year	**3,313**	**3,303**	**3,245**
Retained income			
Balance, beginning of year	40,678	39,413	37,842
Net income	3,189	1,877	2,171
Dividends on common stock	(540)	(496)	(484)
Dividends on preferred stock	(116)	(116)	(116)
Reclassification of tax effects due to change in accounting principle	(49)	—	—
Balance, end of year	**43,162**	**40,678**	**39,413**
Deferred ESOP expense			
Balance, beginning of year	(6)	(13)	(23)
Payments	3	7	10
Balance, end of year	**(3)**	**(6)**	**(13)**
Treasury stock			
Balance, beginning of year	(24,741)	(23,620)	(21,030)
Shares acquired	(1,423)	(1,341)	(2,804)
Shares reissued under equity incentive plans, net	182	220	214
Balance, end of year	**(25,982)**	**(24,741)**	**(23,620)**
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(416)	(755)	561
Change in unrealized net capital gains and losses	319	433	(1,306)
Change in unrealized foreign currency translation adjustments	47	10	(58)
Change in unrecognized pension and other postretirement benefit cost	307	(104)	48
Reclassification of tax effects due to change in accounting principle	49	—	—
Balance, end of year	**306**	**(416)**	**(755)**
Total shareholders' equity	**$ 22,551**	**$ 20,573**	**$ 20,025**

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Cash Flows

($ in millions)	Years Ended December 31, 2017	2016	2015
Cash flows from operating activities			
Net income	$ 3,189	$ 1,877	$ 2,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash items	483	382	371
Realized capital gains and losses	(445)	90	(30)
Gain on disposition of operations	(20)	(5)	(3)
Interest credited to contractholder funds	690	726	761
Goodwill Impairment	125	—	—
Changes in:			
Policy benefits and other insurance reserves	302	631	473
Unearned premiums	463	362	638
Deferred policy acquisition costs	(214)	(165)	(239)
Premium installment receivables, net	(131)	(42)	(134)
Reinsurance recoverables, net	(211)	(264)	(178)
Income taxes	(245)	417	(119)
Other operating assets and liabilities	328	(16)	(95)
Net cash provided by operating activities	**4,314**	**3,993**	**3,616**
Cash flows from investing activities			
Proceeds from sales			
Fixed income securities	25,341	25,061	28,693
Equity securities	6,504	5,546	3,754
Limited partnership interests	1,125	881	1,101
Mortgage loans	—	—	6
Other investments	274	262	545
Investment collections			
Fixed income securities	4,194	4,533	4,432
Mortgage loans	600	501	538
Other investments	642	421	293
Investment purchases			
Fixed income securities	(31,145)	(27,990)	(30,758)
Equity securities	(6,585)	(5,950)	(4,960)
Limited partnership interests	(1,440)	(1,450)	(1,343)
Mortgage loans	(646)	(646)	(687)
Other investments	(999)	(885)	(902)
Change in short-term investments, net	2,610	(2,446)	385
Change in other investments, net	(30)	(51)	(52)
Purchases of property and equipment, net	(299)	(313)	(303)
Acquisition of operations	(1,356)	—	—
Net cash (used in) provided by investing activities	**(1,210)**	**(2,526)**	**742**
Cash flows from financing activities			
Proceeds from issuance of long-term debt	—	1,236	—
Repayments of long-term debt	—	(17)	(20)
Contractholder fund deposits	1,025	1,049	1,052
Contractholder fund withdrawals	(1,890)	(2,087)	(2,327)
Dividends paid on common stock	(525)	(486)	(483)
Dividends paid on preferred stock	(116)	(116)	(116)
Treasury stock purchases	(1,495)	(1,337)	(2,808)
Shares reissued under equity incentive plans, net	135	164	130
Excess tax benefits on share-based payment arrangements	—	32	45
Other	(57)	36	7
Net cash used in financing activities	**(2,923)**	**(1,526)**	**(4,520)**
Net increase (decrease) in cash	**181**	**(59)**	**(162)**
Cash at beginning of year	436	495	657
Cash at end of year	**$ 617**	**$ 436**	**$ 495**

See notes to consolidated financial statements.

Note 1 General

Basis of presentation

The accompanying consolidated financial statements include the accounts of The Allstate Corporation (the "Corporation") and its wholly owned subsidiaries, primarily Allstate Insurance Company ("AIC"), a property and casualty insurance company with various property and casualty and life and investment subsidiaries, including Allstate Life Insurance Company ("ALIC") (collectively referred to as the "Company" or "Allstate"). These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In fourth quarter 2017, the Company revised its reportable segments. For additional information on impacts of the revised segments, see Notes 2, 4 and 9. To conform to the current year presentation, certain amounts in the prior years' notes have been updated to reflect changes in reportable segments.

Nature of operations

Allstate is engaged, principally in the United States, in the property and casualty insurance and life insurance business. Allstate was the country's second largest personal property and casualty insurer as of December 31, 2016. Allstate is organized into seven reportable segments: Allstate Protection, Discontinued Lines and Coverages, Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, and Corporate and Other.

Allstate's primary business is the sale of private passenger auto and homeowners insurance. The Company also offers several other personal property and casualty insurance products, select commercial property and casualty coverages, consumer product protection plans, device and mobile data collection services and analytic solutions, roadside assistance, finance and insurance products, life insurance and voluntary accident and health insurance. Allstate primarily distributes its products through exclusive agencies, financial specialists, independent agencies and brokers, major retailers, contact centers and the internet.

Risks and uncertainties

Allstate has exposure to catastrophes, an inherent risk of the property and casualty insurance business, which have contributed, and will continue to contribute, to material year-to-year fluctuations in the Company's results of operations and financial position (see Note 8). The nature and level of catastrophic loss caused by natural events (high winds, winter storms, tornadoes, hailstorms, wildfires, tropical storms, hurricanes, earthquakes and volcanoes) and man-made events (terrorism and industrial accidents) experienced in any period cannot be predicted and could be material to results of operations and financial position. The Company considers the greatest areas of potential catastrophe losses due to hurricanes to generally be major metropolitan centers in counties along the eastern and gulf coasts of the United States. The Company considers the greatest areas of potential catastrophe losses due to earthquakes and fires following earthquakes to be major metropolitan areas near fault lines in the states of California, Oregon, Washington, South Carolina, Missouri, Kentucky and Tennessee. The Company also has exposure to asbestos, environmental and other discontinued lines claims (see Notes 8 and 14).

Note 2 Summary of Significant Accounting Policies

Investments

Fixed income securities include bonds, asset-backed securities ("ABS"), residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and redeemable preferred stocks. Fixed income securities, which may be sold prior to their contractual maturity, are designated as available for sale and are carried at fair value. The difference between amortized cost and fair value, net of deferred income taxes and related life and annuity deferred policy acquisition costs ("DAC"), deferred sales inducement costs ("DSI") and reserves for life-contingent contract benefits, is reflected as a component of accumulated other comprehensive income ("AOCI"). Cash received from calls and make-whole payments is reflected as a component of proceeds from sales and cash received from maturities and pay-downs is reflected as a component of investment collections within the Consolidated Statements of Cash Flows.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. Certain exchange traded and mutual funds have fixed income securities as their underlying investments. Equity securities are designated as available for sale and are carried at fair value. The difference between cost and fair value, net of deferred income taxes, is reflected as a component of AOCI.

Mortgage loans are carried at unpaid principal balances, net of unamortized premium or discount and valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected.

Investments in limited partnership interests include interests in private equity funds, real estate funds and other funds. Where the Company's interest is so minor that it exercises virtually no influence over operating and financial policies, investments in limited partnership interests are accounted for in accordance with the cost method of accounting; all other investments in limited partnership interests are accounted for in accordance with the equity method of accounting ("EMA").

Short-term investments, including commercial paper, U.S. Treasury bills, money market funds and other short-term investments, are carried at fair value. Other investments primarily consist of bank loans, policy loans, agent loans, real estate and derivatives. Bank loans are primarily senior secured corporate loans and are carried at amortized cost. Policy loans are carried at unpaid principal balances and were $905 million and $904 million as of December 31, 2017 and 2016, respectively. Agent loans are loans issued to exclusive Allstate agents and are carried at unpaid principal balances, net of valuation allowances and unamortized deferred fees or costs. Real estate is carried at cost less accumulated depreciation. Derivatives are carried at fair value.

Investment income primarily consists of interest, dividends, income from limited partnership interests, rental income from real estate, and income from certain derivative transactions. Interest is recognized on an accrual basis using the effective yield method and dividends are recorded at the ex-dividend date. Interest income for ABS, RMBS and CMBS is determined considering estimated pay-downs, including prepayments, obtained from third party data sources and internal estimates. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. For ABS, RMBS and CMBS of high credit quality with fixed interest rates, the effective yield is recalculated on a retrospective basis. For all others, the effective yield is recalculated on a prospective basis. Accrual of income is suspended for other-than-temporarily impaired fixed income securities when the timing and amount of cash flows expected to be received is not reasonably estimable. Accrual of income is suspended for mortgage loans, bank loans and agent loans that are in default or when full and timely collection of principal and interest payments is not probable. Cash receipts on investments on nonaccrual status are generally recorded as a reduction of carrying value. Income from cost method limited partnership interests is recognized upon receipt of amounts distributed by the partnerships. Income from EMA limited partnership interests is recognized based on the Company's share of the partnerships' earnings and unrealized gains and losses resulting from valuation changes of the underlying investments, and is generally recognized on a three month delay due to the availability of the related financial statements.

Realized capital gains and losses include gains and losses on investment sales, write-downs in value due to other-than-temporary declines in fair value, adjustments to valuation allowances on mortgage loans and agent loans, periodic changes in fair value and settlements of certain derivatives including hedge ineffectiveness and valuation changes in public securities held in certain limited partnerships. Realized capital gains and losses on investment sales are determined on a specific identification basis.

Derivative and embedded derivative financial instruments

Derivative financial instruments include interest rate swaps, credit default swaps, futures (interest rate and equity), options (including swaptions), interest rate caps, warrants and rights, foreign currency swaps, foreign currency forwards and certain investment risk transfer reinsurance agreements. Derivatives required to be separated from the host instrument and accounted for as derivative financial instruments ("subject to bifurcation") are embedded in equity-indexed life and annuity contracts, reinsured variable annuity contracts and certain funding agreements.

All derivatives are accounted for on a fair value basis and reported as other investments, other assets, other liabilities and accrued expenses or contractholder funds. Embedded derivative instruments subject to bifurcation are also accounted for on a fair value basis and are reported together with the host contract. The change in fair value of derivatives embedded in life and annuity product contracts and subject to bifurcation is reported in life and annuity contract benefits or interest credited to contractholder funds. Cash flows from embedded derivatives subject to bifurcation and derivatives receiving hedge accounting are reported consistently with the host contracts and hedged risks, respectively, within the Consolidated Statements of Cash Flows. Cash flows from other derivatives are reported in cash flows from investing activities within the Consolidated Statements of Cash Flows.

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 hedged item may be either all or a specific portion of a recognized asset, liability or an unrecognized firm commitment attributable to a particular risk for fair value hedges. At the inception of the hedge, the Company formally documents the hedging relationship and risk management objective and strategy. The documentation identifies the hedging instrument, the hedged item, the nature of the risk being hedged and the methodology used to assess the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. For a cash flow hedge, this documentation includes the exposure to changes in the variability in cash flows attributable to the hedged risk. The Company does not exclude any component of the change in fair value of the hedging instrument from the effectiveness assessment. At each reporting date, the Company confirms that the hedging instrument continues to be highly effective in offsetting the hedged risk. Ineffectiveness in fair value hedges and cash flow hedges, if any, is reported in realized capital gains and losses.

Fair value hedges The change in fair value of hedging instruments used in fair value hedges of investment assets or a portion thereof is reported in net investment income, together with the change in fair value of the hedged items. The change in fair value of hedging instruments used in fair value hedges of contractholder funds liabilities or a portion thereof is reported in interest credited to contractholder funds, together with the change in fair value of the hedged items. Accrued periodic settlements on swaps are reported together with the changes in fair value of the swaps in net investment income or interest credited to contractholder funds. The amortized cost for fixed income securities, the carrying value for mortgage loans or the carrying value of the hedged liability is adjusted for the change in fair value of the hedged risk.

Cash flow hedges For hedging instruments used in cash flow hedges, the changes in fair value of the derivatives representing the effective portion of the hedge are reported in AOCI. Amounts are reclassified to net investment income, realized capital gains and losses or interest expense as the hedged or forecasted transaction affects income. Accrued periodic settlements on derivatives used in cash flow hedges are reported in net investment income. The amount reported in AOCI for a hedged transaction is limited to the lesser of the cumulative gain or loss on the derivative less the amount reclassified to income, or the cumulative gain or loss on the derivative needed to offset the cumulative change in the expected future cash flows on the hedged transaction from inception of the hedge less the derivative gain or loss previously reclassified from AOCI to income. If the Company expects at any time that the loss reported in AOCI would lead to a net loss on the combination of the hedging instrument and the hedged transaction which may not be recoverable, a loss is recognized immediately in realized capital gains and losses. If an impairment loss is recognized on an asset or an additional obligation is incurred on a liability involved in a hedge transaction, any offsetting gain in AOCI is reclassified and reported together with the impairment loss or recognition of the obligation.

Termination of hedge accounting If, subsequent to entering into a hedge transaction, the derivative becomes ineffective (including if the hedged item is sold or otherwise extinguished, the occurrence of a hedged forecasted transaction is no longer probable or the hedged asset becomes other-than-temporarily impaired), the Company may terminate the derivative position. The Company may also terminate derivative instruments or redesignate them as non-hedge as a result of other events or circumstances. If the derivative instrument is not terminated when a fair value hedge is no longer effective, the future gains and losses recognized on the derivative are reported in realized capital gains and losses. When a fair value hedge is no longer effective, is redesignated as non-hedge or when the derivative has been terminated, the fair value gain or loss on the hedged asset, liability or portion thereof which has already been recognized in income while the hedge was in place and used to adjust the amortized cost for fixed income securities, the carrying value for mortgage loans or the carrying value of the hedged liability, is amortized over the remaining life of the hedged asset, liability or portion thereof, and reflected in net investment income or interest credited to contractholder funds beginning in the period that hedge accounting is no longer applied. If the hedged item in a fair value hedge is an asset that has become other-than-temporarily impaired, the adjustment made to the amortized cost for fixed income securities or the carrying value for mortgage loans is subject to the accounting policies applied to other-than-temporarily impaired assets.

When a derivative instrument used in a cash flow hedge of an existing asset or liability is no longer effective or is terminated, the gain or loss recognized on the derivative is reclassified from AOCI to income as the hedged risk impacts income. If the derivative instrument is not terminated when a cash flow hedge is no longer effective, the future gains and losses recognized on the derivative are reported in realized capital gains and losses. When a derivative instrument used in a cash flow hedge of a forecasted transaction is terminated because it is probable the forecasted transaction will not occur, the gain or loss recognized on the derivative is immediately reclassified from AOCI to realized capital gains and losses in the period that hedge accounting is no longer applied.

Non-hedge derivative financial instruments For derivatives for which hedge accounting is not applied, the income statement effects, including fair value gains and losses and accrued periodic settlements, are reported either in realized capital gains and losses or in a single line item together with the results of the associated asset or liability for which risks are being managed.

Securities loaned

The Company's business activities include securities lending transactions, which are used primarily to generate net investment income. The proceeds received in conjunction with securities lending transactions are reinvested in short-term investments or fixed income securities. These transactions are short-term in nature, usually 30 days or less.

The Company receives cash collateral for securities loaned in an amount generally equal to 102% and 105% of the fair value of domestic and foreign securities, respectively, and records the related obligations to return the collateral in other liabilities and accrued expenses. The carrying value of these obligations approximates fair value because of their relatively short-term nature. The Company monitors the market value of securities loaned on a daily basis and obtains additional collateral as necessary under the terms of the agreements to mitigate counterparty credit risk. The Company maintains the right and ability to repossess the securities loaned on short notice.

Recognition of premium revenues and contract charges, and related benefits and interest credited

Property and casualty insurance premiums include premiums from personal lines policies, protection plans, and other contracts (primarily related to finance and insurance products) backed by insurance. Personal lines and protection plans insurance premiums are deferred and earned on a pro-rata basis over the terms of the policies, typically periods of six or twelve months for personal lines policies and one to five years for protection plans. Other contracts (primarily related to finance and insurance products) premiums are deferred and earned over the terms of the contract, generally one to five years, aligned with the costs of performing services under the contract. The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums. Premium installment receivables, net, represent premiums written and not yet collected, net of an allowance for uncollectible premiums. The Company regularly evaluates premium installment receivables and adjusts its valuation allowance as appropriate. The valuation allowance for uncollectible premium installment receivables was $77 million and $84 million as of December 31, 2017 and 2016, respectively.

Traditional life insurance products consist principally of products with fixed and guaranteed premiums and benefits, primarily term and whole life insurance products. Voluntary accident and health insurance products are expected to remain in force for an extended period and therefore are primarily classified as long-duration contracts. Premiums from these products are recognized as revenue when due from policyholders. Benefits are reflected in contract benefits and recognized over the life of the policy in relation to premiums.

Immediate annuities with life contingencies, including certain structured settlement annuities, provide insurance protection over a period that extends beyond the period during which premiums are collected. Premiums from these products are recognized as revenue when received at the inception of the contract. Benefits and expenses are recognized in relation to premiums. Profits from these policies come primarily from investment income, which is recognized over the life of the contract.

Interest-sensitive life contracts, such as universal life and single premium life, are insurance contracts whose terms are not fixed and guaranteed. The terms that may be changed include premiums paid by the contractholder, interest credited to the contractholder account balance and contract charges assessed against the contractholder account balance. Premiums from these contracts are reported as contractholder fund deposits. Contract charges consist of fees assessed against the contractholder account balance for the cost of insurance (mortality risk), contract administration and surrender of the contract prior to contractually specified dates. These contract charges are recognized as revenue when assessed against the contractholder account balance. Contract benefits include life-contingent benefit payments in excess of the contractholder account balance.

Contracts that do not subject the Company to significant risk arising from mortality or morbidity are referred to as investment contracts. Fixed annuities, including market value adjusted annuities, equity-indexed annuities and immediate annuities without life contingencies, and funding agreements (primarily backing medium-term notes) are considered investment contracts. Consideration received for such contracts is reported as contractholder fund deposits. Contract charges for investment contracts consist of fees assessed against the contractholder account balance for maintenance, administration and surrender of the contract prior to contractually specified dates, and are recognized when assessed against the contractholder account balance.

Interest credited to contractholder funds represents interest accrued or paid on interest-sensitive life and investment contracts. Crediting rates for certain fixed annuities and interest-sensitive life contracts are adjusted periodically by the Company to reflect current market conditions subject to contractually guaranteed minimum rates. Crediting rates for indexed life and annuities and indexed funding agreements are generally based on a specified interest rate index or an equity index, such as the Standard & Poor's 500 Index ("S&P 500"). Interest credited also includes amortization of DSI expenses. DSI is amortized into interest credited using the same method used to amortize DAC.

Contract charges for variable life and variable annuity products consist of fees assessed against the contractholder account balances for contract maintenance, administration, mortality, expense and surrender of the contract prior to contractually specified dates. Contract benefits incurred for variable annuity products include guaranteed minimum death, income, withdrawal and accumulation benefits. Substantially all of the Company's variable annuity business is ceded through reinsurance agreements and the contract charges and contract benefits related thereto are reported net of reinsurance ceded.

Deferred policy acquisition and sales inducement costs

Costs that are related directly to the successful acquisition of new or renewal insurance policies and investment contracts are deferred and recorded as DAC. These costs are principally agents' and brokers' remuneration, premium taxes and certain underwriting expenses. DSI costs, which are deferred and recorded as other assets, relate to sales inducements offered on sales to new customers, principally on fixed annuity and interest-sensitive life contracts. These sales inducements are primarily in the form of additional credits to the customer's account balance or enhancements to interest credited for a specified period which are in excess of the rates currently being credited to similar contracts without sales inducements. DSI is amortized into income using the same methodology and assumptions as DAC and is included in interest credited to contractholder funds.

All other acquisition costs are expensed as incurred and included in operating costs and expenses.

For property and casualty insurance, DAC is amortized into income as premiums are earned, typically over periods of six or twelve months for personal lines policies or generally one to five years for protection plans and other contracts (primarily related to finance and insurance products), and is included in amortization of deferred policy acquisition costs. DAC associated with property and casualty insurance is periodically reviewed for recoverability and adjusted if necessary. Future investment income is considered in determining the recoverability of DAC.

For traditional life and voluntary accident and health insurance, DAC is amortized over the premium paying period of the related policies in proportion to the estimated revenues on such business. Assumptions used in the amortization of DAC and reserve calculations are established at the time the policy is issued and are generally not revised during the life of the policy. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these policies approximates the estimated lives of the policies. The Company periodically reviews the recoverability of DAC for these policies using actual experience and current assumptions. Prior to fourth quarter 2017, the Company evaluated traditional life insurance products and immediate annuities with life contingencies on an aggregate basis. In conjunction with the segment changes in fourth quarter 2017, traditional life insurance products, immediate annuities with life contingencies, and voluntary accident and health insurance products are reviewed individually. If actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required.

For interest-sensitive life insurance and fixed annuities, DAC and DSI are amortized in proportion to the incidence of the total present value of gross profits, which includes both actual historical gross profits (“AGP”) and estimated future gross profits (“EGP”) expected to be earned over the estimated lives of the contracts. The amortization is net of interest on the prior period DAC balance using rates established at the inception of the contracts. Actual amortization periods generally range from 15-30 years; however, incorporating estimates of the rate of customer surrenders, partial withdrawals and deaths generally results in the majority of the DAC being amortized during the surrender charge period, which is typically 10-20 years for interest-sensitive life and 5-10 years for fixed annuities. The rate of DAC and DSI amortization is reestimated and adjusted by a cumulative charge or credit to income when there is a difference between the incidence of actual versus expected gross profits in a reporting period or when there is a change in total EGP. When DAC or DSI amortization or a component of gross profits for a quarterly period is potentially negative (which would result in an increase of the DAC or DSI balance) as a result of negative AGP, the specific facts and circumstances surrounding the potential negative amortization are considered to determine whether it is appropriate for recognition in the consolidated financial statements. Negative amortization is only recorded when the increased DAC or DSI balance is determined to be recoverable based on facts and circumstances. Recapitalization of DAC and DSI is limited to the originally deferred costs plus interest.

AGP and EGP primarily consist of the following components: contract charges for the cost of insurance less mortality costs and other benefits; investment income and realized capital gains and losses less interest credited; and surrender and other contract charges less maintenance expenses. The principal assumptions for determining the amount of EGP are mortality, persistency, expenses, investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to contractholders, and the effects of any hedges. For products whose supporting investments are exposed to capital losses in excess of the Company’s expectations which may cause periodic AGP to become temporarily negative, EGP and AGP utilized in DAC and DSI amortization may be modified to exclude the excess capital losses.

The Company performs quarterly reviews of DAC and DSI recoverability for interest-sensitive life and fixed annuity contracts using current assumptions. If a change in the amount of EGP is significant, it could result in the unamortized DAC or DSI not being recoverable, resulting in a charge which is included as a component of amortization of deferred policy acquisition costs or interest credited to contractholder funds, respectively.

The DAC and DSI balances presented include adjustments to reflect the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized capital gains or losses in the respective product investment portfolios were actually realized. The adjustments are recorded net of tax in AOCI. DAC, DSI and deferred income taxes determined on unrealized capital gains and losses and reported in AOCI recognize the impact on shareholders’ equity consistently with the amounts that would be recognized in the income statement on realized capital gains and losses.

Customers of the Company may exchange one insurance policy or investment contract for another offered by the Company, or make modifications to an existing investment, life or property and casualty contract issued by the Company. These transactions are identified as internal replacements for accounting purposes. Internal replacement transactions determined to result in replacement contracts that are substantially unchanged from the replaced contracts are accounted for as continuations of the replaced contracts. Unamortized DAC and DSI related to the replaced contracts continue to be deferred and amortized in connection with the replacement contracts. For interest-sensitive life and investment contracts, the EGP of the replacement contracts are treated as a revision to the EGP of the replaced contracts in the determination of amortization of DAC and DSI. For traditional life and property and casualty insurance policies, any changes to unamortized DAC that result from replacement contracts are treated as prospective revisions. Any costs associated with the issuance of replacement contracts are characterized as maintenance costs and expensed as incurred. Internal replacement transactions determined to result in a substantial change to the replaced contracts are accounted for as an extinguishment of the replaced contracts, and any unamortized DAC and DSI related to the replaced contracts are eliminated with a corresponding charge to amortization of deferred policy acquisition costs or interest credited to contractholder funds, respectively.

The costs assigned to the right to receive future cash flows from certain business purchased from other insurers are also classified as DAC in the Consolidated Statements of Financial Position. The costs capitalized represent the present value of future profits expected to be earned over the lives of the contracts acquired. These costs are amortized as profits emerge over the lives of the acquired business and are periodically evaluated for recoverability. The present value of future profits was $47 million and $53 million as of December 31, 2017 and 2016, respectively. Amortization expense of the present value of future profits was $6 million, $5 million and $8 million in 2017, 2016 and 2015, respectively.

Reinsurance

In the normal course of business, the Company seeks to limit aggregate and single exposure to losses on large risks by purchasing reinsurance. The Company has also used reinsurance to effect the disposition of certain blocks of business. The Company also participates in various reinsurance mechanisms, including industry pools and facilities, which are backed by the financial resources of the property and casualty insurance company market participants. The amounts reported as reinsurance recoverables include amounts billed to reinsurers on losses paid as well as estimates of amounts expected to be recovered from reinsurers on insurance liabilities and contractholder funds that have not yet been paid. Reinsurance recoverables on unpaid losses are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Insurance liabilities are reported gross of reinsurance recoverables. Reinsurance premiums are generally reflected in income in a manner consistent with the recognition of premiums on the reinsured contracts. For catastrophe coverage, the cost of reinsurance premiums is recognized ratably over the contract period to the extent coverage remains available. Reinsurance does not extinguish the Company's primary liability under the policies written. Therefore, the Company regularly evaluates the financial condition of its reinsurers, including their activities with respect to claim settlement practices and commutations, and establishes allowances for uncollectible reinsurance as appropriate.

Goodwill

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired, less any impairment of goodwill recognized. The Company's goodwill reporting units are equivalent to its reportable segments, Allstate Protection, Service Businesses, Allstate Life and Allstate Benefits to which goodwill has been assigned.

Goodwill by reporting unit

($ in millions)	**December 31, 2017**
Allstate Protection	$ 810
Service Businesses	1,100
Allstate Life	175
Allstate Benefits	96
Total	**$ 2,181**

Goodwill is recognized when acquired and allocated to reporting units based on which unit is expected to benefit from the synergies of the business combination. Goodwill is not amortized but is tested for impairment at least annually. The Company performs its annual goodwill impairment testing during the fourth quarter of each year based upon data as of the close of the third quarter. The Company also reviews goodwill for impairment whenever events or changes in circumstances, such as deteriorating or adverse market conditions, indicate that it is more likely than not that the carrying amount of goodwill may exceed its implied fair value. The goodwill impairment analysis is performed at the reporting unit level.

In fourth quarter 2017, the Company adopted new reportable segments, which required the Company to evaluate goodwill, including the allocation of goodwill to any new reporting units on a relative fair value basis. The reallocation was computed using fair values for the goodwill reporting units determined using discounted cash flow ("DCF") calculations and market to book multiples derived from a peer company analysis as described below. In conjunction with the reallocation of goodwill, the Company recognized $125 million of goodwill impairment related to the goodwill allocated to the Allstate Annuities reporting unit reflecting a market-based valuation. The fair value of the Company's remaining goodwill reporting units exceeded their carrying values. To periodically estimate the fair value of its goodwill reporting units, the Company may utilize a combination of widely accepted valuation techniques including a stock price and market capitalization analysis, DCF calculations and market to book multiples derived from a peer company analysis. The stock price and market capitalization analysis takes into consideration the quoted market price of the Company's outstanding common stock and includes a control premium, derived from relevant historical acquisition activity, in determining the estimated fair value of the consolidated entity before allocating that fair value to individual reporting units. The DCF analysis utilizes long term assumptions for revenues, investment income, benefits, claims, other operating expenses and income taxes to produce projections of both income and cash flows available for dividends that are present valued using weighted average cost of capital. Market to book multiples represent the mean market to book multiple for selected peer companies with operations similar to the Company's goodwill reporting units to which the multiple is applied. The outputs from these methods are weighted based on the nature of the business and the relative amount of market observable assumptions supporting the estimates. The computed values are then weighted to reflect the fair value estimate based on the specific attributes of each goodwill reporting unit.

Property and equipment

Property and equipment is carried at cost less accumulated depreciation. Included in property and equipment are capitalized costs related to computer software licenses and software developed for internal use. These costs generally consist of certain external payroll and payroll related costs. Property and equipment depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 3 to 10 years for equipment and 40 years for real property. Depreciation expense is reported in operating costs and expenses. Accumulated depreciation on property and equipment was $2.27 billion and $2.16 billion as of December 31, 2017 and 2016, respectively. Depreciation expense on property and equipment was $290 million, $267 million and $255 million in 2017, 2016 and 2015, respectively. The Company reviews its property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Income taxes

The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are DAC, unearned premiums, unrealized capital gains and losses and insurance reserves. A deferred tax asset valuation allowance is established when there is uncertainty that such assets will be realized.

Reserve for property and casualty insurance claims and claims expense

The reserve for property and casualty insurance claims and claims expense is the estimate of amounts necessary to settle all reported and unreported claims for the ultimate cost of insured property and casualty losses, based upon the facts of each case and the Company's experience with similar cases. Estimated amounts of salvage and subrogation are deducted from the reserve for claims and claims expense. The establishment of appropriate reserves, including reserves for catastrophe losses, is an inherently uncertain and complex process. Reserve estimates are primarily derived using an actuarial estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves established by claim adjusters) for an accident or report year to create an estimate of how losses are likely to develop over time. Development factors are calculated quarterly and periodically throughout the year for data elements such as claims reported and settled, paid losses, and paid losses combined with case reserves. The historical development patterns for these data elements are used as the assumptions to calculate reserve estimates, including the reserves for reported and unreported claims. Reserve estimates are regularly reviewed and updated, using the most current information available. Any resulting reestimates are reflected in current results of operations.

Reserve for life-contingent contract benefits

The reserve for life-contingent contract benefits payable under insurance policies, including traditional life insurance, life-contingent immediate annuities and voluntary accident and health insurance products, is computed on the basis of long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses. These assumptions, which for traditional life insurance are applied using the net level premium method, include provisions for adverse deviation and generally vary by characteristics such as type of coverage, year of issue and policy duration. The assumptions are established at the time the policy is issued and are generally not changed during the life of the policy. The Company periodically reviews the adequacy of reserves for these policies using actual experience and current assumptions. If actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required. Prior to fourth quarter 2017, the Company evaluated traditional life insurance products and immediate annuities with life contingencies on an aggregate basis. In conjunction with the Company's segment changes in fourth quarter 2017, traditional life insurance products, immediate annuities with life contingencies, and voluntary accident and health insurance are reviewed individually. The Company also reviews these policies for circumstances where projected profits would be recognized in early years followed by projected losses in later years. If this circumstance exists, the Company will accrue a liability, during the period of profits, to offset the losses at such time as the future losses are expected to commence using a method updated prospectively over time. To the extent that unrealized gains on fixed income securities would result in a premium deficiency if those gains were realized, the related increase in reserves for certain immediate annuities with life contingencies is recorded net of tax as a reduction of unrealized net capital gains included in AOCI.

Contractholder funds

Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life insurance, fixed annuities and funding agreements. Contractholder funds primarily comprise cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals, maturities and contract charges for mortality or administrative expenses. Contractholder funds also include reserves for secondary guarantees on interest-sensitive life insurance and certain fixed annuity contracts and reserves for certain guarantees on reinsured variable annuity contracts.

Separate accounts

Separate accounts assets are carried at fair value. The assets of the separate accounts are legally segregated and available only to settle separate accounts contract obligations. Separate accounts liabilities represent the contractholders' claims to the related assets and are carried at an amount equal to the separate accounts assets. Investment income and realized capital gains and losses of the separate accounts accrue directly to the contractholders and therefore are not included in the Company's Consolidated Statements of Operations. Deposits to and surrenders and withdrawals from the separate accounts are reflected in separate accounts liabilities and are not included in consolidated cash flows.

Absent any contract provision wherein the Company provides a guarantee, variable annuity and variable life insurance contractholders bear the investment risk that the separate accounts' funds may not meet their stated investment objectives. Substantially all of the Company's variable annuity business was reinsured beginning in 2006.

Legal contingencies

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

Long-term debt

Long-term debt includes senior notes, senior debentures, subordinated debentures and junior subordinated debentures issued by the Corporation. Unamortized debt issuance costs are reported in long-term debt and are amortized over the expected period the debt will remain outstanding.

Deferred Employee Stock Ownership Plan ("ESOP") expense

Deferred ESOP expense represents the remaining unrecognized cost of shares acquired by the Allstate ESOP to pre-fund a portion of the Company's contribution to the Allstate 401(k) Savings Plan.

Equity incentive plans

The Company has equity incentive plans under which the Company grants nonqualified stock options, restricted stock units and performance stock awards ("equity awards") to certain employees and directors of the Company. The Company measures the fair value of equity awards at the award date and recognizes the expense over the shorter of the period in which the requisite service is rendered or retirement eligibility is attained. The expense for performance stock awards is adjusted each period to reflect the performance factor most likely to be achieved at the end of the performance period. The Company uses a binomial lattice model to determine the fair value of employee stock options.

Off-balance sheet financial instruments

Commitments to invest, commitments to purchase private placement securities, commitments to extend loans, financial guarantees and credit guarantees have off-balance sheet risk because their contractual amounts are not recorded in the Company's Consolidated Statements of Financial Position (see Notes 7 and 14).

Consolidation of variable interest entities ("VIEs")

The Company consolidates VIEs when it is the primary beneficiary. A primary beneficiary is the variable interest holder in a VIE with both the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE.

Foreign currency translation

The local currency of the Company's foreign subsidiaries is deemed to be the functional currency of the country in which these subsidiaries operate. The financial statements of the Company's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of a reporting period for assets and liabilities and at average exchange rates during the period for results of operations. The unrealized gains and losses from the translation of the net assets are recorded as unrealized foreign currency translation adjustments and included in AOCI. Changes in unrealized foreign currency translation adjustments are included in other comprehensive income. Gains and losses from foreign currency transactions are reported in operating costs and expenses and have not been material.

Earnings per common share

Basic earnings per common share is computed using the weighted average number of common shares outstanding, including vested unissued participating restricted stock units. Diluted earnings per common share is computed using the weighted average number of common and dilutive potential common shares outstanding. For the Company, dilutive potential common shares consist of outstanding stock options and unvested non-participating restricted stock units and contingently issuable performance stock awards.

Computation of basic and diluted earnings per common share

($ in millions, except per share data)	For the years ended December 31, 2017	2016	2015
Numerator:			
Net income	$ 3,189	$ 1,877	$ 2,171
Less: Preferred stock dividends	116	116	116
Net income applicable to common shareholders [1]	**$ 3,073**	**$ 1,761**	**$ 2,055**
Denominator:			
Weighted average common shares outstanding	362.0	372.8	401.1
Effect of dilutive potential common shares:			
Stock options	4.3	3.2	4.0
Restricted stock units (non-participating) and performance stock awards	1.5	1.3	1.7
Weighted average common and dilutive potential common shares outstanding	**367.8**	**377.3**	**406.8**
Earnings per common share – Basic	$ 8.49	$ 4.72	$ 5.12
Earnings per common share – Diluted	$ 8.36	$ 4.67	$ 5.05

[1] Net income applicable to common shareholders is net income less preferred stock dividends.

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. Options to purchase 1.5 million, 3.8 million and 2.2 million Allstate common shares, with exercise prices ranging from $70.71 to $102.84, $53.91 to $71.29 and $57.98 to $71.29, were outstanding in 2017, 2016 and 2015, respectively, but were not included in the computation of diluted earnings per common share in those years.

Adopted accounting standards

Employee Share-Based Payment Accounting

Effective January 1, 2017, the Company adopted new Financial Accounting Standards Board ("FASB") guidance that amends the accounting for share-based payments on a prospective basis. Under the new guidance, reporting entities are required to recognize all tax effects related to share-based payments at settlement or expiration through the income statement and the requirement to delay recognition of certain tax benefits until they reduce current taxes payable is eliminated. The new guidance also permits employers to withhold shares issued in connection with an employee's exercise of options or the settlement of stock awards, up to the employee's maximum individual statutory tax rate, to meet tax withholding requirements without causing liability classification of the award. In addition, all tax-related cash flows resulting from share-based payments are reported as operating activities on the statement of cash flows whereas cash payments made to taxing authorities on an employee's behalf for withheld shares are presented as financing activities. The adoption of this guidance had no impact on the Company's results of operations or financial position on the date of adoption, but resulted in a $63 million benefit to net income applicable to common shareholders in 2017.

Transition to Equity Method Accounting

Effective January 1, 2017, the Company adopted new FASB guidance amending the accounting requirements for transitioning to the equity method of accounting ("EMA"), including a transition from the cost method. The guidance requires the cost of acquiring an additional interest in an investee to be added to the existing carrying value to establish the initial basis of the EMA investment. Under the new guidance, no retroactive adjustment is required when an investment initially qualifies for EMA treatment. The guidance is applied prospectively to investments that qualify for EMA after application of the cost method of accounting. Accordingly, the adoption of this guidance had no impact on the Company's results of operations or financial position.

Application of Income Tax Guidance to Certain U.S. Tax Reform Provisions

In February 2018, the FASB issued guidance permitting reclassification of the effects of the new corporate tax rate in the Tax Cuts and Jobs Act of 2017 ("Tax Legislation") on balances presented net of tax in AOCI. Upon enactment of the Tax Legislation in December 2017, existing accounting guidance required the revaluation of all deferred tax balances to the newly enacted tax rate by adjustment to income tax expense whereas a corresponding adjustment of the balances presented in AOCI was prohibited. The new guidance permits reclassification of the impact of the newly enacted tax rates in the Tax Legislation on balances presented net of tax in AOCI to retained income. The guidance, which may be adopted for any period for which financial statements have not yet been issued, is effective for fiscal years beginning after December 15, 2018, and may be applied retrospectively to the date of enactment or the beginning of a reporting period. The Company elected to early adopt the new guidance as of December 31, 2017. Upon adoption of the guidance, amounts are recognized after-tax in AOCI using the newly established 21% corporate income tax rate. The net impact of adoption was a $49 million increase in AOCI and a corresponding decrease in retained income. The $49 million increase in AOCI is comprised of a $290 million increase in unrealized net capital gains and losses, a $6 million decrease in unrealized foreign currency translation adjustment and a $235 million decrease in unrecognized pension and other postretirement benefit cost.

Pending accounting standards

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance which revises the criteria for revenue recognition. Insurance contracts are excluded from the scope of the new guidance. Under the guidance, the transaction price is attributed to underlying performance obligations in the contract and revenue is recognized as the entity satisfies the performance obligations and transfers control of a good or service to the customer. Incremental costs of obtaining a contract may be capitalized to the extent the entity expects to recover those costs. The guidance is effective for reporting periods beginning after December 15, 2017 and is to be applied either on a full or modified retrospective basis.

The Company will apply the modified retrospective approach as of January 1, 2018, which results in the recognition of a cumulative effect of adoption as an adjustment to the beginning balance of retained income at the date of initial application. The Company's principal activities impacted by the standard are those related to the issuance of protection plans for consumer products and automobiles and service contracts that provide roadside assistance. The impacts include an increase in deferred revenue with a corresponding increase in deferred costs for protection plans that are sold directly to retailers for which Allstate is deemed to be the principal in the transaction. The anticipated impacts of these adjustments offset and will not impact net income, but result in an increase in unearned premiums and deferred policy acquisition costs of approximately $160 million, pre-tax. The Company expects to recognize a cumulative effect adjustment related to the accounting for variable consideration, the deferral of certain costs associated with acquiring service contracts that provide roadside assistance, and other items, the net impact of which is not expected to materially reduce shareholders' equity at the date of adoption. Based on the Company's assessment, the total impact of adoption will not be material to the Company's results of operations or financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued guidance requiring equity investments, including equity securities and limited partnership interests that are not accounted for under the equity method of accounting or result in consolidation to be measured at fair value with changes in fair value recognized in net income. Equity investments without readily determinable fair values may be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. When a qualitative assessment of equity investments without readily determinable fair values indicates that an impairment exists, the carrying value is required to be adjusted to fair value, if lower. The guidance clarifies that an entity should evaluate the realizability of a deferred tax asset related to available-for-sale fixed income securities in combination with the entity's other deferred tax assets. The guidance also changes certain disclosure requirements. The guidance is effective for interim and annual periods beginning after December 15, 2017, and is to be applied through a cumulative-effect adjustment to beginning retained income which results in no impact to the Company's results of operations at the date of adoption.

The new guidance related to equity investments without readily determinable fair values is applied prospectively as of the date of adoption. The most significant impacts relate to the change in accounting for equity securities, where $1.16 billion of pre-tax unrealized net capital gains will be reclassified on January 1, 2018 from AOCI to retained income and cost method limited partnership interests (excluding limited partnership interests accounted for on a cost recovery basis) where the carrying value of these investments will increase by approximately $224 million, pre-tax on January 1, 2018, with the offsetting after-tax adjustment recognized in retained income. The after-tax change in accounting for equity securities will not affect the Company's shareholders' equity and the unrealized net capital gains reclassified to retained income will never be recognized in net income. The after-tax change in accounting for cost method limited partnerships will increase the Company's shareholders' equity, while also decreasing net income return on shareholders' equity. The amount by which the fair value of cost method limited partnerships exceeds their carrying value will never be recognized in net income, negatively impacting the calculations of returns on equity.

Accounting for Leases

In February 2016, the FASB issued guidance revising the accounting for leases. Under the new guidance, lessees will be required to recognize a right-of-use asset and lease liability for all leases other than those that meet the definition of a short-term lease. The lease liability will be equal to the present value of lease payments. A right-of-use asset will be based on the lease liability adjusted for qualifying initial direct costs. Recognition of the lease liability and right-of-use asset will result in an increase in total assets and liabilities in the Consolidated Statement of Financial Position. The expense of operating leases under the new guidance will be recognized in the income statement on a straight-line basis after combining the lease expense components (interest expense on the lease liability and amortization of the right-of-use asset) over the term of the lease. For finance leases, the expense components are computed separately and produce greater up-front expense compared to operating leases as interest expense on the lease liability is higher in early years and the right-of-use asset is amortized on a straight-line basis. Lease classification will be based on criteria similar to those currently applied. The accounting model for lessors will be similar to the current model with modifications to reflect definition changes for components such as initial direct costs. Lessors will continue to classify leases as operating, direct financing, or sales-type. The guidance is effective for reporting periods beginning after December 15, 2018 using a modified retrospective approach applied at the beginning of the earliest period presented. The FASB has exposed for comment an optional simplified transition approach that would allow application of the transition provisions at the effective date instead of the earliest date presented. The Company is in the process of evaluating the impact of adoption, which is not expected to be material to the Company's results of operations or financial position.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued guidance which revises the credit loss recognition criteria for certain financial assets measured at amortized cost, including reinsurance recoverables. The new guidance replaces the existing incurred loss recognition model with an expected loss recognition model. The objective of the expected credit loss model is for the reporting entity to recognize its estimate of expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of the financial assets at the amount expected to be collected. The reporting entity must consider all relevant information available when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts over the life of an asset. Financial assets may be evaluated individually or on a pooled basis when they share similar risk characteristics. The measurement of credit losses for available-for-sale debt securities measured at fair value is not affected except that credit losses recognized are limited to the amount by which fair value is below amortized cost and the carrying value adjustment is recognized through a valuation allowance and not as a direct write-down. The guidance is effective for interim and annual periods beginning after December 15, 2019, and for most affected instruments must be adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to beginning retained income. The Company is in the process of evaluating the impact of adoption.

Goodwill Impairment

In January 2017, the FASB issued guidance to simplify the accounting for goodwill impairment which removes the second step of the goodwill impairment test that requires a hypothetical purchase price allocation. Under the new guidance, goodwill impairment will be measured and recognized as the amount by which a reporting unit's carrying value, including goodwill, exceeds its fair value, not to exceed the carrying amount of goodwill allocated to the reporting unit. The revised guidance does not affect a reporting entity's ability to first assess qualitative factors by reporting unit to determine whether to perform the quantitative goodwill impairment test. The guidance is effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. The guidance is to be applied on a prospective basis, with the effects, if any, recognized in net income in the period of adoption. The impact to the Company upon adoption is dependent upon the excess, if any, of carrying value of the Company's reporting units, including goodwill, over their respective fair values, a measure that is not currently determinable.

Presentation of Net Periodic Pension and Postretirement Benefits Costs

In March 2017, the FASB issued guidance to improve the presentation of net periodic pension and postretirement benefits costs that requires the service cost component to be reported in operating expenses together with other employee compensation costs and all other components of net periodic pension and postretirement benefits costs reported in non-operating expenses. If the reporting entity does not separately report operating and non-operating expenses on the statement of operations it is required to identify, on the statement of operations or in disclosures, the line items in which the components of net periodic pension and postretirement benefits costs are presented. The new guidance permits only the service cost component to be eligible for capitalization where applicable. The guidance is effective for annual periods beginning after December 15, 2017 and for interim periods within those annual periods. The guidance is to be applied on a prospective basis for capitalization of service costs where applicable and on a retrospective basis for the presentation of the service cost and other components of net periodic pension benefit costs in the statements of operations or in disclosures. The impact of adoption is not expected to be material to the Company's results of operations or financial position.

Accounting for Hedging Activities

In August 2017, the FASB issued amendments intended to better align hedge accounting with an organization's risk management activities. The amendments expand hedge accounting for nonfinancial and financial risk components and revise the measurement methodologies to better align with an organization's risk management activities. Separate presentation of hedge ineffectiveness is eliminated to provide greater transparency of the full impact of hedging by requiring presentation of the results of the hedged item and hedging instrument in a single financial statement line item. In addition, the amendments reduce complexity by simplifying the manner in which assessments of hedge effectiveness may be performed. The guidance is effective for annual periods beginning after December 15, 2018 and for interim periods within those annual periods. The presentation and disclosure guidance is effective on a prospective basis. The impact of adoption is not expected to be material to the Company's results of operations or financial position.

Note 3 Acquisition

On January 3, 2017, the Company acquired SquareTrade Holding Company, Inc. ("SquareTrade"), a consumer product protection plan provider that distributes through many of America's major retailers and Europe's mobile operators, for $1.4 billion in cash. SquareTrade is a provider of consumer electronics and appliance protection plans, covering products including TVs, smartphones and computers. This acquisition broadens Allstate's unique product offerings to better meet consumers' needs.

In connection with the acquisition, the Company recorded goodwill of $1.09 billion, commissions paid to retailers (reported in deferred policy acquisition costs) of $66 million, other intangible assets (reported in other assets) of $555 million, contractual liability insurance policy premium expenses (reported in other assets) of $205 million, unearned premiums of $389 million, and net deferred income tax liability of $138 million. These amounts reflect re-measurement adjustments to the fair value of the opening balance sheet assets and liabilities.

Of the $555 million assigned to other intangible assets, $465 million is attributable to acquired customer relationships. The value of the customer relationships intangible asset was determined using an income approach that considered cash flows and profits expected to be generated by the acquired relationships, a discount rate reflecting the relative risk of achieving the anticipated cash flows and profits and the time value of money, and other factors. The estimated useful life of the customer relationship intangible asset is 10 years. The $555 million assigned to other intangible assets also included $69 million assigned to the SquareTrade trade name which is considered to have an indefinite useful life. The amortization expense of intangible assets in 2017 was $92 million.

Amortization expense of intangible assets for the next five years and thereafter

($ in millions)		
2018	$	82
2019		72
2020		62
2021		52
2022		42
Thereafter		84
Total amortization	**$**	**394**

Note 4 Reportable Segments

Beginning in fourth quarter 2017, the Company's chief operating decision maker reviews financial performance and makes decisions about the allocation of resources based on the following seven reportable segments: Allstate Protection, Discontinued Lines and Coverages, Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, and Corporate and Other. These segments are described below and align with the Company's key product and service offerings, including the acquisition of SquareTrade and the strategic focus and expansion of Arity and other service businesses.

Allstate Protection principally offers private passenger auto and homeowners insurance in the United States and Canada, with earned premiums accounting for 82% of Allstate's 2017 consolidated revenues. Allstate Protection is authorized to sell certain property and casualty products in all 50 states, the District of Columbia, Puerto Rico and Canada. For 2017, the top U.S. geographic locations for premiums earned by the Allstate Protection segment were Texas, California, New York and Florida. No other jurisdiction accounted for more than 5% of premium earned for Allstate Protection. Revenues from external customers generated outside the United States were $1.11 billion, $1.06 billion and $1.03 billion in 2017, 2016 and 2015, respectively.

Discontinued Lines and Coverages includes property and casualty insurance coverage that primarily relates to policies written during the 1960s through the mid-1980s. Our exposure to asbestos, environmental and other discontinued lines claims arises principally from direct excess commercial insurance, assumed reinsurance coverage, direct primary commercial insurance and other businesses in run-off.

Service Businesses comprise SquareTrade, Arity, Allstate Roadside Services and Allstate Dealer Services and offer consumer product protection plans, device and mobile data collection services and analytic solutions, roadside assistance, and finance and insurance products (including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel and paintless dent repair protection). The Service Businesses primarily operate in the U.S., with certain businesses offering services in Europe, Canada and Puerto Rico. Revenues from external customers generated outside the United States relate to consumer product protection plans sold primarily in the European Union and were $35 million in 2017.

Allstate Life offers traditional, interest-sensitive and variable life insurance products. Allstate Life is authorized to sell life insurance products in all 50 states, the District of Columbia and Puerto Rico. For 2017, the top geographic locations for statutory direct life insurance premiums were New York, California, Texas, Florida and Illinois. No other jurisdiction accounted for more than 5% of statutory direct life insurance premiums.

Allstate Benefits offers voluntary benefits products, including life, accident, critical illness, short-term disability and other health products. Allstate Benefits is authorized to sell its products in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and Canada. For 2017, the top geographic locations for statutory direct accident and health insurance premiums were Florida, Texas, North Carolina and Georgia. No other jurisdiction accounted for more than 5% of statutory direct accident and health insurance premiums. Revenues from external customers generated outside the United States relate to voluntary accident and health insurance sold in Canada and were not material.

Allstate Annuities consists of deferred fixed annuities and immediate annuities (including standard and sub-standard structured settlements). This segment is in run-off. The Company also previously offered institutional products consisting of funding agreements sold to unaffiliated trusts that used them to back medium-term notes. There were no institutional products outstanding as of December 31, 2017 or 2016.

Corporate and Other comprises holding company activities and certain non-insurance operations.

Allstate Protection and Discontinued Lines and Coverages segments comprise Property-Liability. The Company does not allocate investment income, realized capital gains and losses, or assets to the Allstate Protection and Discontinued Lines and Coverages segments. Management reviews assets at the Property-Liability, Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, and Corporate and Other levels for decision-making purposes.

The accounting policies of the reportable segments are the same as those described in Note 2.

The effects of intersegment transactions are eliminated in the segment results, except for services provided by the Service Businesses to Allstate Protection that are not eliminated as management considers those transactions in assessing the results of the respective segments.

Measuring segment profit or loss

The measure of segment profit or loss used in evaluating performance is underwriting income for the Allstate Protection and Discontinued Lines and Coverages segments and adjusted net income for the Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, and Corporate and Other segments. A reconciliation of these measures to net income applicable to common shareholders is provided below.

Underwriting income is calculated as premiums earned, less claims and claims expenses (“losses”), amortization of DAC, operating costs and expenses, and restructuring and related charges as determined using GAAP.

Adjusted net income is net income applicable to common shareholders, excluding:

- Realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in adjusted net income
- Valuation changes on embedded derivatives not hedged, after-tax
- Amortization of DAC and DSI, to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives not hedged, after-tax
- Business combination expenses and the amortization of purchased intangible assets, after-tax
- Gain (loss) on disposition of operations, after-tax
- 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

Reportable segments revenue information

($ in millions)	For the years ended December 31, 2017	2016	2015
Property-Liability			
Insurance premiums			
Auto	$ 21,878	$ 21,264	$ 20,410
Homeowners	7,310	7,257	7,136
Other personal lines	1,750	1,700	1,692
Commercial lines	495	506	510
Allstate Protection	31,433	30,727	29,748
Discontinued Lines and Coverages	—	—	—
Total property-liability insurance premiums	31,433	30,727	29,748
Net investment income	1,478	1,253	1,226
Realized capital gains and losses	401	(6)	(237)
Total Property-Liability	**33,312**	**31,974**	**30,737**
Service Businesses			
Consumer product protection plans	295	—	—
Roadside assistance	268	310	340
Finance and insurance products	304	270	221
Intersegment premiums and service fees [1]	110	105	42
Net investment income	16	13	11
Total Service Businesses	**993**	**698**	**614**
Allstate Life			
Traditional life insurance premiums	568	533	505
Accident and health insurance premiums	2	2	2
Interest-sensitive life insurance contract charges	710	715	716
Net investment income	489	482	490
Realized capital gains and losses	5	(38)	2
Total Allstate Life	**1,774**	**1,694**	**1,715**
Allstate Benefits			
Traditional life insurance premiums	42	40	37
Accident and health insurance premiums	928	857	778
Interest-sensitive life insurance contract charges	114	114	106
Net investment income	72	71	71
Realized capital gains and losses	1	(5)	1
Total Allstate Benefits	**1,157**	**1,077**	**993**
Allstate Annuities			
Fixed annuities contract charges	14	14	14
Net investment income	1,305	1,181	1,323
Realized capital gains and losses	44	(38)	264
Total Allstate Annuities	**1,363**	**1,157**	**1,601**
Corporate and Other			
Net investment income	41	42	35
Realized capital gains and losses	(6)	(3)	—
Total Corporate and Other	**35**	**39**	**35**
Intersegment eliminations [1]	(110)	(105)	(42)
Consolidated revenues	**$ 38,524**	**$ 36,534**	**$ 35,653**

[1] Intersegment insurance premiums and service fees are primarily related to Arity and Allstate Roadside Services and are eliminated in the consolidated financial statements.

Reportable segments financial performance

($ in millions)	For the years ended December 31, 2017	2016	2015
Property-Liability			
Allstate Protection	$ 2,111	$ 1,327	$ 1,621
Discontinued Lines and Coverages	(99)	(107)	(55)
Total underwriting income	**2,012**	**1,220**	**1,566**
Net investment income	1,478	1,253	1,226
Income tax expense on operations	(1,119)	(812)	(922)
Realized capital gains and losses, after-tax	272	—	(154)
Gain on disposition of operations, after-tax	9	—	—
Change in accounting for investments in qualified affordable housing projects	—	—	(28)
Tax Legislation expense	(65)	—	—
Property-Liability net income applicable to common shareholders	**2,587**	**1,661**	**1,688**
Service Businesses			
Adjusted net (loss) income	(59)	3	2
Amortization of purchased intangible assets, after-tax	(60)	—	—
Tax Legislation benefit	134	—	—
Service Businesses net income applicable to common shareholders	**15**	**3**	**2**
Allstate Life			
Adjusted net income	253	247	239
Realized capital gains and losses, after-tax	2	(24)	1
DAC and DSI amortization related to realized capital gains and losses, after-tax	(10)	(4)	(4)
Loss on disposition of operations, after-tax	—	—	(1)
Change in accounting for investments in qualified affordable housing projects	—	—	(6)
Tax Legislation benefit	332	—	—
Allstate Life net income applicable to common shareholders	**577**	**219**	**229**
Allstate Benefits			
Adjusted net income	95	100	104
Realized capital gains and losses, after-tax	—	(4)	—
Tax Legislation benefit	51	—	—
Allstate Benefits net income applicable to common shareholders	**146**	**96**	**104**
Allstate Annuities			
Adjusted net income	204	101	166
Realized capital gains and losses, after-tax	28	(26)	172
Valuation changes on embedded derivatives not hedged, after-tax	—	(2)	(1)
DAC and DSI amortization related to realized capital gains and losses and valuation changes on embedded derivatives not hedged, after-tax	—	—	1
Gain on disposition of operations, after-tax	4	3	3
Change in accounting for investments in qualified affordable housing projects	—	—	(11)
Tax Legislation benefit	182	—	—
Allstate Annuities net income applicable to common shareholders	**418**	**76**	**330**
Corporate and Other			
Adjusted net loss	(399)	(292)	(298)
Realized capital gains and losses, after-tax	(4)	(2)	—
Goodwill impairment	(125)	—	—
Business combination expenses, after-tax	(14)	—	—
Tax Legislation expense	(128)	—	—
Corporate and Other net loss applicable to common shareholders	**(670)**	**(294)**	**(298)**
Consolidated net income applicable to common shareholders	**$ 3,073**	**$ 1,761**	**$ 2,055**

Additional significant financial performance data

($ in millions)	For the years ended December 31, 2017	2016	2015
Amortization of DAC			
Property-Liability	$ 4,205	$ 4,053	$ 3,933
Service Businesses	296	214	169
Allstate Life	134	131	133
Allstate Benefits	142	145	124
Allstate Annuities	7	7	5
Consolidated	**$ 4,784**	**$ 4,550**	**$ 4,364**
Income tax expense (benefit)			
Property-Liability	$ 1,318	$ 806	$ 867
Service Businesses	(193)	—	2
Allstate Life	(224)	91	108
Allstate Benefits	1	51	55
Allstate Annuities	(58)	36	188
Corporate and Other	(42)	(107)	(109)
Consolidated	**$ 802**	**$ 877**	**$ 1,111**

Impacts of Tax Legislation

($ in millions)	For the year ended December 31, 2017: Income tax expense (benefit) before Tax Legislation	Tax Legislation expense (benefit)	Income tax expense (benefit) after Tax Legislation
Income tax expense (benefit)			
Property-Liability	$ 1,253	$ 65	$ 1,318
Service Businesses	(59)	(134)	(193)
Allstate Life	108	(332)	(224)
Allstate Benefits	52	(51)	1
Allstate Annuities	124	(182)	(58)
Corporate and Other	(170)	128	(42)
Consolidated	**$ 1,308**	**$ (506)**	**$ 802**

Interest expense is primarily incurred in the Corporate and Other segment. Capital expenditures for long-lived assets are generally made in Property-Liability as the Company does not allocate assets to the Allstate Protection and Discontinued Lines and Coverages segments. A portion of these long-lived assets are used by entities included in the Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities and Corporate and Other segments and, accordingly, are charged to expenses in proportion to their use.

Reportable segment total assets and investments as of December 31, 2017 [1]	
($ in millions)	
Assets [2]	
Property-Liability	$ 60,197
Service Businesses	4,531
Allstate Life	14,107
Allstate Benefits	2,766
Allstate Annuities	28,836
Corporate and Other	1,985
Consolidated	**$ 112,422**
Investments [3]	
Property-Liability	$ 43,183
Service Businesses	954
Allstate Life	11,210
Allstate Benefits	1,776
Allstate Annuities	23,722
Corporate and Other	1,958
Consolidated	**$ 82,803**

[1] The balances above reflect the elimination of related party investments between segments.

[2] Due to the changes in reportable segments, prior year total assets are not available for the new segments as it was impracticable to calculate. Total assets for previously reported Property-Liability, Allstate Financial, and Corporate and Other segments were $60.39 billion, $45.95 billion and $2.27 billion as of December 31, 2016, respectively, and $55.67 billion, $46.34 billion and $2.64 billion as of December 31, 2015, respectively.

[3] Due to the changes in reportable segments, prior year investments balances are not available for the new segments as it was impracticable to calculate. Total investments for previously reported Property-Liability, Allstate Financial, and Corporate and Other segments were $42.72 billion, $36.84 billion and $2.24 billion as of December 31, 2016, respectively, and $38.48 billion, $36.79 billion and $2.49 billion as of December 31, 2015, respectively.

Note 5 Investments

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

($ in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
December 31, 2017				
U.S. government and agencies	$ 3,580	$ 56	$ (20)	$ 3,616
Municipal	8,053	311	(36)	8,328
Corporate	42,996	1,234	(204)	44,026
Foreign government	1,005	27	(11)	1,021
ABS	1,266	13	(7)	1,272
RMBS	480	101	(3)	578
CMBS	124	6	(2)	128
Redeemable preferred stock	21	2	—	23
Total fixed income securities	**$ 57,525**	**$ 1,750**	**$ (283)**	**$ 58,992**
December 31, 2016				
U.S. government and agencies	$ 3,572	$ 74	$ (9)	$ 3,637
Municipal	7,116	304	(87)	7,333
Corporate	42,742	1,178	(319)	43,601
Foreign government	1,043	36	(4)	1,075
ABS	1,169	13	(11)	1,171
RMBS	651	85	(8)	728
CMBS	262	17	(9)	270
Redeemable preferred stock	21	3	—	24
Total fixed income securities	**$ 56,576**	**$ 1,710**	**$ (447)**	**$ 57,839**

Scheduled maturities for fixed Income securities

($ in millions)	As of December 31, 2017 Amortized cost	Fair value
Due in one year or less	$ 4,771	$ 4,783
Due after one year through five years	28,736	29,080
Due after five years through ten years	16,956	17,278
Due after ten years	5,192	5,873
	55,655	**57,014**
ABS, RMBS and CMBS	1,870	1,978
Total	**$ 57,525**	**$ 58,992**

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

Net investment income

($ in millions)	For the years ended December 31, 2017	2016	2015
Fixed income securities	$ 2,078	$ 2,060	$ 2,218
Equity securities	174	137	110
Mortgage loans	206	217	228
Limited partnership interests	889	561	549
Short-term investments	30	16	9
Other	236	222	192
Investment income, before expense	**3,613**	**3,213**	**3,306**
Investment expense	(212)	(171)	(150)
Net investment income	**$ 3,401**	**$ 3,042**	**$ 3,156**

Realized capital gains and losses by asset type

($ in millions)	For the years ended December 31, 2017	2016	2015
Fixed income securities	$ 94	$ (91)	$ 212
Equity securities	255	23	(50)
Mortgage loans	1	—	6
Limited partnership interests	132	(21)	(93)
Derivatives	(46)	3	(21)
Other	9	(4)	(24)
Realized capital gains and losses	**$ 445**	**$ (90)**	**$ 30**

Realized capital gains and losses by transaction type

($ in millions)	For the years ended December 31, 2017	2016	2015
Impairment write-downs	$ (102)	$ (234)	$ (195)
Change in intent write-downs	(48)	(69)	(221)
Net other-than-temporary impairment losses recognized in earnings	**(150)**	**(303)**	**(416)**
Sales and other	641	213	470
Valuation and settlements of derivative instruments	(46)	—	(24)
Realized capital gains and losses	**$ 445**	**$ (90)**	**$ 30**

Gross gains of $737 million, $631 million and $915 million and gross losses of $276 million, $461 million and $399 million were realized on sales of fixed income and equity securities during 2017, 2016 and 2015, respectively.

Other-than-temporary impairment losses by asset type

($ in millions)	For the years ended December 31, 2017 Gross	2017 Included in OCI	2017 Net	2016 Gross	2016 Included in OCI	2016 Net	2015 Gross	2015 Included in OCI	2015 Net
Fixed income securities:									
Municipal	$ (1)	$ (3)	$ (4)	$ —	$ —	$ —	$ (17)	$ 4	$ (13)
Corporate	(9)	3	(6)	(33)	9	(24)	(61)	11	(50)
ABS	(1)	(2)	(3)	(6)	—	(6)	(33)	22	(11)
RMBS	(2)	(3)	(5)	—	(1)	(1)	1	(1)	—
CMBS	(9)	1	(8)	(15)	2	(13)	(1)	—	(1)
Total fixed income securities	**(22)**	**(4)**	**(26)**	**(54)**	**10**	**(44)**	**(111)**	**36**	**(75)**
Equity securities	(86)	—	(86)	(194)	—	(194)	(279)	—	(279)
Mortgage loans	(1)	—	(1)	—	—	—	4	—	4
Limited partnership interests	(32)	—	(32)	(56)	—	(56)	(51)	—	(51)
Other	(5)	—	(5)	(9)	—	(9)	(15)	—	(15)
Other-than-temporary impairment losses	**$ (146)**	**$ (4)**	**$ (150)**	**$ (313)**	**$ 10**	**$ (303)**	**$ (452)**	**$ 36**	**$ (416)**

OTTI losses included in AOCI at the time of impairment for fixed income securities

($ in millions)	December 31, 2017	December 31, 2016
Municipal	$ (5)	$ (8)
Corporate	—	(7)
ABS	(15)	(21)
RMBS	(77)	(90)
CMBS	(4)	(7)
Total	**$ (101)**	**$ (133)**

The amounts exclude $208 million and $221 million as of December 31, 2017 and 2016, respectively, of net unrealized gains related to changes in valuation of the fixed income securities subsequent to the impairment measurement date.

Rollforward of the cumulative credit losses recognized in earnings for fixed income securities held

($ in millions)	As of December 31, 2017	2016	2015
Beginning balance	$ (318)	$ (392)	$ (380)
Additional credit loss for securities previously other-than-temporarily impaired	(18)	(21)	(30)
Additional credit loss for securities not previously other-than-temporarily impaired	(8)	(23)	(45)
Reduction in credit loss for securities disposed or collected	116	117	60
Change in credit loss due to accretion of increase in cash flows	2	1	3
Ending balance	**$ (226)**	**$ (318)**	**$ (392)**

The Company uses its best estimate of future cash flows expected to be collected from the fixed income security, discounted at the security's original or current effective rate, as appropriate, to calculate a recovery value and determine whether a credit loss exists. 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, including past events, current conditions, and reasonable and supportable assumptions and forecasts, are considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, foreign exchange rates, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, vintage, geographic concentration of underlying collateral, available reserves or escrows, current subordination levels, third party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of collateral for ultimate settlement. If the estimated recovery value is less than the amortized cost of the security, a credit loss exists and an other-than-temporary impairment for the difference between the estimated recovery value and amortized cost is recorded in earnings. 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.

Unrealized net capital gains and losses included in AOCI

($ in millions) December 31, 2017	Fair value	Gross unrealized Gains	Gross unrealized Losses	Unrealized net gains (losses)
Fixed income securities	$ 58,992	$ 1,750	$ (283)	$ 1,467
Equity securities [1]	6,621	1,172	(12)	1,160
Short-term investments	1,944	—	—	—
Derivative instruments [2]	2	2	(3)	(1)
EMA limited partnerships [3]				1
Unrealized net capital gains and losses, pre-tax				**2,627**
Amounts recognized for:				
Insurance reserves [4]				(315)
DAC and DSI [5]				(196)
Amounts recognized				**(511)**
Deferred income taxes [6]				(454)
Unrealized net capital gains and losses, after-tax				**$ 1,662**

(1) Beginning January 1, 2018, due to the adoption of the new accounting standard for the recognition and measurement of financial assets and liabilities, equity securities will be measured at fair value with changes in fair value recognized in net income. The existing unrealized net capital gains and losses, after-tax, will be reclassified to retained income through a cumulative effect adjustment. See Note 2 for additional details on the new accounting standard.

(2) Included in the fair value of derivative instruments is $2 million classified as liabilities.

(3) Unrealized net capital gains and losses for limited partnership interests represent the Company's share of EMA limited partnerships' other comprehensive income. Fair value and gross unrealized gains and losses are not applicable.

(4) The insurance reserves adjustment represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product portfolios were realized and reinvested at current lower interest rates, resulting in a premium deficiency. This adjustment primarily relates to structured settlement annuities with life contingencies (a type of immediate fixed annuities).

(5) The DAC and DSI adjustment balance represents the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized gains or losses in the respective product portfolios were realized.

(6) Unrealized net capital gains and losses were reduced by deferred income taxes at the newly enacted 21% U.S. corporate tax rate.

Unrealized net capital gains and losses included in AOCI

($ in millions) December 31, 2016	Fair value	Gross unrealized Gains	Gross unrealized Losses	Unrealized net gains (losses)
Fixed income securities	$ 57,839	$ 1,710	$ (447)	$ 1,263
Equity securities	5,666	594	(85)	509
Short-term investments	4,288	—	—	—
Derivative instruments [1]	5	5	(3)	2
EMA limited partnerships				(4)
Unrealized net capital gains and losses, pre-tax				**1,770**
Amounts recognized for:				
Insurance reserves				—
DAC and DSI				(146)
Amounts recognized				**(146)**
Deferred income taxes [2]				(571)
Unrealized net capital gains and losses, after-tax				**$ 1,053**

(1) Included in the fair value of derivative instruments is $5 million classified as assets.
(2) Unrealized net capital gains and losses were reduced by deferred income taxes at the 35% corporate tax rate.

Change in unrealized net capital gains and losses

($ in millions)	For the years ended December 31, 2017	2016	2015
Fixed income securities	$ 204	$ 516	$ (2,021)
Equity securities	651	233	(136)
Derivative instruments	(3)	(4)	8
EMA limited partnerships	5	—	1
Total	**857**	**745**	**(2,148)**
Amounts recognized for:			
Insurance reserves	(315)	—	28
DAC and DSI	(50)	(79)	112
Amounts recognized	**(365)**	**(79)**	**140**
Deferred income taxes	117	(233)	702
Increase (decrease) in unrealized net capital gains and losses, after-tax	**$ 609**	**$ 433**	**$ (1,306)**

Portfolio monitoring

The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

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, the security's decline in fair value is considered other than temporary and is 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 by discounting the best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compares this to the amortized cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors recognized in other comprehensive income.

For equity securities, the Company considers various factors, including whether it has the intent and ability to hold the equity security for a period of time sufficient to recover its cost basis. Where the Company lacks the intent and ability to hold to recovery, or believes the recovery period is extended, the equity security's decline in fair value is considered other than temporary and is recorded in earnings.

For fixed income and equity securities managed by third parties, either the Company has contractually retained its decision making authority as it pertains to selling securities that are in an unrealized loss position or it recognizes any unrealized loss at the end of the period through a charge to earnings.

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 (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment 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 other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of other-than-temporary impairment for these fixed income and equity 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 is other than temporary 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 length of time and extent to which the fair value has been less than amortized cost or cost.

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

($ in millions)	Less than 12 months			12 months or more			
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	Total unrealized losses
December 31, 2017							
Fixed income securities							
U.S. government and agencies	66	$ 2,829	$ (18)	18	$ 182	$ (2)	$ (20)
Municipal	1,756	3,143	(24)	165	349	(12)	(36)
Corporate	781	11,616	(102)	208	3,289	(102)	(204)
Foreign government	45	580	(10)	5	44	(1)	(11)
ABS	57	476	(3)	9	34	(4)	(7)
RMBS	118	35	(1)	181	50	(2)	(3)
CMBS	2	1	—	6	23	(2)	(2)
Redeemable preferred stock	1	—	—	—	—	—	—
Total fixed income securities	**2,826**	**18,680**	**(158)**	**592**	**3,971**	**(125)**	**(283)**
Equity securities	127	369	(12)	2	—	—	(12)
Total fixed income and equity securities	**2,953**	**$19,049**	**$ (170)**	**594**	**$ 3,971**	**$ (125)**	**$ (295)**
Investment grade fixed income securities	2,706	$17,668	$ (134)	535	$ 3,751	$ (98)	$ (232)
Below investment grade fixed income securities	120	1,012	(24)	57	220	(27)	(51)
Total fixed income securities	**2,826**	**$18,680**	**$ (158)**	**592**	**$ 3,971**	**$ (125)**	**$ (283)**
December 31, 2016							
Fixed income securities							
U.S. government and agencies	46	$ 943	$ (9)	—	$ —	$ —	$ (9)
Municipal	1,310	3,073	(76)	8	29	(11)	(87)
Corporate	862	13,343	(256)	83	678	(63)	(319)
Foreign government	41	225	(4)	—	—	—	(4)
ABS	31	222	(1)	14	109	(10)	(11)
RMBS	89	53	(1)	179	91	(7)	(8)
CMBS	15	59	(4)	4	15	(5)	(9)
Redeemable preferred stock	1	—	—	—	—	—	—
Total fixed income securities	**2,395**	**17,918**	**(351)**	**288**	**922**	**(96)**	**(447)**
Equity securities	195	654	(56)	46	165	(29)	(85)
Total fixed income and equity securities	**2,590**	**$18,572**	**$ (407)**	**334**	**$ 1,087**	**$ (125)**	**$ (532)**
Investment grade fixed income securities	2,202	$15,678	$ (293)	201	$ 493	$ (51)	$ (344)
Below investment grade fixed income securities	193	2,240	(58)	87	429	(45)	(103)
Total fixed income securities	**2,395**	**$17,918**	**$ (351)**	**288**	**$ 922**	**$ (96)**	**$ (447)**

As of December 31, 2017, $269 million of the $295 million unrealized losses are related to securities with an unrealized loss position less than 20% of amortized cost or cost, the degree of which suggests that these securities do not pose a high risk of being other-than-temporarily impaired. Of the $269 million, $219 million are related to unrealized losses on investment grade fixed income securities and $11 million are related to equity securities. Of the remaining $39 million, $22 million have been in an unrealized loss position for less than 12 months. Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third party rating. Unrealized losses on investment grade securities are principally related to an increase in market yields which may include increased risk-free interest rates and/or wider credit spreads since the time of initial purchase.

As of December 31, 2017, the remaining $26 million of unrealized losses are related to securities in unrealized loss positions greater than or equal to 20% of amortized cost or cost. Investment grade fixed income securities comprising $13 million of these unrealized losses were 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. Of the $26 million, $12 million are related to below investment grade fixed income securities and $1 million are related to equity securities. Of these amounts, $2 million are related to below investment grade fixed income securities that had been in an unrealized loss position greater than or equal to 20% of amortized cost for a period of twelve or more consecutive months as of December 31, 2017.

ABS, RMBS and CMBS 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. Unrealized losses on equity securities are primarily related to temporary equity market fluctuations of securities that are expected to recover.

As of December 31, 2017, 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. As of December 31, 2017, the Company had the intent and ability to hold equity securities with unrealized losses for a period of time sufficient for them to recover.

Limited partnerships

As of December 31, 2017 and 2016, the carrying value of equity method limited partnerships totaled \$5.41 billion and \$4.53 billion, respectively. Principal factors influencing carrying value appreciation or decline include operating performance, comparable public company earnings multiples, capitalization rates and the economic environment. The Company recognizes an impairment loss for equity method limited partnerships when evidence demonstrates that the loss is other than temporary. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.

As of December 31, 2017 and 2016, the carrying value for cost method limited partnerships was \$1.33 billion and \$1.28 billion, respectively. To determine if an other-than-temporary impairment has occurred, the Company evaluates whether an impairment indicator has occurred in the period that may have a significant adverse effect on the carrying value of the investment. Impairment indicators may include: significantly reduced valuations of the investments held by the limited partnerships; actual recent cash flows received being significantly less than expected cash flows; reduced valuations based on financing completed at a lower value; completed sale of a material underlying investment at a price significantly lower than expected; or any other adverse events since the last financial statements received that might affect the fair value of the investee's capital. Additionally, the Company's portfolio monitoring process includes a quarterly review of all cost method limited partnerships to identify instances where the net asset value is below established thresholds for certain periods of time, as well as investments that are performing below expectations, for further impairment consideration. If a cost method limited partnership is other-than-temporarily impaired, the carrying value is written down to fair value, generally estimated to be equivalent to the reported net asset value.

Mortgage loans

The Company's mortgage loans are commercial mortgage loans collateralized by a variety of commercial real estate property types located across the United States and totaled, net of valuation allowance, \$4.53 billion and \$4.49 billion as of December 31, 2017 and 2016, respectively. Substantially all of the commercial mortgage loans are non-recourse to the borrower.

Principal geographic distribution of commercial real estate exceeding 5% of the mortgage loans portfolio

	As of December 31,	
(% of mortgage loan portfolio carrying value)	**2017**	**2016**
California	19.9%	19.3%
Texas	13.0	10.5
New Jersey	7.6	8.2
Illinois	7.1	6.7
Florida	6.4	5.4

Types of properties collateralizing the mortgage loan portfolio

	As of December 31,	
(% of mortgage loan portfolio carrying value)	**2017**	**2016**
Apartment complex	30.9%	27.6%
Office buildings	23.8	23.9
Retail	18.0	20.4
Warehouse	15.7	17.0
Other	11.6	11.1
Total	**100.0%**	**100.0%**

Contractual maturities of the mortgage loan portfolio

	As of December 31, 2017		
($ in millions)	Number of loans	Carrying value	Percent
2018	17	$ 169	3.7%
2019	10	268	5.9
2020	14	192	4.2
2021	43	625	13.8
Thereafter	201	3,280	72.4
Total	**285**	**$ 4,534**	**100.0%**

Mortgage loans are evaluated for impairment on a specific loan basis through a quarterly credit monitoring process and review of key credit quality indicators. Mortgage loans are considered impaired when it is probable that the Company will not collect the contractual principal and interest. Valuation allowances are established for impaired loans to reduce the carrying value to the fair value of the collateral less costs to sell or the present value of the loan's expected future repayment cash flows discounted at the loan's original effective interest rate. Impaired mortgage loans may not have a valuation allowance when the fair value of the collateral less costs to sell is higher than the carrying value. Valuation allowances are adjusted for subsequent changes in the fair value of the collateral less costs to sell or present value of the loan's expected future repayment cash flows. Mortgage loans are charged off against their corresponding valuation allowances when there is no reasonable expectation of recovery. The impairment evaluation is non-statistical in respect to the aggregate portfolio but considers facts and circumstances attributable to each loan. It is not considered probable that additional impairment losses, beyond those identified on a specific loan basis, have been incurred as of December 31, 2017.

Accrual of income is suspended for mortgage loans that are in default or when full and timely collection of principal and interest payments is not probable. Cash receipts on mortgage loans on nonaccrual status are generally recorded as a reduction of carrying value.

Debt service coverage ratio is considered a key credit quality indicator when mortgage loans are evaluated for impairment. Debt service coverage ratio represents the amount of estimated cash flows 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.

Carrying value of non-impaired mortgage loans summarized by debt service coverage ratio distribution

	As of December 31,					
($ in millions)	2017			2016		
Debt Service Coverage Ratio Distribution	Fixed rate mortgage loans	Variable rate mortgage loans	Total	Fixed rate mortgage loans	Variable rate mortgage loans	Total
Below 1.0	$ 3	$ —	$ 3	$ 60	$ —	$ 60
1.0 - 1.25	345	—	345	324	—	324
1.26 - 1.50	1,141	30	1,171	1,293	—	1,293
Above 1.50	2,949	62	3,011	2,765	39	2,804
Total non-impaired mortgage loans	**$ 4,438**	**$ 92**	**$ 4,530**	**$ 4,442**	**$ 39**	**$ 4,481**

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to instances 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 circumstances such as additional collateral, escrow balances or borrower guarantees.

Net carrying value of impaired mortgage loans

	As of December 31,	
($ in millions)	2017	2016
Impaired mortgage loans with a valuation allowance	$ 4	$ 5
Impaired mortgage loans without a valuation allowance	—	—
Total impaired mortgage loans	**$ 4**	**$ 5**
Valuation allowance on impaired mortgage loans	$ 3	$ 3

The average balance of impaired loans was $7 million, $6 million and $11 million during 2017, 2016 and 2015, respectively.

Rollforward of the valuation allowance on impaired mortgage loans

($ in millions)	For the years ended December 31, 2017	2016	2015
Beginning balance	$ 3	$ 3	$ 8
Net increase (decrease) in valuation allowance	1	—	(4)
Charge offs	(1)	—	(1)
Ending balance	**$ 3**	**$ 3**	**$ 3**

Payments on all mortgage loans were current as of December 31, 2017, 2016 and 2015.

Municipal bonds

The Company maintains a diversified portfolio of municipal bonds.

Principal geographic distribution of municipal bond issuers exceeding 5% of the portfolio

(% of municipal bond portfolio carrying value)	As of December 31, 2017	2016
Texas	9.6%	10.0%
California	7.0	7.2
New York	6.9	6.8
Florida	6.5	5.7
Washington	5.4	5.6
Michigan	4.2	5.4

Concentration of credit risk

As of December 31, 2017, the Company is not exposed to any credit concentration risk of a single issuer and its affiliates greater than 10% of the Company's shareholders' equity, other than the U.S. government and its agencies.

Securities loaned

The Company's business activities include securities lending programs with third parties, mostly large banks. As of December 31, 2017 and 2016, fixed income and equity securities with a carrying value of $1.09 billion and $1.08 billion, respectively, were on loan under these agreements. Interest income on collateral, net of fees, was $7 million, $6 million and $2 million in 2017, 2016 and 2015, respectively.

Other investment information

Included in fixed income securities are below investment grade assets totaling $7.57 billion and $8.62 billion as of December 31, 2017 and 2016, respectively.

As of December 31, 2017, fixed income securities and short-term investments with a carrying value of $154 million were on deposit with regulatory authorities as required by law.

As of December 31, 2017, the carrying value of fixed income securities and other investments that were non-income producing was $51 million.

Note 6 Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Consolidated Statements of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets;

(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or

(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance that assets and liabilities are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, the Company's processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities. The Company performs ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy. The first is where 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. The second situation where the Company classifies securities in Level 3 is where 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 investments such as mortgage loans, cost method limited partnership interests, bank loans, agent loans and policy loans. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to remeasurement at fair value after initial recognition and the resulting remeasurement is reflected in the consolidated financial statements.

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 valuation techniques for assets and liabilities measured at fair value on a recurring basis

Level 1 measurements

- *Fixed income securities:* Comprise certain U.S. Treasury fixed income securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- *Equity securities:* Comprise actively traded, exchange-listed equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- *Short-term:* Comprise U.S. Treasury bills valued based on unadjusted quoted prices for identical assets in active markets that the Company can access and actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access.
- *Separate account assets:* Comprise actively traded mutual funds that have daily quoted net asset values for identical assets that the Company can access. Net asset values for the actively traded mutual funds in which the separate account assets are invested are obtained daily from the fund managers.

Level 2 measurements

- *Fixed income securities:*

  U.S. government and agencies: 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.

  Municipal: 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 - public: 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: 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.

  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.

  ABS - collateralized debt obligations ("CDO") and ABS - consumer and other: 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, prepayment speeds, collateral performance and credit spreads. Certain ABS - CDO and ABS - consumer and other are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable.

  RMBS: 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, prepayment speeds, collateral performance and credit spreads.

  CMBS: 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.

  Redeemable preferred stock: 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, underlying stock prices and credit spreads.

- *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. For certain short-term investments, amortized cost is used as the best estimate of fair value.

- *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, 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, 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 in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads. Also included are municipal bonds valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and municipal bonds in default valued based on the present value of expected cash flows.

  Corporate - public and Corporate - privately placed: Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Other inputs 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.

  ABS - CDO, ABS - consumer and other, RMBS and CMBS: Valued based on non-binding broker quotes received from brokers who are familiar with the investments and where the inputs have not been corroborated to be market observable.

- *Equity securities:* The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.

- *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.

- *Contractholder funds:* Derivatives embedded in certain life and annuity contracts are valued internally using models widely accepted in the financial services industry that determine a single best estimate of fair value for the embedded derivatives within a block of contractholder liabilities. The models primarily use stochastically determined cash flows based on the contractual elements of embedded derivatives, projected option cost and applicable market data, such as interest rate yield curves and equity index volatility assumptions. These are categorized as Level 3 as a result of the significance of non-market observable inputs.

Assets and liabilities measured at fair value on a non-recurring basis

Mortgage loans written-down to fair value in connection with recognizing impairments are valued based on the fair value of the underlying collateral less costs to sell. Limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments are generally valued using net asset values.

Assets and liabilities measured at fair value on a recurring and non-recurring basis

	As of December 31, 2017				
($ 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	Balance as of December 31, 2017
Assets					
Fixed income securities:					
U.S. government and agencies	$ 3,079	$ 537	$ —		$ 3,616
Municipal	—	8,227	101		8,328
Corporate - public	—	31,963	108		32,071
Corporate - privately placed	—	11,731	224		11,955
Foreign government	—	1,021	—		1,021
ABS - CDO	—	480	99		579
ABS - consumer and other	—	645	48		693
RMBS	—	578	—		578
CMBS	—	102	26		128
Redeemable preferred stock	—	23	—		23
Total fixed income securities	**3,079**	**55,307**	**606**		**58,992**
Equity securities	6,032	379	210		6,621
Short-term investments	264	1,660	20		1,944
Other investments: Free-standing derivatives	—	132	1	(6)	127
Separate account assets	3,444	—	—		3,444
Other assets	—	—	—		—
Total recurring basis assets	**12,819**	**57,478**	**837**	**(6)**	**71,128**
Non-recurring basis [1]	—	—	3		3
Total assets at fair value	**$ 12,819**	**$ 57,478**	**$ 840**	**$ (6)**	**$ 71,131**
% of total assets at fair value	18.0%	80.8%	1.2%	— %	100.0%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (286)		$ (286)
Other liabilities: Free-standing derivatives	(1)	(83)	—	$ 14	(70)
Total liabilities at fair value	**$ (1)**	**$ (83)**	**$ (286)**	**$ 14**	**$ (356)**
% of total liabilities at fair value	0.3%	23.3%	80.3%	(3.9)%	100.0%

[1] Includes $3 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

Assets and liabilities measured at fair value on a recurring and non-recurring basis

($ 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	Balance as of December 31, 2016
	As of December 31, 2016				
Assets					
Fixed income securities:					
U.S. government and agencies	$ 2,918	$ 719	$ —		$ 3,637
Municipal	—	7,208	125		7,333
Corporate - public	—	31,414	78		31,492
Corporate - privately placed	—	11,846	263		12,109
Foreign government	—	1,075	—		1,075
ABS - CDO	—	650	27		677
ABS - consumer and other	—	452	42		494
RMBS	—	727	1		728
CMBS	—	248	22		270
Redeemable preferred stock	—	24	—		24
Total fixed income securities	**2,918**	**54,363**	**558**		**57,839**
Equity securities	5,247	256	163		5,666
Short-term investments	850	3,423	15		4,288
Other investments: Free-standing derivatives	—	119	1	(9)	111
Separate account assets	3,393	—	—		3,393
Other assets	—	—	1		1
Total recurring basis assets	**12,408**	**58,161**	**738**	**(9)**	**71,298**
Non-recurring basis [1]	—	—	24		24
Total assets at fair value	**$ 12,408**	**$ 58,161**	**$ 762**	**$ (9)**	**$ 71,322**
% of total assets at fair value	17.4%	81.5%	1.1%	— %	100.0%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (290)		$ (290)
Other liabilities: Free-standing derivatives	(1)	(68)	(3)	$ 28	(44)
Total liabilities at fair value	**$ (1)**	**$ (68)**	**$ (293)**	**$ 28**	**$ (334)**
% of total liabilities at fair value	0.3%	20.4%	87.7%	(8.4)%	100.0%

[1] Includes $24 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

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

($ in millions)	Fair value	Valuation technique	Unobservable input	Range	Weighted average
December 31, 2017					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (252)	Stochastic cash flow model	Projected option cost	1.0 - 2.2%	1.74%
December 31, 2016					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (247)	Stochastic cash flow model	Projected option cost	1.0 - 2.2%	1.75%

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

As of December 31, 2017 and 2016, Level 3 fair value measurements of fixed income securities total $606 million and $558 million, respectively, and include $271 million and $307 million, respectively, of securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and $58 million and $80 million, respectively, of municipal fixed income securities that are not rated by third party credit rating agencies. The Company does not develop the unobservable inputs used in measuring fair value; therefore, these 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 on a recurring basis during the period

($ in millions)	December 31, 2017				
	Balance as of December 31, 2016	Total gains (losses) included in: Net income [1]	Total gains (losses) included in: OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 125	$ (1)	$ 7	$ —	$ (6)
Corporate - public	78	—	—	4	(30)
Corporate - privately placed	263	8	(2)	30	(49)
ABS - CDO	27	—	6	60	(190)
ABS - consumer and other	42	—	—	—	(90)
RMBS	1	—	—	—	—
CMBS	22	—	—	—	—
Total fixed income	**558**	**7**	**11**	**94**	**(365)**
Equity securities	163	13	4	—	(4)
Short-term investments	15	—	—	—	—
Free-standing derivatives, net	(2)	3	—	—	—
Other assets	1	(1)	—	—	—
Total recurring Level 3 assets	**$ 735**	**$ 22**	**$ 15**	**$ 94**	**$ (369)**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (290)	$ —	$ —	$ —	$ —
Total recurring Level 3 liabilities	**$ (290)**	**$ —**	**$ —**	**$ —**	**$ —**

	Purchases	Sales	Issues	Settlements	Balance as of December 31, 2017
Assets					
Fixed income securities:					
Municipal	$ 8	$ (29)	$ —	$ (3)	$ 101
Corporate - public	60	—	—	(4)	108
Corporate - privately placed	44	(30)	—	(40)	224
ABS - CDO	219	—	—	(23)	99
ABS - consumer and other	103	—	—	(7)	48
RMBS	—	—	—	(1)	—
CMBS	6	—	—	(2)	26
Total fixed income	**440**	**(59)**	**—**	**(80)**	**606**
Equity securities	48	(14)	—	—	210
Short-term investments	45	(40)	—	—	20
Free-standing derivatives, net	—	—	—	—	1 [2]
Other assets	—	—	—	—	—
Total recurring Level 3 assets	**$ 533**	**$ (113)**	**$ —**	**$ (80)**	**$ 837**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (2)	$ 6	$ (286)
Total recurring Level 3 liabilities	**$ —**	**$ —**	**$ (2)**	**$ 6**	**$ (286)**

[1] The effect to net income totals $22 million and is reported in the Consolidated Statements of Operations as follows: $4 million in realized capital gains and losses, $19 million in net investment income, $(10) million in interest credited to contractholder funds and $9 million in life contract benefits.

[2] Comprises $1 million of assets.

Rollforward of level 3 assets and liabilities held at fair value on a recurring basis during the period

($ in millions)	December 31, 2016				
	Balance as of December 31, 2015	Total gains (losses) included in: Net income [1]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
U.S. government and agencies	$ 5	$ —	$ —	$ —	$ (4)
Municipal	161	12	(10)	6	(23)
Corporate - public	46	—	—	41	(43)
Corporate - privately placed	502	15	18	16	(398)
ABS - CDO	61	1	6	10	(43)
ABS - consumer and other	50	—	(3)	3	(35)
RMBS	1	1	—	—	—
CMBS	20	—	—	—	(1)
Total fixed income	**846**	**29**	**11**	**76**	**(547)**
Equity securities	133	(32)	12	—	(12)
Short-term investments	—	—	—	—	—
Free-standing derivatives, net	(7)	6	—	—	—
Other assets	1	—	—	—	—
Total recurring Level 3 assets	**$ 973**	**$ 3**	**$ 23**	**$ 76**	**$ (559)**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (299)	$ 5	$ —	$ —	$ —
Total recurring Level 3 liabilities	**$ (299)**	**$ 5**	**$ —**	**$ —**	**$ —**

	Purchases	Sales	Issues	Settlements	Balance as of December 31, 2016
Assets					
Fixed income securities:					
U.S. government and agencies	$ —	$ —	$ —	$ (1)	$ —
Municipal	22	(40)	—	(3)	125
Corporate - public	47	(11)	—	(2)	78
Corporate - privately placed	181	(15)	—	(56)	263
ABS - CDO	40	(3)	—	(45)	27
ABS - consumer and other	35	(5)	—	(3)	42
RMBS	—	(1)	—	—	1
CMBS	5	—	—	(2)	22
Total fixed income	**330**	**(75)**	**—**	**(112)**	**558**
Equity securities	65	(4)	—	1	163
Short-term investments	15	—	—	—	15
Free-standing derivatives, net	—	—	—	(1)	(2) [2]
Other assets	—	—	—	—	1
Total recurring Level 3 assets	**$ 410**	**$ (79)**	**$ —**	**$ (112)**	**$ 735**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (3)	$ 7	$ (290)
Total recurring Level 3 liabilities	**$ —**	**$ —**	**$ (3)**	**$ 7**	**$ (290)**

[1] The effect to net income totals $8 million and is reported in the Consolidated Statements of Operations as follows: $(9) million in realized capital gains and losses, $12 million in net investment income, $(4) million in interest credited to contractholder funds and $9 million in life contract benefits.

[2] Comprises $1 million of assets and $3 million of liabilities.

Rollforward of level 3 assets and liabilities held at fair value on a recurring basis during the period

($ in millions)	December 31, 2015				
		Total gains (losses) included in:			
	Balance as of December 31, 2014	Net income [1]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
U.S. government and agencies	$ 6	$ —	$ —	$ —	$ —
Municipal	270	(4)	(7)	3	(2)
Corporate - public	214	—	—	—	(175)
Corporate - privately placed	677	13	(20)	13	(106)
ABS - CDO	104	(1)	4	43	(52)
ABS - consumer and other	92	(1)	—	—	(98)
RMBS	1	—	—	—	—
CMBS	23	—	—	—	—
Total fixed income securities	**1,387**	**7**	**(23)**	**59**	**(433)**
Equity securities	83	(3)	(5)	—	—
Short-term investments	5	—	—	—	—
Free-standing derivatives, net	(7)	1	—	—	—
Other assets	1	—	—	—	—
Total recurring Level 3 assets	**$ 1,469**	**$ 5**	**$ (28)**	**$ 59**	**$ (433)**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (323)	$ 19	$ —	$ —	$ —
Total recurring Level 3 liabilities	**$ (323)**	**$ 19**	**$ —**	**$ —**	**$ —**

	Purchases	Sales	Issues	Settlements	Balance as of December 31, 2015
Assets					
Fixed income securities:					
U.S. government and agencies	$ —	$ —	$ —	$ (1)	$ 5
Municipal	—	(91)	—	(8)	161
Corporate - public	11	—	—	(4)	46
Corporate - privately placed	79	(74)	—	(80)	502
ABS - CDO	—	(2)	—	(35)	61
ABS - consumer and other	70	(5)	—	(8)	50
RMBS	—	—	—	—	1
CMBS	12	—	—	(15)	20
Total fixed income securities	**172**	**(172)**	**—**	**(151)**	**846**
Equity securities	69	(11)	—	—	133
Short-term investments	35	(40)	—	—	—
Free-standing derivatives, net	—	—	—	(1)	(7) [2]
Other assets	—	—	—	—	1
Total recurring Level 3 assets	**$ 276**	**$ (223)**	**$ —**	**$ (152)**	**$ 973**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (2)	$ 7	$ (299)
Total recurring Level 3 liabilities	**$ —**	**$ —**	**$ (2)**	**$ 7**	**$ (299)**

[1] The effect to net income totals $24 million and is reported in the Consolidated Statements of Operations as follows: $(8) million in realized capital gains and losses, $13 million in net investment income, $26 million in interest credited to contractholder funds and $(7) million in life contract benefits.

[2] Comprises $1 million of assets and $8 million of liabilities.

Transfers between level categorizations may occur due to changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads. Transfers between level categorizations may also occur due to changes in the valuation source. For example, in situations where a fair value quote is not provided by the Company's independent third-party valuation service provider and as a result the price is stale or has been replaced with a broker quote whose inputs have not been corroborated to be market observable, the security is transferred into Level 3. Transfers in and out of level categorizations are reported as having occurred at the beginning of the quarter in which the transfer occurred. Therefore, for all transfers into Level 3, all realized and changes in unrealized gains and losses in the quarter of transfer are reflected in the Level 3 rollforward table.

There were no transfers between Level 1 and Level 2 during 2017, 2016 or 2015.

Transfers into Level 3 during 2017, 2016 and 2015 included situations where a fair value quote was not provided by the Company's independent third-party valuation service provider and as a result the price was stale or had been replaced with a broker quote where the inputs had not been corroborated to be market observable resulting in the security being classified as Level 3. Transfers out of Level 3 during 2017, 2016 and 2015 included situations where a broker quote was used in the prior period and a fair value 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.

Change in unrealized gains and losses included in net income for level 3 assets and liabilities held as of December 31,

($ in millions)	2017	2016	2015
Assets			
Fixed income securities:			
Municipal	$ (3)	$ 2	$ (12)
Corporate	1	2	11
ABS	—	—	2
Total fixed income securities	**(2)**	**4**	**1**
Equity securities	13	(32)	(4)
Free-standing derivatives, net	—	5	1
Other assets	(1)	—	—
Total recurring Level 3 assets	**$ 10**	**$ (23)**	**$ (2)**
Liabilities			
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ 5	$ 19
Total recurring Level 3 liabilities	**$ —**	**$ 5**	**$ 19**

The amounts in the table above represent the change in unrealized gains and losses included in net income for the period of time that the asset or liability was held and determined to be in Level 3. These gains and losses total $10 million in 2017 and are reported as follows: $(8) million in realized capital gains and losses, $19 million in net investment income, $(10) million in interest credited to contractholder funds and $9 million in life contract benefits. These gains and losses total $(18) million in 2016 and are reported as follows: $(36) million in realized capital gains and losses, $13 million in net investment income, $(4) million in interest credited to contractholder funds and $9 million in life contract benefits. These gains and losses total $17 million in 2015 and are reported as follows: $(20) million in realized capital gains and losses, $18 million in net investment income, $26 million in interest credited to contractholder funds and $(7) million in life contract benefits.

Financial assets

Carrying values and fair value estimates of financial instruments not carried at fair value

($ in millions)	As of December 31, 2017 Carrying value	As of December 31, 2017 Fair value	As of December 31, 2016 Carrying value	As of December 31, 2016 Fair value
Mortgage loans	$ 4,534	$ 4,732	$ 4,486	$ 4,514
Cost method limited partnerships [1]	1,327	1,569	1,282	1,493
Bank loans	1,702	1,704	1,669	1,677
Agent loans	538	536	467	467

[1] Beginning January 1, 2018, due to the adoption of the new accounting standard for the recognition and measurement of financial assets and liabilities, cost method limited partnerships (excluding limited partnership interests accounted for on a cost recovery basis) will be measured at fair value with changes in fair value recognized in net income. The existing carrying value of these investments will increase to fair value with the offsetting adjustment recognized in retained income through a cumulative effect adjustment. See Note 2 for additional details on the new accounting standard.

The fair value of mortgage loans is based on discounted contractual cash flows or, if the loans are impaired due to credit reasons, the fair value of collateral less costs to sell. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics, using similar types of properties as collateral. The fair value of cost method limited partnerships is determined using reported net asset values. The fair value of bank loans, which are reported in other investments, is based on broker quotes from brokers familiar with the loans and current market conditions. The fair value of agent loans, which are reported in other investments, is based on discounted cash flow calculations. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics. The fair value measurements for mortgage loans, cost method limited partnerships, bank loans and agent loans are categorized as Level 3.

Financial liabilities

Carrying values and fair value estimates of financial instruments not carried at fair value

	As of December 31, 2017		As of December 31, 2016	
($ in millions)	Carrying value	Fair value	Carrying value	Fair value
Contractholder funds on investment contracts	$ 10,367	$ 11,071	$ 11,313	$ 12,009
Long-term debt	6,350	7,199	6,347	6,920
Liability for collateral	1,124	1,124	1,129	1,129

The fair value of contractholder funds on investment contracts is based on the terms of the underlying contracts incorporating current market-based crediting rates for similar contracts that reflect the Company's own credit risk. Deferred annuities classified in contractholder funds are valued based on discounted cash flow models that incorporate current market-based margins and reflect the Company's own credit risk. Immediate annuities without life contingencies are valued based on discounted cash flow models that incorporate current market-based implied interest rates and reflect the Company's own credit risk. The fair value measurement for contractholder funds on investment contracts is categorized as Level 3.

The fair value of long-term debt is based on market observable data (such as the fair value of the debt when traded as an asset) or is determined using discounted cash flow calculations based on current interest rates for instruments with comparable terms and considers the Company's own credit risk. The liability for collateral is valued at carrying value due to its short-term nature. The fair value measurements for long-term debt and liability for collateral are categorized as Level 2.

Note 7 Derivative Financial Instruments and Off-balance sheet Financial Instruments

The Company uses derivatives for risk reduction and to increase investment portfolio returns through asset replication. Risk reduction activity is focused on managing the risks with certain assets and liabilities arising from the potential adverse impacts from changes in risk-free interest rates, changes in equity market valuations, increases in credit spreads and foreign currency fluctuations.

Asset replication refers to the "synthetic" creation of assets through the use of derivatives. The Company replicates fixed income securities using a combination of a credit default swap 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 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. Credit default swaps are typically used to mitigate the credit risk within the Property-Liability fixed income portfolio. Equity index futures and options are used by Property-Liability to offset valuation losses in the equity portfolio during periods of declining equity market values. In addition, equity futures are used to hedge the market risk related to deferred compensation liability contracts. Forward contracts are primarily used by Property-Liability to hedge foreign currency risk associated with holding foreign currency denominated investments and foreign operations.

The Company utilizes several derivative strategies to manage risk in Allstate Life and Allstate Annuities. Asset-liability management is a risk management strategy that is principally employed by Allstate Life and Allstate Annuities to balance the respective interest-rate sensitivities of its assets and liabilities. Depending upon the attributes of the assets acquired and liabilities issued, derivative instruments such as interest rate swaps, caps, swaptions and futures are utilized to change the interest rate characteristics of existing assets and liabilities to ensure the relationship is maintained within specified ranges and to reduce exposure to rising or falling interest rates. Credit default swaps are typically used to mitigate the credit risk within the Allstate Life and Allstate Annuities fixed income portfolios. Futures and options are used for hedging the equity exposure contained in equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, the Company uses equity index futures to offset valuation losses in the equity portfolio during periods of declining equity market values. Foreign currency swaps and forwards are primarily used to reduce the foreign currency risk associated with holding foreign currency denominated investments.

The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of embedded derivatives reported in net income. The Company's primary embedded derivatives are equity options in life and annuity product contracts, which provide equity returns to contractholders.

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 Company designates certain investment risk transfer reinsurance agreements as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of the hedged item. The Company designates certain of its foreign currency swap contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of variations in cash flows for the hedged risk that could affect net income. Amounts are reclassified to net investment income or realized capital gains and losses as the hedged item affects net income.

The notional amounts specified in the contracts are used to calculate the exchange of contractual payments under the agreements and are generally not representative of the potential for gain or loss on these agreements. However, the notional amounts specified in credit default swaps where the Company has sold credit protection represent the maximum amount of potential loss, assuming no recoveries.

Fair value, which is equal to the carrying value, is the estimated amount that the Company would receive or pay to terminate the derivative contracts at the reporting date. The carrying value amounts for OTC derivatives are further adjusted for the effects, if any, of enforceable master netting agreements and are presented on a net basis, by counterparty agreement, in the Consolidated Statements of Financial Position. For certain exchange traded and cleared derivatives, margin deposits are required as well as daily cash settlements of margin accounts. As of December 31, 2017, the Company pledged $10 million in the form of margin deposits.

For those derivatives which qualify for fair value hedge accounting, net income includes the changes in the fair value of both the derivative instrument and the hedged risk, and therefore reflects any hedging ineffectiveness. 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.

Summary of the volume and fair value positions of derivative instruments as of December 31, 2017

($ 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						
Interest rate cap agreements	Other investments	$ 15	n/a	$ —	$ —	$ —
Equity and index contracts						
Options	Other investments	—	6,316	125	125	—
Financial futures contracts	Other assets	—	289	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other investments	52	n/a	1	1	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	105	n/a	(1)	—	(1)
Credit default swaps – selling protection	Other investments	80	n/a	1	1	—
Other contracts						
Other contracts	Other assets	3	n/a	—	—	—
Total asset derivatives		**$ 255**	**6,605**	**$ 126**	**$ 127**	**$ (1)**
Liability derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other liabilities & accrued expenses	$ 19	n/a	$ 2	$ 2	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other liabilities & accrued expenses	30	n/a	1	1	—
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	—	7,128	(58)	—	(58)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	650	n/a	(17)	3	(20)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	225	n/a	(22)	—	(22)
Guaranteed withdrawal benefits	Contractholder funds	274	n/a	(12)	—	(12)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,774	n/a	(252)	—	(252)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	136	n/a	(5)	—	(5)
Credit default swaps – selling protection	Other liabilities & accrued expenses	25	n/a	—	—	—
Subtotal		**3,114**	**7,128**	**(365)**	**4**	**(369)**
Total liability derivatives		**3,133**	**7,128**	**(363)**	**$ 6**	**$ (369)**
Total derivatives		**$ 3,388**	**13,733**	**$ (237)**		

[(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, 2016

($ 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 designated as accounting hedging instruments						
Foreign currency swap agreements	Other investments	$ 49	n/a	$ 5	$ 5	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	65	n/a	1	1	—
Equity and index contracts						
Options	Other investments	—	3,972	88	88	—
Financial futures contracts	Other assets	—	261	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other investments	759	n/a	—	24	(24)
Credit default contracts						
Credit default swaps – buying protection	Other investments	87	n/a	(4)	—	(4)
Credit default swaps – selling protection	Other investments	140	n/a	2	2	—
Other contracts						
Other contracts	Other assets	3	n/a	1	1	—
Subtotal		**1,054**	**4,233**	**88**	**116**	**(28)**
Total asset derivatives		**$ 1,103**	**4,233**	**$ 93**	**$ 121**	**$ (28)**
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	$ —	4,848	$ (39)	$ —	$ (39)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	391	n/a	(34)	—	(34)
Guaranteed withdrawal benefits	Contractholder funds	290	n/a	(9)	—	(9)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,751	n/a	(247)	—	(247)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	136	n/a	(2)	—	(2)
Credit default swaps – selling protection	Other liabilities & accrued expenses	105	n/a	(3)	—	(3)
Total liability derivatives		**2,673**	**4,848**	**(334)**	**$ —**	**$ (334)**
Total derivatives		**$ 3,776**	**9,081**	**$ (241)**		

[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
December 31, 2017						
Asset derivatives	$ 8	$ (7)	$ 1	$ 2	$ —	$ 2
Liability derivatives	(26)	7	7	(12)	3	(9)
December 31, 2016						
Asset derivatives	$ 31	$ (28)	$ 19	$ 22	$ (9)	$ 13
Liability derivatives	(33)	28	—	(5)	4	(1)

[1] All OTC derivatives are subject to enforceable master netting agreements.

Summary of the impacts of the foreign currency contracts in cash flow hedging relationships

($ in millions)	For the years ended December 31, 2017	2016	2015
(Loss) gain recognized in OCI on derivatives during the period	$ (2)	$ —	$ 10
(Loss) gain recognized in OCI on derivatives during the term of the hedging relationship	(1)	2	6
Gain (loss) reclassified from AOCI into income (net investment income)	1	1	(1)
Gain reclassified from AOCI into income (realized capital gains and losses)	—	3	3

Amortization of net gains from AOCI related to cash flow hedges is expected to be a gain of $2 million during the next twelve months. There was no hedge ineffectiveness reported in realized gains and losses in 2017, 2016 or 2015.

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

($ in millions)	Realized capital gains and losses	Life contract benefits	Interest credited to contractholder funds	Operating costs and expenses	Total gain (loss) recognized in net income on derivatives
2017					
Equity and index contracts	$ (15)	$ —	$ 47	$ 28	$ 60
Embedded derivative financial instruments	—	9	(6)	—	3
Foreign currency contracts	(27)	—	—	6	(21)
Credit default contracts	(4)	—	—	—	(4)
Total	**$ (46)**	**$ 9**	**$ 41**	**$ 34**	**$ 38**
2016					
Equity and index contracts	$ (12)	$ —	$ 18	$ 19	$ 25
Embedded derivative financial instruments	—	9	—	—	9
Foreign currency contracts	17	—	—	(35)	(18)
Credit default contracts	(5)	—	—	—	(5)
Total	**$ —**	**$ 9**	**$ 18**	**$ (16)**	**$ 11**
2015					
Interest rate contracts	$ 1	$ —	$ —	$ —	$ 1
Equity and index contracts	1	—	(9)	(1)	(9)
Embedded derivative financial instruments	—	(7)	31	—	24
Foreign currency contracts	(24)	—	—	(8)	(32)
Credit default contracts	(2)	—	—	—	(2)
Total	**$ (24)**	**$ (7)**	**$ 22**	**$ (9)**	**$ (18)**

In 2017, 2016 and 2015, the Company had no derivatives used in fair value hedging relationships.

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements ("MNAs") and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions that permit either party to net payments due for transactions and collateral is either pledged or obtained when certain predetermined exposure limits are exceeded. As of December 31, 2017, counterparties pledged $3 million in cash to the Company, and the Company pledged $14 million in cash and securities to counterparties which includes $6 million of collateral posted under MNAs for contracts containing credit-risk contingent provisions that are in a liability position and $8 million of collateral posted under MNAs for contracts without credit-risk-contingent features. 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)	2017				2016			
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]
AA–	1	$ 18	$ 1	$ —	2	$ 80	$ 2	$ 2
A+	3	90	3	1	5	698	20	9
A–	—	—	—	—	1	110	1	1
Total	**4**	**$ 108**	**$ 4**	**$ 1**	**8**	**$ 888**	**$ 23**	**$ 12**

[1] Rating is the lower of S&P or Moody's ratings.

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

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 instruments contain credit-risk-contingent termination events, cross-default provisions and credit support annex agreements. Credit-risk-contingent termination events allow the counterparties to terminate the derivative agreement or a specific trade on certain dates if AIC's, ALIC's or Allstate Life Insurance Company of New York's ("ALNY") 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. Credit-risk-contingent credit support annex agreements specify the amount of collateral the Company must post to counterparties based on AIC's, ALIC's or ALNY's financial strength credit ratings by Moody's or S&P, or in the event AIC, ALIC or ALNY are no longer rated by either Moody's or S&P.

The following summarizes the fair value of derivative instruments with termination, cross-default or collateral credit-risk-contingent features that are in a liability position as of December 31, 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)	2017	2016
Gross liability fair value of contracts containing credit-risk-contingent features	$ 28	$ 9
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(17)	(7)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(6)	—
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	**$ 5**	**$ 2**

Credit derivatives – selling protection

A credit default swap ("CDS") is a derivative instrument, representing an agreement between two parties to exchange the credit risk of a specified entity (or a group of entities), or an index based on the credit risk of a group of entities (all commonly referred to as the "reference entity" or a portfolio of "reference entities"), in return for a periodic premium. In selling protection, CDS's are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. CDS's typically have a five-year term.

CDS notional amounts by credit rating and fair value of protection sold

	Notional amount					
($ in millions)	AA	A	BBB	BB and lower	Total	Fair value
December 31, 2017						
Single name						
Corporate debt	$ —	$ 10	$ 10	$ 5	$ 25	$ —
Index						
Corporate debt	1	19	45	15	80	1
Total	**$ 1**	**$ 29**	**$ 55**	**$ 20**	**$ 105**	**$ 1**
December 31, 2016						
Single name						
Corporate debt	$ 20	$ 10	$ 35	$ —	$ 65	$ 1
First-to-default Basket						
Municipal	—	—	100	—	100	(3)
Index						
Corporate debt	1	19	50	10	80	1
Total	**$ 21**	**$ 29**	**$ 185**	**$ 10**	**$ 245**	**$ (1)**

In selling protection with CDS, the Company sells credit protection on an identified single name, a basket of names in a first-to-default ("FTD") structure or credit derivative index ("CDX") that is generally investment grade, and in return receives periodic premiums through expiration or termination of the agreement. With single name CDS, this premium or credit spread generally corresponds to the difference between the yield on the reference entity's public fixed maturity cash instruments and swap rates at the time the agreement is executed. With a FTD basket, because of the additional credit risk inherent in a basket of named reference entities, the premium generally corresponds to a high proportion of the sum of the credit spreads of the names in the basket and the correlation between the names. CDX is utilized to take a position on multiple (generally 125) reference entities. Credit events are typically defined as bankruptcy, failure to pay, or restructuring, depending on the nature of the reference entities. If a credit event occurs, the Company settles with the counterparty, either through physical settlement or cash settlement. In a physical settlement, a reference asset is delivered by the buyer of protection to the Company, in exchange for cash payment at par, whereas in a cash settlement, the Company pays the difference between par and the prescribed value of the reference asset. When a credit event occurs in a single name or FTD basket (for FTD, the first credit event occurring for any one name in the basket), the contract terminates at the time of settlement. For CDX, the reference entity's name incurring the credit event is removed from the index while the contract continues until expiration. The maximum payout on a CDS is the contract notional amount. A physical settlement may afford the Company with recovery rights as the new owner of the asset.

The Company monitors risk associated with credit derivatives through individual name credit limits at both a credit derivative and a combined cash instrument/credit derivative level. The ratings of individual names for which protection has been sold are also monitored.

Off-balance sheet financial instruments

Contractual amounts of off balance sheet financial instruments

	As of December 31,	
($ in millions)	2017	2016
Commitments to invest in limited partnership interests	$ 3,121	$ 2,979
Private placement commitments	96	69
Other loan commitments	97	83

In the preceding table, the contractual amounts represent the amount at risk if the contract is fully drawn upon, the counterparty defaults and the value of any underlying security becomes worthless. Unless noted otherwise, the Company does not require collateral or other security to support off-balance sheet financial instruments with credit risk.

Commitments to invest in limited partnership interests represent agreements to acquire new or additional participation in certain limited partnership investments. The Company enters into these agreements in the normal course of business. Because the investments in limited partnerships are not actively traded, it is not practical to estimate the fair value of these commitments.

Private placement commitments represent commitments to purchase private placement debt and private equity securities at a future date. The Company enters into these agreements in the normal course of business. The fair value of the debt commitments generally cannot be estimated on the date the commitment is made as the terms and conditions of the underlying private placement securities are not yet final. Because the private equity securities are not actively traded, it is not practical to estimate fair value of the commitments.

Other loan commitments are agreements to lend to a borrower provided there is no violation of any condition established in the contract. The Company enters into these agreements to commit to future loan fundings at predetermined interest rates. Commitments have either fixed or varying expiration dates or other termination clauses. The fair value of these commitments is insignificant.

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. In the normal course of business, 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 and reserves and reinsurance recoverables for Discontinued Lines and Coverages, 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 current reporting period as it contains the greatest proportion of losses that have not been reported or settled. The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in prior year reserve estimates, which may be material, are reported in property and casualty insurance claims and claims expense in the Consolidated Statements of Operations in the period such changes are determined.

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

($ in millions)	2017	2016	2015
Balance as of January 1	$ 25,250	$ 23,869	$ 22,923
Less reinsurance recoverables	6,184	5,892	5,694
Net balance as of January 1	**19,066**	**17,977**	**17,229**
SquareTrade acquisition as of January 3, 2017	17	—	—
Incurred claims and claims expense related to:			
Current year	22,432	22,238	20,953
Prior years	(503)	(17)	81
Total incurred	**21,929**	**22,221**	**21,034**
Claims and claims expense paid related to:			
Current year	14,194	14,222	13,660
Prior years	6,964	6,910	6,626
Total paid	**21,158**	**21,132**	**20,286**
Net balance as of December 31	19,854	19,066	17,977
Plus reinsurance recoverables	6,471	6,184	5,892
Balance as of December 31	**$ 26,325**	**$ 25,250**	**$ 23,869**

Incurred claims and claims expense represents the sum of paid losses and reserve changes in the calendar year. This expense includes losses from catastrophes of $3.23 billion, $2.57 billion and $1.72 billion in 2017, 2016 and 2015, respectively, net of reinsurance and other recoveries (see Note 10). Catastrophes are an inherent risk of the property and casualty insurance business that have contributed to, and will continue to contribute to, material year-to-year fluctuations in the Company's results of operations and financial position.

The Company calculates and records a single best reserve estimate for losses from catastrophes, in conformance with generally accepted actuarial standards. As a result, management believes that no other estimate is better than the recorded amount. Due to the uncertainties involved, including the factors described above, the ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates. Accordingly, management believes that it is not practical to develop a meaningful range for any such changes in losses incurred.

During 2017, incurred claims and claims expense related to prior years was primarily comprised of net decreases in auto and homeowners reserves of $490 million and $131 million, respectively, primarily related to a reduction in claim severity estimates for liability coverages, net increases in Discontinued Lines and Coverages of $96 million and net increases in other reserves of $22 million. Incurred claims and claims expense includes favorable catastrophe loss reestimates of $18 million, net of reinsurance and other recoveries.

During 2016, incurred claims and claims expense related to prior years was primarily composed of net decreases in auto reserves of $155 million primarily due to claim severity development for bodily injury coverage that was better than expected, net decreases in homeowners reserves of $24 million due to favorable non-catastrophe reserve reestimates, net increases in other reserves of $57 million primarily due to unfavorable commercial business non-catastrophe losses, and net increases in Discontinued Lines and Coverages reserves of $105 million. Incurred claims and claims expense includes unfavorable catastrophe loss reestimates of $6 million, net of reinsurance and other recoveries.

During 2015, incurred claims and claims expense related to prior years was primarily composed of net increases in auto reserves of $30 million primarily due to claim severity development for bodily injury coverage that was more than expected and litigation settlements, net decreases in homeowners reserves of $24 million due to favorable non-catastrophe reserve reestimates, net increases in other reserves of $22 million, and net increases in Discontinued Lines and Coverages reserves of $53 million. Incurred claims and claims expense includes favorable catastrophe loss reestimates of $15 million, net of reinsurance and other recoveries.

The following presents information about incurred and paid claims development as of December 31, 2017, net of reinsurance, as well as the cumulative number of reported claims and the total of IBNR reserves plus expected development on reported claims included in the net incurred claims amounts. See Note 2 for the accounting policy and methodology for determining reserves for claims and claims expense, including both reported and IBNR claims. The cumulative number of reported claims is identified by coverage and excludes reported claims for industry pools and facilities where information is not available. The information about incurred and paid claims development for the 2013 to 2017 years, and the average annual percentage payout of incurred claims by age as of December 31, 2017, is presented as required supplementary information.

Auto insurance – liability coverage

($ in millions, except number of reported claims)	Incurred claims and allocated claim adjustment expenses, net of reinsurance					IBNR reserves plus expected development on reported claims	Cumulative number of reported claims
	For the years ended December 31,						
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Accident year	**2013**	**2014**	**2015**	**2016**	**2017**	**As of December 31, 2017**	
2013	$ 7,461	$ 7,429	$ 7,446	$ 7,387	$ 7,317	$ 513	2,114,149
2014	—	7,889	7,955	7,882	7,785	951	2,194,476
2015	—	—	8,896	8,816	8,721	1,828	2,380,096
2016	—	—	—	9,169	8,926	3,149	2,387,023
2017	—	—	—	—	8,621	5,465	2,112,379
				Total	**$ 41,370**		

	Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance				
	For the years ended December 31,				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Accident year	**2013**	**2014**	**2015**	**2016**	**2017**
2013	$ 2,955	$ 4,993	$ 5,946	$ 6,493	$ 6,804
2014	—	3,177	5,322	6,265	6,834
2015	—	—	3,529	5,846	6,893
2016	—	—	—	3,491	5,777
2017	—	—	—	—	3,156
				Total	**$ 29,464**
All outstanding liabilities before 2013, net of reinsurance					1,275
Liabilities for claims and claim adjustment expenses, net of reinsurance					**$ 13,181**

Average annual percentage payout of incurred claims by age, net of reinsurance, as of December 31, 2017					
	1 year	**2 years**	**3 years**	**4 years**	**5 years**
Auto insurance – liability coverage	40.2%	27.4%	12.5%	8.0%	4.7%

Auto insurance – physical damage coverage

($ in millions, except number of reported claims)	Incurred claims and allocated claim adjustment expenses, net of reinsurance					IBNR reserves plus expected development on reported claims	Cumulative number of reported claims
	For the years ended December 31,						
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Accident year	2013	2014	2015	2016	2017	As of December 31, 2017	
2013	$ 3,894	$ 3,866	$ 3,854	$ 3,844	$ 3,842	$ 1	3,777,287
2014	—	4,308	4,296	4,270	4,273	3	4,144,310
2015	—	—	4,663	4,688	4,676	11	4,388,829
2016	—	—	—	5,136	5,058	19	4,426,714
2017	—	—	—	—	5,131	278	4,075,755
				Total	**$ 22,980**		

	Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance				
	For the years ended December 31,				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Accident year	2013	2014	2015	2016	2017
2013	$ 3,718	$ 3,848	$ 3,841	$ 3,841	$ 3,841
2014	—	4,148	4,281	4,273	4,270
2015	—	—	4,513	4,679	4,665
2016	—	—	—	4,895	5,039
2017	—	—	—	—	4,853
				Total	**$ 22,668**
All outstanding liabilities before 2013, net of reinsurance					9
Liabilities for claims and claim adjustment expenses, net of reinsurance					**$ 321**

Average annual percentage payout of incurred claims by age, net of reinsurance, as of December 31, 2017					
	1 year	2 years	3 years	4 years	5 years
Auto insurance – physical damage coverage	96.6%	3.2%	(0.2)%	—%	—%

Homeowners insurance

($ in millions, except number of reported claims)	Incurred claims and allocated claim adjustment expenses, net of reinsurance					IBNR reserves plus expected development on reported claims	Cumulative number of reported claims
	For the years ended December 31,						
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Accident year	2013	2014	2015	2016	2017	As of December 31, 2017	
2013	$ 3,098	$ 3,170	$ 3,163	$ 3,142	$ 3,121	$ 51	682,873
2014	—	3,608	3,651	3,653	3,621	88	765,001
2015	—	—	3,572	3,622	3,560	158	720,102
2016	—	—	—	3,972	4,001	319	809,045
2017	—	—	—	—	4,490	1,260	840,254
				Total	**$ 18,793**		

	Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance				
	For the years ended December 31,				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Accident year	2013	2014	2015	2016	2017
2013	$ 2,288	$ 2,885	$ 2,998	$ 3,045	$ 3,070
2014	—	2,736	3,365	3,481	3,533
2015	—	—	2,589	3,299	3,402
2016	—	—	—	2,950	3,682
2017	—	—	—	—	3,230
				Total	**$ 16,917**
All outstanding liabilities before 2013, net of reinsurance					173
Liabilities for claims and claim adjustment expenses, net of reinsurance					**$ 2,049**

Average annual percentage payout of incurred claims by age, net of reinsurance, as of December 31, 2017					
	1 year	2 years	3 years	4 years	5 years
Homeowners insurance	74.6%	18.6%	2.9%	1.3%	0.7%

Reconciliation of the net incurred and paid claims development tables above to the reserve for property and casualty insurance claims and claims expense

($ in millions)	As of December 31, 2017
Net outstanding liabilities:	
Allstate Protection	
Auto insurance - Liability coverage	$ 13,181
Auto insurance - Physical damage coverage	321
Homeowners insurance	2,049
Other personal lines	1,311
Commercial lines	593
Service Businesses	86
Discontinued Lines and Coverages [(1)]	1,335
Unallocated loss adjustment expenses	978
Net reserve for property and casualty insurance claims and claims expense	**19,854**
Reinsurance recoverable:	
Allstate Protection	
Auto insurance - Liability coverage	5,715
Auto insurance - Physical damage coverage	—
Homeowners insurance	23
Other personal lines	214
Commercial lines	20
Service Businesses	10
Discontinued Lines and Coverages	485
Unallocated loss adjustment expenses	4
Total reinsurance recoverable	**6,471**
Gross reserve for property and casualty insurance claims and claims expense	**$ 26,325**

[(1)] Discontinued Lines and Coverages includes business in run-off. All of the claims primarily relate to accident years more than 30 years ago. IBNR reserves represent $733 million of the total reserves as of December 31, 2017.

Management believes that the reserve for property and casualty insurance claims and claims expense, net of reinsurance recoverables, is appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by the date of the Consolidated Statements of Financial Position based on available facts, technology, laws and regulations.

Allstate's reserves for asbestos claims were $884 million and $912 million, net of reinsurance recoverables of $412 million and $444 million, as of December 31, 2017 and 2016, respectively. Reserves for environmental claims were $166 million and $179 million, net of reinsurance recoverables of $33 million and $40 million, as of December 31, 2017 and 2016, respectively. For further discussion of asbestos and environmental reserves, see Note 14.

Note 9 Reserve for Life-Contingent Contract Benefits and Contractholder Funds

Reserve for life-contingent contract benefits

($ in millions)	As of December 31, 2017	2016
Immediate fixed annuities:		
Structured settlement annuities	$ 6,994	$ 6,681
Other immediate fixed annuities	1,855	1,941
Traditional life insurance	2,722	2,643
Accident and health insurance	893	873
Other	85	101
Total reserve for life-contingent contract benefits	**$ 12,549**	**$ 12,239**

Key assumptions generally used in calculating the reserve for life-contingent contract benefits

Product	Mortality	Interest rate	Estimation method
Structured settlement annuities	U.S. population with projected calendar year improvements; mortality rates adjusted for each impaired life based on reduction in life expectancy	Interest rate assumptions range from 2.9% to 9.0%	Present value of contractually specified future benefits
Other immediate fixed annuities	1983 group annuity mortality table with internal modifications; 1983 individual annuity mortality table; Annuity 2000 mortality table with internal modifications; Annuity 2000 mortality table; 1983 individual annuity mortality table with internal modifications	Interest rate assumptions range from 0% to 11.5%	Present value of expected future benefits based on historical experience
Traditional life insurance	Actual company experience plus loading	Interest rate assumptions range from 2.5% to 11.3%	Net level premium reserve method using the Company's withdrawal experience rates; includes reserves for unpaid claims
Accident and health insurance	Actual company experience plus loading	Interest rate assumptions range from 3.0% to 7.0%	Unearned premium; additional contract reserves for mortality risk and unpaid claims
Other: Variable annuity guaranteed minimum death benefits [1]	Annuity 2012 mortality table with internal modifications	Interest rate assumptions range from 2.0% to 5.8%	Projected benefit ratio applied to cumulative assessments

[1] In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with The Prudential Insurance Company of America, a subsidiary of Prudential Financial, Inc. (collectively "Prudential").

The Company records an adjustment to the reserve for life-contingent contract benefits that represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product investment portfolios were realized and reinvested at current lower interest rates, resulting in a premium deficiency. The offset to this liability is recorded as a reduction of the unrealized net capital gains included in AOCI.

In conjunction with the segment changes in 2017, the Company evaluated the need for a reserve adjustment separately for traditional life insurance and immediate annuities with life contingencies. As of December 31, 2017, the Company recorded a $315 million increase to the reserve for life-contingent contract benefits and a $249 million decrease to unrealized net capital gains, after-tax, included in shareholders' equity. This liability was zero as of December 31, 2016.

Contractholder funds

($ in millions)	As of December 31, 2017	2016
Interest-sensitive life insurance	$ 8,190	$ 8,062
Investment contracts:		
Fixed annuities	10,828	11,933
Other investment contracts	416	265
Total contractholder funds	**$ 19,434**	**$ 20,260**

Key contract provisions of contractholder funds

Product	Interest rate	Withdrawal/surrender charges
Interest-sensitive life insurance	Interest rates credited range from 0% to 10.5% for equity-indexed life (whose returns are indexed to the S&P 500) and 1.0% to 6.0% for all other products	Either a percentage of account balance or dollar amount grading off generally over 20 years
Fixed annuities	Interest rates credited range from 0% to 9.8% for immediate annuities; (8.0)% to 12.3% for equity-indexed annuities (whose returns are indexed to the S&P 500); and 0.1% to 6.0% for all other products	Either a declining or a level percentage charge generally over ten years or less. Additionally, approximately 16.7% of fixed annuities are subject to market value adjustment for discretionary withdrawals
Other investment contracts: Guaranteed minimum income, accumulation and withdrawal benefits on variable [(1)] and fixed annuities and secondary guarantees on interest-sensitive life insurance and fixed annuities	Interest rates used in establishing reserves range from 1.5% to 10.3%	Withdrawal and surrender charges are based on the terms of the related interest-sensitive life insurance or fixed annuity contract

(1) In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with Prudential.

Contractholder funds activity

($ in millions)	For the years ended December 31, 2017	2016	2015
Balance, beginning of year	$ 20,260	$ 21,295	$ 22,529
Deposits	1,130	1,164	1,203
Interest credited	687	722	760
Benefits	(901)	(966)	(1,077)
Surrenders and partial withdrawals	(999)	(1,053)	(1,278)
Maturities of and interest payments on institutional products	—	(86)	(1)
Contract charges	(826)	(829)	(818)
Net transfers from separate accounts	5	5	7
Other adjustments	78	8	(30)
Balance, end of year	**$ 19,434**	**$ 20,260**	**$ 21,295**

The Company offered various guarantees to variable annuity contractholders. In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with Prudential. Liabilities for variable contract guarantees related to death benefits are included in the reserve for life-contingent contract benefits and the liabilities related to the income, withdrawal and accumulation benefits are included in contractholder funds. All liabilities for variable contract guarantees are reported on a gross basis on the balance sheet with a corresponding reinsurance recoverable asset for those contracts subject to reinsurance.

Absent any contract provision wherein the Company guarantees either a minimum return or account value upon death, a specified contract anniversary date, partial withdrawal or annuitization, variable annuity and variable life insurance contractholders bear the investment risk that the separate accounts' funds may not meet their stated investment objectives. The account balances of variable annuities contracts' separate accounts with guarantees included $3.02 billion and $2.93 billion of equity, fixed income and balanced mutual funds and $322 million and $364 million of money market mutual funds as of December 31, 2017 and 2016, respectively.

The table below presents information regarding the Company's variable annuity contracts with guarantees. The Company's variable annuity contracts may offer more than one type of guarantee in each contract; therefore, the sum of amounts listed exceeds the total account balances of variable annuity contracts' separate accounts with guarantees.

($ in millions)	As of December 31, 2017	2016
In the event of death		
Separate account value	$ 3,344	$ 3,298
Net amount at risk [(1)]	$ 454	$ 585
Average attained age of contractholders	70 years	70 years
At annuitization (includes income benefit guarantees)		
Separate account value	$ 944	$ 915
Net amount at risk [(2)]	$ 202	$ 265
Weighted average waiting period until annuitization options available	None	None
For cumulative periodic withdrawals		
Separate account value	$ 253	$ 267
Net amount at risk [(3)]	$ 10	$ 10
Accumulation at specified dates		
Separate account value	$ 170	$ 310
Net amount at risk [(4)]	$ 17	$ 26
Weighted average waiting period until guarantee date	5 years	3 years

(1) Defined as the estimated current guaranteed minimum death benefit in excess of the current account balance as of the balance sheet date.

(2) Defined as the estimated present value of the guaranteed minimum annuity payments in excess of the current account balance.

(3) Defined as the estimated current guaranteed minimum withdrawal balance (initial deposit) in excess of the current account balance as of the balance sheet date.

(4) Defined as the estimated present value of the guaranteed minimum accumulation balance in excess of the current account balance.

The liability for death and income benefit guarantees is equal to a benefit ratio multiplied by the cumulative contract charges earned, plus accrued interest less contract excess guarantee benefit payments. The benefit ratio is calculated as the estimated present value of all expected contract excess guarantee benefits divided by the present value of all expected contract charges. The establishment of reserves for these guarantees requires the projection of future fund values, mortality, persistency and customer benefit utilization rates. These assumptions are periodically reviewed and updated. For guarantees related to death benefits, benefits represent the projected excess guaranteed minimum death benefit payments. For guarantees related to income benefits, benefits represent the present value of the minimum guaranteed annuitization benefits in excess of the projected account balance at the time of annuitization.

Projected benefits and contract charges used in determining the liability for certain guarantees are developed using models and stochastic scenarios that are also used in the development of estimated expected gross profits. Underlying assumptions for the liability related to income benefits include assumed future annuitization elections based on factors such as the extent of benefit to the potential annuitant, eligibility conditions and the annuitant's attained age. The liability for guarantees is re-evaluated periodically, and adjustments are made to the liability balance through a charge or credit to life and annuity contract benefits.

Guarantees related to the majority of withdrawal and accumulation benefits are considered to be derivative financial instruments; therefore, the liability for these benefits is established based on its fair value.

Summary of liabilities for guarantees

($ in millions)	Liability for guarantees related to death benefits and interest-sensitive life products	Liability for guarantees related to income benefits	Liability for guarantees related to accumulation and withdrawal benefits	Total
Balance, December 31, 2016 [1]	$ 244	$ 44	$ 77	$ 365
Less reinsurance recoverables	101	40	43	184
Net balance as of December 31, 2016	**143**	**4**	**34**	**181**
Incurred guarantee benefits	34	—	11	45
Paid guarantee benefits	(2)	—	—	(2)
Net change	**32**	**—**	**11**	**43**
Net balance as of December 31, 2017	175	4	45	224
Plus reinsurance recoverables	87	25	34	146
Balance, December 31, 2017 [2]	**$ 262**	**$ 29**	**$ 79**	**$ 370**
Balance, December 31, 2015 [3]	$ 223	$ 68	$ 75	$ 366
Less reinsurance recoverables	106	64	52	222
Net balance as of December 31,	**117**	**4**	**23**	**144**
Incurred guarantee benefits	26	—	11	37
Paid guarantee benefits	—	—	—	—
Net change	**26**	**—**	**11**	**37**
Net balance as of December 31, 2016	143	4	34	181
Plus reinsurance recoverables	101	40	43	184
Balance, December 31, 2016 [1]	**$ 244**	**$ 44**	**$ 77**	**$ 365**

[1] Included in the total liability balance as of December 31, 2016 are reserves for variable annuity death benefits of $100 million, variable annuity income benefits of $40 million, variable annuity accumulation benefits of $34 million, variable annuity withdrawal benefits of $9 million and other guarantees of $182 million.

[2] Included in the total liability balance as of December 31, 2017 are reserves for variable annuity death benefits of $85 million, variable annuity income benefits of $26 million, variable annuity accumulation benefits of $22 million, variable annuity withdrawal benefits of $12 million and other guarantees of $225 million.

[3] Included in the total liability balance as of December 31, 2015 are reserves for variable annuity death benefits of $105 million, variable annuity income benefits of $65 million, variable annuity accumulation benefits of $38 million, variable annuity withdrawal benefits of $14 million and other guarantees of $144 million.

Note 10 Reinsurance

Effects of reinsurance on property and casualty premiums written and earned and life premiums and contract charges

($ in millions)	For the years ended December 31, 2017	2016	2015
Property and casualty insurance premiums written			
Direct	$ 33,685	$ 32,614	$ 31,924
Assumed	64	47	39
Ceded	(1,007)	(1,061)	(1,092)
Property and casualty insurance premiums written, net of reinsurance	**$ 32,742**	**$ 31,600**	**$ 30,871**
Property and casualty insurance premiums earned			
Direct	$ 33,221	$ 32,249	$ 31,274
Assumed	50	45	41
Ceded	(971)	(987)	(1,006)
Property and casualty insurance premiums earned, net of reinsurance	**$ 32,300**	**$ 31,307**	**$ 30,309**
Life premiums and contract charges			
Direct	$ 1,894	$ 1,766	$ 1,641
Assumed	787	818	849
Ceded	(303)	(309)	(332)
Life premiums and contract charges, net of reinsurance	**$ 2,378**	**$ 2,275**	**$ 2,158**

Property and casualty

Property and casualty reinsurance is in place for the Allstate Protection, Discontinued Lines and Coverages and Service Businesses segments. The Company purchases reinsurance after evaluating the financial condition of the reinsurer, as well as the terms and price of coverage. Developments in the insurance and reinsurance industries have fostered a movement to segregate asbestos, environmental and other discontinued lines exposures into separate legal entities with dedicated capital. Regulatory bodies in certain cases have supported these actions. The Company is unable to determine the impact, if any, that these developments will have on the collectability of reinsurance recoverables in the future.

Property and casualty reinsurance recoverable

Total amounts recoverable from reinsurers as of December 31, 2017 and 2016 were $6.57 billion and $6.28 billion, respectively, including $96 million and $93 million, respectively, related to property and casualty losses paid by the Company and billed to reinsurers, and $6.47 billion and $6.18 billion, respectively, estimated by the Company with respect to ceded unpaid losses (including IBNR), which are not billable until the losses are paid.

With the exception of the recoverable balances from the Michigan Catastrophic Claims Association ("MCCA"), Lloyd's of London, New Jersey Property-Liability Insurance Guaranty Association ("PLIGA") and other industry pools and facilities, the largest reinsurance recoverable balance the Company had outstanding was $61 million from Westport Insurance Corporation as of both December 31, 2017 and 2016. No other amount due or estimated to be due from any single reinsurer was in excess of $31 million and $35 million as of December 31, 2017 and 2016, respectively.

The allowance for uncollectible reinsurance was $70 million and $84 million as of December 31, 2017 and 2016, respectively, and is primarily related to the Company's Discontinued Lines and Coverages segment.

Industry pools and facilities

Reinsurance recoverable on paid and unpaid claims including IBNR as of December 31, 2017 and 2016 includes $5.26 billion and $4.95 billion, respectively, from the MCCA. The MCCA is a state-mandated indemnification mechanism for personal injury protection losses that exceed a retention level which is adjusted upward every other MCCA fiscal year by the lesser of 6% or the increase in the Consumer Price Index. The retention level is currently $555 thousand per claim for the fiscal two-years ending June 30, 2019 compared to $545 thousand per claim for the fiscal two-years ending June 30, 2017. The MCCA is obligated to fund the ultimate liability for member companies (companies actively writing motor vehicle coverage in Michigan and those with runoff policies) qualifying claims and claims expenses. The MCCA operates similar to a reinsurance program and is annually funded by participating member companies (companies actively writing motor vehicle coverage in Michigan) through a per vehicle annual assessment that is currently $170 per coverage. The assessment is incurred by the Company as polices are written and recovered as a component of premiums from our customers.

The MCCA has been legally authorized to annually assess participating member companies pursuant to enabling legislation that describes both the annual determination and assessment. This assessment is recorded as a component of the premiums charged to the Company's customers. These assessments paid to the MCCA provide funds for the indemnification for losses described above. The MCCA is required to assess an amount each year sufficient to cover members' actuarially determined present value of expected payments on lifetime claims of all persons expected to be catastrophically injured in that year, its operating expenses, and adjustments for the amount of excesses or deficiencies in prior assessments.

The MCCA prepares statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan Department of Insurance and Financial Services ("MI DOI"). The MI DOI has granted the MCCA a statutory permitted practice that expires in 2019 to discount its liabilities for loss and loss adjustment expense. As of June 30, 2017, the date of its most recent annual financial report, the MCCA had cash and invested assets of $19.60 billion and an accumulated deficit of $2.63 billion. The permitted practice reduced the accumulated deficit by $46.08 billion.

Allstate sells and administers policies as a participant in the National Flood Insurance Program ("NFIP"). The amounts recoverable as of December 31, 2017 and 2016 were $88 million and $77 million, respectively. Ceded premiums earned include $263 million, $274 million and $293 million in 2017, 2016 and 2015, respectively. Ceded losses incurred include $1.12 billion, $537 million and $120 million in 2017, 2016 and 2015, respectively. Under the arrangement, the Federal Government pays all covered claims and certain qualifying claim expenses.

The PLIGA, as the statutory administrator of the New Jersey Unsatisfied Claim and Judgment Fund ("UCJF"), provides compensation to qualified claimants for personal injury protection, bodily injury, or death caused by private passenger automobiles operated by uninsured or "hit and run" drivers. The UCJF also provides private passenger stranger pedestrian personal injury protection benefits when no other coverage is available. The fund provides reimbursement to insurers for the medical benefits portion of personal injury protection coverage paid in excess of $75,000 with no limits for policies issued or renewed prior to January 1, 1991 and paid in excess of $75,000 and capped at $250,000 for policies issued or renewed from January 1, 1991 to December 31, 2003. PLIGA annually assesses all admitted property and casualty insurers writing motor vehicle liability insurance in New Jersey for PLIGA expenses. A significant portion of the incurred claim reserves and the recoverable can be attributed to a small number of catastrophic claims. Assessments paid to PLIGA for the UCJF program totaled $8.9 million in 2017. The amounts of paid and unpaid recoverable as of December 31, 2017 and 2016 were $493 million and $506 million, respectively.

Ceded premiums earned under the Florida Hurricane Catastrophe Fund ("FHCF") agreement were $11 million, $12 million and $13 million in 2017, 2016 and 2015, respectively. Ceded losses in 2017 were $19 million. There were no ceded losses incurred in 2016 or 2015. The Company has access to reimbursement provided by the FHCF for 90% of qualifying personal property losses that exceed its current retention of $56 million for the 2 largest hurricanes and $19 million for other hurricanes, up to a maximum total of $187 million effective from June 1, 2017 to May 31, 2018. As of December 31, 2017 recoverable from the FHCF totaled $19 million. There were no amounts recoverable from the FHCF as of December 31, 2016.

Catastrophe reinsurance

The Company's reinsurance program is designed to provide reinsurance protection for catastrophes resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, fires following earthquakes, earthquakes and wildfires.

- The majority of our program comprises multi-year contracts, primarily placed in the traditional reinsurance market, such that one third of the program is renewed every year.
- Coverage is generally purchased on a broad geographic, product line and multiple peril loss basis.
- The Company purchases reinsurance from traditional reinsurance companies as well as the insurance linked securities market (e.g. "PCS Agreements").
- Florida property and New Jersey property and auto are each covered by separate agreements, as the risk of loss is different and our subsidiaries operating in these states are separately capitalized.

The Company has the following catastrophe reinsurance agreements in effect as of December 31, 2017:

The Nationwide Per Occurrence Excess Catastrophe Reinsurance Program (the "Nationwide Program") provides $4.42 billion of reinsurance coverage subject to a $500 million retention and is subject to the amount of reinsurance placed in each of its nine layers. The Nationwide Program comprises three agreements: The Per Occurrence Excess Agreement, the 2014-1 Property Claim Services ("PCS") Agreement, and the 2017-1 Excess Catastrophe Reinsurance Contract.

Per Occurrence Excess Agreement, which is placed in the traditional reinsurance market, reinsures personal lines property and automobile excess catastrophe losses caused by multiple perils in every state except New Jersey and only includes personal lines automobile excess catastrophe losses in Florida. The agreement comprises layers one through six and portions of layers eight and nine. Coverage for each of the first through fifth layers comprises three contracts, with each contract providing one-third of 95% of the total layer limit and expiring May 31, 2018, May 31, 2019 and May 31, 2020. The contracts expiring May 31, 2019 and May 31, 2020, include coverage for automobile losses in Florida, while the contract expiring May 31, 2018 does not include such provision. The sixth layer and eighth layer contracts placed in the traditional reinsurance market contain comparable contract terms and conditions as layers one through five.

The sixth layer is 95% placed and comprises one contract expiring May 31, 2022. The contracts for layers one through six provide $3.07 billion in per occurrence reinsurance limits subject to a $500 million retention. Coverage for a portion of the eighth layer is provided by one contract expiring May 31, 2022. The contract provides a $446 million limit and is 29.37% placed. Unlike layer one through five contracts, the sixth and eighth layer contracts each contain an annual variable reset option which allows for the adjustment of each contract's attachment and exhaustion levels within specified limits. The variable reset option requires a premium adjustment. The contracts for each of the first through fifth layers include one reinstatement of limits per year, with premium required. The sixth and eighth layer contracts each contain one reinstatement of limits over their seven year term with premium required. Reinsurance premiums for all contracts are subject to redetermination for exposure changes on an annual basis.

Another contract forming a portion of layers eight and nine provides a $25 million limit in excess of a $2.75 billion retention, is 100% placed and expires May 31, 2018. Reinsurance limits of 5% of $1.67 billion in excess of $2.75 billion are deemed in place. In addition, recoveries from contracts in layers six through and including layer nine inure to the benefit of this contract.

2014-1 PCS Excess Agreement reinsures personal lines property and automobile excess catastrophe losses caused by hurricanes in 29 states and the District of Columbia, and earthquakes, including fires following earthquakes, in California, New York and Washington. The agreement comprises three contracts with each contract's risk period beginning on May 22, 2014. Two of the three contracts' risk periods expire on May 21, 2018 and one contract's risk period expires on May 21, 2019. The placement of these three contracts achieves, for the perils of hurricanes, earthquakes and fires following earthquakes, $305 million limit (or 95% of $321 million) between $3.07 billion to $3.40 billion seventh layer; $115 million limit (or 26% of $446 million) between $3.40 billion to $3.84 billion eighth layer; and $330 million limit (or 57% of $578 million) between $3.84 billion to $4.42 billion ninth layer. The contracts comprising the agreement contain a variable reset option which the ceding entities may invoke for risk periods subsequent to the first risk period and which allows for the annual adjustment of each contract's attachment and exhaustion levels within specified limits. The variable reset option requires a premium adjustment. The contracts do not include a reinstatement of limits.

2017-1 Excess Catastrophe Reinsurance Contract reinsures personal lines property and automobile excess losses in 48 states and the District of Columbia, excluding Florida and New Jersey, caused by hurricanes, severe thunderstorms, earthquakes including fire following winter storms, volcanic eruptions, and meteorite impacts. The contract reinsures actual losses to personal lines property business located in the covered territory and arising out of a covered event. Amounts payable for automobile losses are based on insured industry losses as reported by PCS and further indexed by annual payout factors specific to automobile exposures in the contract's covered areas. Reinsurance recoveries under the contract are limited to our ultimate net loss from a covered event subject to the contract's limit. The contract's risk period began March 31, 2017 and terminates on November 30, 2021. The contract provides a $375 million limit (or 37% of $1.02 billion) between a $3.40 billion to $4.42 billion layer. The contract contains a variable reset option, which the ceding entities may invoke for risk periods subsequent to the first risk period and which allows for the annual adjustment of the contract's attachment and exhaustion levels within specified limits. The variable reset option requires a premium. The contract does not include a restatement of limits.

The following programs are designed apart from the Nationwide Program to address distinct exposures in certain states and markets. These programs are described below and are disregarded when determining coverage under the contracts included in the Nationwide Program.

The Company has a separate reinsurance program in Florida designed to cover personal lines property policies in Florida written through its separately capitalized wholly-owned subsidiaries Castle Key Insurance Company ("CKIC") and Castle Key Indemnity Company ("CKI", and together with CKIC, "Castle Key").

Florida Excess Catastrophe Reinsurance Agreement comprises five contracts, as described below, which reinsure Castle Key for personal lines property excess catastrophe losses in Florida. The agreement includes two contracts placed in the traditional market, CKIC's and CKI's reimbursement contracts with the Florida Hurricane Catastrophe Fund ("Mandatory FHCF contracts"), and the Sanders Re 2017-2 Contract ("Sanders Re 2017-2 contract") placed in the ILS markets.

Below FHCF Contract reinsures personal lines property excess catastrophe losses caused by multiple perils in Florida. The contract is 100% placed and provides three separate limits of $38 million in excess of a $20 million retention for each occurrence, of which two limits remain outstanding. One limit of $38 million was exhausted from the impact of Hurricane Irma. The first reinstatement of limits is prepaid and the second or final reinstatement requires additional premium. Reinsurance premium is subject to redetermination for exposure changes.

Mandatory FHCF Contracts reinsures qualifying personal lines property losses caused by storms the National Hurricane Center declares to be hurricanes. The contracts provide 90% of $187 million of limits in excess of retention with no reinstatement of limits. The limits and retentions of the mandatory FHCF contracts are calculated independently for CKIC and CKI and are subject to re-measurement based on June 30, 2017 exposure data. For each of the two largest hurricanes, the retention is $56 million and retention equal to one third of that amount, or approximately $19 million, is applicable to all other hurricanes for the season beginning June 1, 2017. In addition, the FHCF's retention is subject to adjustment upward or downward to an actual retention based on submitted exposures to the FHCF by all participants. $19 million of limit was exhausted from the impact of Hurricane Irma and $168 million of the limit remains outstanding.

Excess contract reinsures personal lines property excess catastrophe losses caused by multiple perils in Florida. The contract provides one limit of $231 million in excess of a $20 million retention and is 100% placed. Recoveries from the Below FHCF contract and Mandatory FHCF contracts inure to the benefit of this contract, resulting in the Excess contract providing reinsurance for loss occurrences not subject to reimbursement under the FHCF contracts but reinsured under the multiple peril Excess contract. The contract does not include a reinstatement of limits. $27 million of limit was exhausted for Hurricane Irma. Reinsurance premium is subject to redetermination for exposure.

Sanders Re 2017-2 is a three-year term contract with a risk period effective June 1, 2017 through May 31, 2020. It reinsures qualifying personal lines property losses caused by a named storm event, a severe thunderstorm event, an earthquake event, a wildfire event, a volcanic eruption event, or a meteorite impact event in Florida as events declared by various reporting agencies, including PCS and as defined in the contract. The contract provides limits of $200 million in excess of a $20 million retention and in excess of "stated reinsurance." For the June 1, 2017 to May 31, 2018 risk period, stated reinsurance is defined to include the Below FHCF contract, the Mandatory FHCF contracts, which are deemed to exhaust due to loss occurrences subject to the non-FHCF contracts, and the Excess contract. Stated reinsurance is deemed to be provided on a multiple peril basis under the terms of the non-FHCF contracts and includes an erosion feature, which provides that upon the exhaustion of a portion of the stated reinsurance, coverage under the Sanders Re contract shall be concurrently placed above and contiguous to the unexhausted portion of the stated reinsurance, if any. The Sanders Re 2017-2 contract contains a variable reset option, which Castle Key may invoke for risk periods subsequent to the first risk period and which allows for the annual adjustment of the contract's attachment and exhaustion levels. The variable reset option requires a premium. The contract does not contain a restatement of limits.

The Company's New Jersey, Pennsylvania, Kentucky, Florida and Southeast States and California reinsurance agreements are described below.

New Jersey Excess Catastrophe Reinsurance Agreement comprises three contracts that reinsure personal lines property and automobile excess catastrophe losses in New Jersey caused by multiple perils. The contracts expire May 31, 2018 May 31, 2019 and May 31, 2020, and provide 31.67%, 31.67% and 31.66%, respectively, of $400 million of limits excess of a provisional $150 million retention, a $144 million retention, and a $165 million retention, respectively. Each contract includes one reinstatement of limits per contract year with premium due. The reinsurance premium and retention are subject to redetermination for exposure changes on an annual basis.

Pennsylvania Excess Catastrophe Reinsurance Contract comprises a three-year term contract that reinsures personal lines property excess catastrophe losses in Pennsylvania caused by multi-perils. The contract expires May 31, 2018 and provides three limits of $100 million excess of a $100 million retention subject to two limits being available in any one contract year and is 95% placed. The reinsurance premium and retention are not subject to redetermination for exposure changes.

Kentucky Earthquake Excess Catastrophe Reinsurance Contract is a three-year contract that reinsures personal lines property excess catastrophe losses in Kentucky caused by earthquakes and fires following earthquakes. The contract expires May 31, 2020 and provides three limits of $28 million in excess of a $2 million retention with two limits being available in any one contract year and is 95% placed. The reinsurance premium and retention are not subject to redetermination for exposure changes.

Aggregate Excess Catastrophe Florida and Southeast States Reinsurance Contract provides $200 million of reinsurance limits for losses to personal lines automobile business (physical damage only) arising out of multiple perils and provided such losses arise out of a company declared catastrophe and result in qualifying losses in the State of Florida. Once qualifying losses are incurred in the State of Florida, coverage also is provided for losses to personal lines automobile business (physical damage only) arising from the same catastrophe and occurring in Alabama, Georgia, Louisiana, Mississippi, North Carolina and South Carolina. The $200 million of reinsurance limits is subject to a $300 million aggregate retention for losses arising out of one or all qualifying catastrophes commencing during the contract's one-year term. The contract does not include a restatement of limits.

California E&S Earthquake Contract comprises one contract which reinsures personal lines property catastrophe losses in California caused by the peril of earthquake and insured by our excess and surplus lines insurer. The contract expires June 30, 2018. Unlike the contracts comprising the Nationwide Program, the E&S Earthquake agreement provides reinsurance on a 100% quota share basis with no retention. The agreement reinsures only shake damage resulting from the earthquake peril.

The Company ceded premiums earned of $344 million, $381 million and $414 million under catastrophe reinsurance agreements in 2017, 2016 and 2015, respectively.

Asbestos, environmental and other

Reinsurance recoverables include $167 million and $174 million from Lloyd's of London as of December 31, 2017 and 2016, respectively. Lloyd's of London, through the creation of Equitas Limited, implemented a restructuring to solidify its capital base and to segregate claims for years prior to 1993. In 2007, Berkshire Hathaway's subsidiary, National Indemnity Company, assumed responsibility for the Equitas claim liabilities through a loss portfolio transfer reinsurance agreement and continues to runoff the Equitas claims.

Life and annuity products

The Company reinsures certain life insurance and annuity risks to other insurers primarily under yearly renewable term, coinsurance, modified coinsurance and coinsurance with funds withheld agreements. These agreements result in a passing of the agreed-upon percentage of risk to the reinsurer in exchange for negotiated reinsurance premium payments. Modified coinsurance and coinsurance with funds withheld are similar to coinsurance, except that the cash and investments that support the liability for contract benefits are not transferred to the assuming company and settlements are made on a net basis between the companies.

For certain term life insurance policies issued prior to October 2009, the Company ceded up to 90% of the mortality risk depending on the year of policy issuance under coinsurance agreements to a pool of fourteen unaffiliated reinsurers. Effective October 2009, mortality risk on term business is ceded under yearly renewable term agreements under which the Company cedes mortality in excess of its retention, which is consistent with how the Company generally reinsures its permanent life insurance business.

Retention limits by period of policy issuance

Period	Retention limits
April 2015 through current	Single life: $2 million per life Joint life: no longer offered
April 2011 through March 2015	Single life: $5 million per life, $3 million age 70 and over, and $10 million for contracts that meet specific criteria Joint life: $8 million per life, and $10 million for contracts that meet specific criteria
July 2007 through March 2011	$5 million per life, $3 million age 70 and over, and $10 million for contracts that meet specific criteria
September 1998 through June 2007	$2 million per life, in 2006 the limit was increased to $5 million for instances when specific criteria were met
August 1998 and prior	Up to $1 million per life

In addition, the Company has used reinsurance to effect the disposition of certain blocks of business. The Company had reinsurance recoverables of $1.35 billion and $1.41 billion as of December 31, 2017 and 2016, respectively, due from Prudential related to the disposal of substantially all of its variable annuity business that was effected through reinsurance agreements. In 2017, premiums and contract charges of $76 million, contract benefits of $7 million, interest credited to contractholder funds of $20 million, and operating costs and expenses of $15 million were ceded to Prudential. In 2016, premiums and contract charges of $78 million, contract benefits of $21 million, interest credited to contractholder funds of $20 million, and operating costs and expenses of $15 million were ceded to Prudential. In 2015, premiums and contract charges of $94 million, contract benefits of $40 million, interest credited to contractholder funds of $21 million, and operating costs and expenses of $18 million were ceded to Prudential. In addition, as of December 31, 2017 and 2016, the Company had reinsurance recoverables of $139 million and $144 million, respectively, due from subsidiaries of Citigroup (Triton Insurance and American Health and Life Insurance) and Scottish Re (U.S.) Inc. in connection with the disposition of substantially all of the direct response distribution business in 2003.

The Company is the assuming reinsurer for Lincoln Benefit Life Company's ("LBL's") life insurance business sold through the Allstate agency channel and LBL's payout annuity business in force prior to the sale of LBL on April 1, 2014. Under the terms of the reinsurance agreement, the Company is required to have a trust with assets greater than or equal to the statutory reserves ceded by LBL to the Company, measured on a monthly basis. As of December 31, 2017, the trust held $5.89 billion of investments, which are reported in the Consolidated Statement of Financial Position.

As of December 31, 2017, the gross life insurance in force was $447.86 billion of which $86.64 billion was ceded to the unaffiliated reinsurers.

Reinsurance recoverables on paid and unpaid benefits

($ in millions)	As of December 31, 2017	2016
Annuities	$ 1,370	$ 1,424
Life insurance	817	860
Other	167	184
Total	**$ 2,354**	**$ 2,468**

As of both December 31, 2017 and 2016, approximately 92% of the reinsurance recoverables are due from companies rated A- or better by S&P.

Note 11 Deferred Policy Acquisition and Sales Inducement Costs

Deferred policy acquisition costs activity

($ in millions)	For the years ended December 31, 2017	2016	2015
Balance, beginning of year	$ 3,954	$ 3,861	$ 3,525
SquareTrade acquisition	66	—	—
Acquisition costs deferred	5,001	4,717	4,596
Amortization charged to income	(4,784)	(4,550)	(4,364)
Effect of unrealized gains and losses	(46)	(74)	104
Balance, end of year	**$ 4,191**	**$ 3,954**	**$ 3,861**

Deferred sales inducement costs activity [1]

($ in millions)	For the years ended December 31, 2017	2016	2015
Balance, beginning of year	$ 40	$ 45	$ 44
Sales inducements deferred	—	1	3
Amortization charged to income	(4)	(5)	(4)
Effect of unrealized gains and losses	—	(1)	2
Balance, end of year	**$ 36**	**$ 40**	**$ 45**

[1] Deferred sales inducement costs primarily relate to fixed annuities and interest-sensitive life contracts.

Note 12 Capital Structure

Total debt outstanding

($ in millions)	As of December 31, 2017	2016
6.75% Senior Debentures, due 2018	$ 176	$ 176
7.45% Senior Notes, due 2019 [1]	317	317
Due after one year through five years	**493**	**493**
3.15% Senior Notes, due 2023 [1]	500	500
3.28% Senior Notes, due 2026 [1]	550	550
Due after five years through ten years	**1,050**	**1,050**
6.125% Senior Notes, due 2032 [1]	159	159
5.35% Senior Notes due 2033 [1]	323	323
5.55% Senior Notes due 2035 [1]	546	546
5.95% Senior Notes, due 2036 [1]	386	386
6.90% Senior Debentures, due 2038	165	165
5.20% Senior Notes, due 2042 [1]	62	62
4.50% Senior Notes, due 2043 [1]	500	500
4.20% Senior Notes, due 2046 [1]	700	700
5.10% Subordinated Debentures, due 2053	500	500
5.75% Subordinated Debentures, due 2053	800	800
6.125% Junior Subordinated Debentures, due 2067	224	224
6.50% Junior Subordinated Debentures, due 2067	500	500
Due after ten years	**4,865**	**4,865**
Long-term debt total principal	**6,408**	**6,408**
Debt issuance costs	(58)	(61)
Total long-term debt	**6,350**	**6,347**
Short-term debt [2]	—	—
Total debt	**$ 6,350**	**$ 6,347**

[1] Senior Notes are subject to redemption at the Company's option in whole or in part at any time at the greater of either 100% of the principal amount plus accrued and unpaid interest to the redemption date or the discounted sum of the present values of the remaining scheduled payments of principal and interest and accrued and unpaid interest to the redemption date.

[2] The Company classifies any borrowings which have a maturity of twelve months or less at inception as short-term debt.

Debt maturities for each of the next five years and thereafter

($ in millions)	
2018	$ 176
2019	317
2020	—
2021	—
2022	—
Thereafter	5,915
Total long-term debt principal	**$ 6,408**

On December 8, 2016, the Company issued $550 million of 3.28% Senior Notes due 2026 and $700 million of 4.20% Senior Notes due 2046. The proceeds of this issuance were used for general corporate purposes, including in part to fund the purchase price for the acquisition of SquareTrade.

During 2016 and 2015, the Company repurchased principal debt amounts of $17 million and $11 million, respectively.

The Subordinated Debentures may be redeemed (i) in whole at any time or in part from time to time on or after January 15, 2023 for the 5.10% Subordinated

Debentures and August 15, 2023 for the 5.75% Subordinated Debentures at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption; provided that if the Subordinated Debentures are not redeemed in whole, at least $25 million aggregate principal amount must remain outstanding, or (ii) in whole, but not in part, prior to January 15, 2023 for the 5.10% Subordinated Debentures and August 15, 2023 for the 5.75% Subordinated Debentures, within 90 days after the occurrence of certain tax and rating agency events, at their principal amount or, if greater, a make-whole redemption price, plus accrued and unpaid interest to, but excluding, the date of redemption. The 5.75% Subordinated Debentures have this make-whole redemption price provision only when a reduction of equity credit assigned by a rating agency has occurred.

Interest on the 5.10% 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 5.75% 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 Company has outstanding $500 million of Series A 6.50% and $224 million of Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures (together the “Debentures”). The scheduled maturity dates for the Debentures are May 15, 2057 and May 15, 2037 for Series A and Series B, respectively, with a final maturity date of May 15, 2067. The Debentures may be redeemed (i) in whole or in part, at any time on or after May 15, 2037 or May 15, 2017 for Series A and Series B, respectively, at the principal amount plus accrued and unpaid interest to the date of redemption, or (ii) in certain circumstances, in whole or in part, prior to May 15, 2037 for Series A at the principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a make-whole price.

Interest on the Debentures is payable semi-annually at the stated fixed annual rate to May 15, 2037 and May 15, 2017 for Series A and Series B, respectively, and then payable quarterly at an annual rate equal to the three-month LIBOR plus 2.12% and 1.935% for Series A and Series B, respectively. The Company may elect at one or more times to defer payment of interest on the Debentures for one or more consecutive interest periods that do not exceed 10 years. Interest compounds during such deferral periods at the rate in effect for each period. The interest deferral feature obligates the Company in certain circumstances to issue common stock or certain other types of securities if it cannot otherwise raise sufficient funds to make the required interest payments. The Company has reserved 75 million shares of its authorized and unissued common stock to satisfy this obligation.

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

In connection with the issuance of the Debentures, the Company entered into replacement capital covenants (“RCCs”). These covenants were not intended for the benefit of the holders of the Debentures and could not be enforced by them. Rather, they were for the benefit of holders of one or more other designated series of the Company’s indebtedness (“covered debt”), currently the 5.75% Subordinated Debentures due 2053. Pursuant to the Series A RCCs, the Company has agreed that it will not repay, redeem, or purchase the Series A Debentures on or before May 15, 2067 (or such earlier date on which the RCCs terminate by their terms) unless, subject to certain limitations, the Company has received net cash proceeds in specified amounts from the sale of common stock or certain other qualifying securities. The promises and covenants contained in the RCC will not apply if (i) S&P upgrades the Company’s issuer credit rating to A or above, (ii) the Company redeems the Debentures due to a tax event, (iii) after notice of redemption has been given by the Company and a market disruption event occurs preventing the Company from raising proceeds in accordance with the RCCs, or (iv) the Company repurchases or redeems up to 10% of the outstanding principal of the Debentures in any one-year period, provided that no more than 25% will be so repurchased, redeemed or purchased in any ten-year period.

On May 16, 2017, a Redesignation Date occurred in accordance with the Series A RCCs. As a result, the Corporation’s 7.45% Senior Notes due 2019 were no longer the covered debt under the Series A RCCs, and the 5.75% Subordinated Debentures due 2053 became the new covered debt. On May 16, 2017, the Series B RCCs terminated pursuant to the terms of the Series B RCCs, and the obligations of the Corporation pursuant to the Series B RCCs expired.

The Series A RCCs terminate in 2067. The RCCs will terminate prior to their scheduled termination date if (i) the applicable series of Debentures is no longer outstanding and the Company has fulfilled its obligations under the RCCs or they are no longer applicable, (ii) the holders of a majority of the then-outstanding principal amount of the then-effective series of covered debt consent to agree to the termination of the RCCs, (iii) the Company does not have any series of outstanding debt that is eligible to be treated as covered debt under the RCCs, (iv) the applicable series of Debentures is accelerated as a result of an event of default, (v) certain rating agency or change in control events occur, (vi) S&P, or any successor thereto, no longer assigns a solicited rating on senior debt issued or guaranteed by the Company, or (vii) the termination of the RCCs would have no effect on the equity credit provided by S&P with respect to the Debentures. An event of default, as defined by the supplemental indenture, includes default in the payment of interest or principal and bankruptcy proceedings.

To manage short-term liquidity, the Company maintains a commercial paper program and a credit facility as a potential source of funds. These include a $1.00 billion unsecured revolving credit facility and a commercial paper program with a borrowing limit of $1.00 billion. In April 2016, the Company extended the maturity date of the facility to April 2021. This facility contains an increase provision that would allow up to an additional $500 million of borrowing. This facility has a financial covenant requiring the Company not to exceed a 37.5% debt to capitalization ratio as defined in the agreement. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of the Company's senior unsecured, unguaranteed long-term debt. The total amount outstanding at any point in time under the combination of the commercial paper program and the credit facility cannot exceed the amount that can be borrowed under the credit facility. No amounts were outstanding under the credit facility as of December 31, 2017 or 2016. The Company had no commercial paper outstanding as of December 31, 2017 or 2016.

The Company paid $332 million, $287 million and $289 million of interest on debt in 2017, 2016 and 2015, respectively.

The Company had $169 million and $132 million of investment-related debt that is reported in other liabilities and accrued expenses as of December 31, 2017 and 2016, respectively. Of the $132 million, $45 million related to a commitment to fund a limited partnership as of December 31, 2016.

During 2015, the Company filed a universal shelf registration statement with the Securities and Exchange Commission ("SEC") that expires in 2018. The registration statement covers an unspecified amount of securities and can be used to issue debt securities, common stock, preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries.

Common stock The Company had 900 million shares of issued common stock of which 355 million shares were outstanding and 545 million shares were held in treasury as of December 31, 2017. In 2017, the Company reacquired 16 million shares at an average cost of $89.95 and reissued 5 million net shares under equity incentive plans.

Preferred stock All outstanding preferred stock represents noncumulative perpetual preferred stock with a $1.00 par value per share and a liquidation preference of $25,000 per share.

Outstanding preferred stock as of December 31, 2017

	Shares	Aggregate liquidation preference	Dividend rate	Dividend per share			Aggregate dividend payment ($ in millions)		
				2017	2016	2015	2017	2016	2015
Series A	11,500	$ 287.5	5.625%	$ 1.41	$ 1.41	$ 1.41	$ 16	$ 16	$ 16
Series C	15,400	385.0	6.750%	1.69	1.69	1.69	26	26	26
Series D	5,400	135.0	6.625%	1.66	1.66	1.66	9	9	9
Series E	29,900	747.5	6.625%	1.66	1.66	1.66	49	49	49
Series F	10,000	250.0	6.250%	1.56	1.56	1.56	16	16	16
Total	**72,200**	**$ 1,805**					**$ 116**	**$ 116**	**$ 116**

The preferred stock ranks senior to the Company's common stock with respect to the payment of dividends and liquidation rights. The Company will pay dividends on the preferred stock on a noncumulative basis only when, as and if declared by the Company's board of directors (or a duly authorized committee of the board) and to the extent that the Company has legally available funds to pay dividends. If dividends are declared on the preferred stock, they will be payable quarterly in arrears at an annual fixed rate. Dividends on the preferred stock are not cumulative. Accordingly, in the event dividends are not declared on the preferred stock for payment on any dividend payment date, then those dividends will cease to be payable. If the Company has not declared a dividend before the dividend payment date for any dividend period, the Company has no obligation to pay dividends for that dividend period, whether or not dividends are declared for any future dividend period. No dividends may be paid or declared on the Company's common stock and no shares of the Company's common stock may be repurchased unless the full dividends for the latest completed dividend period on the preferred stock have been declared and paid or provided for.

The Company is prohibited from declaring or paying dividends on preferred stock in excess of the amount of net proceeds from an issuance of common stock taking place within 90 days before a dividend declaration date if, on that dividend declaration date, either: (1) the risk-based capital ratios of the largest U.S. property-casualty insurance subsidiaries that collectively account for 80% or more of the net written premiums of U.S. property-casualty insurance business on a weighted average basis were less than 175% of their company action level risk-based capital as of the end of the most recent year; or (2) consolidated net income for the four-quarter period ending on the preliminary quarter end test date (the quarter that is two quarters prior to the most recently completed quarter) is zero or negative and consolidated shareholders' equity (excluding AOCI, and subject to certain other adjustments relating to changes in U.S. GAAP) as of each of the preliminary quarter test date and the most recently completed quarter has declined by 20% or more from its level as measured at the end of the benchmark quarter (the date that is ten quarters prior to the most recently completed quarter). If the Company fails to satisfy either of these tests on any dividend declaration date, the restrictions on dividends will continue until the Company is able again to satisfy the test on a dividend declaration date. In addition, in the case of a restriction arising under (2) above, the restrictions on dividends will continue until consolidated shareholders' equity (excluding AOCI, and subject to certain other adjustments relating to changes in U.S. GAAP) has increased, or has declined by less than 20%, in either case as compared to its level at the end of the benchmark quarter for each dividend payment date as to which dividend restrictions were imposed.

The preferred stock does not have voting rights except with respect to certain changes in the terms of the preferred stock, in the case of certain dividend nonpayments, certain other fundamental corporate events, mergers or consolidations and as otherwise provided by law. If and when dividends have not been declared and paid in full for at least six quarterly dividend periods or their equivalent (whether or not consecutive), the authorized number of directors then constituting our board of directors will be increased by two. The holders of the preferred stock, together with the holders of all other affected classes and series of voting parity stock, voting as a single class, will be entitled to elect the two additional members of the board of directors of the Company, subject to certain conditions. The board of directors shall at no time have more than two preferred stock directors.

The preferred stock is perpetual and has no maturity date. The preferred stock is redeemable at the Company's option in whole or in part, on or after June 15, 2018 for Series A, October 15, 2018 for Series C, April 15, 2019 for Series D and E, and October 15, 2019 for Series F, at a redemption price of $25,000 per share of preferred stock, plus declared and unpaid dividends. Prior to June 15, 2018 for Series A, October 15, 2018 for Series C, April 15, 2019 for Series D and E, and October 15, 2019 for Series F, 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 $25,000 per share or, if greater, a make-whole redemption price, plus declared and unpaid dividends.

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 employee severance and relocation benefits, and post-exit rent expenses in connection with these programs, and non-cash charges resulting from pension benefit payments made to agents and certain legal expenses and settlements incurred in connection with the 1999 reorganization of Allstate's multiple agency programs to a single exclusive agency program. The expenses related to these activities are included in the Consolidated Statements of Operations as restructuring and related charges, and totaled $109 million, $30 million and $39 million in 2017, 2016 and 2015, respectively. Restructuring expenses in 2017 primarily related to Allstate brand claims process changes and office closures due to increased efficiencies and improvements in digital technology, a voluntary termination program extended to certain employees, outsourcing of certain functions, legal expenses and settlements, as well as realigning or consolidating departments within the Allstate, Esurance and Encompass operations.

Changes in the restructuring liability

($ in millions)	Employee costs	Exit costs	Total liability
Balance as of December 31, 2016	$ —	$ 2	$ 2
Expense incurred	47	42	89
Adjustments to liability	(3)	—	(3)
Payments applied against liability	(29)	(14)	(43)
Balance as of December 31, 2017	**$ 15**	**$ 30**	**$ 45**

The payments applied against the liability for employee costs primarily reflect severance costs, and the payments for exit costs generally consist of post-exit rent expenses and contract termination penalties.

As of December 31, 2017, the cumulative amount incurred to date for active programs totaled $103 million for employee costs and $104 million for exit costs.

Note 14 Commitments, Guarantees and Contingent Liabilities

Leases

The Company leases certain office facilities, computer and office equipment, aircraft and automobiles. Total rent expense for all leases was $149 million, $147 million and $179 million in 2017, 2016 and 2015, respectively.

Minimum rental commitments under operating leases with an initial or remaining term of more than one year as of December 31, 2017 are in the following table:

($ in millions)		
2018	$	126
2019		113
2020		95
2021		74
2022		60
Thereafter		175
Total	**$**	**643**

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. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to the Company's results of operations. Because of the Company's participation, it may be exposed to losses that surpass the capitalization of these facilities and/or assessments from these facilities.

Florida Citizens Castle Key is subject to assessments from Citizens Property Insurance Corporation in the state of Florida ("FL Citizens"), which was initially created by the state of Florida to provide insurance to property owners unable to obtain coverage in the private insurance market. FL Citizens, at the discretion and direction of its Board of Governors ("FL Citizens Board"), can levy a regular assessment on assessable insurers and assessable insureds for a deficit in any calendar year up to a maximum of the greater of: 2% of the projected deficit or 2% of the aggregate statewide direct written premium for the prior calendar year. The base of assessable insurers includes all property and casualty premiums in the state, except workers' compensation, medical malpractice, accident and health insurance and policies written under the NFIP. An insurer may recoup a regular assessment through a surcharge to policyholders. In order to recoup this assessment, an insurer must file for a policy surcharge with the Florida Office of Insurance Regulation ("FL OIR") at least fifteen days prior to imposing the surcharge on policies. If a deficit remains after the regular assessment, FL Citizens' can also levy emergency assessments in the current and subsequent years. Companies are required to collect the emergency assessments directly from residential property policyholders and remit to FL Citizens as collected. Pursuant to an Order issued by the FL OIR, the emergency assessment is zero for all policies issued or renewed on or after July 1, 2015. FL Citizens's initial estimates indicated sufficient resources to cover the losses from Hurricane Irma which will not result in the levy of an assessment.

Louisiana Citizens The Company is also subject to assessments from Louisiana Citizens Property Insurance Corporation ("LA Citizens"). LA Citizens can levy a regular assessment on participating companies for a deficit in any calendar year up to a maximum of the greater of 10% of the calendar year deficit or 10% of Louisiana direct property premiums industry-wide for the prior calendar year. If the plan year deficit exceeds the amount that can be recovered through Regular Assessments, LA Citizens may fund the remaining deficit by issuing revenue assessment bonds in the capital markets. LA Citizens then declares Emergency Assessments each year to provide debt service on the bonds until they are retired. Companies writing assessable lines must surcharge their policyholders Emergency Assessments in the percentage established annually by LA Citizens and must remit amounts collected to the bond trustee on a quarterly basis. Emergency assessments to pay off bonds issued in 2007 for the hurricanes of 2005 will continue until 2025.

Florida Hurricane Catastrophe Fund Castle Key participates in the mandatory coverage provided by the FHCF and therefore has access to reimbursements on certain qualifying Florida hurricane losses from the FHCF (see Note 10), and has exposure to assessments and pays annual premiums to the FHCF for this reimbursement protection. The FHCF has the authority to issue bonds to pay its obligations to insurers participating in the mandatory coverage in excess of its capital balances. Payment of these bonds is funded by emergency assessments on all property and casualty premiums in the state, except workers' compensation, medical malpractice, accident and health insurance and policies written under the NFIP. The FHCF emergency assessments are limited to 6% of premiums per year beginning the first year in which reimbursements require bonding, and up to a total of 10% of premiums per year for assessments in the second and subsequent years, if required to fund additional bonding. Pursuant to an Order issued by the FL OIR, the emergency assessment is zero for all policies issued or renewed on or after January 1, 2015. The FHCF issued $2 billion in pre-event bonds in 2013 to build their capacity to reimburse member companies' claims. The FHCF plans to fund these pre-event bonds through current FHCF cash flows.

Facilities such as FL Citizens, LA Citizens and the FHCF are generally designed so that the ultimate cost is borne by policyholders; however, the exposure to assessments from these facilities and the availability of recoupments or premium rate increases may not offset each other in the Company's financial statements.

Moreover, even if they do offset each other, they may not offset each other in financial statements for the same fiscal period due to the ultimate timing of the assessments and recoupments or premium rate increases, as well as the possibility of policies not being renewed in subsequent years.

California Earthquake Authority Exposure to certain potential losses from earthquakes in California is limited by the Company's participation in the California Earthquake Authority ("CEA"), which provides insurance for California earthquake losses. The CEA is a privately-financed, publicly-managed state agency created to provide insurance coverage for earthquake damage. Insurers selling homeowners insurance in California are required to offer earthquake insurance to their customers either through their company or by participation in the CEA. The Company's homeowners policies continue to include coverages for losses caused by explosions, theft, glass breakage and fires following an earthquake, which are not underwritten by the CEA.

As of September 30, 2017, the CEA's capital balance was approximately $5.43 billion. Should losses arising from an earthquake cause a deficit in the CEA, an additional $685 million would be obtained from the proceeds of revenue bonds the CEA may issue, an existing $7.51 billion reinsurance layer, and finally, if needed, assessments on participating insurance companies. Participating insurers are required to pay an assessment, currently estimated not to exceed $1.66 billion, if the capital of the CEA falls below $350 million. Participating insurers are required to pay a second additional assessment, currently estimated not to exceed $54 million, if aggregate CEA earthquake losses exceed $15.33 billion and the capital of the CEA falls below $350 million. Within the limits previously described, the assessment could be intended to restore the CEA's capital to a level of $350 million. There is no provision that allows insurers to recover assessments through a premium surcharge or other mechanism. The CEA's projected aggregate claim paying capacity is $15.33 billion as of September 30, 2017 and if an event were to result in claims greater than its capacity, affected policyholders may be paid a prorated portion of their covered losses, paid on an installment basis, or no payments may be made if the claim paying capacity of the CEA is insufficient.

All future assessments on participating CEA insurers are based on their CEA insurance market share as of December 31 of the preceding year. As of December 31, 2016, the Company's market share was 11.2%. The Company does not expect its market share to materially change. At this level, the Company's maximum possible CEA assessment would be $191 million during 2018. These amounts are re-evaluated by the board of directors of the CEA on an annual basis. Accordingly, assessments from the CEA for a particular quarter or annual period may be material to the results of operations and cash flows, but not the financial position of the Company. Management believes the Company's exposure to earthquake losses in California has been significantly reduced as a result of its participation in the CEA.

Texas Windstorm Insurance Association The Company participates as a member of the Texas Windstorm Insurance Association ("TWIA"), which provides wind and hail property coverage to coastal risks unable to procure coverage in the voluntary market. Wind and hail coverage is written on a TWIA-issued policy. TWIA follows a funding structure first utilizing currently available funds set aside from current and prior years. Under the current law, to the extent losses exceed premiums received from policyholders, TWIA utilizes a combination of reinsurance and TWIA issued securities to fund its payments of losses. Reinsurance is procured annually in an amount determined by the TWIA board. Once those currently available funds and available reinsurance are utilized, TWIA could issue up to $1 billion of securities, which will be repaid by billing policyholders and assessing participating insurers. The Company's current participation ratio is approximately 13.6% based upon its proportion of the premiums written. Any assessments from TWIA for a particular quarter or annual period may be material to the results of operations and cash flows, but not the financial position of the Company.

Texas Fair Plan Association The Company participates as a member of the Texas Fair Plan Association ("FAIR Plan"), which provides residential property insurance to inland areas designated as underserved by the Commissioner of Insurance and the applicant(s) are unable to procure coverage in the voluntary market. The FAIR Plan issues insurance policies, like an insurance company, and it also functions as a pooling mechanism that allocates premiums, claims and expenses back to the insurance industry. As a result of the losses incurred related to Hurricane Harvey, the FAIR Plan Board unanimously voted to approve its first ever member assessment of which the Company's share is expected to be $8 million based on total direct premium written in Texas. The Company's portion of the assessment was recorded as a liability as of December 31, 2017. Insurers are permitted to recover the assessment through either a premium surcharge applied to existing customers over a three-year period or increased rates, but the ability to fully recover the assessment may be impacted by market conditions or other factors.

North Carolina Reinsurance Facility The North Carolina Reinsurance Facility ("NCRF") provides automobile liability insurance to drivers that insurers are not otherwise willing to insure. All insurers licensed to write automobile insurance in North Carolina are members of the NCRF. Premiums, losses and expenses are ceded to the NCRF. North Carolina law allows the NCRF to recoup operating losses for certain insureds through a surcharge to policyholders. As of September 30, 2017, the NCRF reported a deficit of $310 million in members' equity. The NCRF implemented a loss recoupment surcharge on all private passenger policies becoming effective October 1, 2017 through March 31, 2018. Member companies are assessed the recoupment surcharge. The loss recoupment surcharge will be adjusted at April 1, 2018 and discontinued once losses are recovered. The NCRF results are shared by the member companies in proportion to their respective North Carolina automobile liability writings. As a result, the NCRF also has the ability to assess member Companies for recoupment of losses calculated on a pro-rata basis across member companies based on participation ratios, determined annually. For fiscal year ending September 30, 2017, the net loss was $50 million, including $1.0 billion of earned premiums, $173 million of certain private passenger auto risk recoupment and $149 million of member loss recoupments. As of December 31, 2017, the NCRF reinsurance recoverable on paid claims is $12.5 million and reinsurance recoverable on unpaid claims is $73.8 million. Paid recoverable balances, if covered, are typically settled within sixty days of monthly filing.

North Carolina Joint Underwriters Association The North Carolina Joint Underwriters Association ("NCJUA") was created to provide property insurance for properties (other than the state's beach and coastal areas) that insurers are not otherwise willing to insure. All insurers licensed to write property insurance in North Carolina are members of the NCJUA. Premiums, losses and expenses of the NCJUA are shared by the member companies in proportion to their respective North Carolina property insurance writings. Member companies participate in plan deficits or surpluses based on their participation ratios, which are determined annually. The Company had a $4.6 million receivable from the NCJUA at December 31, 2017, representing our participation in the NCJUA's surplus of $37.8 million for all open years.

North Carolina Insurance Underwriting Association The North Carolina Insurance Underwriting Association ("NCIUA") provides windstorm and hail coverage as well as homeowners policies for properties located in the state's beach and coastal areas that insurers are not otherwise willing to insure. All insurers licensed to write residential and commercial property insurance in North Carolina are members of the NCIUA. Members are assessed in proportion to their North Carolina residential and commercial property insurance writings, which is determined annually and varies by coverage, for plan deficits. As of December 31, 2017, the NCIUA had a surplus of $1.5 billion. No member company shall be entitled to the distribution of any portion of the Association's surplus. The Company does not recognize any interest related to this surplus. Legislation in 2009 capped insurers' assessments for losses incurred in any calendar year at $1 billion. Subsequent to an industry assessment of $1 billion, if the plan continues to require funding, it may authorize insurers to assess a 10% catastrophe recovery charge on each property insurance policy statewide to be remitted to the plan.

Guaranty funds

Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. As of December 31, 2017 and 2016, the liability balance included in other liabilities and accrued expenses was $12 million and $4 million, respectively. The related premium tax offsets included in other assets were $19 million and $9 million as of December 31, 2017 and 2016, respectively.

Guarantees

The Company provides residual value guarantees on Company leased automobiles. If all outstanding leases were terminated effective December 31, 2017, the Company's maximum obligation pursuant to these guarantees, assuming the automobiles have no residual value, would be $27 million as of December 31, 2017. The remaining term of each residual value guarantee is equal to the term of the underlying lease that ranges from less than one year to four years. Historically, the Company has not made any material payments pursuant to these guarantees.

Related to the sale of LBL on April 1, 2014, ALIC agreed to indemnify Resolution Life Holdings, Inc. in connection with certain representations, warranties and covenants of ALIC, and certain liabilities specifically excluded from the transaction, subject to specific contractual limitations regarding ALIC'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 disposal through reinsurance of substantially all of its variable annuity business to Prudential in 2006, the Company and its consolidated subsidiaries, ALIC and ALNY, have agreed to indemnify Prudential for certain pre-closing contingent liabilities (including extra-contractual liabilities of ALIC and ALNY and liabilities specifically excluded from the transaction) that ALIC and ALNY have agreed to retain. In addition, the Company, ALIC and ALNY will each indemnify Prudential for certain post-closing liabilities that may arise from the acts of ALIC, ALNY and their agents, including certain liabilities arising from ALIC's and ALNY's provision of transition services. The reinsurance agreements contain no limitations or indemnifications with regard to insurance risk transfer and transferred all of the future risks and responsibilities for performance on the underlying variable annuity contracts to Prudential, including those related to benefit guarantees. Management does not believe this agreement will have a material effect on results of operations, cash flows or financial position of the Company.

In the normal course of business, the Company provides standard indemnifications to contractual counterparties in connection with numerous transactions, including acquisitions and divestitures. The types of indemnifications typically provided include indemnifications for breaches of representations and warranties, taxes and certain other liabilities, such as third party lawsuits. The indemnification clauses are often standard contractual terms and are entered into in the normal course of business based on an assessment that the risk of loss would be remote. The terms of the indemnifications vary in duration and nature. In many cases, the maximum obligation is not explicitly stated and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur. Consequently, the maximum amount of the obligation under such indemnifications is not determinable. Historically, the Company has not made any material payments pursuant to these obligations.

The aggregate liability balance related to all guarantees was not material as of December 31, 2017.

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 agent and broker compensation, regulate the nature of and amount of investments, impose fines and penalties for unintended errors or mistakes, 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 and other organizations, including but not limited to the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Department of Labor, 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 $240 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 litigating a class action case in California in which the plaintiffs allege off-the-clock wage and hour claims. Plaintiffs seek recovery of unpaid compensation, liquidated damages, penalties, and attorneys' fees and costs.

The case of *Jack Jimenez, et al. v. Allstate Insurance Company* was filed in the U.S. District Court for the Central District of California in September 2010. The plaintiffs allege that they worked off-the-clock; they also allege other California Labor Code violations resulting from purported unpaid overtime. In April 2012, the court certified a class that includes all adjusters in the state of California, except auto field adjusters, from September 29, 2006 to final judgment. Allstate appealed the court's decision to certify the class, first to the Ninth Circuit Court of Appeals and then to the U.S. Supreme Court. The case was scheduled for trial on September 27, 2016. On May 4, 2016, the court vacated that trial date in part because the court had not approved a trial plan. No trial date has been scheduled because the parties continue to wait for the court's approval of a trial plan.

In addition to the California class action, the case of *Maria Victoria Perez and Kaela Brown, et al. v. Allstate Insurance Company* was filed in the U.S. District Court for the Eastern District of New York. Plaintiffs allege that no-fault claim adjusters have been improperly classified as exempt employees under New York Labor Law and the Fair Labor Standards Act. The case was filed in April 2011, and the plaintiffs are seeking unpaid wages, liquidated damages, injunctive relief, compensatory and punitive damages, and attorneys' fees. On September 16, 2014, the court certified a class of no-fault adjusters under New York Labor Law and refused to decertify a Fair Labor Standards Act class of no-fault adjusters. There are 105 members of the Fair Labor Standards Act class and 137 members of the New York Labor Law class. The parties are concluding discovery and preparing to seek court approval to file motions for summary judgment.

Other proceedings The Company is defending a consolidated proceeding relating to the reorganization of its agent sales force in 2000, when the Company discontinued employee agent programs, terminated the contracts of its employee agents, and offered those agents the opportunity to become Allstate Exclusive Agent independent contractors or to take severance benefits in exchange for a release of claims. The consolidated proceeding, captioned *Gene Romero, et al. v. Allstate Insurance Company, et al.*, is pending in the United States District Court for the Eastern District of Pennsylvania.

This matter has a long and complex history, only relevant portions of which are summarized here. The case began in 2001 as two separate putative class actions filed by approximately 32 former employee agents. In one case, plaintiffs challenged the reorganization alleging claims under the Age Discrimination in Employment Act ("ADEA"), interference with benefits under ERISA, breach of contract, and breach of fiduciary duty. Plaintiffs also challenged the release of claims on various grounds including alleging that the release was retaliatory under the ADEA and ERISA. In the other case, plaintiffs challenged certain amendments to the Agents Pension Plan and sought to have service as Exclusive Agent independent contractors count toward eligibility for benefits. Plaintiffs sought various relief, including back pay, compensatory and punitive damages, liquidated damages, lost investment capital, loss of benefits, repeal of the challenged plan amendments and attorneys' fees.

In February, 2014, the court addressed the validity and enforceability of the release and determined that the question of whether the releases were voluntarily signed raised disputed issues of fact to be resolved at trial. The court also held that the release, if valid, would bar all claims. In late 2014, the court denied plaintiffs' motion to certify a class for purposes of determining whether the releases were signed voluntarily and ordered that all statutes of limitations would resume running, after which approximately 460 additional individual plaintiffs filed separate similar lawsuits or sought to intervene.

A jury trial was held in June, 2015, to determine whether the releases of ten plaintiffs were knowingly and voluntarily signed. The jury found that two plaintiffs signed their releases voluntarily and eight plaintiffs did not.

On May 2, 2016, a consolidated amended complaint was filed on behalf of 498 plaintiffs, most of whom had previously filed separate lawsuits or intervened. On July 6, 2016, the court denied the Company's motion to dismiss plaintiffs' state law breach of contract and fiduciary duty claims but granted dismissal of plaintiffs' retaliation claims under the ADEA and ERISA challenging the release of claims.

The court then separated the case into phases to address "common issues" in plaintiffs' claims, beginning with: (a) "Phase I" addressing claims by 118 plaintiffs alleging that certain plan amendments violated ERISA's anti-cutback provision by eliminating an accrued benefit and (b) "Phase II" addressing all plaintiffs' claims for alleged interference with employee benefits under ERISA and disparate impact under the ADEA.

A bench trial on Phase I claims was held in December, 2016. The court ruled that (i) the Company's 1991 amendments to the Plan did not violate ERISA by improperly cutting back on plaintiffs' benefits, and (ii) the Company's interpretation of the Plan's definition of "retire" violated ERISA's anti-cutback rule. The court required the parties to provide further information, in the form of an accounting, to determine whether any plaintiffs suffered a loss based on any such cutback. Plaintiffs have asserted that only two of the 118 plaintiffs suffered a loss as a result of the court's order. The Company contends that no plaintiff suffered a compensable loss and that judgment should be entered in favor of the Company. We await a final ruling by the court.

In Phase II, the court granted the Company's motion for summary judgment on both the ADEA disparate impact and ERISA interference with benefits claims. This ruling resolved these claims in the trial court as to all plaintiffs.

In June, 2017, the court entered an order establishing Phases III and IV of the litigation. In Phase III, the remaining claims of the eight individual plaintiffs who reside in the Eastern District of Pennsylvania were to be litigated, possibly culminating in two separate jury trials in early 2018. The Company filed several motions for summary judgment on the Phase III claims. The court granted the Company's motion as to the Phase III plaintiffs' ADEA disparate treatment claims and as to a retaliation claim that had been asserted by one of the Phase III plaintiffs. The court denied the Company's motion on the Phase III plaintiffs' breach of contract and breach of fiduciary duty claims.

The Company and 85 individual plaintiffs, including all eight of the Phase III plaintiffs whose remaining claims were set for trial in early 2018, reached agreements in principle to settle all claims of those plaintiffs on a confidential basis, subject to negotiating and executing appropriate written settlement agreements. Four other plaintiffs have voluntarily dismissed their claims leaving 410 plaintiffs in this litigation.

The parties have substantially completed written discovery relating to the claims of the remaining plaintiffs (Phase IV of the litigation). On January 30, 2018, the court decided two separate summary judgment motions filed by the Company with respect to the Phase IV claims. The court (i) granted summary judgment in the Company's favor on the claims by twenty-seven Phase IV plaintiffs alleging that the Company improperly retaliated against them by filing counterclaims to their original complaint; and (ii) declined to decide whether the remaining Phase IV plaintiffs' age discrimination (disparate treatment) claims should be dismissed due to plaintiffs' failure to exhaust administrative remedies, finding that this is not a common issue. The court has yet to decide the proper venue for resolution of the remaining plaintiffs' individual claims.

The final resolution of these matters is subject to various uncertainties and complexities including how trials, post-trial motions, possible appeals with respect to the validity of the release, and any rulings on the merits will be resolved.

The below shareholder derivative action is disclosed pursuant to SEC disclosure requirements for these types of matters, and the putative class action has been disclosed because both matters involve similar allegations. On August 3, 2017, a plaintiff alleging to be a stockholder in the Company filed a shareholder derivative complaint in the Circuit Court for Cook County, Chancery Division. The action is styled *Biefeldt v. Wilson, et al.*, Case No. 2017 CH 10676 (Cook County, Ill.). In the complaint, plaintiff purports to assert claims on behalf of the Company for alleged breaches of fiduciary duty based on allegations that are similar to those asserted in the securities action described below. The complaint names as defendants the Company's chairman and chief executive officer, its former president, who retired on February 23, 2018, its former chief financial officer, who is now the Company's vice chairman and the members of the board of directors during the period of the alleged misstatements or omissions regarding auto claims frequency. Defendants filed a motion to dismiss the complaint on November 13, 2017. The complaint seeks, on behalf of the Company, an unspecified amount of damages and various forms of equitable relief.

In November 2016, a putative class action was filed in the United States District Court for the Northern District of Illinois against the Company and several of its officers asserting claims under the federal securities laws. The action is titled *In re The Allstate Corp. Securities Litigation*, No. 1:16-cv-10510 (N.D. Ill.). In March 2017, lead plaintiffs filed a consolidated amended complaint. In the complaint, 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 during the period from October 29, 2014 to August 3, 2015. The complaint further alleges that a senior officer engaged in stock option exercises and sales during that time allegedly while in possession of information about claim frequency that had not been disclosed. The consolidated amended complaint names as defendants the Company, its chairman and chief executive officer and its former president. Plaintiffs assert claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On June 1, 2017, all defendants filed motions to dismiss the consolidated amended complaint for failure to state a claim. Briefing on the motion was completed in September 2017. The Company and the other defendants dispute plaintiffs' allegations that there was any misstatement or omission or other misconduct. The complaint seeks an unspecified amount of damages, costs and attorney's fees and such other relief as the court deems appropriate.

Asbestos and environmental

Management believes its net loss reserves for asbestos, environmental and other discontinued lines exposures are appropriately established based on available facts, technology, laws and regulations. However, establishing net loss reserves for asbestos, environmental and other discontinued lines claims is subject to uncertainties that are much greater than those presented by other types of claims. The ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimate. Among the complications are lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure and unresolved legal issues regarding policy coverage; unresolved legal issues regarding the determination, availability and timing of exhaustion of policy limits; plaintiffs' evolving and expanding theories of liability; availability and collectability of recoveries from reinsurance; retrospectively determined premiums and other contractual agreements; estimates of the extent and timing of any contractual liability; the impact of bankruptcy protection sought by various asbestos producers and other asbestos defendants; and other uncertainties. There are also complex legal issues concerning the interpretation of various insurance policy provisions and whether those losses are covered, or were ever intended to be covered, and could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements. Courts have reached different and sometimes inconsistent conclusions as to when losses are deemed to have occurred and which policies provide coverage; what types of losses are covered; whether there is an insurer obligation to defend; how policy limits are determined; how policy exclusions and conditions are applied and interpreted; and whether clean-up costs represent insured property damage. Further, insurers and claims administrators acting on behalf of insurers are increasingly pursuing evolving and expanding theories of reinsurance coverage for asbestos and environmental losses. Adjudication of reinsurance coverage is predominately decided in confidential arbitration proceedings which may have limited precedential or predictive value further complicating management's ability to estimate probable loss for reinsured asbestos and environmental claims. Management believes these issues are not likely to be resolved in the near future, and the ultimate costs may vary materially from the amounts currently recorded resulting in material changes in loss reserves. In addition, while the Company believes that improved actuarial techniques and databases have assisted in its ability to estimate asbestos, environmental, and other discontinued lines net loss reserves, these refinements may subsequently prove to be inadequate indicators of the extent of probable losses. Due to the uncertainties and factors described above, management believes it is not practicable to develop a meaningful range for any such additional net loss reserves that may be required.

Note 15 Income Taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. Tax liabilities and benefits realized by the consolidated group are allocated as generated by the respective entities.

The Internal Revenue Service ("IRS") is currently examining the Company's 2013 and 2014 federal income tax returns and the exam is expected to be complete in the first quarter of 2018. The IRS has also begun their examination of the Company's 2015 and 2016 federal income tax returns. The Company's tax years prior to 2013 have been examined by the IRS and the statute of limitations has expired on those years. Any adjustments that may result from IRS examinations of the Company's tax returns are not expected to have a material effect on the results of operations, cash flows or financial position of the Company.

Tax Reform On December 22, 2017, Public Law 115-97, known as the Tax Cuts and Jobs Act of 2017 ("Tax Legislation") became effective. The Tax Legislation impacts the Company generally in four areas:

1. Amends the U.S. Internal Revenue Code of 1986, as amended, which among other items, permanently reduces the corporate income tax rate from a maximum of 35% to 21% beginning January 1, 2018.
2. Changes international taxation to a modified territorial tax system whereby profits from non-U.S. subsidiaries will generally be taxed only in their local jurisdictions.
3. Contains several other provisions, such as limitations of deductibility of executive compensation, meals and entertainment and lobbying expenses and changes to the dividends received deduction.
4. Affects the timing of certain tax deductions for reserves and deferred acquisition costs, but does not impact the Company's overall income tax expense.

Deferred income taxes result from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are adjusted through income tax expense as changes in tax laws or rates are enacted.

The Company revalued its deferred tax assets and liabilities at the new corporate income tax rate. The transition to the modified territorial system for international taxation required the Company to recognize a liability in 2017 based on non-U.S. income from international subsidiaries that had not been repatriated to their U.S. parent company (the "Transition Tax"). The Company recorded a net tax benefit of $506 million, recognized as a reduction to income tax expense in the Company's Consolidated Statements of Operations for the year ended December 31, 2017. The net benefit was primarily due to re-measurement of the Company's deferred tax assets and liabilities, partially offset by the impact of the transition tax on deemed repatriation of deferred non-U.S. income. The Company's effective income tax rate for 2017 was 20.1% and included this one-time benefit of 12.7%.

The impact of the Tax Legislation may differ from the Company's preliminary estimates due to, among other things, changes in interpretations and assumptions the Company has made, guidance that may be issued and actions the Company may take as a result of the Tax Legislation. The transition tax calculation and the tax expense related to the rate differential on the deferred tax assets and liabilities of the foreign subsidiaries are based on estimated amounts. Any potential adjustments made could be material in relation to the preliminary estimates recorded.

Reconciliation of the change in the amount of unrecognized tax benefits

($ in millions)	For the years ended December 31, 2017	2016	2015
Balance – beginning of year	$ 10	$ 7	$ —
Increase for tax positions taken in a prior year	34	—	4
Increase for tax positions taken in the current year	11	3	3
Balance – end of year	**$ 55**	**$ 10**	**$ 7**

The Company believes it is reasonably possible that the liability balance will not significantly increase within the next twelve months.

The Company recognizes interest accrued related to unrecognized tax benefits in income tax expense. The Company did not record interest income or expense relating to unrecognized tax benefits in income tax expense in 2017, 2016 or 2015. As of December 31, 2017 and 2016, there was no interest accrued with respect to unrecognized tax benefits. No amounts have been accrued for penalties.

Components of the deferred income tax assets and liabilities [(1)]

($ in millions)	As of December 31, 2017	2016
Deferred assets		
Unearned premium reserves	$ 545	$ 819
Accrued compensation	137	203
Pension	86	294
Discount on loss reserves	53	188
Net operating loss carryover	50	15
Other assets	49	103
Other postretirement benefits	48	64
Difference in tax bases of invested assets	—	78
Total deferred assets	**968**	**1,764**
Deferred liabilities		
DAC	(770)	(1,211)
Unrealized net capital gains	(422)	(529)
Life and annuity reserves	(241)	(324)
Intangible assets	(113)	(29)
Difference in tax bases of invested assets	(106)	—
Other liabilities	(98)	(158)
Total deferred liabilities	**(1,750)**	**(2,251)**
Net deferred liability	**$ (782)**	**$ (487)**

[(1)] Changes in deferred tax assets and liabilities primarily relate to the Tax Legislation.

Although realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized based on the Company's assessment that the deductions ultimately recognized for tax purposes will be fully utilized. As of December 31, 2017, the Company has net operating loss carryforwards of $238 million. The Tax Legislation eliminated the 20-year limitation on carryforwards and made the carryforward period indefinite.

Components of income tax expense

($ in millions)	For the years ended December 31, 2017	2016	2015
Current	$ 1,018	$ 654	$ 1,033
Deferred	(216)	223	78
Total income tax expense	**$ 802**	**$ 877**	**$ 1,111**

The Company paid income taxes of $968 million, $359 million and $1.07 billion in 2017, 2016 and 2015, respectively.

The Company had current income tax payable of $44 million and $135 million as of December 31, 2017 and 2016, respectively.

Reconciliation of the statutory federal income tax rate to the effective income tax rate

	For the years ended December 31, 2017	2016	2015
Statutory federal income tax rate on income from operations	35.0%	35.0%	35.0%
Tax Legislation benefit	(12.7)	—	—
Share-based payments [(1)]	(1.6)	—	—
Tax-exempt income	(0.8)	(1.2)	(1.0)
Tax credits	(0.9)	(1.2)	(0.9)
Non-deductible goodwill impairment	1.1	—	—
Other [(2)]	—	(0.7)	0.8
Effective income tax rate on income from operations	**20.1%**	**31.9%**	**33.9%**

(1) Includes a tax benefit of $63 million related to the 2017 adoption of the new accounting standard for share-based payments.

(2) Includes $45 million of income tax expense related to the change in accounting guidance for investments in qualified affordable housing projects adopted in 2015.

Note 16 Statutory Financial Information and Dividend Limitations

Allstate's domestic property and casualty and life insurance subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the insurance department of the applicable state of domicile. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

All states require domiciled insurance companies to prepare statutory-basis financial statements in conformity with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the applicable insurance commissioner and/or director. Statutory accounting practices differ from GAAP primarily since they require charging policy acquisition and certain sales inducement costs to expense as incurred, establishing life insurance reserves based on different actuarial assumptions, and valuing certain investments and establishing deferred taxes on a different basis.

Statutory net income (loss) and capital and surplus of Allstate's domestic insurance subsidiaries

	Net income (loss)			Capital and surplus	
($ in millions)	**2017**	**2016**	**2015**	**2017**	**2016**
Amounts by major business type:					
Property and casualty insurance	$ 3,050	$ 1,520	$ 1,826	$ 14,903	$ 13,436
Life insurance, annuities and voluntary accident and health insurance	327	197	(56)	3,727	3,383
Amount per statutory accounting practices	**$ 3,377**	**$ 1,717**	**$ 1,770**	**$ 18,630**	**$ 16,819**

Dividend Limitations

There are no regulatory restrictions that limit the payment of dividends by the Corporation, except those generally applicable to corporations incorporated in Delaware. Dividends are payable only out of certain components of shareholders' equity as permitted by Delaware law. However, the ability of the Corporation to pay dividends is dependent on business conditions, income, cash requirements of the Company, receipt of dividends from AIC and other relevant factors.

The payment of shareholder dividends by AIC without the prior approval of the Illinois Department of Insurance ("IL DOI") is limited to formula amounts based on net income and capital and surplus, determined in conformity with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. AIC paid dividends of $1.56 billion in 2017. The maximum amount of dividends AIC will be able to pay without prior IL DOI approval at a given point in time during 2018 is $2.87 billion, less dividends paid during the preceding twelve months measured at that point in time. The payment of a dividend in excess of this amount requires 30 days advance written notice to the IL DOI. The dividend is deemed approved, unless the IL DOI disapproves it within the 30 day notice period. Additionally, any dividend must be paid out of unassigned surplus excluding unrealized appreciation from investments, which for AIC totaled $11.04 billion as of December 31, 2017, and cannot result in capital and surplus being less than the minimum amount required by law.

Under state insurance laws, insurance companies are required to maintain paid up capital of not less than the minimum capital requirement applicable to the types of insurance they are authorized to write. Insurance companies are also subject to risk-based capital ("RBC") requirements adopted by state insurance regulators. A company's "authorized control level RBC" is calculated using various factors applied to certain financial balances and activity. Companies that do not maintain adjusted statutory capital and surplus at a level in excess of the company action level RBC, which is two times authorized control level RBC, are required to take specified actions. Company action level RBC is significantly in excess of the minimum capital requirements. Total adjusted statutory capital and surplus and authorized control level RBC of AIC were $17.70 billion and $2.80 billion, respectively, as of December 31, 2017. Substantially all of the Corporation's insurance subsidiaries are subsidiaries of and/or reinsure all of their business to AIC, including ALIC. AIC's subsidiaries are included as a component of AIC's total statutory capital and surplus.

The amount of restricted net assets, as represented by the Corporation's investment in its insurance subsidiaries, was $26 billion as of December 31, 2017.

Intercompany transactions

Notification and approval of intercompany lending activities is also required by the IL DOI for transactions that exceed a level that is based on a formula using statutory admitted assets and statutory surplus.

Note 17 Benefit Plans

Pension and other postretirement plans

Defined benefit pension plans cover most full-time employees, certain part-time employees and employee-agents. Benefits under the pension plans are based upon the employee's length of service, eligible annual compensation and, prior to January 1, 2014, either a cash balance or final average pay formula. A cash balance formula applies to all eligible employees hired after August 1, 2002. Eligible employees hired before August 1, 2002 chose between the cash balance formula and the final average pay formula. In July 2013, the Company amended its primary plans effective January 1, 2014 to introduce a new cash balance formula to replace the previous formulas (including the final average pay formula and the previous cash balance formula) under which eligible employees accrue benefits.

The Company also provides a medical coverage subsidy for eligible employees hired before January 1, 2003, including their eligible dependents, when they retire and certain life insurance benefits for eligible retirees ("postretirement benefits"). In July 2013, the Company amended the plan to eliminate the life insurance benefits effective January 1, 2014 for current eligible employees and effective January 1, 2016 for eligible retirees who retired after 1989. In 2017, the Company continues to pay life insurance premiums for certain retiree plaintiffs subject to a court order requiring it to do so until such time as their lawsuit seeking to keep their life insurance benefits intact is resolved. Qualified employees may become eligible for a medical subsidy if they retire in accordance with the terms of the applicable plans and are continuously insured under the Company's group plans or other approved plans in accordance with the plan's participation requirements. The Company shares the cost of retiree medical benefits with non Medicare-eligible retirees based on years of service, with the Company's share being subject to a 5% limit on future annual medical cost inflation after retirement. For Medicare-eligible retirees, the Company provides a fixed Company contribution based on years of service and other factors, which is not subject to adjustments for inflation.

The Company has reserved the right to modify or terminate its benefit plans at any time and for any reason.

Obligations and funded status

The Company calculates benefit obligations based upon generally accepted actuarial methodologies using the projected benefit obligation ("PBO") for pension plans and the accumulated postretirement benefit obligation ("APBO") for other postretirement plans. The determination of pension costs and other postretirement obligations are determined using a December 31 measurement date. The benefit obligations represent the actuarial present value of all benefits attributed to employee service rendered as of the measurement date. The PBO is measured using the pension benefit formulas and assumptions as to future compensation levels. A plan's funded status is calculated as the difference between the benefit obligation and the fair value of plan assets. The Company's funding policy for the pension plans is to make contributions at a level in accordance with regulations under the Internal Revenue Code ("IRC") and generally accepted actuarial principles. The Company's other postretirement benefit plans are not funded.

Components of the pension and other postretirement plans' funded status reflected in the Consolidated Statements of Financial Position

	As of December 31,			
	Pension benefits		Postretirement benefits	
($ in millions)	**2017**	**2016**	**2017**	**2016**
Fair value of plan assets	$ 6,284	$ 5,650	$ —	$ —
Less: Benefit obligation	6,815	6,591	386	373
Funded status	**$ (531)**	**$ (941)**	**$ (386)**	**$ (373)**
Items not yet recognized as a component of net periodic cost:				
Net actuarial loss (gain)	$ 2,224	$ 2,807	$ (218)	$ (251)
Prior service credit	(254)	(310)	(37)	(62)
Unrecognized pension and other postretirement benefit cost, pre-tax	**1,970**	**2,497**	**(255)**	**(313)**
Deferred income tax [1]	(419)	(874)	51	109
Unrecognized pension and other postretirement benefit cost	**$ 1,551**	**$ 1,623**	**$ (204)**	**$ (204)**

[1] Components of the pension plan and other postretirement benefits were reduced by deferred income taxes at the newly enacted 21% U.S. corporate tax rate as of December 31, 2017 and 35% as of December 31, 2016.

The $583 million decrease in the pension net actuarial loss during 2017 is primarily related to gains from favorable asset performance, a settlement loss and the amortization of unrecognized pension costs to net periodic pension cost, partially offset by a decrease in the discount rate and lump sum conversion rates. The majority of the $2.22 billion net actuarial pension benefit losses not yet recognized in 2017 reflects decreases in the discount rate. The $33 million decrease in the OPEB net actuarial gain during 2017 primarily related to amortization of net actuarial gains.

The primary qualified employee plan represents 73% of the pension benefits' underfunded status as of December 31, 2017.

The change in items not yet recognized as a component of net periodic cost is recorded in unrecognized pension and other postretirement benefit cost.

Changes in items not yet recognized as a component of net periodic cost

($ in millions)	**Pension benefits**	**Postretirement benefits**
Items not yet recognized as a component of net periodic cost – December 31, 2016	$ 2,497	$ (313)
Net actuarial (gain) loss arising during the period	(247)	8
Net actuarial (loss) gain amortized to net periodic benefit cost	(342)	24
Prior service credit amortized to net periodic benefit cost	56	25
Translation adjustment and other	6	1
Items not yet recognized as a component of net periodic cost – December 31, 2017	**$ 1,970**	**$ (255)**

The net actuarial loss (gain) and prior service credit is recognized as a component of net periodic cost amortized over the average remaining service period of active employees expected to receive benefits.

Estimates of 2018 net actuarial loss (gain) and prior service credit

($ in millions)	**Pension benefits**	**Postretirement benefits**
Net actuarial loss (gain)	$ 177	$ (22)
Prior service credit	(56)	(22)

The accumulated benefit obligation ("ABO") for all defined benefit pension plans was $6.74 billion and $6.52 billion as of December 31, 2017 and 2016, respectively. The ABO is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered at the measurement date. However, it differs from the PBO due to the exclusion of an assumption as to future compensation levels.

The PBO, ABO and fair value of plan assets for the Company's pension plans with an ABO in excess of plan assets were $6.42 billion, $6.36 billion and $5.89 billion, respectively, as of December 31, 2017 and $6.24 billion, $6.18 billion and $5.30 billion, respectively, as of December 31, 2016. Included in the accrued benefit cost of the pension benefits are certain unfunded non-qualified plans with accrued benefit costs of $140 million and $141 million for 2017 and 2016, respectively.

Changes in benefit obligations for all plans

($ in millions)	Pension benefits 2017	Pension benefits 2016	Postretirement benefits 2017	Postretirement benefits 2016
Benefit obligation, beginning of year	$ 6,591	$ 6,130	$ 373	$ 405
Service cost	114	113	8	9
Interest cost	264	286	15	17
Participant contributions	—	1	12	16
Actuarial loss (gain)	395	387	8	(14)
Benefits paid [1]	(553)	(301)	(35)	(41)
Plan amendments	—	—	—	(22)
Translation adjustment and other	4	(25)	5	3
Benefit obligation, end of year	**$ 6,815**	**$ 6,591**	**$ 386**	**$ 373**

[1] Benefits paid include lump sum distributions, a portion of which triggered settlement accounting treatment.

Components of net periodic cost

($ in millions)	For the years ended December 31, Pension benefits 2017	Pension benefits 2016	Pension benefits 2015	Postretirement benefits 2017	Postretirement benefits 2016	Postretirement benefits 2015
Service cost	$ 114	$ 113	$ 114	$ 8	$ 9	$ 12
Interest cost	264	286	258	15	17	23
Expected return on plan assets	(409)	(398)	(424)	—	—	—
Amortization of:						
Prior service credit	(56)	(56)	(56)	(25)	(21)	(22)
Net actuarial loss (gain)	189	174	190	(24)	(24)	(9)
Settlement loss	153	27	31	—	—	—
Net periodic cost (credit)	**$ 255**	**$ 146**	**$ 113**	**$ (26)**	**$ (19)**	**$ 4**

The service cost component is the actuarial present value of the benefits attributed by the plans' benefit formula to services rendered by the employees during the period. Interest cost is the increase in the PBO in the period due to the passage of time at the discount rate. Interest cost fluctuates as the discount rate changes and is also impacted by the related change in the size of the PBO. The decrease or increase in the PBO due to an increase or decrease in the discount rate is deferred and decreases or increases the net actuarial loss. It is recorded in AOCI as unrecognized pension benefit cost and may be amortized.

The expected return on plan assets is determined as the product of the expected long-term rate of return on plan assets and the adjusted fair value of plan assets, referred to as the market-related value of plan assets. To determine the market-related value, the fair value of plan assets is adjusted annually so that differences between changes in the fair value of equity securities and the expected long-term rate of return on these securities are recognized into the market-related value of plan assets over a five-year period. We believe this is consistent with the long-term nature of pension obligations.

When the actual return on plan assets exceeds the expected return it reduces the net actuarial loss recorded in AOCI; when the expected return exceeds the actual return it increases the net actuarial loss. These amounts are recorded in AOCI as unrecognized pension benefit cost and may be amortized. The market-related value adjustment represents the current difference between actual returns and expected returns on equity securities and hedge fund limited partnerships recognized over a five-year period. The market-related value adjustment is a deferred net gain of $403 million as of December 31, 2017. The expected return on plan assets fluctuates when the market-related value of plan assets changes and when the expected long-term rate of return on plan assets assumption changes.

Net actuarial loss fluctuations are due to changes in discount rate, differences between actual return on plan assets and expected long-term rate of return on plan assets, and differences between actual plan experience and other actuarial assumptions when there is an excess sufficient to qualify for amortization.

Amortization of net actuarial loss in pension cost is recorded when the net actuarial loss excluding the unamortized market-related value adjustment exceeds 10% of the greater of the PBO or the market-related value of plan assets. The amount of amortization is equal to the excess divided by the average remaining service period for active employees for each plan, which approximates 10 years for Allstate's largest plan. As a result, the effect of changes in the PBO due to changes in the discount rate and changes in the fair value of plan assets may be experienced in our net periodic pension cost in periods subsequent to those in which the fluctuations actually occur.

Settlement losses are non-cash charges that accelerate the recognition of unrecognized pension benefit cost that would have been incurred in subsequent periods, when plan payments, primarily lump sums from qualified pension plans, exceed a threshold of service plus interest cost for the period. The value of lump sums paid in 2017 was higher than in

2016 and exceeded the settlement charge threshold, in the primary employee plan, due to higher-than-expected retirement levels, higher prescribed IRS lump sum interest rates that reduce future benefit lump sum payments and reductions in force. As a result, a pension settlement loss of $122 million, pre-tax, was recorded as part of operating costs and expenses in the Corporate and Other segment.

Weighted average assumptions used to determine net pension cost and net postretirement benefit cost

	For the years ended December 31,					
	Pension benefits			Postretirement benefits		
($ in millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Discount rate	4.15%	4.83%	4.10%	3.63%	4.59%	3.97%
Rate of increase in compensation levels	3.20	3.20	3.50	n/a	n/a	n/a
Expected long-term rate of return on plan assets	7.31	7.30	7.33	n/a	n/a	n/a

Weighted average assumptions used to determine benefit obligations

	For the years ended December 31,			
	Pension benefits		Postretirement benefits	
	2017	**2016**	**2017**	**2016**
Discount rate	3.68%	4.15%	4.06%	4.07%
Rate of increase in compensation levels	3.20	3.20	n/a	n/a

The weighted average health care cost trend rate used in measuring the accumulated postretirement benefit cost is 6.1% for 2018, gradually declining to 4.5% in 2038 and remaining at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement health care plans. A one percentage-point increase in assumed health care cost trend rates would increase the total of the service and interest cost components of net periodic benefit cost of other postretirement benefits and APBO by $2 million and $26 million, respectively. A one percentage-point decrease in assumed health care cost trend rates would decrease the total of the service and interest cost components of net periodic benefit cost of other postretirement benefits and APBO by $2 million and $23 million, respectively.

Pension plan assets

Change in pension plan assets

	For the years ended December 31,	
($ in millions)	**2017**	**2016**
Fair value of plan assets, beginning of year	$ 5,650	$ 5,353
Actual return on plan assets	1,051	491
Employer contribution	131	131
Benefits paid	(553)	(301)
Translation adjustment and other	5	(24)
Fair value of plan assets, end of year	**$ 6,284**	**$ 5,650**

In general, the Company's pension plan assets are managed in accordance with investment policies approved by pension investment committees. The purpose of the policies is to ensure the plans' long-term ability to meet benefit obligations by prudently investing plan assets and Company contributions, while taking into consideration regulatory and legal requirements and current market conditions. The investment policies are reviewed periodically and specify target plan asset allocation by asset category. In addition, the policies specify various asset allocation and other risk limits. The target asset allocation takes the plans' funding status into consideration, among other factors, including anticipated demographic changes or liquidity requirements that may affect the funding status such as the potential impact of lump sum settlements as well as existing or expected market conditions. In general, the allocation has a lower overall investment risk when a plan is in a stronger funded status position since there is less economic incentive to take risk to increase the expected returns on the plan assets. As a result, the primary employee plan has a greater allocation to equity securities than the employee-agent plan. The primary qualified employee plan comprises 81% of total plan assets and 86% of equity securities. The pension plans' asset exposure within each asset category is tracked against widely accepted established benchmarks for each asset class with limits on variation from the benchmark established in the investment policy. Pension plan assets are regularly monitored for compliance with these limits and other risk limits specified in the investment policies.

Weighted average target asset allocation and actual percentage of plan assets by asset category

	As of December 31, 2017		
	Target asset allocation [1]	Actual percentage of plan assets	
Pension plan's asset category	**2017**	**2017**	**2016**
Equity securities [2]	43 - 62%	58%	62%
Fixed income securities	34 - 44%	34	29
Limited partnership interests	0 - 13%	6	7
Short-term investments and other	—	2	2
Total without securities lending [3]		**100%**	**100%**

(1) The target asset allocation considers risk based exposure while the actual percentage of plan assets utilizes a financial reporting view excluding exposure provided through derivatives.

(2) The actual percentage of plan assets for equity securities include private equity investments that are subject to the limited partnership interests target allocation of 2% and 1% in 2017 and 2016, respectively, fixed income mutual funds that are subject to the fixed income securities target allocation of 3% for both 2017 and 2016 as well as 1% of equity exposure created through a derivative which is not included in the actual allocations in 2017.

(3) Securities lending collateral reinvestment of $202 million and $143 million is excluded from the table above in 2017 and 2016, respectively.

The target asset allocation for an asset category may be achieved either through direct investment holdings, through replication using derivative instruments (e.g., futures or swaps) or net of hedges using derivative instruments to reduce exposure to an asset category. The net notional amount of derivatives used for replication and hedges is limited to 105% or 115% of total plan assets depending on the plan. Market performance of the different asset categories may, from time to time, cause deviation from the target asset allocation. The asset allocation mix is reviewed on a periodic basis and rebalanced to bring the allocation within the target ranges.

Outside the target asset allocation, the pension plans participate in a securities lending program to enhance returns. As of December 31, 2017, U.S. government fixed income securities and U.S. equity securities are lent out and cash collateral is invested in short-term investments.

Fair values of pension plan assets as of December 31, 2017

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2017
Equity securities	$ 126	$ 264	$ 29	$ 419
Fixed income securities:				
U.S. government and agencies	174	420	—	594
Corporate	—	1,543	10	1,553
Short-term investments	97	197	—	294
Cash and cash equivalents	21	—	—	21
Free-standing derivatives:				
Assets	—	1	—	1
Total plan assets at fair value	**$ 418**	**$ 2,425**	**$ 39**	**2,882**
% of total plan assets at fair value	14.5%	84.1%	1.4%	100.0%
Investments measured using the net asset value practical expedient [1]				3,598
Securities lending obligation [2]				(216)
Other net plan assets [3]				20
Total reported plan assets				**$ 6,284**

(1) In 2017, the Company retrospectively adopted a new accounting standard for pension plans which eliminates the requirement to include investments in the fair value hierarchy for which fair value is measured using net asset value ("NAV") per share practical expedient. As a result, certain pension plan investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy, including the related rollforward of Level 3 plan assets presented below. These investments comprised of $3.20 billion of equity investments and $402 million of limited partnerships.

(2) The securities lending obligation represents the plan's obligation to return securities lending collateral received under a securities lending program. The terms of the program allow both the plan and the counterparty the right and ability to redeem/return the securities loaned on short notice. Due to its relatively short-term nature, the outstanding balance of the obligation approximates fair value.

(3) Other net plan assets represent interest and dividends receivable and net receivables related to settlements of investment transactions, such as purchases and sales.

Fair values of pension plan assets as of December 31, 2016

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2016
Equity securities	$ 155	$ 147	$ —	$ 302
Fixed income securities:				
U.S. government and agencies	30	285	—	315
Corporate	—	1,309	10	1,319
Short-term investments	144	121	—	265
Cash and cash equivalents	32	—	—	32
Free-standing derivatives:				
Assets	(1)	1	—	—
Total plan assets at fair value	**$ 360**	**$ 1,863**	**$ 10**	**2,233**
% of total plan assets at fair value	16.1%	83.4%	0.5%	100.0%
Investments measured using the Net Asset Value practical expedient				3,525
Securities lending obligation				(158)
Other net plan assets				50
Total reported plan assets				**$ 5,650**

The fair values of pension plan assets are estimated using the same methodologies and inputs as those used to determine the fair values for the respective asset category of the Company. These methodologies and inputs are disclosed in Note 6.

Rollforward of level 3 plan assets during December 31, 2017

($ in millions)	Balance as of December 31, 2016	Actual return on plan assets: Relating to assets sold during the period	Actual return on plan assets: Relating to assets still held at the reporting date	Purchases, sales and settlements, net	Net transfers in and/or (out) of Level 3	Balance as of December 31, 2017
Equity securities	$ —	$ —	$ —	$ 29	$ —	$ 29
Fixed income securities:						
Corporate	10	—	—	—	—	10
Total Level 3 plan assets	**$ 10**	**$ —**	**$ —**	**$ 29**	**$ —**	**$ 39**

Rollforward of level 3 plan assets during December 31, 2016

($ in millions)	Balance as of December 31, 2015	Actual return on plan assets: Relating to assets sold during the period	Actual return on plan assets: Relating to assets still held at the reporting date	Purchases, sales and settlements, net	Net transfers in and/or (out) of Level 3	Balance as of December 31, 2016
Equity securities	$ 1	$ (1)	$ —	$ —	$ —	$ —
Fixed income securities:						
Municipal	7	—	—	(7)	—	—
Corporate	10	—	—	(5)	5	10
Total Level 3 plan assets	**$ 18**	**$ (1)**	**$ —**	**$ (12)**	**$ 5**	**$ 10**

Rollforward of level 3 plan assets during December 31, 2015

($ in millions)	Balance as of December 31, 2014	Actual return on plan assets: Relating to assets sold during the period	Actual return on plan assets: Relating to assets still held at the reporting date	Purchases, sales and settlements, net	Net transfers in and/or (out) of Level 3	Balance as of December 31, 2015
Equity securities	$ 1	$ 1	$ (1)	$ —	$ —	$ 1
Fixed income securities:						
Municipal	14	—	—	(7)	—	7
Corporate	12	—	—	—	(2)	10
Total Level 3 plan assets	**$ 27**	**$ 1**	**$ (1)**	**$ (7)**	**$ (2)**	**$ 18**

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on plan assets. The Company's assumption for the expected long-term rate of return on plan assets is reviewed annually giving consideration to appropriate financial data including, but not limited to, the plan asset allocation, forward-looking expected returns for the period over which benefits will be paid, historical returns on plan assets and other relevant market data. Given the long-term forward looking nature of this assumption, the actual returns in any one year do not immediately result in a change. In giving consideration to the targeted plan asset allocation, the Company evaluated returns using the same sources it has used historically which include: historical average asset class returns from an independent nationally recognized vendor of this type of data blended together using the asset allocation policy weights for the Company's pension plans; asset class return forecasts from a large global independent asset management firm that specializes in providing multi-asset class investment fund products which were blended together using the asset allocation policy weights; and expected portfolio returns from a proprietary simulation methodology of a widely recognized external investment consulting firm that performs asset allocation and actuarial services for corporate pension plan sponsors. This same methodology has been applied on a consistent basis each year. All of these were consistent with the Company's weighted average long-term rate of return on plan assets assumption of 7.31% used for 2017 and 7.32% that will be used for 2018. The assumption for the primary qualified employee plan is 7.75% and the employee-agent plan is 5.75% for both years. The employee-agent plan assumption is lower than the primary qualified employee plan assumption due to a lower investment allocation to equity securities and a higher allocation to fixed income securities. As of the 2017 measurement date, the arithmetic average of the annual actual return on plan assets for the most recent 10 and 5 years was 6.8% and 9.9%, respectively.

Cash flows

There was no required cash contribution necessary to satisfy the minimum funding requirement under the Internal Revenue Code for the tax qualified pension plans as of December 31, 2017. The Company currently plans to contribute $133 million to its pension plans in 2018.

The Company contributed $23 million and $25 million to the postretirement benefit plans in 2017 and 2016, respectively. Contributions by participants were $12 million and $16 million in 2017 and 2016, respectively.

Estimated future benefit payments expected to be paid in the next 10 years

($ in millions)	As of December 31, 2017, Pension benefits	Postretirement benefits
2018	$ 426	$ 22
2019	463	24
2020	485	24
2021	514	25
2022	533	26
2023-2027	2,477	136
Total benefit payments	**$ 4,898**	**$ 257**

Allstate 401(k) Savings Plan

Employees of the Company, with the exception of those employed by the Company's international, SquareTrade, Esurance and Answer Financial subsidiaries, are eligible to become members of the Allstate 401(k) Savings Plan ("Allstate Plan"). The Company's contributions are based on the Company's matching obligation. The Company is responsible for funding its anticipated contribution to the Allstate Plan, and may, at the discretion of management, use the ESOP to pre-fund certain portions. In connection with the Allstate Plan, the Company has a note from the ESOP with a principal balance of $2 million as of December 31, 2017. The ESOP note has a fixed interest rate of 7.9% and matures in 2019. The Company records dividends on the ESOP shares in retained income and all the shares held by the ESOP are included in basic and diluted weighted average common shares outstanding.

The Company's contribution to the Allstate Plan was $81 million, $80 million and $79 million in 2017, 2016 and 2015, respectively. These amounts were reduced by the ESOP benefit.

ESOP benefit

($ in millions)	For the years December 31, 2017	2016	2015
Interest expense recognized by ESOP	$ —	$ 1	$ 1
Less: dividends accrued on ESOP shares	(1)	(3)	(3)
Cost of shares allocated	3	7	10
Compensation expense	**2**	**5**	**8**
Reduction of defined contribution due to ESOP	38	60	73
ESOP benefit	**$ (36)**	**$ (55)**	**$ (65)**

The Company made $1 million, $2 million and $2 million in contributions to the ESOP in 2017, 2016 and 2015, respectively. As of December 31, 2017, total committed to be released, allocated and unallocated ESOP shares were 0.4 million, 38 million and 0.4 million, respectively.

Allstate's Canadian, SquareTrade, Esurance and Answer Financial subsidiaries sponsor defined contribution plans for their eligible employees. Expense for these plans was $12 million, $10 million and $10 million in 2017, 2016 and 2015, respectively.

Note 18 Equity Incentive Plans

The Company currently has equity incentive plans under which the Company grants nonqualified stock options, restricted stock units and performance stock awards to certain employees and directors of the Company. The total compensation expense related to equity awards was $106 million, $80 million and $81 million and the total income tax benefits were $22 million, $28 million and $28 million for 2017, 2016 and 2015, respectively. Total cash received from the exercise of options was $178 million, $187 million and $187 million for 2017, 2016 and 2015, respectively. Total tax benefit realized on options exercised and the release of stock restrictions was $96 million, $61 million and $82 million for 2017, 2016 and 2015, respectively.

The Company records compensation expense related to awards under these plans over the shorter of the period in which the requisite service is rendered or retirement eligibility is attained. Compensation expense for performance share awards is based on the probable number of awards expected to vest using the performance level most likely to be achieved at the end of the performance period. As of December 31, 2017, total unrecognized compensation cost related to all nonvested awards was $84 million, of which $26 million related to nonqualified stock options which are expected to be recognized over the weighted average vesting period of 1.67 years, $25 million related to restricted stock units which are expected to be recognized over the weighted average vesting period of 1.82 years and $33 million related to performance stock awards which are expected to be recognized over the weighted average vesting period of 1.65 years.

Options are granted to employees with exercise prices equal to the closing share price of the

Company's common stock on the applicable grant date. Options granted to employees on or after February 18, 2014 vest ratably over a three-year period. Options granted prior to February 18, 2014 vest 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances. Options may be exercised once vested and will expire no later than ten years after the date of grant.

Restricted stock units for directors vest immediately and convert into shares of stock on the earlier of the day of the third anniversary of the grant date or the date the director's service terminates, unless a deferred period of restriction is elected. Restricted stock units granted to directors prior to June 1, 2016 convert upon leaving the board. Restricted stock units granted to employees on or after February 18, 2014 vest on the day prior to the third anniversary of the grant date. Awards granted to employees prior to February 18, 2014 vest 50% on the day prior to the second anniversary of the grant date and 25% on each of the days prior to the third and fourth anniversaries of the grant date. Restricted stock units granted to employees subsequently convert into shares of stock on the day of the respective anniversary of the grant date. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances.

Performance stock awards vest into shares of stock on the day prior to the third anniversary of the grant date. Vesting of the number of performance stock awards earned based on the attainment of performance goals for each of the performance periods is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances, and achievement of performance goals. Performance stock awards subsequently convert into shares of stock in full the day of the anniversary of the grant date.

A total of 98.0 million shares of common stock were authorized to be used for awards under the plans, subject to adjustment in accordance with the plans' terms. As of December 31, 2017, 18.3 million shares were reserved and remained available for future issuance under these plans. The Company uses its treasury shares for these issuances.

The fair value of each option grant is estimated on the date of grant using a binomial lattice model. The Company uses historical data to estimate option exercise and employee termination within the valuation model. In addition, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the binominal lattice model and represents the period of time that options granted are expected to be outstanding. The expected volatility of the price of the underlying shares is implied based on traded options and historical volatility of the Company's common stock. The expected dividends were based on the current dividend yield of the Company's stock as of the date of the grant. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Option grant assumptions

	2017	2016	2015
Weighted average expected term	6.1 years	5.0 years	6.5 years
Expected volatility	15.7 - 32.7%	16.0 - 34.3%	16.0 - 37.8%
Weighted average volatility	21.0%	24.3%	24.7%
Expected dividends	1.4 - 1.9%	1.9 - 2.1%	1.6 - 2.1%
Weighted average expected dividends	1.9%	2.1%	1.7%
Risk-free rate	0.5 - 2.5%	0.2 - 2.4%	0.0 - 2.4%

Summary of option activity

	For the year ended December 31, 2017			
	Number (in 000s)	Weighted average exercise price	Aggregate intrinsic value (in 000s)	Weighted average remaining contractual term (years)
Outstanding as of January 1, 2017	13,560	$ 50.01		
Granted	2,631	78.93		
Exercised	(4,688)	44.91		
Forfeited	(229)	70.85		
Expired	(12)	59.91		
Outstanding as of December 31, 2017	**11,262**	58.46	$ 520,900	6.5
Outstanding, net of expected forfeitures	11,140	58.27	517,276	6.5
Outstanding, exercisable ("vested")	6,314	47.83	359,121	5.1

The weighted average grant date fair value of options granted was $14.60, $12.25 and $15.45 during 2017, 2016 and 2015, respectively. The intrinsic value, which is the difference between the fair value and the exercise price, of options exercised was $199 million, $119 million and $117 million during 2017, 2016 and 2015, respectively.

Changes in restricted stock units

	For the year ended December 31, 2017	
	Number (in 000s)	Weighted average grant date fair value
Nonvested as of January 1, 2017	1,679	$ 58.49
Granted	333	80.12
Vested	(718)	51.42
Forfeited	(53)	69.19
Nonvested as of December 31, 2017	**1,241**	67.93

The fair value of restricted stock units is based on the market value of the Company's stock as of the date of the grant. The market value in part reflects the payment of future dividends expected. The weighted average grant date fair value of restricted stock units granted was $80.12, $63.51 and $69.25 during 2017, 2016 and 2015, respectively. The total fair value of restricted stock units vested was $58 million, $29 million and $63 million during 2017, 2016 and 2015, respectively.

Changes in performance stock awards

	For the year ended December 31, 2017	
	Number (in 000s)	Weighted average grant date fair value
Nonvested as of January 1, 2017	919	$ 61.50
Granted	458	78.47
Adjustment for performance achievement	(33)	52.75
Vested	(213)	52.52
Forfeited	(41)	69.30
Nonvested as of December 31, 2017	**1,090**	70.35

The change in PSA's comprises those initially granted in 2017 and the adjustment to previously granted PSA's for performance achievement. The fair value of performance stock awards is based on the market value of the Company's stock as of the date of the grant. The market value in part reflects the payment of future dividends expected. The weighted average grant date fair value of performance stock awards granted was $78.47, $62.32 and $70.37 during 2017, 2016 and 2015, respectively. The total fair value of performance stock awards vested was $17 million, $28 million and $56 million during 2017, 2016 and 2015, respectively.

Under the new employee share-based payment accounting standard adopted in 2017, the Company recognizes all tax effects related to share-based payments at settlement or expiration through the income statement. Prior to the adoption, the Company recognized excess tax effects through the statement of shareholders' equity. The tax benefit recognized through the statement of shareholders' equity related to tax deductions from stock option exercises was $23 million in each of 2016 and 2015. The tax benefit recognized through shareholders' equity in 2016 and 2015 related to all stock-based compensation was $30 million and $46 million, respectively.

Note 19 Supplemental Cash Flow Information

Non-cash investing activities include $106 million, $326 million and $131 million related to mergers and exchanges completed with equity securities and modifications of certain mortgage loans, fixed income securities and other investments in 2017, 2016 and 2015, respectively, and a $89 million obligation to fund a limited partnership investment in 2015. Non-cash financing activities include $43 million, $41 million and $74 million related to the issuance of Allstate common shares for vested equity awards in 2017, 2016 and 2015, respectively. Non-cash financing activities also include $90 million and $34 million related to debt acquired in conjunction with purchases of investments in 2017 and 2016, respectively.

Liabilities for collateral received in conjunction with the Company's securities lending program were $1.12 billion, $1.12 billion and $829 million as of December 31, 2017, 2016 and 2015, respectively, and are reported in other liabilities and accrued expenses. Obligations to return cash collateral for OTC and cleared derivatives were $3 million, $5 million and $11 million as of December 31, 2017, 2016 and 2015, respectively, and are reported in other liabilities and accrued expenses or other investments.

The accompanying cash flows are included in cash flows from operating activities in the Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds, which for the years ended December 31 are as follows:

($ in millions)	For the years ended December 31, 2017	2016	2015
Net change in proceeds managed			
Net change in fixed income securities	$ 259	$ (584)	$ —
Net change in short-term investments	(255)	295	(59)
Operating cash flow provided (used)	**4**	**(289)**	**(59)**
Net change in cash	1	—	1
Net change in proceeds managed	**$ 5**	**$ (289)**	**$ (58)**
Cash flows from operating activities			
Net change in liabilities			
Liabilities for collateral, beginning of year	$ (1,129)	$ (840)	$ (782)
Liabilities for collateral, end of year	(1,124)	(1,129)	(840)
Operating cash flow (used) provided	**$ (5)**	**$ 289**	**$ 58**

Note 20 Other Comprehensive Income

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

($ in millions)	2017 Pre-tax	2017 Tax	2017 After-tax	2016 Pre-tax	2016 Tax	2016 After-tax	2015 Pre-tax	2015 Tax	2015 After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 866	$ (304)	$ 562	$ 486	$ (170)	$ 316	$(1,896)	$ 663	$(1,233)
Less: reclassification adjustment of realized capital gains and losses	374	(131)	243	(180)	63	(117)	112	(39)	73
Unrealized net capital gains and losses	**492**	**(173)**	**319**	**666**	**(233)**	**433**	**(2,008)**	**702**	**(1,306)**
Unrealized foreign currency translation adjustments	**72**	**(25)**	**47**	**15**	**(5)**	**10**	**(89)**	**31**	**(58)**
Unrecognized pension and other postretirement benefit cost arising during the period	232	(79)	153	(263)	94	(169)	(64)	25	(39)
Less: reclassification adjustment of net periodic cost recognized in operating costs and expenses	(237)	83	(154)	(100)	35	(65)	(134)	47	(87)
Unrecognized pension and other postretirement benefit cost	**469**	**(162)**	**307**	**(163)**	**59**	**(104)**	**70**	**(22)**	**48**
Other comprehensive income (loss)	**$ 1,033**	**$ (360)**	**$ 673**	**$ 518**	**$ (179)**	**$ 339**	**$(2,027)**	**$ 711**	**$(1,316)**

Note 21 Quarterly Results (unaudited)

($ in millions, except per share data)	First Quarter 2017	First Quarter 2016	Second Quarter 2017	Second Quarter 2016	Third Quarter 2017	Third Quarter 2016	Fourth Quarter 2017	Fourth Quarter 2016
Revenues	$ 9,434	$ 8,871	$ 9,587	$ 9,164	$ 9,660	$ 9,221	$ 9,843	$ 9,278
Net income applicable to common shareholders	666	217	550	242	637	491	1,220	811
Net income applicable to common shareholders earnings per common share - Basic	1.82	0.57	1.51	0.65	1.76	1.32	3.41	2.20
Net income applicable to common shareholders earnings per common share - Diluted	1.79	0.57	1.49	0.64	1.74	1.31	3.35	2.18

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying Consolidated Statements of Financial Position of The Allstate Corporation and subsidiaries (the “Company”) as of December 31, 2017 and 2016, and the related Consolidated Statements of Operations, Comprehensive Income, Shareholders’ Equity, and Cash Flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission – (“COSO”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 26, 2018

We have served as the Company's auditor since 1992.

Investor Information

Corporate Headquarters/ Home Office
The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062-6127
(800) 574-3553
www.allstate.com

Annual Meeting
Shareholders of record are invited to attend the annual meeting of The Allstate Corporation on Friday, May 11, 2018, 11:00 a.m. (doors open at 10:00 a.m.) at Allstate, West Plaza Auditorium, 3100 Sanders Road, Northbrook, IL 60062

Holders of common stock of record at the close of business on March 13, 2018 are entitled to vote at the meeting. A notice of meeting, proxy statement and proxy card and/or voting instructions were provided to shareholders with this annual report.

Shareholder Services/Transfer Agent
For information or assistance regarding individual stock records, dividend reinvestment, dividend checks, 1099DIV and 1099B tax forms, direct deposit of dividend payments, or stock certificates, contact EQ Shareowner Services, in any of the following ways:

BY TELEPHONE:
(800) 355-5191 within the U.S. or
(651) 450-4064 outside the U.S.

BY MAIL:
EQ Shareowner Services
P.O. Box 64945
St. Paul, MN 55164-0945

BY CERTIFIED/OVERNIGHT MAIL:
EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

ON THE INTERNET— account information:
shareowneronline.com

Allstate 401(k) Savings Plan
For information about the Allstate 401(k) Savings Plan, call the Allstate Benefits Center at (888) 255-7772

Investor Relations
Security analysts, portfolio managers and representatives of financial institutions seeking information about the company should contact:

Investor Relations
The Allstate Corporation
2775 Sanders Road, Suite F3SE
Northbrook, IL 60062-6127
(800) 416-8803
invrel@allstate.com

Communications to the Board of Directors
Shareholders or other interested parties who wish to communicate to the Board of Directors may do so by mail or email as follows. Please let us know if you are a shareholder.

BY EMAIL:
directors@allstate.com

BY MAIL:
The Allstate Corporation
Nominating & Governance Committee
c/o General Counsel
2775 Sanders Road, Suite F7
Northbrook, IL 60062-6127

Code of Global Business Conduct
Allstate's Global Code of Business Conduct is available on the Corporate Governance section of www.allstateinvestors.com.

Corporate Responsibility
Information on Allstate's social responsibility programs is available at allstatesustainability.com.

Common Stock and Dividend Information
(in dollars)

	High	Low	Close	Dividends Declared
2017				
First Quarter	$83.09	$73.04	$81.49	$0.37
Second Quarter	90.74	79.09	88.44	0.37
Third Quarter	95.25	85.59	91.91	0.37
Fourth Quarter	105.36	90.62	104.71	0.37
2016				
First Quarter	67.92	56.03	67.37	0.33
Second Quarter	69.95	64.36	69.95	0.33
Third Quarter	70.38	67.24	69.18	0.33
Fourth Quarter	74.77	66.55	74.12	0.33

Stock price ranges are from the New York Stock Exchange Composite listing. As of 4:00 p.m. (EST) on January 31, 2018, the closing price of Allstate common stock as reported on the New York Stock Exchange was $98.77 and there were 75,863 shareholders of record.

Media Inquiries
Allstate Media Relations
2775 Sanders Road
Northbrook, IL 60062-6127
(847) 402-5600

Form 10-K, Other Reports
Shareholders may receive without charge a copy of The Allstate Corporation Form 10-K annual report (filed with the U.S. Securities and Exchange Commission) and other public financial information for the year ended December 31, 2017, by contacting:

Investor Relations
The Allstate Corporation
2775 Sanders Road, Suite F3SE
Northbrook, IL 60062-6127
(800) 416-8803
invrel@allstate.com

The Allstate Corporation's Annual Report is available online at: www.allstate.com/annualreport

Stock Exchange Listing
The Allstate Corporation common stock is listed on the New York Stock Exchange under the trading symbol "ALL." Common stock is also listed on the Chicago Stock Exchange.

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
111 South Wacker Drive
Chicago, IL 60606-4301

Online Information
You can access financial and other information about Allstate on our website, www.allstateinvestors.com, including executive speeches, investor conference calls and quarterly investor information.

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www.fsc.org

Printed on recycled paper. Soy ink used throughout.

"At Allstate, we believe sustainable businesses create profits, provide meaningful work for employees and are a force for good in their local communities. These responsibilities, embedded in Our Shared Purpose, serve as guideposts throughout the organization."

— Tom Wilson
Board Chair,
President and Chief Executive Officer

Allstate's story is about today, tomorrow and long into the future. We are a purpose-driven company, powered by purpose-driven people. Allstate's purpose is to protect people from life's uncertainties and prepare them for the future.

Profits are one measure of how effectively we harness the resources we borrow from society. Businesses also create dignity through meaningful work where people can realize their full potential and purpose in life. Business must also be a force for good, using our capabilities and resources to improve communities.

Allstate delivers on all of these components of sustainability. Our operating performance is strong, as you can see from our financial reports. We help employees pursue their purpose in life through fair compensation, inclusive diversity and personal growth.

Allstate empowers youth and victims of domestic violence. We support thousands of nonprofits in conjunction with Allstate agencies in local communities throughout America. We are a force for good.

For more, see Allstate's Sustainability Report at www.allstatesustainability.com

Design by Addison www.addison.com

Allstate
You're in good hands.

The Allstate Corporation Prosperity Report, Notice of 2018 Annual Meeting, Proxy Statement and 2017 Annual Report

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062-6127

Allstate.com/prosperityreport