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Allstate Insurance Group
Combined Management Discussion and Analysis
For the Year Ended December 31, 2022

OVERVIEW

The Allstate Insurance Group (referred to as the "Group") consists of Agent Alliance Insurance Company ("AAIC"), Allstate County Mutual Insurance Company, Allstate Fire and Casualty Insurance Company ("AFCIC"), Allstate Indemnity Company ("AI"), Allstate Insurance Company ("AIC"), Allstate North American Insurance Company, Allstate Northbrook Indemnity Company, Allstate Property and Casualty Insurance Company ("APC"), Allstate Texas Lloyd's, Allstate Vehicle and Property Insurance Company, Century National Insurance Company ("CNIC"), Direct General Insurance Company ("DGIC"), Direct General Insurance Company of Mississippi ("DGICM"), Direct Insurance Company ("DIC"), Direct National Insurance Company ("DNIC"), Encompass Home and Auto Insurance Company ("EHAIC"), Encompass Indemnity Company ("EI"), Encompass Independent Insurance Company ("EIIC"), Encompass Insurance Company ("EIC"), Encompass Insurance Company of America ("EICA"), Encompass Insurance Company of Massachusetts ("ECMA"), Encompass Property and Casualty Company ("EPC"), Esurance Insurance Company ("ESIC"), Esurance Property and Casualty Insurance Company, Imperial Fire and Casualty Insurance Company ("IFAC"), Integon Casualty Insurance Company ("ICIC"), Integon General Insurance Corporation ("IGIC"), Integon Indemnity Corporation ("IIC"), Integon National Insurance Company ("INIC"), Integon Preferred Insurance Company ("IPIC"), MIC General Insurance Corporation ("MGIC"), National Farmers Union Property and Casualty Company ("NFU"), National General Assurance Company ("NGAC"), National General Insurance Company ("NGIC"), National General Insurance Company Online, Inc. ("NGIO"), National General Premier Insurance Company ("NGPIC"), New South Insurance Company ("NSIC"), Safe Auto Choice Insurance Company ("SACIC"), Safe Auto Insurance Company ("SAIC"), Safe Auto Value Insurance Company ("SAVIC") and Standard Property Casualty Insurance Company ("SPCIC"). Since these insurers are part of a consolidated group that utilize 100% intercompany reinsurance agreements, regulatory approval was obtained to prepare a combined Management Discussion and Analysis ("MD&A").

In addition to the combined affiliated property-liability insurers listed above, AIC has investments in uncombined property and casualty insurers, including Allstate New Jersey Insurance Company ("ANJ"), Castle Key Insurance Company ("CKIC") and North Light Specialty Insurance Company ("NLSIC"). ANJ writes auto and homeowners exclusively in New Jersey, CKIC writes only homeowners in Florida and NLSIC writes excess and surplus lines through surplus lines brokers, with the concentration on homeowners. Separate MD&As were filed for ANJ, CKIC and NLSIC. Allstate Insurance Company of Canada is an affiliated foreign insurer, which has two subsidiary insurance companies and has regulatory filings with the Office of the Superintendent of Financial Institutions.

On January 4, 2021, The Allstate Corporation (the "Corporation") completed the acquisition of National General Holdings Corp., expanding its independent agent channel business. In conjunction with the acquisition, AIC entered into a quota share reinsurance agreement with INIC, a new affiliate, whereby AIC would assume 100% of the net underwriting liabilities of INIC, effective January 4, 2021. INIC transferred $930 million in assets equal to the policy liabilities to AIC in connection with the quota share agreement.

On October 1, 2021, Allstate completed the acquisition of Safe Auto Insurance Group, Inc. ("SafeAuto"), a non-standard auto insurance carrier focused on providing state-minimum private passenger auto insurance direct to consumers with coverage options in 28 states, for $267 million in cash. Effective October 1, 2021, SafeAuto contributed ownership of SACIC and SAVIC to SAIC.

Following receipt of all regulatory approvals in November 2021, AIC, INIC and National General Re Ltd. ("NG Re") entered into a Novation Endorsement (the "Novation Endorsement") to the Amended & Restated National General Intercompany Quota Share Reinsurance Agreement between INIC and NG Re dated August 1, 2012, as amended (the "NG Re QS Reinsurance Agreement"). Pursuant to the Novation Endorsement, the NG Re QS Reinsurance Agreement was novated and AIC was substituted for INIC as a party to the NG Re QS Reinsurance Agreement effective January 4, 2021.

Following receipt of approval from the North Carolina Department of Insurance on January 6, 2022, AIC, INIC, NG Re, as Grantor, and Bank of New York Mellon, as Trustee, entered into a Novation Endorsement to the Trust Agreement, effective February 4, 2021, whereby AIC replaced INIC as the sole beneficiary under the original trust agreement in connection with the NG Re QS Reinsurance Agreement.

Following receipt of all regulatory approvals in December 2021, AIC and NG Re entered into a Quota Share Commutation Endorsement to the NG Re QS Reinsurance Agreement, effective October 1, 2021, whereby the Company and NG Re commuted the 50% quota share participation of losses incurred prior to January 4, 2021. Pursuant to the Novation Endorsement, AIC cedes a 40% quota share percentage for new and renewal business issued by INIC after January 1, 2021.

AIC received ordinary dividends totaling $392 million from its previously owned subsidiary, Allstate Life Insurance Company ("ALIC") in 2021. Investments with fair values of $40 million and $333 million were received on April 1, 2021 and May 1, 2021, respectively, and cash of $19 million was received on June 30, 2021.

On January 26, 2021, AIC and Allstate Financial Insurance Holdings Corporation entered into a Stock Purchase Agreement with Everlake US Holdings Company (formerly Antelope US Holdings Company) ("Everlake"), an affiliate of an investment fund associated with The Blackstone Group Inc. to sell all the shares of common stock of ALIC and certain affiliates. After receiving the necessary state regulatory approvals, the sale of ALIC, was completed on November 1, 2021. Everlake paid $2.73 billion in exchange for 100% of the shares of common capital stock of ALIC and certain affiliates, of which $2.71 billion was allocated to AIC in consideration for its investment in ALIC. The increase in the unrealized gain on the value of ALIC as of September 30, 2021 was limited to the net realizable value under the terms of the ALIC Purchase Agreement. The transactions resulted in AIC's divestiture of all of its life and annuities businesses.

The ALIC Purchase Agreement, specified that certain ALIC investments be sold or transferred prior to the sale closing ("Excluded investment assets"). As part of the Excluded investment assets transactions executed during the third quarter of 2021, ALIC transferred bonds, preferred stocks, common stocks, real estate investments, mortgage loans and other invested assets with fair values of $2.99 billion to AIC in exchange for bonds and cash. In addition, with the approval of the Illinois Department of Insurance ("IL DOI") and all the contingent conditions met, AIC received an extraordinary cash dividend of $1.25 billion from ALIC on November 1, 2021 immediately prior to ALIC's sale.

AIC is an Illinois domiciled insurer licensed to write property and casualty business in 49 states, the District of Columbia ("D.C."), Puerto Rico and Canada and offers a broad range of personal and commercial insurance products. Allstate Insurance Holdings, LLC ("AIH"), a Delaware Corporation, owns all of AIC's outstanding shares of common stock and is wholly-owned by the Corporation.

BUSINESS

The Group's strategy has two components: increase personal property-liability market share and expand protection offerings by leveraging the Allstate brand, customer base and capabilities. Transformative Growth is about creating a business model, capabilities and culture that continually transform to better serve customers. This is done by providing affordable, simple and connected protection through multiple distribution partners. The ultimate objective is to create continuous transformative growth in all businesses.

The Group's property-liability operations consist of two reportable segments: Allstate Protection and Run-off Property-Liability. Allstate Protection includes the Allstate® and National General® brands that offer private passenger auto, homeowners, other personal lines and commercial insurance through agents, contact centers and online. The Encompass brand was combined into National General beginning in the first quarter of 2021. Run-off Property-Liability relates to property and casualty insurance policies written during the 1960's through the mid-1980's. These segments are consistent with the groupings of financial information that management uses to evaluate performance and to determine the allocation of resources.

The Group's products are marketed under the Allstate and National General brand names and are offered to consumers through exclusive and independent agents, directly through contact centers and online.

The Allstate brand differentiates itself by offering a comprehensive range of affordable, simple and connected protection solutions across distribution channels for specific consumer segments. The Your Choice Auto® product offers qualified customers to choose from a variety of options, such as Accident Forgiveness, Deductible Rewards®, Safe Driving Bonus® and New Car Replacement. The Allstate House and Home® product features options that 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. Bundling Benefits provides auto customers with a qualifying property policy, an auto renewal guarantee and a deductible waiver (when the same event, with the same covered cause of loss, damages both auto and property). Bundling Benefits was offered in 47 states and D.C. as of December 31, 2022. The Auto Car Replacement Protection replaces a qualifying customer's vehicle involved in a total loss accident with a newer vehicle with fewer miles. Auto Car Replacement Protection was offered in 46 states and D.C. as of December 31, 2022. National General's Custom 360℠ provides endorsements and coverage amounts that can be scaled up or down to create a custom, needs-based insurance solution for customers at all stages in life. The Drivewise® program is a telematics-based program, available in 49 states and D.C as of December 31, 2022, that uses a mobile application or an in-car device to capture driving behaviors and encourage safe driving. The Drivewise program provides customers with information, tools, and incentives. For example, in most states, Allstate Rewards® provides reward points for safe driving. Milewise®, Allstate's usage-based insurance product, available in 22 states as of December 31, 2022, gives customers flexibility to customize their insurance and pay based on the number of miles they drive. DynamicDrive, National General's mobile-based telematics application, available in 39 states as of December 31, 2022, captures driving behaviors and rewards customer participation.

When an Allstate product is not available, the Group may offer non-proprietary products to consumers through Ivantage and arrangements made with other companies, agencies, and brokers.

Other personal lines sold under the Allstate brand include renters, condominium, landlord, boat, umbrella, manufactured home and stand-alone scheduled personal property.

The acquisition of National General significantly enhanced our strategic position in the independent agency channel and increased our total personal property-liability market share by over one percentage point and has enhanced our independent agent-facing technology. It also expanded our distribution footprint,and led us to be a top five personal lines carrier in the independent agency distribution channel.

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

Pricing of property products is intended to generate risk-adjusted returns that are acceptable over a long-term period. The Group pursues rate increases to keep pace with loss trends, including losses from catastrophic events and those that are weather-related (such as wind, hail, lightning and freeze not meeting the criteria to be declared a catastrophe). The Group also takes into consideration potential customer disruption, the impact on its ability to market our products, regulatory limitations, 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.

CATASTROPHE MANAGEMENT

Catastrophe losses are an inherent risk of the property and casualty insurance industry that have contributed, and will continue to contribute, to potentially material year-to-year fluctuations in the Group's results of operations and financial position. The Group defines 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. The Group is also exposed to man-made catastrophic events, such as certain types of terrorism, civil unrest, wildfires or industrial accidents. The nature and level of catastrophes in any period cannot be reliably predicted.

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

Over time the Group has limited its aggregate insurance exposure to catastrophe losses in certain regions of the country that are subject to high levels of natural catastrophes by our participation in various state facilities. However, the impact of these actions may be diminished by the growth in insured values, and the effect of state insurance laws and regulations and we may not be able to maintain the Group's current level of reinsurance or purchase new reinsurance protection in amounts we consider sufficient at acceptable prices. In addition, in various states the Group is 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 the Group's participation in these and other state facilities such as wind pools, it may be exposed to losses that surpass the capitalization of these facilities and to assessments from these facilities.

The Group is also working to promote measures to prevent and mitigate losses that are increasing due to climate change and increased severe weather including making homes and communities more resilient, enforcement of stronger building codes, adoption of sensible land use policies and expanded disaster response capabilities.

The Group continues to take actions to maintain an appropriate level of exposure to catastrophic events while continuing to meet the needs of the Group's customer's, including the following:

- Continuing to limit or not offer new homeowners, manufactured home and landlord package policy business in certain coastal geographies. In addition, the Group wrote a limited number of homeowners policies in select areas of California from 2016 to 2022, but have discontinued new homeowners and condominium business in the state of California starting the fourth quarter of 2022. The Group will continue to renew current policyholders and allow replacement policies for existing customers who buy a new home or change their residence to rental property.
- Increased capacity in the brokerage platform for customers not offered an Allstate policy.
- In certain states, the Group has been ceding wind exposure related to insured property located in wind pool eligible areas.
- Tropical cyclone deductibles are generally higher than all peril deductibles and are in place for a large portion of coastal insured properties.
- Auto comprehensive damage coverage generally includes coverage for flood-related loss. We have additional catastrophe exposure, beyond the property lines, for auto customers who have purchased comprehensive damage coverage.
- Offer a homeowners policy available in 43 states, Allstate House and Home®, that provides options of coverage for roof damage including graduated coverage and pricing based on roof type and age.

The Group continues to seek appropriate returns for its risks. This may require further actions, similar to those already taken, in geographies where the Group is not getting appropriate returns. However, the Group may maintain or opportunistically increase its presence in areas where adequate risk adjusted returns can be achieved.

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. had 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 National Association of Insurance Commissioners ("NAIC") formally adopted revisions to its existing credit for reinsurance model law and model regulation to conform with the requirements of the Covered Agreement with the expectation that states adopt and implement the modified model law and regulation by September 2022. As of September 22 2022, all 56 NAIC jurisdictions adopted the necessary laws and regulations to avoid federal preemption.

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, which became effective January 1, 2019, can be used to divide continuing blocks of insurance business from insurance business no longer marketed, or otherwise has been discontinued, into separate companies with separate capital. The statute can also be used for sale to a third party or to manage risks associated with indemnification programs. 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 Group utilized the division statute to form three Illinois domiciled insurance companies that retained assets and liabilities for certain Michigan automobile insurance policies with catastrophic personal injury claims that are ceded to the Michigan Catastrophic Claim Association ("MCCA").

Plan of Division and Merger

In accordance and in full compliance with the Illinois Domestic Stock Company Law, 215 ILCS 5/35B-1, the following companies AIC, AFCIC, APC, AI, EI, EPC, ESIC and ESPC's Plans of Division were approved by the Illinois Director of Insurance on March 19, 2021 and effective April 1, 2021.

Effective April 1, 2021, immediately after the execution of the Amendments, AIC, AFCIC, APC and AI divided. The division of the Company resulted in $496 million of assets and $320 million of liabilities moving to a newly formed Illinois insurance company. The difference between the assets and liabilities transferred represents the capital transferred to the newly formed Illinois insurance company, which was split between contributed surplus and unassigned funds in accordance with the Plan of Division. Immediately following the division, pursuant to a Merger Agreement and Plan of Merger, the newly formed Illinois insurance company merged into the surviving company in the merger, ASMI Auto Insurance Company, an Illinois insurance company which is a wholly owned subsidiary of AIH.

Effective April 1, 2021, immediately after the execution of the Amendment, EI and EPC divided. The division of the Company resulted in $17 million of assets and $14 million of liabilities moving to a newly formed Illinois insurance company. The difference between the assets and liabilities transferred represents the capital transferred to the newly formed Illinois insurance company, which was split between contributed surplus and unassigned funds in accordance with the Plan of Division. Immediately following the division, Encompass Insurance Holdings, LLC dividended the newly formed Illinois insurance company to Allstate Insurance Holdings, LLC ("AIH"), a wholly owned subsidiary of the Corporation. Pursuant to a Merger Agreement and Plan of Merger, AIH merged the newly formed Illinois insurance company into ECMI Auto Insurance Company ("ECMI"), an Illinois insurance company which is the surviving company in the merger. AIH then contributed all the common capital stock of ECMI to ASMI Auto Insurance Company, which is an Illinois domiciled insurance company wholly owned by AIH.

Effective April 1, 2021, immediately after the execution of the Amendment, ESIC and ESPC divided. The division of the Company resulted in $58 million of assets and $43 million of liabilities moving to a newly formed Illinois insurance company. The difference between the assets and liabilities transferred represents the capital transferred to the newly formed Illinois insurance company, which was split between contributed surplus and unassigned funds in accordance with the Plans of Division. Immediately following the division, Esurance Insurance Company distributed via dividend and return of capital the newly formed Illinois insurance company to Esurance Holdings, Inc. ("ESHI"), who then dividended it to Allstate Insurance Holdings, LLC ("AIH"), a wholly owned subsidiary of the Corporation. Pursuant to a Merger Agreement and Plan of Merger, AIH merged the newly formed Illinois insurance company into ESMI Auto Insurance Company ("ESMI"), an Illinois insurance company, which is the surviving company in the merger. AIH then contributed all the common capital stock of ESMI to ASMI Auto Insurance Company, which is an Illinois domiciled insurance company wholly owned by AIH.

FINANCIAL POSITION

(in millions)		2022		2021[1]
Cash and invested assets	$	49,464	$	51,645
Investment income due and accrued		306		255
Premiums and considerations		7,876		7,628
Reinsurance recoverable		337		616
Current federal and foreign income tax recoverable		513		330
Net deferred tax asset		937		319
Receivables from parent, subsidiaries and affiliates		268		177
Other assets		442		383
Total assets	$	60,143	$	61,353
Losses and loss adjustment expenses	$	24,150	$	20,000
Commissions payable, contingent commissions and other similar charges		272		288
Other expenses		1,663		1,803
Unearned premiums		14,363		12,962
Advance premiums		371		354
Ceded reinsurance premium payable		1,144		1,823
Payable to parent, subsidiaries and affiliates		449		531
Payable for securities lending		1,998		1,423
Accounts payable		366		370
Payable for securities		732		929
Other liabilties		659		681
Total liabilties		46,167		41,164
Capital and surplus		13,976		20,189
Total liabilties and capital and surplus	$	60,143	$	61,353

[1] 2021 reflects Allstate Insurance Company Combined Audit

Cash and invested assets

The Group's investment strategy emphasizes protection of principal and consistent income generation, within a total return framework. This approach has produced competitive returns over the long term and is designed to ensure financial strength and stability for paying claims, while maximizing economic value and surplus growth. Products with lower liquidity needs, such as auto insurance and run-off lines and coverages, and capital create capacity to invest in less liquid higher yielding bond securities, performance-based investments such as limited partnerships and equity securities. Products with higher liquidity needs, such as homeowners insurance, are invested primarily in high quality liquid bond securities.

The Group identifies a strategic asset allocation which considers both the nature of the liabilities and the risk and return characteristics of the various asset classes in which it invests. This allocation is informed by our long-term and market expectations, as well as other considerations such as risk appetite, portfolio diversification, duration, desired liquidity and capital. Within appropriate ranges relative to strategic allocations, tactical allocations are made in consideration of prevailing and potential future market conditions. We manage risks that involve uncertainty related to interest rates, credit spreads, equity returns and currency exchange rates.

The Group utilizes two primary strategies to manage risks and returns and to position the portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. As strategies and market conditions evolve, the asset allocation may change.

Market-based strategy includes investments primarily in public bonds and equity securities. It seeks to deliver predictable earnings aligned to business needs and provide flexibility to adjust investment risk profile based on enterprise objectives and market opportunities primarily through public and private bond investments and public equity securities. As of December 31, 2022, 79% of the portfolio follows this strategy with 79% in bonds and 10% in common stocks.

Performance-based strategy seeks to deliver attractive risk-adjusted returns and supplement market risk with idiosyncratic risk. Returns are impacted by a variety of factors including general macroeconomic and public market conditions as public benchmarks are often used in the valuation of underlying investments. Variability in earnings will also result from the performance of the underlying assets or business and the timing of sales of those investments. Earnings from the sales of investments may be recorded as net investment income or realized capital gains and losses. The portfolio, which primarily includes private equity (including infrastructure investments) and real estate with a majority being limited partnerships, is diversified across a number of characteristics, including managers or partners, vintage years, investment strategies, geographies (including international) and industry sectors or property types. These investments are generally illiquid in nature, often require specialized expertise, typically involve a third-party manager, and enhance returns and income through transformation at the company or property level. A portion of these investments seek returns in markets or asset classes that are dislocated or special situations, primarily in private markets. As of December 31, 2022, 21% of the portfolio follows this strategy with 90% in other invested assets primarily invested in limited partnerships.

Portfolio composition by investment strategy

The Group continues to maintain performance-based investments in the portfolio, consistent with our strategy to have a greater proportion of return derived from idiosyncratic asset or operating performance.

The Group has a comprehensive portfolio monitoring process to identify and evaluate each security that may be other-than-temporarily impaired. The Group's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to amortized cost (for bonds) or cost (for stocks) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults.

The following table presents the investment portfolio by strategy as of December 31:

($ in millions)	2022			2021
	Market-based	**Performance-based**	**Total**	**Total**
Bonds	$ 30,935	$ 83	$ 31,018	$ 30,904
Preferred stocks	39	47	86	136
Common stocks	4,002	650	4,652	7,075
Mortgage loans on real estate	671	-	671	737
Real estate	-	310	310	423
Cash and cash equivalents	2,120	-	2,120	1,757
Short-term investments	500	-	500	342
Derivatives	7	16	23	29
Other invested assets	605	9,479	10,084	10,242
Total cash and invested assets	$ 38,879	$ 10,585	$ 49,464	$ 51,645
Percent to total	79%	21%	100%	

Total invested assets decreased $2.18 billion, or 4%, compared to prior year. Explanations for the more significant items follow.

Bonds

The Group's bond portfolio consists of corporate public and privately placed bonds, municipal bonds, U.S. government bonds, asset-backed securities ("ABS"), mortgage-backed securities ("MBS") and foreign government bonds.

As of December 31, 2022, 87.4% of the consolidated bond portfolio was rated investment grade quality, which is defined as a security having an NAIC designation of 1 or 2, a rating of Aaa, Aa, A or Baa from Moody's Investors Service, a rating of AAA, AA, A or BBB from S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. There was no significant change in the bond portfolio quality distribution from the prior year.

Bonds with an NAIC designation of 1 or 2, including loan-backed and structured securities ("LBASS") and excluding Securities Valuation Office ("SVO")-identified investments, are reported at amortized cost using the effective yield method. Bonds with an NAIC designation of 3 through 6 are reported at the lower of amortized cost or fair value, with the difference reflected in unassigned surplus as unrealized capital loss. In general, LBASS utilize a multi-step process for determining carrying value and NAIC designation in accordance with SSAP No. 43R, *Loan-backed and Structured Securities* ("SSAP No. 43R"). Effective December 31, 2022, the SVO may assign an NAIC designation for use in determining carrying value for certain LBASS. The bond portfolio also includes SVO-identified investments, which are reported at fair value. Changes in the fair value of SVO-identified investments are recorded as a change in net unrealized capital gains (losses), which is a component of unassigned surplus.

Corporate public bonds totaled $13.50 billion as of December 31, 2022 compared to $11.09 billion as of December 31, 2021. As of December 31, 2022, the portfolio also contained $6.50 billion of privately placed corporate obligations, compared to $9.88 billion as of December 31, 2021. Corporate privately placed securities primarily consist of corporate issued senior debt securities that are negotiated with the borrower or are issued by entities in unregistered form. Privately placed corporate obligations may contain structural security features such as financial covenants and call protections that provide investors greater protection against credit deterioration, reinvestment risk or fluctuations in interest rates than those typically found in publicly registered debt securities. As of December 31, 2022, 93% of the corporate public bonds and 55% of the corporate privately placed securities were rated investment grade.

Municipal bonds totaled $5.65 billion as of December 31, 2022 compared to $5.27 billion as of December 31, 2021. The municipal bond portfolio as of December 31, 2022 consisted of 3,607 issues from 1,008 issuers. The largest exposure to a single issuer was 3.3% of the municipal bond portfolio. Corporate entities were the ultimate obligors of less than 0.4% of the municipal bond portfolio. As of December 31, 2022, 99.9% of the municipal bonds were rated investment grade.

U.S. government bonds totaled $4.33 billion as of December 31, 2022 compared to $3.55 billion as of December 31, 2021. As of December 31, 2022, 100% of the U.S. government bonds were rated investment grade.

ABS totaled $988 million as of December 31, 2022 compared to $1.04 billion as of December 31, 2021. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees or insurance. As of December 31, 2022, 95.2% of the ABS were rated investment grade.

MBS totaled $38 million as of December 31, 2022 compared to $26 million as of December 31, 2021. As of December 31, 2022, 95.5% of the MBS were rated investment grade.

Foreign government bonds totaled $15 million as of December 31, 2022 compared to $35 million as of December 31, 2021. As of December 31, 2022, 100% of the foreign government bonds were rated investment grade.

The fair value of all bonds was $29.54 billion and $31.32 billion as of December 31, 2022 and 2021, respectively. As of December 31, 2022, unrealized net capital gains on the bond portfolio, which are calculated as the difference between statement value and fair value, were $1.47 billion compared to $414 million as of December 31, 2021.

Equity securities

Equity securities include $4.65 billion of common and $86 million of non-redeemable preferred stocks, and investments in affiliates as of December 31, 2022 compared to $7.08 billion of common and $136 million of non-redeemable preferred stocks, and investments in affiliates as of December 31, 2021. The net decrease was driven by the decision to reposition the portfolio to underweight equites.

Off-balance sheet financial instruments

The contractual amounts of off-balance-sheet financial instruments as of December 31 were as follows:

(in millions)	**2022**	**2021**
Commitments to invest in limited partnership interests	$ 2,824	$ 2,818
Private placement commitments	$ 123	$ 110
Other loan commitments	$ 10	$ 14

Commitments to invest in limited partnership interests represent agreements to acquire new or additional participation in certain limited partnership investments. AIC enters into these agreements in the normal course of business.

Private placement commitments represent commitments to purchase private placement debt and private equity securities at a future date. AIC enters into these agreements in the normal course of business.

Other loan commitments are agreements to lend to a borrower provided there is no violation of any condition established in the contract. AIC enters into these agreements to commit to future loan fundings at predetermined interest rates. Commitments have either fixed or varying expiration dates or other termination clauses.

The contractual amounts represent the amount at risk if the contract was fully drawn upon, the counterparty defaults and the value of any underlying security becomes worthless.

AIC does not require collateral or other security to support off-balance-sheet financial instruments with credit risk.

Non-Investment Grade Investments

The Group's investment policy allows it to purchase and hold below investment grade securities. The Group believes with quality research and underwriting, these securities complement its broader investment strategy and provide the appropriate level of return for the increased risk.

Reserves for losses and loss adjustment expenses

Incurred losses and loss adjustment expenses represent the sum of paid losses, loss adjustment expenses and reserve changes in the calendar year. This expense included net losses from catastrophes of $3.00 billion and $2.95 billion in 2022 and 2021, respectively. Activity in the reserve for losses and loss adjustment expenses is summarized as follows:

(in millions)	2022	2021
Balance at January 1	$ 20,000	$ 17,869
Transfers – Plan of Division [1]	(-)	(376)
Incurred related to		
Current year	31,474	25,876
Prior years	1,693	46
Total incurred	33,167	25,922
Paid related to:		
Current year	18,147	16,220
Prior years	10,870	7,195
Total paid	29,017	23,415
Balance as of December 31	$ 24,150	$ 20,000

[1]Reserve amounts represent transactions effective April 1, 2021 per Plan of Division and Merger previously discussed.

As a result of the acquisition of National General and reinsurance agreements entered into with INIC, AIC assumed the associated reserve for losses and loss adjustment expenses effective January 4, 2021. See "Novation Endorsement and Quota Share Reinsurance Agreement" paragraph on page 1 for details.

Incurred losses and loss adjustment expenses attributable to insured events of prior years were $1.69 billion and $46 million as a result of the reestimation of unpaid losses and loss adjustment expenses for the years ended December 31, 2022 and 2021, respectively. These changes were generally the result of ongoing analyses of recent loss development trends, primarily from bodily injury and physical damage coverages. Increases in injury coverages reflect recent data and updated assumptions related to severity with third-party bodily injury claims, increased claims with attorney representation, litigation costs and higher medical inflation. Increases in physical damage reflect the ongoing inflationary factors and supply chain shortages impacting used vehicle and parts prices, labor rates and length of claim resolution. Delays in the receipt of third-party carrier claims also contributed to the adverse development of claims reported in prior years. Initial estimates were revised as additional information regarding claims became known.

Anticipated salvage and subrogation of $1.60 billion and $1.18 billion was included as a reduction of loss reserves as of December 31, 2022 and 2021, respectively

Unsecured reinsurance recoverables

The Group has unsecured reinsurance recoverables that exceeded 3% of policyholder surplus as of December 31 as follows:

($ in millions) Reinsurer	NAIC Group Code	FEIN	2022	2021
MCCA	0000	AA-9991159	$ 2,273	$ 2,156

The MCCA is a statutory indemnification mechanism for member insurers' qualifying personal injury protection claims paid for the unlimited lifetime medical benefits above the applicable retention level for qualifying injuries from automobile, motorcycle and commercial vehicle accidents. The MCCA is funded by annually assessing participating member companies actively writing motor vehicle coverage in Michigan on a per vehicle basis that is currently $86 per vehicle insured for unlimited personal injury protection ("PIP") coverage. The MCCA's calculation of the annual assessment is based upon the total of members' actuarially determined present value of expected payments on lifetime claims by all persons expected to be catastrophically injured in that year and ultimately qualify for MCCA reimbursement, its operating expenses, and adjustments for the amount of excesses or deficiencies in prior assessments. The MCCA has also included in its calculation the impacts of the auto insurance reforms which have begun to phase in since their passage in June 2019, including the personal injury protection medical fee schedule that became effective July 2, 2021. The assessment is incurred by the Company as policies are written and recovered as a component of premiums from the Company's customers. The MCCA indemnifies qualifying claims of all current and former member companies (whether or not actively writing motor vehicle coverage in Michigan) for qualifying claims and claims expenses incurred while the member companies were actively writing the mandatory personal injury protection coverage in Michigan. Member companies actively writing automobile coverage in Michigan include the MCCA annual assessments in determining the level of premiums to charge insureds in the state. As required for member companies by the MCCA, the Company reports covered paid and unpaid claims to the MCCA when estimates of loss for a reported claim are expected to exceed the retention level, the claims involve certain types of severe injuries, or there are litigation demands received suggesting the claim value exceeds certain thresholds. The retention level is adjusted upward every other MCCA fiscal year by the lesser of 6% or the increase in the Consumer Price Index. The retention level will be $600 thousand per claim for the fiscal two-years ending June 30, 2023 compared to $580 thousand per claim for the fiscal two-years ending June 30, 2021. The MCCA is obligated to fund the ultimate liability of member companies' qualifying claims and claim expenses. The MCCA does not underwrite the insurance coverage or hold any underwriting risk. The MCCA indemnifies members as qualifying claims are paid and billed by members to the MCCA. Unlimited lifetime covered losses result in significant levels of ultimate incurred claim reserves being recorded by member companies along with offsetting indemnification recoverables. Disputes with claimants over coverage on certain reported claims can result in additional losses, which may be recoverable from the MCCA, excluding litigation expenses. There is currently no method by which insurers are able to obtain the benefit of managed care programs to reduce claims costs through the MCCA. The MCCA annual assessments fund current operations and member company reimbursements. The MCCA prepares statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan Department of Insurance and Financial Services ("MI DIFS"). The MI DIFS has granted the MCCA a statutory permitted practice that expires in June 30, 2025 to discount its liabilities for loss and loss adjustment expense. As of June 30, 2022, the date of its most recent annual financial report, the MCCA had cash and invested assets of $21.82 billion and an accumulated deficit of $3.68 billion. The permitted practice reduced the accumulated deficit by $44.89 billion. As a result of this deficit, there will be an additional assessment of $48 per passenger and commercial vehicle and motorcycle insured beginning July 1, 2023 with varying assessments for commercial fleet and historical vehicles. As a result of the auto insurance reforms passed in June 2019, the MCCA announced on November 3, 2021 that the surplus reported for the fiscal year ended June 30, 2021 had increased beyond a level necessary to safely cover its expected losses and expenses, and will return a portion of its surplus to its member insurance companies as a pass-through to issue a refund of $400 per vehicle and $80 per historical vehicle to the policyholders. At the time the returned surplus was received a liability was recorded until the refunds were disbursed to the policyholders. All refunds have been sent to policyholders as of December 31, 2022.

Capital and surplus
The following table summarizes the Group's capital position as of December 31:

(in millions)		2022		2021[1]
Common capital stock	$	102	$	102
Gross paid in and contributed surplus		4,740		4,735
Unassigned funds (surplus)		9,120		15,334
Aggregate write-ins for special surplus funds		14		18
Total surplus as regards policyholders	$	13,976	$	20,189

[1] 2021 reflects Allstate Insurance Company Combined Audit

Total surplus as regards policyholders decreased $6.21 billion or 31%, and was mainly comprised of the following items:

- $1.49 billion net loss in 2022 compared to $5.77 billion net income in 2021
- $816 million change in net unrealized capital gain in 2022 compared to $1.10 billion in 2021
- $4.21 billion dividends paid to AIH in 2022 compared to $6.13 billion in 2021

RESULTS OF OPERATIONS

(in millions)		2022		2021
Premiums earned	$	39,258	$	35,837
Losses incurred		29,600		23,143
Loss adjustment expenses incurred		3,567		2,779
Other underwriting expenses incurred		9,500		9,232
Total underwriting deductions		42,667		35,154
Net underwriting gain (loss)		(3,409)		683
Net investment income earned		1,564		3,600
Net realized capital gains (losses)		(421)		1,474
Net investment gain		1,143		5,074
Total other income		588		227
Net income (loss), after dividends to policyholders but before a other federal and foreign income taxes		(1,678)		5,984
Federal and foreign income taxes incurred		(186)		215
Net income (loss)	$	(1,492)	$	5,769

Net underwriting loss
The $3.41 billion underwriting loss was mostly due to higher auto insurance losses and unfavorable reserve re-estimates, both excluding catastrophes, partially offset by increased premiums earned.

Net investment gains
Net investment gain decreased $3.93 billion, due to lower dividends from subsidiaries, primarily $1.40 billion from ALIC, $289 million from AIC of Canada, and $260 million from ANJ. In addition, net realized losses in 2022 related primarily to lower valuations and market performance driving net loss on sales of underlying investments compared to strong results in 2021.

CASH FLOW AND LIQUIDITY

The following table summarizes cash flow.

(in millions)	2022	2021[1]
Net cash from operations	$ 3,585	$ 4,812
Net cash from investments	813	1,376
Net cash from financing and miscellaneous sources	(3,874)	(5,222)
Net change in cash, cash equivalents and short-term investments	$ 524	$ 966

(1) 2021 reflects Allstate Insurance Company Combined Audit

The Group's operations typically generate substantial cash flows from operations as most premiums are received in advance of the time claim payments are made. Net cash from operations decreased in 2022 as a result of an increase in benefit and loss related payments and commissions and a decrease in net investment income, partially offset by an increase in premiums collected net of reinsurance. Higher net cash flows from investments in 2022 compared to 2021 were driven by higher investment proceeds, partially offset by lower investments acquired. Lower cash flows used in financing in 2022 compared to 2021 were due to lower dividends paid to parent.

Dividend restriction

The ability of AIC, AFCIC, AVPIC, ANIC, APC, AI, EI, EICA, ANAIC, EIIC, EHAIC, EIC, EPC, ESIC and SPCIC to pay dividends is generally dependent on business conditions, income, cash requirements, receipt of dividends and other relevant factors. More specifically, the Illinois Insurance Code ("Code") provides a two-step process. First, no dividend may be declared or paid except from earned (unassigned) surplus, as distinguished from contributed surplus, nor when the payment of a dividend reduces surplus below the minimum amount required by the Code. Secondly, a determination of the ordinary versus extraordinary dividends that can be paid is formula based and considers net income and capital and surplus, as well as the timing and amounts of dividends paid in the preceding twelve months as specified by the Code. Ordinary dividends to shareholders do not require prior approval of the IL DOI. Dividends are not cumulative. As of December 31, 2022, the maximum ordinary dividend that can be declared and paid in 2023 by AIC, ESIC, AFCIC, ANIC, SPCIC, AI, ESPC, EICA, APC, EHAIC, ANAIC, EPC, EIC, and EIIC is limited to $1.22 billion, $2.0 million, $0.9 million, $0.7 million, $0.7 million, $0.6 million, $0.5 million, $0.5 million, $0.4 million, $0.4 million, $0.4 million, $0.3 million, $0.3 million, and $0.2 million, respectively. Currently, AVPIC and EI cannot declare or pay dividends without the prior approval of the IL DOI because of negative unassigned surplus.

EICMA's ability to pay dividends is dependent on business conditions, income, cash requirements and other relevant factors. Without prior approval of the MA DOI, ordinary dividends to shareholder are limited to $0.6 million. This amount is formula driven based on capital and surplus, as well as the timing and amount of dividends paid in the preceding twelve months as specified by Massachusetts insurance law. Dividends are not cumulative.

Without prior approval of NGIC, NGAC and NGIO's domiciliary commissioner, dividends to shareholders are limited by the laws of NGIC, NGAC and NGIO's state of domicile, Missouri, to the greater of: 1) 10% of policyholder's surplus as of the preceding December 31, or 2) Net income, excluding net realized capital gains, for the twelve month period ending the preceding December 31. Accordingly, the maximum dividend payment that can be made to shareholders during 2023 without prior approval of the Insurance Commissioner of Missouri is $2.7 million, $1.8 million and $1.2 million, respectively, before considering dividends paid in the preceding twelve months.

Without prior approval of CNIC and NGPIC's domiciliary commissioner, dividends to shareholders are limited by the laws of CNIC and NGPIC's state of domicile, California, to the greater of: 1) 10% of policyholder's surplus as of the preceding December 31, or 2) Net income for the twelve month period ending the preceding December 31. Accordingly, the maximum dividend payment that can be made to shareholders during 2023 without prior approval of the Insurance Commissioner of California is $4.1 million and $1.6 million, respectively, before considering dividends paid in the preceding twelve months.

Without prior approval of MGIC's domiciliary commissioner, dividends to shareholders are limited by the laws of the MGIC's state of domicile, Michigan, to the greater of: 1) 10% of policyholder's surplus as of the preceding December 31, or 2) Net income, excluding realized capital gains, for the twelve month period ending the preceding December 31. Accordingly, the maximum dividend payment that can be made to shareholders during 2023 without prior approval of the Insurance Commissioner of Michigan is $3.4 million.

Without prior approval of AAIC's domiciliary commissioner, dividends to shareholders are limited by the laws of AAIC's state of domicile, Alabama, to the greater of: 1) 10% of policyholder's surplus as of the preceding December 31, or 2) Net income, excluding realized capital gains, for the twelve month period ending the preceding December 31. Accordingly, the maximum dividend payment that can be made to shareholders during 2023 without prior approval of the Insurance Commissioner of Alabama is $5 million, before considering dividends paid in the prior twelve months.

The maximum amount of ordinary dividend which can be paid to shareholders with prior notification to the Indiana Department of Insurance by DGIC is greater of: (1) 10% of prior year surplus or 2) prior year net income. Accordingly, the ordinary dividend payment that can be declared or paid in 2023 is $5 million.

Without prior approval of INIC, IIC, NFU, IFAC, DIC, NSIC, IGIC, IPIC, ICIC and DNIC's domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of domicile, North Carolina, to the greater of: 1) 10% of policyholder's surplus as of the preceding December 31, or 2) Net income, excluding realized capital gains, for the twelve month period ending the preceding December 31. Accordingly, the maximum dividend payment that can be made to shareholders during 2023 without prior approval of the Insurance Commissioner of North Carolina is $77 million, $9.5 million, $4.6 million, $3.6 million, $0.9 million, $0.9 million, $0.8 million, $0.8 million, $0.7 million and $0.6 million, respectively.

The maximum amount of dividends which can be paid by DGICM to shareholders without prior approval of the Insurance Commissioner of Mississippi is limited to the greater of: 1) 10% of surplus as regards policy holders on the 31st day of December next preceding: or 2) the net income, not including realized capital gains, for the twelve month period ending on the 31st day of December next preceding. Accordingly, before considering dividends paid in the preceding twelve months, the maximum dividend payment that can be made to shareholders during 2023 without prior approval of the Insurance Commissioner of Mississippi is $0.7 million.

Under the insurance regulations of Ohio, the maximum amount of ordinary dividends that SAIC, SACIC, SAVIC may pay to shareholders in a twelve month period is limited to the greater of 10% of the most recent year-end policyholders' surplus or the net income for that same year-end. Accordingly, the maximum amount of ordinary dividends that SAIC, SACIC, SAVIC may pay in 2023 is $5 million, $0.6 million, $0.6 million, respectively. Dividend above this amount would be deemed extraordinary and may not be paid unless: 1) not disapproved by the Commissioner of Insurance of Ohio within 30 days of receiving notice of the declaration thereof or 2) approved within that 30-day period.

Financial strength ratings and outlook

AIC's most recent financial strength ratings and outlook were A+, Aa3 and AA- from A.M. Best, Moody's and S&P, respectively; all with a stable outlook.

Risk-based capital

The NAIC has a uniform capital adequacy standard, referred to as the risk-based capital ("RBC"), that serves as one of the solvency monitoring regulatory tools to measure and assess the amount of capital that is appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The standard utilizes a formula to calculate a company's minimum capital requirement ("company action level RBC") based on the insurance, business, asset, interest rate, market, credit, underwriting and reserving risk associated with its business. There is no regulatory action required if a company maintains the total adjusted capital level greater than the company action level RBC. A RBC model law does, however, mandate four levels of regulatory action based on a company's degree of capital impairment. As of December 31, 2022, the total adjusted capital of each insurer comprising the Group was significantly above the company action level RBC.

Insurance Regulatory Information System ("IRIS") ratios

The NAIC has also developed a set of financial relationships or tests known as the IRIS to assist state regulators in monitoring the financial condition of insurance companies and identifying companies that require special attention or action. The NAIC analyzes financial data provided by insurance companies using prescribed ratios, each with a defined usual range. Additional regulatory scrutiny may occur if a company's ratio results fall outside the usual range for four or more of the thirteen ratios. As of December 31, 2022, eight insurers comprising the Group had more than three ratios outside the usual range.

SAIC had four ratio results fall outside of the usual range which were due to higher effective yields driven by raising federal fund rates in 2022. SAIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

IPI had four ratio results fall outside of the usual range which were due to an increase in premiums written of $24M compared to prior year. IPI is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

AIC had four ratio results fall outside of the usual range which was due to net premiums written increase of 8% compared to prior year. Policyholder surplus decreased 34% compared to prior year due to the $4.2 billion in dividends paid to AIC's parent company AIH, and $1.5 billion net loss for 2022. Adjusted liabilities increased primarily due to the increase in loss reserves driven by the inflationary environment.

AVPIC had four ratio results fall outside of the usual range which was due to policyholder surplus decrease of 14% compared to prior year due to the Illinois state prescribed practice that requires AVPIC to non-admit receivables from parents, subsidiaries and affiliates that are not outstanding for more than three months which may not exceed the lesser of 5% of the admitted assets or 10% of policyholder surplus in accordance with statute 215 ILCS 5/3.1. Adjusted liabilities decreased primarily due to the decrease in intercompany activity with AIC related to external reinsurance.

ESPC had four ratio results fall outside of the usual range which were driven by a change in policyholders surplus primarily due to no non-admitted assets related to receivable from parent, subsidiary and affiliates in 2022 compared to $19.9 million in 2021. This non-admitted was due to the Illinois state prescribed practice described above.

IGIC had four ratio results fall outside of the usual range which were due to an increase in premiums written of $110M compared to prior year. IGIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

IIC had four ratio results fall outside of the usual range which were due to an increase in premiums written of $220M compared to prior year. IIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

NSI had four ratio results fall outside of the usual range which were due to an increase in premiums written of $15M compared to prior year. NSI is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required

Unusual or Infrequent Items
The Group did not have unusual or infrequent items as of December 31, 2022.

Coronavirus
The Coronavirus resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including travel restrictions, government-imposed shelter-in-place orders, quarantine periods, social distancing and restrictions on large gatherings. These measures have moderated significantly, but new variants of the Coronavirus could result in further economic volatility. The Company continues to closely monitor and proactively adapt to developments and changing conditions. Currently, it is not possible to reliably estimate the continuing impact to the Company's operations, but the effects have been and could be material. The impact from the pandemic should be considered when comparing the current year to the prior year.

Russia/Ukraine Conflict
The Russia-Ukraine war and related sanctions imposed as a result of this conflict have increased global economic and political uncertainty, including inflationary pressures and an increased risk of cybersecurity incidents. The Company does not have operations or direct investments in Russia, Belarus or Ukraine, but could experience significant indirect impacts on the investment portfolio, financial position, or results of operations.

State of California
Starting in the fourth quarter of 2022, the Company no longer writes new homeowners business in the State of California, although the Company will offer continuing coverage to existing customers.

Exit of Commercial Insurance
Starting in the fourth quarter of 2022, coverage to transportation network companies will no longer be offered unless the contracts utilize telematics-based pricing. This contributed to a decline in premiums in the

fourth quarter. Additionally, in 2023, the Company will no longer sell traditional commercial insurance in five states.

Sale of Headquarters
On October 18, 2022, the Company closed the sale of its headquarters for $232 million resulting in a gain of approximately $89 million, pre-tax, reported as realized investment gain in the fourth quarter of 2022.

Southern California Edison Settlement
On January 22, 2021, Southern California Edition reached a $2.20 billion settlement agreement with insurance companies, resolving subrogation claims arising from the Woolsey Wildfire. The Company was party to the agreement and recognized a net underwriting gain of $115 million, net of expenses, related to the subrogation settlement in the first quarter of 2021, which was reflected as follows in the Statement of Income:

(in millions)	Underwriting Gain/(Loss)
Losses incurred	$ 125
Loss adjustment expense incurred	(10)
Net underwriting gain	$ 115

As of December 31, 2021, the Company had received distributions from the trust representing 90% of its expected recovery.