ALLSTATE CORP
Form 10-K
February 15, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-11840
THE ALLSTATE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-3871531
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2775 Sanders Road, Northbrook, Illinois 60062
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (847) 402-5000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange Chicago Stock Exchange
5.10% Fixed-to-Floating Rate Subordinated Debentures due 2053	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series A	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series D	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series E	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series F	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series G	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No X
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	X	Accelerated filer
Non-accelerated filer		Smaller reporting company
		Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant’s most recently completed second fiscal quarter, June 30, 2018, was approximately $31.24 billion.

As of January 31, 2019, the registrant had 331,963,104 shares of common stock outstanding.

Documents Incorporated By Reference

Portions of the following documents are incorporated herein by reference as follows:

Part III of this Form 10-K incorporates by reference certain information from the registrant’s definitive proxy statement for its annual stockholders meeting to be held on May 21, 2019, (the “Proxy Statement”) to be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K.

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Part I

Item 1. 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's purpose is to protect people from life's uncertainties and prepare them for the future so they can realize their hopes and dreams. Allstate is primarily engaged in the property and casualty insurance business in the United States and Canada. Additionally, Allstate provides customers other protection offerings 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 Property-Liability strategy is to serve distinct customer segments with differentiated offerings. The Allstate brand is widely known through the "You're In Good Hands With Allstate®" slogan. Allstate is the 3rd largest personal property and casualty insurer in the United States on the basis of 2017 statutory direct premiums written according to A.M. Best.

In addition, Allstate also has strong market positions in other protection products. According to A.M. Best, Allstate is the nation's 20th largest issuer of life insurance business on the basis of 2017 ordinary life insurance in force and 38th largest on the basis of 2017 statutory admitted assets. Allstate Benefits provides accident, health and life insurance through employers and is one of the top five voluntary benefits carriers in the market based on a 2017 voluntary/worksite industry survey. SquareTrade provides protection plans on a wide variety of consumer goods such as cell phones, tablets, computers and appliances, and has a leading position in distribution through major retailers. InfoArmor provides identity protection through employers and has a leading position in this distribution channel. In total, Allstate had 113.9 million policies in force ("PIF") as of December 31, 2018.

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.

Strategy and Segment Information

Allstate's strategy is to grow personal property-liability market share and expand other protection businesses by leveraging our brand, customer base, investment expertise, distribution channels and capital.

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

Reportable segments

Allstate Protection [1]	Includes the Allstate, Encompass and Esurance brands and Answer Financial. Offers private passenger auto, homeowners, other personal lines and commercial insurance through agencies and direct, including contact centers and the internet.
Service Businesses	Includes SquareTrade, Arity, InfoArmor, Allstate Roadside Services and Allstate Dealer Services, which offer a broad range of products and services that expand and enhance our customer value propositions. InfoArmor is included in Service Businesses since its acquisition on October 5, 2018.
Allstate Life	Offers traditional, interest-sensitive and variable life insurance products through Allstate exclusive agencies and exclusive financial specialists.
Allstate Benefits	Offers voluntary benefits products, including life, accident, critical illness, short-term disability and other health insurance products sold through workplace enrolling independent agents and Allstate exclusive agencies.
Allstate Annuities	Consists of deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements) in run-off.
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.

Allstate Protection Segment

Our Allstate Protection segment accounted for 90.2% of Allstate's 2018 consolidated insurance premiums and contract charges and 29.2% of Allstate's December 31, 2018 PIF. In this segment, private passenger auto, homeowners, and other personal lines insurance products are offered to consumers through agencies and directly through contact centers and online. Our strategy is to position product offerings and distribution channels to meet customers' evolving needs and help them manage the risks they face.

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

Strategy

We serve all four consumer segments using differentiated products, analytical expertise, telematics and an integrated digital enterprise that leverages data and technology to redesign our processes with a focus on greater effectiveness and efficiencies and long-term expense savings.

Allstate brand strategy

Our strategy is to grow profitably through exclusive agencies, who serve as trusted advisors to customers, while leveraging best-in-class operational capabilities to gain market share and efficiencies. The Allstate brand differentiates itself by offering comprehensive product options and features through agencies that provide local advice and service, including a partnership with exclusive financial specialists to deliver life and retirement solutions. This strategy focuses on four customer-centric themes to expand our trusted advisor initiative and deliver profitable growth:

Available	Competitive	Simple	Connected
Provide products and services that protect what matters most	Offer products that make good use of our customers' hard-earned money	Easy to interact with	Know our customers and proactively interact in value-added ways
Continue to build effective and efficient distribution systems and product offerings that provide a competitive advantage	Advance our pricing sophistication and improve cost competitiveness	Provide seamless, personalized customer interactions supported by contemporary products and technology	Expand the breadth of value-added products and services, enabled by connections with our customers

Available Allstate's 10,700 exclusive agencies provide customized solutions and support based on our consumers' needs. Agencies are established in 10,600 locations, supported by 26,900 licensed sales professionals and 1,100 exclusive financial specialists who are trusted advisors to our customers.

Being a trusted advisor means that our agencies

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

Allstate exclusive agencies also offer life and retirement solutions and can partner with exclusive financial specialists who provide expertise with more complex life and retirement solutions and other financial needs of our customers.

Exclusive agencies and financial specialists are supported through marketing assistance, service and business processes, technology, education, offering financing to grow their businesses and other resources to help them enhance the customer experience and to acquire and retain more customers. We continue to focus on the effectiveness and efficiency of our distribution system and the breadth of our product offerings.

Competitive Data, analytics and technology support advancements in pricing sophistication for all lines of business. Pricing and underwriting strategies and decisions are designed to generate sustainable profitable growth.

Targeted marketing includes messaging that communicates the value of our Good Hands®, the importance of having proper coverage, product options, and the ease of doing business with Allstate and our exclusive agencies.

Enhanced loss cost management and expense control are a priority. To achieve this, we are continuing to modernize our operating platform (including enhanced digital capabilities) and optimizing vendor relationships. Investments are being made to increase efficiencies and reduce expenses.

Simple We are focused on creating value through simplicity, quality, rewarding engagement and improving ease of access and service through an integrated digital enterprise.

Emerging technologies and predictive analytics are being used to simplify the customer experience and expedite the claims process. To achieve this, we have opened several Digital Operating Centers to handle auto physical damage claims countrywide. The centers utilize virtual estimation capabilities, which include estimating damage through photos and video with the use of QuickFoto Claim® and Virtual Assist® (video chat technology used to review supplemental damage with auto body shops). We are also leveraging virtual

capabilities to handle property claims by estimating damage through video with Virtual Assist and aerial imagery using satellites, airplanes and drones.

Connected We will continue to leverage telematics to offer customers a highly individualized price, better understand their risks and improve customer experience delivered through innovative products and services.

Current capabilities are being expanded through our partnership with Arity, which uses telematics to offer personalized, engaging programs that empower drivers with insights about their vehicle's health, costs and safety.

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

• Agencies receive a monthly base commission payment as a percentage of their total eligible written premium.
• Variable compensation rewards agencies for meeting customers' needs for life insurance and retirement policies sold relative to the size of the agency.
• Bonus compensation is based on a percentage of premiums and can be earned by agencies who are meeting certain sales goals and selling additional policies to meet customer needs profitably.

Agencies have the ability to earn commissions and additional bonuses on non-proprietary products provided to customers when an Allstate product is not available. In 2018, Ivantage had $1.8 billion non-proprietary premiums under management and is a leading provider of property and casualty brokerage services.

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

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.

Commercial lines strategy We are actively pursuing profitable expansion of our commercial lines, including the shared economy, such as transportation network companies. Profit improvement actions have been implemented for our traditional commercial lines insurance products, emphasizing pricing, claims, governance and operational improvements.

Esurance strategy

We are working to make insurance surprisingly painless by innovating to make it simple, transparent, and affordable. We plan to grow profitably by delivering an excellent customer experience at an exceptional value through an engaged and high-performing workforce. To provide an enhanced customer experience we:

- Offer a seamless online and mobile experience with fast quoting for ease and convenience.
- Provide hassle-free purchases and claims processing through intuitive tools and advanced technology.
- Offer a broad suite of protection products and solutions to our customers.
- Offer innovative product options and features.

Encompass strategy

Our strategy is to expand the independent agency footprint, broaden geographic and product diversification, enhance pricing and underwriting sophistication and provide a superior customer and agent experience.

Over the past several years, Encompass has been executing on a profit improvement plan emphasizing pricing, governance and operational improvements at both the state and countrywide levels. These actions have improved underlying profitability but led to a reduction of policies in force compared to prior years for both auto and homeowners.

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 and an evaluation of competitors to the extent permissible by applicable law.

Pricing of property products is intended to establish risk-adjusted returns that are acceptable over a long-term period. 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 and to reduce the variability of earnings. Our property business includes personal homeowners, commercial property and other property insurance lines. Our current catastrophe reinsurance program supports our risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes and earthquakes, net of reinsurance, exceeding $2 billion. The use of different assumptions and updates to industry models, and updates 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.

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

Products and distribution

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

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

vehicle and
boat)

Innovative product offerings and features

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 15 states as of December 31, 2018.
	Auto Replacement Protection	Replaces a qualifying customer's vehicle involved in a total loss accident with a vehicle of the same or similar make and model that is one year newer. Offered in 15 states as of December 31, 2018.
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, 2018.
	Surround Solutions by Encompass℠	Offers contemporary 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, 2018.

Telematics offerings

Allstate brand	Drivewise®	Telematics-based insurance program, available in 49 states and the District of Columbia as of December 31, 2018, 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 6 states as of December 31, 2018, that gives customers flexibility to customize their insurance and pay based on the number of miles they drive.
Esurance brand	DriveSense®	Telematics-based insurance program, available in 32 states as of December 31, 2018, that primarily uses a mobile application to capture driving behaviors and reward customers for safe driving.
Encompass brand	Route Report℠	Telematics application, available in 4 states as of December 31, 2018, used to capture driving behaviors and reward customer participation.
Answer Financial	StreetWise℠	Telematics application, available in all 50 states and D.C. as of December 31, 2018, used to capture driving behaviors.

Shared economy solutions

Allstate brand	Transportation Network Company Commercial Auto	Commercial coverage for drivers of transportation networking companies during various phases of the ridesharing 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.

Distribution channels

Allstate brand	In the U.S., we offer products through 10,700 Allstate exclusive agencies operating in 10,600 locations, supported by 26,900 licensed sales professionals, and 1,100 exclusive financial specialists. We also offer products through 2,700 independent agencies that are primarily in rural areas and through contact centers and online. In Canada, we offer Allstate brand products through 900 employee producers.
Esurance brand	Sold to customers online and through contact centers.
Encompass brand	Distributed through 2,600 independent agencies.
Answer Financial	Comparison quotes offered to customers online or through contact centers.

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

When an Allstate product is not available, we may offer non-proprietary products to consumers through arrangements made with other companies, agencies, and brokers. As of December 31, 2018, Allstate agencies had approximately $1.6 billion of non-proprietary personal insurance premiums under management, primarily related to property business in hurricane exposed areas, and approximately $220 million of non-proprietary commercial insurance premiums under management. Additionally, we offer a homeowners product through our subsidiary North Light Specialty Insurance Company in certain areas with higher risk of catastrophes or where customers do not meet the Allstate brand standard underwriting profile.

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 competitors in the U.S. using statutory direct written premium for the year ended December 31, 2017, according to A.M. Best.

Esurance is among the top 25 largest providers of personal property and casualty insurance products in the U.S., and Encompass is among the top 20 largest providers of personal property and casualty insurance products through independent agencies in the U.S., based on statutory direct written premium according to A.M. Best for 2017.

Geographic markets

Our principal geographic markets are in the U.S. Through various subsidiaries, we are authorized to sell a variety of personal property and casualty products in all 50 states, D.C., Puerto Rico and Canada. The top U.S. geographic markets are reflected below based on 2018 information contained in statements filed with the state insurance departments.

Service Businesses Segment

Our Service Businesses segment accounted for 3.3% of Allstate's 2018 consolidated total revenue and 65.1% of Allstate's December 31, 2018 PIF. Service Businesses include SquareTrade, Arity, InfoArmor, Allstate Roadside Services and Allstate Dealer Services, which offer a broad range of products and services that expand and enhance customer value propositions. Starting in the fourth quarter of 2018, the Service Businesses segment includes the results of InfoArmor, a leading provider of identity protection to more than 1 million employees and their family members at over 1,400 firms, which was acquired on October 5, 2018.

Strategy - To deliver superior value propositions and build strategic platforms to connect and engage with customers and effectively address their changing needs and preferences.

SquareTrade®	Expand distribution of consumer protection plan and technical support products through new and existing retail and mobile operator accounts while increasing profitability and returns.
Arity®	Build a strategic platform leveraging our analytics and deep understanding of driver risk. The platform will be used by those industries effected most by the changing face of transportation, including insurance companies, shared mobility companies and the automotive ecosystem.
InfoArmor®	Create a leading position in the identity protection market, offering full identity protection monitoring with proactive alerts, digital exposure reporting, identity theft reimbursement and excellent customer service.
Allstate Roadside Services®	Digitize the roadside assistance business and enhance capabilities to deliver a superior customer experience while lowering costs in the customer assistance centers and optimizing the rescue network.
Allstate Dealer Services®	Expand distribution of Allstate branded finance and insurance products and services to auto dealerships, while pursuing additional distribution through strategic partnerships.

Products and distribution

Products and services

SquareTrade	Provides consumer protection plans and related technical support for mobile phones, consumer electronics and appliances which provide customers protection from mechanical or electrical failure, and in certain cases, accidental damage from handling.
Arity	The Arity platform provides data and analytics solutions 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.
InfoArmor	Provides identity protection services including monitoring, alerts, remediation and a proprietary indicator of identity health.
Allstate Roadside Services	A leading roadside assistance provider in North America offering towing, jump-start, lockout, fuel delivery and tire change services to retail customers and customers of our wholesale partners. Good Hands Rescue® is a pay-per-use mobile application service that connects users to a select countrywide network of third-party providers and a proprietary crowdsourced network to assist with emergencies.
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.

Distribution channels

SquareTrade	Major retailers in the U.S. and mobile operators in Europe.
Arity	Sells directly to affiliate and non-affiliate customers and through strategic industry specific partners.
InfoArmor	Workplace benefit programs provided to employees with a strategic focus to leverage relationships with our Allstate Benefits segment and expand into other distribution channels.
Allstate Roadside Services	Allstate exclusive agencies, wholesale partners, affinity groups and a mobile application.

Allstate Dealer Services	Independent agencies and brokers through auto dealerships in the U.S. to customers in conjunction with the purchase of a new or used vehicle.

Geographic markets

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

Competition

We compete on a 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 Life Segment

Strategy

Our Allstate Life segment accounted for 4.8% of Allstate's 2018 consolidated total revenue and 1.8% of Allstate's December 31, 2018 PIF. Our overall strategy is to broaden Allstate's customer relationships and value proposition. The Allstate Life segment's product offerings are a part of the Allstate brand trusted advisor strategy. We also distribute non-proprietary retirement products offered by third-party providers. Our target customers are those who prefer local personalized advice and service and are brand-sensitive.

Our product positioning provides solutions to help meet customer needs during various phases of life. Term and whole life insurance products offer basic life protection solutions while universal life and financial planning solutions cover more advanced needs. Many Allstate exclusive agencies partner with exclusive financial specialists to deliver life and retirement solutions. These specialists have expertise with advanced life and retirement cases and other more complex customer needs. Successful partnerships assist agencies with building stronger and deeper customer relationships.

Sales producer education and technology improvements are being made to ensure agencies have the tools and information needed to help customers meet their needs and build personal relationships as trusted advisors.

The operating model is being modernized through investments in data and analytics and technology capabilities, tailoring distribution support, product innovation and enhancing the underwriting process.

Products and distribution

Insurance products

Term life	Interest-sensitive life
Whole life	Variable life

Distribution channel

Allstate exclusive agencies and exclusive financial specialists.

Allstate exclusive agencies and exclusive financial specialists also sell certain non-proprietary products, including mutual funds, fixed and variable annuities, disability insurance, and long-term care insurance to provide a broad suite of protection and retirement products. As of December 31, 2018, Allstate agencies had approximately $14.1 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 2018.

Competition

We compete on a variety of factors, including product offerings, brand recognition, financial strength and ratings, price, distribution and the level of customer service. The market for life insurance continues to be highly fragmented and competitive. As of December 31, 2017, there were approximately 360 groups of life insurance companies in the United States.

Geographic markets

Through subsidiaries, we are authorized to sell various types of life insurance products in all 50 states, D.C. and Puerto Rico. Our top geographic markets are reflected below.

Allstate Benefits Segment

Strategy

Our Allstate Benefits segment accounted for 3.0% of Allstate's 2018 consolidated total revenue and 3.7% of Allstate's December 31, 2018 PIF. The Allstate Benefits segment provides consumers with financial protection against the risk of accidents, illness and mortality. We are an industry leader in the rapidly growing voluntary benefits market, offering a broad range of products through workplace enrollment. The voluntary market continues to grow as voluntary benefits products have become a core component of employer benefit offerings. Our life insurance portfolio includes individual and group term life and permanent life solutions.

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

Our strategy for growth is to become the industry leader in the voluntary benefits market by delivering substantially more value through innovative products and technology, tailored solutions and exceptional service. Initiatives are focused on expanding into non-traditional products and becoming an integrated digital enterprise through investments in future-state technologies and data and analytics capabilities.

Products and distribution

Our target customers are middle market consumers with family 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.

Voluntary benefits products

Life	Short-term disability
Accident	Other health
Critical illness	

Distribution channels

Primary distribution continues to be through 6,200 workplace enrolling independent agents.

Allstate exclusive agencies, focusing on small employers, also distribute products.

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 are authorized to sell voluntary benefits products in all 50 states, D.C., Puerto Rico, the U.S. Virgin Islands, Guam and Canada. The top geographic markets are reflected below.

Allstate Annuities Segment

Strategy

Our Allstate Annuities segment accounted for 2.4% of Allstate's 2018 consolidated total revenue and 0.2% of Allstate's December 31, 2018 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 in which we have ownership interests and a greater proportion of return is derived from idiosyncratic asset or operating performance.

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

Products and distribution

We previously offered and continue to have in force deferred fixed annuities and immediate fixed annuities (including standard and sub-standard structured settlements). We exited the continuing sale of annuities over an eight year period from 2006 to 2014, reflecting our expectations of declining returns. In 2006, we disposed of substantially all of the variable annuity business through reinsurance agreements. For discussion of non-proprietary retirement and investment products sold through our Allstate exclusive agencies and exclusive financial specialists, see Part I, Item 1. Allstate Life Segment of this report.

Other Business Segments

Discontinued Lines and Coverages Segment

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

Strategy 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 may at times be engaged in policy buybacks, settlements and reinsurance assumed and ceded commutations.

Development in the reserves established for asbestos, environmental and other discontinued lines losses in the future may continue. Reserve changes can be caused by new information relating to new and additional claims or the impact of resolving unsettled claims based on unanticipated events such as arbitrations, litigation, legislative, judicial or regulatory actions. Environmental losses may also increase as the result of additional funding for environmental site 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.

Regulation

Allstate is subject to extensive regulation, primarily at the state level. The method, extent and substance of such regulation vary by state but generally have their source in statutes that establish standards and requirements for conducting the business of insurance and that also delegate regulatory authority to a state agency. These rules have a substantial effect on our business and relate to a wide variety of matters, including insurer solvency and statutory surplus sufficiency, reserve adequacy, insurance company licensing and examination, agent and adjuster licensing, policy forms, rate setting, the nature and amount of investments, claims practices, participation in shared markets and guaranty funds, transactions with affiliates, the payment of dividends, underwriting standards, statutory accounting methods, trade practices, privacy regulation and data security, corporate governance and risk management. In addition, state legislators and insurance regulators continue to examine the appropriate nature and scope of state insurance regulation. For a discussion of statutory financial information, see Note 16 of the consolidated financial statements. For a discussion of regulatory contingencies, see Note 14 of the consolidated financial statements. Notes 14 and 16 are incorporated in this Part I, Item 1 by reference.

As part of an effort to strengthen the regulation of the financial services market, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was enacted in 2010. Dodd-Frank created the Federal Insurance Office ("FIO") within the U.S. Department of the Treasury ("Treasury"). The FIO monitors the insurance industry, provides advice to the Financial Stability Oversight Council ("FSOC"), represents the U.S. on international insurance matters, and studies the current regulatory system.

Additional regulations or new requirements may emerge from the activities of various regulatory entities, including the Federal Reserve Board, FIO, FSOC, the National Association of Insurance Commissioners ("NAIC"), and the International Association of Insurance Supervisors ("IAIS"), that are evaluating solvency and capital standards for insurance company groups. In addition, the NAIC has adopted amendments to its model holding company law that have been adopted by some jurisdictions. The outcome of these actions is uncertain; however, these actions may result in an increase in the level of capital and liquidity required by insurance holding companies.

We cannot predict whether any specific state or federal measures will be adopted to change the nature or scope of the regulation of insurance or what effect any such measures would have on Allstate. We are working for changes in the regulatory environment to make insurance more available and affordable for customers, encourage market innovation, improve driving safety, strengthen cybersecurity, and promote better catastrophe preparedness and loss mitigation.

Agent and Broker Compensation. In recent years, several states considered new legislation or regulations regarding the compensation of agents and brokers by insurance companies. The proposals ranged in nature from new disclosure requirements to new duties on insurance agents and brokers in dealing with customers.

Limitations on Dividends by Insurance Subsidiaries. As a holding company with no significant business operations of its own, The Allstate Corporation relies on dividends from Allstate Insurance Company as one of the principal sources of cash to pay dividends and to meet its obligations, including the payment of principal and interest on debt or to fund non-insurance-related businesses. Allstate Insurance Company is regulated as an insurance company in Illinois, and its ability to pay dividends is restricted by Illinois law. For additional information regarding those restrictions, see Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. The laws of the other jurisdictions that generally govern our other insurance subsidiaries contain similar limitations on the payment of dividends. However, such laws in some jurisdictions may be more restrictive.

Insurance Holding Company Regulation – Change of Control. The Allstate Corporation and Allstate Insurance Company are insurance holding companies subject to regulation in the jurisdictions in which their insurance subsidiaries do business. In the U.S., these subsidiaries are organized under the insurance codes of Florida, Illinois, Massachusetts, New Jersey, New York, Texas, and Wisconsin. Additionally, some of these subsidiaries are considered commercially domiciled in California and Florida.

Generally, the insurance codes in these states provide that the acquisition or change of “control” of a domestic or commercially domiciled insurer or of any person that controls such an insurer cannot be consummated without the prior approval of the relevant insurance regulator. In general, a presumption of “control” arises from the ownership, control, possession with the power to vote, or possession of proxies with respect to ten percent or more of the voting securities of an insurer or of a person who controls an insurer. In addition, certain state insurance laws require pre-acquisition notification to state agencies of a change in control with respect to a non-domestic insurance company licensed to do business in that state. While such pre-acquisition notification statutes do not authorize the state agency to disapprove the change of control, such statutes do authorize certain remedies, including the issuance of a cease-and-desist order with respect to the non-domestic insurer if certain conditions exist, such as undue market concentration.

Thus, any transaction involving the acquisition of ten percent or more of The Allstate Corporation’s common stock would generally require prior approval by the state insurance departments in California, Florida, Illinois, Massachusetts, New Jersey, New York, Texas and Wisconsin. Moreover, notification would be required in those other states that have adopted pre-acquisition notification provisions and where the insurance subsidiaries are admitted to transact business. Such approval requirements may deter, delay or prevent certain transactions affecting the ownership of The Allstate Corporation's common stock.

Rate Regulation. Nearly all states have insurance laws requiring personal property and casualty insurers to file rating plans, policy or coverage forms, and other information with the state's regulatory authority. In many cases, such rating plans, policy forms, or both must be approved prior to use.

The speed with which an insurer can change rates in response to competition or increasing costs depends, in part, on whether the rating laws are (i) prior approval, (ii) file-and-use or (iii) use-and-file laws. In states having prior approval laws, the regulator must approve a rate before the insurer may use it. In states having file-and-use laws, the insurer does not have to wait for the regulator's approval to use a rate, but the rate must be filed with the regulatory authority prior to being used. A use-and-file law requires an insurer to file rates within a certain period of time after the insurer begins using them. Eighteen states, including California and New York, have prior approval laws. Under all three types of rating laws, the regulator has the authority to disapprove a rate filing.

An insurer's ability to adjust its rates in response to competition or to changing costs is dependent on an insurer's ability to demonstrate to the regulator that its rates or proposed rating plan meets the requirements of the rating laws. In those states that significantly restrict an insurer's discretion in selecting the business that it wants to underwrite, an insurer can manage its risk of loss by charging a rate that reflects the cost and expense of providing the insurance. In those states that significantly restrict an insurer's ability to charge a rate that reflects the cost and expense of providing the insurance, the insurer can manage its risk of loss by being more selective in the type of business it underwrites. When a state significantly restricts both underwriting and pricing, it becomes more difficult for an insurer to maintain its profitability.

From time to time, the personal lines insurance industry comes under pressure from state regulators, legislators, and special-interest groups to reduce, freeze, or set rates at levels that do not correspond with our analysis of underlying costs, catastrophe loss exposure, and expenses. We expect this kind of pressure to persist. Allstate and other insurers are using increasingly sophisticated pricing models and rating plans that are reviewed by regulators and special-interest groups. State regulators may interpret existing law or rely on future legislation or regulations to impose new restrictions that adversely affect profitability or growth. We cannot predict the impact on our business of possible future legislative and regulatory measures regarding insurance rates.

Involuntary Markets. As a condition of maintaining our licenses to write personal property and casualty insurance in various states, we are required to participate in assigned risk plans, reinsurance facilities, and joint underwriting associations that provide various types of insurance coverage to individuals or

entities that otherwise are unable to purchase such coverage from private insurers. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to our results of operations.

For a discussion of these items see Note 14 of the consolidated financial statements. Note 14 is incorporated in this Part I, Item 1 by reference.

Indemnification Programs. We are a participant in state-based industry pools, facilities or associations, mandating participation by insurers offering certain coverage in their state, including the Michigan Catastrophic Claims Association, the New Jersey Property-Liability Insurance Guaranty Association, the North Carolina Reinsurance Facility and the Florida Hurricane Catastrophe Fund. We also participate in the Federal Government National Flood Insurance Program.

For a discussion of these items see Note 10 of the consolidated financial statements. Note 10 is incorporated in this Part I, Item 1 by reference.

Guaranty Funds. Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, in order to cover certain obligations of insolvent insurance companies. We do not anticipate any material adverse financial impact on Allstate from these assessments.

Investment Regulation. Our insurance subsidiaries are subject to regulations that require investment portfolio diversification and that limit the amount of investment in certain categories. Failure to comply with these rules leads to the treatment of non-conforming investments as non-admitted assets for purposes of measuring statutory surplus. Further, in some instances, these rules require divestiture of non-conforming investments.

Exiting Geographic Markets; Canceling and Non-Renewing Policies. Most states regulate an insurer's ability to exit a market. For example, states may limit, to varying degrees, an insurer's ability to cancel and non-renew policies. Some states restrict or prohibit an insurer from withdrawing one or more types of insurance business from the state, except pursuant to a plan that is approved by the state insurance department. Regulations that limit cancellation and non-renewal and that subject withdrawal plans to prior approval requirements may restrict an insurer's ability to exit unprofitable markets.

Variable Life Insurance and Registered Fixed Annuities. The sale and administration of variable life insurance and registered fixed annuities with market value adjustment features are subject to extensive regulatory oversight at the federal and state level, including regulation and supervision by the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA").

Broker-Dealers, Investment Advisors and Investment Companies. The Allstate entities that operate as broker-dealers, registered investment advisors, and investment companies are subject to regulation and supervision by the SEC, FINRA and/or, in some cases, state securities administrators. Certain state and federal regulators, such as the SEC, are considering implementation of best interest standards. Such proposals, if effective, could impact products provided by Allstate agencies and Allstate's broker-dealers, their sales processes, volumes, and producer compensation arrangements.

Dodd-Frank: Covered Agreement. The Secretary of the Treasury (operating through FIO) and the Office of the U.S. Trade Representative ("USTR") are jointly authorized, pursuant to the Dodd-Frank, to negotiate Covered Agreements. A Covered Agreement is a bilateral or multilateral agreement that "relates to the recognition of prudential measures with respect to the business of insurance or reinsurance that achieves a level of protection for insurance or reinsurance consumers that is substantially equivalent to the level of protection achieved under State insurance or reinsurance regulation."

On September 22, 2017, the U.S. and European Union ("EU") signed a Covered Agreement. In addition to signing the Covered Agreement, Treasury and the USTR jointly issued a policy statement clarifying how the U.S. views implementation of certain provisions of the Covered Agreement. The policy statement affirms the U.S. system of insurance regulation, including the role of state insurance regulators as the primary supervisors of the business of insurance and addresses several other key provisions of the Covered Agreement for which constituents sought clarity, including prospective application to reinsurance agreements and an affirmation that the Covered Agreement does not require development of a group capital standard or group capital requirement in the U.S.

The U.S. has five years from the date of signing to amend its credit for reinsurance laws and regulations to conform with the requirements of the Covered Agreement or face federal preemption determinations by the FIO. To address the requirements of the Covered Agreement, the NAIC has formally adopted plans to revise the existing credit for reinsurance model law and model regulation to conform with the requirements of the Covered Agreement with the expectation that states will adopt and implement the modified model law and regulation. In addition, the NAIC plans to adopt reinsurance collateral requirements for reinsurers domiciled in NAIC qualified jurisdictions, other than those in the EU, consistent with those in the Covered Agreement provided the qualified jurisdictions also comply with the group capital mutual recognition and information sharing provisions of the Covered Agreement.

On December 18, 2018, the U.S. and the United Kingdom ("UK") signed a separate Covered Agreement consistent with the U.S.-EU Covered Agreement to coordinate regulation of the insurance industry doing business in the U.S. and UK in the event the UK leaves the EU in March 2019. Consistent with steps taken when the U.S. signed the U.S.-EU Covered Agreement in 2017, Treasury and the USTR also issued a policy statement regarding implementation of the U.S.-UK Covered Agreement affirming the role that state

insurance regulators play as the primary supervisors of the insurance industry. The signing begins a review period in the UK that lasts for 21 legislative days. The Covered Agreement has also been submitted to Congress on December 11, 2018 for a period of 90 calendar days after which the U.S.-UK Covered Agreement may become effective without further congressional approval.

Division Statute. On November 27, 2018, the Illinois General Assembly passed legislation authorizing a statute that makes available a process by which a domestic insurance company may divide into two or more domestic insurance companies. The statute could be used to isolate an existing block of life, health, annuity or property-casualty business for sale to a third party or to manage risks associated with indemnification programs. The statute could also be used to divide continuing blocks of insurance business from insurance business that is no longer marketed, or otherwise has been discontinued, into separate companies with separate capital. Before a plan of division can be effected, it must be approved according to the organizational documents of the dividing insurer and submitted for approval by the Illinois Department of Insurance. The bill was effective January 1, 2019. The Illinois Department of Insurance will likely promulgate rules and the rule-making process will take several months once filed.

Privacy Regulation and Data Security. Federal law and the laws of many states require financial institutions to protect the security and confidentiality of customer information and to notify customers about their policies and practices relating to collection and disclosure of customer information and their policies relating to protecting the security and confidentiality of that information. Federal law and the laws of many states also regulate disclosures and disposal of customer information. Congress, state legislatures, and regulatory authorities are expected to consider additional regulation relating to privacy and other aspects of customer information.

Asbestos. Congress has repeatedly considered legislation to address asbestos claims and litigation in the past. In February 2017, legislation was introduced in the House titled the Furthering Asbestos Claims Transparency Act of 2017 (the “FACT Act”). The FACT Act requires transparency of asbestos trust funds that are formed under a reorganization plan following the discharge in bankruptcy of a debtor corporation, quarterly reports on claims made to the trusts, and the release of information sought by defendants in asbestos lawsuits. The House Judiciary Committee approved the FACT Act, but a full House vote has not occurred. In 2017, the House introduced an additional bill called the Fairness in Class Action Litigation Act of 2017. This legislation passed the House and is with the Senate Judiciary Committee. We cannot predict the impact on our business of possible future legislative measures regarding asbestos.

Environmental. Environmental pollution and clean-up of polluted waste sites is the subject of federal and state regulation. The Comprehensive Environmental Response Compensation and Liability

Act of 1980 (the "Superfund") and comparable state statutes (the "mini-Superfunds") govern the clean-up and restoration of waste sites by Potentially Responsible Parties ("PRPs"). The Superfund and the mini-Superfunds (collectively, the "Environmental Clean-up Laws" or "ECLs") establish a mechanism to assign liability to PRPs or to fund the clean-up of waste sites if PRPs fail to do so. The extent of liability to be allocated to a PRP depends on a variety of factors. The insurance industry is involved in extensive litigation regarding coverage issues arising out of the clean-up of waste sites by insured PRPs and the insured parties' alleged liability to third parties responsible for the clean-up. The insurance industry, including Allstate, has disputed and is disputing many such claims. Key coverage issues include whether the Superfund response, investigation, and clean-up costs are considered damages under the policies; whether coverage has been triggered; whether any pollution exclusion applies; whether there has been proper notice of claims; whether administrative liability triggers the duty to defend; whether there is an appropriate allocation of liability among triggered insurers; and whether the liability in question falls within the definition of an "occurrence." Identical coverage issues exist for clean-up and waste sites not covered under the Superfund. To date, courts have been inconsistent in their rulings on these issues.

Allstate's exposure to liability with regard to its insureds that have been, or may be, named as PRPs is uncertain. While comprehensive Superfund reform proposals have been introduced in Congress, only modest reform measures have been enacted. In May 2017, the Environmental Protection Agency created a Superfund Task Force that issued proposed reforms in a July 2018 report. These recommendations address expediting clean-up and remediation processes, reducing the financial burden of the clean-up process, encouraging private investment, promoting redevelopment and community revitalization, and building and strengthening partnerships. We cannot predict which, if any, of these reforms will be enacted.

Website

Our website is allstate.com. The Allstate Corporation's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports that we file or furnish pursuant to Section 13(a) of the Securities Exchange Act of 1934 are available on the Investor Relations section of our website (www.allstateinvestors.com), free of charge, as soon as reasonably practicable after they are electronically filed or furnished to the SEC. In addition, our Corporate Governance Guidelines, our Global Code of Business Conduct, and the charters of our Audit Committee, Compensation and Succession Committee, Executive Committee, Nominating and Governance Committee, and Risk and Return Committee are available on the Investor Relations section of our website and in print to any stockholder who requests copies by contacting Investor Relations, The Allstate Corporation, 2775 Sanders Road, Northbrook, Illinois 60062-6127, 1-847-402-2800. The information found on our website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document filed with the SEC.

Other Information About Allstate

- As of December 31, 2018, Allstate had approximately 45,140 full-time employees and 560 part-time employees.
- Allstate's seven reportable segments use shared services, including human resources, investment, finance, information technology and legal services, provided by Allstate Insurance Company and other affiliates.

- Although the insurance business generally is not seasonal, claims and claims expense for the Allstate Protection segment tend to be higher for periods of severe or inclement weather.

"Allstate" is a very well-recognized brand name in the United States. We use the "Allstate," "Esurance," "Encompass" and "Answer Financial" brands extensively in our business. We also provide additional protection products and services through "SquareTrade", "Arity", "InfoArmor", "Allstate Roadside Services", "Allstate Dealer Services" and "Allstate Benefits

- These brands, products and services are supported with the related service marks, logos, and slogans. Our rights in the United States to these names, service marks, logos and slogans continue as long as we continue to use them in commerce. Many service marks used by Allstate are the subject of renewable U.S. and/or foreign service mark registrations. We believe that these service marks are important to our business and we intend to maintain our rights to them.

Executive Officers of the Registrant

The following table sets forth the names of our executive officers, their ages as of February 1, 2019, their positions, business experience, and the years of their first election as officers. "AIC" refers to Allstate Insurance Company. Each of the officers named below may be removed from office at any time, with or without cause, by the board of directors of the relevant company.

Name	Age	Position with Allstate and Business Experience	Year First Elected Officer
Thomas J. Wilson	61	Chair of the Board (May 2008 to present), President (June 2005 to January 2015 and February 2018 to present), and Chief Executive Officer (January 2007 to present) of The Allstate Corporation and AIC.	1995
Elizabeth A. Brady	54	Executive Vice President and Chief Marketing, Innovation and Corporate Relations Officer of AIC (August 2018 to present); Senior Vice President, Global Brand Management, at Kohler Co. (November 2013 to July 2018).	2018
Don Civgin	57	President, Service Businesses of AIC (January 2018 to present); President, Emerging Businesses of AIC (February 2015 to January 2018); President and Chief Executive Officer, Allstate Financial of AIC (March 2012 to February 2015).	2008
John E. Dugenske	52	Executive Vice President and Chief Investment and Corporate Strategy Officer of AIC (January 2018 to present); Executive Vice President and Chief Investment Officer of AIC (March 2017 to January 2018); Group Managing Director and Global Head of Fixed Income at UBS Global Asset Management (December 2008 to February 2017).	2017
Eric K. Ferren	45	Senior Vice President, Controller, and Chief Accounting Officer of The Allstate Corporation (May 2017 to present) and of AIC (December 2017 to present); Senior Vice President of External Reporting and Corporate Accounting of AIC (April 2014 to December 2017); Chief Financial Officer of HSBC Bank USA, N.A. (January 2014 to April 2014); Chief Accounting Officer of HSBC North America Holdings Inc. (July 2010 to April 2014).	2014
Mary Jane Fortin	54	President, Allstate Financial Businesses of AIC (February 2017 to present); President, Allstate Life and Retirement of AIC (October 2015 to February 2017); Executive Vice President and Chief Financial Officer, Global Consumer Insurance of AIG (April 2012 to September 2015).	2015
Suren Gupta	57	Executive Vice President, Enterprise Technology and Strategic Ventures of AIC (February 2015 to present); Executive Vice President, Allstate Technology and Operations of AIC (April 2011 to February 2015).	2011
Susan L. Lees	61	Executive Vice President, General Counsel, and Secretary of The Allstate Corporation (May 2013 to present) and of AIC (June 2013 to present); Executive Vice President and General Counsel of The Allstate Corporation (June 2012 to May 2013) and of AIC (June 2012 to June 2013).	2008
Jesse E. Merten	44	Executive Vice President and Chief Risk Officer of AIC (December 2017 to present) and Treasurer of The Allstate Corporation (January 2015 to present) and of AIC (February 2015 to present); Senior Vice President and Chief Financial Officer, Allstate Financial of	2012

		AIC (January 2012 to February 2015).	
Mario Rizzo	52	Executive Vice President and Chief Financial Officer of The Allstate Corporation and AIC (January 2018 to present); Senior Vice President and Chief Financial Officer, Allstate Personal Lines of AIC (February 2015 to January 2018); Senior Vice President and Treasurer of The Allstate Corporation (November 2010 to January 2015) and of AIC (November 2010 to February 2015).	2010
Glenn T. Shapiro	53	President, Allstate Personal Lines of AIC (January 2018 to present); Executive Vice President, Claims of AIC (April 2016 to January 2018); Executive Vice President and Chief Claims Officer of Liberty Mutual Commercial Insurance (May 2011 to March 2016).	2016
Steven E. Shebik	62	Vice Chair of The Allstate Corporation and AIC (January 2018 to present); Executive Vice President and Chief Financial Officer of The Allstate Corporation (February 2012 to January 2018) and of AIC (March 2012 to January 2018).	1999

Forward-Looking Statements

This report contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. These statements may address, among other things, our strategy for growth, catastrophe exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update any forward-looking statements as a result of new information or future events or developments. In addition, forward-looking statements are subject to certain risks or uncertainties that could cause actual results to differ materially from those communicated in these forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Part 1, “Item 1A. Risk Factors” and elsewhere in this report and those described from time to time in our other reports filed with the Securities and Exchange Commission.

Item 1A. Risk Factors
In addition to the normal risks of business, significant risks and uncertainties, including those listed below, apply to us as an insurer, investor and provider of other products and financial services. Risks have been categorized as follows:
- Insurance Industry
- Financial
- Investment
- Operational
- Regulatory and Legal
- Strategic

These cautionary statements should be considered carefully together with other factors discussed elsewhere in this document, in filings with the Securities and Exchange Commission ("SEC") or in materials incorporated therein by reference.
Insurance Industry Risks
Catastrophes and severe weather events may subject property and casualty businesses to significant losses
Our property and casualty business may be exposed to catastrophic events caused by various events, some of which may be exacerbated by climate change, such as wildfires, tornadoes, tsunamis, hurricanes, tropical storms, earthquakes, volcanic eruptions, solar flares, terrorism or industrial accidents which could cause operating results to vary significantly from one period to the next, despite our catastrophe management programs. Our auto and property insurance business may incur catastrophe losses in excess of: (1) those experienced in prior years, (2) the average expected level used in pricing, (3) current reinsurance coverage limits or (4) loss estimates from external hurricane and earthquake models at various levels of probability. For example, historical catastrophe experience includes losses relating to named storm Sandy in 2012 totaling $1.2 billion, Hurricane Katrina in 2005 totaling $3.6 billion and the Northridge earthquake of 1994 totaling $2.1 billion. We are also exposed to assessments from the California Earthquake Authority, Texas Windstorm Insurance Association, various state-created insurance facilities, and to losses that could surpass the capitalization of these facilities. Settlement of catastrophes have historically been financed from operating cash flows, including very large catastrophes that had complicated issues resulting in settlement delays, however, our liquidity could be constrained by a catastrophe, or multiple catastrophes, which could result in extraordinary losses or a downgrade of our debt or financial strength ratings.
Property and casualty businesses are subject to claims arising from weather events such as winter storms, rain, hail and high winds. The incidence and severity of weather conditions are largely unpredictable. There is generally an increase in the frequency and severity of auto and property claims when severe weather conditions occur.
The extent of losses from a catastrophe is a function of the total amount of insured exposure

affected by the event, the severity of the event and the coverage provided, which can be both property and casualty coverages. Increases in the value and geographic concentration of insured property, the number of policyholders exposed to certain events and the effects of inflation could increase the severity of claims from catastrophic events in the future. For example, the specific geographic location impacted by tornadoes is inherently random and unpredictable and the specific location impacted by a tornado may or may not be highly populated and may or may not have a high concentration of our insured exposures.
Property and casualty results of operations and financial condition may be adversely affected due to limitations in the analytical models used to assess and predict the exposure to catastrophe losses
Along with others in the insurance industry, models developed internally and by third party vendors are used along with our own historical data in assessing property insurance exposure to catastrophe losses. These models assume various conditions and probability scenarios. Such models do not necessarily accurately predict future losses or measure losses currently incurred. Further, the accuracy of such models may be negatively impacted by changing climate conditions. Catastrophe models use historical information and scientific research about natural events, such as hurricanes and earthquakes, as well as detailed information about our in-force business. This information is used in

connection with pricing and risk management activities. However, since actual catastrophic events vary considerably, there are limitations with respect to its usefulness in predicting losses in any reporting period. Other limitations are evident in significant variations in estimates between models, material increases and decreases in results due to model changes and refinements of the underlying data elements and actual conditions that are not yet well understood or may not be properly incorporated into the models.

Our catastrophe management strategy may adversely affect premium growth

Due to catastrophe risk management efforts, the size of our homeowners business has been negatively impacted in the past and may be negatively impacted if further actions are taken. Homeowners premium growth rates and retention could be adversely impacted by adjustments to our business structure, size and underwriting practices in markets with significant severe weather and catastrophe risk exposure.

Unexpected increases in the frequency or severity of property and casualty claims may adversely affect our results of operations and financial condition

The property and casualty businesses may experience volatility in claim frequency from time to time, and short-term trends may not continue over the longer term. Changes in auto claim frequency may result from changes in mix of business, miles driven, weather, distracted driving or other macroeconomic factors. A significant increase in claim frequency could have an adverse effect on our results of operations and financial condition.

Changes in bodily injury claim severity are impacted by inflation in medical costs, litigation trends and precedents, regulation and the overall safety of automobile travel. Changes in auto property damage claim severity are driven primarily by inflation in the cost to repair vehicles, including parts and labor rates, the mix of vehicles that are declared total losses, model year mix as well as used car values. Changes in homeowners claim severity are driven by inflation in the construction industry, building materials and home furnishings, changes in the mix of loss type, and by other economic and environmental factors, including short-term supply imbalances for services and supplies in areas affected by catastrophes. Increases in claim severity can arise from unexpected events that are inherently difficult to predict. Although various loss management initiatives are pursued to mitigate future increases in claim severity, there can be no assurances that these initiatives will successfully identify or reduce the effect of future increases in claim severity.

Changes in the level of price competition and the use of underwriting standards in the property and casualty businesses may adversely affect our results of operations and financial condition

The personal property-liability market is highly competitive with carriers competing through advertising, price and customer service and distribution. Companies can choose to alter underwriting standards, lower prices and increase advertising, which could result in diminished growth or profitability for Allstate. In addition, external factors such as weather or macro-economic conditions can impact the frequency or cost of losses, which impact market dynamics. A downturn in the growth or profitability of the property and casualty businesses could have a material effect on our results of operations and financial condition.

Pricing for our products is subject to our ability to adequately assess risks, estimate losses and comply with state insurance regulations. Inadequate pricing could have a material adverse effect on our results of operations and financial condition. Additionally, we may increase premium rates and adopt tighter underwriting standards, which may result in a decline in new business and renewals. We may offer discounts for new customers and adopt less restrictive underwriting standards, which may lead to increased new business and renewals and higher losses. In either event, our competitive position, results of operations and financial condition could be adversely impacted.

Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business

Market conditions beyond our control impact the availability and cost of the reinsurance we purchase. No assurances can be made that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as is currently available. Our personal lines catastrophe reinsurance program was designed, utilizing our risk management

methodology, to address our exposure to catastrophes nationwide. For example, our ability to afford reinsurance to reduce our catastrophe risk in designated areas may be dependent upon our ability to adjust premium rates for its cost, and there are no assurances that the terms and rates for our current reinsurance program will continue to be available in future years. If we were unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient at acceptable prices, we would have to either accept an increase in our catastrophe exposure, reduce our insurance writings, or develop or seek other alternatives.

Reinsurance subjects us to counterparty risk and may not be adequate to protect us against losses arising from ceded insurance, which could have a material effect on our results of operations and financial condition

The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including changes in market conditions, whether insured losses meet the qualifying conditions of the reinsurance contract, duration of the collections and whether reinsurers, their affiliates, or certain regulatory bodies have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract. Additionally, reinsurance placed in the catastrophe bond market may not provide the same level of coverage as reinsurance placed in the traditional market. Any disruption, volatility and uncertainty in the financial markets may decrease our ability to access such market on favorable terms or at all. Our inability to recover from a reinsurer could have a material effect on our results of operations and financial condition.

Changing climate and weather conditions may adversely affect our financial condition, profitability or cash flows

Climate change may affect the occurrence of certain natural events, such as an increase in the frequency or severity of wind and thunderstorm events, eruptions of volcanoes and tornado or hailstorm events due to increased convection in the atmosphere; more frequent wildfires in certain geographies; higher incidence of deluge flooding and the potential for an increase in severity of the hurricane events due to higher sea surface temperatures. Additionally, there may be an impact on the demand, price and availability of automobile and homeowners insurance, reinsurance coverages as well as the value of our investment portfolio. Due to significant variability associated with future changing climate conditions we are unable to predict the impact climate change will have on our businesses.

Underwriting changes and actual experience could materially affect profitability and financial condition of our life, voluntary benefits and annuity businesses

Our product pricing includes long-term assumptions regarding investment returns, mortality, morbidity, persistency and operating costs and expenses of the business. We establish target returns for each product based upon these factors and the average amount of capital we must hold to support in-force contracts taking into account rating agencies and regulatory requirements. We monitor and manage pricing and overall sales mix to achieve target new business returns on a portfolio basis, which could result in the discontinuation or de-emphasis of products and a decline in sales. Profitability from new business emerges over a period of years depending on the nature and life of the product and is subject to variability as actual results may differ from pricing assumptions. Additionally, many of our products have fixed or guaranteed terms that limit our ability to increase revenues or reduce benefits, including credited interest, once the product has been issued.

Many voluntary benefits employer contracts are renewed annually. There is a risk that employers may be able to obtain more favorable terms from competitors than they could by renewing coverage with us. These competitive pressures may adversely affect the persistency of these products, as well as our ability to sell products.

Profitability depends on the sufficiency of premiums and contract charges to cover mortality and morbidity benefits, the adequacy of investment spreads, the persistency of policies, the management of market and credit risks associated with investments, and the management of operating costs and expenses within anticipated pricing allowances. Legislation and regulation of the insurance marketplace and products could also affect our profitability and financial condition.

Actual claims incurred may exceed current reserves established for claims including claims relating to asbestos, environmental and other discontinued lines, which may adversely affect our results of operations and financial condition

Recorded claim reserves, including case reserves and incurred but not reported claims reserves (“IBNR”), are based on our best estimates of losses after considering known facts and interpretations of the circumstances, including settlement agreements. Additionally, models that rely on the assumption that past loss development patterns will persist into the future are used. Internal factors are considered including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns, pending levels of unpaid claims, loss management programs, product mix, contractual terms and changes in claim reporting and settlement practices. External factors are also considered, such as court decisions, changes in law and litigation imposing unintended coverage. We also consider benefits, such as disallowing the use of benefit payment schedules, requiring coverage designed to cover losses that occur in a single policy period to losses that develop continuously over multiple policy periods or requiring the availability of multiple limits. Regulatory requirements and economic conditions are also considered.

Since reserves are estimates of the unpaid portion of losses that have occurred, including IBNR losses, the

establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain and complex process that is continually refined to reflect current estimation processes and practices. The ultimate cost of losses may vary materially from recorded reserves and such variance may adversely affect our results of operations and financial condition as the reserves and reinsurance recoverables are reestimated.

Furthermore, the process of estimating asbestos, environmental and other discontinued lines liabilities is inherently uncertain. The process is complicated by legal issues concerning, among other things, the interpretation of various insurance policy provisions, whether losses are covered or were intended to be covered and whether losses could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements.

Asbestos-related bankruptcies and litigation are complex, lengthy proceedings that involve substantial uncertainty for insurers. Actuarial techniques, databases and reinsurance assumptions used in estimating asbestos, environmental and other discontinued lines net loss reserves may prove to be inadequate indicators of the extent of probable loss. Ultimate net losses from these discontinued lines could materially exceed established loss reserves and expected recoveries and have a material effect on our results of operations and financial condition as the reserves are reestimated.

Changes in reserve estimates for our life, voluntary benefits and annuity businesses may adversely affect our results of operations

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, persistency and expenses. Future investment yields may be lower than our current projections. Mortality may continue to improve due to medical advancements, resulting in policyholders living longer than anticipated. We periodically review the adequacy of these reserves and if future experience differs significantly from assumptions, adjustments to reserves and amortization of deferred policy acquisition costs ("DAC") may be required that could have a material effect on our results of operations. We also review these policies for circumstances where projected profits would be recognized in early years followed by projected losses in later years. If this circumstance exists, we will be required to accrue a liability during the period of profits to offset the losses at such time as the future losses are expected to commence. Prior to fourth quarter 2017, we evaluated our traditional life insurance products and immediate annuities with life contingencies on an aggregate basis. In conjunction with the segment changes that occurred in the fourth quarter of 2017, traditional life insurance products, immediate annuities with life contingencies, and voluntary accident and health insurance products are reviewed individually. This increases the risk that we will have to record a premium deficiency adjustment in the future for immediate annuities with life contingencies. Changes to accounting guidance for long-duration insurance contracts such as traditional life, life-contingent immediate annuities and certain voluntary accident and health insurance products may have a material effect on reserves and shareholders' equity and could adversely impact financial strength ratings. For a description of changes in accounting standards see Note 2 of the consolidated financial statements.

Changes in estimates of profitability on interest-sensitive life products may adversely affect our profitability and financial condition

DAC related to interest-sensitive life contracts is amortized in proportion to actual historical gross profits and estimated future gross profits ("EGP") over the estimated lives of the contracts. 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. Updates to these assumptions, commonly referred to as "DAC unlocking," could result in accelerated amortization of DAC and thereby adversely affect our profitability and financial condition. In addition, assumption changes impact the reserve for secondary guarantees on interest-sensitive life insurance and could also lead to volatility in net income.

Financial Risks

Conditions in the global economy and capital markets could adversely affect our business and results of operations

Conditions in the global economy and capital markets could have an adverse effect on our business and results of operations. This includes high and sustained unemployment in certain regions and lower labor participation rates in others, reduced consumer spending, low economic growth, lower residential and commercial real estate prices, substantial increases in delinquencies on consumer debt, the relatively low availability of credit and ineffective central bank monetary policies.

Stressed conditions, volatility and disruptions in global capital markets, particular markets or financial asset classes could adversely affect our investment portfolio. Disruptions in one market or asset class can also spread to other markets or asset classes. In addition, events in the U.S. or foreign markets, such as the United Kingdom's planned exit from the European Union ("EU") in March 2019, can impact the global economy and capital markets. The impact of such events is difficult to predict.

In the years since the financial crisis, the central banks of most developed countries have pursued highly accommodative monetary policies. Higher volatility and less certainty in capital markets may continue as the U.S. Federal Reserve, through the Federal Open Market Committee, raises interest rates and as global monetary policies diverge.

On July 27, 2017, the U.K. Financial Conduct Authority (the "FCA"), which regulates the London interbank offered rate ("LIBOR"), announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021, and LIBOR may be discontinued or modified by 2021.

The Federal Reserve Bank of New York began publishing the Secured Overnight Financing Rate ("SOFR") in April 2018 as an alternative for LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. A transition away from the widespread use of LIBOR to SOFR or another benchmark rate may occur over the course of the next few years.

We have exposure to LIBOR-based financial instruments, such as securities we have issued or may issue in the future, including our floating rate senior notes and subordinated debentures, and LIBOR-based securities and derivatives held in our investment portfolio. Certain of our contracts allow for the use of an alternative benchmark rate if LIBOR is no longer available. At this time, we cannot predict the overall effect of the modification or discontinuation of LIBOR or the establishment of alternative benchmark rates.

Protectionist trade policy actions, such as tariffs and quotas, could have an adverse effect on our results of operations and financial condition through an increase in claim severity. Such trade policy actions could also adversely affect our investment results, as an increase in the scope and size of tariffs could disrupt global supply chains and increase inflationary pressures which may have an adverse effect on economic activity.

General economic conditions could adversely affect us by impacting consumer behavior and pressuring investment results. Consumer behavior changes may include decreased demand for our products; for example, if consumers purchase fewer automobiles, sales of auto insurance may decline. Also, if consumers become more cost conscious, they may choose lower levels of auto and homeowners insurance. In addition, holders of interest-sensitive life insurance and annuity products may engage in an elevated level of discretionary withdrawals of contractholder funds. Investment results could be adversely affected as deteriorating financial and business conditions affect the issuers of the securities in the investment portfolio.

A downgrade in financial strength ratings may have an adverse effect on our competitive position, the marketability of our product offerings, liquidity, access to and cost of borrowing, results of operations and financial condition

Financial strength ratings are important factors in establishing the competitive position of insurance companies and generally have an effect on an insurance company’s business. Rating agencies continuously review our financial performance and condition. They could downgrade or change the outlook on our ratings due to a change in the financial profile of one of our insurance companies, a change in a rating agency's determination of the amount of risk-adjusted capital required to maintain a particular rating, an increase in the perceived risk of our investment portfolio, a reduced confidence in management or our business strategy, as well as a number of other considerations that may or may not be under our control. The insurance financial strength ratings of Allstate Insurance Company, Allstate Life Insurance Company, Allstate Assurance Company and The Allstate Corporation's senior debt ratings from A.M. Best, S&P Global Ratings and Moody's are subject to continuous review and the retention of current ratings cannot be assured. A downgrade in any of these ratings could have a material effect on our sales, competitiveness, retention, the marketability of our product offerings, liquidity, access to and cost of borrowing, results of operations and financial condition.

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs or obtain credit on acceptable terms

In periods of extreme volatility and disruption in the capital and credit markets, liquidity and credit capacity may be severely restricted. In such circumstances, our ability to obtain capital to fund operating expenses, financing costs, capital expenditures or acquisitions may be limited, and the cost of any such capital may be significant. Our access to additional financing depends on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, as well as lenders' perception of our long- or short-term financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms.

We may be required to recognize impairments in the value of our goodwill, which may adversely affect our results of operations and financial condition

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. Goodwill is evaluated for impairment annually, or more frequently if conditions warrant, by comparing the carrying value, attributed equity, of a reporting unit to its estimated fair value. Market declines or other events impacting the fair value of a reporting unit could result in a goodwill impairment, resulting in a charge to income. Such a charge could have an adverse effect on our results of operations or financial condition.

The realization of deferred tax assets is subject to uncertainty

The realization of our deferred tax assets, net of valuation allowance, if any, is based on the assumption that we will be able to fully utilize the deductions that are ultimately recognized for tax purposes. However, actual results may differ from our assumptions if adequate levels of taxable income are not attained.

The ability of our subsidiaries to pay dividends may affect our liquidity and ability to meet our obligations

The Allstate Corporation is a holding company with no significant operations. Its principal assets are the stock of its subsidiaries and its directly held short-term cash and securities portfolios. Its liabilities include debt and pension and other postretirement benefit obligations related to Allstate Insurance Company employees. State insurance regulatory authorities limit the payment of dividends by insurance subsidiaries, as described in Note 16 of the consolidated financial statements. The limitations are based on statutory income and surplus. In addition, competitive pressures generally require the subsidiaries to maintain insurance financial strength ratings. These restrictions and other regulatory requirements affect the ability of the subsidiaries to make dividend payments. Limits on the ability of the subsidiaries to pay dividends could adversely affect holding company liquidity, including the ability to pay dividends to shareholders, service debt or complete share repurchase programs in the timeframe expected.

Management views enterprise capital as a combination of statutory surplus and invested assets at the parent holding company level. Deterioration in statutory surplus or earnings, from developments such as catastrophe losses, or changes in market conditions or interest rates, could adversely affect holding company liquidity by impacting the amount of dividends from subsidiaries or the utilization of invested assets at the holding company to increase statutory surplus or for other corporate purposes.

Following the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018 related to the Tax Cuts and Jobs Act of 2017 (“Tax Legislation”), the National Association of Insurance Commissioners (“NAIC”) approved a change in the risk-based capital (“RBC”) formula on June 28, 2018, to reflect the impact of the Tax Legislation on year-end 2018 RBC calculations for life insurers. Since RBC requirements are determined net of tax, the decrease in the federal tax rate results in an increase in the amount of after-tax RBC required to be held by our insurance subsidiaries. Changes in capital requirements could decrease deployable capital and potentially reduce future dividends paid by our life subsidiary companies. In addition, the NAIC has formed a working group for the development of a group capital calculation covering all entities of the insurance company group using a methodology based on aggregated risk-based capital. Although we do not expect potential revisions to impact our current dividend plans, any increase in the amount of capital or reserves our insurance subsidiaries are required to hold could reduce the amount of future dividends such subsidiaries are able to distribute to the holding company. Any reduction in the RBC ratios of our insurance subsidiaries could also adversely affect their financial strength ratings as determined by statistical rating agencies.

Our ability to pay dividends or repurchase stock is subject to limitations under terms of certain of our securities

The terms of the outstanding subordinated debentures 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.

We are prohibited from declaring or paying dividends on preferred stock if we fail to meet specified capital adequacy, net income or shareholders' equity levels. The prohibition is subject to an exception permitting us to declare dividends out of the net proceeds of common stock issued by us during the 90 days prior to the date of declaration even if we fail to meet such levels.

We may not repurchase or pay dividends on common stock during any dividend period while our preferred stock is outstanding, unless the full preferred stock dividends for the preceding dividend period have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside and any declared but unpaid preferred stock dividends for any prior period have been paid, subject to certain limited exceptions. The authorized number of directors then constituting the board of directors will be increased by two, to be elected by the holders of preferred stock together with the holders of all other affected classes and series of voting parity stock, voting as a single class, if and when dividends on preferred stock have not been declared and paid in full for at least six quarterly dividend periods, subject to certain conditions.

Investment Risks

Our investment portfolios are subject to market risk and declines in credit quality, which may adversely affect investment income and cause realized and unrealized losses

We continually reevaluate investment management strategies since we are subject to the risk of loss due to adverse changes in interest rates, credit spreads, equity prices, currency exchange rates and the liquidity of investments. Such adverse changes may occur due to changes in monetary policy and the economic climate, the liquidity of a market or market segment, investor return expectations and/or risk tolerance, insolvency or financial distress of key market makers or participants, or changes in market perceptions of credit worthiness. The performance and value of our investment portfolios are also subject to market risk related to investments in real estate, loans and securities collateralized by real estate.

Moreover, some of our investment strategies target individual investments with unique risks that are less highly correlated with broad market risks. Although we expect these investments to increase total portfolio returns over time, their performance may vary from and under-perform relative to the market.

Our investment portfolios are subject to risks associated with potential declines in credit quality related to specific issuers or specific industries and a general weakening of the economy, which are typically reflected through credit spreads. Credit spread is the additional yield on fixed income securities and loans above the risk-free rate, typically referenced as the yield on U.S. Treasury securities, that market participants require to compensate them for assuming credit, liquidity and/or prepayment risks. Credit spreads vary in response to the market's perception of risk and liquidity in a specific issuer or specific sector. Additionally, credit spreads are influenced by the credit ratings, and the reliability of those ratings, published by external rating agencies. Although we have the ability to use derivative financial instruments to manage these risks, the effectiveness of such instruments varies with liquidity and other conditions that may impact derivative and bond markets. Adverse economic conditions or other factors could cause declines in the quality and valuation of our investment portfolios that would result in realized and unrealized losses.

The concentration of our investment portfolios in any particular issuer, industry, collateral type, group of related industries, geographic sector or risk type could have an adverse effect on our investment portfolios and consequently on our results of operations and financial condition.

A decline in market interest rates or credit spreads could have an adverse effect on investment income as we invest cash in new investments that may earn less than the portfolio's average yield. In a low interest rate environment, borrowers may prepay or redeem securities more quickly than expected as they seek to refinance at lower rates. Sustained low interest rates could also lead to purchases of longer-term or riskier assets in order to obtain adequate investment yields, which could also result in a duration gap when compared to the duration of liabilities. Alternatively, longer-term assets may be sold and reinvested in shorter-term assets that may have lower yields in anticipation of rising interest rates. An increase in market interest rates or credit spreads or a decrease in liquidity could have an adverse effect on the value of our investment portfolios by decreasing the fair values of the fixed income securities that comprise a substantial majority of our investment portfolios. Declining equity markets and/or increases in interest rates or credit spreads could also cause the value of the investments in our pension plans to decrease. Declines in interest rates could cause the funding ratio to decline and the value of the obligations for our pension and postretirement plans to increase. These factors could decrease the funded status of our pension and postretirement plans, increasing the likelihood or magnitude of future benefit expense and contributions.

The amount and timing of net investment income from our performance-based investments, which primarily includes limited partnership interests, can fluctuate significantly as a result of the underlying investments' performance. Additionally, the timing of capital contributions and distributions depends on particular events, schedules for making distributions, and cash needs related to the investments. As a result, the amount of net investment income recognized and cash contributed to or received from these investments can vary substantially from quarter to quarter. Significant volatility or market downturns could adversely impact net investment income, valuation and returns on these investments. Additionally, these investments are less liquid than similar, publicly-traded investments. A decline in market liquidity could impact our ability to sell these investments.

The determination of the amount of realized capital losses recorded for impairments of our investments includes subjective judgments and could materially impact our results of operations and financial condition

The determination of the amount of realized capital losses recorded for impairments vary by investment type and is based upon our ongoing evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly and reflect changes in other-than-temporary impairments in our results of operations. The assessment of whether other-than-temporary impairments have occurred is based on our case-by-case evaluation of the underlying reasons for the decline in fair value. Our conclusions on such assessments are judgmental and include assumptions and projections of future cash flows and price recovery which may ultimately prove to be incorrect as assumptions, facts and circumstances change. Furthermore, historical trends may not be indicative of future impairments and additional impairments may need to be recorded in the future.

The determination of the fair value of our fixed income and equity securities includes subjective judgments and could materially impact our results of operations and financial condition

In determining fair values, we principally use the market approach which utilizes market transaction data for the same or similar instruments. The degree of judgment involved in determining fair values is inversely related to the availability of market observable information. The fair value of assets may differ from the actual amount received upon the sale of 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 assets' fair values. The difference between amortized cost and fair value for fixed income securities, net of deferred income taxes and related life and annuity DAC, deferred sales inducement costs and reserves for life-contingent contract benefits, is reflected as a component of accumulated other comprehensive income in

shareholders' equity. Changing market conditions could materially affect the determination of the fair value of securities and, as a result, unrealized net capital gains and losses associated with fixed income securities and realized capital gains and losses associated with equity securities recorded in net income could vary significantly.

Changes in market interest rates or performance-based investment returns may lead to a significant decrease in the profitability of our annuity business

Our ability to manage the in force spread-based products, such as fixed annuities, is dependent upon maintaining profitable spreads between investment returns and interest crediting rates. When market interest rates decrease or remain at low levels, proceeds from investments that have matured or have been prepaid or sold may be reinvested at lower yields, reducing investment spread. Lowering interest crediting rates on some products in such an environment can partially offset decreases in investment yield. However, these changes could be limited by regulatory minimum rates or contractual minimum rate guarantees on many contracts and may not match the timing or magnitude of changes in investment yields. Increases in market interest rates can have negative effects, for example by increasing the attractiveness of other investments to our customers, which can lead to increased surrenders at a time when fixed income investment asset values are lower as a result of the increase in interest rates. This could lead to the sale of fixed income securities at a loss. In addition, changes in market interest rates impact the valuation of derivatives embedded in equity-indexed annuity contracts that are not hedged, which could lead to volatility in net income. Additionally, the amount of net investment income from performance-based investments backing the immediate annuity liabilities can vary substantially from quarter to quarter. Significant volatility or market downturns could adversely impact net investment income, valuation, returns, and collectability of undistributed appreciation. We have certain international limited partnership investments that could be impacted by investment, economic, regulatory and legal risks that could adversely affect our operating results.

Operational Risks

New or changing technologies could cause a disruption in our business model that may materially impact our results of operations and financial condition

Investments are being made in data analytics and telematics to broaden the customer value proposition for the personal automobile transportation system. If we are not effective in anticipating the impact on our business of changing technology, including automotive technology, and the regulatory impacts of such technology, our ability to successfully operate may be impaired. We may not be able to respond effectively to changing technology, which could have a material effect on our results of operations and financial condition.

Telematics on-board diagnostic devices have been identified as a potential means for an unauthorized person to interact with a vehicle's computer system resulting in theft or damage, which could affect our ability to use and sell these technologies successfully.

The failure in cyber or other information security controls, as well as the occurrence of events unanticipated in our disaster recovery systems and business continuity planning, could result in a loss or disclosure of confidential information, damage to our reputation, additional costs and impairment of our ability to conduct business effectively

We depend heavily on computer systems, mathematical algorithms and data to perform necessary business functions. We collect, use, store or transmit an increasingly large amount of confidential, proprietary, and other information (including personal information of customers, claimants or employees) in connection with the operation of our business. Despite our implementation of a variety of security measures, we are increasingly exposed to the risk that our computer systems could be subject to cyberattacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. We have experienced threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. Events such as these could jeopardize the information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss. These risks may increase in the future as we continue to expand internet and mobile strategies, develop additional remote connectivity solutions to serve our employees and customers, develop and expand products and services designed to protect our customers' digital footprint, and build and maintain an integrated digital enterprise.

Third parties to whom we outsource certain of our functions are also subject to these risks. While we review and assess our third party providers' cybersecurity controls, as appropriate, and make changes to our business processes to manage these risks, we cannot assure that our attempts to keep such information confidential will always be successful.

Our increased use of third party services (e.g. cloud technology and software as a service) can make it more difficult to identify and respond to cyberattacks in any of the above situations due to the dynamic nature of these technologies. These risks could increase as vendors adopt and use more cloud-based software services rather than software services which can be run within our data centers.

Personal information, as described above, is subject to an increasing number of federal, state, local and international laws and regulations regarding privacy and data security, as well as contractual commitments. The European Commission adopted the General Data Protection Regulation, which greatly increases the jurisdictional reach of its laws and adds a

broad array of requirements for handling personal data, such as the public disclosure of significant data breaches, privacy impact assessments, data portability and the appointment of data protection officers. Further, the New York State Department of Financial Services has issued cybersecurity regulations for financial services institutions, including banking and insurance entities, that impose a variety of detailed security measures on covered entities. The NAIC has also adopted the Insurance Data Security Model Law, which, if adopted as state legislation, would establish standards for data security and for the investigation of and notification to insurance commissioners of cybersecurity events. See the Regulation section, Privacy Regulation and Data Security, for additional information. Any failure or perceived failure by us to comply with such obligations may result in governmental enforcement actions and fines, litigation, or public statements against us by consumer advocacy groups or others, and could cause our employees and customers to lose trust in us, which could have an adverse effect on our reputation and business.

Our cyber and information security program is continually enhanced in order to be resilient against emerging threats and improve our ability to detect and respond to attempts to gain unauthorized access to our data and systems. Cybersecurity system changes we implement that are designed to update and enhance our protective measures to address new threats may increase the risk of a system or process failure or the creation of a gap in our security measures due to the complexity and interconnectedness of our systems and processes. Any such failure or gap could adversely affect our business, reputation, results of operations or financial condition.

From time to time, the Company and the Audit Committee engage independent advisors to assess and consult on cybersecurity matters. We also perform an on-going assessment of the quality of our program and identify

opportunities to strengthen our cybersecurity controls. However, due to the increasing frequency and sophistication of such cyberattacks and changes in technology, there can be no assurance that a cyberattack will not take place with negative consequences, including an adverse effect to our business, results of operations and financial condition.
The occurrence of a disaster, such as a natural catastrophe, pandemic, industrial accident, blackout, terrorist attack, war, cyberattack, computer virus, insider threat, unanticipated problems with our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of employees were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised. Our systems are also subject to compromise from internal threats. Our policies, procedures and technical safeguards may be insufficient to prevent or detect improper access to

confidential, personal or proprietary information by employees, vendors and other third parties who may have otherwise legitimate access to our systems.

We also have business process and information technology operations in Canada, India and the United Kingdom that are subject to operating, regulatory and political risks in those countries. Any of these may result in our incurring substantial costs and other negative consequences, including an adverse effect on our business, results of operations and financial condition.

Misconduct or fraudulent acts by employees, agents and third parties may adversely affect our profitability and financial condition

The insurance industry is inherently susceptible to both past and future misconduct or fraudulent activities by its employees, representative agents, vendors, customers and other third parties. These activities could include, but are not limited to, fraud against the company, its employees and its customers through illegal or prohibited activities, unauthorized acts or representations, unauthorized use or disclosure of personal or proprietary information, deception, and misappropriation of funds or other benefits.

Management has implemented a risk management framework and a supporting system of internal controls that seeks to provide oversight and monitoring of key activities, designed control and technology systems to mitigate such exposures, and regularly conducts assessments and measurements of certain, key supporting controls. However, the system of controls may not sufficiently contemplate all potential exposures and the performance of these controls may not be consistently executed in a manner necessary to sufficiently mitigate these risks. As a result, we could be exposed to financial loss, disruption of business, regulatory assessments and reputational harm. These impacts have the potential to have a material adverse effect on our profitability and financial condition.

A large-scale pandemic, the continued threat or occurrence of terrorism or military actions may have an adverse effect on the level of claim losses we incur, the value of our investment portfolio, our competitive position, marketability of product offerings, liquidity and results of operations

A large-scale pandemic, the continued threat or occurrence of terrorism, within the U.S. and abroad, or military and other actions, and heightened security measures in response to these types of threats may cause significant volatility and losses in our investment portfolio from declines in the equity markets and from interest rate changes in the U.S., Europe and elsewhere, and result in loss of life, property damage, disruptions to commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the equity markets and reduced economic activity caused by a large-scale pandemic or the continued threat of terrorism. Additionally, a large-scale pandemic or terrorist act could have a material effect on sales, profitability, competitiveness, marketability of product

offerings, liquidity and operating results.

Loss of key vendor relationships or failure of a vendor to protect our data, confidential and proprietary information, or personal information of our customers, claimants or employees could affect our operations

We rely on services and products provided by many vendors in the U.S. and abroad. These include, for example, vendors of computer hardware and software, and vendors and/or outsourcing of services such as claim adjustment services, human resource benefits management services and investment management services. In the event that any vendor suffers a bankruptcy or otherwise becomes unable to continue to provide products or services, or fails to protect our confidential, proprietary, and other information (including personal information of customers, claimants or employees), we may suffer operational impairments and financial losses.

We may be subject to the risks and costs associated with intellectual property infringement, misappropriation and third party claims

We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we use a broad range of measures to protect intellectual property rights, third parties may infringe or misappropriate intellectual property. We may have to litigate to enforce and protect intellectual property and to determine its scope, validity or enforceability, which could divert significant resources and prove unsuccessful. An inability to protect intellectual property could have a material effect on our business.

We may be subject to claims by third parties for patent, trademark or copyright infringement or breach of usage rights. Any such claims and any resulting litigation could result in significant expense and liability. If third party providers or we are found to have infringed a third-party intellectual property right, either of us could be enjoined from providing certain products or services or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licenses. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement a costly work-around. Any of these scenarios could have a material effect on our business and results of operations.

Regulatory and Legal Risks

A regulatory environment that requires rate increases to be approved and that can dictate underwriting practices and mandate participation in loss sharing arrangements may adversely affect our results of operations and financial condition

From time to time, political events and positions affect the insurance market, including efforts to suppress rates to a level that may not allow us to reach targeted levels of profitability. For example, if our loss ratio compares favorably to that of the industry, state or provincial regulatory authorities may impose rate rollbacks, require us to pay premium refunds to policyholders, or challenge or otherwise delay our efforts to raise rates even if the property and casualty industry generally is not experiencing regulatory challenges to rate increases. Such challenges affect approval for rate changes that may be required to achieve targeted levels of profitability and returns on equity. Moreover, our ability to purchase reinsurance required to reduce catastrophe risk in designated areas may be dependent upon the ability to adjust rates for its cost. If we are unsuccessful, our results of operations could be negatively impacted.

In addition, certain states have enacted laws that require an insurer conducting business in that state to participate in assigned risk plans, reinsurance facilities and joint underwriting associations. Certain states also require the insurer to offer coverage to all consumers, often restricting an insurer's ability to charge the price it might otherwise charge. In these markets, we may be compelled to underwrite significant amounts of business at lower-than-desired rates, possibly leading to an unacceptable return on equity. Alternatively, as the facilities recognize a financial deficit, they could have the ability to assess participating insurers, adversely affecting our results of operations and financial condition. Laws and regulations of many states also limit an insurer's ability to withdraw from one or more lines of insurance, except pursuant to a plan that is approved by the state insurance department. Certain states require an insurer to participate in guaranty funds for impaired or insolvent insurance companies. These funds periodically assess losses against all insurance companies doing business in the state. Our results of operations and financial condition could be adversely affected by any of these factors.

Regulatory reforms, and the more stringent application of existing regulations, may make it more expensive for us to conduct our business

The federal government has enacted comprehensive regulatory reforms for financial services entities. As part of a larger effort to strengthen the regulation of the financial services market, certain reforms are applicable to the insurance industry.

The Federal Insurance Office ("FIO") and Financial Stability Oversight Council were established and the federal government may enact reforms that affect the state insurance regulatory framework. We can make no assurances regarding the potential impact of state or federal measures that change the nature or scope of insurance and financial regulation.

Such regulatory reforms, additional legislative or regulatory requirements and any further stringent enforcement of existing regulations, including increased privacy and cybersecurity regulations, may make it more expensive for us to conduct business and limit our ability to grow or to achieve profitability.

Changes in tax laws may affect our operations, decrease sales and profitability of products and adversely affect our financial condition

Under current federal and state income tax law, certain products, primarily life insurance, receive beneficial tax treatment. This favorable treatment may

give some products a competitive advantage over noninsurance products. Congress and various state legislatures occasionally consider legislation that could reduce or eliminate the beneficial policyholder tax treatment currently applicable to life insurance. Congress and state legislatures also consider proposals to reduce the taxation of certain products or investments that may compete with life insurance. Legislation that increases the taxation on insurance products or reduces the taxation on competing products could lessen the advantage or create a disadvantage for some products by making them less competitive. Such proposals, if adopted, could impact the demand for certain of our life insurance products that offer income tax deferrals and may have a material effect on our profitability and financial condition and could result in the surrender of some existing contracts and policies.

We may not be able to mitigate the capital impact associated with statutory reserving and capital requirements, potentially resulting in a need to increase prices, reduce sales of certain products, and/or accept a return on equity below original levels assumed in pricing

Regulatory capital and reserving requirements affect the amount of capital required to be maintained by our subsidiary insurance companies. Changes to capital or reserving requirements or regulatory interpretations may result in additional capital held in our insurance companies. To support statutory reserves for certain life insurance products, we currently utilize reinsurance and captive reserve financing solutions for financing a portion of our statutory reserve requirements deemed to be non-economic. Changes to capital or reserving requirements or an inability to continue existing financing as a result of market conditions or otherwise could require us to increase prices, reduce our sales of certain products, and/or accept a return on equity below original levels assumed in pricing.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our results of operations and financial condition

Our financial statements are subject to the application of generally accepted accounting principles, which are periodically revised, interpreted and/or expanded. Accordingly, we may be required to adopt new guidance or interpretations, which may have a material effect on our results of operations and financial condition that is either unexpected or has a greater impact than expected and could adversely impact financial strength ratings. For a description of changes in accounting standards that are currently pending and, if known, our estimates of their expected impact, see Note 2 of the consolidated financial statements.

Losses from legal and regulatory actions may be material to our results of operations, cash flows and financial condition

We are involved in various legal actions, including class action litigation challenging a range of company practices and coverage provided by our insurance products, some of which involve claims for substantial or indeterminate amounts. We are also involved in various regulatory actions and inquiries, including market conduct exams by state insurance regulatory agencies. In the event of an unfavorable outcome in any of these matters, the ultimate liability may be in excess of amounts currently accrued, if any, and may be material to our results of operations, cash flows and financial condition. The aggregate estimate of the range of reasonably possible loss in excess of the amount accrued, if any, disclosed in Note 14 of the consolidated financial statements is not an indication of expected loss, if any.

We are subject to extensive regulation and potential further restrictive regulation may increase operating costs and limit growth

As insurance companies, broker-dealers, investment advisers, investment companies and other types of companies, many of our subsidiaries are subject to extensive laws and regulations that are complex and subject to change. Changes may lead to additional expenses, increased legal exposure, increased required reserves or capital, and limit our ability to grow or to achieve targeted profitability. Moreover, laws and regulations are administered and enforced by a number of governmental authorities, each of which exercises a degree of interpretive latitude, including state insurance regulators; state securities administrators; state attorneys general as well as federal agencies including the SEC, the Financial Industry Regulatory Authority, the Department of Labor, the U.S. Department of Justice and the National Labor Relations Board. Consequently, we are subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue, particularly when compliance is judged in hindsight.

In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to our detriment. There is also a risk that changes in the overall legal environment may cause us to change our views regarding the actions we need to take from a legal risk management perspective. This would necessitate changes to our practices that may adversely impact our business. Furthermore, in some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. For example, state insurance laws and regulations are generally intended to protect or benefit purchasers or users of insurance products, not holders of securities that we issue. These laws and regulations may limit our ability to grow or to improve the profitability of our business.

Our participation in indemnification programs, including certain state-mandated industry pools and facilities, subjects us to the risk that reimbursement for qualifying claims and claims expenses may not be received, which could have a material effect on our results of operations and financial condition

We have exposure associated with the Michigan Catastrophic Claim Association ("MCCA"), a state-mandated indemnification mechanism for qualified personal injury protection losses that exceed a retention level which is adjusted upward every other MCCA fiscal year based on a formula. We have exposure associated with the New Jersey Property-Liability Insurance Guaranty Association ("PLIGA"), which provides indemnification to insurers for certain qualifying medical benefits portion of personal injury protection coverage paid in excess of certain levels. We have exposure associated with the North Carolina Reinsurance Facility ("NCRF"), which provides automobile liability indemnification protection to insurers providing coverage to drivers that insurers in the private market are not otherwise willing to insure. The MCCA and NCRF are currently operating with a statutory surplus deficit. Our indemnification recoverables on paid and unpaid claims from the MCCA, PLIGA and NCRF was $5.40 billion, $461 million and $86 million, respectively, as of December 31, 2018.

The MCCA is funded by annually assessing participating member companies actively writing motor vehicle coverage in Michigan on a per vehicle basis. 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 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.
The MCCA annual assessments fund current operations and member company reimbursements. The MCCA is permitted by law to fund on a discounted basis and continues to choose to use this approach, although, the MCCA has an obligation to indemnify its members for 100% of the loss sustained under personal injury protection. 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. 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.
The MCCA is financially structured to meet its future indemnification obligations as its cash and invested assets at June 30, 2018 were $20.54 billion or 90% of its discounted loss and loss adjustment expense reserves of $22.86 billion and it continues to be authorized to annually assess member companies

for their incurred indemnifiable claims, the MCCA's annual operating expenses, and any amounts necessary to recoup prior year assessment differences. The MCCA's current fiscal year private passenger per vehicle assessment is $192 comprising $161 for current fiscal year claims and expenses and $31 for deficit recoupment. The MCCA has a statutory accounting permitted practice that has been granted by the Michigan Department of Insurance to discount its liabilities for loss and loss adjustment expense. As of June 30, 2018, the date of the most recent statutory financial reports, the permitted practice reduced the MCCA's accumulated deficit of $50.17 billion by $47.25 billion to $2.92 billion. Calculation of the pre-funding discount is dependent on actuarial estimates and investment funding decisions. As of December 31, 2017, our auto market share in Michigan was 8.2%.

On May 17, 2018, member companies of the MCCA were notified of the ratification of amendments to the MCCA's Plan of Operation. The amendments were designed to clarify the MCCA's preapproval requirements for certain actions and activities involving benefits provided to covered claimants, including the preapproval of any agreement that sets attendant care rates or residential care facility rates and the preapproval of all nonemergency medical flights. The amendments also require timely notification to the MCCA by member companies of the filing of a lawsuit by claimants. In addition, the amendments address members' filing inadequate or untimely claim reports, requests for reimbursement payments without required documentation, and the treatment of recoveries obtained from third-parties involving claims for which members have received reimbursement from the MCCA. The amendments became effective on October 1, 2018. At this time, we are unable to determine whether, or to what extent, the amendments, or the exercise of the amendments, will delay or result in denials of the indemnification of members' ultimate loss and therefore whether or to what extent there could be a material effect on our results of operations and financial condition. Other legislative proposals to change the MCCA operation in the future are put forth periodically.

Technological changes such as autonomous or partially autonomous vehicles or technologies that facilitate ride sharing could significantly impact the number of vehicles in use or the extent of customer needs for vehicle insurance. Although the timing and extent of the technology changes and their impact on the numbers of motor vehicle insurance policies and the extent of their coverage in Michigan are uncertain, these changes may result in a diminished number of insured vehicles over which MCCA assessments can be recovered. To the extent the MCCA assessment to members results in a premium insufficient to reimburse its ultimate obligation on existing claims to member companies, our ability to obtain the 100% indemnification of ultimate loss could be impaired. This could have a material effect on our results of operations and financial condition.

Impacts from the Covered Agreement may involve changes in state insurance laws that may adversely affect our results of operations and financial condition

Existing laws in 15 states require some form of collateral to be posted for the benefit of the ceding insurer when an assuming reinsurer is not domiciled in the ceding company's state of domicile. In the remaining states, laws governing reinsurance typically require an assuming reinsurer to post an amount of collateral, based on an independently determined financial strength rating and other factors including whether a particular reinsurer has achieved certified status. Under Dodd-Frank, a Covered Agreement may pre-empt state insurance laws that are inconsistent with its terms. The Covered Agreement signed by the U.S. and EU on September 22, 2017, provides states with five years to conform their laws with its terms to avoid preemption. The Covered Agreement between the U.S. and EU will eliminate the requirement for all EU reinsurers that meet certain minimum requirements to post collateral. The elimination of existing collateral requirements could adversely affect our results of operations and financial condition for reinsurance agreements recorded after the effective date of the Covered Agreement if reinsurers fail to pay our ceded reinsurance claims.

Strategic Risks

Our future growth and profitability are dependent in part on our ability to successfully operate in an industry that is highly competitive and that may be impacted by new or changing technologies

Many of our primary competitors have well-established national reputations and market similar products.

We have invested in growth strategies by utilizing unique customer value propositions and business models for each of our market facing businesses. If we are unsuccessful in generating new business, retaining a sufficient number of customers, retaining or acquiring key relationships or renewing contracts within our voluntary benefits or service businesses, our ability to maintain or increase premiums written or the ability to sell our products could be adversely impacted. In addition, if we experience unexpected increases in underlying costs, such as the frequency or severity of claims costs, it could result in decreases in profitability and lead to price increases. This, in turn, could negatively impact our competitive position leading to a decline in new and renewal business.

Further, technological advancements and innovation are occurring in distribution, underwriting and operations at a rapid pace. If we are unable to timely adapt to or bring such advancements and innovations to market, the quality of our products, our relationships with customers and agents, and our business prospects may be materially affected. The additional information that we obtain as a result of such advancements and innovation may require us to modify our assumptions, models, or reserves. Changes in technology related to collection and analysis of data regarding customers could, in these ways or others, expose us to regulatory or legal actions and may have a material adverse effect on our business, reputation, results of operations, and financial condition. Many of our competitors are also using analytics to improve pricing accuracy, be more targeted in marketing, strengthen customer relationships and provide more customized services. They may obtain a competitive advantage if they are able to use analytics more effectively than us.

Our ability to adequately and effectively price our products and services is affected by, among other things, the evolving nature of consumer needs and preferences, pricing surcharges and discounts, market dynamics and the broader use of telematics-based rate segmentation and changes in consumer demand due to improvements in telematics technology. Also, our business could be affected by potential technological changes, such as autonomous or partially autonomous vehicles or technologies that facilitate ride, car or home sharing. Such changes could disrupt the demand for products from current customers, create coverage issues or impact the frequency or severity of losses, or reduce the size of the automobile insurance market, causing our auto insurance business to decline. Since auto insurance constitutes a significant portion of our overall business, we may be more sensitive than other insurers and more adversely affected by trends that could decrease auto insurance rates or reduce demand for auto insurance over time. Technological changes may also impact the ways in which we interact and do business with our customers. For example, changing customer preferences may drive a need to redesign our products or distribution model and the way we interact with customers. We may not be able to respond effectively to these changes, which could have a material effect on our results of operations and financial condition.

Because of the competitive nature of the markets in which we operate, there can be no assurance that we will continue to compete effectively within the industry, or that competitive pressures will not have a materially unfavorable effect on our business, results of operations or financial condition. This includes competition for producers such as exclusive and independent agents and their licensed sales professionals. Growth and retention may be materially affected if we are unable to attract and retain effective producers or if those producers are unable to attract and retain their licensed sales professionals or customers. Similarly, growth and retention may be impacted if customer preferences change, including customer demand for direct distribution channels or an increase in point-of-sale distribution channels. Furthermore, certain competitors operate using a different company structure and therefore may have dissimilar profitability and return targets.

Our ability to successfully operate may also be impaired if we are not effective in developing the talent and skills of our human resources, attracting and assimilating new executive talent into our organization, retaining experienced and qualified employees or deploying human resource talent consistently to achieve our business goals. Factors that affect our ability to attract and retain such employees include our

compensation and benefits and our reputation as a successful business with a culture of fairly hiring, training and promoting qualified employees.

Competition from within the insurance industry and from businesses outside the insurance industry, including the technology industry, for qualified employees has often been intense and we have experienced increased competition in hiring and retaining employees. The unexpected loss of key personnel in business units, control functions, information technology, operations or other areas could have a material adverse impact on our business because of the loss of their skills, knowledge of our products and offerings and years of industry experience and, in some cases, the difficulty of promptly finding qualified replacement personnel.

The potential benefits of our sophisticated risk segmentation process may not be fully realized

Sophisticated pricing and underwriting methods have allowed us to offer competitive pricing to attract and retain more customers while continuing to operate profitably. However, because many of our competitors seek to adopt underwriting criteria and sophisticated pricing models similar to those we use, our competitive advantage could decline or be lost. The review of such pricing models by regulators and special interest groups may require changes to such models. In addition, competitive pressures could force us to modify these sophisticated pricing models. We cannot be assured that these sophisticated pricing models will accurately reflect the level of losses that we will ultimately incur.

Acquisitions or divestitures of businesses may not produce anticipated benefits resulting in operating difficulties, unforeseen liabilities or asset impairments, which may adversely affect our results of operations and financial condition

The ability to achieve certain anticipated financial benefits from the acquisition of SquareTrade Holding Company, Inc., InfoArmor, Inc. or other businesses depends in part upon our ability to successfully grow the businesses consistent with our anticipated acquisition economics. Financial results could be adversely affected by unanticipated performance issues, unforeseen liabilities, transaction-related charges, diversion of management time and resources to acquisition integration challenges or growth strategies, loss of key employees, amortization of expenses related to intangibles, charges for impairment of long-term assets or goodwill and indemnifications. In addition, acquired businesses may not perform as projected, cost savings anticipated from the acquisition may not materialize, and costs associated with the integration may be greater than anticipated. As a result, if we do not manage these transitions effectively and bring innovations to market with the requisite speed, the quality of our products as well as our relationships with customers and agents may result in the company not achieving returns on its investment at the level projected at acquisition.

We also may divest businesses from time to time. These transactions may result in continued financial involvement in the divested businesses, such as through reinsurance, guarantees or other financial arrangements, following the transaction. Nonperformance or decline in the financial strength ratings by those divested businesses could affect our future financial results through an increase in policy lapses, decreased future premiums, additional payment obligations, higher costs or asset write-downs. We reinsure life insurance and payout annuity business from Lincoln Benefit Life Company ("LBL"). Premiums and contract charges assumed from LBL totaled $690 million in 2018. A decline in LBL's financial strength ratings could adversely affect our results of operations by decreasing future premiums.

Reducing our concentration in spread-based business and exiting certain distribution channels may adversely affect annuity reported results

We have been reducing our concentration in spread-based business since 2008 and discontinued offering fixed annuities effective January 1, 2014. We also exited the independent master brokerage agencies and structured settlement annuity brokers distribution channels in 2013 and sold LBL on April 1, 2014. The reduction in sales of these products has and will continue to reduce investment portfolio levels. It may also affect the settlement of contract benefits, including sales of assets with unrealized capital losses and affect insurance reserves deficiency testing.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our home office complex is owned and located in Northbrook, Illinois. As of December 31, 2018, the home office complex consists of several buildings totaling 1.9 million square feet of office space on a 186-acre site.

We also operate from approximately 500 administrative, data processing, claims handling and other support facilities in North America. In addition to our home office facilities, 825 thousand square feet are owned and 6.0 million square feet are leased. Outside North America, we own one and lease three properties in Northern Ireland comprising approximately 220,000 square feet. We also have two leased facilities in India for approximately 340,000 square feet and two leased facilities in London for 3,385 square feet.

The locations where Allstate exclusive agencies operate in the U.S. are normally leased by the agencies.

Item 3. Legal Proceedings

Information required for Item 3 is incorporated by reference to the discussion under the heading "Regulation and compliance" and under the heading "Legal and regulatory proceedings and inquiries" in Note 14 of the consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of January 31, 2019, there were 72,568 holders of record of The Allstate Corporation's common stock. The principal market for the common stock is the New York Stock Exchange, where our common stock trades under the trading symbol "ALL". Our common stock is also listed on the Chicago Stock Exchange.

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, 2013 to December 31, 2018) 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, 2013

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Allstate	$ 100.00	$ 131.23	$ 118.15	$ 143.80	$ 206.52	$ 166.21
S&P P/C	$ 100.00	$ 115.74	$ 126.77	$ 146.68	$ 179.52	$ 171.10
S&P 500	$ 100.00	$ 113.68	$ 115.24	$ 129.02	$ 157.17	$ 150.27

Issuer Purchases of Equity Securities

Period	Total number of shares (or units) purchased [1]	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs [3]	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs [4]
October 1, 2018 - October 31, 2018				
Open Market Purchases	1,155,602	$96.2500	1,147,998	
November 1, 2018 - November 30, 2018				
Open Market Purchases	1,352,575	$89.5608	1,351,489	
December 1, 2018 - December 31, 2018				
ASR Agreement [2]	10,718,789	—	10,718,789	
Open Market Purchases	218	$89.1900	—	
Total	13,227,184		13,218,276	$2.07 billion

(1) In accordance with the terms of its equity compensation plans, Allstate acquired the following shares in connection with the vesting of restricted stock units and performance stock awards and the exercise of stock options held by employees and/or directors. The shares were acquired in satisfaction of withholding taxes due upon exercise or vesting and in payment of the exercise price of the options.

October: 7,604
November: 1,086
December: 218

(2) On December 14, 2018, Allstate entered into an accelerated share repurchase agreement (“ASR Agreement”) with Wells Fargo Bank, National Association (“Wells Fargo”), to purchase $1 billion of our outstanding shares of common stock. In exchange for an upfront payment of $1 billion, Wells Fargo initially delivered 10,718,789 shares to Allstate. The actual number of shares we repurchase under the ASR Agreement, and the average price paid per share, will be determined at the completion of the ASR Agreement based on the volume weighted average price of Allstate’s common stock during the period of Wells Fargo’s purchases, which will end on or before May 3, 2019.

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

(4) On August 1, 2017, we announced the approval of a new common share repurchase program for $2 billion, which was completed on November 13, 2018. On October 31, 2018, we announced the approval of a common share repurchase program for $3 billion, which is expected to be completed by April 2020.

Item 6. Selected Financial Data

5-year summary of selected financial data					
($ in millions, except per share data)	2018	2017	2016	2015	2014
Consolidated Operating Results					
Insurance premiums and contract charges	$36,513	$34,678	$33,582	$32,467	$31,086
Other revenue	939	883	865	863	859
Net investment income	3,240	3,401	3,042	3,156	3,459
Realized capital gains and losses	(877)	445	(90)	30	694
Total revenues	39,815	39,407	37,399	36,516	36,098
Net income applicable to common shareholders	2,104	3,073	1,761	2,055	2,746
Net income applicable to common shareholders per common share:					
Net income applicable to common shareholders per common share - Basic	6.05	8.49	4.72	5.12	6.37
Net income applicable to common shareholders per common share - Diluted	5.96	8.36	4.67	5.05	6.27
Cash dividends declared per common share	1.84	1.48	1.32	1.20	1.12
Consolidated Financial Position					
Investments	$81,260	$82,803	$81,799	$77,758	$81,113
Total assets	112,249	112,422	108,610	104,656	108,479
Reserves for claims and claims expense, life-contingent contract benefits and contractholder funds	58,002	58,308	57,749	57,411	57,832
Long-term debt	6,451	6,350	6,347	5,124	5,140
Shareholders’ equity	21,312	22,551	20,573	20,025	22,304
Shareholders’ equity per diluted common share	57.56	57.58	50.77	47.34	48.24

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following discussion highlights significant factors influencing the consolidated financial position and results of operations of The Allstate Corporation (referred to in this document as “we,” “our,” “us,” the “Company” or “Allstate”). It should be read in conjunction with the 5-year summary of selected financial data, consolidated financial statements and related notes found under Part II. Item 6. and Item 8. contained herein.

The most important factors we monitor to evaluate the financial condition and performance for our reportable segments and the Company include:

- Allstate Protection: premium, policies in force (“PIF”), new business sales, policy retention, price changes, claim frequency and severity, catastrophes, loss ratio, expenses, underwriting results, and relative competitive position.
- Service Businesses: revenues, premium written, PIF, adjusted net income and net income.
- Allstate Life: premiums and contract charges, new business sales, PIF, benefit spread, expenses, adjusted net income and net income.
- Allstate Benefits: premiums, new business sales, PIF, benefit ratio, expenses, adjusted net income and net income.
- Allstate Annuities: investment spread, asset-liability matching, contract benefits, expenses, adjusted net income, net income and invested assets.
- Investments: exposure to market risk, asset allocation, credit quality/experience, total return, net investment income, cash flows, realized capital gains and losses, unrealized capital gains and losses, stability of long-term returns, and asset and liability duration.
- Financial condition: liquidity, parent holding company deployable assets, financial strength ratings, operating leverage, debt levels, book value per share and return on equity.

Measuring segment profit or loss

The measure of segment profit or loss used in evaluating performance is underwriting income for the Allstate Protection and Discontinued Lines and Coverages segments and adjusted net income for the Service Businesses, Allstate Life, Allstate Benefits, Allstate Annuities, and Corporate and Other segments.

Underwriting income is calculated as premiums earned and other revenue, less claims and claims expense (“losses”), amortization of deferred policy acquisition costs (“DAC”), operating costs and expenses and restructuring and related charges, as determined using accounting principles generally accepted in the United States of America (“GAAP”). We use this measure in our evaluation of results of operations to analyze the profitability of the Property-Liability insurance operations separately from investment results. Underwriting income is reconciled to net income applicable to common shareholders in the Property-Liability Operations section of Management’s Discussion and Analysis (“MD&A”).

Adjusted net income is net income applicable to common shareholders, excluding:

- Realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in adjusted net income
- Valuation changes on embedded derivatives not hedged, after-tax
- Amortization of DAC and 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 not hedged, after-tax
- Business combination expenses and the amortization of purchased intangible assets, after-tax
- Gain (loss) on disposition of operations, after-tax
- Adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years

Adjusted net income is reconciled to net income applicable to common shareholders in the Service Businesses, Allstate Life, Allstate Benefits and Allstate Annuities Segment sections of MD&A.

2018 Highlights

Allstate Delivered on 2018 Operating Priorities [(1)]

Better Serve Customers	Net Promoter Score increased for all major businesses Renewal ratio improved across Allstate, Esurance and Encompass brands
Achieve Target Economic Returns on Capital	Return on common shareholders' equity of 10.5% for 2018
Grow Customer Base	Policy growth accelerated in Allstate and Esurance brands SquareTrade PIF grew 29.9 million, or 77.1%, compared to 2017
Proactively Manage Investments	Net investment income of $3.2 billion in 2018 Total return on $81 billion investment portfolio of 0.8%
	Expanded telematics

offerings, Arity collecting 10 billion miles of data per month

SquareTrade continued its rapid growth, adding a leading U.S. retailer during the year
Acquired InfoArmor, a fast growing identity protection service provider

(1) 2019 operating priorities will remain consistent with the 2018 priorities.

Consolidated Net Income ($ in billions)

Consolidated net income applicable to common shareholders decreased 31.5% in 2018 compared to 2017. The decrease was primarily driven by net realized capital losses compared to net realized capital gains in 2017, a lower tax benefit from the Tax Legislation, lower favorable prior year reserve reestimates and higher distribution expenses from growth, partially offset by higher premiums earned, a lower effective tax rate from the Tax Legislation and lower catastrophe losses. The Property-Liability combined ratio was 93.6 in both 2018 and 2017.

Net realized capital losses on investments in 2018 were primarily due to declines in the valuation of equity investments, which are now recorded in net income due to the adoption of the recognition and measurement accounting standard effective January 1, 2018.

2017 vs. 2016 - Increase was primarily due to higher Allstate Protection premiums earned, a tax benefit from the Tax Legislation, net realized capital gains in 2017 compared to net realized capital losses in 2016, higher net investment income, lower claims and claims expense, partially offset by higher catastrophe losses.

Total Revenue ($ in billions)

Total revenue increased 1.0% in 2018 compared to 2017, driven by a 5.3% increase in insurance premiums and contract charges, which were partially offset by net realized capital losses in 2018 compared to net realized capital gains in 2017 and lower net investment income. Insurance premiums increased in the following segments: Allstate Protection (Allstate brand and Esurance), Service Businesses (SquareTrade and Allstate Dealer Services), Allstate Benefits and Allstate Life.

2017 vs. 2016 - Increase was primarily due to higher Allstate Protection insurance premiums, net realized capital gains in 2017 compared to net realized capital losses in 2016, higher net investment income and the acquisition of SquareTrade.

Net
Investment
Income
($ in
billions)

Net investment income decreased 4.7% in 2018 compared to 2017, primarily due to strong performance-based investment results in 2017, partially offset by higher market-based portfolio income as interest rates increased during 2018.

2017 vs. 2016 - Increase reflected strong 2017 performance-based results, primarily from limited partnerships, an increase in invested assets and stable market-based yields, partially offset by higher employee-related expenses.

Segment Highlights

Allstate Protection underwriting income totaled $2.19 billion in 2018, a 3.6% increase from $2.11 billion in 2017, primarily due to increased premiums earned, lower catastrophe losses and improved auto claim frequency, partially offset by higher claim severity, operating costs and expenses and lower favorable prior year reserve reestimates.

Premiums written increased 6.0% to $33.56 billion in 2018 compared to 2017.

Service Businesses adjusted net income was $2 million in 2018 compared to an adjusted net loss of $59 million in 2017. The improvement in 2018 was primarily due to increased revenue at SquareTrade, improved loss experience at SquareTrade and Allstate Dealer Services and lower restructuring charges in 2018 compared to 2017, partially offset by higher loss costs at Allstate Roadside Services.

Total revenues increased 24.5% or $259 million to $1.32 billion in 2018 from $1.06 billion in 2017. The increase was primarily due to SquareTrade's growth through its U.S. retail and international channels and increased premiums earned on Allstate Dealer Services' vehicle service contracts. 2018 revenue also includes $101 million from SquareTrade due to the adoption of the revenue from contracts with customers accounting standard.

Allstate Life adjusted net income was $289 million in 2018 compared to $253 million in 2017. The increase was primarily due to a lower effective tax rate from the Tax Legislation and increased premiums and contract charges, partially offset by higher contract benefits.

Premiums and contract charges totaled $1.32 billion in 2018, an increase of 2.7% from $1.28 billion in 2017.

Allstate Benefits adjusted net income was $119 million in 2018 compared to $95 million in 2017. The increase was primarily due to higher premiums and a lower effective tax rate from the Tax Legislation, partially offset by higher contract benefits and operating costs and expenses.

Premiums and contract charges totaled $1.14 billion in 2018, an increase of 4.7% from $1.08 billion in 2017.

Allstate Annuities adjusted net income was $130 million in 2018 compared to $204 million in 2017. The decrease was primarily due to lower net investment income, driven by performance-based investment results and decreased average investment balances, partially offset by a lower effective tax rate from the Tax Legislation, decreased interest credited to contractholder funds and lower contract benefits.

Net investment income decreased 16.0% to $1.10 billion in 2018 from $1.31 billion in 2017.

Financial Highlights

Tax reform On December 22, 2017, the Tax Legislation became effective, permanently reducing the U.S. corporate income tax rate from 35% to 21% beginning January 1, 2018. As a result, the corporate tax rate is not comparable between years. During 2017, we revalued deferred tax assets and liabilities and recorded liabilities related to the transition to the modified territorial system for international taxation, resulting in a $506 million reduction to income tax expense or a $1.38 per share benefit to earnings per common share for the year ended December 31, 2017. During 2018, the impact of the Tax Legislation was adjusted from our preliminary estimate due to, among other things, changes in interpretations and assumptions we previously made, guidance that was issued and actions we took as a result of the Tax Legislation. During 2018, we recognized a net tax benefit of $29 million, as a reduction to income tax expense related to the provisional amounts. The accounting for income tax effects of the Tax Legislation has been completed. The impact of Tax Legislation is excluded from adjusted net income when evaluating segment performance.

InfoArmor On October 5, 2018, we acquired InfoArmor, Inc. (“InfoArmor”), a leading provider of identity protection in the employee benefits market, for $525 million in cash. InfoArmor primarily offers identity protection to employees and their family members through voluntary benefit programs at over 1,400 firms, including more than 100 of the Fortune 500 companies. Starting in the fourth quarter of 2018, the Service Businesses segment includes the results of InfoArmor.

PlumChoice On November 30, 2018, we acquired PlumChoice, Inc. (“PlumChoice”) for $30 million in cash to provide technical support services to SquareTrade's customers and small businesses.

Investments totaled $81.26 billion as of December 31, 2018, decreasing from $82.80 billion as of December 31, 2017.

Shareholders' equity As of December 31, 2018, shareholders' equity was $21.31 billion. This total included $1.50 billion in deployable assets at the parent holding company level comprising 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 $57.56 as of December 31, 2018, a decrease from $57.58 as of December 31, 2017.

Return on average common shareholders' equity For the twelve months ended December 31, 2018, net income applicable to common shareholders' return on the average of beginning and ending period common shareholders' equity of 10.5% decreased by 5.0 points from 15.5% for the twelve months ended December 31, 2017.

Pension settlement loss During 2018 and 2017, the Company's qualified employee pension plan lump sum payments exceeded a threshold of service and interest cost, which resulted in a pension settlement loss of $172 million and $122 million, pre-tax, respectively, and was recorded as part of operating costs and expenses in the Corporate and Other segment. The net periodic costs for the pension plans inclusive of pension settlement losses were $257 million and $255 million in 2018 and 2017, respectively.

Common share repurchases On October 31, 2018, the Board authorized a new $3.00 billion common share repurchase program that is expected to be completed by April 2020. As of December 31, 2018, there was $2.07 billion remaining on the repurchase program.

Adopted Accounting Standards

Recognition and Measurement of Financial Assets and Financial Liabilities ("recognition and measurement accounting standard") Beginning January 1, 2018, equity securities are reported at fair value with changes in fair value recognized in realized capital gains and losses. Limited partnerships previously reported using the cost method are now reported at fair value with changes in fair value recognized in net investment income. See the Investments section of this Item for further details.

Revenue from Contracts with Customers Beginning January 1, 2018, we adopted the revenue from contracts with customers accounting standard, which revises the criteria for revenue recognition and impacted the Service Businesses segment by increasing deferred revenue by approximately $160 million with a corresponding increase in DAC for protection plans that are sold directly to retailers prior to January 1, 2018. The anticipated impact of these adjustments offset and do not impact net income, but impact premium and DAC comparability trends as they are recognized over the life of the policy.

See Note 2 of the consolidated financial statements for additional details on the adopted accounting standards.

Consolidated net income ($ in millions)	2018	2017	2016
Revenues			
Property and casualty insurance premiums	$34,048	$32,300	$31,307
Life premiums and contract charges	2,465	2,378	2,275
Other revenue	939	883	865
Net investment income [1]	3,240	3,401	3,042
Realized capital gains and losses:			
Total other-than-temporary impairment ("OTTI") losses	(13)	(146)	(313)
OTTI losses reclassified (from) to other comprehensive income	(1)	(4)	10
Net OTTI losses recognized in earnings	(14)	(150)	(303)
Sales and valuation changes on equity investments and derivatives	(863)	595	213
Total realized capital gains and losses [1]	(877)	445	(90)
Total revenues	39,815	39,407	37,399
Costs and expenses			
Property and casualty insurance claims and claims expense	(22,839)	(21,929)	(22,221)
Life contract benefits	(1,973)	(1,923)	(1,857)
Interest credited to contractholder funds	(654)	(690)	(726)
Amortization of deferred policy acquisition costs	(5,222)	(4,784)	(4,550)
Operating costs and expenses	(5,869)	(5,442)	(4,939)
Amortization of purchased intangible assets	(105)	(99)	(32)
Restructuring and related charges	(83)	(109)	(30)
Goodwill impairment	—	(125)	—
Interest expense	(332)	(335)	(295)
Total costs and expenses	(37,077)	(35,436)	(34,650)
Gain on disposition of operations	6	20	5
Income tax expense [2]	(492)	(802)	(877)
Net income	2,252	3,189	1,877
Preferred stock dividends	(148)	(116)	(116)
Net income applicable to common shareholders	$2,104	$3,073	$1,761

(1) Due to the adoption of the recognition and measurement accounting standard, limited partnerships previously reported using the cost method are now reported at fair value with changes in fair value recognized in net investment income and equity securities are reported at fair value with changes in fair value recognized in valuation changes on equity investments in realized capital gains and losses. See the Investments section of this Item and Note 2 of the consolidated financial statements for further details.

(2) Beginning January 1, 2018, the Tax Legislation reduced the U.S. corporate income tax rate from 35% to 21%. 2018 and 2017 results include a Tax Legislation benefit of $29 million and $506 million, respectively. 2017 results also include a tax benefit of $63 million related to the adoption of the new accounting standard for share-based payments on January 1, 2017.

Property-Liability Operations

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

We do not allocate Property-Liability investment income, realized capital gains and losses, or assets to the Allstate Protection and Discontinued Lines and Coverages segments. Management reviews assets at the Property-Liability level for decision-making purposes.

The table below includes GAAP operating ratios we use to measure our profitability. We believe that they enhance an investor's understanding of our profitability. They are calculated as follows:

- Loss ratio: the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.
- Expense ratio: the ratio of amortization of DAC, operating costs and expenses and restructuring and related charges, less other revenue to premiums earned.
- Combined ratio: the ratio of claims and claims expense, amortization of DAC, operating costs and expenses, and restructuring and related charges, less other revenue to premiums earned. The combined ratio is the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of premiums earned, or underwriting margin.

We have also calculated the following impacts of specific items on the GAAP operating ratios because of the volatility of these items between fiscal periods.

- Effect of catastrophe losses on combined ratio: the ratio of catastrophe losses included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- Effect of prior year reserve reestimates on combined ratio: the ratio of prior year reserve reestimates included in claims and claims expense to premiums earned. This ratio includes prior year reserve reestimates of catastrophe losses.
- Effect of amortization of purchased intangible assets on combined ratio: the ratio of amortization of purchased intangible assets to premiums earned. Amortization of purchased intangible assets is reported in operating costs and expenses on the Consolidated Statements of Operations.
- Effect of restructuring and related charges on combined ratio: the ratio of restructuring and related charges to premiums earned.
- Effect of Discontinued Lines and Coverages on combined ratio: the ratio of claims and claims expense and operating costs and expenses in the Discontinued Lines and Coverages segment to Property-Liability premiums earned. The sum of the effect of Discontinued Lines and Coverages on the combined ratio and the Allstate Protection combined ratio is equal to the Property-Liability combined ratio.

Summarized financial data ($ in millions, except ratios)	2018	2017	2016
Premiums written	$33,555	$31,648	$30,891
Revenues			
Premiums earned	$32,950	$31,433	$30,727
Other revenue	738	703	688
Net investment income	1,464	1,478	1,253
Realized capital gains and losses	(639)	401	(6)
Total revenues	34,513	34,015	32,662
Costs and expenses			
Claims and claims expense	(22,495)	(21,566)	(21,968)
Amortization of DAC	(4,475)	(4,205)	(4,053)
Operating costs and expenses	(4,545)	(4,262)	(4,145)
Restructuring and related charges	(76)	(91)	(29)
Total costs and expenses	(31,591)	(30,124)	(30,195)
Gain on disposition of operations [1]	—	14	—
Income tax expense	(581)	(1,318)	(806)
Net income applicable to common shareholders	$2,341	$2,587	$1,661
Underwriting income	$2,097	$2,012	$1,220
Net investment income	1,464	1,478	1,253
Income tax expense on operations	(715)	(1,119)	(812)
Realized capital gains and losses, after-tax	(500)	272	—
Gain on disposition of operations, after-tax	—	9	—
Tax Legislation expense	(5)	(65)	—
Net income applicable to common shareholders	$2,341	$2,587	$1,661
Catastrophe losses [2]	$2,855	$3,228	$2,571
GAAP operating ratios			
Claims and claims expense ratio	68.2	68.6	71.5
Expense ratio [3]	25.4	25.0	24.5
Combined ratio	93.6	93.6	96.0
Effect of catastrophe losses on combined ratio	8.7	10.3	8.4
Effect of prior year reserve reestimates on combined ratio [4]	(0.8)	(1.6)	(0.1)
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	0.1	—	—
Effect of amortization of purchased intangible assets on combined ratio	—	—	0.1
Effect of restructuring and related charges on combined ratio	0.2	0.3	0.1
Effect of Discontinued Lines and Coverages on combined ratio	0.2	0.3	0.3

(1) 2017 results represented the conclusion of a contractual arrangement related to the sale of Sterling Collision Centers, Inc. in 2014.

(2) Prior year reserve reestimates included in catastrophe losses totaled $25 million unfavorable, $18 million favorable and $6 million unfavorable in 2018, 2017 and 2016, respectively.

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

(4)

Prior year favorable reserve reestimates totaled $253 million, $505 million and $21 million in 2018, 2017 and 2016, respectively.

Net investment income decreased 0.9% or $14 million to $1.46 billion in 2018 from $1.48 billion in 2017 after increasing 18.0% in 2017 compared to 2016. The 2018 decrease was primarily due to lower performance-based investment results, primarily from limited partnerships, partially offset by higher market-based portfolio income. The 2017 increase benefited from strong performance-based results, primarily from limited partnerships, an increase in invested assets and stable market-based yields, partially offset by higher employee-related expenses. Limited partnership income includes asset appreciation and sales of underlying investments.

Net investment income

	For the years ended December 31,		
($ in millions)	2018	2017	2016
Fixed income securities	$943	$909	$870
Equity securities	121	122	95
Mortgage loans	17	12	11
Limited partnership interests [(1)]	378	432	269
Short-term investments	40	17	9
Other	123	100	89
Investment income, before expense	1,622	1,592	1,343
Investment expense [(2)] [(3)]	(158)	(114)	(90)
Net investment income	$1,464	$1,478	$1,253

(1) Due to the adoption of the recognition and measurement accounting standard, limited partnerships previously reported using the cost method are now reported at fair value with changes in fair value recognized in net investment income.

(2) Investment expense includes $45 million, $22 million and $19 million of investee level expenses in 2018, 2017 and 2016, respectively, and has increased compared to prior year primarily due to growth in real estate investments. Investee level expenses include depreciation and asset level operating expenses on directly held real estate and other consolidated investments.

(3) Investment expense includes $18 million, $4 million and zero related to the portion of reinvestment income on securities lending collateral paid to the counterparties in 2018, 2017 and 2016, respectively.

Realized capital gains and losses Net realized capital losses in 2018, primarily related to decreases in the valuation of equity investments and losses on sales of fixed income securities. Realized capital gains and losses in 2017 primarily related to net gains on sales, as well as gains from valuation changes in public securities held in certain limited partnerships, partially offset by impairment and change in intent write-downs, and derivative valuation losses.

Components of realized capital gains (losses) and the related tax effect

	For the years ended December 31,		
($ in millions)	2018	2017	2016
Impairment write-downs [(1)]	$(5)	$(56)	$(130)
Change in intent write-downs [(1)]	—	(44)	(56)
Net OTTI losses recognized in earnings	(5)	(100)	(186)
Sales [(1)]	(148)	531	185
Valuation of equity investments [(1)(2)]	(522)	—	—
Valuation and settlements of derivative instruments	36	(30)	(5)
Realized capital gains and losses, pre-tax	(639)	401	(6)
Income tax benefit (expense)	139	(129)	6
Realized capital gains and losses, after-tax	$(500)	$272	$—

(1) Due to the adoption of the recognition and measurement accounting standard, equity securities are reported at fair value with changes in fair value recognized in valuation of equity investments and are no longer included in impairment write-downs, change in intent write-downs and sales.

(2) 2018 results include $447 million of declines in the valuation of equity investments and $75 million of declines in value primarily related to certain 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 agencies and directly through contact centers and online. Our strategy is to position product offerings and distribution channels to meet customers' evolving needs and help them manage the risks they face. For additional information on our strategy and outlook, see Part I, Item 1. Business - Strategy and Segment Information.

Underwriting results

	For the years ended December 31,		
($ in millions)	2018	2017	2016
Premiums written	$33,555	$31,648	$30,888
Premiums earned	$32,950	$31,433	$30,727
Other revenue	738	703	688
Claims and claims expense	(22,408)	(21,470)	(21,863)
Amortization of DAC	(4,475)	(4,205)	(4,053)
Other costs and expenses	(4,542)	(4,259)	(4,143)
Restructuring and related charges	(76)	(91)	(29)
Underwriting income	$2,187	$2,111	$1,327
Catastrophe losses	$2,855	$3,228	$2,571
Underwriting income (loss) by line of business			
Auto	$1,681	$1,298	$156
Homeowners	457	658	1,075
Other personal lines [1]	94	124	160
Commercial lines	(87)	(19)	(110)
Other business lines [2]	49	51	53
Answer Financial	(7)	(1)	(7)
Underwriting income	$2,187	$2,111	$1,327

(1) Other personal lines include renters, condominium, landlord and other personal lines products.

(2) Other business lines represent Ivantage, a general agency for Allstate exclusive agencies. Ivantage provides agencies a solution for their customers when coverage through Allstate brand underwritten products is not available.

Changes in underwriting results from prior year by component and by line of business [1]

	For the years ended December 31,									
	Auto		Homeowners		Other personal lines		Commercial lines		Allstate Protection [2]	
($ in millions)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Underwriting income (loss) - prior year	$1,298	$156	$658	$1,075	$124	$160	$(19)	$(110)	$2,111	$1,327
Changes in underwriting income (loss) from:										
Increase (decrease) premiums earned	1,092	614	207	53	58	50	160	(11)	1,517	706
Increase (decrease) other revenue	30	10	3	—	4	1	(2)	—	35	15
(Increase) decrease incurred claims and claims expense (“losses”):										
Incurred losses, excluding catastrophe losses and reserve reestimates	(623)	623	(262)	(46)	(71)	(29)	(137)	51	(1,093)	599
Catastrophe losses, excluding reserve reestimates	336	(150)	92	(526)	(13)	(12)	1	7	416	(681)
Catastrophe reserve reestimates	24	7	(72)	18	4	(5)	1	4	(43)	24
Non-catastrophe reserve reestimates	(59)	328	(73)	89	4	(5)	(90)	39	(218)	451
Losses subtotal	(322)	808	(315)	(465)	(76)	(51)	(225)	101	(938)	393
(Increase) decrease expenses	(417)	(290)	(96)	(5)	(16)	(36)	(1)	1	(538)	(330)
Underwriting income (loss)	$1,681	$1,298	$457	$658	$94	$124	$(87)	$(19)	$2,187	$2,111

(1) The 2018 column presents changes in 2018 compared to 2017. The 2017 column presents changes in 2017 compared to 2016.

(2) Includes other business lines underwriting income of $49 million and $51 million in 2018 and 2017, respectively, and Answer Financial underwriting loss of $7 million and $1 million in 2018 and 2017, respectively.

Underwriting income totaled $2.19 billion in 2018, a 3.6% increase from $2.11 billion in 2017, primarily due to increased premiums earned, lower catastrophe losses and improved auto claim frequency, partially offset by higher claim severity, operating costs and expenses and lower favorable prior year reserve reestimates. Underwriting income totaled $2.11 billion in 2017, a 59.1% increase from $1.33 billion in 2016, primarily due to increased premiums earned, lower loss costs and higher favorable prior year reserve reestimates, partially offset by higher catastrophe losses.

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, 2018	2017	2016
Premiums written			
Auto	$23,367	$22,042	$21,425
Homeowners	7,698	7,350	7,240
Other personal lines	1,831	1,768	1,724
Subtotal – Personal lines	32,896	31,160	30,389
Commercial lines	659	488	499
Total premiums written	$33,555	$31,648	$30,888
Reconciliation of premiums written to premiums earned:			
Increase in unearned premiums	(544)	(258)	(181)
Other	(61)	43	20
Total premiums earned	$32,950	$31,433	$30,727
Auto	$22,970	$21,878	$21,264
Homeowners	7,517	7,310	7,257
Other personal lines	1,808	1,750	1,700
Subtotal – Personal lines	32,295	30,938	30,221
Commercial lines	655	495	506
Total premiums earned	$32,950	$31,433	$30,727

Auto insurance premiums written totaled $23.37 billion in 2018, a 6.0% increase from $22.04 billion in 2017, following a 2.9% increase in 2017 from $21.43 billion in 2016.

Homeowners insurance premiums written totaled $7.70 billion in 2018, a 4.7% increase from $7.35 billion in 2017, following a 1.5% increase from $7.24 billion in 2016. Excluding the cost of catastrophe reinsurance, which is recorded as a reduction to premiums, premiums written increased 4.3% in 2018 compared to 2017. For a more detailed discussion on reinsurance, see the Claims and Claims Expense Reserves section of this Item and Note 10 of the consolidated financial statements.

Unearned premium balance and the time frame in which we expect to recognize these premiums as earned

($ in millions)	as of December 31,		% earned after			
	2018	2017	Three months	Six months	Nine months	Twelve months
Allstate brand:						
Auto	$5,635	$5,344	71.1%	96.6%	99.2%	100.0%
Homeowners	3,908	3,745	43.3%	75.4%	94.1%	100.0%
Other personal lines	917	895	43.4%	75.3%	94.1%	100.0%
Commercial lines	250	246	44.0%	75.2%	93.9%	100.0%
Total Allstate brand	10,710	10,230	58.1%	86.7%	96.8%	100.0%
Esurance brand:						
Auto	471	404	74.4%	99.1%	99.8%	100.0%
Homeowners	53	42	43.4%	75.5%	94.2%	100.0%
Other personal lines	2	2	43.5%	75.4%	94.1%	100.0%
Total Esurance brand	526	448	71.1%	96.6%	99.2%	100.0%
Encompass brand:						

Auto	275	275	43.9%	75.7 %	94.2 %	100.0%
Homeowners	212	216	43.8%	75.7 %	94.2 %	100.0%
Other personal lines	42	44	44.1%	75.8 %	94.2 %	100.0%
Total Encompass brand	529	535	43.8%	75.7 %	94.2 %	100.0%
Allstate Protection unearned premiums	$11,765	$11,213	58.1%	86.6 %	96.8 %	100.0%

Combined ratios by line of business

	For the years ended December 31,								
	Loss ratio			Expense ratio [1]			Combined ratio		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Auto	67.0	68.9	74.7	25.7	25.2	24.6	92.7	94.1	99.3
Homeowners	69.5	67.2	61.3	24.4	23.8	23.9	93.9	91.0	85.2
Other personal lines	66.2	64.0	62.9	28.6	28.9	27.7	94.8	92.9	90.6
Commercial lines	91.5	75.5	93.9	21.8	28.3	27.8	113.3	103.8	121.7
Total	68.0	68.3	71.2	25.4	25.0	24.5	93.4	93.3	95.7

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

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		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Auto	67.0	68.9	74.7	1.6	3.3	2.7	(2.0)	(2.2)	(0.7)	(0.2)	(0.1)	—
Homeowners	69.5	67.2	61.3	30.0	31.2	24.4	0.2	(1.8)	(0.3)	0.9	(0.1)	0.2
Other personal lines	66.2	64.0	62.9	12.1	11.9	11.3	(0.4)	0.1	(0.5)	—	0.2	(0.1)
Commercial lines	91.5	75.5	93.9	3.4	4.8	6.9	16.5	3.8	12.2	—	0.2	1.0
Total	68.0	68.3	71.2	8.7	10.3	8.4	(1.0)	(1.9)	(0.4)	0.1	(0.1)	—

Catastrophe losses were $2.86 billion in 2018, compared to $3.23 billion in 2017 and $2.57 billion in 2016. We define a “catastrophe” as an event that produces pre-tax losses before reinsurance in excess of $1 million and involves multiple first party policyholders, or a winter weather event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, winter storms and freezes, tornadoes, hailstorms, wildfires, tropical storms, tsunamis, hurricanes, earthquakes and volcanoes. We are also exposed to man-made catastrophic events, such as certain types of terrorism or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

Catastrophe losses in 2018 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	0.8 %	$ 469	16.4 %	1.4	$ 469
$101 million to $250 million	5	4.3	769	26.9	2.3	154
$50 million to $100 million	9	7.7	694	24.3	2.1	77
Less than $50 million	102	87.2	898	31.5	2.8	9
Total	117	100.0 %	2,830	99.1	8.6	24
Prior year reserve reestimates			25	0.9	0.1	
Total catastrophe losses			$ 2,855	100.0 %	8.7	

Catastrophe losses by the type of event

($ in millions)	For the years ended December 31, Number of events	2018	Number of events	2017	Number of events	2016
Hurricanes/Tropical storms	3	$200	3	$613	2	$156
Tornadoes	3	17	3	100	2	7
Wind/Hail	99	1,752	93	1,973	72	2,255
Wildfires	10	745	10	536	8	92
Other events	2	116	2	24	2	55
Prior year reserve reestimates		25		(18)		6
Total catastrophe losses	117	$2,855	111	$3,228	86	$2,571

Catastrophe management

Historical catastrophe experience For the last ten years, the average annual impact of catastrophes on our loss ratio was 8.4 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 32.0 points. Over time, we have limited our aggregate insurance exposure to catastrophe losses in certain regions of the country that are subject to high levels of natural catastrophes, limited by our participation in various state facilities. For further discussion of these facilities, see Note 14 of the consolidated financial statements. However, the impact of these actions may be diminished by the growth in insured values, and the effect of state insurance laws and regulations. In addition, in various states we are required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Because of our participation in these and other state facilities such as wind pools, we may be exposed to losses that surpass the capitalization of these facilities and to assessments from these facilities.

We have continued to take actions to maintain an appropriate level of exposure to catastrophic events while continuing to meet the needs of our customers, including the following:

- Continuing to limit or not offer new homeowners, manufactured home and landlord package policy business in certain coastal geographies.
- Increased capacity in our brokerage platform for customers not offered an Allstate policy.
- In 2016, we began to write a limited number of homeowners policies in select areas of California. We continue to renew current policyholders and allow replacement policies for existing customers who buy a new home, or change their residence to rental property. Additionally, we write homeowners coverage through North Light Specialty Insurance Company ("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 physical damage coverage generally includes coverage for flood-related loss. We have additional catastrophe exposure, beyond the property lines, for auto customers who have purchased physical

damage coverage. We manage this additional exposure through inclusion of auto losses in our nationwide reinsurance program, including Florida personal lines automobile business, as of June 1, 2016. New Jersey is excluded from the nationwide reinsurance program, but auto losses are included in our New Jersey reinsurance program.

- We offer a homeowners policy available in 42 states and the District of Columbia ("D.C."), Allstate House and Home®, that provides options of coverage for roof damage, including graduated coverage and pricing based on roof type and age.

Hurricanes We consider the greatest areas of potential catastrophe losses due to hurricanes generally to be major metropolitan centers in counties along the eastern and gulf coasts of the United States. Usually, the average premium on a property policy near these coasts is greater than in other areas. However, average premiums are often not considered commensurate with the inherent risk of loss. In addition and as explained in Note 14 of the consolidated financial statements, in various states Allstate is subject to assessments from assigned risk plans, reinsurance facilities and joint underwriting associations providing insurance for wind related property losses.

We have addressed our risk of hurricane loss by, among other actions, purchasing reinsurance for specific states and on a countrywide basis for our personal lines property insurance in areas most exposed to hurricanes, limiting personal homeowners, landlord package policy and manufactured home new business writings in coastal areas in southern and eastern states, implementing tropical cyclone deductibles where appropriate, and not offering continuing coverage on certain policies in coastal counties in certain states. We continue to seek appropriate returns for the risks we write. This may require further actions, similar to those already taken, in geographies where we are not getting appropriate returns. However, we may maintain or opportunistically increase our presence in areas where adequate risk adjusted returns can be achieved.

Earthquakes We do not offer earthquake coverage in most states. We retain approximately 23,000 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 policyholders in California are offered homeowners coverage 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 and New Jersey.

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. For example, despite writing a limited number of homeowner risks in select geographies in California over the last three years, our overall homeowner exposures in California have declined approximately 50% since 2007.

To manage the exposure, this may require 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 0.4 points in 2018 compared to 2017.

Expense ratios by line of business

	For the years ended December 31,		
	2018	2017	2016
Auto	25.7	25.2	24.6
Homeowners	24.4	23.8	23.9
Other personal lines	28.6	28.9	27.7
Commercial lines	21.8	28.3	27.8
Total expense ratio (1)	25.4	25.0	24.5

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

Impact of specific costs and expenses on the expense ratio

	For the years ended December 31,		
	2018	2017	2016
Amortization of DAC	13.6	13.4	13.2
Advertising expense	2.5	2.2	2.5
Amortization of purchased intangible assets	—	—	0.1
Other costs and expenses	9.1	9.1	8.6
Restructuring and related charges	0.2	0.3	0.1
Total expense ratio (1)	25.4	25.0	24.5

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

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 agency 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)	2018	2017
Auto	$845	$789
Homeowners	599	558
Other personal lines	141	132
Commercial lines	33	31
Total DAC	$1,618	$1,510

The following table presents premiums written, PIF and underwriting income (loss) by line of business for Allstate brand, Esurance brand, Encompass brand and Allstate Protection as of or for the year ended December 31, 2018. Detailed analysis of underwriting results, premiums written and earned, and the combined ratios, including loss and expense ratios, are discussed in the brand sections below.

Premiums written, policies in force and underwriting income (loss)

($ in millions)	Allstate brand		Esurance brand		Encompass brand		Allstate Protection	
Premiums written	Amount	Percent to total brand	Amount	Percent to total brand	Amount	Percent to total brand	Amount	Percent to total
Auto	$20,991	68.6 %	$1,839	94.4 %	$537	52.8 %	$23,367	69.6 %
Homeowners	7,199	23.5	101	5.2	398	39.2	7,698	22.9
Other personal lines	1,742	5.7	8	0.4	81	8.0	1,831	5.5
Commercial lines	659	2.2	—	—	—	—	659	2.0
Total	$30,591	100.0 %	$1,948	100.0%	$1,016	100.0 %	$33,555	100.0 %
Percent to total Allstate Protection		91.2 %		5.8 %		3.0 %		100.0 %
PIF (thousands)								
Auto	20,104	65.2 %	1,488	91.4 %	502	61.3 %	22,094	66.4 %
Homeowners	6,186	20.1	95	5.8	239	29.2	6,520	19.6
Other personal lines	4,295	13.9	46	2.8	78	9.5	4,419	13.3
Commercial lines	231	0.8	—	—	—	—	231	0.7
Total	30,816	100.0 %	1,629	100.0%	819	100.0 %	33,264	100.0 %
Percent to total Allstate Protection		92.6 %		4.9 %		2.5 %		100.0 %
Underwriting income (loss)								
Auto	$1,681	76.2 %	$(11)	44.0 %	$11	84.6 %	$1,681	76.9 %
Homeowners	472	21.4	(14)	56.0	(1)	(7.7)	457	20.9
Other personal lines	91	4.1	—	—	3	23.1	94	4.3
Commercial lines	(87)	(3.9)	—	—	—	—	(87)	(4.0)
Other business lines	49	2.2	—	—	—	—	49	2.2
Answer Financial	—	—	—	—	—	—	(7)	(0.3)
Total	$2,206	100.0 %	$(25)	100.0%	$13	100.0 %	$2,187	100.0 %

When analyzing premium measures and statistics for all three brands the following calculations are used as described below.

- PIF: Policy counts are based on items rather than customers. A multi-car customer would generate multiple item (policy) counts, even if all cars were insured under one policy. Commercial lines PIF for the agreement with a transportation network company reflects corporate contracts as opposed to individual driver counts.
- New issued applications: Item counts of automobile or homeowner insurance applications for insurance policies that were issued during the period, regardless of whether the customer was previously insured by another Allstate Protection brand. Allstate brand includes automobiles added by existing customers when they exceed the number allowed (currently 10) on a policy.

- Average premium-gross written ("average premium"): Gross premiums written divided by issued item count. Gross premiums written include the impacts from discounts, surcharges and ceded reinsurance premiums and exclude the impacts from mid-term premium adjustments and premium refund accruals. Average premiums represent the appropriate policy term for each line. Allstate and Esurance brand policy terms are 6 months for auto and 12 months for homeowners. Encompass brand policy terms are 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.

Allstate brand products are sold primarily through Allstate exclusive agencies and serve customers who prefer local personalized advice and service and are brand-sensitive. In 2018, the Allstate brand represented 91.2% of the Allstate Protection segment's written premium. For additional information on our strategy and outlook, see Part I, Item 1. Business - Strategy and Segment Information.

Underwriting results

	For the years ended December 31,		
($ in millions)	2018	2017	2016
Premiums written	$30,591	$28,885	$28,059
Premiums earned	$30,058	$28,631	$27,865