

PLAN OF DIVISION

dividing

**ALLSTATE INDEMNITY COMPANY
(an Illinois Insurance Company)**

into

**ALLSTATE INDEMNITY COMPANY
(as the Surviving Illinois Insurance Company)**

and

**MICHIGAN AI AUTO INSURANCE COMPANY
(the Newly Created Illinois Insurance Company)**

Date: January 29, 2021

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This PLAN OF DIVISION (this “*Plan of Division*”) sets forth the terms and conditions pursuant to which ALLSTATE INDEMNITY COMPANY, an Illinois-domiciled stock insurance company (“*AI*”), as the dividing company, shall consummate a division pursuant to and in accordance with the Domestic Stock Company Division Law of the State of Illinois, 215 ILCS 5/35B-1 *et seq.* (the “*Illinois Division Law*”), and provides as follows:

RECITALS

WHEREAS, the board of directors of AI (the “*AI Board*”) has determined that it is advisable for AI to separate the Specified Business (as defined herein) from AI’s other businesses, and in furtherance of the foregoing, the AI Board has duly authorized, approved and adopted this Plan of Division to effect a division pursuant to and in accordance with the applicable provisions of AI’s articles of incorporation and bylaws and the requirements of the Illinois Division Law;

WHEREAS, Section 35B-15 of the Illinois Division Law, among other things, authorizes an Illinois-domiciled stock insurance company to effect a division by dividing into (i) itself, as the surviving company, and (ii) a new Illinois-domiciled stock insurance company created by, and resulting from, the division;

WHEREAS, an Illinois-domiciled stock insurance company may effect a division under the Illinois Division Law by approving a plan of division that, among other things, allocates all of the Assets (as defined herein) and Liabilities (as defined herein) of the dividing company between the surviving company and the newly created company;

WHEREAS, pursuant to Section 35B-35 of the Illinois Division Law, when a division becomes effective (i) Assets of the dividing company that are allocated by the plan of division to the surviving company remain vested in the surviving company, (ii) Assets of the dividing company that are allocated by the plan of division to the newly created company vest in such newly created company and (iii) Assets of the dividing company that are not allocated by the plan of division remain vested in the dividing company if the dividing company survives the division or

are allocated equally to the resulting companies as tenants in common if the dividing company does not survive the division;

WHEREAS, pursuant to Section 35B-40 of the Illinois Division Law, when a division becomes effective (i) Liabilities of the dividing company that are allocated by the plan of division to the surviving company remain solely the responsibility of the surviving company by operation of law, (ii) Liabilities of the dividing company that are allocated by the plan of division to the newly created company remain solely the responsibility of the newly created company by operation of law and (iii) Liabilities of the dividing company that are not allocated by the plan of division to either the surviving company or the newly created company remain the Liabilities of the resulting companies on a joint and several basis by operation of law;

WHEREAS, AI, as the dividing company, desires to divide into AI, as the surviving company, and Michigan AI Auto Insurance Company, a newly created Illinois-domiciled stock insurance company ("**Michigan AI NewCo**"), in accordance with the Illinois Division Law and this Plan of Division;

WHEREAS, in connection with the division contemplated by this Plan of Division and in accordance with 215 ILCS 5/156 *et seq.* (the "**Illinois Merger Law**"), Michigan AI NewCo will enter into the Agreement and Plan of Merger (as defined herein), whereby immediately following such division, Michigan AI NewCo, Michigan APC Auto Insurance Company ("**Michigan APC NewCo**"), Michigan AIC Auto Insurance Company ("**Michigan AIC NewCo**") and Michigan AFCIC Auto Insurance Company ("**Michigan AFCIC NewCo**") will merge (the "**Merger**") with and into ASMI Auto Insurance Company, which is a newly created Illinois insurance company for purposes of the Merger (the "**Merger Company**"), upon which the separate corporate existence of Michigan AI NewCo, Michigan APC NewCo, Michigan AIC NewCo and Michigan AFCIC NewCo shall thereupon cease and the Merger Company shall be the surviving corporation in the Merger and a direct wholly owned subsidiary of Allstate Insurance Holdings, LLC ("**AIH**"); and

WHEREAS, in connection with this Plan of Division and the Merger, the Merger Company will become licensed in Michigan to transact automobile insurance under the Michigan Insurance Code, will become a member of the MCCA (as defined herein), and will be a "member insurer" of the Michigan Property and Casualty Guaranty Association ("**MPCGA**"), as such term is defined in the Property and Casualty Guaranty Association Act of the State of Michigan, MCL 500.7901 *et seq.* (the "**MPCGA Act**").

NOW, THEREFORE, for purposes of effecting the division of AI in accordance with the Illinois Division Law and prescribing the terms and conditions thereof, AI hereby adopts the following Plan of Division:

ARTICLE I

Definitions

1. ***Certain Terms.*** As used in this Plan of Division, the following terms have the meanings set forth below:

“Affiliate” of any Person shall mean another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such first Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, through the ownership of voting securities, by contract, or otherwise, and the terms “controlling” and “controlled” have the meanings correlative to the foregoing.

“Agreement and Plan of Merger” shall have the meaning set forth in Article V.4.

“AI” shall have the meaning set forth in the preamble hereto.

“AI Board” shall have the meaning set forth in the recitals hereto.

“AIC” means Allstate Insurance Company.

“AIH” shall have the meaning set forth in the recitals hereto.

“Applicable Law” means all laws, common law, rules, regulations, ordinances, codes, statutes, judgments, injunctions, governmental orders and decrees of all Governmental Authorities applicable to the Person, place and situation in question.

“Assets” shall have the meaning set forth in Section 35B-10 of the Illinois Division Law in effect at the Division Effective Time.

“Authorized Officer” shall mean any officer as currently elected or appointed or as may be elected or appointed prior to the Division Effective Time.

“Balance Sheet Methods” shall have the meaning set forth in Article VI.1.

“Book Value” means, as at any date of determination, the Dividing Company’s carrying value of the subject asset as determined by the Dividing Company in its discretion in accordance with the statutory accounting practices applicable to the Dividing Company.

“Certificate of Division” shall have the meaning set forth in Article II.8.

“Communication Plan” shall have the meaning set forth in Article II.6.

“Commutation Amendment” shall have the meaning set forth in Article II.4.

“Director” shall have the meaning set forth in Article II.5.

“Dividing Company” shall have the meaning set forth in Article II.8.

“Dividing Company Books and Records” means all records (including computer generated, recorded or stored records and whether located on systems, applications, SharePoint sites, shared drives, local drives, email repositories, databases, document management systems, paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form or location) of the Dividing Company, including any internal drafts, opinions, valuations, correspondence or other materials produced by, or provided between or among, the Dividing Company and its Affiliates or representatives with respect to the Division (as defined herein) and any and all legal, regulatory, actuarial, financial or other advice associated therewith (whether written or oral).

“Division” shall have the meaning set forth in Article II.8.

“Division Effective Time” shall mean 12:00 a.m. (Central Standard Time) on the date that the Division is to be effective as set forth in the Certificate of Division.

“Extra-Contractual Obligations” means all Liabilities to any Person or Persons arising out of, resulting from or relating to the Specified Policies other than Liabilities arising under the express terms and conditions and within the policy limits of the Specified Policies, including any loss in excess of the limits arising under or covered by any of the Specified Policies, any ex gratia payments and any Liability for fines, penalties, taxes, fees, forfeitures, compensatory, consequential, punitive, exemplary, special, treble, bad faith, tort, statutory or any other form of extra-contractual damages, as well as all legal fees and expenses relating thereto, including any investigation and adjustment expenses, court, litigation and arbitration costs and interest charges, which Liabilities arise out of, result from or relate to any act, error or omission, whether or not intentional, negligent, fraudulent, in bad faith or otherwise (actual or alleged), arising out of, resulting from or relating to the Specified Policies, including (a) the form, design, sale, marketing, distribution, underwriting, production, issuance, delivery, pricing, cancellation or administration of the Specified Policies, (b) the investigation, defense, prosecution, trial, settlement (including the failure to settle) or handling of claims, benefits, or payments under the Specified Policies or (c) the failure to pay or the delay in payment or errors in calculating or administering the payment of benefits, claims or any other amounts due or alleged to be due under or in connection with the Specified Policies.

“Fair Market Value” means, as of any date of determination, the fair market value of the subject asset determined by the Dividing Company in its discretion in accordance with its established procedures and practices for valuing assets.

“Governmental Authority” means any United States federal, state, local or non-U.S. governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court, self-regulatory body or entity or any instrumentality thereof.

“Illinois Division Law” shall have the meaning set forth in the preamble hereto.

“Illinois Merger Law” shall have the meaning set forth in the recitals hereto.

“Immediately prior to the Division Effective Time” shall mean as of the Division Effective Time, but without giving effect to the Division.

“Indemnifiable Losses” shall have the meaning set forth in Article VI.6.

“Injured Person” shall mean, with respect to any Policy, a natural person that suffers accidental bodily injury that is entitled to receive Personal Injury Protection benefits under the terms of such Policy as an injured person.

“Insured Person” shall mean, with respect to any Policy, the Policyholder and any Person (other than an Injured Person) that is entitled to coverage under the terms of such Policy as an insured person.

“Intellectual Property” shall mean, in any and all jurisdictions, whether or not registered, any (a) trademarks, service marks, trade names, trade dress, logos and other source or business identifiers, including all goodwill associated with any of the foregoing, (b) copyrights and rights in copyrightable subject matter in published and unpublished works of authorship, (c) copyrights in Software, (d) all registrations and applications to register or renew the registration of any of the foregoing, (e) patents and patent applications, including all reissues, divisions, renewals, extensions, reexaminations, provisionals, continuations and continuations-in-part thereof, (f) trade secrets, know-how, processes, formulae, and other confidential or proprietary information, (g) internet domain names, social media accounts and identifiers, and related rights, (h) data and database rights, and (i) other intellectual property rights or proprietary rights of any kind or nature.

“Investment Assets” shall mean any interest in any cash, cash equivalents, money market fund instruments, bonds, notes, debentures, loans, advances or other extensions of credit, real estate, instruments of indebtedness, stocks, partnership or joint venture interests, and all other equity interests, certificates issued by or interests in trusts, derivatives or other hedging or similar agreements or arrangements (including interest rate, currency, commodity or other swaps, collars and caps), or other securities, derivatives or assets acquired or held for investment purposes.

“Leased Real Property” shall mean the leasehold or subleasehold interests and any other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interests in real property held by the Dividing Company as of the Division Effective Time.

“Liabilities” shall have the meaning set forth in Section 35B-10 of the Illinois Division Law in effect at the Division Effective Time.

“MCCA” shall mean the Michigan Catastrophic Claims Association, or any successor thereto.

“Merger” shall have the meaning set forth in the recitals hereto.

“Merger Company” shall have the meaning set forth in the recitals hereto.

“Merger Effective Time” shall have the meaning set forth in Article V.4.

“MI DIFS” shall mean the Michigan Department of Insurance and Financial Services.

“Michigan AFCIC NewCo” shall have the meaning set forth in the recitals hereto.

“Michigan AI NewCo” shall have the meaning set forth in the recitals hereto.

“Michigan AIC NewCo” shall have the meaning set forth in the recitals hereto.

“Michigan APC NewCo” shall have the meaning set forth in the recitals hereto.

“MPCGA” shall have the meaning set forth in the recitals hereto.

“MPCGA Act” shall have the meaning set forth in the recitals hereto.

“New Company” shall have the meaning set forth in Article II.8.

“New Company Books and Records” means all records (including computer generated, recorded or stored records and whether located on systems, applications, SharePoint sites, shared drives, local drives, email repositories, databases, document management systems, paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form or location) to the extent relating exclusively to the Specified Business that are in the possession or control of the Dividing Company or any of its Affiliates immediately prior to the Division Effective Time; *provided, however*, that “New Company Books and Records” excludes each of the following immediately prior to the Division Effective Time: (a) tax returns, tax records and all other data and information with respect to taxes of the Dividing Company and its Affiliates; (b) any materials prepared for the boards of directors or similar governing bodies of the Dividing Company or any of its Affiliates; (c) any corporate minute books, stock records or similar corporate records of the Dividing Company or any of its Affiliates; (d) any internal drafts, opinions, valuations, correspondence or other materials produced by, or provided between or among, the Dividing Company and its Affiliates or representatives with respect to the Division and any and all legal, regulatory, actuarial, financial or other advice associated therewith (whether written or oral); and (e) consolidated financial records (including general ledgers) of the Dividing Company or its Affiliates, consolidated regulatory filings made by the Dividing Company or its Affiliates and any related correspondence with governmental authorities.

“New Company Investment Portfolio” shall have the meaning set forth in Article VI.2(b).

“New Company Reference Balance Sheet” shall have the meaning set forth in Article VI.1.

“New Company Tax Assets” shall have the meaning set forth in ***Schedule 4***.

“New Company Tax Liabilities” shall have the meaning set forth in ***Schedule 6***.

“Non-Investment Asset” shall mean any Asset that is not an Investment Asset.

“Order” shall have the meaning set forth in Article II.5.

“Owned Real Property” shall mean the real property that is owned by the Dividing Company as of the Division Effective Time, together with all buildings, improvements and structures thereon.

“**Person**” shall mean an individual, corporation, partnership, joint venture, limited liability company, association (including the MCCA), trust, unincorporated organization, Governmental Authority, or other entity.

“**Personal Injury Claim**” means, with respect to any Policy, all Liabilities of the Dividing Company under the terms of such Policy for claims made by an Insured Person, an Injured Person or any other Person with respect to one or more of the following types of coverage: bodily injury liability, Personal Injury Protection, uninsured motorists’ bodily injury liability and underinsured motorists’ bodily injury liability.

“**Personal Injury Protection**” means personal protection insurance, as such term is used in Chapter 31 of the Michigan Insurance Code, MCL 500.3101 *et seq.*

“**Plan of Division**” shall have the meaning set forth in the preamble hereto and includes all Schedules, Annexes and Exhibits hereto.

“**Policies**” shall mean all new and renewal policies, contracts and binders of insurance of the Dividing Company, including any endorsements or addenda thereto.

“**Policyholder**” means, with respect to any Policy, the person named as the policyholder on such Policy.

“**Property Claim**” means, with respect to any Specified Policy, all Liabilities of the Dividing Company under the terms of such Specified Policy for claims made by an Insured Person or any other Person with respect to one or more of the following types of coverage: property damage liability, limited property damage liability, property protection and loss to the auto (including limited collision, broad form collision, standard collision and auto comprehensive coverage).

“**Recorder**” shall have the meaning set forth in Article II.8.

“**Reference Balance Sheet Date**” shall have the meaning set forth in Article VI.1.

“**Software**” means all computer software, including application software, system software, firmware, middleware, mobile digital applications, assemblers, applets, compilers and binary libraries, including all source code and object code versions of any and all of the foregoing, in any and all forms and media, and all related documentation.

“**Specified Business**” shall mean the business, operations and activities of the Dividing Company prior to the Division Effective Time to the extent, and only insofar as, arising out of, resulting from or relating to the Specified Policies, including the operation, administration and payment of all claims, including Personal Injury Claims and Property Claims, and recovery of all amounts owed to the Dividing Company under or related to the Specified Policies.

“**Specified Policies**” shall mean those Policies of the Dividing Company that are set forth by policy number on *Schedule 1* hereto.

“**Surviving Company**” shall have the meaning set forth in Article II.8.

“Surviving Company Business” shall mean the business, operations and activities of the Dividing Company prior to the Division Effective Time other than the Specified Business.

“Surviving Company Investment Portfolio” shall mean all Investment Assets of the Dividing Company immediately prior to the Division Effective Time other than the New Company Investment Portfolio.

“Surviving Company Reference Balance Sheet” shall have the meaning set forth in Article VI.1.

“Third Party” with respect to any Person shall mean another Person, other than such first Person and its Affiliates.

2. **Terms Generally.** As used in this Plan of Division, except to the extent that the context otherwise requires:

(a) when a reference is made in this Plan of Division to a Schedule, Article, Section, Annex or Exhibit, such reference is to a Schedule, Article, Section or Annex of, or an Exhibit to, this Plan of Division unless otherwise indicated;

(b) the words “hereby,” “herein,” “hereof,” “hereunder” and words of similar import refer to this Plan of Division as a whole and not merely to the specific section, paragraph or clause in which such word appears;

(c) whenever the words “include,” “includes,” or “including” (or similar terms) are used in this Plan of Division, they are deemed to be followed by the words “without limitation”;

(d) the definitions contained in this Plan of Division are applicable to the singular as well as the plural forms of such terms; and

(e) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

ARTICLE II

The Division

1. **Purpose of Division.** The principal purpose of the Division is to separate the Specified Business from AI’s other businesses, pursuant to and in accordance with the terms set forth in this Plan of Division.

2. **Approval by the AI Board.** This Plan of Division was unanimously authorized, approved and adopted by written consent, in lieu of a meeting, duly signed by the AI Board in accordance with Section 10 of the Illinois Insurance Code, 215 ILCS 5/10(5).

3. **Written Consent of Shareholder.** This Plan of Division was unanimously approved, adopted and ratified by written consent, in lieu of a meeting, duly signed by the holder of AI's issued and outstanding common shares, par value \$100.00 per share.

4. **Commutation.** Subject to the terms and conditions of the Partial Commutation and Partial Termination Amendment, to be dated prior to the Division Effective Time, between AI and AIC substantially in the form attached as **Annex A** to this Plan of Division (the "**Commutation Amendment**"), immediately prior to the Division Effective Time, AIC and AI shall commute the coverage for the Specified Policies previously ceded by AI to AIC under the Quota Share Agreement (as such term is defined in the Commutation Amendment).

5. **Approval of the Director.** Prior to the Division Effective Time, AI shall receive a written order (the "**Order**"), accompanied by findings of fact and conclusions of law, from the Director of the Illinois Department of Insurance (the "**Director**") approving the Division in accordance with Section 35B-25 of the Illinois Division Law.

6. **Public Hearing.** AI has requested that the Director hold a public hearing on this Plan of Division prior to issuing the Order. AI intends to provide notice of the public hearing as contemplated by the Communication Plan attached as **Annex B** to this Plan of Division (the "**Communication Plan**"). Pursuant to the Communication Plan, the MI DIFS shall be notified of the public hearing and be provided a copy of this Plan of Division. AI has been in consultation with the MI DIFS regarding the Division and related transactions, including discussions with senior staff at the MI DIFS relating to the Division and the licensing of the Merger Company in Michigan.

7. **Retention of Experts.** AI has requested that the Director retain legal and actuarial experts to review relevant components of this Plan of Division, at the expense of the Dividing Company.

8. **The Division.** Following receipt of the approval of this Plan of Division from the Director and upon the filing of a Certificate of Division substantially in the form attached as **Annex C** to this Plan of Division (the "**Certificate of Division**") with the Office of the Recorder of Cook County, Illinois (the "**Recorder**"), with a concurrent copy to the Director, pursuant to Section 35B-30 of the Illinois Division Law, AI (hereinafter sometimes referred to as the "**Dividing Company**") shall divide (the "**Division**") into the following, effective as of the Division Effective Time: (a) AI (hereinafter sometimes referred to as the "**Surviving Company**"), which shall survive the Division, and (b) Michigan AI NewCo (hereinafter sometimes referred to as the "**New Company**"), which shall be a new Illinois-domiciled stock insurance company created by, and resulting from, the Division, subject to the terms and conditions of this Plan of Division. The Division shall become effective at the Division Effective Time, as provided for in the Certificate of Division.

ARTICLE III

Dividing Company

1. **Registered Office.** The corporate name of the Dividing Company is Allstate Indemnity Company, with its registered office at 2775 Sanders Road, Northbrook, Cook County, IL 60062.
2. **Incorporation.** AI was duly incorporated in Illinois on July 7, 1960.

ARTICLE IV

Surviving Company

1. **Name.** The corporate name of the Surviving Company shall be Allstate Indemnity Company.
2. **Articles and Bylaws.** At the Division Effective Time, the articles of incorporation and bylaws of the Dividing Company in effect at the Division Effective Time, each as amended, restated or modified through the Division Effective Time, shall remain in full force and effect and shall not be amended, restated or modified as a result of the Division.
3. **Capitalization.** The authorized capital stock of AI shall not be affected by the Division. At the Division Effective Time, all common shares, par value \$100.00 per share, of AI then outstanding shall continue to be registered on the books of the Surviving Company as they appear in the books and records of the Dividing Company. The Surviving Company shall have no issued and outstanding preference shares as of the Division Effective Time.
4. **Board of Directors.** The board of directors of the Dividing Company shall continue to be the directors of the Surviving Company.
5. **Officers.** The officers of the Dividing Company shall continue to be the officers of the Surviving Company.
6. **Licenses.** Except as set forth in Article V.6 and Article V.7, the Surviving Company shall be the sole successor of the Dividing Company for the purposes of all licenses, permits, orders, approvals, consents, registrations, memberships or authorizations of the Dividing Company under Applicable Law or otherwise with any Governmental Authority.

ARTICLE V

New Company

1. **Name.** The corporate name of the New Company shall be Michigan AI Auto Insurance Company.

2. **Capitalization.** At the Division Effective Time, immediately prior to the Merger, there shall be outstanding 1,000,000 common shares, par value \$1.00 per share, of the New Company, all of which shall be distributed in the Division to AIH. The common shares of the New Company issued to AIH pursuant to this Plan of Division shall constitute all of the issued and outstanding common shares of the New Company as of the Division Effective Time. The New Company shall have no issued and outstanding preference shares as of the Division Effective Time.

3. **Articles and Bylaws.** At the Division Effective Time, the articles of incorporation of the New Company shall be substantially in the form attached as **Annex D** to this Plan of Division and the bylaws of the New Company shall be substantially in the form attached as **Annex E** to this Plan of Division.

4. **Merger.** Subject to the terms and conditions of the agreement and plan of merger substantially in the form attached as **Annex F** to this Plan of Division (the “**Agreement and Plan of Merger**”), including approval of the Merger by the Director, and in accordance with the Illinois Merger Law, immediately following the Division, the New Company, Michigan APC NewCo, Michigan AIC NewCo and Michigan AFCIC NewCo shall merge with and into the Merger Company, upon which the separate corporate existence of the New Company, Michigan APC NewCo, Michigan AIC NewCo and Michigan AFCIC NewCo shall thereupon cease and the Merger Company shall be the surviving corporation in the Merger and a direct wholly owned subsidiary of AIH. In accordance with Section 163(1) of the Illinois Merger Law, upon issuance of the certificate of merger by the Director, the Merger shall become effective (the “**Merger Effective Time**”). Within 15 days after the Merger Effective Time, the Merger Company shall file with the Recorder: (a) the Agreement and Plan of Merger, or a copy thereof, certified by the Director, and (b) a certificate of merger, or a copy thereof, certified by the Director. The certificate of merger, or a copy thereof, certified by the Director, shall also be filed with the office of the recorder of each county in Illinois in which any of the parties to the Agreement and Plan of Merger have real property at the time of the Merger, the title to which will be transferred by the Merger.

5. **Kinds of Insurance Business.** At the Merger Effective Time, the Merger Company shall be authorized in Illinois to conduct all of the kinds of insurance business enumerated in Classes 2 and 3 of Section 4 of the Illinois Insurance Code, 215 ILCS 5/4. At the Merger Effective Time, the Merger Company shall be authorized in Michigan to transact the kind or combination of kinds of insurance constituting automobile insurance under the Michigan Insurance Code, MCL 500.100 *et seq.*, and other related kinds of insurance business, including the kinds of insurance business enumerated in Sections 606, 610, 614, 616, 618, 620, 624, 625, and 628 and Chapter 73 of the Michigan Insurance Code.

6. **MCCA.** The New Company shall be the successor of the Dividing Company with respect to any rights or obligations related to the MCCA to the extent arising out of, resulting from or relating to the Specified Policies. At the Merger Effective Time, the Merger Company shall be a member of the MCCA.

7. **MPCGA.** The New Company shall be the successor of the Dividing Company with respect to any obligations related to the MPCGA to the extent arising out of, resulting from or relating to the Specified Policies. At the Merger Effective Time, the Merger Company shall be a member of the MPCGA.

8. **Plan of Operations for Merger Company.** The plan of operations for the Merger Company upon the Merger Effective Time, which describes the plan for the management of the Merger Company, is attached as **Annex G** to this Plan of Division.

9. **Dividend Restrictions.** The Merger Company shall not pay dividends to its shareholder for a period of five years after the Merger Effective Time without the approval of the Director.

ARTICLE VI

Effect of Division

1. **Reference Balance Sheet. Schedule 2** to this Plan of Division sets forth unaudited pro forma balance sheet information of AI as of June 30, 2020 (the “**Reference Balance Sheet Date**”), that gives effect to the Division as contemplated by this Plan of Division, consisting of unaudited pro forma balance sheet information as of the Reference Balance Sheet Date for each of the Surviving Company and the New Company (such balance sheet information, including any assumptions and explanations accompanied therewith, being referred to herein as the “**Surviving Company Reference Balance Sheet**” and the “**New Company Reference Balance Sheet**,” respectively). The Surviving Company Reference Balance Sheet and the New Company Reference Balance Sheet were prepared by AI in accordance with the methods described in **Schedule 3** (the “**Balance Sheet Methods**”).

2. **Allocation of Assets and Surplus.**

(a) At the Division Effective Time, pursuant to Section 35B-35 of the Illinois Division Law, (i) the Assets and surplus of the Dividing Company set forth on **Schedule 4** to this Plan of Division shall be allocated solely to the New Company as a successor of the Dividing Company, automatically, by operation of law, including reimbursements from the MCCA arising out of, resulting from or relating to the Specified Policies, and (ii) the Assets and surplus of the Dividing Company set forth on **Schedule 5** to this Plan of Division and any other Assets of the Dividing Company that are not allocated by this Plan of Division to the New Company shall remain vested solely in the Surviving Company.

(b) No later than the 10th business day preceding the Division Effective Time, the Dividing Company will file with the Director a list of Investment Assets to be allocated to the New Company in connection with the Division (as set forth in such filing, collectively, the “**New Company Investment Portfolio**”). The New Company Investment Portfolio selected by the Dividing Company must satisfy the following conditions, as determined by the Dividing Company: (i) the New Company Investment Portfolio will satisfy the investment asset criteria attached hereto as **Annex H** as of the 15th business day preceding the Division Effective Time; (ii) the aggregate Book Value of the New Company

Investment Portfolio as of the Reference Balance Sheet Date is no less than the corresponding amounts specified in the New Company Reference Balance Sheet for the line items for bonds, preferred stocks, common stocks and cash, cash equivalents and short term assets; and (iii) the ratio of the aggregate Fair Market Value to the aggregate Book Value of the New Company Investment Portfolio as of the 15th business day preceding the Division Effective Time will not be less than 90% of the ratio of the aggregate Fair Market Value to the aggregate Book Value of all of the Dividing Company's Investment Assets as of the 15th business day preceding the Division Effective Time.

3. ***Allocation of Liabilities.*** At the Division Effective Time, pursuant to Sections 35B-35(6) and 35B-40 of the Illinois Division Law, (a) the Liabilities of the Dividing Company set forth on ***Schedule 6*** to this Plan of Division shall be allocated to, and become the sole and exclusive responsibility of, the New Company as a successor of the Dividing Company, automatically, by operation of law, including all Liabilities arising out of, resulting from or relating to the Specified Policies (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Division Effective Time; and including all Personal Injury Claims, Property Claims, Extra-Contractual Obligations, recoupable or non-recoupable assessments from, or other obligations to, pools, syndicates and associations (including the MCCA), litigation expenses and all other loss adjustment expenses, in each case with respect to such Specified Policies) and (b) the Liabilities of the Dividing Company set forth on ***Schedule 7*** to this Plan of Division shall be allocated solely to, and remain the sole and exclusive responsibility of, the Surviving Company. By operation of law, at the Division Effective Time and henceforth forever, (x) the Surviving Company shall have no responsibility or obligation whatsoever, whether under law, contract or otherwise, for any Liabilities allocated to the New Company under this Plan of Division and (y) the New Company shall have no responsibility or obligation whatsoever, whether under law, contract or otherwise, for any Liabilities allocated to the Surviving Company under this Plan of Division.

4. ***Effect of Division.*** The consummation of the Division shall have all of the effects set forth in the Illinois Division Law. The provisions, terms and conditions of the Specified Policies shall be unchanged by the Division except as expressly set forth in this Plan of Division.

5. ***Future Liabilities and Assets.*** Without derogating from the allocation of Liabilities set forth in this Plan of Division, at and after the Division Effective Time, the Surviving Company and the New Company shall each thenceforth be responsible as separate and distinct companies only for the Liabilities that each company may undertake or incur in its own name. Moreover, without derogating from the allocation of Assets set forth in this Plan of Division, at and after the Division Effective Time, the Surviving Company and the New Company shall each thenceforth be entitled as separate and distinct companies only to the Assets that each company may own or otherwise possess in its own name.

6. **Indemnification.** To the fullest extent permitted by applicable law, and without derogating from the allocation of Assets and Liabilities set forth in this Plan of Division, from and after the Division Effective Time:

(a) the New Company shall indemnify and hold harmless the Surviving Company against all Liabilities, losses, damages and reasonable costs and expenses (provided that each of New Company and Surviving Company shall bear their own outside counsel fees and expenses, other than jointly incurred outside counsel fees and expenses, which shall be shared 50/50) (collectively, “**Indemnifiable Losses**”) incurred by the Surviving Company in connection with any threatened, pending, settled, adjudicated or otherwise completed claim, demand, action, suit, investigation or proceeding to which the Surviving Company is a party or is threatened to be made a party by any Third Party to the extent based upon, arising out of, resulting from or relating to (i) the Liabilities allocated to the New Company hereunder or (ii) the business, operations, activities or other actions conducted or taken by or on behalf of the New Company after the Division Effective Time; *provided, however*, that “Indemnifiable Losses” under this clause (a) shall not mean or include any Liabilities, losses, damages and costs and expenses to the extent, as determined by a court of competent jurisdiction in a final non-appealable judgment, resulting from (x) the fraud, intentional misrepresentation, intentional neglect, malfeasance, or willful and wanton misconduct by or on behalf of the Surviving Company, including any award of punitive or exemplary damages against the Surviving Company, or (y) the fraud, intentional misrepresentation, intentional neglect, malfeasance, or willful and wanton misconduct by AIC or any of its Affiliates in providing services to the New Company on or after the Division Effective Time pursuant to a services or other similar agreement;

(b) the Surviving Company shall indemnify and hold harmless the New Company against all Indemnifiable Losses (provided that each of New Company and Surviving Company shall bear their own outside counsel fees and expenses, other than jointly incurred outside counsel fees and expenses, which shall be shared 50/50) incurred by the New Company in connection with any threatened, pending, settled, adjudicated or otherwise completed claim, demand, action, suit, investigation or proceeding to which the New Company is a party or is threatened to be made a party by any Third Party to the extent based upon, arising out of, resulting from or relating to (i) the Liabilities allocated to the Surviving Company hereunder or (ii) the business, operations, activities or other actions conducted or taken by or on behalf of the Surviving Company after the Division Effective Time; and

(c) Any claim for Indemnifiable Losses shall be made in good faith. To the extent there is any conflict between the foregoing indemnification and the other terms of this Plan of Division, the other terms of this Plan of Division shall control. For purposes of the foregoing, “**Third Party**” means any Person, including any Governmental Authority, other than an Affiliate of either the New Company or the Surviving Company. The indemnified party shall promptly repay any amounts received pursuant to this Article VI.6 if it shall be finally determined by a court of competent jurisdiction that such indemnified party was not entitled to receive such amount pursuant to paragraph (a) or (b) above, as applicable.

7. ***Evidence of Allocation.*** At and after the Division Effective Time, the New Company shall hold all capital, surplus and other Assets allocated to the New Company pursuant to this Plan of Division as a successor to the Dividing Company, automatically, by operation of law and not by transfer, whether directly or indirectly. Nevertheless, in furtherance of the allocation of Assets and Liabilities in accordance with this Plan of Division, (a) each of the Surviving Company and the New Company shall execute and deliver such deeds, leases, financing statements, certificates of title and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the allocation of all of the Dividing Company's right, title and interest in and to such Assets to the New Company or the Surviving Company, as applicable, pursuant to this Plan of Division and (b) each of the Surviving Company and the New Company shall execute and deliver such instruments as and to the extent necessary to evidence the valid and effective allocation of the Liabilities of the Dividing Company pursuant to this Plan of Division to the New Company or the Surviving Company, as applicable. In the event that either the New Company or the Surviving Company discovers after the Division Effective Time that the relevant deed, lease, financing statement, certificate of title or other instrument of transfer, conveyance or assignment necessary to evidence the allocation of the Dividing Company's right, title and interest in and to any Asset allocated to the New Company or the Surviving Company, as applicable, was not properly executed and delivered, the New Company and the Surviving Company shall work together to ensure the proper execution and delivery of such instrument as and to the extent necessary to evidence the allocation of the Dividing Company's right, title and interest in and to such Asset to the New Company or the Surviving Company, as applicable, pursuant to this Plan of Division promptly upon discovery of such Asset.

8. ***Continuation of Guaranty Fund Coverage.*** At and after the Division Effective Time, the Specified Policies shall be considered Policies of the New Company, for purposes of the MPCGA Act in effect at the Division Effective Time, as a successor of the Dividing Company automatically, by operation of law. At and after the Merger Effective Time, the Specified Policies shall be considered Policies of the Merger Company, for purposes of the MPCGA Act in effect at the Merger Effective Time. Pursuant to Article V.7, the Merger Company shall be a member of the MPCGA at the Merger Effective Time.

ARTICLE VII

General Provisions

1. ***Authority.*** Each of the officers of AI are hereby empowered and directed, in the name and on behalf of AI, to take all such actions, to cause to be prepared and filed all such other documents, to make all expenditures and to execute all instruments deemed by them to be necessary or desirable for the purpose of effecting the Division in accordance with this Plan of Division.

2. ***Governing Law.*** This Plan of Division shall be governed by and construed under the laws of the State of Illinois.

3. ***Costs and Expenses.*** All the costs and expenses related to the Plan of Division, including the costs and expenses of and incurred by outside advisors and consultants of the Director, shall be paid by the Dividing Company.

4. ***Headings.*** Article and Section headings contained in this Plan of Division are for convenience only and shall not be considered in construing or interpreting any of the provisions hereof.


5. ***Corrections.*** AI may, until the Order is obtained, by an instrument executed by the President, Vice President or other Authorized Officer of AI, attested by the Secretary, Assistant Secretary or other Authorized Officer of AI and submitted to the Director, make such modifications of a non-material nature as are appropriate to correct errors, clarify existing items or make additions to correct manifest omissions in this Plan of Division.


6. ***Amendment or Withdrawal.*** At any time prior to the Division Effective Time, AI may, by resolution of not less than a majority of the entire AI Board, amend or withdraw this Plan of Division. The Plan of Division as so amended shall be filed with the Recorder, with a concurrent copy to the Director.

* * *

IN WITNESS WHEREOF, ALLSTATE INDEMNITY COMPANY, the Dividing Company, has executed this Plan of Division, this 29th day of January, 2021.

ALLSTATE INDEMNITY COMPANY

By: 
Name: Michael A. Pedraja
Title: Senior Vice President and Treasurer

ATTEST: 
By:
Name: Daniel G. Gordon
Title: Vice President and Assistant Secretary

SCHEDULE 1

SPECIFIED POLICIES

(See attached)

Allstate Indemnity Company			
Policy State	Policy Number	Policy Status	Termination Date
Michigan	606026001	Terminated	11/20/2000

Pro Forma Reference Balance Sheet Information

Allstate Indemnity Company Q2 2020 as Reported		Total	Commute Specified Business	AI Pre-Division	Michigan AI NewCo	AI Surviving Company
Assets (Page 2) - Net Admitted Assets						
Data displayed in \$000 unless otherwise noted						
1	Bonds	101,568	3,828	105,396	5,281	100,116
5	Cash, Cash Equivalents, and Short Term Assets	3,350	118	3,468	163	3,305
12	Subtotals, Cash & Invested Assets	105,924	3,947	109,871	5,444	104,427
14	Investment Income Due & Accrued	882	40	922	55	867
16.1	Recoverable from Reinsurance	5,508	-	5,508	79	5,429
18.2	Deferred Tax Asset	130	-	130	-	130
23	Receivables from parent, subsidiaries, affiliates	2,615	-	2,615	-	2,615
25	Write-Ins for Non Invested Assets	1,369	-	1,369	-	1,369
26	Assets Excl Separate & Seg Accts	116,428	3,987	120,415	5,578	114,837
28	Total Assets	116,428	3,987	120,415	5,578	114,837
Liabilities (Page 3)						
1	Unpaid Losses	-	3,786	3,786	3,786	-
3	Unpaid Loss Adj Expenses	-	201	201	201	-
7.1	Unpaid Federal & Foreign Income Taxes	939	-	939	-	939
12	Ceded Reinsurance Premiums Payable	10,169	-	10,169	-	10,169
19	Payable to Parent, Subs & Affiliates	3	-	3	-	3
21	Payable for Securities	500	-	500	-	500
28	Total Liabilities	11,611	3,987	15,597	3,987	11,611
Capital and Surplus						
30	Common Capital Stock	4,200		4,200	1,000	4,200
34	Gross Paid In & Contributed Surplus	98,136		98,136	576	96,559
35	Unassigned Funds	2,482		2,482	15	2,467
37	<i>Surplus as Regards Policyholders</i>	<i>104,818</i>	<i>-</i>	<i>104,818</i>	<i>1,592</i>	<i>103,226</i>
38	Liabilities and Capital & Surplus	116,428	3,987	120,415	5,578	114,837
Memo: MCCA Recoverable on Reserves		1,368	9,245	10,612	8,593	2,019

SCHEDULE 3

BALANCE SHEET METHODS¹

The Surviving Company Reference Balance Sheet and the New Company Reference Balance Sheet attached as **Schedule 2** to the Plan of Division (together, the “**Unaudited Pro Forma Balance Sheets**”) were prepared from the historical balance sheet of the Dividing Company as of the Reference Balance Sheet Date (*i.e.*, June 30, 2020). The historical balance sheet of the Dividing Company was contained in the Dividing Company’s Quarterly Statement for the quarter ended June 30, 2020, as filed with the Illinois Department of Insurance (“**IL DOI**”), and was prepared in accordance with accounting practices prescribed or permitted by the IL DOI. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (“**NAIC**”), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The State of Illinois requires its domestic insurance companies to prepare financial statements in conformity with the NAIC Accounting Practices and Procedures Manual, which includes all Statements of Statutory Accounting Principles (SSAPs), subject to any deviations prescribed or permitted by the IL DOI. For further information regarding the significant accounting policies used to prepare the Dividing Company’s historical balance sheet upon which the Unaudited Pro Forma Balance Sheets are based, see the notes to financial statements contained in the Dividing Company’s Quarterly Statement for the quarter ended June 30, 2020, as filed with the IL DOI.

The Dividing Company issued certain automobile insurance policies in Michigan that are no longer in force as of December 31, 2019, which are referred to in the Plan of Division as the Specified Policies. In general, although certain exceptions may apply, in determining whether a Policy of the Dividing Company would be included in the Specified Policies allocated to the New Company under the Plan of Division, the Dividing Company selected its Michigan private passenger automobile Policies (the “**MI Auto Policies**”) that (a) were issued on or after July 1, 1978 (*i.e.*, date of establishment of the MCCA), (b) were no longer in force as of December 31, 2019 (and have not been reinstated as of June 30, 2020), (c) had an outstanding claim reserve as of December 31, 2019 on a Personal Injury Claim and (d) still retained a reserve on a Personal Injury Claim as of June 30, 2020. The MI Auto Policies were policies that provided coverage for a motor vehicle that was registered in the State of Michigan or whose owner held a valid license to operate a motor vehicle issued by the State of Michigan, as such information was reflected in the records of the Dividing Company as of the time the MI Auto Policy was issued.

The principal purpose of the Division is to separate the Specified Business from the Dividing Company’s other businesses. AIC also reinsures 100% of the insurance liabilities of the Dividing Company and certain other companies in the Allstate holding company group. AIC and the Dividing Company plan to commute AIC’s reinsurance of the Specified Policies immediately prior to the Division Effective Time pursuant to the Commutation Amendment

¹Capitalized terms used in this **Schedule 3** that are not defined herein shall have the respective meanings set forth in the Plan of Division.

(referred to herein as the “**Commutation**”). The Unaudited Pro Forma Balance Sheets give effect to, first, the Commutation, and then, the Division, as if each had occurred on June 30, 2020.

In preparing the Unaudited Pro Forma Balance Sheets, the Dividing Company identified the liabilities (as such term is defined in Section 35B-10 of the Illinois Division Law) and related assets relating to the Specified Policies in order to allocate those to the New Company Reference Balance Sheet. The Dividing Company also calculated the liability and related asset amounts related to the Personal Injury Protection amounts covered by the MCCA. The Dividing Company’s assets and liabilities were then separated into pro forma reference balance sheets for each of the Surviving Company and the New Company. The New Company Reference Balance Sheet is comprised of liabilities and assets relating to the Specified Policies, as identified by the Dividing Company to be allocated to the New Company in the Plan of Division. The Surviving Company Reference Balance Sheet is comprised of all liabilities and assets of the Dividing Company, other than the liabilities and assets that will be allocated to the New Company under the Plan of Division.

In connection with the formation of the Merger Company, AIH has provided \$2,000,000 of capital and surplus to the Merger Company and will provide an additional \$5,500,000 of capital and surplus to the Merger Company, for a total of \$7,500,000 (“**Initial Capital Adjustment**”) to satisfy the minimum capital requirements under Illinois and Michigan law. As a result, the combined total capital and surplus allocated by the Dividing Company, AIC, Allstate Property and Casualty Insurance Company and Allstate Fire and Casualty Insurance Company (together, the “**Allstate Dividing Companies**”) to the new companies created by the divisions of the Allstate Dividing Companies (collectively, the “**Allstate New Companies**”) (*i.e.*, Michigan AFCIC NewCo, Michigan AI NewCo, Michigan AIC NewCo and Michigan APC NewCo), as reflected on the Allstate New Companies’ reference balance sheets, will be reduced by the Initial Capital Adjustment, with the total \$7,500,000 balance remaining in the four Allstate Dividing Companies that will be the surviving companies in the divisions. Accordingly, the Initial Capital Adjustment provided by AIH and reflected on the Allstate New Companies’ reference balance sheets shall not constitute assets nor capital and surplus of the Allstate Dividing Companies allocated to the Allstate New Companies under **Schedule 4** to the relevant plan of division. The proportionate reduction in invested assets and capital and surplus, to reflect the Initial Capital Adjustment, for each Allstate New Company will be based on the respective Allstate New Company’s pre-Division capital and surplus.

Case reserves for losses and allocated loss adjustment expenses (“**ALAE**”) combined are established by the claim adjusters at the individual claim level and are subsequently split into case loss reserves and case ALAE reserves during the recording process. Supplemental and incurred but not reported (“**IBNR**”) reserves are established at an aggregate level.

Gross Reserves Methodology

For supplemental and IBNR reserves, the recorded loss and ALAE portions of reserves as of June 30, 2020 within each report year were allocated to individual pending claims in proportion to their corresponding case reserves and based on Allstate’s judgment. The gross reserves allocated to pending claims associated with the Specified Policies are equal to the required reserves for the New Company. The recorded unallocated loss adjustment expense (“**ULAE**”)

reserves as of June 30, 2020, were determined for the Allstate Dividing Companies by multiplying the countrywide average ULAE expense per weighted count, adjusted for inflation, to the number of projected weighted counts in each future year. The weighted count concept is derived from the Wendy Johnson method for determining ULAE reserves and applies a weight to newly opened claims, pending claims, and closure of claims in proportion to the amount of effort involved in each of these stages of a claim.

Ceded Reserves Methodology

Non-case ceded loss reserves were developed in total and then divided between supplemental and IBNR reserves for recording purposes. Supplemental reserves recorded as of June 30, 2020 within each report year were allocated to individual pending claims ceded to the MCCA in proportion to their corresponding ceded case reserves. IBNR reserves recorded as of June 30, 2020 within each report year were allocated to all pending claims in proportion to their gross case plus supplemental reserves. The ceded reserves allocated to pending claims associated with the Specified Policies are equal to the required reserves for the New Company. The Dividing Company does not carry ceded ALAE reserves because a limited portion can be recovered from the MCCA.

A final review was applied to ensure logical consistency at the individual claim or company level, e.g., capping ceded reserves at no greater than gross reserves at the claim level.

Total capital and surplus for the Surviving Company and the New Company was calculated using a variety of methodologies, including risk-based capital requirements, peer capital comparisons and rating agency requirements, as determined by the Dividing Company.

The categories of invested assets were selected for the New Company based on the investment asset criteria set forth in ***Annex H*** to the Plan of Division.

Within the Unaudited Pro Forma Balance Sheets, the column “Total” reflects the historical balance sheet of the Dividing Company as contained in the Dividing Company’s Quarterly Statement for the quarter ended June 30, 2020, as filed with the IL DOI.

The following pro forma adjustments to the column “Total” have been presented in the Unaudited Pro Forma Balance Sheets:

- (a) The column “Commute Specified Business” reflects the effect of the Commutation on the Dividing Company’s assets, as well as a corresponding adjustment to the Dividing Company’s liabilities. The “Commute Specified Business” column assumes that pursuant to the Commutation, AIC will pay or transfer to the Dividing Company an amount representing AIC’s outstanding case and supplemental reserves and incurred but not reported reserves for unpaid losses and loss adjustment expenses, less unearned premium, in each case relating to the reinsurance of the Specified Policies, as of June 30, 2020, and in turn, AIC will be discharged and released from its assumed reinsurance liabilities and obligations with respect to such Specified Policies.

- (b) The column “AI Pre-Division” reflects the Dividing Company’s historical balance sheet information as of June 30, 2020, after giving effect to the column described in Item (a) above.
- (c) The column “Michigan AI NewCo” reflects the allocation of assets and liabilities relating to the Specified Policies, net of the Dividing Company’s reimbursement receivables from the MCCA, as of June 30, 2020, after giving effect to the column described in Item (a) above.
- (d) The column “AI Surviving Company” reflects the Dividing Company’s historical balance sheet information as of June 30, 2020, after giving effect to the allocation of assets and liabilities allocated to the New Company under the column “Michigan AI NewCo.”

SCHEDULE 4

ASSETS ALLOCATED TO THE NEW COMPANY

The following Assets and surplus of the Dividing Company shall be allocated solely to the New Company as Assets and surplus thereof (without duplication for Assets described in more than one subclause set forth below):

1. all Non-Investment Assets of the Dividing Company included or reflected as an asset or surplus of the New Company on the New Company Reference Balance Sheet, subject to any dispositions of such Non-Investment Assets subsequent to the Reference Balance Sheet Date (in which case, the New Company shall be allocated any cash or other Assets resulting from such disposition); *provided, however*, that the valuation of any such Assets reflected on the New Company Reference Balance Sheet shall not necessarily be reflective of the value of any such Assets as of the Division Effective Time;

2. to the extent not specified in subclause (1) above, all Non-Investment Assets of the Dividing Company as of the Division Effective Time that are of a nature or type that would have resulted in such Non-Investment Assets being included as an asset or surplus of the New Company on a pro forma balance sheet of the New Company as of the Division Effective Time (as if such balance sheet was prepared in conformity with the Balance Sheet Methods and on a basis consistent with the determination of the Non-Investment Assets included on the New Company Reference Balance Sheet), it being understood that the New Company Reference Balance Sheet and the Balance Sheet Methods shall be used to determine the Non-Investment Assets of the Dividing Company that are allocated to the New Company pursuant to this subclause (2);

3. all Investment Assets allocated to the New Company as the New Company Investment Portfolio pursuant to Article VI.2(b) of the Plan of Division and any investment income due and accrued with respect to the New Company Investment Portfolio;

4. all New Company Books and Records and all rights of attorney-client or other legal privilege with respect to the New Company Books and Records (it being understood that the Surviving Company shall be entitled to keep and maintain one or more copies of the New Company Books and Records);

5. all contracts, rights, pre-approvals, remedies, powers, privileges, claims and recoverables of the Dividing Company under or with respect to the MCCA to the extent arising out of, resulting from or relating to the Specified Policies, including reimbursements from the MCCA;

6. all U.S. federal, U.S. state, local and non-U.S. tax assets of the Dividing Company for periods prior to the Division Effective Time to the extent relating to the Specified Business ("*New Company Tax Assets*");

7. all rights, if any, of the Dividing Company to real property, together with all buildings, improvements and structures thereon, and motor vehicles used by the Dividing Company in connection with the servicing of the Dividing Company's claims obligations under the Specified Policies; and

8. all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, documents, instruments, general intangibles, chattel paper and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing.

Notwithstanding the foregoing, the Assets allocated to the New Company shall not include any Asset allocated to the Surviving Company under this Plan of Division, and to the extent of any conflict or overlap between this *Schedule 4* and *Schedule 5*, *Schedule 5* shall control.

SCHEDULE 5

ASSETS ALLOCATED TO THE SURVIVING COMPANY

The following Assets and surplus of the Dividing Company shall remain Assets and surplus solely of the Surviving Company (without duplication for Assets described in more than one subclause set forth below):

1. all Non-Investment Assets of the Dividing Company included or reflected as an asset or surplus of the Surviving Company on the Surviving Company Reference Balance Sheet, subject to any dispositions of such Non-Investment Assets subsequent to the Reference Balance Sheet Date (in which case, the Surviving Company shall be allocated any cash or other Assets resulting from such disposition); *provided, however*, that the valuation of any such Assets reflected on the Surviving Company Reference Balance Sheet shall not necessarily be reflective of the value of any such Assets as of the Division Effective Time;

2. to the extent not specified in subclause (1) above, all Non-Investment Assets of the Dividing Company as of the Division Effective Time that are of a nature or type that would have resulted in such Non-Investment Assets being included as an asset or surplus of the Surviving Company on a pro forma balance sheet of the Surviving Company as of the Division Effective Time (as if such balance sheet was prepared in conformity with the Balance Sheet Methods and on a basis consistent with the determination of the Assets included on the Surviving Company Reference Balance Sheet), it being understood that the Surviving Company Reference Balance Sheet and the Balance Sheet Methods shall be used to determine the Assets of the Dividing Company that are allocated to the Surviving Company pursuant to this subclause (2);

3. all Investment Assets constituting the Surviving Company Investment Portfolio and any investment income due and accrued with respect to the Surviving Company Investment Portfolio;

4. all Dividing Company Books and Records other than the New Company Books and Records and all rights of attorney-client or other legal privilege with respect to such Dividing Company Books and Records allocated to the Surviving Company pursuant to the foregoing, including all rights of attorney-client or other legal privilege with respect to those matters specified in items (a) through (e) in the proviso to the definition of New Company Books and Records;

5. all rights, remedies, powers, privileges, claims and recoverables of the Dividing Company under or with respect to any and all reinsurance agreements of the Dividing Company (as such agreements may be amended, supplemented or otherwise modified prior to or effective as of the Division Effective Time);

6. all rights, remedies, powers, privileges, claims and recoverables of the Dividing Company under or with respect to any and all agreements, contracts, promises, commitments or undertakings, whether written or oral and whether express or implied, except for any Assets allocated to the New Company under ***Schedule 4***;

7. all Intellectual Property of the Dividing Company;

8. all Owned Real Property and Leased Real Property of the Dividing Company (other than to the extent allocated to the New Company under Item 6 of ***Schedule 4***);

9. all U.S. federal, U.S. state, local and non-U.S. tax assets of the Dividing Company other than the New Company Tax Assets;

10. all other Assets of the Dividing Company (including all rights, remedies, powers and privileges of the Dividing Company) that are not allocated to the New Company under ***Schedule 4***; and

11. all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, documents, instruments, general intangibles, chattel paper and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing.

To the extent of any conflict or overlap between ***Schedule 4*** and this ***Schedule 5***, this ***Schedule 5*** shall control.

SCHEDULE 6

LIABILITIES ALLOCATED TO THE NEW COMPANY

The following Liabilities of the Dividing Company shall be allocated to, and become the sole and exclusive responsibility of, the New Company, whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Division Effective Time (without duplication for Liabilities described in more than one subclause set forth below):

1. all Liabilities of the Dividing Company included or reflected as Liabilities of the New Company on the New Company Reference Balance Sheet, subject to any discharge of such Liabilities subsequent to the Reference Balance Sheet Date; *provided, however*, that the amount of any such Liabilities reflected on the New Company Reference Balance Sheet shall not necessarily be reflective of the amount of any such Liabilities as of the Division Effective Time;

2. to the extent not specified in subclause (1) above, all Liabilities of the Dividing Company as of the Division Effective Time that are of a nature or type that would have resulted in such Liabilities being included as a liability of the New Company on a pro forma balance sheet of the New Company as of the Division Effective Time (as if such balance sheet was prepared in conformity with the Balance Sheet Methods and on a basis consistent with the determination of the Liabilities included on the New Company Reference Balance Sheet), it being understood that the New Company Reference Balance Sheet and the Balance Sheet Methods shall be used to determine the Liabilities of the Dividing Company that are allocated to the New Company pursuant to this subclause (2);

3. all Liabilities of the Dividing Company to the extent arising out of, resulting from or relating to any Specified Policies, including all Personal Injury Claims, Property Claims, Extra-Contractual Obligations, recoupable or non-recoupable assessments from, or other obligations to, pools, syndicates and associations (including any Liabilities to the MCCA), litigation expenses and other loss adjustment expenses, in each case of the Dividing Company with respect to such Specified Policies;

4. all Liabilities of the Dividing Company arising by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund to the extent arising out of, resulting from or relating to the Specified Policies. “***Insolvency fund***” includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, however denominated, established or governed, which provides for any assessment of or payment or assumption by the Dividing Company of part or all of any claim, debt, charge, fee or other obligation of an insurer, or their successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part;

5. all Liabilities of the Dividing Company under or with respect to the MCCA to the extent arising out of, resulting from or relating to the Specified Policies (“***New Company MCCA Liabilities***”);

6. all U.S. federal, U.S. state, local and non-U.S. tax liabilities of the Dividing Company for periods prior to the Division Effective Time to the extent arising out of, resulting from or relating to the Specified Business (“***New Company Tax Liabilities***”);

7. all Liabilities arising out of, resulting from or relating to claims made by any Third Party (including the Dividing Company’s, the Surviving Company’s or the New Company’s respective directors, officers, shareholders, employees and agents) to the extent such Liabilities arise out of, are based upon or otherwise relate to the Specified Business, the Specified Policies or the Assets allocated to the New Company under this Plan of Division for any period prior to the Division Effective Time; and

8. all other Liabilities of the Dividing Company to the extent such Liabilities arise out of, are based upon or otherwise relate to the Specified Business or the Assets allocated to the New Company under this Plan of Division.

To the extent of any conflict or overlap between this ***Schedule 6*** and ***Schedule 7***, this ***Schedule 6*** shall control.

SCHEDULE 7

LIABILITIES ALLOCATED TO THE SURVIVING COMPANY

The following Liabilities of the Dividing Company shall remain, and continue to be, the sole and exclusive responsibility of the Surviving Company, whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Division Effective Time (without duplication for Liabilities described in more than one subclause set forth below):

1. all Liabilities of the Dividing Company included or reflected as liabilities of the Surviving Company on the Surviving Company Reference Balance Sheet, subject to any discharge of such Liabilities subsequent to the Reference Balance Sheet Date; *provided, however*, that the amount of any such Liabilities reflected on the Surviving Company Reference Balance Sheet shall not necessarily be reflective of the amount of any such Liabilities as of the Division Effective Time;

2. to the extent not specified in subclause (1) above, all Liabilities of the Dividing Company as of the Division Effective Time that are of a nature or type that would have resulted in such Liabilities being included as a liability of the Surviving Company on a pro forma balance sheet of the Surviving Company as of the Division Effective Time (as if such balance sheet was prepared in conformity with the Balance Sheet Methods and on a basis consistent with the determination of the Liabilities included on the Surviving Company Reference Balance Sheet), it being understood that the Surviving Company Reference Balance Sheet and the Balance Sheet Methods shall be used to determine the Liabilities of the Dividing Company that are allocated to the Surviving Company pursuant to this subclause (2);

3. all Liabilities of the Dividing Company under or with respect to the MCCA other than the New Company MCCA Liabilities;

4. all U.S. federal, U.S. state, local and non-U.S. tax liabilities of the Dividing Company other than the New Company Tax Liabilities;

5. all Liabilities arising out of claims made by any Third Party (including the Dividing Company's, the Surviving Company's or the New Company's respective directors, officers, shareholders, employees and agents) to the extent such Liabilities arise out of, are based upon or otherwise relate to the Surviving Company Business or the Assets allocated to the Surviving Company under this Plan of Division for any period prior to the Division Effective Time; and

6. all other Liabilities of the Dividing Company that are not allocated to the Surviving Company under ***Schedule 6***.

Notwithstanding the foregoing, the Liabilities allocated to the Surviving Company hereunder shall not include any Liability allocated to the New Company under this Plan of Division, and to the extent of any conflict or overlap between ***Schedule 6*** and this ***Schedule 7***, ***Schedule 6*** shall control.

COMMUTATION AMENDMENT

**PARTIAL COMMUTATION AND PARTIAL TERMINATION AMENDMENT
to the Quota Share Reinsurance Agreement**

between

Allstate Indemnity Company

and

Allstate Insurance Company

THIS PARTIAL COMMUTATION AND PARTIAL TERMINATION AMENDMENT (the “Commutation Amendment”) is entered into on [•], 2021, by and between Allstate Indemnity Company (“AI”) and Allstate Insurance Company (the “Reinsurer”). AI and the Reinsurer are referred to herein individually as a “Party” and collectively as the “Parties”.

WHEREAS, commencing October 1, 2001, the Parties entered into a quota share reinsurance agreement which replaced and superseded any and all previous quota share reinsurance agreements between the Parties and specifically the quota share reinsurance agreement effective as of January 1, 1978 (referred to herein as the “Quota Share Agreement”);

WHEREAS, Article X of the Quota Share Agreement allows the parties to commute liabilities previously ceded or to be ceded under the Quota Share Agreement and further requires that upon such a commutation the Reinsurer shall transfer to AI, as cedent under the Quota Share Agreement, assets equal to the value of the commuted liabilities;

WHEREAS, pursuant to 215 ILCS 5/35B-1 *et seq.* (the “Illinois Division Law”) and the Plan of Division entered into by AI on January 29, 2021 (the “Plan of Division”), AI desires to divide into the following two separate insurers: AI, as the surviving Illinois insurance company, and Michigan AI Auto Insurance Company, a newly created Illinois insurance company (the “Division”);

WHEREAS, the principal purpose of the Division is to separate the Specified Business (as defined herein) from AI’s other businesses, pursuant to and in accordance with the terms set forth in the Plan of Division; and

WHEREAS, in order to effectuate the Division as contemplated by the Plan of Division, the Parties now desire to commute the Specified Policies (as defined herein) from the Quota Share Agreement and to effect a full and final settlement, discharge and release of the Parties’ liabilities, duties and obligations with respect to such Specified Policies under the Quota Share Agreement.

NOW, THEREFORE, in consideration of the agreements set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Parties hereby agree to amend the Quota Share Agreement as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Defined Terms. As used in this Commutation Amendment the following terms shall have the following meanings as set forth below:

“AI” has the meaning set forth in the preamble.

“Applicable Law” means all laws, common law, rules, regulations, ordinances, codes, statutes, judgments, injunctions, governmental orders and decrees of all Governmental Authorities applicable to the Person, place and situation in question.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banking institutions in Chicago, Illinois or New York City are required or authorized by Applicable Law to be closed.

“Commutation Amendment” has the meaning set forth in the preamble.

“Commutation Amount” has the meaning set forth in Section 3.1(a).

“Commutation Effective Time” means the Division Effective Time, but without giving effect to the Division.

“Commutation Statement” has the meaning set forth in Section 3.1(b).

“Commuted Liabilities” means the Net Retained Liabilities and the Retained Liabilities of AI for Losses to the extent arising out of, resulting from or relating to the Specified Policies.

“Division” has the meaning set forth in the Recitals.

“Division Effective Time” means 12:00 A.M. (Central Standard Time) on [•].

“Governmental Authority” means any United States federal, state, local or non-U.S. governmental, legislative, judicial, administrative or regulatory authority, agency, commission, board, body, court, self-regulatory body or entity or any instrumentality thereof.

“Illinois Division Law” has the meaning set forth in the Recitals.

“Insurance Regulator” means the Director of Insurance for the State of Illinois, or if the Reinsurer changes its state of domicile to another state within the United States, the insurance regulator for such other state.

“Liabilities” has the meaning set forth in Section 35B-10 of the Illinois Division Law in effect at the Division Effective Time.

“Losses” has the meaning set forth in the Quota Share Agreement.

“MCCA” means the Michigan Catastrophic Claims Association, or any successor thereto.

“Net Retained Liabilities” has the meaning set forth in the Quota Share Agreement.

“Partial Commutation” has the meaning set forth in Section 2.1.

“Partial Termination” has the meaning set forth in Section 2.2.

“Party” has the meaning set forth in the preamble.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, association, including the MCCA, trust, unincorporated organization, Governmental Authority, or other entity.

“Plan of Division” has the meaning set forth in the Recitals.

“Policies” has the meaning set forth in the Quota Share Agreement.

“Policyholder” means, with respect to any Policy, the person named as the policyholder on such Policy.

“Quota Share Agreement” has the meaning set forth in the Recitals.

“Reinsurer” has the meaning set forth in the preamble.

“Retained Liabilities” has the meaning set forth in the Quota Share Agreement.

“SAP” means, with respect to any insurance company, the statutory accounting principles prescribed or permitted by the Insurance Regulator for the jurisdiction in which such insurance company is domiciled, consistently applied.

“Specified Business” has the meaning set forth in the Plan of Division.

“Specified Policies” has the meaning set forth in the Plan of Division.

“Transferred Asset Value” has the meaning set forth in Section 3.1(b).

“Transferred Assets” has the meaning set forth in Section 3.1(b).

ARTICLE II

PARTIAL COMMUTATION AND PARTIAL TERMINATION

Section 2.1 Partial Commutation. As of the Commutation Effective Time, the Commuted Liabilities shall be commuted from the Quota Share Agreement in accordance with and subject to the provisions of this Commutation Amendment (the “Partial Commutation”).

Section 2.2 Partial Termination. As of the Commutation Effective Time, the Quota Share Agreement is terminated with respect to the Commuted Liabilities in accordance with and subject to the provisions of this Commutation Amendment (the “Partial Termination”).

Section 2.3 Continuing Effect of the Quota Share Agreement. Notwithstanding the Partial Commutation and Partial Termination effected hereunder, the Quota Share Agreement shall remain in full force and effect with respect to all business ceded thereunder other than the Commuted Liabilities. Nothing contained herein shall be interpreted in any way to supersede, modify, replace, amend, change, rescind, waive or otherwise affect any provision of the Quota Share Agreement with respect to the business ceded thereunder other than the Commuted Liabilities.

ARTICLE III

COMMUTATION CONSIDERATION

Section 3.1. Commutation Consideration.

(a) As consideration for the Partial Commutation and the Partial Termination, the Reinsurer shall transfer cash and/or investment assets to AI in an aggregate amount equal to the commutation amount calculated as of the Commutation Effective Time in accordance with the formula set forth on Schedule I (the “Commutation Amount”).

(b) On or prior to the Commutation Effective Time, the Reinsurer shall have prepared and delivered to AI a statement (the “Commutation Statement”) in a form as detailed and as described in Schedule II consisting of (i) a calculation in reasonable detail of the Commutation Amount and (ii) the amount of cash and/or list of investment assets (including investment income due and accrued thereon) the Reinsurer proposes to transfer to AI on the Commutation Effective Time (the “Transferred Assets”), which shall have a fair market value, as determined by the Reinsurer as of the close of business on the last Business Day prior to the Commutation Effective Time or as of such other date mutually agreed upon by the Parties (the “Transferred Asset Value”), equal to the Commutation Amount. The Commutation Amount shall be prepared in accordance with SAP, consistently applied.

(c) On the Commutation Effective Time, the Reinsurer shall pay cash and/or transfer to AI the Transferred Assets with a Transferred Asset Value equal to the Commutation Amount determined by reference to the Commutation Statement.

(d) On and after the Commutation Effective Time, the Parties shall execute any additional documents, instruments or conveyances of any kind which may be reasonably necessary to transfer the Transferred Assets.

(e) Notwithstanding anything to the contrary contained in this Commutation Amendment, the provisions of this Section 3.1 represent the sole and exclusive method of determining the Commutation Amount.

(f) Cash flows arising under the Quota Share Agreement with respect to the Commuted Liabilities between the date of the delivery of the Commutation Statement and the Commutation Effective Time will be calculated and settled between the Parties as part of the payment of the Commutation Amount.

Section 3.2 AI Release of the Reinsurer with Respect to the Commuted Liabilities. In consideration of the Commutation Amount and the release provided in Section 3.3 of this Commutation Amendment, as of the Commutation Effective Time, AI hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges the Reinsurer, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, duties, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, Liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that AI now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Commutation Amendment have, own, or hold or claim to have, own, or hold, against the Reinsurer, arising from, based upon, or in any way related to the Commuted Liabilities ceded under the Quota Share Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Reinsurer's current and future Liabilities to AI under the Quota Share Agreement for the Commuted Liabilities, other than the Liabilities of the Reinsurer set forth in this Commutation Amendment.

Section 3.3 Reinsurer Release of AI with Respect to the Commuted Liabilities. In consideration of the release provided in Section 3.2 of this Commutation Amendment, as of the Commutation Effective Time, the Reinsurer hereby fully, knowingly, voluntarily, intentionally, unconditionally and irrevocably waives, releases and forever discharges AI, and its predecessors, successors, affiliates, subsidiaries, agents, officers, directors, employees and shareholders, from any and all past, present, and future obligations, duties, adjustments, liability for payment of interest, offsets, actions, causes of action, suits, debts, sums of money, accounts, premium payments, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, liens, rights, costs and expenses (including attorneys' fees and costs actually incurred), claims and demands, Liabilities and losses of any nature whatsoever, whether grounded in law or in equity, in contract or in tort, all whether known or unknown, vested or contingent, that the Reinsurer now has, owns, or holds or claims to have, own, or hold, or at any time had, owned, or held, or claimed to have had, owned, or held, or may after the execution of this Commutation Amendment have, own, or hold or claim to have, own, or hold, against AI, arising from, based upon, or in any way related to the Commuted Liabilities ceded under the Quota Share Agreement, it being the intention of the Parties that this release operate as a full and final settlement of AI's current and future Liabilities to the Reinsurer under the Quota Share Agreement for the Commuted Liabilities, other than the Liabilities of AI set forth in this Commutation Amendment.

Section 3.4 Covenant Not to Bring Further Claims. Except with respect to enforcement of this Commutation Amendment, the Parties absolutely and unconditionally covenant and agree that they and their respective successors and assigns will not hereafter for any reason whatsoever, demand, claim or file suit or initiate dispute resolution proceedings against the other in respect of any matter under the Quota Share Agreement to the extent arising out of, resulting from or relating to the Commuted Liabilities.

Section 3.5 Release of Unknown or Unanticipated Claims. It is understood by each of the Parties that there is a risk that, subsequent to the execution of this Commutation Amendment, each such Party may incur or suffer loss, damage or injuries which are in some way caused by or related to matters which are the subject of this Commutation Amendment, but which are unknown or unanticipated at the time of the execution of this Commutation Amendment. Further, there is a risk that the loss or damage presently known may be or become greater than each such Party now expects or anticipates. Each of the Parties, respectively, assumes this risk and the releases set forth in this Commutation Amendment shall apply to all unknown or unanticipated results, as well as those known and anticipated.

Section 3.6 Waiver of Notices. The Parties hereby acknowledge and agree to the Commutation Effective Time for the Partial Commutation and Partial Termination as set forth in Section 2, notwithstanding anything to the contrary set forth in the Quota Share Agreement, including Article II thereof, requiring prior notice to amend or terminate the Quota Share Agreement. The Parties hereby further waive any and all notice and consent requirements contained in the Quota Share Agreement.

ARTICLE IV

MISCELLANEOUS

Section 4.1 General Provisions. Articles XVIII, XX, XXI, and XXII of the Quota Share Agreement are each hereby incorporated by reference *mutatis mutandis*.

Section 4.2 Governing Law. This Commutation Amendment shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Illinois, without regard to principles of conflicts of law thereof that would result in the application of the laws of a different jurisdiction.

Section 4.3 Interpretation. When reference is made in this Commutation Amendment to an Article or Section, such reference shall be to an Article or a Section of this Commutation Amendment unless otherwise indicated. Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. This Commutation Amendment has been fully negotiated by the Parties hereto and shall not be construed against either Party by virtue of the fact that such Party was the drafting Party.

Section 4.4 Counterparts. This Commutation Amendment may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Parties. Each Party may deliver its signed counterpart of this Commutation Amendment to the other Parties by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of an originally executed counterpart.

[Signature pages follow]

IN WITNESS WHEREOF, the Parties hereto have caused this Partial Commutation and Partial Termination Amendment to be executed by their duly authorized representatives.

ALLSTATE INDEMNITY COMPANY

By: _____
Name:
Title:

ALLSTATE INSURANCE COMPANY

By: _____
Name:
Title:

SCHEDULE I

TO THE PARTIAL COMMUTATION AND PARTIAL TERMINATION AMENDMENT TO THE QUOTA SHARE REINSURANCE AGREEMENT BETWEEN ALLSTATE INDEMNITY COMPANY, AS A CEDENT, AND ALLSTATE INSURANCE COMPANY, AS A REINSURER

COMMUTATION AMOUNT

The “Commutation Amount” means an amount equal to (a) the sum of the amounts that would be required to be reflected on the 2019 NAIC Annual Statement Blank of the Reinsurer lines 1 through 25 on page 3 (or the equivalent line or lines in the event of changes to the NAIC Annual Statement Blank subsequent to December 31, 2019) with respect to the Commuted Liabilities *minus* (b) the sum of the amounts that would be required to be reflected on the 2019 NAIC Annual Statement Blank of the Reinsurer lines 14 through 25 on page 2 (or the equivalent line or lines in the event of changes to the NAIC Annual Statement Blank subsequent to December 31, 2019) with respect to the Commuted Liabilities, in each case, determined as of the Commutation Effective Time and in accordance with SAP.

SCHEDULE II

TO THE PARTIAL COMMUTATION AND PARTIAL TERMINATION AMENDMENT TO THE QUOTA SHARE REINSURANCE AGREEMENT BETWEEN ALLSTATE INDEMNITY COMPANY, AS A CEDENT, AND ALLSTATE INSURANCE COMPANY, AS A REINSURER

COMMUTATION STATEMENT

(i) **Commutation Amounts**

(A) **Commutated Liabilities**

[•]

\$

Total Commuted Liabilities

\$

(B) **Assets**

[•]

Total Assets

\$

(A) minus (B) =

Commutation Amount

\$

(ii) **Transferred Asset Value**

Cash

Investable Assets

Other Insurance Assets

Transferred Asset Value

\$

COMMUNICATION PLAN

COMMUNICATION PLAN

Divisions of:

Allstate Insurance Company

Allstate Indemnity Company

Allstate Property and Casualty Insurance Company

Allstate Fire and Casualty Insurance Company

Encompass Indemnity Company

Encompass Property and Casualty Company

Esurance Insurance Company

Esurance Property and Casualty Insurance Company

(each a “Dividing Company” and collectively the “Dividing Companies”)

Pursuant to 215 ILCS 5/35B-1 *et seq.* (the “Illinois Division Law”), and subsequent mergers pursuant to 215 ILCS 5/156 *et seq.* (the “Illinois Merger Law”).

The Allstate Corporation (“Allstate”) has developed this Communication Plan at the request of the Illinois Director of Insurance (the “Director”) and the Illinois Department of Insurance (the “Department”) on behalf of the Dividing Companies in connection with certain proposed restructuring transactions (the “Proposed Restructuring”) by Allstate with respect to certain portions of the automobile insurance business written by the Dividing Companies in Michigan (the “MI Auto Business”).

Pursuant to the Illinois Division Law, the Dividing Companies will allocate their inactive MI Auto Business policies with outstanding claim reserves (the “Specified Policies”)¹ to newly created Illinois-domiciled stock insurance companies (the “Illinois NewCos”). The Illinois NewCos will then merge with and into three Illinois insurance companies created for purposes of the mergers (the “Merger Cos”). As a result of the Proposed Restructuring, the Merger Cos will hold, by operation of law, all of the assets, liabilities, and contracts associated with the Specified Policies.

Set forth below is a description of the persons or entities to which Allstate proposes to provide written notice of the Proposed Restructuring and the public hearing (“Hearing”)² on the Proposed Restructuring to be held pursuant to 215 ILCS 5/35B-25 and the method of Notice the Dividing Company will transmit to each person or entity.³ The parties will share with the hearing officer drafts of any notices, together with the proposed timing of publication or service thereof, and invite the hearing officer’s comments and suggestions thereon. The Director anticipates that the hearing officer will specify, *inter alia*, procedures, deadlines, and content requirements for the submission of written comments, public statements at the Hearing, or objections to the Proposed Restructuring.

A. Notice to Claimants and Policyholders

At least 25 days before the Hearing date, Allstate will send a written notice to each policyholder for the Specified Policies (a “Policyholder”) and to each person with an outstanding personal injury claim under the Specified Policies (a “Claimant”), whose claim will become a claim of a Merger Co as a result of the Proposed Restructuring. Such Notices will be sent by United States mail to the Policyholder’s and Claimant’s last-known address as indicated by the records of the Dividing Companies.⁴ The proposed form of such notice, consisting of a cover letter and hearing notice, is attached hereto as Ex. A. The notice will describe the Proposed

¹ “***Specified Policies***” are defined in Article I of the Plan of Division.

² Although each Dividing Company will submit a separate Plan of Division, Allstate will have a consolidated Hearing on all the plans of division because it is the same MI Auto Business involved for each company. *See* 50 Ill. Admin. Code 2402.110 (allowing for consolidation of Department hearings).

³ Because the shareholders of the Dividing Companies are within the Allstate group, the Plans of Division will be approved by unanimous written consent and the shareholders will waive the notice requirement under the Illinois Merger Law (*see* 215 ILCS 5/159).

⁴ Allstate will provide notice to policyholders using the last known address on file for each policyholder. Due to the passage of time and the inactive state of the policies, it is possible Allstate may not have current addresses for all of the impacted policyholders.

Restructuring, inform each Policyholder and Claimant that there will be a public Hearing on the Proposed Restructuring by the Department, and provide Policyholders and Claimants with the Department's website address. The date for the Hearing is currently scheduled for Wednesday, March 3, 2021, and, if necessary, Thursday, March 4, 2021.⁵ The notice will also be sent to any current attorney or guardian on Allstate's records for the Claimant or Policyholder.

Such notice constitutes "reasonable notice" as required under 215 ILCS 5/35B-25(a) and further satisfies the requirement under Section 2402.120 of the Illinois Administrative Code that written notice "be served upon all known parties to the Hearing."

Following the closing of the Proposed Restructuring, Allstate will notify the Policyholders and Claimants in writing that the Proposed Restructuring has been completed and provide them with information on their new insurance company's name and new claim number.

B. Publication Notice

Allstate will publish notice of the Proposed Restructuring and Hearing once weekly in two successive weeks, the first publication to be at least 25 days before the Hearing, in a newspaper of general circulation in the States of Illinois and Michigan, both in print and electronic or digital editions. Notice will also be posted on the websites of Allstate and the Department at least 25 days prior to the Hearing date.

C. Notice to Regulators

Because the Specified Policies impacted by the Proposed Restructuring were all issued in Michigan, Allstate proposes to issue written notice of the Proposed Restructuring to the Michigan Department of Insurance and Financial Services (the "MI DIFS"), including a copy of the Plan of Division filed with the Department. The MI DIFS will also be notified of the Proposed Restructuring via licensing applications that the Merger Cos will submit to become authorized to transact insurance in Michigan. In addition, Allstate will send a written notice of the Plan of Division and Hearing to the MI DIFS by email at least 25 days prior to the Hearing date.

D. Notice to Guaranty Associations

Because the Specified Policies are property casualty policies that were issued in Michigan, the Dividing Companies have been, and the Merger Cos will become members of the Michigan Property and Casualty Guaranty Association ("MPCGA") and the Illinois Insurance Guaranty Fund ("IIGF") upon their licensure in Michigan and Illinois, respectively. The MPCGA and IIGF are members of the National Conference of Insurance Guaranty Funds ("NCIGF"). The MPCGA, IIGF and NCIGF will be notified in writing of the Proposed Restructuring and Hearing at least 25 days prior to the Hearing date.

⁵ Allstate is not proposing to send individual notices to MI Auto Business policyholders who have active policies that will remain with the Dividing Companies, or to policyholders of the Dividing Companies that have other types of policies not impacted by the Proposed Restructuring. Because these policyholders are not being moved to the Merger Cos, Allstate believes public notice through the newspapers and the Allstate and Department websites is sufficient.

E. Notice to Michigan Catastrophic Claims Association (“MCCA”)

On or around the formal filing of a Plan of Division by each Dividing Company with the Department, Allstate will communicate with the MCCA to disclose the Proposed Restructuring and that it involves Allstate, the Dividing Companies, the Illinois NewCos, and the Merger Cos. Post-Division, Allstate will continue to deal on behalf of the MergerCos with the MCCA. As part of their licensing by MI DIFS, the Merger Cos will become members of the MCCA. MCCA will be notified in writing of the Plan of Division and Hearing date at least 25 days prior to such date.

F. Reinsurers

Pursuant to 215 ILCS 35B-30(b)(6), a Dividing Company is to provide written notice to each reinsurer that is party to a reinsurance contract that is applicable to the policies included in the Plan of Division within 10 days after the Plan of Division is filed with the Department. Each Dividing Company is a cedent to and reinsured by Allstate Insurance Company (“AIC”) under a Quota Share Reinsurance Agreement, that will be commuted with respect to the Specified Policies effective immediately before the effective date of the plans of division pursuant to 215 ILCS 5/35B-30. The Dividing Companies will provide written notice to AIC of the Proposed Restructuring and Hearing within 10 days after the Plan of Division is filed with the Department.

EXHIBIT A



IN THE MATTER OF THE
PLANS OF DIVISION OF:

ALLSTATE INSURANCE COMPANY
ALLSTATE INDEMNITY COMPANY
ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY
ENCOMPASS INDEMNITY COMPANY
ENCOMPASS PROPERTY AND CASUALTY COMPANY
ESURANCE INSURANCE COMPANY
ESURANCE PROPERTY AND CASUALTY INSURANCE COMPANY
2775 SANDERS RD
NORTHBROOK, IL 60062-6127

HEARING NO. 21-HR-0010

NOTICE OF HEARING

Pursuant to 215 ILCS 5/35B-1 *et seq.*, Allstate Insurance Company; Allstate Indemnity Company; Allstate Property and Casualty Insurance Company; Allstate Fire and Casualty Insurance Company; Encompass Indemnity Company; Encompass Property and Casualty Company; Esurance Insurance Company; and Esurance Property and Casualty Insurance Company (collectively, the “Applicants” or “Dividing Companies”) have submitted individual plans of division (the “Plans”) to the Director of Insurance (the “Director”) of the Illinois Department of Insurance (the “Department”). Pursuant to a power of attorney (“POA”) executed by the Director, the Department’s Chief Operating Officer, Kevin Fry, will act as the Director for purposes of this matter, and all subsequent references to “the Director” contained herein shall mean and refer to Kevin Fry.

The Plans seek to allocate to eight (8) newly created Allstate entities created by the divisions (each a “New Company” and collectively the “New Companies”) certain automobile insurance policies issued in Michigan that are no longer in force as of December 31, 2019. Each such policy is listed in the Plans and had an outstanding claim reserve as of such date on a personal

injury claim covered under such policy (“Claim”) for which a reserve remained as of June 30, 2020 (each a “Specified Policy” and collectively the “Specified Policies”). The New Companies thereafter will be merged into three newly created Allstate Illinois-domestic insurers (the “Merger Companies”).

The divisions and related transactions consist of two primary steps:

- Divisions: Under the Plans, each of the eight Dividing Companies will divide into two companies, resulting in a surviving company (the original Dividing Company insurer) and a New Company. The Dividing Company will retain all assets, liabilities and contracts that are not associated with the Specified Policies, as set forth in the Plans. The New Companies will have allocated to them the Specified Policies, the Claims and liabilities related to them, and the assets and capital set forth in the Plans. Once the divisions are effective, the Specified Policies, Claims, liabilities and assets allocated to the New Companies under the Plans will become obligations and assets of the New Companies by operation of law. The Dividing Companies will continue to issue new automobile insurance policies in Michigan.
- Mergers: Immediately following the divisions, the eight New Companies will be merged into the three Merger Companies, which will be associated with the Allstate, Esurance, and Encompass brands respectively and will be named: ASMI Auto Insurance Company (“ASMI”), ESMI Auto Insurance Company (“ESMI”), and ECMI Auto Insurance Company (“ECMI”). Following the mergers, each Specified Policy and Claim will continue with the associated brand under which it was issued. The Merger Companies will be licensed as insurance companies in Illinois and Michigan, will be members of the Michigan Catastrophic Claims Association (MCCA), and will be responsible for payments of any new claims arising under the Specified Policies after the divisions become effective. There are no current plans for the Merger Companies to write new insurance business.

NOTICE IS HEREBY GIVEN TO THE APPLICANTS AND TO THE PUBLIC that, pursuant to 215 ILCS 5/35B-25(a), 5/401, 5/402, 5/403 and 50 Ill. Admin. Code 2402.110, the Director, by and through the designated Hearing Officer, will hold a consolidated public hearing to determine whether to approve the Plans and related transactions. The Director or such Hearing Officer so designated by the Director will be empowered to administer oaths, examine witnesses and require production of any books, records, documents or papers relevant to the inquiry. The virtual public hearing will be held using Zoom, a digital meeting program, beginning on Wednesday, March 3, 2021, and, if required, Thursday, March 4, 2021, commencing at 9:00 a.m. Central Time each day until completed, subject to rescheduling. For details on how to access the hearing on the designated dates and times, please visit the Department’s website at: <https://insurance.illinois.gov/Hearings/Hearings-Plan-of-Division.html>. Public documents filed electronically in connection with the divisions and related transactions, including the plans of division, are available for inspection at the Department’s website: <https://insurance.illinois.gov/Hearings/Hearings-Plan-of-Division.html>. The hearing will be conducted in accordance with Article 10 of the Illinois Administrative Procedure Act, 5

ILCS 100/1-1 *et seq.*, and 50 Ill. Adm. Code 2402.10 *et seq.* Pursuant to 215 ILCS 5/35B-25(h), the Director may order that the costs of the hearing be assessed against the Applicants.

The purpose of the public hearing is to afford the Applicants, the Department, and any other person or organization interested in making a statement at the hearing, an opportunity to be heard concerning the Plans and related transactions. Persons who wish to submit a written statement or speak at the hearing shall submit a comment (with information requested there) through the Department's website at: <https://insurance.illinois.gov/Hearings/Hearings-Plan-of-Division.html>, no later than seven (7) days before the scheduled hearing date, *i.e.*, **by Wednesday, February 24, 2021.**

Pursuant to 50 Ill. Admin. Code 2402.120, any person who wishes to participate as a party in the hearing must file a petition for intervention, setting forth the reasons for participation. The petition should indicate whether the person wishes to make an oral statement, present evidence, or cross-examine witnesses during the hearing. Copies of the petition must be served by email on the Hearing Officer at MaryAnneMason@JAMSADR.com as well as all known parties, including (but not limited to) (i) Martin Cillick of Allstate (mcill@allstate.com), (ii) the Applicants' outside counsel, Richard Mancino (rmancino@willkie.com), (iii) Mary Ann Lelys on behalf of the Department (MaryAnn.Lelys@illinois.gov), and (iv) the Department's outside counsel, Stephen Schwab (stephen.schwab@us.dlapiper.com) and Carl Poedtke (carl.poedtke@us.dlapiper.com). Please check the Department's website for the contact information of any other parties who may have been added after the date of this Notice. Such petition and all supporting written materials must be served no later than 48 hours prior to the date set for hearing, *i.e.*, **by 9:00 am Central Time, Monday, March 1, 2021.** Any person who is considering filing such a petition is requested to so advise the Hearing Officer, the Department and the attorneys listed above by submitting a comment (pursuant to the procedure described in the preceding paragraph) seven (7) days before the scheduled hearing date, *i.e.*, by Wednesday, February 24, 2021.

The Hearing Officer may set times for the making of any oral statement or other participation at the hearing.

If any party is to be represented by legal counsel in this hearing, such legal counsel shall file a written appearance with the Hearing Officer, the Applicants, the Department, and legal counsel listed above. Moreover, any and all legal correspondence concerning this matter should be sent to the attention of the Hearing Officer, the Applicants, the Department, and legal counsel listed above.

All Orders, Findings of Fact, Conclusions of Law, and Recommendations of the Hearing Officer or of the Director, along with the record of the hearing except for items that are determined to be confidential, are public and subject to disclosure under the Freedom of Information Act, 5 ILCS 140/1 *et seq.*

All interested persons are advised to regularly monitor the Department's website for schedule changes, filings and other pertinent information concerning the hearing.

Interested persons who do not have access to the internet may request copies of documents posted on the Department's website by calling Lucy Earhart, Administrative Assistant, at (217) 782-4395.

OTHER NOTICE OF HEARING:

The Applicants shall distribute and publish this Notice of Hearing as provided in the Communication Plan that is attached as Annex B to the Plans and is available at: <https://insurance.illinois.gov/Hearings/Hearings-Plan-of-Division.html>

Date: February 3, 2021



Dana Popish Severinghaus
Acting Director
Signed by Kevin Fry, POA

CERTIFICATE OF DIVISION

CERTIFICATE OF DIVISION
OF
ALLSTATE INDEMNITY COMPANY
(an Illinois Insurance Company)
DIVIDING INTO
ALLSTATE INDEMNITY COMPANY
(as the Surviving Illinois Insurance Company)
AND
MICHIGAN AI AUTO INSURANCE COMPANY
(the Newly Created Illinois Insurance Company)
(Under the Domestic Stock Company Division Law
of the State of Illinois)

In accordance with Section 35B-30 of the Domestic Stock Company Division Law of the State of Illinois ("Illinois Division Law"), the undersigned insurance company hereby certifies as of [●], that:

1. On January 29, 2021, Allstate Indemnity Company, an Illinois domestic insurance company, submitted a plan of division dated January 29, 2021 (the "Plan of Division") to the Director of the Illinois Department of Insurance (the "Director") for approval.
2. The name of the dividing company is Allstate Indemnity Company (hereinafter sometimes referred to as the "Dividing Company").
3. Allstate Indemnity Company shall survive the division (hereinafter sometimes referred to as the "Surviving Company").
4. The name of the new company that will be created by the division is Michigan AI Auto Insurance Company, an Illinois insurance company (the "New Company").
5. The New Company shall be authorized to conduct all of the kinds of insurance business enumerated in Classes 2 and 3 of Section 4 of the Illinois Insurance Code.
6. The division will be effective as of [●] (the "Division Effective Time").
7. The division was approved by the Director on [●] in accordance with Section 35B-25 of the Illinois Division Law.
8. The Dividing Company provided notice on [●] to each reinsurer that is party to a reinsurance contract that involves the policies included in the Plan of Division.

9. The articles of incorporation and bylaws of the Dividing Company in effect at the Division Effective Time, each as amended, restated or modified through the Division Effective Time, shall remain in full force and effect and shall not be amended, restated or modified as a result of the division.
10. A copy of the articles of incorporation of the New Company is attached as Exhibit A to this Certificate of Division and a copy of the bylaws of the New Company is attached as Exhibit B to this Certificate of Division.
11. At the Division Effective Time, pursuant to Section 35B-35 of the Illinois Division Law and Article VI.2 of the Plan of Division, (a) the assets and surplus of the Dividing Company set forth on Schedule 4 to the Plan of Division shall be allocated solely to the New Company as a successor of the Dividing Company, automatically, by operation of law, including reimbursements from the Michigan Catastrophic Claims Association, or any successor thereto (the “MCCA”) arising out of, resulting from or relating to the Specified Policies (as such term is defined in the Plan of Division), and (b) the assets and surplus of the Dividing Company set forth on Schedule 5 to the Plan of Division and any other assets of the Dividing Company that are not allocated by the Plan of Division to the New Company shall remain vested solely in the Surviving Company.
12. At the Division Effective Time, pursuant to Sections 35B-35(6) and 35B-40 of the Illinois Division Law and Article VI.3 of the Plan of Division, (a) the liabilities of the Dividing Company set forth on Schedule 6 to the Plan of Division shall be allocated to, and become the sole and exclusive responsibility of, the New Company as a successor of the Dividing Company, automatically, by operation of law, including all liabilities arising out of, resulting from or relating to the Specified Policies (whether or not such liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Division Effective Time; and including all Personal Injury Claims, Property Claims, Extra-Contractual Obligations, recoupable or non-recoupable assessments from, or other obligations to, pools, syndicates and associations (including the MCCA), litigation expenses and all other loss adjustment expenses, in each case with respect to such Specified Policies (as such terms are defined in the Plan of Division)) and (b) the liabilities of the Dividing Company set forth on Schedule 7 to the Plan of Division shall be allocated solely to, and remain the sole and exclusive responsibility of, the Surviving Company. By operation of law, at the Division Effective Time and henceforth forever, (x) the Surviving Company shall have no responsibility or obligation whatsoever, whether under law, contract or otherwise, for any liabilities allocated to the New Company under the Plan of Division and (y) the New Company shall have no responsibility or obligation whatsoever, whether under law, contract or otherwise, for any liabilities allocated to the Surviving Company under the Plan of Division.

[Signature Page Follows]

IN WITNESS WHEREOF, Allstate Indemnity Company has caused this Certificate of Division to be executed by its duly authorized officer as of the date first set forth above.

ALLSTATE INDEMNITY COMPANY

By: _____

Name:

Title:

ANNEX D

ARTICLES OF INCORPORATION OF THE NEW COMPANY

ARTICLES OF INCORPORATION
OF
MICHIGAN AI AUTO INSURANCE COMPANY

First [A] The corporate name of the company shall be Michigan AI Auto Insurance Company.

 [B] The principal office of the company shall be located in the Township of Northfield, County of Cook, in the State of Illinois.

 [C] The period of duration of the company shall be perpetual.

Second The amount of capital stock shall be One Million Dollars (\$1,000,000) divided into 1,000,000 issued and outstanding shares of the par value of \$1.00 per share.

Third [A] The number of Directors shall be as provided in the By-Laws, but shall be not less than three, nor more than twenty-one. Each Director shall be at least 18 years of age and at least three Directors shall be residents and citizens of Illinois. The first Board of Directors shall be elected at the first meeting of shareholders and all Directors shall be elected annually thereafter. Vacancies in the Board of Directors shall be filled by a vote of the shareholders.

 [B] The corporate powers of the company shall be vested in the Board of Directors who shall have power to do any and all acts the company may do under the law and not otherwise to be performed by the shareholders, and shall have power to adopt By-Laws not inconsistent with law for the government and regulation of the business.

 [C] In all elections for Directors, every shareholder has the right to vote, in person or by proxy, for the number of shares owned by each shareholder, for as many persons as

there are Directors to be elected or to cumulate such shares, and give one candidate as many votes as the number of Directors multiplied by the number of such shares equals, or to distribute them on the same principle among as many candidates as each shareholder thinks fit, and Directors shall not be elected in any other manner.

Fourth The designation of the general officers shall be Chairman of the Board, President, two or more Vice Presidents, Treasurer, Secretary and Controller.

Fifth The fiscal year shall commence on the first day of January and terminate on the 31st day of December of each year.

Sixth The objects and purposes of this company shall be the following:

[A] The business of engaging in the following classes and writing and transacting the following kinds of insurance:

[1] **Class 2. Casualty, Fidelity and Surety.**

[a] **Accident and Health.** Insurance against bodily injury, disablement or death by accident and against disablement resulting from sickness or old age and every insurance appertaining thereto, including stop-loss insurance.

[b] **Vehicle.** Insurance against any loss or liability resulting from or incident to the ownership, maintenance or use of any vehicle (motor or otherwise), draft animal or aircraft. Any policy insuring against any loss or liability on account of the bodily injury or death of any person may contain a provision for payment of disability benefits to

injured persons and death benefits to dependents, beneficiaries or personal representatives of persons who are killed, including the named insured, irrespective of legal liability of the insured, if the injury or death for which benefits are provided is caused by accident and sustained while in or upon or while entering into or alighting from or through being struck by a vehicle (motor or otherwise), draft animal or aircraft, and such provision shall not be deemed to be accident insurance.

- [c] **Liability.** Insurance against the liability of the insured for the death, injury or disability of an employee or other person, and insurance against the liability of the insured for damage to or destruction of another person's property.
- [d] **Workers' Compensation.** Insurance of the obligations accepted by or imposed upon employers under laws for workers' compensation.
- [e] **Burglary and Forgery.** Insurance against loss or damage by burglary, theft, larceny, robbery, forgery, fraud or otherwise; including all householders' personal property floater risks.
- [f] **Glass.** Insurance against loss or damage to glass including lettering, ornamentation and fittings from any cause.
- [g] **Fidelity and Surety.** Become surety or guarantor for any person, copartnership or corporation in any position or place of trust or as

custodian of money or property, public or private; or, becoming a surety or guarantor for the performance of any person, copartnership or corporation of any lawful obligation, undertaking, agreement or contract of any kind, except contracts or policies of insurance; and underwriting blanket bonds. Such obligations shall be known and treated as suretyship obligations and such business shall be known as surety business.

- [h] **Miscellaneous.** Insurance against loss or damage to property and any liability of the insured caused by accidents to boilers, pipes, pressure containers, machinery and apparatus of any kind and any apparatus connected thereto, or used for creating, transmitting or applying power, light, heat, steam or refrigeration, making inspection of and issuing certificates of inspection upon elevators, boilers, machinery and apparatus of any kind and all mechanical apparatus and appliances appertaining thereto; insurance against loss or damage by water entering through leaks or openings in buildings, or from the breakage or leakage of a sprinkler, pumps, water pipes, plumbing and all tanks, apparatus, conduits and containers designed to bring water into buildings or for its storage or utilization therein, or caused by the falling of a tank, tank platform or supports, or against loss or damage from any cause (other than causes specifically enumerated under Class 3) to such sprinkler, pumps, water pipes, plumbing, tanks, apparatus, conduits or

containers; insurance against loss or damage which may result from the failure of debtors to pay their obligations to the insured; and insurance of the payment of money for personal services under contracts of hiring.

[i] **Other Casualty Risks.** Insurance against any other casualty risk not otherwise specified under Class 3, which may lawfully be the subject of insurance and may properly be classified under Class 2.

[j] **Contingent Losses.** Contingent, consequential and indirect coverages wherein the proximate cause of the loss is attributable to any one of the causes enumerated under Class 2. Such coverage shall, for the purpose of classification, be included in the specific grouping of the kinds of insurance wherein such cause is specified.

[k] **Livestock and Domestic Animals.** Insurance against mortality, accident and health of livestock and domestic animals.

[l] **Legal Expense Insurance.** Insurance which involves the assumption of a contractual obligation to reimburse the beneficiary against or pay on behalf of the beneficiary, all or a portion of his fees, costs, or expenses related to or arising out of services performed by or under the supervision of an attorney licensed to practice in the jurisdiction wherein the services are performed, regardless of whether the payment is made by the beneficiaries individually or by a third person for them, but does not include the

provision of or reimbursement for legal services incidental to other insurance coverages. “Legal Expense Insurance” does not include:

- [i]** Retainer contracts made by attorneys at law with individual clients with fees based on estimates of the nature and amount of services to be provided to the specific client, and similar contracts made with a group of clients involved in the same or closely related legal matters;
- [ii]** Plans owned or operated by attorneys who are the providers of legal services to the plan;
- [iii]** Plans providing legal service benefits to groups where such plans are owned or operated by authority of a state, county, local or other bar association;
- [iv]** Any lawyer referral service authorized or operated by a state, county, local or other bar association;
- [v]** The furnishing of legal assistance by labor unions and other employee organizations to their members in matters relating to employment or occupation;
- [vi]** The furnishing of legal assistance to members or dependents, by churches, consumer organizations, cooperatives, educational institutions, credit unions, or organizations of employees, where such organizations contract directly with lawyers or law firms for the provision of legal services, and the administration and marketing

of such legal services is wholly conducted by the organization or its subsidiary;

[vii] Legal services provided by an employee welfare benefit plan defined by the Employee Retirement Income Security Act of 1974;

[viii] Any collectively bargained plan for legal services between a labor union and an employer negotiated pursuant to Section 302 of the Labor Management Relations Act as now or hereafter amended, under which plan legal services will be provided for employees of the employer whether or not payments for such services are funded to or through an insurance company.

[2] **Class 3. Fire and Marine, etc.**

[a] **Fire.** Insurance against loss or damage by fire, smoke and smudge, lightning or other electrical disturbances.

[b] **Elements.** Insurance against loss or damage by earthquake, windstorms, cyclone, tornado, tempests, hail, frost, snow, ice, sleet, flood, rain, drought or other weather or climatic conditions including excess or deficiency of moisture, rising of the waters of the ocean or its tributaries.

[c] **War, Riot and Explosion.** Insurance against loss or damage by bombardment, invasion, insurrection, riot, strikes, civil war or commotion, military or usurped power, or explosion (other than

explosion of steam boilers and the breaking of fly wheels on premises owned, controlled, managed, or maintained by the insured).

- [d] **Marine and Transportation.** Insurance against loss or damage to vessels, craft, aircraft, vehicles of every kind (excluding vehicles operating under their own power or while in storage not incidental to transportation), as well as all goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, bullion, precious stones, securities, choses in action, evidences of debt, valuable papers, bottomry and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any or all risks or perils of navigation, transit, or transportation, including war risks, on or under any seas or other waters, on land or in the air, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting the same or during any delays, storage, transshipment, or reshipment incident thereto, including marine builder's risks and all personal property floater risks; and for loss or damage to persons or property in connection with or appertaining to marine, inland marine, transit or transportation insurance, including liability for loss of or damage to either arising out of or in connection with the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance or

surety bonds); but, except as herein specified, shall not mean insurances against loss by reason of bodily injury to the person; and insurance against loss or damage to precious stones, jewels, jewelry, gold, silver and other precious metals whether used in business or trade or otherwise and whether the same be in course of transportation or otherwise, which shall include jewelers' block insurance; and insurance against loss or damage to bridges, tunnels and other instrumentalities of transportation and communication (excluding buildings, their furniture and furnishings, fixed contents and supplies held in storage) unless fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and civil commotion are the only hazards to be covered; and to piers, wharves, docks and slips, excluding the risks of fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and civil commotion; and to other aids to navigation and transportation, including dry docks and marine railways, against all risk.

[e] **Vehicle.** Insurance against loss or liability resulting from or incident to the ownership, maintenance or use of any vehicle (motor or otherwise), draft animal or aircraft, excluding the liability of the insured for the death, injury or disability of another person.

[f] **Property Damage, Sprinkler Leakage and Crop.** Insurance against the liability of the insured for loss or damage to another person's property or property interests from any cause enumerated

in this class; insurance against loss or damage by water entering through leaks or openings in buildings, or from the breakage or leakage of a sprinkler, pumps, water pipes, plumbing and all tanks, apparatus, conduits and containers designed to bring water into buildings or for its storage or utilization therein, or caused by the falling of a tank, tank platform or supports or against loss or damage from any cause to such sprinklers, pumps, water pipes, plumbing, tanks, apparatus, conduits or containers; insurance against loss or damage from insects, diseases or other causes to trees, crops or other products of the soil.

[g] **Other Fire and Marine Risks.** Insurance against any other property risk not otherwise specified under Class 2, which may lawfully be the subject of insurance and may properly be classified under Class 3.

[h] **Contingent Losses.** Contingent, consequential and indirect coverages wherein the proximate cause of the loss is attributable to any of the causes enumerated under Class 3. Such coverages shall, for the purpose of classification, be included in the specific grouping of the kinds of insurance wherein such cause is specified.

[i] **Legal Expense Insurance.** Insurance against risk resulting from the cost of legal services as defined under Class 2[1].

[B] Notwithstanding limitations otherwise applicable, engaging directly in any of the following businesses:

- [1]** rendering investment advice;
- [2]** rendering services related to the functions involved in the operation of the company's insurance business including, but not limited to, actuarial, loss prevention, safety engineering, data processing, accounting, claims, appraisal and collection services;
- [3]** acting as administrative agent for a government instrumentality which is performing an insurance function for a health or welfare program;
- [4]** reinsuring the business of title insurance companies;
- [5]** any other business activity reasonably complementary or supplementary to the company's insurance business; either to the extent necessarily or properly incidental to the insurance business the company is authorized to do in this State or to the extent approved by the Director of Insurance of the State and subject to any limitations he may prescribe for the protection of the interests of the policyholders of the company taking into account the effect of such business on the company's existing insurance business and its surplus, the proposed allocation of the estimated cost of such business and the risks inherent in such business as well as the relative advantages to the company and its policyholders of conducting such business directly instead of through a subsidiary.

Seventh The company may issue both participating and nonparticipating policies. The Board of Directors shall have power to determine the amount and the manner of payment of dividends to the holders of participating policies. Such dividends shall be apportioned equitably and in accordance with such rates and rules and applicable to such kind or kinds of insurance as may be determined by the Board of Directors, which shall have the power to adopt any By-Laws pertaining to such declaration and payment which in the judgment of said Board of Directors may seem necessary or desirable.

Eighth The company may indemnify any person as permitted by the Illinois Insurance Code.

Michigan AI Auto Insurance Company

By: _____
[Secretary]

Attest:

[Assistant Secretary]

SEAL

Approved this _____ day of
_____, 2021

Director of Insurance

BYLAWS OF THE NEW COMPANY

BY-LAWS OF
MICHIGAN AI AUTO INSURANCE COMPANY
(the "Company")

ARTICLE I

DIRECTORS

Section 1. Number; Election; Term of Office. The property, business and affairs of the Company shall be managed and controlled by a Board of Directors (the "Board") composed of not less than three nor more than eight members. Each Director shall be at least 18 years of age and at least three Directors shall be residents and citizens of Illinois. The number of Directors may be fixed or changed from time to time, within the minimum and maximum, by the Board without further amendment to these By-laws. The Directors shall be elected at each annual meeting of the shareholders of the Company for a term of one year. Each Director shall hold office for the term for which he or she was elected and until the election and qualification of his or her successor.

If the Company ceases to be ultimately controlled by a corporation whose equity securities are listed on the New York Stock Exchange, then, pursuant to Section 5/131.20b of the Illinois Insurance Code, not less than one-third of its Directors shall be persons who are not officers or employees of the Company or of any entity controlling, controlled by or under common control with the Company nor beneficial owners of a controlling interest in the voting stock of the Company or any such entity.

Section 2. Filling of Vacancies. In the event of a vacancy occurring in the Board, the shareholders of the Company shall, by a majority vote at a special meeting called for that purpose or at the next annual meeting of shareholders, elect a Director to fill such vacancy, who shall hold office during the unexpired portion of the term of the Director whose place he or she was elected to fill.

Section 3. Dividends. The Board may declare dividends payable out of the surplus funds of the Company when warranted by law.

Section 4. Officers and Duties. The Board shall elect all the general officers of the Company hereafter provided and may prescribe additional descriptive titles for any such officers.

The Board may from time to time appoint Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers of the Company.

The Board may prescribe the duties and fix the compensation of any elected or appointed officer and may require from any officer security for his or her faithful service and for his or her proper accounting for monies and property from time to time in his or her possession.

All officers of the Company shall hold office at the will of the Board.

Section 5. Designation of Depositories. The Board shall designate in what bank or banks the funds of the Company shall be deposited and the person or persons who may sign, on behalf of the Company, checks or drafts against such deposits. Such designations may also be made by such person or persons as shall be appointed for that purpose by the Board.

Section 6. Powers. The Board shall have the power to make rules and regulations not inconsistent with the laws of the State of Illinois, the Articles of Incorporation of the Company, or these By-laws, for the conduct of its own meetings and the management of the affairs of the Company.

Section 7. Compensation. The Board may authorize payment of compensation to Directors for their services as Directors, and fix the amount thereof.

Section 8. Appointment of Committees. The Board shall have the power to appoint committees, including but not limited to an Executive Committee, and to grant them powers not inconsistent with the laws of Illinois, the Articles of Incorporation of the Company, or these By-laws.

An Executive Committee may be appointed by a resolution adopted by a majority of the whole Board. It shall be composed of three (3) or more Directors selected by the Board, which members shall hold such office until the next annual meeting of the Board and until their successors shall be elected and qualified, subject to removal at will by the Board. To the extent provided in the resolution or in these By-laws, the Executive Committee shall have and exercise, during the interim between the meetings of the Board, all of the authority of the Board in the management of the Company, but the designation of such Executive Committee shall not relieve the Board nor any member thereof of any responsibility imposed by law. The Chairman of the Executive Committee shall regularly report any action taken by the Executive Committee to the Board at the next meeting of the Board, and any such actions shall be subject to revision or alteration by the Board, provided that rights or acts of third parties vested or taken in reliance on such action prior to their written notice of any such revision or alteration shall not be adversely affected by such revision or alteration.

Section 9. Notices of Meetings. Notices of Board meetings other than the stated annual meeting may be made in writing, by electronic transmission, by telephone or in person. If a Board meeting notice is made in writing, it shall be addressed to each Director at his or her usual place of business. Any such notice in writing shall be sent not later than three days before such meeting. If a Board meeting notice is made by electronic transmission, by telephone or in person, it shall be sent or given not later than three hours before the meeting. If a Board meeting notice is sent by electronic transmission, it shall be sent to each Director at such destination and by such means as such Director shall have previously consented to. Notice of any Board meeting need not be given to any Director who shall sign a written waiver thereof either before or after the meeting or who shall be present at the meeting and participate in the business transacted. Any and all business transacted at any Board meeting shall be fully effective without any notice thereof having been given if all the members shall be present. Unless limited by law, the Articles of Incorporation, these By-laws, or by the terms of the notice thereof, any and all business may be transacted at any meeting without the notice thereof having so specially enumerated the matters to be acted upon.

Section 10. Annual Meeting. An annual meeting of the Board shall be held each year immediately after the adjournment of the annual meeting of the shareholders. Other meetings of the Board may be held at such time as the Board may determine or when called by the Chairman of the Board or by a majority of the Board.

Section 11. Quorum. A quorum for the transaction of business by the Board shall be a majority of the whole Board, but if at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting, from time to time, until a quorum shall have been obtained.

Section 12. Action by Unanimous Written Consent. Unless otherwise restricted by the Articles of Incorporation or these By-laws, any action required or permitted to be taken at any Board meeting or by any committee appointed by the Board may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 13. Participation in Meetings by Conference Telephone or Other Communications Equipment. Unless otherwise restricted by the Articles of Incorporation or these By-laws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board or any committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE II

OFFICERS

Section 1. General. The general officers of the Company shall consist of a Chairman of the Board, President, two or more Vice Presidents, a Secretary, a Treasurer, and a Controller, who shall be elected annually by the Board at the stated annual meeting held upon adjournment of the annual shareholders' meeting, and if not elected at such meeting, such officers may be elected at any meeting of the Board held thereafter. Such officers shall be elected by a majority of the Directors, and shall hold office for one year and until their respective successors are elected and qualified, subject to removal at will by the Board. In case of a vacancy in any of the general offices of the Company, such vacancy may be filled by the vote of a majority of the Board. Any two of the aforesaid offices may be filled by the same person, with the exception of the offices of President and Vice President, or President and Secretary.

Section 2. Chairman of the Board and Chief Executive Officer. The Chairman of the Board shall preside at all meetings of the shareholders and of the Board. He or she shall be the Chief Executive Officer of the Company, shall have general and active management of the business of the Company subject to the supervision of the Board, and shall see that all orders and resolutions of the Board are carried into effect. He or she shall also perform such other duties as shall be prescribed from time to time by the Board.

Section 3. President. The President shall be the Chief Operating Officer of the Company and shall have general administrative control and supervision over the operations of the Company subject to the supervision of the Chairman of the Board. He or she shall, in the absence or inability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board. He or she shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Company, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Company. He or she shall also perform such other duties as may properly belong to his or her office or as shall be prescribed from time to time by the Chairman of the Board or by the Board.

Section 4. Vice Presidents. Each Vice President shall have such powers and shall perform such duties as may be assigned to him or her by the Chairman of the Board, or by the President or by the Board. In the absence or in the case of the inability of the Chairman of the Board and the President to act, the Board may designate which one of the Vice Presidents shall be the acting Chief Executive Officer of the Company during such absence or inability, whereupon such acting Chief Executive Officer shall have all the powers and perform all of the duties incident to the office of Chairman during the absence or inability of the Chairman and President to act.

Section 5. Secretary. The Secretary shall keep the minutes of all meetings of the Board, and of all meetings of the shareholders, in books provided by the Company for such purpose. He or she shall attend to the giving of all notices of meetings of the Board or shareholders. He or she may sign with the Chairman of the Board, the President or a Vice President in the name of the Company when authorized by the Board so to do, all contracts and other instruments requiring the seal of the Company and may affix the seal thereto. He or she shall, in general, perform all of the duties which are incident to the office of Secretary and such other duties as the Board or Chairman of the Board may from time to time prescribe.

Section 6. Treasurer. The Treasurer shall deposit the monies of the Company in the Company's name in depositories designated by the Board, or by such person or persons as shall be appointed for that purpose by the Board. He or she shall, in general, perform all of the duties which are incident to the office of Treasurer and such other duties as the Board or Chairman of the Board may from time to time prescribe. The Board may, in its discretion, require him or her to give bond for the faithful discharge of his or her duties.

Section 7. Controller. The Controller shall have such powers and perform such duties as the Board or the Chairman of the Board may from time to time prescribe.

Section 8. Appointed Officers. An appointed officer shall have such powers and perform such duties as the Chairman of the Board, the Board or another officer of the Company having management responsibility for the organizational component or function to which such appointed officer is assigned may from time to time prescribe.

ARTICLE III

SHAREHOLDERS' MEETINGS

Section 1. Meetings of Shareholders. The annual meeting of the shareholders shall be held at a place, date and hour determined by the Chairman of the Board. The Chairman of the Board or the Board may at any time call a special meeting of the shareholders, and the Chairman of the Board shall call such special meeting when requested, in writing, so to do by the owners of not less than one-fifth of the outstanding shares of the Company.

Section 2. Notice. Written notice of every meeting of the shareholders shall be given to each shareholder entitled to vote at the meeting at least ten days before such meeting. The shareholders may waive notice of any such meeting, in writing, and the presence of a shareholder, either in person or by proxy, shall be considered a waiver of notice, except as otherwise provided by law.

Section 3. Quorum. The presence at such meeting in person or by proxy of shareholders of the Company representing at least fifty-one per cent of the then outstanding shares of the Company shall be necessary to constitute a quorum for the purpose of transacting business, except as otherwise provided by law, but a smaller number may adjourn the meeting from time to time until a quorum shall be obtained. Each shareholder shall be entitled to cast one vote in person or by proxy for each share of stock of the Company held and of record in his or her name on the books of the Company.

Section 4. Voting Power. A shareholder may vote at any meeting of the shareholders either in person or by proxy duly constituted in writing. No special form of proxy shall be necessary.

ARTICLE IV

SHARES

Section 1. Share Certificates. Share certificates shall be signed by the President or a Vice President and countersigned by the Secretary, shall be sealed with the corporate seal of the Company, and shall be registered upon the Share Register of the Company. Each certificate shall express on its face the name of the Company, the number of the certificate, the number of shares for which it is issued, the name of the person to whom it is issued, the par value of each of the said shares, and the amount actually received by the Company for each share represented by said certificate.

Section 2. Transfers of Shares. Transfers of shares of the Company shall be made only on the books of the Company by the holder thereof in person or by his or her attorney duly authorized, in writing, and upon the surrender of the certificates or certificate for the share transfer, upon which surrender and transfer new certificates will be issued. The Board may, by resolution, close the share transfer books of the Company for a period not exceeding ten days before the holding of any annual or special meeting of the shareholders. The Board may, by resolution, also close the transfer books of the Company for a period not exceeding ten days before the payment of any dividends which may be declared upon the shares of the Company.

ARTICLE V

INSURANCE POLICIES AND OTHER INSTRUMENTS PERTAINING TO THE INSURANCE BUSINESS OF THE COMPANY

All policies of insurance issued by this Company shall comply with the laws of the respective states, territories or jurisdictions in which the policies are issued. All bonds, undertakings, certificates of insurance, cover notes, recognizances, contracts of indemnity, endorsements, stipulations, waivers, consents of sureties, reinsurance acceptances or agreements, surety and co-surety obligations and agreements, underwriting undertakings, and all other instruments pertaining to the insurance business of the Company, shall be validly executed when signed on behalf of the Company by (1) the Chairman of the Board, (2) the President, (3) any Vice President or Assistant Vice President, or (4) any other officer, employee, agent, or attorney-in-fact authorized in writing to so sign by the Chairman of the Board, the President, or any Vice President. All policies of insurance shall bear the signature of the President or a Senior Vice President and of the Secretary, which signatures may be facsimiles, and shall be countersigned by a duly licensed resident agent where so required by law or regulation. A facsimile signature of a former officer shall be of the same validity as that of an existing officer.

The affixing of the Company's seal shall not be necessary to the valid execution of any instrument but the Secretary, any Assistant Secretary, or any officer, employee, agent, or attorney-in-fact authorized in writing so to do by the Secretary, any Assistant Secretary or any Vice President, may affix the Company's seal thereto.

ARTICLE VI

INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

Section 1. Definitions. As used in this Article:

- (A) "Acted Properly" as to any Employee Indemnitee shall mean that such person
 - (i) acted in good faith;
 - (ii) acted in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company; and
 - (iii) with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act properly.

- (B) "Covered Person" shall mean an Indemnitee (as defined below) or an Employee Indemnitee (as defined below).

- (C) "Employee Indemnitee" shall mean any person who is or was a non-officer employee of the Company (but not subsidiaries of the Company).
- (D) "Expenses" shall include attorneys' fees and expenses and any attorneys' fees and expenses of establishing a right to indemnification under this Article.
- (E) "Indemnitee" shall mean any person who is or was
 - (i) a director or officer of the Company and/or any Subsidiary;
 - (ii) a trustee or a fiduciary under any employee pension, profit sharing, welfare or similar plan or trust of the Company and/or any Subsidiary; or
 - (iii) serving at the request of the Company as a director or officer of or in a similar capacity in another corporation, partnership, joint venture, trust or other enterprise, (which shall, for the purpose of this Article be deemed to include not-for-profit or for-profit entities of any type), whether acting in such capacity or in any other capacity including, without limitation, as a trustee or fiduciary under any employee pension, profit sharing, welfare or similar plan or trust.
- (F) "Proceeding" shall mean any threatened, pending or completed action or proceeding, whether civil or criminal, and whether judicial, legislative or administrative and shall include investigative action by any person or body, except any of the above (or part thereof) commenced by a Covered Person, unless the commencement of such Proceeding (or part thereof) was authorized in the specific case by the Board.
- (G) "Subsidiary" shall mean a company, 50% or more of the shares, or other ownership interests, of which at the time outstanding having voting power for the election of directors are owned directly or indirectly by the Company or by one or more subsidiaries or by the Company and one or more subsidiaries.

Section 2. Indemnification.

- (A) The Company shall indemnify any Indemnitee to the fullest extent permitted under law (as the same now or hereafter exists), who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that such person is or was an Indemnitee against liabilities, Expenses, judgments, fines, excise taxes or penalties assessed with respect to an employee benefit plan or trust and amounts paid in settlement actually and reasonably incurred by him or her.
- (B) The Company shall indemnify any Employee Indemnitee who was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of the fact that such person is or was an employee against liabilities, Expenses, judgments, fines, excise taxes or penalties

assessed with respect to an employee benefit plan or trust and amounts paid in settlement actually and reasonably incurred by him or her in connection with such Proceeding if such person Acted Properly.

- (C) The Company shall indemnify any Employee Indemnitee who was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was an employee against amounts paid in settlement and against Expenses actually and reasonably incurred by him or her in connection with the defense or settlement of such Proceeding if he or she Acted Properly, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Company unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such Expenses which such court shall deem proper.

Section 3. Advances. Expenses incurred in defending a Proceeding shall be paid by the Company to or on behalf of a Covered Person in advance of the final disposition of such Proceeding if the Company shall have received an undertaking by or on behalf of such person to repay such amounts if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company as authorized in this Article and, with respect to Employee Indemnitees, the General Counsel of the Company does not disapprove counsel selected by the Employee Indemnitee.

Section 4. Procedures for Indemnification or Advance.

Any indemnification or advance under Sections 2 or 3 of this Article (unless ordered by a court) shall be made by the Company only as authorized in the specific Proceeding upon a determination that indemnification or advancement to a Covered Person is proper in the circumstances. Such determination shall be made:

- (A) by the Board, by a majority vote of a quorum consisting of Directors who were not made parties to such Proceeding, or
- (B) if such a quorum is not obtainable, or, even if obtainable and a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or
- (C) in the absence of a determination made under (A) or (B), by the shareholders.

Section 5. Indemnification - Other Entities. The Company shall indemnify or advance funds to any Indemnitee described in Section 1(E)(iii) only after such person shall have sought indemnification or an advance from the corporation, partnership, joint venture, trust or other enterprise in which he or she was serving at the Company's request, shall have failed to receive

such indemnification or advance and shall have assigned irrevocably to the Company any right to receive indemnification which he or she might be entitled to assert against such other corporation, partnership, joint venture, trust or other enterprise.

Section 6. Miscellaneous.

- (A) The indemnification provided to a Covered Person by this Article:
 - (i) shall not be deemed exclusive of any other rights to which such person may be entitled by law or under any articles of incorporation, by-law, agreement, vote of shareholders or disinterested directors or otherwise;
 - (ii) shall inure to the benefit of the legal representatives of such person or his or her estate, whether such representatives are court appointed or otherwise designated, and to the benefit of the heirs of such person; and
 - (iii) shall be a contract right between the Company and each such person who serves in any such capacity at any time while this Article is in effect, and any repeal or modification of law or this Article shall not negatively affect any rights or obligations then existing with respect to any state of facts or any Proceedings then existing.
- (B) The indemnification and advances provided to a Covered Person by this Article shall extend to and include claims for such payments arising out of any Proceeding commenced or based on actions of such person taken prior to the effective date of this Article; provided that payment of such claims had not been agreed to or denied by the Company at the effective date.
- (C) The Company shall have the power to purchase and maintain insurance on behalf of any Covered Person against any liability asserted against him or her and incurred by him or her as a Covered Person or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability under the provisions of this Article. The Company shall also have power to purchase and maintain insurance to indemnify the Company for any obligation which it may incur as a result of the indemnification of Covered Persons under the provisions of this Article.
- (D) The invalidity or unenforceability of any provision in this Article shall not affect the validity or enforceability of the remaining provisions of this Article.

ARTICLE VII

MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Company shall begin in each year on the first day of January and end on the thirty-first day of the December following.

Section 2. Corporate Seal. The common seal of the Company shall be circular in form and shall contain the name of the Company and the words: "CORPORATE SEAL" and "ILLINOIS". An impression of the Company's seal is affixed hereto.

Section 3. Amendment of By-laws. These By-laws may be amended or repealed by the vote of a majority of the Directors present at any meeting at which a quorum is present.

Section 4. Writing and Signing; Electronic Transmission. Whenever any provision of these By-laws specifies that a writing is required or permitted to take action or to give notice, such action or notice may also be accomplished by electronic transmission. Electronic transmission means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such recipient through an automated process. If an electronic transmission is used to satisfy any provision of these By-laws that specifies that a writing is required or permitted to take action or to give notice and these By-laws require that such writing be signed by a particular person, such electronic transmission need not be signed but must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by that person.

An electronic transmission shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the Director or shareholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the Director or shareholder has consented to receive notice; (iii) if by posting on an electronic network together with separate notice to the Director or shareholder of such specific posting, upon the later of (a) such posting or (b) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the Director or shareholder.

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

MICHIGAN APC AUTO INSURANCE COMPANY,

MICHIGAN AFCIC AUTO INSURANCE COMPANY,

MICHIGAN AIC AUTO INSURANCE COMPANY,

MICHIGAN AI AUTO INSURANCE COMPANY,

AND

ASMI AUTO INSURANCE COMPANY

This AGREEMENT AND PLAN OF MERGER (this “Agreement”) is made and entered into as of [●], by and among Michigan APC Auto Insurance Company, an Illinois corporation (“Michigan APC NewCo”), Michigan AFCIC Auto Insurance Company, an Illinois corporation (“Michigan AFCIC NewCo”), Michigan AIC Auto Insurance Company, an Illinois corporation (“Michigan AIC NewCo”), Michigan AI Auto Insurance Company, an Illinois corporation (“Michigan AI NewCo”), and ASMI Auto Insurance Company, an Illinois corporation (“Merger Company”).

RECITALS

WHEREAS, Michigan APC NewCo is an insurance company duly formed under the Domestic Stock Company Division Law of the State of Illinois, 215 ILCS 5/35B-1 *et seq.* (the “Illinois Division Law”), and existing under the laws of the State of Illinois;

WHEREAS, Michigan AFCIC NewCo is an insurance company duly formed under the Illinois Division Law and existing under the laws of the State of Illinois;

WHEREAS, Michigan AIC NewCo is an insurance company duly formed under the Illinois Division Law and existing under the laws of the State of Illinois;

WHEREAS, Michigan AI NewCo is an insurance company duly formed under the Illinois Division Law and existing under the laws of the State of Illinois;

WHEREAS, Merger Company is a newly established insurance company duly formed and existing under the laws of the State of Illinois;

WHEREAS, the Board of Directors and the sole shareholder of Allstate Property and Casualty Insurance Company, on behalf of Michigan APC NewCo, the Board of Directors and the sole shareholder of Allstate Fire and Casualty Insurance Company, on behalf of Michigan AFCIC NewCo, the Board of Directors and the sole shareholder of Allstate Insurance Company, on behalf of Michigan AIC NewCo, the Board of Directors and the sole shareholder of Allstate

Indemnity Company, on behalf of Michigan AI NewCo, and the Board of Directors and the sole shareholder of Merger Company deem it advisable that Michigan APC NewCo, Michigan AFCIC NewCo, Michigan AIC NewCo and Michigan AI NewCo will merge with and into Merger Company so that Merger Company is the surviving corporation on the terms provided herein (the “Merger”).

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, the parties hereto agree as follows:

ARTICLE I

MERGER

1.1. ***The Merger.*** Upon the issuance of a Certificate of Merger by the Director of the Illinois Department of Insurance (the “Effective Time”), Michigan APC NewCo, Michigan AFCIC NewCo, Michigan AIC NewCo and Michigan AI NewCo will merge with and into Merger Company. At the Effective Time, the separate corporate existence of Michigan APC NewCo, Michigan AFCIC NewCo, Michigan AIC NewCo and Michigan AI NewCo shall cease and Merger Company shall be the surviving corporation (hereinafter referred to as the “Surviving Corporation”).

1.2. ***Effect of the Merger.*** At the Effective Time, the effect of the Merger shall be as provided in 215 ILCS 5/156 *et seq.*, respectively. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the rights, privileges, immunities, powers and franchises of Michigan APC NewCo, Michigan AFCIC NewCo, Michigan AIC NewCo, Michigan AI NewCo and Merger Company shall vest in the Surviving Corporation, and all liabilities and obligations of Michigan APC NewCo, Michigan AFCIC NewCo, Michigan AIC NewCo, Michigan AI NewCo and Merger Company shall become the liabilities and obligations of the Surviving Corporation.

1.3. ***Articles of Incorporation; Bylaws.***

(a) From and after the Effective Time, the Articles of Incorporation of Merger Company, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended as provided by law and the terms thereof.

(b) From and after the Effective Time, the Bylaws of Merger Company, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation until thereafter amended as provided by law and the terms thereof.

1.4. ***Directors and Officers of the Surviving Corporation.*** From and after the Effective Time, the members of the Board of Directors and the officers of Merger Company serving as the directors and officers of Merger Company immediately prior to the Effective Time shall be the initial board of directors and officers of the Surviving Corporation, in each case until their successors are duly elected or appointed and qualified.

ARTICLE II

CANCELLATION OF STOCK

2.1. *Cancellation of Stock.*

(a) At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any outstanding share of common stock, par value [●] per share, of Michigan APC NewCo (the “Michigan APC NewCo Common Stock”), each share of Michigan APC NewCo Common Stock issued and outstanding immediately prior to the Effective Time shall be canceled and no consideration shall be issued in respect thereof.

(b) At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any outstanding share of common stock, par value [●] per share, of Michigan AFCIC NewCo (the “Michigan AFCIC NewCo Common Stock”), each share of Michigan AFCIC NewCo Common Stock issued and outstanding immediately prior to the Effective Time shall be canceled and no consideration shall be issued in respect thereof.

(c) At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any outstanding share of common stock, par value [●] per share, of Michigan AIC NewCo (the “Michigan AIC NewCo Common Stock”), each share of Michigan AIC NewCo Common Stock issued and outstanding immediately prior to the Effective Time shall be canceled and no consideration shall be issued in respect thereof.

(d) At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any outstanding share of common stock, par value [●] per share, of Michigan AI NewCo (the “Michigan AI NewCo Common Stock”), each share of Michigan AI NewCo Common Stock issued and outstanding immediately prior to the Effective Time shall be canceled and no consideration shall be issued in respect thereof.

(e) At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any outstanding share of common stock, par value [●] per share, of Merger Company (the “Merger Company Common Stock”), each share of Merger Company Common Stock issued and outstanding immediately prior to the Effective Time shall remain unchanged and continue to remain outstanding as one share of Merger Company Common Stock of the Surviving Corporation.

ARTICLE III

FURTHER ASSURANCES; AUTHORIZATION

3.1. *Further Assurances as to Merger Company.* If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to (i) vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of Michigan APC NewCo, Michigan AFCIC NewCo, Michigan AIC NewCo, Michigan AI NewCo or Merger Company acquired or to be

acquired by the Surviving Corporation as a result of, or in connection with, the Merger, or (ii) otherwise carry out the purposes of this Agreement, the officers of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of either Michigan APC NewCo, Michigan AFCIC NewCo, Michigan AIC NewCo, Michigan AI NewCo or Merger Company, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of such entity, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation and otherwise carry out the purposes of this Agreement.

ARTICLE IV

MISCELLANEOUS

4.1. ***Governing Law.*** This Agreement shall in all respects be interpreted by, and construed, interpreted and enforced in accordance with and pursuant to the laws of the State of Illinois.

4.2. ***Counterparts.*** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.3. ***Entire Agreement.*** This Agreement and the documents referred to herein are intended by the parties as a final expression of their agreement with respect to the subject matter hereof, and are intended as a complete and exclusive statement of the terms and conditions of that agreement, and there are no other agreements or understandings, written or oral, among the parties, relating to the subject matter hereof. This Agreement supersedes all prior agreements and understandings, written or oral, among the parties with respect to the subject matter hereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

**MICHIGAN APC AUTO INSURANCE
COMPANY**

By: _____
Name:
Title:

**MICHIGAN AFCIC AUTO INSURANCE
COMPANY**

By: _____
Name:
Title:

**MICHIGAN AIC AUTO INSURANCE
COMPANY**

By: _____
Name:
Title:

**MICHIGAN AI AUTO INSURANCE
COMPANY**

By: _____
Name:
Title:

ASMI AUTO INSURANCE COMPANY

By: _____
Name:
Title:

ANNEX G

PLAN OF OPERATIONS FOR THE MERGER COMPANY

ASMI AUTO INSURANCE COMPANY

ESMI AUTO INSURANCE COMPANY

ECMI AUTO INSURANCE COMPANY

NARRATIVE BUSINESS PLAN

Filed with the Illinois Department of Insurance

January 29, 2021

I. BACKGROUND

This Narrative Business Plan (this “Business Plan”) for ASMI Auto Insurance Company (“ASMI”), ESMI Auto Insurance Company (“ESMI”) and ECMI Auto Insurance Company (“ECMI” and together with ASMI and ESMI, the “Domestic Insurers”), each an Illinois-domiciled insurance company, is being submitted in connection with proposed restructuring transactions (the “Proposed Restructuring”) involving insurance subsidiaries of The Allstate Corporation (“Allstate”) that transact automobile insurance in Michigan (the “MI Auto Business”).

Currently, certain subsidiaries of Allstate write the MI Auto Business. These subsidiaries are: (i) Allstate Insurance Company (“AIC”); (ii) Allstate Indemnity Company; (iii) Allstate Property and Casualty Insurance Company; (iv) Allstate Fire and Casualty Insurance Company; (v) Encompass Indemnity Company; (vi) Encompass Property and Casualty Company; (vii) Esurance Insurance Company; and (viii) Esurance Property and Casualty Insurance Company (each, a “Dividing Company” and collectively, the “Dividing Companies”). Each of the Dividing Companies is an Illinois domestic insurer licensed as a foreign insurer in Michigan.

The first step of the Proposed Restructuring is for the Dividing Companies to divide under the Illinois Domestic Stock Company Division Law, 215 ILCS 5/35B-1 *et seq.* In particular, each Dividing Company is submitting a plan of division to the Illinois Department of Insurance (“IL DOI”) for approval to divide into two companies, resulting in a new company and a surviving company. The Dividing Company will be the surviving company in the division and retain all the assets, liabilities and contracts associated with the Dividing Company other than such assets, liabilities and contracts relating to the Dividing Company’s inactive MI Auto Business policies with outstanding claim reserves (the “Inactive Business”).¹ The Inactive Business will be allocated to a company newly formed as part of the division (each, an “IL Newco”). Upon the division, the IL Newco will have all the assets, liabilities and contracts associated with the Inactive Business.

Following the divisions, Allstate plans to merge the eight IL Newcos into the Domestic Insurers under the Illinois insurance laws so that there is one surviving insurer for each of the Allstate brands—*i.e.*, ASMI for the Allstate-brand Inactive Business, ECMI for the Encompass-brand Inactive Business, and ESMI for the Esurance-brand Inactive Business. Allstate plans to have the divisions and mergers occur as close in time as possible.²

¹ The policies that are being allocated to each IL Newco are set forth in ***Schedule 1*** of the respective Dividing Company’s plan of division.

² Immediately following the divisions of the Encompass and Esurance Dividing Companies, there will be one or more dividend steps that will occur, whereby the shares of the Encompass and Esurance IL Newcos will be transferred to Allstate Insurance Holdings, LLC (“AIH”), subject to any required regulatory approvals. As a result of these dividends, immediately prior to the mergers, the Encompass and Esurance IL Newcos will be wholly-owned subsidiaries of AIH, which will be the sole shareholder of ECMI and ESMI. Immediately following the mergers, AIH will contribute the shares of ECMI and ESMI to ASMI, subject to any required regulatory approvals. As a result of these contributions, ECMI and ESMI will be wholly-owned subsidiaries of ASMI, which, in turn, will be a wholly-owned subsidiary of AIH.

Following the mergers, the Domestic Insurers will continue to be licensed in Illinois and, subject to regulatory approval, will be licensed in Michigan to service claims for the Inactive Business. Currently, the Domestic Insurers do not intend to write new MI Auto Business. Instead, the Dividing Companies that will be the surviving companies in the divisions will write the MI Auto Business going forward. This Business Plan focuses on the Domestic Insurers' plans for claims administration, investment management, service agreements and reinsurance with respect to the Inactive Business.

II. SUMMARY OF OPERATIONS

A. Claims Administration

The Domestic Insurers will process claims in a manner consistent with the applicable laws, regulations and reporting requirements of all relevant regulatory agencies. Claims will be paid according to the terms of the applicable policy. Pursuant to the Service and Expense Agreement (as defined below) that the Domestic Insurers will become party to, claims will be serviced by AIC under the Service and Expense Agreement in the same manner as they are currently serviced. There will be no change to the high level of service currently provided to claimants with respect to the Inactive Business.

B. Management of Investments

The Domestic Insurers will invest their assets in accordance with requirements established by the applicable insurance laws regarding the nature and quality of investments and quantitative limits. Subject to any required regulatory approvals, effective at the time of the Proposed Restructuring, each of the Domestic Insurers will become a party to the Investment Management Agreement among Allstate Investments, LLC ("AILLC"), AIC, Allstate and certain insurance subsidiaries of Allstate, effective as of January 1, 2007 (the "Investment Management Agreement"). A Form D-1 will be filed with the IL DOI for approval to add each Domestic Insurer as a party to the Investment Management Agreement. Each Domestic Insurer's board of directors will establish investment limits and strategic allocations that reflect the company's risk tolerance and that are calibrated to achieve long-term risk and return objectives. Each Domestic Insurer expects that, through at least the five-year anniversary of the Merger Effective Time,³ its investment portfolio will be managed substantially consistent with the initial allocation of assets set forth in paragraphs 2 and 3 of *Annex H* to the relevant Dividing Company's plan of division, subject to changes based on market conditions or within the discretion of its board of directors. These include asset allocation limits, which ensure appropriate portfolio diversification by asset class. AILLC will manage the Domestic Insurers' investments in accordance with these limits and allocations and will ensure that the company's investments and investment practices are appropriate for its business, liquidity needs, and capital and surplus.

³ Capitalized terms not defined herein shall have the respective meanings set forth in the plan of division to which this *Annex G* is attached.

III. REINSURANCE

Currently, AIC reinsures 100% of the insurance liabilities of all of the Dividing Companies (other than AIC). AIC and the Dividing Companies plan to commute this reinsurance for the Inactive Business immediately prior to the effectiveness of the divisions pursuant to partial commutation and partial termination amendments entered into by AIC with each of the Dividing Companies.

Following the mergers, ECMI and ESMI plan to cede 100% of their insurance liabilities to ASMI, pursuant to reinsurance agreements to be entered into by ASMI with each of ECMI and ESMI. A Form D-1 will be filed with the IL DOI for approval of the Domestic Insurers to enter into each of these new reinsurance agreements.

IV. INTERCOMPANY AGREEMENTS

Subject to approval of the IL DOI as required, effective at the time of the Proposed Restructuring, each of the Domestic Insurers will become a party to the following existing Allstate intercompany agreements in addition to the Investment Management Agreement:

- i. Amended and Restated Service and Expense Agreement among AIC, Allstate and certain affiliates effective as of January 1, 2004, as amended (the "Service and Expense Agreement"). A Form D-1 will be filed with the IL DOI for approval to add each of the Domestic Insurers as a party to the Service and Expense Agreement.
- ii. Tax Sharing Agreement among Allstate and its affiliated group, of which Allstate is the common parent, dated as of November 12, 1996, and effective for consolidated federal income tax returns filed after June 30, 1996 (the "Tax Sharing Agreement"). A Form D-1 will be filed with the IL DOI for approval to add each of the Domestic Insurers as a party to the Tax Sharing Agreement.
- iii. Agreement for the Settlement of State and Local Tax Credits among AIC and certain affiliates of AIC effective as of January 1, 2007 (the "Tax Credit Agreement"). A Form D-1 will be filed with the IL DOI for approval to add each of the Domestic Insurers as a party to the Tax Credit Agreement.

V. CORPORATE STRUCTURE AND GOVERNANCE

Upon completion of the Proposed Restructuring, each of the Domestic Insurers will be a wholly-owned indirect subsidiary of The Allstate Corporation, which will be the ultimate controlling person of each of the Domestic Insurers. A simplified organizational chart showing the ownership of the Domestic Insurers upon completion of the Proposed Restructuring is attached as Exhibit 1 hereto.

A list of the current directors and executive officers of each of the Domestic Insurers is attached as Exhibit 2 hereto. NAIC Biographical Affidavits and third-party verification reports for these individuals are already on file with the IL DOI.

VI. FINANCIAL INFORMATION

Pro forma balance sheets for each of the Dividing Companies are attached as *Schedule 2* to the relevant Dividing Company's plan of division. Financial projections for each of the Domestic Insurers will be submitted to the IL DOI under separate confidential cover.

Exhibit 1

Simplified Organizational Structure Upon Completion of Proposed Restructuring

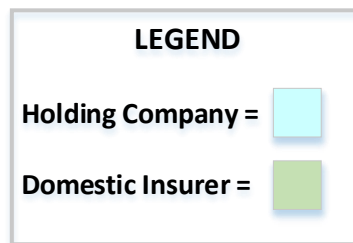
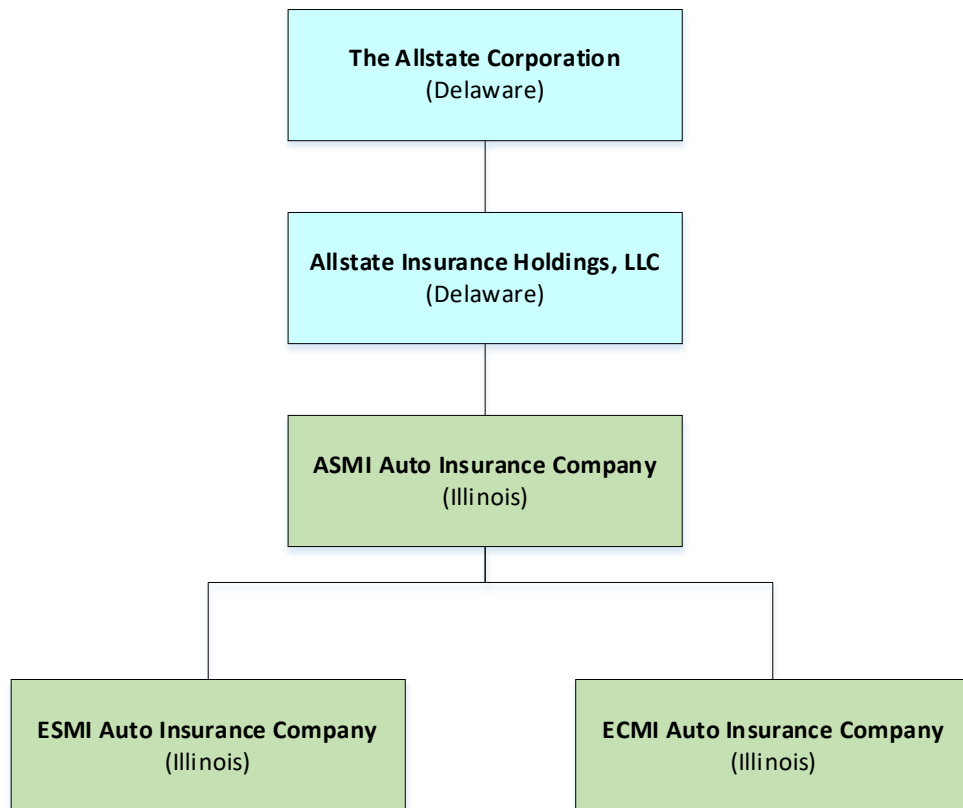


Exhibit 2

Current Directors of each of the Domestic Insurers:

- David L. Hewitt, Director
- Mark C. Simmonds, Director
- W. Guy Hill, Director
- Kevin J. Van Prooyen, Director
- Cheryl M. Bendtsen, Director
- Michael W. Demetre, Director

Current Executive Officers of each of the Domestic Insurers:

- Mark C. Simmonds, Chairman of the Board
- Kevin J. Van Prooyen, President and Chief Executive Officer
- Rhonda S. Ferguson, Executive Vice President and Secretary
- Michael W. Demetre, Senior Vice President and Chief Financial Officer
- John C. Pintozzi, Senior Vice President and Controller
- Michael A. Pedraja, Senior Vice President and Treasurer

INVESTMENT ASSET CRITERIA

MICHIGAN AI AUTO INSURANCE COMPANY

INVESTMENT ASSET CRITERIA

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1. Introduction

Pursuant to the Plan of Division, the Dividing Company is required to file with the Director, no later than the 10th business day immediately preceding the Division Effective Time, a list of Investment Assets that will be allocated to the New Company in connection with the Division. This document (the “**Investment Asset Criteria**”) describes the investment criteria pursuant to which the Dividing Company will allocate such Investment Assets to the New Company for purposes of the Plan of Division. Capitalized terms used herein without definition will have the respective meanings set forth in the Plan of Division to which this Investment Asset Criteria is attached. This Investment Asset Criteria establishes requirements as to the quality, maturity, and diversification of such Investment Assets.

2. Asset Allocation Limits

The New Company Investment Portfolio must satisfy the following limits, specified as percentages of the Fair Market Value of the New Company Investment Portfolio, as of the Division Effective Time:

	Strategic Allocation (%)	Lower Limit (%)	Upper Limit (%)
US Government/Agency & Short Term	40%	0%	100%
US Government/Agency	37%	0%	100%
Short-term	3%	0%	100%
Credit Fixed Income	60%	0%	95%
Public Investment Grade Corporates	60%	0%	80%
Private Placements, Project Finance, Opp. Lending	0%	0%	0%
High Yield Bonds, Loans & CLOs	0%	0%	5%
Municipals	0%	0%	95%
ABS/CMBS/RMBS*	0%	0%	0%
Sovereign Debt	0%	0%	0%
Total Equity	0%	0%	5%
Private Equity, I&E	0%	0%	5%
Commercial Real Estate Equity	0%	0%	5%
Public Equity	0%	0%	5%
Total Equity, High Yield, Loans & CLOs	0%	0%	5%

* Portfolio investments in Non-Agency RMBS and CMBS is prohibited.

3. Concentration Limits and Rating Guidelines

Issuer Concentration Limits

Except for US Government/Agency securities, no security may be allocated to the New Company if such allocation would cause the securities of a single issuer to exceed the following percentages of the New Company Investment Portfolio (based on Fair Market Value):

Issuers rated Aa3/AA- and higher	5%
Issuers rated A1/A+ to A3/A-	5%
Issuers rated Baa1/BBB+ to Baa3/BBB-	5%
Issuers rated Ba1/BB+ and lower	5%

The maximum amount invested in a single money market fund is limited to 5% of total assets per fund.

Rating Guidelines

Each security in the New Company Investment Portfolio must (i) have a credit rating from a nationally recognized statistical rating organization (NRSRO) included by the Securities Valuation Office (“SVO”) of the NAIC in the list of Credit Rating Providers whose ratings are accepted for the determination of equivalent NAIC SVO designations under the FE rule or (ii) be listed with the SVO of the NAIC; *provided*, that up to 5% of the New Company Investment Portfolio (based on Fair Market Value) may be rated below Baa3/BBB-. The New Company Investment Portfolio will have a target minimum credit rating of Baa1/BBB+.

Money market instruments must be rated A-2 or P-2 or better.

Commercial mortgage loans must be rated CM-2 or better and have a maximum loan-to-value ratio of 75% at the time of purchase.

4. Other Limits

The following other limitations shall apply to the New Company Investment Portfolio:

- The aggregate Book Value of the New Company Investment Portfolio as of the Reference Balance Sheet Date is no less than the corresponding amounts specified in the Reference Balance Sheet for the line items for bonds, preferred stocks, common stocks and cash, cash equivalents and short term assets.
- The ratio of the aggregate Fair Market Value to the aggregate Book Value of the New Company Investment Portfolio as of the fifteenth business day preceding the Division

Effective Time will not be less than 90% of the ratio of the aggregate Fair Market Value to the aggregate Book Value of all of the Dividing Company's Investment Assets as of the fifteenth business day preceding the Division Effective Time.

- Investments must comply with all applicable laws, rules and regulations, including applicable insurance laws (including, specifically, any regulatory limits and prohibitions on investments) and securities laws. If there is a discrepancy between the criteria set forth in this Investment Asset Criteria and such laws, rules and regulations, the more restrictive limits will apply.