



July 31, 2019

Sagar Teotia  
Chief Accountant  
United States Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, D.C. 20549  
Via: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: File No. S7-05-19; Release No. 33-10635**  
**Amendments to Financial Disclosures About Acquired and Disposed Businesses**

Dear Mr. Teotia:

The Allstate Corporation (“Allstate” or “we”) is pleased to provide comments to the Securities and Exchange Commission (“SEC” or “Commission”) on proposals to amend financial disclosures related to acquired and disposed businesses (“Proposals”).

Allstate is one of the largest publicly held personal lines insurers in the United States, a significant provider of life insurance products and a large, sophisticated institutional investor with over \$85 billion of invested assets. As part of our normal business operations we acquire and dispose of businesses and as a result are affected by and interested in the impacts from the proposals. In general, we agree with the Commission’s proposed amendments as they will facilitate more effective and efficient disclosure of acquisition and disposition activities.

Our specific observations are included in the attached Appendix. If Staff would like to discuss our comments we will make ourselves available at Staff’s convenience.

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## Appendix

### *Proposed Rule – Amendments to Financial Disclosures About Acquired and Disposed Businesses*

- **Investment element of significance test set forth in Rule 1-02(w)**

2. The Commission is proposing to revise the Investment Test to use aggregate worldwide market value to reflect the size of the acquirer while retaining investment in and advances to the acquired business to reflect the size of the acquired business. Are these measures sufficiently comparable? Are there particular types of transactions for which these measures would lead to a less-informative indicator of significance? Does our proposed use of aggregate worldwide market value in the Investment Test more closely reflect the relative significance of the acquisition to the registrant? Is there a better proxy that we could use for fair value in the Investment Test? For example, would aggregate worldwide market value of the registrant's voting and non-voting common equity held by its non-affiliates, a value based on the expected offering price in an initial public offering, enterprise value, or some other market valuation be a more appropriate proxy? Why or why not?

#### **RESPONSE**

*We believe replacing consolidated assets with “aggregate worldwide market value” as the denominator in the investment significance test would increase the likelihood the investment element of the Rule 1-02(w) significance test is triggered. This arises as it is relatively common in the financial services industry for a registrant’s consolidated assets to exceed its aggregate worldwide market value.*

*Consistent with the Commission’s objective to streamline the reporting requirements for both acquisitions and dispositions, we suggest retaining consolidated assets as the denominator of the Rule 1-02 investment significance test and add aggregate worldwide market value as a secondary measure and take the lower of both computational measures in the determination of whether the significant threshold is met. This change would ensure financial services companies are not disproportionately negatively affected by replacing total consolidated assets with aggregate worldwide market value as the denominator in the investment element of the significance test.*

3. We have proposed to require that the “investment in” the tested subsidiary in an acquisition include the fair value of contingent consideration required to be recognized at fair value by the registrant at the acquisition date under U.S. GAAP or IFRS-IASB, as applicable. If recognition at fair value is not required, the proposed amendment would require all contingent consideration to be included, except sales-based milestones and royalties, unless the likelihood of payment is remote. Generally, would the inclusion of contingent consideration provide a more accurate determination of significance? Why or why not?

#### **RESPONSE**

*We agree with the Commission’s proposal to include contingent consideration in the investment significance test and to include it using fair value as the measurement attribute as fair value is the value required for measurement under U.S. generally accepted accounting principles.*

- **Pro Forma Financial Information**

54. Are the criteria for determining when Management's Adjustments are required sufficiently clear? Are there other criteria we should consider?

**RESPONSE**

*We agree with the Commission's proposal to include within pro forma information certain forward-looking information that depicts the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur. In our view, actions that are within the control of the registrant should be included in pro forma financial information to the extent management has determined it is reasonably expected that both the action and outcome will occur.*

55. To the extent that Management's Adjustments require forward-looking information, what safe harbors should apply? As proposed, Securities Act Rule 175 and Exchange Act Rule 3b-6 would expressly apply. Are there different protections that would be appropriate?

**RESPONSE**

*We agree Management's Adjustments should fall within the scope of safe harbors currently provided for forward-looking information.*