Allstate
year in review

Allstate®

Growing with purpose

2020 is a year we won't forget

The pandemic has raged throughout the world for over a year, disrupting lives, families and commerce. At the same time, there are renewed calls on businesses to do more to improve Inclusive Diversity & Equity and address climate change. While large parts of our lives will go back to "pre-pandemic," the trajectory of change has been permanently altered. Allstate's long-term approach to purpose, strategy and execution will address these changes and help shape a better future for all of us.

Allstate's purpose is to empower customers, create economic value for shareholders, provide opportunity for our team and improve communities. The strategy to create Transformative Growth businesses by building a digital personal property-liability protection company and expanding the circle of protection provided to customers is gaining momentum. The story of 2020 is covered in this Year in Review, and the independent directors' perspective is in the Proxy Statement.

Allstate had significant accomplishments on multiple fronts by emphasizing long-term sustainability in 2020. Operationally, we adapted to a tumultuous environment, focusing on serving customers while generating an attractive return for shareholders. Customers were well served, receiving almost $1 billion in Shelter-in-Place Paybacks and other support to deal with the pandemic. Financial results were also attractive, with net income of $5.5 billion for the year and adjusted net income* of $4.6 billion. This represents an adjusted net income return on equity* of 19.8% for 2020.

Allstate raised the hourly minimum wage for employees from $15 to $16 or $18 based on location. This is the second increase in five years.

Over the last five years, the company has paid out $2.9 billion of common dividends and repurchased 24.9% of the common shares outstanding for $8.5 billion. At the same time, $5.9 billion was invested in growth through the acquisitions of SquareTrade, InfoArmor and National General.

Transforming existing businesses, improving Inclusive Diversity & Equity, addressing climate change and enhancing culture also have positive trajectories but are far from complete.

Transforming existing businesses

Allstate's largest and most profitable business is providing personal property-liability protection for customers' cars, homes and personal property. We are building a digital business model to provide affordable, simple and connected protection solutions while leveraging existing strengths. Affordability is being improved by lowering costs, which required reducing the workforce by approximately 9% in 2020. This enabled us to improve our competitive price position for auto insurance.

*Please see the definitions of non-GAAP measures in Appendix A of the 2021 Proxy Statement.

> **We invested $14 million in equipment that employees needed to work from home effectively.**

To fully serve customers we must do more than lower price by using our imagination to change, which is Allstate's strategy and history. Customer access was expanded by merging the Esurance and Allstate direct operations and shifting direct sales to the Allstate brand. We will ensure Allstate agents continue to grow with additional customer support, new technologies and differentiated products. The acquisition of National General is expected to increase growth opportunities through independent agents.

Improving Inclusive Diversity & Equity

Inclusive Diversity & Equity is one of our core values. On most performance measures, Allstate is at or above industry results. In 2020, we made Juneteenth a company holiday and doubled employee diversity training. Employee pay, promotions and operating practices are reviewed for gender and ethnic equity every year. That said, we must do more, so a three-year plan with increased resources is being built so we are the most diverse digital protection solutions company.

> **Allstate took a stand to expand diversity on Wall Street by issuing $1.2 billion of senior notes through a syndicate of exclusively minority-, women- and veteran-owned business enterprises (MWVBEs). This was the first time a corporate bond offering of this size has been managed exclusively by MWVBEs.**

Addressing climate change

The impact of climate change has been a priority at Allstate for 25 years as we have worked to mitigate the effect of more severe weather on customers' homes and shareholder returns. Substantial progress has been made to make homes safer through better building codes, and to improve affordability by pooling risks and modifying our business practices. As the climate continues to change, this expertise will serve customers and shareholders well, and support economically sustainable markets. The impact of climate change on the investment portfolio is also a key focus moving forward.

> **Allstate is proud to earn a place on the nonprofit CDP A-List and is committed to setting a science-based emissions reduction target.**

Enhancing culture

Our Shared Purpose was revised to ensure Allstate's culture evolves to support Transformative Growth and adapt to a changing world, while building on our strengths. A broad purpose was reaffirmed and expanded to include affordable, simple and connected protection solutions. Equity is specifically identified as part of inclusive diversity. Greater clarity was brought to behaviors and operating standards that shape culture because everyone at Allstate is a leader in building the future.

> **Allstate has been listed on the Dow Jones Sustainability Indices for the past three years for strong performance and management of environmental, social and governance practices.**

Allstate is positioned for success far into the future with a world-class leadership team that has strategic vision, runs the business with precision, leads with the head and heart, and thoughtfully deploys capital. We look forward to fulfilling Allstate's purpose.

Tom Wilson

Tom Wilson
Chair, President and CEO

Our Shared Purpose

As the Good Hands...

We **empower** customers with protection to help them achieve their hopes and dreams.

We **provide** affordable, simple and connected protection solutions.

We **create** opportunity for our team, economic value for our shareholders and improve communities.

Our Values

Integrity is non-negotiable.

Inclusive Diversity & Equity values and leverages unique identities with equitable opportunity and rewards.

Collective Success is achieved through empathy and prioritizing enterprise outcomes ahead of individuals.

Our Operating Standards

Focus on Customers by anticipating and exceeding service expectations at low costs.

Be the Best at protecting customers, developing talent and running our businesses.

Be Bold with original ideas using speed and conviction to beat the competition.

Earn Attractive Returns by providing customer value, proactively accepting risk and using analytics.

Our Behaviors

Collaborate early and often to develop and implement comprehensive solutions and share learnings.

Challenge Ideas to leverage collective expertise, evaluate multiple alternatives and create the best path forward.

Provide Clarity for expected outcomes, decision authority and accountability.

Provide Feedback that is candid, actionable, independent of hierarchy and safe.

The story of Our Shared Purpose began 14 years ago, when Tom Wilson became CEO with the goal of making Allstate more customer focused and faster moving. A dozen senior leaders of the corporation went through what became the Energy for Life program to articulate their personal purpose and build plans to achieve it. In 2007, Allstate created a similar plan, and Our Shared Vision became the company's new story. Over time, the renamed Our Shared Purpose was embedded in our culture and actions. It drove innovations like Your Choice Auto and telematics. Our values of integrity, inclusive diversity, engagement, accountability and superior performance created the right kind of success. In 2014, we added a section on personal leadership because every Allstater needs to lead for the company to be successful. As Transformative Growth reshapes organizational capabilities and alignment, we updated Our Shared Purpose to help guide Allstate into the future.

we are the good hands®

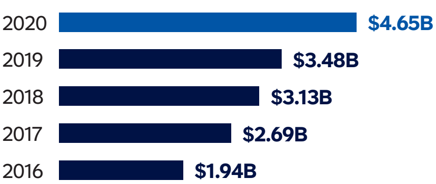
We deliver on that promise to our customers, employees, agents and shareholders. In 2020, global disruption reinforced the importance of that promise. Allstate is resilient, and we are committed to leading by creating positive change.

Allstate continued to deliver value to shareholders in 2020, returning $668 million in common dividends and $1.7 billion in share repurchases.

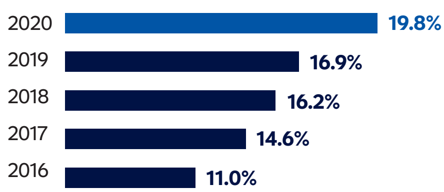
"In our view, Allstate is the best combination of a strong franchise, healthy business trends and attractive valuation in the P&C sector."

Jimmy Bhullar, J.P. Morgan

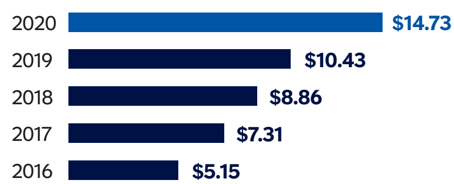
adjusted net income*



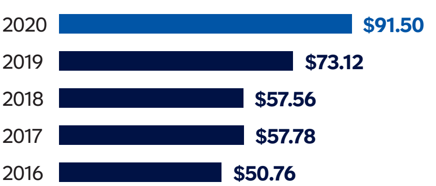
adjusted net income return on common equity*



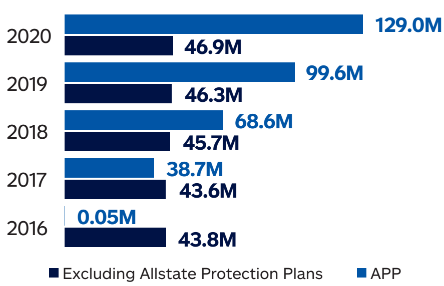
adjusted net income per common share*



book value per common share



policies in force



Honors and awards

WSJ/Drucker Institute Management Top 250

Fortune World's Most Admired Companies

total shareholder return vs. peer returns

	1-year	3-year	5-year
Allstate	(0.1%)	11.6%	95.0%
Life Peers	(10.0%)	(4.5%)	37.0%
P&C Peers	4.8%	20.4%	81.4%
Peers	1.0%	14.2%	72.2%

*Please see the definitions of non-GAAP measures in Appendix A of the 2021 Proxy Statement.

We empower customers with protection to help them achieve their hopes and dreams.

Allstate has thrived for 90 years by adapting to better serve customers. In 2020, we updated our Customer Value Proposition to keep up with their wants and needs. We deliver on those expectations by offering customers protection that goes beyond traditional personal property-liability coverage, including protection for their increasingly digital lives.

Customer focus in action

Allstate continually innovates to offer products and benefits that keep customers protected.

- Accident forgiveness
- New-car replacement
- Claim Satisfaction Guarantee®
- Sharing economy insurance
- Identity protection
- Appliance repair
- Car-sharing
- Pay-per-mile insurance

$1 billion

Returned nearly $1 billion to customers through Shelter-in-Place Paybacks

200,000

ALLSTATE IDENTITY PROTECTION

Provided free to 200,000 U.S. residents through Dec. 31, 2020

59.0

ENTERPRISE NET PROMOTER SCORE

59.0 (+0.4 points vs. year-end 2019)

$78 million

Protected customers during the pandemic, including $78 million in net life insurance claims paid

$2.81 billion

$2.81 billion in catastrophe-related claims

"Yesterday, I spoke with one of the nicest customer service representatives I have ever had. She was so courteous and energetic about showing me how Allstate's Shelter-in-Place program could help me in a time of need. I truly felt like I was in Good Hands."

Allstate customer

Be bold with original ideas using speed and conviction to beat the competition.

Allstate made significant progress on Transformative Growth in 2020 by expanding customer access, improving customer value, increasing marketing sophistication and investment, and deploying new technology ecosystems. We are building a company that will grow into the future with insurtech capabilities backed by the strength of Allstate.

We're **expanding customer access** to our products by broadening distribution and capabilities.

- Integrated Esurance into the Allstate brand to create Allstate Direct, expanding product availability in the direct-to-consumer channel.

We're **improving value for customers** through targeted cost reductions and offering affordable, simple and connected protection solutions.

- Introduced direct channel pricing and began implementing lower rates in existing auto books of business.
- Reduced cost structure and lowered expense ratio to improve competitive price position while delivering attractive returns.

We're **increasing marketing sophistication and investment,** introducing new Allstate advertising and improving analytical measures.

- Developed new Customer Value Proposition to provide differentiated offerings.
- Released new Allstate Mobile app, with 40% increase in monthly active users.

We're **deploying new technology ecosystems,** and designing and implementing target state architecture.

- Launched updated underwriting platform to increase sophistication and speed, and retired key legacy systems.
- Deployed new customer experience platform and micro front-end architecture as we move to deliver our target state architecture.

National General acquisition

Allstate entered into an agreement to acquire National General, a provider of a wide range of property-liability products through independent agents, and closed on the transaction in January 2021. This acquisition will accelerate profitable growth by significantly expanding our independent agent distribution and advancing Allstate's strategy of growing personal lines insurance, increasing Allstate's personal lines market share to 10%.*

*Such forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially.

We provide affordable, simple and connected protection solutions.

Allstate is bringing together the best of insurance technology with the financial strength of 90 years of expertise.

Telematics: Allstate offers telematics products through the Allstate and Encompass brands, including Drivewise®, DriveSense® and Routely®. These products use a mobile app or in-car device to capture driving behavior and reward customers for being safe on the road. During the pandemic, telematics helped Allstate's customers control their insurance costs as their driving decreased, delivering value at the right time.

Usage-based insurance: Allstate's Milewise®, available to approximately half of U.S. drivers as of Dec. 31, 2020, enables consumers to customize their insurance and pay based on the number of miles they drive. Allstate insures more customers and cars through pay-per-mile than any other company.

Protection Services: Allstate is expanding other protection businesses and increasing our total addressable market. Our Protection Services segment accounted for 4.3% of Allstate's 2020 consolidated total revenue and 77.5% of Allstate's policies in force as of Dec. 31, 2020.

Data privacy and cybersecurity

We want customers to feel that their personal data is safe. Allstate continually enhances our information security to protect against emerging threats, while increasing our ability to detect system compromise and recover should a cyberattack or unauthorized access occur. Our cybersecurity program is regularly reviewed and tested by Allstate's internal audit function. The Board of Directors receives status reports on cybersecurity, and an external consultant provides reviews on Allstate's cybersecurity efforts to the Audit Committee.

"We're really changing how we show up for customers: reimagining experiences and products and investing in the technology to make it happen."

Joanna A., employee, Customer Experience

410+ billion

Largest repository of driving data with 10 years and 410+ billion miles

27.8 million

27.8 million active connections

Be the best at protecting customers, developing talent and running our businesses.

As the pandemic disrupted our customers' lives and livelihoods, Allstate responded with agility and empathy.

We expanded the use of virtual tools and expedited payments to help settle claims quickly, easily and safely during the pandemic.

- Allstate provided $78 million in net payments for life claims related to the pandemic, helping support the loved ones of those who have died as a result of the coronavirus.
- We used virtual tools like QuickFoto Claim, Virtual Assist and aerial imagery to safely and accurately estimate vehicle damage with photos and videos.
- In 2020, 61.6% of claim payment transactions were digital, up 19% from 2019.

story of good

Darrell Thornton

Outside CAT adjuster,
National Catastrophe Team, Claims

When the coronavirus shifted the way many Americans work, Darrell Thornton wondered: "How am I going to do my job?" As an outside claims adjuster with the National Catastrophe Team, Darrell is used to being in the field and interacting with people face-to-face. He soon saw how Virtual Assist could streamline the claims process. In many cases, Virtual Assist takes less customer time than an in-person meeting with an adjuster while maintaining high levels of satisfaction and accuracy.

Responding to the pandemic

- Led the industry by returning nearly $1 billion to policyholders due to lower frequency in auto accidents and offered flexible payment options and deferrals to help customers impacted by the pandemic.
- Extended auto insurance coverage for customers using personal vehicles to commercially deliver food, medicine and other necessities to those sheltering in place.
- The Allstate Foundation donated $5 million to support domestic violence victims, youth in need and first responders.
- Allstate agencies repurposed disaster relief supplies, donating PPE, including N95 masks, to local hospitals.
- 95% of Allstate's workforce is working remotely, with $14 million invested in equipment that employees needed to effectively work from home.
- Added well-being services like telemedicine, prescription home delivery, and emotional and financial support lines for Allstate's U.S. employees.
- Provided $3 million for a COVID Holiday Support Program and additional assistance to more than 5,000 Allstaters experiencing hardships.

We create opportunity for our team, economic value for our shareholders and improve communities.

Allstate's investment performance

Allstate's investment management strategies focus on balancing risk and return to deliver value for customers, fund business improvements and create value for shareholders. Total return on the $94.2 billion investment portfolio was 7.1% in 2020, reflecting income generation and higher fixed income and public equity valuations. Net investment income of $2.9 billion was 9.7% below prior year, reflecting lower reinvestment rates and reduced performance-based income.

Allstate invests responsibly

Allstate has about $900 million invested in socially responsible strategies, like a low-income housing tax credit portfolio and a Diversity and Emerging Managers program. The company manages these investments to simultaneously produce solid returns and meet business objectives while advancing social goals. Focusing on Inclusive Diversity & Equity, Allstate has committed to doubling its trading volume with diverse financial firms in 2021.

story of good

Victoria Jacobs

Senior consultant, agency programs,
Agency Innovation, Charlotte, North Carolina

Victoria Jacobs is passionate about helping others vote. She thinks of voting as an honor and votes in memory of her great-grandmother, who couldn't vote until she was 30 years old due to voter suppression under Jim Crow laws. In 2020, Victoria rallied a group of friends to be poll workers during the pandemic as older Americans socially distanced. "A lot of people feel like their vote doesn't really count. But when everyone comes together to use their voting power, it really can make a difference."

Public policy commitments

Allstate remains committed to bipartisan leadership, focusing on:

- Fostering market innovation
- Fighting for consumers
- Promoting safety and security
- Ensuring a healthy regulatory system
- Promoting fiscal responsibility
- Advocating for small businesses

Allstate contributes less than $1 million annually in corporate funds to political organizations, including federal, state and local candidates and committees.

Managing political risk

The chief risk officer's assessment of Allstate's political advocacy concluded:

- Allstate's decisions on how to engage in the political process appropriately balance risk and return.
- Allstate's control framework appropriately manages the risks, and governance and oversight exist to ensure activities are aligned with Allstate's risk and return principles.
- Failure to engage in the political process could result in unfavorable policies, legislation or adverse business outcomes, negatively impacting Allstate's strategic position.
- The risk of not engaging is higher than the risk of engaging with effective controls and governance.

Integrity is non-negotiable.

Allstate has been rated one of the World's Most Ethical Companies by Ethisphere (2015–20). The Allstate Global Code of Business Conduct lays out the values and principles every employee abides by. Each year, employees are required to affirm understanding of and compliance with the code. As we build the Allstate of the future, we are guided by Our Shared Purpose and delivering value to our employees through:

Meaningful work

In 2020, Allstaters completed 6,941 Energy for Life courses, designed to help individuals find their purpose and build resilience. Since the program came to Allstate in 2010, over 39,000 Allstaters have taken one of the EFL classes, including 45% of active employees and 59% of active managers.

Compensation and benefits

Allstate raised the hourly minimum wage for employees from $15 to $16 or $18 based on location. This is the second increase in five years.

Employee growth

Allstate invests in training and reskilling to help employees grow throughout their careers. In 2020, employees completed more than 139,000 hours of formal learning opportunities, and 7,000 employees attended Allstate's Global Learning Week, focused on employee development.

"The World's Most Ethical Companies integrate ethics and values with corporate strategy. They speak up, are transparent, take action and look for innovative ways to make a difference. We congratulate their efforts."

Timothy Erblich, CEO, Ethisphere

story of good

Kaiti Buehring

Senior consultant, Allstate Good Life

Before the COVID-19 pandemic, Kaiti Buehring's weekly yoga classes in the Northbrook, Illinois, office averaged 20 to 30 attendees. When everyone started working from home, Kaiti offered the classes virtually. Now, more than 100 Allstaters from across the enterprise participate weekly.

Inclusive Diversity & Equity values and leverages unique identities with equitable opportunity and rewards.

Allstate condemns racism and is committed to leading the change for a more just and equitable society. The Allstate Foundation added equity as a third focus area, in addition to youth empowerment and domestic violence.

As of Dec. 31, 2020, women made up approximately 55% of our workforce, and 39% of our talent was racially or ethnically diverse.

Allstate is a signatory to the CEO Action for Diversity & Inclusion pledge. In 2020, we became a founding member of OneTen, a coalition focusing on upskilling, hiring and promoting 1 million Black Americans over the next decade.

Additionally, Allstate issued $1.2 billion of bonds using minority-, women- and veteran-owned business enterprises. This was the largest corporate deal ever managed exclusively by diverse firms.

Supplier diversity

Every year, Allstate hosts a Supplier Diversity Exchange, which enables diverse suppliers and startups to network with Allstate decision-makers and our major suppliers and strategic partners. In 2020, the virtual event brought together nearly 1,300 leaders from a multitude of industries. Allstate spent $235 million with diverse-owned suppliers in 2020.

“The world is changing right before our eyes, and the solutions will come from us, the beautifully diverse people of this nation. I’m proud of how our company is answering this call to action.”

Franklin W., employee, Claims

story of good

Ezell Edwards

Security operations engineer, Charlotte, North Carolina

Ezell Edwards’ mother taught him how important it was to be involved in the community. The first day he came to Allstate, he asked if there was a volunteer program and was introduced to Helping Hands. He now runs the Helping Hands program in Charlotte and volunteers with several local organizations. Ezell tries to remember his mother’s legacy and share that message that it doesn’t matter where you came from, it matters where you go.

"You can't gain experience unless you actually get an opportunity. It gives credibility to the capabilities of our firms and starts to move the needle on the traditional construct on Wall Street of who are the firms that can actually do these deals. It will get us more into the mix."

Sidney Dillard, Loop Capital Markets, a diverse-owned firm that led a recent Allstate bond offering

Inclusive Diversity & Equity governance

- Allstate is developing a three-year Inclusive Diversity & Equity strategy that will be overseen by the Board of Directors.
- An annual external pay equity analysis was completed for the second year to ensure equity within compensation practices. Allstate's results compare well with benchmarks; any identified pay gaps were remediated.

Employees take action on IDE

- In 2020, more than 9,000 Allstaters participated in at least one Employee Resource Group, which provide opportunities to develop professionally and share life experiences inside and outside Allstate.
- ERGs hosted employee listening series and built resiliency plans for those struggling with mental health issues due to racial trauma and the effects of the coronavirus.
- To date, more than 68,000 Allstate employees have participated in inclusive diversity training, including more than 30,000 courses in 2020.
- Individual departments created Inclusive Diversity Councils to ensure IDE continues to be a priority.

30,000

TRAINING

Employees completed more than 30,000 IDE courses

Honors and awards

DiversityInc Top 50

The Human Rights Campaign Corporate Equality Index

Forbes America's Best Employers for Diversity

Military Friendly Employer

Challenge ideas to leverage collective expertise, evaluate multiple alternatives and create the best path forward.

Climate change and increasing severe weather have raised loss costs for homeowners and auto insurance, requiring changes in pricing, product coverages, underwriting practices and reinsurance utilization. In 2020, Allstate incurred $2.81 billion in claims related to catastrophes, including reinsurance and subrogation recoveries. Allstate continues to drive technology advances and advocate for climate resiliency. We are reducing our carbon footprint, managing climate risk internally and protecting customers.

Governance approach

The Board of Directors reviews environmental, social and governance (ESG) topics twice a year, supplemented by the Nominating, Governance and Social Responsibility Committee. The Enterprise Risk and Return Committee evaluates climate change risk in coordination with the Sustainability Council, which leads our broader ESG efforts.

Allstate monitors and manages climate risk

Our business success depends on effectively modeling, pricing and managing climate-related risks, and developing products and services to address climate change.

- Insurability: We attempt to estimate possible loss events.
- Underwriting: We manage frequency and severity through pricing, underwriting and reinsurance.
- Investments: We monitor our investment portfolio exposure to climate trends.

"Our 'A List' celebrates those companies who are preparing themselves to excel in the economy of the future by taking action today."

Paul Simpson, CEO, CDP

Honors and awards

Dow Jones Sustainability Index member North America Index 2018–20

CDP "A List" for Climate Change

Reducing our carbon footprint

We have cut energy use beyond our original targets and reduced our greenhouse gas emissions. In 2021, we are committed to adopting science-based targets and continue to report our emissions through CDP, a nonprofit that tracks companies' global environmental impact. Allstate is also committed to publishing a Task Force on Climate-Related Financial Disclosures report.

We have worked with the government for more than two decades to help protect those most exposed to climate change. Allstate helps governments and customers improve resiliency to weather-related perils, preventing damage and lowering insurance costs. During 2020, we kept customers protected during a year of historic severe weather events.

Responsible investing

- The Responsible Investing Committee monitors our investment portfolio for short- and potential long-term exposures to climate change.
- We classify sectors based on exposure to environmental risks, including climate change, and incorporate environmental risks in the sizing and maturity profile of our positions. Sectors with higher potential exposure are primarily invested in public markets, providing flexibility to adjust exposures.
- We classify commercial real estate investments based on their modeled exposure to catastrophe risks and incorporate these risks in our underwriting and insurance practices.
- We continue to respond to investors' emphasis on climate risk.

"Allstate has been a member company of Ceres for over 10 years. With its newly enacted Responsible Investing Committee, addition of ESG oversight in the Board charter, and commitment to producing SASB (Sustainability Accounting Standards Board) and TCFD (Task Force on Climate-Related Financial Disclosures) reports, we're excited to see Allstate's sustainability strategy take flight."

Dan Saccardi, senior director, Ceres

story
of
good

Dean Day

Exclusive agency owner, Louisiana

Dean Day has been with Allstate for 33 years. He's now an exclusive agency owner with two offices in the Lake Charles, Louisiana, area, which was hit hard by hurricanes Laura and Delta. Dean put aside his own challenges and focused on helping customers when they needed Allstate the most. Dean was in his office when customers walked in, helping them with claims and providing them with the support they needed. "The Allstate agencies were back pretty quickly, because we understand this is the moment of truth," he said.

®

Allstate
You're in good hands.

Notice of 2021 Annual Meeting and Proxy Statement

We **empower** customers with protection to help them achieve their hopes and dreams.

We **provide** affordable, simple and connected protection solutions.

We **create** opportunity for our team, economic value for our shareholders and improve communities.

What's Inside

The Allstate
Corporation
2775 Sanders Road
Northbrook, IL 60062

Letter from Independent Directors

April 12, 2021

Fellow Stockholders,

As independent directors, we ensure Allstate fulfills its long-term responsibilities to stockholders, customers, employees and society. Amidst the pandemic and changing expectations of business in 2020, Allstate adapted business practices, advanced important strategic initiatives, earned attractive returns and provided significant cash returns to stockholders. The Board also adapted by increasing the breadth and frequency of interactions with management and expanding its oversight. To support transparency and accountability to you, this letter summarizes the Board's efforts over the last year.

Successful Pandemic Response

Effective risk management practices prepared Allstate to promptly respond to the pandemic as management had previously assessed pandemic risks as part of its Extremely Low Frequency Scenarios (ELFS) analysis. In March, business continuity plans were executed with over 95% of employees enabled to work from home while maintaining internal controls and productivity throughout 2020. To serve customers, the company led the industry in returning premiums to customers of almost $1 billion, allowed deferred payments, extended additional insurance coverage and provided free identity protection. Technology was leveraged so that claims could be settled virtually in order to keep customers and employees safe. The Board received frequent updates on the investment portfolio, internal controls, compliance risks, operating results, financial statement implications and senior leadership contingency plans. We are expanding the evaluation of ELFS by the risk and return committee based on recent learnings. Additionally, the executive compensation program was reviewed to determine if any changes were needed in light of the pandemic, and it was concluded that no changes were necessary.

Despite challenges posed by the Coronavirus pandemic, Allstate had excellent financial results in 2020 with Adjusted Net Income* of $4.6 billion, reflecting lower frequency of auto accidents, partially offset by increased catastrophe losses.

Enhancing Strong Human Capital Practices

Allstate has strong human capital management practices that create an inclusive and highly ethical culture. Inclusive Diversity results at Allstate have historically been at or above average on most external measures. In 2020, the company expanded Inclusive Diversity to include Equity and committed to further improvements. The Board had multiple conversations regarding this direction, including devoting half a day of a strategic offsite to engage with a diversity thought leader and evaluate the company's plans. In addition, multiple other actions were taken in 2020:

- **Expanded Resources** – In the summer, management took action to reflect, learn and act. An Anti-Racism Resource Center was launched, over 20,000 employees enrolled in additional diversity training, Juneteenth was made a company holiday, and funding was increased for Employee Resource Groups. A top-to-bottom review of operating practices, pay and promotions for people of color and women was also undertaken.

* Measures used in this proxy statement that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (*). For definitions of these terms, please see the definitions of non-GAAP measures on **pages 93-96** of our 2021 Proxy Statement.

- **Inclusive Diversity & Equity (IDE) Strategy** – A three-year IDE strategy is being developed with measurable goals that will be reviewed by the Board.
- **Pay Equity Assessment** – An independent firm was engaged to use statistical analysis on actual compensation of employees by group to identify any pay bias. Allstate's results compared well to peers, and any gaps were remediated.
- **Supporting External Progress** – Allstate helped increase diversity on Wall Street by forming a debt syndicate exclusively of minority-, women-, and veteran-owned banking enterprises that successfully issued $1.2 billion of bonds for the company. Allstate is also a founding member of OneTen, a group of leading corporations and other organizations committed to providing attractive career opportunities for one million Black Americans by 2030.

Cultural enhancements to build transformative growth businesses are also being pursued. In 2019, we expanded the Board's focus on culture by adding it as a key risk category. Allstate's Our Shared Purpose was refreshed in 2020 in consultation with the Board and will be the basis for driving cultural change.

Leadership succession is also a key responsibility that we discuss four times a year. These reviews range from organizational sustainability, to individual leadership development and succession plans, to scenario planning for unexpected events.

There is much IDE work underway and we look forward to updating you on our continued progress across a wide spectrum of initiatives, including the inclusion of more diverse businesses in the supplier diversity program.

Overseeing a Winning Strategy

The company made great progress on executing the strategy of increasing market share in personal property-liability and expanding the protection solutions offered to customers. The property-liability business is being positioned for transformative growth by expanding customer access, improving customer value, increasing marketing sophistication and investment and deploying new technology ecosystems. The acquisition of National General builds a solid growth platform in the independent agent distribution of property-liability solutions and improves overall corporate returns. The Board and management also spent considerable time in 2020 considering the disposition of the life and annuities business, with agreements signed in 2021 to sell most of this business.

The Board oversaw the continued execution of the Transformative Growth strategy, a multi-year initiative to increase market share in the personal property-liability business.

Balancing Risk and Return

- **Operating Performance** – Allstate had excellent operating and financial results in 2020 generating Net Income of $5.5 billion and Adjusted Net Income* of $4.6 billion. Adjusted Net Income Return on Equity* was 19.8%. As a result, we were able to pay stockholder dividends of $668 million, and 5.5% of the outstanding common shares were repurchased for $1.7 billion in 2020.
- **Compensation** – To better align long-term compensation with stockholder interests, a relative total shareholder return performance metric was added to the long-term performance-based stock awards ("PSA") in 2020. A policy growth metric has been added to the PSA performance measurements for the 2021 awards. In addition, Allstate's CEO voluntarily decreased his change in control severance multiplier from three times to two times the sum of base salary and target annual incentive.
- **Cybersecurity** – The audit committee continues the industry leading practice of using a third-party advisor to enhance cybersecurity oversight.

Leading Environmental, Social and Governance ("ESG") Practices

- **Climate Change** – Allstate has actively worked to remediate the impacts of climate change for over two decades, mitigating the impact of severe weather on customers and insurance returns. The risk and return committee reviewed the impact of climate change on the company's short and long-term strategies.
- **Political Engagement** – The company is extensively regulated at the state level and impacted by federal legislation. As a result, it participates in legislative processes to ensure it can effectively and efficiently meet the needs of customers and stockholders. This activity is reviewed semi-annually, and the chief risk officer does an annual review of the risk and return of this activity for the Board.
- **Scope and Reporting** – The Board increased its interaction with management with ten board meetings, 28 committee meetings and two informational sessions to keep abreast of a rapidly changing external environment. Social responsibility oversight was added to the nominating, governance and social responsibility committee's responsibilities. We are also developing a three-year ESG plan and reporting results using the Global Reporting Initiative, Sustainable Accounting Standards Board and EEO-1 reporting frameworks.
- **Stockholder Engagement** – Proactive engagement with stockholders on governance issues remains a core practice with interactions with investors that hold over 40% of outstanding shares.

We welcomed two new members to the Board. Both have strong operational leadership and strategic capabilities to support the execution of Transformative Growth. Richard Hume also brings an extensive technology background and Donald Brown brings financial and accounting expertise. The Board remains 50% diverse, and three out of four committee chairs bring gender or ethnic diversity.

We value your continued engagement and support. As independent directors, we pledge to ensure that Allstate fulfills its obligations to you and the broader community.

DONALD E. BROWN

KERMIT R. CRAWFORD

MICHAEL L. ESKEW

RICHARD T. HUME

MARGARET M. KEANE

SIDDHARTH N. (BOBBY) MEHTA

JACQUES P. PEROLD

ANDREA REDMOND

GREGG M. SHERRILL

JUDITH A. SPRIESER

PERRY M. TRAQUINA

Notice of 2021 Annual Meeting of Stockholders

Items of Business

1. Election of 12 directors.
2. Say-on-pay: advisory vote on the compensation of the named executives.
3. Ratification of appointment of Deloitte & Touche LLP as Allstate's independent registered public accountant for 2021.
4. Stockholder proposal to amend proxy access.

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

When

Tuesday, May 25, 2021, at 11:00 a.m. Central time. Admittance to the webcast begins at 10:30 a.m.

Where

www.virtualshareholdermeeting.com/ALL2021

How to Vote in Advance

Your vote is important. Please vote as soon as possible by one of the methods shown to the right. **Make sure to have your proxy card, voting instruction form, or notice of Internet availability in hand and follow the instructions.** You may also vote during the annual meeting by visiting www.virtualshareholdermeeting.com/ALL2021, entering your control number, and following the instructions.

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

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 Internet
You can vote your shares online at proxyvote.com.

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

Who Can Vote
Holders of Allstate common stock at the close of business on March 26, 2021. Each share of common stock is entitled to one vote for each director candidate and one vote for each of the other proposals.

Who Can Attend
Stockholders who wish to participate in the meeting should review **pages 90-91**.

Date of Mailing
On or about April 12, 2021, these proxy materials and annual report are being mailed or made available to stockholders and to participants in the Allstate 401(k) Savings Plan.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 25, 2021
The Notice of 2021 Annual Meeting, Proxy Statement, and 2020 Annual Report and the means to vote by Internet are available at proxyvote.com.

By Order of the Board,

RHONDA S. FERGUSON
SECRETARY
APRIL 12, 2021

Inspection of Stockholder List
Stockholders wishing to inspect the list of registered stockholders of The Allstate Corporation as of the record date for the 2021 Annual Meeting of Stockholders should send an e-mail to invrel@allstate.com. Please include (1) your name and (2) if you hold your shares through a broker, bank or other intermediary, an image of your stock ownership statement. Upon verification of your status as a stockholder, you will be provided access to view and inspect the list of registered stockholders as of the record date. Stockholders will not be able to download or print the list. Stockholders will also have the opportunity to inspect the list of registered stockholders during the virtual annual meeting on May 25, 2021 at www.virtualshareholdermeeting.com/ALL2021.

How Allstate is Building a Better Future

Our Shared Purpose UPDATED

As The Good Hands...

We **empower** customers with protection to help them achieve their hopes and dreams.

We **provide** affordable, simple and connected protection solutions.

We **create** opportunity for our team, economic value for our shareholders and improve communities.

Our Values

Integrity is non-negotiable.

Inclusive Diversity & Equity must value and leverage unique identities with equitable opportunity and rewards.

Collective Success is achieved through empathy and prioritizing enterprise outcomes ahead of individuals.

Our Behaviors

Collaborate early and often to develop and implement comprehensive solutions and share learnings.

Challenge Ideas to leverage collective expertise, evaluate multiple alternatives and create the best path forward.

Provide Clarity for expected outcomes, decision authority and accountability.

Provide Feedback that is candid, actionable, independent of hierarchy and safe.

Our Operating Standards

Focus on Customers by anticipating and exceeding service expectations at low costs.

Be the Best at protecting customers, developing talent and running our businesses.

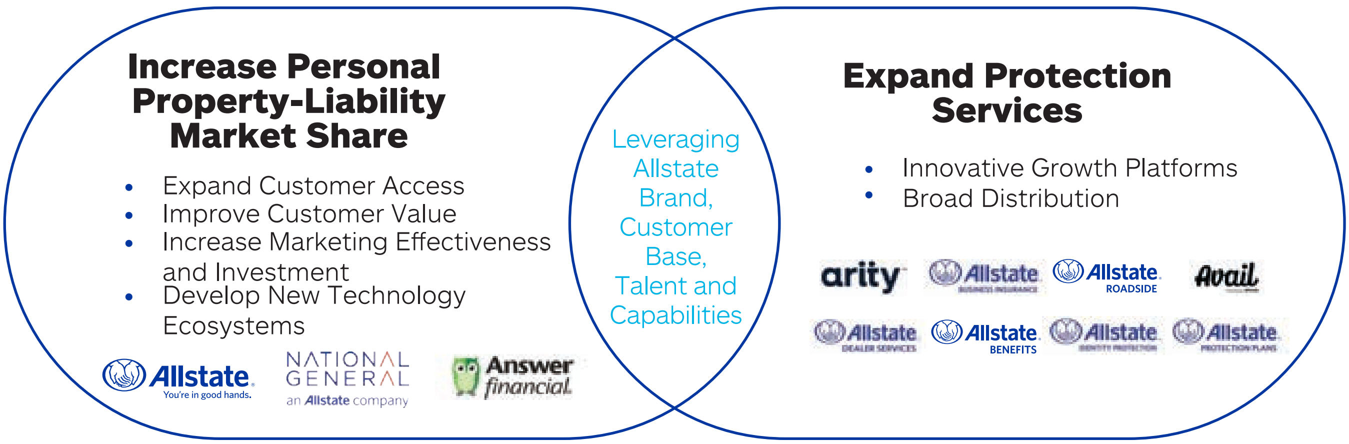
Be Bold with original ideas using speed and conviction to beat the competition.

Earn Attractive Returns by providing customer value, proactively accepting risk and using analytics.

Spotlight on Strategy and Business Results

Our Approach

Allstate's strategy is to drive profitable growth by reinventing protection through the offering of a broad range of affordable, simple and connected solutions. We plan to do this by increasing personal property-liability market share through Transformative Growth and expanding protection businesses with innovative growth platforms and broad distribution channels.



2020 Operating Priorities

Better serve customers	• Allstate acted quickly and led the industry in taking care of customers during the pandemic by providing two Shelter-in-Place Paybacks, financial flexibility through Special Payment Plans and offering free identity protection in 2020. • The Net Promoter Score, which measures how likely customers are to recommend us, increased for the enterprise.
Grow customer base	• Consolidated policies in force grew to 175.9 million in 2020, a 20.5% increase from the prior year. Property-Liability policies in force were down slightly compared to the prior year as Allstate brand growth was more than offset by a decline in the Encompass brand. • Protection Services policies in force grew to 136.3 million, a 28.6% increase to the prior year, driven by continued rapid expansion in Allstate Protection Plans.
Achieve target returns on capital	• Adjusted net income return on shareholders' equity* was 19.8% in 2020, primarily driven by strong Property-Liability results. • Allstate's return was above the long-term target adjusted net income return on equity** of 14.0% to 17.0%.
Proactively manage investments	• Total return on the $94.2 billion investment portfolio was 7.1% in 2020 as increased asset valuations offset a decline in net investment income. • Net investment income of $2.9 billion in 2020 was 9.7% below prior year reflecting lower reinvestment rates and reduced performance-based income.
Build long-term growth platforms	• Allstate made substantial progress in building higher growth business models to increase personal property-liability market share under the Allstate brand. • Allstate Protection Plans expanded its total addressable market through new accounts addressing furniture, appliances and entering international markets.

* Measures used in this proxy statement that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (*). For definitions of these terms, please see the definitions of non-GAAP measures on **pages 93-96** of our 2021 Proxy Statement.

** A reconciliation of this non-GAAP measure to return on common shareholders' equity, a GAAP measure, is not possible on a forward-looking basis because it is not possible to provide a reliable forecast for catastrophes or investment income on limited partnership interests, and prior year reserve reestimates are expected to be zero because reserves are determined based on our best estimate of ultimate losses as of the reporting date.

Transformative Growth

Our Transformative Growth strategy aims to increase market share in personal property-liability. This multi-year strategic initiative enhances our business model with a lower cost structure and more competitive pricing. We made progress on each component of the plan in 2020:

1 Expanding Customer Access

- Combined direct sales operations
- Improved online and call center sales flow in Allstate direct channel
- Enhanced local agent sales model

2 Improving Customer Value

- Implementing cost reduction plan
- Expanded telematics offerings leveraging Drivewise® and Milewise®
- Improved competitive price position of auto insurance

3 Increasing Marketing Sophistication and Investment

- Introduced new Allstate advertising
- Improved analytical measures

4 Deploying New Technology Ecosystems

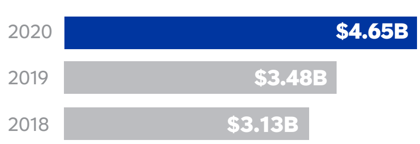
- Designed and implemented Target State Architecture
- Developed new customer interaction applications

National General Acquisition

In 2020, Allstate entered into an agreement to acquire National General, a provider of a wide range of property-liability products through independent agents, and closed on the transaction in January 2021. It is expected that this acquisition will expand independent agent distribution and increase Allstate's personal lines insurance by 1 percentage point in market share.[1]

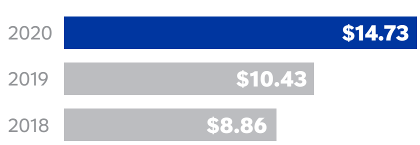
Financial Highlights

ADJUSTED NET INCOME*

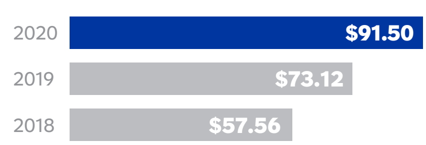


ADJUSTED NET INCOME RETURN ON COMMON EQUITY*

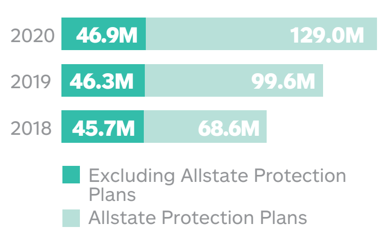
ADJUSTED NET INCOME PER COMMON SHARE*



BOOK VALUE PER COMMON SHARE



POLICIES IN FORCE



TOTAL SHAREHOLDER RETURN VS. PEER[2] RETURNS

	1 Year	3 Year	5 Year
Allstate	(0.1)	11.6	95.0
Life Peers[3]	(10.0)	(4.5)	37.0
P&C Peers[3]	4.8	20.4	81.4
Peers[3]	1.0	14.2	72.2

(2) The peers are listed on **page 61**.
(3) Market Cap Weighted Average

* For definitions of these terms, please see the definitions of non-GAAP measures on **pages 93-96** of our 2021 Proxy Statement.

(1) Such forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially.

Link to Our Shared Purpose

We generate attractive returns for stockholders

Spotlight on Human Capital Management

Our Approach

Human capital management is key to Allstate's success and focuses on inclusive diversity and equity, employee retention and talent development practices. We believe that purpose-driven companies are powered by purpose-driven people. Allstate strives to motivate its employees and harness their diverse perspectives. Allstate provides employees with training, mentoring and career development and strives to promote from within.

Inclusive Diversity and Equity

An Overview

Inclusive diversity and equity is one of Allstate's values and a foundation of Our Shared Purpose. In line with this commitment, in NEW 2020, we expanded our inclusive diversity value to also include equity. Additionally, The Allstate Foundation added equity as a third focus area, along with youth empowerment and ending domestic violence.

Employee Resource & Advisory Groups

Allstate's 9,000+ employee resource group members and the Enterprise Diversity Leadership Council help advance inclusive diversity and equity.

In 2020, Allstate became one of the founding members of OneTen, an organization that will combine the power of American companies to upskill, hire and promote one million Black Americans over the next 10 years into family-sustaining jobs with opportunities for advancement.

Training, Resources and Programming

Inclusive diversity and equity training, resources, and programming are offered to employees and integrated into leadership development programs. Diversity education and training programs focus on unconscious bias, gender identity and transitions, generational differences, religion in the workplace, and self-awareness and self-assessments. Allstaters completed more than 30,000 inclusive diversity course hours in 2020.

Governance

A robust governance approach reinforces our commitment and accountability for integrating inclusive diversity and equity into day-to-day operations.

The Board reviewed inclusive, diversity and equity topics at four meetings in 2020, effectively overseeing this important initiative.

Link to Our Shared Purpose

A diverse workforce means different backgrounds, ideas and perspectives are brought to the table, which leads to innovative solutions for customers.

Workforce Demographics

We strive to develop and retain a workforce at all levels that mirrors the diversity of the customers and communities we serve. Allstate's performance in diversity shows close alignment to, or exceeds, external benchmarks. As of December 31, 2020, women comprised approximately 55% of our workforce, and 39% of our employees were racially or ethnically diverse. Female and minority representation is strong at lower band levels and opportunities have been identified to further increase diversity at the top.

Internal Commitments

Inclusive diversity and equity commitments drive accountability for creating and sustaining a diverse pipeline of talent. Internal priorities have been developed to further Allstate's goal of driving cultural change and advancing diversity within the organization.

Equity Pay Analysis

An annual pay equity analysis was again completed by an external third party to ensure equity within compensation practices; results compared favorably to external benchmarks. Any identified pay gaps were remediated.

Engagement Survey

Engagement survey results show high employee satisfaction (81% favorable) and employees feeling their diverse perspectives are valued (86% favorable). Qualitative employee feedback collected from recent inclusive diversity and equity events provides a deeper understanding of employee sentiment. In 2020, "Inclusive Conversations" (virtual conversations with leaders) saw 10,000 combined employees taking part in intimate, powerful dialogues in the spirit of driving understanding, empathy and systemic change.

Advancing Inclusive Diversity and Equity Externally

Allstate's Supplier Diversity Program ensures inclusion of diverse owned businesses and produces economic impact. We spent $235 million with diverse suppliers in 2020 and we have committed to increasing the percentage of spend with diverse suppliers over the next two years. Additionally, in 2020, Allstate issued $1.2 billion of bonds using minority-, women- and veteran-owned banking enterprises. This was the largest corporate deal ever managed exclusively by diverse firms.

Additional Initiatives Launched in 2020

- **Juneteenth** was made an annual company holiday to celebrate the end of slavery
- Committed to conduct a top-to-bottom **review of our operating practices**, **pay and promotions** for people of color and women to further promote equity
- Launched an **Anti-Racism Resource Center** for employees
- **Expanded the virtual "Inclusive Conversations" series** to monthly hosted enterprise level sessions to build off themes of racial inequity, allyship, privilege and other relevant topics
- **Partnered with Employee Resource Groups to offer additional support,** including an "employee listening" series, as well as built resiliency plans for those struggling with mental health issues due to racial trauma, post-traumatic stress disorder and effects of the Coronavirus
- **Allstate signed** the CEO Action for Diversity & Inclusion™, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace

Allstate has disclosed workforce demographic data since 2016 and beginning in 2021, also disclosed our consolidated EEO-1 data.

What's Next?

- Develop a 3-year inclusive diversity and equity strategy
- Engage an external firm to complete an assessment of Allstate's inclusive diversity and equity practices
- Integrate inclusive diversity and equity goals on hiring, promotion, retention and representation into performance management
- Establish goals on reskilling and upskilling existing workforce to enhance retention as business needs change
- Begin a semiannual Board review of progress made against diversity goals
- Engage employees and agents in driving cultural changes through a revised Our Shared Purpose, aimed at connecting personal purpose with Allstate's purpose
- Expand our investment policy to increase the consideration of ESG-related concerns

How We Responded to the Coronavirus Pandemic

Serving Our Customers
Allstate has worked to ensure our customers continue to receive first-class service in these difficult times.

- Implemented a Shelter-in-Place Payback program in 2020, which delivered nearly $1 billion back to customers.
- Allowed auto and homeowners insurance customers to defer payments with no penalty for two consecutive premium payments, and paused cancellations due to nonpayment during the declared Coronavirus state of emergency.
- Offered free access to the Allstate Identity Protection product in 2020 to U.S. residents who signed up by June 30, 2020.
- Expanded insurance coverage for customers who use their personal vehicles to deliver food, medicine and other goods for a commercial purpose.

Protecting Our Employees
Allstate supports employee health and safety with a remote work policy, compensation and well-being services.

- 95% of Allstate's workforce is working remotely and $14 million was invested in a program that provided employees with the equipment they need to effectively work from home.
- Allstate continued to pay employees who could not work remotely and had shelter-in-place orders in effect during their normal work hours.
- Well-being services like telemedicine, prescription home delivery, and emotional and financial support lines are available to Allstate's U.S. employees.
- We funded a $3 million COVID Holiday Support Program to provide assistance to more than 5,000 Allstaters experiencing hardships due to the pandemic.

Link to Our Shared Purpose

Unplanned events should not mean an unplanned response. Allstate was prepared and acted quickly to bring some certainty during a time of much uncertainty.

Spotlight on Climate Change

Our Approach

Climate change represents an urgent global concern for all companies, including Allstate. Allstate's approach is to safeguard our customers while having sustainable business practices and adequate returns.

Climate Change and Its Impact on Allstate's Business

Increased severe weather has raised loss costs for auto and homeowners insurance, requiring changes in pricing, product coverages, underwriting practices, and reinsurance utilization. Impacts will continue due to the increasing impact of severe weather driven by climate change. In addition, longer-term risk exists within the investment portfolio.

Addressing Climate Risk by Prioritizing Three Major Areas That Impact Our Customers and Business

1 Disaster Prevention, Preparedness and Risk Response

We have partnered with the federal and state governments for over two decades to create programs to help provide protection for insureds most exposed to climate change. This has been accomplished through the establishment of entities like Florida Citizens, the Florida Hurricane Catastrophe Fund, the Texas Windpool Insurance Association and the California Earthquake Authority.

2 Monitoring and Managing Climate Risk

Our business success depends on effectively modeling, pricing and managing climate-related risks, and developing products and services to address the impact of severe weather. We identify, measure, manage and monitor material risks, including climate change, which is reviewed by the Board of Directors.

A risk evaluation framework is in place to identify and monitor risks to our business related to climate change.

Insurability
Estimate of losses from major catastrophes are modeled to assess risk levels and appropriate pricing.

Underwriting
Frequency and severity of events are managed through pricing, underwriting, and reinsurance.

3 Reducing Our Carbon Footprint

Across Allstate, we have cut energy use beyond our original targets and reduced our greenhouse gas (GHG) emissions.

We also converted half of our fleet of sedans and SUVs in the U.S. and Canada to hybrid vehicles, and 100% of the power used at our Northbrook, Illinois headquarters and our Irving, Texas office qualifies for Renewable Energy Certificates.

The investment portfolio is monitored for both short- and long-term potential exposures to environmental risks, including climate change.

- Across the portfolio, we classify sectors' potential exposure to environmental risks.
- We consider potential environmental risks when we assess the size and maturity profile of our positions. Sectors with higher potential exposure are primarily invested in public markets, providing flexibility to adjust exposures as risk and return trade-offs evolve.
- For commercial real estate, we classify our investments based upon their modeled exposure to certain catastrophe risks and incorporate these risks in our underwriting and insurance practices.

Our engagements include the following:

- Participated in coalition to adopt and expand the Florida Hurricane Catastrophe Fund
- Led the creation of the California Earthquake Authority and initiated ProtectingAmerica.org to better prepare and protect citizens from large natural disasters
- Established a separately capitalized Florida-only property subsidiary
- Led industry in adoption of higher hurricane deductibles along coastal states, including introducing and passing legislation to increase hurricane deductibles, and working with government-sponsored enterprises to accept higher deductibles for mortgages

In California, Allstate is currently working with public utilities and the governor's office to develop a wildfire catastrophe solution

Allstate also sponsors research to improve resiliency to weather related perils, so customers can prevent damage and have lower insurance costs.

- The Insurance Institute for Business and Home Safety (IBHS) was formed to provide research and insights that will influence building codes and material standards.
- The work has resulted in improved building codes, development of impact resistant shingles, and identification of fire resistant materials. Building codes that could mitigate damage from wildfires with no increase in overall construction costs are also being pursued.

In addition, we dramatically reduced hurricane probable maximum loss, our measure of catastrophe exposure during the last 15 years, through a combination of policy changes, underwriting controls, reinsurance, and the utilization of third-party products sold through Ivantage.

What's Next?

Enhance Climate-Related Disclosures

Publish report aligned with Task Force on Climate-Related Financial Disclosures' recommendations to disclose governance, strategy, risk management and metrics/targets pertaining to climate-related risks and opportunities.

Refine Investment Practices

Enhance our investment policy to address climate risk, among other ESG-related concerns.

Reduce Greenhouse Gas (GHG) Emissions

Adopt science-based target for reducing GHG emissions; build and enact roadmap for carbon neutrality for offices, fleet and business travel.

Proxy Voting Roadmap

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

PROPOSAL 1

Election of 12 Directors

The Board recommends a vote FOR each nominee.

- All candidates are highly successful executives with relevant skills and expertise.
- Average tenure of 7.0 years, with 11 of 12 directors independent of management.
- Diverse slate of directors with broad leadership experience; three out of four committee chairs and the independent Lead Director bring gender or ethnic diversity.
- Industry-leading stockholder engagement program and highly rated corporate governance practices.

See **pages 19-26** for further information

A Balanced Board

The Board is composed of 12 directors with a broad and complementary set of business skills, educational and professional experiences, personalities, backgrounds, perspectives and genders.

INDEPENDENT DIRECTOR TENURE

6.4 years
average independent director tenure

5 Newer directors (0-4 years)

6 Tenured directors (5+ years)

BOARD DIVERSITY

50%
diverse

3 Female

3 Ethnically and/or racially diverse

RELEVANT SKILLS AND EXPERIENCE

67%
Board governance experience

8 Currently serve on other public company boards

83%
Corporate leadership experience

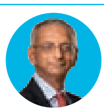
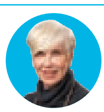
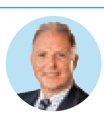
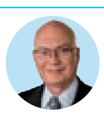
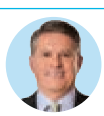
10 Serve or served as a CEO or President

Nomination Process for Board Election

The Board regularly considers potential director candidates in anticipation of retirements, resignations, or changing business dynamics. The below graphic describes the process to identify highly qualified candidates for Board service.

1. **CONSIDER CURRENT BOARD SKILL SET AND NEEDS**
   Ensure Board is strong in strategic oversight, corporate governance, stockholder advocacy, and leadership and has diversity of expertise, perspectives and backgrounds
2. **MEET WITH QUALIFIED CANDIDATES**
   The nominating, governance and social responsibility committee, Lead Director, Board Chair and others meet candidates to ensure desired qualities such as independence of mind, tenacity and skill set to meet existing and future business needs
3. **CHECK CONFLICTS OF INTEREST**
   All candidates are screened for conflicts of interest and independence
4. **BOARD DIALOGUE**
   After deliberations, recommend director candidates; added five highly qualified directors in the past five years

The Director Nominees at a Glance

			Career Highlights	Committees
BOARD LEADERSHIP		**THOMAS J. WILSON** **Chair, President, and CEO of The Allstate Corporation**	Industry thought leader with a thorough understanding of Allstate's business, industry, risk management processes, and strategic initiatives through holding key leadership roles over a 26-year career at Allstate	E
BOARD LEADERSHIP / INDEPENDENT DIRECTORS		**JUDITH A. SPRIESER** Former CEO of Transora Inc. and senior executive at Sara Lee Corporation **Independent Lead Director**	Wide-ranging operational and leadership experience at technology services and consumer goods companies and significant experience serving on public company boards	E C R
COMMITTEE LEADERSHIP / INDEPENDENT DIRECTORS		**KERMIT R. CRAWFORD** Former President and Chief Operating Officer of Rite Aid Corporation **Audit Committee Chair**	Managed strategy, performance and operational change of highly competitive consumer-focused service businesses where he championed affordable and accessible healthcare that led to delivery innovations, including regulatory changes allowing pharmacists to administer vaccines	A E R
COMMITTEE LEADERSHIP / INDEPENDENT DIRECTORS		**MICHAEL L. ESKEW** Former Chairman and CEO of United Parcel Service, Inc. **Compensation and Succession Committee Chair**	Guided the successful transformation of a customer-focused global delivery company through the use of digital technologies to more effectively deliver service	C E N
COMMITTEE LEADERSHIP / INDEPENDENT DIRECTORS		**SIDDHARTH N. MEHTA** Former President and CEO of TransUnion **Risk and Return Committee Chair**	Extensive strategic and operational leadership experience in the financial services industry, and proven success in expanding global reach through the use of technology and advanced analytics	R A E
COMMITTEE LEADERSHIP / INDEPENDENT DIRECTORS		**ANDREA REDMOND** Former Managing Director of Russell Reynolds Associates Inc. **Nominating, Governance and Social Responsibility Committee Chair**	Expertise in public company CEO and senior management succession planning, human capital management, and executive compensation across a wide range of industries, including financial services	N C E
INDEPENDENT DIRECTORS NEW		**DONALD E. BROWN[(1)]** Executive Vice President and CFO of NiSource, Inc.	Successfully leads the finance, accounting and corporate service organizations of a fully regulated utility company and brings extensive financial and operational expertise	
INDEPENDENT DIRECTORS NEW		**RICHARD T. HUME[(1)]** CEO of Tech Data Corporation	Brings extensive technology expertise, operational experience and strategic oversight as the leader of a global IT distribution and solutions company	
INDEPENDENT DIRECTORS		**MARGARET M. KEANE** Current Executive Chair and former CEO and President of Synchrony Financial	Directed the strategy and operations of a financial services business, expanding its focus on e-commerce and mobile capabilities to deliver an innovative consumer experience	C N
INDEPENDENT DIRECTORS		**JACQUES P. PEROLD** Former President of Fidelity Management & Research Company	Strong investment expertise in the financial services industry, and led the strategy and operations of one of the world's largest asset management firms	A R
INDEPENDENT DIRECTORS		**GREGG M. SHERRILL** Former Chair and CEO of Tenneco Inc. **In May 2021, it is anticipated that Mr. Sherrill will be named the new Independent Lead Director**	Broad strategic and operational leadership experience in the automotive industry, and brings valuable insights into anticipated transformation of the personal transportation system	A N
INDEPENDENT DIRECTORS		**PERRY M. TRAQUINA** Former Chairman, CEO, and Managing Partner of Wellington Management Company LLP	Strong financial services and investment management expertise as leader of one of the world's largest global investment management firms	C R

● Committee Chair A Audit Committee C Compensation and Succession Committee E Executive Committee N Nominating, Governance and Social Responsibility Committee R Risk and Return Committee

(1) Consistent with Allstate's onboarding practices, committee assignments for Messrs. Brown and Hume will be established during their first year of service. It is expected that Mr. Brown will be assigned to the audit and nominating, governance and social responsibility committees, and Mr. Hume will be assigned to the compensation and succession and risk and return committees after the annual meeting.

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 2020 was 120.7% of target, reflecting above maximum performance on Performance Net Income and below target performance on Total Premiums and Net Investment Income.

See **pages 48-80** for further information

Executive Compensation Highlights

We compensated our named executive officers ("NEOs") using the following elements for total target direct compensation in 2020:

TARGETED AT 50TH PERCENTILE OF PEERS

AT-RISK PERFORMANCE-BASED PAY

Element	Description	Target Compensation Mix: CEO	Target Compensation Mix: Other NEOs
Salary	Targeted at 50th percentile of peers to support Allstate's goal of attracting and retaining executive talent	9%	17%
Annual Cash Incentive	Targets established based on company performance against three performance measures: Total Premiums, Performance Net Income, and Net Investment Income • Amounts awarded to each NEO based on pool funding and individual performance • Beginning in 2021, we added a fourth funding measure, the Strategic Initiatives Scorecard, to measure progress made against Transformative Growth and inclusive diversity and equity strategies throughout the year	26%	26%
Long-term Equity Incentive	The mix of equity incentives granted in 2020 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 based on results for Average Performance Net Income Return on Equity ("ROE") (70% weighting) and Relative Total Shareholder Return ("TSR") (30% weighting) (both measured over a three-year period) • For the 2021-2023 PSAs, an Items in Force Growth performance measure was added. The 2021 award will vest based on results of Average Performance Net Income ROE (50% weighting), Relative TSR (30% weighting) and Items in Force Growth (20% weighting).	65%	57%

- Allstate had excellent performance on all five 2020 Operating Priorities, and financial results improved, with adjusted net income* rising to $4.65 billion in 2020 from $3.48 billion in the prior year.
- Based on company and individual performance, the named executives received the following annual incentive payments during the last three years:

Named Executive Officer	2018 Annual Incentive ($)	2019 Annual Incentive ($)	2020 Annual Incentive ($)
Mr. Wilson	6,719,194	4,730,100	4,889,565
Mr. Rizzo	1,510,788	1,053,000	1,250,000
Mr. Civgin	1,900,000	1,400,000	1,810,861
Mr. Shapiro	2,050,000	1,366,000	1,473,089
Mr. Dugenske	1,616,607	1,132,000	1,410,109

* This measure is defined and reconciled to the most directly comparable GAAP measures in Appendix A.

PROPOSAL 3

Ratification of Deloitte & Touche LLP as the Independent Registered Public Accountant for 2021

The Board recommends a vote FOR this proposal.

- 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 82-84** for further information

PROPOSAL 4

Stockholder Proposal to Amend Proxy Access Terms

The Board recommends a vote AGAINST this proposal.

- Allstate protects stockholder interests and supports stockholder rights.
- Allstate's existing proxy access bylaw is market standard.
- Allstate has a proven track record of Board refreshment and diversity.

See **pages 85-86** for further information

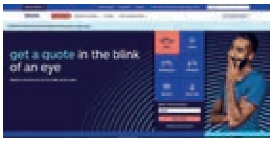
About Allstate

Allstate is one of the nation's largest insurers with 175.9 million policies in force, protecting cars, homes, motorcycles, lives, personal devices and identities. Its products are sold through Allstate agents, independent agents, call centers, online, major retailers and voluntary benefits brokers. The company harnesses the talent of approximately 87,000 Allstaters (which includes employees, agents and agent support staff). It recently was included in the Drucker Institute list of the nation's 250 best managed companies.

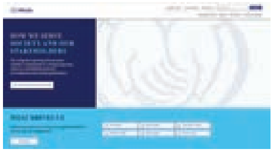
New in this Proxy Statement

- Discussion of Allstate's revised Our Shared Purpose on **page 6**
- Discussion of Allstate's inclusive diversity and equity initiatives on **pages 9-10**
- Allstate's response to the Coronavirus pandemic on **page 11**
- Discussion of Allstate's focus on climate-risk on **pages 12-13**

Explore Allstate



Get a quote in the blink of an eye
https://www.allstate.com



Review our Sustainability Report online
https://www.allstatesustainability.com

Corporate Governance

PROPOSAL

1

Election of 12 Directors

The Board recommends a vote FOR each nominee.

- All candidates are highly successful executives with relevant skills and expertise.
- Average tenure of 7.0 years, with 11 of 12 directors independent of management.
- Diverse slate of directors with broad leadership experience; three out of four committee chairs and the independent Lead Director bring gender or ethnic diversity.
- Industry-leading stockholder engagement program and highly rated corporate governance practices.

The Board recommends 12 nominees for election to the Allstate Board for one-year terms beginning in May 2021 and until a successor is duly elected and qualified or his or her earlier resignation or removal.

Each nominee was previously elected at Allstate's annual meeting of stockholders on May 19, 2020, for a one-year term, with the exception of Messrs. Brown and Hume who joined the Board following the 2020 Annual Meeting. 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.

Director Nominees' Skills and Experience

Our Board selected the nominees based on their diverse set of skills and experience, which align with our business strategy and contribute to the effective oversight of Allstate. Our nominees are talented, both as individual business leaders and as a team. Fifty percent of our Board is ethnically or gender diverse. They bring a full array of business and leadership skills to their oversight responsibilities. Most nominees have served 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 dialogue and thoughtful decision-making on Allstate's Board.

Core Competencies Required of All Director Nominees

100%

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

Additional Capabilities that Facilitate Oversight of Our Business

58%

Financial Services
Assists with understanding the business and strategy of our company.

100%

Risk Management
Aids in the Board's role in overseeing the risks facing our company and provides effective oversight of our enterprise risk and return management ("ERRM") program.

92%

Accounting and Finance
Financial reporting, audit knowledge, and experience in capital markets are elements of Allstate's success.

83%

Technology and/or Cybersecurity
Relevant to how Allstate approaches improving its internal operations and the customer experience and protects customer information.

67%

Global Perspective
Provides valuable insights on how Allstate should continue to grow and manage its businesses outside the United States.

92%

Complex, Highly Regulated Businesses
Our business is regulated in all 50 states and is subject to government regulations by the U.S. federal government, Canada and the United Kingdom.

100%

Sustainability
Sustainability drives long-term value creation and as a public company and good corporate citizen, stockholders expect effective oversight and transparency.

100%

Succession Planning and Human Capital Management
Important for ensuring Allstate has sufficient talent, robust development and retention practices and supporting our commitment to further inclusive diversity and equity.

100%

Innovation and Customer Focus
Helps Allstate grow its brand, enhance its reputation, generate disruptive innovation, and extend or create new business models.

75%

Government, Public Policy and Regulatory Affairs
Assists in identifying and understanding compliance issues and the effect of governmental actions on our business.

Summary of Director Nominees' Skills and Experience

	Brown	Crawford	Eskew	Hume	Keane	Mehta	Perold	Redmond	Sherrill	Sprieser	Traquina	Wilson
Skills and Experience												
Financial Services					●	●	●	●		●	●	●
Risk Management	●	●	●	●	●	●	●	●	●	●	●	●
Accounting and Finance	●	●	●	●	●	●	●		●	●	●	●
Technology and/or Cybersecurity	●	●	●	●	●	●	●			●	●	●
Global Perspective			●	●		●	●		●	●	●	●
Complex, Highly Regulated Businesses	●	●	●		●	●	●	●	●	●	●	●
Sustainability	●	●	●	●	●	●	●	●	●	●	●	●
Succession Planning and Human Capital Management	●	●	●	●	●	●	●	●	●	●	●	●
Innovation and Customer Focus	●	●	●	●	●	●	●	●	●	●	●	●
Government, Public Policy and Regulatory Affairs	●	●	●		●	●		●	●		●	●
Demographic Information												
Tenure (years)*	1	8	6	1	3	7	5	11	3	21	4	14
Age*	49	61	71	61	61	62	62	65	68	67	64	63
Gender	M	M	M	M	F	M	M	F	M	F	M	M
Race/Ethnicity												
Black/African American	●	●										
Asian/Other Pacific Islander						●						
White/Caucasian			●	●	●		●	●	●	●	●	●

* Tenure and age calculated as of 2021 Annual Meeting

Director Nominees

Donald E. Brown

Independent **Age** 49

Donald is successfully leading the financial operations of one of the largest regulated utility companies in the country with extensive financial and accounting expertise.

Professional Experience

- Current Executive Vice President and CFO of NiSource, Inc., a highly regulated natural gas and electric utilities company serving customers across multiple states, and President of NiSource Corporate Services.
- Former CFO of UGI Utilities, a natural gas and utilities company.

Relevant Skills

- Extensive financial, accounting and regulatory expertise within the heavily regulated utilities industry, focused on delivering safe, reliable and efficient services to customers and communities.
- Valuable insights into strategic leadership, business operations and supply chain management.
- Effectively leads the financial and accounting operations of a shared services organization with nearly 4 million customers.

Other Public Board Service

- None

Allstate Board Service

Director since 2020 (<1 year of tenure)

Committee Assignments and Rationale

Mr. Brown meets all of the Board's qualifications for Board service. In addition, his extensive financial expertise and leadership experience at a heavily regulated utilities company complements the Board's diverse skill sets and strengthens the strategic and operational dialogue. For more information about the Board's nomination considerations, please refer to **page 28**.

Committee Assignments and Rationale

Consistent with past practice, committee assignments will be established during first year of service. It is expected that Mr. Brown will be assigned to the audit and nominating, governance and social responsibility committees after the annual meeting.

Kermit R. Crawford

Independent **Age** 61

Kermit effectively transformed the pharmacy experience from a model focused primarily on drug delivery to a pharmacist-patient centric model.

Professional Experience

- Former President and Chief Operating Officer of Rite Aid Corporation, which operates one of the leading retail drugstore chains in the United States.
- 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.
- Former Director at LifePoint Health.

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 of analyzing consumer experience and insights.

Other Public Board Service

- TransUnion (2019–present)
- C.H. Robinson (2020-present)

Allstate Board Service

Director since 2013 (8 years of tenure)

Committee Assignments and Rationale

A Audit Committee (Chair)

- Responsibility for all aspects of strategic, operational, and profit and loss management of one of the largest drugstore chains in the United States.
- Board leadership and eight years tenure on Allstate Board.
- Former member of the audit and compliance committee at LifePoint Health.

R Risk and Return Committee

- Operational experience at large, geographically dispersed service organizations.
- Chair of Allstate audit committee.

Michael L. Eskew

Independent **Age** 71

Michael led the redesign of UPS' operational platforms using digital technologies to more effectively and efficiently deliver a customer-focused worldwide service.

Professional Experience

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

Relevant Skills

- Expertise in strategy, leadership development, human capital management and corporate culture.
- 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)

Allstate Board Service

Director since 2014 (6 years of tenure)

Committee Assignments and Rationale

Ⓒ Compensation and Succession Committee (Chair)

- Significant management experience as former Chairman and CEO of UPS from 2002 to 2007 and director of other publicly traded companies.
- Former chair of the 3M compensation committee and former member of the Eli Lilly compensation committee.
- In May 2021, it is anticipated that Mr. Eskew will step down as chair of the compensation and succession committee and be appointed to the audit committee.

Ⓝ Nominating, Governance and Social Responsibility Committee

- Significant governance and leadership experience during his time as the Chairman and CEO of UPS and as former chair of the Eli Lilly directors and corporate governance committee.
- Board leadership and six years tenure on Allstate's Board.

Richard T. Hume

Independent **Age** 61

Richard is an active CEO and brings a unique skill set with his extensive technology background and experience overseeing innovative strategy of a global distribution company.

Professional Experience

- Current CEO and director of Tech Data Corporation, a global IT distribution and solutions company
- Former COO of Tech Data Corporation
- Former General Manager and COO, Global Technology Services at IBM

Relevant Skills

- Deep technological expertise within global business services.
- Extensive operational and strategic oversight experience as CEO of Tech Data.
- Valuable insights in leading innovative change, technological advancements and strategic growth.

Other Public Board Service

- None

Allstate Board Service

Director since 2020 (<1 year of tenure)

Committee Assignments and Rationale

Mr. Hume meets all of the Board's qualifications for Board service. In addition, his extensive technology expertise and experience leading a global distribution company adds to the Board's skill sets and strengthens the strategic growth dialogue. For more information about the Board's nomination considerations, please refer to **page 28**.

Committee Assignments and Rationale

Consistent with past practice, committee assignments will be established during first year of service. It is expected that Mr. Hume will be assigned to the compensation and succession and risk and return committees after the annual meeting.

Margaret M. Keane

Independent **Age** 61

As the CEO of a large financial institution, Margaret led strategic, operational, and technology transformation in the rapidly changing consumer payments industry.

Professional Experience

- Current Executive Chair and former CEO and President 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 CEO of Synchrony Financial.
- Valuable insights into innovation, technology transformation, human capital management and employee development.
- Successful leadership experience across roles spanning consumer finance, vendor financial services, operations and quality.

Other Public Board Service

- Synchrony Financial (2014–present)

Allstate Board Service

Director since 2018 (3 years of tenure)

Committee Assignments and Rationale

C Compensation and Succession Committee

- Substantial experience in establishing management performance objectives and specific goals.
- Significant market knowledge of executive compensation as the former CEO of Synchrony Financial.

N Nominating, Governance and Social Responsibility Committee

- Significant management experience as the former CEO of Synchrony Financial.
- Thought leader and driver of inclusion and diversity initiatives.

Siddharth N. (Bobby) Mehta

Independent **Age** 62

As a CEO, Bobby demonstrated successful leadership that increased revenues and global reach through the use of technology and advanced analytics.

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.
- Former Director of Piramal Enterprises Ltd.

Relevant Skills

- 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

- JLL (Jones Lang LaSalle Incorporated) (2019–present)
- Northern Trust Corp. (2019–present)
- TransUnion (2012–present)

Allstate Board Service

Director since 2014 (7 years of tenure)

Committee Assignments and Rationale

R Risk and Return Committee (Chair)

- Significant experience in financial markets and utilization of data and analytics.
- In-depth understanding and experience in risk and return management as a director and former CEO.

A Audit Committee

- 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.

Jacques P. Perold

Independent **Age** 62

Jacques successfully led the investments and operations for Fidelity's family of mutual funds with over $1.8 trillion in assets under management.

Professional Experience

- Chair, CEO and founder of CapShift, an investment advisory firm.
- Former President of Fidelity Management & Research Company, a privately-held investment and asset management company serving clients worldwide.
- Founder, former 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 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.

Other Public Board Service

- MSCI Inc. (2017–present)

Allstate Board Service

Director since 2015 (5 years of tenure)

Committee Assignments and Rationale

A Audit Committee

- Multiple leadership positions with financial and operational oversight responsibilities, including as President of Fidelity Management & Research Company.

R Risk and Return Committee

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

Andrea Redmond

Independent **Age** 65

Andrea's insights and judgment on leadership helped companies and high-performance organizations execute their corporate strategies.

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 human capital management services.

Relevant Skills

- Expert in public company succession planning, human capital management, and executive compensation across a wide range of industries.
- Substantial experience in financial services leadership selection and executive development.
- Extensive experience in assessing required board capabilities and evaluating director candidates.

Other Public Board Service

- None

Allstate Board Service

Director since 2010 (11 years of tenure)

Committee Assignments and Rationale

N Nominating, Governance and Social Responsibility 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.

C Compensation and Succession Committee

- Experience in executive recruiting, succession planning, and human capital management.
- Extensive experience working with numerous publicly traded companies to recruit and place senior executives.

Gregg M. Sherrill

Independent **Age** 68

Gregg created the strategies and implemented operating plans to increase revenues and profitability during his tenure at Tenneco.

Professional Experience

- Former Executive Chair, CEO and director of Tenneco Inc., a producer of automotive emission control and ride control products and systems.
- 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 international operations as CEO at a global public company with employees in 23 countries.

Other Public Board Service

- Snap-on Inc. (2010–present)

Allstate Board Service

Director since 2017 (3 years of tenure)

In May 2021, it is anticipated that Mr. Sherrill will be named the new Independent Lead Director.

Committee Assignments and Rationale

A Audit Committee

- Multiple leadership positions with financial oversight responsibility, including as Chairman and CEO at Tenneco.

N Nominating, Governance and Social Responsibility Committee

- Significant board leadership experience as the former Chair and CEO of Tenneco, including oversight over sustainability and governance matters.
- Experience on boards of publicly traded and international companies.

Judith A. Sprieser

Independent Lead Director
Age 67

Judith has extensive service on boards of publicly traded and international companies, and significant operating experience.

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, Experian, Reckitt Benckiser Group plc and Jimmy Choo plc.

Relevant Skills

- More than 20 years of 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

- Newell Brands Inc. (2018–present)
- Intercontinental Exchange Inc. (2004–present)

Allstate Board Service

Director since 1999 (21 years of tenure)

The Board has determined that Ms. Sprieser's independence from management has not been diminished by her tenure on the Board. She is a valued leader who fulfills her responsibilities with integrity and independence of thought and has significant experience serving at Allstate under different operating environments and management teams.

Committee Assignments and Rationale

Lead Director

- Prior chair of audit committee.
- Board service at Allstate during many different external operating environments and two CEOs.
- After more than five years of service, it is anticipated that Ms. Sprieser will step down as Independent Lead Director in May 2021.

C Compensation and Succession Committee

- Extensive experience leading other large companies as CEO and CFO.
- Experience serving on boards of other publicly traded and international companies.

R Risk and Return Committee

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

Perry M. Traquina

Independent **Age** 64

Perry had significant success as an investor, building a world-class investment organization and overseeing the strategies and operating performance of public companies.

Professional Experience

- Former Chairman, CEO and Managing Partner of Wellington Management Company LLP, one of the world's largest global investment management firms with over $900 billion of assets under management.
- Held a series of positions of increasing responsibility at Wellington, including Partner and President.

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.
- During ten-year leadership tenure, Wellington more than doubled its assets under management.
- Fostered a culture of diversity and inclusion at Wellington.
- Brings valuable market-oriented investor perspective.

Other Public Board Service

- Morgan Stanley (2015–present)
- eBay Inc. (2015–present)

Allstate Board Service

Director since 2016 (4 years of tenure)

Committee Assignments and Rationale

C Compensation and Succession Committee

- Significant management experience as former Chairman and CEO of Wellington Management Company LLP from 2004 through June 2014.
- Stockholder perspective on compensation and succession as a significant investor and director of other public companies.
- In May 2021, it is anticipated that Mr. Traquina will be appointed chair of the compensation and succession committee.

R Risk and Return Committee

- In-depth understanding of financial markets, asset allocation strategies, and investment performance management.
- Current chair of the risk committee at Morgan Stanley.

Thomas J. Wilson

Board Chair, President, and Chief Executive Officer **Age** 63

Tom possesses a thorough and in-depth understanding of Allstate's business, including its employees, agencies, products, investments, customers, and investors.

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, having led all major operating units.
- Former director at State Street Corporation.

Relevant Skills

- Key leadership roles throughout Allstate over 26 years.
- Developed Allstate's Shared Purpose and corporate strategy.
- Created and implemented Allstate's risk and return optimization program, allowing Allstate to simultaneously 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, chair of the U.S. Chamber of Commerce, and co-chair of a public-private partnership to reduce violence in Chicago.

Other Public Board Service

- None

Allstate Board Service

Director since 2006 (14 years of tenure)

Committee Assignments and Rationale

E Executive Committee (Chair)

- Comprehensive knowledge of Allstate's business and industry, with 26 years of leadership experience at the company.

Effective Board Governance at Allstate

1 Board Composition

- Regularly consider candidates in light of current skill sets and needs
- All candidates evaluated and considered for their diversity, including gender, ethnicity, background, expertise and perspective

Page 28

2 Board Effectiveness

- Board evaluation process includes multiple assessments and reviews of the Board, committees, meetings and individual directors
- Robust director orientation and continuing director education program
- Adheres to high standards of corporate governance

Page 29

3 Engaged Oversight

- Frequent reviews of Allstate's significant risks, including climate, culture and cybersecurity risk
- NEW Enhanced oversight of ESG-related matters, including inclusive diversity and equity
- Ongoing reviews of human capital management and organizational health

Page 32

4 Accountability

- Transparent lines of accountability to our stakeholders
- A stockholder engagement program based on dialogue, transparency, and responsiveness
- Interactive investor dialogue provides perspective on investor concerns

Page 37

5 Board Structure

- Clearly defined roles for Board Leadership
- Strong Board independence
- NEW Instituted written policy to rotate Lead Director every three to five years
- Independent Board Committees with frequent executive sessions
- Appropriate director compensation structured in a manner that is aligned with stockholder interests

Page 39

Board Composition

In addition to fulfilling the core competencies and additional capabilities listed on **page 19**, the Board and nominating, governance and social responsibility committee **expect non-employee directors to be free of interests or affiliations that could give rise to a biased approach to directorship responsibilities or a conflict of interest and to be free of any significant relationship with Allstate that would interfere with the director's 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.

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

The Board 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, Messrs. Brown and Hume, were identified by a search firm.

The nominating, governance and social responsibility 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, IL 60062-6127.

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 continually considers potential director candidates in anticipation of retirements, resignations, or the need for additional capabilities. Below is a description of the ongoing process to identify highly qualified candidates for Board service.

1. **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 perspectives to meet existing and future business needs

2. **Check Conflicts of Interest and References**
   All candidates are screened for conflicts of interest and independence

3. **Nominating, Governance and Social Responsibility Committee Dialogue**
   Considered 269 candidates since 2011

4. **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

5. **Nominating, Governance and Social Responsibility Committee Dialogue**
   To consider shortlisted candidates, and after deliberations, recommend candidates for election to the Board

6. **Board Dialogue and Decision**
   Added five highly qualified directors in the past five years, including two new directors this past year

Board Effectiveness

Evaluation Process

Allstate's Board evaluation process includes multiple assessments and reviews performed throughout the year. This process ensures that the Board's governance and oversight responsibilities are updated to reflect best practices and are well executed. These evaluations include discussions after every meeting, an annual Board assessment, annual committee assessments and individual director evaluations.

Steps to Achieve Board Effectiveness

	Board			Individual Directors	
FREQUENCY	Evaluation at every in-person meeting	Annual Evaluation	Biennial review of responsibilities and time allocation	Annual evaluation	Change in circumstances
PERFORMED BY	Independent Directors	Board and Committee Chairs	Board and Committees	Lead Director, nominating, governance and social responsibility committee chair, and Board Chair	Board
DESCRIPTION	Measures effectiveness of Board oversight Ensures objectives were satisfied, all agenda items sufficiently considered and information presented was complete, understandable and organized Identifies issues that need additional dialogue	Ensures Board and committees are functioning effectively Results reviewed by nominating, governance and social responsibility committee and summarized for full Board; recommendations for improvement are reviewed and plans initiated	Ensures all necessary agenda items were considered to fulfill Board and committee responsibilities Adjustments made to future agendas and timelines	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, governance and social responsibility committee chair, or Board Chair Discuss each director's future plans for continued Board service Determine whether overall skills align with business strategy	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
2020 OUTCOME	**Based on the Board's annual evaluation process, the nominating, governance and social responsibility committee reviewed feedback and established action items for the upcoming year. Results of individual director evaluations were used by the nominating, governance and social responsibility committee in connection with the annual nomination process. Specific action plans were discussed with each director.**				

2020 Annual Evaluation Feedback and Action Items

Feedback on evaluations is provided to the nominating, governance and social responsibility committee and action items are developed for the upcoming year.

1

Strategy and Operational Oversight

Directors appreciate reviews on strategic imperatives and financial performance and found the 3-day strategy session to be effective.

Action Item

Management will provide regular updates to the Board on the execution of the Transformative Growth strategy.

2

Board Structure and Governance

Directors are pleased with the current mix of skills and competencies on the Board and believe the process of rotating committee assignments for new directors is effective.

Action Item

The nominating, governance and social responsibility committee will continue to prioritize diversity when seeking new Board candidates and will develop a list of preferred qualifications that will assist in identifying new candidates.

3

Information and Resources

Directors find the meeting materials to be detailed, thoughtful and well prepared and appreciate resources and support they receive from management.

Action Item

Management will streamline the materials and include additional background information in appendices.

Director Onboarding and Continuing Education

Orientation

All new directors participate in a robust director orientation and onboarding process to ensure a working knowledge of Allstate's business, strategies, operating performance and culture and a successful integration into boardroom discussions as soon as possible. To assist with their development, all new directors are invited to attend all committee meetings prior to their appointment to a particular committee. As part of their onboarding and during their tenure, directors regularly meet with senior leaders and employees below the senior leadership level. These interactions are offered in various forums, including one-on-one meetings and larger group sessions.

Continuing Personal Development

Allstate encourages and facilitates director participation in continuing education programs, and each director is given the opportunity to become a member of the National Association of Corporate Directors.

Beyond the Boardroom

Throughout their tenure, directors continue to participate in informal meetings with other directors and senior leaders to share ideas, build stronger working relationships, gain broader perspectives, and strengthen their working knowledge of Allstate's business, strategy, operating performance and culture.

Our Commitment to Effective Governance

Allstate has a history of strong corporate governance guided by three primary principles: **dialogue, transparency and responsiveness**. The Board has enhanced governance policies over time to align with best practices, drive sustained stockholder value and serve the interests of stockholders. Allstate's key governance practices are included below.

Stockholder Rights

- Annual election of directors with a majority vote standard in uncontested elections
- Proxy access rights permitting 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 to nominate director candidates constituting up to 20% of the Board
- 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 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

NEW See **pages 34-36** for information on expanded Board oversight of ESG priorities, including inclusive diversity and equity

- Use of outside experts such as independent auditors, compensation consultants, governance specialists, cybersecurity experts, board search firm representatives, and financial advisors

See **page 35** for information about the external pay equity analysis completed in 2020

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
- Requests for stockholder engagement with holders of about 40% of outstanding shares
- Robust Board and committee self-evaluation process
- Comprehensive Sustainability Report with information on climate change, information security, ESG priorities and performance, inclusive diversity and equity and public policy (including political contributions)

NEW Beginning in 2021, Allstate disclosed consolidated EEO-1 data and reported information under the Sustainability Accounting Standard Board standards for insurance companies

- Robust Global Code of Business Conduct and ethics training for all directors
- Effective director education program
- Strong equity ownership requirements for executives and directors
- Comprehensive CEO emergency succession plan

isg

Investor Stewardship Group

Allstate believes that strong and effective governance practices are critical to long-term value creation. To achieve that goal, Allstate follows the six corporate governance principles set out by the Investor Stewardship Group for U.S. listed companies. These principles are:

1. Boards are accountable to stockholders;
2. Stockholders should be entitled to voting rights in proportion to their economic interest;
3. Boards should be responsive to stockholders and be proactive in order to understand their perspectives;
4. Boards should have a strong, independent leadership structure;
5. Boards should adopt structures and practices that enhance their effectiveness; and
6. Boards should develop management incentive structures that are aligned with the long-term strategy of the company.

Board Oversight

Risk Management

The Board oversees Enterprise Risk and Return Management ("ERRM"), including management's design and implementation of ERRM practices. The chief risk officer's assessment of Allstate's current risk position and alignment with risk and return principles is reviewed throughout the year. Significant risks, including those affected by climate change, financial markets, cybersecurity and privacy threats, are regularly identified, measured, managed, and reported. Risk and return perspectives are shared with the Board across six risk types: financial, insurance, investment, operational, strategic, and culture. The key risk areas overseen by each Board committee are included below.

Board of Directors — Reviews enterprise risk and return at least twice a year

Risk and Return Committee — Reviews risk and return at least five times annually

- Oversees the effectiveness of Allstate's ERRM framework, governance structure and decision making
  - Reported through a quarterly risk summary report that identifies key risks, measurement of the risk profile, and alignment with risk and return principles
  - Includes a review of the chief risk officer's assessment of strategic and operating plans
- Reviews regulatory Own Risk and Solvency Assessment ("ORSA") report
- Reviewed culture over multiple meetings
- 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 the committee
- The chief audit executive attends all meetings
- Reviews risk factors included in our Form 10-K, including risks related to climate change and severe weather
- **Assessed risks associated with extremely low frequency scenarios ("ELFS") by comparing prior pandemic analysis to actual Coronavirus outcomes** NEW

Audit Committee — Reviews risk at least four times annually

- Oversees Allstate's internal controls related to key risks and the major financial risk exposures
  - Reported through a semi-annual risk control dashboard
- Reviews risk factors included in our Form 10-K
- NEW **In light of the pandemic, reviewed financial statement implications, legal and compliance risks and changes to internal controls as the company adapted to a virtual work environment.**
- The chief risk officer attends all meetings
- The chief audit executive attends all meetings and has regular executive sessions with the committee
- The risk and return committee chair is an audit committee member to enhance cross-committee communication
- 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
  - Utilizes an external, independent cybersecurity advisor

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 the chief risk officer's assessment of incentive compensation programs
- NEW **Reviewed the impact of the pandemic on executive compensation program. No changes were made to compensation awards due to the pandemic.**
- Oversees talent development and senior executive succession planning to ensure they appropriately align with Allstate's risk and return principles
- Oversight responsibilities related to human capital management, including recruitment, leadership and development, turnover, retention, organizational health and pay equity

Nominating, Governance and Social Responsibility Committee — Reviews risk as needed

- Oversees director elections and corporate governance practices to ensure they appropriately align with Allstate's risk and return principles
- Oversees the company's political contributions and activities and its significant ESG priorities and reporting
  - **Reviewed the priorities and reporting related to Allstate's ESG activities** NEW
  - Includes a review of the chief risk officer's assessment of political activities and an annual review of a report on ESG by the chief risk officer and/or general counsel related to such activity

Risk Management and Participation in the Political Process

Allstate engages in public policy advocacy at the state and federal levels to foster market innovation, fight for consumers, promote safety and security, ensure a healthy regulatory system, promote fiscal responsibility, and advocate for small businesses.

Allstate is regulated in all 50 states and at the federal level on many aspects of its business, including customer communications, privacy, sales practices, underwriting standards, insurance pricing, claims practices, investments and capital. As a result, it must participate in public policy issues to appropriately serve customers and generate adequate returns for stockholders. The scope of issues is expanding as Allstate introduces innovative products and services through Arity, Allstate Protection Plans, Allstate Identity Protection and Avail (car sharing).

Allstate participates in political activities through direct and indirect advocacy, corporate political contributions and Allstate's political action committee. **Allstate contributes less than $1,000,000 annually in corporate funds to political organizations**, including federal, state and local candidates and committees, in comparison to total revenues of almost $44.8 billion (less than 0.002% of total revenue). The types of expenditures are consistent from year to year.

The chief risk officer conducts an annual risk and return assessment of Allstate's political activities for the Board to ensure there is appropriate oversight and management of corporate political engagement. In addition, the Board's nominating, governance and social responsibility committee provides oversight of Allstate's political contributions and activities, including in a joint session with the Board.

Chief Risk Officer's Assessment

The chief risk officer's assessment approach is based on *Principles and Guidance for Responsible Corporate Political Engagement* published by Transparency International UK. The political activities and associated risks identified by Transparency International UK were expanded to address Allstate's specific activities and risk profile. These political activities were grouped for assessment as follows: i) political expenditures, ii) lobbying, iii) trade associations, social welfare groups and research organizations, iv) state based regulatory and legislation management, v) political activities in the workplace and vi) disclosure.

The chief risk officer's assessment concluded the following:

1. **Allstate's decisions on how to engage in the political process appropriately balance risk and return**
2. **Allstate's control framework appropriately manages the risks and governance and oversight exists to ensure activities are aligned with Allstate's risk and return principles**
3. **Failure to engage in the political process could result in unfavorable policies, legislation or adverse business outcomes, negatively impacting Allstate's strategic position**
4. **The risk of not engaging is higher than the risk of engaging with effective controls and governance**

Risk Management and Cybersecurity

The Board focuses on Allstate's security and data privacy programs, recognizing that the quality and functionality of these programs affects our reputation and customers' trust in us. Allstate's strategy revolves around protecting our customers, and customers must feel that their most personal data is safe in our hands.

Accordingly, the Board prioritizes its responsibility to oversee data protection efforts, including policies and systems designed to prevent and, if necessary, respond to cyber threats. We are continually enhancing information security capabilities in order to protect against emerging threats, while increasing the ability to detect system compromise and recovery should a cyber-attack or unauthorized access occur.

The cybersecurity program is regularly reviewed and tested by Allstate's internal audit function with quarterly status reports provided to the audit committee and the full Board. **The audit committee receives semi-annual reports from its independent cybersecurity advisor.**

CYBERSECURITY GOVERNANCE BEST PRACTICES

- ✔ Crisis simulations to prepare senior leaders to respond to a cyber attack
- ✔ Audit committee charter clearly highlights the importance of the Board's data privacy oversight efforts
- ✔ Utilizes a cybersecurity advisor to provide objective assessments of Allstate's capabilities and to conduct advanced attack simulations
- ✔ Cross-functional approach to overseeing and addressing cybersecurity risk, with input from technology, risk, legal, and audit functions

Risk Management and Compensation

Compensation policies and practices are structured to reward employees for successfully executing the company's strategies and annual operating goals while adhering to our risk and return principles.

Analysis provided by an external consultant and the chief risk officer for the compensation and succession committee concluded the compensation plans are structured to ensure management does not take unnecessary or excessive risk. Based on this analysis, Allstate's compensation policies ensure appropriate levels of risk-taking, while avoiding unnecessary risks that could have a material adverse effect on Allstate.

- Compensation plans provide a balanced 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.
- Multiple performance measures are utilized 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 compensation and succession committee requires positive net income in order for our executives to earn PSAs for Average Performance Net Income ROE above target.
- Equity awards granted in 2020 and annual cash incentive awards for the 2020 performance year, and thereafter, are subject to clawback in accordance with the clawback policy approved by the compensation and succession committee. The clawback policy provides for the recovery of certain equity awards and annual cash incentive awards to executive officers and other executive vice presidents. If performance results are later subject to a downward adjustment as a result of a material financial restatement, irrespective of cause, then the paid awards are recalculated with revised results with the compensation overpayment subject to clawback. The clawback policy also provides for recovery of equity and annual cash incentive awards in certain circumstances if an executive is terminated for improper conduct that leads to a material adverse impact on the reputation of, or a material adverse economic consequence for, the company.

Risk Management and Human Capital Management

The Board engages in an ongoing review of human capital management practices since they are vital to Allstate's continued success. This includes overall organizational health and practices, such as recruitment, development, and retention. This also covers the company's inclusive diversity and equity results.

Our human capital management strategy focuses on the following priorities:

Organizational Culture

At Allstate, we define culture as a self-sustaining system of shared values, priorities and principles that shape beliefs, drive behaviors and influence decision making within an organization. We believe that a purpose driven company must be powered by purpose driven people.

Talent Recruitment and Management

We recognize that providing employees with rewarding work, professional growth and educational opportunities improves morale and engagement.

Inclusive Diversity and Equity

We strive for a workforce where the breadth of diversity makes us a better company. We are committed to being a force for positive change.

Employee Well-Being & Safety

To be an employer of choice, we prioritize employee well-being, devoting resources to health and safety.

We raised the minimum wage from \$15 to \$16 or \$18 an hour, depending on the costs of labor across our locations. This is the second increase in five years.

As part of Allstate's commitment to fair and equitable compensation practices, an internal pay equity analysis is completed on an annual basis. **For the second year in a row, Allstate engaged an outside firm to provide a more detailed pay equity analysis to identify potential pay gaps across substantially similar employee groups as well as identify policies, practices and/or systematic issues that may contribute to pay gaps now or over time. The external analysis found that Allstate's results compare well to benchmarks for companies of similar size and scope. In the few employee groups where pay gaps were identified, these were remediated and policies were established to ensure pay equity continues in the future.**

The Board's involvement in leadership development and succession planning is systematic and ongoing. 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. The Board also has regular and direct exposure to senior leadership and high-potential officers in meetings held throughout the year.

Board Review of Succession Planning and Talent Development Practices

Leadership Succession is Reviewed Continuously throughout the Year

APRIL

CEO Succession

Topic:
CEO succession planning

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

JULY

Talent Development

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

Primary Focus:
- Systematic approach to talent acquisition, development, and retention

SEPTEMBER

Key Leader Succession

Topic:
Senior leadership succession alternatives, including CEO

Primary Focus:
- Key leader development and retention

NOVEMBER

Scenario Planning

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

Primary Focus:
- Board dialogue in advance of unexpected succession issues

Board Role in Setting Compensation

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 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 relative 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 seven out of eight compensation and succession committee meetings in 2020. The compensation and succession committee annually evaluates the compensation consultant's performance and independence.

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 2019 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, governance and social responsibility committee with competitive information on director compensation, including updates on practices and emerging trends.

Governance of Sustainability

Board of Directors

The Board believes sustainability benefits Allstate's stakeholders and drives long-term value creation. The Board has responsibility for ESG oversight with semi-annual reviews.

Nominating, Governance and Social Responsibility Committee

The nominating, governance and social responsibility committee supplements the Board's semi-annual review of ESG matters.

Additionally, other Board committees focus on specific components of the ESG strategy. The risk and return committee reviews climate change risk, the compensation and succession committee reviews human capital management and organizational health, and the audit committee reviews data privacy and cybersecurity.

Our CEO and Other Members of Senior Management

Leadership from across the company guides Allstate's corporate responsibility and sustainability efforts.

The Corporate Responsibility and Sustainability Team

The Corporate Responsibility and Sustainability team develops the annual sustainability report, responds to ratings and rankings questionnaires, drives employee awareness and engagement with corporate sustainability initiatives and supports the Allstate Sustainability Council.

They report to our senior executives on the status of Allstate's ESG progress.

The Allstate Sustainability Council

Allstate has maintained a Sustainability Council since 2007. This cross-functional council reviews opportunities regarding operational efficiency, climate change and employee-focused sustainability initiatives.

The council is comprised of individuals from operations, accounting, administration and real estate, technology, claims, corporate relations, enterprise risk and return management, human resources, legal, investments, marketing, product and sourcing and procurement.

Allstate's vice president of corporate relations leads the council, which meets periodically, and updates senior executives.

Enterprise Diversity Leadership Council (EDLC)

The EDLC is made up of senior leaders throughout the enterprise focused on advancing inclusive diversity and equity at Allstate. The EDLC helps drive targeted results for inclusive diversity and equity across the company by:

- Identifying and prioritizing actions
- Taking accountability for achieving target results
- Ensuring clarity and understanding of the business relevance of inclusive diversity and equity

The EDLC provides updates to the CEO.

Recognitions

Allstate is recognized as an employer of choice and as a corporate champion for leadership in ethics, diversity, innovation and corporate responsibility. We are proud to be recognized as a great place to work by several independent organizations, and we will continue to make investments in our people to make Allstate a world-class workplace.

DIVERSITYINC.	ETHISPHERE	THE CIVIC 50	HUMAN RIGHTS CAMPAIGN	NEWSWEEK	DRUCKER INSTITUTE
Top 50 Companies for Diversity (2020, 17-time award winner)	World's Most Ethical Companies (2015-2020)	(2017-2020)	Corporate Equality Index rating (2009-2020)	Most Responsible Companies (2021)	250 Best-Managed Companies (2017-2020)

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

Board Accountability

4

Stakeholder Input and Responsiveness

Allstate continually seeks stakeholder input to meet its obligations as a corporate citizen. We regularly engage our stockholders, as well as the following groups: customers and consumers, employees, Allstate agents, nongovernmental organizations, opinion leaders, policymakers and suppliers. Allstate partners with Reputation Institute, a global research firm, to study how stakeholders perceive the company. We survey customers, consumers, agents and employees every quarter, as well as investors, policymakers and opinion leaders each year. Feedback is collected across these stakeholder groups, key topics are identified, and strategies are developed to address gaps. There are also stakeholder-specific avenues for engagement.

Stockholder Engagement

Allstate proactively engages with significant stockholders throughout the year. Dialogue, transparency, and responsiveness are the cornerstones of our stockholder engagement program.

How We Engage

Direct engagement involves reaching out to our largest stockholders representing about 40% of our total outstanding shares multiple times throughout the year. We also engage with proxy and other investor advisory firms that represent the interests of various stockholders.

Discussions with stockholders include our Lead Director, chair of the nominating, governance and social responsibility committee, Board Chair, and other committee chairs or directors as necessary.

Four-Phase Stockholder Governance Engagement Cycle

Balanced-Transparent-Responsive

JANUARY-MARCH

Before Annual Meeting

- Discuss with investors governance and compensation issues and potential responses.
- Discuss stockholder proposals with proponents, on case-by-case basis.
- Discuss governance trends.

APRIL-MAY

During Stockholder Voting

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

MAY

Annual Meeting of Stockholders

- Stockholders vote on issues such as directors, say-on-pay, auditor ratification and stockholder proposals.
- Provides forum for direct engagement among Board members, senior management, and stockholders.
- A virtual annual meeting format allows: Allstate to reach a broader base of stockholders that is not limited to just those who can travel, stockholders to submit questions both before and during the meeting, and a longer meeting time to address more stockholder questions.

JUNE-DECEMBER

After Annual Meeting

- Discuss with investors responses to vote results and new topics of interest for the upcoming year.
- Discuss stockholder proposals with proponents, on case-by-case basis.

Outcome

During 2020, Allstate reached out to stockholders on governance representing 43% of outstanding shares and spent a significant amount of time discussing Allstate's sustainability initiatives, human capital management practices, including inclusive diversity and equity priorities, climate change risk, and response to the Coronavirus pandemic. Stockholder feedback was integrated into Board discussions and decisions.

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, governance and social responsibility 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. As part of our commitment to constructive engagement with investors, we evaluate and respond to the views voiced by our stockholders, including vote results at our annual meetings of stockholders. Our dialogue has led to enhancements in our ESG and executive compensation practices, which our Board believes are in the best interest of our company and our stockholders.

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, IL 60062-6127.

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 and chief legal officer reports regularly to the nominating, governance and social responsibility 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. Items that are unrelated to the duties and responsibilities of the Board will not be forwarded, such as: business solicitations or advertisements; product related inquiries; junk mail or mass mailings; resumes or other job-related inquiries; or spam and overtly hostile, threatening, potentially illegal or similarly unsuitable communications. Activity on social media is also monitored and reported to the nominating, governance and social responsibility committee.

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

@ directors@allstate.com

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

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. To report any issue relating to The Allstate Corporation (including Allstate Insurance Company and its affiliates) accounting, accounting controls, financial reporting or auditing practices, you may contact the company by mail, telephone or email. Telephone contacts may be kept confidential at your request.

By mail:
The Allstate Corporation,
Audit Committee
2775 Sanders Road, Suite F7
Northbrook, IL 60062-6127
c/o General Counsel

By phone:
Allstate i-Report Line: 1-800-706-9855

By email:
auditcommittee2@allstate.com

The communication process and the methods to communicate with directors are posted on the “Governance Overview” section of www.allstateinvestors.com.

Board Structure

5

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 ten 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 expected that the Lead Director serve three to five years.

Judith A. Sprieser
Current Lead Director

Ms. Sprieser has devoted significant time fulfilling her duties as Lead Director since May 2015. During her tenure on Allstate's Board, she has cultivated an expansive knowledge of Allstate in multiple operating environments and has experienced various financial market cycles. Her long-term perspective complements the perspectives of newer Board members, five of whom have joined in the last five years.

Considerations in Selecting the Next Lead Director

Given Ms. Sprieser's tenure as Lead Director, the nominating, governance and social responsibility committee will make a recommendation for a new Lead Director beginning in May 2021. 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. It is expected that Gregg Sherrill will assume this role in May 2021. As a director at Allstate since 2017, he has served on the audit and nominating, governance and social responsibility committees. He has significant board leadership experience, including as former chairman of Tenneco, and also has experience serving on boards of other publicly traded companies.

Independent Lead 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

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

Succession Plans

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

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 and Individual Director Evaluations

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

Board Chair

The independent directors have the ability to separate the roles of Chair and CEO if it is in the best interests of Allstate and its stockholders. When making this determination, the independent directors consider the recommendation of the nominating, governance and social responsibility committee, the current circumstances at Allstate, the skills and experience 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.
- A strong Lead Director role provides an effective independent counterbalance if the independent directors choose to combine the Chair and CEO roles.
- The independent directors have currently determined Allstate is well served by having Mr. Wilson hold the roles of Chair and CEO given his leadership and experience. Mr. Wilson has more than 26 years of insurance industry experience and has demonstrated successful leadership of external boards.

Board Meetings and Committees

Management Participation in Committee Meetings

Key members of management regularly attend and participate in Board meetings. Regular attendees include the CEO, vice chair, CFO, general counsel and chief legal officer, president of Personal Property-Liability, president of Investments and financial products, chief risk officer and president of financial products. Other senior leaders attend as meeting topics warrant. In addition, senior leadership also participates in committee meetings.

Audit Committee A

The CFO, chief audit executive, chief compliance executive, chief risk officer, CEO, vice chair, general counsel and chief legal officer, and controller all actively participate in meetings. Senior business unit and technology executives, including the chief information security officer, are present when appropriate. Executive sessions of the committee are held at all regular meetings, in which the committee meets privately with the independent registered public accountant, independent cybersecurity advisor, chief audit executive, and chief compliance executive.

Compensation and Succession Committee

C

The executive vice president and chief human resources officer, senior vice president of total rewards, general counsel and chief legal officer, CFO, vice chair, and CEO participate in meetings. The committee regularly meets in executive sessions with the independent compensation consultant or chief human resources officer.

- The chief human resources officer 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 and chief legal officer provides input on the legal and regulatory environment and corporate governance best practices and ensures 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, and whether compensation outcomes were achieved within those principles.

Nominating, Governance and Social Responsibility Committee

N

The CEO, general counsel and chief legal officer and vice chair participate in meetings. The committee regularly meets in executive session without management present. The chief risk officer provides risk assessments on political contributions and activities.

Risk and Return Committee

R

The chief risk officer, CFO, CEO, vice chair, and chief audit executive participate in meetings. The committee regularly meets in executive session, including sessions with the chief risk officer.

Board Attendance

Each 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 2020 annual meeting of stockholders attended the annual meeting. Messrs. Brown and Hume joined the Board following the 2020 annual meeting.

99%

Average attendance of directors as a group at Board and committee meetings during 2020

The Allstate Corporation Board of Directors

Judith A. Sprieser,
Independent Lead Director

Thomas J. Wilson,
Chair

Meetings in 2020: 10

- The company's response to the Coronavirus pandemic was discussed at several meetings, including two special meetings held solely for that purpose.
- The Board met for three days in October to focus solely on strategy.
- Succession planning and inclusive diversity and equity were each discussed at four meetings.

Highly Independent Board

Eleven out of twelve directors on the Board are independent. Each director has input into Board and committee meeting schedules, agendas and materials. In addition, directors are provided opportunities throughout the year for independent discussion and reflection. The directors hold executive sessions without management present at every in-person Board and committee meeting.

Audit Committee(1)

Report, **pg. 82**

Chair: Kermit R. Crawford **Meetings in 2020:** 9

Other Members:
Siddharth N. Mehta
Jacques Perold
Gregg M. Sherrill

"We reviewed financial statement implications and changes to the internal controls in response to the pandemic. We also continued an industry leading practice of engaging an independent cybersecurity advisor for the fifth year in a row."

— Kermit R. Crawford, 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 and data privacy risk and the major financial risk exposures and management's 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 an independent cybersecurity advisor
- Oversees Allstate's internal audit function
- Oversees Allstate's data privacy programs
- Has authority to engage independent counsel and other advisors to carry out its duties

Compensation and Succession Committee

Report, **pg. 65**

Chair: Michael L. Eskew **Meetings in 2020:** 8

Other Members:
Margaret M. Keane
Andrea Redmond
Judith A. Sprieser
Perry M. Traquina

"We continued our review of Allstate's human capital management practices and organizational health. We once again received an independent assessment of pay equity to ensure equity within Allstate's compensation practices. We determined that Allstate's executive compensation program did not require any changes in light of the pandemic."

— Michael L. Eskew, 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
- Conducts an annual review of the company's human capital management practices for its people generally, and the organizational health of those practices, including metrics related to recruitment, geographic dispersion, leadership and development, compensation, turnover, employee and agent survey data, the ethical health of the company's culture, the diversity and inclusiveness of the culture, and pay equity
- 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 ("NYSE") and Securities and Exchange Commission ("SEC") requirements, and that Messrs. Mehta and Sherrill are each an audit committee financial expert as defined under SEC rules. Additionally, it is expected that Messrs. Brown and Eskew will be added to the audit committee following the 2021 Annual Meeting. There are also considered audit committee financial experts under SEC rules.

Robust Role for Independent Committee Chairs

Each of the committee chairs approves meeting agendas and reviews committee materials. Prior to each meeting, each committee chair has a conversation with the Board Chair and 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 standing committees regularly use independent external consultants.

In 2020, outside firms were engaged to provide independent assessments of Allstate's pay equity practices and cybersecurity program.

"Over the past year, we were actively engaged in Allstate's response to the pandemic and were kept apprised of steps taken to protect both employees and customers. We enhanced our oversight around inclusive diversity and equity and made a commitment to disclose a consolidated EEO-1 Report in 2021. We discussed with management strategic topics at every Board meeting and we were actively engaged in progress around Transformative Growth."

— Judith A. Sprieser
Independent Lead Director

Nominating, Governance and Social Responsibility Committee

Chair: Andrea Redmond **Meetings in 2020:** 5

Other Members:
Michael Eskew
Margaret M. Keane
Gregg M. Sherrill

"In 2020, we added two new directors, one with extensive technology expertise and the other with financial expertise, which will build on the Board's strategic capabilities and support Transformative Growth. Our Board remains 50% diverse. ESG priorities and progress were reviewed over multiple meetings."

— 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
- Reviews priorities and reporting related to Allstate's ESG activities, including political contributions and sustainability initiatives

Risk and Return Committee

Chair: Siddharth N. Mehta **Meetings in 2020:** 6

Other Members:
Kermit R. Crawford
Jacques P. Perold
Judith A. Sprieser
Perry M. Traquina

"We reviewed extremely low frequency high severity scenarios ("ELFS") specifically related to the pandemic and climate and weather-related risks. Risks and performance measures being used for Transformative Growth were also assessed."

— 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
- Enhanced oversight around culture as a key risk category
- Reviews ELFS on an annual basis, including a periodic review of ELFS related to climate and weather-related risks

Executive Committee

The Board has an Executive Committee made up of the Lead Director, committee chairs and Board Chair. The Executive Committee is chaired by Mr. Wilson and 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. In addition, the Executive Committee provides Board oversight if outside the scope of established committees or if an accelerated process is necessary. No meetings of the Executive Committee were necessary in 2020.

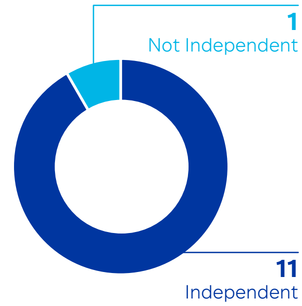
Board Independence and Related Person Transactions

Nominee Independence Determinations

The Board has determined that all directors who served during 2020, 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, governance and social responsibility, and risk and return committees are independent within the meaning of applicable laws, the NYSE listing standards, and the *Director Independence Standards*.

DIRECTOR INDEPENDENCE

92%
Independent



When evaluating the independence of director nominees, the Board weighs numerous factors, including tenure. Directors with more than 12 years of service are subject to specific considerations to ensure an undiminished level of independence. **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, management teams and financial market cycles, 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.**

Related Person Transactions

The nominating, governance and social responsibility 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 www.allstateinvestors.com.

There were no related person transactions identified for 2020.

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.

Director Compensation

Director Compensation Program

The director compensation program is designed to appropriately compensate non-employee directors for serving on the board of a large, complex, and highly regulated company and to align their interests with stockholders. The nominating, governance and social responsibility committee reviews non-employee director compensation annually including benchmark information from peer companies, advice from an independent compensation consultant, and relevant compensation surveys. The following charts describe each component of our non-employee director compensation program for 2020. While Allstate's director compensation program is slightly below market median, no changes were recommended after the 2020 annual review.

NON-EMPLOYEE DIRECTOR

45%	55%
$125,000 Annual Cash Retainer(1)	**$155,000** Annual Equity(2)

+

ADDITIONAL ANNUAL CASH RETAINERS(1)

$50,000 Lead Director	**$30,000** Compensation and Succession Committee Chair
$35,000 Audit Committee Chair and Risk and Return Committee Chair	**$20,000** Nominating, Governance and Social Responsibility Committee Chair

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

(2) 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 up to the nearest whole share.

Director Equity Compensation

- Equity makes up a meaningful portion of the directors' overall compensation mix to align interests with stockholders.
- A robust stock ownership guideline of five times the annual Board membership cash retainer supports alignment with stockholders' interests.
- Annual restricted stock units are granted under a fixed-value formula and in accordance with the stockholder approved 2017 Equity Compensation Plan for Non-Employee Directors. The aggregate grant date fair value of any award during a calendar year may not exceed $800,000.

Further Director Compensation Highlights

- Director total compensation, Lead Director and committee chair retainers, and equity grant practices are all benchmarked against insurance industry peer group and relevant compensation surveys to target total compensation at the median.
- No additional fees are paid for Board or committee meeting attendance.

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 cash retainer. Allstate's stock ownership guidelines specify that Allstate shares owned personally and beneficially, as well as unvested restricted stock units, count toward meeting the requirement.

Each director has met the ownership guideline, except for Messrs. Brown and Hume, who joined the Board within the last year.

2020 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 2020.

Name	Leadership Roles Held During 2020	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2][3]	Total ($)
Donald E. Brown		20,719	90,436	111,155
Kermit R. Crawford	Audit Committee Chair	160,000	155,045	315,045
Michael L. Eskew	Compensation and Succession Committee Chair	155,000	155,045	310,045
Richard T. Hume		69,025	142,115	211,140
Margaret M. Keane		125,000	155,045	280,045
Siddharth N. Mehta	Risk and Return Committee Chair	160,000	155,045	315,045
Jacques P. Perold		125,000	155,045	280,045
Andrea Redmond	Nominating, Governance and Social Responsibility Committee Chair	145,000	155,045	300,045
Gregg M. Sherrill		125,000	155,045	280,045
Judith A. Sprieser	Lead Director	175,000	155,045	330,045
Perry M. Traquina		125,000	155,045	280,045

(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 2020, Margaret Keane elected to receive 100% of her retainer in stock. 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 2020, Messrs. Eskew and Traquina elected to defer their cash retainer into common share units. The accumulated amount of Allstate common share units as of December 31, 2020, for directors previously electing to defer their cash retainer, is reflected in the table below.

Amounts Deferred under Deferred Compensation Plan for Non-Employee Directors	Allstate Common Share Units (#)
Mr. Eskew	10,662
Mr. Traquina	5,632

(2) Grant date fair value for restricted stock units granted in 2020 is based on the final closing price of Allstate common stock on the grant date, which in part also reflects the payment of expected future dividend equivalent rights. (See note 18 to our audited financial statements for 2020.) Messrs. Brown and Hume each received a prorated award when they joined the Board in 2020. The final grant date closing price was $99.07, except with respect to the prorated awards granted to Messrs. Brown and Hume, which were $88.75 and $95.70, respectively. 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 as of December 31, 2020, for each director. The value of the restricted stock units is based on the closing price of our common stock of $109.93 on December 31, 2020.

Name	Restricted Stock Units (#)	Value of Restricted Stock Units as of 12/31/20 ($)	Multiple of Annual Cash Retainer
Mr. Brown	1,019	112,019	0.9
Mr. Crawford	17,906	1,968,407	16.6
Mr. Eskew	13,245	1,456,023	11.8
Mr. Hume	1,485	163,246	1.3
Ms. Keane	4,840	532,061	7.1
Mr. Mehta	14,384	1,581,233	12.7
Mr. Perold	10,030	1,102,598	8.9
Ms. Redmond	33,378	3,669,244	31.1
Mr. Sherrill	4,840	532,061	5.3
Ms. Sprieser	43,028	4,730,068	37.8
Mr. Traquina	8,589	944,189	8.2

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.

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 2020 was 120.7% of target, reflecting above maximum performance on Performance Net Income and below target performance on Total Premiums and Net Investment Income.

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 SEC, including the Compensation Discussion and Analysis and accompanying tables and narrative on pages 48-80 of the Notice of 2021 Annual Meeting and Proxy Statement.

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis describes Allstate's executive compensation program, including total 2020 compensation for our named executives listed below[1]:

1. **Thomas J. Wilson** Chair, President, and Chief Executive Officer (CEO)
2. **Mario Rizzo** Executive Vice President and Chief Financial Officer (CFO)
3. **Don Civgin** Vice Chair and CEO, Protection Products and Services
4. **Glenn T. Shapiro** President, Personal Property-Liability
5. **John Dugenske** President, Investments and Financial Products

(1) See Appendix C for a full list of Allstate's executive officers and titles.

Business Highlights

In 2020, Allstate delivered strong results and implemented multiple initiatives to drive long-term profitable growth. Our management team continued to advance all five Operating Priorities:

$2.4 billion

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

Better serve customers

- Allstate acted quickly and led the industry in taking care of customers during the pandemic by providing two Shelter-in-Place Paybacks, financial flexibility through Special Payment Plans and offering free identity protection in 2020.
- The Net Promoter Score, which measures how likely customers are to recommend us, increased for the enterprise.

Grow customer base

- Consolidated policies in force grew to 175.9 million in 2020, a 20.5% increase to the prior year. Property-Liability policies in force were down slightly compared to the prior year as Allstate brand growth was more than offset by a decline in the Encompass brand.
- Protection Services policies in force grew to 136.3 million, a 28.6% increase to the prior year, driven by continued rapid expansion in Allstate Protection Plans.

Achieve target returns on capital

- Adjusted net income return on shareholders' equity* was 19.8% in 2020, primarily driven by strong Property-Liability results.
- Allstate's return was above the long-term target adjusted net income return on equity** of 14% to 17%.

Proactively manage investments

- Total return on the $94.2 billion investment portfolio was 7.1% in 2020 as increased asset valuations offset a decline in net investment income.
- Net investment income of $2.9 billion in 2020 was 9.7% below prior year reflecting lower reinvestment rates and reduced performance-based income.

Build long-term growth platforms

- Allstate made substantial progress in building higher growth business models to increase personal property-liability market share under the Allstate brand.
- Allstate Protection Plans expanded its total addressable market through new accounts addressing furniture, appliances and entering international markets.

* Measures used in this proxy statement that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (*). For definitions of these terms, please see the definitions of non-GAAP measures on **pages 93-96** of our 2021 Proxy Statement.

** A reconciliation of this non-GAAP measure to return on common shareholders' equity, a GAAP measure, is not possible on a forward-looking basis because it is not possible to provide a reliable forecast for catastrophes or investment income on limited partnership interests, and prior year reserve reestimates are expected to be zero because reserves are determined based on our best estimate of ultimate losses as of the reporting date.

Comparison of Total Shareholder Return (%) Against Allstate Peers

5-YEAR

Allstate ranks

2 out of 11

3-YEAR

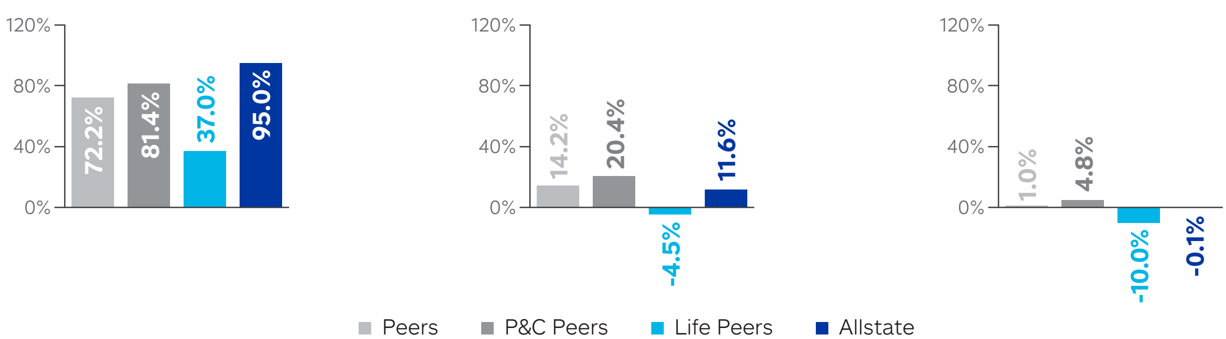
Allstate ranks

3 out of 11

1-YEAR

Allstate ranks

4 out of 11



2020 Executive Compensation At-a-Glance

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

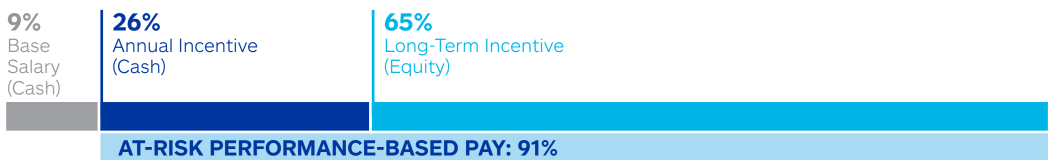
We Pay for Performance

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

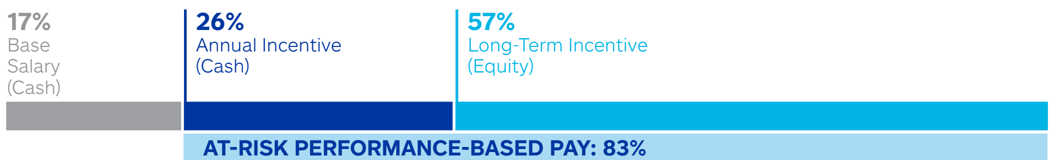
We Establish a Strong Link Between Performance Measures and Strategic Objectives

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

2020 CEO Compensation Mix

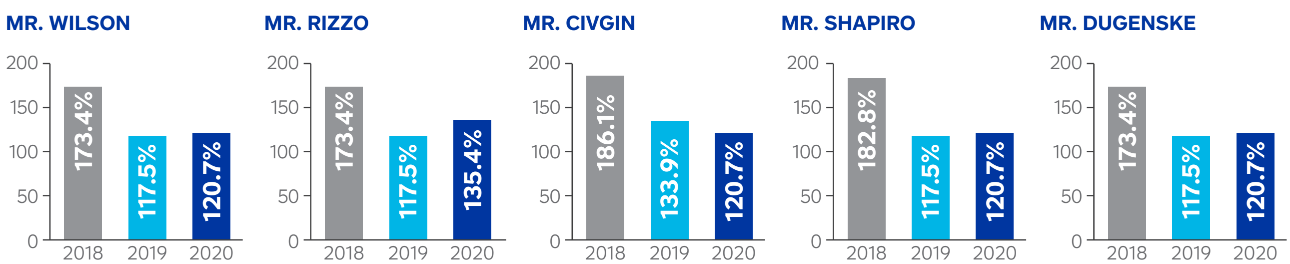


2020 Other NEO Compensation Mix



Alignment of Pay with Performance

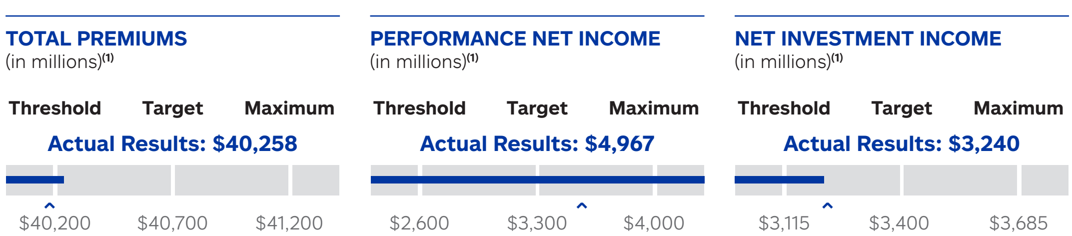
Annual Incentive Plan % of Target



Annual Cash Incentive

120.7%

Pool funding as determined by these results

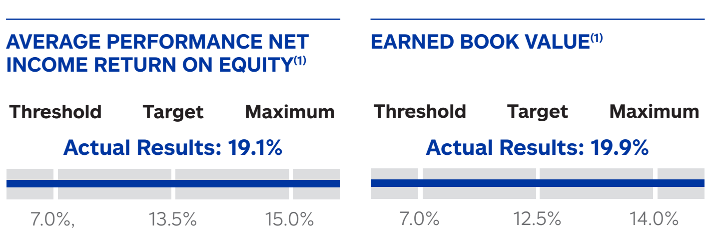


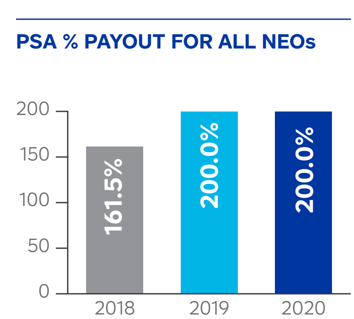
^ Reflects 2019 actual results of Total Premiums of $39,455, Performance Net Income of $3,571, and Net Investment Income of $3,260

2018-2020 Performance Stock Awards

200%

Payout percentage





(1) For a description of how these measures are determined, see **pages 78-80**

Compensation Highlights

The committee actively solicits the views of our significant stockholders on executive compensation matters. In determining the structure and amount of executive pay, the committee carefully considered this feedback. **At our last stockholder meeting, 92% of votes cast supported our executive compensation program**. Investors generally believed that Allstate utilized many best practices and focused on pay for performance.

The committee considered the vote results, investor input and current market practices and made changes to respond to that feedback, as described below.

What We Heard	What We Did
Clearly describe how the pandemic and the use of discretion impacted annual incentive payouts	• The compensation and succession committee reviewed the executive compensation program and determined that **no changes were needed in light of the pandemic**. • The annual incentive compensation pool is calculated based on three numerical measures and no positive discretion has been applied to the pool in the last five years. Individual discretion is utilized to reward high performers, but this is funded by reducing amounts paid to other executives. A description of how the measures were calculated is included on **pages 56-58**. • The annual cash incentive awards for the CEO and three other NEOs were equal to the calculated funding level, with no discretion applied. As described on **page 54**, Mr. Rizzo received positive discretion.
Consider adding ESG-oriented goal, or other non-financial metric, in the executive compensation program	• In 2020, the annual incentive plan design is calculated using three numerical measures: Total Premiums, Performance Net Income and Net Investment Income. Beginning in 2021, we added a fourth measure, the Strategic Initiatives Scorecard, to measure the progress made against Transformative Growth and inclusive diversity and equity strategies throughout the year. • The Strategic Initiatives Scorecard measure will carry a 20% weighting.
Prefer that CEO receive change in control cash severance payable of two times the sum of base salary and target annual incentive	• Beginning in 2021, in the event of the CEO's termination without cause or termination for good reason within two years following a change in control, CEO will receive cash severance payable of two times the sum of base salary and target annual incentive, the same as the other executive officers.

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

What We Do

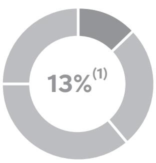
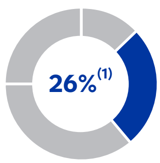
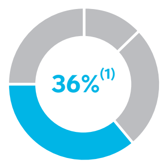
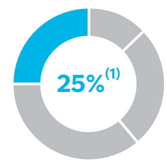
- ✓ Benchmark to Peers of Similar Industry, Size and Business Complexity
- ✓ Target Pay at 50th Percentile of Peers
- ✓ Independent Compensation Consultant
- ✓ Double Trigger in the Event of a Change in Control
- ✓ Maximum Payout Caps for Annual Cash Incentive Compensation and Performance Stock Awards ("PSAs")
- ✓ Robust Equity Ownership Requirements
- ✓ Clawback or Cancellation of Certain Compensation
- ✓ One-Year Minimum Equity Vesting Provision in the Equity Plan
- ✓ Provide clear rationale for the metrics used to fund the annual incentive plan

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 Excessive Perks

Compensation Elements

The following table lists the elements of target direct compensation for our 2020 executive compensation program.

Short-Term	Mid-Term	Long-Term	
FIXED	VARIABLE		
Base Salary	**Annual Cash Incentive Awards**	**Performance Stock Awards**	**Stock Options**
Cash	Cash	Equity	Equity
			
Why We Pay This Element Attract and retain executives with competitive level of cash compensation.	Motivate and reward executives for performance on key strategic, operational, and financial measures during the year.	Motivate and reward executives for performance on key long-term measures. Align the interests of executives with long-term stockholder value. Retain executive talent.	Align the interests of executives with long-term stockholder value. Retain executive talent.
Key Characteristics Reviewed annually and adjusted when appropriate.	A corporate-wide funding pool based on performance on three measures: • Total Premiums[2] • Performance Net Income[2] • Net Investment Income[2] Pool is then allocated based on business unit and individual performance; positive net income required for any payout above target.	PSAs vest on the third anniversary of the grant date. Actual amounts of PSAs vesting based on performance on three-year Performance Net Income ROE[2] and Relative TSR[2] with a requirement of positive net income in order for our executives to earn PSAs for Average Performance Net Income ROE above target.	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.

[1] Represents the average of the target direct compensation elements for all of the named executives in 2020.

[2] For a description of how these measures are determined, see **pages 78-80**. In 2021, Strategic Initiatives Scorecard was added as a fourth funding measure to the annual incentive plan to measure progress made against Transformative Growth and inclusive diversity and equity strategies. Items in Force Growth was added as a third measure to the PSAs to assess growth within the Allstate business segments.

Compensation Decisions for 2020

Thomas J. Wilson

Chair, President, and Chief Executive Officer

Our Chair, President, and CEO is responsible for managing the company's strategic direction, operating results, organizational health, ethics and compliance, and corporate responsibility.

2020 Performance

Mr. Wilson's compensation reflects his responsibilities, experience and performance, peer company CEO compensation and compensation program design. An independent compensation consultant provides guidance to the committee on plan design and actual compensation in comparison to operating results and peers.

Mr. Wilson's performance as Chair, President, and CEO is assessed over one- and three- year periods under the following five categories:

Operating Results

Strong results on all five 2020 Operating Priorities: Better Serve Customers, Achieve Target Economic Returns on Capital, Grow Customer Base, Proactively Manage Investments, and Build Long-term Growth Platforms.

Strategic Position

Designed and implementing strategy to increase market share in personal property-liability and expand protection solutions offered to customers. Significant progress in implementing Transformative Growth. Excellent results in expanding protection solutions through Allstate Protection Plans.

Leadership Team

Talented, experienced and highly engaged senior leadership team with excellent collaboration to achieve strategic vision. Ranked in Top 250 Best Managed Companies by the Wall Street Journal/Drucker Institute for 2018-2020.

Corporate Stewardship

Allstate recognized as "A Most Ethical Company" by Ethisphere for all three years. Corporate reputation and leadership of inclusive diversity and equity are highly rated.

Board Effectiveness

Excellent ratings of governance processes, board diversity and stockholder engagement.

2020 Compensation

Weighting		Actual	Target	Outcome
8.0%	Salary (Cash)	$1,375,962[1]	N/A	N/A
27.0%	Annual Incentive (Cash)	$4,889,565	300% of salary	120.7% of target
65.0%	Long-Term Incentive Award (Equity)	$11,717,087[2]	775% of salary	105% of target

Salary (Cash)

The committee did not adjust Mr. Wilson's salary of $1,350,000. Mr. Wilson's last salary increase was in February 2019.

Incentive Targets

Mr. Wilson's annual incentive targets did not change in 2020. Mr. Wilson's annual incentive target was 300% of salary and his target equity incentive opportunity was 775% of salary.

Annual Incentive (Cash)

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 2020. The committee approved an annual cash incentive award of $4,889,565, which was equal to the funding level as determined by the actual results for the three performance measures of 120.7% of target.

Long-Term Incentive Award (Equity)

In February 2020, based on its assessment of Mr. Wilson's performance in delivering strong business results in 2019, his job scope, and market data, the committee granted him equity awards with a grant date fair value of $11,717,087, which was 105% above Mr. Wilson's target equity incentive award opportunity of 775% of salary due to positive discretion exercised by the committee.

(1) Actual salary is higher than salary approved by committee due to extra pay period during 2020.

(2) Reflects the accounting value of the equity award. This is higher than the closing price on the date of grant, which is used to calculate the number of performance-based shares awarded. See footnote 1 to the *Summary Compensation Table* on **page 66** for more details on the Monte Carlo valuation.

Mario Rizzo

Executive Vice President and Chief Financial Officer

Mr. Rizzo has primary responsibility for the management of the company's overall financial condition, system of internal controls, capital allocation, financial reporting, investor relations, acquisitions and divestitures, capital market transactions, discontinued operations and data and analytics.

2020 Performance and Compensation

In 2020, Mr. Rizzo's annual performance was evaluated on four criteria: overall corporate results, area of responsibility results, developing and implementing long-term strategy and corporate leadership. Compensation was above target funding with positive discretion applied.

- The annual incentive plan funded at 120.7% based on overall corporate results.
- Operating responsibilities well executed, including providing strong operational oversight and maintaining strong internal controls. Strong capital management with retiring preferred stock, issuing debt, and repurchasing common shares.
- Strategic position enhanced through National General acquisition and negotiating an agreement to sell Allstate Life Insurance Company.
- Leadership enhanced initiatives, including expense reductions and enhancing inclusive diversity and equity. Successfully completed debt issuance using only Minority, Women and Veteran owned banking enterprises.

Weighting		Actual	Target	Outcome
17.0%	Salary (Cash)	$752,039[1]	N/A	N/A
29.0%	Annual Incentive (Cash)	$1,250,000	125% of salary	135.4% of target
54.0%	Long-Term Incentive Award (Equity)	$2,298,227[2]	300% of salary	100% of target

Salary (Cash)

The committee approved an increase from $720,000 to $742,000 during 2020 based on evaluation of his performance, level of responsibility, experience and target compensation as compared to the peer group.

Incentive Targets

Mr. Rizzo's annual incentive targets did not change in 2020. Mr. Rizzo's annual incentive target was 125% of salary and his target equity incentive opportunity was 300% of salary.

Annual Incentive (Cash)

The committee approved an annual cash incentive award of $1,250,000 for Mr. Rizzo, which was 135.4% of target and above the funding level as determined by the actual results for the three performance measures.

Long-Term Incentive Award (Equity)

In February 2020, based on its assessment of Mr. Rizzo's performance in delivering strong business results in 2019, his job scope, and market data, the committee granted him equity awards with a grant date fair value of $2,298,227, which was Mr. Rizzo's target equity incentive award opportunity.

Don Civgin

Vice Chair and CEO, Protection Products and Services

Mr. Civgin is our vice chair and has overall corporate leadership responsibility and operational oversight of Allstate's protection services, which includes Allstate Dealer Services, Allstate Roadside Services, Answer Financial, Arity, Allstate Protection Plans and Avail.

2020 Performance and Compensation

In 2020, Mr. Civgin's performance was assessed based on four criteria: overall corporate results, area of responsibility results, developing and implementing long-term strategy and corporate leadership. Compensation was at target funding with no discretion applied.

- The annual incentive plan funded at 120.7% based on overall corporate results. Protection products and services businesses had strong performance, particularly Allstate Protection Products. Arity, the telematics on demand business, continued to successfully evolve.
- Strong thought leadership in developing and executing strategies for market facing businesses and corporation.
- Collaborative partner and active mentorship with senior leaders.

Weighting		Actual	Target	Outcome
15.0%	Salary (Cash)	$905,769[1]	N/A	N/A
31.0%	Annual Incentive (Cash)	$1,810,861	175% of salary	120.7% of target
54.0%	Long-Term Incentive Award (Equity)	$3,128,087[2]	350% of salary	100% of target

Salary (Cash)

The committee approved an increase from $840,000 to $900,000 during 2020, based on evaluation of his performance, level of responsibility, experience and target compensation as compared to the peer group.

Incentive Targets

Mr. Civgin's annual incentive and equity incentive target opportunities were increased based on an expansion of his role. Mr. Civgin's annual incentive target was 175% of salary (previously 125%) and his target equity incentive opportunity was 350% (previously 300%).

Annual Incentive (Cash)

The committee approved an annual cash incentive award of $1,810,861 for Mr. Civgin, which was equal to the funding level as determined by the actual results for the three performance measures of 120.7% of target.

Long-Term Incentive Award (Equity)

In February 2020, based on its assessment of Mr. Civgin's performance in delivering strong business results in 2019, his job scope, and market data, the committee granted him equity awards with a grant date fair value of $3,128,087, which was Mr. Civgin's target equity incentive award opportunity.

(1) Actual salary is higher than salary approved by committee due to extra pay period during 2020.
(2) Reflects the accounting value of the equity award. This is higher than the closing price on the date of grant, which is used to calculate the number of performance-based shares awarded. See footnote 1 to the *Summary Compensation Table* on **page 66** for more details on the Monte Carlo valuation.

Glenn T. Shapiro

President, Personal Property-Liability

Mr. Shapiro leads the personal property-liability businesses, which comprises approximately 80% of Allstate's total insurance premiums and contract charges.

2020 Performance and Compensation

In 2020, Mr. Shapiro's performance was assessed based on four criteria: overall corporate results, area of responsibility results, developing and implementing long-term strategy and corporate leadership. Compensation was at target funding with no discretion applied.

- The annual incentive plan funded at 120.7% based on overall corporate results. Allstate personal property-liability business had strong operating and financial results. Exceptional response to impact of pandemic by executing Shelter-In-Place payback of almost $1 billion, transitioning to remote workforce and increasing focus on claims severity.
- Significant progress in implementing Transformative Growth to increase market share in personal property-liability. Developed operating plan to leverage National General capabilities in expanding independent agent businesses when the acquisition closed in early 2021.
- Engaging leader that directs and drives operating performance and change.

Weighting		Actual	Target	Outcome
17.0%	Salary (Cash)	$828,077[1]	N/A	N/A
29.0%	Annual Incentive (Cash)	$1,473,089	150% of salary	120.7% of target
54.0%	Long-Term Incentive Award (Equity)	$2,697,125[2]	325% of salary	100% of target

Salary (Cash)

The committee approved an increase from $780,000 to $820,000 during 2020 based on evaluation of his performance, level of responsibility, experience and target compensation as compared to the peer group.

Incentive Targets

Mr. Shapiro's annual incentive targets did not change in 2020. Mr. Shapiro's annual incentive target was 150% of salary and his target equity incentive opportunity was 325% of salary.

Annual Incentive (Cash)

The committee approved an annual cash incentive award of $1,473,089 for Mr. Shapiro, which was equal to the funding level as determined by the actual results for the three performance measures of 120.7% of target.

Long-Term Incentive Award (Equity)

In February 2020, based on its assessment of Mr. Shapiro's performance in delivering strong business results in 2019, his job scope, and market data, the committee granted him equity awards with a grant date fair value of $2,697,125, which was Mr. Shapiro's target equity incentive award opportunity.

John Dugenske

President, Investments and Financial Products

Mr. Dugenske is responsible for the company's investment portfolio, financial products, corporate strategy and business transformation.

2020 Performance and Compensation

In 2020, Mr. Dugenske's performance was assessed based on four criteria: overall corporate results, area of responsibility results, developing and implementing long-term strategy and corporate leadership. Compensation was at target funding with no discretion applied.

- The annual incentive plan funded at 120.7% based on overall corporate results. Strong overall investment return of 7.1% despite volatility in performance-based portfolio results.
- Supported development of Allstate life and annuities strategy, which resulted in the decision to divest these businesses. Expanded corporate business transformation oversight of Transformative Growth.
- Excellent leadership using decision clarity, measurement and performance feedback to drive performance and build leadership.

Weighting		Actual	Target	Outcome
17.0%	Salary (Cash)	$810,577[1]	N/A	N/A
29.0%	Annual Incentive (Cash)	$1,410,109	150% of salary	120.7% of target
54.0%	Long-Term Incentive Award (Equity)	$2,679,904[2]	325% of salary	100% of target

Salary (Cash)

The committee approved an increase from $775,000 to $800,000 during 2020 based on evaluation of his performance, level of responsibility, experience and target compensation as compared to the peer group.

Incentive Targets

Mr. Dugenske's annual incentive and equity incentive target opportunities were increased based on an expansion of his role. Mr. Dugenske's annual incentive target was 150% of salary (previously 125%) and his target equity incentive opportunity was 325% (previously 300%).

Annual Incentive (Cash)

The committee approved an annual cash incentive award of $1,410,109 for Mr. Dugenske, which was equal to the funding level as determined by the actual results for the three performance measures of 120.7% of target.

Long-Term Incentive Award (Equity)

In February 2020, based on its assessment of Mr. Dugenske's performance in delivering strong business results in 2019, his job scope, and market data, the committee granted him equity awards with a grant date fair value of $2,679,904, which was Mr. Dugenske's target equity incentive award opportunity.

(1) Actual salary is higher than salary approved by committee due to extra pay period during 2020.
(2) Reflects the accounting value of the equity award. This is higher than the closing price on the date of grant, which is used to calculate the number of performance-based shares awarded. See footnote 1 to the *Summary Compensation Table* on **page 66** for more details on the Monte Carlo valuation.

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 uses performance measures 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

Ongoing

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

APRIL-JULY

Benchmarking

- Evaluate peer group to determine if any changes are required for the next performance cycle
- Compare against peers' actual compensation paid, operating results, and shareholder returns over one, three and five years as provided by the independent compensation consultant's pay for performance analysis
- Review feedback from stockholders and governance firms on compensation
- Independent compensation consultant provides advice on incentive design and overall executive compensation program and executive pay levels
- The consultant also provides information on current market practices and industry trends

NOVEMBER-JANUARY

Establishing Plan Design and Key Metrics

- Establish plan design and performance measures
- Review the annual operating plan to establish target performance and ranges for threshold and maximum for the annual incentive program, and review historical and expected performance, market expectations and industry trends when approving the ranges of performance for the long-term incentive program
- Review operating plans and compensation measures for alignment with enterprise risk and return principles

FEBRUARY

Calculating Payouts

- Actual performance against goals determines the corporate pool for the annual incentive award
- CEO reviews overall company funding for each business area based on its operating performance in relationship to target performance goals
- Determine the number of performance stock awards that will vest for the applicable measurement period based on actual performance
- Review and approve salary adjustments and annual incentive payments and equity grants for executive officers

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 their performance and external benchmarking as provided by the independent compensation consultant.

Annual Cash Incentive Awards

- The committee sets annual cash incentive performance goals based on the annual 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 previously approved measures determines the overall funding level of the corporate pool and the aggregate total award budget for eligible employees. In 2020, the pool was funded based on the collective results of three measures: Total Premiums Written, Performance Net Income, and Net Investment Income.** 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, including the named executive officers. 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 multiple large natural catastrophes and/or extreme financial market conditions.
- **Target annual incentive percentages for each named executive are based on pay levels of peer companies and our benchmark target for total direct compensation at the 50th percentile.**
- We paid the 2020 cash incentive awards in March 2021. The following description shows how this corporate pool was funded and distributed to individual participants:

1 Determine Calculation of Corporate Funding Pool

Formulaic with calculation based on three performance measures established at beginning of period

- The total pool available for distribution was calculated based on three performance measures established by the committee at the beginning of the performance period:
  - *Total Premiums* (43.6%)[1] – captures growth and competitive position of the businesses
  - *Performance Net Income* (43.6%)[1] – aligns with stockholders' expectations of operating profitability
  - *Net Investment Income* (12.8%)[1] – reflects a significant component of profitability
- The committee approved the total company funding after the end of the performance period based on the actual results on these performance measures. For the actual results and detail on how each measure was defined and calculated, see **pages 78-79.**

(1) The numbers reflect the approximate percentage that each performance measure contributed to the total pool.

The annual incentive compensation plan was funded at 120.7% of target in 2020 for officers.

2 Determine Annual Incentive Payments to the Named Executives and other Executive Officers

Minimal discretion was applied to the Named Executives by the committee in 2020

- Committee's compensation recommendations **for the CEO** are reviewed and approved by the independent directors of our Board in executive session.
- Committee reviews and approves CEO recommendations **for executive officers** based on pool funding, the target annual incentive percentages for each NEO, and individual performance.
- The individual performance factors considered by the committee for both CEO and executive officer performance are outlined on **pages 53-55.**

The payout for the named executives ranged from $1.3 million to $4.9 million and the average was 122.3% of target.

3 Determine Annual Incentive Payment for Other Eligible Participants

The committee provides oversight of annual incentive processes and decisions below executive officers

- The CEO may allocate the corporate pool between the Market-Facing Businesses ("MFB") and Areas of Responsibility ("AOR") if justified by relative performance against annual operating goals and other key business success metrics.

For 2020, the CEO did not alter allocations between MFBs or AORs.

- Individual awards for eligible employees are determined by senior leaders.
  - **To align pay with individual performance, the highest quartile performing participants are expected to receive awards at least two times the payout earned by the lowest quartile performing participants.**

For 2020, actual differentiation for the top quartile was 2.1 times the lowest quartile.

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.

	PSAs granted prior to 2020	PSAs granted in 2020	PSAs granted in 2021 and thereafter
MEASUREMENTS AND WEIGHTINGS	70% Average Performance Net Income ROE	70% Average Performance Net Income ROE	50% Average Performance Net Income ROE
			30% Relative TSR
	30% Earned Book Value	30% Relative TSR	20% Items in Force Growth
MEASUREMENT PERIOD	Three-years		
VESTING	Between 0% to 200% of the target number of PSAs granted		

- The committee selected Performance Net Income ROE as one performance measure because it:
  - Measures performance in a way that is tracked and understood by investors.
  - Captures both income statement and balance sheet impacts, including capital management actions.
  - Correlates to changes in long-term stockholder value.
- Relative TSR was selected as the second measure because it is consistent with market practice and provides further alignment with stockholder interests while also recognizing factors that impact our industry and peers. Payouts under this performance measure are defined as 0% for performance less than 25th percentile, 50% for performance at the 25th percentile, 100% for performance at the 55th percentile, and 200% for performance at the 90th percentile, relative to a custom TSR peer group. For awards made in 2020, the TSR peer group consists of The Allstate Corporation, the compensation peers (**page 61**), S&P 500 Index, and S&P Financial Index. The Life and Accident & Health peers were removed from the TSR peer group for the 2021-2023 performance cycle. Allstate added three new Property & Casualty peers including Cincinnati Financial, American Financial, and W.R. Berkley. Peer groups are designed in consultation with our compensation consultant.
- Items in Force Growth was added as a third measure because it helps to assess growth within the Allstate business segments. Policy counts are based on number of items insured rather than number of customers.
- The measures are further described on **pages 79-80**. For each measure, the committee considered historical and expected performance, market expectations and industry trends when approving the range of performance.
- All PSA awards 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 senior executives to earn PSAs based on Average Performance Net Income ROE above target. If Allstate has a cumulative net loss in a measurement period, the number of PSAs vested would not exceed target, regardless of the Average 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 Average 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 result in a net loss for the period. For a description of the calculation, see **pages 79-80**.

- At the end of each measurement period, the committee certifies the level of achievement on each performance measure.

For the 2021-2023 award, the Average Performance Net Income ROE and Relative TSR measures are calculated, respectively, as follows[1]:

Performance Net Income[2]
Average for three years in the performance cycle

±

Catastrophe Losses
Adjusted to reflect a minimum or maximum amount of catastrophe losses

÷

Adjusted Common Shareholders' Equity[3]
Average of common shareholders' equity excluding unrealized gains and losses, after tax, at December 2020, and at the end of each year in the performance cycle

=

Average Performance Net Income ROE[4]
50% of PSA Performance Measure

(Final Average Adjusted Close Price[5] − Initial Average Adjusted Stock Price[6]) / Initial Average Adjusted Stock Price[6]

Total Shareholder Return (TSR) ►

TSR is ranked relative to 10 peer companies (including Allstate), S&P 500 Index, and S&P Financial Index[7]
30% of PSA Performance Measure

(1) For a description of how the Items in Force Growth measure is determined, see **page 80**.
(2) Performance Net Income for the 2021-2023 PSA award is defined on **pages 78-80**.
(3) Adjusted Common Shareholders' Equity for the 2021-2023 PSA award is defined on **page 79**.
(4) ROE calculation excludes parent holding company level deployable assets and associated income in excess of $2 billion.
(5) Final Average Adjusted Close Price is the average Adjusted Close Price over the 20 trading days prior to and including the final day of the Performance Period.
(6) Initial Average Adjusted Stock Price is the average Adjusted Stock Price over the 20 trading days prior to the first day of the Performance Period.
(7) See **pages 58 and 61** for information on these peer companies.

2021-2023 PERFORMANCE STOCK AWARD RANGE OF PERFORMANCE

	Performance Measures		
	Threshold	Target	Maximum
Average Performance Net Income ROE (50%)[1]	10%	16%	18%
Relative Percentile Rank TSR (30%)[2]	<25th	55th	90th
Items in Force (20%)[3]	-	-	-
Payout	0%	100%	200%

(1) Subject to positive net income hurdle. For a description of how this measure is determined, see **pages 79-80**.
(2) The 25th percentile would result in a 50% payout. If greater than the 25th percentile, results would be interpolated.
(3) Items in Force Growth 2021 performance measures are not included because target performance is set at the 3-year strategic plan, which is proprietary information. For a description of how this measure is determined, see **page 80**.

Equity Ownership Requirements

Instituted in 1996, stock ownership requirements oblige 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 requirement and the equity holdings that count toward the requirement.

The current stock ownership requirements apply to 93 of our senior executives and other officers as of December 31, 2020, and require these executives to hold 75% of net shares received as a result of equity compensation awards until their salary multiple requirements are met.

STOCK OWNERSHIP AS MULTIPLE OF BASE SALARY AS OF DECEMBER 31, 2020

Named Executive	Stock Ownership Requirement	Actual	Vested in the Money Option Value (after-tax)
Mr. Wilson	6	75.9	31.9
Mr. Rizzo	3	3.4	2.1
Mr. Civgin	3	20.6	1.9
Mr. Shapiro	3	3.1	0.7
Mr. Dugenske	3	6.4	1.8

76

times annual salary
The value of shares of Allstate's common stock held by Mr. Wilson as of December 31, 2020

What Counts Toward the Requirement

- 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 Requirement

- Unexercised stock options
- Unvested performance stock awards

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 and engaging in derivative or other transactions designed to hedge or offset any decrease in market value of the securities held by them, such as selling short or buying or selling options, puts or calls, and entering into prepaid variable forward contracts, equity swaps or collars. 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 (or by the Lead Director in the case of a request by the Chair).

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.

For additional information on the committee's practices, see portions of the Board Oversight and Board Meetings and Committees sections of this proxy statement on **pages 35** and **41**, respectively.

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, CAP, 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.

The compensation consultant's recommendation has been to use a peer group that reflects Allstate's business and operations. Currently, eight out of ten of Allstate's peer companies also include Allstate in their respective peer company lists. The following table reflects the peer group used for 2020 compensation benchmarking. No changes were made to the peer group for 2021.

PEER COMPANIES[(1)]

Company Name	Revenue ($ in billions)	Market Cap ($ in billions)	Assets ($ in billions)	Premiums ($ in billions)	Total Shareholder Return (%) One Year	Three Years	Five Years
AFLAC Inc.	22.1	30.8	165.1	18.6	-13.6	8.8	67.2
American International Group Inc.	43.7	32.6	586.5	31.4	-23.3	-30.4	-30.1
Chubb Limited	35.6	69.4	190.8	33.1	1.4	12.7	46.9
CNA Financial Corporation	10.8	10.6	64.0	7.6	-5.4	-8.0	64.1
The Hartford Financial Services Group Inc.	20.5	17.6	74.1	17.6	-16.9	-6.3	26.0
Manulife Financial Corporation	57.6	34.5	690.9	24.6	-7.2	-2.1	46.5
MetLife Inc.	67.8	41.9	795.1	47.6	-3.5	4.6	31.7
The Progressive Corporation	42.6	57.9	64.1	39.3	41.5	93.6	259.3
Prudential Financial Inc.	57.0	30.9	940.7	37.2	-11.5	-21.9	17.7
The Travelers Companies Inc.	32.0	35.4	116.8	29.0	5.4	11.4	40.1
Allstate	44.8	33.4	126.0	39.5	-0.1	11.6	95.0
Allstate Ranking Relative to Peers:							
Property and Casualty Insurance Products	2 of 8	5 of 8	4 of 8	2 of 8	4 of 8	3 of 8	2 of 8
Life Insurance and Financial Products	4 of 7	3 of 7	6 of 7	2 of 7	1 of 7	1 of 7	1 of 7
All Peer Companies	4 of 11	6 of 11	7 of 11	2 of 11	4 of 11	3 of 11	2 of 11

(1) Information as of year-end 2020.

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, tenure, 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 2020 (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 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. In limited circumstances approved by the CEO, other senior executives are permitted to use our corporate aircraft for personal purposes. In addition to, and separate from, the use of corporate aircraft for personal use, Mr. Wilson can utilize the company's arrangements with FlexJet and pay FlexJet directly for incremental incurred costs in accordance with Federal Aviation Administration regulations. 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 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 thereafter, all eligible employees earn 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. Change in control benefits and post-termination benefits are designed to maintain alignment between the interests of our executives and our stockholders in the event of a sale or merger of the company.

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

- In 2020, the amount of cash severance payable to the CEO under the change in control severance plan (the "CIC Plan") was three times the sum of base salary and target annual incentive. For the other executive officers, the amount of cash severance payable was two times the sum of base salary and target annual incentive. NEW Beginning in 2021, the amount of cash severance payable to the CEO is two times the sum of base salary and target annual incentive, in line with the other named executives.
- The CIC Plan does not include excise tax gross ups or a lump sum cash pension enhancement.
- 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 75-76** 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

Equity awards granted beginning in 2020 and annual cash incentive awards for performance years beginning in 2020 are subject to clawback in accordance with the clawback policy approved by the committee. The clawback policy provides for the recovery of certain equity awards and annual cash incentive awards to executive officers and other executive vice presidents. If performance results are later subject to a downward adjustment as a result of a material financial restatement, irrespective of cause, then the paid awards are recalculated with revised results with the compensation overpayment subject to clawback. The clawback policy also provides for recovery of equity and annual cash incentive awards in certain circumstances if an executive is terminated for improper conduct that leads to a material adverse impact on the reputation of, or a material adverse economic consequence for, the company.

Earned Annual Cash Incentive Awards

In 2020, the total corporate pool was based on three measures: Total Premiums, Performance Net Income, and Net Investment Income. The 2020 annual incentive plan targets for Total Premiums and Net Investment Income were above 2019 actual results. Total Premiums target was set above the prior year as it has been for at least the last decade. Performance Net Income target for 2020 was set below 2019 actual results, reflecting normalized catastrophes in 2020 and favorable prior-year reserve re-estimates in 2019 partially offset by increased 2020 performance-based investment income. Net Investment Income target was set above 2019 driven by higher performance-based investment income and the inclusion of performance-based realized capital gains in the measure, partially offset by lower market-based income increases.

The 2021 annual incentive plan targets are not included since those targets do not relate to 2020 pay, and because target performance is set at the 2021 operating plan, which is proprietary information.

	2019			2020		
Measure	**Target**	**Actual**	**Payout %**	**Target**	**Actual**	**Payout %**
Total Premiums *($ in millions)*	39,800	39,455	75.4%	40,700	40,258	55.8%
Performance Net Income *($ in millions)*	3,150	3,571	164.8%	3,300	4,967	200.0%
Net Investment Income *($ in millions)*	3,315	3,260	87.5%	3,400	3,240	71.9%
Aggregate Payout Percentage for Named Executives	—	—	117.5%	—	—	120.7%

For a description of how the 2020 measures are determined, see **pages 78-79**. The ranges of performance and 2020 actual results are shown in the following table.

2020 ANNUAL CASH INCENTIVE AWARD RANGES OF PERFORMANCE

Measure	2019 Actual Results	2020 Threshold	2020 Target	2020 Maximum	2020 Actual Results	Increase/(Decrease) Versus 2019 Actual Results	% Target
Total Premiums *($ in millions)*	39,455	40,200	40,700	41,200	40,258	803	55.8%
Performance Net Income *($ in millions)*	3,571	2,600	3,300	4,000	4,967	1,396	200.0%
Net Investment Income *($ in millions)*	3,260	3,115	3,400	3,685	3,240	(20)	71.9%
Payout Percentages(1)							
Named Executives		50%(2)	100%	200%			120.7%

(1) Payout percentages reflect contribution to incentive compensation pool.
(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 for completed cycles.

PERFORMANCE STOCK AWARDS RANGES OF PERFORMANCE

Performance Cycle	Threshold	Target	Maximum	Actual Results	Payout Percentage	Total Shareholder Return	
						Allstate	Peers
Vested Awards							
2016-2018					161.5%	40.7%	25.3%
- Performance Net Income ROE (70%)	6.0%	13.0%	14.0%	13.9%	190%		
- Earned Book Value (30%)	6.0%	12.0%	15.0%	11.7%	95%		
2017-2019					200%	60.4%	34.4%
- Performance Net Income ROE (70%)	6.0%	11.0%	13.0%	16.2%	200%		
- Earned Book Value (30%)	6.0%	9.0%	11.0%	17.2%	200%		
2018-2020					200%	11.6%	14.2%
- Performance Net Income ROE (70%)	7.0%	13.5%	15.0%	19.1%	200%		
- Earned Book Value (30%)	7.0%	12.5%	14.0%	19.9%	200%		

Performance Cycle	Threshold	Target	Maximum	Actual Results	Payout Percentage
Outstanding Awards					
2019-2021					
- Performance Net Income ROE (70%)	7.0%	14.0%	16.0%	Two year results are above target for both measures[1]	
- Earned Book Value (30%)	7.0%	12.0%	14.0%		
2020-2022					
- Performance Net Income ROE (70%)	7.0%	14.0%	17.0%	One year results are above target for both measures[1]	
- Relative TSR (30%)	<25th	55th	90th		
Payout Percentages	0%	100%	200%		
	Subject to positive net income hurdle for Performance Net Income ROE				

(1) 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 2018-2020, 2019-2021, and 2020-2022 performance cycles.

PERFORMANCE CYCLE[1]

Named Executive	Target Number of PSAs for		
	2018-2020 Performance Cycle	2019-2021 Performance Cycle	2020-2022 Performance Cycle
Mr. Wilson	62,635	65,380	53,175
Mr. Rizzo	13,578	13,628	10,430
Mr. Civgin	15,517	15,964	14,196
Mr. Shapiro	15,760	15,818	12,240
Mr. Dugenske	14,871	14,601	12,162

(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, Earned Book Value (for awards granted prior to 2020) and Relative TSR (for awards granted in 2020) for the applicable measurement period. The number of PSAs that vest will be determined in 2021, 2022, and 2023 respectively.

Compensation Committee Report

The committee has reviewed and discussed with management the Compensation Discussion and Analysis contained on **pages 48-65** 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

MICHAEL L. ESKEW (CHAIR)

MARGARET M. KEANE

ANDREA REDMOND

JUDITH A. SPRIESER

PERRY M. TRAQUINA

Summary Compensation Table

The following table summarizes the compensation of the named executives for the last three fiscal years.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)[3]	All Other Compensation ($)[4]	Total ($)	Total Without Change in Pension Value ($)[5]
Thomas J. Wilson Chair, President, and Chief Executive Officer	2020	1,375,962	—	7,312,094	4,404,993	4,889,565	3,116,842	26,930	21,126,386	18,009,544
	2019	1,340,385	—	6,045,035	4,030,005	4,730,100	3,354,557	115,614	19,615,696	16,261,139
	2018	1,290,385	—	5,812,528	3,874,998	6,719,194	873,170	116,971	18,687,246	17,814,076
Mario Rizzo Executive Vice President and Chief Financial Officer	2020	752,039	—	1,434,229	863,998	1,250,000	516,698	26,112	4,843,076	4,326,378
	2019	716,154	—	1,260,045	840,002	1,053,000	531,414	25,530	4,426,145	3,894,731
	2018	690,577	—	1,260,038	840,004	1,510,788	—	25,391	4,326,798	4,326,798
Don Civgin Vice Chair and CEO, Protection Products and Services	2020	905,769	—	1,952,092	1,175,995	1,810,861	113,798	28,664	5,987,179	5,873,381
	2019	836,154	—	1,476,031	983,993	1,400,000	111,961	33,101	4,841,240	4,729,279
	2018	816,154	—	1,439,978	960,000	1,900,000	80,984	37,580	5,234,696	5,153,712
Glenn T. Shapiro President, Personal Property-Liability	2020	828,077	—	1,683,122	1,014,003	1,473,089	67,206	34,382	5,099,879	5,032,673
	2019	774,231	—	1,462,532	974,999	1,366,000	77,506	35,281	4,690,549	4,613,043
	2018	743,942	—	1,462,528	974,995	2,050,000	46,564	38,270	5,316,299	5,269,735
John Dugenske President, Investments and Financial Products	2020	810,577	—	1,672,397	1,007,507	1,410,109	59,411	25,482	4,985,483	4,926,072
	2019	770,193	—	1,350,008	900,001	1,132,000	64,737	24,760	4,241,699	4,176,962
	2018	745,192	2,000,000	1,380,029	920,007	1,616,607	78,006	24,560	6,764,401	6,686,395

(1) 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 assumes target-level performance, which is the probable achievement level of the performance conditions. The number of PSAs granted in 2020 to each named executive is provided in the *Grants of Plan-Based Awards* table on **page 68**. The value of the PSAs granted in 2020 if maximum corporate performance were to be achieved is as follows: Mr. Wilson $11,937,096, Mr. Rizzo $2,341,399, Mr. Civgin $3,186,817, Mr. Shapiro $2,747,721, and Mr. Dugenske $2,730,211.

The aggregate grant date fair value of PSAs granted in 2020, 2019, and 2018, is computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718 (ASC 718). The fair value of PSAs that do not include a market-based condition is based on the final closing price of Allstate's common stock on the grant date, which reflects the payment of expected future dividends. The fair value of the PSA component with a market-based condition is measured on the grant date using a Monte Carlo simulation model. Market-based condition measures the company's TSR relative to the TSR of peer companies, expressed in terms of the company's TSR percentile rank among the peer companies, over a three calendar-year performance period. The Monte Carlo simulation model uses a risk-neutral framework to model future stock price movements based upon the risk-free rate of return at the time of grant, volatilities of the company and the peer companies, and expected term assumed to be equal to the remaining measurement period. The market value in part reflects the payment of expected future dividends.

For the year ended December 31, 2020, the 2020 PSA component with a market-based condition assumes a risk-free rate of 1.4%, volatility of 16.9%, average peer volatility of 35.1% and an expected term of 2.9 years. See note 18 to our audited financial statements for 2020.

(2) 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 2020) as set forth in the following table:

	2020	2019	2018
Weighted average expected term	6.1 years	5.8 years	5.7 years
Expected volatility	16.3%-37.1%	15.6 - 28.9%	15.6-30.7%
Weighted average volatility	17.6%	18.4%	19.8%
Expected dividends	1.6%-2.4%	1.9 - 2.2%	1.5-2.2%
Weighted average expected dividends	1.8%	2.2%	2.0%
Risk-free rate	0.1%-1.8%	1.3 - 2.7%	1.3-3.2%

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 2020 to each named executive is provided in the *Grants of Plan-Based Awards* table on **page 68**.

(3) Amounts reflect the aggregate increase in actuarial value of the pension benefits as set forth in the *Pension Benefits* table, accrued during 2020, 2019, and 2018. 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 2020.)

The following table reflects the respective change in the actuarial value of the benefits provided to the named executives in 2020:

Name	ARP ($)	SRIP ($)
Mr. Wilson	203,762	2,913,080
Mr. Rizzo	287,464	229,234
Mr. Civgin	14,399	99,399
Mr. Shapiro	8,840	58,366
Mr. Dugenske	8,539	50,872

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

(4) The following table describes the incremental cost of other benefits provided in 2020 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	0	11,400	15,530	26,930
Mr. Rizzo	0	11,400	14,712	26,112
Mr. Civgin	0	11,400	17,264	28,664
Mr. Shapiro	0	11,400	22,982	34,382
Mr. Dugenske	0	11,400	14,082	25,482

(1) When applicable, 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. In 2020, no named executives used the corporate aircraft for personal use. Mr. Wilson did utilize the company's arrangements with FlexJet and paid FlexJet directly for incremental incurred costs.

(2) Each of the named executives participated in our 401(k) plan during 2020. The amount shown is the amount allocated to their accounts as employer matching contributions.

(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 were no incremental costs for the use of mobile devices or executive physical related items. 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 2020, and therefore, no incremental cost is reflected in the table.

(5) 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 2020

The following table provides information about awards granted to our named executives during fiscal year 2020.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Future Payouts Under Equity Incentive Plan Awards[3]			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value ($)[5]	
Name	**Grant Date**	**Plan Awards[1]**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**($/Sh)[4]**	**Stock Awards**	**Option Awards**
Mr. Wilson	—	Annual cash incentive	2,025,000	4,050,000	10,000,000							
	02/19/2020	PSAs				0	53,175	106,350			7,312,094	
	02/19/2020	Stock options							240,710	124.26		4,404,993
Mr. Rizzo	—	Annual cash incentive	461,496	922,992	3,691,968							
	02/19/2020	PSAs				0	10,430	20,860			1,434,229	
	02/19/2020	Stock options							47,213	124.26		863,998
Mr. Civgin	—	Annual cash incentive	749,963	1,499,927	5,999,708							
	02/19/2020	PSAs				0	14,196	28,392			1,952,092	
	02/19/2020	Stock options							64,262	124.26		1,175,995
Mr. Shapiro	—	Annual cash incentive	610,076	1,220,152	4,880,608							
	02/19/2020	PSAs				0	12,240	24,480			1,683,122	
	02/19/2020	Stock options							55,410	124.26		1,014,003
Mr. Dugenske	—	Annual cash incentive	583,993	1,167,986	4,671,944							
	02/19/2020	PSAs				0	12,162	24,324			1,672,397	
	02/19/2020	Stock options							55,055	124.26		1,007,507

(1) Awards under the Annual Executive Incentive Plan and the 2019 Equity Incentive Plan. An explanation of the amount of salary and bonus in proportion to total compensation can be found under the *Compensation Elements* and *Compensation Decisions for 2020* captions on **pages 52-55**.

(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 63**. The maximum amount is equal to 200% of target plus an additional individual performance factor of 200% of plan funding to recognize extraordinary performance, subject to the maximum of $10 million that may be paid to any participant for any fiscal year under the Annual Executive Incentive Plan. In 2020, one named executive received positive discretion for a cash incentive award greater than the pool payout percentage as calculated at 120.7%. For a description of the ranges of performance established by the committee for the 2020 annual incentive, see **page 63**.

(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 64**.

(4) The exercise price of each option is equal to the closing sale price on the NYSE 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.

(5) The aggregate grant date fair value of the PSAs was $137.51 and for stock option awards was $18.30, computed in accordance with FASB ASC 718. The assumptions used in the valuation are discussed in footnotes 1 and 2 to the *Summary Compensation Table* on **page 66**.

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 2020, 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 Relative TSR (30%) results for a three-year measurement period. For a definition of how those measures are calculated, see **pages 79-80.** 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 Allstate common stock at a fixed exercise price at a future date. Stock options align the interests of executives with long-term stockholder value since the stock price must appreciate from the grant date for the executives to earn compensation.

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.

All stock option awards have been made in the form of non-qualified stock options. The options granted to the named executives become exercisable over three years. One-third of the stock options become exercisable on the anniversary of the grant date for each of the three years subject to continued employment through each anniversary date, except in the event of retirement, death, disability or a qualifying termination following change in control. 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.

Outstanding Equity Awards at Fiscal Year-end 2020

The following table summarizes the outstanding equity awards of the named executives as of December 31, 2020.

	Option Awards[1]					Stock Awards				
Name	Option Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)[2]	Number of Securities Underlying Unexercised Options Unexercisable (#)[2]	Option Exercise Price ($)	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)[3]	Market Value of Shares or Units of Stock That Have Not Vested ($)[4]	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#)[5]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested ($)[4]
Mr. Wilson	02/12/2013	363,409		45.61	02/12/2023					
	02/18/2014	309,237		52.18	02/18/2024					
	02/18/2015	294,494		70.71	02/18/2025					
	02/11/2016	295,324		62.32	02/11/2026					
	02/09/2017	248,447		78.35	02/09/2027					
	02/22/2018	151,604	75,802	92.80	02/22/2028					
						02/22/2018	125,270	13,770,931		
	02/08/2019	89,915	179,831	92.46	02/08/2029					
						02/08/2019			130,760	14,374,447
	02/19/2020	0	240,710	124.26	02/19/2030					
						02/19/2020			106,350	11,691,056

	Option Awards[1]					Stock Awards				
Name	**Option Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable (#)[2]**	**Number of Securities Underlying Unexercised Options Unexercisable (#)[2]**	**Option Exercise Price ($)**	**Option Expiration Date**	**Stock Award Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (#)[3]**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[4]**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#)[5]**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested ($)[4]**
Mr. Rizzo	02/21/2012	12,763		31.56	02/21/2022					
	02/18/2015	5,202		70.71	02/18/2025					
	02/11/2016	9,887		62.32	02/11/2026					
	02/09/2017	10,559		78.35	02/09/2027					
	02/22/2018	32,864	16,432	92.80	02/22/2028					
						02/22/2018	27,156	2,985,259		
	02/08/2019	18,741	37,484	92.46	02/08/2029					
						02/08/2019			27,256	2,996,252
	02/19/2020	0	47,213	124.26	02/19/2030					
						02/19/2020			20,860	2,293,140
Mr. Civgin	02/09/2017	64,596		78.35	02/09/2027					
	02/22/2018	37,558	18,780	92.80	02/22/2028					
						02/22/2018	31,034	3,411,568		
	02/08/2019	21,954	43,909	92.46	02/08/2029					
						02/08/2019			31,928	3,509,845
	02/19/2020	0	64,262	124.26	02/19/2030					
						02/19/2020			28,392	3,121,133
Mr. Shapiro										
	02/22/2018	38,145	19,073	92.80	02/22/2028					
						02/22/2018	31,520	3,464,994		
	02/08/2019	21,753	43,508	92.46	02/08/2029					
						02/08/2019			31,636	3,477,745
	02/19/2020	0	55,410	124.26	02/19/2030					
						02/19/2020			24,480	2,691,086
Mr. Dugenske	03/03/2017	57,540		81.86	03/03/2027					
	02/22/2018	35,994	17,997	92.80	02/22/2028					
						02/22/2018	29,742	3,269,538		
	02/08/2019	20,080	40,161	92.46	02/08/2029					
						02/08/2019			29,202	3,210,176
	02/19/2020	0	55,055	124.26	02/19/2030					
						02/19/2020			24,324	2,673,937

(1) The options vest over three years: one-third will become exercisable on the anniversary of the grant date for each of the three years. The exercise price of each option is equal to the closing price of Allstate's common stock on the grant date.

(2) The aggregate value and aggregate number of exercisable and unexercisable in-the-money options as of December 31, 2020, for each of the named executives are as follows:

	Exercisable		Unexercisable	
Name	**Aggregate Number (#)**	**Aggregate Value ($)**	**Aggregate Number (#)**	**Aggregate Value ($)**
Mr. Wilson	1,752,430	78,857,083	255,633	4,440,136
Mr. Rizzo	90,016	2,898,796	53,916	936,325
Mr. Civgin	124,108	3,066,847	62,689	1,088,791
Mr. Shapiro	59,898	1,033,449	62,581	1,086,805
Mr. Dugenske	113,614	2,582,523	58,158	1,009,902

(3) The PSAs vested in one installment on the day before the third anniversary of the grant date, February 21, 2021.

(4) Amount is based on the closing price of our common stock of $109.93 on December 31, 2020.

(5) For awards granted prior to 2020, the PSAs vest in one installment on the day before the third anniversary of the grant date. Beginning in 2020, the PSAs vest in one installment on 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 58-59** and **64**. The number of PSAs reflected in this column for the 2019 and 2020 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 2020

The following table summarizes the options exercised by the named executives during 2020 and the PSAs or restricted stock units that vested during 2020.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
Mr. Wilson	891,868	62,132,669	137,844	17,151,929
Mr. Rizzo	10,804	756,238	5,858	728,911
Mr. Civgin	0	0	35,840	4,459,571
Mr. Shapiro	14,378	392,022	23,932	2,977,859
Mr. Dugenske	0	0	81,012	7,815,413

(1) The dollar amount realized upon exercise of the option is determined based on the difference between the market price of the underlying securities at exercise and the exercise price of the options.

(2) The dollar amount realized upon vesting is determined based on the market value underlying the shares on the vesting date.

Retirement Benefits

The following table provides information about the pension plans in which the named executives participate. Each of the named executives participates 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	27.8	1,615,202	0
	SRIP	27.8	22,913,279	0
Mr. Rizzo	ARP	31.9	1,559,999	0
	SRIP	31.9	1,080,758	0
Mr. Civgin	ARP	12.3	112,401	0
	SRIP	12.3	724,099	0
Mr. Shapiro	ARP	4.8	32,227	0
	SRIP	4.8	197,534	0
Mr. Dugenske	ARP	3.8	24,094	0
	SRIP	3.8	178,060	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, 2020) 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 2.51%.

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

- ARP benefits are assumed to be paid 80% as a lump sum, 10% as a life annuity, and 10% as a joint and survivor annuity.
- ARP and SRIP benefits are converted to a lump sum. For participants assumed to commence their benefits in 2021, the assumed lump-sum conversion interest rates are based on 100% of the average corporate bond segmented yield curve from August 2020. Specifically, the rates are 0.52% for the first 5 years, 2.22% for the next 15 years, and 3.03% thereafter. For participants assumed to commence their benefits after 2021, the lump-sum conversion interest rate is assumed to be equal to the discount rate of 2.51%.
- Lump-sum calculations were performed using the Internal Revenue Code Section 417(e)(3) mortality tables for 2021 and 2022 with a static projection from 2022 to each future year using the MP-2020 projection table.
- Annuity calculations were performed using the Pri-2012 white-collar mortality table for healthy retirees projected generationally from 2012 with the MP-2020 projection scale.

Other assumptions for the cash balance formula include the following:

- ARP benefits are assumed to be paid as a lump sum.
- Accounts were projected to retirement using the actual interest rate for ARP and SRIP for 2021, specifically the average 30-year Treasury rate from August 2020 of 1.36%. After 2021, accounts are projected using the spot 30-year Treasury rate as of December 31, 2020 of 1.65%.

See note 17 to our audited financial statements for 2020 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, 2020, if the named executive's employment terminated on that date.

Name	Plan Name	Lump Sum Amount ($)
Mr. Wilson	SRIP	22,879,367
Mr. Rizzo	SRIP	953,436
Mr. Civgin	SRIP	760,077
Mr. Shapiro	SRIP	215,663
Mr. Dugenske	SRIP	194,538

The amount shown is based on the lump-sum methodology used by ARP and SRIP in 2021. The lump-sum conversion interest rates are based on 100% of the average corporate bond segmented yield curve from August 2020. Specifically, the rates are 0.52% for the first 5 years, 2.22% for the next 15 years, and 3.03% thereafter. The mortality table used for 2021 is the Internal Revenue Code Section 417(e)(3) mortality tables for 2021.

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. Rizzo 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. Rizzo and Wilson are eligible for a reduced early retirement benefit that 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 earned benefits under the cash balance formula in 2020. 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.

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. Mr. Wilson has combined service with Allstate and its former parent company, Sears, Roebuck and Co., of 27.8 years. As a result, a portion of his 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, Mr. Wilson's final average pay pension benefits under the ARP and the SRIP are calculated as if he 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, 2020:

- Mr. Wilson's SRIP benefits earned prior to 2005 would become payable as early as January 1, 2021. Benefits earned after 2004 would be paid on July 1, 2021, or following death.
- Messrs. Dugenske's, Rizzo's and Shapiro's SRIP benefits would be paid on January 1, 2022, or following death.
- Mr. Civgin's SRIP benefits would be paid on July 1, 2021, or following death.

Non-Qualified Deferred Compensation at Fiscal Year-end 2020

The following table summarizes the non-qualified deferred compensation contributions, earnings, and account balances of our named executives in 2020. All amounts relate to The Allstate Corporation Deferred Compensation Plan.

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)(2)	Aggregate Withdrawals/ Distributions in Last FY ($)	Aggregate Balance at Last FYE ($)(1)
Mr. Wilson	0	0	234,983	0	1,465,028
Mr. Rizzo	401,515	0	141,260	0	1,317,303
Mr. Civgin	0	0	0	0	0
Mr. Shapiro	1,366,000	0	65,460	0	3,348,721
Mr. Dugenske	0	0	0	0	0

(1) For Mr. Rizzo, Executive Contributions were previously reported in the Salary column for 2020 and the Non-Equity Incentive Plan Compensation column for 2019 in the *Summary Compensation Table*. For Mr. Shapiro, Executive Contributions were previously reported in the Non-Equity Incentive Plan Compensation column for 2019 in the *Summary Compensation Table*.

(2) Aggregate earnings were not included in the named executive's compensation in the last completed fiscal year 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 ($285,000 in 2020), 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 2020 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 Deferred Compensation 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 or, for amounts deferred on or after January 1, 2018, in the fifth year after separation from service. The earliest distribution date for deferrals made 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, or, for amounts deferred on or after January 1, 2018, over a period of up to five 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. A named executive may also elect an in-service withdrawal of all or a portion of the deferrals he or she made on or after January 1, 2018, together with earnings and losses on those amounts. 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 2020 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	In 2020, lump sum equal to two times salary and annual incentive at target, except for CEO, who was eligible to receive three times salary and annual incentive at target. Beginning in 2021, CEO lump sum is equal to two 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 (no NEO has Restricted Stock Units)[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[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]
Non-Qualified Pension Benefits[10]	Distributions commence per plan	Distributions commence per plan	Immediately payable upon a CIC for Messrs. Wilson and Civgin; distributions commence per plan for other NEOs	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 for Messrs. Wilson and Civgin; distributions commence per participant election for other participating NEOs	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 other than due to retirement, change in control, death or disability. 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 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 for the one-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:

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.

(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 2020* 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, 2020 employment termination date.

Name	Severance ($)	Annual Incentive Plan[2] ($)	Stock Options — Unvested and Accelerated ($)	Performance Stock Awards — Unvested and Accelerated ($)	Welfare Benefits and Outplacement Services ($)	Total ($)
Mr. Wilson						
Termination due to Retirement[3]	0	4,889,565	4,440,136	26,034,941	0	35,364,642
Termination due to Change in Control[4]	16,200,000[7]	4,050,000	4,440,136	26,803,682	64,205[5]	51,558,023
Death	0	4,889,565	4,440,136	26,803,682	0	36,133,383
Disability	0	4,889,565	4,440,136	26,803,682	6,158,709[6]	42,292,092
Mr. Rizzo						
Termination due to Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	2,655,880[8]	927,500	936,325	5,629,955	70,866[5]	10,220,526
Death	0	1,250,000	936,325	5,629,955	0	7,816,280
Disability	0	1,250,000	936,325	5,629,955	8,969,837[6]	16,786,117
Mr. Civgin						
Termination due to Retirement[3]	0	1,810,861	1,088,791	6,521,818	0	9,421,470
Termination due to Change in Control[4]	4,950,000	1,575,000	1,088,791	6,727,057	64,194[5]	14,405,042
Death	0	1,810,861	1,088,791	6,727,057	0	9,626,709
Disability	0	1,810,861	1,088,791	6,727,057	6,248,346[6]	15,875,055
Mr. Shapiro						
Termination due to Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	4,100,000	1,230,000	1,086,805	6,549,410	64,192[5]	13,030,407
Death	0	1,473,089	1,086,805	6,549,410	0	9,109,304
Disability	0	1,473,089	1,086,805	6,549,410	10,428,900[6]	19,538,204
Mr. Dugenske						
Termination due to Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	4,000,000	1,200,000	1,009,902	6,211,595	70,797[5]	12,492,294
Death	0	1,410,109	1,009,902	6,211,595	0	8,631,606
Disability	0	1,410,109	1,009,902	6,211,595	9,200,812[6]	17,832,418

(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 2020 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 and Civgin 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 CIC Plan.

(3) As of December 31, 2020, Mr. Wilson is the only named executive eligible to retire in accordance with Allstate's policy and the terms of its equity and annual incentive compensation and benefit plans. Mr. Civgin is retirement eligible under the terms of the equity and annual incentive compensation 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, 2020. PSAs are paid out based on actual performance; for purposes of this table, the 2018-2020 cycle is shown at 200% of target and the 2019-2021 and 2020-2022 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 deferred compensation and SRIP benefits for Messrs. Wilson and Civgin; deferred compensation and SRIP benefits for the other NEOs are distributed in accordance with the applicable plan terms and participant elections. Please see the *Non-Qualified Deferred Compensation at Fiscal Year-end 2020* 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 that 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.

(7) Represents three times the sum of base salary and target annual incentive. Beginning in 2021, the amount of cash severable payable is two times the sum of base salary and target annual incentive.

(8) Under the change in control plan, severance benefits for Mr. Rizzo were reduced by $683,120, to avoid the imposition of excise taxes and maximize the severance benefit available under the plan.

Performance Measures for 2020

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 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	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	✔	✔
Pension and other post retirement remeasurement gains and losses	✔	✔
Valuation changes on embedded derivatives that are not hedged (which includes the related effect on amortization of deferred acquisition and deferred sales inducement costs)	✔	✔
Business combination expenses and amortization or impairment 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		✔
– Curtailment (gains) losses	✔	✔
– Premium deficiency for immediate annuities	✔	✔
Adjusted Net Income subtotal (See Appendix A)		
Restructuring and related charges	✔	✔
Underwriting results of Discontinued Lines and Coverages segment	✔	✔
Effects of acquiring and selling businesses in excess of $20 million after-tax		✔
Adjustments to be consistent with financial reporting used in establishing the measure for items exceeding $20 million after-tax		✔
Adjustments for other significant, non-recurring, infrequent or unusual items for items exceeding $20 million after-tax		✔
Adjustment to exclude income associated with parent holding company level deployable assets in excess of $1 billion[2]		✔
Performance Net Income before adjustment for volatile items[3]		
Adjustment for after-tax volatile items	Adjusted to include minimum or maximum amount of after-tax catastrophe losses and income from performance-based ("PB") investments	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 2018-2020, 2019-2021, 2020-2022, and 2021-2023 performance cycles. The 2019-2021, 2020-2022, and 2021-2023 performance cycles do not qualify for final measurement as of December 31, 2020; 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 for 2020-2022 performance cycle in excess of $1 billion. Adjustment for 2021-2023 performance cycle in excess of $2 billion.

(3) Volatile items include catastrophe losses and income from performance-based investments ("PB income") depending on the measure.

Annual Cash Incentive Award Performance Measures for 2020

- Total Premiums: This measure is used to assess growth within the Allstate Protection, Protection Services, Allstate Life, Allstate Benefits, and Allstate Annuities businesses. It is equal to the sum of Allstate Protection and Protection Services premiums written and Allstate Life, Benefits, and Annuities premiums and contract charges as described below.

  Premiums written is equal to the Allstate Protection and Protection Services 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 adjustment for the following individual items to the extent they exceed $30 million: adjustments to be consistent with financial reporting and foreign exchange rates used in establishing the measure and adjustments to exclude the effects of acquiring and selling businesses.

  In 2020, Reported Total Premiums of $40,102 million was adjusted by $156 million due to mandatory pandemic relief payments in certain states for Total Premiums of $40,258 million.

- Performance Net Income: This measure is used to assess financial performance. In 2020, Performance Net Income was $4,967 million compared to reported Adjusted Net Income* of $4,648 million, an increase of $319 million. It was adjusted to remove the impacts of the underwriting loss of the Discontinued Lines and Coverages segment, restructuring and related charges.
- 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 PB 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 excess of a threshold.

  In 2020, an adjustment to reflect a minimum amount of PB income was necessary, resulting in Net Investment Income of $3,240 million, compared to reported net investment income of $2,921 million.

Performance Stock Award Performance Measures for the 2018-2020, 2019-2021, 2020-2022, and 2021-2023 Performance Cycles

- Three-Year Average Performance Net Income Return on Equity (measure weighted at 70% for awards made prior to 2021, and 50% for awards made in 2021): 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. For the 2019-2021 and 2020-2022 performance cycles, it is 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 2019-2021 and 2020-2022 performance cycles, average common shareholders' equity was 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. The 2019-2021 and 2020-2022 performance cycles were also adjusted for unplanned utilization of alternative capital exceeding $20 million after-tax. Starting with the 2021-2023 performance cycle, average common shareholders' equity is 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 $2 billion. Additionally, the foreign exchange rate adjustment is removed for the 2021-2023 performance cycle.
- 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 in excess of a threshold. 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 2018-2020 performance cycle was 19.1%, compared to our reported Adjusted Net Income return on equity* of 19.8%, 16.9% and 16.2% for the years ended 2020, 2019, and 2018, respectively, and the three-year average of 17.6%. The adjustments relate to underwriting loss of the Discontinued Lines and Coverages segment, restructuring and related charges, net effects of acquiring or selling businesses, preferred stock issuance write-off costs, pension settlement charges, and pension accounting changes.
- The committee requires positive net income in order for our executives to earn PSAs for Average Performance Net Income ROE above target. For the 2020-2022 and 2021-2023 performance cycles, net income is adjusted to exclude gains and losses related to fair value accounting for pension and post-retirement plans, after-tax valuation of equity securities included in realized capital gains and losses, and the effects of acquiring and selling businesses.
- Earned Book Value (for awards prior to 2020, 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 exceeding $20 million after-tax.
  - Reflect a minimum or maximum amount of after-tax catastrophe losses if the actual pre-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 for items exceeding $20 million after-tax.
  - Exclude the effects of acquiring and selling businesses exceeding $20 million after-tax.
  - 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.
- Relative Total Shareholder Return (for awards made in 2020 and after, measure weighted at 30%): Relative Total Shareholder Return is the company's Total Shareholder Return ("TSR") relative to the TSR of other peer companies, expressed in terms of the company's TSR percentile rank among the peer companies. For awards made in 2020, the peer companies consist of the compensation peers included on **page 61** (including The Allstate Corporation), S&P 500 Index, and S&P Financial Index. For awards made in 2021, the Life and Accident & Health peers were removed from the TSR peer group for the 2021-2023 performance cycle. Allstate added three new Property & Casualty peers including Cincinnati Financial, American Financial, and W.R. Berkley. All other elements of our Relative TSR design remain the same. TSR is determined by dividing (i) the average Adjusted Close Price of the applicable company's stock or applicable index's price over the 20 trading days prior to and including the final day of the performance period ("Final Average Adjusted Close Price") **minus** the average Adjusted Close Price of the applicable company's stock or applicable index's price over the 20 trading days prior to the first day of the performance period ("Initial Average Adjusted Close Price") by (ii) the Initial Average Adjusted Close Price. In calculating TSR, all dividends are assumed to have been reinvested on the ex-dividend date. "Adjusted Close Price" is the closing price per share of the applicable company's stock or the applicable index's closing price after adjustments for all splits and dividend distributions.
- Items in Force Growth (for awards made in 2021, measure weighted at 20%): The Items in Force Growth measure is used to assess growth within the Allstate business segments and is the number of policies in force. Policy counts are based on items rather than customers. The measure is calculated as the compound annual growth rate of items in force at the beginning and at the end of the 3-year performance period.

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 CEO. This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules.

For 2020:

- the annual total compensation of our median employee was $102,184; and
- the annual total compensation of our CEO, as reported in the Summary Compensation Table in this Proxy Statement, was $21,126,386.
- The ratio of the annual total compensation of Mr. Wilson to our median employee was 206:1.

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 285:1.

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 2020 company performance), our CEO to median employee pay ratio would have been 198:1.

To calculate the ratio, we followed SEC permitted rules and used the following methodology and material assumptions, adjustments, and estimates:

- December 31, 2020 was selected as the determination date as it enabled us to choose a pay date that aligned across our enterprise.
- Employees in all countries, with the exception of nine employees in Japan, Australia and Malta, were included and as of December 31, 2020, our U.S. and non-U.S. employee population consisted of 43,476 full-time, part-time, seasonal and temporary employees.
- The agent population was excluded since they are not employees of Allstate or its subsidiaries.
- Total cash (base salary plus incentive compensation) was selected as the most appropriate and consistently applied compensation measure to determine the median worker since equity awards are not broadly distributed.
- Employee compensation was measured using a twelve-month look-back period ending December 31, 2020.
- Permanent employees hired in 2020 that did not work for the entire period had their compensation adjusted as if they were employed for the entire twelve-month period.
- For non-U.S. employees, an annual average was used for each of the exchange rates.
- After identifying the median worker based on total cash compensation, annual total compensation was calculated for that person using the same methodology used for the named executives in the Summary Compensation Table on **page 66**.
- As noted above, the median employee's annual total compensation was $102,184. The median employee was an administrative assistant in the United States with total cash compensation of $63,078 and a change in pension value of $39,106.

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 population 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 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 2021

The Board recommends a vote FOR ratification of Deloitte & Touche LLP for 2021.

- 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 of management and the audit committee is administered by a Deloitte & Touche LLP partner who is not affiliated with the Allstate account. The survey assesses Allstate's general satisfaction with the quality and efficiency of the services provided. Results are reported to the audit committee, which discusses results with management.

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 committee and its chair approve the selection of Deloitte & Touche LLP's lead engagement partner.

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 submits to the audit committee detailed schedules with all of the proposed services within each category, together with the estimated fees. Each specific service requires 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 committee chair the authority to grant approvals, but the decisions of the committee chair must be reported to the audit committee at its next regularly scheduled meeting. All services provided by Deloitte & Touche LLP in 2019 and 2020 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 2021. 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 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, 2019, and December 31, 2020.

	2019[5]	2020
Audit fees[1]	$11,017,000	$11,596,000
Audit-related fees[2]	$ 816,000	$ 918,000
Tax fees[3]	$ 629,000	$ 348,000
All other fees[4]	$ 266,000	$ 280,000
Total fees	$12,728,000	$13,142,000

(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 SEC. The amounts disclosed do not reflect reimbursements expected to be received for certain separate account audit fees from the managing entity in the amounts of $160,000 and $199,000 for 2019 and 2020, respectively. Total fees have been adjusted to reflect actual expenditures for the year.

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

	2019	2020
Audits and other attest services for non-consolidated entities	$358,000	$303,000
Other audit-related fees	$458,000	$615,000
Total audit-related fees	$816,000	$918,000

(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. These fees relate to advisory services.

(5) Total fees for 2019 decreased due to the completion of a project under budget.

Representatives of Deloitte & Touche LLP will be present at the 2021 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 be able to change the appointment while enabling timely completion of the 2021 audited financial statements.

Audit Committee Report

Deloitte & Touche LLP (Deloitte) was Allstate's independent registered public accountant for the year ended December 31, 2020.

The audit committee reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2020.

The committee discussed with Deloitte the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC. 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, 2020, for filing with the Securities and Exchange Commission, and furnished to stockholders with this Notice of Annual Meeting and Proxy Statement.

KERMIT R. CRAWFORD (CHAIR) **SIDDHARTH N. MEHTA** **JACQUES P. PEROLD** **GREGG M. SHERRILL**

Stockholder Proposal

PROPOSAL

4

Amend Proxy Access Terms

✖

The Board recommends a vote AGAINST stockholder proposal to amend the proxy access terms.

- Allstate protects stockholder interests and supports stockholder rights.
- Allstate's existing proxy access bylaw is market standard.
- Allstate has a proven track record of Board refreshment and diversity.

Mr. Kenneth Steiner, 14 Stoner Ave., 2M, Great Neck, NY 11021, beneficial owner of no less than 500 shares of Allstate common stock as of December 2, 2020, intends to present the following resolution at the annual meeting:

Proposal 4 – Improve Our Catch-22 Proxy Access

Shareholders request that our board of directors take the steps necessary to enable as many shareholders as may be needed to combine their shares to equal 3% of our stock owned continuously for 3-years in order to enable shareholder proxy access.

The current arbitrary ration of 20 shareholders to initiate shareholder proxy access can be called Catch-22 Proxy Access. To assemble 20 shareholders, who have owned 3% of company stock for an unbroken 3-years, one would reasonably need to start with 60 activist shareholders who own 9% of company stock for an unbroken 3-years because initiating proxy access is a complicated process that is easily susceptible to errors. It is also highly susceptible to dropouts.

The 60 activist shareholders could then be whittled down to 40 shareholders because some shareholders would be unable to timely meet all the paper chase requirements. After the 40 shareholders submit their paperwork to management — then management might arbitrarily claim that 10 shareholders do not meet the requirements (figuring that shareholders do not want a battle in court) and management might convince another 10 shareholders to drop out — leaving 20 shareholders. But the current bylaws do not allow 40 shareholders to submit their paperwork to management to end up with 20 qualified shareholders.

And 60 shareholders who own 9% of company stock for an unbroken 3-years might determine that they own 51% of company stock when length of unbroken stock ownership is factored out. Thus a proxy access right would be moot.

But how does one begin to assemble a group of 60 potential participants if potential participants cannot even be guaranteed participant status after following the tedious rules that are 4200-words of dense legalese — because a single shareholder always takes the risk that one will be the 21st shareholder that could be eliminated after a substantial investment of time by the arbitrary ration of 20 shareholders.

More emphasis should be given to improving proxy access because of new limitations on shareholder rights. The annual shareholder meeting and the shareholder right to call a special meeting have both taken a big hit due to the avalanche of online shareholder meetings that can be tightly controlled bare bones meetings where all challenging questions and comments are screened out by management.

For example the Goodyear online shareholder meeting was spoiled by a trigger-happy management mute button that was used to quash constructive shareholder criticism. AT&T, with 3000 institutional shareholders, would not even allow shareholders to speak at its online shareholder meeting.

Adoption of this proposal might incentivize our Chairman/CEO, Mr. Thomas Wilson, and the Chair of the management pay committee, Mr. Michael Eskew, to perform better. Mr. Eskew again received the highest negative director votes in 2020 and Mr. Wilson was again second in negative director votes.

Please vote yes:
Improve Our Catch-22 Proxy Access—Proposal 4.

Board of Directors' Statement in Opposition to the Stockholder Proposal to Amend Proxy Access Terms

Allstate's proxy access bylaw already provides stockholders with a meaningful role in the nomination and election of directors and aligns with current market practice. In light of our long-standing commitment to strong corporate governance, we believe the changes requested by the proponent are unnecessary and contrary to our stockholders' interests. The Board recommends that stockholders vote "AGAINST" this proposal for the following reasons:

Allstate Protects Stockholder Interests and Supports Stockholder Rights.

- The Board has consistently demonstrated its adherence to corporate governance best practices and responsiveness to stockholder concerns. In 2015, following a review of emerging trends and investor sentiment, Allstate adopted proxy access.
- In addition to proxy access, Allstate has other practices in place that protect the rights of our stockholders. Stockholders owning 10% or more of Allstate's common stock have the right to call special meetings. Stockholders also have the right to request action by written consent. While over two-thirds of S&P 500 companies provide stockholders with special meeting rights, only about 31% allow for written consent rights.
- Allstate also proactively engages with stockholders multiple times annually and reaches out to about 40% of our outstanding shares. Feedback is collected, key topics are discussed by the Board, and strategies are developed to address gaps.

Allstate's Existing Proxy Access Bylaw is Market Standard.

- Allstate's proxy access bylaw allows a group of up to 20 stockholders owning at least 3% of common stock for at least three years to include director nominees constituting up to 20% of the Board in company proxy materials. When the Board adopted this proxy access bylaw, the "3/3/20/20" formulation was market standard, and it remains market standard today.
- Of the nearly 80% of S&P 500 companies that have adopted proxy access, the majority of those also have the 3/3/20/20 standard. The aggregation limit of 20 stockholders is the most common aggregation limit as it supports stockholder participation in the director election process, while still placing reasonable parameters around the process.
- When a group of stockholders submits a director nominee through the proxy access right, Allstate is responsible for confirming that each stockholder meets all procedural requirements and will continue to meet them until the annual meeting. The aggregation limit helps ensure that the process can be effectively completed in a timely manner.

Allstate Has a Proven Track Record of Board Refreshment and Diversity.

- Allstate's Board takes a thoughtful approach to ensuring the appropriate diversity of perspectives, experience, expertise and skills are present on the Board.
- The Board's refreshment and succession planning processes are robust. The Board has added five new directors within the past five years, including two this past year. These additions reflect the Board's commitment to ensuring it is qualified and well-suited to exercise independent oversight of the company and protect the interests of stockholders. The average tenure on the Board is seven years and half of the Board is diverse based on gender or ethnicity.

Stock Ownership Information

Security Ownership of Directors and Executive Officers

The following table shows the Allstate common shares beneficially owned as of March 1, 2021, 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, 2021, none of these shares were pledged as security.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Allstate Common Stock	Common Stock Subject to Options Exercisable on or Prior to April 29, 2021	Restricted Stock Units[1]	Total Stock-Based Ownership[2]	Percent of Class
Donald E. Brown	0	0	1,019	1,019	*
Kermit R. Crawford	1,000	0	15,681	16,681	*
Michael L. Eskew	190	0	11,020	11,210	*
Richard T. Hume	0	0	1,485	1,485	*
Margaret M. Keane	4,145	0	5,457	9,602	*
Siddharth N. Mehta	0	0	12,159	12,159	*
Jacques P. Perold	35	0	7,805	7,840	*
Andrea Redmond	2,000	0	24,530	26,530	*
Gregg M. Sherrill	1,125	0	4,840	5,965	*
Judith A. Sprieser	0	0	35,028	35,028	*
Perry M. Traquina	760	0	6,623	7,383	*
Thomas J. Wilson	908,283	1,998,383	0	2,906,666	*
Mario Rizzo	39,602	140,927	0	180,529	*
Don Civgin	87,320	186,262	0	273,582	*
Glenn T. Shapiro	23,925	119,195	0	143,120	*
John Dugenske	64,754	170,042	0	234,796	*
All directors and executive officers as a group (24 total)	1,294,199	3,302,055	125,647	4,721,901	1.56%

* Less than 1% of the outstanding shares of common stock.

(1) 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, 2021. In addition, some directors hold additional restricted stock units that are not reflected in the table above because common stock would not be distributed to directors until at least one year following his or her retirement as a director, or in some cases, as many as ten years following the date of grant. For more information regarding the restricted stock units held by each director at the end of 2020, please see the details on **page 47**.

(2) These amounts are the sum of the number of shares shown in the prior columns. As of March 1, 2021, 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, 2021) approximately 1.56% of the common stock outstanding as of March 1, 2021.

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	25,697,698[1]	8.50%
Common	The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	22,581,478[2]	7.43%
Common	State Street Corporation One Lincoln Street Boston, MA 02111	14,668,153[3]	4.82%

(1) Reflects shares beneficially owned as of December 31, 2020, as set forth in a Schedule 13G/A filed on January 29, 2021. Of these shares, BlackRock reported it held 21,720,241 shares with sole voting power; 0 shares with shared voting power; 25,697,698 shares with sole dispositive power; and 0 shares with shared dispositive power.

(2) Reflects shares beneficially owned as of December 31, 2020, as set forth in a Schedule 13G/A filed on February 10, 2021. Of these shares, The Vanguard Group reported it held 0 shares with sole voting power; 525,339 shares with shared voting power; 21,216,229 shares with sole dispositive power; and 1,365,249 shares with shared dispositive power.

(3) Reflects shares beneficially owned as of December 31, 2020, as set forth in a Schedule 13G/A filed on February 12, 2021. Of these shares, State Street Corporation reported it held 0 shares with sole voting power; 12,880,717 shares with shared voting power; 0 shares with sole dispositive power; and 14,628,266 shares with shared dispositive power.

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 25, 2021, 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 26, 2021, 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 26, 2021. On that date, there were 300,341,645 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 most stockholders over the Internet using "Notice and Access" delivery, as permitted by the rules of the SEC. We elected to use this method for most 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 5**. If you hold shares in your own name as a registered stockholder, you may vote by participating in 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 participate in the meeting, please see the details on** **pages 90-91**.

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 92**.

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 at the annual meeting.

Are the Votes Kept Confidential?

All proxies 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 or voting instruction form, 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 14-17**, 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 – 4. 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 NYSE 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 proposal. Broker non-votes will not be counted as shares entitled to vote on any of the foregoing non-routine 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?

As part of our precautions regarding the Coronavirus pandemic and to support the health and well-being of our stockholders, the 2021 annual meeting will be held in a virtual meeting format only. You will not be able to attend the annual meeting physically. We have worked to offer the same participation opportunities as were provided at our past in-person meetings while further enhancing the online experience available to all stockholders.

If you plan to participate in the annual meeting, you must be a holder of Allstate shares as of the record date of March 26, 2021, or hold a legal proxy for the meeting provided by your bank, broker, or nominee. To be admitted to the annual meeting webcast at www.virtualshareholdermeeting.com/ALL2021, you must enter the 16-digit control number found on your proxy card, voting instruction form or notice of Internet availability. You may begin to log into the meeting platform beginning at 10:30 a.m. Central time on May 25, 2021. The meeting will begin promptly at 11 a.m. Central time on May 25, 2021. The virtual meeting platform is fully supported across browsers (Internet Explorer, Firefox, Chrome, and Safari) and devices (desktops, laptops, tablets and cell phones) running the most updated version of applicable software. Participants should ensure that they have a strong WiFi connection wherever they intend to participate in the meeting. Participants should also give themselves plenty of time to log in and ensure that they can hear streaming audio prior to the start of the meeting.

You may vote during the annual meeting by following the instructions available on the meeting website during the meeting. Whether or not you participate in the annual meeting, we encourage you to vote and submit your proxy in advance of the meeting by one of the methods described in these proxy materials. The proxy card/voting instruction form included with the proxy materials may be used to vote your shares in connection with the annual meeting.

This year's stockholders' question and answer session will include questions submitted in advance of, and questions submitted live during, the annual meeting. You may submit a question in advance of the meeting beginning at 8:30 a.m. Central time on May 21, 2021, and until 11:59 p.m. Central time on May 24, 2021, at www.proxyvote.com after logging in with your 16-digit control number. Once past the login screen, click on "Question for Management", typing your question and clicking "Submit." Alternatively, questions may be submitted during the annual meeting through www.virtualshareholdermeeting.com/ALL2021, by typing your question into the "Ask a Question" field and clicking "Submit." We will try to answer as many questions as time permits. We reserve the right to edit profanity or other inappropriate language and to exclude questions regarding topics that are not pertinent to meeting matters or company business. If we receive substantially similar questions, we may group such questions together and provide a single response to avoid repetition. Any questions pertinent to meeting matters that cannot be answered during the meeting due to time constraints will be posted online at www.allstateinvestors.com.

If you encounter any difficulties accessing the meeting during the meeting time, please call the technical support number at (844) 986-0822. The technical support number will also be posted on the meeting website.

Following completion of the meeting, a webcast replay will be posted online to our Investor Relations website at www.allstateinvestors.com for one year.

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. Alliance Advisors, 200 Broadacres Drive, 3rd Floor, Bloomfield, NJ 07003 has been retained to assist in the solicitation of proxies for a fee of $20,000 plus expenses.

How Do I Submit Stockholder Proposals or Director Nominations for the 2022 Annual Meeting?

Proposals that stockholders would like to include in Allstate's proxy materials for presentation at the 2022 Annual Meeting must be received by the Office of the Secretary by December 13, 2021, and must otherwise comply with SEC rules in order to be eligible for inclusion in the proxy materials for the 2022 Annual Meeting.

If a stockholder would like to bring a matter before the meeting that is not the subject of a proposal that meets the SEC 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 2022 annual meeting must be received by the Office of the Secretary no earlier than the close of business on January 25, 2022 and no later than the close of business on February 24, 2022. 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 2022 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 25, 2022, and no later than the close of business on February 24, 2022. For proxy access nominees to be considered at the 2022 annual meeting, the nomination notice must be received by the Office of the Secretary no earlier than the close of business on November 13, 2021, and no later than the close of business on December 13, 2021. 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, www.allstateinvestors.com. The notices required above must be sent to the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite F7, Northbrook, IL 60062-6127.

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 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 shares in the plan, then it will vote all unvoted 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 shares, the trustee will vote all unvoted shares at 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 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,

RHONDA S. FERGUSON
SECRETARY
APRIL 12, 2021

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 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,
- pension and other postretirement remeasurement gains and losses, after-tax,
- valuation changes on embedded derivatives that are 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 that are not hedged, after-tax,
- business combination expenses and the amortization or impairment of purchased intangibles, 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, pension and other postretirement remeasurement gains and losses, valuation changes on embedded derivatives that are not hedged, business combination expenses and the amortization or impairment of purchased intangibles, impairment of goodwill, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses, pension and other postretirement remeasurement gains and losses, valuation changes on embedded derivatives that are 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 impairment of goodwill as well as the amortization or impairment of purchased intangibles is excluded because it relates to the acquisition purchase price and is not indicative of our underlying business results or trends.

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

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

Adjusted Net Income is used by management along with the other components of net income 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 net income applicable to common shareholders and Adjusted Net Income for the years ended December 31. Beginning January 1, 2018, the Tax Legislation reduced the U.S. corporate income tax rate from 35% to 21%. Taxes on adjustments to reconcile net income applicable to common shareholders and Adjusted Net Income generally use a 21% effective tax rate for 2020, 2019, 2018 and 35% for 2017 and prior periods and are reported net of income taxes as the reconciling adjustment, except for 2017 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)	**2020**	**2019**	**2018**	**2017**	**2016**	**2020**	**2019**	**2018**	**2017**	**2016**
Net income applicable to common shareholders	$ 5,461	$ 4,678	$2,012	$3,438	$1,692	$17.31	$14.03	$ 5.70	$ 9.35	$ 4.48
Realized capital (gains) losses, after-tax	(1,063)	(1,488)	688	(298)	56	(3.37)	(4.46)	1.95	(0.81)	0.15
Pension and other postretirement remeasurement (gains) losses, after-tax	(39)	90	370	(141)	175	(0.12)	0.27	1.05	(0.38)	0.46
Curtailment (gains) losses, after-tax	(7)	—	—	—	—	(0.02)	—	—	—	—
Valuation changes on embedded derivatives that are not hedged, after-tax	36	15	(3)	—	2	0.11	0.05	(0.01)	—	0.01
DAC and DSI amortization related to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(8)	5	7	10	4	(0.03)	0.01	0.02	0.03	0.01
Premium deficiency for immediate annuities, after-tax	178	—	—	—	—	0.56	—	—	—	—
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	—	(2)	(2)	(3)	(3)	—	(0.01)	(0.01)	(0.01)	(0.01)
Business combination expenses and the amortization of purchased intangibles, after-tax	93	100	90	79	21	0.30	0.30	0.25	0.21	0.06
Impairment of goodwill and purchased intangibles, after-tax	—	83	—	125	—	—	0.25	—	0.34	—
Gain on disposition of operations, after-tax	(3)	(4)	(4)	(13)	(3)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)
Tax Legislation (benefit)	—	—	(29)	(509)	—	—	—	(0.08)	(1.38)	—
Adjusted Net Income	$ 4,648	$ 3,477	$3,129	$2,688	$1,944	$14.73	$10.43	$ 8.86	$ 7.31	$ 5.15

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

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

	2020	2019	2018	2017	2016
Combined Ratio	87.6	92.0	93.2	93.0	95.5
Effect of catastrophe losses	(7.9)	(7.3)	(8.7)	(10.3)	(8.4)
Effect of prior year non-catastrophe reserve reestimates	(0.2)	0.4	0.8	1.5	0.2
Effect of amortization of purchased intangibles	(0.1)	—	—	—	(0.1)
Effect of impairment of purchased intangibles	—	(0.1)	—	—	—
Underlying combined ratio	79.4	85.0	85.3	84.2	87.2
Effect of prior year catastrophe reserve reestimates	(1.4)	0.1	0.1	(0.1)	—

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. We also provide it to facilitate a comparison to our long-term Adjusted net income return on common shareholders' equity goal. 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)	2020	2019	2018	2017	2016
Return on common shareholders' equity					
Numerator:					
Net income applicable to common shareholders	$ 5,461	$ 4,678	$ 2,012	$ 3,438	$ 1,692
Denominator:					
Beginning common shareholders' equity[(1)]	$ 23,750	$ 19,382	$ 20,805	$ 18,823	$ 18,274
Ending common shareholders' equity[(1)]	28,247	23,750	19,382	20,805	18,823
Average common shareholders' equity	$ 25,999	$ 21,566	$ 20,094	$ 19,814	$ 18,549
Return on common shareholders' equity	21.0%	21.7%	10.0%	17.4%	9.1%

	2020	2019	2018	2017	2016
Adjusted Net Income return on common shareholders' equity					
Numerator:					
Adjusted Net Income	$ 4,648	$ 3,477	$ 3,129	$ 2,688	$ 1,944
Denominator:					
Beginning common shareholders' equity[(1)]	$ 23,750	$ 19,382	$ 20,805	$ 18,823	$ 18,274
Less: Unrealized net capital gains and losses	1,887	(2)	1,662	1,053	620
Adjusted beginning common shareholders' equity	21,863	19,384	19,143	17,770	17,654
Ending common shareholders' equity[(1)]	28,247	23,750	19,382	20,805	18,823
Less: Unrealized net capital gains and losses	3,180	1,887	(2)	1,662	1,053
Adjusted ending common shareholders' equity	25,067	21,863	19,384	19,143	17,770
Average adjusted common shareholders' equity	$ 23,465	$ 20,624	$ 19,264	$ 18,457	$ 17,712
Adjusted Net Income return on common shareholders' equity	19.8%	16.9%	16.2%	14.6%	11.0%

(1) Excludes equity related to preferred stock of $1,970 million at December 31, 2020, $2,248 million at December 31, 2019, $1,930 million at December 31, 2018 and $1,746 million for all other periods presented.

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 April 1, 2021. AIC refers to Allstate Insurance Company.

Name	Principal Positions and Offices Held
Thomas J. Wilson	Chair of the Board, President, and Chief Executive Officer of The Allstate Corporation and AIC.
Carolyn D. Blair	Executive Vice President and Chief Human Resources Officer of AIC.
Elizabeth A. Brady	Executive Vice President, Chief Marketing, Customer and Communications Officer of AIC.
Don Civgin	Vice Chair of The Allstate Corporation and AIC, and Chief Executive Officer, Protection Products and Services of AIC.
John E. Dugenske	President, Investments and Financial Products of AIC.
Rhonda S. Ferguson	Executive Vice President, Chief Legal Officer, General Counsel, and Secretary of The Allstate Corporation and AIC.
Suren Gupta	Executive Vice President, Chief Information Technology and Enterprise Services Officer of AIC.
Jesse E. Merten	President, Financial Products of AIC.
John C. Pintozzi	Senior Vice President, Controller and Chief Accounting Officer of The Allstate Corporation and AIC
Mark Prindiville	Executive Vice President and Chief Risk Officer of AIC.
Mario Rizzo	Executive Vice President and Chief Financial Officer of The Allstate Corporation and AIC.
Glenn T. Shapiro	President, Personal Property-Liability of AIC.

2020 Annual Report
Table of Contents

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 protects people from life’s uncertainties with a wide array of protection for autos, homes, electronic devices and identity theft. Allstate is primarily engaged in the property and casualty insurance business in the United States and Canada. Additionally, Allstate provides customers other protection solutions such as life, accident and health insurance and protection plans that cover electronic devices and personal identities.

The Allstate Corporation is one of the largest publicly held personal lines insurers in the United States. Allstate’s personal property-liability strategy is to increase market share by offering consumers a broad suite of personal lines solutions and a competitive value proposition across distribution channels. The Allstate brand is widely known through the “You’re In Good Hands With Allstate®” slogan. Allstate is the fourth largest personal property and casualty insurer in the United States on the basis of 2019 statutory direct premiums written according to A.M. Best.

Allstate also has strong market positions in other protection solutions. Allstate Benefits provides accident, health and life insurance through employers and is one of the top voluntary benefits carriers in the market based on a 2019 voluntary/worksite industry survey. Allstate Protection Plans provides protection plans on a wide variety of consumer goods such as cell phones, tablets, computers, furniture and appliances, and has a leading position in distribution through major retailers. Allstate Identity Protection, which provides identity protection, has a leading position in worksite distribution. In total, Allstate had 175.9 million policies in force (“PIF”) as of December 31, 2020.

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.

Subsequent event On January 26, 2021, Allstate announced an agreement to sell Allstate Life Insurance Company (“ALIC”) and certain affiliates for $2.8 billion to Antelope US Holdings Company, an affiliate of an investment fund associated with The Blackstone Group Inc. Allstate will retain ownership of Allstate Life Insurance Company of New York (“ALNY”) while pursuing alternatives to sell or otherwise transfer risk to a third party. ALIC and certain affiliates represent approximately 80% of Allstate Life and Allstate Annuity reserves for life-contingent contract benefits and contractholder funds as of December 31, 2020 and generated net income of approximately $290 million and $470 million in 2020 and 2019, respectively. A loss on disposition estimated at $3 billion, after-tax, will be recorded in the first quarter of 2021. The ultimate amount of the loss on sale will be impacted by purchase price adjustments associated with certain pre-close transactions specified in the stock purchase agreement, changes in statutory capital and surplus prior to the closing date and the closing date equity of ALIC determined under GAAP, excluding unrealized gains and losses. The transaction is expected to close in the second half of 2021, subject to regulatory approvals and other customary closing conditions.

On January 4, 2021, Allstate completed the acquisition of National General Holdings Corp. (“National General”), expanding its independent agent channel business.

For additional information, see Note 3 of the consolidated financial statements of this report.

Strategy, Transformative Growth, Our Shared Purpose and Segment Information

Our strategy has two components: increase personal property-liability market share (see Allstate Protection segment) and expand protection offerings by leveraging the Allstate brand, customer base and capabilities.

Transformative Growth is about creating a business model, capabilities and culture that continually transform to deliver market share. This is done by focusing on the customer by expanding access and improving value. The ultimate objective is to create continuous transformative growth in all businesses by delivering affordable, simple and connected protection solutions.

We are expanding protection businesses utilizing enterprise capabilities and resources such as distribution, analytics, claims, investment expertise, talent and capital. Using innovative growth platforms (such as telematics and identity protection) and broad distribution including: Allstate exclusive agents, independent agents, contact centers, online, retailers, workplace benefits brokers, auto dealers, original equipment manufacturers and telecom providers further enhance our customer value proposition.

Allstate has thrived for 89 years by adapting to better serve customers. Our two-part strategy builds on this success by leveraging the Allstate brand, people and technology to improve our long-term competitive position and accelerate growth.

(1) ALIC and certain affiliates to be divested and we will broaden non-proprietary product distribution to include life insurance.

Our Shared Purpose			
As the good hands...	**our values**	**our operating standards**	**our behaviors**
• We empower customers with protection to help them achieve their hopes and dreams. • We provide affordable, simple and connected protection solutions. • We create opportunity for our team, economic value for our shareholders and improve communities.	• Integrity is non-negotiable. • Inclusive Diversity & Equity values and leverages unique identities with equitable opportunity and rewards. • Collective Success is achieved through empathy and prioritizing enterprise outcomes ahead of individuals.	• Focus on Customers by anticipating and exceeding service expectations at low costs. • Be the Best at protecting customers, developing talent and running our businesses. • Be Bold with original ideas using speed and conviction to beat the competition. • Earn Attractive Returns by providing customer value, proactively accepting risk and using analytics.	• Collaborate early and often to develop and implement comprehensive solutions and share learnings. • Challenge Ideas to leverage collective expertise, evaluate multiple alternatives and create the best path forward. • Provide Clarity for expected outcomes, decision authority and accountability. • Provide Feedback that is candid, actionable, independent of hierarchy and safe.

Reportable segments	
Allstate Protection [1]	Includes the Allstate and Encompass brands and Answer Financial. Offers private passenger auto, homeowners, other personal lines and commercial insurance through agents, contact centers and online. Esurance results were combined into the Allstate brand in the third quarter of 2020.
Protection Services (previously Service Businesses)	Includes Allstate Protection Plans, Allstate Dealer Services, Allstate Roadside, Arity and Allstate Identity Protection, which offer a broad range of solutions and services that expand and enhance our customer value propositions.
Allstate Life [2]	Consists of traditional, interest-sensitive and variable life insurance products primarily through Allstate exclusive agents and exclusive financial specialists.
Allstate Benefits	Offers voluntary benefits products, including life, accident, critical illness, short-term disability and other health insurance products sold through independent agents, benefits brokers and Allstate exclusive agents.
Allstate Annuities [2]	Consists of deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements) in run-off.
Discontinued Lines and Coverages [1]	Relates to property and casualty insurance policies written during the 1960's through the mid-1980's with exposure to asbestos, environmental and other claims 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.

(2) The pending sale of ALIC and certain affiliates represents approximately 90% of Allstate Life and 75% of Allstate Annuities reserves for life-contingent contract benefits and contractholder funds.

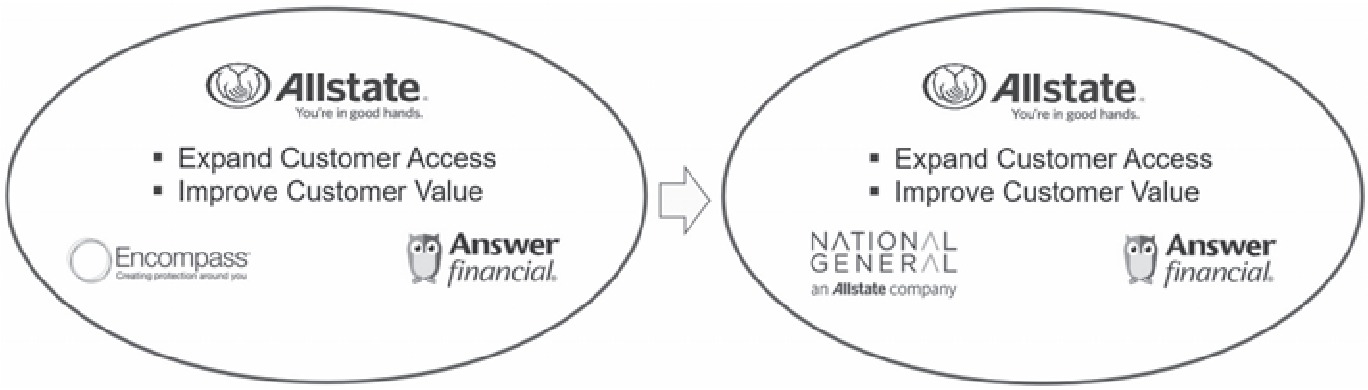
Allstate Protection Segment

Our Allstate Protection segment accounted for 90.0% of Allstate's 2020 consolidated insurance premiums and contract charges and 19.1% of Allstate's December 31, 2020 PIF. Private passenger auto, homeowners, other personal lines and commercial insurance products offered through both exclusive and independent agents and directly through contact centers and online are included in this segment. Our strategy is to provide open access and choice of interaction, while offering affordable, simple and connected solutions to meet customers' evolving needs and protect them from life's uncertainties.

Strategy Allstate Protection segment is key to the strategy of increasing personal lines market share through Transformative Growth focusing on:

- Allstate brand growth, while making it easier to do business with us and reducing our cost structure
- Expanding Independent Agency channel business with the acquisition of National General in January 2021

We have three market-facing property-liability businesses, Allstate brand, Encompass brand and Answer Financial with products and services that cater to different customer preferences for advice and brand recognition. Starting in 2021, Allstate Independent Agency and Encompass organizations will be integrated into National General.



We serve our consumers using differentiated products, analytical expertise, telematics and an integrated digital enterprise that leverages data and technology to execute processes with a focus on greater effectiveness and efficiency.

Transformative Growth	
Expanding Customer Access	Expanding open access and customer choice of solutions under the Allstate brand across multiple channels, including Exclusive Agency and direct (online or call centers)
	Driving direct growth through improving online quote flow and enhancing call center practices
	Continuing to emphasize growth and customer service in existing Exclusive Agencies
	Stopped appointing new agents while building and scaling new agent models, such as the Allstate Sales Agent, to offer different access points to Allstate brand products at a lower distribution cost
	Lowering the Allstate brand distribution expense ratio
	Establishing a market leading position in the independent agency channel as a top five personal lines carrier with the National General acquisition, utilizing its broad range of products and strong technology platform
Improving Customer Value	Building affordable, simple and connected protection solutions
	Improving the competitive prices of products through efficiencies, automation, optimized vendor management, lower distribution costs, and retirement of legacy technologies
	Enhancing pricing sophistication to price products based on customer needs and risks and improving our purchase process with automated decision support
	Increasing engagement with the Allstate Mobile app and new business penetration of telematics products, including pay-per-mile insurance
	Leveraging our circle of protection to provide added protection solutions

Additional Information and Strategy Updates

Commercial lines strategy We continue to focus on profitable expansion of our shared economy commercial lines business, which is primarily comprised of transportation network companies. Traditional small business commercial insurance is being enhanced through new product development using technology to improve customer experience and reduce costs while leveraging enterprise capabilities. Profit improvement actions continue for our traditional commercial lines insurance products, emphasizing pricing, claims, governance and operational improvements.

Independent agent strategy On January 4, 2021, we completed the acquisition of National General, significantly enhancing our strategic position in the independent agency channel. The transaction will increase our market share in personal property-liability by over one percentage point and enhance our independent agent-facing technology. It will significantly expand our distribution footprint, leading us to be a top five personal lines carrier in the independent agency distribution channel. Additional expansion opportunities through independent agents also exist in standard auto and homeowners insurance by leveraging Allstate's capabilities.

National General provides personal and commercial automobile, homeowners, umbrella, recreational vehicle, motorcycle, lender-placed property, supplemental health and other niche insurance products. Auto insurance represents approximately 60% of premium with a significant presence in the non-standard auto market.

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

- Migrating Encompass policyholders and business operations to National General and sunset Encompass infrastructure
- Transitioning Allstate Independent Agent new business to National General as mid-market products roll out

Answer Financial strategy Answer Financial is an insurance agency that sells other insurance companies' products directly to customers online. 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.

A proprietary database of underwriting and loss 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 other consumer 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 other consumer information.

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

Pricing of property products is intended to generate risk-adjusted returns that are acceptable over a long-term period. Rate increases are pursued 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 products, regulatory limitations, our competitive position and profitability.

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 incorporated into product pricing.

Property catastrophe exposure is managed with the goal of providing shareholders an acceptable return on the risks assumed in the property business. Catastrophe exposure management includes purchasing reinsurance to provide coverage for known exposure to hurricanes, earthquakes and fires following earthquakes, wildfires and other catastrophes. Our current catastrophe reinsurance program supports our risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes and earthquakes, excluding other catastrophe losses and, net of reinsurance, exceeding $2 billion.

The use of different assumptions and updates to industry models and to our risk transfer program could materially change the projected loss. Growth strategies include areas where we believe diversification can be enhanced and an appropriate return can be earned for the risk. 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 and wildfires, which impact catastrophe losses.

We are promoting 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 across distribution channels that best suit each consumer segment.

Products	
Insurance products [1]	Auto
	Homeowners
	Specialty auto (motorcycle, trailer, motor home and off-road vehicle)
	Other personal lines (renters, condominium, landlord, boat, umbrella, manufactured home and stand-alone scheduled personal property)
	Commercial lines
Answer Financial	Comparison quotes and sales of non-proprietary auto, homeowners and other personal lines (condominium, renters, motorcycle, recreational vehicle and boat)

[1] Insurance products are offered by the Allstate and Encompass brands.

Distribution	
Allstate brand	In the U.S., we offer products through 10,400 Allstate exclusive agents operating in 10,300 locations, supported by 23,900 licensed sales professionals, and 1,000 exclusive financial specialists. We also offer products through 5,200 independent agents, contact centers and online. In Canada, we offer Allstate brand products through 1,000 employee sales agents.
Encompass brand	Distributed through 3,100 independent agents.
Answer Financial	Comparison quotes and sales offered to customers online or through contact centers.

Allstate exclusive agents also support the Protection Services, Allstate Life and Allstate Benefits segments through offering roadside assistance, consumer protection plans, identity protection, life insurance and voluntary benefits products. We expect to discontinue sales of proprietary life insurance products during the second quarter of 2021, and will expand the non-proprietary product suite to include a range of life insurance products offered by third-party providers.

Exclusive agent compensation structure The compensation structure for Allstate exclusive agents rewards them for delivering high value to customers and achieving certain business outcomes such as profitable growth and household penetration. Allstate exclusive agent remuneration comprises a base commission, variable compensation and a bonus.

- Agents receive a monthly base commission payment as a percentage of their total eligible written premium.
- Variable compensation rewards agents for acquiring new customers by exceeding a base production goal.
- 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.

Compensation for 2021 includes a shift in variable compensation toward new business, including homeowners, and eliminates variable compensation for renewing customers. We are aligning agent compensation to emphasize growth while simultaneously improving customer service consistency.

Agents have the ability to earn commissions and additional bonuses on non-proprietary products provided to customers when an Allstate product is not available through Ivantage, a leading provider of property and casualty brokerage services, and arrangements made with other companies, agencies, and brokers. As of December 31, 2020, Ivantage had $1.94 billion non-proprietary premiums under management, consisting of approximately $1.72 billion of personal insurance premiums primarily related to property business in hurricane exposed areas, and approximately $222 million of commercial insurance premiums.

Additionally, we offer a homeowners product through our excess and surplus lines carrier, North Light Specialty Insurance Company, in certain areas with higher risk of catastrophes or where customers do not meet the Allstate brand standard underwriting profile.

Allstate agents and exclusive financial specialists receive commissions for proprietary and non-proprietary life and retirement sales and are eligible for a quarterly bonus based on the volume of non-proprietary sales.

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

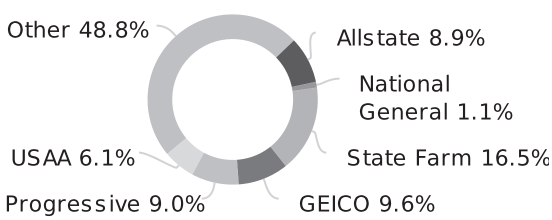
Innovative product offerings and features		
Market-leading solutions		
Allstate brand	Your Choice Auto®	Qualified customers choose from a variety of options, such as Accident Forgiveness, Deductible Rewards®, Safe Driving Bonus® and New Car Replacement.
	Allstate House and Home®	Featured options include Claim RateGuard®, Claim-Free Bonus, Deductible Rewards® 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.
	Bundling Benefits	Auto customers with a qualifying property policy are provided an auto renewal guarantee and a deductible waiver (when the same event, with the same covered cause of loss, damages both auto and property). Offered in 47 states and District of Columbia ("D.C.") as of December 31, 2020.
	New Car Replacement Protection	Replaces a qualifying customer's vehicle (two model years old or less) involved in a total loss accident with a vehicle of the same or similar make and model. Offered in 50 states and D.C. as of December 31, 2020.
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. This product is offered in 36 states and the District of Columbia ("D.C.") as of December 31, 2020.
	Surround Solutions by Encompass®	Offers auto (6-months), homeowner and specialty lines products, pricing, services and support designed to provide flexibility and be customized based on consumer needs. Offered exclusively in four states for Encompass as of December 31, 2020.
Telematics solutions		
Allstate brand	Drivewise®	Telematics-based program, available in 50 states and the District of Columbia as of December 31, 2020, 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, in most states, Allstate Rewards® provides reward points for safe driving.
	Milewise®	Usage-based insurance product, available in 17 states as of December 31, 2020, that gives customers flexibility to customize their insurance and pay based on the number of miles they drive.
	DriveSense®	Telematics-based insurance program offered by Esurance, available in 37 states as of December 31, 2020, that primarily uses a mobile application to capture driving behaviors and reward customers for safe driving.
Encompass brand	Routely®	Telematics application, available in 18 states as of December 31, 2020, used to capture driving behaviors and reward customer participation.
Shared economy solutions		
Allstate brand	Transportation Network Company Commercial Auto	Commercial coverage of transportation networking company independent drivers during various phases of the ride sharing service.
	Allstate Ride for Hire®/ HostAdvantage®	Supplemental personal insurance coverage for those using their vehicle to drive for a transportation network company or their house for peer-to-peer property sharing.

Competition

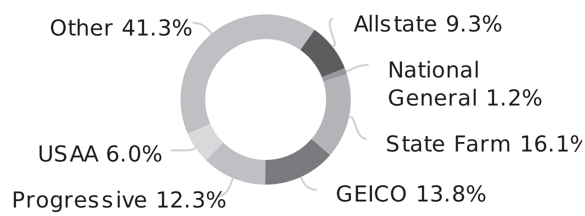
The personal lines insurance markets, including private passenger auto and homeowners insurance, are highly competitive. The following charts provide Allstate Protection’s combined market share compared to our principal U.S. competitors using statutory direct written premium for the year ended December 31, 2019, according to A.M. Best.

On January 4, 2021, we completed the acquisition of National General and we estimate that our market share in personal lines insurance will increase by 1.1%, totaling 10.0%, ranking Allstate as the second largest personal lines insurer in the United States, based on statutory direct written premium for the year ended December 31, 2019, according to A.M. Best.

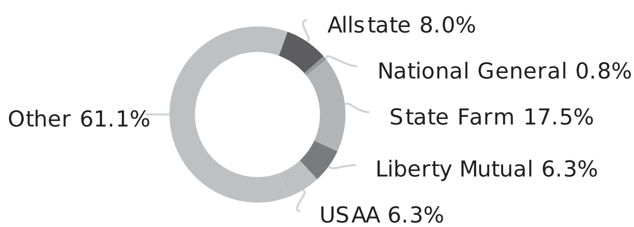
Personal lines insurance



Private passenger auto insurance



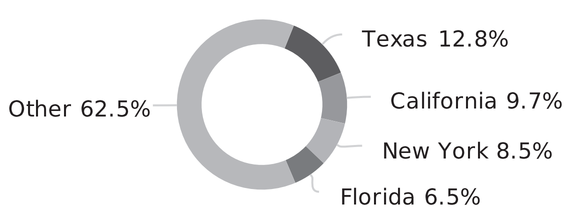
Homeowners insurance



Geographic markets

We primarily operate in the U.S (all 50 states and D.C.) and Canada. Our top geographic markets based on 2020 statutory direct premiums are reflected below. The geographic distribution does not include National General results.

Top geographic markets



Protection Services Segment

Our Protection Services segment accounted for 4.3% of Allstate's 2020 consolidated total revenue and 77.5% of Allstate's December 31, 2020 PIF. Protection Services includes Allstate℠ Protection Plans, Allstate Dealer Services®, Allstate Roadside, Arity® and Allstate℠ Identity Protection, which offer a broad range of products and services that expand and enhance customer value propositions.

Strategy - Protection Services are a key part of our strategy by expanding other protection businesses and increasing our total addressable market by delivering superior value propositions and building strategic platforms to connect and engage with customers and effectively address their changing needs and preferences.

Allstate Protection Plans	Expand distribution of consumer protection plan and technical support products through new and existing retail and mobile operator accounts while increasing profitability and returns.
Allstate Dealer Services	Expand distribution of Allstate branded finance and insurance products and services through auto dealerships.
Allstate Roadside	Modernize the roadside assistance business through technology and enhance capabilities to deliver a superior customer experience while improving efficiency and returns.
Arity	Leverage analytics and deep understanding of driver risk to create a strategic platform. The platform will be used by those industries affected most by the changing face of transportation, including insurance companies, shared mobility companies and the automotive ecosystem.
Allstate Identity Protection	Create a leading position in the identity protection market, offering full identity protection monitoring with proactive alerts, digital exposure reporting and identity theft reimbursement as well as expanding into other distribution channels.

Products and distribution

Products and services	
Allstate Protection Plans	Provides consumer protection plans and related technical support for mobile phones, consumer electronics, furniture and appliances which provide customers protection from mechanical or electrical failure, and in certain cases, accidental damage from handling.
Allstate Dealer Services	Offers finance and insurance products, including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel protection, and paintless dent repair protection.
Allstate Roadside	Offers towing, jump-start, lockout, fuel delivery and tire change services to retail customers and customers of our wholesale partners.
Arity	Provides data and analytics solutions with the Arity platform using automotive telematics information. Customers receive value from our solutions either by using web-based software tools, white labeled mobile applications or through embedding our technology in their mobile applications.
Allstate Identity Protection	Provides identity protection services including monitoring, alerts, remediation and a proprietary indicator of identity health.

Distribution channels	
Allstate Protection Plans	Major retailers in the U.S. and mobile operators in Europe.
Allstate Dealer Services	Independent agents and brokers through auto dealerships in the U.S. in conjunction with the purchase of a new or used vehicle.
Allstate Roadside	Allstate exclusive agents, wholesale partners, affinity groups and a mobile application.
Arity	Sells directly to affiliate and non-affiliate customers and through strategic partners.
Allstate Identity Protection	Primarily through workplace benefit programs and direct to consumer using the mobile application and online.

Geographic markets

Protection Services primarily operate in the U.S. and Canada, with Allstate Protection Plans also offering services in Europe and Japan.

Competition

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

Allstate Benefits Segment

Strategy

Our Allstate Benefits segment accounted for 2.6% of Allstate's 2020 consolidated total revenue and 2.2% of Allstate's December 31, 2020 PIF. The Allstate Benefits segment provides consumers with financial protection against the risk of accidents, illness and mortality. We are among the industry leaders in the growing and highly competitive voluntary benefits market, offering a broad range of products through workplace enrollment. Our life insurance portfolio includes individual and group permanent life solutions. Target customers are middle market consumers with family and financial protection needs employed by small, medium and large sized firms. Allstate Benefits is well represented in all market segments and is a leader in the large and mega (over 10,000 employees) market segments.

Our products are offered through independent agents, benefits brokers and Allstate exclusive agents. Allstate Benefits is differentiated through its broad product portfolio, flexible enrollment solutions, strong national accounts team and well-recognized brand.

Our strategy for growth is to deliver substantially more value through innovative products and technology, tailored solutions and exceptional service through investments in future-state technologies and data and analytics capabilities.

Products and distribution

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

Distribution channels
4,160 workplace enrolling independent agents and benefits brokers.
Allstate exclusive agents, focusing on small employers.

On January 4, 2021, we completed the acquisition of National General. National General's accident and health products include accident and non-major medical health insurance products and will be included in the Allstate Benefits segment. These products are offered direct to consumers through call centers and the internet, and through independent agents, general agencies, affinity relationships and the workplace.

Competition

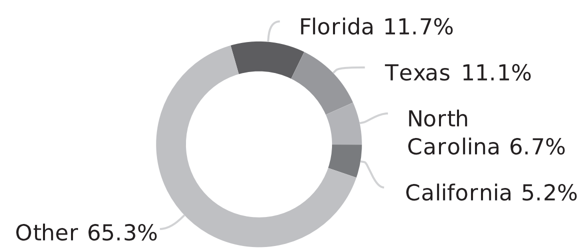
We compete on a wide variety of factors, including product offerings, brand recognition, financial strength and ratings, price, distribution and customer service.

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

We primarily operate in the U.S. (all 50 states and D.C.) and Canada. The top geographic markets based on 2020 statutory direct premiums are reflected below.

Top geographic markets



Pending Sale of ALIC and Certain Affiliates

We announced the pending sale of ALIC and certain affiliates, which represents approximately 90% of Allstate Life and 75% of Allstate Annuities reserves for life-contingent contract benefits and contractholder funds. Allstate will retain ownership of ALNY while pursuing alternatives to sell or otherwise transfer risk to a third party. We expect to discontinue sales of proprietary life insurance products during the second quarter of 2021.

Allstate Life Segment

Strategy

Our Allstate Life segment accounted for 4.4% of Allstate's 2020 consolidated total revenue and 1.1% of Allstate's December 31, 2020 PIF.

Our strategy is to broaden Allstate's customer relationships and value proposition. Target customers are middle market consumers with family and financial protection needs. Our business consists of traditional, interest-sensitive and variable life insurance sold through Allstate exclusive agents and exclusive financial specialists. Allstate exclusive agents and exclusive financial specialists also sell certain non-proprietary products offered by third-party providers, 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, 2020, Allstate agencies had approximately $17.9 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 $2.2 billion in 2020.

We will expand the non-proprietary product suite available for distribution to include a range of life insurance products offered by third-party providers.

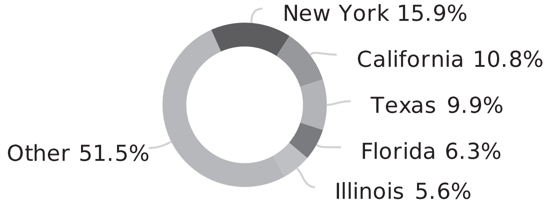
Competition

We compete on a variety of factors, including product offerings, brand recognition, financial strength and ratings, price, distribution and customer service. The market for life insurance continues to be highly fragmented and competitive. As of December 31, 2019, there were approximately 335 groups of life insurance companies in the United States.

Geographic markets

We operate in the U.S. (all 50 states and D.C.). Our top geographic markets based on 2020 statutory direct premiums are reflected below.

Top geographic markets



Allstate Annuities Segment

Strategy

Our Allstate Annuities segment accounted for 2.3% of Allstate's 2020 consolidated total revenue and 0.1% of Allstate's December 31, 2020 PIF. The Allstate Annuities segment consists primarily 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 use performance-based investments (primarily limited partnership investments) in which we have ownership interests and a greater proportion of return is derived from idiosyncratic asset or operating performance.

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 Management of this segment has been assigned to a designated group of professionals with expertise in claims handling, policy coverage interpretation, exposure identification, litigation and reinsurance collection. As part of its responsibilities, this group pursues settlement agreements including policy buybacks on direct excess commercial business when appropriate to improve the certainty of the liabilities. At the end of 2020, 67.0% of the direct excess gross case reserves were attributable to settlement agreements. This group also manages other direct commercial and assumed reinsurance business in runoff and engages in reinsurance ceded and assumed commutations as required or when considered economically advantageous.

Changes in the reserves established for asbestos, environmental and other discontinued lines losses have occurred and may continue. Reserve changes can be caused by new information relating to new and additional claims, new exposures 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 clean-up.

Challenges related to the concentration of insurance and reinsurance claims from companies who specialize in this business continue to be addressed.

Corporate and Other Segment

Our Corporate and Other segment is comprised of holding company activities and certain non-insurance operations, including expenses associated with strategic initiatives.

Forward-Looking Statements

This report contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. These statements may address, among other things, our strategy for growth, catastrophe exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. If the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements include risks related to:

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

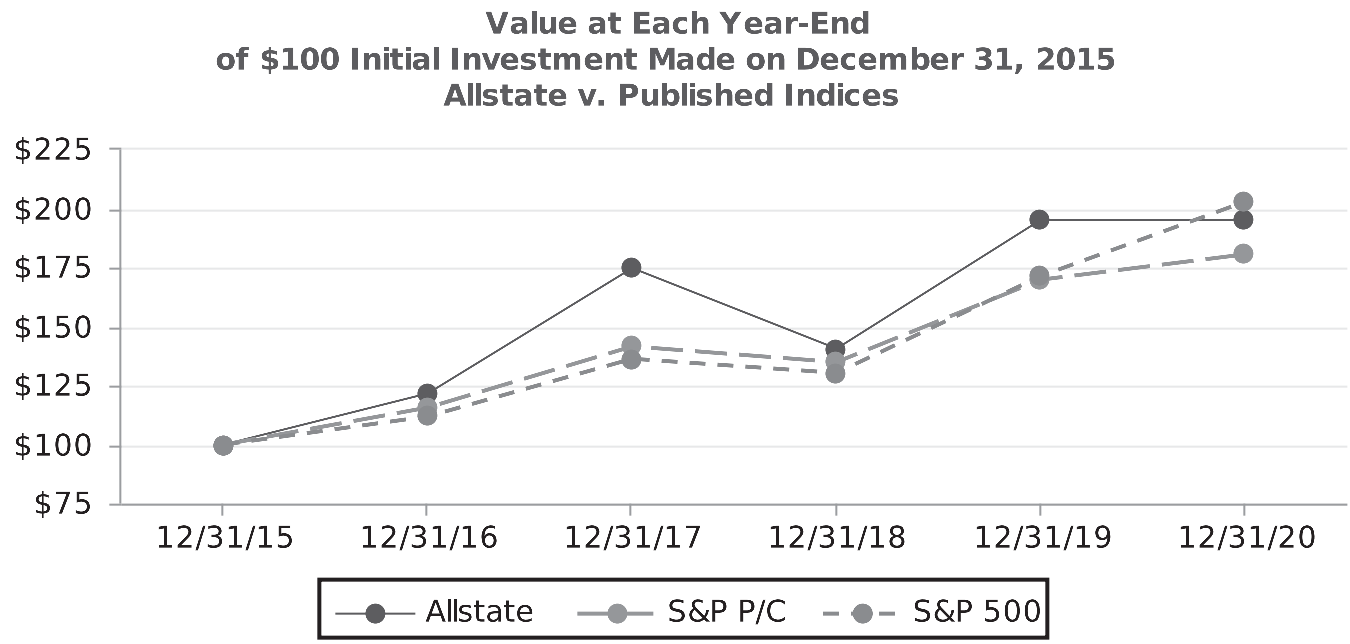
Business, Strategy and Operations (14) competition in the insurance industry and new or changing technologies; (15) implementation of our transformative growth strategy; (16) our catastrophe management strategy; (17) restrictions on our subsidiaries’ ability to pay dividends; (18) restrictions under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

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

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

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, 2015 to December 31, 2020) 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, 2015

	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Allstate	$ 100.00	$ 121.71	$ 174.80	$ 140.67	$ 195.28	$ 195.05
S&P P/C	$ 100.00	$ 115.71	$ 141.61	$ 134.96	$ 169.88	$ 180.63
S&P 500	$ 100.00	$ 111.95	$ 136.38	$ 130.39	$ 171.44	$ 202.96

Management's Discussion and Analysis of Financial Condition and Results of Operations

2020 Highlights

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 consolidated financial statements and related notes.

A discussion of strategy, including updates to the multi-year Transformative Growth initiative, can be found in Strategy and Segment Information.

This section of this Form 10-K generally discusses 2020 and 2019 results and year-to-year comparisons between 2020 and 2019. Discussions of 2018 results and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in Management's Discussion and Analysis ("MD&A") in Part II, Item 7 of our annual report on Form 10-K for 2019, filed February 21, 2020.

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.
- *Protection Services*: revenues, premium written, PIF, adjusted net income and net income.
- *Allstate Life*: premiums and contract charges, new business sales, PIF, benefit spread, investment 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, 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 Protection Services, Allstate Life, Allstate Benefits, Allstate Annuities, and Corporate and Other segments.

Underwriting income is calculated as premiums earned and other revenue, less claims and claims expense ("losses"), Shelter-in-Place Payback expense, amortization of deferred policy acquisition costs ("DAC"), operating costs and expenses, restructuring and related charges and amortization or impairment of purchased intangibles, 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 Operations section of 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
- Pension and other postretirement remeasurement gains and losses, after-tax
- Valuation changes on embedded derivatives that are not hedged, after-tax
- Amortization of DAC and deferred sales inducement costs ("DSI"), to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives that are not hedged, after-tax
- Business combination expenses and the amortization or impairment 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 Protection Services, Allstate Life, Allstate Benefits and Allstate Annuities Segment sections of MD&A.

Subsequent event

On January 26, 2021, Allstate announced an agreement to sell Allstate Life Insurance Company ("ALIC") and certain affiliates for $2.8 billion to Antelope US Holdings Company, an affiliate of an investment fund associated with The Blackstone Group Inc. Allstate will retain ownership of Allstate Life Insurance Company of New York ("ALNY") while pursuing alternatives to sell or otherwise transfer risk to a third party. ALIC and certain affiliates represent approximately 80% of Allstate Life and Allstate Annuity reserves for life-contingent contract benefits and contractholder funds as of December 31, 2020 and generated net income of approximately $290 million and $470 million in 2020 and 2019, respectively. A loss on disposition estimated at $3 billion, after-tax, will be recorded in the first quarter of 2021. The ultimate amount of the loss on sale will be impacted by purchase price adjustments associated with certain pre-close transactions specified in the stock purchase agreement, changes in statutory capital and surplus prior to the closing date and the closing date equity of ALIC determined under GAAP, excluding unrealized gains and losses. The transaction is expected to close in the second half of 2021, subject to regulatory approvals and other customary closing conditions. Additional information about this transaction can be found in Allstate Life and Allstate Annuities sections of Strategy, MD&A and Note 3 of the consolidated financial statements of this report.

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

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

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

A pandemic such as the Coronavirus and its impacts are disclosed in Form 10-K Part 1 "Item 1A. Risk Factors", including the risk factors titled "*A large-scale pandemic, the occurrence of terrorism, military actions, social unrest or other actions may have an adverse effect on our business*" and "*Conditions in the global economy and capital markets could adversely affect our business and results of operations*".

The magnitude and duration of the global pandemic and the impact of actions taken by governmental authorities, businesses and consumers, including timing of vaccine distribution, to mitigate health risks create significant uncertainty. We will continue to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the length and severity of the pandemic or its impact to our operations, but the effects could be material.

We have continued to support our customers during the Coronavirus pandemic as we:

- Provided our Shelter-in-Place Payback of over $948 million to customers in 2020, as the significant decline in the number of auto accidents contributed favorably to our underwriting results
- Offered the Allstate Special Payment plan to provide more flexible payment options, including the option to delay payments
- Extended auto insurance coverage to customers using their personal vehicles to deliver food, medicine and other goods for commercial purposes; coverage for these activities is typically excluded
- Continued to provide prompt payments for life insurance and health claims related to Coronavirus
- Offered free Allstate Identity Protection to U.S. residents through December 31, 2020, regardless of whether they were already Allstate customers
- Increased the utilization of virtual tools such as QuickFoto Claim® and Virtual Assist® to allow for a simple, fast and safe claims handling process for customers and our employees

The following sections summarize the potential impacts of the Coronavirus on our operations, each of our segments and investments that may continue, emerge, evolve or accelerate in 2021. This list is not inclusive of all potential impacts and should not be treated as such. Within the MD&A we have included further disclosures related to the impacts of the Coronavirus on our 2020 results.

Allstate's operations

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

Allstate Protection

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

Protection Services

- Increased consumer spending and retail sales in Allstate Protection Plans resulting from shelter-in-place orders
- Reduced demand for Allstate Dealer Services products due to lower new and used car sales
- Decline in claims in Allstate Dealer Services and Allstate Roadside due to lower miles driven
- Decreased sales of Allstate Identity Protection products due to higher unemployment
- Increased costs from Allstate Identity Protection providing free identity protection to consumers through the end of 2020

Allstate Life

- Higher death benefit costs
- Decline in sales due to temporary underwriting restrictions placed on new business; agents are able to offer coverage to customers outside the new guidelines through non-proprietary carriers
- Statutory reserving requirements could be increased due to low interest rates, which could affect the amount of capital required to be maintained by our insurance companies

Allstate Benefits

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

Allstate Annuities

- Lower performance-based investment income
- Higher reserves released on death of the insured for life-contingent immediate annuities, which lowers contract benefits
- Statutory reserving requirements could be increased due to low interest rates, which could affect the amount of capital required to be maintained by our insurance companies

Investments

- Impact on the market values, liquidity and valuations of fixed income securities, equity securities and performance-based investments as well as changes in the expected pace of funding performance-based and loan commitments
- Negative impact on fixed income securities in certain sectors such as energy, automotive, retail, travel, lodging and airlines
- State and local government budgets may be strained by the costs of responding to the Coronavirus and reduced tax revenues from lower economic activity which may have an adverse impact on valuations and returns of our municipal bond portfolio
- Volatility in future investment results due to capital market conditions, including the pace of economic recovery, effectiveness of the fiscal and monetary policy responses and uncertainty resulting from the ongoing pandemic
- Volatility in expected credit losses

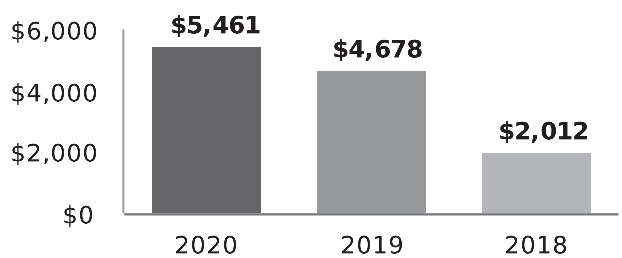
Allstate Delivered on 2020 Operating Priorities [1]

Better Serve Customers	Allstate acted quickly and led the industry in taking care of customers during the pandemic by providing two Shelter-In-Place Paybacks, financial flexibility through Special Payment Plans and offering free identity protection in 2020
	Enterprise Net Promoter Score, which measures how likely customers are to recommend us, increased to 59.0 in 2020 compared to 58.6 in 2019
Grow Customer Base	Consolidated policies in force reached 175.9 million, a 20.5% increase from prior year
	Property-Liability policies in force were down slightly compared to the prior year as Allstate brand growth was more than offset by a decline in the Encompass brand. Protection Services policies in force grew to 136.3 million, a 28.6% increase to the prior year, driven by continued rapid expansion in Allstate Protection Plans
Achieve Target Returns on Capital	Strong results in Property-Liability insurance with a combined ratio of 87.6
	21.0% return on average common shareholders' equity in 2020
Proactively Manage Investments	Total return on the $94.24 billion investment portfolio was 7.1% in 2020
	Net investment income of $2.85 billion in 2020 was 9.7% below prior year reflecting lower reinvestment rates and reduced performance-based income
Build Long-Term Growth Platforms	Allstate made substantial progress in building higher growth business models to increase personal property-liability market share under the Allstate brand
	Allstate Protection Plans expanded its total addressable market through new accounts addressing furniture, appliances and international markets

(1) 2021 operating priorities will remain consistent with the 2020 priorities.

Consolidated Net Income

($ in millions)

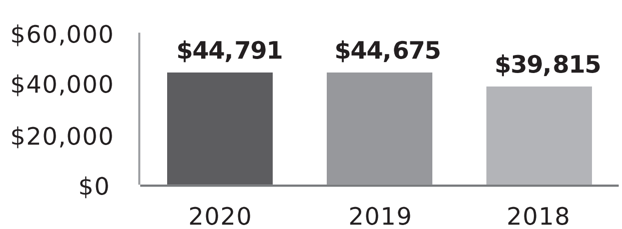


Consolidated net income applicable to common shareholders increased 16.7% or $783 million to $5.46 billion in 2020 compared to 2019, primarily due to higher Allstate Protection underwriting income and higher Protection Services adjusted net income, partially offset by Shelter-in-Place Payback expense, lower net realized capital gains and lower net investment income.

For the twelve months ended December 31, 2020, return on common shareholders' equity was 21.0% compared to 21.7% for the twelve months ended December 31, 2019.

Total Revenue

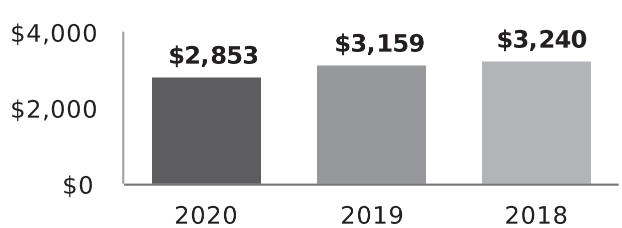
($ in millions)



Total revenue increased 0.3% to $44.79 billion in 2020 compared to 2019, driven by a 2.8% increase in property and casualty insurance premiums earned, partially offset by lower realized capital gains and lower net investment income. Insurance premiums increased in Allstate brand and Protection Services (Allstate Protection Plans and Allstate Dealer Services).

Net Investment Income

($ in millions)



Net investment income decreased 9.7% to $2.85 billion in 2020 compared to 2019, primarily due to a decline in market-based income driven by lower interest-bearing portfolio yields and lower performance-based results, primarily from limited partnerships.

Summarized financial results

($ in millions)	Years Ended December 31, 2020	2019	2018
Revenues			
Property and casualty insurance premiums	$ 37,073	$ 36,076	$ 34,048
Life premiums and contract charges	2,444	2,501	2,465
Other revenue	1,065	1,054	939
Net investment income	2,853	3,159	3,240
Realized capital gains (losses)	1,356	1,885	(877)
Total revenues	**44,791**	**44,675**	**39,815**
Costs and expenses			
Property and casualty insurance claims and claims expense	(22,001)	(23,976)	(22,778)
Shelter-in-Place Payback expense	(948)	—	—
Life contract benefits and interest credited to contractholder funds	(2,881)	(2,679)	(2,627)
Amortization of deferred policy acquisition costs	(5,630)	(5,533)	(5,222)
Operating, restructuring and interest expenses	(6,309)	(6,058)	(5,993)
Pension and other postretirement remeasurement gains (losses)	51	(114)	(468)
Amortization of purchased intangibles	(118)	(126)	(105)
Impairment of purchased intangibles	—	(106)	—
Total costs and expenses	**(37,836)**	**(38,592)**	**(37,193)**
Gain on disposition of operations	4	6	6
Income tax expense	(1,383)	(1,242)	(468)
Net income	**5,576**	**4,847**	**2,160**
Preferred stock dividends	(115)	(169)	(148)
Net income applicable to common shareholders	**$ 5,461**	**$ 4,678**	**$ 2,012**

Segment Highlights

Allstate Protection underwriting income totaled $4.57 billion in 2020, a 56.8% increase from $2.91 billion in 2019, primarily due to lower auto non-catastrophe losses, increased premiums earned and favorable catastrophe reserve reestimates in personal lines homeowners driven by subrogation settlements, partially offset by Shelter-in-Place Payback expense and higher catastrophe losses.

Catastrophe losses were $2.81 billion in 2020 compared $2.56 billion in 2019.

Subrogation settlements Allstate recognized favorable prior year catastrophe reserve reestimates of approximately $450 million and $45 million, pre-tax, net of expenses and adjustments to reinsurance, in the third quarter of 2020 related to PG&E Corporation and Southern California Edison (together “subrogation settlements”), respectively. See Note 8 of the consolidated financial statements for additional details.

Premiums written increased 1.0% to $35.77 billion in 2020 compared to 2019.

Protection Services adjusted net income was $153 million in 2020 compared to $38 million in 2019. The improvement in 2020 was primarily due to growth of Allstate Protection Plans and improved profitability at Allstate Roadside, partially offset by investments at Allstate Identity Protection.

Total revenues increased 16.6% or $273 million to $1.92 billion in 2020 from $1.65 billion in 2019 due to Allstate Protection Plan’s growth through its U.S. retail and international channels, partially offset by declines in revenue at Allstate Roadside.

Allstate Life adjusted net income was $194 million in 2020 compared to $261 million in 2019. The decrease was primarily due to higher contract benefits due to mortality associated with the Coronavirus, partially offset by lower operating costs and expenses.

Premiums and contract charges totaled $1.34 billion in both 2020 and 2019.

Allstate Benefits adjusted net income was $96 million in 2020 compared to $115 million in 2019. The decrease was primarily due to lower premiums and higher operating costs and expenses driven by a $41 million, pre-tax, write-off of capitalized software costs associated with a billing system in the second quarter of 2020, partially offset by lower contract benefits.

Premiums and contract charges totaled $1.09 billion in 2020, a decrease of 4.5% from $1.15 billion in 2019.

Allstate Annuities adjusted net loss was $53 million in 2020 compared to adjusted net income of $10 million in 2019, primarily due to lower net investment income, partially offset by lower contract benefits.

Net investment income decreased 17.0% to $761 million in 2020 from $917 million in 2019. The decrease was primarily due to a decline in market-based income driven by lower interest-bearing portfolio yields as well as lower performance-based investment results and lower average investment balances.

Financial Highlights

Investments totaled $94.24 billion as of December 31, 2020, increasing from $88.36 billion as of December 31, 2019.

Shareholders' equity As of December 31, 2020, shareholders' equity was $30.22 billion. This total included $5.52 billion in deployable assets at the parent holding company level and approximately $4 billion were used to fund the purchase of National General, which closed on January 4, 2021. Deployable assets include $1.2 billion of proceeds from a debt issuance in November 2020 and comprise cash and investments that are generally saleable within one quarter.

Book value per diluted common share (ratio of common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was $91.50 as of December 31, 2020, an increase of 25.1% from $73.12 as of December 31, 2019.

Return on average common shareholders' equity For the twelve months ended December 31, 2020, return on common shareholders' equity was 21.0%, a decrease of 0.7 points from 21.7% for the twelve months ended December 31, 2019, primarily due to an increase in average common shareholders' equity, partially offset by higher net income applicable to common shareholders.

Pension and other postretirement remeasurement gains and losses We recorded pension and other postretirement remeasurement gains of $51 million in 2020, primarily related to favorable asset performance compared to the expected return on plan assets, partially offset by a decrease in the discount rate and changes in actuarial assumptions. See Note 17 of the consolidated financial statements and Application of Critical Accounting Estimates section of the MD&A for further information.

Adopted accounting standard

Effective January 1, 2020, we adopted the measurement of credit losses on financial instruments accounting standard that primarily affected mortgage loans, bank loans and reinsurance recoverables. Subsequent to the adoption, we measure credit losses on financial instruments, including losses related to mortgage loans, bank loans and reinsurance recoverables, using the expected credit loss model. This model requires us to recognize an estimate of expected credit losses for affected financial assets in a valuation allowance that when deducted from the amortized cost basis of the related financial assets results in a net carrying value at the amount expected to be collected.

See Note 2 of the consolidated financial statements for additional details on the adopted accounting standard.

Property-Liability Operations

Overview 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, amortization or impairment of purchased intangibles, restructuring and related charges and Shelter-in-Place Payback expense, less other revenue to premiums earned.
- *Combined ratio*: the sum of the loss ratio and the expense ratio. 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 intangibles on combined ratio*: the ratio of amortization of purchased intangibles to premiums earned.
- *Effect of impairment of purchased intangibles on combined ratio*: the ratio of impairment of purchased intangibles to premiums earned.
- *Effect of restructuring and related charges on combined ratio*: the ratio of restructuring and related charges to premiums earned.
- *Effect of Shelter-in-Place Payback expense on combined and expense ratios*: the ratio of Shelter-in-Place Payback expense 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)	2020	2019	2018
Premiums written	$ 35,768	$ 35,419	$ 33,555
Revenues			
Premiums earned	$ 35,580	$ 34,843	$ 32,950
Other revenue	736	741	738
Net investment income	1,421	1,533	1,464
Realized capital gains (losses)	990	1,470	(639)
Total revenues	**38,727**	**38,587**	**34,513**
Costs and expenses			
Claims and claims expense	(21,626)	(23,622)	(22,435)
Shelter-in-Place Payback expense [(1)]	(948)	—	—
Amortization of DAC	(4,642)	(4,649)	(4,475)
Operating costs and expenses [(2)]	(4,443)	(4,420)	(4,465)
Restructuring and related charges [(3)]	(235)	(38)	(60)
Impairment of purchased intangibles	—	(51)	—
Total costs and expenses	**(31,894)**	**(32,780)**	**(31,435)**
Income tax expense	(1,382)	(1,196)	(613)
Net income applicable to common shareholders	**$ 5,451**	**$ 4,611**	**$ 2,465**
Underwriting income	$ 4,422	$ 2,804	$ 2,253
Net investment income	1,421	1,533	1,464
Income tax expense on operations	(1,166)	(887)	(747)
Realized capital gains (losses), after-tax	774	1,161	(500)
Tax Legislation expense	—	—	(5)
Net income applicable to common shareholders	**$ 5,451**	**$ 4,611**	**$ 2,465**
Catastrophe losses			
Catastrophe losses, excluding reserve reestimates	$ 3,314	$ 2,509	$ 2,830
Catastrophe reserve reestimates [(4) (5)]	(503)	48	25
Total catastrophe losses	**$ 2,811**	**$ 2,557**	**$ 2,855**
Non-catastrophe reserve reestimates [(4)]	68	(176)	(278)
Prior year reserve reestimates [(4) (5)]	(435)	(128)	(253)
GAAP operating ratios			
Loss ratio	60.8	67.8	68.1
Expense ratio [(6)]	26.8	24.2	25.1
Combined ratio	87.6	92.0	93.2
Effect of catastrophe losses on combined ratio	7.9	7.3	8.7
Effect of prior year reserve reestimates on combined ratio	(1.2)	(0.3)	(0.7)
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	(1.4)	0.1	0.1
Effect of restructuring and related charges on combined ratio [(3)]	0.7	0.1	0.2
Effect of amortization of purchased intangibles on combined ratio	0.1	—	—
Effect of impairment of purchased intangibles	—	0.1	—
Effect of Shelter-in-Place Payback expense on combined and expense ratios	2.7	—	—
Effect of Discontinued Lines and Coverages on combined ratio	0.4	0.4	0.3

(1) Auto and commercial lines customers received a Shelter-in-Place Payback due to the significant declines in the number of auto accidents caused by mandated stay-at-home orders, other pandemic containment actions and reduced economic activity.

(2) As a result of the Coronavirus, we offered customers the Allstate Special Payment plan to provide more flexible payment options, including the option to delay payments, resulting in increased bad debt expense of $60 million in 2020. This increase added 0.2 points to the expense ratio in 2020.

(3) Restructuring and related charges in 2020 primarily related to Transformative Growth. See Note 13 of the consolidated financial statements for additional details.

(4) Favorable reserve reestimates are shown in parentheses.

(5) 2020 includes approximately $495 million of favorable reserve reestimates related to the PG&E Corporation and Southern California Edison (together "subrogation settlements"), which primarily impacted homeowners. See Note 8 of the consolidated financial statements for additional details.

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

Net investment income decreased 7.3% or $112 million in 2020 compared to 2019, due to a decline in market-based income driven by lower interest-bearing portfolio yields as well as lower performance-based investment results, mainly from limited partnerships. The maturity profile of fixed income securities in our Property-Liability portfolio was a duration of 5.0 years as of December 31, 2020 compared to 5.2 years as of December 31, 2019.

Net investment income

	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Fixed income securities	$ 1,110	$ 1,066	$ 943
Equity securities	60	155	121
Mortgage loans	24	17	17
Limited partnership interests	238	296	378
Short-term investments	12	56	40
Other	101	107	123
Investment income, before expense	1,545	1,697	1,622
Investment expense			
Investee level expenses [1]	(36)	(51)	(45)
Securities lending expenses	(4)	(27)	(18)
Operating costs and expenses	(84)	(86)	(95)
Total investment expense	(124)	(164)	(158)
Net investment income	**$ 1,421**	**$ 1,533**	**$ 1,464**

[1] Beginning January 1, 2020, depreciation previously included in investee level expenses is reported as realized capital gains or losses.

Realized capital gains and losses Net realized capital gains in 2020 primarily related to gains on sales of fixed income securities. Net realized capital gains in 2019 primarily related to increased valuation of equity investments and gains on sales of fixed income securities.

Realized capital gains (losses)

	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Sales [1]	$ 890	$ 498	$ (148)
Credit losses [2]	(31)	(26)	(5)
Valuation of equity investments - appreciation (decline):			
Equity securities	123	840	(434)
Equity fund investments in fixed income securities	(20)	43	(13)
Limited partnerships [3]	(21)	141	(75)
Total valuation of equity investments	82	1,024	(522)
Valuation and settlements of derivative instruments	49	(26)	36
Realized capital gains (losses), pre-tax	990	1,470	(639)
Income tax (expense) benefit	(216)	(309)	139
Realized capital gains (losses), after-tax	**$ 774**	**$ 1,161**	**$ (500)**

[1] Beginning January 1, 2020, depreciation previously included in investee level expenses is reported as realized capital gains or losses.

[2] Due to the adoption of the measurement of credit losses on financial instruments accounting standard, realized capital losses previously reported as other-than-temporary impairment write-downs are now presented as credit losses.

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

Allstate Protection Segment

Private passenger auto, homeowners, and other personal lines insurance products are offered to consumers through both exclusive and independent agents and directly through contact centers and online. Our strategy is to provide open access and choice of interaction, while offering affordable, simple and connected solutions to meet customers' evolving needs and protect them from life's uncertainties. For additional information on our strategy and outlook, see Business - Strategy and Segment Information.

As part of Transformative Growth, Esurance results were combined into the Allstate brand in the third quarter of 2020. Historical results have been updated to conform with this presentation.

Underwriting results

	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Premiums written	$ 35,768	$ 35,419	$ 33,555
Premiums earned	$ 35,580	$ 34,843	$ 32,950
Other revenue	736	741	738
Claims and claims expense	(21,485)	(23,517)	(22,348)
Shelter-in-Place Payback expense	(948)	—	—
Amortization of DAC	(4,642)	(4,649)	(4,475)
Other costs and expenses	(4,440)	(4,417)	(4,462)
Restructuring and related charges	(235)	(38)	(60)
Impairment of purchased intangibles	—	(51)	—
Underwriting income	**$ 4,566**	**$ 2,912**	**$ 2,343**
Catastrophe losses	$ 2,811	$ 2,557	$ 2,855
Underwriting income (loss) by line of business			
Auto	$ 3,444	$ 1,688	$ 1,791
Homeowners	824	914	483
Other personal lines [1]	264	224	110
Commercial lines	(36)	14	(83)
Other business lines [2]	67	75	49
Answer Financial	3	(3)	(7)
Underwriting income	**$ 4,566**	**$ 2,912**	**$ 2,343**

(1) Other personal lines include renters, condominium, landlord and other personal lines products.

(2) Other business lines primarily represent Ivantage, a general agency for Allstate exclusive agents and reflects revenue and direct operating expenses of the business. Ivantage provides agents 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 year ended December 31,									
	Auto		Homeowners		Other personal lines		Commercial lines		Allstate Protection [2]	
($ in millions)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Underwriting income (loss) - prior year	$1,688	$1,791	$ 914	$ 483	$ 224	$ 110	$ 14	$ (83)	$ 2,912	$ 2,343
Changes in underwriting income (loss) from:										
Increase (decrease) premiums earned	452	1,218	342	395	58	53	(115)	227	737	1,893
Increase (decrease) other revenue	(11)	1	(2)	—	5	(1)	(1)	—	(5)	3
(Increase) decrease incurred claims and claims expense (“losses”):										
Incurred losses, excluding catastrophe losses and reserve reestimates	2,450	(1,002)	(78)	(183)	6	21	116	(219)	2,494	(1,383)
Catastrophe losses, excluding reserve reestimates	100	(33)	(823)	294	(70)	51	(12)	9	(805)	321
Catastrophe reserve reestimates	27	(22)	488	(1)	39	(1)	(3)	1	551	(23)
Non-catastrophe reserve reestimates	(243)	(110)	16	(50)	35	(14)	(16)	90	(208)	(84)
Losses subtotal	2,334	(1,167)	(397)	60	10	57	85	(119)	2,032	(1,169)
Shelter-in-Place Payback expense	(944)	—	—	—	—	—	(4)	—	(948)	—
(Increase) decrease expenses	(75)	(155)	(33)	(24)	(33)	5	(15)	(11)	(162)	(158)
Underwriting income (loss)	**$3,444**	**$1,688**	**$ 824**	**$ 914**	**$ 264**	**$ 224**	**$ (36)**	**$ 14**	**$ 4,566**	**$ 2,912**

[1] The 2020 column presents changes relative to 2019. The 2019 column presents changes relative to 2018.

[2] Includes other business lines and Answer Financial.

Underwriting income increased 56.8% or $1.65 billion in 2020 compared to 2019, primarily due to lower auto non-catastrophe losses, increased premiums earned and favorable catastrophe reserve reestimates in personal lines homeowners driven by subrogation settlements, partially offset by Shelter-in-Place Payback expense and higher catastrophe losses.

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, 2020	2019	2018
Premiums written			
Auto	$ 24,611	$ 24,462	$ 23,367
Homeowners	8,400	8,165	7,698
Other personal lines	1,965	1,890	1,831
Subtotal – Personal lines	34,976	34,517	32,896
Commercial lines	792	902	659
Total premiums written	**$ 35,768**	**$ 35,419**	**$ 33,555**
Reconciliation of premiums written to premiums earned:			
Increase in unearned premiums	(205)	(614)	(544)
Other	17	38	(61)
Total premiums earned	**$ 35,580**	**$ 34,843**	**$ 32,950**
Auto	$ 24,640	$ 24,188	$ 22,970
Homeowners	8,254	7,912	7,517
Other personal lines	1,919	1,861	1,808
Subtotal – Personal lines	34,813	33,961	32,295
Commercial lines	767	882	655
Total premiums earned	**$ 35,580**	**$ 34,843**	**$ 32,950**

Auto insurance premiums written increased 0.6% or $149 million in 2020 compared to 2019.

Homeowners insurance premiums written increased 2.9% or $235 million in 2020 compared to 2019.

Unearned premium balance and the time frame in which we expect to recognize these premiums as earned

($ in millions)	As of December 31, 2020	2019	% earned after Three months	Six months	Nine months	Twelve months
Allstate brand:						
Auto	$ 6,409	$ 6,405	70.7 %	96.3 %	99.1 %	100.0 %
Homeowners	4,379	4,220	43.2 %	75.4 %	94.1 %	100.0 %
Other personal lines	1,001	952	43.3 %	75.3 %	94.1 %	100.0 %
Commercial lines	295	270	43.3 %	74.6 %	93.7 %	100.0 %
Total Allstate brand	**12,084**	**11,847**	**58.0 %**	**86.6 %**	**96.8 %**	**100.0 %**
Encompass brand:						
Auto	258	276	44.1 %	75.8 %	94.2 %	100.0 %
Homeowners	207	214	43.9 %	75.8 %	94.3 %	100.0 %
Other personal lines	39	41	44.2 %	76.1 %	94.3 %	100.0 %
Total Encompass brand	**504**	**531**	**44.0 %**	**75.8 %**	**94.2 %**	**100.0 %**
Allstate Protection unearned premiums	**$ 12,588**	**$ 12,378**				

Combined ratios by line of business

	For the years ended December 31,								
	Loss ratio			Expense ratio [1]			Combined ratio		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Auto	57.5	68.2	66.8	28.5	24.8	25.4	86.0	93.0	92.2
Impact of Shelter-in-Place Payback expense	—	—	—	3.8	—	—	3.8	—	—
Homeowners	67.3	65.1	69.4	22.7	23.3	24.2	90.0	88.4	93.6
Other personal lines	58.7	61.1	66.0	27.5	26.9	27.9	86.2	88.0	93.9
Commercial lines	82.4	81.3	91.3	22.3	17.1	21.4	104.7	98.4	112.7
Impact of Shelter-in-Place Payback expense	—	—	—	0.5	—		0.5	—	—
Total	**60.4**	**67.5**	**67.8**	**26.8**	**24.1**	**25.1**	**87.2**	**91.6**	**92.9**
Impact of restructuring and related charges [2]	—	—	—	0.7	0.1	0.2	0.7	0.1	0.2
Impact of Shelter-in-Place Payback expense	—	—	—	2.7	—	—	2.7	—	—
Impact of Allstate Special Payment plan bad debt expense [3]	—	—	—	0.2	—	—	0.2	—	—

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

[2] Restructuring and related charges in 2020 primarily related to Transformative Growth.

[3] Relates to the Allstate Special Payment plan offered to customers as a result of the Coronavirus to provide more flexible payment options, including the option to delay payments. Approximately 70% of the higher bad debt expense was attributed to auto.

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		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Auto	57.5	68.2	66.8	1.2	1.7	1.6	(0.4)	(1.4)	(2.0)	(0.1)	(0.1)	(0.2)
Homeowners	67.3	65.1	69.4	27.9	24.8	30.0	(5.3)	0.8	0.2	(5.1)	0.8	0.8
Other personal lines	58.7	61.1	66.0	10.4	9.0	12.1	(3.5)	0.5	(0.4)	(2.0)	—	—
Commercial lines	82.4	81.3	91.3	3.5	1.4	3.4	4.7	1.9	16.5	0.2	(0.1)	—
Total	**60.4**	**67.5**	**67.8**	**7.9**	**7.3**	**8.7**	**(1.6)**	**(0.7)**	**(1.0)**	**(1.4)**	**0.1**	**0.1**

Catastrophe losses increased 9.9% or $254 million in 2020 compared to 2019. Catastrophe losses include approximately $495 million favorable subrogation settlements, which decreased the loss ratio by 1.4 points in 2020 compared to the same period of 2019. Excluding subrogation settlements, catastrophe losses increased approximately 30% or $750 million compared to 2019.

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

Catastrophe losses in 2020 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	1	0.9 %	$ 518	18.4 %	1.4	$ 518
$101 million to $250 million	6	5.7	953	33.9	2.7	159
$50 million to $100 million	11	10.5	740	26.3	2.1	67
Less than $50 million	87	82.9	1,103	39.3	3.1	13
Total	**105**	**100.0 %**	**3,314**	**117.9**	**9.3**	32
Prior year reserve reestimates			(503)	(17.9)	(1.4)	
Total catastrophe losses			**$ 2,811**	**100.0 %**	**7.9**	

Catastrophe losses by the type of event

($ in millions)	Number of events	2020	Number of events	2019	Number of events	2018
	For the years ended December 31,					
Hurricanes/Tropical storms	9	$1,001	3	$ 86	3	$ 200
Tornadoes	3	43	6	551	3	17
Wind/Hail	73	1,940	91	1,721	99	1,752
Wildfires	17	300	4	28	10	745
Other events	3	30	6	123	2	116
Prior year reserve reestimates		(503)		48		25
Total catastrophe losses	**105**	**$2,811**	**110**	**$2,557**	**117**	**$2,855**

Catastrophe management

Historical catastrophe experience For the last ten years, the average annual impact of catastrophes on our loss ratio was 8.2 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 26.6 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 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.
- We began to write a limited number of homeowners policies in select areas of California in 2016, additionally 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
  - Have decreased our overall homeowner exposures in California by more than 50% since 2007
  - Write homeowners coverage through our excess and surplus lines carrier, North Light Specialty Insurance Company (“North Light”), 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 began writing a limited number of homeowners policies in select areas of Florida and continue to support 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.
- Auto comprehensive damage coverage generally includes coverage for flood-related loss. We have additional catastrophe exposure, beyond the property lines, for auto customers who have purchased comprehensive damage coverage.
- We offer a homeowners policy available in 43 states, Allstate House and Home®, that provides options of coverage for roof damage, including graduated coverage and pricing based on roof type and age. In 2020, premiums written totaled \$3.92 billion or 46.7% of homeowners premiums written compared to \$3.44 billion or 42.1% in 2019.

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. The average premium on a property policy near these coasts is generally greater than in other areas. However, average premiums are often not considered commensurate with the inherent risk of loss. In addition, 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 adequate risk adjusted returns can be achieved.

Earthquakes We do not offer earthquake coverage in most states. We retain approximately 20,000 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 our brokerage platform.

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 homeowner policyholders in California are offered coverage for damage caused by an earthquake through the California Earthquake Authority ("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.

Wildfires Actions taken related to managing our risk of loss from wildfires include purchasing nationwide occurrence reinsurance, new and renewal inspection programs to identify and remediate wildfire risk as well as leveraging contemporary underwriting tools in select areas. While these programs are designed to mitigate risk, the exposure to wildfires still exists. We continue to manage our exposure and seek appropriate returns for the risks we write.

To manage the exposure, we may implement further actions, similar to those already taken, in geographies where we are not achieving appropriate returns. However, we may maintain or opportunistically increase our presence in areas where adequate risk adjusted returns can be achieved.

Reinsurance A description of our current catastrophe reinsurance program appears in Note 10 of the consolidated financial statements.

Expense ratio increased 2.7 points in 2020 compared to 2019, reflecting Shelter-in-Place Payback expense, higher restructuring charges related to Transformative Growth and bad debt expense. Excluding Shelter-in-Place Payback expense, higher restructuring charges related to Transformative Growth, bad debt expense and impairment of purchased intangibles in 2019, the expense ratio decreased 0.8 points in 2020 compared to 2019, primarily due to lower operating expenses and agent compensation, partially offset by an increase in advertising costs.

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2020	**2019**	**2018**
Amortization of DAC	13.0	13.4	13.6
Advertising expense	2.6	2.4	2.5
Amortization of purchased intangibles	0.1	—	—
Other costs and expenses	7.5	8.1	8.8
Subtotal	23.2	23.9	24.9
Restructuring and related charges [1]	0.7	0.1	0.2
Shelter-in-Place Payback expense	2.7	—	—
Allstate Special Payment plan bad debt expense	0.2	—	—
Impairment of purchased intangibles	—	0.1	—
Total expense ratio	**26.8**	**24.1**	**25.1**

[1] Restructuring and related charges in 2020 primarily related to Transformative Growth.

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 agent 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)	**2020**	**2019**
Auto	$ 826	$ 849
Homeowners	602	600
Other personal lines	144	141
Commercial lines	36	34
Total DAC	**$ 1,608**	**$ 1,624**

The following table presents premiums written, PIF and underwriting income (loss) by line of business for Allstate brand, Encompass brand and Allstate Protection as of or for the year ended December 31, 2020. Detailed analysis of underwriting results, premiums written and earned, and the combined ratios, including loss and expense ratios, are discussed in the brand sections.

Premiums written, policies in force and underwriting income (loss)

($ in millions)	Allstate brand		Encompass brand		Allstate Protection	
Premiums written	**Amount**	**Percent to total brand**	**Amount**	**Percent to total brand**	**Amount**	**Percent to total**
Auto	$ 24,103	69.3 %	$ 508	52.3 %	$ 24,611	68.8 %
Homeowners	8,012	23.0	388	39.9	8,400	23.5
Other personal lines	1,889	5.4	76	7.8	1,965	5.5
Commercial lines	792	2.3	—	—	792	2.2
Total	**$ 34,796**	**100.0 %**	**$ 972**	**100.0 %**	**$ 35,768**	**100.0 %**
Percent to total Allstate Protection		**97.3 %**		**2.7 %**		**100.0 %**
PIF (thousands)						
Auto	21,809	66.3 %	451	61.1 %	22,260	66.2 %
Homeowners	6,427	19.5	216	29.3	6,643	19.7
Other personal lines	4,459	13.5	71	9.6	4,530	13.5
Commercial lines	216	0.7	—	—	216	0.6
Total	**32,911**	**100.0 %**	**738**	**100.0 %**	**33,649**	**100.0 %**
Percent to total Allstate Protection		**97.8 %**		**2.2 %**		**100.0 %**
Underwriting income (loss)						
Auto	$ 3,404	75.8 %	$ 40	53.3 %	$ 3,444	75.4 %
Homeowners	798	17.8	26	34.7	824	18.0
Other personal lines	255	5.7	9	12.0	264	5.8
Commercial lines	(36)	(0.8)	—	—	(36)	(0.8)
Other business lines	67	1.5	—	—	67	1.5
Answer Financial	—	—	—	—	3	0.1
Total	**$ 4,488**	**100.0 %**	**$ 75**	**100.0 %**	**$ 4,566**	**100.0 %**

When analyzing premium measures and statistics for our 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 while Commercial lines PIF counts for shared economy agreements typically reflect contracts that cover multiple rather than individual drivers.
- *New issued applications*: Item counts of automobile or homeowner insurance applications for insurance policies that were issued during the period, regardless of whether the customer was previously insured by another Allstate 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 brand policy terms are 6 months for auto and 12 months for homeowners. Encompass brand policy terms are generally 12 months for auto and homeowners.
- *Renewal ratio*: Renewal policy item counts issued during the period, based on contract effective dates, divided by the total policy item counts issued 6 months prior for auto (generally 12 months prior for Encompass brand) or 12 months prior for homeowners.
- *Total brand rate changes*: Based on historical premiums written, not including rate plan enhancements (such as the introduction of discounts and surcharges that result in no change in the overall rate level) and initial rates filed for insurance subsidiaries initially writing business in a location. Includes rate changes approved based on our net cost of reinsurance. The rate change percentages are calculated using approved rate changes during the period as a percentage of total brand premiums written.

Allstate brand products are sold across multiple channels, including Allstate exclusive agents and direct (online or call centers). In 2020, the Allstate brand represented 97.3% of the Allstate Protection segment's written premium. For additional information on our strategy and outlook, see Business - Strategy and Segment Information.

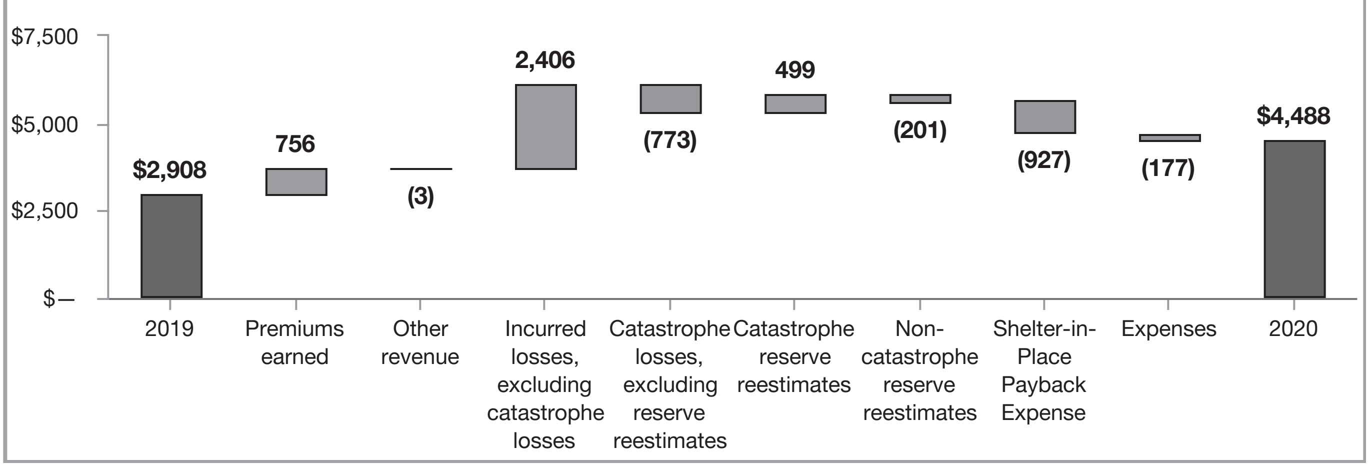
Underwriting results

	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Premiums written	$ 34,796	$ 34,399	$ 32,539
Premiums earned	$ 34,581	$ 33,825	$ 31,927
Other revenue	663	666	662
Claims and claims expense	(20,897)	(22,828)	(21,680)
Shelter-in-Place Payback expense	(927)	—	—
Amortization of DAC	(4,451)	(4,457)	(4,285)
Other costs and expenses	(4,253)	(4,213)	(4,239)
Restructuring and related charges	(228)	(34)	(53)
Impairment of purchased intangibles	—	(51)	—
Underwriting income	**$ 4,488**	**$ 2,908**	**$ 2,332**
Catastrophe losses	$ 2,716	$ 2,442	$ 2,753
Underwriting income (loss) by line of business			
Auto	$ 3,404	$ 1,680	$ 1,777
Homeowners	798	912	481
Other personal lines [1]	255	227	108
Commercial lines	(36)	14	(83)
Other business lines [2]	67	75	49
Underwriting income	**$ 4,488**	**$ 2,908**	**$ 2,332**

[1] Other personal lines include renters, condominium, landlord and other personal lines products.

[2] Other business lines primarily represent Ivantage.

Change in underwriting results from the prior period by component ($ in millions)



Underwriting income increased 54.3% or $1.58 billion in 2020 compared to 2019, primarily due to lower auto non-catastrophe losses, increased premiums earned and favorable catastrophe reserve reestimates in homeowners driven by subrogation settlements, partially offset by Shelter-in-Place Payback expense and higher catastrophe losses.

Premiums written and earned by line of business

($ in millions)	For the years ended December 31, 2020	2019	2018
Premiums written			
Auto	$ 24,103	$ 23,922	$ 22,830
Homeowners [1]	8,012	7,764	7,300
Other personal lines	1,889	1,811	1,750
Subtotal – Personal lines	34,004	33,497	31,880
Commercial lines	792	902	659
Total	**$ 34,796**	**$ 34,399**	**$ 32,539**
Premiums earned			
Auto	$ 24,115	$ 23,649	$ 22,434
Homeowners	7,858	7,513	7,114
Other personal lines	1,841	1,781	1,724
Subtotal – Personal lines	33,814	32,943	31,272
Commercial lines	767	882	655
Total	**$ 34,581**	**$ 33,825**	**$ 31,927**

[1] The cost of our catastrophe reinsurance program increased $35 million to $321 million in 2020 from $286 million in 2019. Catastrophe placement premiums are recorded primarily in the Allstate brand and are a reduction of premium. 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.

Auto premium measures and statistics

	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
PIF (thousands)	21,809	21,913	21,592	(0.5)%	1.5 %
New issued applications (thousands)	3,467	3,535	3,566	(1.9)%	(0.9)%
Average premium	$ 617	$ 603	$ 586	2.3 %	2.9 %
Renewal ratio (%)	87.5	88.0	88.0	(0.5)	—
Total brand rate changes (%)	(0.2)	3.0	1.2	(3.2)	1.8

Auto insurance premiums written increased 0.8% or $181 million in 2020 compared to 2019, primarily due to an increase in average premium. During the second quarter through year-end 2020, growth in premiums written slowed significantly due to lower increases in average premium from fewer approved rate changes related to the Coronavirus.

New issued applications decreased 1.9% compared to 2019 due to impacts from the Coronavirus in the first half of 2020 and fewer new exclusive agent appointments, partially offset by an increase in direct and independent agent business.

Rate changes are maintained on a state by state basis. Auto average premium may decline in 2021 compared to 2020 as some rate changes will reflect the decline in auto miles driven and lower expenses.

PIF decreased 0.5% or 104 thousand policies as of December 31, 2020 compared to December 31, 2019 as higher PIF in Allstate brand, with increases in 20 states, including 3 of our largest 10 states, was offset by lower PIF in Esurance brand as advertising resources are redirected to Allstate brand.

Homeowners premium measures and statistics

	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
PIF (thousands)	6,427	6,359	6,281	1.1 %	1.2 %
New issued applications (thousands)	899	877	858	2.5 %	2.2 %
Average premium	$ 1,328	$ 1,291	$ 1,226	2.9 %	5.3 %
Renewal ratio (%)	87.5	88.2	88.0	(0.7)	0.2
Total brand rate changes (%)	2.7	3.3	2.7	(0.6)	0.6

Homeowners insurance premiums written increased 3.2% or $248 million in 2020 compared to 2019, primarily due to higher average premiums, including rate changes and inflation in insured home valuations, and policy growth. Homeowners PIF increased 68 thousand policies with increases in 27 states, including 5 of our largest 10 states, as of December 31, 2020 compared to December 31, 2019.

Other personal lines premiums written increased 4.3% or $78 million in 2020 compared to 2019. The increase in 2020 was primarily due to increases in condominium, personal umbrella and boat insurance premiums.

Commercial lines premiums written decreased 12.2% or $110 million in 2020 compared to 2019, primarily due to lower miles driven and utilization in our shared economy business related to the impacts of the Coronavirus. PIF for the shared economy agreements typically reflect contracts that cover multiple insureds as opposed to individual insureds.

Combined ratios by line of business

	For the years ended December 31,								
	Loss ratio			Expense ratio [1]			Combined ratio		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Auto	57.5	68.3	66.8	28.4	24.6	25.3	85.9	92.9	92.1
Impact of Shelter-in-Place Payback expense	—	—	—	3.8	—	—	3.8	—	—
Homeowners	67.5	65.0	69.5	22.3	22.9	23.7	89.8	87.9	93.2
Other personal lines	58.8	60.7	66.3	27.3	26.6	27.4	86.1	87.3	93.7
Commercial lines	82.4	81.3	91.3	22.3	17.1	21.4	104.7	98.4	112.7
Impact of Shelter-in-Place Payback expense	—	—	—	0.5	—	—	0.5	—	—
Total	**60.4**	**67.5**	**67.9**	**26.6**	**23.9**	**24.8**	**87.0**	**91.4**	**92.7**
Impact of restructuring and related charges [2]	—	—	—	0.7	0.1	0.2	0.7	0.1	0.2
Impact of Shelter-in-Place Payback expense	—	—	—	2.7	—	—	2.7	—	—
Impact of Allstate Special Payment plan bad debt expense [3]	—	—	—	0.2	—	—	0.2	—	—

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

[2] Restructuring and related charges in 2020 primarily related to Transformative Growth.

[3] Relates to the Allstate Special Payment plan offered to customers as a result of the Coronavirus to provide more flexible payment options, including the option to delay payments. Approximately 70% of the higher bad debt expense was attributed to auto.

Loss ratios by line of business

	For the years ended December 31,											
	Loss ratio			Effect of catastrophe losses			Effect of prior year reserve reestimates			Effect of catastrophe losses included in prior year reserve reestimates [1]		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Auto	57.5	68.3	66.8	1.2	1.7	1.6	(0.5)	(1.3)	(2.0)	(0.2)	(0.1)	(0.2)
Homeowners	67.5	65.0	69.5	28.2	24.8	30.5	(5.1)	0.7	—	(4.9)	0.7	0.8
Other personal lines	58.8	60.7	66.3	10.5	9.2	12.2	(3.1)	0.6	0.4	(2.0)	0.1	(0.2)
Commercial lines	82.4	81.3	91.3	3.5	1.4	3.4	4.7	1.9	16.5	0.2	(0.1)	—
Total	**60.4**	**67.5**	**67.9**	**7.9**	**7.2**	**8.6**	**(1.5)**	**(0.7)**	**(1.0)**	**(1.3)**	**0.1**	**—**

[1] 2020 includes approximately $450 million of favorable reserve reestimates related to subrogation settlements, which primarily impacted homeowners. See Note 8 of the consolidated financial statements for additional details.

Frequency and severity statistics, which are influenced by driving patterns, inflation and other factors, are provided to describe the trends in loss costs. Our reserving process incorporates changes in loss patterns, operational statistics and changes in claims reporting processes to determine our best estimate of recorded reserves. We use the following statistics to evaluate losses:

- *Gross claim frequency* [(1)] is calculated as annualized notice counts received in the period divided by the average of PIF with the applicable coverage during the period. Gross claim frequency includes all actual notice counts, regardless of their current status (open or closed) or their ultimate disposition (closed with a payment or closed without payment).
- *Paid claim severity* is calculated by dividing the sum of paid losses and loss expenses by claims closed with a payment during the period.
- *Percent change in frequency or severity statistics* is calculated as the amount of increase or decrease in the paid or gross claim frequency or severity in the current period compared to the same period in the prior year divided by the prior year paid or gross claim frequency or severity.

(1) Excludes counts associated with catastrophe events.

We have expanded our utilization of virtual claims processes in response to the Coronavirus. We are continuing to implement new technology and process improvements that provide continued loss cost accuracy, efficient processing and enhanced customer experiences that are simple, fast and produce high degrees of satisfaction.

- Digital Operating Centers handle auto physical damage claims countrywide utilizing our virtual estimation capabilities, which includes estimating damage with photos and video through the use of QuickFoto Claim® and Virtual Assist®.
- Virtual Assist and aerial imagery using satellites, airplanes and drones handle property claims by estimating damage through video.

These organizational and process changes impact frequency and severity statistics as changes in claim opening and closing practices and shifts in timing, if any, can impact comparisons to prior periods.

Auto loss ratio decreased 10.8 points in 2020 compared to 2019, primarily due to decline in non-catastrophe losses driven by favorable frequency, higher premiums earned and lower catastrophe losses, partially offset by increased severity and less favorable non-catastrophe prior year reserve reestimates compared to prior year.

Auto property damage frequency and severity statistics

(% change year-over-year)	For the year ended December 31, 2020
Gross claim frequency	(29.1)%
Paid claim severity	10.0

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

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

Property damage gross claim frequency decreased in 2020 compared to 2019 due to factors including:

- Declines in auto miles driven.
- Declines in gross claim frequency compared to the prior year moderated in the second half of 2020 from earlier in the year, reflecting an increase in miles driven compared to April and May 2020 as shelter-in-place restrictions were lifted in many states.

Property damage paid claim severity increased in 2020 compared to 2019 due to factors including:

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

Bodily injury gross claim frequency was consistent with trends noted in property damage. Bodily injury severity trends increased at a rate above medical care inflation indices in 2020.

Homeowners loss ratio increased 2.5 points in 2020 compared to 2019, primarily due to higher catastrophe losses and increased claim severity, partially offset by favorable catastrophe reserve reestimates driven by subrogation settlements, increased premiums earned and improved claim frequency.

Homeowners frequency and severity statistics (excluding catastrophe losses)	
(% change year-over-year)	**For the year ended December 31, 2020**
Gross claim frequency	(4.0)%
Paid claim severity	7.1

Gross claim frequency excluding catastrophe losses decreased in 2020 compared to 2019 due to decreases in water and theft claims, partially offset by increases in fire and wind/hail. Paid claim severity excluding catastrophe losses increased in 2020 compared to 2019 as we experienced increased claim severity in wind/hail and fire perils. Homeowner paid claim severity can be impacted by both the mix of perils and the magnitude of specific losses paid during the year.

Other personal lines loss ratio decreased 1.9 points in 2020 compared to 2019, primarily due to increased premiums earned, favorable catastrophe reserve reestimates driven by the subrogation settlements and favorable non-catastrophe reserve reestimates, partially offset by higher catastrophe losses.

Commercial lines loss ratio increased 1.1 points in 2020 compared to 2019, primarily due to decreased premiums earned, higher claim severity and higher losses related to an underperforming account that was not renewed, partially offset by a decline in non-catastrophe losses driven by favorable auto frequency related to the Coronavirus.

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2020	**2019**	**2018**
Amortization of DAC [(1)]	12.9	13.2	13.4
Advertising expense	2.7	2.5	2.5
Other costs and expenses	7.4	7.9	8.7
Subtotal	23.0	23.6	24.6
Restructuring and related charges [(2)]	0.7	0.1	0.2
Impairment of purchased intangibles	—	0.2	—
Shelter-in-Place Payback expense	2.7	—	—
Allstate Special Payment plan bad debt expense	0.2	—	—
Total expense ratio	**26.6**	**23.9**	**24.8**

(1) Primarily includes agent compensation and premium taxes.

(2) Restructuring and related charges in 2020 primarily related to Transformative Growth.

Expense ratio increased 2.7 points in 2020 compared to 2019, reflecting Shelter-in-Place Payback expense, higher restructuring charges related to Transformative Growth and bad debt expense. Excluding Shelter-in-Place Payback expense, higher restructuring charges related to Transformative Growth, bad debt expense and impairment of purchased intangibles in 2019, the expense ratio decreased 0.7 points in 2020 compared to 2019, primarily due to lower operating expenses and agent compensation, partially offset by an increase in advertising costs.

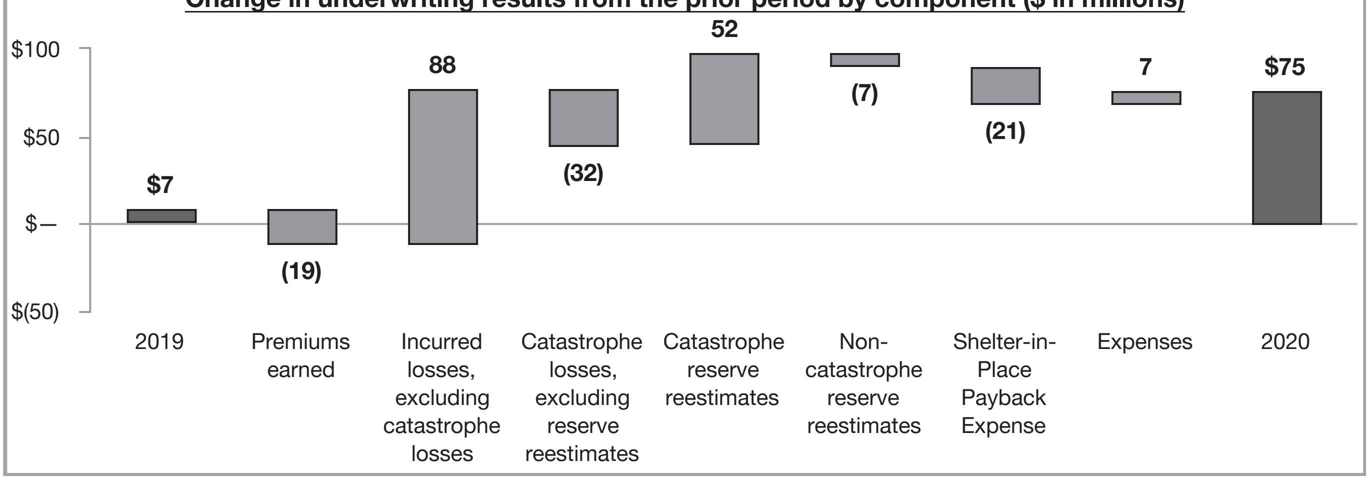
Encompass
Creating protection around you

Encompass products are sold through independent agents that serve brand-neutral customers who prefer personal service and support from an independent agent. In 2020, the Encompass brand represented 2.7% of the Allstate Protection segment's written premium. For additional information on our strategy and outlook, see Business - Strategy and Segment Information.

Underwriting results

($ in millions)	For the years ended December 31, 2020	2019	2018
Premiums written	$ 972	$ 1,020	$ 1,016
Premiums earned	$ 999	$ 1,018	$ 1,023
Other revenue	5	5	5
Claims and claims expense	(588)	(689)	(668)
Shelter-in-Place Payback expense	(21)	—	—
Amortization of DAC	(191)	(192)	(190)
Other costs and expenses	(123)	(131)	(145)
Restructuring and related charges	(6)	(4)	(7)
Underwriting income	**$ 75**	**$ 7**	**$ 18**
Catastrophe losses	$ 95	$ 115	$ 102
Underwriting income (loss) by line of business			
Auto	$ 40	$ 8	$ 14
Homeowners	26	2	1
Other personal lines	9	(3)	3
Underwriting income	**$ 75**	**$ 7**	**$ 18**

Change in underwriting results from the prior period by component ($ in millions)



Underwriting income increased $68 million in 2020 compared to 2019, primarily due to lower auto and homeowners non-catastrophe losses and favorable catastrophe reserve reestimates in personal lines homeowners driven by subrogation settlements, partially offset by higher catastrophe losses and Shelter-in-Place Payback expense.

Premiums written and earned by line of business

($ in millions)	For the years ended December 31, 2020	2019	2018
Premiums written			
Auto	$ 508	$ 540	$ 537
Homeowners	388	401	398
Other personal lines	76	79	81
Total	**$ 972**	**$ 1,020**	**$ 1,016**
Premiums earned			
Auto	$ 525	$ 539	$ 537
Homeowners	396	399	402
Other personal lines	78	80	84
Total	**$ 999**	**$ 1,018**	**$ 1,023**

Auto premium measures and statistics

	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
PIF (thousands)	451	493	502	(8.5)%	(1.8)%
New issued applications (thousands)	60	82	76	(26.8)%	7.9 %
Average premium	$ 1,156	$ 1,134	$ 1,118	1.9 %	1.4 %
Renewal ratio (%)	76.8	78.1	74.9	(1.3)	3.2
Total brand rate changes (%)	(0.4)	1.5	2.4	(1.9)	(0.9)

Auto insurance premiums written decreased 5.9% or $32 million in 2020 compared to 2019, primarily due to decreased new issued applications and lower retention, partially offset by higher average premiums, with the top 10 states representing approximately 70% of premiums written.

Homeowners premium measure and statistics

	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
PIF (thousands)	216	234	239	(7.7)%	(2.1)%
New issued applications (thousands)	34	42	37	(19.0)%	13.5 %
Average premium	$ 1,892	$ 1,795	$ 1,724	5.4 %	4.1 %
Renewal ratio (%)	81.0	82.5	80.0	(1.5)	2.5
Total brand rate changes (%)	4.8	9.2	4.7	(4.4)	4.5

Homeowners insurance premiums written decreased 3.2% or $13 million in 2020 compared to 2019, primarily due to decreased new issued applications and lower retention, partially offset by higher average premiums due to rate changes over the past 12 months, with the top 10 states representing approximately 70% of premiums written.

Combined ratios by line of business

	For the years ended December 31, Loss ratio			Expense ratio [1]			Combined ratio		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Auto	56.8	66.8	65.0	35.6	31.7	32.4	92.4	98.5	97.4
Impact of Shelter-in-Place Payback expense	—	—	—	4.0	—	—	4.0	—	—
Homeowners	62.1	68.2	66.7	31.3	31.3	33.1	93.4	99.5	99.8
Other personal lines	56.4	71.3	60.7	32.1	32.5	35.7	88.5	103.8	96.4
Total	**58.9**	**67.7**	**65.3**	**33.6**	**31.6**	**32.9**	**92.5**	**99.3**	**98.2**
Impact of restructuring and related charges [2]	—	—	—	0.6	0.4	0.7	0.6	0.4	0.7
Impact of Shelter-in-Place Payback expense	—	—	—	2.1	—	—	2.1	—	—

[1] Other revenue is deducted from operating costs and expenses in the expense ratio calculation.
[2] Restructuring and related charges in 2020 primarily related to Transformative Growth.

Loss ratios by line of business

	For the years ended December 31,											
	Loss ratio			Effect of catastrophe losses			Effect of prior year reserve reestimates			Effect of catastrophe losses included in prior year reserve reestimates [1]		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Auto	56.8	66.8	65.0	1.3	1.9	1.1	1.0	(1.9)	(1.9)	(0.4)	—	(0.2)
Homeowners	62.1	68.2	66.7	20.7	25.1	22.1	(9.3)	3.7	3.3	(9.8)	2.5	3.0
Other personal lines	56.4	71.3	60.7	7.7	6.3	8.3	(12.8)	(2.5)	(16.7)	(2.6)	(1.2)	1.2
Total	**58.9**	**67.7**	**65.3**	**9.5**	**11.3**	**10.0**	**(4.2)**	**0.3**	**(1.1)**	**(4.3)**	**0.9**	**1.2**

(1) 2020 includes approximately $45 million of favorable reserve reestimates related to subrogation settlements, which primarily impacted homeowners. See Note 8 of the consolidated financial statements for additional details.

Auto loss ratio decreased 10.0 points in 2020 compared to 2019, primarily due to lower claim frequency, partially offset by increased claim severity and unfavorable non-catastrophe reserves reestimates compared to favorable non-catastrophe reserve reestimates in the prior year.

Homeowners loss ratio decreased 6.1 points in 2020 compared to 2019, primarily due to favorable catastrophe reserve reestimates driven by subrogation settlements and lower non-catastrophe claim frequency, partially offset by higher catastrophe losses.

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2020	2019	2018
Amortization of DAC	19.1	18.8	18.5
Advertising expense	0.1	0.2	0.2
Other costs and expenses	11.7	12.2	13.5
Subtotal	30.9	31.2	32.2
Restructuring and related charges [1]	0.6	0.4	0.7
Shelter-in-Place Payback expense	2.1	—	—
Total expense ratio	**33.6**	**31.6**	**32.9**

(1) Restructuring and related charges in 2020 primarily related to the Transformative Growth.

Expense ratio increased 2.0 points in 2020 compared to 2019, primarily due to Shelter-in-Place Payback expense and higher restructuring charges related to Transformative Growth, partially offset by lower operating costs.

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 - Strategy and Segment Information.

Underwriting results

($ in millions)	For the years ended December 31, 2020	2019	2018
Claims and claims expense			
Asbestos claims	$ (78)	$ (28)	$ (44)
Environmental claims	(44)	(36)	(20)
Other discontinued lines	(19)	(41)	(23)
Total claims and claims expense	(141)	(105)	(87)
Operating costs and expenses	(3)	(3)	(3)
Underwriting loss	**$ (144)**	**$ (108)**	**$ (90)**

Underwriting losses in 2020 and 2019 primarily related to our annual reserve review using established industry and actuarial best practices. The annual review resulted in unfavorable reserve reestimates totaling $132 million and $95 million, in 2020 and 2019, net of $1 million and $6 million reduction in the allowance for future uncollectible reinsurance, respectively. The reserve reestimates are included as part of claims and claims expense.

Reserve reestimates in 2020 primarily related to new reported information, court decisions and policy buyback settlements for asbestos exposures and higher than expected reported losses for environmental and other discontinued lines exposures. Reserve reestimates in 2019 primarily related to new reported information and settlement agreements, including bankruptcy proceedings, impacting asbestos and other discontinued lines and additional environmental clean-up sites.

We believe that our reserves are appropriately established based on available facts, technology, laws, regulations, and assessments of other pertinent factors and characteristics of exposure (e.g., claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, assuming no change in the legal, legislative or economic environment. However, as we progress with the resolution of disputed claims in the courts and arbitrations and with negotiations and settlements, our reported losses may be more variable.

Reserves for asbestos, environmental and other discontinued lines claims before and after the effects of reinsurance

($ in millions)	December 31, 2020	December 31, 2019
Asbestos claims		
Gross reserves	$ 1,204	$ 1,172
Reinsurance	(377)	(362)
Net reserves	827	810
Environmental claims		
Gross reserves	249	219
Reinsurance	(43)	(40)
Net reserves	206	179
Other discontinued lines		
Gross reserves	435	427
Reinsurance	(60)	(51)
Net reserves	375	376
Total		
Gross reserves	1,888	1,818
Reinsurance	(480)	(453)
Net reserves	**$ 1,408**	**$ 1,365**

Reserves by type of exposure before and after the effects of reinsurance		
($ in millions)	**December 31, 2020**	**December 31, 2019**
Direct excess commercial insurance		
Gross reserves	$ 1,011	$ 948
Reinsurance	(358)	(332)
Net reserves	653	616
Assumed reinsurance coverage		
Gross reserves	636	606
Reinsurance	(58)	(53)
Net reserves	578	553
Direct primary commercial insurance		
Gross reserves	160	169
Reinsurance	(63)	(54)
Net reserves	97	115
Other run-off business		
Gross reserves	2	15
Reinsurance	—	(13)
Net reserves	2	2
Unallocated loss adjustment expenses		
Gross reserves	79	80
Reinsurance	(1)	(1)
Net reserves	78	79
Total		
Gross reserves	1,888	1,818
Reinsurance	(480)	(453)
Net reserves	**$ 1,408**	**$ 1,365**

Percentage of gross and ceded reserves by case and incurred but not reported ("IBNR")				
	December 31, 2020		**December 31, 2019**	
	Case	**IBNR**	**Case**	**IBNR**
Direct excess commercial insurance				
Gross reserves [1]	65 %	35 %	68 %	32 %
Ceded [2]	71	29	78	22
Assumed reinsurance coverage				
Gross reserves	34	66	34	66
Ceded	35	65	35	65
Direct primary commercial insurance				
Gross reserves	55	45	56	44
Ceded	79	21	78	22

[1] Approximately 67% of gross case reserves as of December 31, 2020 are subject to settlement agreements.

[2] Approximately 75% of ceded case reserves as of December 31, 2020 are subject to settlement agreements.

Gross payments from case reserves by type of exposure		
	For the years ended December 31,	
($ in millions)	**2020**	**2019**
Direct excess commercial insurance		
Gross [1]	$ 88	$ 122
Ceded [2]	(37)	(53)
Assumed reinsurance coverage		
Gross	40	43
Ceded	(7)	(3)
Direct primary commercial insurance		
Gross	8	15
Ceded	(5)	(2)

[1] In 2020 77% of payments related to settlement agreements.

[2] In 2020 75% of payments related to settlement agreements.

Total net reserves as of December 31, 2020, included $695 million or 49% of estimated IBNR reserves compared to $660 million or 48% of estimated IBNR reserves as of December 31, 2019.

Total gross payments were $137 million and $183 million for 2020 and 2019, respectively, primarily related to settlement agreements reached with several insureds on large claims, mainly asbestos related losses, where the scope of coverages has been agreed upon. The claims associated with these settlement agreements are expected to be substantially paid out over the next several years as qualified claims are submitted by these insureds.

Reinsurance collections were $53 million and $49 million for 2020 and 2019, respectively. The allowance for uncollectible reinsurance recoverables was $59 million and $60 million as of December 31, 2020 and December 31, 2019, respectively. The allowance represents 10.5% and 11.1% of the related reinsurance recoverable balances as of December 31, 2020 and December 31, 2019, respectively.

Protection Services Segment

Protection Services comprise Allstate Protection Plans, Allstate Dealer Services, Allstate Roadside, Arity and Allstate Identity Protection. In 2020, Protection Services represented 4.3% of total revenue, 77.5% of total PIF and 3.3% of total adjusted net income. We offer consumer product protection plans, finance and insurance products (including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel and paintless dent repair protection), roadside assistance, device and mobile data collection services and analytic solutions using automotive telematics information and identity protection. For additional information on our strategy and outlook, see Business - Strategy and Segment Information.

Summarized financial information

($ in millions)	For the years ended December 31, 2020	2019	2018
Premiums written	$ 1,890	$ 1,535	$ 1,431
Revenues			
Premiums	$ 1,493	$ 1,233	$ 1,098
Other revenue	208	188	82
Intersegment insurance premiums and service fees [1]	147	154	122
Net investment income	44	42	27
Realized capital gains (losses)	30	32	(11)
Total revenues	**1,922**	**1,649**	**1,318**
Costs and expenses			
Claims and claims expense	(386)	(363)	(350)
Amortization of DAC	(658)	(543)	(463)
Operating costs and expenses	(651)	(661)	(505)
Restructuring and related charges	(3)	—	(4)
Amortization of purchased intangibles	(106)	(122)	(94)
Impairment of purchased intangibles	—	(55)	—
Total costs and expenses	**(1,804)**	**(1,744)**	**(1,416)**
Income tax (expense) benefit	(26)	18	19
Net income (loss) applicable to common shareholders	**$ 92**	**$ (77)**	**$ (79)**
Adjusted net income	**$ 153**	**$ 38**	**$ 8**
Realized capital gains (losses), after-tax	23	25	(9)
Amortization of purchased intangibles, after-tax	(84)	(97)	(74)
Impairment of purchased intangibles, after-tax	—	(43)	—
Tax Legislation (expense) benefit	—	—	(4)
Net income (loss) applicable to common shareholders	**$ 92**	**$ (77)**	**$ (79)**
Allstate Protection Plans	$ 137	$ 60	$ 23
Allstate Dealer Services	29	26	15
Allstate Roadside	12	(15)	(20)
Arity	(11)	(7)	(11)
Allstate Identity Protection	(14)	(26)	1
Adjusted net income	**$ 153**	**$ 38**	**$ 8**
Allstate Protection Plans	128,982	99,632	68,588
Allstate Dealer Services	4,042	4,205	4,338
Allstate Roadside	548	599	663
Allstate Identity Protection	2,700	1,511	1,040
Policies in force as of December 31 (in thousands)	**136,272**	**105,947**	**74,629**

[1] Primarily related to Arity and Allstate Roadside and are eliminated in our consolidated financial statements.

Net income applicable to common shareholders was $92 million in 2020 compared to net loss of $77 million in 2019. 2019 results included a $55 million intangible asset impairment related to the SquareTrade trade name that occurred in the second quarter of 2019.

Adjusted net income increased $115 million in 2020 compared to 2019. The increase in 2020 was primarily due to growth of Allstate Protection Plans and improved profitability at Allstate Roadside, partially offset by investments at Allstate Identity Protection.

Total revenues increased 16.6% or $273 million in 2020 compared to 2019, primarily due to Allstate Protection Plan's growth through its U.S. retail and international channels, partially offset by declines in revenue at Allstate Roadside.

Premiums written increased 23.1% or $355 million in 2020 compared to 2019, primarily due to growth at Allstate Protection Plans benefiting from higher consumer purchases. In late 2020, Allstate Protection Plans launched several new U.S. retailers and was awarded new business for launch in early 2021, which will result in additional premiums written in 2021.

PIF increased 28.6% or 30 million in 2020 compared to 2019 due to continued growth at Allstate Protection Plans.

Intersegment premiums and service fees decreased 4.5% or $7 million in 2020 compared to 2019, primarily related to decreased device sales through Arity's device and mobile data collection services and analytic solutions.

Other revenue increased 10.6% or $20 million in 2020 compared to 2019, primarily due to increased sales at Allstate Identity Protection.

Claims and claims expense increased 6.3% or $23 million in 2020 compared to 2019, primarily due to higher levels of claims at Allstate Protection Plans driven by growth of the business, partially offset by lower losses at Allstate Roadside and Allstate Dealer Services due to declines in auto miles driven related to the Coronavirus.

Amortization of DAC increased 21.2% or $115 million in 2020 compared to 2019. The increase is driven by growth at Allstate Protection Plans.

Operating costs and expenses decreased 1.5% or $10 million in 2020 compared to 2019, primarily due to lower operating costs at Allstate Roadside, partially offset by expenses associated with continued growth at Allstate Protection Plans.

Amortization of purchased intangibles relates to the acquisitions of Allstate Protection Plans and Allstate Identity Protection. We recorded amortization expense of $106 million in 2020 compared to $122 million in 2019.

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 reestimates of reserves relate to changes in claim activity and 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 when actual losses differ from 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 recoverables ("net reserves"), as of December 31, by line of business

($ in millions)	2020	2019	2018
Allstate brand	$ 18,523	$ 18,750	$ 18,134
Encompass brand	613	646	691
Total Allstate Protection	19,136	19,396	18,825
Discontinued Lines and Coverages	1,408	1,365	1,391
Total Property-Liability	20,544	20,761	20,216
Protection Services	33	39	52
Total net reserves	**$ 20,577**	**$ 20,800**	**$ 20,268**

The year-end 2020 gross reserves of $27.61 billion for insurance claims and claims expense were $8.48 billion more than the net reserve balance of $19.13 billion recorded on the basis of statutory accounting practices for reports provided to state regulatory authorities. The principal differences are recoverables from third parties totaling $7.03 billion, including $5.61 billion of indemnification recoverables 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 $1.35 billion that are a component of our consolidated reserves, but not included in our U.S. statutory reserves.

Impact of reserve reestimates by brand on combined ratio and net income applicable to common shareholders [1] [2]

	2020		2019		2018	
($ in millions, except ratios)	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio
Allstate brand	$ (534)	(1.5)	$ (236)	(0.7)	$ (329)	(1.0)
Encompass brand	(42)	(0.1)	3	—	(11)	—
Total Allstate Protection	(576)	(1.6)	(233)	(0.7)	(340)	(1.0)
Discontinued Lines and Coverages	141	0.4	105	0.4	87	0.3
Total Property-Liability	(435)	(1.2)	(128)	(0.3)	(253)	(0.7)
Protection Services	(1)	—	(2)	—	(2)	—
Total	**$ (436)**		**$ (130)**		**$ (255)**	
Reserve reestimates, after-tax	$ (344)		$ (103)		$ (201)	
Consolidated net income applicable to common shareholders	$ 5,461		$ 4,678		$ 2,012	
Reserve reestimates as a % impact on consolidated net income applicable to common shareholders	6.3 %		2.2 %		10.0 %	
Property-Liability prior year reserve reestimates included in catastrophe losses	$ (503)		$ 48		$ 25	

(1) Favorable reserve reestimates are shown in parentheses.

(2) Ratios are calculated using property and casualty premiums earned.

The following tables reflect the accident years to which the reestimates shown above are applicable. Favorable reserve reestimates are shown in parentheses.

2020 prior year reserve reestimates

($ in millions)	2015 & prior	2016	2017	2018	2019	Total
Allstate brand	$ (58)	$ 46	$ (162)	$ (348)	$ (12)	$ (534)
Encompass brand	2	(4)	(37)	(5)	2	(42)
Total Allstate Protection	(56)	42	(199)	(353)	(10)	(576)
Discontinued Lines and Coverages	141	—	—	—	—	141
Total Property-Liability	85	42	(199)	(353)	(10)	(435)
Protection Services	—	—	—	—	(1)	(1)
Total	**$ 85**	**$ 42**	**$ (199)**	**$ (353)**	**$ (11)**	**$ (436)**

2019 prior year reserve reestimates

($ in millions)	2014 & prior	2015	2016	2017	2018	Total
Allstate brand	$ (138)	$ (46)	$ (26)	$ (99)	$ 73	$ (236)
Encompass brand	(2)	2	(2)	4	1	3
Total Allstate Protection	(140)	(44)	(28)	(95)	74	(233)
Discontinued Lines and Coverages	105	—	—	—	—	105
Total Property-Liability	(35)	(44)	(28)	(95)	74	(128)
Protection Services	—	—	—	—	(2)	(2)
Total	**$ (35)**	**$ (44)**	**$ (28)**	**$ (95)**	**$ 72**	**$ (130)**

2018 prior year reserve reestimates

($ in millions)	2013 & prior	2014	2015	2016	2017	Total
Allstate brand	$ (66)	$ (56)	$ (16)	$ (133)	$ (58)	$ (329)
Encompass brand	(12)	(11)	(15)	1	26	(11)
Total Allstate Protection	(78)	(67)	(31)	(132)	(32)	(340)
Discontinued Lines and Coverages	87	—	—	—	—	87
Total Property-Liability	9	(67)	(31)	(132)	(32)	(253)
Protection Services	—	—	—	—	(2)	(2)
Total	**$ 9**	**$ (67)**	**$ (31)**	**$ (132)**	**$ (34)**	**$ (255)**

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 2020, 2019, and 2018, and the effect of reestimates in each year.

Net reserves by line

	January 1 reserves		
($ in millions)	2020	2019	2018
Auto	$ 14,728	$ 14,378	$ 14,051
Homeowners	2,138	2,157	2,205
Other personal lines	1,459	1,489	1,489
Commercial lines	1,071	801	616
Total Allstate Protection	**$ 19,396**	**$ 18,825**	**$ 18,361**

Impact of reserve reestimates by line on combined ratio and underwriting income

	2020		2019		2018	
($ in millions, except ratios)	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio
Auto	$ (107)	(0.3)	$ (323)	(0.9)	$ (455)	(1.3)
Homeowners	(439)	(1.2)	65	0.2	14	—
Other personal lines	(66)	(0.2)	8	—	(7)	—
Commercial lines	36	0.1	17	—	108	0.3
Total Allstate Protection	**$ (576)**	**(1.6)**	**$ (233)**	**(0.7)**	**$ (340)**	**(1.0)**
Underwriting income	$ 4,566		$ 2,912		$ 2,343	
Reserve reestimates as a % impact on underwriting income	12.6 %		8.0 %		14.5 %	

Favorable results for homeowners lines in 2020 were primarily due to catastrophe reserve reestimates driven by the subrogation settlements. Favorable reserve reestimates for auto in 2020 primarily related to favorable non-catastrophe reserve reestimates in personal lines auto, partially offset by strengthening in commercial lines auto reserves.

Favorable reserve reestimates for auto in 2019 primarily related to continued favorable personal lines auto injury coverage development, offset by strengthening in our homeowners lines. Auto liability claims process changes implemented in prior years, including a program requiring enhanced documentation of injuries and related medical treatments, resulted in favorable severity trends compared to those originally estimated as we developed greater experience in settling claims under these programs. Unfavorable results for homeowners lines in 2019 were primarily due to catastrophe 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.

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

	2020		2019		2018	
($ in millions)	**January 1 reserves**	**Reserve reestimate**	**January 1 reserves**	**Reserve reestimate**	**January 1 reserves**	**Reserve reestimate**
Asbestos claims	$ 810	$ 78	$ 866	$ 28	$ 884	$ 44
Environmental claims	179	44	170	36	166	20
Other discontinued lines	376	19	355	41	357	23
Total	**$ 1,365**	**$ 141**	**$ 1,391**	**$ 105**	**$ 1,407**	**$ 87**
Underwriting loss		$ (144)		$ (108)		$ (90)

Reserve reestimates in 2020 primarily related to new reported information, court decisions and policy buyback settlements for asbestos exposures and higher than expected reported losses for environmental and other discontinued lines exposures.

Reserve reestimates in 2019 primarily related to new reported information and settlement agreements, including bankruptcy proceedings, impacting asbestos and other discontinued lines and additional environmental clean-up sites.

Reserves and claim activity before (Gross) and after (Net) the effects of reinsurance

	2020		2019		2018	
($ in millions, except ratios)	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Asbestos claims						
Beginning reserves	$ 1,172	$ 810	$ 1,266	$ 866	$ 1,296	$ 884
Incurred claims and claims expense	132	78	39	28	89	44
Claims and claims expense paid	(100)	(61)	(133)	(84)	(119)	(62)
Ending reserves	**$ 1,204**	**$ 827**	**$ 1,172**	**$ 810**	**$ 1,266**	**$ 866**
Annual survival ratio	12.0	13.6	8.8	9.6	10.6	14.0
3-year survival ratio	10.3	12.0	9.0	10.3	9.1	9.7
Environmental claims						
Beginning reserves	$ 219	$ 179	$ 209	$ 170	$ 199	$ 166
Incurred claims and claims expense	49	44	42	36	30	20
Claims and claims expense paid	(19)	(17)	(32)	(27)	(20)	(16)
Ending reserves	**$ 249**	**$ 206**	**$ 219**	**$ 179**	**$ 209**	**$ 170**
Annual survival ratio	13.1	12.1	6.8	6.6	10.5	10.6
3-year survival ratio	10.5	10.3	8.1	8.1	8.4	8.2
Combined environmental and asbestos claims						
Annual survival ratio	12.2	13.2	8.4	8.9	10.6	13.3
3-year survival ratio	10.3	11.6	8.8	9.9	9.0	9.5
Percentage of IBNR in ending reserves		50.3 %		48.8 %		49.6 %

The survival ratio is calculated by taking our ending reserves divided by payments made during the year. This is a commonly used but 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 2020 and 2019, the asbestos and environmental net 3-year survival ratio increased due to lower claim payments associated with settlement agreements.

Net asbestos reserves by type of exposure and total reserve additions

	December 31, 2020			December 31, 2019			December 31, 2018		
($ in millions)	**Active policy-holders**	**Net reserves**	**% of reserves**	**Active policy-holders**	**Net reserves**	**% of reserves**	**Active policy-holders**	**Net reserves**	**% of reserves**
Direct policyholders:									
Primary	59	$ 10	1 %	58	$ 12	1 %	51	$ 12	1 %
Excess	303	291	35	299	292	36	295	309	36
Total	**362**	**301**	**36**	**357**	**304**	**37**	**346**	**321**	**37**
Assumed reinsurance		122	15		127	16		138	16
IBNR		404	49		379	47		407	47
Total net reserves		**$ 827**	**100 %**		**$ 810**	**100 %**		**$ 866**	**100 %**
Total reserve additions		$ 78			$ 28			$ 44	

At December 31, 2020, there were 362 active policyholders with open asbestos claims.

- Active policyholders increased by 5 in 2020, including 8 policyholders reporting asbestos claims for the first time and the closing of all claims for 3 policyholders.
- Active policyholders increased by 11 in 2019, including 16 policyholders reporting asbestos claims for the first time and the closing of all claims for 5 policyholders.

IBNR net reserves increased $25 million as of December 31, 2020 compared to December 31, 2019. IBNR provides for reserve development of known claims and future reporting of additional unknown claims from current policyholders and ceding companies.

Reinsurance and indemnification programs 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 ("ANJ"). 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 have also purchased reinsurance to mitigate exposures in our long-tail liability lines, including environmental, asbestos and other discontinued lines as well as our commercial lines, including shared economy. We also participate in various indemnification mechanisms, including state-based industry pool or facility programs mandating participation by insurers offering certain coverage in their state and the federal government National Flood Insurance Program ("NFIP"). See Note 10 of the consolidated financial statements for additional details on these programs.

Reinsurance and indemnification recoverables, net of the allowance established for uncollectible amounts

($ in millions)	S&P financial strength rating [1]	Reinsurance or indemnification recoverable on paid and unpaid claims, net 2020	2019
Indemnification programs			
State-based industry pool or facility programs			
MCCA [2]	N/A	$ 5,646	$ 5,499
New Jersey Property-Liability Insurance Guaranty Association ("PLIGA")	N/A	389	446
North Carolina Reinsurance Facility	N/A	67	78
Florida Hurricane Catastrophe Fund ("FHCF")	N/A	32	52
Other		8	9
Federal Government - NFIP	N/A	30	25
Subtotal		6,172	6,109
Catastrophe reinsurance recoverables			
Renaissance Reinsurance Limited	A+	17	27
Swiss Reinsurance America Corporation	AA-	12	15
Everest Reinsurance Company	A+	12	15
Other		156	179
Subtotal		197	236
Other reinsurance recoverables, net [3]			
Lloyd's of London ("Lloyd's") [4]	A+	166	158
Aleka Insurance Inc.	N/A	165	115
Westport Insurance Corporation	AA-	59	55
TIG Insurance Company	N/A	40	38
Other, including allowance for credit losses		317	293
Subtotal		747	659
Total Property-Liability		**7,116**	**7,004**
Protection Services		**18**	**20**
Total		**$ 7,134**	**$ 7,024**

(1) N/A reflects no S&P Global Ratings ("S&P") rating available.

(2) As of December 31, 2020 and 2019, MCCA includes $34 million and $39 million of reinsurance recoverable on paid claims, respectively, and $5.61 billion and $5.46 billion of reinsurance recoverable on unpaid claims, respectively.

(3) Other reinsurance recoverables primarily relate to asbestos, environmental and other liability exposures as well as commercial lines, including shared economy.

(4) As of December 31, 2020, case reserves for Lloyd's were 64% of the reinsurance recoverable for unpaid claims.

Reinsurance and indemnification recoverables include an estimate of the amount of insurance claims and claims expense reserves that are ceded under the terms of the agreements, including IBNR unpaid losses. We calculate our ceded reinsurance and indemnification estimates based on the terms of each applicable 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 agreements. Accordingly, our estimate of 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 of our reinsurance recoverables, and a provision for uncollectible reinsurance recoverables 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.

Indemnification recoverables are considered collectible based on the industry pool and facility enabling legislation and the Company has not had any credit losses related to these programs and we do not anticipate losses in the foreseeable future. We also have not experienced credit losses on our catastrophe reinsurance programs, which include highly rated reinsurers.

The allowance for uncollectible reinsurance relates to other reinsurance programs primarily related to our Discontinued Lines and Coverages segment. This allowance was $59 million and $60 million as of December 31, 2020 and 2019, 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.

See Note 2 of the consolidated financial statements for a description of the methodology utilized to calculate the allowance for reinsurance recoverables.

For further details related to our reinsurance and indemnification recoverables, see the Regulation section in Part I and Note 10 of the consolidated financial statements.

Effects of reinsurance ceded and indemnification programs on our premiums earned and claims and claims expense

($ in millions)	For the years ended December 31, 2020	2019	2018
Allstate Protection - Premiums			
Indemnification programs			
State-based industry pool or facility programs			
MCCA	$ 61	$ 89	$ 77
PLIGA	7	8	9
FHCF	9	9	10
Other	97	85	90
Federal Government - NFIP	261	258	258
Catastrophe reinsurance	416	377	344
Other reinsurance programs	110	121	54
Total Allstate Protection	**961**	**947**	**842**
Discontinued Lines and Coverages	—	—	—
Total Property-Liability	**961**	**947**	**842**
Protection Services	**180**	**175**	**174**
Total effect on premiums earned	**$ 1,141**	**$ 1,122**	**$ 1,016**
Allstate Protection - Claims			
Indemnification programs			
State-based industry pool or facility programs			
MCCA	$ 256	$ 208	$ 233
PLIGA	(40)	3	(6)
FHCF	15	31	148
Other	63	67	90
Federal Government - NFIP	87	150	118
Catastrophe reinsurance	(105) [1]	(166) [2]	604
Other reinsurance programs	88	94	40
Total Allstate Protection	**364**	**387**	**1,227**
Discontinued Lines and Coverages	75	39	57
Total Property-Liability	**439**	**426**	**1,284**
Protection Services	**91**	**98**	**94**
Total effect on claims and claims expense	**$ 530**	**$ 524**	**$ 1,378**

[1] Decline reflects reestimates in claims and claims expense related subrogation settlements.

[2] Decline reflects reestimates in claims and claims expense related to the 2018 Camp Fire.

In 2020 and 2019, ceded premiums earned increased primarily due to increased catastrophe reinsurance premium rates. In 2020, ceded claims and claims expenses increased $6 million. In 2019, ceded claims and claims expenses decreased $854 million, primarily due to lower amounts related to the catastrophe reinsurance program, partially offset by increased activity with our shared economy business.

Our claim reserve development experience in 2020 is consistent with the prior two years as gross reserves have increased between 2-3% each year. The Governor of Michigan signed new legislation on May 30, 2019 to reform Michigan's no-fault auto insurance system. For further discussion of these items, see Regulation, Indemnification Programs and Note 10 of the consolidated financial statements.

Michigan personal injury protection reserve and claim activity before and after the effects of MCCA recoverables

	For the years ended December 31,					
	2020		2019		2018	
($ in millions)	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Beginning reserves	$ 6,106	$ 647	$ 5,975	$ 605	$ 5,799	$ 565
Incurred claims and claims expense-current year	312	98	446	202	449	189
Incurred claims and claims expense-prior years	107	65	(16)	20	9	35
Claims and claims expense paid-current year [(1)]	(47)	(42)	(55)	(53)	(52)	(51)
Claims and claims expense paid-prior years [(1)]	(196)	(98)	(244)	(127)	(230)	(133)
Ending reserves [(2)]	**$ 6,282**	**$ 670**	**$ 6,106**	**$ 647**	**$ 5,975**	**$ 605**

(1) Paid claims and claims expenses reported in the table for the current and prior years, recovered from the MCCA totaled $103 million, $119 million and $98 million in 2020, 2019 and 2018, respectively.

(2) Gross reserves for the year ended December 31, 2020, comprise 82% case reserves and 18% IBNR. Gross reserves for the year ended December 31, 2019, comprise 85% case reserves and 15% IBNR. Gross reserves for the year ended December 31, 2018 comprise 88% case reserves and 12% 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. Many of these injuries are catastrophic in nature, resulting in serious permanent disabilities that require attendant and residential care for periods that may span decades. A significant portion of the ultimate incurred claim reserves and the recoverables can be attributed to a small number of catastrophic claims that occurred more than five years ago and continue to pay lifetime benefits.

Pending, new and closed claims for Michigan personal injury protection exposure

	For the years ended December 31,		
Number of claims [(1)]	**2020**	**2019**	**2018**
Pending, beginning of year	4,942	4,812	4,983
New	5,896	7,807	7,858
Closed	(5,981)	(7,677)	(8,029)
Pending, end of year	**4,857**	**4,942**	**4,812**

(1) Total claims includes those covered and not covered by the MCCA indemnification.

As of December 31, 2020, approximately 1,500 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 68 Allstate brand claims with reserves in excess of $15 million as of December 31, 2020, which comprise approximately 29% 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.

Intercompany reinsurance 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 to address our exposure to catastrophes nationwide, utilizing our risk management methodology. Our program is designed to provide reinsurance protection for catastrophes resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, earthquakes, wildfires, and fires following earthquakes. 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, while providing protection to our customers.

We anticipate completing the placement of our 2021 nationwide catastrophe reinsurance program in the second quarter of 2021. We expect the program will be similar to our 2020 nationwide catastrophe reinsurance program, but will evaluate opportunities to improve the economic terms and conditions. We are also evaluating opportunities to include National General, which was acquired on January 4, 2021, into the program. For further details of the existing 2020 program, see Note 10 of the consolidated financial statements.

Allstate Life Segment

Allstate Life consists of traditional, interest-sensitive and variable life insurance. In 2020, Allstate Life represented 4.4% of total revenue, 1.1% of total PIF and 4.2% of total adjusted net income. Our target customers are middle market consumers with family and financial protection needs.

On January 26, 2021, we announced an agreement to sell ALIC and certain affiliates, which represent approximately 90% of Allstate Life reserves for life-contingent contract benefits and contractholder funds. Allstate will retain ownership of ALNY unless an agreement can be reached with a third party to assume some or all of ALNY's liabilities. For additional information on our strategy and outlook, see Business - Strategy and Segment Information.

Summarized financial information

($ in millions)	For the years ended December 31, 2020	2019	2018
Revenues			
Premiums and contract charges	$ 1,340	$ 1,343	$ 1,315
Other revenue	121	125	119
Net investment income	502	514	505
Realized capital gains (losses)	(10)	1	(14)
Total revenues	**1,953**	**1,983**	**1,925**
Costs and expenses			
Contract benefits	(964)	(855)	(809)
Interest credited to contractholder funds	(329)	(299)	(285)
Amortization of DAC	(149)	(173)	(132)
Operating costs and expenses	(329)	(354)	(361)
Restructuring and related charges	(6)	(2)	(3)
Total costs and expenses	**(1,777)**	**(1,683)**	**(1,590)**
Income tax expense	(17)	(53)	(75)
Net income applicable to common shareholders	**$ 159**	**$ 247**	**$ 260**
Adjusted net income	**$ 194**	**$ 261**	**$ 295**
Realized capital gains (losses), after-tax	(9)	—	(11)
Valuation changes on embedded derivatives that are not hedged, after-tax	(34)	(9)	—
DAC and DSI amortization related to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	8	(5)	(8)
Tax Legislation (expense) benefit	—	—	(16)
Net income applicable to common shareholders	**$ 159**	**$ 247**	**$ 260**
Reserve for life-contingent contract benefits as of December 31	$ 2,755	$ 2,736	$ 2,677
Contractholder funds as of December 31	$ 8,013	$ 7,805	$ 7,656
Policies in force as of December 31 by distribution channel (in thousands)			
Allstate agencies	1,765	1,816	1,831
Closed channels	98	107	114
Total	1,863	1,923	1,945

Net income applicable to common shareholders decreased 35.6% or $88 million in 2020 compared to 2019.

Adjusted net income decreased 25.7% or $67 million in 2020 compared to 2019, primarily due to higher contract benefits due to mortality associated with the Coronavirus, partially offset by lower operating costs and expenses.

Premiums and contract charges decreased 0.2% or $3 million in 2020 compared to 2019, primarily due to lower contract charges on interest-sensitive life insurance from a decline in business in force, partially offset by higher premiums from traditional life insurance. Approximately 85% of Allstate Life's traditional life insurance premium relates to term life insurance products.

Effective March 31, 2020, in light of uncertainty around the impacts of the Coronavirus, we implemented temporary underwriting restrictions on new life insurance applications. We are approving standard and preferred rate classes only, with a maximum issue age of 69, and suspended sales of our simplified issue term life product that does not require underwriting. While these restrictions are in place, we expect sales to slow. Allstate agents and exclusive financial specialists are able to offer coverage to customers outside these guidelines through nonproprietary carriers.

Premiums and contract charges by product

($ in millions)	For the years ended December 31, 2020	2019	2018
Traditional life insurance premiums	$ 633	$ 630	$ 600
Accident and health insurance premiums	2	2	2
Interest-sensitive life insurance contract charges [1]	705	711	713
Premiums and contract charges	**$ 1,340**	**$ 1,343**	**$ 1,315**

[1] Contract charges related to the cost of insurance totaled $506 million, $499 million and $493 million in 2020, 2019 and 2018, respectively.

Other revenue decreased 3.2% or $4 million in 2020 compared to 2019, primarily due to lower gross dealer concessions earned on Allstate agents' or exclusive financial specialists' sales of non-proprietary products.

Contract benefits increased 12.7% or $109 million in 2020 compared to 2019, primarily due to higher claim experience related to Coronavirus on both interest-sensitive and traditional life insurance. Estimated Coronavirus claims, net of reinsurance and reserve releases, totaled $78 million in 2020.

Our annual review of assumptions in 2020 resulted in a $24 million increase in reserves primarily for secondary guarantees on interest-sensitive life insurance due to decreased projected interest rates that result in lower projected policyholder account values which increases guaranteed benefits. In 2019, the review resulted in a $5 million decrease in reserves primarily for secondary guarantees on interest-sensitive life insurance due to utilizing more refined policy level information and assumptions.

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 decreased 35.9% to $177 million in 2020 compared to $276 million in 2019, primarily due to higher claim experience on interest-sensitive life insurance and an increase in reserves for secondary guarantees on interest-sensitive life insurance.

Interest credited to contractholder funds increased 10.0% or $30 million in 2020 compared to 2019. Valuation changes on derivatives embedded in equity-indexed universal life contracts that are not hedged increased interest credited to contractholder funds by $43 million in 2020 compared to $11 million in 2019. These valuation changes are primarily driven by changes in interest rates.

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 contractholder funds on net income.

Investment spread

($ in millions)	For the years ended December 31, 2020	2019	2018
Investment spread before valuation changes on embedded derivatives that are not hedged	$ 216	$ 226	$ 220
Valuation changes on derivatives embedded in equity-indexed universal life contracts that are not hedged	(43)	(11)	—
Total investment spread	**$ 173**	**$ 215**	**$ 220**

Investment spread before valuation changes on embedded derivatives that are not hedged decreased 4.4% in 2020 compared to 2019, primarily due to lower net investment income.

Amortization of DAC decreased 13.9% or $24 million in 2020 compared to 2019, primarily due to lower amortization from lower gross profits on interest-sensitive life insurance, partially offset by higher amortization acceleration for changes in assumptions.

Components of amortization of DAC

($ in millions)	For the years ended December 31, 2020	2019	2018
Amortization of DAC before amortization relating to realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and changes in assumptions	$ 78	$ 109	$ 117
Amortization relating to realized capital gains and losses [1] and valuation changes on embedded derivatives that are not hedged	(10)	6	10
Amortization acceleration for changes in assumptions (''DAC unlocking'')	81	58	5
Total amortization of DAC	**$ 149**	**$ 173**	**$ 132**

(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. An assessment is made of future projections to ensure the reported DAC balances reflect current expectations.

In 2020, the review resulted in an acceleration of DAC amortization (decrease to income) of $81 million. DAC amortization acceleration primarily related to the investment margin component of estimated gross profits and was due to lower projected future interest rates and investment returns compared to our previous expectations. This was partially offset by DAC amortization deceleration (increase to income) for changes in the expense margin due to a decrease in projected expenses.

In 2019, the review resulted in an acceleration of DAC amortization of $58 million. DAC amortization acceleration primarily related to the investment margin component of estimated gross profits and was due to lower projected future interest rates and investment returns compared to our previous expectations. The acceleration related to benefit margin was due to decreased projected interest rates that result in lower projected policyholder account values which increases benefits on guaranteed products and more refined policy level information and assumptions.

Changes in DAC

($ in millions)	Traditional life and accident and health		Interest-sensitive life insurance		Total	
	For the years ended December 31,					
	2020	2019	2020	2019	2020	2019
Balance, beginning of year	$ 508	$ 489	$ 571	$ 811	$1,079	$1,300
Acquisition costs deferred	50	63	56	60	106	123
Amortization of DAC before amortization relating to realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and changes in assumptions [1]	(44)	(44)	(34)	(65)	(78)	(109)
Amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged [1]	—	—	10	(6)	10	(6)
Amortization acceleration for DAC unlocking [1]	—	—	(81)	(58)	(81)	(58)
Effect of unrealized capital gains and losses [2]	—	—	(127)	(171)	(127)	(171)
Ending balance	**$ 514**	**$ 508**	**$ 395**	**$ 571**	**$ 909**	**$1,079**

(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 decreased 7.1% or $25 million in 2020 compared to 2019, primarily due to lower employee-related, marketing and technology costs.

Analysis of reserves and contractholder funds

Reserve for life-contingent contract benefits

($ in millions)	As of December 31, 2020	2019
Traditional life insurance	$ 2,643	$ 2,612
Accident and health insurance	112	124
Reserve for life-contingent contract benefits	**$ 2,755**	**$ 2,736**

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

	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Contractholder funds, beginning balance	$ 7,805	$ 7,656	$ 7,608
Deposits	921	949	965
Interest credited	327	298	284
Benefits, withdrawals and other adjustments			
Benefits	(230)	(233)	(232)
Surrenders and partial withdrawals	(225)	(261)	(259)
Contract charges	(704)	(702)	(704)
Net transfers from separate accounts	5	10	6
Other adjustments [(1)]	114	88	(12)
Total benefits, withdrawals and other adjustments	(1,040)	(1,098)	(1,201)
Contractholder funds, ending balance	**$ 8,013**	**$ 7,805**	**$ 7,656**

[(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 3.0% in 2020 compared to 2019. The weighted average guaranteed crediting rate and weighted average current crediting rate for our interest-sensitive life insurance contracts, excluding variable life, are both 3.8% as of December 31, 2020.

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, 2020, approximately 12% of our face amount of life insurance in force was reinsured.

Reinsurance recoverables by reinsurer, net

($ in millions)	S&P financial strength rating [1]	Reinsurance recoverable on paid and unpaid benefits As of December 31, 2020	2019
RGA Reinsurance Company	AA-	$ 167	$ 197
Swiss Re Life and Health America, Inc.	AA-	147	155
Transamerica Life Group	A+	75	75
Munich American Reassurance	AA-	70	80
Scottish Re (U.S.), Inc. [2]	N/A	66	73
John Hancock Life & Health Insurance Company	AA-	45	50
Triton Insurance Company [3]	N/A	40	43
American Health & Life Insurance Co. [3]	N/A	29	32
Security Life of Denver	A+	22	23
Lincoln National Life Insurance	AA-	21	27
SCOR Global Life	AA-	12	14
American United Life Insurance Company	AA-	9	11
Other [4]		18	17
Credit loss allowance [5]		(9)	(3)
Total		**$ 712**	**$ 794**

[1] N/A reflects no S&P rating available.

[2] In December 2018, the Delaware Insurance Commissioner placed Scottish Re (U.S.), Inc. under regulatory supervision and in March 2019, the reinsurer was placed in rehabilitation. We have been permitted to exercise certain setoff rights while the parties address any potential disputes. See Note 10 of the consolidated financial statements for further details.

[3] A.M. Best rating is B++.

[4] As of December 31, 2020 and 2019, the other category includes $11 million and $12 million, respectively, of recoverables due from reinsurers rated A- or better by S&P.

[5] Due to the adoption of the measurement of credit losses on financial instruments accounting standard, prior valuation allowance is now presented as an allowance for expected credit losses.

We continuously monitor the creditworthiness of reinsurers in order to determine our risk of recoverability on an individual and aggregate basis. In connection with the adoption of the measurement of credit losses on financial instruments accounting standard in 2020, the method of calculating the allowance for reinsurance recoverables changed. See Note 2 of the consolidated financial statements for additional details. No reinsurance recoverables have been written off in the three-years ended December 31, 2020.

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 Segment

Allstate Benefits offers voluntary benefits products, including life, accident, critical illness, hospital, short-term disability and other health products. In 2020, Allstate Benefits represented 2.6% of total revenue, 2.2% of total PIF and 2.1% of total adjusted net income. Our target customers are middle market consumers with family and financial protection needs. For additional information on our strategy and outlook, see Business - Strategy and Segment Information.

Summarized financial information

($ in millions)	For the years ended December 31, 2020	2019	2018
Revenues			
Premiums and contract charges	$ 1,094	$ 1,145	$ 1,135
Net investment income	78	83	77
Realized capital gains (losses)	8	12	(9)
Total revenues	**1,180**	**1,240**	**1,203**
Costs and expenses			
Contract benefits	(516)	(601)	(595)
Interest credited to contractholder funds	(33)	(34)	(35)
Amortization of DAC	(177)	(161)	(145)
Operating costs and expenses	(322)	(285)	(278)
Restructuring and related charges	(1)	—	—
Total costs and expenses	**(1,049)**	**(1,081)**	**(1,053)**
Income tax expense	(28)	(35)	(32)
Net income applicable to common shareholders	**$ 103**	**$ 124**	**$ 118**
Adjusted net income	**$ 96**	**$ 115**	**$ 124**
Realized capital gains (losses), after-tax	7	9	(7)
DAC and DSI amortization related to realized capital gains and losses, after-tax	—	—	1
Net income applicable to common shareholders	**$ 103**	**$ 124**	**$ 118**
Benefit ratio [1]	47.2	52.5	52.4
Operating expense ratio [2]	29.4	24.9	24.5
Reserve for life-contingent contract benefits as of December 31	$ 1,028	$ 1,034	$ 1,007
Contractholder funds as of December 31	$ 857	$ 915	$ 898
Policies in force as of December 31 (in thousands)	3,950	4,183	4,208

[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.

Net income applicable to common shareholders decreased 16.9% or $21 million in 2020 compared to 2019.

Adjusted net income decreased 16.5% or $19 million in 2020 compared to 2019, primarily due to lower premiums and higher operating costs and expenses driven by a $41 million, pre-tax, write-off of capitalized software costs associated with a billing system in the second quarter of 2020, partially offset by lower contract benefits.

Premiums and contract charges decreased 4.5% or $51 million in 2020 compared to 2019, primarily due to decreases in disability products from the non-renewal of a large underperforming account in the fourth quarter of 2019, and decreased premium collections due to Coronavirus-related layoffs and furloughs, partially offset by an increase in contract charges associated with the annual review of assumptions.

Premiums and contract charges by product

($ in millions)	For the years ended December 31, 2020	2019	2018
Life	$ 168	$ 157	$ 155
Accident	281	298	297
Critical illness	465	479	476
Hospital	102	99	93
Short-term disability	74	107	108
Other health	4	5	6
Premiums and contract charges	**$ 1,094**	**$ 1,145**	**$ 1,135**

New annualized premium sales (annualized premiums at initial customer enrollment) decreased 24.5% to $281 million in 2020. The decrease in 2020 relates to the impact of the Coronavirus and increased competition.

Contract benefits decreased 14.1% or $85 million in 2020 compared to 2019, primarily due to lower reported claim experience on critical illness, disability and accident products, driven by limited activities and deferral of non-essential medical procedures from the Coronavirus and the non-renewal of a large underperforming account in the fourth quarter of 2019.

Benefit ratio decreased to 47.2 in 2020 compared to 52.5 in 2019 primarily due to lower contract benefits for critical illness and accident products and an increase in contract charges associated with the annual review of assumptions.

Amortization of DAC increased 9.9% or $16 million in 2020 compared to 2019, primarily due to an unfavorable adjustment associated with our annual review of assumptions.

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 $28 million or 5.8% of the unamortized DAC asset balance in 2020 compared to $2 million in 2019. In both 2020 and 2019, DAC amortization acceleration primarily related to lower projected investment returns, partially offset by favorable projected mortality.

Changes in DAC

($ in millions)	For the years ended 2020	2019
Balance, beginning of year	$ 527	$ 549
Acquisition costs deferred	120	142
Amortization of DAC before amortization relating to changes in assumptions [(1)]	(148)	(159)
Amortization relating to realized capital gains and losses [(1)]	(1)	—
Amortization acceleration for DAC unlocking [(1)]	(28)	(2)
Effect of unrealized capital gains and losses [(2)]	—	(3)
Ending balance	**$ 470**	**$ 527**

(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

($ in millions)	For the years ended December 31, 2020	2019	2018
Non-deferrable commissions	$ 99	$ 104	$ 109
General and administrative expenses	223	181	169
Total operating costs and expenses	**$ 322**	**$ 285**	**$ 278**

Operating costs and expenses increased 13.0% or $37 million in 2020 compared to 2019, primarily due to a $41 million, pre-tax, write-off of capitalized software costs associated with a billing system in the second quarter of 2020 and higher technology costs.

Operating expense ratio increased to 29.4 in 2020 compared to 24.9 in 2019, primarily due to a $41 million, pre-tax, software write-off.

Analysis of reserves

Reserve for life-contingent contract benefits

	As of December 31,	
($ in millions)	**2020**	**2019**
Traditional life insurance	$ 299	$ 285
Accident and health insurance	729	749
Reserve for life-contingent contract benefits	**$ 1,028**	**$ 1,034**

Allstate Benefits reinsurance ceded

The vast majority of reinsurance relates to the disposition of 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, net

	S&P financial strength rating	Reinsurance recoverable on paid and unpaid benefits	
		As of December 31,	
($ in millions)		**2020**	**2019**
Mutual of Omaha Insurance	A+	$ 60	$ 64
General Re Life Corporation	AA+	17	18
Other [1]		5	6
Credit loss allowance		(1)	—
Total		**$ 81**	**$ 88**

(1) As of both December 31, 2020 and 2019, the other category includes $4 million 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. In connection with the adoption of the measurement of credit losses on financial instruments accounting standard in 2020, the method of calculating the allowance for reinsurance recoverables changed. See Note 2 of the consolidated financial statements for additional details. No reinsurance recoverables have been written off in the three-years ended December 31, 2020.

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 primarily of deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements). In 2020, Allstate Annuities represented 2.3% of total revenue and 0.1% of total PIF. We discontinued the sale of proprietary 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.

On January 26, 2021, we announced an agreement to sell ALIC and certain affiliates, which represent approximately 75% of Allstate Annuities reserves for life-contingent contract benefits and contractholder funds. Allstate will retain ownership of ALNY unless an agreement can be reached with a third party to assume some or all of ALNY's liabilities. For additional information on our strategy and outlook, see Business - Strategy and Segment Information.

Summarized financial information

($ in millions)	For the years ended December 31, 2020	2019	2018
Revenues			
Contract charges	$ 10	$ 13	$ 15
Net investment income	761	917	1,096
Realized capital gains (losses)	279	346	(166)
Total revenues	**1,050**	**1,276**	**945**
Costs and expenses			
Contract benefits	(763)	(583)	(569)
Interest credited to contractholder funds	(276)	(307)	(334)
Amortization of DAC	(4)	(7)	(7)
Operating costs and expenses	(25)	(29)	(31)
Restructuring and related charges	(2)	(1)	—
Total costs and expenses	**(1,070)**	**(927)**	**(941)**
Gain on disposition of operations	4	6	6
Income tax benefit (expense)	7	(73)	66
Net (loss) income applicable to common shareholders	**$ (9)**	**$ 282**	**$ 76**
Adjusted net (loss) income	**$ (53)**	**$ 10**	**$ 131**
Realized capital gains (losses), after-tax	221	274	(131)
Valuation changes on embedded derivatives that are not hedged, after-tax	(2)	(6)	3
Premium deficiency for immediate annuities, after-tax	(178)	—	—
Gain on disposition of operations, after-tax	3	4	4
Tax Legislation benefit	—	—	69
Net (loss) income applicable to common shareholders	**$ (9)**	**$ 282**	**$ 76**
Reserve for life-contingent contract benefits as of December 31	$ 8,985	$ 8,530	$ 8,524
Contractholder funds as of December 31	$ 8,343	$ 8,972	$ 9,817
Policies in force as of December 31 (in thousands)			
Deferred annuities	104	114	127
Immediate annuities	73	78	84
Total	**177**	**192**	**211**

Net loss applicable to common shareholders was $9 million in 2020 compared to net income of $282 million in 2019. Net loss in 2020 includes a $178 million, after-tax, ($225 million, pre-tax) premium deficiency for immediate annuities with life contingencies recognized in the third quarter.

We periodically review the adequacy of reserves for immediate annuities with life contingencies 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, the establishment of a premium deficiency reserve ("PDR") is required.

In third quarter 2020, our long-term investment yield assumption was lowered, which resulted in the prior sufficiency changing to a deficiency. The deficiency was recognized as an increase in the reserve for life-contingent contract benefits. The original assumptions used to establish reserves were updated to reflect current assumptions, and the primary changes included mortality expectations, where annuitants are living longer than originally anticipated, and long-term investment yields.

Our annual review of assumptions in 2020 also resulted in a $5 million increase in reserves primarily for guaranteed withdrawal benefits on equity-indexed annuities due to higher projected guaranteed benefits. In 2019, the review resulted in no adjustment to reserves for guaranteed benefits.

Adjusted net loss was $53 million in 2020 compared to adjusted net income of $10 million in 2019, primarily due to lower net investment income, partially offset by lower contract benefits.

Net investment income decreased 17.0% or $156 million in 2020 compared to 2019, primarily due to a decline in market-based income driven by lower interest-bearing portfolio yields as well as lower performance-based investment results and lower average investment balances.

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 use 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 2020 primarily related to increased valuation of equity investments. Net realized capital gains in 2019 primarily related to increased valuation of equity investments and gains on sales of fixed income securities.

Contract benefits increased 30.9% or $180 million in 2020 compared to 2019, primarily due to the premium deficiency for immediate annuities, partially offset by immediate annuity mortality experience that was favorable in comparison to the prior year.

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 $494 million and $479 million in 2020 and 2019, respectively. Total benefit spread was $(260) million and $(95) million in 2020 and 2019, respectively.

Interest credited to contractholder funds decreased 10.1% or $31 million in 2020 compared to 2019, 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 $3 million in 2020 compared to an increase of $8 million in 2019. These valuation changes are primarily driven by changes in interest rates.

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, 2020	2019	2018
Investment spread before valuation changes on embedded derivatives that are not hedged	$ (6)	$ 139	$ 267
Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged	(3)	(8)	3
Total investment spread	**$ (9)**	**$ 131**	**$ 270**

Investment spread before valuation changes on embedded derivatives that are not hedged decreased $145 million in 2020 compared to 2019, primarily due to lower investment income, partially offset by lower interest credited to contractholder funds.

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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Deferred fixed annuities	4.0 %	4.3 %	4.1 %	2.7 %	2.7 %	2.8 %	1.3 %	1.6 %	1.3 %
Immediate fixed annuities with and without life contingencies	4.2	5.0	6.4	6.1	5.9	6.0	(1.9)	(0.9)	0.4

The following table summarizes the weighted average guaranteed crediting rates and weighted average current crediting rates as of December 31, 2020 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 $3.87 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	3.17 %	3.17 %	$ 3,950
Annuities with multi-year rate guarantees [1]:			
Resettable in next 12 months	2.18	2.67	103
Resettable after 12 months	2.29	2.63	425

[1] These contracts include interest rate guarantee periods, the majority of which are 5 years.

Operating costs and expenses decreased 13.8% or $4 million in 2020 compared to 2019, primarily due to lower technology and employee-related costs. In July 2020, we entered into an agreement to transition the servicing of annuities to a third-party administrator. The migration is expected to be completed by the end of 2022. Restructuring charges were recorded in the third quarter of 2020 related to employee severance costs in connection with the migration.

Analysis of reserves and contractholder funds

Product liabilities

($ in millions)	As of December 31, 2020	2019
Immediate fixed annuities with life contingencies		
Sub-standard structured settlements and group pension terminations [1]	$ 5,780	$ 5,085
Standard structured settlements and SPIA [2]	3,138	3,367
Other	67	78
Reserve for life-contingent contract benefits	**$ 8,985**	**$ 8,530**
Deferred fixed annuities	$ 6,033	$ 6,499
Immediate fixed annuities without life contingencies	2,163	2,346
Other	147	127
Contractholder funds	**$ 8,343**	**$ 8,972**

[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.

[2] Comprises structured settlement annuities for annuitants with standard life expectancy ("standard structured settlements") and single premium immediate annuities ("SPIA") with life contingencies.

Contractholder funds represent interest-bearing liabilities arising from the sale of products such as fixed annuities. 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.

Changes in contractholder funds

($ in millions)	For the years ended December 31, 2020	2019	2018
Contractholder funds, beginning balance	$ 8,972	$ 9,817	$ 10,936
Deposits	20	16	15
Interest credited	273	304	331
Benefits, withdrawals and other adjustments			
Benefits	(511)	(547)	(587)
Surrenders and partial withdrawals	(442)	(602)	(854)
Contract charges	(9)	(9)	(9)
Other adjustments [1]	40	(7)	(15)
Total benefits, withdrawals and other adjustments	(922)	(1,165)	(1,465)
Contractholder funds, ending balance	**$ 8,343**	**$ 8,972**	**$ 9,817**

[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 7.0% in 2020, 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.

Surrenders and partial withdrawals decreased 26.6% or $160 million in 2020 compared to 2019. 2018 had elevated surrenders on fixed annuities resulting from an increased number of contracts reaching the 30-45 day period during which there is no surrender charge. The surrender and partial withdrawal rate on deferred fixed annuities, based on the beginning of year contractholder funds, was 7.5% in 2020 compared to 9.2% in 2019.

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 $1.28 billion and $1.29 billion as of December 31, 2020 and 2019, respectively. We also have reinsurance recoverables from other reinsurers of $14 million and $17 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020, the allowance for expected credit losses was $5 million. There was no valuation allowance as of December 31, 2019.

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. In connection with the adoption of the measurement of credit losses on financial instruments accounting standard in 2020, the method of calculating the allowance for reinsurance recoverables changed. See Note 2 of the consolidated financial statements for additional details. No reinsurance recoverables have been written off in the three-years ended December 31, 2020.

Investments

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, Protection Services, 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 business, 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 business 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 Protection Services 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 protection of principal and consistent income generation while targeting 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 pending sale of ALIC and certain affiliates is expected to decrease Allstate Life, Allstate Annuities and total consolidated portfolios by approximately 85%, 80% and 30%, respectively.

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 strategy includes investments primarily in public fixed income and equity securities. It seeks to deliver predictable earnings aligned to business needs and take advantage of short-term opportunities primarily through public and private fixed income investments and public equity securities.

Performance-based strategy seeks to deliver attractive risk-adjusted returns and supplement market risk with idiosyncratic risk. 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.

Coronavirus impacts

Ongoing uncertainty related to the future path of the pandemic has and may continue to create market volatility that has impacted the valuations, liquidity, prospects and risks of fixed income securities, equity securities and performance-based investments, primarily limited partnership interests, during 2020. Fixed income securities in certain sectors such as energy, automotive, retail, travel, lodging and airlines were negatively impacted. Although fixed income and equity security values generally increased since the first quarter, future investment results will depend on developments, including the duration and spread of the outbreak, preventive measures to combat the spread of the virus, and capital market conditions, including the pace of economic recovery and effectiveness of the fiscal and monetary policy responses. During the second quarter of 2020, short-term loan modifications were executed to grant temporary partial deferral of payments on $274 million of commercial mortgage loans with $2 million of modified payments outstanding as of December 31, 2020.

The ongoing impact of the Coronavirus on financial markets and the overall economy remain uncertain. Some of the restrictions implemented to contain the pandemic have been relaxed, but reduced economic activity, limits on large gatherings and events and higher unemployment continue. Additionally, there is no way of predicting with certainty how long the pandemic might last, including the potential for restrictions being restored or new restrictions being implemented that could result in further economic volatility.

Impact of Low Interest Rate Environment

In January 2021, the Federal Open Market Committee ("FOMC") maintained the target range for federal funds rate at 0 percent to 1/4 percent. The FOMC noted that the ongoing public health crisis will continue to weigh on economic activity, employment and inflation and poses considerable risks to the economic outlook. The FOMC expects to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.

Contractual maturities and yields of fixed income securities and mortgage loans for the next three years

	Fixed income securities		Mortgage loans	
($ in millions)	Carrying value	Investment yield	Carrying value	Investment yield
2021	$ 3,136	3.8 %	$ 277	4.5 %
2022	5,317	2.9	388	4.3
2023	6,373	2.9	556	4.4

Investing activity will continue to decrease our portfolio yield as long as market yields remain below the current portfolio yield. Any decline in market-based portfolio yield is expected to result in lower net investment income in future periods. Interest-bearing investments are comprised of fixed income securities, mortgage loans, short-term investments and other investments, including bank and agent loans.

In the Allstate Annuities segment, the decline in the portfolio yield has been partially mitigated because a portion of the investment cash flows have been used to fund the managed reduction in spread-based liabilities. The decline in market-based portfolio yield and Allstate Annuities invested assets are expected to result in lower net investment income in future periods.

Investments Outlook

We plan to focus on the following priorities:

- Enhance investment portfolio returns through use of a dynamic capital allocation framework and focus on 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 Property-Liability portfolio, 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 with reductions in contractholder funds for the Allstate Annuities segment.

Income related to performance-based investments will result in variability of earnings for the Property-Liability and Allstate Annuities portfolios.

Portfolio composition and strategy by reporting segment (1)

($ in millions)	As of December 31, 2020 Property-Liability	Protection Services	Allstate Life	Allstate Benefits	Allstate Annuities	Corporate and Other	Total
Fixed income securities (2)	$ 38,793	$ 1,604	$ 9,076	$ 1,485	$ 14,713	$ 683	$ 66,354
Equity securities (3)	2,598	97	133	132	1,409	341	4,710
Mortgage loans, net	568	—	1,476	178	1,853	—	4,075
Limited partnership interests	4,563	—	—	—	3,046	—	7,609
Short-term investments (4)	2,104	121	367	36	626	4,546	7,800
Other, net	1,508	—	1,354	181	644	2	3,689
Total	**$ 50,134**	**$ 1,822**	**$ 12,406**	**$ 2,012**	**$ 22,291**	**$ 5,572**	**$ 94,237**
Percent to total	**53.2 %**	**1.9 %**	**13.2 %**	**2.1 %**	**23.7 %**	**5.9 %**	**100.0 %**
Market-based	$ 44,712	$ 1,822	$ 12,406	$ 2,012	$ 18,963	$ 5,570	$ 85,485
Performance-based	5,422	—	—	—	3,328	2	8,752
Total	**$ 50,134**	**$ 1,822**	**$ 12,406**	**$ 2,012**	**$ 22,291**	**$ 5,572**	**$ 94,237**

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

(2) Fixed income securities are carried at fair value. Amortized cost, net for these securities was $36.52 billion, $1.51 billion, $8.05 billion, $1.36 billion, $13.37 billion, $642 million and $61.45 billion for Property-Liability, Protection Services, Allstate Life, Allstate Benefits, Allstate Annuities, Corporate and Other, and in total, respectively.

(3) Equity securities are carried at fair value. The fair value of equity securities, held as of December 31, 2020, was $857 million in excess of cost. These net gains were primarily concentrated in the technology and consumer goods sectors and in equity index funds. Equity securities include $1.29 billion of funds with underlying investments in fixed income securities as of December 31, 2020.

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

Investments totaled $94.24 billion as of December 31, 2020, increasing from $88.36 billion as of December 31, 2019, primarily due to higher fixed income valuations, positive operating cash flows and issuance of senior debt, partially offset by common share repurchases, dividends paid to shareholders, net reductions in contractholder funds and repayment of preferred stock.

Portfolio composition by investment strategy

($ in millions)	As of December 31, 2020 Market-based	Performance-based	Total
Fixed income securities	$ 66,242	$ 112	$ 66,354
Equity securities	4,342	368	4,710
Mortgage loans, net	4,075	—	4,075
Limited partnership interests	410	7,199	7,609
Short-term investments	7,800	—	7,800
Other, net	2,616	1,073	3,689
Total	**$ 85,485**	**$ 8,752**	**$ 94,237**
Percent to total	**90.7 %**	**9.3 %**	**100.0 %**
Unrealized net capital gains and losses			
Fixed income securities	$ 4,901	$ 2	$ 4,903
Limited partnership interests	—	(4)	(4)
Other	(3)	—	(3)
Total	**$ 4,898**	**$ (2)**	**$ 4,896**

During 2020, strategic actions focused on optimizing portfolio yield, return and risk in the low interest rate environment.

We continued to increase performance-based investments in the Property-Liability portfolio.

We increased the maturity profile of fixed income securities in our Allstate Life and Allstate Annuities portfolios to a duration of 6.4 years and 5.3 years, respectively, while maintaining duration at 5.0 years in our Property-Liability portfolio.

In the Allstate Annuities portfolio, invested assets and market-based income declined 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 reduce the risk that investment returns are below levels required to meet their funding needs while shorter-term annuity liabilities will be invested in market-based investments.

Fixed income securities

Fixed income securities by type

($ in millions)	Fair value as of December 31, 2020	2019
U.S. government and agencies	$ 3,222	$ 5,086
Municipal	9,587	8,620
Corporate	51,142	43,078
Foreign government	1,055	979
Asset-backed securities ("ABS")	1,270	862
Mortgage-backed securities ("MBS")	78	419
Total fixed income securities	**$ 66,354**	**$ 59,044**

Fixed income securities are rated by third-party credit rating agencies or are internally rated. As of December 31, 2020, 86.4% of the consolidated fixed income securities portfolio was rated investment grade, which is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P, a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Credit ratings below these designations are considered lower credit quality or below investment grade, which includes high yield bonds. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Our initial investment decisions and ongoing monitoring procedures for fixed income securities are based on a due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure and liquidity risks of each issue.

Fixed income portfolio monitoring is a comprehensive process to identify and evaluate each fixed income security that may require a credit loss allowance. The process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost is below internally established thresholds. For further detail on our fixed income portfolio monitoring process, see Note 5 of the consolidated financial statements.

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

	December 31, 2020					
	A and above		BBB		BB	
($ in millions)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)
U.S. government and agencies	$ 3,222	$ 93	$ —	$ —	$ —	$ —
Municipal	9,246	794	294	35	5	1
Corporate						
Public	13,902	1,233	19,071	1,604	2,894	219
Privately placed	4,121	316	5,194	343	2,763	115
Total corporate	18,023	1,549	24,265	1,947	5,657	334
Foreign government	1,039	41	11	1	5	—
ABS	1,165	8	18	(2)	17	—
MBS	44	3	25	—	2	—
Total fixed income securities	**$ 32,739**	**$ 2,488**	**$ 24,613**	**$ 1,981**	**$ 5,686**	**$ 335**

	B		CCC and lower		Total	
	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)
U.S. government and agencies	$ —	$ —	$ —	$ —	$ 3,222	$ 93
Municipal	11	1	31	4	9,587	835
Corporate						
Public	531	7	46	(1)	36,444	3,062
Privately placed	2,348	66	272	14	14,698	854
Total corporate	2,879	73	318	13	51,142	3,916
Foreign government	—	—	—	—	1,055	42
ABS	13	(1)	57	5	1,270	10
MBS	—	—	7	4	78	7
Total fixed income securities	**$ 2,903**	**$ 73**	**$ 413**	**$ 26**	**$ 66,354**	**$ 4,903**

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

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 include publicly traded and privately placed securities. Privately placed securities primarily consist of corporate issued senior debt securities that are negotiated with the borrower or are issued by public entities in unregistered form.

Our portfolio of privately placed securities is diversified by issuer, industry sector and country. The portfolio is made up of 561 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 dialogue 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. Liquidity of securities issued by public entities in unregistered form is similar to public debt markets.

Our corporate bonds portfolio includes $8.85 billion of below investment grade bonds, $5.38 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 378 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 with an emphasis on idiosyncratic positions reflective of our views of market conditions and opportunities.

Foreign government securities include 90.8% of Canadian governmental and provincial securities (all of which are held by our Canadian companies), 8.6% backed by the U.S. government and 0.6% that are highly diversified in other foreign governments.

ABS and MBS 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 includes collateralized debt obligations, consumer and other ABS. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees or insurance.

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

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

Mortgage loans mainly comprise loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification. For further detail on our mortgage loan portfolio, see Note 5 of the consolidated financial statements.

Limited partnership interests include $6.13 billion of interests in private equity funds, $1.07 billion of interests in real estate funds and $410 million of interests in other funds as of December 31, 2020. We have commitments to invest additional amounts in limited partnership interests totaling $2.93 billion as of December 31, 2020.

Private equity limited partnerships by sector (% of carrying value)	December 31, 2020
Industrial	18.5 %
Consumer staples	11.8
Consumer discretionary	10.8
Information technology	10.2
Utilities	10.1
Healthcare	9.6
Other	29.0
Total	**100.0 %**

Real estate limited partnerships by sector (% of carrying value)	December 31, 2020
Industrial	31.3 %
Residential	23.9
Office	13.2
Other	31.6
Total	**100.0 %**

Short-term investments primarily comprise money market funds, commercial paper, U.S. Treasury bills and other short-term investments, including securities lending collateral of $1.24 billion.

Other investments primarily comprise $1.02 billion of bank loans, $974 million of real estate, $754 million of policy loans, $631 million of agent loans (loans issued to exclusive Allstate agents) and $204 million of derivatives as of December 31, 2020. For further detail on our use of derivatives, see Note 7 of the consolidated financial statements.

Direct real estate investments by sector (% of carrying value)	December 31, 2020
Residential	43.9 %
Retail	14.2
Agriculture	12.6
Industrial	12.1
Timber	10.6
Other	6.6
Total	**100.0 %**

Unrealized net capital gains (losses)

($ in millions)	As of December 31, 2020	2019
U.S. government and agencies	$ 93	$ 115
Municipal	835	540
Corporate	3,916	1,988
Foreign government	42	11
ABS	10	2
MBS	7	95
Fixed income securities	**4,903**	**2,751**
Derivatives	(3)	(3)
Equity method of accounting (“EMA”) limited partnerships	(4)	(4)
Unrealized net capital gains and losses, pre-tax	**$ 4,896**	**$ 2,744**

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

($ in millions)	Amortized cost, net	As of December 31, 2020 Gross unrealized Gains	Losses	Fair value
Corporate				
Transportation				
Airlines	$ 341	$ 12	$ (9)	$ 344
Railroad and other	1,588	198	(9)	1,777
Total transportation	1,929	210	(18)	2,121
Banking	5,352	322	(14)	5,660
Energy				
Midstream	1,662	128	(1)	1,789
Integrated	517	59	—	576
Independent/upstream	312	36	(2)	346
Other	240	16	(4)	252
Total energy	2,731	239	(7)	2,963
Financial services				
Finance companies	494	31	(4)	521
Life insurance	903	64	(1)	966
Other	1,436	111	(1)	1,546
Total financial services	2,833	206	(6)	3,033
Utilities	5,948	622	(6)	6,564
Communications	3,691	328	(6)	4,013
Consumer goods				
Cyclical				
Automotive	1,706	109	—	1,815
Gaming, lodging, and leisure	711	44	—	755
Retailers	1,185	122	—	1,307
Restaurants	472	39	—	511
Other	1,078	84	(1)	1,161
Total cyclical	5,152	398	(1)	5,549
Non-cyclical	7,991	639	(2)	8,628
Total consumer goods	13,143	1,037	(3)	14,177
Capital goods	5,259	449	(2)	5,706
Technology	3,662	313	(2)	3,973
Basic industry	2,378	240	(1)	2,617
Other	300	15	—	315
Total corporate fixed income portfolio	**47,226**	**3,981**	**(65)**	**51,142**
U.S. government and agencies	3,129	94	(1)	3,222
Municipal	8,752	837	(2)	9,587
Foreign government	1,013	42	—	1,055
ABS	1,260	15	(5)	1,270
MBS	71	7	—	78
Total fixed income securities	**$ 61,451**	**$ 4,976**	**$ (73)**	**$ 66,354**

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

($ in millions)	December 31, 2019 Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Corporate				
Transportation				
Airlines	$ 418	$ 12	$ —	$ 430
Railroad and other	1,613	120	—	1,733
Total transportation	2,031	132	—	2,163
Banking	4,610	143	(14)	4,739
Energy				
Midstream	1,570	77	(4)	1,643
Independent/upstream	422	19	(10)	431
Integrated	406	32	—	438
Other	237	11	—	248
Total energy	2,635	139	(14)	2,760
Financial services				
Finance companies	582	24	—	606
Life insurance	725	30	—	755
Other	1,169	53	(2)	1,220
Total financial services	2,476	107	(2)	2,581
Utilities	5,197	385	(6)	5,576
Communications	2,721	158	(2)	2,877
Consumer goods				
Cyclical				
Gaming, lodging and leisure	596	28	—	624
Automotive	1,463	42	(1)	1,504
Retailers	920	52	—	972
Restaurants	390	19	—	409
Other	1,056	49	(3)	1,102
Total cyclical	4,425	190	(4)	4,611
Non-cyclical	7,112	316	(1)	7,427
Total consumer goods	11,537	506	(5)	12,038
Capital goods	4,945	229	(1)	5,173
Technology	2,765	112	(1)	2,876
Basic industry	1,897	114	(2)	2,009
Other	276	10	—	286
Total corporate fixed income portfolio	**41,090**	**2,035**	**(47)**	**43,078**
U.S. government and agencies	4,971	141	(26)	5,086
Municipal	8,080	551	(11)	8,620
Foreign government	968	16	(5)	979
ABS	860	8	(6)	862
MBS	324	96	(1)	419
Total fixed income securities	**$ 56,293**	**$ 2,847**	**$ (96)**	**$ 59,044**

In general, the gross unrealized losses are related to an increase in market yields, which may include increased risk-free interest rates and wider credit spreads since the time of initial purchase.

Similarly, gross unrealized gains reflect a decrease in market yields since the time of initial purchase.

Equity securities by sector

($ in millions)	December 31, 2020 Cost	December 31, 2020 Over (under) cost	December 31, 2020 Fair value	December 31, 2019 Cost	December 31, 2019 Over (under) cost	December 31, 2019 Fair value
Energy	$ 112	$ 6	$ 118	$ 275	$ 15	$ 290
Utilities	53	13	66	116	38	154
Transportation	37	13	50	81	32	113
Capital goods	157	16	173	331	91	422
Basic industry	47	26	73	135	40	175
Other [(1)]	1,260	549	1,809	2,526	1,062	3,588
Funds						
Fixed income	1,228	65	1,293	1,727	62	1,789
Equities	959	169	1,128	1,377	254	1,631
Total funds	2,187	234	2,421	3,104	316	3,420
Total equity securities	**$ 3,853**	**$ 857**	**$ 4,710**	**$ 6,568**	**$ 1,594**	**$ 8,162**

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

Net investment income

($ in millions)	For the years ended December 31, 2020	2019	2018
Fixed income securities	$ 2,136	$ 2,175	$ 2,077
Equity securities	98	206	170
Mortgage loans	220	220	217
Limited partnership interests	338	471	705
Short-term investments	23	102	73
Other	251	262	272
Investment income, before expense	3,066	3,436	3,514
Investment expense			
Investee level expenses [(1)]	(59)	(81)	(71)
Securities lending expense	(6)	(40)	(28)
Operating costs and expenses	(148)	(156)	(175)
Total investment expense	(213)	(277)	(274)
Net investment income	**$ 2,853**	**$ 3,159**	**$ 3,240**
Market-based	$ 2,663	$ 2,893	$ 2,734
Performance-based	403	543	780
Investment income, before expense	**$ 3,066**	**$ 3,436**	**$ 3,514**

[(1)] Beginning January 1, 2020, depreciation previously included in investee level expenses is reported as realized capital gains or losses.

Net investment income decreased 9.7% or $306 million in 2020 compared to 2019, primarily due to a decline in market-based income driven by lower interest-bearing portfolio yields and lower performance-based results, primarily from limited partnerships.

Performance-based investment income			
	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Limited partnerships			
Private equity	$ 297	$ 330	$ 582
Real estate	38	138	123
Performance-based - limited partnerships	**335**	**468**	**705**
Non-limited partnerships			
Private equity	(12)	9	9
Real estate	80	66	66
Performance-based - non-limited partnerships	**68**	**75**	**75**
Total			
Private equity	285	339	591
Real estate	118	204	189
Total performance-based	**$ 403**	**$ 543**	**$ 780**
Investee level expenses [1]	$ (55)	$ (74)	$ (64)

[1] Investee level expenses include depreciation and asset level operating expenses reported in investment expense. Beginning January 1, 2020, depreciation previously included in investee level expenses is reported as realized capital gains or losses.

Performance-based investment income decreased 25.8% or $140 million in 2020 compared to 2019, due to lower valuations of real estate and private equity investments, partially offset by net gains on sales of underlying investments.

Performance-based investment results and income can vary significantly between periods and are influenced by economic conditions, equity market performance, comparable public company earnings multiples, capitalization rates, operating performance of the underlying investments and the timing of asset sales.

Components of realized capital gains (losses) and the related tax effect			
	For the year December 31,		
($ in millions)	**2020**	**2019**	**2018**
Sales [1]	$ 1,017	575	$ (215)
Credit losses [2]			
Fixed income securities	(5)	(14)	(10)
Mortgage loans	(38)	—	—
Limited partnership interests	(10)	(6)	(3)
Other investments	(27)	(27)	(1)
Total credit losses	**(80)**	**(47)**	**(14)**
Valuation of equity investments - appreciation (decline):			
Equity securities	321	1,117	(567)
Equity fund investments in fixed income securities	25	93	(27)
Limited partnerships [3]	20	162	(97)
Total valuation of equity investments	**366**	**1,372**	**(691)**
Valuation and settlements of derivative instruments	53	(15)	43
Realized capital gains and losses, pre-tax	**1,356**	**1,885**	**(877)**
Income tax (expense) benefit	(293)	(397)	189
Realized capital gains and losses, after-tax	**$ 1,063**	**$ 1,488**	**$ (688)**
Market-based	$ 1,288	$ 1,750	$ (946)
Performance-based	68	135	69
Realized capital gains and losses, pre-tax	**$ 1,356**	**$ 1,885**	**$ (877)**

[1] Beginning January 1, 2020, depreciation previously included in investee level expenses is reported as realized capital gains or losses.

[2] Due to the adoption of the measurement of credit losses on financial instruments accounting standard, realized capital losses previously reported as other-than-temporary impairment write-downs are now presented as credit losses.

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

Sales in 2020 related primarily to fixed income securities in connection with ongoing portfolio management. Sales in 2019 related primarily to fixed income securities in connection with ongoing portfolio management, as well as gains from limited partnerships.

Valuation and settlements of derivative instruments in 2020 primarily comprised gains on interest rate futures used for asset replication and equity futures used for risk management due to a decrease in indices in first quarter 2020, partially offset by losses on interest rate futures used for risk management and foreign currency contracts due to weakening of the U.S. dollar in the second half of 2020. 2019 primarily comprised losses on equity options and futures used for risk management, partially offset by gains on interest rate futures and total return swaps used for asset replication due to increases in equity indices.

Realized capital gains (losses) for performance-based investments

	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Sales [1]	$ 39	$ 103	$ 7
Credit losses [2]	(10)	(6)	(3)
Valuation of equity investments	60	31	36
Valuation and settlements of derivative instruments	(21)	7	29
Total performance-based	**$ 68**	**$ 135**	**$ 69**

(1) Beginning January 1, 2020, depreciation previously included in investee level expenses is reported as realized capital gains or losses.

(2) Due to the adoption of the measurement of credit losses on financial instruments accounting standard, realized capital losses previously reported as other-than-temporary impairment write-downs are now presented as credit losses.

Realized capital gains for performance-based investments in 2020 primarily related to increased valuation of equity investments and gains on sales of real estate investments, partially offset by losses on valuation and settlement of derivative instruments. 2019 primarily related to gains on sales of investments in directly held real estate, a gain on the sale of a limited partnership and increased valuation of equity investments.

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 or risk tolerance. Our primary market risk exposures are to changes in interest rates, credit spreads and equity prices. We also have direct and indirect exposure to commodity price changes through our diversified investments in timber, agriculture, infrastructure and energy primarily held in limited partnership interests and consolidated subsidiaries.

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
3) Using derivative instruments to modify the market risk characteristics of existing assets and liabilities or assets expected to be purchased

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 the subsidiaries' boards of directors and legal entity investment committees. The Enterprise Risk and Return Council ("ERRC") oversees the aggregate risk of Allstate and its subsidiaries. Working in conjunction with the board or the investment committee of each subsidiary, as applicable, the ERRC evaluates the risk tolerance of each subsidiary and determines the aggregate risk tolerance of the enterprise.

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 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. The pending sale of ALIC and certain affiliates is expected to decrease Allstate Life, Allstate Annuities and total consolidated portfolios by approximately 85%, 80% and 30%, respectively.

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.

  The selection of measures used in our sensitivity analysis should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

In general, we establish investment portfolio asset allocation and market risk limits based upon a combination of these measures. 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 ladder the maturity dates of our debt. For our noncumulative perpetual preferred stock, we monitor market dividend rates and evaluate opportunities to redeem or refinance on or after specified dates. For further detail regarding our debt and our preferred stock, see Note 12 of the consolidated financial statements and the Capital Resources and Liquidity section.

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 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, 2020, the difference between our asset and liability duration was a (2.11) gap compared to a (1.48) gap as of December 31, 2019. 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 may be 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, 2020, 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.

Interest rate shock analysis (1)

	As of December 31,	
($ in millions)	**2020**	**2019**
Increase in fair value of the assets net of liabilities (2)	$ 1,981	$ 1,209

(1) Represents an immediate, parallel increase of 100 basis points based on information and assumptions used in the duration calculations and market interest rates as of December 31, 2020.

(2) Estimate excludes traditional and interest-sensitive life insurance and accident and health insurance products that are not considered financial instruments. The assets supporting these products totaled $12.58 billion and $12.14 billion as of December 31, 2020 and 2019, respectively. Based on assumptions described above, these assets would decrease in value by $673 million as of December 31, 2020 compared to a decrease of $649 million as of December 31, 2019.

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 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 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, 2020, the spread duration was 4.95 compared to 4.60 as of December 31, 2019.

Credit spread shock analysis [1]

($ in millions)	As of December 31, 2020	As of December 31, 2019
Decrease in net fair value of the assets [2]	$ 3,489	$ 2,877

[1] Represents an immediate, parallel increase of 100 basis points across all asset classes, industry sectors and credit ratings based on information and assumptions used in the spread duration calculations and market interest rates as of December 31, 2020.

[2] Reflects effects of tactical positions that include the use of credit default swaps to manage spread risk.

Equity price risk is the risk that we will incur losses due to adverse changes in the general levels of the markets.

Equity investments As of December 31, 2020, we held $3.76 billion in equity securities, excluding those with fixed income securities as their underlying investments, and limited partnership interests where the underlying assets are predominately public equity securities, compared to $7.28 billion as of December 31, 2019. 62.6% of the common stocks and other investments with public equity risk supported property and casualty products as of December 31, 2020, compared to 80.4% as of December 31, 2019. As of December 31, 2020, these investments had an equity market portfolio beta of 1.07, compared to a beta of 1.02 as of December 31, 2019. 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").

Change in S&P 500 by 10%

($ in millions)	As of December 31, 2020	As of December 31, 2019
Change in net fair value of equity investments	$ 401	$ 742

We periodically use put options to reduce equity price risk or call options to adjust our equity risk profile. Put options provide an offset to declines in equity market values below a targeted level, while call options provide participation in equity market appreciation above a targeted level. Options can expire, terminate early or the option can be exercised. If the equity index does not fall below the put's strike price or rise above the call's strike price, the maximum loss on purchased puts and calls is limited to the amount of the premium paid.

Limited partnership interests As of December 31, 2020, we held $7.20 billion in limited partnership interests excluding those limited partnership interests where the underlying assets are predominately public equity securities compared to $7.17 billion as of December 31, 2019. 60.5% of the limited partnership interests supported property and casualty products as of December 31, 2020, compared to 56.7% as of December 31, 2019. These investments are primarily comprised of private equity and real estate funds. These investments are idiosyncratic in nature and a greater portion of the return is derived from asset operating performance. They are not actively traded, and valuation changes typically reflect the performance of the underlying asset.

Change in private market valuations by 10%

($ in millions)	As of December 31, 2020	As of December 31, 2019
Change in net fair value of limited partnership interests	$ 720	$ 717

For limited partnership interests, quarterly changes in fair values may not be highly correlated to equity indices in the short term and changes in value of these investments are generally recognized on a three-month delay due to the availability of the related investee financial statements. 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.

Separate Accounts As of December 31, 2020 and 2019, we had separate account assets related to variable annuity and variable life contracts with account values totaling $3.34 billion and $3.04 billion, respectively. Equity risk exists for contract charges based on separate account balances and guarantees for death 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 variable life contract charges, including reinsurance assumed, for 2020 and 2019 were $46 million and $45 million, respectively. Separate account liabilities related to variable life contracts were $109 million and $85 million as of December 31, 2020 and 2019, respectively.

Equity-indexed Life and Annuity Liabilities As of December 31, 2020 and 2019, we had $1.98 billion and $1.92 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 Canada, Northern Ireland and India operations. We use foreign currency derivative contracts to partially offset this risk.

As of December 31, 2020, we had $1.27 billion in foreign currency denominated equity investments, including the impact of foreign currency derivative contracts, $1.30 billion net investment in our foreign subsidiaries, primarily related to our Canada operations, and $77 million in unhedged non-U.S. dollar fixed income securities. These amounts were $2.80 billion, $1.08 billion, and $113 million, respectively, as of December 31, 2019.

Change in foreign currency exchange rates [1]

($ in millions)	As of December 31, 2020	2019
Decrease in value of foreign currency denominated instruments	$ 329	$ 402

[1] Represents a 10% immediate unfavorable change in each of the foreign currency exchange rates to which we are exposed based on information and assumptions used, including the impact of foreign currency derivative contracts.

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.

Capital Resources and Liquidity

Capital resources consist of shareholders' equity and debt, representing funds deployed or available to be deployed to support business operations or for general corporate purposes.

Capital resources

	As of December 31,		
($ in millions)	**2020**	**2019**	**2018**
Preferred stock, common stock, treasury stock, retained income and other shareholders' equity items	$ 26,913	$ 24,048	$ 21,194
Accumulated other comprehensive (loss) income	3,304	1,950	118
Total shareholders' equity	**30,217**	**25,998**	**21,312**
Debt	7,825	6,631	6,451
Total capital resources	**$ 38,042**	**$ 32,629**	**$ 27,763**
Ratio of debt to shareholders' equity	25.9 %	25.5 %	30.3 %
Ratio of debt to capital resources	20.6 %	20.3 %	23.2 %

Shareholders' equity increased in 2020, primarily due to net income and increased net unrealized capital gains on investments, partially offset by common share repurchases, dividends paid to shareholders and redemption of preferred stock. In 2020, we paid dividends of $668 million and $108 million related to our common and preferred shares, respectively. Shareholders' equity increased in 2019, primarily due to net income, increased net unrealized capital gains on investments and issuance of preferred stock, partially offset by common share repurchases and dividends paid to shareholders. In 2019, we paid dividends of $653 million and $134 million related to our common and preferred shares, respectively.

Common share repurchases As of December 31, 2020, there was $1.56 billion remaining on the $3.00 billion common share repurchase program that is expected to be completed by the end of 2021.

In September 2020, we entered into an accelerated share repurchase agreement ("ASR agreement") with Goldman Sachs & Co. LLC ("Goldman Sachs") to purchase $750 million of our outstanding common stock. Under the ASR agreement, we paid $750 million upfront and initially acquired 7.0 million shares. The ASR agreement settled on January 12, 2021, and we repurchased a total of 7.8 million shares at an average price of $96.21. After the completion of the ASR, there was $1.45 billion remaining on the $3.00 billion common share repurchase program.

During 2020, we repurchased 17.4 million common shares, or 5.5% of total common shares outstanding as of December 31, 2019, for $1.70 billion. The common share repurchases were completed through open market transactions and ASR agreements.

Since 1995, we have acquired 742 million shares of our common stock at a cost of $36.93 billion, primarily as part of various stock repurchase programs. We have reissued 148 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 594 million shares or 66.2%, primarily due to our repurchase programs.

Common shareholder dividends On January 2, 2020, April 1, 2020, July 1, 2020, and October 1, 2020, we paid common shareholder dividends of $0.50, $0.54, $0.54 and $0.54, respectively. On November 18, 2020, we declared a common shareholder dividend of $0.54, payable on January 4, 2021.

Redemption of preferred stock and issuance of debt On January 15, 2020, we redeemed all 11,500 shares of Fixed Rate Noncumulative Preferred Stock, Series A and the corresponding depositary shares for $288 million.

On November 19, 2020, we issued $600 million of 0.750% Senior Notes due 2025 and $600 million of 1.450% Senior Notes due 2030. Interest on the Senior Notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2021. The Senior Notes are redeemable at any time at the applicable redemption price prior to the maturity date. The net proceeds of this issuance were used to partially fund the acquisition of National General.

For additional details on these transactions, see Note 12 of the consolidated financial statements.

Financial ratings and strength

Senior long-term debt, commercial paper and insurance financial strength ratings			
	As of December 31, 2020		
	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)	A2	N/A	A+
Allstate Assurance Company (insurance financial strength)	A2	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.

The Allstate Corporation (the "Corporation") and Allstate Insurance Company ("AIC") In June 2020, A.M. Best affirmed the Corporation's debt and short-term issuer ratings of a and AMB-1+, respectively, and the insurance financial strength rating of A+ for AIC. The outlook for the ratings is stable.

In July 2020, S&P affirmed the Corporation's debt and short-term issuer ratings of A- and A-2, respectively, and the insurance financial strength rating of AA- for AIC. The outlook for the ratings is stable.

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

ALIC and Allstate Assurance Company ("AAC") In June 2020, A.M. Best affirmed the insurance financial strength ratings of A+ for ALIC and AAC. Subsequent to the announcement of the pending sale of ALIC and certain affiliates, A.M. Best affirmed the insurance financial strength rating of A+ for ALIC and AAC and placed these under review with negative implications.

Effective June 25, 2020, we are no longer requesting a rating from S&P for ALIC, which was rated A+ with a stable outlook at the time of the withdrawal.

Subsequent to the announcement of the pending sale of ALIC and certain affiliates, Moody's downgraded the insurance financial strength rating for ALIC and AAC to A3 from A2 and placed these under review for potential further downgrade.

Other property and casualty companies 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 June 2020, A.M. Best affirmed the A rating of ANJ, which writes auto and homeowners insurance in New Jersey, and the A+ rating of North Light, our excess and surplus lines carrier. The outlook for the ANJ rating and North Light rating is stable. ANJ also has a Financial Stability Rating® of A″ from Demotech, which was affirmed in December 2020. In April 2020, A.M. Best affirmed the B+ rating of CKIC, which underwrites personal lines property insurance in Florida. CKIC also has a Financial Stability Rating of A' from Demotech that was affirmed in November 2020. ANJ, North Light and CKIC do not have support agreements with AIC.

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.

The property and casualty business is comprised of 29 insurance companies as of December 31, 2020, each of which has individual company dividend limitations. As of December 31, 2020, total statutory surplus is $21.38 billion compared to $20.40 billion as of December 31, 2019. Property and casualty subsidiaries surplus was $17.13 billion as of December 31, 2020, compared to $16.19 billion as of December 31, 2019. Life insurance subsidiaries surplus was $4.26 billion as of December 31, 2020, compared to $4.21 billion as of December 31, 2019.

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. Two of our domestic life insurance companies have four ratios outside the usual 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*	*Protection Services*	*Allstate Life*	*Allstate Benefits*	*Allstate Annuities*	*Corporate and Other*
Receipt of insurance premiums	✓	✓	✓	✓		
Recurring service fees	✓	✓		✓		
Contractholder fund deposits			✓	✓	✓	
Reinsurance and indemnification program 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*	*Protection Services*	*Allstate Life*	*Allstate Benefits*	*Allstate Annuities*	*Corporate and Other*
Payment of claims and related expenses	✓	✓				
Payment of contract benefits, surrenders and withdrawals			✓	✓	✓	
Reinsurance cessions and indemnification program 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 benefit plans	✓	✓	✓	✓	✓	✓
Payments for acquisitions	✓	✓	✓	✓	✓	✓

Contractual obligations and commitments We have short-term and long-term contractual obligations and commitments. 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. Long-term obligations include known contractual commitments that require cash needs beyond 12 months.

Short-term contractual obligations are typically settled with cash or short-term investments and operating cash flows. Most of these obligations are paid within one year. These include unconditional purchase obligations, other liabilities and accrued expenses, including liabilities for collateral and operating leases, and net unrecognized tax benefits.

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, 2020, we held $7.44 billion of cash, U.S. government and agencies fixed income securities, and public equity securities which we would expect to be able to liquidate within one week. 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, 2020, cash and estimated liquidity available within one quarter, under normal market conditions and at current market prices, was $26.77 billion.

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 $5.52 billion as of December 31, 2020 and approximately $4 billion were used to fund the purchase of National General, which closed on January 4, 2021. Deployable assets include $1.2 billion of proceeds from a debt issuance in November 2020 and comprise 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.

The payment of dividends by AIC to The Allstate Corporation is limited by Illinois insurance law to formula amounts based on statutory net income and statutory surplus, as well as the timing and amount of dividends paid in the preceding twelve months. Based on the greater of 2020 statutory net income or 10% of statutory surplus, the maximum amount of dividends that AIC will be able to pay, without prior Illinois Department of Insurance approval, at a given point in time in 2021 is estimated at $5.95 billion, less dividends paid during the preceding twelve months measured at that point in time. Notification and approval of intercompany lending activities are also required by the Illinois Department of Insurance for those transactions that exceed formula amounts based on statutory admitted assets and statutory surplus.

These holding company assets and subsidiary dividends provide funds for the parent company's fixed charges and other corporate purposes.

Intercompany dividends were paid in 2020, 2019 and 2018 between the following companies: AIC, Allstate Insurance Holdings, LLC ("AIH"), the Corporation, ALIC, American Heritage Life Insurance Company ("AHL") and Allstate Financial Insurance Holdings Corporation ("AFIHC").

Intercompany dividends

($ in millions)	2020	2019	2018
AIC to AIH	$ 4,435	$ 2,732	$ 2,874
AIH to the Corporation	4,443	2,747	2,897
ALIC to AIC	—	75	250
AHL to AFIHC	80	80	55
AFIHC to the Corporation	115	50	—

Dividends may not be paid or declared on our common stock and shares of common stock may not be repurchased unless the full dividends for the latest completed dividend period on our preferred stock have been declared and paid or provided for.

We are prohibited from declaring or paying dividends on our Series G preferred stock if we fail to meet specified capital adequacy, net income or shareholders' equity levels, except out of the net proceeds of common stock issued during the 90 days prior to the date of declaration. As of December 31, 2020, we satisfied all the requirements with no current restrictions on the payment of preferred stock dividends. There were no capital contributions paid by the Corporation to AIC or capital contributions by AIC to ALIC in 2020, 2019 or 2018.

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 2020, we did not defer interest payments on the subordinated debentures.

Additional resources to support liquidity are as follows:

- The Corporation, AIC and ALIC have access to an unsecured revolving credit facility that is available for short-term liquidity requirements. In November 2020, we entered into a new agreement for a $750 million unsecured revolving credit facility with a maturity date of November 2025. The facility is fully subscribed among 11 lenders with the largest commitment being $95 million. The commitments of the lenders are several and no lender is responsible for any other lender's commitment if such lender fails to make a loan under the facility. This facility contains an increase provision that would allow up to an additional $500 million of borrowing, subject to the lenders' commitment. This facility has a financial covenant requiring that we not exceed a 37.5% debt to capitalization ratio as defined in the agreement. This ratio was 17.5% as of December 31, 2020. 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 2020.
- The Corporation has access to a commercial paper facility with a borrowing limit equal to our undrawn credit facility balance of $750 million to cover short-term cash needs.
- As of December 31, 2020, there were no balances outstanding for the credit facility or the commercial paper facility and therefore the remaining borrowing capacity was $750 million.
- The Corporation has access to a universal shelf registration statement with the Securities and Exchange Commission that expires in 2021. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 596 million shares of treasury stock as of December 31, 2020), 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.

Long-term contractual obligations

Defined benefit pension plans and other postretirement benefit plans ("OPEB") Pension plan obligations within the next 12 months represent our planned contributions to certain unfunded non-qualified plans where the benefit obligation exceeds the assets. Obligations beyond 12 months 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. See Note 17 of the consolidated financial statements for further information.

Reserves for property and casualty insurance claims and claims expense represent estimated amounts necessary to settle all outstanding claims, including claims that have been IBNR as of the balance sheet date. Estimated timing of payments for reserves is based on our historical experience and our expectation of future payment patterns. The ultimate cost of losses may vary materially from recorded amounts that are our best estimates. See Note 8 of the consolidated financial statements and Application of Critical Accounting Estimates section of the MD&A for further information.

Reserve for life-contingent contract benefits and contractholder funds We estimate the present value of cash payments to be made to contractholders and policyholders. We are currently making payments for contracts where the timing of a portion or all of the payments has been determined by the contract. 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. 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 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. See Note 9 of the consolidated financial statements and Application of Critical Accounting Estimates section of the MD&A for further information. The pending sale of ALIC and certain affiliates represents approximately 90% of Allstate Life and 75% of Allstate Annuities reserves for life-contingent contract benefits and contractholder funds.

Liquidity exposure Contractholder funds were $17.21 billion as of December 31, 2020.

Contractholder funds by contractual withdrawal provisions

($ in millions)	December 31, 2020	Percent to total
Not subject to discretionary withdrawal	$ 2,652	15.4 %
Subject to discretionary withdrawal with adjustments:		
Specified surrender charges [1]	4,858	28.2
Market value adjustments [2]	697	4.1
Subject to discretionary withdrawal without adjustments [3]	9,006	52.3
Total contractholder funds	**$ 17,213**	**100.0 %**

(1) Includes $1.62 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

(2) $294 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.

(3) 90% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.

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 5.1% in 2020 and 6.0% in 2019. 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 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.

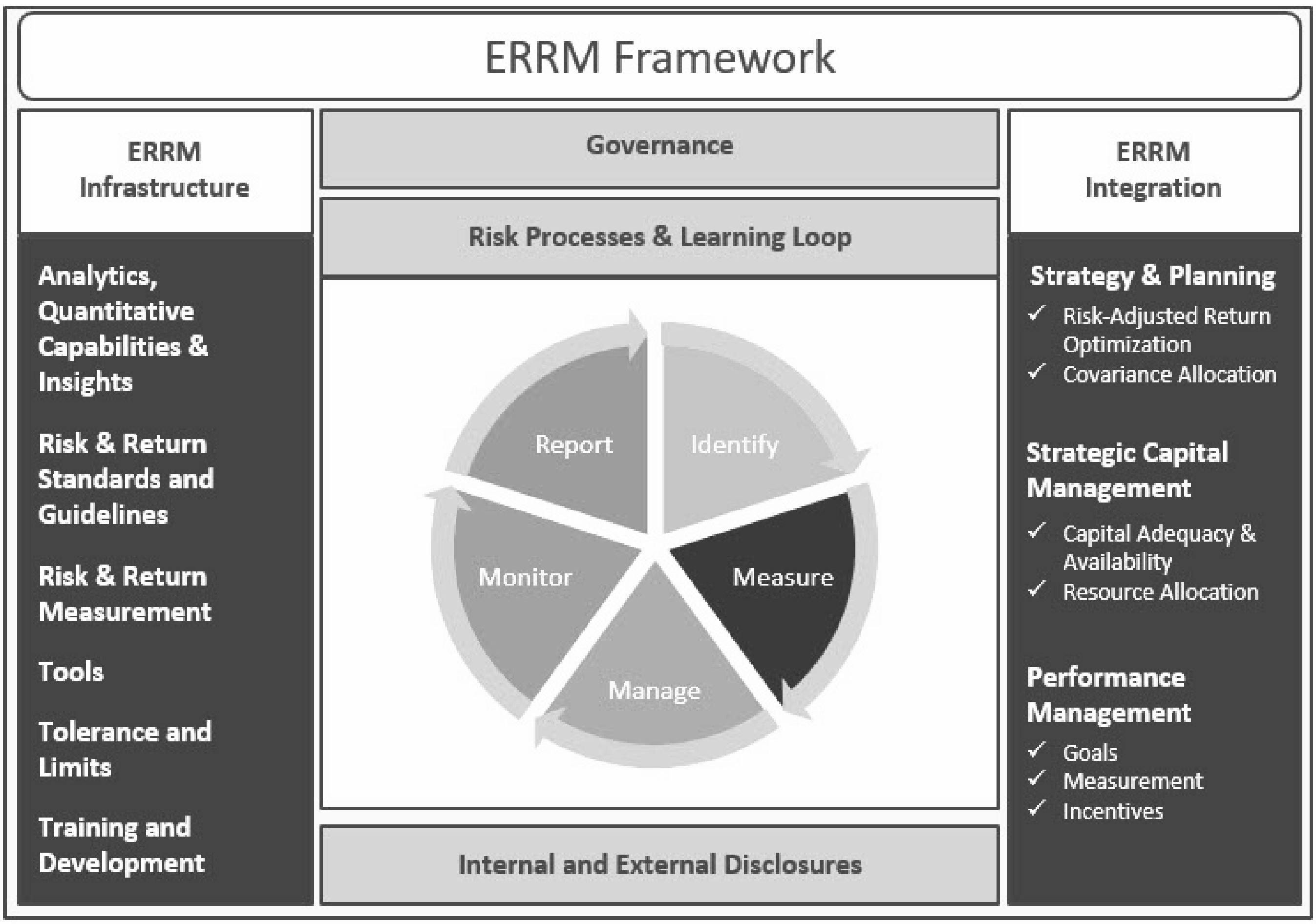
For a more detailed discussion of our off-balance sheet arrangements, see Note 7 of the consolidated financial statements.

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 services. These risks are discussed in more detail in the Risk Factors section of this document.

We regularly identify, measure, manage, monitor and report all significant risks. Major categories of enterprise risk are strategic, insurance, investment, financial, operational and culture.

Allstate manages these risks through an Enterprise Risk and Return Management ("ERRM") framework that includes governance, processes, 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 risk and return decision making. These principles state that our priority is to maintain a strong foundation by protecting solvency, complying with laws and acting 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, and enterprise and market-facing business chief risk officers.

- 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 program, governance structure and risk-related decision-making, while focusing on the Company's overall risk profile.
- The Audit Committee oversees the effectiveness of internal controls over financial reporting, disclosure controls and procedures as well as management's risk control framework and cybersecurity program.
- The Enterprise Risk and Return Council ("ERRC"), directs ERRM by establishing risk and return targets, determining economic capital levels and monitoring integrated strategies and actions from an enterprise risk and return perspective. The ERRC consists of Allstate's chief executive officer, vice chair, chief financial officer, chief risk officer and other senior leaders.
- Other key committees work with the ERRC to direct ERRM activities, including the Operating Committee, the Operational Risk Council, the Information Security Council, the Corporate Asset Liability Committee, liability governance committees, and investment committees.

Key risks are assessed and reported through comprehensive ERRM reports prepared for senior management and the RRC. The risk summary report communicates alignment of Allstate's risk profile with risk and return principles while providing a perspective on risk position. Discussion promotes active 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 review risks related to the strategic plan, operating plan and incentive compensation programs with the Allstate Board.

Framework We apply these principles using an integrated ERRM framework that focuses on assessment, transparency and dialogue. Our framework provides a comprehensive view of risks and is used by senior management and business managers to drive risk-return based decisions. We continually validate and improve our ERRM practices by benchmarking and obtaining external perspectives.

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 assessments, 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 management's view of the aggregate level of capital necessary to satisfy stakeholder interests, manage Allstate's risk profile and maintain financial strength. The impact of strategic initiatives on enterprise risk is evaluated through the economic capital 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. Results of the assessment are filed annually.

Allstate's risk appetite is measured through our economic capital framework. 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, potential tail 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 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, assessing, 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:

Strategic risk and return 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 and ongoing monitoring of our strategic actions, key assumptions 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, equity investments, including those with idiosyncratic return potential, auto profitability and growing property exposure.

Insurance risk and return management addresses fluctuations in the timing, frequency and severity of benefits, expenses, and premiums relative to the return expectations inclusive of systemic risk, concentration of insurance exposures, policy terms, reinsurance coverage, and claims handling practices.

Insurance risk exposures include our operating results and financial condition, 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 or industry-recognized models in the case of catastrophe risk.
- Scenario analysis: measures and monitors risks and estimated losses due to extreme low frequency events that include combined multiple event scenarios across risk categories and time periods.

Investment risk and return management addresses financial loss due to changes in the valuations of assets held in the Allstate investment portfolio, as well as liability valuation within the Life and Annuity business. Such losses may be caused by macro developments, such as changes to interest rates, credit spreads and equity price levels, 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 range of future investment results.
- Scenario analysis: measures material adverse outcomes such as shock scenarios applied to credit, public and private equity markets.

Some of the stress scenarios are a combination of multiple scenarios across risk categories and over multiple time periods, considering the effects of macroeconomic conditions.

Financial risk and return 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, credit risk that arises when an external party fails to meet a contractual obligation such as reinsurance for ceded claims, or risk associated with a business counterparty default.

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 holding company capital and liquidity needs. Current enterprise capital, which exceeds economic targeted levels, is based on a combination of statutory surplus and deployable assets at the parent holding company level.

Operational risk and return management addresses loss as a result of the failure of people, processes, systems or culture. Operational risk exposures include human capital, privacy, regulatory compliance, ethics, fraud, system availability, cybersecurity, data quality, disaster recovery and business continuity.

Operational risk is managed at the enterprise and market-facing business levels, through an integrated Operational Risk and Return Management ("ORRM") program, with resources throughout the enterprise identifying, measuring, monitoring, managing, and reporting on operational risks at a detailed level.

From time to time, we engage independent advisors to assess and consult on operational risks. We also perform assessments of the quality of our operational risk program and identify opportunities to strengthen our internal controls.

Culture risk and return management addresses the potential for loss of stakeholder value from a suboptimal work environment, missed opportunities, or ineffective risk management practices. Allstate defines organization culture as a self-sustaining system of shared values, principles and priorities that shape beliefs, drive behavior and influence decision-making within an organization.

Culture is managed based on a set of core cultural elements that have been established as a basis for assessment and measurement. Results of culture risk assessment are reported to the ERRC and RRC throughout the year.

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 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
- Pension and other postretirement plans net costs and assumptions

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 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 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, 2020 and 2019, 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

($ in millions)	December 31, 2020 Fair value	December 31, 2020 Percent to total
Fair value based on internal sources	$ 2,225	2.8 %
Fair value based on external sources [1]	76,639	97.2
Total	**$ 78,864**	**100.0 %**

(1) Includes $1.27 billion that are valued using broker quotes and $375 million that are valued using quoted prices or quoted net asset values from deal sponsors.

For additional detail on fair value measurements, see Note 6 of the consolidated financial statements.

Impairment of fixed income securities For fixed income securities classified as available-for-sale, the difference between amortized cost, net of credit loss allowance (“amortized cost, net”) and fair value, net of certain other items and deferred income taxes (as disclosed in Note 5 of the consolidated financial statements), is reported as a component of accumulated other comprehensive income (“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 credit loss allowance is recorded. We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income security that may require a credit loss allowance.

For each fixed income security in an unrealized loss position, 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, any existing credit loss allowance would be written-off against the amortized cost basis of the asset along with any remaining unrealized losses, with the incremental losses 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 calculate the estimated recovery value based on the best estimate of future cash flows considering past events, current conditions and reasonable and supportable forecasts. The estimated future cash flows are discounted at the security’s current effective rate, and are compared to the amortized cost of the security. The determination of cash flow estimates is inherently subjective, and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security 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, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, origination vintage year, geographic concentration of underlying collateral, available reserves or escrows, current subordination levels, third-party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, 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 we do not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, a credit loss allowance is recorded in earnings for the shortfall in expected cash flows; however, the amortized cost, net of the credit loss allowance, may not be lower than the fair value of the security. The portion of the unrealized loss related to factors other than credit remains classified in AOCI. If 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.

When a security is sold or otherwise disposed or the security is deemed uncollectible and written off, we remove amounts previously recognized in the credit loss allowance. Recoveries after write-offs are recognized when received.

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 other contracts (primarily related to finance and insurance products).

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 using actual experience and current assumptions. We evaluate our traditional life insurance products, immediate annuities with life contingencies, and voluntary accident and health insurance products 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 2020 and 2019, our DAC recoverability evaluation concluded that all recorded DAC balances were recoverable. For additional detail on reserve adequacy, see the Reserve for life-contingent contract benefits estimation section.

DAC related to interest-sensitive life insurance 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. 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. 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

($ in millions)	For the years ended December 31, 2020	2019
Investment margin	$ 157	$ 23
Benefit margin	(7)	38
Expense margin	(41)	(1)
Net acceleration	**$ 109**	**$ 60**

In 2020, DAC amortization acceleration for changes in the investment margin component of EGP related to interest-sensitive life insurance and was due to lower projected future interest rates and investment returns compared to our previous expectations. The deceleration related to benefit margin was due to decreased projected mortality. The expense margin deceleration was due to a decrease in projected expenses.

In 2019, DAC amortization acceleration for changes in the investment margin component of EGP was due to lower projected future interest rates and investment returns compared to our previous expectations. The acceleration related to benefit margin was due to decreased projected interest rates that result in lower projected policyholder account values which increases benefits on guaranteed products and more refined policy level information and assumptions.

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, 2020.

($ in millions)	Increase/(reduction)
Increase in future investment margins of 25 basis points	$ 54
Decrease in future investment margins of 25 basis points	(60)
Decrease in future life mortality by 1%	$ 15
Increase in future life mortality by 1%	(16)

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. 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. Our goodwill reporting units are equivalent to our reportable segments: Allstate Protection, Protection Services, Allstate Life and Allstate Benefits to which goodwill has been assigned.

Upon acquisition, the purchase price of the acquired business is assumed to be its fair value. Subsequently, we estimate the fair value of our businesses in each goodwill reporting unit, utilizing a combination of widely accepted valuation techniques including a stock price and market capitalization analysis, discounted cash flow ("DCF") calculations and an estimate of a business's fair value using market to book multiples derived from 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 the 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. Changes in market inputs or other events impacting the fair value of these businesses, including discount rates, operating results, investment returns, strategies and growth rate assumptions, among other factors, could result in goodwill impairments, resulting in a charge to income. Certain of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have substantial internally generated and unrecognized intangibles and fair values that significantly exceed their carrying values. Our Protection Services goodwill reporting unit is more heavily comprised of newly acquired businesses and as a result does not have a significant excess of fair value over its carrying value attributable to internally generated unrecognized intangibles. Therefore, this reporting unit may be more susceptible to potential future goodwill impairment based on changes to growth or margin assumptions.

The most significant assumptions utilized in the determination of the estimated fair value of the Protection Services reporting unit are the earnings growth rate and discount rate. The growth rate utilized in our fair value estimates is consistent with our plans to grow these businesses more rapidly over the near-term with more moderated growth rates in later years.

The discount rate, which is consistent with the weighted average cost of capital expected by a market participant, is based upon industry specific required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by changes in the risk-free rate, cost of debt, equity risk premium and entity specific risks.

Changes in our growth assumptions, including the risk of loss of key customers, or adverse changes in the discount rates could result in a decline in fair value and result in a goodwill impairment charge.

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.

See Discontinued and Lines and Coverages reserve estimates section for specific disclosures of industry and actuarial best practices for this segment.

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 multi-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. The development factor estimation methodology 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 and the Claims and Claims Expense Reserves sections 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. 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 continuously 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, favorable impact on net income applicable to common shareholders were 6.3%, 2.2% and 10.0% in 2020, 2019 and 2018, respectively. The 3-year average of net reserve reestimates as a percentage of total reserves was a favorable 2.0% for Allstate Protection, an unfavorable 8.0% for Discontinued Lines and Coverages and a favorable 4.1% for Protection Services, each of these results being consistent within a reasonable actuarial tolerance for the 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

	As of December 31,		
($ in millions)	**2020**	**2019**	**2018**
Allstate Protection			
Auto	$ 14,164	$ 14,728	$ 14,378
Homeowners	2,315	2,138	2,157
Other lines	2,657	2,530	2,290
Total Allstate Protection	**19,136**	**19,396**	**18,825**
Discontinued Lines and Coverages			
Asbestos	827	810	866
Environmental	206	179	170
Other discontinued lines	375	376	355
Total Discontinued Lines and Coverages	**1,408**	**1,365**	**1,391**
Total Protection Services	**33**	**39**	**52**
Total net claims and claims expense reserves	**$ 20,577**	**$ 20,800**	**$ 20,268**

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:

- The Coronavirus has had a significant impact on driving patterns and auto frequency that may lead to historical development trends being less predictive of future loss development, potentially creating additional reserve variability.
- 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.
- 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 auto maintenance, repair, parts and equipment price 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 from ongoing businesses 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 satellites, aircrafts and drones, 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 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 $800 million in net income applicable to common shareholders. 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 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 inform 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. The MCCA develops its own reserving estimates based on its own reserve methodologies, which may not align with our estimations. 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 claimant's changes. However, unlimited coverage was no longer offered after 1991; therefore, no new claimants are being added.

Reserve estimates are confidential and proprietary and by their nature are very complex to determine and subject to significant judgments. Reserve estimates do not represent an exact determination for each outstanding claim. Claims may be subject to litigation. As actual claims, paid losses and case reserve results emerge, our estimate of the ultimate cost to settle may be materially greater or less than previously estimated amounts.

For additional information related to indemnification recoverables, see Note 10 of the consolidated financial statements.

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 and practices, 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 1960s through the mid-1980s. Asbestos claims relate primarily to bodily injuries asserted by claimants 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, establish and adjust as necessary, 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 are affected by 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 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, 2020 and 2019, IBNR was 50% and 49%, respectively, 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 reserves are based on considerations similar to those described above, as they relate to the characteristics of specific individual coverage exposures.

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 asbestos, environmental 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 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.

We evaluate our traditional life insurance products, immediate annuities with life contingencies, and voluntary accident and health insurance individually.

In the third quarter of 2020, the premium deficiency evaluation of our immediate annuities with life contingencies resulted in a premium deficiency reserve ("PDR") of $225 million, pre-tax. Our long-term investment yield assumption was lowered, which resulted in the prior sufficiency changing to a deficiency. The deficiency was recognized as an increase in the reserve for life contingent contract benefits. The original assumptions used to establish reserves were updated to reflect current assumptions, and the primary changes included mortality expectations, where annuitants are living longer than originally anticipated, and long-term investment yields. As of December 31, 2020, our reviews concluded that no additional premium deficiency adjustments were necessary for our immediate annuities with life contingencies.

As of December 31, 2020, traditional life insurance and accident and health insurance both have a substantial sufficiency. In 2019, our reviews concluded that no premium deficiency adjustments were necessary.

We also review these policies for circumstances where projected profits would be recognized in early years followed by projected losses in later years. In 2020 and 2019, 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 periodically complete comprehensive mortality studies for our structured settlement annuities with life contingencies to determine whether annuitants are living for a longer period than originally estimated. We anticipate that investment and reinvestment yields, mortality, and policy terminations are the factors that would be most likely to require premium deficiency adjustments to 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.

The pending sale of ALIC and certain affiliates represents approximately 90% of Allstate Life and 75% of Allstate Annuities reserves for life-contingent contract benefits and contractholder funds. For further detail on this transaction, see Note 3 of the consolidated financial statements.

Pension and other postretirement plans net costs and assumptions 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. 87% 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.

Our pension and other postretirement benefit costs are calculated using various actuarial assumptions and methodologies. These assumptions include discount rates, health care cost trend rates, inflation, expected returns on plan assets, mortality and other factors. The assumptions utilized in recording the obligations under our pension plans represent our best estimates and we believe they are reasonable based on information as to historical experience and performance as well as other factors that might cause future expectations to differ from past trends.

Net costs for our defined benefit plans are recognized on the Consolidated Statements of Operations and consist of two elements: 1) costs comprised of service and interest costs, expected return of plan assets, amortization of prior service credit and curtailment gains and losses which are reported in property and casualty claims and claims expense, operating costs and expenses, net investment income and, if applicable, restructuring and related charges and 2) remeasurement gains and losses comprised of changes in actuarial assumptions and the difference between actual and expected returns on plan assets which are recognized immediately in earnings as part of pension and other postretirement remeasurement gains and losses.

We recognize expected returns on plan assets using an unadjusted fair value method. Our policy is to remeasure our pension and postretirement plans on a quarterly basis. We immediately recognize remeasurement of projected benefit obligation and plan assets in earnings as it provides greater transparency of our economic obligations in accounting results and better aligns the recognition of the effects of economic and interest rate changes on pension and other postretirement plan assets and liabilities in the year in which the gains and losses are incurred.

Differences in actual experience or changes in assumptions affect our pension and other postretirement obligations, plan assets and expenses. The primary factors contributing to pension and postretirement remeasurement gains and losses are 1) changes in the discount rate used to value pension and postretirement obligations as of the measurement date, 2) differences between the expected and the actual return on plan assets, 3) changes in demographic assumptions, including mortality and participant experience.

Pension and other postretirement service cost, interest cost, expected return on plan assets and amortization of prior service credits are allocated to our reportable segments. The pension and other postretirement remeasurement gains and losses are reported in the Corporate and Other segment.

Pension and postretirement benefits remeasurement gains and losses

($ in millions)	For the years ended December 31, 2020	2019
Remeasurement of projected benefit obligation (gains) losses:		
Discount rate	$ 553	$ 633
Other assumptions	282	313
Remeasurement of plan assets (gains) losses	(886)	(832)
Remeasurement (gains) losses	**$ (51)**	**$ 114**

Impact of assumption changes to net cost for pension and other postretirement plans
Remeasurement gains in 2020 primarily related to favorable asset performance compared to the expected return on plan assets, partially offset by a decrease in the discount rate and changes in actuarial assumptions. Remeasurement losses in 2019 primarily related to a decrease in discount rate and changes in actuarial assumptions, partially offset by favorable asset performance compared to the expected 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 callable 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. The weighted average discount rate used to measure the benefit obligation decreased to 2.51% in 2020 compared to 3.31% in 2019, resulting in losses for 2020.

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 immediately recognized through earnings upon remeasurement. Short-term asset performance can differ significantly from the expected rate of return, especially in volatile markets. In 2020, the actual return on plan assets was higher than the expected return primarily due to a decline in interest rates which increased the fair value of our fixed income investments and strong equity market performance. In 2019, the actual return on plan assets was higher than the expected return due to strong equity market performance and declines in interest rates which increased the fair value of our fixed income investments.

We complete periodic evaluations of demographic information and historical experience that affects our pension and other postretirement obligations to identify any required changes to long-term actuarial assumptions and methodologies. Demographic assumptions affect both our pension and postretirement plans and include elements such as retirement rates and participation rates in our postretirement programs, among other factors.

These actuarial assumption updates affect our pension and other postretirement obligations and are incorporated into our best estimates of these assumptions. Remeasurement losses for other assumptions in 2020 primarily related to a decrease in lump sum interest rates and changes in the estimated percentage of employees taking lump sum distributions. Remeasurement losses for other assumptions in 2019 primarily related to a decrease in lump sum interest rates, recognizing participant experience different from demographic assumptions for mortality, terminations, and retirements and the percentage of employees taking lump sum distributions.

The assumed health care trend rate represents the rate at which health care costs are assumed to increase and is based on historical and expected experience. Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement health care plans. An increase in the trend rate would increase our obligation and expense.

Sensitivity of assumption changes included in the calculation of net cost as of December 31, 2020

($ in millions)	**Basis/percentage point change**	**Increase (decrease) to net cost**
Pension plans discount rate	+100 basis points	$ (873)
	-100 basis points	1,092
Expected long-term rate of return on assets	+100 basis points	(66)
	-100 basis points	66
Postretirement plans assumed health care cost trend rate	+1%	13
	-1%	(11)

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, 2020	2019	2018
Revenues			
Property and casualty insurance premiums (net of reinsurance ceded and indemnification programs of $1,141, $1,122 and $1,016)	$ 37,073	$ 36,076	$ 34,048
Life premiums and contract charges (net of reinsurance ceded of $242, $285 and $290)	2,444	2,501	2,465
Other revenue	1,065	1,054	939
Net investment income	2,853	3,159	3,240
Realized capital gains (losses)	1,356	1,885	(877)
Total revenues	**44,791**	**44,675**	**39,815**
Costs and expenses			
Property and casualty insurance claims and claims expense (net of reinsurance ceded and indemnification programs of $530, $524 and $1,378)	22,001	23,976	22,778
Shelter-in-Place Payback expense	948	—	—
Life contract benefits (net of reinsurance ceded of $155, $165 and $240)	2,243	2,039	1,973
Interest credited to contractholder funds (net of reinsurance ceded of $27, $20 and $24)	638	640	654
Amortization of deferred policy acquisition costs	5,630	5,533	5,222
Operating costs and expenses	5,732	5,690	5,594
Pension and other postretirement remeasurement (gains) losses	(51)	114	468
Restructuring and related charges	259	41	67
Amortization of purchased intangibles	118	126	105
Impairment of purchased intangibles	—	106	—
Interest expense	318	327	332
Total costs and expenses	**37,836**	**38,592**	**37,193**
Gain on disposition of operations	4	6	6
Income from operations before income tax expense	**6,959**	**6,089**	**2,628**
Income tax expense	1,383	1,242	468
Net income	**5,576**	**4,847**	**2,160**
Preferred stock dividends	115	169	148
Net income applicable to common shareholders	**$ 5,461**	**$ 4,678**	**$ 2,012**
Earnings per common share:			
Net income applicable to common shareholders per common share - Basic	$ 17.53	$ 14.25	$ 5.78
Weighted average common shares - Basic	311.6	328.2	347.8
Net income applicable to common shareholders per common share - Diluted	$ 17.31	$ 14.03	$ 5.70
Weighted average common shares - Diluted	315.5	333.5	353.2

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Net income	$ 5,576	$ 4,847	$ 2,160
Other comprehensive income (loss), after-tax			
Changes in:			
Unrealized net capital gains and losses	1,293	1,889	(754)
Unrealized foreign currency translation adjustments	52	(10)	(48)
Unamortized pension and other postretirement prior service credit	9	(47)	(59)
Other comprehensive income (loss), after-tax	**1,354**	**1,832**	**(861)**
Comprehensive income	**$ 6,930**	**$ 6,679**	**$ 1,299**

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Financial Position

($ in millions, except par value data)	December 31, 2020	2019
Assets		
Investments		
Fixed income securities, at fair value (amortized cost, net $61,451 and $56,293)	$ 66,354	$ 59,044
Equity securities, at fair value (cost $3,853 and $6,568)	4,710	8,162
Mortgage loans, net	4,075	4,817
Limited partnership interests	7,609	8,078
Short-term, at fair value (amortized cost $7,800 and $4,256)	7,800	4,256
Other, net	3,689	4,005
Total investments	**94,237**	**88,362**
Cash	377	338
Premium installment receivables, net	6,479	6,472
Deferred policy acquisition costs	4,700	4,699
Reinsurance and indemnification recoverables, net	9,220	9,211
Accrued investment income	600	600
Property and equipment, net	1,057	1,145
Goodwill	2,544	2,545
Other assets, net	3,429	3,534
Separate Accounts	3,344	3,044
Total assets	**$ 125,987**	**$ 119,950**
Liabilities		
Reserve for property and casualty insurance claims and claims expense	$ 27,610	$ 27,712
Reserve for life-contingent contract benefits	12,768	12,300
Contractholder funds	17,213	17,692
Unearned premiums	15,949	15,343
Claim payments outstanding	957	929
Deferred income taxes	1,355	1,154
Other liabilities and accrued expenses	8,749	9,147
Long-term debt	7,825	6,631
Separate Accounts	3,344	3,044
Total liabilities	**95,770**	**93,952**
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, 81.0 thousand and 92.5 thousand shares issued and outstanding, $2,025 and $2,313 aggregate liquidation preference	1,970	2,248
Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 304 million and 319 million shares outstanding	9	9
Additional capital paid-in	3,498	3,463
Retained income	52,767	48,074
Treasury stock, at cost (596 million and 581 million shares)	(31,331)	(29,746)
Accumulated other comprehensive income:		
Unrealized net capital gains and losses on fixed income securities with credit losses	—	70
Other unrealized net capital gains and losses	3,860	2,094
Unrealized adjustment to DAC, DSI and insurance reserves	(680)	(277)
Total unrealized net capital gains and losses	**3,180**	**1,887**
Unrealized foreign currency translation adjustments	(7)	(59)
Unamortized pension and other postretirement prior service credit	131	122
Total accumulated other comprehensive income ("AOCI")	**3,304**	**1,950**
Total shareholders' equity	**30,217**	**25,998**
Total liabilities and shareholders' equity	**$ 125,987**	**$ 119,950**

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Shareholders' Equity

($ in millions, except per share data)	Years Ended December 31, 2020	2019	2018
Preferred stock par value	**$ —**	**$ —**	**$ —**
Preferred stock additional capital paid-in			
Balance, beginning of year	2,248	1,930	1,746
Preferred stock issuance, net of issuance costs	—	1,414	557
Preferred stock redemption	(278)	(1,096)	(373)
Balance, end of year	**1,970**	**2,248**	**1,930**
Common stock par value	**9**	**9**	**9**
Common stock additional capital paid-in			
Balance, beginning of year	3,463	3,310	3,313
Forward contract on accelerated share repurchase agreement	(38)	75	(105)
Equity incentive plans activity	73	78	102
Balance, end of year	**3,498**	**3,463**	**3,310**
Retained income			
Balance, beginning of year	48,074	44,033	41,579
Cumulative effect of change in accounting principle	(88)	21	1,088
Net income	5,576	4,847	2,160
Dividends on common stock (declared per share of $2.16, $2.00 and $1.84)	(680)	(658)	(646)
Dividends on preferred stock	(115)	(169)	(148)
Balance, end of year	**52,767**	**48,074**	**44,033**
Deferred Employee Stock Ownership Plan ("ESOP") expense			
Balance, beginning of year	—	(3)	(3)
Payments	—	3	—
Balance, end of year	**—**	**—**	**(3)**
Treasury stock			
Balance, beginning of year	(29,746)	(28,085)	(25,982)
Shares acquired	(1,700)	(1,810)	(2,198)
Shares reissued under equity incentive plans, net	115	149	95
Balance, end of year	**(31,331)**	**(29,746)**	**(28,085)**
Accumulated other comprehensive income (loss)			
Balance, beginning of year	1,950	118	1,889
Cumulative effect of change in accounting principle	—	—	(910)
Change in unrealized net capital gains and losses	1,293	1,889	(754)
Change in unrealized foreign currency translation adjustments	52	(10)	(48)
Change in unamortized pension and other postretirement prior service credit	9	(47)	(59)
Balance, end of year	**3,304**	**1,950**	**118**
Total shareholders' equity	**$ 30,217**	**$ 25,998**	**$ 21,312**

See notes to consolidated financial statements.

The Allstate Corporation and Subsidiaries
Consolidated Statements of Cash Flows

($ in millions)	Years Ended December 31, 2020	2019	2018
Cash flows from operating activities			
Net income	$ 5,576	$ 4,847	$ 2,160
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash items	686	647	511
Realized capital (gains) losses	(1,356)	(1,885)	877
Pension and other postretirement remeasurement (gains) losses	(51)	114	468
Gain on disposition of operations	(4)	(6)	(6)
Interest credited to contractholder funds	638	640	654
Impairment of purchased intangibles	—	106	—
Changes in:			
Policy benefits and other insurance reserves	(682)	(508)	469
Unearned premiums	598	801	915
Deferred policy acquisition costs	(125)	(85)	(296)
Premium installment receivables, net	(3)	(299)	(396)
Reinsurance recoverables, net	(11)	320	(656)
Income taxes	(232)	487	(380)
Other operating assets and liabilities	457	(50)	855
Net cash provided by operating activities	**5,491**	**5,129**	**5,175**
Cash flows from investing activities			
Proceeds from sales			
Fixed income securities	31,950	29,849	33,183
Equity securities	8,405	5,277	6,859
Limited partnership interests	1,350	756	764
Mortgage loans	230	—	—
Other investments	340	303	533
Investment collections			
Fixed income securities	2,235	2,570	3,466
Mortgage loans	626	695	529
Other investments	209	254	488
Investment purchases			
Fixed income securities	(38,121)	(31,317)	(36,960)
Equity securities	(4,648)	(7,176)	(5,936)
Limited partnership interests	(1,265)	(1,332)	(1,679)
Mortgage loans	(203)	(844)	(664)
Other investments	(371)	(666)	(864)
Change in short-term and other investments, net	(3,871)	(725)	(603)
Purchases of property and equipment, net	(308)	(433)	(277)
Acquisition of operations	1	(18)	(558)
Net cash used in investing activities	**(3,441)**	**(2,807)**	**(1,719)**
Cash flows from financing activities			
Proceeds from issuance of long-term debt	1,189	491	498
Redemption and repayment of long-term debt	—	(317)	(400)
Proceeds from issuance of preferred stock	—	1,414	557
Redemption of preferred stock	(288)	(1,132)	(385)
Contractholder fund deposits	991	996	1,010
Contractholder fund withdrawals	(1,494)	(1,662)	(1,967)
Dividends paid on common stock	(668)	(653)	(614)
Dividends paid on preferred stock	(108)	(134)	(134)
Treasury stock purchases	(1,737)	(1,735)	(2,303)
Shares reissued under equity incentive plans, net	63	120	73
Other	41	129	91
Net cash used in financing activities	**(2,011)**	**(2,483)**	**(3,574)**
Net increase (decrease) in cash	**39**	**(161)**	**(118)**
Cash at beginning of year	338	499	617
Cash at end of year	**$ 377**	**$ 338**	**$ 499**

See notes to consolidated financial statements.

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.

Nature of operations

Allstate is engaged, principally in the United States, in the property and casualty insurance and life insurance businesses. Allstate is one of the country's largest personal property and casualty insurers and is organized into seven reportable segments: Allstate Protection, Discontinued Lines and Coverages, Protection Services (previously 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 using automotive telematics information, roadside assistance, finance and insurance products, life insurance, voluntary accident and health insurance and identity protection. Allstate primarily distributes its products through exclusive agents, financial specialists, independent agents and brokers, major retailers, contact centers and the internet.

Risks and uncertainties

Allstate has exposure to catastrophic events, including wind and hail, wildfires, tornadoes, hurricanes, tropical storms, earthquakes, volcanic eruptions, terrorism and industrial accidents.

Catastrophes, an inherent risk of the property and casualty insurance business, 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 experienced in any period cannot be predicted and could be material to results of operations and financial position.

The Company considers the following categories and locations to be the greatest areas of potential catastrophe losses:

- Wildfires — California, Oregon, Colorado, and Texas
- Hurricanes — Major metropolitan centers in counties along the eastern and gulf coasts of the United States
- Wind/Hail, Rain and Tornado — Texas, Illinois, Georgia and Colorado
- Earthquakes and fires following earthquakes — Major metropolitan areas near fault lines in the states of California, Oregon, Washington, South Carolina, Missouri, Kentucky and Tennessee

Recent development

The Novel Coronavirus Pandemic or COVID-19 ("Coronavirus") resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which have included the implementation of travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing, and restrictions on large gatherings, have caused material disruption to businesses globally, resulting in increased unemployment, a recession and increased economic uncertainty. Additionally, there is no way of predicting with certainty how long the pandemic might last, including the potential for restrictions being restored or new restrictions being implemented that could result in further economic volatility.

The magnitude and duration of the global pandemic and the impact of actions taken by governmental authorities, businesses and consumers, including timing of vaccine distribution, to mitigate health risks create significant uncertainty. The Company will continue to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the length and severity of the pandemic or its impact to the Company's operations, but the effects could be material and may continue, emerge, evolve or accelerate in 2021.

Note 2 Summary of Significant Accounting Policies

Investments

Fixed income securities include bonds, asset-backed securities ("ABS") and mortgage-backed securities ("MBS"). MBS includes residential and commercial mortgage-backed securities. Fixed income securities, which may be sold prior to their contractual maturity, are designated as available-for-sale ("AFS") and are carried at fair value. The difference between amortized cost, net of credit loss allowances ("amortized cost, net") 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 AOCI. The Company excludes accrued interest receivable from the amortized cost basis of its AFS fixed income securities. 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 carried at fair value. Equity securities without readily determinable or estimable fair values are measured using the measurement alternative, which is cost less impairment, if any, and adjustments resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Mortgage loans and loans reported in other investments (bank loans and agent loans) are carried at amortized cost, net, which represent the amount expected to be collected. The Company excludes accrued interest receivable from the amortized cost basis of its mortgage, bank and agent loans. Credit loss allowances are estimates of expected credit losses, established for loans upon origination or purchase, and are established considering all relevant information available, including past events, current conditions, and reasonable and supportable forecasts over the life of the loans. Loans are evaluated on a pooled basis when they share similar risk characteristics; otherwise, they are evaluated individually.

Investments in limited partnership interests are primarily accounted for in accordance with the equity method of accounting ("EMA") and include interests in private equity funds, real estate funds and other funds. Investments in limited partnership interests purchased prior to January 1, 2018, where the Company's interest is so minor that it exercises virtually no influence over operating and financial policies, are accounted for at fair value primarily utilizing the net asset value ("NAV") as a practical expedient to determine fair value.

Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value. Other investments primarily consist of bank loans, policy loans, real estate, agent loans and derivatives. Bank loans are primarily senior secured corporate loans. Policy loans are carried at unpaid principal balances. Real estate is carried at cost less accumulated depreciation. Agent loans are loans issued to exclusive Allstate agents. 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 and MBS 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 and MBS of high credit quality with fixed interest rates, the effective yield is recalculated on a retrospective basis. For all others, the effective yield is generally recalculated on a prospective basis. Net investment income for AFS fixed income securities includes the impact of accreting the credit loss allowance for the time value of money. Accrual of income is suspended for 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. Accrued income receivable is monitored for recoverability and when not expected to be collected is written off through net investment income. Cash receipts on investments on nonaccrual status are generally recorded as a reduction of amortized cost. Income from limited partnership interests carried at fair value is recognized based upon the changes in fair value of the investee's equity primarily determined using NAV. Income from EMA limited partnership interests is recognized based on the Company's share of the partnerships' earnings. Income from EMA limited partnership interests is generally recognized on a three month delay due to the availability of the related financial statements from investees.

Realized capital gains and losses include gains and losses on investment sales, changes in the credit loss allowances related to fixed income securities, mortgage loans, bank loans and agent loans, impairments, valuation changes of equity investments, including equity securities and certain limited partnerships where the underlying assets are predominately public equity securities, and periodic changes in fair value and settlements of certain derivatives, including hedge ineffectiveness. Realized capital gains and losses on investment sales are determined on a specific identification basis and are net of credit losses already recognized through an allowance.

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, total return swaps 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 and reinsured variable annuity contracts.

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.

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 related swaps in net investment income or interest credited to contractholder funds. The amortized cost, net for fixed income securities or the carrying value of a designated 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 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 the cumulative gain or loss on the derivative instrument from inception of the hedge less gains or losses previously reclassified from AOCI into 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 has a credit loss), 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 previously recognized in income while the hedge was in place and used to adjust the amortized cost, net of hedged fixed income securities or mortgage loans or carrying value of a 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.

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, 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 can be 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, other contracts (primarily finance and insurance products) and roadside assistance.

Personal lines insurance premiums are deferred and earned on a pro-rata basis over the terms of the policies, typically periods of six or twelve months.

Revenues related to protection plans, other contracts (primarily finance and insurance products) and roadside assistance are deferred and earned over the term of the contract in a manner that recognizes revenue as obligations under the contracts are performed. Revenues from these products are classified as premiums as the products are backed by insurance. Protection plans and finance and insurance premiums are recognized using a cost-based incurrence method over the term of the contracts, which is generally over one to five years. Roadside assistance premiums are recognized evenly over the term of the contract as performance obligations are fulfilled.

The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums.

Unearned premiums

	As of December 31,	
($ in millions)	2020	2019
Allstate Protection	$ 12,772	$ 12,567
Protection Services	3,167	2,765
Total	**$ 15,939**	**$ 15,332**

For the year ended December 31, 2020, the Company recognized $1.11 billion of Property and casualty insurance premiums for Protection Services that were included in the unearned premium balance as of December 31, 2019.

For the year ended December 31, 2019, the Company recognized $996 million of Property and casualty insurance premiums for Protection Services that were included in the unearned premium balance as of December 31, 2018.

The Company expects to recognize approximately $1.30 billion, $861 million and $1.00 billion of the December 31, 2020 the unearned premium balance in 2021, 2022 and thereafter, respectively.

Premium installment receivables represent premiums written and not yet collected, net of the credit loss allowance for uncollectible premiums. These receivables are primarily outstanding for one year or less. The Company utilizes historical internal data including aging analyses to estimate allowances under current conditions and for the forecast period. The Company regularly evaluates and updates the data and adjusts its allowance as appropriate.

The increase in the provision for credit losses primarily related to customer enrollment in the Allstate Special Payment plan implemented in response to the Coronavirus, starting in March 2020.

Rollforward of credit loss allowance for premium installment receivables

($ in millions)	For the year ended December 31, 2020
Beginning balance	$ (91)
Increase in the provision for credit losses	(223)
Write-off of uncollectible premium installment receivable amounts	161
Ending balance	$ (153)

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, net of any credit loss allowance for uncollectible premiums. 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 benefits 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 are recognized in relation to premiums with the establishment of a reserve. The change in reserve over time is recorded in contract benefits and primarily relates to accumulation at the discount rate and annuitant mortality. 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, 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 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.

Other revenue

Other revenue represents fees collected from policyholders relating to premium installment payments, commissions on sales of non-proprietary products, sales of identity protection services, fee-based services and other revenue transactions. Other revenue is recognized when performance obligations are fulfilled.

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 agent and broker 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 using actual experience and current assumptions. 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 any remaining deficiency.

For interest-sensitive life insurance, 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. 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 $25 million and $39 million as of December 31, 2020 and 2019, respectively.

Amortization expense of the present value of future profits was $14 million, $6 million and $2 million in 2020, 2019 and 2018, respectively.

Reinsurance and Indemnification

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 affect the disposition of certain blocks of business. Reinsurance does not extinguish the Company's primary liability under the policies written. Therefore, in addition to establishing allowances as appropriate after evaluating reinsurers' activities related to claims settlement practices and commutations, the Company evaluates reinsurer counterparty credit risk and records reinsurance recoverables net of credit loss allowances. The Company assesses counterparty credit risk for individual reinsurers separately when more relevant or on a pooled basis when shared risk characteristics exist. The evaluation considers the credit quality of the reinsurer and the period over which the recoverable balances are expected to be collected. The Company considers factors including past events, current conditions and reasonable and supportable forecasts in the development of the estimate of credit loss allowances.

Allowances for property and casualty and life reinsurance recoverables are established primarily through risk-based evaluations.

The property and casualty recoverable evaluation considers the credit rating of the reinsurer, the period over which the reinsurance recoverable balances are expected to be recovered and other relevant factors including historical experience of reinsurer failures. Reinsurers in liquidation or in default status are evaluated individually using the Company's historical liquidation recovery assumptions and any other relevant information available including the most recent public information related to the financial condition or liquidation status of the reinsurer.

For life reinsurance recoverables, the Company uses a probability of default and loss given default model developed independently of the Company to estimate current expected credit losses. The life reinsurance recoverable evaluation utilizes factors including historical industry factors based on the probability of liquidation, and incorporates current loss given default factors reflective of the industry.

The Company monitors the credit ratings of reinsurer counterparties and evaluates the circumstances surrounding credit rating changes as inputs into its credit loss assessments. Uncollectible reinsurance recoverable balances are written off against the allowances when there is no reasonable expectation of recovery.

The changes in the allowances are reported in property and casualty insurance claims and claims expense and life contract benefits.

Indemnification The Company also participates in various indemnification mechanisms, including industry pools and facilities, which are reimbursement mechanisms that assess participating insurers for expected insured claims, reimburse participating insurers for qualifying paid claims and permit participating insurers to recoup amounts assessed directly from insureds. Indemnification recoverables are backed by the financial resources of the property and casualty insurance company market participants.

The amounts reported as indemnification recoverables include amounts paid and due from indemnitors as well as estimates of amounts expected to be recovered from indemnitors on insurance liabilities that have been incurred but not yet paid. The design and function of these indemnification programs does not result in the retention of insurance or reinsurance risk by the indemnitor. Based on the Company's evaluation of these programs on an individual basis, the establishment of credit loss allowances is not warranted at this time. The Company has not experienced any historical credit losses related to its indemnification programs. The Company continues to monitor these programs to determine whether any changes from historical experience have emerged or are expected to emerge or whether there have been any changes in the design or administration of the programs that would require establishment of credit loss allowances.

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, Protection Services, Allstate Life and Allstate Benefits to which goodwill has been assigned.

Goodwill by reporting unit

	As of December 31,	
($ in millions)	**2020**	**2019**
Allstate Protection	$ 810	$ 810
Protection Services	1,463	1,464
Allstate Life	175	175
Allstate Benefits	96	96
Total	**$ 2,544**	**$ 2,545**

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. Goodwill impairment is 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 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 the reporting unit including goodwill may exceed the fair value of the reporting unit. The goodwill impairment analysis is performed at the reporting unit level.

As of December 31, 2020 and 2019, the fair value of the Company's goodwill reporting units exceeded their carrying values.

On January 26, 2021 the Company announced an agreement to sell ALIC and certain affiliates involving business in both the Allstate Life and Allstate Annuities segments. As a result of the pending sale of ALIC and certain affiliates, the Company's goodwill will be reduced by $175 million.

Intangible assets

Intangible assets (reported in other assets) consist of capitalized costs primarily related to acquired customer relationships, trade names and licenses, technology and other assets. The estimated useful lives of customer relationships, technology and other intangible assets are generally 10 years, 5 years and 7 years, respectively. Intangible assets are carried at cost less accumulated amortization. Amortization expense is calculated using an accelerated amortization method. Amortization expense on intangible assets was $118 million, $126 million and $105 million in 2020, 2019 and 2018, respectively.

Amortization expense of intangible assets for the next five years and thereafter

($ in millions)		
2021	$	91
2022		74
2023		60
2024		45
2025		33
Thereafter		31
Total amortization	**$**	**334**

Accumulated amortization on intangible assets was $751 million and $633 million as of December 31, 2020 and 2019, respectively. Trade names and licenses are considered to have an indefinite useful life and are reviewed for impairment at least annually or more frequent if circumstances arise that indicate an impairment may have occurred. An impairment is recognized if the carrying amount of the asset exceeds its estimated fair value.

Intangible assets by type

($ in millions)	As of December 31, 2020		2019	
Customers relationships	$	322	$	419
Trade names and licenses		37		38
Technology and other		94		24
Total	**$**	**453**	**$**	**481**

During second quarter 2019, the Company made the decision to phase-out the use of the SquareTrade trade name in the United States and sell consumer protection plans under the Allstate Protection Plans name. The SquareTrade trade name will continue to be used outside of the United States. The change required an impairment evaluation of the indefinite-lived intangible asset recognized in the Protection Services segment for SquareTrade's trade name recorded when SquareTrade was acquired in 2017.

During fourth quarter 2019, the Company made the decision to integrate Esurance into the Allstate brand as part of Transformative Growth. This required an impairment evaluation of the indefinite-lived intangible asset recognized in the Allstate Protection segment for the Esurance trade name recorded when Esurance was acquired in 2011.

As a result of these actions, the Company recognized total impairment charges of $106 million pre-tax during 2019.

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 $2.81 billion and $2.60 billion as of December 31, 2020 and 2019, respectively. Depreciation expense on property and equipment was $353 million, $326 million and $299 million in 2020, 2019 and 2018, 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

Income taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting 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, investments (including unrealized capital gains and losses) and insurance reserves. A deferred tax asset valuation allowance is established when it is more likely than not such assets will not be realized. The Company recognizes interest expense related to income tax matters in income tax expense and penalties in other expense.

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 incurred 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 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 for any remaining deficiency. 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 and fixed annuities. Contractholder funds primarily comprise cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals 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.

Pension and other postretirement remeasurement gains and losses

Pension and other postretirement gains and losses represent the remeasurement of projected benefit obligation and plan assets, which are immediately recognized in earnings and are referred to as pension and other postretirement remeasurement gains and losses on the Consolidated Statements of Operations. The Company's policy is to remeasure its pension and postretirement plans on a quarterly basis.

Differences between expected and actual returns and changes in assumptions affect our pension and other postretirement obligations, plan assets and expenses.

The primary factors contributing to pension and postretirement remeasurement gains and losses are:

- Changes in the discount rate used to value pension and postretirement obligations as of the measurement date
- Differences between the expected and the actual return on plan assets
- Changes in demographic assumptions, including mortality and participant experience

Pension and other postretirement service cost, interest cost, expected return on plan assets and amortization of prior service credits are allocated to the Company's reportable segments. The pension and other postretirement remeasurement gains and losses are reported in the Corporate and Other segment.

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.

Equity incentive plans

The Company has equity incentive plans under which it 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 grant 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 with no market condition is adjusted each period to reflect the performance factor most likely to be achieved at the end of the performance period. The expense for performance stock awards with a market condition is based on the fair value of the awards at the grant date which incorporates the probability of achieving the market condition. In the event the market condition is not met, any previously recognized expense is not reversed. The Company uses a binomial lattice model to determine the fair value of employee stock options. The Company uses a Monte Carlo simulation model to determine the fair value of performance stock awards with market condition.

Measurement of credit losses

The Company carries an allowance for expected credit losses for all financial assets measured at amortized cost on the Consolidated Statements of Financial Position. The Company considers past events, current conditions, and reasonable and supportable forecasts in estimating an allowance for credit losses. The Company also carries a credit loss allowance for fixed income securities where applicable and, when amortized cost is reported, it is net of credit loss allowances. For additional information, refer to the Investments, Reinsurance, Indemnification or Recognition of premium revenues and contract charges, topics of this section.

The Company also estimates a credit loss allowance for commitments to fund mortgage loans, bank loans and agent loans unless they are unconditionally cancellable by the Company. The related allowance is reported in other liabilities and accrued expenses.

Allowance for credit losses

($ in millions)	December 31, 2020	January 1, 2020
Fixed income securities	$ 3	$ —
Mortgage loans	67	45
Other investments		
Bank loans	67	53
Agent loans	5	5
Investments	**142**	**103**
Premium installment receivables	153	91
Reinsurance recoverables	74	74
Other assets	23	18
Assets	**392**	**286**
Commitments to fund mortgage loans, bank loans and agent loans	1	3
Liabilities	**1**	**3**
Total	**$ 393**	**$ 289**

Leases

The Company has certain operating leases for office facilities, computer and office equipment, and vehicles. The Company's leases have remaining lease terms of 1 year to 9 years, some of which include options to extend the leases for up to 20 years, and some of which include options to terminate the leases within 60 days.

The Company determines if an arrangement is a lease at inception. Leases with an initial term less than one year are not recorded on the balance sheet and the lease costs for these leases are recorded as an expense on a straight-line basis over the lease term. Operating leases with terms greater than one year result in a lease liability recorded in other liabilities with a corresponding right-of-use ("ROU") asset recorded in other assets. As of December 31, 2020 and 2019, the Company had $511 million and $586 million in lease liabilities and $393 million and $483 million in ROU assets, respectively.

Operating lease liabilities are recognized at the commencement date based on the present value of future minimum lease payments over the lease term. ROU assets are recognized based on the corresponding lease liabilities adjusted for qualifying initial direct costs, prepaid or accrued lease payments and unamortized lease incentives. As most of the

Company's leases do not disclose the implicit interest rate, the Company uses collateralized incremental borrowing rates based on information available at lease commencement when determining the present value of future lease payments. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease. Lease terms may include options to extend or terminate the lease which are incorporated into the Company's measurements when it is reasonably certain that the Company will exercise the option.

Operating lease costs are recognized on a straight-line basis over the lease term and include interest expense on the lease liability and amortization of the ROU asset. Variable lease costs are expensed as incurred and include maintenance costs and real estate taxes. Lease costs are reported in operating costs and expenses and totaled $166 million and $171 million, including $30 million of variable lease costs in both 2020 and 2019.

Other information related to operating leases

	As of December 31, 2020	2019
Weighted average remaining lease term (years)	5	6
Weighted average discount rate	3.10 %	3.15 %

Maturity of lease liabilities

($ in millions)	Operating leases
2021	$ 120
2022	116
2023	95
2024	77
2025	63
Thereafter	84
Total lease payments	**$ 555**
Less: interest	(44)
Present value of lease liabilities	**$ 511**

Off-balance sheet financial instruments

Commitments to invest, commitments to purchase private placement securities, commitments to fund 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 OCI. 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. The effect of dilutive potential common shares does not include options with an anti-dilutive effect on earnings per common share because their exercise prices exceed the average market price of Allstate common shares during the period or for which the unrecognized compensation cost would have an anti-dilutive effect.

Computation of basic and diluted earnings per common share

($ in millions, except per share data)	For the years ended December 31, 2020	2019	2018
Numerator:			
Net income	$ 5,576	$ 4,847	$ 2,160
Less: Preferred stock dividends	115	169	148
Net income applicable to common shareholders [1]	**$ 5,461**	**$ 4,678**	**$ 2,012**
Denominator:			
Weighted average common shares outstanding	311.6	328.2	347.8
Effect of dilutive potential common shares:			
Stock options	2.2	3.2	3.6
Restricted stock units (non-participating) and performance stock awards	1.7	2.1	1.8
Weighted average common and dilutive potential common shares outstanding	**315.5**	**333.5**	**353.2**
Earnings per common share – Basic	$ 17.53	$ 14.25	$ 5.78
Earnings per common share – Diluted	$ 17.31	$ 14.03	$ 5.70
Anti-dilutive options excluded from diluted earnings per common share	2.9	3.7	2.0

Adopted accounting standard

Measurement of Credit Losses on Financial Instruments Effective January 1, 2020, the Company adopted new Financial Accounting Standards Board ("FASB") guidance related to the measurement of credit losses on financial instruments that primarily affected mortgage loans, bank loans and reinsurance recoverables.

Upon adoption of the guidance, the Company recorded a total allowance for expected credit losses of $289 million, pre-tax. After consideration of existing valuation allowances maintained prior to adopting the new guidance, the Company increased its valuation allowances for credit losses to conform to the new requirements which resulted in recognizing a cumulative effect decrease in retained income of $88 million, after-tax, at the date of adoption.

The measurement of credit losses for AFS fixed income 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 credit loss adjustment is recognized through a valuation allowance which may change over time but once recorded cannot subsequently be reduced to an amount below zero. Previously these credit loss adjustments were recorded as other-than-temporary impairments and were not reversed once recorded.

Pending accounting standards

Changes to the Disclosure Requirements for Defined Benefit Plans In August 2018, the FASB issued amendments to modify certain disclosure requirements for defined benefit plans. New disclosures include the weighted-average interest crediting rates for cash balance plans and other plans with interest crediting rates and explanations for significant gains and losses related to changes in the benefit obligation during the reporting period. Disclosures to be eliminated include amounts expected to be reclassified out of AOCI and into the income statement in the coming year and the anticipated impact of a one-percentage point change in the assumed health care cost trend rate on service and interest cost and on the accumulated benefit obligation. The amendments are effective for annual reporting periods beginning after December 15, 2020. The impacts of adoption are to the Company's disclosures only.

Accounting for Long-Duration Insurance Contracts In August 2018, the FASB issued guidance revising the accounting for certain long-duration insurance contracts. The new guidance introduces material changes to the measurement of the Company's reserves for traditional life, life-contingent immediate annuities and certain voluntary accident and health insurance products.

Under the new guidance, measurement assumptions, including those for mortality, morbidity and policy terminations, will be required to be reviewed and updated at least annually. The effect of updating measurement assumptions other than the discount rate are required to be measured on a retrospective basis and reported in net income. In addition, reserves under the new guidance are required to be discounted using an upper-medium grade fixed income instrument yield that is updated through OCI at each reporting date. Current GAAP requires the measurement of reserves to utilize assumptions set at policy issuance unless updated current assumptions indicate that recorded reserves are deficient.

The new guidance also requires DAC and other capitalized balances currently amortized in proportion to premiums or gross profits to be amortized on a constant level basis over the expected term for all long-duration insurance contracts. DAC will not be subject to loss recognition testing but will be reduced when actual lapse experience exceeds expected experience. The new guidance will no longer require adjustments to DAC and deferred sales inducement costs ("DSI") related to unrealized gains and losses on investment securities supporting the related business.

All market risk benefit product features will be measured at fair value with changes in fair value recorded in net income with the exception of changes in the fair value attributable to changes in the reporting entity's own credit risk, which are required to be recognized in OCI. Substantially all of the Company's market risk benefits relate to variable annuities that are reinsured and therefore these impacts are not expected to be material to the Company.

The new guidance is effective for financial statements issued for reporting periods beginning after December 15, 2022 and restatement of prior periods presented is required. Early adoption is permitted and if elected, restatement of only one prior period is required. The new guidance will be applied to affected contracts and DAC on the basis of existing carrying amounts at the earliest period presented or retrospectively using actual historical experience as of contract inception. The new guidance for market risk benefits is required to be adopted retrospectively.

The Company is evaluating the anticipated impacts of applying the new guidance to both retained income and AOCI.

As disclosed in Note 3, the Company entered into an agreement to sell ALIC and certain affiliates.

The requirements of the new guidance represent a material change from existing GAAP, however, the underlying economics of the business and related cash flows are unchanged. The Company anticipates the financial statement impact of adopting the new guidance to be material with respect to Allstate Life Insurance Company of New York's ("ALNY") run-off annuity business, largely attributed to the impact of transitioning to a discount rate based on an upper-medium grade fixed income investment yield.

The revised accounting for DAC will be applied prospectively using the new model and any DAC effects existing in AOCI as a result of applying existing GAAP at the date of adoption will be eliminated.

Simplifications to the Accounting for Income Taxes

In December 2019, the FASB issued amendments to simplify the accounting for income taxes. The amendments eliminate certain exceptions in the existing guidance including those related to intraperiod tax allocation and deferred tax liability recognition when a subsidiary meets the criteria to apply the equity method of accounting. The amendments require recognition of the effect of an enacted change in tax laws or rates in the interim period that includes the enactment date, provide an option to not allocate taxes to a legal entity that is not subject to tax as well as other minor changes. The amendments are effective for interim and annual reporting periods beginning after December 15, 2020. The new guidance specifies which amendments should be applied prospectively, retrospectively or on a modified retrospective basis through a cumulative-effect adjustment to retained income as of the beginning of the year of adoption. The impact of adoption is not expected to be material to the Company's results of operations or financial position.

Note 3 Acquisitions and Disposition

National General On July 7, 2020, the Company entered into a definitive agreement to acquire National General Holdings Corp. ("National General"), an insurance holding company serving customers through independent agents for property and casualty and accident and health products, for approximately $4 billion in cash.

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

On September 30, 2020, National General's shareholders voted to approve the definitive agreement.

On November 19, 2020, the Company issued $600 million of 0.750% Senior Notes due 2025 and $600 million of 1.450% Senior Notes due 2030 to partially fund the acquisition.

The transaction closed on January 4, 2021 and National General shareholders received $32.00 per share in cash from the Company, plus a closing dividend of $2.50 per share, providing $34.50 in total value per share.

Due to the limited time since the closing date, the initial accounting for the acquisition is incomplete. As a result, the Company is unable to provide amounts recognized as of the closing date for the major classes of assets acquired and liabilities assumed. The Company will include this information in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021.

iCracked On February 12, 2019, the Company acquired iCracked Inc. ("iCracked") which offers on-site, on-demand repair services for smartphones and tablets in North America, supporting Allstate Protection Plans' (formerly known as SquareTrade) operations. In conjunction with the iCracked acquisition, the Company recorded goodwill of $17 million.

Subsequent event On January 26, 2021, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with Antelope US Holdings Company, an affiliate of an investment fund associated with The Blackstone Group Inc. to sell ALIC and certain affiliates for approximately $2.8 billion in cash. Allstate will retain ownership of ALNY while pursuing alternatives to sell or otherwise transfer risk to a third party. A loss on disposition estimated at $3 billion, after-tax, will be recorded in the first quarter of 2021. The loss on disposition is related to the run-off annuity segment, whose returns have been low. The ultimate amount of the loss on sale will be impacted by purchase price adjustments associated with certain pre-close transactions specified in the stock purchase agreement, changes in statutory capital and surplus prior to the closing date and the closing date equity of ALIC determined under GAAP, excluding unrealized gains and losses. The transaction is expected to close in the second half of 2021, subject to regulatory approvals and other customary closing conditions.

In the first quarter of 2021, the assets and liabilities of the business will be reclassified as held-for-sale and results will be presented as discontinued operations. This change will be applied on a retrospective basis.

Note 4 Reportable Segments

The Company's chief operating decision maker reviews financial performance and makes decisions about the allocation of resources for the seven reportable segments. These segments are described below and align with the Company's key product and service offerings.

Allstate Protection principally offers private passenger auto and homeowners insurance in the United States and Canada, with earned premiums accounting for 79.4% of Allstate's 2020 consolidated revenues. Allstate Protection primarily operates in the U.S. (all 50 states and the District of Columbia ("D.C.")) and Canada. For 2020, 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 $1.57 billion, $1.37 billion and $1.20 billion in 2020, 2019 and 2018, 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.

Protection Services comprise Allstate Protection Plans, Allstate Dealer Services, Allstate Roadside, Arity and Allstate Identity Protection. Protection Services offer consumer product protection plans, finance and insurance products (including vehicle service contracts, guaranteed asset protection waivers, road hazard tire and wheel and paintless dent repair protection), roadside assistance, device and mobile data collection services and analytic solutions using automotive telematics information and identity protection. Protection Services primarily operate in the U.S. and Canada, with Allstate Protection Plans also offering services in Europe and Japan. Revenues from external customers generated outside the United States relate to consumer product protection plans sold primarily in the European Union and were $188 million, $95 million and $61 million in 2020, 2019 and 2018, respectively.

Allstate Life consists of traditional, interest-sensitive and variable life insurance products. Allstate Life primarily operates in the U.S. (all 50 states and D.C.). For 2020, 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, hospital, short-term disability and other health products. Allstate Benefits primarily operates in the U.S. (all 50 states and D.C.) and Canada. For 2020, the top geographic locations for statutory direct accident and health insurance premiums were Florida, Texas, North Carolina, and California. 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 primarily of deferred fixed annuities and immediate annuities (including standard and sub-standard structured settlements). This segment is in run-off.

Corporate and Other comprises holding company activities and certain non-insurance operations, including expenses associated with strategic initiatives.

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, Protection Services, 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 consolidated results. For segment results, services provided by Protection Services to Allstate Protection 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 Protection Services, 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 and other revenue, less claims and claims expenses (“losses”), Shelter-in-Place Payback expense, amortization of DAC, operating costs and expenses, amortization or impairment of purchased intangibles and restructuring and related charges as determined using GAAP.

Adjusted net income is net income 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
- Pension and other postretirement remeasurement gains and losses, after-tax
- Valuation changes on embedded derivatives that are 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 that are not hedged, after-tax
- Business combination expenses and the amortization or impairment of purchased intangibles, 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, 2020	2019	2018
Property-Liability			
Insurance premiums			
Auto	$ 24,640	$ 24,188	$ 22,970
Homeowners	8,254	7,912	7,517
Other personal lines	1,919	1,861	1,808
Commercial lines	767	882	655
Allstate Protection	35,580	34,843	32,950
Discontinued Lines and Coverages	—	—	—
Total Property-Liability insurance premiums	35,580	34,843	32,950
Other revenue	736	741	738
Net investment income	1,421	1,533	1,464
Realized capital gains (losses)	990	1,470	(639)
Total Property-Liability	**38,727**	**38,587**	**34,513**
Protection Services			
Consumer product protection plans	909	633	503
Roadside assistance	188	238	263
Finance and insurance products	396	362	332
Intersegment premiums and service fees [1]	147	154	122
Other revenue [2]	208	188	82
Net investment income	44	42	27
Realized capital gains (losses)	30	32	(11)
Total Protection Services	**1,922**	**1,649**	**1,318**
Allstate Life			
Traditional life insurance premiums	633	630	600
Accident and health insurance premiums	2	2	2
Interest-sensitive life insurance contract charges	705	711	713
Other revenue	121	125	119
Net investment income	502	514	505
Realized capital gains (losses)	(10)	1	(14)
Total Allstate Life	**1,953**	**1,983**	**1,925**
Allstate Benefits			
Traditional life insurance premiums	46	43	44
Accident and health insurance premiums	926	988	980
Interest-sensitive life insurance contract charges	122	114	111
Net investment income	78	83	77
Realized capital gains (losses)	8	12	(9)
Total Allstate Benefits	**1,180**	**1,240**	**1,203**
Allstate Annuities			
Fixed annuities contract charges	10	13	15
Net investment income	761	917	1,096
Realized capital gains (losses)	279	346	(166)
Total Allstate Annuities	**1,050**	**1,276**	**945**
Corporate and Other			
Net investment income	47	70	71
Realized capital gains (losses)	59	24	(38)
Total Corporate and Other	**106**	**94**	**33**
Intersegment eliminations [1]	(147)	(154)	(122)
Consolidated revenues	**$ 44,791**	**$ 44,675**	**$ 39,815**

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

[2] Other revenue is primarily related to Allstate Identity Protection, Allstate Dealer Services, and Allstate Protection Plans.

Reportable segments financial performance

($ in millions)	For the years ended December 31, 2020	2019	2018
Property-Liability			
Allstate Protection	$ 4,566	$ 2,912	$ 2,343
Discontinued Lines and Coverages	(144)	(108)	(90)
Total underwriting income	**4,422**	**2,804**	**2,253**
Net investment income	1,421	1,533	1,464
Income tax expense on operations	(1,166)	(887)	(747)
Realized capital gains (losses), after-tax	774	1,161	(500)
Tax Legislation expense	—	—	(5)
Property-Liability net income applicable to common shareholders	**5,451**	**4,611**	**2,465**
Protection Services			
Adjusted net income	153	38	8
Realized capital gains (losses), after-tax	23	25	(9)
Amortization of purchased intangibles, after-tax	(84)	(97)	(74)
Impairment of purchased intangibles, after-tax	—	(43)	—
Tax Legislation expense	—	—	(4)
Protection Services net income (loss) applicable to common shareholders	**92**	**(77)**	**(79)**
Allstate Life			
Adjusted net income	194	261	295
Realized capital gains (losses), after-tax	(9)	—	(11)
Valuation changes on embedded derivatives that are not hedged, after-tax	(34)	(9)	—
DAC and DSI amortization related to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	8	(5)	(8)
Tax Legislation expense	—	—	(16)
Allstate Life net income applicable to common shareholders	**159**	**247**	**260**
Allstate Benefits			
Adjusted net income	96	115	124
Realized capital gains (losses), after-tax	7	9	(7)
DAC and DSI amortization related to realized capital gains and losses, after-tax	—	—	1
Tax Legislation benefit	—	—	—
Allstate Benefits net income applicable to common shareholders	**103**	**124**	**118**
Allstate Annuities			
Adjusted net (loss) income	(53)	10	131
Realized capital gains (losses), after-tax	221	274	(131)
Valuation changes on embedded derivatives that are not hedged, after-tax	(2)	(6)	3
Premium deficiency for immediate annuities, after-tax [(1)]	(178)	—	—
Gain on disposition of operations, after-tax	3	4	4
Tax Legislation benefit	—	—	69
Allstate Annuities net (loss) income applicable to common shareholders	**(9)**	**282**	**76**
Corporate and Other			
Adjusted net loss	(428)	(438)	(406)
Realized capital gains (losses), after-tax	47	19	(30)
Pension and other postretirement remeasurement gains (losses), after-tax	39	(90)	(370)
Curtailment gain, after-tax	7	—	—
Business combination expenses, after-tax	—	—	(7)
Tax Legislation expense	—	—	(15)
Corporate and Other net loss applicable to common shareholders	**(335)**	**(509)**	**(828)**
Consolidated net income applicable to common shareholders	**$ 5,461**	**$ 4,678**	**$ 2,012**

(1) Contract benefits increased by $225 million, pre-tax, for premium deficiency on immediate annuities with life contingencies due to updated investment and actuarial assumptions in the third quarter of 2020.

Additional significant financial performance data

($ in millions)	For the years ended December 31, 2020	2019	2018
Amortization of DAC			
Property-Liability	$ 4,642	$ 4,649	$ 4,475
Protection Services	658	543	463
Allstate Life	149	173	132
Allstate Benefits	177	161	145
Allstate Annuities	4	7	7
Consolidated	**$ 5,630**	**$ 5,533**	**$ 5,222**
Income tax expense (benefit)			
Property-Liability	$ 1,382	$ 1,196	$ 613
Protection Services	26	(18)	(19)
Allstate Life	17	53	75
Allstate Benefits	28	35	32
Allstate Annuities	(7)	73	(66)
Corporate and Other	(63)	(97)	(167)
Consolidated	**$ 1,383**	**$ 1,242**	**$ 468**

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 Protection Services, 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, investments and deferred policy acquisition costs [(1)]

($ in millions)	As of December 31, 2020	2019
Assets		
Property-Liability	$ 69,171	$ 67,243
Protection Services	6,177	5,746
Allstate Life	15,051	14,771
Allstate Benefits	2,905	2,915
Allstate Annuities	27,080	26,914
Corporate and Other	5,603	2,361
Consolidated	**$ 125,987**	**$ 119,950**
Investments		
Property-Liability	$ 50,134	$ 48,414
Protection Services	1,822	1,544
Allstate Life	12,406	11,914
Allstate Benefits	2,012	1,941
Allstate Annuities	22,291	22,221
Corporate and Other	5,572	2,328
Consolidated	**$ 94,237**	**$ 88,362**
Deferred policy acquisition costs		
Property-Liability	$ 1,608	$ 1,624
Protection Services	1,696	1,448
Allstate Life	909	1,079
Allstate Benefits	470	527
Allstate Annuities	17	21
Consolidated	**$ 4,700**	**$ 4,699**

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

Note 5 Investments

Portfolio composition

($ in millions)	As of December 31, 2020	2019
Fixed income securities, at fair value	$ 66,354	$ 59,044
Equity securities, at fair value	4,710	8,162
Mortgage loans, net	4,075	4,817
Limited partnership interests	7,609	8,078
Short-term investments, at fair value	7,800	4,256
Other, net	3,689	4,005
Total	**$ 94,237**	**$ 88,362**

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

($ in millions)	Amortized cost, net	Gross unrealized Gains	Gross unrealized Losses	Fair value
December 31, 2020				
U.S. government and agencies	$ 3,129	$ 94	$ (1)	$ 3,222
Municipal	8,752	837	(2)	9,587
Corporate	47,226	3,981	(65)	51,142
Foreign government	1,013	42	—	1,055
ABS	1,260	15	(5)	1,270
MBS	71	7	—	78
Total fixed income securities	**$ 61,451**	**$ 4,976**	**$ (73)**	**$ 66,354**
December 31, 2019				
U.S. government and agencies	$ 4,971	$ 141	$ (26)	$ 5,086
Municipal	8,080	551	(11)	8,620
Corporate	41,090	2,035	(47)	43,078
Foreign government	968	16	(5)	979
ABS	860	8	(6)	862
MBS	324	96	(1)	419
Total fixed income securities	**$ 56,293**	**$ 2,847**	**$ (96)**	**$ 59,044**

Scheduled maturities for fixed income securities

($ in millions)	As of December 31, 2020 Amortized cost, net	Fair value
Due in one year or less	$ 3,092	$ 3,136
Due after one year through five years	24,271	25,587
Due after five years through ten years	22,000	24,018
Due after ten years	10,757	12,265
	60,120	**65,006**
ABS and MBS	1,331	1,348
Total	**$ 61,451**	**$ 66,354**

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

Net investment income

($ in millions)	For the years ended December 31, 2020	2019	2018
Fixed income securities	$ 2,136	$ 2,175	$ 2,077
Equity securities	98	206	170
Mortgage loans	220	220	217
Limited partnership interests	338	471	705
Short-term investments	23	102	73
Other	251	262	272
Investment income, before expense	**3,066**	**3,436**	**3,514**
Investment expense	(213)	(277)	(274)
Net investment income	**$ 2,853**	**$ 3,159**	**$ 3,240**

Realized capital gains (losses) by asset type

($ in millions)	For the years ended December 31, 2020	2019	2018
Fixed income securities	$ 983	$ 461	$ (237)
Equity securities	346	1,210	(594)
Mortgage loans	(47)	—	2
Limited partnership interests	24	200	(101)
Derivatives	53	(15)	46
Other	(3)	29	7
Realized capital gains (losses)	**$ 1,356**	**$ 1,885**	**$ (877)**

Realized capital gains (losses) by transaction type

($ in millions)	For the years ended December 31, 2020	2019	2018
Sales	$ 1,017	$ 575	$ (215)
Credit losses [1]	(80)	(47)	(14)
Valuation of equity investments [2]	366	1,372	(691)
Valuation and settlements of derivative instruments	53	(15)	43
Realized capital gains (losses)	**$ 1,356**	**$ 1,885**	**$ (877)**

(1) Due to the adoption of the measurement of credit losses on financial instruments accounting standard, prior period other-than-temporary impairment write-downs are now presented as credit losses.

(2) Includes valuation of equity securities and certain limited partnership interests where the underlying assets are predominately public equity securities.

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

($ in millions)	For the years ended December 31, 2020	2019	2018
Gross realized gains	$ 1,209	$ 607	$ 120
Gross realized losses	(221)	(132)	(347)

The following table presents the net pre-tax appreciation (decline) recognized in net income of equity securities and limited partnership interests carried at fair value that are still held as of December 31, 2020 and 2019, respectively.

Net appreciation (decline) recognized in net income

($ in millions)	For the years ended December 31, 2020	2019
Equity securities	$ 478	$ 1,073
Limited partnership interests carried at fair value	250	149
Total	**$ 728**	**$ 1,222**

Credit losses recognized in net income [1]

($ in millions)	For the years ended December 31, 2020	2019	2018
Assets			
Fixed income securities:			
Corporate	$ (1)	$ (7)	$ (2)
ABS	(2)	(4)	(3)
MBS	(2)	(3)	(5)
Total fixed income securities	**(5)**	**(14)**	**(10)**
Mortgage loans	(39)	—	—
Limited partnership interests	(10)	(6)	(3)
Other investments			
Bank loans	(28)	(26)	—
Agent loans	—	(1)	(1)
Total credit losses by asset type	**$ (82)**	**$ (47)**	**$ (14)**
Liabilities			
Commitments to fund commercial mortgage loans, bank loans and agent loans	2	—	—
Total	**$ (80)**	**$ (47)**	**$ (14)**

(1) Due to the adoption of the measurement of credit losses on financial instruments accounting standard, realized capital losses previously reported as other-than-temporary impairment write-downs are now presented as credit losses.

Unrealized net capital gains and losses included in AOCI

($ in millions) **December 31, 2020**	Fair value	Gross unrealized Gains	Gross unrealized Losses	Unrealized net gains (losses)
Fixed income securities	$ 66,354	$ 4,976	$ (73)	$ 4,903
Short-term investments	7,800	—	—	—
Derivative instruments	—	—	(3)	(3)
EMA limited partnerships [1]				(4)
Unrealized net capital gains and losses, pre-tax				**4,896**
Amounts recognized for:				
Insurance reserves [2]				(496)
DAC and DSI [3]				(364)
Amounts recognized				**(860)**
Deferred income taxes				(856)
Unrealized net capital gains and losses, after-tax				**$ 3,180**
December 31, 2019				
Fixed income securities	$ 59,044	$ 2,847	$ (96)	$ 2,751
Short-term investments	4,256	—	—	—
Derivative instruments	—	—	(3)	(3)
EMA limited partnerships				(4)
Unrealized net capital gains and losses, pre-tax				**2,744**
Amounts recognized for:				
Insurance reserves				(126)
DAC and DSI				(224)
Amounts recognized				**(350)**
Deferred income taxes				(507)
Unrealized net capital gains and losses, after-tax				**$ 1,887**

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

[2] The insurance reserves adjustment represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product portfolios were realized and reinvested at lower interest rates, resulting in a premium deficiency. This adjustment primarily relates to structured settlement annuities with life contingencies (a type of immediate fixed annuity).

[3] The DAC and DSI adjustment balance represents the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized gains or losses in the respective product portfolios were realized.

Change in unrealized net capital gains (losses)

($ in millions)	For the years ended December 31, 2020	2019	2018
Fixed income securities	$ 2,152	$ 2,715	$ (1,431)
Short-term investments	—	—	—
Derivative instruments	—	—	(2)
EMA limited partnerships	—	(4)	(1)
Total	**2,152**	**2,711**	**(1,434)**
Amounts recognized for:			
Insurance reserves	(370)	(126)	315
DAC and DSI	(140)	(191)	163
Amounts recognized	**(510)**	**(317)**	**478**
Deferred income taxes	(349)	(505)	202
Increase (decrease) in unrealized net capital gains and losses, after-tax	**$ 1,293**	**$ 1,889**	**$ (754)**

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 $4.08 billion and $4.82 billion, net of credit loss allowance, as of December 31, 2020 and 2019, 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)	2020	2019
Texas	20.6 %	16.9 %
California	14.6	15.1
Florida	6.8	6.4
Illinois	6.1	7.1
North Carolina	5.1	4.5
New Jersey	3.5	5.6

Types of properties collateralizing the mortgage loan portfolio

	As of December 31,	
(% of mortgage loan portfolio carrying value)	2020	2019
Apartment complex	37.8 %	36.8 %
Office buildings	23.2	22.6
Warehouse	14.6	16.8
Retail	13.9	13.4
Other	10.5	10.4
Total	**100.0 %**	**100.0 %**

Contractual maturities of the mortgage loan portfolio

	As of December 31, 2020		
($ in millions)	Number of loans	Amortized cost, net	Percent
2021	28	$ 277	6.8 %
2022	25	388	9.5
2023	42	556	13.7
2024	27	637	15.6
Thereafter	124	2,217	54.4
Total	**246**	**$ 4,075**	**100.0 %**

Limited partnerships Investments in limited partnership interests include interests in private equity funds, real estate funds and other funds. Principal factors influencing carrying value appreciation or decline include operating performance, comparable public company earnings multiples, capitalization rates and the economic environment. For equity method limited partnerships, the Company recognizes an impairment loss 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. Changes in fair value limited partnerships are recorded through net investment income and therefore are not tested for impairment.

Carrying value for limited partnership interests

	As of December 31, 2020			As of December 31, 2019		
($ in millions)	EMA	Fair Value	Total	EMA	Fair Value	Total
Private equity	$ 4,417	$ 1,708	$ 6,125	$ 4,463	$ 1,668	$ 6,131
Real estate	958	116	1,074	899	142	1,041
Other [(1)]	410	—	410	902	4	906
Total	**$ 5,785**	**$ 1,824**	**$ 7,609**	**$ 6,264**	**$ 1,814**	**$ 8,078**

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

Municipal bonds The Company maintains a diversified portfolio of municipal bonds, including tax exempt and taxable securities, which totaled $9.59 billion and $8.62 billion as of December 31, 2020 and 2019, respectively.

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).

Principal geographic distribution of municipal bond issuers exceeding 5% of the portfolio

	As of December 31,	
(% of municipal bond portfolio carrying value)	**2020**	**2019**
California	12.8 %	8.6 %
Texas	11.0	12.7
New York	5.3	3.7
Colorado	4.8	5.8
Washington	4.0	5.5

Short-term investments Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value. As of December 31, 2020 and 2019, the fair value of short-term investments totaled $7.80 billion and $4.26 billion, respectively.

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

Other investments by asset type

	As of December 31,	
($ in millions)	**2020**	**2019**
Bank loans, net	$ 1,018	$ 1,204
Real estate	974	1,005
Policy loans	754	894
Agent loans, net	631	666
Derivatives and other	312	236
Total	**$ 3,689**	**$ 4,005**

Concentration of credit risk As of December 31, 2020, 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 and one government money market fund.

Securities loaned The Company's business activities include securities lending programs with third parties, mostly large banks. As of December 31, 2020 and 2019, fixed income and equity securities with a carrying value of $1.19 billion and $1.74 billion, respectively, were on loan under these agreements. Interest income on collateral, net of fees, was $3 million, $5 million and $4 million in 2020, 2019 and 2018, respectively.

Other investment information Included in fixed income securities are below investment grade assets totaling $9.00 billion and $7.15 billion as of December 31, 2020 and 2019, respectively.

As of December 31, 2020, fixed income securities and short-term investments with a carrying value of $141 million were on deposit with regulatory authorities as required by law.

As of December 31, 2020, the carrying value of fixed income securities and other investments that were non-income producing was $80 million.

Portfolio monitoring and credit losses

Fixed income securities The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed income security that may require a credit loss allowance.

For each fixed income security in an unrealized loss position, the Company assesses whether management with the appropriate authority has made the decision to sell or whether it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, any existing credit loss allowance would be written-off against the amortized cost basis of the asset along with any remaining unrealized losses, with incremental losses recorded in earnings.

If the Company has not made the decision to sell the fixed income security and it is not more likely than not the Company will be required to sell the fixed income security before recovery of its amortized cost basis, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. The Company calculates the estimated recovery value based on the best estimate of future cash flows considering past events, current conditions and reasonable and supportable forecasts. The estimated future cash flows are discounted at the security's current effective rate and is compared to the amortized cost of the security.

The determination of cash flow estimates is inherently subjective, and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security is considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, origination vintage year, geographic concentration of underlying collateral, available reserves or escrows, current subordination levels, third-party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of collateral for ultimate settlement.

If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, a credit loss allowance is recorded in earnings for the shortfall in expected cash flows; however, the amortized cost, net of the credit loss allowance, may not be lower than the fair value of the security. The portion of the unrealized loss related to factors other than credit remains classified in AOCI. If the Company determines that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, the Company may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

When a security is sold or otherwise disposed or when the security is deemed uncollectible and written off, the Company removes amounts previously recognized in the credit loss allowance. Recoveries after write-offs are recognized when received. Accrued interest excluded from the amortized cost of fixed income securities totaled $548 million as of December 31, 2020 and is reported within the accrued investment income line of the Consolidated Statements of Financial Position. The Company monitors accrued interest and writes off amounts when they are not expected to be received.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost is below internally established thresholds. The process also includes the monitoring of other credit loss indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential credit losses using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of credit losses for these securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value requires a credit loss allowance are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 3) the extent to which the fair value has been less than amortized cost.

Rollforward of credit loss allowance for fixed income securities

($ in millions)	For the year ended December 31, 2020
Beginning balance	$ —
Credit losses on securities for which credit losses not previously reported	(5)
Reduction of allowance related to sales	2
Write-offs	—
Ending balance [1]	**$ (3)**

[1] Allowance for fixed income securities as of December 31, 2020 comprised $1 million and $2 million of corporate bonds and ABS, respectively.

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

	Less than 12 months			12 months or more			
($ in millions)	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	Total unrealized losses
December 31, 2020							
Fixed income securities							
U.S. government and agencies	23	$ 185	$ (1)	—	$ —	$ —	$ (1)
Municipal	47	148	(2)	—	—	—	(2)
Corporate	127	1,229	(39)	27	187	(26)	(65)
Foreign government	7	7	—	—	—	—	—
ABS	22	160	(2)	13	49	(3)	(5)
MBS	14	—	—	67	—	—	—
Total fixed income securities	**240**	**$ 1,729**	**$ (44)**	**107**	**$ 236**	**$ (29)**	**$ (73)**
Investment grade fixed income securities	163	$ 1,193	$ (13)	84	$ 117	$ (17)	$ (30)
Below investment grade fixed income securities	77	536	(31)	23	119	(12)	(43)
Total fixed income securities	**240**	**$ 1,729**	**$ (44)**	**107**	**$ 236**	**$ (29)**	**$ (73)**
December 31, 2019							
Fixed income securities							
U.S. government and agencies	31	$ 1,713	$ (26)	10	$ 26	$ —	$ (26)
Municipal	307	576	(9)	1	14	(2)	(11)
Corporate	186	1,392	(20)	65	485	(27)	(47)
Foreign government	55	412	(4)	6	102	(1)	(5)
ABS	36	193	(2)	23	160	(4)	(6)
MBS	27	15	—	123	14	(1)	(1)
Total fixed income securities	**642**	**$ 4,301**	**$ (61)**	**228**	**$ 801**	**$ (35)**	**$ (96)**
Investment grade fixed income securities	581	$ 3,878	$ (41)	185	$ 594	$ (20)	$ (61)
Below investment grade fixed income securities	61	423	(20)	43	207	(15)	(35)
Total fixed income securities	**642**	**$ 4,301**	**$ (61)**	**228**	**$ 801**	**$ (35)**	**$ (96)**

Gross unrealized losses by unrealized loss position and credit quality as of December 31, 2020

($ in millions)	Investment grade	Below investment grade	Total
Fixed income securities with unrealized loss position less than 20% of amortized cost, net [1] [2]	$ (15)	$ (24)	$ (39)
Fixed income securities with unrealized loss position greater than or equal to 20% of amortized cost, net [3] [4]	(15)	(19)	(34)
Total unrealized losses	**$ (30)**	**$ (43)**	**$ (73)**

(1) Below investment grade fixed income securities include $17 million that have been in an unrealized loss position for less than twelve months.

(2) Related to securities with an unrealized loss position less than 20% of amortized cost, net, the degree of which suggests that these securities do not pose a high risk of having credit losses.

(3) No below investment grade fixed income securities have been in an unrealized loss position for a period of twelve or more consecutive months.

(4) Evaluated based on factors such as discounted cash flows and the financial condition and near-term and long-term prospects of the issue or issuer and were determined to have adequate resources to fulfill contractual obligations

Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Unrealized losses on investment grade securities are principally related to an increase in market yields which may include increased risk-free interest rates or wider credit spreads since the time of initial purchase. The unrealized losses are expected to reverse as the securities approach maturity.

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

As of December 31, 2020, the Company has not made the decision to sell and it is not more likely than not the Company will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis.

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

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

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

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

Accrued interest is excluded from the amortized cost of loans and is reported within the accrued investment income line of the Consolidated Statements of Financial Position. As of December 31, 2020, accrued interest totaled $15 million, $4 million and $2 million for mortgage loans, bank loans and agent loans, respectively.

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

Individual loan credit loss allowances are adjusted for subsequent changes in the fair value of the collateral less costs to sell, when applicable, or present value of the loan's expected future repayment cash flows.

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

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

	December 31, 2020							December 31, 2019
($ in millions)	2015 and prior	2016	2017	2018	2019	Current	Total	Total
Below 1.0	$ 15	$ —	$ —	$ —	$ —	$ —	$ 15	$ 56
1.0 - 1.25	133	27	36	70	48	24	338	225
1.26 - 1.50	378	41	144	187	333	6	1,089	1,237
Above 1.50	1,037	396	283	373	499	112	2,700	3,302
Amortized cost before allowance	**$ 1,563**	**$ 464**	**$ 463**	**$ 630**	**$ 880**	**$ 142**	**$ 4,142**	**$ 4,820**
Allowance [1]							(67)	(3)
Amortized cost, net							**$ 4,075**	**$ 4,817**

[1] Due to the adoption of the measurement of credit losses on financial instruments accounting standard, prior valuation allowance is now presented as an allowance for expected credit losses.

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to situations where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable term, the decrease in cash flows from the properties is considered temporary, or there are other risk mitigating factors such as additional collateral, escrow balances or borrower guarantees. Payments on all mortgage loans were current as of December 31, 2020, 2019 and 2018. During the fourth quarter of 2020, the Company sold $234 million of mortgage loans, net of a $17 million credit loss allowance, resulting in a net realized capital loss of $4 million.

Rollforward of credit loss allowance for mortgage loans

($ in millions)	For the year ended December 31, 2020
Beginning balance	$ (3)
Cumulative effect of change in accounting principle	(42)
Net increases related to credit losses	(39)
Reduction of allowance related to sales	17
Write-offs	—
Ending balance	**$ (67)**

Bank loans When it is determined a bank loan shall be evaluated individually, the Company uses various methods to estimate credit losses on individual loans such as the present value of the loan's expected future repayment cash flows discounted at the loan's current effective interest rate.

Credit ratings of the borrower are considered a key credit quality indicator when bank loan credit loss allowances are estimated. The ratings are updated quarterly and are either received from a nationally recognized rating agency or a comparable internal rating is derived if an externally provided rating is not available. The year of origination is determined to be the year in which the asset is acquired.

Bank loans amortized cost by credit rating and year of origination

($ in millions)	As of December 31, 2020						
	2015 and prior	2016	2017	2018	2019	Current	Total
BBB	$ —	$ —	$ 9	$ 7	$ 14	$ 13	$ 43
BB	20	2	25	58	53	54	212
B	11	23	115	141	122	195	607
CCC and below	7	16	44	50	74	32	223
Amortized cost before allowance	**$ 38**	**$ 41**	**$ 193**	**$ 256**	**$ 263**	**$ 294**	**$ 1,085**
Allowance							**(67)**
Amortized cost, net							**$ 1,018**

Rollforward of credit loss allowance for bank loans

($ in millions)	For the year ended December 31, 2020
Beginning balance	$ —
Cumulative effect of change in accounting principle	(53)
Net increases related to credit losses	(28)
Reduction of allowance related to sales	9
Write-offs	5
Ending balance	**$ (67)**

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

As of December 31, 2020, 85% of agent loans balance represents the top three highest credit quality categories. The allowance for agent loans totaled $5 million as of December 31, 2020 and did not change from January 1, 2020.

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:

(1) Specific inputs significant to the fair value estimation models are not market observable. This primarily occurs in the Company's use of broker quotes to value certain securities where the inputs have not been corroborated to be market observable, and the use of valuation models that use significant non-market observable inputs.

(2) Quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

Certain assets are not carried at fair value on a recurring basis, including mortgage loans, bank loans, agent loans and policy loans and are only included in the fair value hierarchy disclosure when the individual investment is reported at fair value.

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

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

Level 2 measurements

- *Fixed income securities:*

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

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

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

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

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

- *Short-term:* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.
- *Other investments:* Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical instruments in markets that are not active.

  Over-the-counter ("OTC") derivatives, including interest rate swaps, foreign currency swaps, total return swaps, foreign exchange forward contracts, certain options and certain credit default swaps, are valued using models that rely on inputs such as interest rate yield curves, implied volatilities, index price levels, currency rates, and credit spreads that are observable for substantially the full term of the contract. The valuation techniques underlying the models are widely accepted in the financial services industry and do not involve significant judgment.

Level 3 measurements

- *Fixed income securities:*

  Municipal: Comprise municipal bonds that are not rated by third-party credit rating agencies. The primary inputs to the valuation of these municipal bonds include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads. Also included are municipal bonds valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and municipal bonds in default valued based on the present value of expected cash flows.

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

- *Equity securities:* The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.
- *Short-term:* For certain short-term investments, amortized cost is used as the best estimate of fair value.
- *Other investments:* Certain OTC derivatives, such as interest rate caps, certain credit default swaps and certain options (including swaptions), are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility. Other primary inputs include interest rate yield curves and credit spreads.
- *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.

Investments excluded from the fair value hierarchy

Limited partnerships carried at fair value, which do not have readily determinable fair values, use NAV provided by the investees and are excluded from the fair value hierarchy. These investments are generally not redeemable by the investees and generally cannot be sold without approval of the general partner. The Company receives distributions of income and proceeds from the liquidation of the underlying assets of the investees, which usually takes place in years 4-9 of the typical contractual life of 10-12 years. As of December 31, 2020, the Company has commitments to invest $395 million in these limited partnership interests.

Assets and liabilities measured at fair value

	As of December 31, 2020				
($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Total
Assets					
Fixed income securities:					
U.S. government and agencies	$ 2,863	$ 359	$ —		$ 3,222
Municipal	—	9,520	67		9,587
Corporate - public	—	36,346	98		36,444
Corporate - privately placed	—	14,568	130		14,698
Foreign government	—	1,055	—		1,055
ABS	—	1,213	57		1,270
MBS	—	51	27		78
Total fixed income securities	**2,863**	**63,112**	**379**		**66,354**
Equity securities	3,882	410	418		4,710
Short-term investments	7,477	288	35		7,800
Other investments: Free-standing derivatives	—	219	—	$ (15)	204
Separate account assets	3,344	—	—		3,344
Other assets	1	—	—		1
Total recurring basis assets	**17,567**	**64,029**	**832**	**(15)**	**82,413**
Total assets at fair value	**$ 17,567**	**$ 64,029**	**$ 832**	**$ (15)**	**$ 82,413**
% of total assets at fair value	21.3 %	77.7 %	1.0 %	— %	100.0 %
Investments reported at NAV					1,824
Total					**$ 84,237**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (516)		$ (516)
Other liabilities: Free-standing derivatives	—	(153)	—	$ 27	(126)
Total recurring basis liabilities	**$ —**	**$ (153)**	**$ (516)**	**$ 27**	**$ (642)**
% of total liabilities at fair value	— %	23.8 %	80.4 %	(4.2)%	100.0 %

Assets and liabilities measured at fair value

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Total
	As of December 31, 2019				
Assets					
Fixed income securities:					
U.S. government and agencies	$ 4,689	$ 397	$ —		$ 5,086
Municipal	—	8,558	62		8,620
Corporate - public	—	30,819	61		30,880
Corporate - privately placed	—	12,084	114		12,198
Foreign government	—	979	—		979
ABS	—	797	65		862
MBS	—	379	40		419
Total fixed income securities	**4,689**	**54,013**	**342**		**59,044**
Equity securities	7,407	384	371		8,162
Short-term investments	1,940	2,291	25		4,256
Other investments: Free-standing derivatives	—	180	—	$ (40)	140
Separate account assets	3,044	—	—		3,044
Other assets	1	—	—		1
Total recurring basis assets	**17,081**	**56,868**	**738**	**(40)**	**74,647**
Total assets at fair value	**$ 17,081**	**$ 56,868**	**$ 738**	**$ (40)**	**$ 74,647**
% of total assets at fair value	22.9 %	76.2 %	1.0 %	(0.1)%	100.0 %
Investments reported at NAV					1,814
Total					**$ 76,461**
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (462)		$ (462)
Other liabilities: Free-standing derivatives	—	(84)	—	$ 12	(72)
Total recurring basis liabilities	**$ —**	**$ (84)**	**$ (462)**	**$ 12**	**$ (534)**
% of total liabilities at fair value	— %	15.7 %	86.5 %	(2.2)%	100.0 %

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, 2020					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (483)	Stochastic cash flow model	Projected option cost	1.0% - 4.2%	2.80%
December 31, 2019					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (430)	Stochastic cash flow model	Projected option cost	1.0% - 4.2%	2.67%

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, 2020 and 2019, Level 3 fair value measurements of fixed income securities total $379 million and $342 million, respectively, and include $93 million and $50 million, respectively, of securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and $35 million and $36 million, respectively, of municipal fixed income securities that are not rated by third-party credit rating agencies. As the Company does not develop the Level 3 fair value unobservable inputs for these fixed income securities, they are not included in the table above. However, an increase (decrease) in credit spreads for fixed income securities valued based on non-binding broker quotes would result in a lower (higher) fair value, and an increase (decrease) in the credit rating of municipal bonds that are not rated by third-party credit rating agencies would result in a higher (lower) fair value.

Rollforward of Level 3 assets and liabilities held at fair value during the year ended December 31, 2020

		Total gains (losses) included in:		Transfers						
($ in millions)	**Balance as of December 31, 2019**	**Net income**	**OCI**	**Into Level 3**	**Out of Level 3**	**Purchases**	**Sales**	**Issues**	**Settlements**	**Balance as of December 31, 2020**
Assets										
Fixed income securities:										
Municipal	$ 62	$ 1	$ 2	$ 20	$ (11)	$ —	$ (4)	$ —	$ (3)	$ 67
Corporate - public	61	(1)	1	2	—	55	(19)	—	(1)	98
Corporate - privately placed	114	2	(12)	52	(31)	25	(17)	—	(3)	130
ABS	65	—	(1)	54	(49)	48	(32)	—	(28)	57
MBS	40	1	(2)	—	—	11	(7)	—	(16)	27
Total fixed income securities	**342**	**3**	**(12)**	**128**	**(91)**	**139**	**(79)**	**—**	**(51)**	**379**
Equity securities	371	(3)	—	—	—	66	(16)	—	—	418
Short-term investments	25	—	—	—	(25)	35	—	—	—	35
Total recurring Level 3 assets	**738**	**—**	**(12)**	**128**	**(116)**	**240**	**(95)**	**—**	**(51)**	**832**
Liabilities										
Contractholder funds: Derivatives embedded in life and annuity contracts	(462)	(43)	—	—	—	—	—	(34)	23	(516)
Total recurring Level 3 liabilities	**$ (462)**	**$ (43)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (34)**	**$ 23**	**$ (516)**

Total Level 3 gains (losses) included in net income for the year ended December 31, 2020

($ in millions)	**Net investment income**	**Realized capital gains (losses)**	**Life contract benefits**	**Interest credited to contractholder funds**	**Total**
Components of net income	$ (23)	$ 23	$ (1)	$ (42)	$ (43)

Rollforward of Level 3 assets and liabilities held at fair value during the year ended December 31, 2019

		Total gains (losses) included in:		Transfers						
($ in millions)	**Balance as of December 31, 2018**	**Net income**	**OCI**	**Into Level 3**	**Out of Level 3**	**Purchases**	**Sales**	**Issues**	**Settlements**	**Balance as of December 31, 2019**
Assets										
Fixed income securities:										
Municipal	$ 70	$ 1	$ 4	$ —	$ (5)	$ —	$ (5)	$ —	$ (3)	$ 62
Corporate - public	70	—	3	30	(113)	86	(11)	—	(4)	61
Corporate - privately placed	90	(1)	2	43	(2)	4	(13)	—	(9)	114
ABS	69	1	(1)	76	(210)	159	(22)	—	(7)	65
MBS	26	—	(2)	9	—	9	—	—	(2)	40
Total fixed income securities	**325**	**1**	**6**	**158**	**(330)**	**258**	**(51)**	**—**	**(25)**	**342**
Equity securities	341	30	—	—	—	82	(82)	—	—	371
Short-term investments	30	—	—	—	—	35	(40)	—	—	25
Free-standing derivatives, net	1	(1)	—	—	—	—	—	—	—	—
Total recurring Level 3 assets	**697**	**30**	**6**	**158**	**(330)**	**375**	**(173)**	**—**	**(25)**	**738**
Liabilities										
Contractholder funds: Derivatives embedded in life and annuity contracts	(224)	(61)	—	(175)	—	—	—	(16)	14	(462)
Total recurring Level 3 liabilities	**$ (224)**	**$ (61)**	**$ —**	**$ (175)**	**$ —**	**$ —**	**$ —**	**$ (16)**	**$ 14**	**$ (462)**

Total Level 3 gains (losses) included in net income for the year ended December 31, 2019

($ in millions)	**Net investment income**	**Realized capital gains (losses)**	**Life contract benefits**	**Interest credited to contractholder funds**	**Total**
Components of net income	$ (2)	$ 32	$ 7	$ (68)	$ (31)

Rollforward of Level 3 assets and liabilities held at fair value during the year ended December 31, 2018

($ in millions)	Balance as of December 31, 2017	Total gains (losses) included in: Net income	OCI	Transfers Into Level 3	Out of Level 3	Purchases	Sales	Issues	Settlements	Balance as of December 31, 2018
Assets										
Fixed income securities:										
Municipal	$ 101	$ 1	$ (2)	$ —	$ (26)	$ 10	$ (8)	$ —	$ (6)	$ 70
Corporate - public	108	—	(3)	17	(21)	10	(38)	—	(3)	70
Corporate - privately placed	224	(1)	(3)	20	(119)	22	(5)	—	(48)	90
ABS	147	—	2	42	(159)	160	(97)	—	(26)	69
MBS	26	—	—	—	—	1	—	—	(1)	26
Total fixed income securities	**606**	**—**	**(6)**	**79**	**(325)**	**203**	**(148)**	**—**	**(84)**	**325**
Equity securities	210	37	—	—	—	109	(15)	—	—	341
Short-term investments	20	—	—	—	—	55	(45)	—	—	30
Free-standing derivatives, net	1	—	—	—	—	—	—	—	—	1
Total recurring Level 3 assets	**837**	**37**	**(6)**	**79**	**(325)**	**367**	**(208)**	**—**	**(84)**	**697**
Liabilities										
Contractholder funds: Derivatives embedded in life and annuity contracts	(286)	58	—	—	—	—	—	(2)	6	(224)
Total recurring Level 3 liabilities	**$ (286)**	**$ 58**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (2)**	**$ 6**	**$ (224)**

Total Level 3 gains (losses) included in net income for the year ended December 31, 2018

($ in millions)	Net investment income	Realized capital gains (losses)	Life contract benefits	Interest credited to contractholder funds	Total
Components of net income	$ —	$ 37	$ (5)	$ 63	$ 95

Transfers into Level 3 during 2020, 2019 and 2018 included situations where a quote was not provided by the Company’s independent third-party valuation service provider and as a result the price was stale or had been replaced with a broker quote where the inputs had not been corroborated to be market observable resulting in the security being classified as Level 3. Transfers into Level 3 during 2019 also included derivatives embedded in equity-indexed universal life contracts due to refinements in the valuation modeling resulting in an increase in significance of non-market observable inputs.

Transfers out of Level 3 during 2020, 2019 and 2018 included situations where a broker quote was used in the prior period and a quote became available from the Company’s independent third-party valuation service provider in the current period. A quote utilizing the new pricing source was not available as of the prior period, and any gains or losses related to the change in valuation source for individual securities were not significant.

Valuation changes included in net income and OCI for Level 3 assets and liabilities held as of December 31,

($ in millions)	2020	2019	2018
Assets			
Fixed income securities:			
Municipal	$ 1	$ 1	$ —
Corporate - public	(2)	—	—
Corporate - privately placed	2	—	—
Total fixed income securities	1	1	—
Equity securities	(3)	6	36
Free-standing derivatives, net	—	(1)	—
Total recurring Level 3 assets	**$ (2)**	**$ 6**	**$ 36**
Liabilities			
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (43)	$ (61)	$ 58
Total recurring Level 3 liabilities	**(43)**	**(61)**	**58**
Total included in net income	**$ (45)**	**$ (55)**	**$ 94**
Components of net income			
Net investment income	$ (24)	$ (2)	$ —
Realized capital gains (losses)	22	8	36
Life contract benefits	(1)	7	(5)
Interest credited to contractholder funds	(42)	(68)	63
Total included in net income	**$ (45)**	**$ (55)**	**$ 94**
Assets			
Municipal	$ 2		
Corporate - public	1		
Corporate - privately placed	(11)		
ABS	(1)		
Changes in unrealized net capital gains and losses reported in OCI [(1)]	**$ (9)**		

[(1)] Effective January 1, 2020, the Company adopted the fair value accounting standard that prospectively requires the disclosure of valuation changes reported in OCI.

Financial instruments not carried at fair value

($ in millions)		December 31, 2020		December 31, 2019	
Financial assets	**Fair value level**	**Amortized cost, net**	**Fair value**	**Amortized cost, net**	**Fair value**
Mortgage loans	Level 3	$ 4,075	$ 4,348	$ 4,817	$ 5,012
Bank loans	Level 3	1,018	1,053	1,204	1,185
Agent loans	Level 3	631	634	666	664
Financial liabilities	**Fair value level**	**Carrying value** [(1)]	**Fair value**	**Carrying value** [(1)]	**Fair value**
Contractholder funds on investment contracts	Level 3	$ 7,795	$ 9,089	$ 8,438	$ 9,158
Long-term debt	Level 2	7,825	9,489	6,631	7,738
Liability for collateral	Level 2	1,249	1,249	1,829	1,829

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

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, index total return swap, options, or a foreign currency forward contract and one or more highly rated fixed income securities, primarily investment grade host bonds, to synthetically replicate the economic characteristics of one or more cash market securities. The Company replicates equity securities using futures, index total return swaps, and options to increase equity exposure.

Property-Liability may use interest rate swaps, swaptions, futures and options to manage the interest rate risks of existing investments. These instruments are utilized to change the duration of the portfolio in order to offset the economic effect that interest rates would otherwise have on the fair value of its fixed income securities. Fixed income index total return swaps are used to offset valuation losses in the fixed income portfolio during periods of declining market values. Credit default swaps are typically used to mitigate the credit risk within the Property-Liability fixed income portfolio. Equity index total return swaps, futures and options are used by Property-Liability to offset valuation losses in the equity portfolio during periods of declining equity market values. In addition, equity futures are used to hedge the market risk related to deferred compensation liability contracts. Forward contracts are primarily used by Property-Liability to hedge foreign currency risk associated with holding foreign currency denominated investments and foreign operations.

Asset-liability management is a risk management practice 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. Fixed income index total return swaps are used to offset valuation losses in the portfolio during periods of declining market values. Credit default swaps are typically used to mitigate the credit risk within the 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 total return swaps, options and futures to offset valuation losses in the equity portfolio during periods of declining equity market values. Foreign currency swaps and forwards are primarily used to reduce the foreign currency risk associated with holding foreign currency denominated investments.

The Company 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 returns linked to equity indices 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 fair value of the hedged liability is reported in contractholder funds in the Consolidated Statements of Financial Position. The impact from results of the fair value hedge is reported in interest credited to contractholder funds in the Consolidated Statements of Operations.

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 those derivatives which qualify and have been designated as fair value accounting hedges, net income includes the changes in the fair value of both the derivative instrument and the hedged risk. For cash flow hedges, gains and losses are amortized from AOCI and are reported in net income in the same period the forecasted transactions being hedged impact net income.

Non-hedge accounting is generally used for "portfolio" level hedging strategies where the terms of the individual hedged items do not meet the strict homogeneity requirements to permit the application of hedge accounting. For non-hedge derivatives, net income includes changes in fair value and accrued periodic settlements, when applicable. With the exception of non-hedge derivatives used for asset replication and non-hedge embedded derivatives, all of the Company's derivatives are evaluated for their ongoing effectiveness as either accounting hedge or non-hedge derivative financial instruments on at least a quarterly basis.

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

($ in millions, except number of contracts)	Balance sheet location	Volume (1) Notional amount	Volume (1) Number of contracts	Fair value, net	Gross asset	Gross liability
Asset derivatives						
Derivatives designated as fair value accounting hedging instruments						
Other	Other assets	$ 3	n/a	$ —	$ —	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	13	n/a	—	—	—
Futures	Other assets	n/a	602	—	—	—
Equity and index contracts						
Options	Other investments	n/a	2,887	190	190	—
Futures	Other assets	n/a	951	1	1	—
Total return index contracts						
Total return swap agreements - equity index	Other investments	8	n/a	1	1	—
Foreign currency contracts						
Foreign currency forwards	Other investments	404	n/a	5	13	(8)
Embedded derivative financial instruments						
Other embedded derivative financial instruments	Other investments	750	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	77	n/a	(4)	—	(4)
Credit default swaps – selling protection	Other investments	754	n/a	13	13	—
Subtotal		**2,006**	**4,440**	**206**	**218**	**(12)**
Total asset derivatives		**$ 2,009**	**4,440**	**$ 206**	**$ 218**	**$ (12)**
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other liabilities & accrued expenses	$ 19	n/a	$ —	$ —	$ —
Futures	Other liabilities & accrued expenses	n/a	730	—	—	—
Equity and index contracts						
Options	Other liabilities & accrued expenses	n/a	2,712	(110)	—	(110)
Futures	Other liabilities & accrued expenses	n/a	666	—	—	—
Total return index contracts						
Total return swap agreements - fixed income	Other liabilities & accrued expenses	50	n/a	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	367	n/a	(13)	2	(15)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	128	n/a	(18)	—	(18)
Guaranteed withdrawal benefits	Contractholder funds	190	n/a	(15)	—	(15)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,785	n/a	(483)	—	(483)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	638	n/a	(16)	—	(16)
Credit default swaps – selling protection	Other liabilities & accrued expenses	5	n/a	—	—	—
Total liability derivatives		**3,182**	**4,108**	**(655)**	**$ 2**	**$ (657)**
Total derivatives		**$ 5,191**	**8,548**	**$ (449)**		

(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, 2019

($ in millions, except number of contracts)	Balance sheet location	Volume: Notional amount	Volume: Number of contracts	Fair value, net	Gross asset	Gross liability
Asset derivatives						
Derivatives designated as fair value accounting hedging instruments						
Other	Other assets	$ 2	n/a	$ —	$ —	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Futures	Other assets	n/a	3,668	—	—	—
Equity and index contracts						
Options	Other investments	n/a	5,539	140	140	—
Futures	Other assets	n/a	1,533	1	1	—
Total return index contracts						
Total return swap agreements - fixed income	Other investments	56	n/a	1	1	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	17	n/a	—	—	—
Subtotal		**73**	**10,740**	**142**	**142**	**—**
Total asset derivatives		**$ 75**	**10,740**	**$ 142**	**$ 142**	**$ —**
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other liabilities & accrued expenses	$ 34	n/a	$ —	$ —	$ —
Futures	Other liabilities & accrued expenses	n/a	1,089	—	—	—
Equity and index contracts						
Options	Other liabilities & accrued expenses	n/a	5,400	(68)	—	(68)
Futures	Other liabilities & accrued expenses	n/a	3	—	—	—
Total return index contracts						
Total return swap agreements - fixed income	Other liabilities & accrued expenses	119	n/a	—	—	—
Total return swap agreements - equity index	Other liabilities & accrued expenses	187	n/a	11	11	—
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	745	n/a	19	28	(9)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	161	n/a	(18)	—	(18)
Guaranteed withdrawal benefits	Contractholder funds	205	n/a	(14)	—	(14)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,791	n/a	(430)	—	(430)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	152	n/a	(7)	—	(7)
Credit default swaps – selling protection	Other liabilities & accrued expenses	9	n/a	—	—	—
Total liability derivatives		**3,403**	**6,492**	**(507)**	**$ 39**	**$ (546)**
Total derivatives		**$ 3,478**	**17,232**	**$ (365)**		

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, 2020						
Asset derivatives	$ 16	$ (14)	$ (1)	$ 1	$ —	$ 1
Liability derivatives	(28)	14	13	(1)	—	(1)
December 31, 2019						
Asset derivatives	$ 40	$ (39)	$ (1)	$ —	$ —	$ —
Liability derivatives	(16)	39	(27)	(4)	—	(4)

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

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

($ in millions)	Realized capital gains (losses)	Life contract benefits	Interest credited to contractholder funds	Operating costs and expenses	Total gain (loss) recognized in net income on derivatives
2020					
Interest rate contracts	$ 40	$ —	$ —	$ —	$ 40
Equity and index contracts	21	—	22	29	72
Embedded derivative financial instruments	—	(1)	(53)	—	(54)
Foreign currency contracts	(20)	—	—	—	(20)
Credit default contracts	7	—	—	—	7
Total return swaps - fixed income	1	—	—	—	1
Total return swaps - equity index	4	—	—	—	4
Total	**$ 53**	**$ (1)**	**$ (31)**	**$ 29**	**$ 50**
2019					
Interest rate contracts	$ 51	$ —	$ —	$ —	$ 51
Equity and index contracts	(116)	—	63	40	(13)
Embedded derivative financial instruments	—	7	(70)	—	(63)
Foreign currency contracts	8	—	—	—	8
Credit default contracts	(8)	—	—	—	(8)
Total return swaps - fixed income	14	—	—	—	14
Total return swaps - equity index	36	—	—	—	36
Total	**$ (15)**	**$ 7**	**$ (7)**	**$ 40**	**$ 25**
2018					
Interest rate contracts	$ (2)	$ —	$ —	$ —	$ (2)
Equity and index contracts	21	—	(24)	(21)	(24)
Embedded derivative financial instruments	—	(5)	67	—	62
Foreign currency contracts	29	—	—	(1)	28
Credit default contracts	2	—	—	—	2
Total return swaps - fixed income	(1)	—	—	—	(1)
Total return swaps - equity	(6)	—	—	—	(6)
Total	**$ 43**	**$ (5)**	**$ 43**	**$ (22)**	**$ 59**

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, 2020, counterparties pledged $7 million in collateral to the Company, and the Company pledged $19 million in cash and securities to counterparties which includes $17 million of collateral posted under MNAs for contracts containing credit-risk contingent provisions that are in a liability position.

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

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contracts and all collateral, if any, becomes worthless.

This exposure is measured by the fair value of OTC derivative contracts with a positive fair value at the reporting date reduced by the effect, if any, of legally enforceable master netting agreements.

OTC derivatives counterparty credit exposure by counterparty credit rating

($ in millions)	2020				2019			
Rating [1]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]
A+	3	$ 280	$ 7	$ —	6	$ 868	$ 29	$ —
Total	**3**	**$ 280**	**$ 7**	**$ —**	**6**	**$ 868**	**$ 29**	**$ —**

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

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

For certain exchange traded and cleared derivatives, margin deposits are required as well as daily cash settlements of margin accounts. As of December 31, 2020, the Company pledged $60 million and received $12 million in the form of margin deposits.

Market risk is the risk that the Company will incur losses due to adverse changes in market rates and prices. Market risk exists for all of the derivative financial instruments the Company currently holds, as these instruments may become less valuable due to adverse changes in market conditions. To limit this risk, the Company's senior management has established risk control limits. In addition, changes in fair value of the derivative financial instruments that the Company uses for risk management purposes are generally offset by the change in the fair value or cash flows of the hedged risk component of the related assets, liabilities or forecasted transactions.

Certain of the Company's derivative transactions contain credit-risk-contingent termination events and cross-default provisions. Credit-risk-contingent termination events allow the counterparties to terminate the derivative agreement or a specific trade on certain dates if AIC's financial strength credit ratings by Moody's or S&P fall below a certain level. Credit-risk-contingent cross-default provisions allow the counterparties to terminate the derivative agreement if the Company defaults by pre-determined threshold amounts on certain debt instruments.

The following summarizes the fair value of derivative instruments with termination, cross-default or collateral credit-risk-contingent features that are in a liability position as 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)	2020	2019
Gross liability fair value of contracts containing credit-risk-contingent features	$ 27	$ 16
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(9)	(11)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(17)	(3)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	**$ 1**	**$ 2**

Credit derivatives - selling protection

A credit default swap ("CDS") is a derivative instrument, representing an agreement between two parties to exchange the credit risk of a specified entity (or a group of entities), or an index based on the credit risk of a group of entities (all commonly referred to as the "reference entity" or a portfolio of "reference entities"), in return for a periodic premium.

In selling protection, CDS are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. CDS typically have a five-year term.

CDS notional amounts by credit rating and fair value of protection sold

	Notional amount						
($ in millions)	AAA	AA	A	BBB	BB and lower	Total	Fair value
December 31, 2020							
Single name							
Corporate debt	$ —	$ —	$ —	$ —	$ 9	$ 9	$ —
Index							
Corporate debt	6	12	156	492	84	750	13
Total	$ 6	$ 12	$ 156	$ 492	$ 93	$ 759	$ 13
December 31, 2019							
Single name							
Corporate debt	$ —	$ —	$ —	$ —	$ 9	$ 9	$ —
Total	$ —	$ —	$ —	$ —	$ 9	$ 9	$ —

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)	2020	2019
Commitments to invest in limited partnership interests	$ 2,933	$ 2,837
Private placement commitments	36	68
Other loan commitments	92	189

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. Unless unconditionally cancellable, the Company recognizes a credit loss allowance on such commitments. 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.

When the Company experiences changes in the mix or type of claims or changing claim settlement patterns, it may need to apply actuarial judgment in the determination and selection of development factors to be more reflective of the new trends. For example, the Coronavirus has had a significant impact on driving patterns and auto frequency that may lead to historical development trends being less predictive of future loss development, potentially creating additional reserve variability. Generally, the initial reserves for a new accident year are established based on actual claim frequency and severity assumptions for different business segments, lines and coverages based on historical relationships to relevant inflation indicators. Reserves for prior accident years are statistically determined using several different actuarial estimation methods. Changes in auto claim frequency may result from changes in mix of business, the rate of distracted driving, miles driven or other macroeconomic factors. Changes in auto current year claim severity are generally influenced by inflation in the medical and auto repair sectors of the economy and the effectiveness and efficiency of claim practices. The Company mitigates these effects through various loss management programs. When such changes in claim data occur, actuarial judgment is used to determine appropriate development factors to establish reserves.

As part of the reserving process, the Company may also supplement its claims processes by utilizing third-party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. The effects of inflation are implicitly considered in the reserving process.

Because reserves are estimates of unpaid portions of losses that have occurred, including incurred but not reported ("IBNR") losses, the establishment of appropriate reserves, including reserves for catastrophes, Discontinued Lines and Coverages and reinsurance and indemnification recoverables, is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates.

The highest degree of uncertainty is associated with reserves for losses incurred in the initial reporting period as it contains the greatest proportion of losses that have not been reported or settled. The Company also has uncertainty in the Discontinued Lines and Coverages reserves that are based on events long since passed and are complicated by lack of historical data, legal interpretations, unresolved legal issues and legislative intent based on establishment of facts.

The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in prior year reserve estimates, which may be material, are reported in property and casualty insurance claims and claims expense in the 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)	2020	2019	2018
Balance as of January 1	$ 27,712	$ 27,423	$ 26,325
Less recoverables [1]	(6,912)	(7,155)	(6,471)
Net balance as of January 1	**20,800**	**20,268**	**19,854**
Incurred claims and claims expense related to:			
Current year	22,437	24,106	23,033
Prior years	(436)	(130)	(255)
Total incurred	**22,001**	**23,976**	**22,778**
Claims and claims expense paid related to:			
Current year	(14,245)	(15,160)	(14,877)
Prior years	(7,979)	(8,284)	(7,487)
Total paid	**(22,224)**	**(23,444)**	**(22,364)**
Net balance as of December 31	20,577	20,800	20,268
Plus recoverables	7,033	6,912	7,155
Balance as of December 31	**$ 27,610**	**$ 27,712**	**$ 27,423**

[1] Recoverables comprises reinsurance and indemnification recoverables. See Note 10 for further details.

Reconciliation of total claims and claims expense incurred and paid by coverage

	December 31, 2020	
($ in millions)	Incurred	Paid
Allstate Protection		
Auto insurance - liability coverage	$ 7,629	$ (7,939)
Auto insurance - physical damage coverage	4,817	(4,716)
Homeowners insurance	4,889	(4,731)
Total auto and homeowners insurance	17,335	(17,386)
Other personal lines	1,015	(1,007)
Commercial lines	585	(463)
Protection Services	319	(326)
Discontinued Lines and Coverages	132	(88)
Unallocated loss adjustment expenses (“ULAE”)	2,681	(2,590)
Claims incurred and paid from before 2016	(32)	(423)
Other	(34)	59
Total	**$ 22,001**	**$ (22,224)**

Incurred claims and claims expense represents the sum of paid losses, claim adjustment expenses and reserve changes in the calendar year. This expense includes losses from catastrophes of $2.81 billion, $2.56 billion and $2.86 billion in 2020, 2019 and 2018, respectively, net of recoverables. Catastrophes are an inherent risk of the property and casualty insurance business that have contributed to, and will continue to contribute to, material year-to-year fluctuations in the Company’s results of operations and financial position.

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.

Prior year reserve reestimates included in claims and claims expense [1]

($ in millions)	Twelve months ended December 31, Non-catastrophe losses			Catastrophe losses			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Auto	$ (63)	$ (306)	$ (416)	$ (44)	$ (17)	$ (39)	$ (107)	$ (323)	$ (455)
Homeowners	(17)	(1)	(51)	(422)	66	65	(439)	65	14
Other personal lines	(27)	8	(6)	(39)	—	(1)	(66)	8	(7)
Commercial lines	34	18	108	2	(1)	—	36	17	108
Discontinued Lines and Coverages [2]	141	105	87	—	—	—	141	105	87
Protection Services	(1)	(2)	(2)	—	—	—	(1)	(2)	(2)
Total prior year reserve reestimates	**$ 67**	**$ (178)**	**$ (280)**	**$ (503)**	**$ 48**	**$ 25**	**$ (436)**	**$ (130)**	**$ (255)**

[1] Favorable reserve reestimates are shown in parentheses.

[2] The Company's 2020 annual reserve review, using established industry and actuarial best practices, resulted in unfavorable reestimates of $132 million.

In the third quarter of 2020, the Company recognized favorable prior year catastrophe reserve reestimates of approximately $495 million, net of expenses and adjustments to reinsurance, related to two subrogation settlements, which is reflected as a reduction of claims and claims expense in the Consolidated Statements of Operations.

PG&E settlement On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E Corporation's and Pacific Gas and Electric Company's (together, "PG&E") Chapter 11 Plan of Reorganization. The Plan of Reorganization included an agreement to resolve insurance subrogation claims arising from the 2017 Northern California wildfires and the 2018 Camp Fire for $11 billion. Allstate was party to the agreement.

On July 1, 2020, PG&E emerged from Chapter 11 and funded the subrogation trust from which distributions will be made to the insurers. Insurers have five years from the effective date of the Plan of Reorganization to submit proof of paid losses to the trust prior to the final distribution.

Allstate recognized a favorable impact of approximately $450 million. To date, the Company has received distributions from the trust representing approximately 80% of the expected recovery.

Southern California Edison settlement On September 14, 2020, Southern California Edison reached a $1.16 billion settlement agreement with insurance companies, resolving all insurance subrogation claims arising from the December 2017 Thomas and Koenigstein Wildfires and January 2018 Montecito Mudslides litigation. Allstate was party to the agreement and recognized a favorable impact of approximately $45 million. The Company has received substantially all distributions from the trust for its expected recovery.

Subsequent event On January 22, 2021, Southern California Edison reached a $2.20 billion settlement agreement with insurance companies, resolving subrogation claims arising from the Woolsey wildfire. Allstate is party to the agreement and expects to recognize a favorable impact of approximately $110 million in the first quarter of 2021.

The following presents information about incurred and paid claims development as of December 31, 2020, net of recoverables, 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 2016 to 2020 years, and the average annual percentage payout of incurred claims by age as of December 31, 2020, 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 recoverables						IBNR reserves plus expected development on reported claims	Cumulative number of reported claims
	For the years ended December 31,							
Accident year	(unaudited) 2016	(unaudited) 2017	(unaudited) 2018	(unaudited) 2019	2020	Prior year reserve reestimates	As of December 31, 2020	
2016	$ 9,038	$ 8,841	$ 8,740	$ 8,690	$ 8,709	$ 19	$ 554	2,400,904
2017	—	8,465	8,396	8,312	8,330	18	1,017	2,217,132
2018	—	—	8,734	8,715	8,731	16	1,846	2,180,275
2019	—	—	—	9,341	9,295	(46)	3,064	2,205,813
2020	—	—	—	—	7,622		4,919	1,500,921
				Total	**$ 42,687**	**$ 7**		
Reconciliation to total prior year reserve reestimates recognized by line								
Prior year reserve reestimates for pre-2016 accident years						**(20)**		
Prior year reserve reestimates for ULAE						**23**		
Other						**(3)**		
Total prior year reserve reestimates						**$ 7**		

	Cumulative paid claims and allocated claims adjustment expenses, net of recoverables				
	For the years ended December 31,				
Accident year	(unaudited) 2016	(unaudited) 2017	(unaudited) 2018	(unaudited) 2019	2020
2016	$ 3,487	$ 5,772	$ 6,853	$ 7,700	$ 8,155
2017	—	3,151	5,333	6,532	7,313
2018	—	—	3,231	5,618	6,885
2019	—	—	—	3,498	6,231
2020	—	—	—	—	2,703
				Total	**$ 31,287**
All outstanding liabilities before 2016, net of recoverables					1,389
Liabilities for claims and claim adjustment expenses, net of recoverables					**$ 12,789**

Average annual percentage payout of incurred claims by age, net of recoverables, as of December 31, 2020	1 year	2 years	3 years	4 years	5 years
Auto insurance – liability coverage	39.4 %	27.5 %	13.1 %	8.4 %	4.9 %

Auto insurance – physical damage coverage

($ in millions, except number of reported claims)	Incurred claims and allocated claim adjustment expenses, net of recoverables						IBNR reserves plus expected development on reported claims	Cumulative number of reported claims
	For the years ended December 31,					Prior year reserve reestimates	As of December 31, 2020	
Accident year	(unaudited) 2016	(unaudited) 2017	(unaudited) 2018	(unaudited) 2019	2020			
2016	$ 5,128	$ 5,054	$ 5,027	$ 5,023	$ 5,022	$ (1)	$ 5	4,432,048
2017	—	5,121	5,039	5,028	5,027	(1)	1	4,237,772
2018	—	—	5,219	5,157	5,108	(49)	9	4,310,750
2019	—	—	—	5,662	5,606	(56)	26	4,469,473
2020	—	—	—	—	4,924		324	3,493,530
				Total	**$ 25,687**	**$ (107)**		
Reconciliation to total prior year reserve reestimates recognized by line								
Prior year reserve reestimates for pre-2016 accident years						**(1)**		
Prior year reserve reestimates for ULAE						**(5)**		
Other						**(1)**		
Total prior year reserve reestimates						**$ (114)**		

	Cumulative paid claims and allocated claims adjustment expenses, net of recoverables				
	For the years ended December 31,				
Accident year	(unaudited) 2016	(unaudited) 2017	(unaudited) 2018	(unaudited) 2019	2020
2016	$ 4,890	$ 5,033	$ 5,022	$ 5,018	$ 5,017
2017	—	4,847	5,039	5,030	5,026
2018	—	—	4,971	5,140	5,099
2019	—	—	—	5,418	5,580
2020	—	—	—	—	4,600
				Total	**$ 25,322**
All outstanding liabilities before 2016, net of recoverables					8
Liabilities for claims and claim adjustment expenses, net of recoverables					**$ 373**

Average annual percentage payout of incurred claims by age, net of recoverables, as of December 31, 2020					
	1 year	2 years	3 years	4 years	5 years
Auto insurance – physical damage coverage	96.9 %	3.0 %	(0.3)%	(0.1)%	— %

Homeowners insurance

($ in millions, except number of reported claims)	Incurred claims and allocated claim adjustment expenses, net of recoverables						IBNR reserves plus expected development on reported claims	Cumulative number of reported claims
	For the years ended December 31,							
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		Prior year reserve reestimates	As of December 31, 2020	
Accident year	**2016**	**2017**	**2018**	**2019**	**2020**			
2016	$ 3,961	$ 3,995	$ 3,958	$ 3,953	$ 3,948	$ (5)	$ 43	814,026
2017	—	4,477	4,619	4,614	4,390	(224)	61	908,714
2018	—	—	4,749	4,854	4,551	(303)	182	811,046
2019	—	—	—	4,549	4,601	52	301	784,257
2020	—	—	—	—	5,369		1,398	838,829
				Total	**$ 22,859**	**$ (480)**		
Reconciliation to total prior year reserve reestimates recognized by line								
Prior year reserve reestimates for pre-2016 accident years						**(11)**		
Prior year reserve reestimates for ULAE						**52**		
Other						**—**		
Total prior year reserve reestimates						**$ (439)**		

	Cumulative paid claims and allocated claims adjustment expenses, net of recoverables				
	For the years ended December 31,				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Accident year	**2016**	**2017**	**2018**	**2019**	**2020**
2016	$ 2,949	$ 3,680	$ 3,811	$ 3,876	$ 3,905
2017	—	3,228	4,249	4,437	4,329
2018	—	—	3,491	4,514	4,369
2019	—	—	—	3,316	4,300
2020	—	—	—	—	3,971
				Total	**$ 20,874**
All outstanding liabilities before 2016, net of recoverables					119
Liabilities for claims and claim adjustment expenses, net of recoverables					**$ 2,104**

Average annual percentage payout of incurred claims by age, net of recoverables, as of December 31, 2020					
	1 year	**2 years**	**3 years**	**4 years**	**5 years**
Homeowners insurance	75.2 %	19.4 %	2.5 %	0.9 %	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, 2020
Net outstanding liabilities	
Allstate Protection	
Auto insurance - liability coverage	$ 12,789
Auto insurance - physical damage coverage	373
Homeowners insurance	2,104
Other personal lines	1,335
Commercial lines	1,132
Protection Services	30
Discontinued Lines and Coverages [1]	1,330
ULAE	1,484
Net reserve for property and casualty insurance claims and claims expense	**20,577**
Recoverables	
Allstate Protection	
Auto insurance - liability coverage	5,979
Auto insurance - physical damage coverage	4
Homeowners insurance	171
Other personal lines	153
Commercial lines	196
Protection Services	10
Discontinued Lines and Coverages	479
ULAE	41
Total recoverables	**7,033**
Gross reserve for property and casualty insurance claims and claims expense	**$ 27,610**

[1] Discontinued Lines and Coverages includes business in run-off with most of the claims related to accident years more than 30 years ago. IBNR reserves represent $695 million of the total reserves as of December 31, 2020.

Management believes that the reserve for property and casualty insurance claims and claims expense, net of recoverables, is appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by the date of the Consolidated Statements of Financial Position based on available facts, technology, laws and regulations.

Reserves for asbestos, environmental and other discontinued lines claims before and after the effects of reinsurance

($ in millions)	December 31, 2020	December 31, 2019
Asbestos claims [1]		
Gross reserves	$ 1,204	$ 1,172
Reinsurance	(377)	(362)
Net reserves	827	810
Environmental claims [1]		
Gross reserves	249	219
Reinsurance	(43)	(40)
Net reserves	206	179
Other discontinued lines		
Gross reserves	435	427
Reinsurance	(60)	(51)
Net reserves	375	376
Total		
Gross reserves	1,888	1,818
Reinsurance	(480)	(453)
Net reserves	**$ 1,408**	**$ 1,365**

[1] 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, 2020	2019
Immediate fixed annuities:		
Structured settlement annuities	$ 7,407	$ 6,840
Other immediate fixed annuities	1,511	1,612
Traditional life insurance	2,942	2,897
Accident and health insurance	841	873
Other	67	78
Total reserve for life-contingent contract benefits	**$ 12,768**	**$ 12,300**

Key assumptions generally used in calculating the reserve for life-contingent contract benefits

Product	Mortality	Interest rate	Estimation method
Structured settlement annuities	Actual company experience with projected calendar year improvements	4.7%	Present value of contractually specified future benefits and expenses
Other immediate fixed annuities	Actual company experience with projected calendar year improvements	4.7%	Present value of expected future benefits and expenses
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 1.4% 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").

In the third quarter of 2020, the premium deficiency evaluation of the Company's immediate annuities with life contingencies resulted in a premium deficiency reserve of $225 million, pre-tax. The long-term investment yield assumption was lowered, which resulted in the prior sufficiency changing to a deficiency. The deficiency was recognized as an increase in the reserve for life contingent contract benefits. The original assumptions used to establish reserves were updated to reflect current assumptions, and the primary changes included mortality expectations, where annuitants are living longer than originally anticipated, and long-term investment yields. In 2019, the Company's reviews concluded that no premium deficiency adjustments were necessary.

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. This liability was $496 million and $126 million as of December 31, 2020 and 2019, respectively.

Contractholder funds

($ in millions)	As of December 31, 2020	2019
Interest-sensitive life insurance	$ 8,493	$ 8,384
Investment contracts:		
Fixed annuities	8,196	8,845
Other investment contracts	524	463
Total contractholder funds	**$ 17,213**	**$ 17,692**

Key contract provisions of contractholder funds

Product	Interest rate	Withdrawal/surrender charges
Interest-sensitive life insurance	Interest rates credited range from 0.0% to 9.0% 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 0.5% to 7.5% for immediate annuities; (8.0)% to 9.0% for equity-indexed annuities (whose returns are indexed to the S&P 500); and 0.1% to 5.0% for all other products	Either a declining or a level percentage charge generally over ten years or less. Additionally, approximately 11.0% 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 1.7% 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

	For the years ended December 31,		
($ in millions)	**2020**	**2019**	**2018**
Balance, beginning of year	$ 17,692	$ 18,371	$ 19,434
Deposits	1,062	1,091	1,109
Interest credited	633	636	650
Benefits	(775)	(791)	(844)
Surrenders and partial withdrawals	(728)	(884)	(1,135)
Contract charges	(836)	(825)	(824)
Net transfers from separate accounts	5	10	6
Other adjustments	160	84	(25)
Balance, end of year	**$ 17,213**	**$ 17,692**	**$ 18,371**

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 annuity contracts' separate accounts with guarantees included $2.96 billion and $2.68 billion of equity, fixed income and balanced mutual funds and $238 million and $253 million of money market mutual funds as of December 31, 2020 and 2019, 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, 2020**	**2019**
In the event of death		
Separate account value	$ 3,197	$ 2,928
Net amount at risk [1]	$ 308	$ 373
Average attained age of contractholders	72 years	71 years
At annuitization (includes income benefit guarantees)		
Separate account value	$ 925	$ 848
Net amount at risk [2]	$ 140	$ 173
Weighted average waiting period until annuitization options available	None	None
For cumulative periodic withdrawals		
Separate account value	$ 178	$ 190
Net amount at risk [3]	$ 12	$ 13
Accumulation at specified dates		
Separate account value	$ 93	$ 123
Net amount at risk [4]	$ 11	$ 15
Weighted average waiting period until guarantee date	3 years	4 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, 2019	$ 293	$ 24	$ 102	$ 419
Less reinsurance recoverables	81	20	32	133
Net balance as of December 31, 2019	**212**	**4**	**70**	**286**
Incurred guarantee benefits	50	—	18	68
Paid guarantee benefits	(2)	—	—	(2)
Net change	**48**	**—**	**18**	**66**
Net balance as of December 31, 2020	260	4	88	352
Plus reinsurance recoverables	69	23	33	125
Balance, December 31, 2020	**$ 329**	**$ 27**	**$ 121**	**$ 477**
Balance, December 31, 2018	$ 308	$ 39	$ 97	$ 444
Less reinsurance recoverables	111	35	39	185
Net balance as of December 31, 2018	**197**	**4**	**58**	**259**
Incurred guarantee benefits	18	—	12	30
Paid guarantee benefits	(3)	—	—	(3)
Net change	**15**	**—**	**12**	**27**
Net balance as of December 31, 2019	212	4	70	286
Plus reinsurance recoverables	81	20	32	133
Balance, December 31, 2019	**$ 293**	**$ 24**	**$ 102**	**$ 419**

Reserves included in total liability balance for guarantees, as of December 31, by type of benefit

($ in millions)	2020	2019	2018
Variable annuity			
Death benefits	$ 67	$ 78	$ 109
Income benefits	24	21	36
Accumulation benefits	18	18	25
Withdrawal benefits	15	14	14
Other guarantees	353	288	260
Total	**$ 477**	**$ 419**	**$ 444**

Note 10 Reinsurance and Indemnification

Effects of reinsurance and indemnification on property and casualty premiums written and earned and life premiums and contract charges

($ in millions)	For the years ended December 31, 2020	2019	2018
Property and casualty insurance premiums written			
Direct	$ 38,695	$ 37,976	$ 35,895
Assumed	105	95	99
Ceded	(1,142)	(1,117)	(1,008)
Property and casualty insurance premiums written, net of recoverables	**$ 37,658**	**$ 36,954**	**$ 34,986**
Property and casualty insurance premiums earned			
Direct	$ 38,115	$ 37,104	$ 34,977
Assumed	99	94	87
Ceded	(1,141)	(1,122)	(1,016)
Property and casualty insurance premiums earned, net of recoverables	**$ 37,073**	**$ 36,076**	**$ 34,048**
Life premiums and contract charges			
Direct	$ 2,001	$ 2,074	$ 2,001
Assumed	685	712	754
Ceded	(242)	(285)	(290)
Life premiums and contract charges, net of recoverables	**$ 2,444**	**$ 2,501**	**$ 2,465**

Reinsurance and indemnification recoverables

Reinsurance and indemnification recoverables, net

($ in millions)	As of December 31, 2020	2019
Property and casualty		
Paid and due from reinsurers and indemnitors	$ 101	$ 112
Unpaid losses estimated (including IBNR)	7,033	6,912
Total property and casualty	**$ 7,134**	**$ 7,024**
Allstate Annuities [(1)]	$ 1,293	$ 1,305
Allstate Life [(1)]	712	794
Allstate Benefits [(1)]	81	88
Total	**$ 9,220**	**$ 9,211**

(1) As of December 31, 2020 and 2019, approximately 94% and 93%, respectively, of the reinsurance recoverables are due from companies rated A- or better by S&P.

Rollforward of credit loss allowance for reinsurance recoverables

($ in millions)	For the year ended December 31, 2020
Property and casualty [(1) (2)]	
Beginning balance	$ (60)
Decrease in the provision for credit losses	1
Write-offs	—
Ending balance	**$ (59)**
Allstate Annuities, Allstate Life and Allstate Benefits	
Beginning balance	$ (3)
Cumulative effect of change in accounting principle	(11)
Increase in the provision for credit losses	(1)
Write-offs	—
Ending Balance	**$ (15)**

(1) Primarily related to discontinued lines and coverages reinsurance ceded.

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

Property and casualty

Property and casualty programs are grouped by the following characteristics:

1. Indemnification programs - industry pools, facilities or associations that are governed by state insurance statutes or regulations or the federal government.
2. Catastrophe reinsurance programs - reinsurance protection for catastrophe exposure nationwide and by specific states, as applicable.
3. Other reinsurance programs - reinsurance protection for asbestos, environmental and other liability exposures as well as commercial lines, including shared economy.

Property and casualty reinsurance is in place for the Allstate Protection, Discontinued Lines and Coverages and Protection Services segments. The Company purchases reinsurance after evaluating the financial condition of the reinsurer as well as the terms and price of coverage.

Indemnification programs

The Company participates in state-based industry pools or facilities mandating participation by insurers offering certain coverage in their state, including the Michigan Catastrophic Claims Association ("MCCA"), the New Jersey Property-Liability Insurance Guaranty Association ("PLIGA"), the North Carolina Reinsurance Facility ("NCRF") and the Florida Hurricane Catastrophe Fund ("FHCF"). When the Company pays qualifying claims under the coverage indemnified by a state's pool or facility, the Company is reimbursed for the qualifying claim losses or expenses. Each state pool or facility may assess participating companies to collect sufficient amounts to meet its total indemnification requirements. The enabling legislation for each state's pool or facility compels the pool or facility only to indemnify participating companies for qualifying claim losses or expenses; the state pool or facility does not underwrite the coverage or take on the ultimate risk of the indemnified business. As a pass through, these pools or facilities manage the receipt of assessments paid by participating companies and payment of indemnified amounts for covered claims presented by participating companies. The Company has not had any credit losses related to these indemnification programs.

State-based industry pools or facilities

Michigan Catastrophic Claims Association The MCCA is a statutory indemnification mechanism for member insurers' qualifying personal injury protection claims paid for the unlimited lifetime medical benefits above the applicable retention level for qualifying injuries from automobile, motorcycle and commercial vehicle accidents. Indemnification recoverables on paid and unpaid claims, including IBNR, as of December 31, 2020 and 2019 include $5.65 billion and $5.50 billion, respectively, from the MCCA for its indemnification obligation.

The MCCA is funded by annually assessing participating member companies actively writing motor vehicle coverage in Michigan on a per vehicle basis that is currently $100 per vehicle insured. The MCCA's calculation of the annual assessment is based upon the total of members' actuarially determined present value of expected payments on lifetime claims by all persons expected to be catastrophically injured in that year and ultimately qualify for MCCA reimbursement, its operating expenses, and adjustments for the amount of excesses or deficiencies in prior assessments. The MCCA has also included its calculation of the impacts of the auto insurance reforms which have begun to phase in since their passage in June 2019, including the personal injury protection medical fee schedule that becomes effective July 2, 2021. The assessment is incurred by the Company as policies are written and recovered as a component of premiums from the Company's customers.

The MCCA indemnifies qualifying claims of all current and former member companies (whether or not actively writing motor vehicle coverage in Michigan) for qualifying claims and claims expenses incurred while the member companies were actively writing the mandatory personal injury protection coverage in Michigan. Member companies actively writing automobile coverage in Michigan include the MCCA annual assessments in determining the level of premiums to charge insureds in the state.

As required for member companies by the MCCA, the Company reports covered paid and unpaid claims to the MCCA when estimates of loss for a reported claim are expected to exceed the retention level, the claims involve certain types of severe injuries, or there are litigation demands received suggesting the claim value exceeds certain thresholds. The retention level is adjusted upward every other MCCA fiscal year by the lesser of 6% or the increase in the Consumer Price Index. The retention level will be $600 thousand per claim for the fiscal two-years ending June 30, 2022 compared to $580 thousand per claim for the fiscal two-years ending June 30, 2020.

The MCCA is obligated to fund the ultimate liability of member companies' qualifying claims and claim expenses. The MCCA does not underwrite the insurance coverage or hold any underwriting risk.

The MCCA indemnifies members as qualifying claims are paid and billed by members to the MCCA. Unlimited lifetime covered losses result in significant levels of ultimate incurred claim reserves being recorded by member companies along with offsetting indemnification recoverables. Disputes with claimants over coverage on certain reported claims can result in additional losses, which may be recoverable from the MCCA, excluding litigation expenses. There is currently no method by which insurers are able to obtain the benefit of managed care programs to reduce claims costs through the MCCA.

The MCCA annual assessments fund current operations and member company reimbursements. 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 June 30, 2022 to discount its liabilities for loss and loss adjustment expense. As of June 30, 2020, the date of its most recent annual financial report, the MCCA had cash and invested assets of $23.41 billion and an accumulated surplus of $2.44 billion. The permitted practice reduced the accumulated deficit by $34.73 billion.

New Jersey Property-Liability Insurance Guaranty Association PLIGA serves as the statutory administrator of the Unsatisfied Claim and Judgment Fund ("UCJF"), Workers' Compensation Security Fund and the New Jersey Surplus Lines Insurance Guaranty Fund.

In addition to its insolvency protection responsibilities, PLIGA reimburses insurers for unlimited excess medical benefits ("EMBs") paid in connection with personal injury protection claims in excess of $75,000 for policies issued or renewed prior to January 1, 1991, and limited EMB claims in excess of $75,000 and capped at $250,000 for policies issued or renewed on or after January 1, 1991, to December 31, 2003.

A significant portion of the incurred claim reserves and the recoverables can be attributed to a small number of catastrophic claims. Assessments paid to PLIGA for the EMB program totaled $7 million in 2020. The amounts of paid and unpaid recoverables as of December 31, 2020 and 2019 were $389 million and $446 million, respectively.

PLIGA annually assesses all admitted property and casualty insurers writing covered lines in New Jersey for PLIGA indemnification and expenses. PLIGA assessments may be recouped as a surcharge on premiums collected. PLIGA does not ultimately retain underwriting risk as it assesses member companies for their expected qualifying losses to provide funding for payment of its indemnification obligation to member companies for their actual losses. As a pass through, PLIGA facilitates these transactions of receipt of assessments paid by member companies and payment to member companies for covered claims presented by them for indemnification. As of December 31, 2019, the date of its most recent annual financial report, PLIGA had a fund balance of $248 million.

As statutory administrator of the UCJF, PLIGA 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 pedestrian personal injury protection benefits when no other coverage is available.

PLIGA annually collects a UCJF assessment from all admitted property and casualty insurers writing motor vehicle liability insurance in New Jersey for UCJF indemnification and expenses. UCJF assessments can be expensed as losses recoverable in rates as appropriate. As of December 31, 2019, the date of its most recent annual financial report, the UCJF fund had a balance of $50 million.

North Carolina Reinsurance Facility The 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 assigned 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, 2020, the NCRF reported a deficit of $125 million in members' equity. The NCRF implemented a loss recoupment surcharge on all private passenger and commercial fleet policies effective October 1, 2020, through September 30, 2021. Member companies are assessed the recoupment surcharge. The loss recoupment surcharge will be adjusted on October 1, 2021 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. For the fiscal year ending September 30, 2020, net loss was $15 million, including $1.10 billion of earned premiums, $170 million of certain private passenger auto risk recoupment and $69.7 million of member loss recoupments. As of December 31, 2020, the NCRF recoverables on paid claims is $8.6 million and recoverables on unpaid claims is $58.4 million. Paid recoverable balances, if covered, are typically settled within sixty days of monthly filing.

Florida Hurricane Catastrophe Fund Allstate subsidiaries Castle Key Insurance Company ("CKIC") and Castle Key Indemnity Company ("CKI", and together with CKIC, "Castle Key") participate in the mandatory coverage provided by the FHCF and therefore have access to reimbursement for certain qualifying Florida hurricane losses from the FHCF. Castle Key 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 participating insurers 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 National Flood Insurance Program ("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. The FHCF issued $2.00 billion in pre-event bonds in 2013 to build its capacity to reimburse member companies' claims. The FHCF plans to fund these pre-event bonds through current FHCF cash flows. Pursuant to an Order issued by the Florida Office of Insurance Regulation, the emergency assessment is zero for all policies issued or renewed on or after January 1, 2015.

Annual premiums earned and paid under the FHCF agreement were $9 million, $9 million and $10 million in

2020, 2019 and 2018, respectively. Qualifying losses were $15 million, $33 million and $143 million in 2020, 2019 and 2018, respectively. The Company has access to reimbursement provided by the FHCF for 90% of qualifying personal property losses that exceed its current retention of $58 million for the two largest hurricanes and $19 million for other hurricanes, up to a maximum total of $146 million, effective from June 1, 2020 to May 31, 2021. The amounts recoverable from the FHCF totaled $32 million and $52 million as of December 31, 2020 and 2019, respectively.

Federal Government - National Flood Insurance Program NFIP is a program administered by the Federal Emergency Management Agency ("FEMA") whereby the Company sells and services NFIP flood insurance policies as an agent of FEMA and receives fees for its services. The Company is fully indemnified for claims and claim expenses and does not retain any ultimate risk for the indemnified business. The federal government is obligated to pay all claims and certain allocated loss adjustment expenses in accordance with the arrangement.

Congressional authorization for the NFIP is periodically evaluated and may be subjected to freezes, including when the federal government experiences a shutdown. FEMA has a NFIP reinsurance program to manage the future exposure of the NFIP through the transfer of risk to private reinsurance companies and capital market investors. Congress is evaluating the funding of the program as well as considering reforms to the program that would be incorporated in legislation to reauthorize the NFIP.

The amounts recoverable as of December 31, 2020 and 2019 were $30 million and $25 million, respectively. Premiums earned under the NFIP include $261 million, $258 million and $258 million in 2020, 2019 and 2018, respectively. Qualifying losses incurred include $87 million, $150 million and $118 million in 2020, 2019 and 2018, respectively.

Catastrophe reinsurance

The Company's reinsurance program is designed to provide reinsurance protection for catastrophes resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, earthquakes, wildfires, and fires following earthquakes.

- The majority of the Company's program comprises multi-year contracts, primarily placed in the traditional reinsurance market, such that generally 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.
- Florida personal lines property is covered by a separate agreement, as the risk of loss is different and the Company's subsidiaries operating in this state are separately capitalized.
- A portion of New Jersey personal lines property and automobile remains covered by a separate standalone agreement.

The Company's current catastrophe reinsurance program supports the Company's risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes and earthquakes, excluding other catastrophe losses and, net of reinsurance, exceeding $2 billion.

The program includes coverage for losses to personal lines property, personal lines automobile, commercial lines property or commercial lines automobile arising out of multiple perils, in addition to hurricanes and earthquakes. These reinsurance agreements are part of the catastrophe management strategy, which is intended to provide shareholders an acceptable return on the risks assumed in the property business, and to reduce variability of earnings, while providing protection to customers. The Company has the following catastrophe reinsurance agreements in effect as of December 31, 2020.

The June 1, 2020 Nationwide Excess Catastrophe Reinsurance Program (the "Nationwide Program") provides coverage up to $4.98 billion of loss less a $500 million retention, and is subject to the percentage of reinsurance placed in each of its agreements. Personal lines property business in the state of Florida is excluded from this program. New Jersey personal lines property and automobile are covered under portions of this program, in addition to a separate standalone agreement. Separate reinsurance agreements address the distinct needs of separately capitalized legal entities. The Nationwide Program includes reinsurance agreements with both the traditional and insurance linked securities ("ILS") markets as described below:

- *The traditional market placement* provides limits totaling $3.00 billion for losses arising out of multiple perils and is comprised of $2.25 billion of limits with one annual reinstatement of limits; two contracts combining $462 million of limits with one reinstatement of limits over a seven-year term; and two single-year term contracts combining $284 million of limits with no reinstatements.
- *ILS placements* provide $1.53 billion of reinsurance limits for qualifying losses in all states except Florida caused by "Named Peril Basis" events with no reinstatement of the limits. ILS placements are comprised of $150 million and $375 million placements providing occurrence only coverage; and $100 million, $400 million and $500 million placements providing occurrence and aggregate protection. Allstate declared catastrophes to personal lines property and automobile business can be aggregated to erode the aggregate retention and qualify for coverage under the aggregate limit. Recoveries are limited to our ultimate net loss from the reinsured event.

The New Jersey standalone agreement comprises two contracts that reinsure personal lines property and automobile catastrophe losses caused by multiple perils in New Jersey and provides 63% of $400 million of limits in excess of provisional retentions of $150 million. Each contract includes one annual reinstatement of limits. The New Jersey contracts inure to portions of the Nationwide Program.

The Kentucky earthquake agreement comprises a three-year term contract that reinsures personal lines property losses caused by earthquakes and fire following earthquakes in Kentucky and provides $28 million of limits, 95% placed, in excess of a $2 million retention.

The 2020 Florida program provides coverage up to $633 million of loss less a $20 million retention. The Florida program includes reinsurance agreements placed with the traditional market, the Florida Hurricane Catastrophe Fund ("FHCF"), and the Insurance Linked Securities ("ILS") market as follows:

- The traditional market placement comprises $295 million of reinsurance limits for losses to personal lines property in Florida arising out of multiple perils. The Excess contract, which forms a part of the traditional market placement, with $264 million of limits, subject to a $20 million retention, provides coverage for perils not covered by the FHCF contracts, which only cover hurricanes.
- The FHCF contracts provide approximately $118 million of limits for qualifying losses to personal lines property in Florida caused by storms the National Hurricane Center declares to be hurricanes.
- The ILS placement provides $200 million of reinsurance limits for qualifying losses to personal lines property in Florida caused by a named storm event, a severe weather event, an earthquake event, a fire event, a volcanic eruption event, or a meteorite impact event.

The Company has not experienced credit losses on its catastrophe reinsurance programs. The total cost of the property catastrophe reinsurance program was $425 million, $386 million and $343 million in 2020, 2019 and 2018, respectively.

Other reinsurance programs

The Company's other reinsurance programs relate to asbestos, environmental, and other liability exposures and commercial lines, including shared economy. These programs include reinsurance recoverables of $166 million and $158 million from Lloyd's of London as of December 31, 2020 and 2019, respectively. Excluding Lloyd's of London, the largest reinsurance recoverable balance the Company had outstanding was $165 million and $115 million from Aleka Insurance Inc. as of December 31, 2020 and 2019, respectively.

Lloyd's of London, through the creation of Equitas Limited ("Equitas"), 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 reinsurance recoverables

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 $1.28 billion and $1.29 billion as of December 31, 2020 and 2019, respectively, due from Prudential related to the disposal of substantially all of its variable annuity business that was effected through reinsurance agreements.

Amounts ceded to Prudential

($ in millions)		December 31, 2020		2019		2018
Premiums and contract charges	$	64	$	65	$	72
Contract benefits		46		(4)		87
Interest credited to contractholder funds		20		19		20
Operating costs and expenses		12		12		14

As of December 31, 2020 and 2019, the Company had reinsurance recoverables of $99 million and $112 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.

As of December 31, 2020 and 2019, the Company had $66 million and $73 million of reinsurance recoverables related to Scottish Re (U.S.), Inc. On December 14, 2018, the Delaware Insurance Commissioner placed Scottish Re (U.S.), Inc. under regulatory supervision. On March 6, 2019, the Chancery Court of the State of Delaware entered a Rehabilitation and Injunction Order (the "Rehabilitation Order") in response to a petition filed by the Insurance Commissioner (the "Petition").

The Company joined in a joint motion filed on behalf of several affected parties asking the court to allow a specified amount of offsetting claim payments and losses against premiums remitted to Scottish Re (U.S.), Inc. The Company also filed a separate motion related to the reimbursement of claim payments where Scottish Re (U.S.), Inc. is also acting as administrator. The Court has not yet ruled on either of these motions. In the interim, the Company and several other affected parties have been permitted to exercise certain setoff rights while the parties address any potential disputes. On June 30, 2020, pursuant to the Petition, Scottish Re (U.S.), Inc. submitted a proposed Plan of Rehabilitation ("Plan") for consideration by the Court. On November 2, 2020, the Court issued a Third Amended Order to Show Cause scheduling a hearing on the Petition and Plan for May 25, 2021. The Company continues to monitor Scottish Re (U.S.), Inc. for future developments and will reevaluate its allowance for expected credit losses as new information becomes available.

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, 2020, the trust held $6.29 billion of investments, which are reported in the Consolidated Statement of Financial Position.

As of December 31, 2020, the gross life insurance in force was $425.44 billion of which $67.32 billion was ceded to the unaffiliated reinsurers.

Note 11 Deferred Policy Acquisition and Sales Inducement Costs

Deferred policy acquisition costs activity

($ in millions)		For the years ended December 31, 2020		2019		2018
Balance, beginning of year	$	4,699	$	4,784	$	4,191
Acquisition costs deferred		5,758		5,622		5,663
Amortization charged to income		(5,630)		(5,533)		(5,222)
Effect of unrealized gains and losses		(127)		(174)		152
Balance, end of year	**$**	**4,700**	**$**	**4,699**	**$**	**4,784**

Deferred sales inducement costs activity [1]

($ in millions)	For the years ended December 31, 2020	2019	2018
Balance, beginning of year	$ 27	$ 34	$ 36
Amortization charged to income	(5)	(5)	(4)
Effect of unrealized gains and losses	3	(2)	2
Balance, end of year	**$ 25**	**$ 27**	**$ 34**

(1) Deferred sales inducement costs primarily relate to fixed annuities and interest-sensitive life contracts and are recorded as part of other assets on the Consolidated Statements of Financial Position.

Note 12 Capital Structure

Total debt outstanding

($ in millions)	As of December 31, 2020	2019
Floating Rate Senior Notes, due 2021 [1]	$ 250	$ 250
Floating Rate Senior Notes, due 2023 [1]	250	250
3.150% Senior Notes, due 2023 [2]	500	500
0.750% Senior Notes, due 2025 [2]	600	—
Due after one year through five years	**1,600**	**1,000**
3.280% Senior Notes, due 2026 [2]	550	550
1.450% Senior Notes, due 2030 [2]	600	—
Due after five years through ten years	**1,150**	**550**
6.125% Senior Notes, due 2032 [2]	159	159
5.350% Senior Notes due 2033 [2]	323	323
5.550% Senior Notes due 2035 [2]	546	546
5.950% Senior Notes, due 2036 [2]	386	386
6.900% Senior Debentures, due 2038	165	165
5.200% Senior Notes, due 2042 [2]	62	62
4.500% Senior Notes, due 2043 [2]	500	500
4.200% Senior Notes, due 2046 [2]	700	700
3.850% Senior Notes, due 2049 [2]	500	500
5.100% Subordinated Debentures, due 2053	500	500
5.750% Subordinated Debentures, due 2053	800	800
6.500% Junior Subordinated Debentures, due 2067	500	500
Due after ten years	**5,141**	**5,141**
Long-term debt total principal	**7,891**	**6,691**
Debt issuance costs	(66)	(60)
Total long-term debt	**7,825**	**6,631**
Short-term debt [3]	—	—
Total debt	**$ 7,825**	**$ 6,631**

(1) 2021 and 2023 Floating Rate Senior Notes are not redeemable prior to the applicable maturity dates and bear interest at a floating rate equal to three-month LIBOR, reset quarterly on each interest reset date, plus 0.43% and 0.63% per year, respectively.

(2) 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.

(3) 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)	
2021	$ 250
2022	—
2023	750
2024	—
2025	600
Thereafter	6,291
Total long-term debt principal	**$ 7,891**

On November 19, 2020, the Company issued $600 million of 0.750% Senior Notes due 2025 and $600 million of 1.450% Senior Notes due 2030. Interest on the Senior Notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2021. The Senior Notes are redeemable at any time at the applicable redemption price prior to the maturity date. The net proceeds of this issuance were used to partially fund the acquisition of National General.

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 5.100% Subordinated Debentures and August 15, 2023 for the 5.750% 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 5.100% Subordinated Debentures and August 15, 2023 for the 5.750% 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 5.750% 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 5.100% Subordinated Debentures is payable quarterly at the stated fixed annual rate to January 14, 2023, or any earlier redemption date, and then at an annual rate equal to the three-month LIBOR plus 3.165%. Interest on the 5.750% Subordinated Debentures is payable semi-annually at the stated fixed annual rate to August 14, 2023, or any earlier redemption date, and then quarterly at an annual rate equal to the three-month LIBOR plus 2.938%. The Company may elect to defer payment of interest on the Subordinated Debentures for one or more consecutive interest periods that do not exceed five years. During a deferral period, interest will continue to accrue on the Subordinated Debentures at the then-applicable rate and deferred interest will compound on each interest payment date. If all deferred interest on the Subordinated Debentures is paid, the Company can again defer interest payments.

As of December 31, 2020, the Company had outstanding $500 million of Series A 6.500% Fixed-to-Floating Rate Junior Subordinated Debentures ("Debentures"). The scheduled maturity date for the Debentures is May 15, 2057 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 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 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 then payable quarterly at an annual rate equal to the three-month LIBOR plus 2.120%. 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 a replacement capital covenant ("RCC"). This covenant was not intended for the benefit of the holders of the Debentures and could not be enforced by them. Rather, it was for the benefit of holders of one or more other designated series of the Company's indebtedness ("covered debt"), currently the 5.750% Subordinated Debentures due 2053. Pursuant to the RCC, the Company has agreed that it will not repay, redeem, or purchase the Debentures on or before May 15, 2067 (or such earlier date on which the RCC terminates by its 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 RCC, 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.

The RCC terminates in 2067. The RCC will terminate prior to its scheduled termination date if (i) the Debentures are no longer outstanding and the Company has fulfilled its obligations under the RCC or it is 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 RCC, (iii) the Company does not have any series of outstanding debt that is eligible to be treated as covered debt under the RCC, (iv) the Debentures are 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 RCC 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.

The administrator of LIBOR has announced it will consult on its intention to cease the publication of the one week and two month U.S. dollar ("USD") LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. The Subordinated Debentures and the 2023 Floating Rate Senior Notes allow for the use of an alternative methodology to determine the interest rate if LIBOR is no longer available.

To manage short-term liquidity, the Company maintains a commercial paper program and a credit facility as a potential source of funds. The commercial paper program has a borrowing limit of $750 million. In November 2020, the Company entered into a new agreement for a $750 million unsecured revolving credit facility with a maturity date of November 2025. 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, 2020 or 2019. The Company had no commercial paper outstanding as of December 31, 2020 or 2019.

The Company paid $311 million, $312 million and $330 million of interest on debt in 2020, 2019 and 2018, respectively.

The Company had $430 million and $389 million of investment-related debt that is reported in other liabilities and accrued expenses as of December 31, 2020 and 2019, respectively.

During 2018, the Company filed a universal shelf registration statement with the Securities and Exchange Commission ("SEC") that expires in 2021. 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 304 million shares were outstanding and 596 million shares were held in treasury as of December 31, 2020. In 2020, the Company acquired 17 million shares at an average cost of $97.54 and reissued 3 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.

Total preferred stock outstanding

	As of December 31,		Aggregate liquidation preference ($ in millions)			Dividend per depository share (1)			Aggregate dividend payment ($ in millions)		
	2020	2019	2020	2019	Dividend rate	2020	2019	2018	2020	2019	2018
Series A	—	11,500	$ —	$ 287.5	5.625 %	$ —	$ 1.41	$ 1.41	$ 4 (2)	$ 16	$ 16
Series C	—	—	—	—	6.750 %	—	—	1.69	—	—	26 (2)
Series D	—	—	—	—	6.625 %	—	1.66	1.66	—	9 (2)	9
Series E	—	—	—	—	6.625 %	—	1.66	1.66	—	49 (2)	49
Series F	—	—	—	—	6.250 %	—	1.56	1.56	—	16 (2)	16
Series G	23,000	23,000	575.0	575.0	5.625 %	1.41	1.41	1.41	32	32	18
Series H	46,000	46,000	1,150.0	1,150.0	5.100 %	1.28	1.28	—	59	12	—
Series I	12,000	12,000	300.0	300.0	4.750 %	1.19	1.19	—	13	—	—
Total	**81,000**	**92,500**	**$ 2,025**	**$ 2,313**					**$ 108**	**$ 134** (2)	**$ 134** (2)

(1) Each depositary share represents a $1/1,000^{th}$ interest in a share of preferred stock.

(2) Excludes $10 million, $37 million and $13 million in 2020, 2019 and 2018, respectively, related to original issuance costs in preferred stock dividends on the Consolidated Statements of Operations and Consolidated Statements of Shareholders' Equity as a result of the preferred stock redemptions.

On January 15, 2020, the Company redeemed all 11,500 shares of its Fixed Rate Noncumulative Preferred Stock, Series A, par value $1.00 per share and liquidation preference $25,000 per share and the corresponding depositary shares. The total redemption payment was $288 million, using the proceeds from the issuance of the Fixed Rate Noncumulative Perpetual Preferred Stock, Series I. In the first quarter of 2020, the Company recognized $10 million of original issuance costs in preferred stock dividends on the Consolidated Statements of Operations and Consolidated Statements of Shareholders' Equity as a result of the preferred stock redemption.

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 its Series G 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 April 15, 2023 for Series G, October 15, 2024 for Series H and January 15, 2025 for Series I at a redemption price of $25,000 per share of preferred stock, plus declared and unpaid dividends. Prior to April 15, 2023 for Series G, October 15, 2024 for Series H and January 15, 2025 for Series I, the preferred stock is redeemable at the Company's option, in whole but not in part, within 90 days of the occurrence of certain regulatory capital event at a redemption price equal to $25,000 or $25,500 per share or a certain rating agency event at a redemption price equal to $25,000 or $25,500 per share, plus declared and unpaid dividends for Series G and for Series H and I, respectively.

Note 13 Company Restructuring

The Company undertakes various programs to reduce expenses. These programs generally involve a reduction in staffing levels, and in certain cases, office closures. Restructuring and related charges primarily include the following costs related to these programs:

- *Employee* - severance and relocation benefits
- *Exit* - contract termination penalties

The expenses related to these activities are included in the Consolidated Statements of Operations as restructuring and related charges and totaled $259 million, $41 million and $67 million in 2020, 2019 and 2018, respectively.

Restructuring expenses in 2020 are primarily due to Transformative Growth to optimize and simplify the Company's operating model and cost structure. In connection with Transformative Growth, the Company expects to incur restructuring and related charges totaling approximately $290 million, with $238 million recorded in 2020, primarily in the Allstate Protection segment, and the remainder to be recognized in future quarters. The Company expects these actions will be completed in 2021.

Employee costs of this program include severance and employee benefits primarily impacting claims, sales, service and support functions. Exit costs reflect real estate costs primarily related to accelerated amortization of right of use assets and related leasehold improvements at facilities to be vacated.

Restructuring activity during the period

($ in millions)	Employee costs	Exit costs	Total liability
Restructuring liability as of December 31, 2019	$ 14	$ 8	$ 22
Expense incurred	214	46	260
Adjustments to liability	3	(4)	(1)
Payments and non-cash pension settlements	(159)	(50)	(209)
Restructuring liability as of December 31, 2020	**$ 72**	**$ —**	**$ 72**

As of December 31, 2020, the cumulative amount incurred to date for active programs related to employee severance, relocation benefits and exit expenses totaled $223 million for employee costs and $52 million for exit costs.

Note 14 Commitments, Guarantees and Contingent Liabilities

Shared markets and state facility assessments

The Company is required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations in various states that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers.

The Company routinely reviews its exposure to assessments from these plans, facilities and government programs. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to the Company's results of operations in the last three years. Because of the Company's participation, it may be exposed to losses that surpass the capitalization of these facilities or assessments from these facilities.

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 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. Currently, the emergency assessment is zero for all policies issued or renewed on or after July 1, 2015.

Louisiana Citizens Louisiana Citizens Property Insurance Corporation ("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.

Facilities such as FL Citizens and LA Citizens 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 October 31, 2020, the CEA's capital balance was approximately $6.00 billion. Should losses arising from an earthquake cause a deficit in the CEA, an additional $1.10 billion would be obtained from the proceeds of revenue bonds the CEA may issue, an existing $9.50 billion reinsurance layer, $1.00 billion from policy surcharge, and finally, if needed, assessments on participating insurance companies. Participating insurers are required to pay an assessment, currently estimated not to exceed $1.70 billion, if 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 $19.30 billion as of October 31, 2020 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, 2019, the Company's market share was 9.3%. The Company does not expect its market share to materially change. At this level, the Company's maximum possible CEA assessment was $155 million during 2020. 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, TWIA issued securities, as well as member and policyholder assessments to fund loss payments.

During 2020, the TWIA Board announced additional assessments primarily related to Hurricane Harvey for which the Company's share was $1 million. These costs were recorded in property and casualty insurance claims and claims expense as catastrophe losses on the Consolidated Statements of Operations. Any assessments from TWIA for a particular quarter or annual period may be material to the results of operations and cash flows, but not to 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, in 2017 the FAIR Plan Board unanimously voted to approve its first ever member assessment of which the Company's share was $8 million based on total direct premium written in Texas. 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 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 $6 million receivable from the NCJUA at December 31, 2020 representing our participation in the NCJUA's surplus of $33 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, 2020, the NCIUA had a surplus of $555 million. No member company is 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 $1.00 billion. Subsequent to an industry assessment of $1.00 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.

Other programs The Company is also subject to assessments by the NCRF and the FHCF, which are described in Note 10.

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. Since most states allow a credit against premium or other state related taxes for assessments, an asset is recorded based on paid and accrued assessments for the amount the Company expects to recover on the respective state's tax return and is realized over the period allowed by each state. As of December 31, 2020 and 2019, the liability balance included in other liabilities and accrued expenses was $12 million and $13 million, respectively. The related premium tax offsets included in other assets were $14 million and $15 million as of December 31, 2020 and 2019, respectively.

Guarantees

In the normal course of business, the Company provides standard indemnifications to contractual counterparties in connection with numerous transactions, including acquisitions and divestitures. The types of indemnifications typically provided include indemnifications for breaches of representations and warranties, taxes and certain other liabilities, such as third-party lawsuits. The indemnification clauses are often standard contractual terms and are entered into in the normal course of business based on an assessment that the risk of loss would be remote. The terms of the indemnifications vary in duration and nature. In many cases, the maximum obligation is not explicitly stated and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur. Consequently, the maximum amount of the obligation under such indemnifications is not determinable. Historically, the Company has not made any material payments pursuant to these obligations.

The aggregate liability balance related to all guarantees was not material as of December 31, 2020.

Regulation and compliance

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

Legal and regulatory proceedings and inquiries

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

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

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

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

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

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

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

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

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

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

The Company currently estimates that the aggregate range of reasonably possible loss in excess of the amount accrued, if any, for the disclosed matters where such an estimate is possible is zero to $85 million, pre-tax. This disclosure is not an indication of expected loss, if any. Under accounting guidance, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." This estimate is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimate will change from time to time, and actual results may vary significantly from the current estimate. The estimate does not include matters or losses for which an estimate is not possible. Therefore, this estimate represents an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum possible loss exposure. Information is provided below regarding the nature of all of the disclosed matters and, where specified, the amount, if any, of plaintiff claims associated with these loss contingencies.

Due to the complexity and scope of the matters disclosed in the "Claims related proceedings" and "Other proceedings" subsections below and the many uncertainties that exist, the ultimate outcome of these matters cannot be predicted and in the Company's judgment, a loss, in excess of amounts accrued, if any, is not probable. In the event of an unfavorable outcome in one or more of these matters, the ultimate liability may be in excess of amounts currently accrued, if any, and may be material to the Company's operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters described below, as they are resolved over time, is not likely to have a material effect on the financial position of the Company.

Claims related proceedings The Company is managing various disputes in Florida that raise challenges to the Company's practices, processes, and procedures relating to claims for personal injury protection benefits under Florida auto policies. Medical providers continue to pursue litigation under various theories that challenge the amounts that the Company pays under the personal injury protection coverage, seeking additional benefit payments, as well as applicable interest, penalties and fees. There are two pending class actions, Pierce v. Allstate Insurance Company, et al. (Broward County, Fla. filed August 2013), the class settlement of which has received final approval, and Revival Chiropractic v. Allstate Insurance Company, et al. (M.D. Fla. filed January 2019), where the court denied class certification and plaintiff's request to file a renewed motion for class certification. The Company is also defending litigation involving individual plaintiffs. The Company is vigorously asserting both procedural and substantive defenses to these lawsuits.

The Company is defending putative class actions in various courts that raise challenges to the Company's depreciation practices in homeowner property claims. In these lawsuits, plaintiffs generally allege that, when calculating actual cash value, the costs of "non-materials" such as labor, general contractor's overhead and profit, and sales tax should not be subject to depreciation. The Company is currently defending the following lawsuits on this issue: Perry v. Allstate Indemnity Company, et al. (N.D. Ohio filed May 2016); Lado v. Allstate Vehicle and Property Insurance Company (S.D. Ohio filed March 2020); Maniaci v. Allstate Insurance Company (N.D. Ohio filed March 2020); Ferguson-Luke et al. v. Allstate Property and Casualty Insurance Company (N.D. Ohio filed April 2020); Brasher v. Allstate Indemnity Company (N.D. Ala. filed February 2018); Huey v. Allstate Vehicle and Property Insurance Company (N.D. Miss. filed October 2019); Floyd, et al. v. Allstate Indemnity Company et al. (D.S.C. filed January 2020); Clark v. Allstate Vehicle and Property Insurance Company (Circuit Court of Independence Co., Ark. filed February 2016); Thaxton v. Allstate Indemnity Company (Madison Co., Ill. filed July 2020); Hester v. Allstate Vehicle and Property Insurance Company (St. Clair Co., Ill. filed June 2020). The trial court denied class certification in Brasher, and plaintiff's motion for reconsideration of this ruling was denied. No classes have been certified in any of the other matters.

The Company is defending putative class actions pending in multiple states alleging that the Company underpays total loss vehicle physical damage claims on auto policies. The allegedly systematic underpayments result from one or more of the following theories: (a) the third party valuation tool used by the Company as part of a comprehensive adjustment process is allegedly flawed, biased, or contrary to applicable law; (b) the Company allegedly does not pay sales tax, title fees, registration fees, and/or other specified fees that are allegedly mandatory under policy language or state legal authority; or (c) after paying for the value of the loss vehicle, then the Company allegedly is not entitled to retain the residual salvage value, and the Company allegedly must pay salvage value to the owner (or if the loss vehicle is retained by the owner, then the Company allegedly may not apply any offset for the salvage value).

The following cases are currently pending against the Company: Olberg v. Allstate Insurance Company, Allstate Fire and Casualty Insurance Company, and CCC Information Services, Inc. (W.D. Wash., filed April 2018); Bloomgarden v. Allstate Fire and Casualty Insurance Company (S.D. Fla., filed July 2018, dismissed August 2019, refiled on September 2019, remanded to 17th Judicial Circuit, Broward County October 2020); Erby v. Allstate Fire and Casualty Insurance Company (E.D. Pa., filed October 2018); Kronenberg v. Allstate Insurance Company and Allstate Fire and Casualty Insurance Company (E.D. N.Y., filed December 2018); Ryan v. Allstate Fire and Casualty Insurance Company (7th Judicial Circuit, Volusia County, Fla.; filed May 2019, dismissed and refiled October 2019); Durgin v. Allstate Property and Casualty Insurance Company (W.D. LA, filed June 7, 2019); Anderson v. Allstate Insurance Company (20th Judicial Circuit, Collier County, Fla.; filed August 2019); Cody v. Allstate Fire and Casualty Insurance Company and Allstate County Mutual Insurance Company (N.D. Tex., filed August 2019); Williams v. Esurance Property and Casualty Insurance Company (C.D. Cal,; filed September 2020); Cotton v. Allstate Fire and Casualty Insurance Company (Cir. Ct. of Cook County, Chancery Div., Ill.; filed October 2020); Romaniak v. Esurance Property and Casualty Insurance Company (N.D. Ohio, filed December 2020); Gosa v. Esurance Property and Casualty Insurance Company (S.D. Ill., filed December 2020).

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

Other proceedings The stockholder derivative actions described below are disclosed pursuant to SEC disclosure requirements for these types of matters. The putative class action alleging violations of the federal securities laws is disclosed because it involves similar allegations to those made in the stockholder derivative actions.

Biefeldt / IBEW Consolidated Action. Two separately filed stockholder derivative actions have been consolidated into a single proceeding that is pending in the Circuit Court for Cook County, Illinois, Chancery Division. The original complaint in the first-filed of those actions, *Biefeldt v. Wilson, et al.*, was filed on August 3, 2017, in that court by a plaintiff alleging that she is a stockholder of the Company. On June 29, 2018, the court granted defendants' motion to dismiss that complaint for failure to make a pre-suit demand on the Allstate Board but granted plaintiff permission to file an amended complaint. The original complaint in *IBEW Local No. 98 Pension Fund v. Wilson, et al.*, was filed on April 12, 2018, in the same court by another plaintiff alleging to be a stockholder of the Company. After the court issued its dismissal decision in the *Biefeldt* action, plaintiffs agreed to consolidate the two actions and filed a consolidated amended complaint naming as defendants the Company's chairman, president and chief executive officer, its former president, and certain present or former members of the board of directors. In that complaint, plaintiffs allege that the directors and officer defendants breached their fiduciary duties to the Company in connection with allegedly material misstatements or omissions concerning the Company's automobile insurance claim frequency statistics and the reasons for a claim frequency increase for Allstate brand auto insurance between October 2014 and August 3, 2015. The factual allegations are substantially similar to those at issue in *In re The Allstate Corp. Securities Litigation*. Plaintiffs further allege that a senior officer and several outside directors engaged in stock option exercises allegedly while in possession of material nonpublic information. Plaintiffs seek, on behalf of the Company, an unspecified amount of damages and various forms of equitable relief. Defendants moved to dismiss the consolidated complaint on September 24, 2018 for failure to make a demand on the Allstate Board. On May 14, 2019, the court granted defendants' motion to dismiss the complaint, but allowed plaintiffs leave to file a second consolidated amended complaint which they filed on September 17, 2019. Defendants moved to dismiss the complaint on November 1, 2019 for failure to make a demand on the Allstate Board. The court subsequently requested supplemental briefing on the motion which concluded on February 1, 2021. A ruling is expected at a status conference scheduled for February 24, 2021.

In *Sundquist v. Wilson, et al.*, another plaintiff alleging to be a stockholder of the Company filed a stockholder derivative complaint in the United States District Court for the Northern District of Illinois on May 21, 2018. Plaintiff seeks, on behalf of the Company, an unspecified amount of damages and various forms of equitable relief. The complaint names as defendants the Company's chairman, president and chief executive officer, its former president, its former vice chairman, and certain present or former members of the board of directors.

The complaint alleges breaches of fiduciary duty based on allegations similar to those asserted in *In re The Allstate Corp. Securities Litigation* as well as state law "misappropriation" claims based on stock option transactions by the Company's chairman, president and chief executive officer, its former vice chairman, and certain members of the board of directors. Defendants moved to dismiss and/or stay the complaint on August 7, 2018. On December 4, 2018, the court granted defendants' motion and stayed the case pending the final resolution of the consolidated *Biefeldt/IBEW* matter.

Mims v. Wilson, et al., is an additional stockholder derivative action filed on February 12, 2020 in the United States District Court for the Northern District of Illinois. Plaintiff alleges that she previously made a demand on the Allstate board of directors and seeks, on behalf of the Company, an unspecified amount of damages and various forms of equitable relief. The complaint names as defendants the Company's chairman, president and chief executive officer, its former president, its former vice chairman, and certain present or former members of the board of directors. The complaint alleges breaches of fiduciary duty and unjust enrichment based on allegations similar to those asserted in *In re The Allstate Corp. Securities Litigation*. On February 20, 2020, the Allstate board of directors appointed a special committee to investigate the allegations in plaintiff's demand. The Company moved to dismiss the complaint on August 24, 2020 and on December 8, 2020, the court granted defendants' motion, and dismissed the complaint with prejudice. On January 5, 2021, plaintiff filed a motion to alter the judgment and requested leave to file an amended complaint. Briefing is expected to be completed on February 5, 2021.

In re The Allstate Corp. Securities Litigation is a certified class action filed on November 11, 2016 in the United States District Court for the Northern District of Illinois against the Company and two of its officers asserting claims under the federal securities laws. Plaintiffs allege that they purchased Allstate common stock during the class period and suffered damages as the result of the conduct alleged. Plaintiffs seek an unspecified amount of damages, costs, attorney's fees, and other relief as the court deems appropriate. Plaintiffs allege that the Company and certain senior officers made allegedly material misstatements or omissions concerning claim frequency statistics and the reasons for a claim frequency increase for Allstate brand auto insurance between October 2014 and August 3, 2015.

Plaintiffs further allege that a senior officer engaged in stock option exercises during that time allegedly while in possession of material nonpublic information about Allstate brand auto insurance claim frequency. The Company, its chairman, president and chief executive officer, and its former president are the named defendants. After the court denied their motion to dismiss on February 27, 2018, defendants answered the complaint, denying plaintiffs' allegations that there was any misstatement or omission or other misconduct. On June 22, 2018, plaintiffs filed their motion for class certification. The court allowed the lead plaintiffs to amend their complaint to add the City of Providence Employee Retirement System as a proposed class representative and on September 12, 2018, the amended complaint was filed. On March 26, 2019, the court granted plaintiffs' motion for class certification and certified a class consisting of all persons who purchased Allstate common stock between October 29, 2014 and August 3, 2015. On April 9, 2019, defendants filed with the U.S. Court of Appeals for the Seventh Circuit a petition for permission to appeal this ruling and the Seventh Circuit granted that petition on April 25, 2019. On July 16, 2020, the Seventh Circuit vacated the class certification order and remanded the matter for further consideration by the district court. Discovery in this matter concluded on October 5, 2020. On December 21, 2020, the district court again granted plaintiffs' motion for class certification and certified a class consisting of all persons who purchased Allstate common stock between October 29, 2014 and August 3, 2015. On January 4, 2021, defendants filed with the Seventh Circuit a petition for permission to appeal this ruling. The petition was denied on January 28, 2021.

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.

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.

Regulatory tax examinations The Internal Revenue Service ("IRS") has completed its exam of the Company's 2013 through 2016 federal income tax returns. The 2017 and 2018 audit cycle is expected to begin in the first quarter of 2021. Any adjustments that may result from IRS examinations of the Company's tax returns are not expected to have a material effect on the consolidated financial statements.

Unrecognized tax benefits The Company recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

Reconciliation of the change in the amount of unrecognized tax benefits

($ in millions)	For the years ended December 31, 2020	2019	2018
Balance – beginning of year	$ 70	$ 70	$ 55
Increase for tax positions taken in a prior year	—	—	3
Increase for tax positions taken in the current year	—	—	12
Decrease for settlements	(58)	—	—
Balance – end of year	**$ 12**	**$ 70**	**$ 70**

The Company believes that the unrecognized tax benefits balance will not materially change within the next twelve months.

Components of the deferred income tax assets and liabilities

($ in millions)	As of December 31, 2020	2019
Deferred tax assets		
Unearned premium reserves	$ 659	$ 642
Pension	161	197
Accrued compensation	139	147
Discount on loss reserves	79	78
Other postretirement benefits	36	49
Net operating loss carryover	23	26
Other assets	68	54
Total deferred tax assets	**1,165**	**1,193**
Deferred tax liabilities		
DAC	(858)	(847)
Unrealized net capital gains	(856)	(507)
Investments	(394)	(567)
Life and annuity reserves	(216)	(222)
Intangible assets	(87)	(98)
Other liabilities	(109)	(106)
Total deferred tax liabilities	**(2,520)**	**(2,347)**
Net deferred tax liability	**$ (1,355)**	**$ (1,154)**

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, 2020, the Company has U.S. federal and foreign net operating loss carryforwards of $44 million and $68 million, respectively.

The provisions of the Tax Cuts and Jobs Act of 2017 eliminated the 20-year carryforward period and made it indefinite for federal net operating losses generated in tax years after December 31, 2017. For such amounts generated prior to 2018, the 20-year carryforward period continues to apply.

Components of the net operating loss carryforwards as of December 31, 2020

($ in millions)	20-Year Carryforward Expires in 2025-2037	Indefinite Carryforward Period	Total
US Federal	$ 36	$ 8	$ 44
Foreign	—	68	68
Total	**$ 36**	**$ 76**	**$ 112**

Components of income tax expense

($ in millions)	For the years ended December 31, 2020	2019	2018
Current	$ 1,499	$ 991	$ 704
Deferred	(116)	251	(236)
Total income tax expense	**$ 1,383**	**$ 1,242**	**$ 468**

The Company paid income taxes of $1.48 billion, $648 million and $731 million in 2020, 2019 and 2018, respectively.

The Company had current income tax payable of $84 million and $124 million as of December 31, 2020 and 2019, respectively.

Reconciliation of the statutory federal income tax rate to the effective income tax rate

($ in millions)	For the years ended December 31, 2020		2019		2018	
Income before income taxes	$ 6,959		$ 6,089		$ 2,628	
Statutory federal income tax rate on income from operations	1,461	21.0 %	1,279	21.0 %	552	21.0 %
Tax credits	(45)	(0.7)	(33)	(0.5)	(34)	(1.3)
Share-based payments	(30)	(0.4)	(24)	(0.4)	(16)	(0.6)
Tax-exempt income	(24)	(0.3)	(27)	(0.4)	(24)	(0.9)
State income taxes	35	0.5	41	0.7	27	1.0
Tax Legislation benefit	—	—	—	—	(29)	(1.1)
Other	(14)	(0.2)	6	—	(8)	(0.3)
Effective income tax rate on income from operations	**$ 1,383**	**19.9 %**	**$ 1,242**	**20.4 %**	**$ 468**	**17.8 %**

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 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)	2020	2019	2018	2020	2019
Amounts by major business type:					
Property and casualty insurance	$ 6,232	$ 3,989	$ 2,939	$ 17,128	$ 16,192
Life insurance, annuities and voluntary accident and health insurance	14	422	465	4,255	4,208
Amount per statutory accounting practices	**$ 6,246**	**$ 4,411**	**$ 3,404**	**$ 21,383**	**$ 20,400**

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 $4.44 billion in 2020. The maximum amount of dividends AIC will be able to pay without prior IL DOI approval at a given point in time during 2021 is $5.95 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 $13.52 billion as of December 31, 2020, 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 $20.54 billion and $2.92 billion, respectively, as of December 31, 2020. Most of the Corporation's insurance subsidiaries are subsidiaries of 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 $31.03 billion as of December 31, 2020.

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 merged two of its qualified pension plans effective March 31, 2019.

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 September 2020, the Company announced it will eliminate the medical coverage subsidy effective January 1, 2021 for employees who are not eligible to retire as of December 31, 2020.

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.

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. Subject to a court order, the Company paid life insurance premiums for certain retiree plaintiffs until their lawsuit seeking to keep their life insurance benefits intact was resolved. In September 2020, the court entered summary judgment in favor of the Company and dismissed the action, releasing the Company from the order requiring the continued payment of premiums for certain retirees. The judgment in favor of the Company is currently on appeal.

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. 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. 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.

Change in projected benefit obligation, plan assets and funded status

($ in millions)	Pension benefits 2020	Pension benefits 2019	Postretirement benefits 2020	Postretirement benefits 2019
	As of December 31,			
Change in projected benefit obligation				
Benefit obligation, beginning of year	$ 7,139	$ 6,224	$ 397	$ 375
Service cost	104	117	4	8
Interest cost	210	240	11	14
Participant contributions	—	—	14	15
Actuarial losses (gains)	813	927	22	19
Benefits paid	(522)	(356)	(37)	(39)
Plan amendments	—	—	(102)	—
Translation adjustment and other	(1)	(13)	(1)	5
Curtailment losses (gains)	20	—	10	—
Benefit obligation, end of year	**$ 7,763**	**$ 7,139**	**$ 318**	**$ 397**
Change in plan assets				
Fair value of plan assets, beginning of year	$ 6,192	$ 5,299		
Actual return on plan assets	1,300	1,235		
Employer contribution	18	27		
Benefits paid	(522)	(356)		
Translation adjustment and other	(1)	(13)		
Fair value of plan assets, end of year	**$ 6,987**	**$ 6,192**		
Funded status [(1)]	**$ (776)**	**$ (947)**	**$ (318)**	**$ (397)**
Amounts recognized in AOCI				
Unamortized pension and other postretirement prior service credit	**$ (78)**	**$ (142)**	**$ (89)**	**$ (13)**

[(1)] The funded status is recorded within other liabilities and accrued expenses on the Consolidated Statements of Financial Position.

Changes in items not yet recognized as a component of net cost for pension and other postretirement plans

($ in millions)	Pension benefits	Postretirement benefits
Items not yet recognized as a component of net cost – December 31, 2019	$ (142)	$ (13)
Prior service credit arising during the period	—	(102)
Prior service credit recognized during the period due to curtailment	10	18
Prior service credit amortized to net cost	54	10
Translation adjustment and other	—	(2)
Items not yet recognized as a component of net cost – December 31, 2020	**$ (78)**	**$ (89)**

The prior service credit is recognized as a component of net cost for pension and other postretirement plans amortized over the average remaining service period of active employees expected to receive benefits. The prior service credit that will be amortized to net cost for pension and postretirement plans in 2021 is estimated to be $50 million and $25 million, respectively.

The accumulated benefit obligation ("ABO") for all defined benefit pension plans was $7.55 billion and $7.02 billion as of December 31, 2020 and 2019, 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 $7.33 billion, $7.13 billion and $6.56 billion, respectively, as of December 31, 2020 and $6.73 billion, $6.62 billion and $5.79 billion, respectively, as of December 31, 2019. Included in the accrued benefit cost of the pension benefits are certain unfunded non-qualified plans with accrued benefit costs of $139 million and $137 million for 2020 and 2019, respectively.

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

	For the years ended December 31,								
	Pension benefits			Postretirement benefits			Total Pension and Postretirement Benefits		
($ in millions)	2020	2019	2018	2020	2019	2018	2020	2019	2018
Service cost	$ 104	$ 117	$ 110	$ 4	$ 8	$ 7	$ 108	$ 125	$ 117
Interest cost	210	240	255	11	14	15	221	254	270
Expected return on plan assets	(414)	(403)	(427)	—	—	—	(414)	(403)	(427)
Amortization of prior service credit	(54)	(56)	(56)	(10)	(3)	(21)	(64)	(59)	(77)
Curtailment losses (gains)	10	—	—	(8)	—	—	2	—	—
Costs and expenses	**(144)**	**(102)**	**(118)**	**(3)**	**19**	**1**	**(147)**	**(83)**	**(117)**
Remeasurement of projected benefit obligation	813	927	(255)	22	19	(4)	835	946	(259)
Remeasurement of plan assets	(886)	(832)	727	—	—	—	(886)	(832)	727
Remeasurement (gains) losses	**(73)**	**95**	**472**	**22**	**19**	**(4)**	**(51)**	**114**	**468**
Total net (benefit) cost	**$ (217)**	**$ (7)**	**$ 354**	**$ 19**	**$ 38**	**$ (3)**	**$ (198)**	**$ 31**	**$ 351**

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 expected return on plan assets is determined as the product of the expected long-term rate of return on plan assets and the fair value of plan assets.

Pension and other postretirement service cost, interest cost, expected return on plan assets, amortization of prior service credit and curtailment gains and losses are reported in property and casualty insurance claims and claims expense, operating costs and expenses, net investment income and (if applicable) restructuring and related charges on the Consolidated Statements of Operations.

Remeasurement gains and losses relate to changes in discount rates, the differences between actual return on plan assets and the expected long-term rate of return on plan assets, and differences between actual plan experience and actuarial assumptions.

Weighted average assumptions used to determine net pension cost and net postretirement benefit cost

	For the years ended December 31,					
	Pension benefits			Postretirement benefits		
	2020	2019	2018	2020	2019	2018
Discount rate	3.00 %	3.70 %	4.06 %	2.99 %	3.61 %	3.95 %
Expected long-term rate of return on plan assets	7.08	7.34	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	
	2020	2019	2020	2019
Discount rate	2.51 %	3.31 %	2.39 %	3.27 %

The weighted average health care cost trend rate used in measuring the accumulated postretirement benefit cost is 6.8% for 2021, gradually declining to 4.5% in 2035 and remaining at that level thereafter.

Pension plan assets 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. 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, 2020		
	Target asset allocation [1]	Actual percentage of plan assets	
Pension plan's asset category	**2020**	**2020**	**2019**
Equity securities [2]	43 - 62%	50 %	50 %
Fixed income securities	33 - 45	38	38
Limited partnership interests	— - 15	10	10
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 includes zero and 1% of private equity investments in 2020 and 2019, respectively, that are subject to the limited partnership interests target allocation and 1% and zero of fixed income mutual funds in 2020 and 2019, respectively, that are subject to the fixed income securities target allocation.

(3) Securities lending collateral reinvestment of $101 million and $258 million is excluded from the table above in 2020 and 2019, 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 non-hedging strategies is limited to 115% of total plan assets. 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, 2020, fixed income and equity securities are lent out and cash collateral is invested in short-term investments.

Fair values of pension plan assets as of December 31, 2020

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2020
Equity securities	$ 227	$ 42	$ —	$ 269
Fixed income securities:				
U.S. government and agencies	32	865	—	897
Corporate	—	1,709	2	1,711
Short-term investments	210	35	—	245
Free-standing derivatives:				
Assets	—	21	—	21
Liabilities	(2)	(21)	—	(23)
Other assets	2	—	—	2
Total plan assets at fair value	**$ 469**	**$ 2,651**	**$ 2**	**3,122**
% of total plan assets at fair value	15.0 %	84.9 %	0.1 %	100.0 %
Investments measured using the net asset value practical expedient				3,908
Securities lending obligation [(1)]				(101)
Derivatives counterparty and cash collateral netting				(19)
Other net plan assets [(2)]				77
Total reported plan assets				**$ 6,987**

[(1)] 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.

[(2)] Other net plan assets represent cash and cash equivalents, 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, 2019

($ 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, 2019
Equity securities	$ 216	$ 45	$ —	$ 261
Fixed income securities:				
U.S. government and agencies	237	1,096	—	1,333
Corporate	—	1,060	—	1,060
Short-term investments	128	252	—	380
Free-standing derivatives:				
Assets	—	5	—	5
Liabilities	(2)	(17)	—	(19)
Total plan assets at fair value	**$ 579**	**$ 2,441**	**$ —**	**3,020**
% of total plan assets at fair value	19.2 %	80.8 %	— %	100.0 %
Investments measured using the net asset value practical expedient				3,418
Securities lending obligation				(272)
Derivatives counterparty and cash collateral netting				9
Other net plan assets				17
Total reported plan assets				**$ 6,192**

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, 2020

($ in millions)	Balance as of December 31, 2019	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 (out) of Level 3	Balance as of December 31, 2020
Fixed income securities:						
Corporate	$ —	$ —	$ —	$ 2	$ —	$ 2
Total Level 3 plan assets	**$ —**	**$ —**	**$ —**	**$ 2**	**$ —**	**$ 2**

Rollforward of Level 3 plan assets during December 31, 2019

($ in millions)	Balance as of December 31, 2018	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 (out) of Level 3	Balance as of December 31, 2019
Fixed income securities:						
Corporate	$ 5	$ —	$ —	$ (5)	$ —	$ —
Total Level 3 plan assets	**$ 5**	**$ —**	**$ —**	**$ (5)**	**$ —**	**$ —**

Rollforward of Level 3 plan assets during December 31, 2018

($ in millions)	Balance as of December 31, 2017	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 (out) of Level 3	Balance as of December 31, 2018
Equity securities	$ 29	$ —	$ 3	$ —	$ (32)	$ —
Fixed income securities:						
Corporate	10	—	—	(5)	—	5
Total Level 3 plan assets	**$ 39**	**$ —**	**$ 3**	**$ (5)**	**$ (32)**	**$ 5**

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 evaluated annually giving consideration to appropriate 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 to the expected long-term rate of return on plan assets. In consideration of the targeted plan asset allocation, the Company evaluated expected returns using sources including historical average asset class returns from independent nationally recognized providers of this type of data blended together using the asset allocation policy weights for the Company's pension plans; asset class return forecasts developed by employees with relevant expertise in such forecasts and who are independent from those charged with managing the pension plan assets; 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. The above sources support the Company's weighted average long-term rate of return on plan assets assumption of 7.08% used for 2020 and an estimate of 7.06% that will be used for 2021. As of the 2020 measurement date, the arithmetic average of the annual actual return on plan assets for the most recent 10 and 5 years was 11.1% and 14.4%, respectively.

Cash flows There was no required cash contribution necessary to satisfy the minimum funding requirement under the IRC for the tax qualified pension plan for the year ended December 31, 2020.

The Company currently plans to contribute $24 million to its unfunded non-qualified plans and zero and $4 million to its primary and other qualified funded pension plans, respectively, in 2021.

The Company contributed $23 million and $24 million to the postretirement benefit plans in 2020 and 2019, respectively. Contributions by participants were $14 million and $15 million in 2020 and 2019, respectively.

Estimated future benefit payments expected to be paid in the next 10 years

	As of December 31, 2020	
($ in millions)	Pension benefits	Postretirement benefits
2021	$ 710	$ 25
2022	741	27
2023	733	27
2024	726	27
2025	694	26
2026-2030	2,320	98
Total benefit payments	**$ 5,924**	**$ 230**

Allstate 401(k) Savings Plan

Employees of the Company, with the exception of those employed by the Company's international, SquareTrade and InfoArmor 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 contribution to the Allstate Plan.

The Company's contribution to the Allstate Plan was $103 million, $93 million and $89 million in 2020, 2019 and 2018, respectively. In 2019 and 2018, these amounts were reduced by $41 million and $2 million of ESOP benefit, respectively.

Prior to 2020, the Allstate Plan had a leveraged ESOP to fund a portion of the anticipated contribution. The ESOP note matured on December 31, 2019 and the remaining principal balance of $2 million was repaid and all shares held by the ESOP have been released.

Allstate's Canadian, SquareTrade and InfoArmor subsidiaries sponsor defined contribution plans for their eligible employees. Effective January 1, 2020 and July 10, 2020, Answer Financial and Esurance employees are included in the Allstate Plan, respectively. Expense for subsidiary sponsored defined contribution plans was $13 million, $15 million and $15 million in 2020, 2019 and 2018, respectively.

Note 18 Equity Incentive Plans

The Company currently has equity incentive plans under which it grants nonqualified stock options, restricted stock units and performance stock awards to certain employees and directors of the Company.

Equity awards

($ in millions)	2020	2019	2018
Compensation expense	$ 124	$ 105	$ 125
Income tax benefits	18	17	22
Cash received from exercise of options	111	154	92
Tax benefit realized on options exercised and release of stock restrictions	53	43	28

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 stock awards with no market condition 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. Compensation expense for performance stock awards with a market condition is based on the number of awards expected to vest as estimated at the grant date and does not change if the market condition is not met.

Nonvested awards as of December 31, 2020

($ in millions)	Unrecognized compensation	Weighted average vesting period
Nonqualified stock options	$ 21	1.49 years
Restricted stock units	33	1.85 years
Performance stock awards	28	1.44 years
Total	**$ 82**	

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 prior to February 19, 2020 vest on the day prior to the third anniversary of the grant date. Restricted stock units granted to employees on or after February 19, 2020 vest ratably over a three-year period. 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 based on achieving established company-specific performance goals. Performance stock awards granted prior to February 19, 2020 vest into shares of stock on the day prior to the third anniversary of the grant date. Performance stock awards granted on or after February 19, 2020 vest into shares of stock on the third anniversary of the grant date.

The numbers of shares earned upon vesting of the performance stock awards is based on the attainment of performance goals for each of the performance periods, subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances.

Since 2001, a total of 110.8 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, 2020, 20.9 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 binomial 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

	2020	2019	2018
Weighted average expected term	6.1 years	5.8 years	5.7 years
Expected volatility	16.3% - 37.1%	15.6% - 28.9%	15.6% - 30.7%
Weighted average volatility	17.6 %	18.4 %	19.8 %
Expected dividends	1.6% - 2.4%	1.9% - 2.2%	1.5% - 2.2%
Weighted average expected dividends	1.8 %	2.2 %	2.0 %
Risk-free rate	0.1% - 1.8%	1.3% - 2.7%	1.3% - 3.2%

Summary of option activity

	For the year ended December 31, 2020			
	Number (in 000s)	**Weighted average exercise price**	**Aggregate intrinsic value (in 000s)**	**Weighted average remaining contractual term (years)**
Outstanding as of January 1, 2020	11,671	$ 73.40		
Granted	1,555	123.43		
Exercised	(2,201)	53.75		
Forfeited	(394)	104.18		
Expired	(14)	81.21		
Outstanding as of December 31, 2020	**10,617**	83.65	$ 298,537	6.1
Outstanding, net of expected forfeitures	10,543	83.46	297,990	6.1
Outstanding, exercisable (“vested”)	6,907	72.51	258,510	5.0

The weighted average grant date fair value of options granted was $18.17, $14.96 and $17.03 during 2020, 2019 and 2018, respectively. The intrinsic value, which is the difference between the fair value and the exercise price, of options exercised was $119 million, $114 million and $72 million during 2020, 2019 and 2018, respectively.

Changes in restricted stock units

	For the year ended December 31, 2020	
	Number (in 000s)	**Weighted average grant date fair value**
Nonvested as of January 1, 2020	877	$ 83.87
Granted	407	118.61
Vested	(278)	80.10
Forfeited	(58)	105.03
Nonvested as of December 31, 2020	**948**	98.61

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 $118.61, $92.97 and $93.16 during 2020, 2019 and 2018, respectively. The total fair value of restricted stock units vested was $32 million, $29 million and $47 million during 2020, 2019 and 2018, respectively.

Changes in performance stock awards

	For the year ended December 31, 2020	
	Number (in 000s)	**Weighted average grant date fair value**
Nonvested as of January 1, 2020	1,181	$ 87.78
Granted	282	123.48
Adjustment for performance achievement	408	78.49
Vested	(816)	78.49
Forfeited	(104)	101.10
Nonvested as of December 31, 2020	**951**	100.89

The change in performance stock awards comprises those initially granted in 2020 and the adjustment to previously granted performance stock awards for performance achievement.

The fair value of performance stock awards that do not include a market condition is based on the market value of the Company's stock as of the date of the grant.

Starting with the February 2020 award, the fair value of performance stock awards includes a component with market-based condition measured on the grant date using a Monte Carlo simulation model. Market-based condition measures the Company's total shareholder return ("TSR") relative to the TSR of peer companies, expressed in terms of the Company's TSR percentile rank among the peer companies, over a three-calendar-year performance period. The Monte Carlo simulation model uses a risk-neutral framework to model future stock price movements based upon the risk-free rate of return at the time of grant, volatilities of the Company and the peer companies, and expected term assumed to be equal to the remaining measurement period. The market value in part reflects the payment of future dividends expected.

For the year ended December 31, 2020, the 2020 performance stock awards with market-based condition assumes a risk-free rate of 1.4%, volatility of 16.9%, average peer volatility of 35.1% and an expected term of 2.9 years.

The weighted average grant date fair value of performance stock awards granted was $123.48, $92.49 and $92.88 during 2020, 2019 and 2018, respectively. The total fair value of performance stock awards vested was $101 million, $65 million and $15 million during 2020, 2019 and 2018, respectively.

The Company recognizes all tax effects related to share-based payments at settlement or expiration through the income statement.

Note 19 Supplemental Cash Flow Information

Non-cash investing activities include $61 million, $198 million and $94 million related to mergers and exchanges completed with equity securities, fixed income securities and limited partnerships, and modifications of certain mortgage loans and other investments in 2020, 2019 and 2018, respectively.

Non-cash financing activities include $56 million, $50 million and $32 million related to the issuance of Allstate common shares for vested equity awards in 2020, 2019 and 2018, respectively.

Cash flows used in operating activities in the Consolidated Statements of Cash Flows include cash paid for operating leases related to amounts included in the measurement of lease liabilities of $156 million and $155 million for the twelve months ended December 31, 2020 and 2019, respectively. Non-cash operating activities include $51 million and $604 million related to ROU assets obtained in exchange for lease obligations for the twelve months ended December 31, 2020 and 2019, respectively. Non-cash operating activities related to ROU assets obtained in exchange for lease obligations for twelve months ended December 31, 2019 include the impact of $488 million related to the adoption of the accounting for leases standard.

Liabilities for collateral received in conjunction with the Company's securities lending program and OTC and cleared derivatives are reported in other liabilities and accrued expenses or other investments. The accompanying cash flows are included in cash flows from operating activities in the Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds as follows:

($ in millions)	For the years ended December 31, 2020	2019	2018
Net change in proceeds managed			
Net change in fixed income securities	$ —	$ 80	$ 234
Net change in short-term investments	592	(451)	(568)
Operating cash flow provided (used)	**592**	**(371)**	**(334)**
Net change in cash	(12)	—	—
Net change in proceeds managed	**$ 580**	**$ (371)**	**$ (334)**
Net change in liabilities			
Liabilities for collateral, beginning of year	$ (1,829)	$ (1,458)	$ (1,124)
Liabilities for collateral, end of year	(1,249)	(1,829)	(1,458)
Operating cash flow (used) provided	**$ (580)**	**$ 371**	**$ 334**

Note 20 Other Comprehensive Income

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

	For the years ended December 31, 2020			2019			2018		
($ in millions)	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 2,512	$ (532)	$1,980	$ 2,807	$ (592)	$2,215	$ (1,142)	$ 241	$ (901)
Less: reclassification adjustment of realized capital gains and losses	870	(183)	687	413	(87)	326	(186)	39	(147)
Unrealized net capital gains and losses	**1,642**	**(349)**	**1,293**	**2,394**	**(505)**	**1,889**	**(956)**	**202**	**(754)**
Unrealized foreign currency translation adjustments	**66**	**(14)**	**52**	**(13)**	**3**	**(10)**	**(61)**	**13**	**(48)**
Unamortized pension and other postretirement prior service credit [(1)]	**12**	**(3)**	**9**	**(59)**	**12**	**(47)**	**(77)**	**18**	**(59)**
Other comprehensive income (loss)	**$ 1,720**	**$ (366)**	**$1,354**	**$ 2,322**	**$ (490)**	**$1,832**	**$ (1,094)**	**$ 233**	**$ (861)**

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

Note 21 Quarterly Results (unaudited)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
($ in millions, except per share data)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues	$ 10,076	$ 10,990	$ 11,197	$ 11,144	$ 11,500	$ 11,069	$ 12,018	$ 11,472
Net income (loss) applicable to common shareholders	513	1,261	1,224	821	1,126	889	2,598	1,707
Earnings per common share - Basic	1.62	3.79	3.90	2.47	3.62	2.71	8.54	5.32
Earnings per common share - Diluted	1.59	3.74	3.86	2.44	3.58	2.67	8.45	5.23

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, 2020 and 2019, 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, 2020, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, based on 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Reserve for Property and Casualty Insurance Claims and Claims Expense - Refer to Notes 2 and 8 to the Financial Statements

Critical Audit Matter Description

As of December 31, 2020, the reserve for property and casualty insurance claims and claims expense was $27.6 billion. The Company establishes reserves for property and casualty insurance claims and claims expense on reported and unreported claims of insured losses. Using established industry and actuarial best practices as well as the Company's historical claims experience, the reserve for property and casualty insurance claims and claims expense is estimated based on (i) claims reported, (ii) claims incurred but not reported, and (iii) projections of claim payments to be made in the future.

Given the subjectivity of estimating claims incurred but not reported and projections of claim payments to be made in the future, particularly those with payout requirements over a longer period of time, the related audit effort in evaluating the reserve for property and casualty insurance claims and claims expense required a high degree of auditor judgment and an increased extent of effort, including involvement of our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the reserve for property and casualty insurance claims and claims expense included the following:

- We tested the effectiveness of controls related to the reserve for property and casualty insurance claims and claims expense, including those over the Company's estimates and projections.
- We evaluated the methods and assumptions used by the Company to estimate the reserve for property and casualty insurance claims and claims expense by:
  - Testing the underlying data that served as the basis for the actuarial analysis, including historical claims, to test that the inputs to the actuarial estimate were complete and accurate.
  - Comparing the Company's prior year assumptions of expected development and ultimate loss to actual losses incurred during the year to assess the reasonableness of those assumptions, including consideration of potential bias, in the determination of the reserve for property and casualty claims and claims expense.
  - With the assistance of our actuarial specialists, we developed independent estimates for the reserve for property and casualty insurance claims and claims expense, particularly related to those with payout requirements over a longer period of time, utilizing loss data and industry claim development factors, and compared our estimates to management's estimates.

Reserve for Life-Contingent Contract Benefits and Premium Deficiency Reserve for Life-Contingent Immediate Annuities - Refer to Notes 2 and 9 to the Financial Statements.

Critical Audit Matter Description

As of December 31, 2020, the reserve for life-contingent contract benefits for Life-Contingent Immediate Annuities was $8.9 billion. Due to the long-term nature of life-contingent immediate annuities, benefits are payable over many years. The Company establishes reserves 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, such as future investment yields and mortality, are used when establishing the reserve. These assumptions are established at the time the contract is issued and are generally not changed during the life of the contract. The Company periodically performs a gross premium valuation ("GPV") analysis to review the adequacy of reserves 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 deferred acquisition costs ("DAC") balance would be expensed to the extent not recoverable, and the establishment of a premium deficiency reserve may be required for any remaining deficiency. During the year ended December 31, 2020, annuitants living longer than originally anticipated and lower long-term investment yield assumptions resulted in a premium deficiency. The deficiency was recognized as an increase in the reserve for life-contingent contract benefits and life contract benefits of $225 million. The original assumptions used to establish reserves were updated to reflect current assumptions and the primary changes included mortality expectations and long-term investment yields.

The Company also reviews these policies for circumstances where projected profits would be recognized in early years followed by projected losses in later years through a profits followed by losses ("PFBL") analysis. 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. The Company's analyses did not indicate periods of profits followed by periods of losses; therefore, the Company has not established a PFBL reserve as of December 31, 2020.

Given the subjectivity involved in selecting the current assumptions for projected investment yields and mortality, the sensitivity of the estimate to these assumptions, and the establishment of a premium deficiency reserve, the related audit effort to evaluate the reserve for life-contingent contract benefits, the GPV, the resulting premium deficiency reserve, and the PFBL analysis for life-contingent immediate annuities required a high degree of auditor judgment and an increased extent of effort, including involvement of our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the reserve for life-contingent contract benefits and the premium deficiency reserve, including the GPV and PFBL analysis for life-contingent immediate annuities, included the following:

- We tested the effectiveness of controls over management's reserve for life-contingent contract benefits, premium deficiency reserve, GPV, and PFBL analysis, including those over the Company's selection of assumptions.
- With the assistance of our actuarial specialists, we evaluated the reasonableness of assumptions and their incorporation into the projection model used by the Company to perform its analysis by:
  - Testing the underlying data that served as the basis for the assumptions setting and the underlying data used in the projection model to ensure the inputs were complete and accurate.
  - Comparing mortality assumptions selected to actual historical experience.
  - Comparing projected investment yields selected to historical portfolio returns, evaluating for consistency with current investment portfolio yields and the Company's long-term reinvestment strategy, and comparing to independently obtained market data.
- With the assistance of our actuarial specialists, we independently calculated the GPV reserves from the Company's projection model for a sample of contracts and compared our estimates to management's estimates.
- With the assistance of our actuarial specialists, we evaluated the reasonableness of the total GPV reserve at the date the premium deficiency was determined by the Company and at year-end based on known changes to long-term investment yield assumptions and current market data.
- We agreed the recorded premium deficiency reserve amount to the Company's GPV analysis.
- With the assistance of our actuarial specialists, we evaluated the aggregate cash flows generated through the Company's premium deficiency reserve testing for evidence of potential PFBL scenarios that would require the accrual of additional reserves to cover such future losses.

/s/ Deloitte & Touche LLP

Chicago, Illinois

February 19, 2021

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 Tuesday, May 25, 2021, 11:00 a.m. The company will be hosting the meeting live via the Internet. To attend the virtual meeting please visit www.virtualshareholdermeeting.com/ALL2021.

Holders of common stock of record at the close of business on March 26, 2021 are entitled to vote during 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 & Social Responsibility 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.

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, 2020, 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: https://www.allstateinvestors.com/financials/sec-filings

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. As of January 31, 2021, there were 64,567 holders of record of The Allstate Corporation's common stock.

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.

MIX
Paper from responsible sources
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www.fsc.org

Printed on recycled paper. Soy ink used throughout.

The Allstate Corporation
Year in Review,
Notice of 2021 Annual Meeting,
Proxy Statement and
2020 Annual Report

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2775 Sanders Road
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