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Allstate Insurance Group
Combined Management Discussion and Analysis
For the Year Ended December 31, 2024

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 ("EICMA"), 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.

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 Allstate 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 transforms to better serve customers. This is done by providing affordable, simple and connected protection through multiple distribution channels. The ultimate objective is to enhance customer value to drive growth in all businesses.

The Group's property-liability operations consist of 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 exclusive agents, independent agents, contact centers and online. Run-off Property-Liability relates to property and casualty insurance policies written during the 1960's through the mid-1980's.

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 Affordable, Simple, Connected product provides a reimagined insurance experience and products by having fewer questions for customers to answer before receiving a quote, easy-to-understand coverage descriptions and customized coverage offers and an industry-leading rating plan. Offered through the exclusive agency channel, on the web or direct to consumers in 31 states for auto, 28 states for renters and 4 states for both homeowners and valuable item protection as of December 31, 2024. New product suite includes feature options for qualified customers similar to Your Choice Auto®, such as Accident Forgiveness and Auto Replacement Protection and new features such as more flexible transportation expense and expanded household composition options. 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, 2024. 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 48 states and D.C. as of December 31, 2024. National General’s Custom 360SM 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. It also leverages Allstate analytics and rating plans adapted to the independent agency channel.

National General’s Custom 360SM was offered in 30 states as of December 31, 2024. The Drivewise® program is a telematics-based program, available in 48 states and D.C as of December 31, 2024, that uses a mobile application or an in-vehicle device to capture driving behaviors and encourage safe driving. The Drivewise program provides customers with information, tools, and more accurate individual pricing. Milewise®, Allstate’s usage-based insurance product, available in 21 states and D.C. as of December 31, 2024, 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 44 states as of December 31, 2024, used to captures driving behaviors and to more accurately rate customers.

Other personal lines sold under the Allstate brand include renters, condominium, landlord, boat, umbrella, manufactured home, scheduled personal property and valuable item protection.

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 accurately price risks while seeking to attract and retain customers in multiple risk segments. 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 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, 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 including the California FAIR Plan Association. 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, expanded disaster response capabilities and creation of public risk sharing mechanisms.

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.
- Increased capacity in the brokerage platform for customers not offered an Allstate policy.
- The Group has ceded wind exposure related to insured property located in wind pool eligible areas in certain states.
- Generally require higher deductibles for tropical cyclone than all peril deductibles and are in place for a large portion of coastal insured properties.
- Coverage for flood-related losses for auto comprehensive damage coverage since the Group has additional catastrophe exposure, beyond the property lines, for auto customers who have purchased comprehensive damage coverage.
- Provide 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.

FINANCIAL POSITION

(in millions)	2024	2023 (1)
Cash and invested assets	$ 59,559	$ 52,295
Investment income due and accrued	478	405
Premiums and considerations	9,686	8,825
Reinsurance recoverable	11	301
Current federal and foreign income tax recoverable	—	518
Net deferred tax asset	1,111	1,079
Receivables from parent, subsidiaries and affiliates	177	228
Other assets	438	410
Total assets	$ 71,460	$ 64,061
Losses and loss adjustment expenses	$ 28,565	$ 27,188
Commissions payable, contingent commissions and other similar charges	334	282
Other expenses	1,620	1,539
Current federal and foreign income taxes	1	—
Unearned premiums	18,423	16,405
Advance premiums	383	382
Ceded reinsurance premium payable	178	641
Payable to parent, subsidiaries and affiliates	130	393
Payable for securities lending	2,023	1,890
Accounts payable	659	464
Payable for securities	830	950
Other liabilities	1,223	724
Total liabilities	54,369	50,858
Capital and surplus	17,091	13,203
Total liabilities and capital and surplus	$ 71,460	$ 64,061

(1) 2023 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, 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, inflation, 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, 2024, 81% of the portfolio follows this strategy with 86% in bonds and 8% in common stock.

Performance-based strategy seeks to deliver attractive risk-adjusted returns and supplement market risk with idiosyncratic risk. Consequently, return patterns can be more volatile than the market-based portfolio. 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, 2024, 19% of the portfolio follows this strategy with 92% 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:

	2024			2023
($ in millions)	**Market-based**	**Performance-based**	**Total**	**Total**
Bonds	$ 41,188	$ 139	$ 41,327	$ 36,057
Preferred stocks	37	70	107	91
Common stocks	4,031	452	4,483	2,352
Mortgage loans on real estate	792	—	792	715
Real estate	—	217	217	267
Cash and cash equivalents	1,225	—	1,225	2,375
Short-term investments	303	—	303	128
Derivatives	18	3	21	4
Other invested assets	402	10,682	11,084	10,306
Total cash and invested assets	$ 47,996	$ 11,563	$ 59,559	$ 52,295
Percent to total	81 %	19 %	100 %	

Total invested assets increased $7.26 billion, or 14%, 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, U.S. government bonds, municipal bonds, asset-backed securities ("ABS"), mortgage-backed securities ("MBS") and foreign government bonds.

As of December 31, 2024, 90.5% 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, a rating of AAA, AA, A or BBB from S&P Global Ratings ("S&P"), 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 an unrealized capital loss. In general, LBASS utilize a multi-step process for determining carrying value and NAIC designation in accordance with SSAP No. 43, *Loan-backed and Structured Securities*. 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 $16.06 billion as of December 31, 2024 compared to $16.69 billion as of December 31, 2023. As of December 31, 2024, the portfolio also contained $7.18 billion of privately placed corporate obligations, compared to $6.23 billion as of December 31, 2023. 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, 2024, 96% of the corporate public bonds and 53% of the corporate privately placed securities were rated investment grade.

U.S. government bonds totaled $9.00 billion as of December 31, 2024 compared to $6.38 billion as of December 31, 2023. As of December 31, 2024, 100% of the U.S. government bonds were rated investment grade.

Municipal bonds totaled $8.06 billion as of December 31, 2024 compared to $5.15 billion as of December 31, 2023. The municipal bond portfolio as of December 31, 2024 consisted of 2,035 issues from 514 issuers. The largest exposure to a single issuer was 2.8% of the municipal bond portfolio. Corporate entities were the ultimate obligors of 0.1% of the municipal bond portfolio. As of December 31, 2024, 100% of the municipal bonds were rated investment grade.

ABS totaled $889 million as of December 31, 2024 compared to $1.5 billion as of December 31, 2023. 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, 2024, 98.0% of the ABS were rated investment grade.

MBS totaled $94 million as of December 31, 2024 compared to $65 million as of December 31, 2023. As of December 31, 2024, 99.4% of the MBS were rated investment grade.

Foreign government bonds totaled $39 million as of December 31, 2024 compared to $58 million as of December 31, 2023. As of December 31, 2024, 100% of the foreign government bonds were rated investment grade.

The fair value of all bonds was $40.71 billion and $35.85 billion as of December 31, 2024 and 2023, respectively. As of December 31, 2024, unrealized net capital loss on the bond portfolio, which are calculated as the difference between statement value and fair value, were $616 million compared to $204 million as of December 31, 2023.

Equity securities
Equity securities include $4.48 billion of common and $107 million of non-redeemable preferred stocks, and investments in affiliates as of December 31, 2024 compared to $2.35 billion of common and $91 million of non-redeemable preferred stocks, and investments in affiliates as of December 31, 2023. The net increase was driven by an increase in acquisitions and valuation of industrial and miscellaneous common stock during 2024.

<u>Off-balance sheet financial instruments</u>

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

(in millions)	**2024**	**2023**
Commitments to invest in limited partnership interests	$ 3,482	$ 3,068
Private placement commitments	$ 36	$ 70
Other loan commitments	$ 16	$ 18

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.

<u>Non-Investment Grade Investments</u>

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.

<u>Reserves for losses and loss adjustment expenses</u>

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 $4.68 billion and $5.40 billion in 2024 and 2023, respectively. Activity in the reserve for losses and loss adjustment expenses is summarized as follows:

(in millions)	**2024**	**2023**
Balance at January 1	$ 27,188	$ 24,150
Incurred related to		
Current year	35,790	35,892
Prior years	(363)	453
Total incurred	35,427	36,345
Paid related to:		
Current year	21,069	20,902
Prior years	12,981	12,405
Total paid	34,050	33,307
Balance as of December 31	$ 28,565	$ 27,188

Incurred losses and loss adjustment expenses attributable to insured events of prior years were $(363) million and $453 million as a result of the reestimation of unpaid losses and loss adjustment expenses for the years ended December 31, 2024 and 2023, respectively. These changes were generally the result of ongoing analyses of recent loss development trends. Initial estimates were revised as additional information regarding claims became known.

Anticipated salvage and subrogation of $1.42 billion and $1.59 billion was included as a reduction of loss reserves as of December 31, 2024 and 2023, 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	2024	2023
Michigan Catastrophic Claim Association ("MCCA")	0000	AA-9991159	$ 2,599	$ 2,400
North Carolina Reinsurance Facility	0000	AA-9991139	$ 543	$ 345

The MCCA is a statutory indemnification mechanism for member insurers' qualifying Personal Injury Protection ("PIP") 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. 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 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 PIP 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 is $635 thousand per claim for the fiscal two-years ending June 30, 2025 compared to $600 thousand per claim for the fiscal two-years ending June 30, 2023. 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. The MCCA annual assessments fund current operations, member company reimbursements and any deficit. The MCCA prepares statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan Department of Insurance and Financial Services ("MI DOI"). The MI DOI has granted the MCCA a statutory permitted practice that expires in June 30, 2025 to discount its liabilities for loss and loss adjustment expense. As of June 30, 2024, the date of its most recent annual financial report, the MCCA had cash and invested assets of $22.37 billion and an accumulated deficit of $2.10 billion. The permitted practice reduced the accumulated deficit by $47.30 billion.

Capital and surplus

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

(in millions)	2024	2023 (1)
Common capital stock	$ 102	$ 102
Gross paid in and contributed surplus	3,808	4,168
Unassigned funds (surplus)	13,174	8,923
Aggregate write-ins for special surplus funds	7	10
Total surplus as regards policyholders	$ 17,091	$ 13,203

(1) 2023 reflects Allstate Insurance Company Combined Audit

Total surplus as regards policyholders increased $3.89 billion or 29%, driven by an increase in unassigned funds due to net income of $3.95 billion.

RESULTS OF OPERATIONS

(in millions)	2024	2023 (1)
Premiums earned	$ 48,919	$ 43,413
Losses incurred	31,420	32,471
Loss adjustment expenses incurred	4,007	3,875
Other underwriting expenses incurred	11,785	9,747
Total underwriting deductions	47,212	46,093
Net underwriting gain (loss)	1,707	(2,680)
Net investment income earned	2,427	1,766
Net realized capital gains (losses)	(161)	(164)
Net investment gain	2,266	1,602
Total other income	807	603
Net income (loss), after dividends to policyholders but before all other federal and foreign income taxes	4,780	(475)
Federal and foreign income taxes incurred	835	(109)
Net income (loss)	$ 3,945	$ (366)

(1) 2023 reflects Allstate Insurance Company Combined Audit

Net underwriting gain
The $1.70 billion underwriting gain was due to increased premiums earned, favorable reserve reestimates and lower losses, partially offset by higher advertising costs.

Net investment gains
Net investment gain increased $664 million, due to higher results for both the market-based and performance-based strategies. Market-based investment results continue to benefit from portfolio repositioning into higher yielding bonds and higher investment balances.

CASH FLOW AND LIQUIDITY
The following table summarizes cash flow.

(in millions)	2024	2023 (1)
Net cash from operations	$ 7,997	$ 3,381
Net cash from investments	(9,184)	(3,362)
Net cash from financing and miscellaneous sources	212	(136)
Net change in cash, cash equivalents and short-term investments	$ (975)	$ (117)

(1) 2023 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 increased in 2024 as a result of an increase in premiums collected net of reinsurance and higher net investment income, partially offset by higher commissions expense. The lower cash flows from investments were the result of acquisitions in excess of sales. Higher cash flows from financing in 2024 compared to 2023 were due to an increase in aggregate write-ins for liabilities primarily accounts payable to vendors for payments that are awaiting term dates to be disbursed in 2025.

Dividend restriction
The ability of AIC, AVPIC, ANIC, ANAIC, SPCIC, EIC, EICA, EPC, ESPC, EIIC, EHAIC, AI, EI, APC, AFCIC and ESIC 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, 2024, the maximum ordinary dividend that can be declared and paid in 2025 by AIC, AVPIC, ANIC, ANAIC, SPCIC, EIC, EICA, EPC, ESPC, EIIC, EHAIC, AI, and EI is limited to $3.95 billion, $2.0 million, $1.4 million, $1.2 million, $0.8 million, $0.5 million, $0.3 million, $0.3 million, $0.3 million, $0.2 million, $0.2 million, $0.1 million, and $0.1 million, respectively. Currently, APC, AFCIC and ESIC 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, NGIO, and NGAC's domiciliary commissioner, dividends to shareholders are limited by the laws of NGIC, NGIO, and NGAC'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 2025 without prior approval of the Insurance Commissioner of Missouri is $1.7 million, $1.1 million and $0.5 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 2025 without prior approval of the Insurance Commissioner of California is $4.5 million and $1.7 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. Currently, MGIC cannot declare or pay dividends without prior approval of the Michigan Department of Insurance because of negative unassigned surplus.

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 2025 without prior approval of the Insurance Commissioner of Alabama is $5.1 million, before considering dividends paid in the prior twelve months.

The maximum amount of dividend which can be paid to shareholders without prior consent of the Indiana Department of Insurance ("IN DOI") by DGIC is limited to the greater of: 1) 10% of policyholder's surplus as of the preceding December 31, or 2) Net income, not including realized capital gains, for the twelve month period ending on the 31st day of December next preceding. Currently, DGIC cannot declare or pay dividends without prior approval of of the IN DOI because of negative unassigned surplus.

Without prior approval of INIC, IIC, IFAC, NSIC, IGIC, DIC, ICIC, NFU, IPIC, 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 2025 without prior approval of the Insurance Commissioner of North Carolina and before considering dividends paid in the preceding twelve months is $28.7 million, $10.4 million, $3.8 million, $0.9 million, $0.9 million, $0.7 million, $0.6 million, respectively. Currently, IPIC, DNIC and NFU cannot declare or pay dividends without prior approval of the North Carolina Department of Insurance because of negative unassigned surplus.

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) 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 2025 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 SACIC, SAVIC, SAIC 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 SACIC and SAVIC may pay in 2025 is $0.6 million. 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. Currently, SAIC cannot declare or pay dividends without prior approval of the Ohio Department of Insurance because of negative unassigned surplus.

Financial strength ratings and outlook

AIC's most recent financial strength ratings and outlook were A+, Aa3 and A+ from A.M. Best, Moody's and S&P, respectively; A.M. Best and S&P with a stable outlook and Moody's with a negative 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, 2024, 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, 2024, eight insurers in the Group had more than three ratios outside the usual range.

IIC had six ratio results fall outside of the usual range which were due to an increase in premiums written of $358 million compared to prior year and a $21 million dividend to NGMC which reduced surplus. IIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

DIC had five ratio results fall outside of the usual range which were due to an increase in premiums written of $69M compared to prior year. DIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

INIC had five ratio results fall outside of the usual range which were due to an increase in premiums written of $623 million compared to prior year and receiving a $37 million dividend and return of capital from NFU that increased surplus.

DGIC had five ratio results fall outside of the usual range which were due to an increase in premiums written of $252 million compared to prior year and a $26 million dividend and return of capital to NGMC which reduced surplus. DGIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

MGIC had five ratio results fall outside of the usual range which were due to a $17 million dividend and return of capital to NGMC which reduced surplus. MGIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

NFU had five ratio results fall outside of the usual range which were due to an increase in premiums written of $20 million compared to prior year and a $37 million dividend and return of capital to INIC which reduced surplus. NFU is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

NGIC had five ratio results fall outside of the usual range which were due to an increase in premiums written of $127 million compared to prior year and a $11 million dividend and return of capital to National General Holding Corporation which reduced surplus. NSIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

IGIC had five ratio results fall outside of the usual range which were due to an increase in premiums written of $211 million compared to prior year. IGIC is 100% reinsured to an affiliate and therefore is capitalized to the minimum level required.

Other items

Re-domestication of companies

Nine companies that are part of the Group were re-domesticated to Illinois in 2025. CNIC was re-domesticated from California on February 19, 2025. DGIC was re-domesticated from Indiana, NGIC, NGAC and NGIO were re-domesticated from Missouri and SAIC, SACIC and SAVIC were re-domesticated from Ohio on February 24, 2025. MGIC was re-domesticated from Michigan on March 19, 2025.

Macroeconomic impacts

Macroeconomic factors have and may continue to impact the results of operations, financial condition and liquidity, such as U.S. government fiscal and monetary policies, conflict in the Middle East, the Russia/Ukraine conflict, supply chain disruptions, labor shortages and potential trade policy actions, such as tariffs and quotas. These factors should be considered when comparing the current period to prior periods.

Commutation and Amendment of Quota Share Reinsurance Agreement
Following receipt of regulatory approval from IL DOI on September 22, 2023, AIC and National General Re, Ltd. ("NG Re") entered into a commutation and release agreement, effective July 1, 2023, related to the 40% quota share participation under the previous agreement. NG Re transferred $799 million of loss and loss expense reserves to the Company related to the commuted business. In addition, AIC and NG Re amended their intercompany quota share reinsurance agreement, effective July 1, 2023, whereby AIC will cede 25% of its business assumed from INIC to NG Re.

Following receipt of regulatory approval from IL DOI on January 28, 2025, AIC and NG Re entered into a commutation and release agreement, effective January 1, 2025, related to the 25% quota share participation under the previous agreement. NG Re transferred $707 million of loss and loss expense reserves to the Company related to the commuted business. In addition, the Company and NG Re amended their intercompany quota share reinsurance agreement, effective January 1, 2025, whereby the Company will cede 15% of its business assumed from INIC to NG Re.

Exit of Commercial Insurance
In 2023, the Company stopped selling traditional commercial insurance in five states.

State of California
The Company is not writing new homeowners business in the State of California.

Transfer of Investments
During 2018, AIC transferred limited partnership investments with a book/adjusted carrying value of $1.70 billion and cash of $12 million to AIMCO Private Fund II, LLC ("AIMCO II"). Since the transfer of the assets did not meet the conditions of a sale per SSAP No. 103, *Transfer and Servicing of Financial Assets and Extinguishments of Liabilities*, the assets of AIMCO II are directly reported in the AIC's financial statements. In 2021, additional assets were transferred into AIMCO II prior to the sale of Allstate Life Insurance Company, a former subsidiary. As of December 31, 2024, AIMCO II consisted of limited partnership investments with a book/adjusted carrying value of $1.90 billion and cash equivalents of $64 million and were included in the AIC's assets.