

The Allstate Insurance Group, comprising various affiliated companies such as Allstate Fire and Casualty Insurance Company and Encompass Home and Auto Insurance Company, operates under regulatory approval and offers a diverse range of personal and commercial insurance products primarily through the Allstate and Encompass brands. The Group's strategy focuses on increasing market share and expanding protection offerings, with its property-liability operations divided into Allstate Protection, which includes auto and homeowners insurance, and Discontinued Lines and Coverages for older policies. The Allstate brand is distinguished by innovative products like Your Choice Auto® and Claim Satisfaction Guarantee®, along with bundling benefits and telematics-based programs such as Drivewise® and Milewise®. The Group employs pricing and underwriting strategies aimed at sustainable growth, utilizing a proprietary database for risk assessment and competitive pricing, while also managing risks associated with natural and man-made disasters through measures to limit exposure in high-risk areas.

The insurance policy document details a Plan of Division filed by several companies, including AIC and AFCIC, proposing the division into a surviving Illinois insurance company and a new entity to hold certain inactive Michigan automobile insurance policies. This plan awaits approval from the Illinois Department of Insurance following a public hearing. The financial position of the Group as of December 31, 2020, indicates total assets of \$54.636 billion, with cash and invested assets of \$47.968 billion, emphasizing principal protection and consistent income generation. The investment strategy balances market-based investments, primarily in public bonds and equity securities, with performance-based investments, including private equity and real estate. The bond portfolio is predominantly investment-grade, with 81.5% rated as such.

The document also outlines the management of investment risks, including interest rates and credit spreads, and the Group's commitment to monitoring the performance of its securities. Reserves for losses and loss adjustment expenses reflect incurred losses totaling \$20.293 billion for 2020, with a balance of \$17.869 billion as of December 31, 2020. The Group's capital position shows a total

surplus of \$20.93 billion, an increase from 2019, driven by net income of \$5.97 billion. The results indicate earned premiums of \$32.00 billion, with incurred losses and expenses totaling \$28.28 billion, leading to a net underwriting gain of \$3.73 billion. The document highlights a significant increase in underwriting gain due to lower auto non-catastrophe losses and favorable reserve reestimates, despite premium refunds related to the COVID-19 pandemic.

Cash flow analysis reveals net cash from operations of \$4.55 billion, with restrictions on dividends indicating that certain subsidiaries can only declare dividends from earned surplus in compliance with Illinois and Massachusetts regulations. The Group's financial strength ratings remain stable, with total adjusted capital exceeding risk-based capital requirements. The impact of the COVID-19 pandemic is noted, including premium refunds and uncertainty regarding future operations, alongside settlements related to insurance subrogation claims from PG&E and Southern California Edison, with AIC recognizing a net underwriting gain of \$444 million from the PG&E settlement.

In 2020, AIC reported a net underwriting gain of \$44 million after accounting for incurred losses and loss adjustment expenses. The Allstate Corporation's acquisition of National General Holdings Corp. on January 4, 2021, is expected to enhance its independent agent channel business. AIC also entered into a quota share reinsurance agreement with Integon National Insurance Company, assuming 100% of INIC's net underwriting liabilities. Additionally, AIC participated in a \$2.20 billion settlement with Southern California Edison concerning subrogation claims from the Woolsey Wildfire, anticipating a favorable impact on its financial statements. Furthermore, AIC and Allstate Financial Insurance Holdings Corporation agreed to sell Allstate Life Insurance Company and certain affiliates for approximately \$2.8 billion, projected to increase AIC's surplus, pending regulatory approvals.