GROWING TODAY, SHAPING THE FUTURE

Allstate

The Allstate Corporation Notice of 2015 Annual Meeting, Proxy Statement and 2014 Annual Report

Fellow Shareholders

The world is changing rapidly and Allstate is changing with it. New technologies, ubiquitous consumer connectivity, globalization, digitalization of information, autonomous cars and the Internet of Things are changing the ways we serve and interact with customers. This creates tremendous opportunity for a company with Allstate's market position, customer relationships, capabilities and financial resources.

THOMAS J. WILSON
Chairman and
Chief Executive Officer

Consider what is happening with autonomous cars. Today, only modest levels of driver-assistance technology are available, and only on a limited set of vehicles. However, the technology for fully autonomous cars is advancing rapidly and the legal and regulatory framework will follow. At some point, the fleet of a quarter billion vehicles could be smaller and will include technologically sophisticated vehicles that are safer, more effective and efficient. Fewer, safer cars would benefit consumers and the environment, but could affect demand for auto insurance.

Some industry participants are waiting to see how this will play out. Allstate is not. We are moving forward into uncertainty rather than wait. Throughout our history, Allstate has led from the front on auto safety—for example, as an early proponent of seat belts and air bags. We support the introduction of new driver-assistance technology that makes driving safer, because this is about saving lives and protecting the hopes and dreams of those who depend on us.

We are confident Allstate will thrive in whatever new world emerges because of a differentiated strategy, strong brands, passionate agency partners and committed employees. Preparations for a new and different future are well under way.

BRAND-NEUTRAL

LOCAL ADVICE AND ASSISTANCE	SELF-SERVE
Encompass — Creating protection around you. Encompass products are sold through independent agencies that serve brand-neutral customers who prefer personal service and support from an independent agent.	Answer financial. Answer Financial, an independent personal lines insurance agency, serves self-directed, brand-neutral consumers who want a choice between insurance carriers.
Allstate. You're in good hands. Allstate brand products are sold primarily through Allstate exclusive agencies and serve brand-sensitive customers who prefer local personal advice and service.	esurance — an Allstate company. Esurance brand products are sold directly to self-directed, brand-sensitive consumers online and through call centers.

BRAND-SENSITIVE

SUCCESSFUL EXECUTION ON ALL FIVE OPERATING PRIORITIES

Our performance in 2014 was very strong, with successful execution on all five operating priorities.

- **Grow insurance policies in force.** Policies in force grew for all three underwritten brands: Allstate, Esurance and Encompass added 840,000 new policies. The Allstate brand grew 2.1% from 2013 and accelerated throughout the year. Homeowners policies grew for the first time since 2006 as this business was positioned for sustained profitability. Esurance and Encompass also showed solid growth, but slowed in the second half of 2014 as we took measures to improve returns.
- **Maintain the underlying combined ratio*.** Profitability remained strong with a combined ratio of 93.9, up 1.9 points from 2013, virtually all of which was due to an increase in catastrophes.
- **Proactively manage investments to generate attractive risk-adjusted returns.** The investment portfolio performed well over the past year, generating a total return of 5.8%. The strong total return resulted partly from a decline in interest rates that increased the value of our bond portfolio, higher equity markets, and excellent returns from limited partnership and real estate investments. While we invest on a global basis, the portfolio is positioned for continuation of economic growth and stability in the United States. We also deliberately maintained a shortened fixed income maturity profile, giving up some current income to better position the portfolio should interest rates rise.

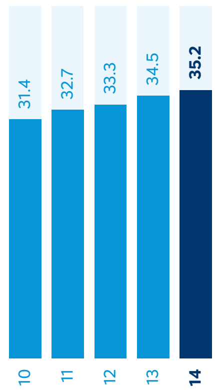
Allstate is customer-centric
In all our brands, we work to exceed customer expectations every day to strengthen relationships and attract new customers. Our initiatives include customer experience surveys, technology simplification and next-generation technologies to offer household solutions.

*For a definition of this term, please see the "Definitions of Non-GAAP Measures" on the first page following the proxy statement.

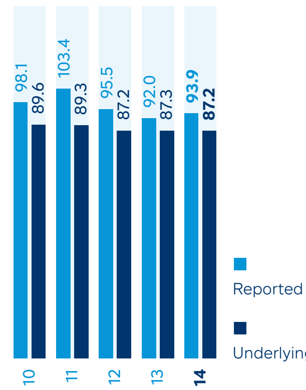
- **Modernize the operating model.** The customer experience and cost structure are being improved by building an integrated digital enterprise that leverages technology, information and analytics. We improved operating results through expense reductions, technology simplification and continuous improvement. To better align business operations with our customer-focused strategy, the life insurance business is being integrated into the Allstate Personal Lines organization.
- **Build long-term growth platforms.** We also continue to invest in long-term growth in existing and adjacent businesses.
  - In 2014, the Allstate exclusive agency footprint grew by 400 agencies, or 4%, in the United States. Within agencies and field offices, the number of licensed sales professionals grew by 11.5%.
  - Esurance was acquired three years ago to meet the needs of those customers who had different preferences than our traditional customer base. Since then, we have significantly improved Esurance's competitive position by leveraging Allstate's marketing, pricing and claim expertise, expanding the product offering and investing aggressively in marketing. The result has been written premium growth of 78% with policies in force reaching just under 1.5 million at year-end.
  - We continue to invest aggressively in automotive telematics with offerings such as Drivewise® and DriveSense®. The objective is to provide more accurate pricing to customers, improve the driving experience and find new revenue sources.

Financial Highlights

Revenues
($ billions)



Reported and underlying combined ratios*



STRONG FINANCIAL RESULTS

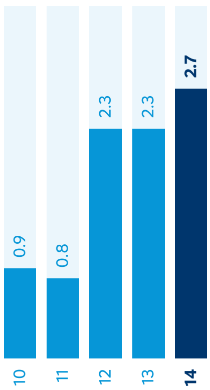
Financial performance was strong in 2014, driven by top-line growth and a focus on profitability.

- Policies in force increased by 2.5% over 2013, resulting in $1.5 billion in total net written premium growth. The added premiums are equivalent to the size of the 25th largest personal lines insurance company in the U.S.
- Net income was $2.7 billion, or 21.3% higher than 2013, which included the initial estimated loss on the disposition of Lincoln Benefit Life Company (LBL). Operating income* was $2.4 billion, compared to $2.7 billion in 2013, reflecting higher catastrophe losses in 2014.
- The underlying combined ratio for Property-Liability, which excludes catastrophes and reserve reestimates, improved slightly from 87.3 in 2013 to 87.2 in 2014 and was in line with our annual outlook for the seventh year in a row.
- Investment income of $3.5 billion for 2014 was $484 million lower than 2013 as interest rates remained low and our portfolio size decreased by $12 billion primarily from the LBL divestiture.
- Allstate Financial recorded net income of $631 million in 2014, with operating income* increasing 3.2% to $607 million.
- Net income return on equity rose to 13.3%, while operating income return on equity* was 12.6%.
- Proactive capital management improved our financial strength and strategic flexibility. The debt-to-capital ratio decreased to 18.9% at year-end 2014 as a result of the issuance of preferred stock and retirement of maturing debt.

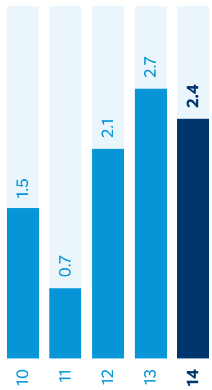
Allstate is growing
We know consumers have choices. That's why we deliver unique customer value propositions for the Allstate, Esurance and Encompass brands, and why we refocused our life and retirement operations on the Allstate agency channel in 2014.

*For a definition of this term, please see the "Definitions of Non-GAAP Measures" on the first page following the proxy statement.

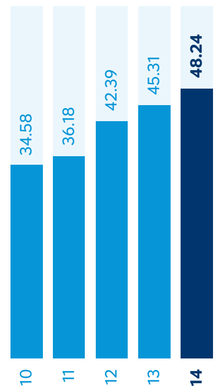
Net income available to common shareholders
($ billions)



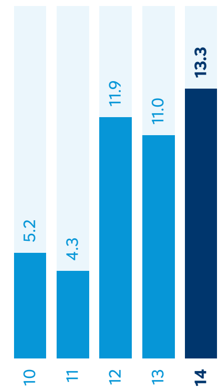
Operating income*
($ billions)



Book value per diluted common share
($)



Return on equity
(%)



EXCELLENT RETURNS TO SHAREHOLDERS

Allstate continues to be an excellent investment and delivered strong and consistent value for shareholders.

- We returned $2.8 billion to shareholders through a combination of common stock dividends and the repurchase of 8.7% of the beginning-of-year outstanding shares.
- Since the beginning of 2010, Allstate had a total shareholder return of 161.2%, better than both the S&P Property & Casualty Index, 107.7%, and the S&P 500, 103.6%.
- Book value per diluted common share rose 6.5% to $48.24 at year end.

BUILDING A PURPOSE-DRIVEN ORGANIZATION

Over the last seven years, we have become a purpose-driven company. Our next step is to become a collection of purpose-driven individuals who together are a "Force For Good." We will help customers achieve their dreams, provide shareholders with attractive returns, give employees a place to achieve their purposes in life and improve local communities.

Allstaters share a common commitment to helping others. Our focus is on empowerment, helping people help themselves to lead better lives. In 2014, The Allstate Foundation, Allstate, employees and agency owners gave $34 million to support local communities, including teen safe driving and domestic violence programs. Some 67% of agency owners and employees are involved in community service. To date, our programs have helped more than 1.5 million young drivers and 580,000 survivors of domestic violence.

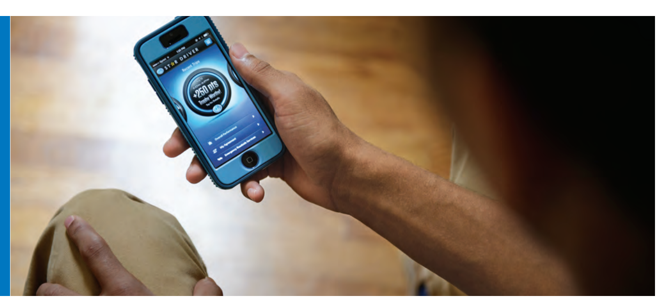
GROWING TODAY, SHAPING THE FUTURE

Under the governance of Allstate's outstanding board of directors, we are building a new type of corporation. It is a bold vision, but one we will achieve. Indeed, we are already well on the way to shaping the future!

Tom Wilson

THOMAS J. WILSON
Chairman and Chief Executive Officer
April 6, 2015

Allstate is innovative
Allstate is on the leading edge of product and service innovation. Our goal is to provide a customer experience that offers service, connectedness, safety, preparedness and value, through cutting-edge offerings such as Drivewise® and QuickFoto Claim®.



Our Shared Purpose

We are the Good Hands®:
We help customers realize their hopes and dreams by providing the best products and services to protect them from life's uncertainties and prepare them for the future.

OUR STRATEGIC VISION
Deliver substantially more value than the competition by reinventing protection and retirement to improve customers' lives.

OUR CORPORATE GOAL
Create long-term value by serving our stakeholders, taking appropriate risks, and leveraging our capabilities and strategic assets.

OUR VALUES
- Honesty, caring and integrity
- Inclusive diversity
- Engagement
- Accountability
- Superior performance

OUR PRIORITIES
- Customer focus
- Operational excellence
- Enterprise risk and return
- Sustainable growth
- Capital management

OUR OPERATING PRINCIPLES
- Put the customer at the center of all our actions.
- Use consumer insights, data, technology and people to create disruptive innovation to better serve customers and generate growth.
- Execute well-considered decisions with precision and speed.
- Focus relentlessly on those few things that provide the greatest impact.
- Be a learning organization that leverages successes, learns from failures and continuously improves.
- Provide employees, agency owners and financial specialists fulfilling opportunities, personal growth and performance-based rewards.
- Take an enterprise view of our people and processes, and work as a single team to advance Allstate rather than our individual interests.

OUR LEADERSHIP PRINCIPLES
We empower every employee to lead and drive change.
- We're here to serve.
- We win together.
- We drive results.
- We're transparent.
- We continuously get better.
- We develop each other.

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062

LETTER TO STOCKHOLDERS FROM YOUR BOARD OF DIRECTORS

April 6, 2015

To Our Stockholders,

The actions we took in 2014 relating to strategy, capital utilization, executive compensation and governance built on a strong foundation of results and oversight. The complete story is provided in the annual report and this proxy statement but this letter highlights the significant actions taken based on conversations with stockholders throughout the year. Overall, it has been a productive and busy year with total stockholder return of 30.9% for 2014. This brings total stockholder return for three- and five- years to 171.0% and 161.2%, respectively, outperforming our property and casualty and life insurance peers. At the same time, progress has been made in becoming a purpose-driven organization that provides customers superior products and services.

STRATEGIC OVERSIGHT

Allstate maintained the same strategy of providing unique value propositions to different segments of the personal lines insurance market. This strategy is working as the company has grown policies in force and improved customer satisfaction while maintaining excellent profitability.

CAPITAL UTILIZATION

In 2014, Allstate returned $2.78 billion to stockholders through a combination of common stock dividends and the repurchase of 8.7% of the outstanding shares. Net income return on equity was 13.3% and the ratio of debt to capital resources was lowered to 18.9% by issuing preferred stock and repaying maturing debt.

EXECUTIVE COMPENSATION

To ensure that our compensation programs and payouts are aligned with stockholder value, we made changes to performance stock awards and equity retention requirements.

- The goals for performance stock awards were changed to a three-year average operating income return on equity instead of three one-year operating income return on equity goals. The change was made due to reduced homeowners insurance volatility given management's progress in reducing catastrophe exposure.
- Equity retention requirements were lengthened for the 2014 awards in response to a stockholder proposal in 2013 that received support from approximately one-third of the voted shares. Despite this change, a similar proposal received support from about a quarter of the shares voted in 2014. As a result, we consulted with stockholders representing over one-third of our outstanding shares and the compensation committee's independent advisor to see if additional changes were warranted. We decided to stay with the current equity retention requirements since management's ownership is in excess of the

Allstate
You're in good hands.

stock ownership guidelines and the proposal is not in line with industry practice, as discussed in more detail on page 72. We did adopt a policy prohibiting the pledging of Allstate securities for senior executives and directors.

CORPORATE GOVERNANCE

We continued our practice of interacting with stockholders on governance issues three times a year: before, during, and after annual stockholder voting. Each Board committee considers this feedback from stockholders and takes action as needed.

- Board composition is vital to effective oversight and we focus on having a team of independent directors with the capabilities, experience, diversity, and tenure to represent your interests. Mike Eskew joined this team in 2014 and brings substantial operating, technology, and governance experience.
- Mandatory auditor rotation was considered by the audit committee, and it determined that a process of annual evaluation remained appropriate. The committee has solicited requests for information from other auditing firms within the last three years.
- Cybersecurity is a growing threat for all companies, so the audit committee increased its focus on these initiatives to supplement oversight by the Board and the risk and return committee.
- The Board expanded its efforts to develop a thorough understanding of the company's leadership depth and culture. Board members have regular interaction with senior management, an annual interactive dialogue with other high-performing officers, and participate in ethics discussions with officers.

We want to thank two very experienced and effective directors who are retiring from the Board. Duane Ackerman, lead director, provided his expertise and wisdom for 16 years. Jack Greenberg's advice and guidance have also been invaluable for 13 years. Their service on behalf of Allstate stockholders has been exemplary. We will miss them and are extremely thankful that they chose to share their expertise with us.

As Allstate's Board of Directors, we remain fully committed to helping Allstate serve customers, deliver excellent operating results, and create attractive stockholder returns.

F. Duane Ackerman	Robert D. Beyer	Kermit R. Crawford
Michael L. Eskew	Jack M. Greenberg	Herbert L. Henkel
Siddharth N. (Bobby) Mehta	Andrea Redmond	John W. Rowe
Judith A. Sprieser	Mary Alice Taylor	Thomas J. Wilson

Allstate
You're in good hands.

Table of Contents

New Sections Include...

Proxy Summary. See a snapshot of the annual meeting agenda, and the governance, executive compensation, and other highlights for 2014. **Page 2**

Evaluation Process for Current Directors. Learn about our comprehensive process for directors. **Page 10**

Overview of Director Nominees. Read a summary of the 10 diverse, highly qualified nominees for our Board of Directors. **Page 12**

Stockholder Engagement. Understand our ongoing engagement with stockholders. **Page 26**

Executive Overview of Compensation. Review our 2014 performance; how we align pay with performance; and changes to our compensation program. **Page 28**

Incentive Design and Goal Setting. Review our compensation and succession committee's robust process for determining annual and long-term incentives for management. **Page 33**

Other Highlights...

How to vote in advance of the annual meeting. **Page 1**

Cybersecurity oversight enhanced. **Page 23**

Notice of 2015 Annual Meeting of Stockholders

When: Tuesday, May 19, 2015, at 11:00 a.m. Central time. Registration begins at 10:00 a.m.

Where: Allstate, West Plaza Auditorium
3100 Sanders Road
Northbrook, Illinois 60062

Items of Business:

- Election of 10 directors.
- Say-on-pay: advisory vote on the compensation of the named executives.
- Ratification of appointment of Deloitte & Touche LLP as Allstate's independent registered public accountant for 2015.
- One stockholder proposal, if properly presented at the meeting.

In addition, any other business properly presented may be acted upon at the meeting.

Who Can Vote: Holders of Allstate stock at the close of business on March 20, 2015. Your vote is important. Please vote as soon as possible by one of the methods shown below.

Attending the Meeting: Stockholders who wish to attend the meeting in person should review page 74.

Date of Mailing: On April 6, 2015, Allstate began mailing its notice of Internet availability of proxy materials, proxy statement and annual report, and proxy card/voting instruction form to stockholders and to participants in the Allstate 401(k) Savings Plan.

By Order of the Board,

Susan L. Lees
Secretary

April 6, 2015

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 19, 2015.
The Notice of 2015 Annual Meeting, Proxy Statement, and 2014 Annual Report and the means to vote by Internet are available at www.proxyvote.com.

YOUR VOTE IS IMPORTANT: HOW TO VOTE IN ADVANCE

By Telephone

In the U.S. or Canada, you can vote your shares toll-free by calling 1-800-690-6903.

By Internet

You can vote your shares online at www.proxyvote.com.

By Mail

You can vote by mail by marking, dating, and signing your proxy card or voting instruction form and returning it in the postage-paid envelope.

By Tablet or Smartphone

You can vote your shares online with your tablet or smartphone by scanning the QR code above.

Make sure to have your proxy card or voting instruction form in hand and follow the instructions.

Proxy Summary

This summary highlights selected information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider in deciding how to vote. You should read the entire proxy statement carefully before voting.

2015 Annual Meeting of Stockholders

Time and Date: 11:00 a.m. Central time, Tuesday, May 19, 2015

Place: Allstate, West Plaza Auditorium, 3100 Sanders Road, Northbrook, IL

Record Date: March 20, 2015

Voting: Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director position and one vote for each of the other proposals.

Meeting Agenda and Voting Recommendations

Proposal	Board Recommendation	Page
1. Election of 10 Directors.	FOR	11
2. Say-on-Pay: Advisory Vote on the Compensation of Named Executives.	FOR	27
3. Ratification of the Appointment of Deloitte & Touche LLP for 2015.	FOR	69
4. Stockholder Proposal on Equity Retention by Senior Executives.	AGAINST	71

Governance Highlights

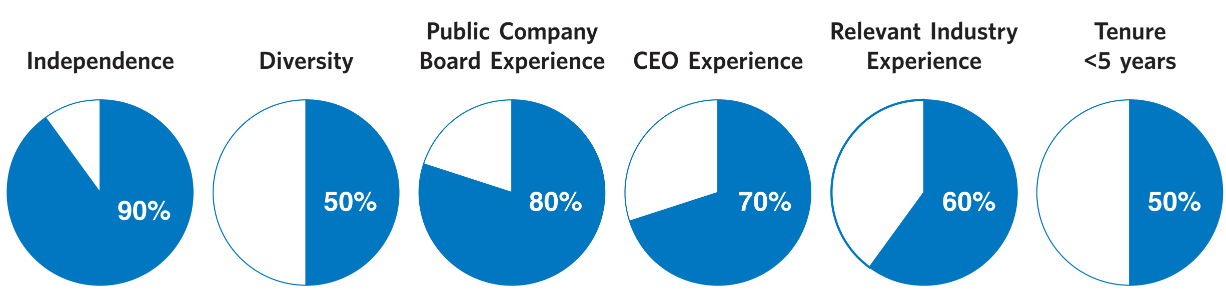
See "Letter to Stockholders from Your Board of Directors" for an overview describing Allstate's strategy, capital utilization, executive compensation, and governance in 2014.

Board Highlights

Added a new director in 2014: Mr. Eskew adds operating, technology, and corporate governance leadership experience to our Board. ***Page 15***

Ms. Sprieser will be our new lead director assuming her re-election at the 2015 annual meeting. ***Page 23***

The composition of the nominees for the Board of Directors consists of:



2014 Highlights

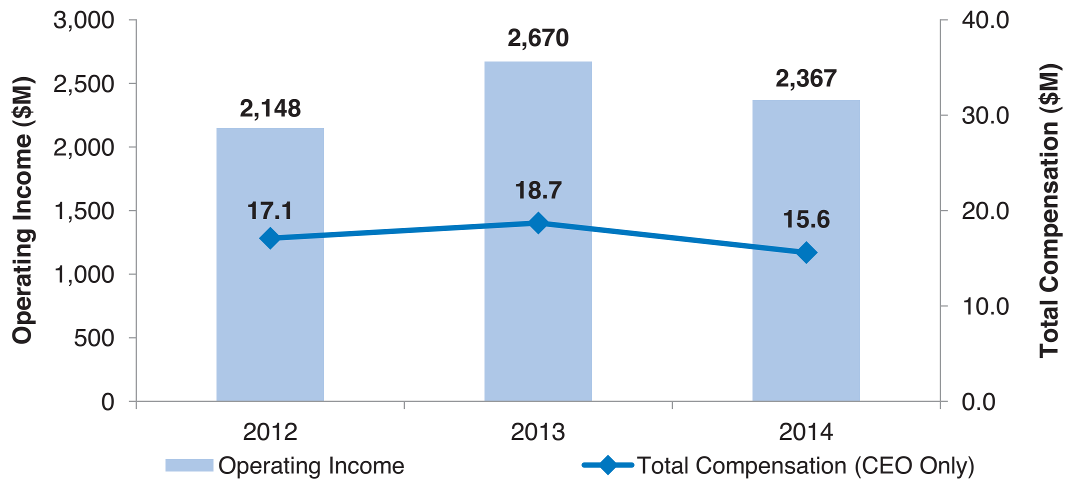
Strong operational performance resulted in net income available to common stockholders of $2.75 billion, or $6.27 per diluted common share, compared with $2.26 billion, or $4.81 per diluted common share in 2013. ***Page 28***

Total cash paid to stockholders was $2.78 billion, which included common stock dividends and share repurchases. ***Page 28***

Total stockholder return was 30.9%, which brings the three- and five-year returns to 171.0% and 161.2%, respectively. ***Page 29***

Executive Compensation Highlights

2012-2014 Operating Income(1) Compared with CEO Total Compensation(2)



(1) The Operating Income measure is not based on accounting principles generally accepted in the United States of America (''non-GAAP'') and is defined and reconciled to the most directly comparable GAAP measure in Appendix D.

(2) As reported in the ''Total'' column of the Summary Compensation Table.

Operating income declined in 2014 as a result of increased catastrophe losses and the disposition of Lincoln Benefit Life Company. The underlying combined ratio remained at an attractive level and Property-Liability premiums written grew by 5%. ***Page 28 and Appendix D***

Total 2014 compensation for the CEO decreased 16% year over year despite a total return to stockholders in excess of peers and the overall market. ***Page 47***

Enhanced disclosure on incentive compensation goal-setting in response to stockholder feedback. ***Page 33***

Measurement period for performance stock awards was changed from three separate one-year periods to one single three-year period. ***Page 36***

Lengthened equity retention requirements in response to stockholder dialogue. ***Page 38***

Other Highlights

Adopted policy in 2014 prohibiting pledging. ***Page 38***

Director compensation was changed in 2014. ***Page 64***

See more about the audit committee's oversight and engagement of the independent auditor. ***Page 69***

To attend the annual meeting, you must follow certain procedures. ***Page 74***

The titles and responsibilities of certain executive officers changed effective January 2015. ***Appendix C***

WHO IS ASKING FOR YOUR VOTE AND WHY:	The Allstate Board of Directors is soliciting proxies for use at the annual meeting of stockholders to be held on May 19, 2015, and any adjournments or postponements of the meeting. The annual meeting will be held only if there is a quorum, which means that a majority of the outstanding common stock entitled to vote is represented at the meeting by proxy or in person. To ensure there will be a quorum, the Allstate Board asks you to vote before the meeting, which allows your Allstate stock to be represented at the annual meeting. Instructions on how to vote your shares are included on the Notice on page 1.
WHO CAN VOTE:	The Allstate Board has set the close of business on March 20, 2015 as the record date for the meeting. This means that you are entitled to vote if you were a stockholder of record at the close of business on March 20, 2015. On that date, there were 408,878,853 Allstate common shares outstanding and entitled to vote at the annual meeting.
HOW TO VOTE:	If you hold shares in your own name as a registered stockholder, you may vote in person by attending the annual meeting, or you may instruct the proxies how to vote your shares by following the instructions on the proxy card/voting instruction form. **If you plan to attend the meeting in person, please see the details on page 74.** If you hold shares in street name (that is, through a broker, bank, or other record holder), you should follow the instructions provided by your broker, bank, or other record holder to vote your shares. If you hold shares through the Allstate 401(k) Savings Plan, please see the instructions on page 73. Before your shares have been voted at the annual meeting by the proxies, you may change or revoke your voting instructions by providing instructions again by telephone, by Internet, in writing, or, if you are a registered stockholder, by voting in person at the annual meeting.
CONFIDENTIALITY OF VOTES:	All proxies, ballots, and tabulations that identify the vote of a particular stockholder are confidential, except as necessary to allow the inspector of election to certify the voting results or to meet certain legal requirements. A representative of American Election Services, LLC will act as the inspector of election and will count the votes. The representative is independent of Allstate and its directors, officers, and employees. If you write a comment on your proxy card, voting instruction form, or ballot, it may be provided to our secretary along with your name and address. Your comments will be provided without reference to how you voted, unless the vote is mentioned in your comment or unless disclosure of the vote is necessary to understand your comment. At our request, the distribution agent or the solicitation agent will provide us with periodic status reports on the aggregate vote. These status reports may include a list of stockholders who have not voted and breakdowns of vote totals by different types of stockholders, as long as we are not able to determine how a particular stockholder voted.
DISCRETIONARY VOTING AUTHORITY OF PROXIES:	If you submit a signed proxy card/voting instruction form to allow your shares to be represented at the annual meeting, but do not indicate how your shares should be voted on one or more proposals, then the proxies will vote your shares as the Board of Directors recommends on those proposals. Other than the proposal listed on page 71, we do not know of any other matters to be presented at the meeting. If any other matters are properly presented at the meeting, the proxies may vote your shares in accordance with their best judgment.

Providing Voting Instructions

You may instruct the proxies to vote "FOR" or "AGAINST" each proposal, or you may instruct the proxies to "ABSTAIN" from voting. Each share of common stock outstanding on the record date will be entitled to one vote on each of the 10 director nominees and one vote on each other proposal.

Proposal	Board Recommendation	Rationale for Board Recommendation
1. Election of 10 Directors. *Pages 11-22*	FOR	• Broad and diverse slate of directors. • All candidates are highly successful executives with relevant skills and experience. • Balanced tenure with 9 of 10 independent of management.
2. Say-on-Pay.* Advisory Vote on the Compensation of Named Executives. *Pages 27-63*	FOR	• Strong oversight by compensation and succession committee. • Excellent 2014 business results. • Pay for performance alignment.
3. Ratification of Auditors.* Ratification of Deloitte & Touche LLP as the Independent Registered Public Accountant for 2015. *Pages 69-70*	FOR	• Independent with few ancillary services. • Reasonable fees. • The audit committee has solicited requests for information from other auditing firms in the last three years and decided to recommend retaining Deloitte & Touche LLP.
4. Stockholder Proposal on Equity Retention by Senior Executives.* *Pages 71-72*	AGAINST	• Equity retention requirements for senior executives were lengthened in 2014. • The Board considered further expanding equity retention requirements and concluded that no further restrictions were warranted. • Existing policies align executives' incentives with stockholders' interests. • Management's stock ownership substantially exceeds ownership requirements. • A policy prohibiting the pledging of stock by senior executives and directors was put in place in 2014. • Implementation of the proposal would have undesirable secondary consequences.

* Advisory/Non-Binding Proposal

Vote Required to Approve Proposals

Shares of common stock represented by a properly completed proxy card/voting instruction form will be counted as present at the meeting for purposes of determining a quorum, even if the stockholder is abstaining from voting.

Proposal 1. To be elected under Allstate's majority vote standard, each director must receive an affirmative vote of the majority of the votes cast. In other words, the number of shares voted ''For'' a director must exceed 50% of the votes cast on that director. Abstentions will not be counted as votes cast and will have no impact on the vote's outcome.

Proposals 2, 3 and 4. To be approved, a majority of the shares present in person or represented by proxy at the meeting and entitled to vote must be voted ''For'' the proposal. Abstentions will have the effect of a vote against the proposal.

Effect of Broker Non-Votes

Brokers and banks have discretionary authority to vote shares in the absence of instructions on matters the New York Stock Exchange considers ''routine,'' such as the ratification of the appointment of the auditors. They do not have discretionary authority to vote shares in the absence of instructions on ''non-routine'' matters, such as the election of directors, say-on-pay, and the stockholder proposal. Broker non-votes will not be counted as shares entitled to vote on any matter and will have no impact on the vote's outcome.

Corporate Governance Practices

Allstate has a history of strong corporate governance. By evolving our governance approach in light of best practices, our Board drives sustained stockholder value and best serves the interests of Allstate stockholders.

- ✓ **Annual election of all directors.**
- ✓ **Majority vote standard.** Each director must be elected by a majority of votes cast, not a plurality, in uncontested elections.
- ✓ **No stockholder rights plan ("poison pill").**
- ✓ **No supermajority voting provisions.**
- ✓ **Confidential voting.**
- ✓ **Stockholders holding 10% or more of our outstanding stock have the right to call a special meeting.**
- ✓ **Stockholders holding 10% or more of our outstanding stock have the right to request action by written consent.**
- ✓ **Stockholder engagement.** Allstate regularly engages with its stockholders to better understand their perspectives.
- ✓ **Board committees review and assess stockholder feedback to determine whether action is necessary.**
- ✓ **9 out of 10 independent Board members.** The Board has determined that these members are independent within the meaning of applicable laws, NYSE listing standards, and the *Director Independence Standards*.
- ✓ **Independent lead director.**
- ✓ **Independent Board committees.** Each committee other than the executive committee is made up of independent directors. Each committee operates under a written charter that has been approved by the Board and is available to stockholders.
- ✓ **Proactive Approach to Governance.** Allstate has a continuous process of reviewing emerging corporate governance issues and trends. The Board created a risk and return committee in 2013.
- ✓ **Formal director evaluation process.** Each year, the performance of each director is assessed by the lead director, chairman of the Board, and chair of the nominating and governance committee. Feedback is provided as necessary. Every other year, discussions are held with each director to discuss future plans on continued Board membership.
- ✓ **Board dialogue and interaction is comprehensive.**
  - Formal process to facilitate cross-committee and Board communication.
  - Self-evaluation process at the end of each in-person committee and Board meeting.
  - Committee reports provided to the Board specifically ask if any issues need to be further reviewed by the entire Board.
- ✓ **Each committee has the authority to retain independent advisors.** Currently, all independent committees utilize external advisors.
- ✓ **Annual report on corporate involvement with public policy.** The report provides transparency on Allstate initiatives to promote sound public policy and can be found at www.allstate.com/publicpolicyreport.
- ✓ **Robust code of ethics.** Allstate is committed to operating its business with the highest level of ethical conduct and has adopted a comprehensive *Code of Ethics* that applies to all of its employees, as well as the Board of Directors. Allstate's *Code of Ethics* is available at www.allstatecodeofethics.com.
- ✓ **Expanded equity retention requirements for senior executives in 2014.** Significant requirements strongly link the interests of management with those of stockholders.

You can learn more about our corporate governance by visiting www.allstateinvestors.com, where you will find our *Corporate Governance Guidelines,* each standing committee charter, our *Code of Ethics,* and *Director Independence Standards.* Each of these documents also is available in print upon request made to the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite F7, Northbrook, Illinois 60062-6127. For your convenience, you can scan this QR code with your mobile device to view our corporate governance documents online.

Board Meetings and Committees

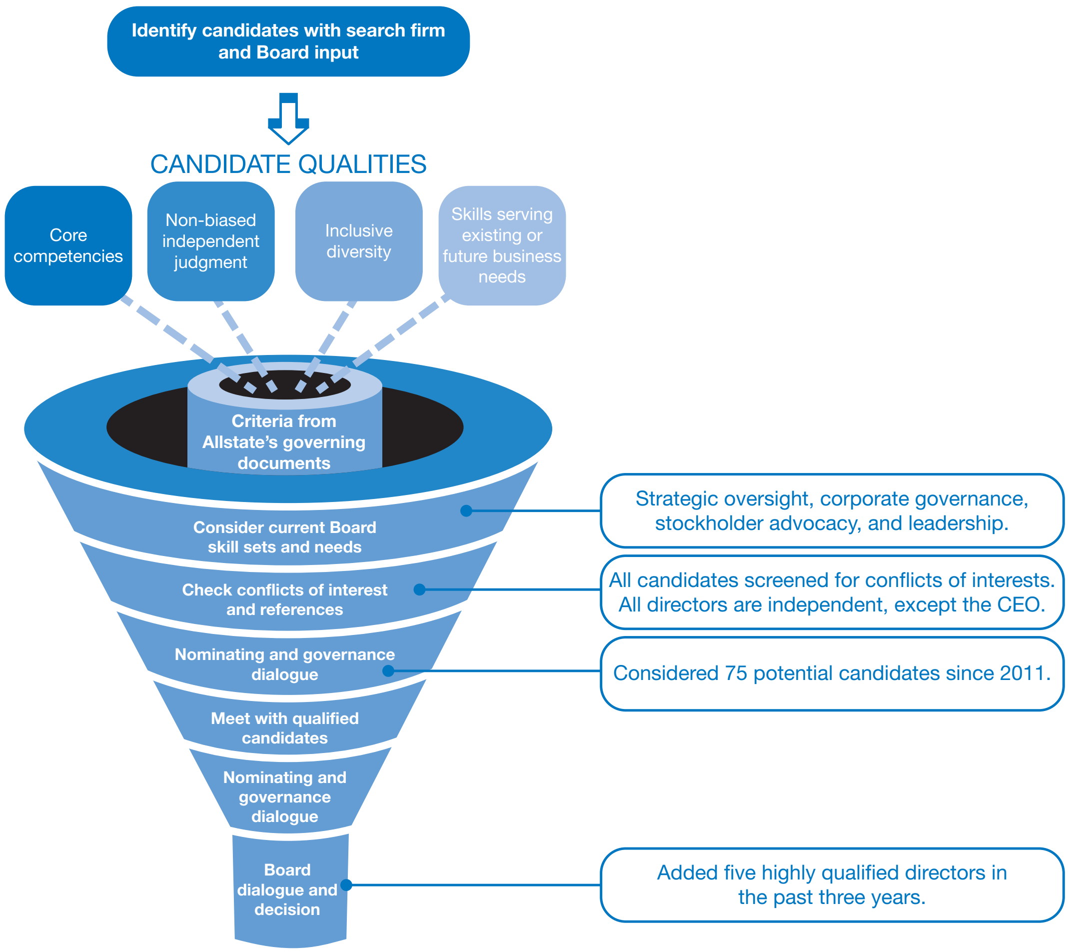
The following table identifies each standing committee of the Board, its members, functions, and the number of meetings held during 2014. The Board has determined the members of the audit, compensation and succession, nominating and governance, and risk and return committees are independent within the meaning of applicable laws, NYSE listing standards, and the *Director Independence Standards* in effect at the time of determination.

	Key Responsibilities	Meetings in 2014	Directors
The Allstate Corporation Board of Directors	• Strategic oversight • Corporate governance • Stockholder advocacy • Leadership	6	**Chair:** **Thomas J. Wilson** **Independent Lead Director:** **F. Duane Ackerman** • 11 of 12 are independent.
Audit Committee Report: Page 70	• Assists the Board in its oversight of the integrity of financial statements and other financial information, including reviews of Allstate's financial statements; system of internal control over accounting and financial reporting and disclosures; enterprise risk control assessment and guidelines and policies by which risk assessment and management is governed (including cybersecurity risk); ethics; and compliance with legal and regulatory requirements. • Appoints, retains, and oversees the compensation and work of the independent registered public accountant, and with the Board, evaluates its qualifications, performance, and independence. • Evaluates Allstate's internal audit function through semi-annual reviews of its audit plan, policies and procedures, resources, risk assessment methodologies, and significant findings.	9	**Chair:** **Judith A. Sprieser** **Other Members:** • Robert D. Beyer • Kermit R. Crawford • Michael L. Eskew(1) • Siddharth N. Mehta • Mary Alice Taylor The Board determined that Ms. Sprieser, Mr. Beyer, Mr. Eskew, Mr. Mehta, and Mrs. Taylor are each an audit committee financial expert. Messrs. Henkel and Rowe have the background and experience to qualify as audit committee financial experts but do not currently serve on the audit committee.
Compensation and Succession Committee Report: Page 46	• Administers Allstate's executive compensation plans and has sole authority to retain the committee's independent compensation consultant. • Assists the Board in determining the compensation of the executive officers, including the CEO. • Reviews management succession plans and executive organizational structure for Allstate and each significant operating subsidiary.	6	**Chair:** **Jack M. Greenberg** **Other Members:** • Michael L. Eskew(1) • Herbert L. Henkel • Andrea Redmond • John W. Rowe
Nominating and Governance Committee	• Recommends candidates to be nominated by the Board for election as directors. • Reviews the *Corporate Governance Guidelines* and advises the Board on corporate governance issues. • Determines performance criteria and oversees assessment of the Board's performance and director independence.	5	**Chair:** **John W. Rowe** **Other Members:** • F. Duane Ackerman • Kermit R. Crawford • Andrea Redmond • Mary Alice Taylor
Risk and Return Committee	• Assists the Board in risk and return governance and oversight. • Reviews risk and return process, policies, and guidelines used by management to evaluate, monitor, and manage enterprise risk and return. • Supports the audit committee in its oversight of risk controls and management policies.	5	**Chair:** **Robert D. Beyer** **Other Members:** • Herbert L. Henkel • Siddharth N. Mehta • Judith A. Sprieser
Executive Committee	• Has the powers of the Board in the management of Allstate's business affairs to the extent permitted under the bylaws, excluding any powers granted by the Board to any other committee of the Board. • Provides Board oversight if outside the scope of established committees or if an accelerated process is necessary. • Comprised of lead director, committee chairs and chairman.	0	**Chair:** **Thomas J. Wilson** **Other Members:** • F. Duane Ackerman • Robert D. Beyer • Jack M. Greenberg • John W. Rowe • Judith A. Sprieser

(1) Mr. Eskew joined these committees in January 2015.

Nomination Process for Board Election

The Board continuously identifies potential director candidates in anticipation of retirements, resignations, or the need for expanded capabilities. The graphic and bullets below describe the ongoing nominating and governance committee process to identify highly qualified candidates for Board service.



- Board nominees are identified through a retained search firm, suggestions from current directors and stockholders, and other solicitations including self-nominations. Our newest director, Mr. Eskew, was identified by our current directors.
- The nominating and governance committee discusses the desired skills and perspectives. Directors evaluate all candidates for diversity of background, expertise, and perspective, as well as the criteria described in our *Corporate Governance Guidelines* on allstateinvestors.com.
- Following this initial screening, management conducts deeper inquiries to determine whether there are any existing or potential business conflicts with the candidate or any business entity affiliated with that candidate.
- Based on these results, the committee decides which candidates warrant further consideration.
- Certain directors are designated to meet with each candidate. At the same time, both the search firm and management conduct additional research and analysis.
- Conclusions from due diligence and impressions from meetings are discussed by the nominating and governance committee. The committee recommends candidates for election to the Board. All nominees satisfy requirements of Allstate's bylaws and corporate governance guidelines.

The Board ultimately is responsible for naming nominees for election or appointing directors to serve until election at the next annual meeting.

The Board and nominating and governance committee believe that each director should be well-versed in strategic oversight, corporate governance, stockholder advocacy, and leadership in order to be an effective member of the Allstate Board. In addition to this fundamental expertise, the Board and committee seek directors with corporate operating experience, relevant industry experience, financial expertise, or compensation and succession experience. The Board and committee also consider experience in the following areas: investment management, technology, risk management, innovation, customer focus, and global operations.

The Board and committee expect each non-employee director to be free of interests or affiliations that could give rise to a biased approach to directorship responsibilities or a conflict of interest, and free of any significant relationship with Allstate that would interfere with the director's exercise of independent judgment. The Board and committee also expect each director to be willing and able to devote the time and effort necessary to serve as an effective director and to act in a manner consistent with a director's fiduciary duties of loyalty and care. Allstate executive officers may not serve on boards of other corporations whose executive officers serve on Allstate's Board.

Candidates Nominated by Stockholders

The nominating and governance committee will consider director candidates recommended by a stockholder in the same manner as all other candidates recommended by other sources. A stockholder may recommend a candidate at any time of the year by writing to the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite F7, Northbrook, Illinois 60062-6127.

A stockholder also may directly nominate someone for election as a director at a stockholders' meeting. Under our bylaws, a stockholder may nominate a candidate at the 2016 annual meeting of stockholders by providing advance notice to Allstate that is received no earlier than the close of business on January 20, 2016, and no later than the close of business on February 19, 2016. The notice must be sent to the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite F7, Northbrook, Illinois 60062-6127 and must meet the requirements set forth in the corporation's bylaws. A copy of the bylaws is available from the Office of the Secretary upon request or can be found on the Corporate Governance section of allstateinvestors.com.

Evaluation Process for Current Directors

Prior to recommending the annual slate of director nominees, the nominating and governance committee has a rigorous process to evaluate current directors to ensure the directors continue to bring the appropriate mix of skills and expertise to the Board in light of Allstate's business and strategies. In addition to considering the current directors' tenure, the committee's process includes:

- Annually, the lead director, chair of the nominating and governance committee and the chairman conduct an evaluation of the contributions and performance of each individual director. Each director is evaluated on the following areas:
  - *Core capabilities* of strategic oversight, corporate governance, stockholder advocacy, and leadership.
  - *Additional capabilities* such as corporate operating, relevant industry, financial, or compensation and succession experience.
  - *Interests and affiliations.*
  - *Significant relationships with Allstate,* including extended service on the Board, that would interfere with the director's exercise of independent judgment.
  - *Willingness and ability* to devote the time necessary to serve as an effective director.
- In addition, on a biennial basis, the lead director or chairman discuss with each director the director's future plans on continued Board membership, so that individual circumstances are appropriately addressed.

Individual directors receive feedback, if necessary, from the chairman or the lead director.

The outcomes of such evaluations are shared with the nominating and governance committee in connection with the annual nomination process and inform the Board and nominating and governance committee's ongoing process to identify highly qualified candidates for Board service.

Election of Directors

FOR

The Board recommends that you vote for all director nominees.

- Broad and diverse slate of directors.
- All candidates are highly successful executives with relevant skills and experience.
- Balanced tenure with 9 of 10 independent of management.

The Board recommends 10 nominees for election to the Allstate Board for one-year terms beginning in May 2015 and until a successor is duly elected and qualified or his or her earlier resignation or removal. These nominees are talented, both as individuals and as a team. They bring a full complement of business and leadership skills to their oversight responsibilities. More than two-thirds have been CEOs and most nominees serve on other public company boards, enabling our Board to more quickly adopt best practices from other companies. Their diversity of experience and expertise facilitates robust and thoughtful decision-making on Allstate's Board.

Each nominee, other than Mr. Eskew, was previously elected at Allstate's annual meeting of stockholders on May 20, 2014 for one-year terms, and has served continuously since then. Mr. Eskew was elected by the Board effective July 21, 2014. The Board expects all nominees named in this proxy statement to be available for election. If any nominee is not available, then the proxies may vote for a substitute. On the following pages, we list the background and reasons for nominating each individual. Unless otherwise indicated, each nominee has served for at least five years in the business position currently or most recently held.

Messrs. Ackerman and Greenberg are retiring at the annual meeting in accordance with Allstate's retirement policy and are not standing for re-election.

Board Composition	
Independent directors:	90%
Public company board experience:	80%
CEO experience:	70%
Relevant industry experience:	60%
Diversity:	50%
Allstate Board Tenure:	
— under five years:	50%
— over five years:	50%

Chair Qualifications

Chairman of the Board	Audit Committee Chair	Compensation and Succession Committee Chair	Nominating and Governance Committee Chair	Risk and Return Committee Chair
Thomas J. Wilson • Successful operating leadership at Allstate for 20 years, including eight years as CEO. • Led continuous improvement in corporate governance. • Elected as chairman after 17 months as CEO.	**Judith A. Sprieser** • Audit committee financial expert under the Securities Exchange Act of 1934. • Former CEO of Transora, Inc. and former CFO of Sara Lee Corporation.	**Jack M. Greenberg** • Extensive experience on public company boards, including as non-executive chairman. • Former chairman and CEO of McDonald's Corporation.	**John W. Rowe** • Former CEO of Exelon Corporation, another highly regulated company. • Extensive experience on public company boards, including as lead director.	**Robert D. Beyer** • Extensive risk and return operating experience as CEO of The TCW Group, Inc. • Global investment management expertise.

Overview of Director Nominees

Name	Independent	Years of Tenure	Principal Occupation	# of Other Public Company Boards	Committee Memberships(1) AC	CSC(2)	NGC	RRC	EC
Robert D. Beyer	✓	9	Chairman of Chaparal Investments LLC	2	•			C	•
Kermit R. Crawford	✓	2	Former President of Pharmacy, Health and Wellness for Walgreen Company	0	•		•		
Michael L. Eskew NEW	✓	<1	Former Chairman & CEO of United Parcel Service, Inc.	3	•	•			
Herbert L. Henkel	✓	2	Former Chairman & CEO of Ingersoll-Rand Company	2		•		•	
Siddharth N. Mehta	✓	1	Former President & CEO of TransUnion, LLC	1	•			•	
Andrea Redmond	✓	5	Former Managing Director of Russell Reynolds Associates, Inc.	0		•	•		
John W. Rowe	✓	3	Chairman Emeritus & Former Chairman & CEO of Exelon Corporation	3		•	C		•
Judith A. Sprieser	✓	16	Former CEO of Transora, Inc.	1(3)	C			•	•
Mary Alice Taylor	✓	17	Former senior executive with several Fortune 500 companies, including Citicorp and FedEx Corporation	1	•		•		
Thomas J. Wilson *Chairman*		9	Chairman & CEO of The Allstate Corporation	1					C

(1) Committee assignments for 2015 will be made after the annual election of directors. Ms. Sprieser will become the lead director assuming her re-election to the Board.

(2) Jack Greenberg served as the chair of the compensation and succession committee during 2014 and will continue to serve until the annual meeting.

(3) NEW Ms. Sprieser is not standing for re-election at the 2015 Annual Meeting for Royal Ahold NV scheduled for April. After that meeting, she will serve on one other public company board (as defined by SEC regulations) in addition to Allstate, and two other boards.

AC = Audit Committee
CSC = Compensation and Succession Committee
NGC = Nominating and Governance Committee
RRC = Risk and Return Committee
EC = Executive Committee
C = Chair of Committee

Robert D. Beyer

Independent
Age 55

PROFESSIONAL EXPERIENCE

- Chairman of Chaparal Investments LLC, a private investment firm and holding company, since 2009.
- Former CEO of The TCW Group, Inc., a global investment management firm.
- Former director of Société Générale Asset Management, S.A. and The TCW Group, Inc.

Allstate Board Service

- Tenure: 9 years (2006)
- Audit committee member
- Risk and return committee chair
- Executive committee member

Other Public Board Service

The Kroger Company	1999–present
Leucadia National Corporation	2013–present

QUALIFICATIONS

Core Capabilities

- Corporate governance — director and former CEO; extensive public company board service.
- Stockholder advocacy — developed strong investment acumen during his career in finance and investment management; serves as chair of corporate governance committee and lead director at The Kroger Company.
- Leadership — former CEO of a global investment management firm.
- Strategic oversight — substantial expertise in evaluating business strategies as part of investment experience.

Additional Capabilities

- Effectively led the strategic and operational direction of a large asset management firm with a significant investment portfolio.
- Substantial expertise in evaluating companies' strategies, operations, and financial performance.
- Risk management expertise proven through development of TCW's risk management infrastructure.
- Global investment management expertise applied in assessing the strategies and performance of Allstate's $81 billion investment portfolio.

COMMITTEE EXPERTISE HIGHLIGHTS

Risk and Return Committee Chair

- Extensive career in finance and investment management, starting with Bear, Stearns & Co. in 1983. From 2005 until 2009, CEO and director of TCW with over $150 billion under management. President and CIO of the principal operating subsidiary of TCW from 2001 until 2005. Founder and current chairman of Chaparal Investments LLC.
- Developed TCW's risk management infrastructure, and the compliance, operational, and financial reporting systems of Crescent Capital Corporation, an investment management firm he co-founded in 1991.

Audit Committee Member

- Member of financial policy committee and former audit committee member of The Kroger Company board of directors.
- Previously held oversight responsibility for TCW's accounting and finance functions.

Kermit R. Crawford

Independent
Age 55

PROFESSIONAL EXPERIENCE

- Former President of Pharmacy, Health and Wellness for Walgreen Company, which operates the largest drugstore chain in the United States.
- Former Executive Vice President of Pharmacy Services, Senior Vice President of Pharmacy Services, Vice President and Executive Vice President of Pharmacy Benefit Management Services of Walgreen Company.

Allstate Board Service
- Tenure: 2 years (2013)
- Audit committee member
- Nominating and governance committee member

Other Public Board Service
- None

QUALIFICATIONS

Core Capabilities
- Corporate governance — senior leadership at a public company and service on the boards of civic organizations.
- Stockholder advocacy — establishment of strong platforms for long-term stockholder value creation.
- Leadership — significant operating and leadership responsibilities in a highly competitive, geographically distributed business.
- Strategic oversight — experience leading a consumer-focused service business in a highly competitive and regulated industry.

Additional Capabilities
- Expertise assessing the strategies and performance of a geographically distributed and consumer-focused service business similar to Allstate's.
- Effectively led operational change, including through the use of technology.
- Extensive knowledge of consumer experience and insights.

COMMITTEE EXPERTISE HIGHLIGHTS

Audit Committee Member
- As a senior leader at Walgreen Company, he was responsible for all aspects of strategic, operational, and profit and loss management of the largest division of the number one drugstore chain in the United States.

Nominating and Governance Committee Member
- Member of governing bodies of several non-profit organizations, including Northwestern Lake Forest Hospital and the University of Southern California School of Pharmacy.

Michael L. Eskew NEW

Independent
Age 65

PROFESSIONAL EXPERIENCE

- Former Chairman and CEO of United Parcel Service, Inc. ("UPS"), a provider of specialty transportation and logistics services.
- Presiding director at IBM since May 2014 and lead director at 3M Company since 2012.
- Former director of UPS.

Allstate Board Service

- Elected to the Board on July 21, 2014
- Audit committee member
- Compensation and succession committee member

Other Public Board Service

• Eli Lilly and Company	2008–present
• IBM	2005–present
• 3M Company	2003–present

QUALIFICATIONS

Core Capabilities

- Corporate governance — former chairman and CEO; extensive public company board service.
- Stockholder advocacy — presiding director at IBM and lead director at 3M Company.
- Leadership — as chairman and CEO, led one of the world's largest package delivery companies.
- Strategic oversight — led operational and technological transformation of a major publicly traded corporation in customer service and efficiency improvements.

Additional Capabilities

- Effectively managed the worldwide operations and strategic planning for a global, consumer-focused service business.
- Expertise in leadership and customer-driven operational change through technology.
- Oversight of a highly regulated company as a director of Eli Lilly and Company.

COMMITTEE EXPERTISE HIGHLIGHTS

Audit Committee Member

- Chair of the IBM audit committee and chair of the Eli Lilly audit committee, as well as a member of the 3M audit committee from 2003 to 2013.
- Successful execution of financial oversight responsibilities as CEO of UPS.

Compensation and Succession Committee Member

- Significant management experience as former chairman and CEO of UPS from 2002 to 2007 and director of other publicly traded companies.

Herbert L. Henkel

Independent
Age 66

PROFESSIONAL EXPERIENCE

- Former Chairman and CEO of Ingersoll-Rand Company, a commercial manufacturer of industrial products.
- Former President and Chief Operating Officer of Textron, Inc., a global manufacturing company.
- Former director of AT&T Corporation and Visteon Corporation.

Allstate Board Service

- Tenure: 2 years (2013)
- Compensation and succession committee member
- Risk and return committee member

Other Public Board Service

• 3M Company	2007–present
• C.R. Bard, Inc.	2002–present

QUALIFICATIONS

Core Capabilities

- Corporate governance — former chairman and CEO; extensive public company board service.
- Stockholder advocacy — lead director at C.R. Bard.
- Leadership — former chairman and CEO of a global public company.
- Strategic oversight — experience in strategically repositioning an established corporation and international expansion.

Additional Capabilities

- Operating and leadership expertise as CEO of a publicly traded company for nearly a decade.
- Expertise in strategy formation, acquisitions, and divestitures.
- Current experience as chair of the 3M audit committee and member of the 3M finance committee.

COMMITTEE EXPERTISE HIGHLIGHTS

Compensation and Succession Committee Member

- Chairman and CEO of Ingersoll-Rand Company, manufacturer of industrial products and components, from 2000 to 2010.
- Director of C.R. Bard since 2002. Currently serves as lead director and member of compensation, finance, and governance committees.

Risk and Return Committee Member

- Significant experience in management and oversight of risk for publicly traded companies, including as chairman and CEO for Ingersoll-Rand Company and in various executive leadership positions at Textron, Inc. from 1995-1999.

Siddharth N. (Bobby) Mehta

Independent
Age 56

PROFESSIONAL EXPERIENCE

- Former President and Chief Executive Officer, TransUnion LLC, a global provider of credit information and risk management solutions.
- Former Chairman and Chief Executive Officer, HSBC North America Holdings, Inc.
- Former Chief Executive Officer, HSBC Finance Corporation.
- Former director of MasterCard International, Inc.
- Current director at Piramal Enterprises Ltd.

Allstate Board Service
- Tenure: 1 year (2014)
- Audit committee member
- Risk and return committee member

Other Public Board Service
- TransUnion Holding Company 2013–present

QUALIFICATIONS

Core Capabilities
- Corporate governance — director and former chairman and CEO.
- Stockholder advocacy — substantial experience in financial services industry.
- Leadership — led complex global companies.
- Strategic oversight — insights from technology and data service businesses.

Additional Capabilities
- Successfully increased revenues and global reach through the use of technology and advanced analytics.
- Key leadership roles in corporate marketing, strategic planning, and corporate development.
- Extensive operational and strategic experience in the banking industries and credit markets provides valuable insights into the highly regulated insurance industry and investment activities.

COMMITTEE EXPERTISE HIGHLIGHTS

Audit Committee Member
- Multiple leadership positions with financial oversight responsibility, including President and CEO of TransUnion LLC, and CEO of HSBC Finance Corporation and HSBC North American Holdings, Inc.

Risk and Return Committee Member
- Significant experience in financial and trading markets through multiple executive leadership positions at HSBC Group.

Andrea Redmond

Independent
Age 59

PROFESSIONAL EXPERIENCE

- Former Managing Director, co-head of the CEO/board services practice, founder and leader of global insurance practice, and member of financial services practice at Russell Reynolds Associates Inc., a global executive search firm, with 20 years of experience at the firm.
- Independent consultant providing executive recruiting, succession planning, and talent management services.

Allstate Board Service

- Tenure: 5 years (2010)
- Compensation and succession committee member
- Nominating and governance committee member

Other Public Board Service

- None

QUALIFICATIONS

Core Capabilities

- Corporate governance — extensive experience assessing required board capabilities and evaluating director candidates.
- Stockholder advocacy — experience in working with boards to replace leadership in response to shareholder concerns.
- Leadership — experience assessing and evaluating CEOs and senior management; senior leadership and operating role in a global service organization.
- Strategic oversight — insights from a wide range of industries, including financial services.

Additional Capabilities

- Successfully led Russell Reynolds' global insurance and board recruitment practices for more than a decade.
- Developed expertise in succession planning, talent management, and compensation in public companies across industries, including financial services, technology, transportation, consumer products, and healthcare.
- Effectively helped companies identify and recruit leaders capable of building high-performance organizations.
- Founded and led Russell Reynolds' global insurance practice, providing insight into the insurance industry.

COMMITTEE EXPERTISE HIGHLIGHTS

Compensation and Succession Committee Member

- Experienced in executive recruiting, succession planning, and talent management.
- Previously a senior partner at a highly regarded global executive search firm, Russell Reynolds Associates, from 1986 to 2007, including significant tenure as co-head of the CEO/board services practice.
- Extensive experience working with numerous publicly traded companies to recruit and place senior executives, including Hewlett-Packard, Visa USA, Bank One, United Airlines, Sprint, SAFECO, Providian Financial, AXA Financial, Polaroid Corporation, Cardinal Health, and Hewitt Associates.

Nominating and Governance Committee Member

- Significant expertise recruiting and evaluating directors for a variety of public companies, including Walgreen Company, Hewlett-Packard, Visteon, Prudential, and USG Corporation.

John W. Rowe

Independent
Age 69

PROFESSIONAL EXPERIENCE

- Chairman Emeritus and Former Chairman and CEO of Exelon Corporation, one of the country's largest electric utilities.
- Former director of Sunoco, Inc. and Exelon Corporation.

Allstate Board Service

- Tenure: 3 years (2012)
- Compensation and succession committee member
- Nominating and governance committee chair
- Executive committee member

Other Public Board Service

- Northern Trust Corporation 2002-present
- SunCoke Energy, Inc. 2012-present
- American DG Energy, Inc. 2013-present

QUALIFICATIONS

Core Capabilities

- Corporate governance — former chairman and CEO; extensive experience on public company boards.
- Stockholder advocacy — lead director at Northern Trust Corporation.
- Leadership — as chairman and CEO, led one of the country's largest electric utility companies.
- Strategic oversight — created and implemented a differentiated strategy in a highly regulated industry.

Additional Capabilities

- Extensive leadership and management experience as a CEO.
- Successfully led company in a highly regulated industry comparable to the complex insurance regulatory system in which Allstate operates.
- Lead director on the board of Northern Trust Corporation and a former director of Unum Provident, providing insight on and experience in financial services and insurance.

COMMITTEE EXPERTISE HIGHLIGHTS

Compensation and Succession Committee Member

- Leadership responsibilities as former chairman and CEO of Exelon Corporation.
- Member of SunCoke Energy compensation committee.
- Member of Northern Trust Corporation compensation and benefits committee.
- Former director of Sunoco and member of its compensation committee.

Nominating and Governance Committee Chair

- Chair of corporate governance committee and lead director of Northern Trust Corporation.
- Member of SunCoke Energy governance committee.
- Former director of Sunoco and member of its executive committee.

Judith A. Sprieser

Independent
Age 61

PROFESSIONAL EXPERIENCE

- Former CEO of Transora, Inc., a technology software and services company.
- Former CFO and other senior executive positions at Sara Lee Corporation, a global manufacturer and marketer of brand-name consumer goods.
- Current director at Experian plc, Reckitt Benckiser Group plc, and Royal Ahold NV (until April 2015).
- Former director at USG Corporation.

Allstate Board Service

- Tenure: 16 years (1999)
- Audit committee chair
- Risk and return committee member
- Executive committee member
- Lead director in 2015, if re-elected NEW

Other Public Board Service(1)

- IntercontinentalExchange, Inc. 2004–present

QUALIFICATIONS

Core Capabilities

- Corporate governance — former CEO; broad public company director service.
- Stockholder advocacy — operating and public company board experience.
- Leadership — CEO of start-up technology company and senior leader at Sara Lee Corporation.
- Strategic oversight — strategic operating roles and broad exposure to board-level strategic issues in multiple industries.

Additional Capabilities

- Extensive service on boards of publicly traded and international companies, including former membership on boards of Adecco SA, USG Corporation, CBS Corporation, and Kohl's Corporation.
- More than 20 years operational experience in executive positions at Sara Lee Corporation, including management of several large consumer-focused businesses with leading brands and significant ongoing investments in marketing.
- Oversight of a highly regulated business as a director at IntercontinentalExchange, Inc.
- Extensive evaluation of financial statements and supervision of financial executives, including as chief financial officer of the Sara Lee Corporation.
- Strong service as prior and current chair of the audit committee at Allstate and IntercontinentalExchange, Inc.

COMMITTEE EXPERTISE HIGHLIGHTS

Audit Committee Chair

- Numerous key leadership positions with financial oversight responsibilities, including CEO of Transora, Inc., and CFO of Sara Lee Corporation.
- Chair of IntercontinentalExchange, Inc. audit committee.

Risk and Return Committee Member

- Serves as audit committee chair.
- Significant risk oversight and management experience.

(1) Ms. Sprieser is not standing for re-election at the 2015 Annual Meeting for Royal Ahold NV scheduled for April. Therefore, her total public board service (as defined by SEC regulations) other than Allstate will be reduced to one company, in addition to two other boards.

Mary Alice Taylor

Independent
Age 65

PROFESSIONAL EXPERIENCE

- Former senior executive with several Fortune 500 companies, including Citicorp and FedEx Corporation.
- Independent business executive.

Allstate Board Service

- Tenure: 17 years (1996-1998; 2000–present)
- Audit committee member
- Nominating and governance committee member

Other Public Board Service

- Blue Nile, Inc. 1999–present

QUALIFICATIONS

Core Capabilities

- Corporate governance — public company board experience, including lead director responsibilities.
- Stockholder advocacy — operating and governance expertise to evaluate strategies and performance.
- Leadership — former senior executive of major public companies.
- Strategic oversight — strategy formation expertise, including technology-based business strategies, at both large established companies and start-ups.

Additional Capabilities

- Held several senior executive roles in technology, finance, operations, and distribution logistics at large corporations, including Citicorp and FedEx Corporation.
- Developed significant financial experience by serving in several financial oversight roles at Cook Industries, Northern Telecom, Homegrocer.com, Citicorp, and FedEx Corporation.
- Certified public accountant.

COMMITTEE EXPERTISE HIGHLIGHTS

Audit Committee Member

- Significant financial oversight expertise developed as chairman and CEO of HomeGrocer.com and in senior executive roles at Citicorp and FedEx Corporation.
- Former member of the audit committee of Blue Nile, Inc.

Nominating and Governance Committee Member

- Chair of Blue Nile, Inc. nominating and governance committee.
- Prior experience as a lead director.

Thomas J. Wilson

Chairman and Chief Executive Officer
Age 57

PROFESSIONAL EXPERIENCE

- Chairman of Allstate since May 2008 and CEO since January 2007.
- President of Allstate from January 2005 to January 2015, with 20 years of company service.
- Led all major operating units.

Allstate Board Service

- Tenure: 9 years (2006)
- Chairman of the Board
- Executive committee chair

Other Public Board Service

- State Street Corporation 2012–present

QUALIFICATIONS

Core Capabilities

- Corporate governance — chairman and CEO of Allstate; former president of Allstate; public company board experience.
- Stockholder advocacy — active stockholder engagement.
- Leadership — assembled and leads Allstate's senior management.
- Strategic oversight — developed Allstate's strategy to provide differentiated customer value propositions to four consumer segments.

Additional Capabilities

- Key leadership roles throughout Allstate in a 20-year period.
- Thorough and in-depth understanding of Allstate's business, including its employees, agencies, products, investments, customers, and investors.
- Creation and implementation of Allstate's risk and return optimization program, allowing Allstate to withstand the 2008 financial market crisis and adapt to increases in severe weather and hurricanes.
- In-depth understanding of the insurance industry.
- Industry and community leadership, including as former chair of the Property and Casualty CEO Roundtable and the Financial Services Roundtable and as co-chair of a public-private partnership to reduce violence in Chicago.

COMMITTEE EXPERTISE HIGHLIGHTS

Executive Committee Chair

- Chairman and CEO of Allstate.
- Comprehensive knowledge of Allstate's business and industry with 20 years of leadership experience.

Board Leadership Structure and Practices

- Allstate's *Corporate Governance Guidelines* allow the Board the flexibility to assign the chairman and CEO responsibilities to best meet Allstate's interests.
- The roles of chairman and CEO were split during a transition of leadership in 2007 and 2008.
- The Board has determined that Allstate currently is well-served by now having these roles performed by Mr. Wilson, who provides unified leadership and direction for management to execute our strategy and business plans.

Lead Director

The Board has an independent lead director who:

- Works with the chairman in developing Board meeting agendas and information provided to shape Board dialogue.
- Chairs executive sessions of independent directors at every Board meeting.
- Facilitates the Board's performance evaluation of the CEO in conjunction with the chair of the nominating and governance committee.
- Facilitates the evaluation of individual director performance in conjunction with the chairman and the chair of the nominating and governance committee.
- Communicates with significant stockholders on matters involving broad corporate policies and practices.
- Serves as a liaison between the chairman and the independent directors.
- Presides at all Board meetings at which the chairman is not present.

F. Duane Ackerman, who has served as the lead director since 2014, is retiring at the 2015 annual meeting of stockholders. The Board has determined that Ms. Sprieser will be the new lead director effective after the 2015 annual meeting, assuming her re-election.

Board Role in Risk Oversight

- The Board is responsible for the oversight of Allstate's strategy, business results, and management, including risk management.
- The Board formally reviews Allstate's overall risk position twice a year and uses external resources when appropriate to assess the enterprise risk and return management process.
- In 2013, the Board added a risk and return committee as a standing committee of the Board to ensure sufficient expertise and continuity between the Board's bi-annual reviews. The following are the key responsibilities of the risk and return committee:
  - Assists the Board in risk and return governance and oversight.
  - Reviews risk and return process, policies, and guidelines used to evaluate, monitor, and manage enterprise risk and return.
  - Supports the audit committee in its oversight of risk controls and management policies.
  - The risk and return committee meets in executive session with the chief risk officer at each meeting.
- The Board, audit, and risk and return committees provide oversight of cybersecurity risk.
- The audit committee provides oversight and guidance on Allstate's controls around key risks, and reviews the major financial risk exposures and the steps to monitor and control those risks. As such, cybersecurity risk oversight was expanded in 2014 to supplement the oversight provided by the Board and risk and return committee. The audit committee conducts quarterly reviews to:
  - Oversee the efficacy of cybersecurity risk initiatives and related policies and procedures.
  - Receive regular reports from the chief risk officer and chief cybersecurity officer, who are tasked with monitoring cybersecurity risk, and from outside experts to supplement management reports.
- The chairs of the risk and return committee and the audit committee are members of both committees to enhance cross-committee communication at the Board level.
- Our compensation and succession committee and nominating and governance committee each regularly meet and review the major risks and mitigation activities relating to their respective areas of responsibility and oversight.

Risk Management and Compensation

- A review and assessment of potential compensation-related risks is conducted by the chief risk officer. We believe our compensation policies and practices are appropriately structured and do not provide incentives for employees to take unnecessary and excessive risks.

- The Board and the risk and return committee both play an important role in risk management oversight, including reviewing how management measures, evaluates, and manages the corporation's exposure to risks posed by a wide variety of events and conditions. In addition, the compensation and succession committee employs an independent compensation consultant each year to review and assess Allstate's executive pay levels, practices, and overall program design.

Board Role in Management Succession

- The Board oversees the recruitment, development, and retention of executive talent. Management succession is discussed in compensation and succession, nominating and governance, and Board meetings with the CEO and in executive sessions.
- Management succession is discussed three times annually by the compensation and succession committee. This includes CEO and senior executive succession and a broader discussion on organizational health.
- The Board also has regular first-hand exposure to senior leadership and high-potential officers through working and informal meetings throughout the year.

Board Role in Setting Compensation

- The compensation and succession committee reviews the executive compensation program throughout the year and uses an independent compensation consultant to benchmark market practices and to evaluate changes to the design of our executive compensation program.
- Allstate's executive compensation design is also reviewed by the chief risk officer to ensure that it aligns with Board-approved risk and return principles. The compensation and succession committee makes recommendations to the Board on the compensation package for the CEO and modifications to existing plans for executive officers.
- The compensation and succession committee grants all equity awards to individuals designated as executive officers for purposes of Section 16 of the Securities Exchange Act of 1934 or covered employees as defined in Internal Revenue Code section 162(m). The compensation and succession committee has authority to grant equity awards to eligible employees in accordance with the terms of our 2013 Equity Incentive Plan. The Board has delegated limited authority to the CEO to grant awards of stock options or restricted stock units to non-executive officers. All awards granted between compensation and succession committee meetings are reported at the next meeting.
- The compensation and succession committee has retained an independent compensation consultant, Compensation Advisory Partners, and evaluates the compensation consultant's independence. The compensation consultant assesses Allstate's executive compensation design, peer group selection, relative pay for performance, and total direct compensation for individual senior executive positions.
- The compensation consultant also provides to the nominating and governance committee competitive information on director compensation, including updates on practices and emerging trends.
- Representatives of the compensation consultant participated in all six compensation and succession committee meetings in 2014.

Management Participation in Committee Meetings

- *Audit Committee.* A number of our executives, including the CEO, CFO, general counsel, chief audit executive, chief compliance executive, chief risk officer, and controller participate in audit committee meetings. Senior business unit and technology executives are present when appropriate. Executive sessions of the committee are scheduled and held throughout the year, including sessions in which the committee meets exclusively with the independent registered public accountant and the chief audit executive.
- *Compensation and Succession Committee.* A number of our executives participate in compensation and succession committee meetings. The committee regularly meets in executive session without management present.
  - Our CEO advises on the alignment of our incentive plan performance measures with our overall strategy and the design of our equity incentive awards. He also provides the committee with performance evaluations of executives who report to him and recommends senior executive merit increases and compensation packages.
  - Our senior human resources executive provides the committee with internal and external analyses of the structure of compensation programs. Throughout the year, the estimated and actual results under our incentive compensation plans are also provided.

  - Our CFO discusses financial results relevant to incentive compensation, other financial measures, or accounting rules.
  - The general counsel is available at meetings to provide input on the legal and regulatory environment and corporate governance, and to ensure the proxy materials accurately reflect the committee's actions.
  - The chief risk officer reports on compensation plan alignment with Board-approved risk and return principles.
- *Nominating and Governance Committee.* The CEO and general counsel participate in nominating and governance committee meetings. The committee regularly meets in executive session without management present.
- *Risk and Return Committee.* A number of our executives, including the CEO, CFO, general counsel, chief risk officer and operating unit risk officers, participate in risk and return committee meetings. The committee regularly meets in executive session, including sessions with the chief risk officer.

Outside Advisor Participation in Meetings

All independent Board committees use independent external consultants. Outside experts such as independent auditors, governance specialists, cybersecurity experts, board search firm representatives, and financial advisors attend meetings to provide directors with additional information on issues.

Board Attendance Policy

- Each incumbent director attended at least 75% of the combined Board meetings and meetings of committees of which he or she was a member.
- Attendance at Board and committee meetings during 2014 averaged 97% for directors as a group. Directors are expected to make every effort to attend Board and committee meetings and the annual meeting of stockholders. All directors who stood for election at the 2014 annual meeting of stockholders attended the annual meeting.

Related Person Transactions

- The nominating and governance committee has adopted a written policy on the review, approval, or ratification of transactions with related persons, which is posted on the Corporate Governance section of allstateinvestors.com.
- There were no related person transactions identified for 2014.
- The committee or committee chair reviews transactions with Allstate in which the amount involved exceeds $120,000 and in which any related person had, has, or will have a direct or indirect material interest. In general, related persons are directors, executive officers, their immediate family members, and stockholders beneficially owning 5% or more of our outstanding stock. The committee or committee chair approves or ratifies only those transactions that are in, or not inconsistent with, the best interest of the corporation and its stockholders. Transactions are reviewed and approved or ratified by the committee chair when it is not practicable or desirable to delay review of a transaction until a committee meeting. The chair reports any approved transactions to the committee. Any ongoing, previously approved or ratified related person transactions are reviewed annually.

Nominee Independence Determinations

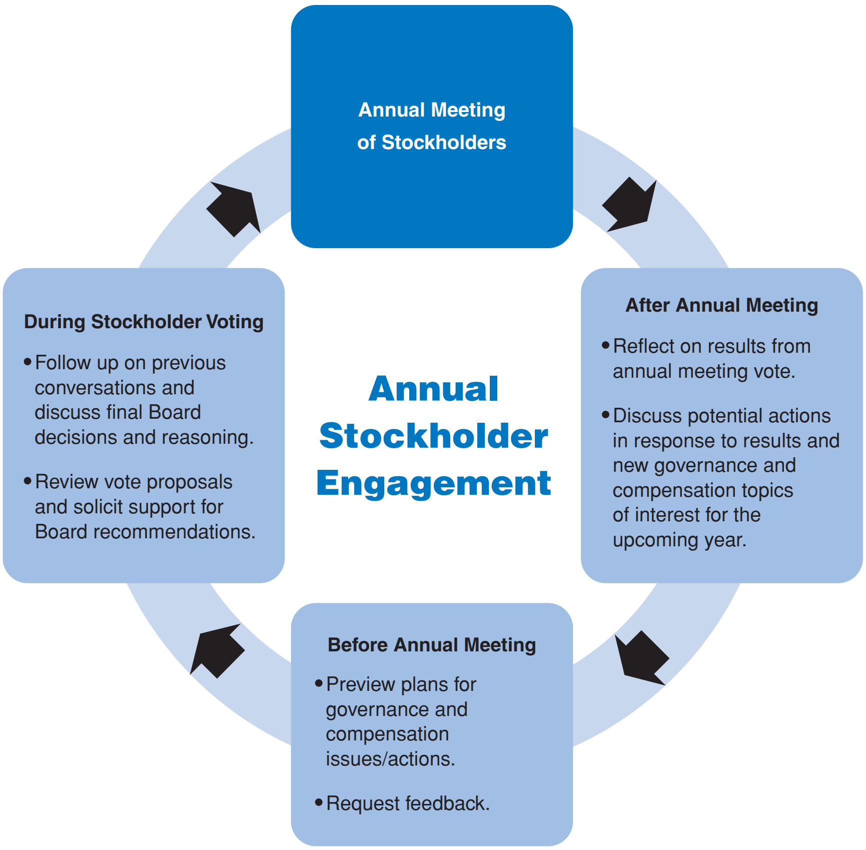
- The Board has determined that all non-employee directors who served during 2014 and all nominees, other than Mr. Wilson, are independent according to applicable law, the NYSE listing standards, and the Board's *Director Independence Standards*. In accordance with the *Director Independence Standards,* the Board has determined that the nature of the relationships with the corporation that are set forth in Appendix A do not create a conflict of interest that would impair a director's independence.

Communication with the Board

- The Board has established a process to facilitate communication by stockholders and other interested parties with directors as a group. The general counsel reports regularly to the nominating and governance committee on all correspondence received that, in her opinion, involves functions of the Board or its committees or that she otherwise determines merits Board attention.
- The communication process and the methods to communicate to directors are posted on the "Corporate Governance" and "Management & Directors" sections of allstateinvestors.com.
- In addition, the audit committee has established procedures for the receipt, retention, and treatment of any complaints about accounting, internal accounting controls, and auditing matters.

Stockholder Engagement

Allstate has an ongoing proactive practice of discussing corporate governance issues with significant stockholders throughout the year. Such discussions are held before the annual meeting, during stockholder voting, and after the annual meeting and include our chairman and CEO. Direct engagement typically involves stockholders representing over one-third of our total outstanding shares. We also engage with proxy and other investor advisory firms that represent the interests of various stockholders. In addition to input on current governance and executive compensation topics specific to Allstate, we invite discussion on any other topics or trends stockholders may wish to share with us. Their input is reported to the nominating and governance committee, which in turn allocates specific issues to relevant Board committees for further consideration. Each Board committee reviews relevant feedback and determines if additional discussion and actions are necessary by the respective committee or full Board. In addition, broader investor surveys provide perspective on investor concerns.



Say-on-Pay: Advisory Vote on the Executive Compensation of the Named Executives

FOR

The Board of Directors recommends that you vote for the resolution to approve the compensation of the named executives.

- Strong oversight by compensation and succession committee.
- Excellent 2014 business results.
- Pay for performance alignment.

We conduct a say-on-pay vote every year at the annual meeting. This say-on-pay vote is required by Section 14A of the Securities Exchange Act of 1934. While the say-on-pay vote is non-binding, the Board and the compensation and succession committee (the ''committee'' as referenced throughout Compensation Discussion and Analysis and Executive Compensation sections) consider the voting results as part of their annual evaluation of our executive compensation program.

You may vote to approve or not approve the following advisory resolution on the executive compensation of the named executives:

RESOLVED, on an advisory basis, the stockholders of The Allstate Corporation approve the compensation of the named executives, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis and accompanying tables and narrative on pages 28-63 of the Notice of 2015 Annual Meeting and Proxy Statement.

Please read the following *Executive Compensation* section for information necessary to inform your vote on this proposal.

- Total stockholder return in 2014 of 30.9% resulting in three- and five-year returns of 171.0% and 161.2%, respectively, outperforming our property and casualty and life insurance peers.
- The annual incentive compensation plan was funded at 118.9% of target in 2014. Based on company and individual performance, the named executives received the following annual incentive payments, which were significantly lower than the prior two years' awards:

Named Executive	2012 Annual Incentive ($)	2013 Annual Incentive ($)	2014 Annual Incentive ($)
Mr. Wilson	6,164,730	6,600,000	4,073,075
Mr. Shebik	1,175,994	2,100,000	883,619
Mr. Civgin	2,000,000	2,000,000	1,000,000
Ms. Greffin	1,700,000	1,400,000	1,000,000
Mr. Winter	3,000,000	3,000,000	1,500,000

- The lower payouts were primarily attributable to the rigorous performance ranges set for the 2014 annual incentive performance measures.

Compensation Discussion and Analysis

Named Executives

Our Compensation Discussion and Analysis describes Allstate's executive compensation program, including total 2014 compensation for our named executives, who are listed below with titles as of December 31, 2014[(1)]:

Thomas J. Wilson — Chairman, President and Chief Executive Officer (CEO)
Steven E. Shebik — Executive Vice President and Chief Financial Officer (CFO)
Don Civgin — President and Chief Executive Officer, Allstate Financial
Judith P. Greffin — Executive Vice President and Chief Investment Officer of Allstate Insurance Company
Matthew E. Winter — President, Allstate Personal Lines of Allstate Insurance Company

(1) The titles and responsibilities for Messrs. Wilson, Civgin, and Winter changed effective January 2015. See Appendix C for their current titles.

Executive Overview

Performance Highlights

Allstate achieved broad-based growth and solid financial results in 2014. In addition, we proactively took action to enhance our competitive position and execute our customer-driven strategy to provide unique offerings to each major customer segment. This strategy is working as we achieved all five operating priorities in 2014:

2014 OPERATING PRIORITIES

Grow insurance policies in force	+	Maintain the underlying combined ratio*	+	Proactively manage investments to generate attractive risk-adjusted returns	+	Modernize the operating model	+	Build long-term growth platforms
• Total policies in force for the Property-Liability business grew by 2.5% in 2014. • Policies in force increased across all three underwritten brands by 840,000, which led to a $1.5 billion increase in Property-Liability premiums written in 2014.		• Allstate's Property-Liability business produced an underlying combined ratio for 2014 of 87.2 (0.1 points better than 2013). • Allstate brand auto and homeowners generated strong returns.		• The total portfolio yield for the year was 4.5%. • Net investment income reflected solid fixed income earnings in line with management's expectations, along with continued strong limited partnership results.		• Invested in integrated data, analytics and advanced technology. • Focused life and retirement operations on Allstate agency distribution to further our trusted advisor model. • Improved the agency and customer experience through technology simplification.		• Increased Esurance's market share. • Strategically invested in usage-based telematics insurance programs. • New business written premiums for Allstate Benefits increased 5% in 2014.

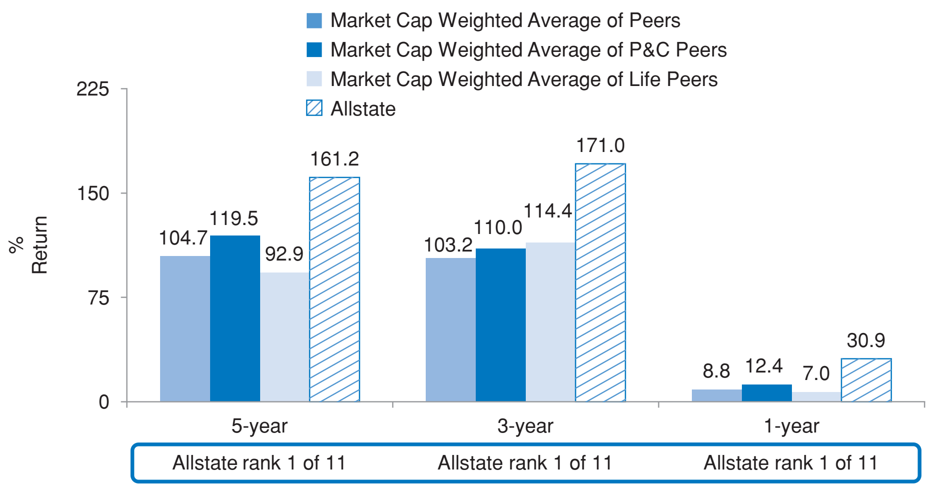
RESULTS

Strong profitability	Financial strength	Cash return to stockholders
Strong profitability — net income available to common stockholders in 2014 of $2.75 billion, or $6.27 per diluted common share, compared with $2.26 billion, or $4.81 per diluted common share in 2013	**Financial strength** — repaid $950 million of maturing debt and issued $998 million of preferred stock in 2014, which decreased ratio of debt to capital resources to 18.9% at year-end	**Cash return to stockholders** — provided $2.78 billion in cash returns to common stockholders through common stock dividends and share repurchases

* The underlying combined ratio measure is not based on accounting principles generally accepted in the United States of America ("non-GAAP") and is defined and reconciled to the most directly comparable GAAP measure in Appendix D.

In addition, Allstate's one-, three- and five-year total stockholder return outperformed our property and casualty and life insurance peers. The following chart shows Allstate's total stockholder return over these periods relative to the market cap weighted average of the peer group used for 2014 compensation benchmarking (identified on page 39).

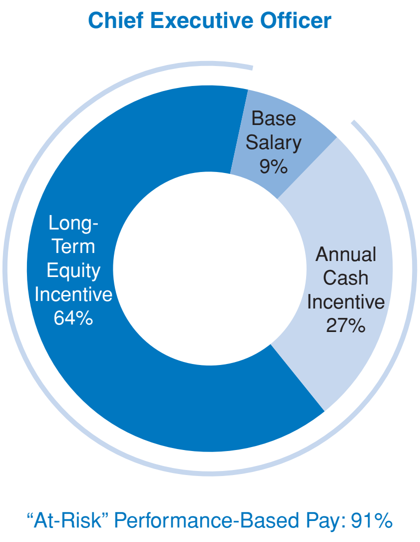
Comparison of Total Stockholder Return

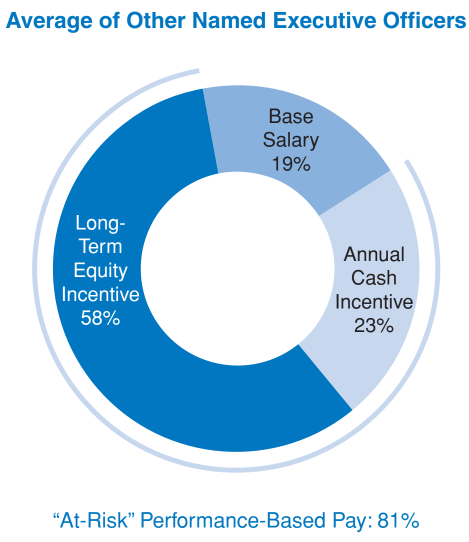


Pay for Performance

The committee designed the executive compensation program to deliver pay in accordance with corporate, business unit and individual performance. A large percentage of total target compensation is "at-risk" through long-term equity awards and annual cash incentive awards. These awards are linked to actual performance and include a substantial percentage of equity. The mix of total direct compensation for 2014 for our CEO and the average of our other named executives is shown in the chart below.

COMPENSATION STRUCTURE AT TARGET





In addition to the compensation structure at target, the 2014 compensation paid to our named executives reflects strong pay for performance alignment for the following reasons:

- *Annual cash incentive.* Given the company's solid financial results, the annual incentive payout for each named executive for 2014 exceeded target. However, the company's performance did not reach the maximum levels set by the committee. This resulted in a 44% average decrease in the named executives' annual cash incentives from 2013.
- *Performance stock awards (PSAs).* The 2012-2014 performance stock award paid out at 197% of target, reflective of an adjusted operating income return on equity above target for the three-year period with a 12.8%* return for this measure in 2014. For the 2013-2015 performance stock award, 180% of the target number of PSAs were earned for the 2014 measurement period, with a 13.2%* return for this measure in 2014.

* For a description of how this measure is determined, see pages 62-63.

2014 Compensation Program Changes

During 2014, we took the following actions:

- ✔ For our annual cash incentive awards, we set performance ranges to reflect the favorable performance of the business over the previous two years.
- ✔ We implemented a policy that prohibits senior executives and directors from pledging Allstate securities as collateral for a loan or holding securities in a margin account, except when an exception is granted by the chairman or lead director.
- ✔ We changed the measurement period for the 2014-2016 performance stock awards from three one-year measurement periods, with all performance measures established prior to the grant date, to a single cumulative three-year period. This reflects the reduced volatility associated with homeowners insurance, given management's progress in reducing catastrophe exposure, and simplifies the structure.
- ✔ We lengthened the equity retention requirements for senior management beginning with awards granted in 2014.

Stockholders approved the 2014 say-on-pay resolution with 95% of the votes cast in favor. Following the meeting, we solicited feedback from stockholders representing over one-third of our outstanding shares. The committee, with input from the independent compensation consultant, considered the vote results, investor input, and current market practices as it evaluated whether further changes to the compensation program were warranted. Based on the strong support from stockholders and the input received, the committee made no substantive changes to the compensation programs in 2014 other than the compensation changes described in this Compensation Discussion and Analysis.

Allstate's Executive Compensation Practices

Allstate's executive compensation program features many best practices.

WHAT WE DO

- **Pay for Performance.** A significant percentage of total target direct compensation is pay at-risk that is connected to performance.
- **Strong Link between Performance Measures and Strategic Objectives.** Performance measures for incentive compensation are linked to operating priorities designed to create long-term stockholder value.
- **Independent Compensation Consultant.** The committee retains an independent compensation consultant to review the executive compensation programs and practices.
- **Targeted Pay at 50th Percentile of Peers.** The committee targets total direct compensation at the 50th percentile of peers.
- **Benchmark Peers of Similar Revenues and Business Complexity.** The committee benchmarks our executive compensation program and reviews the composition of the peer group annually with the assistance of the independent compensation consultant.
- **Moderate Change-in-Control Benefits.** Change-in-control severance benefits are three times target cash compensation for the CEO and two times target cash compensation for senior executives.
- **Double Trigger in the Event of a Change in Control.** Beginning with grants made in 2012, equity incentive awards have a double trigger; that is, they will not vest in the event of a change in control unless also accompanied by a qualifying termination of employment.
- **Maximum Payout Caps for Annual Cash Incentive Compensation and PSAs.**
- **Robust Equity Ownership and Retention Requirements.** We enhanced holding requirements beginning with awards granted in 2014.
- **Clawback of Certain Compensation if Restatement or Covenant Breach.** Certain awards made to executive officers are subject to clawback in specified circumstances.

WHAT WE DON'T DO

- **No Employment Agreements for Executive Officers.** Our executive officers are at-will employees with no employment contracts.
- **No Guaranteed Annual Salary Increases or Bonuses.** For the named executives, annual salary increases are based on evaluations of individual performance, while their annual cash incentives are tied to corporate and individual performance.
- **No Special Tax Gross Ups.** No tax gross ups are provided beyond limited items which are generally available to all full time employees.
- **No Repricing or Exchange of Underwater Stock Options.** Our equity incentive plan does not permit repricing or exchange of underwater stock options or stock appreciation rights without stockholder approval, except in connection with certain transactions involving Allstate or a change in control.
- **No Plans that Encourage Excessive Risk Taking.** Based on the annual review, it was determined that the company's compensation practices are appropriately structured and avoid incenting employees to engage in unnecessary and excessive risk-taking.
- **No Hedging or Pledging of Allstate Securities.** Officers, directors, and employees are prohibited from hedging Allstate securities. Directors and senior executives are prohibited from pledging Allstate securities as collateral or holding securities in a margin account, except when an exception is granted by the chairman or lead director.
- **No Inclusion of Equity Awards in Pension Calculations.**
- **No Dividends or Dividend Equivalents Paid on Unvested PSAs.** Dividend equivalents are accrued but not paid on PSAs until the performance conditions are satisfied and the PSAs vest after the performance measurement period.
- **No Excessive Perks.** We offer only certain limited benefits as required to remain competitive and to attract and retain highly talented executives.

Elements of 2014 Executive Compensation Program Design

The following table lists the elements of target direct compensation for our 2014 executive compensation program. The program uses a mix of fixed and variable compensation elements and provides alignment with both short- and long-term business goals through annual and long-term incentives. Our incentives are designed to drive overall corporate performance, specific business unit strategies, and individual performance using measures that correlate to stockholder value and align with our long-term strategic vision and operating priorities. The committee establishes the performance measures and ranges of performance for the variable compensation elements for overall company incentive compensation awards. An individual's realized pay is based on market-based compensation levels and actual performance.

	Fixed	Variable		
	Base Salary	**Annual Cash Incentive Awards**	**PSAs**	**Stock Options**
Percentage of Total Compensation	• CEO: 9% • Other NEOs: 19%	• CEO: 27% • Other NEOs: 23%	• CEO: 32% • Other NEOs: 29%	• CEO: 32% • Other NEOs: 29%
Key Characteristics	• Fixed compensation component payable in cash. • Reviewed annually and adjusted when appropriate.	• Variable compensation component payable annually in cash. • Actual performance against annually established goals determines overall corporate pool, which is allocated based on individual performance.	• Equity award based on achieving performance goals. • PSAs vest on the third anniversary of the grant date based on actual performance against goals established at the beginning of the performance period. • See page 38 for the retention requirements for PSAs.	• Options to purchase shares at the market price when awarded. Vest ratably over three years.(1) • Non-qualified stock options that expire in ten years. • See page 38 for the retention requirements for stock options.
Why We Pay This Element	• Provide a base level of competitive cash compensation for executive talent.	• Motivate and reward executives for performance on key strategic, operational, and financial measures during the year, and on key metrics to drive long-term strategy in the areas of segmentation, analytics and advanced technology.	• Motivate and reward executives for performance on key long-term measures. • Align the interests of executives with long-term stockholder value and serve to retain executive talent.	• Align the interests of executives with long-term stockholder value and serve to retain executive talent.

How We Determine Amount	• Experience, job scope, market data, and individual performance.	• A corporate-wide funding pool is based on performance on three measures:
		  • Adjusted Operating Income(2)
		  • Total Premiums(2)
		  • Net Investment Income(2)
		• Individual awards are based on job scope, market data, and individual performance.
			• Target awards based on job scope, market data, and individual performance.
			• Earned awards based on performance on Adjusted Operating Income Return on Equity(2) with a requirement of positive Net Income for any payout above target.
				• Job scope, market data, and individual performance.

2014 Decisions	• Four of the five named executives received salary increases in 2014. See pages 45-46.	• Annual cash incentive targets remained unchanged for the named executives in 2014, except for Mr. Shebik. See pages 45-46. • Performance on the three measures resulted in corporate funding at 118.9% of target. See page 42.	• Individual long-term equity incentive targets were unchanged in 2014. See pages 45-46. • For the 2012-2014 and 2013-2015 performance cycles, 190% and 180%, respectively, of the target number of PSAs were earned (subject to vesting) for the 2014 measurement period.	• Individual long-term equity incentive targets were unchanged in 2014. See pages 45-46.

(1) Stock options granted prior to February 18, 2014 vested over four years with 50% exercisable on the second anniversary of the grant date, and 25% exercisable on each of the third and fourth anniversary dates. The change to a three-year vesting schedule with one-third exercisable on each anniversary was made in 2014 to reflect current market practice.

(2) For a description of how these measures are determined, see pages 62-63.

Incentive Design and Goal Setting

For the annual and long-term incentive programs, the committee oversees a rigorous and comprehensive goal setting process that is iterative, ongoing and evolves during the year. The committee works to identify performance measures and ranges of performance in the annual and long-term programs that (1) align with the company's long-term strategy, operating principles and priorities, and stockholder interests, (2) support the achievement of corporate goals, and (3) reflect the company's overall performance, while being stabilized for the impact of catastrophes. The following timeline of key events reflects the committee's process:

Incentive Design, Payout, and Goal Setting Process

March-April	• Evaluate peer group to determine if any changes are required for the next performance cycle • Compare actual results from previous year to peer group • Review feedback from stockholders and governance firms
July-October	• Independent compensation consultant provides advice on incentive design • The consultant provides compensation data from the peer group and information on current market practices and industry trends
November-January	• Establish plan design, performance measures and ranges (target, threshold, and maximum) for upcoming year for annual incentive plan and long-term incentive awards • Review plans and measures for alignment with enterprise risk and return principles
January-February	• Determine the corporate pool and payouts for the prior year annual incentive award based on corporate and individual results • Determine the number of performance stock awards earned for the applicable measurement period • Review and approve salary adjustments and annual incentive and equity targets for executive officers
Ongoing	• Review compensation philosophy and objectives in light of company performance, company goals and strategy, stockholder feedback, and external benchmarking • Monitor compensation estimates in comparison to actual and relative performance

6 Meetings in 2014

Salary

- Executive salaries are set by the Board based on the committee's recommendations. In recommending executive salary levels**, the committee uses the 50th percentile of our peer insurance companies as a guideline**, which supports Allstate's ability to compete effectively for and to retain executive talent. Annual merit increases for named executives are based on evaluations of their performance, using the enterprise-wide merit increase budget as a guideline.

Annual Cash Incentive Awards

- For 2014, executives earned an annual cash incentive award based on Allstate's achievement of performance measures and assessments of individual performance as described on pages 45-46.
- The committee sets performance measure goals based on the operating plan after extensive review. Target performance is equal to operating plan, while decisions on threshold and maximum are informed by probability testing and operational performance scenarios.
- Actual performance on three performance measures determines the overall funding level of the corporate pool and the aggregate total award budget for eligible employees.
- In the event of a net loss, the corporate pool funding is reduced by 50% of actual performance for senior executives. For example, if performance measures ordinarily would fund the corporate pool at 60% *and* there was a net loss, then the corporate pool would be funded at 30% for senior executives. This mechanism ensures alignment of pay and performance in the event of a natural catastrophe or extreme financial market conditions.
- Target annual incentive compensation percentages for each named executive are based on market data pay levels of peer insurance companies and **our benchmark target for total direct compensation at the 50th percentile**.
- Individual awards are based on individual performance in comparison to position-specific compensation targets and overall company performance. Each executive's performance is evaluated against goals established at the beginning of the year that are specifically developed to support the company's annual operating priorities and long-term strategy based on segmentation, analytics, and advanced technology.

- In order to qualify annual cash incentive awards as deductible performance-based compensation under Internal Revenue Code section 162(m), Allstate has established the maximum awards that could be paid to any of the named executives as the lesser of the stockholder approved maximum of $10 million under the Annual Executive Incentive Plan or a percentage of an award pool. For 2014, the award pool is equal to 1.0% of Adjusted Operating Income (defined on pages 62-63), and the percentage of the award pool for the CEO is 40% and for each other named executive, 15%. Although section 162(m) does not apply to the compensation of the CFO, the CFO was included in the award pool consistent with the award opportunity available to the other named executives. The committee retains complete discretion to pay less than the maximums established by the Annual Executive Incentive Plan and the award pool.
- We paid the 2014 cash incentive awards in March 2015. Further information on annual cash incentive award decisions can be found in the *Compensation Decisions for 2014* section on pages 45-46.

Annual Cash Incentive Awards

- Total Corporate Pool Determined by Performance Measures
- Individual Awards — Actual payments based on pool funding and individual performance

GOAL SETTING PROCESS

- Committee reviews Allstate performance and annual operating plan
- Target performance equal to operating plan

+

Thresholds and maximums set based on analysis of:
- Probability of achieving results
- Specific operating performance required

+

Independent consultant provides advice based on peer performance, market expectations, and industry trends

+

Chief risk officer reviews and reports to committee

FUNDING—CORPORATE POOL

Funding Calculations:[1]

Adjusted Operating Income 50%
Total Premiums 43.5%
& Net Investment Income 6.5%

For senior executives, funding does not exceed 50% of actual performance in the event of negative reported Net Income

DISCRETION APPLIED TO ANNUAL POOL DISTRIBUTION

1. Committee approves corporate pool based on review of actual performance in comparison to goals
2. CEO allocates corporate pool between business units and areas of responsibility based on relative performance against annual operating goals
3. Committee's compensation recommendations for our CEO are reviewed and approved by the independent directors of our Board in executive session
4. Committee reviews and approves CEO recommendations for executive officers based on individual performance and position-specific compensation targets
5. Individual awards for other employees are determined by senior leaders of business units and areas of responsibility and are subject to approval by CEO

Since Allstate created a corporate pool for annual cash incentive awards in 2011, the committee has not exercised its discretion to increase the amount of the corporate pool beyond the calculated amount. At the beginning of the year, the committee establishes the measures that determine the aggregate amount of funds in the corporate pool available to be paid as awards for that year. The committee has discretion to determine the amount of the awards paid from the corporate pool to the named executives. Awards are paid in the following year.

(1) Percentages are based on compensation of eligible employees in each area of responsibility and 2014 results for each performance measure. For treatment of catastrophe losses in the funding calculation, see discussion of performance measures on pages 62-63.

Performance Stock Awards and Stock Options

- We grant equity awards to executives based on scope of responsibility, consistent with our philosophy that a significant amount of compensation should be in the form of equity. Additionally, from time to time, equity awards are granted to attract new executives and to retain existing executives.
- The mix of equity incentives for senior executives is generally 50% PSAs and 50% stock options. We believe both PSAs and stock options are forms of performance-based incentive compensation because PSAs are earned based on achieving established performance goals and stock options require stock price appreciation to deliver value to an executive.
- In March 2012, February 2013, and February 2014, each of the named executives was awarded a target number of PSAs. The PSAs have a three-year performance cycle. For the 2012 and 2013 awards, the number of PSAs that become earned and vested at the end of the performance cycle depends on an annual adjusted operating income return on equity measure (Adjusted Operating Income ROE) attained during each year of the performance cycle. For the 2014 award, the number of PSAs that become earned and vested depends on the three-year average Adjusted Operating Income ROE. Adjusted Operating Income ROE is defined on page 63. Adjusted Operating Income for PSAs includes a minimum or maximum amount of after-tax catastrophe losses if actual catastrophe losses are less than or exceed those amounts, respectively, which serves to decrease volatility and stabilize the measure by limiting the impact of catastrophe losses. The committee selected Adjusted Operating Income ROE as the performance measure because it:
  - Measures performance in a way that is tracked and understood by investors.
  - Captures both income and balance sheet impacts, including capital management actions.
  - Provides a useful gauge of overall performance while limiting the effects of factors management cannot influence, such as extreme weather conditions.
  - Correlates to changes in long-term stockholder value.
- For the 2012-2014 and 2013-2015 performance cycles, performance is measured in three separate one-year periods, but all of these goals were established at the beginning of the three-year performance cycle. For the 2014-2016 performance cycle, performance is measured in a single three-year measurement period. The actual number of PSAs earned for the award's measurement period varies from 0% to 200% of that period's target PSAs based on Adjusted Operating Income ROE for the measurement period.
- The committee requires positive net income in order for our executives to earn PSAs based on Adjusted Operating Income ROE above target. If Allstate has a net loss in a measurement period, the number of PSAs earned would not exceed target, regardless of the Adjusted Operating Income ROE. This hurdle is included to prevent misalignment between Allstate reported net income and the PSAs earned based on the Adjusted Operating Income ROE result. This situation could occur if, for example, catastrophe losses or capital losses that are not included in Adjusted Operating Income ROE caused Allstate to report a net loss for the period.
- At the end of each measurement period, the committee certifies the level of our Adjusted Operating Income ROE achievement, as well as the resulting number of PSAs earned by each named executive for that measurement period. The committee does not have the discretion to adjust the performance achievement for any measurement period. PSAs earned will vest following the end of the three-year performance cycle, subject to continued employment (other than in the event of death, disability, retirement, or a qualifying termination following a change in control).

- The 2015-2017 PSA award will be measured in a single three-year measurement period. The performance measure is calculated as follows:

Adjusted Operating Income*
Average for the three years in the performance cycle.

+/-

Catastrophe Losses
Adjusted to reflect a minimum or maximum amount of catastrophe losses if the average of actual after-tax catastrophe losses in the three-year cycle is less than or exceeds those amounts.

÷

Adjusted Common Shareholders' Equity**
Average of common shareholders' equity excluding unrealized gains and losses, after-tax, at December 31, 2014, and at the end of each year in the performance cycle.

=

PSA Performance Measure

Single Three-Year Measurement Period

Committee considered historical and expected performance, market expectaions, and industry trends when approving range of performance.

* Adjusted operating income for the 2015-2017 PSA award has the same definition as the 2014-2016 award as disclosed on page 62-63.

** Adjusted common shareholders' equity for the 2015-2017 PSA award has the same definition as the 2014-2016 award as disclosed on page 63.

2015-2017 Performance Stock Award Range of Performance

	Three-Year Average Adjusted Operating Income Return on Equity		
	Threshold	**Target**	**Maximum**
2015-2017 Measurement Period	6.0%	13.5%	14.5%
Payout	0%	100%	200%

$\underbrace{\text{100\%} \quad \text{200\%}}_{\text{Subject to positive net income hurdle}}$

Equity Ownership and Retention Requirements

Instituted in 1996, stock ownership guidelines require each of the named executives to own Allstate common stock worth a multiple of base salary to link management and stockholders' interests. The following charts show the salary multiple guidelines and the equity holdings that count towards the requirement. The current stock ownership guidelines apply to 88 of our 183 officers as of December 31, 2014 and require these executives to hold 75% of net after-tax shares received as a result of equity compensation awards until their salary multiple guidelines are met.

Stock Ownership as Multiple of Base Salary as of December 31, 2014

Named Executive	Guideline	Actual
Mr. Wilson	6	26
Mr. Shebik	3	6
Mr. Civgin	3	5
Ms. Greffin	3	6
Mr. Winter	3	5

What Counts Toward the Guideline	What Does Not Count Toward the Guideline
• Allstate shares owned personally • Shares held in the Allstate 401(k) Savings Plan • Restricted stock units	• Unexercised stock options • Performance stock awards

NEW

Beginning with awards granted in 2014, Allstate added a requirement that, regardless of a senior executive's stock ownership level, senior executives must retain at least 75% of net after-tax shares for one year. In the case of PSAs, senior executives must retain 75% of net after-tax PSA shares, after the three-year vesting period, for one year. In the case of stock options, senior executives must retain 75% of net shares acquired on exercise for one year. This retention requirement applies to senior executives who receive both PSAs and stock options, or approximately 9% of officers.

Policies on Hedging and Pledging Securities

We have a policy that prohibits all officers, directors, and employees from engaging in transactions in securities issued by Allstate or any of its subsidiaries that might be considered speculative or hedging, such as selling short or buying or selling options. We instituted a new policy in 2014 that prohibits senior executives and directors from pledging Allstate securities as collateral for a loan or holding such securities in a margin account, except when an exception is granted by the chairman or lead director.

NEW

Timing of Equity Awards and Grant Practices

Typically, the committee approves grants of equity awards during a meeting in the first fiscal quarter. The timing allows the committee to align awards with our annual performance and business goals.

Throughout the year, the committee may grant equity incentive awards to newly hired or promoted executives. The grant date for these awards is fixed as the first business day of a month following the later of committee action or the date of hire or promotion.

For additional information on the committee's practices, see the *Corporate Governance Practices* section of this proxy statement.

Peer Benchmarking

The committee monitors performance toward goals throughout the year and reviews executive compensation program design and executive pay levels annually. As part of that evaluation, Compensation Advisory Partners, the committee's independent compensation consultant, provided executive compensation data, information on current market practices, and alternatives to consider when determining compensation for our named executives. The committee benchmarked our executive compensation program design, executive pay, and performance against a group of peer insurance companies that are publicly traded. Product mix, market segment, annual revenues, premiums, assets, and market value were considered when identifying peer companies. The committee believes Allstate competes against these companies for executive talent and stockholder investment. The committee reviews the composition of the peer group annually with the assistance of its compensation consultant. The following table reflects the peer group used for 2014 compensation benchmarking.

PEER INSURANCE COMPANIES(1)

Company Name	Revenue ($ in billions)	Market Cap ($ in billions)	Assets ($ in billions)	Premiums ($ in billions)	Property and Casualty Insurance Products	Life Insurance and Financial Products
ACE Ltd.	19.3	37.8	98.2	17.4	✓	
AFLAC Inc.	22.7	27.0	119.8	19.1		✓
American International Group, Inc.	64.4	77.1	515.6	39.9	✓	✓
The Chubb Corporation	14.0	24.0	51.3	12.3	✓	
The Hartford Financial Services Group, Inc.	18.6	17.7	245.0	14.6	✓	✓
Manulife Financial Corporation	41.6	30.8	432.1	14.0		✓
MetLife, Inc.	73.3	61.2	902.3	49.0	✓	✓
The Progressive Corporation	19.4	15.9	25.8	18.4	✓	
Prudential Financial, Inc.	54.1	41.1	766.7	35.5		✓
The Travelers Companies, Inc.	27.2	34.1	103.1	23.7	✓	
Allstate	35.2	29.4	108.5	31.1	✓	✓
Allstate Ranking Relative to Peers: — Property and Casualty Insurance	3 of 8	5 of 8	4 of 8	3 of 8		
— Life Insurance and Financial Products	5 of 7	5 of 7	7 of 7	4 of 7		
— All Peer Insurance Companies	5 of 11	7 of 11	7 of 11	4 of 11		

(1) Information as of year-end 2014.

- In its executive pay discussions, the committee also considered compensation information for 19 general industry companies in the S&P 100 with fiscal year 2013 revenues between $25 billion and $50 billion.
- The committee uses compensation surveys for certain executives that provide information on companies of similar size and business mix as Allstate, as well as companies with a broader market context.
- **The committee uses the 50th percentile of our peer group as a guideline in setting the target total direct compensation of our named executives.** Within the guideline, the committee balances the various elements of compensation based on individual experience, job scope and responsibilities, performance, and market practices.

Other Elements of Compensation

To remain competitive with other employers and to attract, retain, and motivate highly talented executives and other employees, we offer the benefits listed in the following table.

Benefit or Perquisite	Named Executives	Other Officers and Certain Managers	All Full-time and Regular Part-time Employees
401(k)[1] and defined benefit pension	•	•	•
Supplemental retirement benefit	•	•	
Health and welfare benefits[2]	•	•	•
Supplemental long-term disability	•	•	
Deferred compensation	•	•	
Tax preparation and financial planning services	•	•[3]	
Personal use of aircraft, ground transportation, and mobile devices[4]	•	•	

(1) Allstate contributed $0.80 for every dollar of matchable pre-tax deposits made in 2014 (up to 5% of eligible pay).

(2) Including medical, dental, vision, life, accidental death and dismemberment, long-term disability, and group legal insurance.

(3) All officers are eligible for tax preparation services. Financial planning services were provided only to senior executives.

(4) The Board encourages the CEO to use our corporate aircraft when it improves his efficiency in managing the company, even if it is for personal purposes. Personal usage is counted as taxable compensation. In limited circumstances approved by the CEO, senior executives are permitted to use our corporate aircraft for personal purposes. Ground transportation is available to senior executives. Mobile devices are available to senior executives, other officers, and certain managers and employees depending on their job responsibilities.

Retirement Benefits

Each named executive participates in two different defined benefit pension plans. The Allstate Retirement Plan (ARP) is a tax qualified defined benefit pension plan available to all of our regular full-time and regular part-time employees who meet certain age and service requirements. The ARP provides an assured retirement income based on an employee's level of compensation and length of service at no cost to the employee. As the ARP is a tax qualified plan, federal tax law limits (1) the amount of an individual's compensation that can be used to calculate plan benefits and (2) the total amount of benefits payable to a plan participant on an annual basis. For certain employees, these limits may result in a lower benefit under the ARP than would have been payable otherwise. Therefore, the Supplemental Retirement Income Plan (SRIP) is used to provide ARP-eligible employees whose compensation or benefit amount exceeds the federal limits with an additional defined benefit in an amount equal to what would have been payable under the ARP if the federal limits did not exist.

NEW Effective January 1, 2014, Allstate modified its pension plans so that all eligible employees earn future pension benefits under a new cash balance formula. The change in pension value as provided in the Summary Compensation Table on page 47 for Mr. Wilson would have been $5.8 million greater under the prior formula. We project that the CEO's future pension benefits will be substantially reduced as a result of the pension change.

Change-in-Control and Post-Termination Benefits

Consistent with our compensation objectives, we offer these benefits to attract, motivate, and retain executives. A change in control of Allstate could have a disruptive impact on both Allstate and our executives. Change-in-control benefits and post-termination benefits are designed to mitigate that impact and to maintain alignment between the interests of our executives and our stockholders.

We substantially reduced change-in-control benefits in 2011:

- Compared with the previous arrangements, the change-in-control severance plan (CIC Plan) eliminates all excise tax gross ups and the lump sum cash pension enhancement.
- For the CEO, the amount of cash severance payable is three times the sum of base salary and target annual incentive. For the other named executives, the amount of cash severance payable is two times the sum of base salary and target annual incentive.
- In order to receive the cash severance benefits under the CIC Plan, a participant must have been terminated (other than for cause, death, or disability) or the participant must have terminated employment for good reason (such as adverse changes in the terms or conditions of employment, including a material reduction in base compensation, a material change in authority, duties, or responsibilities, or a material change in job location) within two years following a change in control.
- Long-term equity incentive awards granted after 2011 will vest on an accelerated basis due to a change in control only if the participant has been terminated (other than for cause, death, or disability) or the participant terminated employment for good reason (as defined above) within two years following a change in control.

The change-in-control and post-termination arrangements which are described in the *Potential Payments as a Result of Termination or Change in Control* section are not provided exclusively to the named executives. A larger group of management employees is eligible to receive many of the post-termination benefits described in that section.

Clawback of Compensation

Awards made to executive officers after May 19, 2009, under short- and long-term incentive compensation plans, are subject to clawback in the event of certain financial restatements. Annual cash incentive and equity awards granted after May 19, 2009 are also subject to cancellation or recovery in certain circumstances if the recipient violates non-solicitation covenants. Equity awards granted after February 21, 2012, are subject to cancellation or recovery in certain circumstances if the recipient violates non-competition covenants.

Impact of Tax Considerations on Compensation

We may take a tax deduction of no more than $1 million per executive for compensation paid in any year to our CEO and the three other most highly compensated executives, excluding any individual that served as CFO during the year, as of the last day of the fiscal year in which the compensation is paid, unless the compensation meets specific standards. We may deduct more than $1 million in compensation if the compensation is performance-based and paid under a plan that meets certain requirements. The committee considers the impact of this Internal Revenue Code rule in developing, implementing, and administering our compensation programs. However, the committee balances this consideration with our primary goal of structuring compensation programs to attract, motivate, and retain highly talented executives. In light of this balance and the need to maintain flexibility in administering compensation programs, the committee may authorize compensation in any year that exceeds $1 million and does not meet the required standards for deductibility.

Annual Cash Incentive Awards

In 2014, the total corporate pool was calculated based on three measures: Adjusted Operating Income, Total Premiums, and Net Investment Income. The 2014 annual incentive plan targets for Adjusted Operating Income and Net Investment Income were lower than actual 2013 performance to account for economic trends and certain items that are not indicative of our underlying insurance business. As an example, the targets for those measures were set at amounts to take into account the sale of Lincoln Benefit Life during 2014, and Net Investment Income targets reflect the impact of historically low interest rates. Also in 2014, the ranges between target and maximum were widened to reflect the fact that the business has been operating well, and the plan had paid near maximum levels in the prior two years. The 2015 annual incentive plan targets are not included since those targets do not relate to 2014 pay, and as target performance is set at the 2015 operating plan, it is proprietary information. For a description of how the 2014 measures are determined, see pages 62-63. The ranges of performance and 2014 actual results are shown in the following table.

2014 Annual Cash Incentive Award Ranges of Performance

Measure	Threshold	Target	Maximum	Actual Results
Adjusted Operating Income *(in millions)*	$1,800	$2,200	$2,700	$2,350
Total Premiums *(in millions)*	$31,225	$31,725	$32,225	$31,685
Net Investment Income *(in millions)*	$2,835	$3,085	$3,335	$3,303
Payout Percentages				
Named Executives(1)	50%*	100%	200%(2)	118.9%

* Actual performance below threshold results in a 0% payout.

(1) Payout percentages reflect contribution to incentive compensation pool. Actual awards are fully discretionary and vary depending on individual performance.

(2) NEW The maximum pool funding for the named executives, other than the CEO, was lowered from 250% to 200% of target beginning with the 2014 award. For the CEO, it was reduced from 300% to 250% of target beginning with the 2010 award and from 250% to 200% of target beginning with the 2012 award.

The following table shows the annual cash incentive award paid to each named executive as a percentage of target in the last three years.

	AIP % of Target		
Name	**2012**	**2013**	**2014**
Mr. Wilson	186.8%	200.0%	118.9%
Mr. Shebik	229.4%	318.2%	118.9%
Mr. Civgin	236.2%	228.6%	114.3%
Ms. Greffin	254.8%	200.4%	136.7%
Mr. Winter	284.6%	268.2%	130.4%

Performance Stock Awards

Adjusted Operating Income ROE is the performance measure used for PSAs. For a description of how this measure is determined for each performance cycle, see pages 62-63. The measurement periods and levels of Adjusted Operating Income ROE needed to earn the threshold, target and maximum number of PSAs for the measurement period, as well as actual results, are set forth in the table below.

Performance Stock Awards Ranges of Performance

	Adjusted Operating Income Return on Equity			
	Threshold	**Target**	**Maximum**	**Actual Results**
2012-2014 PSA Performance Cycle				
2012 Measurement Period	4.0%	10.0%	11.5%	12.3%
2013 Measurement Period	4.5%	10.5%	12.25%	13.1%
2014 Measurement Period	5.0%	11.0%	13.0%	12.8%
2013-2015 PSA Performance Cycle				
2013 Measurement Period	6.0%	11.0%	12.5%	13.4%
2014 Measurement Period	6.0%	12.0%	13.5%	13.2%
2015 Measurement Period	6.0%	13.0%	14.5%	To be determined in 2016
2014-2016 PSA Performance Cycle (One Measurement Period)	6.0%	13.0%	14.5%	To be determined in 2017
Payout	0%	100%	200%	

Subject to positive net income hurdle

The following tables show the target number of PSAs granted to each of our named executives for the 2012-2014, 2013-2015, and 2014-2016 performance cycles, and the number of PSAs earned based on achievement of the performance measure.

2012-2014 Performance Cycle(1)

		2012 Measurement Period		2013 Measurement Period		2014 Measurement Period	
Named Executive	Target Number of PSAs for 2012-2014 Performance Cycle	Target Number of PSAs	Number of PSAs Earned(2)	Target Number of PSAs	Number of PSAs Earned(2)	Target Number of PSAs	Number of PSAs Earned(2)
Mr. Wilson	124,194	41,398	82,796	41,398	82,796	41,398	78,656
Mr. Shebik	9,736	3,245	6,490	3,245	6,490	3,246	6,167
Mr. Civgin	30,645	10,215	20,430	10,215	20,430	10,215	19,409
Ms. Greffin	29,032	9,677	19,354	9,677	19,354	9,678	18,388
Mr. Winter	40,323	13,441	26,882	13,441	26,882	13,441	25,538

(1) The actual number of PSAs to be earned for each measurement period varies from 0% to 200% of the target PSAs based on Adjusted Operating Income ROE for such measurement period.

(2) For the 2012 and 2013 measurement periods, the named executives earned PSAs equal to the maximum, or 200%, of the target number for that measurement period. For the 2014 measurement period, the named executives earned PSAs equal to 190% of the target number for that measurement period.

2013-2015 Performance Cycle(1)

		2013 Measurement Period		2014 Measurement Period		2015 Measurement Period	
Named Executive	Target Number of PSAs for 2013-2015 Performance Cycle	Target Number of PSAs	Number of PSAs Earned(2)	Target Number of PSAs	Number of PSAs Earned(2)	Target Number of PSAs	Number of PSAs Earned(2)
Mr. Wilson	84,411	28,137	56,274	28,137	50,647	28,137	
Mr. Shebik	19,733	6,577	13,154	6,578	11,840	6,578	To be
Mr. Civgin	23,021	7,673	15,346	7,674	13,813	7,674	determined
Ms. Greffin	20,061	6,687	13,374	6,687	12,037	6,687	in 2016.
Mr. Winter	27,817	9,272	18,544	9,272	16,690	9,273	

(1) The actual number of PSAs to be earned for each measurement period varies from 0% to 200% of the target PSAs based on Adjusted Operating Income ROE for such measurement period.

(2) For the 2013 measurement period, the named executives earned PSAs equal to the maximum, or 200%, of the target number for that measurement period. For the 2014 measurement period, the named executives earned PSAs equal to 180% of the target number for that measurement period.

2014-2016 Performance Cycle(1)

	One Measurement Period	
Named Executive	Target Number of PSAs for 2014-2016 Performance Cycle	Number of PSAs Earned
Mr. Wilson	73,783	
Mr. Shebik	17,248	To be
Mr. Civgin	20,123	determined
Ms. Greffin	18,494	in 2017.
Mr. Winter	25,153	

(1) The actual number of PSAs that will vest will vary from 0% to 200% of the target PSAs based on Adjusted Operating Income ROE for the measurement period.

Compensation Decisions for 2014

Mr. Wilson, *Served as Chairman, President and Chief Executive Officer during 2014*

- Mr. Wilson's total compensation and the amount of each compensation element are driven by the design of our compensation program, his experience, his responsibility for Allstate's overall strategic direction, performance and operations, and the committee's analysis of peer company CEO compensation. In conjunction with the committee's independent compensation consultant, the committee conducts an annual review of Mr. Wilson's total target direct compensation and determines if any changes are warranted.
- Mr. Wilson's performance as Chairman and CEO is evaluated under five categories which are determined by the Nominating and Governance Committee: delivering planned operating results, developing and implementing long-term strategy, maintaining and motivating a high performance team, corporate stewardship and Board effectiveness. Performance is assessed over one- and three- year time periods.
- During the 2014 annual review, the committee determined that Mr. Wilson's base salary should be increased to align with Allstate's practice of targeting compensation at the median of its insurance industry peer group. Mr. Wilson's annual cash incentive target of 300% of salary, and long-term equity incentive target of 700% of salary, remained unchanged.
  - *Salary.* In 2014, the Board approved an increase from $1,100,000 to $1,150,000 effective March 2014. Mr. Wilson's last salary increase was four years earlier in March 2010.
  - *Annual Cash Incentive Award.* Mr. Wilson's target annual incentive payment of 300% of base salary with a maximum funding opportunity for the award pool of 200% of target was unchanged in 2014.
    - Under Mr. Wilson's leadership, Allstate grew across brands and customer segments in 2014 while generating excellent profitability despite a significant increase in losses from severe weather from historically low levels in 2013. The combination of a unique strategy and strong operational results improved Allstate's competitive position and created value for stockholders. The Allstate brand increased both auto and homeowners policies, reflecting the execution of a comprehensive growth plan. Both Esurance and Encompass realized positive policy growth. Written premiums grew 5.1% for Allstate Protection.
    - Allstate Financial recorded a net income of $631 million although premiums declined due to the sale of Lincoln Benefit Life Company.
    - Allstate continued to evolve its agency force into a trusted advisor model by enabling agencies to more fully deliver on the customer value proposition, implementing processes and standards to elevate the level and consistency of the customer experience and enhancing technology to improve customer service.
    - Stockholders continued to realize excellent returns with $2.78 billion of dividends and share repurchases.
    - The committee approved an annual cash incentive award of $4,073,075 for Mr. Wilson based on 2014 performance. This was consistent with the overall pool funding payout at 118.9% of target.
- *Equity Incentive Awards.* In February 2014, based on its assessment of Mr. Wilson's performance in delivering strong business results in 2013, the committee granted him equity awards of stock options with a grant date fair value of $3,850,001 and performance stock awards with a grant date fair value of $3,849,997, which is equal to Mr. Wilson's target equity incentive award opportunity.

Other Named Executives

Mr. Wilson evaluates the performance and contributions of each member of his senior leadership team, including each other named executive. Based on his review, Mr. Wilson recommended specific adjustments to salary and incentive targets as well as actual incentive awards. The recommendations were considered and approved by the committee.

Mr. Shebik, *Served as Executive Vice President and Chief Financial Officer during 2014*

- *Salary.* In 2014, the committee awarded an increase from $600,000 to $630,000 effective March 2014. Based on a review of CFO base salary benchmarking, Mr. Shebik received an additional increase to $750,000 in October 2014 to align with the median of the insurance industry peer group.
- *Incentive Targets.* Based on the review of CFO compensation benchmarking, Mr. Shebik's annual incentive target was increased to 125% of salary from 110% of salary in October 2014. His target equity incentive opportunity remained at 300% of salary.

- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $883,619 for Mr. Shebik based on an assessment of his performance in leading Allstate's strategic and financial planning efforts, improving the financial strength of the company and helping drive operating performance.
- *Equity Incentive Awards.* In February 2014, based on a review of Mr. Shebik's performance during 2013, the committee granted him equity awards with a grant date fair value of $1,799,999, which is aligned with his target equity incentive award opportunity.

Mr. Civgin, *Served as President and Chief Executive Officer, Allstate Financial during 2014*

- *Salary.* The committee did not adjust Mr. Civgin's annual salary of $700,000 during 2014.
- *Incentive Targets.* No changes were made to Mr. Civgin's incentive targets during 2014. Mr. Civgin's annual incentive target was 125% of salary and his target equity incentive opportunity was 300% of salary.
- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $1,000,000 for Mr. Civgin based on an assessment of his performance in the successful execution of the Lincoln Benefit Life transaction, and his progress in lowering the overall Allstate Financial cost structure.
- *Equity Incentive Awards.* In February 2014, based on a review of Mr. Civgin's performance in 2013, the committee granted him equity awards with a grant date fair value of $2,100,014, which is aligned with his target equity incentive award opportunity.

Ms. Greffin, *Served as Executive Vice President and Chief Investment Officer of Allstate Insurance Company during 2014*

- *Salary.* The committee approved an increase from $640,000 to $670,000 effective March 2014, based on Ms. Greffin's performance in 2013.
- *Incentive Targets.* No changes were made to Ms. Greffin's incentive targets during 2014. Ms. Greffin's annual incentive target was 110% of salary and her target equity incentive opportunity was 300% of salary.
- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $1,000,000 for Ms. Greffin based on an assessment of her performance in exceeding expected net investment income results through strong limited partnership income and solid returns in our actively managed and total portfolios.
- *Equity Incentive Awards.* In February 2014, based on a review of Ms. Greffin's performance in 2013, the committee granted her equity awards with a grant date fair value of $1,930,017, which is aligned with her target equity incentive award opportunity.

Mr. Winter, *Served as President, Allstate Personal Lines of Allstate Insurance Company during 2014*

- *Salary.* The committee awarded an increase from $750,000 to $770,000, effective March 2014, based on Mr. Winter's performance in 2013.
- *Incentive Targets.* No changes were made to Mr. Winter's incentive targets during 2014. Mr. Winter's annual incentive target was 150% of salary, and his target equity incentive opportunity was 350% of salary.
- *Annual Cash Incentive Award.* The committee approved an annual cash incentive award of $1,500,000 for Mr. Winter based on an assessment of his performance in contributing to the growth of the Allstate brand policies in force, a strong underlying combined ratio and the progress made in shifting Allstate agencies to a trusted advisor model.
- *Equity Incentive Awards.* In February 2014, based on a review of Mr. Winter's performance during 2013, the committee granted him equity awards with a grant date fair value of $2,624,988, which is aligned with his target equity incentive opportunity.

Compensation Committee Report

The compensation and succession committee has reviewed and discussed with management the Compensation Discussion and Analysis contained on pages 28-46 of this proxy statement. Based on such review and discussions, the committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION AND SUCCESSION COMMITTEE

Jack M. Greenberg (Chair)

Michael L. Eskew
Herbert L. Henkel
Andrea Redmond
John W. Rowe

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation of the named executives for the last three fiscal years. The positions listed for each named executive are as of December 31, 2014. The titles and responsibilities for Messrs. Wilson, Civgin, and Winter changed effective January 2015. See Appendix C for their current titles.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)(4)	Total ($)
Thomas J. Wilson									
Chairman, President	2014	1,141,346	—	3,849,997	3,850,001	4,073,075	2,632,215	94,751	15,641,385
and Chief Executive	2013	1,100,000	—	3,849,986	4,350,006	6,600,000	2,720,160	53,571	18,673,723
Officer	2012	1,100,000	—	3,850,014	3,850,000	6,164,730	1,982,607	111,204	17,058,555
Steven E. Shebik									
Executive Vice	2014	652,500	—	900,001	899,998	883,619	827,696	26,960	4,190,774
President and Chief	2013	600,000	—	900,022	900,000	2,100,000	1,070,582	34,165	5,604,769
Financial Officer	2012	545,330	—	531,099	531,108	1,175,994	563,812	33,904	3,381,247
Don Civgin									
President and Chief	2014	700,000	—	1,050,018	1,049,996	1,000,000	135,885	26,560	3,962,459
Executive Officer,	2013	700,000	—	1,049,988	1,049,996	2,000,000	69,422	27,902	4,897,308
Allstate Financial	2012	690,000	—	949,995	949,998	2,000,000	48,581	28,302	4,666,876
Judith P. Greffin									
Executive Vice	2014	664,807	—	965,017	965,000	1,000,000	1,165,174	27,187	4,787,185
President and Chief	2013	634,807	—	914,982	914,999	1,400,000	271,815	33,580	4,170,183
Investment Officer	2012	606,538	—	899,992	899,998	1,700,000	952,989	25,450	5,084,967
Matthew E. Winter									
President,	2014	766,539	—	1,312,484	1,312,504	1,500,000	139,076	39,016	5,069,619
Allstate Personal	2013	745,673	—	1,268,733	1,268,748	3,000,000	102,174	35,150	6,420,478
Lines	2012	721,154	—	1,250,013	1,249,997	3,000,000	52,425	37,400	6,310,989

(1) The aggregate grant date fair value of PSAs granted in 2014, 2013, and 2012 and restricted stock unit awards granted in 2012 are computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718 (ASC 718). The fair value of PSAs and RSUs is based on the final closing price of Allstate's common stock on the grant date, which in part reflects the payment of expected future dividends. (See note 18 to our audited financial statements for 2014.) This amount reflects an accounting expense and does not correspond to actual value that will be realized by the named executives. The value of PSAs is based on the probable satisfaction of the performance conditions. The number of PSAs granted in 2014 to each named executive is provided in the *Grants of Plan-Based Awards* table on page 49. The value of the PSAs granted in 2014 at grant date share price if maximum corporate performance were to be achieved is as follows: Mr. Wilson $7,699,994, Mr. Shebik $1,800,002, Mr. Civgin $2,100,036, Ms. Greffin $1,930,034, and Mr. Winter $2,624,968.

(2) The aggregate grant date fair value of option awards is computed in accordance with FASB ASC 718. The fair value of each option award is estimated on the grant date using a binomial lattice model and the assumptions (see note 18 to our audited financial statements for 2014) as set forth in the following table:

	2014	2013	2012
Weighted average expected term	6.5 years	8.2 years	9.0 years
Expected volatility	16.8-42.2%	19.1-48.1%	20.2-53.9%
Weighted average volatility	28.3%	31.0%	34.6%
Expected dividends	1.7-2.2%	1.9-2.2%	2.2-3.0%
Weighted average expected dividends	2.1%	2.2%	2.8%
Risk-free rate	0.0-3.0%	0.0-2.9%	0.0-2.2%

This amount reflects an accounting expense and does not correspond to actual value that will be realized by the named executives. The number of options granted in 2014 to each named executive is provided in the *Grants of Plan-Based Awards* table on page 49.

(3) Amounts reflect the aggregate increase in actuarial value of the pension benefits as set forth in the *Pension Benefits* table, accrued during 2014, 2013, and 2012. These are benefits under the Allstate Retirement Plan (ARP) and the Supplemental Retirement Income Plan (SRIP). Non-qualified deferred compensation earnings are not reflected since our Deferred Compensation Plan does not provide above-market earnings. The pension plan measurement date is December 31. (See note 17 to our audited financial statements for 2014.) Beginning in 2014, all eligible employees earn pension benefits under a new cash balance formula only.

The following table reflects the respective change in the actuarial value of the benefits provided to the named executives in 2014:

Name	ARP ($)	SRIP ($)
Mr. Wilson	190,510	2,441,705
Mr. Shebik	218,748	608,948
Mr. Civgin	14,334	121,551
Ms. Greffin	218,955	946,219
Mr. Winter	10,011	129,065

Interest rates and other assumptions can have a significant impact on the change in pension value from one year to another. The Change in Pension Value for Mr. Wilson would have been $1,701,000 if the interest rate from 2013 had remained unchanged.

(4) The following table describes the incremental cost of other benefits provided in 2014 that are included in the ''All Other Compensation'' column.

All Other Compensation for 2014 — Supplemental Table

Name	Personal Use of Aircraft[1] ($)	401(k) Match[2] ($)	Other[3] ($)	Total All Other Compensation ($)
Mr. Wilson	59,865	10,400	24,486	94,751
Mr. Shebik	0	10,400	16,560	26,960
Mr. Civgin	0	10,400	16,160	26,560
Ms. Greffin	0	10,400	16,787	27,187
Mr. Winter	0	10,400	28,616	39,016

(1) The amount reported for personal use of aircraft is based on the incremental cost method, which is calculated based on Allstate's average variable costs per flight hour. Variable costs include fuel, maintenance, on-board catering, landing/ramp fees, and other miscellaneous variable costs. The total annual variable costs are divided by the annual number of flight hours flown by the aircraft to derive an average variable cost per flight hour. This average variable cost per flight hour is then multiplied by the flight hours flown for personal use to derive the incremental cost. This method of calculating the incremental cost excludes fixed costs that do not change based on usage, such as pilots' and other employees' salaries, costs incurred in purchasing the aircraft, and non-trip related hangar expenses.

(2) Each of the named executives participated in our 401(k) plan during 2014. The amount shown is the amount allocated to their accounts as employer matching contributions.

(3) ''Other'' consists of premiums for group life insurance and personal benefits and perquisites consisting of mobile devices, tax preparation services, financial planning, ground transportation, and supplemental long-term disability coverage. There was no incremental cost for the use of mobile devices. We provide supplemental long-term disability coverage to all regular full- and part-time employees who participate in the long-term disability plan and whose annual earnings exceed the level which produces the maximum monthly benefit provided by the long-term disability plan. This coverage is self-insured (funded and paid for by Allstate when obligations are incurred). No obligations for the named executives were incurred in 2014, and therefore, no incremental cost is reflected in the table.

GRANTS OF PLAN-BASED AWARDS AT FISCAL YEAR-END 2014

The following table provides information about non-equity incentive plan awards and equity awards granted to our named executives during fiscal year 2014.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Shr)(4)	Grant Date Fair Value ($)(5)	
Name	Grant Date	Plan Awards(1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)			Stock Awards	Option Awards
Mr. Wilson	—	Annual cash incentive	1,712,671	3,425,342	10,000,000							
	02/18/2014	PSAs				0	73,783	147,566			3,849,997	
	02/18/2014	Stock options							309,237	52.18		3,850,001
Mr. Shebik	—	Annual cash incentive	371,526	743,052	5,619,000							
	02/18/2014	PSAs				0	17,248	34,496			900,001	
	02/18/2014	Stock options							72,289	52.18		899,998
Mr. Civgin	—	Annual cash incentive	437,500	875,000	5,619,000							
	02/18/2014	PSAs				0	20,123	40,246			1,050,018	
	02/18/2014	Stock options							84,337	52.18		1,049,996
Ms. Greffin	—	Annual cash incentive	365,788	731,575	5,619,000							
	02/18/2014	PSAs				0	18,494	36,988			965,017	
	02/18/2014	Stock options							77,510	52.18		965,000
Mr. Winter	—	Annual cash incentive	575,035	1,150,069	5,619,000							
	02/18/2014	PSAs				0	25,153	50,306			1,312,484	
	02/18/2014	Stock options							105,422	52.18		1,312,504

(1) Awards under the Annual Executive Incentive Plan and the 2013 Equity Incentive Plan.

(2) The amounts in these columns consist of the threshold, target, and maximum annual cash incentive awards for the named executives. The threshold amount for each named executive is 50% of target, as the minimum amount payable (subject to individual performance) if threshold performance is achieved. If the threshold is not achieved, the payment to the named executives would be zero. The target amount is based upon achievement of the performance measures listed under the *Annual Cash Incentive Awards* caption on page 42. The maximum amount is based on the maximum amount that could be paid to a named executive to qualify the annual cash incentive award as deductible under section 162(m). The maximum amount payable to any named executive who served as CFO during the year is an amount equal to 15% of the 162(m) award pool described on page 62. The maximum amount payable to the CEO and the three most highly compensated executives, excluding any named executive who served as CFO during the year, is the lesser of a stockholder approved maximum of $10 million under the Annual Executive Incentive Plan or a percentage, which varies by executive, of the award pool. The award pool is equal to 1.0% of Adjusted Operating Income with award opportunities capped at 40% of the pool for Mr. Wilson and 15% of the pool for each other such named executive. Adjusted Operating Income is defined on pages 62-63. For a description of the ranges of performance established by the committee for the 2014 annual incentive, which are lower than the section 162(m) limits, see page 42.

(3) The amounts shown in these columns reflect the threshold, target, and maximum PSAs for the named executives. The threshold amount for each named executive is 0% payout. The target and maximum amounts are based upon achievement of the performance measures listed under the *Performance Stock Awards* caption on page 43.

(4) The exercise price of each option is equal to the closing sale price on the New York Stock Exchange on the grant date or, if there was no such sale on the grant date, then on the last previous day on which there was a sale (''closing price'').

(5) The aggregate grant date fair value of the February 18, 2014 PSAs was $52.18 and stock option award was $12.45, computed in accordance with FASB ASC 718 based on the probable satisfaction of the performance conditions. The assumptions used in the valuation are discussed in footnotes 1 and 2 to the *Summary Compensation Table* on page 47.

Performance Stock Awards

PSAs represent our promise to transfer shares of common stock in the future if certain performance measures are met. Each PSA represents Allstate's promise to transfer one fully vested share in the future for each PSA that vests. Earned PSAs will vest following the end of the three-year performance cycle, subject to continued employment (other than in the event of death, disability, retirement, or a qualifying termination following a change in control). Vested PSAs will be converted into shares of Allstate common stock and dividend equivalents accrued on these shares will be paid in cash. No dividend equivalents will be paid prior to vesting.

Stock Options

Stock options represent an opportunity to buy shares of our stock at a fixed exercise price at a future date. We use them to align the interests of our executives with long-term stockholder value, as the stock price must appreciate from the grant date for the executives to profit.

Under our stockholder-approved equity incentive plan, the exercise price cannot be less than the closing price of a share on the grant date. Stock option repricing is not permitted. In other words, without an event such as a stock split, if the committee cancels an award and substitutes a new award, the exercise price of the new award cannot be less than the exercise price of the cancelled award.

All stock option awards have been made in the form of non-qualified stock options. The options granted to the named executives in 2014 become exercisable over three years. One-third of the stock options will become exercisable on the anniversary of the grant date for each of the three years. The options granted to the named executives prior to 2014 become exercisable over four years: 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversary dates. The change to the vesting schedule in 2014 was made to reflect current market practice. All of the options expire in ten years from the grant date, unless an earlier date has been approved by the committee in connection with certain change-in-control situations or other special circumstances such as termination, death, or disability.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2014

The following table summarizes the outstanding equity awards of the named executives as of December 31, 2014.

	Option Awards(1)					Stock Awards(2)				
Name	Option Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable(3)	Number of Securities Underlying Unexercised Options (#) Unexercisable(3)	Option Exercise Price ($)	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)(4)	Market Value of Shares or Units of Stock That Have Not Vested ($)(5)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#)(6)	Equity Incentive Plan Awards Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested ($)(5)
Mr. Wilson	06/01/2005	100,000	0	$58.47	06/01/2015					
	02/21/2006	66,000	0	$53.84	02/21/2016					
	02/21/2006	124,000	0	$53.84	02/21/2016					
	02/20/2007	262,335	0	$62.24	02/20/2017					
	02/26/2008	338,316	0	$48.82	02/26/2018					
	02/22/2010	417,576	0	$31.41	02/22/2020					
	02/22/2011	335,856	111,952	$31.74	02/22/2021	02/22/2011	18,195	$1,278,199		
	02/21/2012	222,030	222,030	$31.56	02/21/2022	03/06/2012	244,248	$17,158,422		
	02/12/2013	0	363,409	$45.61	02/12/2023	02/12/2013	106,921	$7,511,200	28,137	$1,976,624
	02/18/2014	0	309,237	$52.18	02/18/2024	02/18/2014			73,783	$5,183,256
Mr. Shebik	02/21/2006	15,464	0	$53.84	02/21/2016					
	02/21/2006	9,000	0	$53.84	02/21/2016					
	02/20/2007	15,571	0	$62.24	02/20/2017					
	02/26/2008	25,763	0	$48.82	02/26/2018					
	02/27/2009	38,715	0	$16.83	02/27/2019					
	02/22/2010	33,616	0	$31.41	02/22/2020					
	02/22/2011	26,397	8,800	$31.74	02/22/2021	02/22/2011	886	$62,242		
	02/21/2012	13,223	13,223	$31.56	02/21/2022	02/21/2012	3,633	$255,218		
	03/06/2012	17,507	17,507	$31.00	03/06/2022	03/06/2012	19,147	$1,345,077		
	02/12/2013	0	75,188	$45.61	02/12/2023	02/12/2013	24,994	$1,755,829	6,578	$462,104
	02/18/2014	0	72,289	$52.18	02/18/2024	02/18/2014			17,248	$1,211,672
Mr. Civgin	09/08/2008	65,000	0	$46.48	09/08/2018					
	02/22/2010	111,944	0	$31.41	02/22/2020					
	02/22/2011	86,508	28,836	$31.74	02/22/2021	02/22/2011	4,687	$329,262		
	02/21/2012	54,786	54,787	$31.56	02/21/2022	03/06/2012	60,269	$4,233,897		
	02/12/2013	0	87,719	$45.61	02/12/2023	02/12/2013	29,159	$2,048,420	7,674	$539,098
	02/18/2014	0	84,337	$52.18	02/18/2024	02/18/2014			20,123	$1,413,641
Ms. Greffin	02/21/2006	19,919	0	$53.84	02/21/2016					
	02/21/2006	4,723	0	$53.84	02/21/2016					
	02/20/2007	21,291	0	$62.24	02/20/2017					
	02/20/2007	4,854	0	$62.24	02/20/2017					
	07/17/2007	3,660	0	$60.42	07/17/2017					
	02/26/2008	68,365	0	$48.82	02/26/2018					
	02/26/2008	28,298	0	$48.82	02/26/2018					
	08/11/2008	14,250	0	$46.56	08/11/2018					
	02/27/2009	36,911	0	$16.83	02/27/2019					
	02/22/2010	91,088	0	$31.41	02/22/2020					
	02/22/2011	77,857	25,953	$31.74	02/22/2021	02/22/2011	4,218	$296,315		
	02/21/2012	51,903	51,903	$31.56	02/21/2022	03/06/2012	57,096	$4,010,994		
	02/12/2013	0	76,441	$45.61	02/12/2023	02/12/2013	25,411	$1,785,123	6,687	$469,762
	02/18/2014	0	77,510	$52.18	02/18/2024	02/18/2014			18,494	$1,299,204
Mr. Winter	11/02/2009	8,385	0	$29.64	11/02/2019					
	02/22/2011	111,951	37,318	$31.74	02/22/2021	02/22/2011	6,065	$426,066		
	02/21/2012	72,087	72,088	$31.56	02/21/2022	03/06/2012	79,302	$5,570,966		
	02/12/2013	0	105,994	$45.61	02/12/2023	02/12/2013	35,234	$2,475,189	9,273	$651,428
	02/18/2014	0	105,422	$52.18	02/18/2024	02/18/2014			25,153	$1,766,998

(1) The options granted in 2014 vest over three years: one-third will become exercisable on the anniversary of the grant date for each of the three years. The options granted in 2013, 2012, 2011, and 2010 vest over four years: 50% on the second anniversary date and 25% on each of the third and fourth anniversary dates. The other options vest in four installments of 25% on each of the first four anniversaries of the grant date. The exercise price of each option is equal to the closing price of Allstate's common stock on the grant date. For options granted prior to 2007, fair market value is equal to the average of the high and low sale prices on the grant date. For options granted in 2007 and thereafter, fair market value is equal to the closing sale price on the grant date. In each case, if there was no sale on the grant date, the closing price is calculated as of the last previous day on which there was a sale.

(2) The awards granted prior to 2012 are restricted stock units. The awards granted in 2012 and after are PSAs, except for Mr. Shebik's February 21, 2012, restricted stock unit award.

(3) The aggregate value and aggregate number of exercisable and unexercisable in-the-money options as of December 31, 2014, for each of the named executives are as follows:

	Exercisable		Unexercisable	
Name	Aggregate Number (#)	Aggregate Value ($)	Aggregate Number (#)	Aggregate Value ($)
Mr. Wilson	1,866,113	51,390,122	1,006,628	27,443,923
Mr. Shebik	195,256	6,667,376	187,007	4,696,530
Mr. Civgin	318,238	11,344,048	255,679	6,915,549
Ms. Greffin	423,119	13,574,889	231,807	6,291,689
Mr. Winter	192,423	7,440,794	320,822	8,742,869

(4) The restricted stock unit awards granted in 2012 and 2011 vest over four years: 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversary dates. The PSAs vest in one installment on the third anniversary of the grant date. The PSAs granted in 2012 vested on March 5, 2015.

(5) Amount is based on the closing price of our common stock of $70.25 on December 31, 2014.

(6) The PSAs vest in one installment on the third anniversary of the grant date. The number of shares that ultimately vest may range from 0 to 200% of the target depending on actual performance during the three-year performance period. For a description of the PSA program and the performance measures used, see pages 36-37 and 43. The number of PSAs reflected in this column for the 2013 and 2014 awards are the number of shares that would be earned if the target level of performance is achieved. Final payouts under the PSAs will not be known until the respective performance period is completed.

OPTION EXERCISES AND STOCK VESTED AT FISCAL YEAR-END 2014

The following table summarizes the options exercised by the named executives during 2014 and the restricted stock unit awards that vested during 2014.

	Option Awards[1]		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Mr. Wilson	850,612	38,895,765	35,913	1,934,274
Mr. Shebik	20,836	138,889	5,400	289,428
Mr. Civgin	0	0	9,437	508,277
Ms. Greffin	100,748	2,775,621	8,084	435,404
Mr. Winter	59,091	1,314,559	11,915	641,742

(1) Of the options exercised in 2014 by Mr. Wilson, Mr. Shebik and Ms. Greffin, 98,976, 20,836, and 40,748 options, respectively, were due to expire in 2014 or the first quarter of 2015.

Retirement Benefits

The following table provides information about the pension plans in which the named executives participate. Each of the named executives participates in the Allstate Retirement Plan (ARP) and the Supplemental Retirement Income Plan (SRIP).

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit[(1)(2)] ($)	Payments During Last Fiscal Year ($)
Mr. Wilson	ARP	21.8	923,818	0
	SRIP	21.8	12,465,076	0
Mr. Shebik	ARP	26.2	1,131,283	0
	SRIP	26.2	3,146,402	0
Mr. Civgin	ARP	6.3	41,528	0
	SRIP	6.3	268,907	0
Ms. Greffin	ARP	24.3	959,962	0
	SRIP	24.3	4,481,342	0
Mr. Winter	ARP	5.2	30,421	0
	SRIP	5.2	315,187	0

(1) These amounts are estimates and do not necessarily reflect the actual amounts that will be paid to the named executives, which will be known only at the time they become eligible for payment. The present value of the accumulated benefit was determined using the same measurement date (December 31, 2014) and material assumptions that we use for year-end financial reporting purposes, except that we made no assumptions for early termination, disability, or pre-retirement mortality. Other assumptions include the following:

- Retirement at the normal retirement age as defined in the plans (age 65).
- Discount rate of 4.10%.

Other assumptions for the final average pay formula include the following:

- 80% paid as a lump sum and 20% paid as an annuity; for the cash balance formula, 100% paid as a lump sum.
- Lump-sum/annuity conversion segmented interest rates of 3.50% for the first five years, 5.75% for the next 15 years, and 6.50% for all years after 20.
- Lump sum calculations were done using the RP-2014 mortality table projected with the MP-2014 projection table, with a blend of 50% males and 50% females. The RP-2014 mortality table and MP-2014 projection table were created by the Society of Actuaries. Allstate adopted these tables for accounting on December 31, 2014 to measure retirement program obligations in the United States; however, benefits are not determined using these factors in 2014 or 2015.
- Annuity calculations were done using the RP-2014 white collar mortality table for annuitants projected with the MP-2014 projection table.

See note 17 to our audited financial statements for 2014 for additional information.

(2) The following table shows the lump sum present value of the non-qualified pension benefits for each named executive earned through December 31, 2014, if the named executives' employment terminated on that date.

Name	Plan Name	Lump Sum Amount ($)
Mr. Wilson	SRIP	13,365,728
Mr. Shebik	SRIP	3,438,715
Mr. Civgin	SRIP	257,423
Ms. Greffin	SRIP	4,987,970
Mr. Winter	SRIP	306,768

The amount shown is based on the lump sum methodology used by the Allstate pension plans in 2014. Specifically, the interest rate for 2014 is based on 100% of the average corporate bond segmented yield curve from August of the prior year. As required under the Internal Revenue Code, the mortality table used for 2014 is the 2014 combined static Pension Protection Act funding mortality table with a blend of 50% males and 50% females.

Allstate Retirement Plan (ARP)

Contributions to the ARP are made entirely by Allstate and are paid into a trust fund from which benefits are paid. Before January 1, 2014, ARP participants earned benefits under one of two formulas (final average pay or cash balance) based on their date of hire or their choice at the time Allstate introduced the cash balance formula. In order to better align our pension benefits with market practices, provide future pension benefits more equitably to Allstate employees, and reduce costs, final average pay benefits were frozen as of December 31, 2013. Beginning on January 1, 2014, all eligible participants earn benefits under a new cash balance formula only.

Final Average Pay Formula — Frozen as of 12/31/13

Benefits under the final average pay formula were earned and are stated in the form of a straight life annuity payable at the normal retirement age of 65. Ms. Greffin and Messrs. Shebik and Wilson have earned final average pay benefits equal to the sum of a Base Benefit and an Additional Benefit. The Base Benefit equals 1.55% of the participant's average annual compensation, multiplied by credited service after 1988 through 2013. The Additional Benefit equals 0.65% of the amount of the participant's average annual compensation that exceeds the participant's covered compensation, multiplied by credited service after 1988 through 2013. Covered compensation is the average of the maximum annual salary taxable for Social Security over the 35-year period ending the year the participant would reach Social Security retirement age. Messrs. Shebik and Wilson are eligible for a reduced early retirement benefit which would reduce their Base Benefit by 4.8% for each year of early payment before age 65 and their Additional Benefit by 8% for each year of early payment from age 62 to age 65 and 4% for each year of early payment from age 55 to age 62, prorated on a monthly basis based on age at the date payments begin.

NEW

Cash Balance Formula — For all Participants Beginning 1/1/14

All named executives earned benefits under the cash balance formula in 2014. Under this formula, participants receive pay credits while employed at Allstate, based on a percentage of eligible annual compensation and years of service, plus interest credits. Pay credits are allocated to a hypothetical account in an amount equal to 3% to 5% of eligible annual compensation, depending on years of vesting service. Interest credits are allocated to the hypothetical account based on the interest crediting rate in effect for that plan year as published by the Internal Revenue Service. The interest crediting rate is set annually and is currently based on the average yield for 30-year U.S. Treasury securities for August of the prior year. Prior to 2014, Messrs. Civgin and Winter earned cash balance credits equal to 2.5% of eligible annual compensation after they completed one year of vesting service based on the prior cash balance formula.

Supplemental Retirement Income Plan (SRIP)

SRIP benefits are generally determined using a two-step process: (1) determine the amount that would be payable under the ARP formula(s) specified above if Internal Revenue Code limits did not apply, then (2) reduce the amount described in (1) by the amount actually payable under the applicable ARP formula(s). The normal retirement date under the SRIP is age 65. If eligible for early retirement under the ARP, the employee also is eligible for early retirement under the SRIP. SRIP benefits are not funded and are paid out of Allstate's general assets.

Credited Service

No additional service credit beyond service with Allstate or its predecessors is granted under the ARP or the SRIP to any of the named executives. Messrs. Shebik and Wilson have combined service with Allstate and its former parent company, Sears, Roebuck and Co., of 26.2 and 21.8 years, respectively. As a result, a portion of their retirement benefits will be paid from the Sears pension plan. Consistent with the pension benefits of other employees with Sears service who moved to Allstate during the spin-off from Sears in 1995, Messrs. Shebik's and Wilson's final average pay pension benefits under the ARP and the SRIP are calculated as if each had worked his combined Sears-Allstate career with Allstate through December 31, 2013, and then are reduced by amounts earned under the Sears pension plan.

Eligible Compensation

Under both the ARP and SRIP, eligible compensation consists of salary, annual cash incentive awards, and certain other forms of compensation, but does not include long-term cash incentive awards or income related to equity awards. Compensation used to determine benefits under the ARP is limited in accordance with the Internal Revenue Code. For final average pay benefits, average annual compensation is the average compensation of the five highest consecutive calendar years within the last ten consecutive calendar years through 2013.

Payment Options

Payment options under the ARP include a lump sum, straight life annuity, and various survivor annuity options. The lump sum under the final average pay benefit is calculated in accordance with the applicable interest rate and mortality as required under the Internal Revenue Code. The lump sum payment under the cash balance benefit is generally equal to a participant's account balance. Payments from the SRIP are paid in the form of a lump sum using the same interest rate and mortality assumptions used under the ARP.

Timing of Payments

Eligible employees are vested in the normal ARP and SRIP retirement benefits on the earlier of the completion of three years of service or upon reaching age 65.

Final average pay benefits are payable at age 65. A participant with final average pay benefits may be entitled to a reduced early retirement benefit on or after age 55 if he or she terminates employment after completing 20 or more years of vesting service. A participant earning cash balance benefits who terminates employment with at least three years of vesting service is entitled to a lump sum benefit equal to his or her cash balance account balance.

The following SRIP payment dates assume a retirement or termination date of December 31, 2014:

- Messrs. Shebik's and Wilson's SRIP benefits earned prior to 2005 would become payable as early as January 1, 2015, or following death or disability. Benefits earned after 2004 would be paid on July 1, 2015, or following death or disability.
- Mr. Civgin's SRIP benefit would be paid on January 1, 2017, or following death.
- Ms. Greffin's SRIP benefits would be payable as early as January 1, 2016, or following death. A portion of Ms. Greffin's SRIP benefits would be payable as early as January 1, 2015, following disability.
- Mr. Winter's SRIP benefit would be paid on July 1, 2015, or following death.

NON-QUALIFIED DEFERRED COMPENSATION AT FISCAL YEAR-END 2014

The following table summarizes the non-qualified deferred compensation contributions, earnings, and account balances of our named executives in 2014. All amounts relate to The Allstate Corporation Deferred Compensation Plan.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)(1)	Aggregate Withdrawals/ Distributions in Last FY ($)	Aggregate Balance at Last FYE ($)(2)
Mr. Wilson	0	0	59,056	0	776,339
Mr. Shebik	0	0	5,511	0	139,782
Mr. Civgin	0	0	0	0	0
Ms. Greffin	0	0	156,747	0	2,190,774
Mr. Winter	0	0	0	0	0

(1) Aggregate earnings were not included in the named executive's compensation in the last completed fiscal year in the *Summary Compensation Table*.

(2) There are no amounts reported in the *Aggregate Balance at Last FYE* column that previously were reported as compensation in the *Summary Compensation Table*.

In order to remain competitive with other employers, we allow the named executives and other employees whose annual compensation exceeds the amount specified in the Internal Revenue Code ($260,000 in 2014), to defer under the Deferred Compensation Plan up to 80% of their salary and/or up to 100% of their annual cash incentive award that exceeds the Internal Revenue Code limit. Allstate does not match participant deferrals and does not guarantee a stated rate of return.

Deferrals under the Deferred Compensation Plan are credited with earnings or debited for losses based on the results of the notional investment option or options selected by the participants. The notional investment options available in 2014 under the Deferred Compensation Plan are: stable value, S&P 500, international equity, Russell 2000, mid-cap, and bond funds. Under the Deferred Compensation Plan, deferrals are not actually invested in these funds, but instead are credited with earnings or debited for losses based on the funds' investment returns. Because the rate of return is based on actual investment measures in our 401(k) plan, no above-market earnings are credited, recorded, or paid. Our Deferred Compensation Plan and 401(k) plan allow participants to change their investment elections daily.

The Deferred Compensation Plan is unfunded. This means that Allstate does not set aside funds for the plan in a trust or otherwise. Participants have only the rights of general unsecured creditors and may lose their balances in the event of the company's bankruptcy. Account balances are 100% vested at all times.

An irrevocable distribution election is required before making any deferrals into the plan. Generally, a named executive may elect to begin receiving a distribution of his or her account balance immediately upon separation from service or in one of the first through fifth years after separation from service. The earliest distribution date for deferrals on or after January 1, 2005, and earnings and losses on these amounts, is six months following separation from service. The named executive may elect to receive payment in a lump sum or in annual cash installment payments over a period of two to ten years. In addition, a named executive may elect an in-service withdrawal of his or her entire balance earned and vested prior to January 1, 2005, and earnings and losses on these amounts, subject to forfeiture of 10% of such balance. Upon proof of an unforeseen emergency, a plan participant may be allowed to access certain funds in a deferred compensation account earlier than the dates specified above.

Potential Payments as a Result of Termination or Change in Control (CIC)

The following table lists the compensation and benefits that Allstate would provide to the named executives in various scenarios involving a termination of employment, other than compensation and benefits generally available to salaried employees. The table describes equity granting practices for the 2014 equity incentive awards. Relevant prior practices are described in the footnotes.

	Termination Scenarios				
Compensation Elements	Termination[(1)]	Retirement	Termination due to Change-in-Control[(2)]	Death	Disability
Base Salary	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately	Ceases immediately
Severance Pay	None	None	Lump sum equal to two times salary and annual incentive at target, except for CEO who receives three times salary and annual incentive at target[(3)]	None	None
Annual Incentive[(4)]	Forfeited	Prorated for the year and subject to discretionary adjustments[(5)]	Prorated at target (reduced by any amounts actually paid)	Prorated for the year and subject to discretionary adjustments	Prorated for the year and subject to discretionary adjustments
Stock Options[(4)(6)]	Unvested are forfeited, vested expire at the earlier of three months or normal expiration	Awards granted more than 12 months before, and pro rata portion of award granted within 12 months of retirement, continue to vest. All expire at earlier of five years or normal expiration[(7)]	Awards vest upon qualifying termination after a CIC[(8)]	Awards vest immediately and expire at earlier of two years or normal expiration	Awards vest immediately and expire at earlier of two years or normal expiration
Restricted Stock Units[(4)(6)]	Forfeited	Awards granted more than 12 months before, and pro rata portion of award granted within 12 months of retirement, continue to vest[(7)]	Awards vest upon qualifying termination after a CIC[(8)]	Awards vest immediately	Awards vest immediately
Performance Stock Awards[(4)(6)]	Forfeited	Awards granted more than 12 months before, and pro rata portion of awards granted within 12 months of retirement, continue to vest and are paid out based on actual performance[(7)]	Awards vest based on performance upon a qualifying termination after a CIC[(9)]	Awards vest and are payable immediately[(10)]	Awards vest and are payable immediately[(10)]
Non-Qualified Pension Benefits[(11)]	Distributions commence per plan	Distributions commence per plan	Immediately payable upon a CIC	Distributions commence per plan	Participant may request payment if age 50 or older
Deferred Compensation[(12)]	Distributions commence per participant election	Distributions commence per participant election	Immediately payable upon a CIC	Payable within 90 days	Distributions commence per participant election
Health, Welfare and Other Benefits	None	None	Outplacement services provided; lump sum payment equal to additional cost of welfare benefits continuation coverage for 18 months[(13)]	None	Supplemental Long Term Disability benefits if enrolled in basic long term disability plan

(1) Includes both voluntary and involuntary termination. Examples of involuntary termination independent of a change in control include performance-related terminations; terminations for employee dishonesty and violation of Allstate rules, regulations, or policies; and terminations resulting from lack of work, rearrangement of work, or reduction in force.

(2) In general, a change in control is one or more of the following events: (1) any person acquires 30% or more of the combined voting power of Allstate common stock within a 12-month period; (2) any person acquires more than 50% of the combined voting power of Allstate common stock; (3) certain changes are made to the composition of the Board; or (4) the consummation of a merger, reorganization, or similar transaction. These triggers were selected because any of these could cause a substantial change in management in a widely held company the size of Allstate. Effective upon a change in control, the named executives become subject to covenants prohibiting solicitation of employees, customers, and suppliers until one year after termination of employment. If a named executive incurs legal fees or other expenses in an effort to enforce the change-in-control plan, Allstate will reimburse the named executive for these expenses unless it is established by a court that the named executive had no reasonable basis for the claim or acted in bad faith.

(3) Under the change-in-control plan, severance benefits would be payable if a named executive's employment is terminated either by Allstate without cause or by the executive for good reason as defined in the plan during the two years following the change in control. Cause means the named executive has been convicted of a felony or other crime involving fraud or dishonesty, has willfully or intentionally breached the restrictive covenants in the change-in-control plan, has habitually neglected his or her duties, or has engaged in willful or reckless material misconduct in the performance of his or her duties. Good reason includes a material diminution in a named executive's base compensation, authority, duties, or responsibilities, or a material change in the geographic location where the named executive performs services.

(4) Named executives who receive an equity award or an annual cash incentive award after May 19, 2009, are subject to a non-solicitation covenant while they are employed and for the one-year period following termination of employment. If a named executive violates the non-solicitation covenant, the Board or a committee of the Board, to the extent permitted by applicable law, may recover compensation provided to the named executive, including cancellation of outstanding awards or recovery of all or a portion of any gain realized upon vesting, settlement, or exercise of an award or recovery of all or a portion of any proceeds resulting from any disposition of shares received pursuant to an award if the vesting, settlement, or exercise of the award or the receipt of the sale proceeds occurred during the 12-month period prior to the violation.

(5) Retirement for purposes of the Annual Executive Incentive Plan is defined as voluntary termination on or after the date the named executive attains age 55 with at least 10 years of service or age 60 with five years of service.

(6) Named executives who receive an equity award on or after May 21, 2013, that remains subject to a period of restriction or other performance or vesting condition, are subject to a non-compete provision while they are employed and for the one-year period following termination of employment. Named executives who received equity awards granted between February 21, 2012, and May 20, 2013, are subject to a non-compete provision while they are employed and for the two-year period following termination of employment. If a named executive violates the non-competition covenant, the Board or a committee of the Board may, to the extent permitted by applicable law, cancel any or all of the named executive's outstanding awards that remain subject to a period of restriction or other performance or vesting condition as of the date on which the named executive first violated the non-competition provision.

(7) Historical and current retirement definitions and treatment for purposes of stock options, restricted stock units, and performance stock awards are as follows:

		Date of award prior to February 22, 2011	Date of award on or after February 22, 2011 and before February 21, 2012	Date of award on or after February 21, 2012
Early Retirement:				
	Definition	Age 55 with 20 years of service	Age 55 with 10 years of service	Age 55 with 10 years of service
	Treatment	• Unvested awards are forfeited. • Vested stock options expire at the earlier of five years from the date of retirement or the expiration date of the option.	• Prorated portion of unvested awards continue to vest. • Vested stock options expire at the earlier of five years from the date of retirement or the expiration date of the option.	• Unvested awards not granted within 12 months of retirement continue to vest. • Prorated portion of unvested awards granted within 12 months of the retirement date continue to vest. • Vested stock options expire at the earlier of five years from the date of retirement or the expiration date of the option.
Normal Retirement:				
	Definition	Age 60 with at least one year of service	Age 60 with at least one year of service	Age 60 with at least five years of service
	Treatment	• Unvested awards continue to vest and stock options expire at the earlier of five years from the date of retirement or the expiration date of the option.	• Unvested awards not granted within 12 months of retirement continue to vest. • Prorated portion of unvested awards granted within 12 months of the retirement date continue to vest. • Vested stock options expire at the earlier of five years from the date of retirement or the expiration date of the option.	• Unvested awards not granted within 12 months of retirement continue to vest. • Prorated portion of unvested awards granted within 12 months of the retirement date continue to vest. • Vested stock options expire at the earlier of five years from the date of retirement or the expiration date of the option.

(8) This description is the treatment of equity awards granted on or after December 30, 2011. Awards granted prior to December 30, 2011, vest on the date of a change in control.

(9) For completed measurement periods with results certified by the committee, the earned amount continues to vest. For open cycles, the committee will determine the number of PSAs that continue to vest based on actual performance up to the change in control.

(10) For completed measurement periods with results certified by the committee, the earned amount is paid. For open cycles, the payout is based on the target number of PSAs.

(11) See the *Retirement Benefits* section for further detail on non-qualified pension benefits and timing of payments.

(12) See the *Non-Qualified Deferred Compensation* section for additional information on the Deferred Compensation Plan and distribution options available.

(13) If a named executive's employment is terminated due to death during the two years after the date of a change in control, the named executive's estate or beneficiary will be entitled to survivor and other benefits, including retiree medical coverage, if eligible, that are not less favorable than the most favorable benefits available to the estates or surviving families of peer executives of Allstate. In the event of termination due to disability during the two years after the date of a change in control, Allstate will pay disability and other benefits, including supplemental long-term disability benefits and retiree medical coverage, if eligible, that are not less favorable than the most favorable benefits available to disabled peer executives.

ESTIMATE OF POTENTIAL PAYMENTS UPON TERMINATION[1]

The table below describes the value of compensation and benefits payable to each named executive upon termination that would exceed the compensation or benefits generally available to salaried employees in each termination scenario. The total column in the following table does not reflect compensation or benefits previously accrued or earned by the named executives, such as deferred compensation and non-qualified pension benefits. Benefits and payments are calculated assuming a December 31, 2014, employment termination date.

Name	Severance ($)	Annual Incentive Plan[2] ($)	Stock Options — Unvested and Accelerated ($)	Restricted Stock Units and Performance Stock Awards — Unvested and Accelerated ($)	Welfare Benefits and Outplacement Services ($)	Total ($)
Mr. Wilson						
Termination/Retirement[3]	0	4,073,075	26,095,298	32,244,118	0	62,412,491
Termination due to Change in Control[4]	12,711,393[5]	3,450,000	27,443,923	33,107,701	63,677[6]	76,776,694
Death	0	4,073,075	27,443,923	33,107,701	0	64,624,699
Disability	0	4,073,075	27,443,923	33,107,701	29,893,644[7]	94,518,343
Mr. Shebik						
Termination/Retirement[3]	0	883,619	4,476,504	4,923,963	0	10,284,086
Termination due to Change in Control[4]	1,998,690[5]	937,500	4,696,530	5,092,142	41,937[6]	12,766,799
Death	0	883,619	4,696,530	5,092,142	0	10,672,291
Disability	0	883,619	4,696,530	5,092,142	8,634,766[7]	19,307,057
Mr. Civgin						
Termination/Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	3,150,000[5]	875,000	6,915,549	8,564,318	41,937[6]	19,546,804
Death	0	1,000,000	6,915,549	8,564,318	0	16,479,867
Disability	0	1,000,000	6,915,549	8,564,318	13,692,292[7]	30,172,159
Ms. Greffin						
Termination/Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	2,814,000[5]	737,000	6,291,689	7,861,398	40,508[6]	17,744,595
Death	0	1,000,000	6,291,689	7,861,398	0	15,153,087
Disability	0	1,000,000	6,291,689	7,861,398	0[7]	15,153,087
Mr. Winter						
Termination/Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	2,830,439[5]	1,155,000	8,742,869	10,890,647	48,677[6]	23,667,632
Death	0	1,500,000	8,742,869	10,890,647	0	21,133,516
Disability	0	1,500,000	8,742,869	10,890,647	13,112,996[7]	34,246,512

(1) A "0" indicates either that there is no amount payable to the named executive, or the amount payable is the same for both the named executives and all salaried employees.

(2) The 2014 annual incentive plan payment is payable to all NEOs as a result of death and disability. In addition, it is payable to Messrs. Wilson and Shebik in the event of retirement. The amount listed for the annual incentive plan payment upon termination due to a change in control is shown at target as defined in the change-in-control severance plan.

(3) As of December 31, 2014, Messrs. Shebik and Wilson are the only named executives eligible to retire in accordance with Allstate's policy and the terms of its equity incentive compensation and benefit plans.

(4) The values in this change-in-control row represent amounts paid if both the change in control and qualifying termination occur on December 31, 2014. PSAs are paid out based on actual performance; for purposes of this table, the 2012-2014 cycle includes two years at maximum and one year at 190%, and the 2013-2015 cycle includes one year at maximum, one year at 180%, and one year at target. The 2014-2016 cycle is reflected at target. Equity awards granted prior to December 30, 2011, immediately vest upon a change in

control. For equity awards granted prior to December 30, 2011, the amounts payable to each named executive in event of a change in control would be as follows:

Name	Stock Options — Unvested and Accelerated ($)	Restricted Stock Units — Unvested and Accelerated ($)	Total — Unvested and Accelerated ($)
Mr. Wilson	4,311,272	1,278,199	5,589,471
Mr. Shebik	338,888	62,242	401,130
Mr. Civgin	1,110,474	329,262	1,439,736
Ms. Greffin	999,450	296,315	1,295,765
Mr. Winter	1,437,116	426,066	1,863,182

Beginning with awards granted in 2012, equity awards do not accelerate in the event of a change in control unless also accompanied by a qualifying termination of employment. A change in control also would accelerate the distribution of each named executive's non-qualified deferred compensation and SRIP benefits. Please see the *Non-Qualified Deferred Compensation at Fiscal Year-End 2014* table and footnote 2 to the *Pension Benefits* table in the *Retirement Benefits* section for details regarding the applicable amounts for each named executive.

(5) Under the change-in-control severance plan, severance benefits for Messrs. Wilson, Shebik and Winter were reduced by $1,088,607, $1,376,310, and $1,019,561, respectively to avoid the imposition of excise taxes and maximize the severance benefit available under the plan.

(6) The Welfare Benefits and Outplacement Services amount includes the cost to provide certain welfare benefits to the named executive and family during the period the named executive is eligible for continuation coverage under applicable law. The amount shown reflects Allstate's costs for these benefits or programs assuming an 18-month continuation period. The value of outplacement services is $40,000 for Mr. Wilson and $25,000 for each other named executive.

(7) The named executives who participate in the long-term disability plan are eligible to participate in Allstate's supplemental long-term disability plan for employees whose annual earnings exceed the level which produces the maximum monthly benefit provided by the long-term disability plan (basic plan). The monthly benefit is equal to 60% of the named executive's qualified annual earnings divided by twelve and rounded to the nearest $100, reduced by $7,500, which is the maximum monthly benefit payment that can be received under the basic plan. The amount reflected assumes the named executive remains totally disabled until age 65 and represents the present value of the monthly benefit payable until age 65.

Performance Measures for 2014

The following are descriptions of the performance measures used for executive incentive compensation. These measures are not GAAP measures. They were developed uniquely for incentive compensation purposes and are not reported items in our financial statements. The committee has approved the use of non-GAAP measures when appropriate to drive executive focus on particular strategic, operational, or financial factors, or to exclude factors over which our executives have little influence or control. The committee monitors compensation estimates during the year based on actual performance on these measures, and the internal audit department reviews the final results.

Adjusted Operating Income: This measure is calculated differently for annual cash incentive awards, the 162(m) pool, and each PSA performance cycle. For each plan, Adjusted Operating Income is equal to net income available to common shareholders as reported in the Allstate Corporation annual report on Form 10-K adjusted for the after-tax effect of the items indicated below:

			Performance Stock Awards		
✓ Indicates adjustments to Net Income	Annual Cash Incentive Awards	162(m) Pool	2012-2014 Performance Cycle	2013-2015 Performance Cycle	2014-2016 Performance Cycle
Net income available to common shareholders, excluding:					
— Realized capital gains and losses (which includes the related effect on amortization of deferred acquisition and deferred sales inducement costs) except for periodic settlements and accruals on certain non-hedge derivative instruments	✓	✓	✓	✓	✓
— Valuation changes on embedded derivatives that are not hedged (which includes the related effect on amortization of deferred acquisition and deferred sales inducement costs)	✓	✓	✓	✓	✓
— Business combination expenses and amortization of purchased intangible assets	✓	✓	✓	✓	✓
— (Loss) gain on disposition of operations	✓	✓	✓	✓	✓
— Restructuring or related charges	✓	✓		✓	✓
— Underwriting results of Discontinued Lines and Coverages segment	✓	✓	✓	✓	✓
— Loss on extinguishment of debt(1)			✓	✓	
— Post-retirement benefits curtailment gain(1)			✓	✓	
— Effects of acquiring and selling businesses	✓	✓	✓	✓	✓
Adjustments to be consistent with financial reporting used in establishing the measure	✓	✓	✓	✓	✓
Adjusted Operating Income before catastrophe adjustment					
Adjustment for after-tax catastrophe losses	Include planned amount	Exclude actual amount	Adjusted to include a minimum or maximum amount	Adjusted to include a minimum or maximum amount	Average adjusted to include a minimum or maximum amount
Adjusted Operating Income					

(1) 2013 only.

Annual Cash Incentive Award Performance Measures for 2014

- *Adjusted Operating Income:* This measure is used to assess financial performance. For a description of how this measure is determined, see page 62.

  The impact of catastrophe losses on annual cash incentive awards is recognized through a modifier to the Adjusted Operating Income performance measure payout percentage.

Actual After-Tax Catastrophe Losses	Impact to Adjusted Operating Income Payout Percentage
Within 10% of planned catastrophe losses	None
Lower than planned catastrophe losses by more than 10%	Increases payout by up to 20%
Higher than planned catastrophe losses by more than 10%	Decreases payout by up to 20%

  In 2014, actual after-tax catastrophe losses were within 10% of planned catastrophe losses and as a result, no adjustment was required.

- *Net Investment Income:* This measure is used to assess the financial operating performance provided from investments. It is equal to net investment income as reported in the consolidated statement of operations. Net investment income is subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the effects of acquiring and selling businesses and was adjusted accordingly in 2014.

- *Total Premiums:* This measure is used to assess growth within the Allstate Protection and Allstate Financial businesses. It is equal to the sum of Allstate Protection premiums written and Allstate Financial premiums and contract charges as described below.

  Allstate Protection premiums written is equal to the Allstate Protection net premiums written as reported in management's discussion and analysis in The Allstate Corporation annual report on Form 10-K.

  Allstate Financial premiums and contract charges are equal to life and annuity premiums and contract charges reported in the consolidated statement of operations.

  Total Premiums is subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the effects of acquiring and selling businesses and was adjusted accordingly in 2014.

Performance Stock Award Performance Measures for the 2012-2014 Performance Cycle and the 2013-2015 Performance Cycle

- *Annual Adjusted Operating Income Return on Equity:* This measure is used to assess financial performance. It is calculated as the ratio of annual Adjusted Operating Income for the applicable PSA performance cycle divided by the average of common shareholders' equity excluding the effects of unrealized net capital gains and losses at the beginning and at the end of the year. For a description of how Adjusted Operating Income is determined, see page 62.

  Adjusted Operating Income is adjusted to include a minimum or maximum amount of after-tax catastrophe losses if actual catastrophe losses are less than or exceed those amounts, respectively. In 2013, Adjusted Operating Income was adjusted to include a minimum amount of catastrophe losses, thus lowering the actual performance. In 2012 and 2014, no such adjustment was made.

  Average common shareholders' equity is subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the effects of acquiring and selling businesses and was adjusted accordingly in 2014.

Performance Stock Award Performance Measures for the 2014-2016 Performance Cycle

- *Three Year Average Adjusted Operating Income Return on Equity:* This measure is used to assess financial performance. It is calculated as the ratio of average Adjusted Operating Income divided by the average of common shareholders' equity, excluding the effects of unrealized net capital gains and losses, at December 31, 2013 and at the end of each year in the three year cycle. For a description of how Adjusted Operating Income is determined, see page 62.

- Average Adjusted Operating Income is adjusted to include a minimum or maximum amount of after-tax catastrophe losses if the average of actual catastrophe losses in the three year cycle are less than or exceed those amounts, respectively.

- Average common shareholders' equity is subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the effects of acquiring and selling businesses.

Director Compensation Program

The following table describes the components of our non-employee director compensation program for 2014. No meeting fees or other professional fees were paid to the directors.

Role	Quarterly(1) Cash Retainer(2)	Equity
Non-Employee Director	$ 22,500	Restricted stock units granted on June 1 equal to $150,000 divided by the closing price of a share of Allstate common stock on such date, rounded to the nearest whole share
Lead Director	$ 6,250	
Audit Committee Chair	$ 6,250	
Other Committee Chair (except Executive Committee)	$ 5,000	

(1) Paid in advance on the first day of March, June, September, and December*

(2) The retainer is prorated for a director who joins the board during a quarter.

* Effective January 1, 2015, the amount of the quarterly cash retainer was increased to $26,250, and the payment dates were revised to be the first day of January, April, July, and October. Due to the change in payment dates, on December 1, 2014, the non-employee directors received prorated payments of the quarterly cash retainers for one month of the quarterly period.

Director Stock Ownership Guidelines

- Each director is expected, within five years of joining the Board, to accumulate an ownership position in Allstate common stock equal to five times the annual value of the standard retainer.
- Each director has met the ownership guideline, except for Mr. Crawford, who joined the Board in 2013, and Messrs. Eskew and Mehta, who joined the Board in 2014.

2014 DIRECTOR COMPENSATION

The following table summarizes the 2014 compensation for each of our non-employee directors who served as a member of the Board and its committees.

Name	Committee Chair Roles Held During 2014	Fees Earned or Paid in Cash ($)(1)(2)	Stock Awards ($)(3)(4)	All Other Compensation ($)(5)	Total ($)
Mr. Ackerman	Nominating and Governance Committee Chair (January-May) Lead Director (May-December)	95,658	150,020	0	245,678
Mr. Beyer	Risk and Return Committee Chair	91,972	150,020	0	241,992
Mr. Crawford		75,250	150,020	0	225,270
Mr. Eskew		40,635	125,012	0	165,647
Mr. Greenberg	Compensation and Succession Committee Chair	91,972	150,020	0	241,992
Mr. Henkel		75,250	150,020	0	225,270
Mr. LeMay		22,500	0	5,000	27,500
Mr. Mehta		77,970	187,537	0	265,507
Ms. Redmond		75,250	150,020	0	225,270
Mr. Riley, Jr.	Lead Director (January-May)	28,750	0	5,000	33,750
Mr. Rowe	Nominating and Governance Committee Chair (May-December)	87,576	150,020	0	237,596
Ms. Sprieser	Audit Committee Chair	96,153	150,020	0	246,173
Mrs. Taylor		75,250	150,020	0	225,270

(1) Messrs. Eskew and Mehta received prorated retainers as they joined the Board in July and February 2014, respectively.

(2) Directors may elect to receive Allstate common stock in lieu of cash. Also, under Allstate's Deferred Compensation Plan for Non-Employee Directors, directors may elect to defer their retainers to an account that is credited or debited, as applicable, based on (a) the fair market value of, and dividends paid on, Allstate common shares (common share units); (b) the average interest rate payable on 90-day dealer commercial paper; (c) Standard & Poor's 500 Index, with dividends reinvested; or (d) a money market fund. No director has voting or investment powers in common share units, which are payable solely in cash. Subject to certain restrictions, amounts deferred under the plan, together with earnings thereon, may be transferred between accounts and are distributed after the director leaves the Board in a lump sum or over a period not in excess of ten years in accordance with the director's instructions. For 2014, Messrs. Eskew, Henkel and Riley each elected to defer his cash retainer into common share units.

(3) Grant date fair value for restricted stock units granted in 2014 is based on the final closing price of Allstate common stock on the grant dates, which in part also reflects the payment of expected future dividend equivalent rights. (See note 18 to our audited financial statements for 2014.) Messrs. Eskew and Mehta received prorated awards with grant date fair values of $125,012 and $37,517, respectively, when they joined the Board in 2014. The final grant date closing price was $58.26, except with respect to the prorated awards granted to Messrs. Eskew and Mehta when they joined the Board, which was $58.01 and $52.18, respectively. The values were computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. Each restricted stock unit entitles the director to receive one share of Allstate common stock on the conversion date (see footnote 4).

(4) The following table provides outstanding restricted stock units and stock options as of December 31, 2014 for each director.

Outstanding Restricted Stock Units and Stock Options at Fiscal Year-End 2014

Name	Restricted Stock Units (#)	Stock Options (#)
Mr. Ackerman	35,946	16,000
Mr. Beyer	31,946	10,667
Mr. Crawford	6,816	0
Mr. Eskew	2,155	0
Mr. Greenberg	35,946	16,000
Mr. Henkel	6,495	0
Mr. LeMay	8,000	0
Mr. Mehta	3,294	0
Ms. Redmond	22,288	0
Mr. Riley, Jr.	8,000	16,000
Mr. Rowe	11,437	0
Ms. Sprieser	35,946	16,000
Mrs. Taylor	35,946	16,000

Restricted stock unit awards granted before September 15, 2008, convert into common stock one year after termination of Board service, or upon death or disability if earlier. Restricted stock unit awards granted on or after September 15, 2008, convert into common stock upon termination of Board service, or upon death or disability if earlier. Each restricted stock unit includes a dividend equivalent right that entitles the director to receive a payment equal to regular cash dividends paid on Allstate common stock. Under the terms of the restricted stock unit awards, directors have only the rights of general unsecured creditors of Allstate and no rights as stockholders until delivery of the underlying shares.

Non-employee directors do not receive stock options as part of their compensation as a result of a policy change on June 1, 2009. All outstanding stock options were exercisable as of December 31, 2014.

All outstanding options were awarded under the terms of the 2006 Equity Compensation Plan for Non-Employee Directors, which specifies that the exercise price for the option awards is equal to the fair market value of Allstate common stock on the grant date. For options granted in 2007 and 2008, the fair market value is equal to the closing sale price on the date of the grant, and for options granted prior to 2007, fair market value is equal to the average of the high and low sale prices on the grant date, and, in each case, if there was no such sale on the grant date, then on the last previous day on which there was a sale. The options became exercisable in three substantially equal annual installments and expire ten years after grant. Stock option repricing is not permitted. An outstanding stock option will not be amended to reduce the option exercise price. However, the plan permits repricing in the event of an equity restructuring (such as a split) or a change in corporate capitalization (such as a merger).

(5) These amounts represent charitable contributions made by Allstate to entities selected by Messrs. LeMay and Riley upon their retirements from the Board.

Security Ownership of Directors and Executive Officers

The following table shows the number of shares of Allstate common stock beneficially owned by each director and named executive individually, and by all executive officers and directors of Allstate as a group. Shares reported as beneficially owned include shares held indirectly through the Allstate 401(k) Savings Plan and other shares held indirectly, as well as shares subject to stock options exercisable on or before April 30, 2015, and restricted stock units and performance stock awards with restrictions that expire on or before April 30, 2015. The following share amounts are as of March 1, 2015. As of March 1, 2015, none of these shares were pledged as security.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Allstate Common Stock(1) (a)	Common Stock Subject to Options Exercisable and Restricted Stock Units and Performance Stock Awards for which restrictions expire on or prior to April 30, 2015 — Included in Column (a) (b)
F. Duane Ackerman	40,332	16,000
Robert D. Beyer	60,233	10,667
Kermit R. Crawford	0	0
Michael L. Eskew	190	0
Jack M. Greenberg	16,000	16,000
Herbert L. Henkel	0	0
Siddharth N. Mehta	0	0
Andrea Redmond	4,000	0
John W. Rowe	6,025	0
Judith A. Sprieser	13,244	12,000
Mary Alice Taylor	38,348	16,000
Thomas J. Wilson(2)	3,043,184	2,618,111
Steven E. Shebik	365,392	300,257
Don Civgin	302,570	253,469
Judith P. Greffin	556,834	500,016
Matthew E. Winter	480,745	433,224
All directors and executive officers as a group	5,537,477	4,681,543

(1) As of March 1, 2015, no director or executive officer beneficially owned 1% or more of the outstanding common stock of Allstate. The directors and executive officers of Allstate as a group beneficially owned (including common stock subject to stock options exercisable and restricted stock units and performance stock awards for which restrictions expire on or prior to April 30, 2015) approximately 1.3% of the common stock outstanding as of March 1, 2015.

(2) The shares held by Mr. Wilson include shares owned indirectly through a grantor retained annuity trust and a remainder grantor retained annuity trust.

Security Ownership of Certain Beneficial Owners

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	BlackRock, Inc. 55 East 52nd Street New York, NY 10022	24,090,118(1)	5.7%
Common	The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	21,916,138(2)	5.22%

(1) As of December 31, 2014, BlackRock held 19,920,823 shares with sole voting power; 31,731 shares with shared voting power; 24,058,387 shares with sole dispositive power; and 31,731 shares with shared dispositive power. BlackRock also manages approximately $2 billion of Allstate's investment portfolio as of December 31, 2014 under various investment management agreements and has licensed an investment technology software system widely used by investors to Allstate. The terms of these arrangements are customary and the aggregate related fees are not material.

(2) As of December 31, 2014, The Vanguard Group held 727,580 shares with sole voting power; 0 shares with shared voting power; 21,222,644 with sole dispositive power; and 693,494 shares with shared dispositive power.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Allstate's executive officers, directors, and persons who beneficially own more than 10% of Allstate's common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission.

Based solely upon a review of copies of such reports, or written representations that all such reports were timely filed, Allstate believes that each of its executive officers and directors complied with all Section 16(a) filing requirements applicable to them during 2014, except that one report (in connection with the vesting of restricted stock units and the related share withholding to pay taxes) was inadvertently filed late for Katherine Mabe due to an administrative error.

Ratification of the Appointment of Independent Registered Public Accountant

FOR

The Board of Directors recommends that stockholders vote for ratification of the appointment of Deloitte & Touche LLP as Allstate's independent registered public accountant for 2015.

- Independent with few ancillary services.
- Reasonable fees.
- The audit committee has solicited requests for information from other auditing firms in the last three years and decided to recommend retaining Deloitte & Touche LLP.

Deloitte & Touche LLP has been Allstate's independent registered public accountant since Allstate became a publicly traded entity in 1993. In fulfillment of the audit committee's obligations to assist the Board in its oversight of the integrity of Allstate's financial statements and other financial information, the audit committee has established strong practices to evaluate the qualifications, compensation, performance, and independence of the independent registered public accountant both on an ongoing basis throughout the year, and through the completion of an annual evaluation.

As a starting point for the annual evaluation, a survey is administered by a Deloitte & Touche LLP partner who is not affiliated with the Allstate account and by a risk or internal audit executive to assess Allstate's general satisfaction with the quality and efficiency of the services provided. The results of this survey are reported to the audit committee for its discussion and analysis.

In addition, the audit committee reviews and discusses the results of the firm's reports on its quality controls and external assessments, including results of inspections conducted by the Public Company Accounting Oversight Board.

Rotation of the independent registered public accounting firm is explicitly considered each year by the committee in addition to the regular mandated rotation of audit partners.

Based on the results of the reviews, the audit committee has appointed Deloitte & Touche LLP as Allstate's independent registered public accountant for 2015. The audit committee and the Board believe it is in the best interests of Allstate and its stockholders to continue to retain Deloitte & Touche LLP as Allstate's independent registered public accountant. The committee and its chair approved the selection of Deloitte & Touche LLP's new lead engagement partner.

The audit committee has adopted a *Policy Regarding Pre-Approval of Independent Registered Public Accountant's Services* (See Appendix B). All services provided by Deloitte & Touche LLP in 2013 and 2014 were approved in accordance with the pre-approval policy.

The following fees have been, or are anticipated to be, billed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates, for professional services rendered to Allstate for the fiscal years ending December 31, 2013 and December 31, 2014.

	2013(5)	2014
Audit fees(1)	$9,706,085	$9,337,000
Audit-related fees(2)	$1,592,977	$906,000
Tax fees(3)	$226,000	$6,000
All other fees(4)	$201,750	$0
Total fees	$11,726,812	$10,249,000

(1) Fees for audits of annual financial statements, reviews of quarterly financial statements, statutory audits, attest services, comfort letters, consents, and review of documents filed with the Securities and Exchange Commission. The amount disclosed does not reflect separate account audit fees expected to be reimbursed by the managing entity in the amounts of $304,000 and $216,400 for 2013 and 2014, respectively.

(2) Audit-related fees are for professional services, such as accounting consultations on new accounting standards, internal control reviews, and audits and other attest services for non-consolidated entities (e.g., employee benefit plans, various trusts) and are set forth below.

	2013	2014
Audits and other attest services for non-consolidated entities	$422,000	$365,000
Other audit-related fees	$1,170,977	$541,000
Total audit-related fees	$1,592,977	$906,000

(3) Tax fees include income tax return preparation and compliance assistance.

(4) ''All other fees'' includes all fees paid that are not audit, audit-related, or tax services. In 2013, these fees relate to preparation for a market conduct exam and translation advisory services.

(5) Total fees for 2013 have been adjusted to reflect a net increase of $45,000 for scope changes related to disposition transactions not included in the prior year's proxy statement.

Representatives of Deloitte & Touche LLP will be present at the 2015 annual meeting to respond to questions and may make a statement if they choose.

Audit Committee Report

Deloitte & Touche LLP (Deloitte) was Allstate's independent registered public accountant for the year ended December 31, 2014.

The audit committee reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2014.

The committee discussed with Deloitte the matters required to be discussed by Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board. The committee received the written disclosures and letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the committee concerning independence and has discussed with Deloitte its independence.

Based on these reviews and discussions and other information considered by the committee in its judgment, the committee recommended to the Board of Directors that the audited financial statements be included in Allstate's annual report on Form 10-K for the fiscal year ended December 31, 2014, for filing with the Securities and Exchange Commission, and furnished to stockholders with this Notice of Annual Meeting and Proxy Statement.

Judith A. Sprieser (Chair)

Robert D. Beyer
Kermit R. Crawford
Michael L. Eskew
Siddharth N. Mehta
Mary Alice Taylor

Stockholder Proposal on equity retention by senior executives

AGAINST The Board recommends that stockholders vote against this proposal.

- Equity retention requirements for senior executives were lengthened in 2014.
- The Board considered further expanding equity retention requirements and concluded that no further restrictions were warranted.
- Existing policies align executives' incentives with stockholders' interests.
- Management's stock ownership substantially exceeds ownership requirements.
- A policy prohibiting the pledging of stock by senior executives and directors was put in place in 2014.
- Implementation of the proposal would have undesirable secondary consequences.

Mr. Kenneth Steiner, 14 Stoner Ave., 2M, Great Neck, NY 11021, beneficial owner of no less than 500 shares of Allstate common stock as of December 4, 2014, intends to propose the following resolution at the annual meeting.

Proposal 4 — Executives To Retain Significant Stock

Resolved: Shareholders urge that our executive pay committee adopt a policy requiring senior executives to retain a significant percentage of stock acquired through equity pay programs until reaching normal retirement age and to report to shareholders regarding the policy before our Company's next annual meeting. For the purpose of this policy, normal retirement age would be an age of at least 60 and be determined by our executive pay committee. Shareholders recommend a share retention percentage requirement of 75% of net after-tax shares.

This single unified policy shall prohibit hedging transactions for shares subject to this policy which are not sales but reduce the risk of loss to the executive. Otherwise our directors might be able to avoid the impact of this proposal. This policy shall supplement any other share ownership requirements that have been established for senior executives, and should be implemented without violating current company contractual obligations or the terms of any current pay or benefit plan.

Requiring senior executives to hold a significant portion of stock obtained through executive pay plans would focus our executives on our company's long-term success. A Conference Board Task Force report stated that hold-to-retirement requirements give executives ''an ever-growing incentive to focus on long-term stock price performance.''

Our clearly improvable executive pay structure (as reported in 2014) is an added incentive to vote for this proposal:

GMI Ratings, an independent investment research firm, gave Allstate a D for executive pay. Thomas Wilson had $19 million in 2013 Total Realized Pay.

Allstate can give long-term incentive pay to our CEO for below-median performance compared to a peer group. CEO annual pay incentives do not rise or fall in line with annual performance. Unvested equity pay would not lapse upon CEO termination. Meanwhile GMI was concerned about a 13% potential stock dilution and revenue recognition issues.

Please vote to protect shareholder value:

Executives To Retain Significant Stock — Proposal 4

Board's Statement in Opposition

The Board recommends that stockholders vote AGAINST this proposal for the following reasons:

Equity retention requirements for senior executives were lengthened in 2014.

- *Beginning with the 2014 performance stock awards:* After the three year vesting period, at least 75% of the net after-tax shares must be held for an additional year.
- *Beginning with the 2014 stock option awards:* Stock options vest over three years, and after exercise at least 75% of the net after-tax shares must be held for an additional year.
- These changes addressed concerns raised by stockholders that management would sell equity immediately upon vesting.

The Board considered further expanding equity retention requirements and concluded that no further restrictions were warranted.

- 72% of the shares that were voted at the 2014 annual stockholders' meeting defeated a proposal similar to the current one.
- In connection with additional investor outreach, investors expressed concerns that the proposal was too broad. The extended retention periods put in place beginning with the 2014 awards addressed the concerns raised by stockholders that management would sell equity immediately upon vesting.
- Consideration was given to raising stock ownership guidelines as an alternative to additional retention requirements. However, doing so would have led to no substantive change, given the substantial stock ownership levels of management, particularly the CEO.
- The compensation and succession committee's independent consultant concluded the proposal was not in line with market practices.

Existing policies align executives' incentives with stockholders' interests.

- The CEO must own Allstate common stock equal to at least six times his base salary. Each other named executive must hold three times his or her base salary.
- Executives must hold 75% of net after-tax shares earned as compensation until stock ownership requirements are met.
- Unvested performance stock awards and the value of unexercised stock options are excluded from ownership calculations.

Management's stock ownership substantially exceeds ownership requirements.

- The CEO holds in excess of 26 times his salary as of December 31, 2014.
- Other named executives on average hold in excess of five times salary.
- Consequently, the Board considers this proposal inappropriate for Allstate.

A policy prohibiting the pledging of stock by senior executives and directors was put in place in 2014.

- All officers, directors and employees are prohibited from engaging in transactions in Allstate securities that might be considered speculative or hedging, such as selling short or buying or selling options.
- Senior executives and directors are also prohibited from pledging Allstate securities as collateral for a loan or holding such securities in a margin account, except in limited circumstances which require prior approval by the chairman or lead director.

Implementation of the proposal would have undesirable secondary consequences.

- The proposal would require executives to retain Allstate securities until normal retirement age, a date entirely unrelated to actual Allstate employment status. Executives would be required to maintain substantial ownership in periods when they have no impact on the business. This would lessen the perceived value of equity grants.
- Executives would not be able to diversify their personal net worth over the course of their careers. As a result, decision making could become unnecessarily conservative as executives near retirement.
- It may be difficult to attract young or mid-career executives due to their inability to diversify their net worth over time.

Stockholder Proposals for the 2016 Annual Meeting

Proposals that stockholders would like to include in Allstate's proxy materials for presentation at the 2016 annual meeting of stockholders must be received by the Office of the Secretary, The Allstate Corporation, 2775 Sanders Road, Suite A2W, Northbrook, Illinois 60062-6127 by December 8, 2015, and must otherwise comply with Securities and Exchange Commission rules in order to be eligible for inclusion in the proxy material for the 2016 annual meeting.

If a stockholder would like to bring a matter before the meeting which is not the subject of a proposal that meets the Securities and Exchange Commission proxy rule requirements for inclusion in the proxy statement, the stockholder must follow procedures in Allstate's bylaws in order to personally present the proposal at the meeting. A copy of these procedures is available upon request from the Office of the Secretary or can be found on Allstate's website, allstateinvestors.com. One of the procedural requirements in the bylaws is timely notice in writing of the business the stockholder proposes to bring before the meeting. Notice of business proposed to be brought before the 2016 annual meeting must be received by the Office of the Secretary no earlier than the close of business on January 20, 2016, and no later than the close of business on February 19, 2016. Among other things, the notice must describe the business proposed to be brought before the meeting, the reasons for conducting the business at the meeting, and any material interest of the stockholder in the business.

Allstate 401(k) Savings Plan Participants

If you hold Allstate common shares through the Allstate 401(k) Savings Plan, your proxy card/voting instruction form for those shares will instruct the plan trustee how to vote those shares. If you received your annual meeting materials electronically, and you hold Allstate common shares both through the plan and also directly as a registered stockholder, the voting instructions you provide electronically will be applied to both your plan shares and your registered shares. If you return a signed proxy card/voting instruction form or vote by telephone or the Internet on a timely basis, the trustee will follow your voting instructions for all Allstate common shares allocated to your plan account unless that would be inconsistent with the trustee's duties.

If your voting instructions are not received on a timely basis, the shares allocated to your plan account will be considered ''unvoted.'' If you return a signed proxy card/voting instruction form but do not indicate how your shares should be voted on a given matter, the shares represented by your proxy card/voting instruction form will be voted as the Board of Directors recommends. The trustee will vote all unvoted shares and all unallocated shares held by the plan as follows:

- If the trustee receives instructions (through voting instruction forms or through telephonic or Internet instruction) on a timely basis for at least 50% of the votable allocated shares in the plan, then it will vote all unvoted shares and unallocated shares in the same proportion and in the same manner as the shares for which timely instructions have been received, unless to do so would be inconsistent with the trustee's duties.
- If the trustee receives instructions for less than 50% of the votable allocated shares, the trustee will vote all unvoted and unallocated shares in its sole discretion. However, the trustee will not use its discretionary authority to vote on adjournment of the meeting in order to solicit further proxies.

Plan votes receive the same high level of confidentiality as all other votes. You may not vote the shares allocated to your plan account by voting in person at the meeting. You must instruct The Northern Trust Company, as trustee for the plan, how to vote your shares.

Proxy Statement and Annual Report Delivery

Allstate has adopted the "householding" procedure approved by the Securities and Exchange Commission, which allows us to deliver one set of documents to a household of stockholders instead of delivering a set to each stockholder in a household, unless we have been instructed otherwise. This procedure is more environmentally friendly and cost-effective because it reduces the number of copies to be printed and mailed. Stockholders who receive proxy materials in paper form will continue to receive separate proxy cards/voting instruction forms to vote their shares. Stockholders who receive the Notice of Internet Availability of Proxy Materials will receive instructions on submitting their proxy cards/voting instruction form via the Internet.

If you would like to change your householding election, request that a single copy of the proxy materials be sent to your address, or request a separate copy of the proxy materials, please contact our distribution agent, Broadridge Financial Solutions, by calling (800) 542-1061 or by writing to Broadridge Householding Department, 51 Mercedes Way, Edgewood, NY 11717. We will promptly deliver the proxy materials to you upon receipt of your request. If you hold your shares in street name, please contact your bank, broker, or other record holder to request information about householding.

If you receive more than one proxy card/voting instruction form, your shares probably are registered in more than one account or you may hold shares both as a registered stockholder and through the Allstate 401(k) Savings Plan. You should vote each proxy card/voting instruction form you receive.

Procedures for Attending the Annual Meeting

If you plan to attend the meeting, you must be a holder of Allstate shares as of the record date of March 20, 2015. We encourage you to request an admission ticket in advance. You may request admission tickets by:

- Visiting www.proxyvote.com and following the instructions provided or calling 1-888-247-6053. You will need your proxy card, voter instruction form, or notice with you when you request the ticket.

At the entrance to the meeting, we will request to see your admission ticket and valid photo identification, such as a driver's license or passport.

If you do not request an admission ticket in advance, we will request to see your photo identification at the entrance to the meeting. We will then confirm your common stock ownership on the record date by:

- **For registered stockholders:** verifying your name and stock ownership against our list of registered stockholders.
- **For beneficial or street name stockholders** (those holding shares through a broker, bank or other record holder): asking to review evidence of your stock ownership as of March 20, 2015, such as your brokerage statement. **You must bring such evidence with you in order to be admitted to the meeting.**

If you are acting as a proxy, we will need to review a valid written legal proxy signed by the owner of the common stock granting you the required authority to vote the owner's shares.

Proxy Solicitation

Officers and other employees of Allstate and its subsidiaries may solicit proxies by mail, personal interview, telephone, facsimile, electronic means, or via the Internet. None of these individuals will receive special compensation for soliciting votes, which will be performed in addition to their regular duties, and some of them may not necessarily solicit proxies. Allstate also has made arrangements with brokerage firms, banks, record holders, and other fiduciaries to forward proxy solicitation materials to the beneficial owners of shares they hold on your behalf. Allstate will reimburse these intermediaries for reasonable out-of-pocket expenses. Georgeson Inc., 480 Washington Blvd., 26th Floor, Jersey City, NJ 07310 has been retained to assist in the solicitation of proxies for a fee not to exceed $16,500 plus expenses. Allstate will pay the cost of all proxy solicitation.

By order of the Board,

Susan L. Lees
Secretary

April 6, 2015

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CATEGORICAL STANDARDS OF INDEPENDENCE

In accordance with the *Director Independence Standards,* the Board has determined that the nature of the following relationships with the corporation do not create a conflict of interest that would impair a director's independence.

1. An Allstate director's relationship arising from (i) only such director's position as a director of another corporation or organization; (ii) only such director's direct or indirect ownership of a 5% or less equity interest in another corporation or organization (other than a partnership); (iii) both such position and such ownership; or (iv) such director's position only as a limited partner in a partnership in which he or she has an interest of 5% or less.

2. An Allstate director's relationship arising from an interest of the director, or any entity in which the director is an employee, director, partner, stockholder or officer, in or under any standard-form insurance policy or other financial product offered by the Allstate Group in the ordinary course of business.

3. An Allstate director's relationship with another company that participates in a transaction with the Allstate Group (i) where the rates or charges involved are determined by competitive bid or (ii) where the transaction involves the rendering of services as a common or contract carrier (including any airline) or public utility at rates or charges fixed in conformity with law or governmental authority.

4. An Allstate director's relationship with another company that has made payments to, or received payments from, the Allstate Group for property or services in an amount which, in the last fiscal year, does not exceed the greater of $1 million or 2% of such other company's consolidated gross revenues for such year.

5. An Allstate director's position as an executive officer of a tax exempt organization to which the aggregate amount of discretionary contributions (other than employee matching contributions) made by the Allstate Group and The Allstate Foundation in any of the last three fiscal years of the tax exempt organization were equal to or less than the greater of $1 million or 2% of such organization's consolidated gross revenues for such year.

6. An Allstate director's relationship with another company (i) in which the Allstate Group makes investments or (ii) which invests in securities issued by the Allstate Group or securities backed by any product issued by the Allstate Group, all in the ordinary course of such entity's investment business and on terms and under circumstances similar to those available to or from entities unaffiliated with such director.

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POLICY REGARDING PRE-APPROVAL OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANT'S SERVICES

Purpose and Applicability

The Audit Committee recognizes the importance of maintaining the independent and objective stance of our Independent Registered Public Accountant. We believe that maintaining independence, both in fact and in appearance, is a shared responsibility involving management, the Audit Committee, and the Independent Registered Public Accountant.

The Committee recognizes that the Independent Registered Public Accountant possesses a unique knowledge of the Corporation and its subsidiaries and can provide necessary and valuable services to the Corporation in addition to the annual audit. The provision of these services is subject to three basic principles of auditor independence: (i) auditors cannot function in the role of management, (ii) auditors cannot audit their own work; and (iii) auditors cannot serve in an advocacy role for their client. Consequently, this policy sets forth guidelines and procedures to be followed by this Committee when approving services to be provided by the Independent Registered Public Accountant.

Policy Statement

Audit Services, Audit-Related Services, Tax Services, Other Services, and Prohibited Services are described in the attached appendix. All services to be provided by the Independent Registered Public Accountant must be approved by the Audit Committee or the Chair of the Audit Committee. Neither the Audit Committee nor the Chair will approve the provision of any Prohibited Services by the Independent Registered Public Accountant.

Procedures

In connection with the approval by the Audit Committee of the engagement of the Independent Registered Public Accountant to provide Audit Services for the upcoming fiscal year, the Independent Registered Public Accountant will submit to the Committee for approval schedules detailing all of the specific proposed Audit, Audit-Related, Tax, and Other Services, together with estimated fees for such services that are known as of that date. Subsequent to the Audit Committee's approval of audit engagement, Corporation management may submit to the Committee or the Chair for approval schedules of additional specific proposed Audit, Audit-Related, Tax, and Other Services that management recommends be provided by the Independent Registered Public Accountant during the audit and professional engagement period. Regardless of when proposed to the Committee or the Chair, each specific service will require approval by the Committee or the Chair before commencement of the specified service. The Independent Registered Public Accountant will confirm to the Committee or the Chair that each specific proposed service is permissible under applicable regulatory requirements.

Prior to approval of any specific Tax Service, the Independent Registered Public Accountant shall also provide to the Committee or the Chair a written description of (i) the scope of the service and the related fee structure, (ii) any side letter or other agreement between the Independent Registered Public Accountant and the Corporation or any subsidiary regarding the service, and (iii) any compensation arrangement or other agreement between the Independent Accountant and any person with respect to promoting, marketing, or recommending a transaction covered by the service.

Delegation to Chair

In addition to the Audit Committee, the Chair of the Audit Committee has the authority to grant approvals of services to be provided by the Independent Registered Public Accountant. The decisions of the Chair to approve services shall be reported to the Audit Committee at each of its regularly scheduled meetings.

Review of Services

At each regularly scheduled Audit Committee meeting, the Audit Committee shall review a report containing (i) a summary of any services approved by the Chair since the Committee's last regularly scheduled meeting and (ii) an updated projection for the current fiscal year, presented in a manner consistent with the proxy disclosure requirements, of the estimated annual fees to be paid to the Independent Registered Public Accountant.

Appendix

Audit Services

1. Annual financial statement audit
2. Review of quarterly financial statements
3. Statutory audits
4. Attestation report on management's assessment of internal controls over financial reporting
5. Consents, comfort letters, and reviews of documents filed with the Securities and Exchange Commission

Audit-Related Services

1. Accounting consultations relating to accounting standards, financial reporting, and disclosure issues
2. Due diligence assistance pertaining to potential acquisitions, dispositions, mergers, and securities offerings
3. Financial statement audits and attest services for non-consolidated entities including employee benefit and compensation plans

Tax Services

1. Domestic and international tax compliance, planning, and advice
2. Expatriate tax assistance and compliance

Other Services

Any service that is not a Prohibited Service, Audit Service, Audit-Related Service, or Tax Service

Prohibited Services

The following services, as more fully described in Regulation S-X, Rule 2-01, of the Securities and Exchange Commission, are Prohibited Services; provided however, that the services described in items 1 through 5 are not Prohibited Services if it is reasonable to conclude that the results of such services will not be subject to audit procedures during an audit of the Corporation's financial statements:

1. Bookkeeping or other services related to the accounting records or financial statements
2. Financial information systems design and implementation
3. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
4. Actuarial services
5. Internal audit outsourcing services
6. Management functions or human resources
7. Broker or dealer, investment adviser, or investment banking services
8. Legal services and expert services unrelated to the audit
9. Any other services that the PCAOB determines, by regulation, to impair independence

EXECUTIVE OFFICERS

The following table lists the names and titles of our executive officers as of December 31, 2014. AIC refers to Allstate Insurance Company.

Name	Principal Positions and Offices Held
Thomas J. Wilson*	Chairman of the Board, President, and Chief Executive Officer of The Allstate Corporation and of AIC.
Don Civgin*	President and Chief Executive Officer, Allstate Financial.
James D. DeVries*	Executive Vice President and Chief Administrative Officer of AIC (Human Resources).
Judith P. Greffin	Executive Vice President and Chief Investment Officer of AIC.
Sanjay Gupta*	Executive Vice President and Chief Marketing Officer of AIC.
Suren Gupta*	Executive Vice President, Allstate Technology and Operations of AIC.
Susan L. Lees	Executive Vice President, General Counsel, and Secretary of The Allstate Corporation and of AIC (Chief Legal Officer).
Katherine A. Mabe	President, Business to Business of AIC.
Samuel H. Pilch	Senior Group Vice President and Controller of The Allstate Corporation and of AIC.
Steven E. Shebik	Executive Vice President and Chief Financial Officer of The Allstate Corporation and of AIC.
Steven C. Verney	Executive Vice President and Chief Risk Officer of AIC.
Matthew E. Winter*	President, Allstate Personal Lines of AIC.

* Messrs. Wilson, Civgin, Gupta, Gupta and Winter had their titles and responsibilities changed effective January 2015. Mr. DeVries was no longer an executive officer as of January 2015.

The following lists the names and titles of our executive officers as of March 1, 2015.

Name	Principal Positions and Offices Held
Thomas J. Wilson	Chairman of the Board and Chief Executive Officer of The Allstate Corporation and of AIC.
Don Civgin	President, Emerging Businesses of AIC.
Judith P. Greffin	Executive Vice President and Chief Investment Officer of AIC.
Sanjay Gupta	Executive Vice President, Marketing, Innovation and Corporate Relations of AIC.
Suren Gupta	Executive Vice President, Enterprise Technology and Strategic Ventures of AIC.
Harriet K. Harty	Executive Vice President, Human Resources of AIC
Susan L. Lees	Executive Vice President, General Counsel, and Secretary of The Allstate Corporation and of AIC (Chief Legal Officer).
Katherine A. Mabe	President, Business to Business of AIC.
Samuel H. Pilch	Senior Group Vice President and Controller of The Allstate Corporation and of AIC.
Steven E. Shebik	Executive Vice President and Chief Financial Officer of The Allstate Corporation and of AIC.
Steven C. Verney	Executive Vice President and Chief Risk Officer of AIC.
Matthew E. Winter	President of The Allstate Corporation and of AIC.

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DEFINITIONS OF NON-GAAP MEASURES

Measures that are not based on accounting principles generally accepted in the United States of America (''non-GAAP'') are defined and reconciled to the most directly comparable GAAP measure. We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP measures. Our methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

Operating income (''operating profit'') is net income available to common shareholders, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income,
- valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of deferred policy acquisition costs (''DAC'') and deferred sales inducements (''DSI''), to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives that are not hedged, after-tax,
- business combination expenses and the amortization of purchased intangible assets, after-tax,
- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

Net income available to common shareholders is the GAAP measure that is most directly comparable to operating income.

We use operating income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, valuation changes on embedded derivatives that are not hedged, business combination expenses and the amortization of purchased intangible assets, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, operating income includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in operating income, we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments. Business combination expenses are excluded because they are non-recurring in nature and the amortization of purchased intangible assets is excluded because it relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, operating income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine operating income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Operating income is used by management along with the other components of net income available to common shareholders to assess our performance. We use adjusted measures of operating income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income available to common shareholders, operating income and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses operating income as the denominator. Operating income should not be considered a substitute for net income available to common shareholders and does not reflect the overall profitability of our business.

The following table reconciles operating income and net income available to common shareholders for the years ended December 31.

					Per diluted common share			
($ in millions, except per share data)	2014	2013	2012	2011	2014	2013	2012	2011
Operating income	$ 2,367	$ 2,670	$ 2,148	$ 662	$ 5.40	$ 5.68	$ 4.36	$ 1.27
Realized capital gains and losses, after-tax	451	385	216	324	1.03	0.82	0.44	0.62
Valuation changes on embedded derivatives that are not hedged, after-tax	(15)	(16)	82	(12)	(0.03)	(0.03)	0.17	(0.02)
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(3)	(5)	(42)	(108)	(0.01)	(0.01)	(0.09)	(0.21)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	—	7	4	3	—	0.01	0.01	—
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	7	(7)	(33)	(35)	0.02	(0.01)	(0.07)	(0.07)
Business combination expenses and the amortization of purchased intangible assets, after-tax	(45)	(55)	(81)	(42)	(0.10)	(0.12)	(0.16)	(0.08)
(Loss) gain on disposition of operations, after-tax	(16)	(515)	12	(5)	(0.04)	(1.10)	0.02	(0.01)
Loss on extinguishment of debt, after-tax	—	(319)	—	—	—	(0.68)	—	—
Postretirement benefits curtailment gain, after-tax	—	118	—	—	—	0.25	—	—
Net income available to common shareholders	$ 2,746	$ 2,263	$ 2,306	$ 787	$ 6.27	$ 4.81	$ 4.68	$ 1.50

Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets ("underlying combined ratio") is a non-GAAP ratio, which is computed as the difference between four GAAP operating ratios: the combined ratio, the effect of catastrophes on the combined ratio, the effect of prior year non-catastrophe reserve reestimates on the combined ratio, and the effect of amortization of purchased intangible assets on the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends in our Property-Liability business that may be obscured by catastrophe losses, prior year reserve reestimates and amortization of purchased intangible assets. Catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. Amortization of purchased intangible assets relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide it to facilitate a comparison to our outlook on the underlying combined ratio. The most directly comparable GAAP measure is the combined ratio. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.

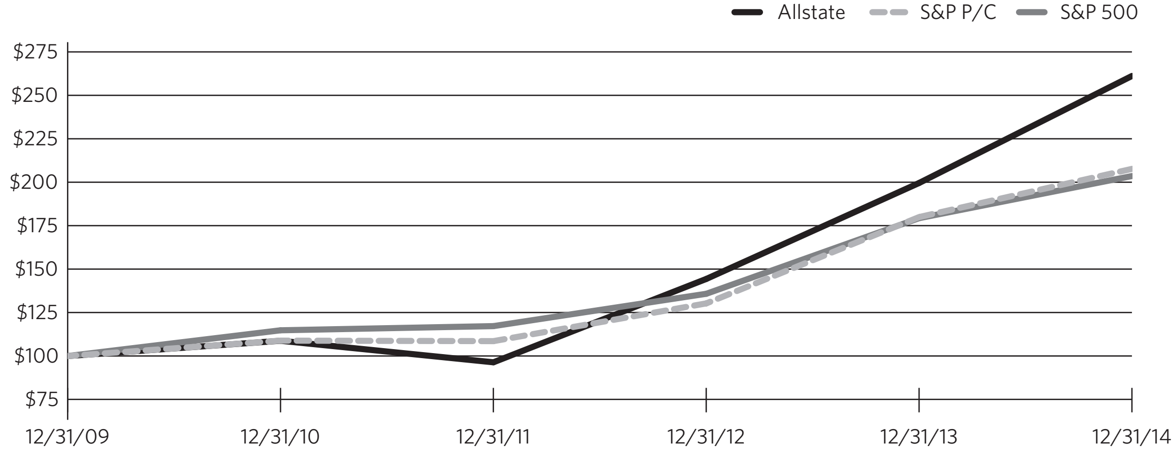
The following table reconciles the Property-Liability underlying combined ratio to the Property-Liability combined ratio.

	Twelve months ended December 31,	
	2014	2013
Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets ("underlying combined ratio")	87.2	87.3
Effect of catastrophe losses	6.9	4.5
Effect of prior year non-catastrophe reserve reestimates	(0.4)	(0.1)
Effect of amortization of purchased intangible assets	0.2	0.3
Combined ratio	93.9	92.0
Effect of prior year catastrophe reserve reestimates	0.1	(0.3)

Underwriting margin is calculated as 100% minus the combined ratio.

Performance Graph

The following performance graph compares the performance of Allstate common stock total return during the five-year period from December 31, 2009, through December 31, 2014, with the performance of the S&P 500 Property/Casualty Index and the S&P 500 Index. The graph plots the cumulative changes in value of an initial $100 investment as of December 31, 2009, over the indicated time periods, assuming all dividends are reinvested quarterly.



Value at each year-end of a $100 initial investment made on December 31, 2009

	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Allstate	$ 100	$ 108.79	$ 96.40	$ 144.37	$ 199.61	$ 261.21
S&P P/C	$ 100	$ 108.87	$ 108.58	$ 130.30	$ 179.98	$ 207.72
S&P 500	$ 100	$ 114.82	$ 117.22	$ 135.83	$ 179.36	$ 203.60

Definitions of Non-GAAP Measures

Measures that are not based on accounting principles generally accepted in the United States of America (''non-GAAP'') are defined and reconciled to the most directly comparable GAAP measure. We believe that investors' understanding of Allstate's performance is enhanced by our disclosure of the following non-GAAP measures. Our methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

Operating income (''operating profit'') is net income available to common shareholders, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income,
- valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of deferred policy acquisition costs (''DAC'') and deferred sales inducements (''DSI''), to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives that are not hedged, after-tax,
- business combination expenses and the amortization of purchased intangible assets, after-tax,
- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

Net income available to common shareholders is the GAAP measure that is most directly comparable to operating income.

We use operating income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, valuation changes on embedded derivatives that are not hedged, business combination expenses and the amortization of purchased intangible assets, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, operating income includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in operating income, we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments. Business combination expenses are excluded because they are non-recurring in nature and the amortization of purchased intangible assets is excluded because it relates to the acquisition purchase price and is not indicative of our underlying insurance business results or trends. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, operating income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine operating income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Operating income is used by management along with the other components of net income available to common shareholders to assess our performance. We use adjusted measures of operating income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income available to common shareholders, operating income and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's performance. We note that the price to earnings multiple commonly used by insurance investors as a forward-looking valuation technique uses operating income as the denominator. Operating income should not be considered a substitute for net income available to common shareholders and does not reflect the overall profitability of our business.

The following table reconciles consolidated operating income and net income available to common shareholders for the years ended December 31.

($ in millions)	2014	2013	2012	2011	2010
Operating income	$ 2,367	$ 2,670	$ 2,148	$ 662	$ 1,506
Realized capital gains and losses, after-tax	451	385	216	324	(537)
Valuation changes on embedded derivatives that are not hedged, after-tax	(15)	(16)	82	(12)	—
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(3)	(5)	(42)	(108)	(29)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	—	7	4	3	(12)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	7	(7)	(33)	(35)	(29)
Business combination expenses and the amortization of purchased intangible assets, after-tax	(45)	(55)	(81)	(42)	—
(Loss) gain on disposition of operations, after-tax	(16)	(515)	12	(5)	12
Loss on extinguishment of debt, after-tax	—	(319)	—	—	—
Postretirement benefits curtailment gain, after-tax	—	118	—	—	—
Net income available to common shareholders	$ 2,746	$ 2,263	$ 2,306	$ 787	$ 911

The following table reconciles Allstate Financial's operating income and net income available to common shareholders for the years ended December 31.

($ in millions)	2014	2013
Operating income	$ 607	$ 588
Realized capital gains and losses, after-tax	94	46
Valuation changes on embedded derivatives that are not hedged, after-tax	(15)	(16)
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(3)	(5)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	—	7
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	1	(11)
Loss on disposition of operations, after-tax	(53)	(514)
Net income available to common shareholders	$ 631	$ 95

Combined ratio excluding the effect of catastrophes, prior year reserve reestimates, business combination expenses and the amortization of purchased intangible assets ("underlying combined ratio") is a non-GAAP ratio, which is computed as the difference between four GAAP operating ratios: the combined ratio, the effect of catastrophes on the combined ratio, the effect of prior year non-catastrophe reserve reestimates on the combined ratio, the effect of business combination expenses and the amortization of purchased intangible assets on the combined ratio. We believe that this ratio is useful to investors and it is used by management to reveal the trends in our Property-Liability business that may be obscured by catastrophe losses, prior year reserve reestimates, business combination expenses and the amortization of purchased intangible assets. Catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve reestimates are caused by unexpected loss development on historical reserves. Business combination expenses and the amortization of purchased intangible assets relate to the acquisition purchase price and are not indicative of our underlying insurance business results or trends. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide it to facilitate a comparison to our outlook on the underlying combined ratio. The most directly comparable GAAP measure is the combined ratio. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.

The following table reconciles the Property-Liability underlying combined ratio to the Property-Liability combined ratio for the years ended December 31.

	2014	2013	2012	2011	2010
Underlying combined ratio	87.2	87.3	87.2	89.3	89.6
Effect of catastrophe losses	6.9	4.5	8.8	14.7	8.5
Effect of prior year non-catastrophe reserve reestimates	(0.4)	(0.1)	(1.0)	(0.8)	—
Effect of business combination expenses and the amortization of purchased intangible assets	0.2	0.3	0.5	0.2	—
Combined ratio	93.9	92.0	95.5	103.4	98.1

Underwriting margin is calculated as 100% minus the combined ratio.

Operating income return on common shareholders' equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month operating income by the average of common shareholders' equity at the beginning and at the end of the 12-months, after excluding the effect of unrealized net capital gains and losses. Return on common shareholders' equity is the most directly comparable GAAP measure. We use operating income as the numerator for the same reasons we use operating income, as discussed above. We use average common shareholders' equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of common shareholders' equity primarily attributable to the company's earned and realized business operations because it eliminates the effect of items that are unrealized and vary significantly between periods due to external economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income available to common shareholders and return on common shareholders' equity because it excludes the effect of items that tend to be highly variable from period to period. We believe that this measure is useful to investors and that it provides a valuable tool for investors when considered along with return on common shareholders' equity because it eliminates the after-tax effects of realized and unrealized net capital gains and losses that can fluctuate significantly from period to period and that are driven by economic developments, the magnitude and timing of which are generally not influenced by management. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine operating income return on common shareholders' equity from return on common shareholders' equity is the transparency and understanding of their significance to return on common shareholders' equity variability and profitability while recognizing these or similar items may recur in subsequent periods. We use adjusted measures of operating income return on common shareholders' equity in incentive compensation. Therefore, we believe it is useful for investors to have operating income return on common shareholders' equity and return on common shareholders' equity when evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income return on common shareholders' equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's utilization of capital. Operating income return on common shareholders' equity should not be considered a substitute for return on common shareholders' equity and does not reflect the overall profitability of our business.

The following tables reconcile return on common shareholders' equity and operating income return on common shareholders' equity for the years ended December 31.

($ in millions)	**2014**	**2013**
Return on common shareholders' equity		
Numerator:		
Net income available to common shareholders	$ 2,746	$ 2,263
Denominator:		
Beginning common shareholders' equity(1)	$ 20,700	$ 20,580
Ending common shareholders' equity(1)	20,558	20,700
Average common shareholders' equity	$ 20,629	$ 20,640
Return on common shareholders' equity	13.3%	11.0%

	2014	**2013**
Operating income return on common shareholders' equity		
Numerator:		
Operating income	$ 2,367	$ 2,670
Denominator:		
Beginning common shareholders' equity	$ 20,700	$ 20,580
Unrealized net capital gains and losses	1,646	2,834
Adjusted beginning common shareholders' equity	19,054	17,746
Ending common shareholders' equity	20,558	20,700
Unrealized net capital gains and losses	1,926	1,646
Adjusted ending common shareholders' equity	18,632	19,054
Average adjusted common shareholders' equity	$ 18,843	$ 18,400
Operating income return on common shareholders' equity	12.6%	14.5%

(1) Excludes equity related to preferred stock of $1,746 million and $780 million as of December 31, 2014 and 2013, respectively.

2014 Annual Report

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RISK FACTORS

In addition to the normal risks of business, we are subject to significant risks and uncertainties, including those listed below, which apply to us as an insurer and a provider of other products and financial services. These cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this document, in our filings with the SEC or in materials incorporated therein by reference.

Risks Relating to the Property-Liability business

As a property and casualty insurer, we may face significant losses from catastrophes and severe weather events

Because of the exposure of our property and casualty business to catastrophic events, Allstate Protection's operating results and financial condition may vary significantly from one period to the next. Catastrophes can be caused by various natural and man-made events, including earthquakes, volcanic eruptions, wildfires, tornadoes, tsunamis, hurricanes, tropical storms and certain types of terrorism or industrial accidents. We may incur catastrophe losses in our auto and property business in excess of: (1) those experienced in prior years, (2) the average expected level used in pricing, (3) our current reinsurance coverage limits, or (4) loss estimates from external hurricane and earthquake models at various levels of probability. Despite our catastrophe management programs, we are exposed to catastrophes that could have a material effect on our operating results and financial condition. For example, our historical catastrophe experience includes losses relating to Hurricane Katrina in 2005 totaling $3.6 billion, the Northridge earthquake of 1994 totaling $2.1 billion and Hurricane Andrew in 1992 totaling $2.3 billion. We are also exposed to assessments from the California Earthquake Authority and various state-created insurance facilities, and to losses that could surpass the capitalization of these facilities. Although we have historically financed the settlement of catastrophes from operating cash flows, including very large catastrophes that had complicated issues resulting in settlement delays, our liquidity could be constrained by a catastrophe, or multiple catastrophes, which result in extraordinary losses or a downgrade of our debt or financial strength ratings.

In addition, we are subject to claims arising from weather events such as winter storms, rain, hail and high winds. The incidence and severity of weather conditions are largely unpredictable. There is generally an increase in the frequency and severity of auto and property claims when severe weather conditions occur.

The nature and level of catastrophes in any period cannot be predicted and could be material to our operating results and financial condition

Along with others in the insurance industry, Allstate Protection uses models developed by third party vendors as well as our own historic data in assessing our property insurance exposure to catastrophe losses. These models assume various conditions and probability scenarios. Such models do not necessarily accurately predict future losses or accurately measure losses currently incurred. Catastrophe models, which have been evolving since the early 1990s, use historical information and scientific research about hurricanes and earthquakes and also utilize detailed information about our in-force business. While we use this information in connection with our pricing and risk management activities, there are limitations with respect to its usefulness in predicting losses in any reporting period as actual catastrophic events vary considerably. Other limitations are evident in significant variations in estimates between models, material increases and decreases in results due to model changes and refinements of the underlying data elements and actual conditions that are not yet well understood or may not be properly incorporated into the models.

Impacts of catastrophes and our catastrophe management strategy may adversely affect premium growth

Due to Allstate Protection's catastrophe risk management efforts, the size of our homeowners business has been negatively impacted and may be negatively impacted if we take further actions. Homeowners premium growth rates and retention could be adversely impacted by adjustments to our business structure, size and underwriting practices in markets with significant severe weather and catastrophe risk exposure. In addition, due to the diminished potential for cross-selling opportunities that cannot be fully replaced by brokering arrangements that allow our agents to write property products with other carriers, new business growth in our auto lines has been and could be lower than expected.

A regulatory environment that limits rate increases and requires us to underwrite business and participate in loss sharing arrangements may adversely affect our operating results and financial condition

From time to time, political events and positions affect the insurance market, including efforts to suppress rates to a level that may not allow us to reach targeted levels of profitability. For example, if Allstate Protection's loss ratio compares favorably to that of the industry, state or provincial regulatory authorities may impose rate rollbacks, require us to pay premium refunds to policyholders, or resist or delay our efforts to raise rates even if the property and casualty industry generally is not experiencing regulatory resistance to rate increases. Such resistance affects our ability, in all product lines, to obtain approval for rate changes that may be required to achieve targeted levels of profitability and returns on equity. Our ability to afford reinsurance required to reduce our catastrophe risk in designated areas may be dependent upon the ability to adjust rates for its cost.

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

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

We believe that our sophisticated pricing and underwriting methods (which, in some situations, considers information that is obtained from credit reports and other factors) has allowed us to be more competitive and operate more profitably. However, because many of our competitors seek to adopt underwriting criteria and sophisticated pricing models similar to those we use, our competitive advantage could decline or be lost. Further, the use of increasingly sophisticated pricing models is being reviewed by regulators and special interest groups. Competitive pressures could also force us to modify our sophisticated pricing models. Furthermore, we cannot be assured that these sophisticated pricing models will accurately reflect the level of losses that we will ultimately incur.

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

The property and casualty market has experienced periods characterized by relatively high levels of price competition, less restrictive underwriting standards and relatively low premium rates, followed by periods of relatively lower levels of competition, more selective underwriting standards and relatively high premium rates. A downturn in the profitability of the property and casualty business could have a material effect on our operating results and financial condition.

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

Unexpected changes in the severity or frequency of claims may affect the profitability of our Allstate Protection segment. Changes in bodily injury claim severity are driven primarily by inflation in the medical sector of the economy and litigation. Changes in auto physical damage claim severity are driven primarily by inflation in auto repair costs, auto parts prices and used car prices. Changes in homeowners claim severity are driven by inflation in the construction industry, building materials and home furnishings, changes in the mix of loss type, and by other economic and environmental factors, including increased demand for services and supplies in areas affected by catastrophes. However, changes in the level of the severity of claims are not limited to the effects of inflation and demand surge in these various sectors of the economy. Increases in claim severity can arise from unexpected events that are inherently difficult to predict. Although we pursue various loss management initiatives in the Allstate Protection segment in order to mitigate future increases in claim severity, there can be no assurances that these initiatives will successfully identify or reduce the effect of future increases in claim severity.

Our Allstate Protection segment may experience volatility in claim frequency from time to time, and short-term trends may not continue over the longer term. A significant increase in claim frequency could have an adverse effect on our operating results and financial condition.

Actual claims incurred may exceed current reserves established for claims and may adversely affect our operating results and financial condition

Recorded claim reserves in the Property-Liability business are based on our best estimates of losses, both reported and incurred but not reported claims reserves (''IBNR''), after considering known facts and interpretations of circumstances. Internal factors are considered including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns, pending levels of unpaid claims, loss management programs, product mix and contractual terms. External factors are also considered, such as court decisions; changes in law; litigation imposing unintended coverage and benefits such as disallowing the use of benefit payment schedules, requiring coverage designed to cover losses that occur in a single policy period to losses that develop continuously over multiple policy periods or requiring the availability of multiple limits; regulatory requirements and economic conditions. Because reserves are estimates of the unpaid portion of losses that have occurred, including IBNR losses, the establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded reserves and such variance may adversely affect our operating results and financial condition.

Predicting claim expense relating to asbestos, environmental and other discontinued lines is inherently uncertain and may have a material effect on our operating results and financial condition

The process of estimating asbestos, environmental and other discontinued lines liabilities is complicated by complex legal issues concerning, among other things, the interpretation of various insurance policy provisions and whether losses are covered, or were ever intended to be covered, and whether losses could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements. Asbestos-related bankruptcies and other asbestos litigation are complex, lengthy proceedings that involve substantial uncertainty for insurers. Actuarial techniques and databases used in estimating asbestos, environmental and other discontinued lines net loss reserves may prove to be inadequate indicators of the extent of probable loss. Ultimate net losses from these discontinued lines could materially exceed established loss reserves and expected recoveries and have a material effect on our operating results and financial condition.

Risks Relating to the Allstate Financial Segment

Changes in underwriting and actual experience could materially affect profitability and financial condition

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

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

Changes in reserve estimates may adversely affect our operating results

The reserve for life-contingent contract benefits payable under insurance policies, including traditional life insurance, life-contingent immediate annuities and voluntary accident and health insurance products, is computed on the basis of long-term actuarial assumptions of future investment yields, mortality, morbidity, persistency and expenses. We periodically review the adequacy of these reserves on an aggregate basis and if future experience differs significantly from assumptions, adjustments to reserves and amortization of deferred policy acquisition costs (''DAC'') may be required that could have a material effect on our operating results.

Changes in market interest rates may lead to a significant decrease in the profitability of spread-based products

Our ability to manage the in-force Allstate Financial spread-based products, such as fixed annuities, is dependent upon maintaining profitable spreads between investment yields and interest crediting rates. When market interest rates decrease or remain at relatively low levels, proceeds from investments that have matured or have been prepaid or sold may be reinvested at lower yields, reducing investment spread. Lowering interest crediting rates on some products in such an environment can partially offset decreases in investment yield. However, these changes could be limited by regulatory minimum rates or contractual minimum rate guarantees on many contracts and may not match the timing or magnitude of changes in investment yields. Increases in market interest rates can have negative effects on Allstate Financial, for example by increasing the attractiveness of other investments to our customers, which can lead to increased surrenders at a time when the segment's fixed income investment asset values are lower as a result of the increase in interest rates. This could lead to the sale of fixed income securities at a loss. In addition, changes in market interest rates impact the valuation of derivatives embedded in equity-indexed annuity contracts that are not hedged, which could lead to volatility in net income.

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

DAC related to interest-sensitive life contracts is amortized in proportion to actual historical gross profits and estimated future gross profits (''EGP'') over the estimated lives of the contracts. The principal assumptions for determining the amount of EGP are mortality, persistency, expenses, investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to contractholders, and the effects of any hedges. Updates to these assumptions (commonly referred to as ''DAC unlocking'') could result in accelerated amortization of DAC and thereby adversely affect our profitability and financial condition.

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

We have been reducing our concentration in spread-based business and discontinued offering fixed annuities effective January 1, 2014. We also exited the independent master brokerage agencies and structured settlement annuity brokers distribution channels in 2013 and sold Lincoln Benefit Life Company (''LBL'') on April 1, 2014. The reduction in sales of these products has and may continue to reduce investment portfolio levels. It may also complicate settlement of contract benefits including forced sales of assets with unrealized capital losses, and affect goodwill impairment testing and insurance reserves deficiency testing. We plan to outsource the administration of our annuity business to a third party administration company in 2015 following the successful transition of the servicing of the LBL business that was sold. If our efforts are unsuccessful, our cost structure may be less competitive.

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

Under current federal and state income tax law, certain products we offer, primarily life insurance, receive favorable tax treatment. This favorable treatment may give certain of our products a competitive advantage over noninsurance products. Congress and various state legislatures from time to time consider legislation that would reduce or eliminate the favorable policyholder tax treatment currently applicable to life insurance. Congress and various state legislatures also consider proposals to reduce the taxation of certain products or investments that may compete with life insurance. Legislation that increases the taxation on insurance products or reduces the taxation on competing products could lessen the advantage or create a disadvantage for certain of our products making them less competitive. Such proposals, if adopted, could have a material effect on our profitability and financial condition or ability to sell such products and could result in the surrender of some existing contracts and policies. In addition, changes in the federal estate tax laws could negatively affect the demand for the types of life insurance used in estate planning.

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

To support statutory reserves for certain term and universal life insurance products with secondary guarantees, we currently utilize reinsurance and capital markets solutions for financing a portion of our statutory reserve requirements deemed to be non-economic. As we continue to underwrite term and universal life business, we expect to have additional financing needs to mitigate the impact of these reserve requirements. If we do not obtain additional financing as a result of market conditions or otherwise, this could require us to increase prices, reduce our sales of term or universal life products, and/or result in a return on equity below original levels assumed in pricing.

Dispositions and acquisitions of businesses may adversely affect our results of operations including the ability to continue sales by Allstate exclusive agents and receive adequate compensation for transition services

We are exposed to risks associated with disposed former affiliates when continuing relationships are maintained such as distribution rights, reinsurance of new and in-force business, transition services and other contingent liabilities. We may be adversely impacted by declines in financial strength ratings of disposed former affiliates due to rating agencies viewing the financial capacity of the former affiliate differently. Other compliance and operational issues may emerge involving agents, products, pricing, servicing and claims related to the business reinsured from the former affiliate to the Company. In addition, during a transition period when the Company may be providing transition services, we may not be receiving adequate compensation and could be judged as not providing service as contracted. These risks may adversely affect our results of operations.

Risks Relating to Investments

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

Although we continually reevaluate our investment management strategies, we remain subject to the risk that we will incur losses due to adverse changes in interest rates, credit spreads, equity prices or currency exchange rates. Adverse changes in these rates, spreads and prices may occur due to changes in monetary policy and the economic climate, the liquidity of a market or market segment, investor return expectations and/or risk tolerance, insolvency or financial distress of key market makers or participants, or changes in market perceptions of credit worthiness. We are also subject to market risk related to investments in real estate, loans and securities collateralized by real estate. Some of our investment strategies target individual investments with unique risks that are not highly correlated with broad market risks. Although we expect these investments to increase total portfolio returns over time, their performance may vary from and under-perform relative to the market in some periods.

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

A decline in market interest rates or credit spreads could have an adverse effect on our investment income as we invest cash in new investments that may earn less than the portfolio's average yield. In a declining interest rate environment, borrowers may prepay or redeem securities more quickly than expected as they seek to refinance at lower rates. A decline could also lead us to purchase longer-term or riskier assets in order to obtain adequate investment yields resulting in a duration gap when compared to the duration of liabilities. Alternatively, longer-term assets may be sold and reinvested in shorter-term assets in anticipation of rising interest rates. An increase in market interest rates or credit spreads could have an adverse effect on the value of our investment portfolio by decreasing the fair values of the fixed income securities that comprise a substantial majority of our investment portfolio. Declining equity markets could also cause the investments in our pension plans to decrease and decreasing interest rates could cause the funding target and the projected benefit obligation of our pension plans or the accumulated benefit obligation of our other postretirement benefit plans to increase, either or both resulting in a decrease in the funded status of the pension plans and a reduction in the accumulated other comprehensive income component of shareholders' equity, increases in pension and other postretirement benefit expense and increases in required contributions to the pension plans.

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

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

The determination of the fair value of our fixed income and equity securities is subjective and could materially impact our operating results and financial condition

In determining fair values we principally use the market approach which utilizes market transaction data for the same or similar instruments. The degree of judgment involved in determining fair values is inversely related to the availability of market observable information. The fair value of assets may differ from the actual amount received upon sale of an asset in an orderly transaction between market participants at the measurement date. Moreover, the use of different valuation assumptions may have a material effect on the assets' fair values. The difference between amortized cost or cost and fair value, net of deferred income taxes, certain life and annuity DAC, certain deferred sales inducement costs, and certain reserves for life-contingent contract benefits, is reflected as a component of accumulated other comprehensive income in shareholders' equity. Changing market conditions could materially affect the determination of the fair value of securities and unrealized net capital gains and losses could vary significantly.

Risks Relating to the Insurance Industry

Our future growth and profitability are dependent in part on our ability to successfully operate in an insurance industry that is highly competitive

The insurance industry is highly competitive. Many of our primary insurance competitors have well-established national reputations and market similar products.

We have invested in growth strategies by acting on our customer value propositions for each of our brands, through our differentiated product offerings and our distinctive advertising campaigns. If we are unsuccessful in generating new business and retaining a sufficient number of our customers, our ability to increase premiums written could be impacted. In addition, if we experience unexpected increases in our underlying costs (such as the frequency or severity of claims costs) generated by our new business, it could result in decreases in our profitability and lead to price increases which could impair our ability to compete effectively for insurance business.

We are also investing in telematics and broadening the value proposition for the connected consumer. If we are not effective in anticipating the impact on our business of changing technology, including automotive technology, our ability to successfully operate may be impaired.

Because of the competitive nature of the insurance industry, there can be no assurance that we will continue to effectively compete with our industry rivals, or that competitive pressures will not have a material effect on our business, operating results or financial condition. This includes competition for producers such as exclusive and independent agents and their licensed sales professionals. In the event we are unable to attract and retain these producers or they are unable to attract and retain customers for our products, growth and retention could be materially affected. Furthermore, certain competitors operate using a mutual insurance company structure and therefore may have dissimilar profitability and return targets. Additionally, many of our voluntary benefits products are underwritten annually. There is a risk that employers may be able to obtain more favorable terms from competitors than they could by renewing coverage with us. These competitive pressures may adversely affect the persistency of these products, as well as our ability to sell our products in the future.

Our ability to successfully operate may also be impaired if we are not effective in developing the talent and skills of our human resources, attracting and assimilating new executive talent into our organization, or deploying human resource talent consistently with our business goals.

Difficult conditions in the global economy and capital markets generally could adversely affect our business and operating results and these conditions may not improve in the near future

As with most businesses, we believe difficult conditions in the global economy and capital markets, such as significant negative macroeconomic trends, including relatively high and sustained unemployment, reduced consumer spending, lower residential and commercial real estate prices, substantial increases in delinquencies on consumer debt, including defaults on home mortgages, and the relatively low availability of credit could have an adverse effect on our business and operating results.

Stressed conditions, volatility and disruptions in global capital markets, particular markets or financial asset classes could adversely affect our investment portfolio. Disruptions in one market or asset class can also spread to other markets or asset classes. Although the disruption in the global financial markets has moderated, not all global financial markets are functioning normally, and the rate of recovery from the U.S. recession has been below historic averages. Several governments around the world have announced austerity actions to address their budget deficits that may lead to a decline in economic activity.

In the years since the financial crisis, the central banks of most developed countries have pursued fairly similar, and highly accommodative, monetary policies. While European policy makers have developed mechanisms to address funding concerns, risks to the European economy and financial markets remain. Additionally, monetary policies among major central banks have begun to diverge. The United States Federal Reserve and the Bank of England continue to evaluate the timing and pace of normalizing their respective policies. In contrast, the European Central Bank has recently launched a quantitative easing program and several central banks have lowered their benchmark interest rates to stimulate economic activity. The diverging policies are likely to result in higher volatility and less certainty in capital markets.

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

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

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

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

As insurance companies, broker-dealers, investment advisers and/or investment companies, many of our subsidiaries are subject to extensive laws and regulations. These laws and regulations are complex and subject to change. Changes may sometimes lead to additional expenses, increased legal exposure, and additional limits on our ability to grow or to achieve targeted profitability. Moreover, laws and regulations are administered and enforced by a number of different governmental authorities, each of which exercises a degree of interpretive latitude, including state insurance regulators; state securities administrators; state attorneys general and federal agencies including the SEC, the FINRA and the U.S. Department of Justice. Consequently, we are subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue, particularly when compliance is judged in hindsight. In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal environment may, even absent any particular regulator's or enforcement authority's interpretation of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thus necessitating changes to our practices that may, in some cases, limit our ability to grow or to improve the profitability of our business. Furthermore, in some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. For example, state insurance laws and regulations are generally intended to protect or benefit purchasers or users of insurance products, not holders of securities, which is generally the jurisdiction of the SEC, issued by The Allstate Corporation. In many respects, these laws and regulations limit our ability to grow or to improve the profitability of our business.

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

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

In recent years, the state insurance regulatory framework has come under public scrutiny, members of Congress have discussed proposals to provide for federal chartering of insurance companies, and the FIO and FSOC were established. In the future, if the FSOC were to determine that Allstate is a ''systemically important'' nonbank financial company, Allstate would be subject to regulation by the Federal Reserve Board. We can make no assurances regarding the potential impact of state or federal measures that may change the nature or scope of insurance and financial regulation.

These regulatory reforms and any additional legislative change or regulatory requirements imposed upon us in connection with the federal government's regulatory reform of the financial services industry or arising from reform related to the international regulatory capital framework for financial services firms, and any more stringent enforcement of existing regulations by federal authorities, may make it more expensive for us to conduct our business, or limit our ability to grow or to achieve profitability.

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

Our personal lines catastrophe reinsurance program was designed, utilizing our risk management methodology, to address our exposure to catastrophes nationwide. Market conditions beyond our control impact the availability and cost of the reinsurance we purchase. No assurances can be made that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as is currently available. For example, our ability to afford reinsurance to reduce our catastrophe risk in designated areas may be dependent upon our ability to adjust premium rates for its cost, and there are no assurances that the terms and rates for our current reinsurance program will continue to be available in future years. If we were unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient and at prices that we consider acceptable, we would have to either accept an increase in our catastrophe exposure, reduce our insurance writings, or develop or seek other alternatives.

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

The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including changes in market conditions, whether insured losses meet the qualifying conditions of the reinsurance contract and whether reinsurers, or their affiliates, have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract. We also have credit risk exposure associated with the MCCA, a mandatory insurance coverage and reinsurance indemnification mechanism for personal injury protection losses that provides indemnification for losses over a retention level that increases every other MCCA fiscal year, which is operating with a deficit, and the NJUCJF that provides reimbursement to insurers for the medical benefits portion of personal injury protection coverage paid in excess of certain levels. Our reinsurance recoverable from the MCCA and NJUCJF was $4.42 billion and $508 million, respectively, as of December 31, 2014. Our inability to collect a material recovery from a reinsurer could have a material effect on our operating results and financial condition.

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

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

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

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

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

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

The occurrence of a disaster, such as a natural catastrophe, pandemic, industrial accident, blackout, terrorist attack, war, cyber-attack, computer virus, insider threat, unanticipated problems with our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

Third parties to whom we outsource certain of our functions are also subject to the risks outlined above. The Company also has business process and information technology operations in Northern Ireland and India and is subject to operating, regulatory and political risks in those countries. Any of these may result in our incurring substantial costs and other negative consequences, including a material adverse effect on our business, financial condition, results of operations and liquidity.

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

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

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

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

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

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

The realization of deferred tax assets is subject to uncertainty

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

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

The Allstate Corporation is a holding company with no significant operations. The principal asset is the stock of its subsidiaries. State insurance regulatory authorities limit the payment of dividends by insurance subsidiaries, as described in Note 16 of the consolidated financial statements. The limitations are based on statutory income and surplus. In addition, competitive pressures generally require the subsidiaries to maintain insurance financial strength ratings. These restrictions and other regulatory requirements affect the ability of the subsidiaries to make dividend payments. Limits on the ability of the subsidiaries to pay dividends could adversely affect holding company liquidity, including our ability to pay dividends to shareholders, service our debt, or complete share repurchase programs in the timeframe expected.

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

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

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

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

The terms of our outstanding subordinated debentures also prohibit us from declaring or paying any dividends or distributions on our common or preferred stock or redeeming, purchasing, acquiring, or making liquidation payments on our common stock or preferred stock if we have elected to defer interest payments on the subordinated debentures, subject to certain limited exceptions.

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

Climate change, to the extent it produces changes in weather patterns, could affect the frequency or severity of weather events and wildfires, the affordability and availability of homeowners insurance, and the results for our Allstate Protection segment.

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

We rely on services and products provided by many vendors in the United States and abroad. These include, for example, vendors of computer hardware and software and vendors of services such as claim adjustment services, human resource benefits management services and investment management services. In the event that one or more of our vendors suffers a bankruptcy or otherwise becomes unable to continue to provide products or services, or fails to protect our data or personal information of our customers, claimants or employees, we may suffer operational impairments and financial losses.

We may not be able to protect our intellectual property and may be subject to infringement claims

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

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

5-YEAR SUMMARY OF SELECTED FINANCIAL DATA

($ in millions, except per share data and ratios)	2014	2013	2012	2011	2010
Consolidated Operating Results					
Insurance premiums and contract charges	$ 31,086	$ 29,970	$ 28,978	$ 28,180	$ 28,125
Net investment income	3,459	3,943	4,010	3,971	4,102
Realized capital gains and losses	694	594	327	503	(827)
Total revenues	35,239	34,507	33,315	32,654	31,400
Net income available to common shareholders	2,746	2,263	2,306	787	911
Net income available to common shareholders per common share:					
Net income available to common shareholders per common share — Basic	6.37	4.87	4.71	1.51	1.69
Net income available to common shareholders per common share — Diluted	6.27	4.81	4.68	1.50	1.68
Cash dividends declared per common share	1.12	1.00	0.88	0.84	0.80
Consolidated Financial Position					
Investments [(1)]	$ 81,113	$ 81,155	$ 97,278	$ 95,618	$ 100,483
Total assets	108,533	123,520	126,947	125,193	130,500
Reserves for claims and claims expense, life-contingent contract benefits and contractholder funds [(1)]	57,832	58,547	75,502	77,113	81,113
Long-term debt	5,194	6,201	6,057	5,908	5,908
Shareholders' equity	22,304	21,480	20,580	18,298	18,617
Shareholders' equity per diluted common share	48.24	45.31	42.39	36.18	34.58
Equity	22,304	21,480	20,580	18,326	18,645
Property-Liability Operations					
Premiums earned	$ 28,929	$ 27,618	$ 26,737	$ 25,942	$ 25,957
Net investment income	1,301	1,375	1,326	1,201	1,189
Net income available to common shareholders	2,427	2,754	1,968	403	1,053
Operating ratios [(2)]					
Claims and claims expense (''loss'') ratio	67.2	64.9	69.1	77.7	73.0
Expense ratio	26.7	27.1	26.4	25.7	25.1
Combined ratio	93.9	92.0	95.5	103.4	98.1
Allstate Financial Operations					
Premiums and contract charges	$ 2,157	$ 2,352	$ 2,241	$ 2,238	$ 2,168
Net investment income	2,131	2,538	2,647	2,716	2,853
Net income available to common shareholders	631	95	541	590	42
Investments	38,809	39,105	56,999	57,373	61,582

(1) As of December 31, 2013, $11.98 billion of investments and $12.84 billion of reserves for life-contingent contract benefits and contractholder funds were classified as held for sale relating to the pending sale of Lincoln Benefit Life Company (see Note 3 of the consolidated financial statements).

(2) We use operating ratios to measure the profitability of our Property-Liability results. We believe that they enhance an investor's understanding of our profitability. They are calculated as follows: Claims and claims expense (''loss'') ratio is the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses. Expense ratio is the ratio of amortization of deferred policy acquisition costs, operating costs and expenses, and restructuring and related charges to premiums earned. Combined ratio is the ratio of claims and claims expense, amortization of deferred policy acquisition costs, operating costs and expenses, and restructuring and related charges to premiums earned. The combined ratio is the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of premiums earned, or underwriting margin.

OVERVIEW

The following discussion highlights significant factors influencing the consolidated financial position and results of operations of The Allstate Corporation (referred to in this document as ''we,'' ''our,'' ''us,'' the ''Company'' or ''Allstate''). It should be read in conjunction with the 5-year summary of selected financial data, consolidated financial statements and related notes found under Part II. Item 6. and Item 8. contained herein. Further analysis of our insurance segments is provided in the Property-Liability Operations (which includes the Allstate Protection and the Discontinued Lines and Coverages segments) and in the Allstate Financial Segment sections of Management's Discussion and Analysis (''MD&A''). The segments are consistent with the way in which we use financial information to evaluate business performance and to determine the allocation of resources. Resources are allocated by the chief operating decision maker and performance is assessed for Allstate Protection, Discontinued Lines and Coverages and Allstate Financial. Allstate Protection and Allstate Financial performance and resources are managed by committees of senior officers of the respective segments.

Allstate is focused on the following priorities in 2015:

- grow insurance policies in force;
- maintain the underlying combined ratio;
- proactively manage investments to generate attractive risk adjusted returns;
- modernize the operating model; and
- build long-term growth platforms.

The most important factors we monitor to evaluate the financial condition and performance of our company include:

- For Allstate Protection: premium, the number of policies in force (''PIF''), new business sales, retention, price changes, claim frequency (rate of claim occurrence per policy in force) and severity (average cost per claim), catastrophes, loss ratio, expenses, underwriting results, and relative competitive position.
- For Allstate Financial: benefit and investment spread, asset-liability matching, amortization of deferred policy acquisition costs (''DAC''), expenses, operating income, net income, new business sales, invested assets, and premiums and contract charges.
- For Investments: exposure to market risk, credit quality/experience, total return, net investment income, cash flows, realized capital gains and losses, unrealized capital gains and losses, stability of long-term returns, and asset and liability duration.
- For financial condition: liquidity, parent holding company level of deployable assets, financial strength ratings, operating leverage, debt leverage, book value per share, and return on equity.

Summary of Results:

- Consolidated net income available to common shareholders was $2.75 billion in 2014 compared to $2.26 billion in 2013 and $2.31 billion in 2012. The increase in 2014 compared to 2013 was primarily due to lower loss on disposition charges related to the Lincoln Benefit Life Company (''LBL'') sale recorded in Allstate Financial and lower loss on extinguishment of debt charges reported in Corporate and Other, partially offset by lower net income available to common shareholders from Property-Liability. The decrease in 2013 compared to 2012 was primarily due to higher net income available to common shareholders from Property-Liability and the curtailment gain reported in Corporate and Other being more than offset by the estimated loss on disposition related to the pending LBL sale recorded in Allstate Financial and the loss on extinguishment of debt and benefit settlement charges reported in Corporate and Other. Net income available to common shareholders per diluted common share was $6.27, $4.81 and $4.68 in 2014, 2013 and 2012, respectively.
- Allstate Protection had underwriting income of $1.89 billion in 2014 compared to $2.36 billion in 2013 and $1.25 billion in 2012. The decrease in 2014 compared to 2013 was primarily due to decreases in underwriting income in homeowners, auto and other personal lines resulting from increased catastrophe losses. The increase in 2013 compared to 2012 was primarily due to increases in underwriting income in homeowners, other personal lines and auto resulting from decreased catastrophe losses. The Allstate Protection combined ratio was 93.5, 91.5 and 95.3 in 2014, 2013 and 2012, respectively. Underwriting income (loss), a measure not based on accounting principles generally accepted in the United States of America (''GAAP''), is defined in the Property-Liability Operations section of the MD&A.
- Allstate Financial net income available to common shareholders was $631 million in 2014 compared to $95 million in 2013 and $541 million in 2012. The increase in 2014 primarily relates to lower loss on disposition

charges related to the LBL sale, partially offset by the reduction in business due to the sale of LBL on April 1, 2014. The decrease in 2013 compared to 2012 was primarily due to the estimated loss on disposition related to the pending LBL sale.

2014 HIGHLIGHTS

- Consolidated net income available to common shareholders was $2.75 billion in 2014 compared to $2.26 billion in 2013. Net income available to common shareholders per diluted common share was $6.27 in 2014 compared to $4.81 in 2013. 2013 consolidated net income included the impact of an estimated loss on disposition on LBL of $521 million, a postretirement benefits curtailment gain of $118 million, a loss on extinguishment of debt of $319 million, and benefit settlement charges of $150 million due to the level of lump sum pension payments in 2013.
- Property-Liability net income available to common shareholders was $2.43 billion in 2014 compared to $2.75 billion in 2013.
- The Property-Liability combined ratio was 93.9 in 2014 compared to 92.0 in 2013.
- Allstate Financial net income available to common shareholders was $631 million in 2014 compared to $95 million in 2013.
- On April 1, 2014, we closed the sale of LBL's life insurance business generated through independent master brokerage agencies, and all of LBL's deferred fixed annuity and long-term care insurance business to Resolution Life Holdings, Inc.
- Total revenues were $35.24 billion in 2014 compared to $34.51 billion in 2013.
- Property-Liability premiums earned totaled $28.93 billion in 2014, an increase of 4.7% from $27.62 billion in 2013.
- Investments totaled $81.11 billion as of December 31, 2014, decreasing from $81.16 billion as of December 31, 2013. Net investment income was $3.46 billion in 2014, a decrease of 12.3% from $3.94 billion in 2013.
- Net realized capital gains were $694 million in 2014 compared to $594 million in 2013.
- Book value per diluted common share (ratio of common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was $48.24 as of December 31, 2014, an increase of 6.5% from $45.31 as of December 31, 2013.
- For the twelve months ended December 31, 2014, return on the average of beginning and ending period common shareholders' equity of 13.3% increased by 2.3 points from 11.0% for the twelve months ended December 31, 2013.
- As of December 31, 2014, shareholders' equity was $22.30 billion. This total included $3.42 billion in deployable assets at the parent holding company level.

CONSOLIDATED NET INCOME

($ in millions)	2014	2013	2012
Revenues			
Property-liability insurance premiums	$ 28,929	$ 27,618	$ 26,737
Life and annuity premiums and contract charges	2,157	2,352	2,241
Net investment income	3,459	3,943	4,010
Realized capital gains and losses:			
Total other-than-temporary impairment (''OTTI'') losses	(242)	(207)	(239)
OTTI losses reclassified to (from) other comprehensive income	(3)	(8)	6
Net OTTI losses recognized in earnings	(245)	(215)	(233)
Sales and other realized capital gains and losses	939	809	560
Total realized capital gains and losses	694	594	327
Total revenues	35,239	34,507	33,315
Costs and expenses			
Property-liability insurance claims and claims expense	(19,428)	(17,911)	(18,484)
Life and annuity contract benefits	(1,765)	(1,917)	(1,818)
Interest credited to contractholder funds	(919)	(1,278)	(1,316)
Amortization of deferred policy acquisition costs	(4,135)	(4,002)	(3,884)
Operating costs and expenses	(4,341)	(4,387)	(4,118)
Restructuring and related charges	(18)	(70)	(34)
Loss on extinguishment of debt	(1)	(491)	—
Interest expense	(322)	(367)	(373)
Total costs and expenses	(30,929)	(30,423)	(30,027)
(Loss) gain on disposition of operations	(74)	(688)	18
Income tax expense	(1,386)	(1,116)	(1,000)
Net income	2,850	2,280	2,306
Preferred stock dividends	(104)	(17)	—
Net income available to common shareholders	$ 2,746	$ 2,263	$ 2,306
Property-Liability	$ 2,427	$ 2,754	$ 1,968
Allstate Financial	631	95	541
Corporate and Other	(312)	(586)	(203)
Net income available to common shareholders	$ 2,746	$ 2,263	$ 2,306

IMPACT OF LOW INTEREST RATE ENVIRONMENT

Long-term U.S. Treasury rates fell in 2014, and our current reinvestment yields are generally lower than the overall portfolio income yield, primarily for our investments in fixed income securities and commercial mortgage loans. At the January 2015 meeting, the Federal Open Market Committee reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress – both realized and expected – toward its objectives of maximum employment and 2 percent inflation. Additionally, the Committee noted that it can be patient in beginning to normalize the stance of monetary policy. Many market participants anticipate that interest rates, particularly those at the shorter end of the term structure, will begin to rise but remain below historic levels in 2015. We also expect capital markets to experience periods of increased volatility in 2015.

Deferred annuity contracts with fixed and guaranteed crediting rates, or floors that limit crediting rate reductions, are adversely impacted by a prolonged low interest rate environment since we may not be able to reduce crediting rates sufficiently to maintain investment spreads. Financial results of long duration products that do not have stated crediting rate guarantees but for which underlying assets may have to be reinvested at interest rates that are lower than portfolio rates, such as structured settlements and term life insurance, may also be adversely impacted. Our investment strategy for structured settlements includes increasing investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic operating or market performance, including limited partnerships, equities and real estate. We stopped selling new fixed annuity products January 1, 2014.

The following table summarizes the weighted average guaranteed crediting rates and weighted average current crediting rates as of December 31, 2014 for certain fixed annuities and interest-sensitive life contracts where management has the ability to change the crediting rate, subject to a contractual minimum. Other products, including equity-indexed, variable and immediate annuities, equity-indexed and variable life, and institutional products totaling $6.22 billion of contractholder funds, have been excluded from the analysis because management does not have the ability to change the crediting rate or the minimum crediting rate is not considered meaningful in this context.

($ in millions)	**Weighted average guaranteed crediting rates**	**Weighted average current crediting rates**	**Contractholder funds**
Annuities with annual crediting rate resets	3.03%	3.04%	$ 6,136
Annuities with multi-year rate guarantees [1]:			
Resettable in next 12 months	1.24	3.90	690
Resettable after 12 months	1.36	3.24	1,881
Interest-sensitive life insurance	4.05	4.11	7,606

[1] These contracts include interest rate guarantee periods which are typically 5, 7 or 10 years.

Investing activity will continue to decrease our portfolio yield as long as market yields remain below the current portfolio yield. In the Allstate Financial segment, the portfolio yield has been less impacted by reinvestment in the current low interest rate environment, as much of the investment cash flows have been used to fund the managed reduction in spread-based liabilities. The declines in both invested assets and portfolio yield are expected to result in lower net investment income in future periods.

For the Allstate Financial Segment, we expect approximately 5.6% of the amortized cost of fixed income securities not subject to prepayment and approximately 6.5% of commercial mortgage loans to mature in 2015. Allstate Financial has $24.84 billion of such fixed income securities and $3.82 billion of such commercial mortgage loans as of December 31, 2014. Additionally, for asset-backed securities (''ABS''), residential mortgage-backed securities (''RMBS'') and commercial mortgage-backed securities (''CMBS'') that have the potential for prepayment and are therefore not categorized by contractual maturity, we received periodic principal payments of $667 million in 2014. To the extent portfolio cash flows are reinvested, the average pre-tax investment yield of 5.6% is expected to decline due to lower market yields.

For the Property-Liability segment, we expect approximately 6.9% of the amortized cost of fixed income securities not subject to prepayment to mature in 2015. Property-Liability has $27.05 billion of such assets as of December 31, 2014. Additionally, for ABS, RMBS and CMBS securities that have the potential for prepayment and are therefore not categorized by contractual maturity, we received periodic principal payments of $533 million in 2014. We shortened the maturity profile of the fixed income securities in this segment to make the portfolio less sensitive to a future rise in interest rates. This approach to reducing interest rate risk resulted in realized capital gains in 2013 and 2012, but contributed to lower portfolio yields as sales proceeds were invested at lower market yields. The average pre-tax investment yield of 3.6% may decline to the extent reinvestment is at lower market yields. Additionally, the portfolio yield will respond more quickly to changes in market interest rates as a result of its shorter maturity profile.

In order to mitigate the unfavorable impact that the current interest rate environment could have on investment results, we are:

- Managing our exposure to interest rate risk by maintaining a shorter maturity profile in the Property-Liability portfolio which will also result in the yield responding more quickly to changes in market interest rates as a result of its shorter maturity profile.
- Shifting the portfolio mix over time to have less reliance on investments whose returns come primarily from interest payments to investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic operating or market performance, including limited partnerships, equities and real estate.
- Investing to the specific needs and characteristics of Allstate's businesses.

We expect volatility in accumulated other comprehensive income resulting from changes in unrealized net capital gains and losses and unrecognized pension cost.

These topics are discussed in more detail in the respective sections of the MD&A.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. The most critical estimates include those used in determining:

- Fair value of financial assets
- Impairment of fixed income and equity securities
- Deferred policy acquisition costs amortization
- Reserve for property-liability insurance claims and claims expense estimation
- Reserve for life-contingent contract benefits estimation

In making these determinations, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to our businesses and operations. It is reasonably likely that changes in these estimates could occur from period to period and result in a material impact on our consolidated financial statements.

A brief summary of each of these critical accounting estimates follows. For a more detailed discussion of the effect of these estimates on our consolidated financial statements, and the judgments and assumptions related to these estimates, see the referenced sections of this document. For a complete summary of our significant accounting policies, see the notes to the consolidated financial statements.

Fair value of financial assets Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are responsible for the determination of fair value of financial assets and the supporting assumptions and methodologies. We use independent third-party valuation service providers, broker quotes and internal pricing methods to determine fair values. We obtain or calculate only one single quote or price for each financial instrument.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of proprietary models, produce valuation information in the form of a single fair value for individual fixed income and other securities for which a fair value has been requested under the terms of our agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, liquidity spreads, currency rates, and other information, as applicable. Credit and liquidity spreads are typically implied from completed transactions and transactions of comparable securities. Valuation service providers also use proprietary discounted cash flow models that are widely accepted in the financial services industry and similar to those used by other market participants to value the same financial instruments. The valuation models take into account, among other things, market observable information as of the measurement date, as described above, as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector, and where applicable, collateral quality and other issue or issuer specific information. Executing valuation models effectively requires seasoned professional judgment and experience. For certain equity securities, valuation service providers provide market quotations for completed transactions on the measurement date. In cases where market transactions or other market observable data is limited, the extent to which judgment is applied varies inversely with the availability of market observable information.

For certain of our financial assets measured at fair value, where our valuation service providers cannot provide fair value determinations, we obtain a single non-binding price quote from a broker familiar with the security who, similar to our valuation service providers, may consider transactions or activity in similar securities among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation.

The fair value of certain financial assets, including privately placed corporate fixed income securities and certain free-standing derivatives, for which our valuation service providers or brokers do not provide fair value determinations, is determined using valuation methods and models widely accepted in the financial services industry. Our internal pricing methods are primarily based on models using discounted cash flow methodologies that develop a single best estimate of fair value. Our models generally incorporate inputs that we believe are representative of inputs other market participants would use to determine fair value of the same instruments, including yield curves, quoted market prices of comparable securities, published credit spreads, and other applicable market data as well as instrument-specific characteristics that include, but are not limited to, coupon rates, expected cash flows, sector of the issuer, and call provisions. Judgment is required in developing these fair values. As a result, the fair value of these financial assets may differ from the amount actually received to sell an asset in an orderly transaction between market participants at the measurement date. Moreover, the use of different valuation assumptions may have a material effect on the financial assets' fair values.

For most of our financial assets measured at fair value, all significant inputs are based on or corroborated by market observable data and significant management judgment does not affect the periodic determination of fair value. The determination of fair value using discounted cash flow models involves management judgment when significant model inputs are not based on or corroborated by market observable data. However, where market observable data is available, it takes precedence, and as a result, no range of reasonably likely inputs exists from which the basis of a sensitivity analysis could be constructed.

We gain assurance that our financial assets are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, our processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, we assess the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. We perform procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, we may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities. We perform ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, we validate them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

We also perform an analysis to determine whether there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity, and if so, whether transactions may not be orderly. Among the indicators we consider in determining whether a significant decrease in the volume and level of market activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, level of credit spreads over historical levels, bid-ask spread, and price consensuses among market participants and sources. If evidence indicates that prices are based on transactions that are not orderly, we place little, if any, weight on the transaction price and will estimate fair value using an internal model. As of December 31, 2014 and 2013, we did not adjust fair values provided by our valuation service providers or brokers or substitute them with an internal model for such securities.

The following table identifies fixed income and equity securities and short-term investments as of December 31, 2014 by source of fair value determination:

($ in millions)	**Fair value**	**Percent to total**
Fair value based on internal sources	$ 3,922	5.7%
Fair value based on external sources [(1)]	65,162	94.3
Total	$ 69,084	100.0%

(1) Includes $2.07 billion that are valued using broker quotes.

For additional detail on fair value measurements, see Note 6 of the consolidated financial statements.

Impairment of fixed income and equity securities For investments classified as available for sale, the difference between fair value and amortized cost for fixed income securities and cost for equity securities, net of certain other items and deferred income taxes (as disclosed in Note 5), is reported as a component of accumulated other comprehensive income on the Consolidated Statements of Financial Position and is not reflected in the operating results of any period until reclassified to net income upon the consummation of a transaction with an unrelated third party or when a write-down is recorded due to an other-than-temporary decline in fair value. We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

For each fixed income security in an unrealized loss position, we assess whether management with the appropriate authority has made the decision to sell or whether it is more likely than not we will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, the security's decline in fair value is considered other than temporary and is recorded in earnings.

If we have not made the decision to sell the fixed income security and it is not more likely than not we will be required to sell the fixed income security before recovery of its amortized cost basis, we evaluate whether we expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. We use our best estimate of future cash flows expected to be collected from the fixed income security, discounted at the security's original or current effective rate, as appropriate, to calculate a recovery value and determine whether a credit loss exists. The determination of cash flow estimates is inherently subjective and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable assumptions and forecasts, are considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, foreign exchange rates, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, vintage, geographic concentration, available reserves or escrows, current subordination levels, third party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if we determine that the security is dependent on the liquidation of collateral for ultimate settlement. If the estimated recovery value is less than the amortized cost of the security, a credit loss exists and an other-than-temporary impairment for the difference between the estimated recovery value and amortized cost is recorded in earnings. The portion of the unrealized loss related to factors other than credit remains classified in accumulated other comprehensive income. If we determine that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, we may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

There are a number of assumptions and estimates inherent in evaluating impairments of equity securities and determining if they are other than temporary, including: 1) our ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; 2) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 3) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 4) the length of time and extent to which the fair value has been less than cost.

Once assumptions and estimates are made, any number of changes in facts and circumstances could cause us to subsequently determine that a fixed income or equity security is other-than-temporarily impaired, including: 1) general economic conditions that are worse than previously forecasted or that have a greater adverse effect on a particular issuer or industry sector than originally estimated; 2) changes in the facts and circumstances related to a particular issue or issuer's ability to meet all of its contractual obligations; and 3) changes in facts and circumstances that result in management's decision to sell or result in our assessment that it is more likely than not we will be required to sell before recovery of the amortized cost basis of a fixed income security or causes a change in our ability or intent to hold an equity security until it recovers in value. Changes in assumptions, facts and circumstances could result in additional charges to earnings in future periods to the extent that losses are realized. The charge to earnings, while potentially significant to net income, would not have a significant effect on shareholders' equity, since our securities are designated as available for sale and carried at fair value and as a result, any related unrealized loss, net of deferred income taxes and related DAC, deferred sales inducement costs and reserves for life-contingent contract benefits, would already be reflected as a component of accumulated other comprehensive income in shareholders' equity.

The determination of the amount of other-than-temporary impairment is an inherently subjective process based on periodic evaluations of the factors described above. Such evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly and reflect changes in other-than-temporary impairments in results of operations as such evaluations are revised. The use of different methodologies and assumptions in the determination of the amount of other-than-temporary impairments may have a material effect on the amounts presented within the consolidated financial statements.

For additional detail on investment impairments, see Note 5 of the consolidated financial statements.

Deferred policy acquisition costs amortization We incur significant costs in connection with acquiring insurance policies and investment contracts. In accordance with GAAP, costs that are related directly to the successful acquisition of new or renewal insurance policies and investment contracts are deferred and recorded as an asset on the Consolidated Statements of Financial Position.

DAC related to property-liability contracts is amortized into income as premiums are earned, typically over periods of six or twelve months. The amortization methodology for DAC related to Allstate Financial policies and contracts includes significant assumptions and estimates.

DAC related to traditional life insurance is amortized over the premium paying period of the related policies in proportion to the estimated revenues on such business. Significant assumptions relating to estimated premiums, investment returns, as well as mortality, persistency and expenses to administer the business are established at the time the policy is issued and are generally not revised during the life of the policy. The assumptions for determining the timing and amount of DAC amortization are consistent with the assumptions used to calculate the reserve for life-contingent contract benefits. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these policies approximates the estimated lives of the policies. The recovery of DAC is dependent upon the future profitability of the business. We periodically review the adequacy of reserves and recoverability of DAC for these policies on an aggregate basis using actual experience. We aggregate all traditional life insurance products and immediate annuities with life contingencies in the analysis. In the event actual experience is significantly adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance must be expensed to the extent not recoverable and a premium deficiency reserve may be required if the remaining DAC balance is insufficient to absorb the deficiency. In 2014, 2013 and 2012, our reviews concluded that no premium deficiency adjustments were necessary, primarily due to projected profit from traditional life insurance more than offsetting the projected losses in immediate annuities with life contingencies.

DAC related to interest-sensitive life, fixed annuities and other investment contracts is amortized in proportion to the incidence of the total present value of gross profits, which includes both actual historical gross profits (''AGP'') and estimated future gross profits (''EGP'') expected to be earned over the estimated lives of the contracts. The amortization is net of interest on the prior period DAC balance using rates established at the inception of the contracts. Actual amortization periods generally range from 15-30 years; however, incorporating estimates of the rate of customer surrenders, partial withdrawals and deaths generally results in the majority of the DAC being amortized during the surrender charge period, which is typically 10-20 years for interest-sensitive life and 5-10 years for fixed annuities. The cumulative DAC amortization is reestimated and adjusted by a cumulative charge or credit to income when there is a difference between the incidence of actual versus expected gross profits in a reporting period or when there is a change in total EGP.

AGP and EGP primarily consist of the following components: contract charges for the cost of insurance less mortality costs and other benefits (benefit margin); investment income and realized capital gains and losses less interest credited (investment margin); and surrender and other contract charges less maintenance expenses (expense margin). The principal assumptions for determining the amount of EGP are persistency, mortality, expenses, investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to contractholders, and the effects of any hedges, and these assumptions are reasonably likely to have the greatest impact on the amount of DAC amortization. Changes in these assumptions can be offsetting and we are unable to reasonably predict their future movements or offsetting impacts over time.

Each reporting period, DAC amortization is recognized in proportion to AGP for that period adjusted for interest on the prior period DAC balance. This amortization process includes an assessment of AGP compared to EGP, the actual amount of business remaining in force and realized capital gains and losses on investments supporting the product liability. The impact of realized capital gains and losses on amortization of DAC depends upon which product liability is supported by the assets that give rise to the gain or loss. If the AGP is greater than EGP in the period, but the total EGP is unchanged, the amount of DAC amortization will generally increase, resulting in a current period decrease to earnings. The opposite result generally occurs when the AGP is less than the EGP in the period, but the total EGP is unchanged. However, when DAC amortization or a component of gross profits for a quarterly period is potentially negative (which would result in an increase of the DAC balance) as a result of negative AGP, the specific facts and circumstances surrounding the potential negative amortization are considered to determine whether it is appropriate for recognition in the consolidated financial statements. Negative amortization is only recorded when the increased DAC balance is determined to be recoverable based on facts and circumstances. Negative amortization was not recorded for certain fixed annuities during 2012 in which capital losses were realized on their related investment portfolio. For products whose supporting investments are exposed to capital losses in excess of our expectations which may cause periodic AGP to become temporarily negative, EGP and AGP utilized in DAC amortization may be modified to exclude the excess capital losses.

Annually, we review and update all assumptions underlying the projections of EGP, including persistency, mortality, expenses, investment returns, comprising investment income and realized capital gains and losses, interest crediting rates and the effect of any hedges. At each reporting period, we assess whether any revisions to assumptions used to determine DAC amortization are required. These reviews and updates may result in amortization acceleration or deceleration, which are referred to as ''DAC unlocking''. If the update of assumptions causes total EGP to increase, the rate of DAC amortization will generally decrease, resulting in a current period increase to earnings. A decrease to earnings generally occurs when the assumption update causes the total EGP to decrease.

The following table provides the effect on DAC amortization of changes in assumptions relating to the gross profit components of investment margin, benefit margin and expense margin during the years ended December 31.

($ in millions)	2014	2013	2012
Investment margin	$ 11	$ (17)	$ 3
Benefit margin	35	15	33
Expense margin	(54)	25	(2)
Net (deceleration) acceleration	$ (8)	$ 23	$ 34

In 2014, DAC amortization acceleration for changes in the investment margin component of EGP related to interest-sensitive life insurance and fixed annuities and was due to lower projected investment returns. The acceleration related to benefit margin primarily related to interest-sensitive life insurance and was due to an increase in projected mortality. The deceleration related to expense margin primarily related to interest-sensitive life insurance and was due to a decrease in projected expenses.

In 2013, DAC amortization deceleration for changes in the investment margin component of EGP primarily related to fixed annuities and interest-sensitive life insurance and was due to increased projected investment margins. The acceleration related to benefit margin was primarily due to interest-sensitive life insurance and was due to an increase in projected mortality. The acceleration related to expense margin related to interest-sensitive life insurance and was due to an increase in projected expenses.

In 2012, DAC amortization acceleration for changes in the investment margin component of EGP primarily related to fixed annuities and was due to lower projected investment returns. The acceleration related to benefit margin was primarily due to increased projected mortality on variable life insurance, partially offset by increased projected persistency on interest-sensitive life insurance. The deceleration related to expense margin related to interest-sensitive life insurance and fixed annuities and was due to a decrease in projected expenses.

The following table displays the sensitivity of reasonably likely changes in assumptions included in the gross profit components of investment margin or benefit margin to amortization of the DAC balance as of December 31, 2014.

($ in millions)	Increase/(reduction) in DAC
Increase in future investment margins of 25 basis points	$ 52
Decrease in future investment margins of 25 basis points	$ (57)
Decrease in future life mortality by 1%	$ 13
Increase in future life mortality by 1%	$ (14)

Any potential changes in assumptions discussed above are measured without consideration of correlation among assumptions. Therefore, it would be inappropriate to add them together in an attempt to estimate overall variability in amortization.

For additional detail related to DAC, see the Allstate Financial Segment section of this document.

Reserve for property-liability insurance claims and claims expense estimation Reserves are established to provide for the estimated costs of paying claims and claims expenses under insurance policies we have issued. Property-Liability underwriting results are significantly influenced by estimates of property-liability insurance claims and claims expense reserves. These reserves are an estimate of amounts necessary to settle all outstanding claims, including claims that have been incurred but not reported (''IBNR''), as of the financial statement date.

Characteristics of reserves Reserves are established independently of business segment management for each business segment and line of business based on estimates of the ultimate cost to settle claims, less losses that have been paid. The significant lines of business are auto, homeowners, and other personal lines for Allstate Protection, and asbestos, environmental, and other discontinued lines for Discontinued Lines and Coverages. Allstate Protection's claims are typically reported promptly with relatively little reporting lag between the date of occurrence and the date the loss is reported. Auto and homeowners liability losses generally take an average of about two years to settle, while auto physical damage, homeowners property and other personal lines have an average settlement time of less than one year. Discontinued Lines and Coverages involve long-tail losses, such as those related to asbestos and environmental claims, which often involve substantial reporting lags and extended times to settle.

Reserves are the difference between the estimated ultimate cost of losses incurred and the amount of paid losses as of the reporting date. Reserves are estimated for both reported and unreported claims, and include estimates of all expenses associated with processing and settling all incurred claims. We update most of our reserve estimates quarterly and as new information becomes available or as events emerge that may affect the resolution of unsettled claims. Changes in prior reserve estimates (reserve reestimates), which may be material, are determined by comparing updated estimates of ultimate losses to prior estimates, and the differences are recorded as property-liability insurance claims and claims expense in the Consolidated Statements of Operations in the period such changes are determined. Estimating the ultimate cost of claims and claims expenses is an inherently uncertain and complex process involving a high degree of judgment and is subject to the evaluation of numerous variables.

The actuarial methods used to develop reserve estimates Reserve estimates are derived by using several different actuarial estimation methods that are variations on one primary actuarial technique. The actuarial technique is known as a ''chain ladder'' estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves established by claim adjusters) for an accident year or a report year to create an estimate of how losses are likely to develop over time. An accident year refers to classifying claims based on the year in which the claims occurred. A report year refers to classifying claims based on the year in which the claims are reported. Both classifications are used to prepare estimates of required reserves for payments to be made in the future. The key assumptions affecting our reserve estimates comprise data elements including claim counts, paid losses, case reserves, and development factors calculated with this data.

In the chain ladder estimation technique, a ratio (development factor) is calculated which compares current period results to results in the prior period for each accident year. A three-year or two-year average development factor, based on historical results, is usually multiplied by the current period experience to estimate the development of losses of each accident year into the next time period. The development factors for the future time periods for each accident year are compounded over the remaining future periods to calculate an estimate of ultimate losses for each accident year. The implicit assumption of this technique is that an average of historical development factors is predictive of future loss development, as the significant size of our experience database achieves a high degree of statistical credibility in actuarial projections of this type. The effects of inflation are implicitly considered in the reserving process, the implicit assumption being that a multi-year average development factor includes an adequate provision. Occasionally, unusual aberrations in loss patterns are caused by external and internal factors such as changes in claim reporting, settlement patterns, unusually large losses, process changes, legal or regulatory changes, and other influences. In these instances, analyses of alternate development factor selections are performed to evaluate the effect of these factors and actuarial judgment is applied to make appropriate development factor assumptions needed to develop a best estimate of ultimate losses.

How reserve estimates are established and updated Reserve estimates are developed at a very detailed level, and the results of these numerous micro-level best estimates are aggregated to form a consolidated reserve estimate. For example, over one thousand actuarial estimates of the types described above are prepared each quarter to estimate losses for each line of insurance, major components of losses (such as coverages and perils), major states or groups of states and for reported losses and IBNR. The actuarial methods described above are used to analyze the settlement patterns of claims by determining the development factors for specific data elements that are necessary components of a reserve estimation process. Development factors are calculated quarterly and periodically throughout the year for data elements such as claim counts reported and settled, paid losses, and paid losses combined with case reserves. The calculation of development factors from changes in these data elements also impacts claim severity trends, which is a common industry reference used to explain changes in reserve estimates. The historical development patterns for these data elements are used as the assumptions to calculate reserve estimates.

Often, several different estimates are prepared for each detailed component, incorporating alternative analyses of changing claim settlement patterns and other influences on losses, from which we select our best estimate for each component, occasionally incorporating additional analyses and actuarial judgment, as described above. These micro-level estimates are not based on a single set of assumptions. Actuarial judgments that may be applied to these components of certain micro-level estimates generally do not have a material impact on the consolidated level of reserves. Moreover, this detailed micro-level process does not permit or result in a compilation of a company-wide roll up to generate a range of needed loss reserves that would be meaningful. Based on our review of these estimates, our best estimate of required reserves for each state/line/coverage component is recorded for each accident year, and the required reserves for each component are summed to create the reserve balance carried on our Consolidated Statements of Financial Position.

Reserves are reestimated quarterly and periodically throughout the year, by combining historical results with current actual results to calculate new development factors. This process incorporates the historic and latest actual trends, and other underlying changes in the data elements used to calculate reserve estimates. New development factors are likely to differ from previous development factors used in prior reserve estimates because actual results (claims reported or settled, losses paid, or changes to case reserves) occur differently than the implied assumptions contained in the previous development factor calculations. If claims reported, paid losses, or case reserve changes are greater or less than the levels estimated by previous development factors, reserve reestimates increase or decrease. When actual development of these data elements is different than the historical development pattern used in a prior period reserve estimate, a new reserve is determined. The difference between indicated reserves based on new reserve estimates and recorded reserves (the previous estimate) is the amount of reserve reestimate and is recognized as an increase or decrease in property-liability insurance claims and claims expense in the Consolidated Statements of Operations. Total Property-Liability net reserve reestimates, after-tax, as a percent of net income available to common shareholders were favorable 2.0%, 3.5%, and 18.7% in 2014, 2013 and 2012, respectively. The 3-year average of net reserve reestimates as a percentage of total reserves was a favorable 1.7% for Property-Liability, a favorable 2.5% for Allstate Protection and an unfavorable 6.2% for Discontinued Lines and Coverages, each of these results being consistent within a reasonable actuarial tolerance for our respective businesses. A more detailed discussion of reserve reestimates is presented in the Property-Liability Claims and Claims Expense Reserves section of this document.

The following table shows net claims and claims expense reserves by segment and line of business as of December 31:

($ in millions)	**2014**	**2013**	**2012**
Allstate Protection			
Auto	$ 11,698	$ 11,616	$ 11,383
Homeowners	1,849	1,821	2,008
Other lines	2,070	2,110	2,250
Total Allstate Protection	15,617	15,547	15,641
Discontinued Lines and Coverages			
Asbestos	1,014	1,017	1,026
Environmental	203	208	193
Other discontinued lines	395	421	418
Total Discontinued Lines and Coverages	1,612	1,646	1,637
Total Property-Liability	$ 17,229	$ 17,193	$ 17,278

Allstate Protection reserve estimates

Factors affecting reserve estimates Reserve estimates are developed based on the processes and historical development trends described above. These estimates are considered in conjunction with known facts and interpretations of circumstances and factors including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. When we experience changes of the type previously mentioned, we may need to apply actuarial judgment in the determination and selection of development factors considered more reflective of the new trends, such as combining shorter or longer periods of historical results with current actual results to produce development factors based on two-year, three-year, or longer development periods to reestimate our reserves. For example, if a legal change is expected to have a significant impact on the development of claim severity for a coverage which is part of a particular line of insurance in a specific state, actuarial judgment is applied to determine appropriate development factors that will most accurately reflect the expected impact on that specific estimate. Another example would be when a change in economic conditions is expected to affect the cost of repairs to damaged autos or property for a particular line, coverage, or state, actuarial judgment is applied to determine appropriate development factors to use in the reserve estimate that will most accurately reflect the expected impacts on severity development.

As claims are reported, for certain liability claims of sufficient size and complexity, the field adjusting staff establishes case reserve estimates of ultimate cost, based on their assessment of facts and circumstances related to each individual claim. For other claims which occur in large volumes and settle in a relatively short time frame, it is not practical or efficient to set case reserves for each claim, and a statistical case reserve is set for these claims based on estimation techniques described above. In the normal course of business, we may also supplement our claims processes by utilizing third party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims.

Historically, the case reserves set by the field adjusting staff have not proven to be an entirely accurate estimate of the ultimate cost of claims. To provide for this, a development reserve is estimated using the processes described above, and allocated to pending claims as a supplement to case reserves. Typically, the case, including statistical case, and supplemental development reserves comprise about 90% of total reserves.

Another major component of reserves is incurred but not reported (''IBNR''). Typically, IBNR comprises about 10% of total reserves.

Generally, the initial reserves for a new accident year are established based on severity assumptions for different business segments, lines and coverages based on historical relationships to relevant inflation indicators, and reserves for prior accident years are statistically determined using processes described above. Changes in auto current year claim severity are generally influenced by inflation in the medical and auto repair sectors of the economy. We mitigate these effects through various loss management programs. Injury claims are affected largely by medical cost inflation while physical damage claims are affected largely by auto repair cost inflation and used car prices. For auto physical damage coverages, we monitor our rate of increase in average cost per claim against a weighted average of the Maintenance and Repair price index and the Parts and Equipment price index. We believe our claim settlement initiatives, such as improvements to the claim review and settlement process, the use of special investigative units to detect fraud and handle suspect claims, litigation management and defense strategies, as well as various other loss management initiatives underway, contribute to the mitigation of injury and physical damage severity trends.

Changes in homeowners current year claim severity are generally influenced by inflation in the cost of building materials, the cost of construction and property repair services, the cost of replacing home furnishings and other contents, the types of claims that qualify for coverage, deductibles and other economic and environmental factors. We employ various loss management programs to mitigate the effect of these factors.

As loss experience for the current year develops for each type of loss, it is monitored relative to initial assumptions until it is judged to have sufficient statistical credibility. From that point in time and forward, reserves are reestimated using statistical actuarial processes to reflect the impact actual loss trends have on development factors incorporated into the actuarial estimation processes. Statistical credibility is usually achieved by the end of the first calendar year; however, when trends for the current accident year exceed initial assumptions sooner, they are usually determined to be credible, and reserves are increased accordingly.

The very detailed processes for developing reserve estimates, and the lack of a need and existence of a common set of assumptions or development factors, limits aggregate reserve level testing for variability of data elements. However, by applying standard actuarial methods to consolidated historic accident year loss data for major loss types, comprising auto injury losses, auto physical damage losses and homeowner losses, we develop variability analyses consistent with the way we develop reserves by measuring the potential variability of development factors, as described in the section titled ''Potential Reserve Estimate Variability'' below.

Causes of reserve estimate uncertainty Since reserves are estimates of unpaid portions of claims and claims expenses that have occurred, including IBNR losses, the establishment of appropriate reserves, including reserves for catastrophe losses, requires regular reevaluation and refinement of estimates to determine our ultimate loss estimate.

At each reporting date, the highest degree of uncertainty in estimates of losses arises from claims remaining to be settled for the current accident year and the most recent preceding accident year. The greatest degree of uncertainty exists in the current accident year because the current accident year contains the greatest proportion of losses that have not been reported or settled but must be estimated as of the current reporting date. Most of these losses relate to damaged property such as automobiles and homes, and medical care for injuries from accidents. During the first year after the end of an accident year, a large portion of the total losses for that accident year are settled. When accident year losses paid through the end of the first year following the initial accident year are incorporated into updated actuarial estimates, the trends inherent in the settlement of claims emerge more clearly. Consequently, this is the point in time at which we tend to make our largest reestimates of losses for an accident year. After the second year, the losses that we pay for an accident year typically relate to claims that are more difficult to settle, such as those involving serious injuries or litigation. Private passenger auto insurance provides a good illustration of the uncertainty of future loss estimates: our typical annual percentage payout of reserves for an accident year is approximately 45% in the first year after the end of the accident year, 20% in the second year, 15% in the third year, 10% in the fourth year, and the remaining 10% thereafter.

Reserves for catastrophe losses Property-Liability claims and claims expense reserves also include reserves for catastrophe losses. Catastrophe losses are an inherent risk of the property-liability insurance industry that have contributed, and will continue to contribute, to potentially material year-to-year fluctuations in our results of operations and financial position. We define a ''catastrophe'' as an event that produces pre-tax losses before reinsurance in excess of $1 million and involves multiple first party policyholders, or an event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, winter storms, tornadoes, hailstorms, wildfires, tropical storms, hurricanes, earthquakes and volcanoes. We are also exposed to man-made catastrophic events, such as certain types of terrorism or industrial accidents. The nature and level of catastrophes in any period cannot be predicted.

The estimation of claims and claims expense reserves for catastrophe losses also comprises estimates of losses from reported claims and IBNR, primarily for damage to property. In general, our estimates for catastrophe reserves are based on claim adjuster inspections and the application of historical loss development factors as described above. However, depending on the nature of the catastrophe, the estimation process can be further complicated. For example, for hurricanes, complications could include the inability of insureds to promptly report losses, limitations placed on claims adjusting staff affecting their ability to inspect losses, determining whether losses are covered by our homeowners policy (generally for damage caused by wind or wind driven rain) or specifically excluded coverage caused by flood, estimating additional living expenses, and assessing the impact of demand surge, exposure to mold damage, and the effects of numerous other considerations, including the timing of a catastrophe in relation to other events, such as at or near the end of a financial reporting period, which can affect the availability of information needed to estimate reserves for that reporting period. In these situations, we may need to adapt our practices to accommodate these circumstances in order to determine a best estimate of our losses from a catastrophe. As an example, in 2005 to complete an estimate for certain areas affected by Hurricane Katrina and not yet inspected by our claims adjusting staff, or where we believed our historical loss development factors were not predictive, we relied on analysis of actual claim notices received compared to total PIF, as well as visual, governmental and third party information, including aerial photos, area observations, and data on wind speed and flood depth to the extent available.

Potential reserve estimate variability The aggregation of numerous micro-level estimates for each business segment, line of insurance, major components of losses (such as coverages and perils), and major states or groups of states for reported losses and IBNR forms the reserve liability recorded in the Consolidated Statements of Financial Position. Because of this detailed approach to developing our reserve estimates, there is not a single set of assumptions that determine our reserve estimates at the consolidated level. Given the numerous micro-level estimates for reported losses and IBNR, management does not believe the processes that we follow will produce a statistically credible or reliable actuarial reserve range that would be meaningful. Reserve estimates, by their very nature, are very complex to determine and subject to significant judgment, and do not represent an exact determination for each outstanding claim. Accordingly, as actual claims, paid losses, and/or case reserve results emerge, our estimate of the ultimate cost to settle will be different than previously estimated.

To develop a statistical indication of potential reserve variability within reasonably likely possible outcomes, an actuarial technique (stochastic modeling) is applied to the countrywide consolidated data elements for paid losses and paid losses combined with case reserves separately for injury losses, auto physical damage losses, and homeowners losses excluding catastrophe losses. Based on the combined historical variability of the development factors calculated for these data elements, an estimate of the standard error or standard deviation around these reserve estimates is calculated within each accident year for the last twenty years for each type of loss. The variability of these reserve estimates within one standard deviation of the mean (a measure of frequency of dispersion often viewed to be an acceptable level of accuracy) is believed by management to represent a reasonable and statistically probable measure of potential variability. Based on our products and coverages, historical experience, the statistical credibility of our extensive data and stochastic modeling of actuarial chain ladder methodologies used to develop reserve estimates, we estimate that the potential variability of our Allstate Protection reserves, excluding reserves for catastrophe losses, within a reasonable probability of other possible outcomes, may be approximately plus or minus 4%, or plus or minus $500 million in net income available to common shareholders. A lower level of variability exists for auto injury losses, which comprise approximately 80% of reserves, due to their relatively stable development patterns over a longer duration of time required to settle claims. Other types of losses, such as auto physical damage, homeowners losses and other personal lines losses, which comprise about 20% of reserves, tend to have greater variability but are settled in a much shorter period of time. Although this evaluation reflects most reasonably likely outcomes, it is possible the final outcome may fall below or above these amounts. Historical variability of reserve estimates is reported in the Property-Liability Claims and Claims Expense Reserves section of this document.

Reserves for Michigan and New Jersey unlimited personal injury protection Property-Liability claims and claims expense reserves include reserves for Michigan unlimited personal injury protection (''PIP'') which is a mandatory coverage that provides unlimited personal injury protection to covered insureds involved in certain auto and motorcycle accidents. The administration of this program is through a private, non-profit association created by the state of Michigan, the Michigan Catastrophic Claim Association (''MCCA''). Due to increasing costs of providing healthcare related to serious injuries and advances in medical care extending the duration of treatment, the estimation processes have been enhanced and assumptions for this reserve balance have been contemporized to the current validated conditions.

The process that resulted in an increase in MCCA covered losses involved a number of activities that occurred over multiple years and included the comprehensive review and interpretation of MCCA actuarial reports, other MCCA members' reports and our PIP loss trends which have increased in severity over time. To address this exposure, we refined our ultimate claim reserve estimation techniques in 2011 through 2014, including relying more on paid loss development methods and increasing our view of future claim development and longevity of claimants, as a result of conducting comprehensive claim file reviews to develop case reserve type estimates of specific claims and other estimation refinements. In 2014 we completed the multi-year comprehensive review and incorporated the findings into our reserve estimation factors. We report our paid and unpaid claims and case reserves, which include our best estimate of the ultimate claim cost, excluding IBNR to the MCCA based on their requirements. The MCCA does not provide participating companies with its estimate of a company's claim costs.

We provide similar PIP coverage in New Jersey for auto policies issued or renewed in New Jersey prior to 1991 that is administered by the New Jersey Unsatisfied Claim and Judgment Fund (''NJUCJF''). In 2013, we adopted similar actuarial estimating techniques as for the MCCA exposures to estimate loss reserves for unlimited PIP coverage for policies covered by the NJUCJF. The NJUCJF was merged into the New Jersey Property Liability Guaranty Association who collects the assessments. Upon completion of our comprehensive review in 2014, we updated our reserve estimation techniques and factors, similar to the processes followed to develop the MCCA reserves, which resulted in an increase in reserves for unlimited PIP coverage for policies covered by the NJUCJF.

Reserve estimates by their nature are very complex to determine and subject to significant judgments, and do not represent an exact determination for each outstanding claim. As actual claims, paid losses and/or case reserve results emerge, our estimate of the ultimate cost to settle may be materially greater or less than previously estimated amounts.

Adequacy of reserve estimates We believe our net claims and claims expense reserves are appropriately established based on available methodologies, facts, technology, laws and regulations. We calculate and record a single best reserve estimate, in conformance with generally accepted actuarial standards, for each line of insurance, its components (coverages and perils) and state, for reported losses and for IBNR losses, and as a result we believe that no other estimate is better than our recorded amount. Due to the uncertainties involved, the ultimate cost of losses may vary materially from recorded amounts, which are based on our best estimates.

Discontinued Lines and Coverages reserve estimates

Characteristics of Discontinued Lines exposure Our exposure to asbestos, environmental and other discontinued lines claims arises principally from assumed reinsurance coverage written during the 1960s through the mid-1980s, including reinsurance on primary insurance written on large U.S. companies, and from direct excess insurance written from 1972 through 1985, including substantial excess general liability coverages on large U.S. companies. Additional exposure stems from direct primary commercial insurance written during the 1960s through the mid-1980s. Asbestos claims relate primarily to bodily injuries asserted by people who were exposed to asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up costs. Other discontinued lines exposures primarily relate to general liability and product liability mass tort claims, such as those for medical devices and other products, workers' compensation claims and claims for various other coverage exposures other than asbestos and environmental.

In 1986, the general liability policy form used by us and others in the property-liability industry was amended to introduce an ''absolute pollution exclusion,'' which excluded coverage for environmental damage claims, and to add an asbestos exclusion. Most general liability policies issued prior to 1987 contain annual aggregate limits for product liability coverage. General liability policies issued in 1987 and thereafter contain annual aggregate limits for product liability coverage and annual aggregate limits for all coverages. Our experience to date is that these policy form changes have limited the extent of our exposure to environmental and asbestos claim risks.

Our exposure to liability for asbestos, environmental and other discontinued lines losses manifests differently depending on whether it arises from assumed reinsurance coverage, direct excess insurance or direct primary commercial insurance. The direct insurance coverage we provided that covered asbestos, environmental and other discontinued lines was substantially ''excess'' in nature.

Direct excess insurance and reinsurance involve coverage written by us for specific layers of protection above retentions and other insurance plans. The nature of excess coverage and reinsurance provided to other insurers limits our exposure to loss to specific layers of protection in excess of policyholder retention on primary insurance plans. Our exposure is further limited by the significant reinsurance that we had purchased on our direct excess business.

Our assumed reinsurance business involved writing generally small participations in other insurers' reinsurance programs. The reinsured losses in which we participate may be a proportion of all eligible losses or eligible losses in excess of defined retentions. The majority of our assumed reinsurance exposure, approximately 85%, is for excess of loss coverage, while the remaining 15% is for pro-rata coverage.

Our direct primary commercial insurance business did not include coverage to large asbestos manufacturers. This business comprises a cross section of policyholders engaged in many diverse business sectors located throughout the country.

How reserve estimates are established and updated We conduct an annual review in the third quarter to evaluate and establish asbestos, environmental and other discontinued lines reserves. Changes to reserves are recorded in the reporting period in which they are determined. Using established industry and actuarial best practices and assuming no change in the regulatory or economic environment, this detailed and comprehensive methodology determines asbestos reserves based on assessments of the characteristics of exposure (i.e. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, and determines environmental reserves based on assessments of the characteristics of exposure (i.e. environmental damages, respective shares of liability of potentially responsible parties, appropriateness and cost of remediation) to pollution and related clean-up costs. The number and cost of these claims is affected by intense advertising by trial lawyers seeking asbestos plaintiffs, and entities with asbestos exposure seeking bankruptcy protection as a result of asbestos liabilities, initially causing a delay in the reporting of claims, often followed by an acceleration and an increase in claims and claims expenses as settlements occur.

After evaluating our insureds' probable liabilities for asbestos and/or environmental claims, we evaluate our insureds' coverage programs for such claims. We consider our insureds' total available insurance coverage, including the coverage we issued. We also consider relevant judicial interpretations of policy language and applicable coverage defenses or determinations, if any.

Evaluation of both the insureds' estimated liabilities and our exposure to the insureds depends heavily on an analysis of the relevant legal issues and litigation environment. This analysis is conducted by our specialized claims adjusting staff and legal counsel. Based on these evaluations, case reserves are established by claims adjusting staff and actuarial analysis is employed to develop an IBNR reserve, which includes estimated potential reserve development and claims that have occurred but have not been reported. As of December 31, 2014 and 2013, IBNR was 56.9% and 55.4%, respectively, of combined net asbestos and environmental reserves.

For both asbestos and environmental reserves, we also evaluate our historical direct net loss and expense paid and incurred experience to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid and incurred activity.

Other Discontinued Lines and Coverages The following table shows reserves for other discontinued lines which provide for remaining loss and loss expense liabilities related to business no longer written by us, other than asbestos and environmental, as of December 31.

($ in millions)	2014	2013	2012
Other mass torts	$ 167	$ 183	$ 166
Workers' compensation	94	105	112
Commercial and other	134	133	140
Other discontinued lines	$ 395	$ 421	$ 418

Other mass torts describes direct excess and reinsurance general liability coverage provided for cumulative injury losses other than asbestos and environmental. Workers' compensation and commercial and other include run-off from discontinued direct primary, direct excess and reinsurance commercial insurance operations of various coverage exposures other than asbestos and environmental. Reserves are based on considerations similar to those described above, as they relate to the characteristics of specific individual coverage exposures.

Potential reserve estimate variability Establishing Discontinued Lines and Coverages net loss reserves for asbestos, environmental and other discontinued lines claims is subject to uncertainties that are much greater than those presented by other types of claims. Among the complications are lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure and unresolved legal issues regarding policy coverage; unresolved legal issues regarding the determination, availability and timing of exhaustion of policy limits; plaintiffs' evolving and expanding theories of liability; availability and collectability of recoveries from reinsurance; retrospectively determined premiums and other contractual agreements; estimates of the extent and timing of any contractual liability; the impact of bankruptcy protection sought by various asbestos producers and other asbestos defendants; and other uncertainties. There are also complex legal issues concerning the interpretation of various insurance policy provisions and whether those losses are covered, or were ever intended to be covered, and could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements. Courts have reached different and sometimes inconsistent conclusions as to when losses are deemed to have occurred and which policies provide coverage; what types of losses are covered; whether there is an insurer obligation to defend; how policy limits are determined; how policy exclusions and conditions are applied and interpreted; and whether clean-up costs represent insured property damage. Our reserves for asbestos and environmental exposures could be affected by tort reform, class action litigation, and other potential legislation and judicial decisions. Environmental exposures could also be affected by a change in the existing federal Superfund law and similar state statutes. There can be no assurance that any reform legislation will be enacted or that any such legislation will provide for a fair, effective and cost-efficient system for settlement of asbestos or environmental claims. We believe these issues are not likely to be resolved in the near future, and the ultimate costs may vary materially from the amounts currently recorded resulting in material changes in loss reserves. Historical variability of reserve estimates is demonstrated in the Property-Liability Claims and Claims Expense Reserves section of this document.

Adequacy of reserve estimates Management believes its net loss reserves for environmental, asbestos and other discontinued lines exposures are appropriately established based on available facts, technology, laws, regulations, and assessments of other pertinent factors and characteristics of exposure (i.e. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by individual policyholders, assuming no change in the legal, legislative or economic environment. Due to the uncertainties and factors described above, management believes it is not practicable to develop a meaningful range for any such additional net loss reserves that may be required.

Further discussion of reserve estimates For further discussion of these estimates and quantification of the impact of reserve estimates, reserve reestimates and assumptions, see Notes 8 and 14 to the consolidated financial statements and the Property-Liability Claims and Claims Expense Reserves section of this document.

Reserve for life-contingent contract benefits estimation Due to the long term nature of traditional life insurance, life-contingent immediate annuities and voluntary accident and health insurance products, benefits are payable over many years; accordingly, the reserves are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses are used when establishing the reserve for life-contingent contract benefits payable under these insurance policies. These assumptions, which for traditional life insurance are applied using the net level premium method, include provisions for adverse deviation and generally vary by characteristics such as type of coverage, year of issue and policy duration. Future investment yield assumptions are determined based upon prevailing investment yields as well as estimated reinvestment yields. Mortality, morbidity and policy termination assumptions are based on our experience and industry experience. Expense assumptions include the estimated effects of inflation and expenses to be incurred beyond the premium-paying period. These assumptions are established at the time the policy is issued, are consistent with assumptions for determining DAC amortization for these policies, and are generally not changed during the policy coverage period. However, if actual experience emerges in a manner that is significantly adverse relative to the original assumptions, adjustments to DAC or reserves may be required resulting in a charge to earnings which could have a material effect on our operating results and financial condition. We periodically review the adequacy of reserves and recoverability of DAC for these policies on an aggregate basis using actual experience. In the event actual experience is significantly adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance must be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required. In 2014, 2013 and 2012, our reviews concluded that no premium deficiency adjustments were necessary, primarily due to projected profit from traditional life insurance more than offsetting the projected losses in immediate annuities with life contingencies. We will continue to monitor the experience of our traditional life insurance and immediate annuities. We anticipate that mortality, investment and reinvestment yields, and policy terminations are the factors that would be most likely to require premium deficiency adjustments to these reserves or related DAC.

For further detail on the reserve for life-contingent contract benefits, see Note 9 of the consolidated financial statements.

PROPERTY-LIABILITY 2014 HIGHLIGHTS

- Property-Liability net income available to common shareholders was $2.43 billion in 2014 compared to $2.75 billion in 2013.
- Property-Liability premiums written totaled $29.61 billion in 2014, an increase of 5.1% from $28.16 billion in 2013.
- The Property-Liability loss ratio was 67.2 in 2014 compared to 64.9 in 2013.
- Catastrophe losses were $1.99 billion in 2014 compared to $1.25 billion in 2013.
- Property-Liability prior year reserve reestimates totaled $84 million favorable in 2014 compared to $121 million favorable in 2013.
- Property-Liability underwriting income was $1.77 billion in 2014 compared to $2.22 billion in 2013. Underwriting income, a measure not based on GAAP, is defined below.
- Property-Liability investments were $39.08 billion as of December 31, 2014, a decrease of 1.4% from $39.64 billion as of December 31, 2013. Net investment income was $1.30 billion in 2014, a decrease of 5.4% from $1.38 billion in 2013.
- Net realized capital gains were $549 million in 2014 compared to $519 million in 2013.

PROPERTY-LIABILITY OPERATIONS

Overview Our Property-Liability operations consist of two reporting segments: Allstate Protection and Discontinued Lines and Coverages. Allstate Protection comprises three brands where we accept underwriting risk: Allstate, Esurance and Encompass. Allstate Protection is principally engaged in the sale of personal property and casualty insurance, primarily private passenger auto and homeowners insurance, to individuals in the United States and Canada. Discontinued Lines and Coverages includes results from property-liability insurance coverage that we no longer write and results for certain commercial and other businesses in run-off. These segments are consistent with the groupings of financial information that management uses to evaluate performance and to determine the allocation of resources.

Underwriting income, a measure that is not based on GAAP and is reconciled to net income available to common shareholders below, is calculated as premiums earned, less claims and claims expense (''losses''), amortization of DAC, operating costs and expenses and restructuring and related charges, as determined using GAAP. We use this measure in our evaluation of results of operations to analyze the profitability of the Property-Liability insurance operations separately from investment results. It is also an integral component of incentive compensation. It is useful for investors to evaluate the components of income separately and in the aggregate when reviewing performance. Net income available to common shareholders is the GAAP measure most directly comparable to underwriting income. Underwriting income should not be considered as a substitute for net income available to common shareholders and does not reflect the overall profitability of the business.

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

- Claims and claims expense (''loss'') ratio – the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.

- Expense ratio – the ratio of amortization of DAC, operating costs and expenses, and restructuring and related charges to premiums earned.
- Combined ratio – the ratio of claims and claims expense, amortization of DAC, operating costs and expenses, and restructuring and related charges to premiums earned. The combined ratio is the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of premiums earned, or underwriting margin.

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

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

Summarized financial data, a reconciliation of underwriting income to net income available to common shareholders, and GAAP operating ratios for our Property-Liability operations are presented in the following table.

($ in millions, except ratios)	2014	2013	2012
Premiums written	$ 29,614	$ 28,164	$ 27,027
Revenues			
Premiums earned	$ 28,929	$ 27,618	$ 26,737
Net investment income	1,301	1,375	1,326
Realized capital gains and losses	549	519	335
Total revenues	30,779	29,512	28,398
Costs and expenses			
Claims and claims expense	(19,428)	(17,911)	(18,484)
Amortization of DAC	(3,875)	(3,674)	(3,483)
Operating costs and expenses	(3,838)	(3,752)	(3,536)
Restructuring and related charges	(16)	(63)	(34)
Total costs and expenses	(27,157)	(25,400)	(25,537)
Gain (loss) on disposition of operations	16	(1)	—
Income tax expense	(1,211)	(1,357)	(893)
Net income available to common shareholders	$ 2,427	$ 2,754	$ 1,968
Underwriting income	$ 1,772	$ 2,218	$ 1,200
Net investment income	1,301	1,375	1,326
Income tax expense on operations	(1,040)	(1,177)	(779)
Realized capital gains and losses, after-tax	357	339	221
Gain (loss) on disposition of operations, after-tax	37	(1)	—
Net income available to common shareholders	$ 2,427	$ 2,754	$ 1,968
Catastrophe losses [1]	$ 1,993	$ 1,251	$ 2,345
GAAP operating ratios			
Claims and claims expense ratio	67.2	64.9	69.1
Expense ratio	26.7	27.1	26.4
Combined ratio	93.9	92.0	95.5
Effect of catastrophe losses on combined ratio [1]	6.9	4.5	8.8
Effect of prior year reserve reestimates on combined ratio [1]	(0.3)	(0.4)	(2.5)
Effect of amortization of purchased intangible assets on combined ratio	0.2	0.3	0.5
Effect of restructuring and related charges on combined ratio	0.1	0.2	0.1
Effect of Discontinued Lines and Coverages on combined ratio	0.4	0.5	0.2

[1] Prior year reserve reestimates included in catastrophe losses totaled $43 million unfavorable in 2014, $88 million favorable in 2013 and $410 million favorable in 2012.

ALLSTATE PROTECTION SEGMENT

Overview and strategy The Allstate Protection segment primarily sells private passenger auto and homeowners insurance to individuals through agencies and directly through contact centers and the internet. These products are marketed under the Allstate®, Esurance® and Encompass® brand names.

Our strategy is to position our products and distribution systems to meet the changing needs of the customer in managing the risks they face. This includes customers who want local advice and assistance and those who are self-directed. In addition, there are customers who are brand-sensitive and those who are brand-neutral. Our strategy is to serve all four of these consumer segments with unique products and in innovative ways while leveraging our claims, pricing and operational capabilities. When we do not offer a product our customers need, we may make available non-proprietary products that meet their needs.

We utilize specific customer value propositions for each brand to improve our competitive position and performance. Over time, delivering on these customer value propositions may include investments in resources and require significant changes to our products, service, capabilities and processes.

Our strategy for the Allstate brand focuses on customers who prefer local personal advice and service and are brand-sensitive. Our customer-focused strategy for the Allstate brand aligns targeted marketing, product innovation, distribution effectiveness, and pricing toward acquiring and retaining an increased share of our target customers. This refers to consumers who want to purchase multiple products from one insurance provider including auto, homeowners and financial products, who potentially present more favorable prospects for profitability over the course of their relationships with us.

The Allstate brand utilizes marketing delivered to target customers to promote our strategic priorities, with messaging that communicates the value of our "Good Hands®", the importance of having proper coverage by highlighting our comprehensive product and coverage options, and the ease of doing business with Allstate and Allstate agencies.

To better serve customers who prefer local and personalized advice, we are undergoing a focused effort to position agents, licensed sales professionals and financial specialists to serve customers as trusted advisors. This means they know customers and understand the unique needs of their households, help them assess the potential risks they face and provide personalized guidance on how to protect what matters most to them. To ensure agencies have the resources, capacity and support needed to serve customers at this level, we have strategic efforts underway to enhance agency capabilities while simplifying and automating service processes to enable agencies to focus more time in an advisory role and provide appropriate product offerings.

The Allstate brand differentiates itself from competitors by offering a comprehensive range of innovative product options and features through a network of agencies that provide local advice and service. Product features include Allstate Your Choice Auto® with options such as accident forgiveness, safe driving deductible rewards and a safe driving bonus, and Allstate House and Home® that provides options of coverage for roof damage including graduated coverage and pricing based on roof type and age. In addition, we offer a Claim Satisfaction Guarantee℠ that promises a return of premium to Allstate brand auto insurance customers dissatisfied with their claims experience. Our Drivewise® program, available in 46 states and the District of Columbia as of December 31, 2014, uses an in-car device or a mobile application to capture driving behaviors and reward customers for driving safely. We are also testing additional features which extend the benefits of being connected beyond auto insurance pricing. The recently introduced Star Driver® program encourages an ongoing conversation about safe driving through an easy-to-use application to develop teens' confidence behind the wheel. We will continue to focus on developing and introducing products and services that benefit today's consumers and further differentiate Allstate and enhance the customer experience. We plan to deepen customer relationships through value-added customer interactions and expanding our presence in households with multiple products by providing financial protection for customer needs. In certain areas with higher risk of catastrophes, we offer a homeowners product from North Light Specialty Insurance Company ("North Light"), our excess and surplus lines carrier. When an Allstate product is not available, we may make available non-proprietary products for customers through brokering arrangements. For example, in hurricane exposed areas, Allstate agencies sell non-proprietary property insurance products to customers who prefer to use a single agent for all their insurance needs.

We are undergoing a focused effort to enhance our effectiveness and efficiency by implementing processes and standards to elevate the level and consistency of our customer experience. We continue to enhance technology to improve customer service, facilitate the introduction of new products and services and reduce infrastructure costs related to supporting agencies and handling claims. These actions and others are designed to optimize the effectiveness of our distribution and service channels by increasing the productivity of the Allstate brand's exclusive agencies.

Other personal lines sold under the Allstate brand include renter, condominium, landlord, boat, umbrella and manufactured home insurance policies. Commercial lines include insurance products for small business owners. Other business lines include Allstate Roadside Services that provides roadside assistance products, including Good Hands Roadside®; Allstate Dealer Services that provides service contracts and other products sold in conjunction with auto lending and vehicle sales transactions; and Ivantage that is a general agency for Allstate exclusive agencies.

Our strategy for the Esurance brand focuses on self-directed consumers. To best serve these customers, Esurance develops its technology, website and mobile capabilities to continuously improve its hassle-free purchase and claims experience and offer innovative product options and features. Esurance continues to develop additional products to complement its auto line of business and provide a more comprehensive solution to its customers. Esurance also continues to invest in geographic expansion of its products. Esurance expanded its renter product in 2014 from 16 to 19 states, motorcycle from 6 to 11 states, homeowners from 3 to 14 states and auto from 41 to 43 states. Esurance continues to focus on increasing its preferred driver mix, while raising advertising expenditures and marketing effectiveness to support growth. Esurance's DriveSense® program, available in 28 states as of December 31, 2014, enables participating customers to be eligible for discounts based on driving performance as measured by a device installed in the vehicle. Esurance's DriveSafe® program is designed to help parents coach teens on safe driving by providing customizable driving statistics and the ability to limit cell phone use while the car is in motion, all controlled by a device installed in the vehicle.

Our strategy for the Encompass brand centers around a highly differentiated offering which simplifies the insurance experience by packaging a product with broader coverage and higher limits into a single annual household (''package'') policy with one premium, one bill, one property deductible, one renewal date and one advisor — an independent insurance agent. It especially appeals to the approximately 35 million mass affluent households in the U.S., with their higher average premiums and preference for professional advice regarding coverage needs and risk solutions. Package policies represent over 80% of the Encompass portfolio of business, with concentrations in suburban and urban areas throughout the country. Package policies currently are not offered in Massachusetts, North Carolina and Texas. In pursuit of this strategy and to achieve its financial objectives, Encompass is seeking to diversify through new business writings in states where the risk return opportunities meet its requirements, while aggressively executing pricing, underwriting, and other actions to manage risk and ensure adequate profitability.

Answer Financial, an independent personal lines insurance agency, serves self-directed, brand-neutral consumers who want a choice between insurance carriers and offers comparison quotes for auto and homeowners insurance from approximately 25 insurance companies through its website and over the phone. It receives commissions for this service.

Our pricing and underwriting strategies and decisions for all of our brands are primarily designed to achieve appropriate returns along with enhancing our competitive position. Our sophisticated pricing methodology allows us to attract and retain multiple risk segments. A combination of underwriting information, pricing and discounts are used to achieve a more competitive position. Our pricing uses a number of risk evaluation factors including insurance scoring, to the extent permissible by applicable law, based on information that is obtained from credit reports, and other factors. Our pricing strategy involves marketplace pricing and underwriting decisions that are based on these risk evaluation models and an evaluation of competitors.

We continue to manage our property catastrophe exposure with the goal of providing shareholders an acceptable return on the risks assumed in our property business and to reduce the variability of our earnings. Our property business includes personal homeowners, commercial property and other property insurance lines. As of December 31, 2014, we have less than a 1% likelihood of exceeding average annual aggregate catastrophe losses by $2 billion, net of reinsurance, from hurricanes and earthquakes, based on modeled assumptions and applications currently available. The use of different assumptions and updates to industry models, and updates to our risk transfer program, could materially change the projected loss. Our growth strategies include areas previously restricted where we believe we can earn an appropriate return for the risk and as a result our exposure may increase, but remain lower than $2 billion as noted above. In addition, we have exposure to severe weather events which impact catastrophe losses.

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

Pricing of property products is typically intended to establish returns that we deem acceptable over a long-term period. Losses, including losses from catastrophic events and weather-related losses (such as wind, hail, lightning and freeze losses not meeting our criteria to be declared a catastrophe), are accrued on an occurrence basis within the policy period. Therefore, in any reporting period, loss experience from catastrophic events and weather-related losses may contribute to negative or positive underwriting performance relative to the expectations we incorporated into the products' pricing. We pursue rate increases where indicated, taking into consideration potential customer disruption, the impact on our ability to market our auto lines, regulatory limitations, our competitive position and profitability, using a methodology that appropriately addresses the changing costs of losses from catastrophes such as severe weather and the net cost of reinsurance.

Allstate Protection outlook

- Allstate Protection will continue to focus on its strategy of offering differentiated products and services to our customers while maintaining pricing discipline.
- We expect that volatility in the level of catastrophes we experience will contribute to variation in our underwriting results; however, this volatility will be mitigated due to our catastrophe management actions, including the purchase of reinsurance.
- We will continue our evolution to a trusted advisor model, enabling agencies to more fully deliver on the Allstate brand customer value proposition.
- We will continue to modernize our operating model to efficiently deliver our customer value propositions.
- We will invest in building long-term growth platforms.

Premiums written is the amount of premiums charged for policies issued during a fiscal period. Premiums are considered earned and are included in the financial results on a pro-rata basis over the policy period. The portion of premiums written applicable to the unexpired term of the policies is recorded as unearned premiums on our Consolidated Statements of Financial Position.

The following table shows the unearned premium balance as of December 31 and the timeframe in which we expect to recognize these premiums as earned.

($ in millions)			% earned after			
	2014	2013	Three months	Six months	Nine months	Twelve months
Allstate brand:						
Auto	$ 4,766	$ 4,533	70.7%	96.2%	99.1%	100.0%
Homeowners	3,607	3,496	43.4%	75.5%	94.2%	100.0%
Other personal lines [(1)]	833	819	43.5%	75.4%	94.1%	100.0%
Commercial lines	254	236	43.8%	75.1%	93.9%	100.0%
Other business lines [(2)]	642	468	18.9%	33.3%	45.4%	55.3%
Total Allstate brand	10,102	9,552	54.9%	82.7%	93.4%	97.2%
Esurance brand:						
Auto	371	328	73.7%	98.5%	99.6%	100.0%
Homeowners	6	—	43.4%	75.6%	94.2%	100.0%
Other personal lines	2	1	43.5%	75.4%	94.2%	100.0%
Total Esurance brand	379	329	73.1%	98.0%	99.5%	100.0%
Encompass brand:						
Auto	345	335	43.8%	75.6%	94.1%	100.0%
Homeowners	274	253	43.7%	75.7%	94.2%	100.0%
Other personal lines	57	54	43.9%	75.7%	94.2%	100.0%
Total Encompass brand	676	642	43.8%	75.6%	94.2%	100.0%
Allstate Protection unearned premiums	$ 11,157	$ 10,523	54.8%	82.8%	93.7%	97.4%

(1) Other personal lines include renter, condominium, landlord and other personal lines.
(2) Other business lines include Allstate Roadside Services, Allstate Dealer Services and other business lines.

A reconciliation of premiums written to premiums earned is shown in the following table.

($ in millions)	2014	2013	2012
Premiums written:			
Allstate Protection	$ 29,613	$ 28,164	$ 27,026
Discontinued Lines and Coverages	1	—	1
Property-Liability premiums written	29,614	28,164	27,027
Increase in unearned premiums	(723)	(572)	(322)
Other	38	26	32
Property-Liability premiums earned	$ 28,929	$ 27,618	$ 26,737
Premiums earned:			
Allstate Protection	$ 28,928	$ 27,618	$ 26,737
Discontinued Lines and Coverages	1	—	—
Property-Liability	$ 28,929	$ 27,618	$ 26,737

Premiums written by brand are shown in the following table.

($ in millions)	Allstate brand			Esurance brand			Encompass brand			Allstate Protection		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Auto	$ 17,504	$ 16,752	$ 16,398	$ 1,499	$ 1,308	$ 1,024	$ 665	$ 641	$ 618	$ 19,668	$ 18,701	$ 18,040
Homeowners	6,536	6,289	6,060	9	—	—	506	461	398	7,051	6,750	6,458
Other personal lines	1,569	1,539	1,515	5	2	—	109	104	97	1,683	1,645	1,612
Subtotal – Personal lines	25,609	24,580	23,973	1,513	1,310	1,024	1,280	1,206	1,113	28,402	27,096	26,110
Commercial lines	494	466	454	—	—	—	—	—	—	494	466	454
Other business lines	717	602	462	—	—	—	—	—	—	717	602	462
Total	$ 26,820	$ 25,648	$ 24,889	$ 1,513	$ 1,310	$ 1,024	$ 1,280	$ 1,206	$ 1,113	$ 29,613	$ 28,164	$ 27,026

Premiums earned by brand are shown in the following table.

($ in millions)	Allstate brand			Esurance brand			Encompass brand			Allstate Protection		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Auto	$ 17,234	$ 16,578	$ 16,352	$ 1,455	$ 1,245	$ 967	$ 655	$ 626	$ 609	$ 19,344	$ 18,449	$ 17,928
Homeowners	6,415	6,183	5,980	3	—	—	486	430	379	6,904	6,613	6,359
Other personal lines	1,551	1,527	1,501	5	2	—	106	100	93	1,662	1,629	1,594
Subtotal – Personal lines	25,200	24,288	23,833	1,463	1,247	967	1,247	1,156	1,081	27,910	26,691	25,881
Commercial lines	476	456	462	—	—	—	—	—	—	476	456	462
Other business lines	542	471	394	—	—	—	—	—	—	542	471	394
Total	$ 26,218	$ 25,215	$ 24,689	$ 1,463	$ 1,247	$ 967	$ 1,247	$ 1,156	$ 1,081	$ 28,928	$ 27,618	$ 26,737

Premium measures and statistics that are used to analyze the business are calculated and described below.

- PIF: Policy counts are based on items rather than customers. A multi-car customer would generate multiple item (policy) counts, even if all cars were insured under one policy.
- Average premium-gross written (''average premium''): Gross premiums written divided by issued item count. Gross premiums written include the impacts from discounts, surcharges and ceded reinsurance premiums and exclude the impacts from mid-term premium adjustments and premium refund accruals. Average premiums represent the appropriate policy term for each line. Allstate and Esurance brands are 6 months for auto and 12 months for homeowners. Encompass brand is 12 months for auto and homeowners.
- Renewal ratio: Renewal policies issued during the period, based on contract effective dates, divided by the total policies issued 6 months prior for auto (12 months prior for Encompass brand) or 12 months prior for homeowners.
- New issued applications: Item counts of automobiles or homeowners insurance applications for insurance policies that were issued during the period, regardless of whether the customer was previously insured by another Allstate Protection brand. Does not include automobiles that are added by existing customers.

Auto premiums written totaled $19.67 billion in 2014, a 5.2% increase from $18.70 billion in 2013, following a 3.7% increase in 2013 from $18.04 billion in 2012.

	Allstate brand			Esurance brand			Encompass brand		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
PIF (thousands)	19,916	19,362	19,084	1,424	1,286	1,029	790	774	731
Average premium [1]	$ 479	$ 468	$ 458	$ 499	$ 485	$ 493	$ 895	$ 880	$ 890
Renewal ratio (%)	88.9	88.6	87.9	79.5	80.7	80.5	79.7	78.7	75.8
Approved rate changes [2]:									
# of locations	46 [6]	39	42	38	31	29	29	29	31
Total brand (%) [3]	2.3 [7]	1.9	3.0	6.0	4.8	4.4	6.6	5.9	4.1
Location specific (%) [4][5]	3.2	3.2	5.0	6.9	6.5	5.6	7.9	7.0	5.2

(1) Policy term is six months for Allstate and Esurance brands and twelve months for Encompass brand.

(2) Rate changes that are indicated based on loss trend analysis to achieve a targeted return will continue to be pursued. Rate changes do not include rating plan enhancements, including the introduction of discounts and surcharges that result in no change in the overall rate level in the state. These rate changes do not reflect initial rates filed for insurance subsidiaries initially writing business in a state. Rate changes for Allstate brand for the 2013 and 2012 periods exclude Canada and specialty auto.

(3) Represents the impact in the states and Canadian provinces where rate changes were approved during the period as a percentage of total brand prior year-end premiums written.

(4) Represents the impact in the states and Canadian provinces where rate changes were approved during the period as a percentage of its respective total prior year-end premiums written in those same locations.

(5) Based on historical premiums written in those states and Canadian provinces, rate changes approved for auto totaled $520 million, $379 million and $539 million in 2014, 2013 and 2012, respectively.

(6) 2014 includes 4 Canadian provinces and Washington D.C.

(7) Allstate brand (excluding Canada) rate changes in 2014 were 2.9%.

Allstate brand auto premiums written totaled $17.50 billion in 2014, a 4.5% increase from $16.75 billion in 2013. Factors impacting premiums written were the following:

- 2.9% or 554 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013.
- 10.3% increase in new issued applications to 3,033 thousand in 2014 from 2,749 thousand in 2013.
- 2.4% increase in average premium in 2014 compared to 2013.
- 0.3 point increase in the renewal ratio in 2014 compared to 2013.

Allstate brand auto premiums written totaled $16.75 billion in 2013, a 2.2% increase from $16.40 billion in 2012. Factors impacting premiums written were the following:

- 1.5% increase in PIF as of December 31, 2013 compared to December 31, 2012.
- 12.5% increase in new issued applications to 2,749 thousand in 2013 from 2,443 thousand in 2012.
- 2.2% increase in average premium in 2013 compared to 2012.
- 0.7 point increase in the renewal ratio in 2013 compared to 2012.

Esurance brand auto premiums written totaled $1.50 billion in 2014, an increase of 14.6% from $1.31 billion in 2013. The increase was primarily due to a 10.7% or 138 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013. New issued applications of 747 thousand in 2014 was comparable to 2013. An increase in quote volume driven by the new advertising program was offset by a decrease in conversion rate (the percentage of completed quotes to actual issued policies) primarily due to rate actions. Rate actions are taken where profit margin targets are not being achieved. The rate changes in 2014 were taken in states and risk categories to improve profit margin while managing customer retention. Average premium increased 2.9% in 2014 compared to 2013.

Esurance brand renewal ratio decreased 1.2 points in 2014 compared to 2013. The renewal ratio for the direct to consumer business is generally lower than agency written business consistent with the direct consumer tendency to shop and change providers based on competitive rates. The renewal ratio is also typically lowest at the first renewal date for new business. The decrease in the renewal ratio during 2014 was due to the impact of rate increases and growth in states with lower retention, partially offset by an increase in the amount of business past its first renewal. Retention may continue to be impacted as a result of expansion initiatives that increase the areas in which Esurance writes business. Retention at first renewal was 70.4% during 2014 compared to 72.8% in 2013. The renewal ratio on business subsequent to first renewal was 82.7% during 2014 compared to 84.1% in 2013.

Esurance brand auto premiums written totaled $1.31 billion in 2013, a 27.7% increase from $1.02 billion in 2012. The increase was primarily due to a 25.0% increase in PIF as of December 31, 2013 compared to December 31, 2012. New issued applications increased 23.5% to 747 thousand in 2013 from 605 thousand in 2012. Growth in new issued applications was driven by increased advertising, which resulted in an increase in quotes. Our conversion rate was comparable to the prior year. The renewal ratio increased 0.2 points in 2013 compared to 2012.

Encompass brand auto premiums written totaled $665 million in 2014, an increase of 3.7% from $641 million in 2013. The increase was primarily due to a 2.1% or 16 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013. New issued applications decreased 12.9% to 135 thousand in 2014 from 155 thousand in 2013 primarily due to profit improvement actions including rate changes, underwriting guideline adjustments, and agency-level actions to manage risks and ensure profitability. Average premium increased 1.7% in 2014 compared to 2013. The renewal ratio increased 1.0 point in 2014 compared to 2013 due to adverse impacts from run-off effects of Florida in the prior year. A higher percentage of package auto policies renewed. Package policies typically have higher retention rates.

Encompass brand auto premiums written totaled $641 million in 2013, a 3.7% increase from $618 million in 2012. The increase was primarily due to a 5.9% increase in PIF as of December 31, 2013 compared to December 31, 2012 and actions taken to enhance the package policy. New issued applications increased 9.2% to 155 thousand in 2013 from 142 thousand in 2012. The renewal ratio increased 2.9 points in 2013 compared to 2012. Encompass discontinued writing new auto business in Florida in September 2012 and non-renewals began in February 2013.

Homeowners premiums written totaled $7.05 billion in 2014, a 4.5% increase from $6.75 billion in 2013, following a 4.5% increase in 2013 from $6.46 billion in 2012. Excluding the cost of catastrophe reinsurance, premiums written increased 3.7% in 2014 compared to 2013. For a more detailed discussion on reinsurance, see the Property-Liability Claims and Claims Expense Reserves section of the MD&A and Note 10 of the consolidated financial statements.

	Allstate brand			Esurance brand	Encompass brand		
	2014	2013	2012	2014	2014	2013	2012
PIF (thousands)	6,106	6,077	6,213	10	365	356	327
Average premium (12 months)	$ 1,140	$ 1,115	$ 1,074	$ 811	$ 1,457	$ 1,374	$ 1,311
Renewal ratio (%) (12 months)	88.4	87.7	87.4	N/A	85.6	86.6	83.3
Approved rate changes [(1)]:							
# of locations	37 [(3)]	41	42	N/A	23	31	33 [(4)]
Total brand (%)	1.7	3.6	6.3	N/A	4.7	7.4	6.0
Location specific (%) [(2)]	4.7	5.2	8.6	N/A	8.9	8.2	6.4

(1) Includes rate changes approved based on our net cost of reinsurance. Rate changes for Allstate brand for the 2013 and 2012 periods exclude Canada.
(2) Based on historical premiums written in those states and Canadian provinces, rate changes approved for homeowners totaled $147 million, $254 million and $412 million, respectively.
(3) Includes 4 Canadian provinces.
(4) Includes Washington D.C.

N/A reflects not applicable.

Allstate brand homeowners premiums written totaled $6.54 billion in 2014, a 3.9% increase from $6.29 billion in 2013. Factors impacting premiums written were the following:

- 0.5% or 29 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013 due to increases in new issued applications and retention.
- 16.0% increase in new issued applications to 725 thousand in 2014 from 625 thousand in 2013.
- 2.2% increase in average premium in 2014 compared to 2013 primarily due to rate changes as well as increasing insured home valuations.
- 0.7 point increase in the renewal ratio in 2014 compared to 2013.
- $36 million decrease in the cost of our catastrophe reinsurance program to $389 million in 2014 from $425 million in 2013. Reinsurance premiums are recorded as a reduction of premium.

Premiums written for Allstate's House and Home® product, our redesigned homeowners new business offering currently available in 34 states, totaled $934 million in 2014 compared to $471 million in 2013. Most House and Home policies are issued to customers new to Allstate homeowners policies. Allstate House and Home accounted for 86% of Allstate brand homeowners new issued applications in 2014. Allstate House and Home PIF increased 102.6% as of December 31, 2014 compared to December 31, 2013.

In states with severe weather and risk, our excess and surplus lines carrier North Light as well as non-proprietary products will remain a critical component to our overall homeowners strategy to profitably grow and serve our customers.

Allstate brand homeowners premiums written totaled $6.29 billion in 2013, a 3.8% increase from $6.06 billion in 2012. Factors impacting premiums written were the following:

- 2.2% decrease in PIF as of December 31, 2013 compared to December 31, 2012 due to fewer policies available to renew.
- 31.6% increase in new issued applications to 625 thousand in 2013 from 475 thousand in 2012.
- 3.8% increase in average premium in 2013 compared to 2012 primarily due to rate changes.
- 0.3 point increase in the renewal ratio in 2013 compared to 2012.
- $56 million decrease in the cost of our catastrophe reinsurance program to $425 million in 2013 from $481 million in 2012.

Esurance brand homeowners premiums written totaled $9 million in 2014. New issued applications totaled 11 thousand in 2014. As of December 31, 2014, Esurance is writing homeowners insurance in 14 states with lower hurricane risk that have lower average premium.

Encompass brand homeowners premiums written totaled $506 million in 2014, a 9.8% increase from $461 million in 2013. The increase was primarily due to rate increases and a 2.5% or 9 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013. New issued applications decreased 11.4% to 70 thousand in 2014 from 79 thousand in 2013 due to profit improvement actions including rate changes, underwriting guideline adjustments, and agency-level actions. Average premium increased 6.0% in 2014 compared to 2013. The renewal ratio decreased 1.0 point in 2014 compared to 2013.

Encompass brand homeowners premiums written totaled $461 million in 2013, a 15.8% increase from $398 million in 2012. The increase was primarily due to an 8.9% increase in PIF as of December 31, 2013 compared to December 31, 2012 and actions taken to enhance the package policy. New issued applications increased 12.9% to 79 thousand in 2013 from 70 thousand in 2012. The renewal ratio increased 3.3 points in 2013 compared to 2012.

Other personal lines Allstate brand other personal lines premiums written totaled $1.57 billion in 2014, a 1.9% increase from $1.54 billion in 2013, following a 1.6% increase in 2013 from $1.52 billion in 2012. The increases in 2014 and 2013 primarily relate to renter and condominium insurance.

Commercial lines premiums written totaled $494 million in 2014, a 6.0% increase from $466 million in 2013, following a 2.6% increase in 2013 from $454 million in 2012. The increase in 2014 was driven by higher renewals and increased new business resulting from a new business owner policy product.

Other business lines premiums written totaled $717 million in 2014, a 19.1% increase from $602 million in 2013, following a 30.3% increase in 2013 from $462 million in 2012. The increases in 2014 and 2013 were primarily due to increased sales of vehicle service contracts at Allstate Dealer Services, and new and expanded contracts where Allstate Roadside Services provides roadside assistance to a third party company's customer base.

Underwriting results are shown in the following table.

($ in millions)	2014	2013	2012
Premiums written	$ 29,613	$ 28,164	$ 27,026
Premiums earned	$ 28,928	$ 27,618	$ 26,737
Claims and claims expense	(19,315)	(17,769)	(18,433)
Amortization of DAC	(3,875)	(3,674)	(3,483)
Other costs and expenses	(3,835)	(3,751)	(3,534)
Restructuring and related charges	(16)	(63)	(34)
Underwriting income	$ 1,887	$ 2,361	$ 1,253
Catastrophe losses	$ 1,993	$ 1,251	$ 2,345
Underwriting income (loss) by line of business			
Auto	$ 604	$ 668	$ 469
Homeowners	1,097	1,422	690
Other personal lines	150	198	(10)
Commercial lines	9	41	51
Other business lines	40	51	77
Answer Financial	(13)	(19)	(24)
Underwriting income	$ 1,887	$ 2,361	$ 1,253
Underwriting income (loss) by brand			
Allstate brand	$ 2,235	$ 2,551	$ 1,539
Esurance brand	(259)	(218)	(192)
Encompass brand	(76)	47	(70)
Answer Financial	(13)	(19)	(24)
Underwriting income	$ 1,887	$ 2,361	$ 1,253

Allstate Protection had underwriting income of $1.89 billion in 2014 compared to $2.36 billion in 2013. Homeowners underwriting income was $1.10 billion in 2014 compared to $1.42 billion in 2013, primarily due to increased catastrophe losses, partially offset by increased premiums earned. Auto underwriting income was $604 million in 2014 compared to $668 million in 2013, primarily due to increased losses excluding catastrophes, increased expenses and increased catastrophe losses, partially offset by increased premiums earned. Other personal lines underwriting income was $150 million in 2014 compared to $198 million in 2013, primarily due to increased catastrophe losses, partially offset by increased premiums earned.

Allstate Protection had underwriting income of $2.36 billion in 2013 compared to $1.25 billion in 2012. Homeowners underwriting income was $1.42 billion in 2013 compared to $690 million in 2012, primarily due to decreased catastrophe losses, decreased loss costs excluding catastrophe losses and increased premiums earned, partially offset by lower favorable reserve reestimates and higher expenses. Other personal lines underwriting income was $198 million in 2013 compared to an underwriting loss of $10 million in 2012, primarily due to decreased catastrophe losses, decreased loss costs excluding catastrophe losses, increased premiums earned and lower unfavorable reserve reestimates, partially offset by higher expenses. Auto underwriting income was $668 million in 2013 compared to $469 million in 2012, primarily due to increased premiums earned and decreased catastrophe losses including favorable Sandy reserve reestimates, partially offset by higher incurred losses excluding catastrophe losses, higher expenses and lower favorable reserve reestimates.

Catastrophe losses were $1.99 billion in 2014 compared to $1.25 billion in 2013 and $2.35 billion in 2012.

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

Catastrophe losses in 2014 by the size of event are shown in the following table.

($ in millions)	Number of events		Claims and claims expense		Combined ratio impact	Average catastrophe loss per event
Size of catastrophe loss						
Greater than $250 million	2	2.3%	$ 548	27.5%	1.9	$ 274
$101 million to $250 million	2	2.3	235	11.7	0.8	118
$50 million to $100 million	5	5.9	402	20.2	1.4	80
Less than $50 million	76	89.5	765	38.4	2.7	10
Total	85	100.0%	1,950	97.8	6.8	23
Prior year reserve reestimates			43	2.2	0.1	
Total catastrophe losses			$ 1,993	100.0%	6.9	

Catastrophe losses by the type of event are shown in the following table.

($ in millions)	2014		2013		2012	
		Number of events		Number of events		Number of events
Hurricanes/Tropical storms	$ 2	1	$ 14	1	$ 1,200	3
Tornadoes	99	2	169	3	297	5
Wind/Hail	1,429	70	1,089	64	1,198	64
Wildfires	19	5	41	5	53	11
Other events	401	7	26	3	7	1
Prior year reserve reestimates	43		(88)		(410)	
Total catastrophe losses	$ 1,993	85	$ 1,251	76	$ 2,345	84

Catastrophe losses, including prior year reserve reestimates, excluding hurricanes named or numbered by the National Weather Service, fires following earthquakes and earthquakes, totaled $2.00 billion, $1.35 billion and $1.32 billion in 2014, 2013 and 2012, respectively.

Combined ratio Loss ratios by product, and expense and combined ratios by brand, are shown in the following table.

	Ratio [1]			Effect of catastrophe losses on combined ratio			Effect of prior year reserve reestimates on combined ratio			Effect of amortization of purchased intangible assets on combined ratio		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Allstate brand loss ratio:												
Auto	69.2	68.5	70.3	1.6	1.0	3.8	(1.2)	(1.2)	(2.1)			
Homeowners	58.7	53.4	64.1	21.4	15.6	23.2	0.4	—	(5.2)			
Other personal lines	61.7	58.6	72.3	8.2	3.5	12.3	2.1	1.8	2.2			
Commercial lines	67.0	60.7	60.4	6.1	0.4	0.6	(4.2)	(7.9)	(10.4)			
Total Allstate brand loss ratio	65.8	63.6	68.3	6.9	4.7	8.9	(0.7)	(0.9)	(2.7)			
Allstate brand expense ratio	25.7	26.3	25.5	—	—	—	—	—	—	—	—	—
Allstate brand combined ratio	91.5	89.9	93.8	6.9	4.7	8.9	(0.7)	(0.9)	(2.7)	—	—	—
Esurance brand loss ratio:												
Auto	76.8	78.5	77.2	1.3	0.9	1.6	(1.1)	—	—			
Homeowners	66.7	—	—	—	—	—	—	—	—			
Other personal lines	60.0	50.0	—	—	—	—	—	—	—			
Total Esurance brand loss ratio	76.8	78.5	77.2	1.3	0.9	1.6	(1.1)	—	—			
Esurance brand expense ratio	40.9	39.0	42.7	—	—	—	—	—	—	3.3	4.9	10.1
Esurance brand combined ratio	117.7	117.5	119.9	1.3	0.9	1.6	(1.1)	—	—	3.3	4.9	10.1
Encompass brand loss ratio:												
Auto	77.1	73.5	78.5	3.2	0.3	3.6	(2.0)	(4.8)	(3.9)			
Homeowners	74.7	56.3	76.5	28.2	12.6	28.8	0.4	(1.2)	(3.2)			
Other personal lines	75.5	54.0	67.7	6.6	4.0	5.4	1.9	(8.0)	(9.7)			
Total Encompass brand loss ratio	76.0	65.4	76.9	13.2	5.2	12.6	(0.7)	(3.7)	(4.2)			
Encompass brand expense ratio	30.1	30.5	29.6	—	—	—	—	—	—	—	—	—
Encompass brand combined ratio	106.1	95.9	106.5	13.2	5.2	12.6	(0.7)	(3.7)	(4.2)	—	—	—
Allstate Protection loss ratio	66.8	64.4	68.9	6.9	4.5	8.8	(0.7)	(1.0)	(2.7)			
Allstate Protection expense ratio	26.7	27.1	26.4	—	—	—	—	—	—	0.2	0.3	0.5
Allstate Protection combined ratio	93.5	91.5	95.3	6.9	4.5	8.8	(0.7)	(1.0)	(2.7)	0.2	0.3	0.5

[1] Ratios are calculated using the premiums earned for the respective line of business.

Auto loss ratio for the Allstate brand increased 0.7 points in 2014 compared to 2013, primarily due to increased catastrophe losses. Auto loss ratio for the Allstate brand decreased 1.8 points in 2013 compared to 2012, primarily due to lower catastrophe losses, partially offset by lower favorable reserve reestimates.

Claim frequency in the bodily injury coverages in 2014 was comparable to 2013. Claim frequency in the property damage coverages increased 0.5% in 2014 compared to 2013. We experienced increased property damage frequency in first quarter 2014 due to severe winter weather experienced in the Midwest and East and in the first two months of fourth quarter 2014 in geographically widespread areas with improved unemployment rates leading to higher miles driven and areas that experienced higher precipitation. Otherwise, frequencies in bodily injury and property damage performed within historical ranges. Bodily injury and property damage coverage paid claim severities increased 2.7% and 4.1%, respectively, in 2014 compared to 2013. Severity results in 2014 increased in line with historical Consumer Price Index trends. Claim frequencies in the bodily injury and property damage coverages decreased 1.1% and increased 0.3%, respectively, in 2013 compared to 2012. Bodily injury and property damage coverage paid claim severities increased 3.8% and 1.8%, respectively, in 2013 compared to 2012. We pursue rate increases when necessary to maintain margins.

Esurance brand auto loss ratio decreased 1.7 points in 2014 compared to 2013, primarily due to rate actions and favorable reserve reestimates related to personal injury protection losses. We manage the business so that it is profitable over the life of the business, taking rate increases as appropriate. Esurance brand auto loss ratio increased 1.3 points in 2013 compared to 2012, primarily due to increases in the volume of new business, increased utilization of price discounts and higher unallocated loss adjustment expense, partially offset by lower catastrophe losses.

Encompass brand auto loss ratio increased 3.6 points in 2014 compared to 2013, due to increased catastrophe losses and lower favorable reserve reestimates, partially offset by increased premiums earned. Encompass brand auto loss ratio decreased 5.0 points in 2013 compared to 2012, due to lower catastrophe losses, a higher mix of preferred insureds and higher favorable reserve reestimates.

Homeowners loss ratio for the Allstate brand increased 5.3 points to 58.7 in 2014 from 53.4 in 2013, primarily due to higher catastrophe losses, partially offset by increased premiums earned. Claim frequency excluding catastrophe losses decreased 0.3% in 2014 compared to 2013. Paid claim severity excluding catastrophe losses increased 7.7% in 2014 compared to 2013. The 2-year average annual increase for paid claim severity is approximately 3.5%. Homeowners loss ratio for the Allstate brand decreased 10.7 points to 53.4 in 2013 from 64.1 in 2012, primarily due to lower catastrophe losses, decreased loss costs excluding catastrophe losses and increased premiums earned. Claim frequency excluding catastrophe losses decreased 0.3% in 2013 compared to 2012. Paid claim severity excluding catastrophe losses decreased 0.2% in 2013 compared to 2012.

Encompass brand homeowners loss ratio increased 18.4 points in 2014 compared to 2013, primarily due to higher catastrophe losses. Several catastrophes occurred in areas where Encompass has a concentration of policyholders. Excluding the impact of catastrophe losses, the Encompass brand homeowners loss ratio increased 2.8 points in 2014 compared to 2013, primarily due to the impact of severe weather. Encompass brand homeowners loss ratio decreased 20.2 points in 2013 compared to 2012, primarily due to lower catastrophe losses.

Expense ratio for Allstate Protection decreased 0.4 points in 2014 compared to 2013. The impact of specific costs and expenses on the expense ratio are shown in the following table.

	Allstate brand			Esurance brand			Encompass brand			Allstate Protection		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Amortization of DAC	13.7	13.6	13.2	2.7	2.7	2.5	18.8	18.3	17.5	13.4	13.3	12.9
Advertising expenses	2.5	2.8	2.7	17.4	14.8	15.4	0.4	0.4	0.5	3.2	3.2	3.1
Amortization of purchased intangible assets	—	—	—	3.3	4.9	10.1	—	—	—	0.2	0.3	0.5
Other costs and expenses	9.5	9.7	9.5	17.5	16.6	14.7	10.7	11.5	11.6	9.8	10.1	9.8
Restructuring and related charges	—	0.2	0.1	—	—	—	0.2	0.3	—	0.1	0.2	0.1
Total expense ratio	25.7	26.3	25.5	40.9	39.0	42.7	30.1	30.5	29.6	26.7	27.1	26.4

Allstate brand expense ratio decreased 0.6 points in 2014 compared to 2013 primarily due to lower advertising expenditures and lower employee related costs, including pension expense, partially offset by higher amortization of DAC. Amortization of DAC primarily includes agent remuneration and premium taxes. Amortization of DAC increased in 2014 compared to 2013 and Allstate agency total incurred base commissions, variable compensation and bonus was higher than 2013. Allstate exclusive agent remuneration comprises a base commission, variable compensation and a bonus. Variable compensation has two components: agency success factors (local presence, Allstate Financial insurance policies sold and licensed staff), which must be achieved in order to qualify for the second component, and customer satisfaction. In addition, a bonus that is a percentage of premiums can be earned by agents who achieve a targeted loss ratio and a defined amount of Allstate Financial sales. The bonus is earned by achieving a targeted percentage of multi-category households and increases in Property-Liability and Allstate Financial policies in force. The Allstate agent commissions and bonus were expensed as a component of DAC amortization at increasing levels during 2013 and continuing in 2014 as more agents met the success factors. In 2014, the bonus success factors were changed from 2013 levels commensurate with performance achieved in 2013, which was in excess of target amounts.

Esurance brand expense ratio increased 1.9 points in 2014 compared to 2013. A significant portion of Esurance's expense ratio relates to customer acquisition. Customer acquisition costs include amortization of DAC, advertising expenses and a portion of other costs and expenses and totaled 27.3 points in 2014 and 24.1 points in 2013. Esurance advertising expenses in 2014 were higher than 2013 due to increased spending related to the launch of a new advertising campaign, the homeowners advertising launch in 2014 and additional advertising to achieve short-term growth and long-term brand positioning. The Esurance brand expense ratio also includes purchased intangible assets that are amortized on an accelerated basis with over 80% of the amortization taking place by 2016. The other costs and expenses, related to acquisition include salaries of telephone sales personnel and other underwriting costs, was comparable to the prior year.

Esurance uses a direct distribution model, therefore its primary acquisition-related costs are advertising as opposed to commissions. Esurance incurs substantially all of its acquisition costs in the year of policy inception. As a result, the Esurance expense ratio will be higher during periods of increased advertising expenditures. Total acquisition costs in 2014 were in line with other distribution channels when considering the cumulative earned premiums of policies sold and excluding additional advertising to achieve long term brand positioning. Esurance continued to invest in geographic expansion of its products and added additional products and capabilities in 2014. The spending on expansion initiatives, excluding customer acquisition costs which occur prior to premiums being written, contributed approximately 2.7 points to the expense ratio in 2014. Esurance's annual combined ratio is below 100, excluding amortization of purchased intangible assets, after the year of policy inception (in which substantially all acquisition costs are incurred), driven by pricing changes and customer mix. We manage the direct to consumer business based on its profitability over the life-time of the policy.

Encompass brand expense ratio decreased 0.4 points in 2014 compared to 2013 primarily due to lower employee related costs, including pension expense, partially offset by higher amortization of DAC. The Encompass brand DAC amortization is higher on average than Allstate brand DAC amortization due to higher commission rates paid to independent agencies.

DAC We establish a DAC asset for costs that are related directly to the successful acquisition of new or renewal insurance policies, principally agents' remuneration and premium taxes. For the Allstate Protection business, DAC is amortized to income over the period in which premiums are earned. The DAC balance as of December 31 by brand and product type are shown in the following table.

($ in millions)	Allstate brand		Esurance brand		Encompass brand		Allstate Protection	
	2014	2013	2014	2013	2014	2013	2014	2013
Auto	$ 609	$ 582	$ 10	$ 8	$ 62	$ 62	$ 681	$ 652
Homeowners	491	484	—	—	43	42	534	526
Other personal lines	109	108	—	—	9	9	118	117
Commercial lines	34	31	—	—	—	—	34	31
Other business lines	453	299	—	—	—	—	453	299
Total DAC	$ 1,696	$ 1,504	$ 10	$ 8	$ 114	$ 113	$ 1,820	$ 1,625

Gain on disposition of $37 million, after-tax, in 2014 primarily relates to the sale of Sterling Collision Centers, Inc.

Catastrophe management

Historical catastrophe experience For the last ten years, the average annual impact of catastrophes on our Property-Liability loss ratio was 9.2 points. The average annual impact of catastrophes on the homeowners loss ratio for the last ten years was 32.7 points.

Over time, we have limited our aggregate insurance exposure to catastrophe losses in certain regions of the country that are subject to high levels of natural catastrophes. Limitations include our participation in various state facilities, such as the California Earthquake Authority (''CEA''), which provides insurance for California earthquake losses; the Florida Hurricane Catastrophe Fund, which provides reimbursements to participating insurers for certain qualifying Florida hurricane losses; and other state facilities, such as wind pools. However, the impact of these actions may be diminished by the growth in insured values, and the effect of state insurance laws and regulations. In addition, in various states we are required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Because of our participation in these and other state facilities such as wind pools, we may be exposed to losses that surpass the capitalization of these facilities and to assessments from these facilities.

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

- Continuing to not offer new homeowners business in certain coastal states.
- Increased capacity in our brokerage platform for customers not offered a renewal.
- North Light expanded to 9 new states in 2014, bringing the total number of active states to 42.
- In Texas we have been ceding wind exposure related to insured property located in wind pool eligible areas along the coast including the Galveston Islands.
- We ceased writing new homeowners business in California in 2007. We continue to renew current policyholders.
- We ceased writing new homeowners business in Florida in 2011 beyond a modest stance for existing customers who replace their currently-insured home with an acceptable property. The Encompass companies operating in Florida withdrew from the property lines in 2009.

- Tropical cyclone deductibles are in place for a large portion of coastal insured properties though contract language varies across states and companies, allowing for these higher deductibles to be triggered differently across our customer base.
- We have additional catastrophe exposure, beyond the property lines, for auto customers who have purchased physical damage coverage. Auto physical damage coverage generally includes coverage for flood-related loss. We manage this additional exposure through inclusion of auto losses in our nationwide reinsurance program (which excludes New Jersey and Florida). New Jersey auto losses are included in our New Jersey reinsurance program.
- Redesigned our homeowners new business offering, Allstate House and Home®, that provides options of coverage for roof damage including graduated coverage and pricing based on roof type and age. Allstate House and Home® is currently available in 34 states.

Hurricanes

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

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

Earthquakes

Actions taken to reduce our exposure from earthquake losses are substantially complete. These actions included purchasing reinsurance on a countrywide basis and in the state of Kentucky, no longer offering new optional earthquake coverage in most states, removing optional earthquake coverage upon renewal in most states, and entering into arrangements in many states to make earthquake coverage available through other insurers for new and renewal business.

We expect to retain approximately 30,000 PIF with earthquake coverage, primarily in Kentucky, due to regulatory and other reasons. We also will continue to have exposure to earthquake risk on certain policies that do not specifically exclude coverage for earthquake losses, including our auto policies, and to fires following earthquakes. Allstate policyholders in the state of California are offered coverage through the CEA, a privately-financed, publicly-managed state agency created to provide insurance coverage for earthquake damage. Allstate is subject to assessments from the CEA under certain circumstances as explained in Note 14 of the consolidated financial statements.

Fires Following Earthquakes

Actions taken related to our risk of loss from fires following earthquakes include changing homeowners underwriting requirements in California, purchasing reinsurance for Kentucky personal lines property risks, and purchasing nationwide occurrence reinsurance, excluding Florida and New Jersey.

Wildfires

Actions we are taking to reduce our risk of loss from wildfires include changing homeowners underwriting requirements in certain states and purchasing nationwide occurrence reinsurance.

Reinsurance

A description of our current catastrophe reinsurance program appears in Note 10 of the consolidated financial statements.

DISCONTINUED LINES AND COVERAGES SEGMENT

Overview The Discontinued Lines and Coverages segment includes results from property-liability insurance coverage that we no longer write and results for certain commercial and other businesses in run-off. Our exposure to asbestos, environmental and other discontinued lines claims is reported in this segment. We have assigned management of this segment to a designated group of professionals with expertise in claims handling, policy coverage interpretation, exposure identification and reinsurance collection. As part of its responsibilities, this group may at times be engaged in policy buybacks, settlements and reinsurance assumed and ceded commutations.

Summarized underwriting results for the years ended December 31 are presented in the following table.

($ in millions)	2014	2013	2012
Premiums written	$ 1	$ —	$ 1
Premiums earned	$ 1	$ —	$ —
Claims and claims expense	(113)	(142)	(51)
Operating costs and expenses	(3)	(1)	(2)
Underwriting loss	$ (115)	$ (143)	$ (53)

Underwriting losses of $115 million in 2014 primarily related to our annual review using established industry and actuarial best practices resulting in an $87 million unfavorable reestimate of asbestos reserves, a $15 million unfavorable reestimate of environmental reserves and a $3 million increase in allowance for future uncollectible reinsurance, partially offset by a $3 million favorable reestimate of other exposure reserves. The cost of administering claims settlements totaled $10 million for 2014, $13 million for 2013 and $11 million for 2012.

Underwriting losses of $143 million in 2013 related to a $74 million unfavorable reestimate of asbestos reserves, a $30 million unfavorable reestimate of environmental reserves and a $30 million unfavorable reestimate of other exposure reserves, primarily as a result of our annual review using established industry and actuarial best practices, partially offset by a $1 million decrease in our allowance for future uncollectable reinsurance.

The underwriting loss of $53 million in 2012 related to a $26 million unfavorable reestimate of asbestos reserves, a $22 million unfavorable reestimate of environmental reserves and a $5 million unfavorable reestimate of other reserves, primarily as a result of our annual review using established industry and actuarial best practices, partially offset by a $14 million decrease in our allowance for future uncollectable reinsurance.

See the Property-Liability Claims and Claims Expense Reserves section of the MD&A for a more detailed discussion.

Discontinued Lines and Coverages outlook

- We may continue to experience asbestos and/or environmental losses in the future. These losses could be due to the potential adverse impact of new information relating to new and additional claims or the impact of resolving unsettled claims based on unanticipated events such as litigation or legislative, judicial and regulatory actions. Environmental losses may also increase as the result of additional funding for environmental site cleanup. Because of our annual review, we believe that our reserves are appropriately established based on available information, technology, laws and regulations.
- We anticipate progress in the resolution of certain bankruptcies related to insureds with asbestos claims, reducing the industry's asbestos related claims exposures.
- We continue to address challenges related to centralization of insurance and reinsurance industry legacy claims into companies who specialize in the runoff of this business.

PROPERTY-LIABILITY INVESTMENT RESULTS

Net investment income The following table presents net investment income.

($ in millions)	2014	2013	2012
Fixed income securities	$ 860	$ 912	$ 1,073
Equity securities	95	136	118
Mortgage loans	17	20	21
Limited partnership interests	346	365	188
Short-term investments	4	3	4
Other	65	38	14
Investment income, before expense	1,387	1,474	1,418
Investment expense	(86)	(99)	(92)
Net investment income	$ 1,301	$ 1,375	$ 1,326

The average pre-tax investment yields for the years ended December 31 are presented in the following table. Pre-tax yield is calculated as investment income before investment expense (including dividend income in the case of equity securities) divided by the average of the investment balances at the end of each quarter during the year. Investment balances, for purposes of the pre-tax yield calculation, exclude unrealized capital gains and losses.

	2014	2013	2012
Fixed income securities: tax-exempt	2.6%	3.4%	4.3%
Fixed income securities: tax-exempt equivalent	3.8	5.0	6.3
Fixed income securities: taxable	2.9	3.2	3.7
Equity securities	2.9	3.8	3.5
Mortgage loans	4.3	4.2	4.3
Limited partnership interests	13.1	12.2	6.3
Total portfolio	3.6	4.0	3.9

Net investment income decreased 5.4% or $74 million to $1.30 billion in 2014 from $1.38 billion in 2013, after increasing 3.7% in 2013 compared to 2012. The 2014 decrease was primarily due to lower fixed income yields and equity dividends. The decrease in fixed income yields is primarily due to reinvestment at yields lower than the overall portfolio yield. The 2013 increase was primarily due to higher limited partnership income, average investment balances and equity dividends, as well as prepayment fee income and litigation proceeds which together increased income by a total of $18 million in 2013, partially offset by lower fixed income yields.

Net realized capital gains and losses are presented in the following table.

($ in millions)	2014	2013	2012
Impairment write-downs	$ (21)	$ (39)	$ (134)
Change in intent write-downs	(169)	(124)	(31)
Net other-than-temporary impairment losses recognized in earnings	(190)	(163)	(165)
Sales	789	706	511
Valuation and settlements of derivative instruments	(50)	(24)	(11)
Realized capital gains and losses, pre-tax	549	519	335
Income tax expense	(192)	(180)	(114)
Realized capital gains and losses, after-tax	$ 357	$ 339	$ 221

For a further discussion of net realized capital gains and losses, see the Investments section of the MD&A.

PROPERTY-LIABILITY CLAIMS AND CLAIMS EXPENSE RESERVES

Property-Liability underwriting results are significantly influenced by estimates of property-liability claims and claims expense reserves. For a description of our reserve process, see Note 8 of the consolidated financial statements and for a further description of our reserving policies and the potential variability in our reserve estimates, see the

Application of Critical Accounting Estimates section of the MD&A. These reserves are an estimate of amounts necessary to settle all outstanding claims, including IBNR claims, as of the reporting date.

The facts and circumstances leading to our reestimates of reserves relate to revisions to the development factors used to predict how losses are likely to develop from the end of a reporting period until all claims have been paid. Reestimates occur because actual losses are likely different than those predicted by the estimated development factors used in prior reserve estimates. As of December 31, 2014, the impact of a reserve reestimation corresponding to a one percent increase or decrease in net reserves would be a decrease or increase of approximately $112 million in net income available to common shareholders.

We believe the net loss reserves for Allstate Protection exposures are appropriately established based on available facts, technology, laws and regulations.

The table below shows total net reserves as of December 31 by line of business.

($ in millions)	2014	2013	2012
Allstate brand	$ 14,214	$ 14,225	$ 14,364
Esurance brand	649	575	470
Encompass brand	754	747	807
Total Allstate Protection	15,617	15,547	15,641
Discontinued Lines and Coverages	1,612	1,646	1,637
Total Property-Liability	$ 17,229	$ 17,193	$ 17,278

The tables below show reserves, net of reinsurance, representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2014, 2013 and 2012 and the effect of reestimates in each year.

($ in millions)	January 1 reserves		
	2014	2013	2012
Allstate brand	$ 14,225	$ 14,364	$ 14,792
Esurance brand	575	470	429
Encompass brand	747	807	859
Total Allstate Protection	15,547	15,641	16,080
Discontinued Lines and Coverages	1,646	1,637	1,707
Total Property-Liability	$ 17,193	$ 17,278	$ 17,787

($ in millions, except ratios)	2014		2013		2012	
	Reserve reestimate [1]	Effect on combined ratio [2]	Reserve reestimate [1]	Effect on combined ratio [2]	Reserve reestimate [1]	Effect on combined ratio [2]
Allstate brand	$ (171)	(0.6)	$ (220)	(0.8)	$ (671)	(2.5)
Esurance brand	(16)	(0.1)	—	—	—	—
Encompass brand	(9)	—	(43)	(0.2)	(45)	(0.2)
Total Allstate Protection	(196)	(0.7)	(263)	(1.0)	(716)	(2.7)
Discontinued Lines and Coverages	112	0.4	142	0.6	51	0.2
Total Property-Liability [3]	$ (84)	(0.3)	$ (121)	(0.4)	$ (665)	(2.5)
Reserve reestimates, after-tax	$ (55)		$ (79)		$ (432)	
Consolidated net income available to common shareholders	$ 2,746		$ 2,263		$ 2,306	
Reserve reestimates as a % of consolidated net income available to common shareholders	2.0%		3.5%		18.7%	

[1] Favorable reserve reestimates are shown in parentheses.
[2] Ratios are calculated using Property-Liability premiums earned.
[3] Prior year reserve reestimates included in catastrophe losses totaled $43 unfavorable in 2014, $88 million favorable in 2013 and $410 million favorable in 2012. The effect of catastrophe losses included in prior year reserve reestimates on the combined ratio totaled 0.1 unfavorable, 0.3 favorable and 1.5 favorable in 2014, 2013, and 2012, respectively.

The following tables reflect the accident years to which the reestimates shown above are applicable by line of business. Favorable reserve reestimates are shown in parentheses.

2014 Prior year reserve reestimates

($ in millions)	2004 & prior	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Allstate brand	$ (38)	$ (10)	$ (11)	$ 2	$ (20)	$ 37	$ (86)	$ (35)	$ (99)	$ 89	$ (171)
Esurance brand	—	—	—	—	—	—	—	(9)	6	(13)	(16)
Encompass brand	2	1	—	1	(1)	(2)	(2)	(5)	(6)	3	(9)
Total Allstate Protection	(36)	(9)	(11)	3	(21)	35	(88)	(49)	(99)	79	(196)
Discontinued Lines and Coverages	112	—	—	—	—	—	—	—	—	—	112
Total Property- Liability	$ 76	$ (9)	$ (11)	$ 3	$ (21)	$ 35	$ (88)	$ (49)	$ (99)	$ 79	$ (84)

2013 Prior year reserve reestimates

($ in millions)	2003 & prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Allstate brand	$ 56	$ 5	$ (33)	$ (44)	$ (45)	$ (32)	$ (59)	$ (16)	$ (70)	$ 18	$ (220)
Esurance brand	—	—	—	—	—	—	—	—	—	—	—
Encompass brand	2	1	1	(1)	(1)	(5)	(4)	(4)	(14)	(18)	(43)
Total Allstate Protection	58	6	(32)	(45)	(46)	(37)	(63)	(20)	(84)	—	(263)
Discontinued Lines and Coverages	142	—	—	—	—	—	—	—	—	—	142
Total Property- Liability	$ 200	$ 6	$ (32)	$ (45)	$ (46)	$ (37)	$ (63)	$ (20)	$ (84)	$ —	$ (121)

2012 Prior year reserve reestimates

($ in millions)	2002 & prior	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Allstate brand	$ 102	$ (9)	$ (10)	$ (36)	$ 11	$ (11)	$ (36)	$ (33)	$ (147)	$ (502)	$ (671)
Esurance brand	—	—	—	—	—	—	—	—	—	—	—
Encompass brand	—	(1)	—	(12)	(1)	—	(5)	(4)	(14)	(8)	(45)
Total Allstate Protection	102	(10)	(10)	(48)	10	(11)	(41)	(37)	(161)	(510)	(716)
Discontinued Lines and Coverages	51	—	—	—	—	—	—	—	—	—	51
Total Property- Liability	$ 153	$ (10)	$ (10)	$ (48)	$ 10	$ (11)	$ (41)	$ (37)	$ (161)	$ (510)	$ (665)

Allstate brand prior year reserve reestimates were $171 million favorable in 2014, $220 million favorable in 2013, and $671 million favorable in 2012. In 2014, this was primarily due to severity development that was better than expected. In 2013, this was primarily due to severity development that was better than expected and catastrophe reserve reestimates. In 2012, this was primarily due to favorable catastrophe reserve reestimates and severity development that was better than expected. The increased reserves in accident years 2002 & prior is due to a reclassification of injury reserves to older years and reserve strengthening.

These trends are primarily responsible for revisions to loss development factors, as described above, used to predict how losses are likely to develop from the end of a reporting period until all claims have been paid. Because these trends cause actual losses to differ from those predicted by the estimated development factors used in prior reserve estimates, reserves are revised as actuarial studies validate new trends based on the indications of updated development factor calculations.

The impact of these reestimates on the Allstate brand underwriting income is shown in the table below.

($ in millions)	2014	2013	2012
Reserve reestimates	$ (171)	$ (220)	$ (671)
Allstate brand underwriting income	2,235	2,551	1,539
Reserve reestimates as a % of underwriting income	7.7%	8.6%	43.6%

Esurance brand prior year reserve reestimates were $16 million favorable in 2014. In 2014, this was primarily due to severity development that was better than expected. There were no prior year reserve reestimates for Esurance in 2013 or 2012. However, the Esurance opening balance sheet reserves were reestimated in 2012 resulting in a $13 million reduction in reserves due to lower severity. The adjustment was recorded as a reduction in goodwill and an increase in payables to the seller under the terms of the purchase agreement and therefore had no impact on claims expense or the loss ratio.

The impact of these reestimates on the Esurance brand underwriting loss is shown in the table below.

($ in millions)	2014
Reserve reestimates	$ (16)
Esurance brand underwriting loss	(259)
Reserve reestimates as a % of underwriting loss	6.2%

Encompass brand prior year reserve reestimates were $9 million favorable in 2014, $43 million favorable in 2013, and $45 million favorable in 2012. In 2014, this was primarily due to severity development that was better than expected. In 2013 and 2012, this was related to lower than anticipated claim settlement costs and favorable catastrophe reserve reestimates.

The impact of these reestimates on the Encompass brand underwriting (loss) income is shown in the table below.

($ in millions)	2014	2013	2012
Reserve reestimates	$ (9)	$ (43)	$ (45)
Encompass brand underwriting (loss) income	(76)	47	(70)
Reserve reestimates as a % of underwriting (loss) income	11.8%	91.5%	64.3%

Allstate Protection

The tables below show Allstate Protection net reserves representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2014, 2013, and 2012, and the effect of reestimates in each year.

($ in millions)	January 1 reserves		
	2014	2013	2012
Auto	$ 11,616	$ 11,383	$ 11,404
Homeowners	1,821	2,008	2,439
Other personal lines	1,512	1,596	1,531
Commercial lines	576	627	678
Other business lines	22	27	28
Total Allstate Protection	$ 15,547	$ 15,641	$ 16,080

($ in millions, except ratios)	2014		2013		2012	
	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio
Auto	$ (238)	(0.8)	$ (237)	(0.9)	$ (365)	(1.4)
Homeowners	29	0.1	(5)	—	(321)	(1.2)
Other personal lines	34	0.1	19	—	24	0.1
Commercial lines	(20)	(0.1)	(36)	(0.1)	(48)	(0.2)
Other business lines	(1)	—	(4)	—	(6)	—
Total Allstate Protection	$ (196)	(0.7)	$ (263)	(1.0)	$ (716)	(2.7)
Underwriting income	$ 1,887		$ 2,361		$ 1,253	
Reserve reestimates as a % of underwriting income	10.4%		11.1%		57.1%	

Auto reserve reestimates in 2014, 2013, and 2012 were primarily due to claim severity development that was better than expected.

Unfavorable homeowners reserve reestimates in 2014 were primarily due to unfavorable catastrophe reserve reestimates. Favorable homeowners reserve reestimates in 2013 were primarily due to favorable non-catastrophe reserve reestimates. Favorable homeowners reserve reestimates in 2012 were primarily due to favorable catastrophe reserve reestimates.

Other personal lines reserve reestimates in 2014, 2013 and 2012 were primarily the result of non-catastrophe loss development higher than anticipated in previous estimates.

Commercial lines reserve reestimates in 2014, 2013 and 2012 were primarily due to favorable non-catastrophe reserve reestimates.

Pending, new and closed claims for Allstate Protection are summarized in the following table for the years ended December 31. The increase in pending claims as of December 31, 2014 compared to December 31, 2013 relates to growth and auto frequency. The decrease in pending claims as of December 31, 2013 compared to December 31, 2012 relates to catastrophes.

Number of claims	2014	2013	2012
Auto			
Pending, beginning of year	473,703	472,078	436,972
New	6,330,940	5,902,746	5,807,557
Total closed	(6,317,416)	(5,901,121)	(5,772,451)
Pending, end of year	487,227	473,703	472,078
Homeowners			
Pending, beginning of year	37,420	48,418	44,134
New	759,794	711,883	1,003,493
Total closed	(763,566)	(722,881)	(999,209)
Pending, end of year	33,648	37,420	48,418
Other personal lines			
Pending, beginning of year	17,004	42,969	19,866
New	204,549	197,424	282,625
Total closed	(206,059)	(223,389)	(259,522)
Pending, end of year	15,494	17,004	42,969
Commercial lines			
Pending, beginning of year	10,422	10,242	11,998
New	65,970	58,697	54,616
Total closed	(64,556)	(58,517)	(56,372)
Pending, end of year	11,836	10,422	10,242
Other business lines			
Pending, beginning of year	—	—	7
New	2	27	16
Total closed	(2)	(27)	(23)
Pending, end of year	—	—	—
Total Allstate Protection			
Pending, beginning of year	538,549	573,707	512,977
New	7,361,255	6,870,777	7,148,307
Total closed	(7,351,599)	(6,905,935)	(7,087,577)
Pending, end of year	548,205	538,549	573,707

Discontinued Lines and Coverages We conduct an annual review in the third quarter of each year to evaluate and establish asbestos, environmental and other discontinued lines reserves. Reserves are recorded in the reporting period in which they are determined. Using established industry and actuarial best practices and assuming no change in the regulatory or economic environment, this detailed and comprehensive methodology determines reserves based on assessments of the characteristics of exposure (e.g. claim activity, potential liability, jurisdiction, products versus non-products exposure) presented by policyholders.

Reserve reestimates for the Discontinued Lines and Coverages are shown in the table below.

($ in millions)	2014		2013		2012	
	January 1 reserves	Reserve reestimate	January 1 reserves	Reserve reestimate	January 1 reserves	Reserve reestimate
Asbestos claims	$ 1,017	$ 87	$ 1,026	$ 74	$ 1,078	$ 26
Environmental claims	208	15	193	30	185	22
Other discontinued lines	421	10	418	38	444	3
Total Discontinued Lines and Coverages	$ 1,646	$ 112	$ 1,637	$ 142	$ 1,707	$ 51
Underwriting loss		$ (115)		$ (143)		$ (53)
Reserve reestimates as a % of underwriting loss		(97.4)%		(99.3)%		(96.2)%

Reserve additions for asbestos in 2014 were primarily related to more reported claims than expected and increased severity including claims from certain large insurance programs. Reserve additions for asbestos in 2013 were primarily related to a cedent's settlement with a bankrupt insured of asbestos claims in excess of a previously advised amount and loss trends from other claims. Reserve additions for asbestos in 2012 were primarily for products related coverage due to increases for the assumed reinsurance portion of discontinued lines where we are reliant on our ceding companies to report claims.

Reserve additions for environmental in 2014 were primarily related to greater reported loss activity than expected. Reserve additions for environmental in 2013 were primarily related to an adverse court ruling for site-specific disputed coverage. Reserve additions for environmental in 2012 were primarily related to site-specific remediations where the clean-up cost estimates and responsibility for the clean-up were more fully determined.

The table below summarizes reserves and claim activity for asbestos and environmental claims before (Gross) and after (Net) the effects of reinsurance for the past three years.

($ in millions, except ratios)	2014		2013		2012	
	Gross	Net	Gross	Net	Gross	Net
Asbestos claims						
Beginning reserves	$ 1,495	$ 1,017	$ 1,522	$ 1,026	$ 1,607	$ 1,078
Incurred claims and claims expense	124	87	84	74	34	26
Claims and claims expense paid	(127)	(90)	(111)	(83)	(119)	(78)
Ending reserves	$ 1,492	$ 1,014	$ 1,495	$ 1,017	$ 1,522	$ 1,026
Annual survival ratio	11.7	11.3	13.5	12.3	12.8	13.2
3-year survival ratio	12.5	12.1	14.2	14.5	14.1	14.7
Environmental claims						
Beginning reserves	$ 268	$ 208	$ 241	$ 193	$ 225	$ 185
Incurred claims and claims expense	22	15	44	30	32	22
Claims and claims expense paid	(23)	(20)	(17)	(15)	(16)	(14)
Ending reserves	$ 267	$ 203	$ 268	$ 208	$ 241	$ 193
Annual survival ratio	11.6	10.2	15.8	13.9	15.1	13.8
3-year survival ratio	14.1	12.7	14.9	13.9	13.4	12.9
Combined environmental and asbestos claims						
Annual survival ratio	11.7	11.1	13.8	12.5	13.1	13.3
3-year survival ratio	12.7	12.2	14.3	14.4	14.0	14.3
Percentage of IBNR in ending reserves		56.9%		55.4%		57.8%

The survival ratio is calculated by taking our ending reserves divided by payments made during the year. This is a commonly used but extremely simplistic and imprecise approach to measuring the adequacy of asbestos and environmental reserve levels. Many factors, such as mix of business, level of coverage provided and settlement procedures have significant impacts on the amount of environmental and asbestos claims and claims expense reserves, claim payments and the resultant ratio. As payments result in corresponding reserve reductions, survival ratios can be expected to vary over time.

In 2014 and 2013, the asbestos net 3-year survival ratio decreased due to increased claim payments. The environmental net 3-year survival ratio decreased in 2014 due to increased claim payments and increased in 2013 due to reserve additions.

Our net asbestos reserves by type of exposure and total reserve additions are shown in the following table.

($ in millions)	**December 31, 2014**			**December 31, 2013**			**December 31, 2012**		
	Active policy-holders	**Net reserves**	**% of reserves**	**Active policy-holders**	**Net reserves**	**% of reserves**	**Active policy-holders**	**Net reserves**	**% of reserves**
Direct policyholders:									
Primary	44	$ 8	1%	53	$ 7	1%	54	$ 12	1%
Excess	296	265	26	301	267	26	299	276	27
Total	340	273	27	354	274	27	353	288	28
Assumed reinsurance		166	16		171	17		150	15
IBNR		575	57		572	56		588	57
Total net reserves		$ 1,014	100%		$ 1,017	100%		$ 1,026	100%
Total reserve additions		$ 87			$ 74			$ 26	

During the last three years, 40 direct primary and excess policyholders reported new claims, and claims of 66 policyholders were closed, decreasing the number of active policyholders by 26 during the period. There was a net decrease of 14 in 2014, including 13 new policyholders reporting new claims and the closing of 27 policyholders' claims. There was a net increase of 1 in 2013, including 12 new policyholders reporting new claims and the closing of 11 policyholders' claims. There was a net decrease of 13 in 2012 including 15 new policyholders reporting new claims and the closing of 28 policyholders' claims.

IBNR net reserves increased $3 million as of December 31, 2014 compared to December 31, 2013. As of December 31, 2014 IBNR represented 57% of total net asbestos reserves, compared to 56% as of December 31, 2013. IBNR provides for reserve development of known claims and future reporting of additional unknown claims from current policyholders and ceding companies.

Pending, new, total closed and closed without payment claims for asbestos and environmental exposures for the years ended December 31 are summarized in the following table.

Number of claims	**2014**	**2013**	**2012**
Asbestos			
Pending, beginning of year	7,444	7,447	8,072
New	727	736	492
Total closed	(865)	(739)	(1,117)
Pending, end of year	7,306	7,444	7,447
Closed without payment	433	451	728
Environmental			
Pending, beginning of year	3,717	3,676	4,176
New	381	464	402
Total closed	(546)	(423)	(902)
Pending, end of year	3,552	3,717	3,676
Closed without payment	369	299	511

Property-Liability reinsurance ceded For Allstate Protection, we utilize reinsurance to reduce exposure to catastrophe risk and manage capital, and to support the required statutory surplus and the insurance financial strength ratings of certain subsidiaries such as Castle Key Insurance Company and Allstate New Jersey Insurance Company. We purchase significant reinsurance to manage our aggregate countrywide exposure to an acceptable level. The price and terms of reinsurance and the credit quality of the reinsurer are considered in the purchase process, along with whether the price can be appropriately reflected in the costs that are considered in setting future rates charged to policyholders. We also participate in various reinsurance mechanisms, including industry pools and facilities, which are backed by the financial resources of the property-liability insurance company market participants, and have historically purchased reinsurance to mitigate long-tail liability lines, including environmental, asbestos and other discontinued lines exposures. We retain primary liability as a direct insurer for all risks ceded to reinsurers. The Michigan Catastrophic Claim Association provides indemnification for losses over a retention level and under the National Flood Insurance Program the Federal Government pays all covered claims.

Our reinsurance recoverable balances are shown in the following table as of December 31, net of the allowance we have established for uncollectible amounts.

($ in millions)	Standard & Poor's financial strength rating [1]	Reinsurance recoverable on paid and unpaid claims, net	
		2014	2013
Industry pools and facilities			
Michigan Catastrophic Claim Association ("MCCA")	N/A	$ 4,419 [2]	$ 3,462 [2]
New Jersey Unsatisfied Claim and Judgment Fund ("NJUCJF")	N/A	508	378
North Carolina Reinsurance Facility	N/A	60	58
National Flood Insurance Program	N/A	7	32
Other		2	2
Subtotal		4,996	3,932
Lloyd's of London ("Lloyd's")	A+	202	191
Westport Insurance Corporation (formerly Employers Reinsurance Corporation)	AA-	65	85
New England Reinsurance Corporation	N/A	33	33
R&Q Reinsurance Company	N/A	28	29
Clearwater Insurance Company	N/A	27	28
One Beacon Insurance Company	N/A	23	24
Swiss Reinsurance America Corporation	AA-	23	29
Other, including allowance for future uncollectible reinsurance recoverables		386	398
Subtotal		787	817
Total Property-Liability		$ 5,783	$ 4,749

[1] N/A reflects no rating available.
[2] As of December 31, 2014 and 2013, MCCA includes $32 million and $29 million of reinsurance recoverable on paid claims, respectively, and $4.39 billion and $3.43 billion of reinsurance recoverable on unpaid claims, respectively.

Reinsurance recoverables include an estimate of the amount of property-liability insurance claims and claims expense reserves that are ceded under the terms of the reinsurance agreements, including incurred but not reported unpaid losses. We calculate our ceded reinsurance estimate based on the terms of each applicable reinsurance agreement, including an estimate of how IBNR losses will ultimately be ceded under the agreement. We also consider other limitations and coverage exclusions under our reinsurance agreements. Accordingly, our estimate of reinsurance recoverables is subject to similar risks and uncertainties as our estimate of reserves for property-liability claims and claims expense. We believe the recoverables are appropriately established; however, as our underlying reserves continue to develop, the amount ultimately recoverable may vary from amounts currently recorded. We regularly evaluate the reinsurers and the respective amounts recoverable, and a provision for uncollectible reinsurance is recorded if needed. The establishment of reinsurance recoverables and the related allowance for uncollectible reinsurance is also an inherently uncertain process involving estimates. Changes in estimates could result in additional changes to the Consolidated Statements of Operations.

The allowance for uncollectible reinsurance primarily relates to Discontinued Lines and Coverages reinsurance recoverables and was $95 million and $92 million as of December 31, 2014 and 2013, respectively. The allowance for Discontinued Lines and Coverages represents 12.9% and 12.6% of the related reinsurance recoverable balances as of December 31, 2014 and 2013, respectively. The allowance is based upon our ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing, and other relevant factors. In addition, in the ordinary course of business, we may become involved in coverage disputes with certain of our reinsurers which may ultimately result in lawsuits and arbitrations brought by or against such reinsurers to determine the parties' rights and obligations under the various reinsurance agreements. We employ dedicated specialists to manage reinsurance collections and disputes. We also consider recent developments in commutation activity between reinsurers and cedants, and recent trends in arbitration and litigation outcomes in disputes between cedants and reinsurers in seeking to maximize our reinsurance recoveries.

Adverse developments in the insurance industry have led to a decline in the financial strength of some of our reinsurance carriers, causing amounts recoverable from them and future claims ceded to them to be considered a higher risk. There has also been consolidation activity in the industry, which causes reinsurance risk across the industry to be concentrated among fewer companies. In addition, some companies have segregated asbestos, environmental, and other discontinued lines exposures into separate legal entities with dedicated capital. Regulatory bodies in certain cases have supported these actions. We are unable to determine the impact, if any, that these developments will have on the collectability of reinsurance recoverables in the future.

For a detailed description of the MCCA, NJUCJF and Lloyd's, see Note 10 of the consolidated financial statements. As of December 31, 2014, other than the recoverable balances listed in the table above, no other amount due or estimated to be due from any single Property-Liability reinsurer was in excess of $21 million.

The effects of reinsurance ceded on our property-liability premiums earned and claims and claims expense for the years ended December 31 are summarized in the following table.

($ in millions)	2014	2013	2012
Ceded property-liability premiums earned	$ 1,030	$ 1,069	$ 1,090
Ceded property-liability claims and claims expense			
Industry pool and facilities			
MCCA	$ 1,042	$ 954	$ 962
National Flood Insurance Program	38	289	758
NJUCJF	158	356	5
Other	69	63	65
Subtotal industry pools and facilities	1,307	1,662	1,790
Other	86	55	261
Ceded property-liability claims and claims expense	$ 1,393	$ 1,717	$ 2,051

In 2014, ceded property-liability premiums earned decreased $39 million compared to 2013, primarily due to decreased reinsurance premium rates and acquiring additional reinsurance in the capital markets. In 2013, ceded property-liability premiums earned decreased $21 million compared to 2012, primarily due to decreased premium rates, acquiring reinsurance in the capital markets and lower limits placed in our catastrophe reinsurance program, partially offset by higher MCCA reinsurance premiums due to an increase in policies written in Michigan. MCCA ceded premiums were $99 million, $101 million and $78 million in 2014, 2013 and 2012, respectively.

Ceded property-liability claims and claims expense decreased in 2014 primarily due to lower amounts ceded to the national Flood Insurance Program and lower reserve increases for the NJUCJF program. Ceded property-liability claims and claims expense decreased in 2013 primarily due to lower amounts ceded to the National Flood Insurance Program, partially offset by reserve increases for the NJUCJF program.

Our claim reserve development experience is similar to the MCCA with reported and pending claims increasing in recent years. Moreover, the MCCA has reported severity increasing with nearly 60% of reimbursements for attendant and residential care services. Michigan's unique no-fault auto insurance law provides unlimited lifetime coverage for medical expenses resulting from vehicle accidents. The reserve increases in the MCCA program are attributable to an increased recognition of longer term paid loss trends. The paid loss trends are rising due to increased costs in medical and attendant care and increased longevity of claimants.

The table below summarizes reserves and claim activity for Michigan personal injury protection claims before (Gross) and after (Net) the effects of MCCA reinsurance for the years ended December 31.

($ in millions)	2014		2013		2012	
	Gross	Net	Gross	Net	Gross	Net
Beginning reserves	$ 3,798	$ 365	$ 2,866	$ 299	$ 1,957	$ 267
Incurred claims and claims expense-current year	420	178	417	181	272	114
Incurred claims and claims expense-prior years	819	19	731	13	832	27
Claims and claims expense paid-current year [2]	(46)	(45)	(44)	(42)	(36)	(35)
Claims and claims expense paid-prior years [2]	(187)	(100)	(172)	(86)	(159)	(74)
Ending reserves	$ 4,804 [1]	$ 417	$ 3,798 [1]	$ 365	$ 2,866	$ 299

[1] Reserves for the year ended December 31, 2014 comprise 86% case reserves (claims with a file review conducted) and 14% IBNR. Reserves for the year ended December 31, 2013 comprise 66% case reserves and 34% IBNR.

[2] Paid claims and claims expenses, reported in the table for the current and prior year, recovered from the MCCA totaled $88 million, $88 million and $86 million in 2014, 2013 and 2012, respectively.

Pending MCCA claims differ from most personal lines insurance pending claims as other personal lines policies have coverage limits and incurred claims settle in shorter periods. Claims are considered pending as long as payments are continuing pursuant to an outstanding MCCA claim, which can be for a claimant's lifetime. Claims that occurred more than 5 years ago and continuing to be paid often include lifetime benefits. Pending, new and closed claims for Michigan personal injury protection exposures, including those covered and not covered by the MCCA reinsurance, for the years ended December 31 are summarized in the following table.

Number of claims	2014	2013	2012
Pending, beginning of year	4,684	4,029	3,844
New	8,620	8,531	7,629
Total closed	8,368	7,876	7,444
Pending, end of year	4,936	4,684	4,029

As of December 31, 2014, approximately 1,100 of our pending claims have been reported to the MCCA, of which approximately 75% represents claims that occurred more than 5 years ago. There are 68 Allstate brand claims with reserves in excess of $15 million as of December 31, 2014 which comprise approximately 40% of the gross ending reserves in the table above.

The reserve increases in the NJUCJF program in 2014 and 2013 are attributable to unlimited personal injury protection coverage on policies written prior to 1991. The ceded claims reflects increased longer term paid loss trends due to increased costs of medical care and increased longevity of claimants. New claims for this cohort of policies are unlikely and pending claims are expected to decline.

We enter into certain intercompany insurance and reinsurance transactions for the Property-Liability operations in order to maintain underwriting control and manage insurance risk among various legal entities. These reinsurance agreements have been approved by the appropriate regulatory authorities. All significant intercompany transactions have been eliminated in consolidation.

Catastrophe reinsurance

Our catastrophe reinsurance program is designed, utilizing our risk management methodology, to address our exposure to catastrophes nationwide. Our program is designed to provide reinsurance protection for catastrophes including hurricanes, windstorms, hail, tornados, fires following earthquakes, earthquakes and wildfires. These reinsurance agreements are part of our catastrophe management strategy, which is intended to provide our shareholders an acceptable return on the risks assumed in our property business, and to reduce variability of earnings, while providing protection to our customers.

We anticipate completing the placement of our 2015 catastrophe reinsurance program in the second quarter of 2015. We expect the program will be similar to our 2014 catastrophe reinsurance program. For further details of the existing 2014 program, see Note 10 of the consolidated financial statements.

ALLSTATE FINANCIAL 2014 HIGHLIGHTS

- Net income available to common shareholders was $631 million in 2014 compared to $95 million in 2013.
- Premiums and contract charges on underwritten products, including traditional life, interest-sensitive life and accident and health insurance, totaled $2.13 billion in 2014, a decrease of 7.1% from $2.30 billion in 2013.
- Investments totaled $38.81 billion as of December 31, 2014, reflecting a decrease of $296 million from $39.11 billion as of December 31, 2013. Investments as of December 31, 2013 excluded LBL investments classified as held for sale. Net investment income decreased 16.0% to $2.13 billion in 2014 from $2.54 billion in 2013.
- Net realized capital gains totaled $144 million in 2014 compared to $74 million in 2013.
- Contractholder funds totaled $22.53 billion as of December 31, 2014, reflecting a decrease of $1.77 billion from $24.30 billion as of December 31, 2013. Contractholder funds as of December 31, 2013 excluded LBL amounts classified as held for sale.
- On April 1, 2014, we sold LBL's life insurance business generated through independent master brokerage agencies, and all of LBL's deferred fixed annuity and long-term care insurance business to Resolution Life Holdings, Inc. The loss on disposition increased by $60 million, after-tax in 2014. Most of the amount in 2014 represents non-cash charges.

ALLSTATE FINANCIAL SEGMENT

Overview and strategy The Allstate Financial segment sells traditional, interest-sensitive and variable life insurance and voluntary accident and health insurance products. We serve our customers through Allstate exclusive agencies and exclusive financial specialists, and workplace enrolling independent agents. We previously offered and continue to have in force fixed annuities such as deferred and immediate annuities, and institutional products consisting of funding agreements sold to unaffiliated trusts that use them to back medium-term notes. Allstate exclusive agencies and exclusive financial specialists have a portfolio of non-proprietary products to sell, including mutual funds, fixed and variable annuities, disability insurance and long-term care insurance, to help meet customer needs.

Allstate Financial brings value to The Allstate Corporation in three principal ways: through profitable growth, by bringing new customers to Allstate, and by improving the economics of the Protection business through increased customer loyalty and stronger customer relationships based on cross selling Allstate Financial products to existing customers. Allstate Financial's strategy is focused on expanding Allstate customer relationships, growing the number of products delivered to customers through Allstate exclusive agencies and Allstate Benefits (our workplace distribution business), managing the run-off of our in-force annuity products while taking actions to improve returns, and emphasizing capital efficiency and shareholder returns.

Our strategy for our life insurance business centers on the continuation of our efforts to fully integrate the business into the Allstate brand customer value proposition and modernizing our operating model. The life insurance product portfolio and sales process are being redesigned with a focus on clear and distinct positioning to meet the varied needs of Allstate customers. Our product positioning will provide solutions to help meet customer needs during various life stages ranging from basic mortality protection to more complex mortality and financial planning solutions. Basic mortality protection solutions will be provided through less complex products, such as term and whole life insurance, sold through exclusive agents and licensed sales professionals to deepen customer relationships. More advanced mortality and financial planning solutions will be provided primarily through exclusive financial specialists with an emphasis on our more complex offerings, such as universal life insurance products. Sales producer education and technology improvements are being made to ensure agencies have the tools and information needed to help customers meet their needs and build personal relationships as trusted advisors. Additionally, tools will be made available to consumers to help them understand their needs and encourage interaction with their local agencies.

Our employer relationships through Allstate Benefits also afford opportunities to offer Allstate products to more customers and grow our business. Allstate Benefits is an industry leader in the voluntary benefits market, offering a broad range of products, including critical illness, accident, cancer, hospital indemnity, disability and universal life. Allstate Benefits differentiates itself by offering a broad product portfolio, flexible enrollment solutions and technology (including significant presence on private exchanges), and its strong national accounts team, as well as the well-recognized Allstate brand.

Market trends for voluntary benefits are favorable as the market has nearly doubled in size since 2006, driven by the ability of voluntary benefits to fill gaps from employers seeking to contain rising health care costs, by providing lower cost benefits, and shifting costs to employees. Allstate Benefits has introduced new products and enhanced existing products to address these gaps by providing protection for catastrophic events such as a critical illness, accident or hospital stay. Originally a provider of voluntary benefits to small and mid-sized businesses, Allstate Benefits now provides benefit solutions to companies of all sizes and industries including the large account voluntary benefits marketplace.

Allstate Benefits's strategy for growth includes expansion in the national accounts market by increasing the number of sales, enrollment technology and account management personnel and expanding independent agent distribution in targeted geographic locations for increased new sales. Additionally, we are increasing Allstate exclusive agency engagement to drive cross selling of voluntary benefits products, and developing opportunities for revenue growth through new product and fee income offerings. Allstate Benefits new business written premiums increased 5.0% and 9.4% in 2014 and 2013, respectively. Allstate Benefits also plans to expand into the Canadian market in 2015.

Our in-force deferred and immediate annuity business has been adversely impacted by the credit cycle and historically low interest rate environment. Our immediate annuity business has also been impacted by medical advancements that have resulted in annuitants living longer than anticipated when many of these contracts were originated. We focus on the distinct risk and return profiles of the specific products outstanding when developing investment and liability management strategies. We have significantly reduced the level of legacy deferred annuities in force and proactively manage the investment portfolio and annuity crediting rates to improve the profitability of the business. We are managing the investment portfolio supporting our immediate annuities to ensure the assets match the characteristics of the liabilities and provide the long-term returns needed to support this business. We continue to increase investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic operating or market performance, including limited partnerships, equities and real estate, to more appropriately match the long-term nature of our immediate annuities. To transition our annuity business to a more efficient variable cost structure, we plan to outsource the administration of the business to a third party administration company in 2015.

Allstate Financial outlook

- Our growth initiatives continue to focus on increasing the number of customers served through our proprietary Allstate agency and Allstate Benefits channels.
- We expect lower investment spread due to the continuing managed reduction in contractholder funds and the low interest rate environment.
- We will continue to focus on improving returns on our in-force annuity products and managing the impacts of historically low interest rates. We anticipate a continuation of our asset allocation strategy for long-term immediate annuities to have less reliance on investments whose returns come primarily from interest payments to investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic operating or market performance, including limited partnerships, equities and real estate. This shift could result in lower and more volatile investment income; however, we anticipate that this strategy will lead to higher long-term total returns on attributed equity.
- Allstate Financial has limitations on the amount of dividends Allstate Financial companies can pay without prior insurance department approval. Accordingly, the level of distributions in 2015 may be lower than 2014.
- We continue to review our strategic options to reduce our exposure and improve returns of the spread-based businesses. As a result, we may take additional operational and financial actions that offer return improvement and risk reduction opportunities.

Summary analysis Summarized financial data for the years ended December 31 is presented in the following table.

($ in millions)	2014	2013	2012
Revenues			
Life and annuity premiums and contract charges	$ 2,157	$ 2,352	$ 2,241
Net investment income	2,131	2,538	2,647
Realized capital gains and losses	144	74	(13)
Total revenues	4,432	4,964	4,875
Costs and expenses			
Life and annuity contract benefits	(1,765)	(1,917)	(1,818)
Interest credited to contractholder funds	(919)	(1,278)	(1,316)
Amortization of DAC	(260)	(328)	(401)
Operating costs and expenses	(466)	(565)	(576)
Restructuring and related charges	(2)	(7)	—
Total costs and expenses	(3,412)	(4,095)	(4,111)
(Loss) gain on disposition of operations	(90)	(687)	18
Income tax expense	(299)	(87)	(241)
Net income available to common shareholders	$ 631	$ 95	$ 541
Life insurance	$ 242	$ 15	$ 226
Accident and health insurance	105	87	81
Annuities and institutional products	284	(7)	234
Net income available to common shareholders	$ 631	$ 95	$ 541
Allstate Life	$ 232	$ 2	$ 224
Allstate Benefits	115	100	83
Allstate Annuities	284	(7)	234
Net income available to common shareholders	$ 631	$ 95	$ 541
Investments as of December 31	$ 38,809	$ 39,105	$ 56,999
Investments classified as held for sale as of December 31	—	11,983	—

Net income available to common shareholders was $631 million in 2014 compared to $95 million in 2013. The increase primarily relates to lower loss on disposition charges related to the LBL sale, partially offset by the reduction in business due to the sale of LBL on April 1, 2014. Net income available to common shareholders in 2014 and 2013 included an after-tax loss on disposition of LBL totaling $60 million and $521 million, respectively. Excluding the loss on disposition as well as the net income of the LBL business for second through fourth quarter 2013 of $116 million, net income available to common shareholders increased $191 million in 2014 compared to 2013, primarily due to lower interest credited to contractholder funds, higher net realized capital gains, lower operating costs and expenses, lower amortization of DAC, and higher life and annuity premiums and contract charges, partially offset by higher life and annuity contract benefits and lower net investment income.

Net income available to common shareholders was $95 million in 2013 compared to $541 million in 2012. The decrease was primarily due to the estimated loss on disposition related to the pending LBL sale, lower net investment income and higher life and annuity contract benefits, partially offset by higher life and annuity premiums and contract charges, net realized capital gains in 2013 compared to net realized capital losses in 2012 and decreased amortization of DAC.

Analysis of revenues Total revenues decreased 10.7% or $532 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $651 million, total revenues increased 2.8% or $119 million in 2014 compared to 2013, due to higher net realized capital gains and higher life and annuity premiums and contract charges, partially offset by lower net investment income. Total revenues increased 1.8% or $89 million in 2013 compared to 2012, primarily due to higher life and annuity premiums and contract charges and net realized capital gains in 2013 compared to net realized capital losses in 2012, partially offset by lower net investment income.

Life and annuity premiums and contract charges Premiums represent revenues generated from traditional life insurance, immediate annuities with life contingencies, and accident and health insurance products that have significant mortality or morbidity risk. Contract charges are revenues generated from interest-sensitive and variable life insurance and fixed annuities for which deposits are classified as contractholder funds or separate account liabilities. Contract charges are assessed against the contractholder account values for maintenance, administration, cost of insurance and surrender prior to contractually specified dates.

The following table summarizes life and annuity premiums and contract charges by product for the years ended December 31.

($ in millions)	2014	2013	2012
Underwritten products			
Traditional life insurance premiums	$ 476	$ 455	$ 434
Accident and health insurance premiums	8	26	26
Interest-sensitive life insurance contract charges	781	991	969
Subtotal — Allstate Life	1,265	1,472	1,429
Traditional life insurance premiums	35	36	36
Accident and health insurance premiums	736	694	627
Interest-sensitive life insurance contract charges	98	95	86
Subtotal — Allstate Benefits	869	825	749
Total underwritten products	2,134	2,297	2,178
Annuities			
Immediate annuities with life contingencies premiums	4	37	45
Other fixed annuity contract charges	19	18	18
Total — Allstate Annuities	23	55	63
Life and annuity premiums and contract charges (1)	$ 2,157	$ 2,352	$ 2,241

(1) Contract charges related to the cost of insurance totaled $593 million, $725 million and $696 million in 2014, 2013 and 2012, respectively.

Total premiums and contract charges decreased 8.3% or $195 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $254 million, premiums and contract charges increased $59 million in 2014 compared to 2013, primarily due to growth in Allstate Benefits accident and health insurance business and increased traditional life insurance premiums due to higher renewals and sales through Allstate agencies, partially offset by lower premiums on immediate annuities with life contingencies due to discontinuing new sales January 1, 2014. The growth at Allstate Benefits primarily relates to accident and critical illness products and an increase in the number of employer groups.

Total premiums and contract charges increased 5.0% in 2013 compared to 2012, primarily due to growth in Allstate Benefits accident and health insurance business, higher contract charges on interest-sensitive life insurance products primarily resulting from the aging of our policyholders and growth of insurance in force, and increased traditional life insurance premiums due to lower reinsurance premiums ceded and higher sales and renewals through Allstate agencies, partially offset by lower sales of immediate annuities with life contingencies.

Allstate agencies and exclusive financial specialists continue to sell LBL life products until Allstate Financial transitions these products to Allstate Assurance Company beginning first quarter 2015. LBL life business sold through the Allstate agency channel and all LBL payout annuity business continues to be reinsured and serviced by Allstate Life Insurance Company (''ALIC''). Following the closing of the sale, LBL was rated A- from A.M. Best and BBB+ from Standard & Poor's (''S&P''). ALIC is rated A+ by A.M. Best, A+ by S&P and A1 by Moody's. Allstate Assurance Company is rated A by A.M. Best and A1 by Moody's. As of December 31, 2014, ALIC assumed from LBL $3.82 billion of reserves for life-contingent contract benefits and contractholder funds. In 2014, life and annuity premiums and contract charges of $784 million, contract benefits of $487 million, and interest credited to contractholder funds of $166 million were assumed from LBL. Allstate will continue to service the LBL business that was sold until the servicing transitions to third party administration companies, which have experienced delays and are expected to be completed in 2015.

Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life insurance, fixed annuities and funding agreements. The balance of contractholder funds is equal to the cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals, maturities and contract charges for mortality or administrative expenses. The following table shows the changes in contractholder funds for the years ended December 31.

($ in millions)	2014	2013	2012
Contractholder funds, beginning balance	$ 24,304	$ 39,319	$ 42,332
Contractholder funds classified as held for sale, beginning balance	10,945	—	—
Total contractholder funds, including those classified as held for sale	35,249	39,319	42,332
Deposits			
Interest-sensitive life insurance	1,059	1,378	1,347
Fixed annuities	274	1,062	928
Total deposits	1,333	2,440	2,275
Interest credited	919	1,295	1,323
Benefits, withdrawals, maturities and other adjustments			
Benefits	(1,197)	(1,535)	(1,463)
Surrenders and partial withdrawals	(2,273)	(3,299)	(3,990)
Maturities of and interest payments on institutional products	(2)	(1,799)	(138)
Contract charges	(881)	(1,112)	(1,066)
Net transfers from separate accounts	7	12	11
Other adjustments (1)	36	(72)	35
Total benefits, withdrawals, maturities and other adjustments	(4,310)	(7,805)	(6,611)
Contractholder funds sold in LBL disposition	(10,662)	—	—
Contractholder funds classified as held for sale, ending balance	—	(10,945)	—
Contractholder funds, ending balance	$ 22,529	$ 24,304	$ 39,319

(1) The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the Consolidated Statements of Financial Position. The table above is intended to supplement our discussion and analysis of revenues, which are presented net of reinsurance on the Consolidated Statements of Operations. As a result, the net change in contractholder funds associated with products reinsured to third parties is reflected as a component of the other adjustments line.

Contractholder funds decreased 7.3% in 2014 due to no longer offering fixed annuity products beginning January 1, 2014. Contractholder funds decreased 38.2% in 2013 reflecting the reclassification of contractholder funds held for sale relating to the LBL sale. Contractholder funds, including those classified as held for sale, decreased 10.4% in 2013, reflecting a large institutional product maturity in 2013 and our continuing strategy to reduce our concentration in spread-based products.

Contractholder deposits decreased 45.4% in 2014 compared to 2013, primarily due to no longer offering fixed annuity products beginning January 1, 2014, as well as lower deposits on interest-sensitive life insurance due to the LBL sale. Contractholder deposits increased 7.3% in 2013 compared to 2012, primarily due to increased fixed annuity deposits driven by the new equity-indexed annuity products and higher deposits on immediate annuities, as well as higher deposits on interest-sensitive life insurance.

Surrenders and partial withdrawals on deferred fixed annuities and interest-sensitive life insurance products decreased 31.1% to $2.27 billion in 2014 from $3.30 billion in 2013, primarily due to the LBL sale. Surrenders and partial withdrawals on deferred fixed annuities and interest-sensitive life insurance products decreased 17.3% to $3.30 billion in 2013 from $3.99 billion in 2012. The surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 9.9% in 2014 compared to 10.2% in 2013 and 11.3% in 2012.

Maturities of and interest payments on institutional products included a $1.75 billion maturity in 2013. There are $85 million of institutional products outstanding as of December 31, 2014.

Net investment income decreased 16.0% or $407 million to $2.13 billion in 2014 from $2.54 billion in 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $397 million, net investment income decreased

$10 million in 2014 compared to 2013, primarily due to lower average investment balances, partially offset by higher limited partnership income. Net investment income decreased 4.1% or $109 million to $2.54 billion in 2013 from $2.65 billion in 2012, primarily due to lower average investment balances, partially offset by higher prepayment fee income and litigation proceeds which together increased income by a total of $50 million in 2013 and higher limited partnership income. The average pre-tax investment yields were 5.6% for 2014 and 5.1% for both 2013 and 2012.

Net realized capital gains and losses for the years ended December 31 are presented in the following table.

($ in millions)	**2014**	**2013**	**2012**
Impairment write-downs	$ (11)	$ (33)	$ (51)
Change in intent write-downs	(44)	(19)	(17)
Net other-than-temporary impairment losses recognized in earnings	(55)	(52)	(68)
Sales	185	112	20
Valuation and settlements of derivative instruments	14	14	35
Realized capital gains and losses, pre-tax	144	74	(13)
Income tax (expense) benefit	(50)	(28)	5
Realized capital gains and losses, after-tax	$ 94	$ 46	$ (8)

For further discussion of realized capital gains and losses, see the Investments section of the MD&A.

Analysis of costs and expenses Total costs and expenses decreased 16.7% or $683 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $475 million, total costs and expenses decreased $208 million in 2014 compared to 2013, primarily due to lower interest credited to contractholder funds, lower operating costs and expenses and lower amortization of DAC, partially offset by higher life and annuity contract benefits. Total costs and expenses decreased 0.4% or $16 million in 2013 compared to 2012, primarily due to lower amortization of DAC and interest credited to contractholder funds, partially offset by higher life and annuity contract benefits.

Life and annuity contract benefits decreased 7.9% or $152 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $173 million, life and annuity contract benefits increased $21 million in 2014 compared to 2013, primarily due to worse mortality experience on life insurance and growth at Allstate Benefits. Our 2014 annual review of assumptions resulted in an $11 million increase in reserves primarily for secondary guarantees on interest-sensitive life insurance due to increased projected exposure to secondary guarantees.

Life and annuity contract benefits increased 5.4% or $99 million in 2013 compared to 2012, primarily due to an increase in reserves for secondary guarantees on interest-sensitive life insurance, growth at Allstate Benefits and worse mortality experience on life insurance. Our 2013 annual review of assumptions resulted in a $37 million increase in reserves primarily for secondary guarantees on interest-sensitive life insurance due to higher concentration of and increased projected exposure to secondary guarantees.

We analyze our mortality and morbidity results using the difference between premiums and contract charges earned for the cost of insurance and life and annuity contract benefits excluding the portion related to the implied interest on immediate annuities with life contingencies (''benefit spread''). This implied interest totaled $521 million, $527 million and $538 million in 2014, 2013 and 2012, respectively.

The benefit spread by product group for the years ended December 31 is disclosed in the following table.

($ in millions)	2014	2013	2012
Life insurance	$ 287	$ 301	$ 330
Accident and health insurance	(8)	(18)	(9)
Subtotal — Allstate Life	279	283	321
Life insurance	17	21	17
Accident and health insurance	397	356	312
Subtotal — Allstate Benefits	414	377	329
Allstate Annuities	(85)	(77)	(66)
Total benefit spread	$ 608	$ 583	$ 584

Benefit spread increased 4.3% or $25 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $11 million, benefit spread increased $36 million in 2014 compared to 2013, primarily due to growth in Allstate Benefits accident and health insurance and higher premiums and cost of insurance contract charges on life insurance, partially offset by worse mortality experience on life insurance and immediate annuities.

Benefit spread decreased 0.2% or $1 million in 2013 compared to 2012, primarily due to the increase in reserves for secondary guarantees on interest-sensitive life insurance and worse mortality experience on life insurance and annuities, partially offset by premium growth in Allstate Benefits accident and health insurance and higher cost of insurance contract charges on interest-sensitive life insurance.

Interest credited to contractholder funds decreased 28.1% or $359 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $270 million, interest credited to contractholder funds decreased $89 million in 2014 compared to 2013, primarily due to lower average contractholder funds and lower interest crediting rates. Interest credited to contractholder funds decreased 2.9% or $38 million in 2013 compared to 2012, primarily due to lower average contractholder funds and lower interest crediting rates, partially offset by the valuation change on derivatives embedded in equity-indexed annuity contracts that reduced interest credited expense in 2012. Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged increased interest credited to contractholder funds by $22 million in 2014 compared to a $24 million increase in 2013 and a $126 million decrease in 2012. During third quarter 2012, we reviewed the significant valuation inputs for these embedded derivatives and reduced the projected option cost to reflect management's current and anticipated crediting rate setting actions, which were informed by the existing and projected low interest rate environment and are consistent with our strategy to reduce exposure to spread-based business. The reduction in projected interest rates resulted in a reduction of contractholder funds and interest credited expense by $169 million in 2012.

In order to analyze the impact of net investment income and interest credited to contractholders on net income, we monitor the difference between net investment income and the sum of interest credited to contractholder funds and the implied interest on immediate annuities with life contingencies, which is included as a component of life and annuity contract benefits on the Consolidated Statements of Operations (''investment spread'').

The investment spread by product group for the years ended December 31 is shown in the following table.

($ in millions)	2014	2013	2012
Life insurance	$ 93	$ 93	$ 72
Accident and health insurance	8	14	13
Net investment income on investments supporting capital	110	113	101
Subtotal — Allstate Life	211	220	186
Life insurance	10	12	10
Accident and health insurance	11	11	12
Net investment income on investments supporting capital	15	14	15
Subtotal — Allstate Benefits	36	37	37
Annuities and institutional products	320	342	292
Net investment income on investments supporting capital	146	158	152
Subtotal — Allstate Annuities	466	500	444
Investment spread before valuation changes on embedded derivatives that are not hedged	713	757	667
Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged	(22)	(24)	126
Total investment spread	$ 691	$ 733	$ 793

Investment spread before valuation changes on embedded derivatives that are not hedged decreased 5.8% or $44 million in 2014 compared to 2013. Excluding results of the LBL business for the second through fourth quarter of 2013 of $149 million, investment spread before valuation changes on embedded derivatives that are not hedged increased $105 million in 2014 compared to 2013, primarily due to higher limited partnership income, higher fixed income yields and lower crediting rates, partially offset by the continued managed reduction in our spread-based business in force. Investment spread before valuation changes on embedded derivatives that are not hedged increased 13.5% or $90 million in 2013 compared to 2012, primarily due to lower crediting rates, higher prepayment fee income and litigation proceeds and higher limited partnership income, partially offset by the continued managed reduction in our spread-based business in force.

To further analyze investment spreads, the following table summarizes the weighted average investment yield on assets supporting product liabilities and capital, interest crediting rates and investment spreads. For purposes of these calculations, investments, reserves and contractholder funds classified as held for sale were included for periods prior to April 1, 2014.

	Weighted average investment yield			Weighted average interest crediting rate			Weighted average investment spreads		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Interest-sensitive life insurance	5.3%	5.1%	5.2%	3.9%	3.8%	4.0%	1.4%	1.3%	1.2%
Deferred fixed annuities and institutional products	4.5	4.5	4.6	2.9	2.9	3.2	1.6	1.6	1.4
Immediate fixed annuities with and without life contingencies	7.3	6.9	6.9	6.0	6.0	6.1	1.3	0.9	0.8
Investments supporting capital, traditional life and other products	4.4	4.0	4.0	n/a	n/a	n/a	n/a	n/a	n/a

The following table summarizes our product liabilities as of December 31 and indicates the account value of those contracts and policies in which an investment spread is generated.

($ in millions)	2014	2013	2012
Immediate fixed annuities with life contingencies	$ 8,904	$ 8,928	$ 8,889
Other life contingent contracts and other	3,476	3,458	6,006
Reserve for life-contingent contract benefits	$ 12,380	$ 12,386	$ 14,895
Interest-sensitive life insurance	$ 7,880	$ 7,777	$ 11,011
Deferred fixed annuities	10,860	12,524	22,066
Immediate fixed annuities without life contingencies	3,450	3,675	3,815
Institutional products	85	85	1,851
Other	254	243	576
Contractholder funds	$ 22,529	$ 24,304	$ 39,319
Traditional life insurance	$ —	$ 570	$ —
Accident and health insurance	—	1,324	—
Interest-sensitive life insurance	—	3,529	—
Deferred fixed annuities	—	7,416	—
Liabilities held for sale	$ —	$ 12,839	$ —

Amortization of DAC The components of amortization of DAC for the years ended December 31 are summarized in the following table.

($ in millions)	2014	2013	2012
Amortization of DAC before amortization relating to realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and changes in assumptions	$ 263	$ 298	$ 310
Amortization relating to realized capital gains and losses [(1)] and valuation changes on embedded derivatives that are not hedged	5	7	57
Amortization (deceleration) acceleration for changes in assumptions (''DAC unlocking'')	(8)	23	34
Total amortization of DAC	$ 260	$ 328	$ 401

(1) The impact of realized capital gains and losses on amortization of DAC is dependent upon the relationship between the assets that give rise to the gain or loss and the product liability supported by the assets. Fluctuations result from changes in the impact of realized capital gains and losses on actual and expected gross profits.

Amortization of DAC decreased 20.7% or $68 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $1 million, amortization of DAC decreased $67 million in 2014 compared to 2013, primarily due to amortization deceleration for changes in assumptions in 2014 compared to amortization acceleration in 2013, partially offset by higher amortization on accident and health insurance resulting from growth.

Amortization of DAC decreased 18.2% or $73 million in 2013 compared to 2012, primarily due to the absence of amortization on a large fixed annuity block that became fully amortized in 2012, lower amortization relating to valuation changes on derivatives embedded in equity-indexed annuity contracts due to a large valuation change in 2012, lower amortization on interest-sensitive life insurance resulting from decreased benefit spread, and lower amortization acceleration for changes in assumptions.

Our annual comprehensive review of assumptions underlying estimated future gross profits for our interest-sensitive life, fixed annuities and other investment contracts covers assumptions for persistency, mortality, expenses, investment returns, including capital gains and losses, interest crediting rates to policyholders, and the effect of any hedges in all product lines. In 2014, the review resulted in a deceleration of DAC amortization (credit to income) of $8 million. Amortization deceleration of $10 million related to interest-sensitive life insurance and was primarily due to a decrease in projected expenses, partially offset by increased projected mortality. Amortization acceleration of $2 million related to fixed annuities and was primarily due to a decrease in projected gross profits.

In 2013, the review resulted in an acceleration of DAC amortization (charge to income) of $23 million. Amortization acceleration of $38 million related to interest-sensitive life insurance and was primarily due to an increase in projected mortality and expenses, partially offset by increased projected investment margins. Amortization deceleration of $12 million related to fixed annuities and was primarily due to an increase in projected investment margins. Amortization deceleration of $3 million related to variable life insurance.

In 2012, the review resulted in an acceleration of DAC amortization of $34 million. Amortization acceleration of $38 million related to variable life insurance and was primarily due to an increase in projected mortality. Amortization acceleration of $4 million related to fixed annuities and was primarily due to lower projected investment returns. Amortization deceleration of $8 million related to interest-sensitive life insurance and was primarily due to an increase in projected persistency.

The changes in DAC for the years ended December 31 are detailed in the following table.

($ in millions)	Traditional life and accident and health		Interest-sensitive life insurance		Fixed annuities		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Balance, beginning of year	$ 711	$ 671	$ 991	$ 1,529	$ 45	$ 25	$ 1,747	$ 2,225
Classified as held for sale, beginning balance	13	—	700	—	30	—	743	—
Total, including those classified as held for sale	724	671	1,691	1,529	75	25	2,490	2,225
Acquisition costs deferred	167	164	113	176	—	24	280	364
Amortization of DAC before amortization relating to realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and changes in assumptions [(1)]	(125)	(111)	(130)	(174)	(8)	(13)	(263)	(298)
Amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged [(1)]	—	—	(8)	(6)	3	(1)	(5)	(7)
Amortization deceleration (acceleration) for changes in assumptions (''DAC unlocking'') [(1)]	—	—	10	(35)	(2)	12	8	(23)
Effect of unrealized capital gains and losses [(2)]	—	—	(97)	201	(1)	28	(98)	229
Sold in LBL disposition	(13)	—	(674)	—	(20)	—	(707)	—
DAC classified as held for sale	—	(13)	—	(700)	—	(30)	—	(743)
Ending balance	$ 753	$ 711	$ 905	$ 991	$ 47	$ 45	$ 1,705	$ 1,747

(1) Included as a component of amortization of DAC on the Consolidated Statements of Operations.

(2) Represents the change in the DAC adjustment for unrealized capital gains and losses. The DAC adjustment represents the amount by which the amortization of DAC would increase or decrease if the unrealized gains and losses in the respective product portfolios were realized.

Operating costs and expenses decreased 17.5% or $99 million in 2014 compared to 2013. Excluding results of the LBL business for second through fourth quarter 2013 of $31 million, operating costs and expenses decreased $68 million in 2014 compared to 2013. Operating costs and expenses decreased 1.9% or $11 million in 2013 compared to 2012. The following table summarizes operating costs and expenses for the years ended December 31.

($ in millions)	2014	2013	2012
Non-deferrable commissions	$ 99	$ 103	$ 103
General and administrative expenses	314	398	421
Taxes and licenses	53	64	52
Total operating costs and expenses	$ 466	$ 565	$ 576
Restructuring and related charges	$ 2	$ 7	$ —
Allstate Life	$ 232	$ 282	$ 285
Allstate Benefits	206	199	187
Allstate Annuities	28	84	104
Total operating costs and expenses	$ 466	$ 565	$ 576

General and administrative expenses decreased 21.1% or $84 million in 2014 compared to 2013, primarily due to actions to improve strategic focus and modernize the operating model. This included the sale of LBL, exiting the master brokerage agency distribution channel, discontinuing sales of proprietary annuity products, and other rightsizing and profitability actions.

General and administrative expenses decreased 5.5% or $23 million in 2013 compared to 2012, primarily due to lower employee related expenses and proceeds received from a litigation settlement.

Loss on disposition of $90 million in 2014 and $687 million in 2013 include $101 million and $698 million of losses relating to the LBL sale, respectively. Gain on disposition of $18 million in 2012 related to the amortization of the deferred gain from the disposition through reinsurance of substantially all of our variable annuity business in 2006, and the sale of Surety Life Insurance Company, which was not used for new business, in third quarter 2012.

Reinsurance ceded We enter into reinsurance agreements with unaffiliated reinsurers to limit our risk of mortality and morbidity losses. In addition, Allstate Financial has used reinsurance to effect the disposition of certain blocks of business. We retain primary liability as a direct insurer for all risks ceded to reinsurers. As of December 31, 2014 and 2013, 23% and 36%, respectively, of our face amount of life insurance in force was reinsured. Additionally, we ceded substantially all of the risk associated with our variable annuity business.

Our reinsurance recoverables, summarized by reinsurer as of December 31, are shown in the following table.

($ in millions)	Standard & Poor's financial strength rating [(4)]	Reinsurance recoverable on paid and unpaid benefits	
		2014	2013
Prudential Insurance Company of America	AA-	$ 1,461	$ 1,510
RGA Reinsurance Company	AA-	262	305
Swiss Re Life and Health America, Inc. [(1)]	AA-	160	186
Paul Revere Life Insurance Company	A	116	121
Munich American Reassurance	AA-	98	109
Mutual of Omaha Insurance	A+	92	92
Transamerica Life Group	AA-	84	88
Security Life of Denver	A-	84	48
Scottish Re Group	N/A	82	104
Manulife Insurance Company	AA-	57	59
Triton Insurance Company	N/A	53	54
Lincoln National Life Insurance	AA-	37	39
General Re Life Corporation	AA+	26	25
American Health & Life Insurance Co.	N/A	22	44
SCOR Global Life	A+	17	21
Other [(2)]		56	67
Total [(3)]		$ 2,707	$ 2,872

(1) The Company has extensive reinsurance contracts directly with Swiss Re and its affiliates and indirectly through Swiss Re's acquisition of other companies with whom we had reinsurance or retrocession contracts.
(2) As of December 31, 2014 and 2013, the other category includes $44 million and $58 million, respectively, of recoverables due from reinsurers with an investment grade credit rating from Standard & Poor's (''S&P'').
(3) Reinsurance recoverables classified as held for sale were $1.66 billion as of December 31, 2013.
(4) N/A reflects no rating available.

We continuously monitor the creditworthiness of reinsurers in order to determine our risk of recoverability on an individual and aggregate basis, and a provision for uncollectible reinsurance is recorded if needed. No amounts have been deemed unrecoverable in the three-years ended December 31, 2014.

We enter into certain intercompany reinsurance transactions for the Allstate Financial operations in order to maintain underwriting control and manage insurance risk among various legal entities. These reinsurance agreements have been approved by the appropriate regulatory authorities. All significant intercompany transactions have been eliminated in consolidation.

INVESTMENTS 2014 HIGHLIGHTS

- Investments totaled $81.11 billion as of December 31, 2014, decreasing from $81.16 billion as of December 31, 2013.
- Unrealized net capital gains totaled $3.17 billion as of December 31, 2014, increasing from $2.70 billion as of December 31, 2013.
- Net investment income was $3.46 billion in 2014, a decrease of 12.3% from $3.94 billion in 2013.
- Net realized capital gains were $694 million in 2014 compared to $594 million in 2013.

INVESTMENTS

Overview and strategy The return on our investment portfolios is an important component of our financial results. Investment portfolios are segmented between the Property-Liability, Allstate Financial and Corporate and Other operations. While taking into consideration the investment portfolio in aggregate, we manage the underlying portfolios based upon the nature of each respective business and its corresponding liability structure.

We employ a strategic asset allocation approach which considers the nature of the liabilities and risk tolerances, as well as the risk and return parameters of the various asset classes in which we invest. This asset allocation is informed by our global economic and market outlook, as well as other inputs and constraints, including diversification effects, duration, liquidity and capital considerations. Within the ranges set by the strategic asset allocation, tactical investment decisions are made in consideration of prevailing market conditions. We manage risks associated with interest rates, credit spreads, equity markets, real estate and currency exchange rates. Our continuing focus is to manage risks and returns and to position our portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. We expect to more actively manage the portfolio and are developing strategies focused on the intermediate 3 to 5 year investment horizon. Intermediate strategies may include opportunities arising from market dislocations, event driven changes in valuation, and distressed credit. We expect these strategies to perform well across market conditions, including periods of increased market volatility. We are continuing to build our capabilities and investments in private equity, real estate and limited partnerships which have returns less correlated to the public markets. These investments typically have a longer term return horizon, generally five to twelve years.

The Property-Liability portfolio's investment strategy emphasizes protection of principal and consistent income generation, within a total return framework. This approach, which has produced competitive returns over the long term, is designed to ensure financial strength and stability for paying claims, while maximizing economic value and surplus growth.

The Allstate Financial portfolio's investment strategy focuses on the total return of assets needed to support the underlying liabilities, asset-liability management and achieving an appropriate return on capital.

The Corporate and Other portfolio's investment strategy balances the unique liquidity needs of the portfolio in relation to the overall corporate capital structure with the pursuit of returns.

Investments outlook

Interest rates diverged in 2014: U.S. Treasury rates shorter than one year were largely unchanged, rates between 1 year and 3 years increased slightly, and rates 7 years and longer declined and experienced the most significant change during the year. We anticipate that interest rates may remain below historic averages for an extended period of time and that financial markets will continue to have periods of high volatility. Invested assets and income are expected to decline in line with reductions in contractholder funds for the Allstate Financial segment. Additionally, income will decline as we continue to invest and reinvest proceeds at market yields that are below the current portfolio yield. We plan to focus on the following priorities:

- Managing our exposure to interest rate risk by maintaining a shorter maturity profile in the Property-Liability portfolio which will also result in the yield responding more quickly to changes in market interest rates as a result of its shorter maturity profile.
- Shifting the portfolio mix over time to have less reliance on investments whose returns come primarily from interest payments to investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic operating or market performance, including limited partnerships, equities and real estate. While we anticipate higher returns on these investments over time, the investment income will be more volatile than interest-bearing investments.
- Investing to the specific needs and characteristics of Allstate's businesses.

Portfolio composition The composition of the investment portfolios as of December 31, 2014 is presented in the following table.

($ in millions)	Property-Liability [5]		Allstate Financial [5]		Corporate and Other [5]		Total	
		Percent to total		Percent to total		Percent to total		Percent to total
Fixed income securities [1]	$ 30,834	78.9%	$ 29,082	74.9%	$ 2,524	78.4%	$ 62,440	77.0%
Equity securities [2]	3,076	7.9	1,028	2.7	—	—	4,104	5.0
Mortgage loans	370	0.9	3,818	9.8	—	—	4,188	5.2
Limited partnership interests [3]	2,498	6.4	2,024	5.2	5	0.1	4,527	5.6
Short-term investments [4]	822	2.1	1,026	2.7	692	21.5	2,540	3.1
Other	1,483	3.8	1,831	4.7	—	—	3,314	4.1
Total	$ 39,083	100.0%	$ 38,809	100.0%	$ 3,221	100.0%	$ 81,113	100.0%

(1) Fixed income securities are carried at fair value. Amortized cost basis for these securities was $30.43 billion, $26.74 billion, $2.50 billion and $59.67 billion for Property-Liability, Allstate Financial, Corporate and Other, and in Total, respectively.

(2) Equity securities are carried at fair value. Cost basis for these securities was $2.72 billion, $969 million and $3.69 billion for Property-Liability, Allstate Financial and in Total, respectively.

(3) We have commitments to invest in additional limited partnership interests totaling $1.21 billion, $1.22 billion and $2.43 billion for Property-Liability, Allstate Financial and in Total, respectively.

(4) Short-term investments are carried at fair value. Amortized cost basis for these investments was $822 million, $1.03 billion, $692 million and $2.54 billion for Property-Liability, Allstate Financial, Corporate and Other, and in Total, respectively.

(5) Balances reflect the elimination of related party investments between segments.

Total investments decreased to $81.11 billion as of December 31, 2014, from $81.16 billion as of December 31, 2013, primarily due to common share repurchases, debt repayments and the reclassification of tax credit funds from limited partnership interests to other assets, partially offset by positive operating cash flows, proceeds from the issuance of preferred stock and favorable fixed income valuations resulting from a decrease in risk-free interest rates.

The Property-Liability investment portfolio decreased to $39.08 billion as of December 31, 2014, from $39.64 billion as of December 31, 2013, primarily due to dividends and stock repurchase paid by Allstate Insurance Company (''AIC'') to The Allstate Corporation (the ''Corporation'') and the reclassification of tax credit funds from limited partnership interests to other assets, partially offset by positive operating cash flows and a $700 million return of capital paid by ALIC to AIC.

The Allstate Financial investment portfolio decreased to $38.81 billion as of December 31, 2014, from $39.11 billion as of December 31, 2013, primarily due to net reductions in contractholder funds, a $700 million return of capital paid by ALIC to AIC and the reclassification of tax credit funds from limited partnership interests to other assets, partially offset by higher fixed income valuations.

The Corporate and Other investment portfolio increased to $3.22 billion as of December 31, 2014, from $2.41 billion as of December 31, 2013, primarily due to dividends and stock repurchase paid by AIC and other affiliates to the Corporation and proceeds from the issuance of preferred stock, partially offset by common share repurchases, debt repayments and dividends paid to shareholders.

During 2014, strategic actions focused on optimizing portfolio yield, return and risk in the low interest rate environment. In the Property-Liability portfolio, we maintained the shorter duration profile of our fixed income securities established in 2013. This positioning has reduced our exposure to rising interest rates. We are increasing our real estate and limited partnership investments in both the Property-Liability and Allstate Financial portfolios, consistent with our ongoing strategy to have a greater proportion of ownership of assets and equity investments. In Allstate Financial's portfolio, limited partnerships and other equity investments will continue to be allocated primarily to the longer-duration immediate annuity liabilities to improve returns on those products. Shorter-duration annuity and life insurance liabilities will continue to be invested primarily in interest-bearing investments, such as fixed income securities and commercial mortgage loans.

Fixed income securities by type are listed in the following table.

($ in millions)	Fair value as of December 31, 2014	Percent to total investments	Fair value as of December 31, 2013	Percent to total investments
U.S. government and agencies	$ 4,328	5.3%	$ 2,913	3.6%
Municipal	8,497	10.5	8,723	10.8
Corporate	42,144	52.0	40,603	50.0
Foreign government	1,645	2.0	1,824	2.2
ABS	3,978	4.9	4,518	5.6
RMBS	1,207	1.5	1,474	1.8
CMBS	615	0.8	829	1.0
Redeemable preferred stock	26	—	26	0.1
Total fixed income securities	$ 62,440	77.0%	$ 60,910	75.1%

As of December 31, 2014, 89.3% of the consolidated fixed income securities portfolio was rated investment grade, which is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P, Fitch, Dominion, Kroll or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. All of our fixed income securities are rated by third party credit rating agencies, the National Association of Insurance Commissioners, and/or are internally rated. Our initial investment decisions and ongoing monitoring procedures for fixed income securities are based on a thorough due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure, and liquidity risks of each issue.

The following table summarizes the fair value and unrealized net capital gains and losses for fixed income securities by credit rating as of December 31, 2014.

($ in millions)	Investment grade		Below investment grade		Total	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
U.S. government and agencies	$ 4,328	$ 136	$ —	$ —	$ 4,328	$ 136
Municipal						
Tax exempt	4,686	109	91	(3)	4,777	106
Taxable	3,637	507	83	7	3,720	514
Corporate						
Public	27,678	1,272	3,876	12	31,554	1,284
Privately placed	9,190	485	1,400	(11)	10,590	474
Foreign government	1,645	102	—	—	1,645	102
ABS						
Collateralized debt obligations ("CDO")	1,002	(6)	146	(10)	1,148	(16)
Consumer and other asset-backed securities ("Consumer and other ABS")	2,808	23	22	—	2,830	23
RMBS						
U.S. government sponsored entities ("U.S. Agency")	283	12	—	—	283	12
Prime residential mortgage-backed securities ("Prime")	85	1	290	33	375	34
Alt-A residential mortgage-backed securities ("Alt-A")	12	—	311	34	323	34
Subprime residential mortgage-backed securities ("Subprime")	5	—	221	19	226	19
CMBS	367	16	248	26	615	42
Redeemable preferred stock	26	4	—	—	26	4
Total fixed income securities	$ 55,752	$ 2,661	$ 6,688	$ 107	$ 62,440	$ 2,768

Municipal bonds, including tax exempt and taxable securities, totaled $8.50 billion as of December 31, 2014 with an unrealized net capital gain of $620 million. The municipal bond portfolio includes general obligations of state and local issuers and revenue bonds (including pre-refunded bonds, which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest).

The following table summarizes by state the fair value, amortized cost and credit rating of our municipal bonds, excluding $384 million of pre-refunded bonds, as of December 31, 2014.

($ in millions) State	State general obligation	Local general obligation	Revenue [(1)]	Fair value	Amortized cost	Average credit rating
Texas	$ 18	$ 382	$ 339	$ 739	$ 659	Aa
California	108	250	381	739	645	A
New York	20	97	428	545	517	Aa
Florida	89	89	297	475	452	Aa
Washington	173	9	162	344	329	Aa
Oregon	63	178	81	322	285	Aa
Illinois	17	81	221	319	285	A
Ohio	82	43	161	286	263	Aa
Pennsylvania	86	63	133	282	269	Aa
Michigan	141	8	100	249	232	Aa
All others	858	800	2,155	3,813	3,583	Aa
Total	$ 1,655	$ 2,000	$ 4,458	$ 8,113	$ 7,519	Aa

(1) The nature of the activities supporting revenue bonds is diversified and includes transportation, health care, industrial development, housing, higher education, utilities, recreation/convention centers and other activities.

Our practice for acquiring and monitoring municipal bonds is predominantly based on the underlying credit quality of the primary obligor. We currently rely on the primary obligor to pay all contractual cash flows and are not relying on bond insurers for payments. As a result of downgrades in the insurers' credit ratings, the ratings of the insured municipal bonds generally reflect the underlying ratings of the primary obligor. As of December 31, 2014, 99.7% of our insured municipal bond portfolio is rated investment grade.

Corporate bonds, including publicly traded and privately placed, totaled $42.14 billion as of December 31, 2014, with an unrealized net capital gain of $1.76 billion. Privately placed securities primarily consist of corporate issued senior debt securities that are directly negotiated with the borrower or are in unregistered form.

Our $10.59 billion portfolio of privately placed securities is diversified by issuer, industry sector and country. The portfolio is made up of 431 issuers. Privately placed corporate obligations contain structural security features such as financial covenants and call protections that provide investors greater protection against credit deterioration, reinvestment risk or fluctuations in interest rates than those typically found in publicly registered debt securities. Additionally, investments in these securities are made after due diligence of the issuer, typically including direct discussions with senior management and on-site visits to company facilities. Ongoing monitoring includes direct periodic dialog with senior management of the issuer and continuous monitoring of operating performance and financial position. Every issue not rated by an independent rating agency is internally rated with a formal rating affirmation at least once a year.

Foreign government securities totaled $1.65 billion as of December 31, 2014, with 100% rated investment grade and an unrealized net capital gain of $102 million. Of these securities, 52.0% are in Canadian governmental and provincial securities (41.3% of which are held by our Canadian companies), 23.8% are backed by the U.S. government and the remaining 24.2% are highly diversified in other foreign governments.

ABS, RMBS and CMBS are structured securities that are primarily collateralized by consumer or corporate borrowings and residential and commercial real estate loans. The cash flows from the underlying collateral paid to the securitization trust are generally applied in a pre-determined order and are designed so that each security issued by the trust, typically referred to as a ''class'', qualifies for a specific original rating. For example, the ''senior'' portion or ''top'' of the capital structure, or rating class, which would originally qualify for a rating of Aaa typically has priority in receiving principal repayments on the underlying collateral and retains this priority until the class is paid in full. In a sequential structure, underlying collateral principal repayments are directed to the most senior rated Aaa class in the structure until paid in full, after which principal repayments are directed to the next most senior Aaa class in the structure until it is paid in full. Senior Aaa classes generally share any losses from the underlying collateral on a pro-rata basis after losses are absorbed by classes with lower original ratings. The payment priority and class subordination included in these securities serves as credit enhancement for holders of the senior or top portions of the structures. These securities continue to retain the payment priority features that existed at the origination of the securitization trust. Other forms of credit enhancement may include structural features embedded in the securitization trust, such as overcollateralization, excess spread and bond insurance. The underlying collateral can have fixed interest rates, variable interest rates (such as adjustable rate mortgages) or may contain features of both fixed and variable rate mortgages.

ABS, including CDO and Consumer and other ABS, totaled $3.98 billion as of December 31, 2014, with 95.8% rated investment grade and an unrealized net capital gain of $7 million. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees and/or insurance.

CDO totaled $1.15 billion as of December 31, 2014, with 87.3% rated investment grade and an unrealized net capital loss of $16 million. CDO consist of obligations collateralized by cash flow CDO, which are structures collateralized primarily by below investment grade senior secured corporate loans.

Consumer and other ABS totaled $2.83 billion as of December 31, 2014, with 99.2% rated investment grade. Consumer and other ABS consists of $1.28 billion of consumer auto, $678 million of credit card and $870 million of other ABS with unrealized net capital gains of $1 million, $2 million and $20 million, respectively.

RMBS totaled $1.21 billion as of December 31, 2014, with 31.9% rated investment grade and an unrealized net capital gain of $99 million. The RMBS portfolio is subject to interest rate risk, but unlike other fixed income securities, is additionally subject to prepayment risk from the underlying residential mortgage loans. RMBS consists of a U.S. Agency portfolio having collateral issued or guaranteed by U.S. government agencies and a non-agency portfolio consisting of securities collateralized by Prime, Alt-A and Subprime loans. The non-agency portfolio totaled $924 million as of December 31, 2014, with 11.0% rated investment grade and an unrealized net capital gain of $87 million.

CMBS totaled $615 million as of December 31, 2014, with 59.7% rated investment grade and an unrealized net capital gain of $42 million. The CMBS portfolio is subject to credit risk and has a sequential paydown structure. Of the CMBS investments, 96.4% are traditional conduit transactions collateralized by commercial mortgage loans, broadly diversified across property types and geographical area. The remainder consists of non-traditional CMBS such as small balance transactions, large loan pools and single borrower transactions.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. The equity securities portfolio was $4.10 billion as of December 31, 2014, with an unrealized net capital gain of $412 million.

Mortgage loans, which are primarily held in the Allstate Financial portfolio, totaled $4.19 billion as of December 31, 2014 and primarily comprise loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification. For further detail on our mortgage loan portfolio, see Note 5 of the consolidated financial statements.

Limited partnership interests consist of investments in private equity/debt, real estate and other funds. The limited partnership interests portfolio is diversified across a number of characteristics including fund managers, vintage years, strategies, geography (including international), and company/property types. Tax credit funds were reclassified from limited partnership interests to other assets during 2014 since their return is in the form of tax credits rather than investment income. These tax credit funds totaled $560 million as of December 31, 2014. The following table presents information about our limited partnership interests as of December 31, 2014.

($ in millions)	Private equity/debt funds [1]	Real estate funds	Other funds	Total
Cost method of accounting ("Cost")	$ 894	$ 228	$ —	$ 1,122
Equity method of accounting ("EMA")	1,862	1,185	358	3,405
Total	$ 2,756	$ 1,413	$ 358	$ 4,527
Number of managers	99	37	13	149
Number of individual funds	178	80	19	277
Largest exposure to single fund	$ 102	$ 144	$ 145	$ 145

[1] Includes $562 million of infrastructure and real asset funds.

The following tables show the earnings from our limited partnership interests by fund type and accounting classification for the years ended December 31.

($ in millions)	2014				2013			
	Cost	EMA	Total income	Impairment write-downs	Cost	EMA	Total income	Impairment write-downs
Private equity/debt funds	$ 139	$ 252	$ 391	$ (19)	$ 162	$ 172	$ 334	$ (14)
Real estate funds	60	151	211	12	37	184	221	(4)
Other funds	2	10	12	—	—	(14)	(14)	—
Total	$ 201	$ 413	$ 614	$ (7)	$ 199	$ 342	$ 541	$ (18)

Limited partnership interests produced income, excluding impairment write-downs, of $614 million in 2014 compared to $541 million in 2013. Higher EMA limited partnership income resulted from favorable equity and real estate valuations which increased the carrying value of the partnerships. Income on EMA limited partnerships is recognized on a delay due to the availability of the related financial statements. The recognition of income on private equity/debt funds and real estate funds are generally on a three month delay and the income recognition on other funds is primarily on a one month delay. Income on cost method limited partnerships is recognized only upon receipt of amounts distributed by the partnerships.

Short-term investments totaled $2.54 billion as of December 31, 2014.

Other investments primarily comprise $1.66 billion of bank loans, $909 million of policy loans, $368 million of agent loans (loans issued to exclusive Allstate agents) and $92 million of derivatives as of December 31, 2014. For further detail on our use of derivatives, see Note 7 of the consolidated financial statements.

Unrealized net capital gains totaled $3.17 billion as of December 31, 2014 compared to $2.70 billion as of December 31, 2013. The increase for fixed income securities was primarily due to a decrease in risk-free interest rates, partially offset by the realization of unrealized net capital gains through sales. The decrease for equity securities was primarily due to the realization of unrealized net capital gains through sales, partially offset by positive equity market performance. The following table presents unrealized net capital gains and losses as of December 31.

($ in millions)	2014	2013
U.S. government and agencies	$ 136	$ 122
Municipal	620	277
Corporate	1,758	1,272
Foreign government	102	88
ABS	7	27
RMBS	99	71
CMBS	42	41
Redeemable preferred stock	4	4
Fixed income securities	2,768	1,902
Equity securities	412	624
Derivatives	(2)	(18)
EMA limited partnerships	(5)	(3)
Investments classified as held for sale	—	190
Unrealized net capital gains and losses, pre-tax	$ 3,173	$ 2,695

The unrealized net capital gain for the fixed income portfolio totaled $2.77 billion and comprised $3.08 billion of gross unrealized gains and $314 million of gross unrealized losses as of December 31, 2014. This is compared to an unrealized net capital gain for the fixed income portfolio totaling $1.90 billion, comprised of $2.48 billion of gross unrealized gains and $573 million of gross unrealized losses as of December 31, 2013.

Gross unrealized gains and losses on fixed income securities by type and sector as of December 31, 2014 are provided in the following table.

($ in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Corporate:				
Energy	$ 4,815	$ 178	$ (75)	$ 4,918
Banking	3,597	67	(35)	3,629
Consumer goods (cyclical and non-cyclical)	10,412	393	(34)	10,771
Basic industry	2,264	78	(29)	2,313
Capital goods	3,934	214	(16)	4,132
Utilities	4,985	548	(14)	5,519
Communications	2,885	143	(11)	3,017
Technology	2,249	73	(10)	2,312
Transportation	1,614	132	(9)	1,737
Financial services	3,051	130	(5)	3,176
Other	580	42	(2)	620
Total corporate fixed income portfolio	40,386	1,998	(240)	42,144
U.S. government and agencies	4,192	139	(3)	4,328
Municipal	7,877	645	(25)	8,497
Foreign government	1,543	102	—	1,645
ABS	3,971	38	(31)	3,978
RMBS	1,108	112	(13)	1,207
CMBS	573	44	(2)	615
Redeemable preferred stock	22	4	—	26
Total fixed income securities	$ 59,672	$ 3,082	$ (314)	$ 62,440

The energy, banking, consumer goods and basic industry sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio as of December 31, 2014. In general, the gross unrealized losses are related to increasing risk-free interest rates or widening credit spreads since the time of initial purchase.

The unrealized net capital gain for the equity portfolio totaled $412 million and comprised $467 million of gross unrealized gains and $55 million of gross unrealized losses as of December 31, 2014. This is compared to an unrealized net capital gain for the equity portfolio totaling $624 million, comprised of $658 million of gross unrealized gains and $34 million of gross unrealized losses as of December 31, 2013.

Gross unrealized gains and losses on equity securities by sector as of December 31, 2014 are provided in the table below.

($ in millions)	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Energy	$ 265	$ 24	$ (16)	$ 273
Financial services	485	44	(9)	520
Consumer goods (cyclical and non-cyclical)	834	107	(8)	933
Banking	332	66	(6)	392
Basic industry	152	12	(5)	159
Capital goods	287	31	(4)	314
Technology	370	50	(2)	418
Communications	218	15	(2)	231
Utilities	103	15	(1)	117
Transportation	65	23	(1)	87
Real estate	71	4	(1)	74
Index-based funds	343	75	—	418
Emerging market fixed income funds	152	—	—	152
Emerging market equity funds	15	1	—	16
Total equity securities	$ 3,692	$ 467	$ (55)	$ 4,104

Within the equity portfolio, the losses were primarily concentrated in the energy, financial services and consumer goods sectors. The unrealized losses were company and sector specific. As of December 31, 2014, we have the intent and ability to hold our equity securities with unrealized losses until recovery.

Global oil prices have declined significantly in recent months. Within the energy sector outlined above, we continue to monitor the impact to our investment portfolio for those companies that may be adversely affected, both directly and indirectly. If oil prices continue to decline or remain at depressed levels for an extended period, certain issuers and investments may come under pressure.

Net investment income The following table presents net investment income for the years ended December 31.

($ in millions)	2014	2013	2012
Fixed income securities	$ 2,447	$ 2,921	$ 3,234
Equity securities	117	149	127
Mortgage loans	265	372	374
Limited partnership interests	614	541	348
Short-term investments	7	5	6
Other	170	161	132
Investment income, before expense	3,620	4,149	4,221
Investment expense	(161)	(206)	(211)
Net investment income	$ 3,459	$ 3,943	$ 4,010

Net investment income decreased 12.3% or $484 million in 2014 compared to 2013, after decreasing 1.7% or $67 million in 2013 compared to 2012. The 2014 decrease was primarily due to lower average investment balances relating to the sale of LBL on April 1, 2014, lower fixed income yields and equity dividends, partially offset by higher limited partnership income. Net investment income in 2014 includes $114 million related to prepayment fee income and litigation proceeds compared to $139 million in 2013. These items may vary significantly from period to period and may not recur. Higher EMA limited partnership income resulted from favorable equity and real estate valuations which increased the carrying value of the partnerships. The 2013 decrease was primarily due to lower average investment balances and lower fixed income yields, partially offset by higher limited partnership income and equity dividends, as well as prepayment fee income and litigation proceeds which together increased 2013 income by a total of $68 million.

Realized capital gains and losses The following table presents the components of realized capital gains and losses and the related tax effect for the years ended December 31.

($ in millions)	2014	2013	2012
Impairment write-downs	$ (32)	$ (72)	$ (185)
Change in intent write-downs	(213)	(143)	(48)
Net other-than-temporary impairment losses recognized in earnings	(245)	(215)	(233)
Sales	975	819	536
Valuation and settlements of derivative instruments	(36)	(10)	24
Realized capital gains and losses, pre-tax	694	594	327
Income tax expense	(243)	(209)	(111)
Realized capital gains and losses, after-tax	$ 451	$ 385	$ 216

Impairment write-downs, which include changes in the mortgage loan valuation allowance, for the years ended December 31 are presented in the following table.

($ in millions)	2014	2013	2012
Fixed income securities	$ (24)	$ (49)	$ (108)
Equity securities	(6)	(12)	(63)
Mortgage loans	5	11	5
Limited partnership interests	(7)	(18)	(8)
Other investments	—	(4)	(11)
Impairment write-downs	$ (32)	$ (72)	$ (185)

Impairment write-downs on fixed income securities in 2014 were primarily driven by collateralized loan obligations that experienced deterioration in expected cash flows and municipal and corporate fixed income securities impacted by issuer specific circumstances. Limited partnership write-downs primarily related to cost method limited partnerships that experienced declines in portfolio valuations deemed to be other than temporary. Equity securities were written down primarily due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and near-term and long-term prospects of the issuer, including relevant industry conditions and trends. The valuation allowance on mortgage loans as of December 31, 2014 decreased compared to December 31, 2013 primarily due to reversals related to impaired loan payoffs.

Impairment write-downs on fixed income securities in 2013 were primarily driven by CMBS that experienced deterioration in expected cash flows and municipal bonds impacted by issuer specific circumstances. Limited partnership write-downs primarily related to cost method limited partnerships that experienced declines in portfolio valuations deemed to be other than temporary. Equity securities were written down primarily due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and near-term and long-term prospects of the issuer, including relevant industry conditions and trends. The valuation allowance on mortgage loans as of December 31, 2013 decreased compared to December 31, 2012 primarily due to reversals related to loans no longer deemed impaired.

Impairment write-downs on fixed income securities in 2012 were primarily driven by RMBS and CMBS that experienced deterioration in expected cash flows and municipal and corporate fixed income securities impacted by issuer specific circumstances. Equity securities were written down primarily due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and near-term and long-term prospects of the issuer, including relevant industry conditions and trends.

Change in intent write-downs were $213 million, $143 million and $48 million in 2014, 2013 and 2012, respectively. The change in intent write-downs in 2014 and 2013 were primarily related to the repositioning and ongoing portfolio management of our equity securities. For certain equity securities managed by third parties, we do not retain decision making authority as it pertains to selling securities that are in an unrealized loss position and therefore we recognize any unrealized loss at the end of the period through a charge to earnings. The change in intent write-downs in 2012 were primarily a result of ongoing comprehensive reviews of our portfolios resulting in write-downs of individually identified investments, primarily RMBS and equity securities.

Sales generated $975 million, $819 million and $536 million of net realized capital gains in 2014, 2013 and 2012, respectively. The sales in 2014 primarily related to equity and fixed income securities in connection with ongoing portfolio management. The sales in 2013 primarily related to equity securities in connection with portfolio repositioning and ongoing portfolio management and municipal and corporate fixed income securities in conjunction with reducing our exposure to interest rate risk in the Property-Liability portfolio. The sales in 2012 primarily related to corporate, municipal and U.S. government and agencies fixed income securities and equity securities in connection with portfolio repositioning.

Valuation and settlements of derivative instruments generated net realized capital losses of $36 million in 2014, net realized capital losses of $10 million in 2013 and net realized capital gains of $24 million in 2012. The net realized capital losses in 2014 primarily comprised losses on equity futures used for risk management due to increases in equity indices and losses on foreign currency contracts due to the weakening of the Canadian dollar. The net realized capital losses in 2013 primarily comprised losses on equity futures used for risk management due to increases in equity indices and losses on credit default swaps due to the tightening of credit spreads on the underlying credit names. The net realized capital gains in 2012 primarily included gains on credit default swaps due to the tightening of credit spreads on the underlying credit names.

MARKET RISK

Market risk is the risk that we will incur losses due to adverse changes in interest rates, credit spreads, equity prices or currency exchange rates. Adverse changes to these rates and prices may occur due to changes in fiscal policy, the economic climate, the liquidity of a market or market segment, insolvency or financial distress of key market makers or participants or changes in market perceptions of credit worthiness and/or risk tolerance. Our primary market risk exposures are to changes in interest rates, credit spreads and equity prices.

The active management of market risk is integral to our results of operations. We may use the following approaches to manage exposure to market risk within defined tolerance ranges: 1) rebalancing existing asset or liability portfolios, 2) changing the type of investments purchased in the future and 3) using derivative instruments to modify the market risk characteristics of existing assets and liabilities or assets expected to be purchased. For a more detailed discussion of our use of derivative financial instruments, see Note 7 of the consolidated financial statements.

Overview In formulating and implementing guidelines for investing funds, we seek to earn returns that enhance our ability to offer competitive rates and prices to customers while contributing to attractive and stable profits and long-term capital growth. Accordingly, our investment decisions and objectives are a function of the underlying risks and product profiles of each business.

Investment policies define the overall framework for managing market and other investment risks, including accountability and controls over risk management activities. Subsidiaries that conduct investment activities follow policies that have been approved by their respective boards of directors. These investment policies specify the investment limits and strategies that are appropriate given the liquidity, surplus, product profile and regulatory requirements of the subsidiary. Executive oversight of investment activities is conducted primarily through subsidiaries' boards of directors and investment committees. For Allstate Financial, its asset-liability management (''ALM'') policies further define the overall framework for managing market and investment risks. ALM focuses on strategies to enhance yields, mitigate market risks and optimize capital to improve profitability and returns for Allstate Financial while factoring in future expected cash requirements to repay liabilities. Allstate Financial ALM activities follow asset-liability policies that have been approved by their respective boards of directors. These ALM policies specify limits, ranges and/or targets for investments that best meet Allstate Financial's business objectives in light of its product liabilities.

We use quantitative and qualitative market-based approaches to measure, monitor and manage market risk. We evaluate our exposure to market risk through the use of multiple measures including but not limited to duration, value-at-risk, scenario analysis and sensitivity analysis. Duration measures the price sensitivity of assets and liabilities to changes in interest rates. For example, if interest rates increase 100 basis points, the fair value of an asset with a duration of 5 is expected to decrease in value by 5%. Value-at-risk is a statistical estimate of the probability that the change in fair value of a portfolio will exceed a certain amount over a given time horizon. Scenario analysis estimates the potential changes in the fair value of a portfolio that could occur under different hypothetical market conditions defined by changes to multiple market risk factors: interest rates, credit spreads, equity prices or currency exchange rates. Sensitivity analysis estimates the potential changes in the fair value of a portfolio that could occur under different hypothetical shocks to a market risk factor. In general, we establish investment portfolio asset allocation and market risk limits for the Property-Liability and Allstate Financial businesses based upon a combination of duration, value-at-risk, scenario analysis and sensitivity analysis. The asset allocation limits place restrictions on the total funds that may be invested within an asset class. Comprehensive day-to-day management of market risk within defined tolerance ranges occurs as portfolio managers buy and sell within their respective markets based upon the acceptable boundaries established by investment policies. For Allstate Financial, this day-to-day management is integrated with and informed by the activities of the ALM organization. This integration is intended to result in a prudent, methodical and effective adjudication of market risk and return, conditioned by the unique demands and dynamics of Allstate Financial's product liabilities and supported by the continuous application of advanced risk technology and analytics.

Although we apply a similar overall philosophy to market risk, the underlying business frameworks and the accounting and regulatory environments differ considerably between the Property-Liability and Allstate Financial businesses affecting investment decisions and risk parameters.

Interest rate risk is the risk that we will incur a loss due to adverse changes in interest rates relative to the characteristics of our interest bearing assets and liabilities. This risk arises from many of our primary activities, as we invest substantial funds in interest-sensitive assets and issue interest-sensitive liabilities. Interest rate risk includes risks related to changes in U.S. Treasury yields and other key risk-free reference yields.

We manage the interest rate risk in our assets relative to the interest rate risk in our liabilities and our assessment of overall economic and capital risk. One of the measures used to quantify this exposure is duration. The difference in the duration of our assets relative to our liabilities is our duration gap. To calculate the duration gap between assets and liabilities, we project asset and liability cash flows and calculate their net present value using a risk-free market interest rate adjusted for credit quality, sector attributes, liquidity and other specific risks. Duration is calculated by revaluing these cash flows at alternative interest rates and determining the percentage change in aggregate fair value. The cash flows used in this calculation include the expected maturity and repricing characteristics of our derivative financial instruments, all other financial instruments, and certain other items including unearned premiums, property-liability insurance claims and claims expense reserves, annuity liabilities and other interest-sensitive liabilities. The projections include assumptions (based upon historical market experience and our experience) that reflect the effect of changing interest rates on the prepayment, lapse, leverage and/or option features of instruments, where applicable. The preceding assumptions relate primarily to callable municipal and corporate bonds, fixed rate single and flexible premium deferred annuities, mortgage-backed securities and municipal housing bonds. Additionally, the calculations include assumptions regarding the renewal of property-liability policies.

As of December 31, 2014, the difference between our asset and liability duration was a (1.26) gap compared to a (0.95) gap as of December 31, 2013. A negative duration gap indicates that the fair value of our liabilities is more sensitive to interest rate movements than the fair value of our assets, while a positive duration gap indicates that the fair value of our assets is more sensitive to interest rate movements than the fair value of our liabilities. The Property-Liability segment generally maintains a positive duration gap between its assets and liabilities due to the relatively short duration of auto and homeowners claims, which are its primary liabilities. The Allstate Financial segment may have a positive or negative duration gap, as the duration of its assets and liabilities vary with its product mix and investing activity. As of December 31, 2014, Property-Liability had a positive duration gap while Allstate Financial had a negative duration gap.

In the management of investments supporting the Property-Liability business, we adhere to an objective of emphasizing safety of principal and consistency of income within a total return framework. This approach is designed to ensure our financial strength and stability for paying claims, while maximizing economic value and surplus growth.

For the Allstate Financial business, we seek to invest premiums, contract charges and deposits to generate future cash flows that will fund future claims, benefits and expenses, and that will earn stable returns across a wide variety of interest rate and economic scenarios. To achieve this objective and limit interest rate risk for Allstate Financial, we adhere to a philosophy of managing the duration of assets and related liabilities within predetermined tolerance levels. This philosophy is executed using duration targets for fixed income investments and may also include interest rate swaps, futures, forwards, caps, floors and swaptions to reduce the interest rate risk resulting from mismatches between existing assets and liabilities, and financial futures and other derivative instruments to hedge the interest rate risk of anticipated purchases and sales of investments.

Based upon the information and assumptions used in the duration calculation, and interest rates in effect as of December 31, 2014, we estimate that a 100 basis point immediate, parallel increase in interest rates (''rate shock'') would increase the net fair value of the assets and liabilities by $991 million, compared to an increase of $826 million as of December 31, 2013, reflecting year to year changes in duration. The selection of a 100 basis point immediate, parallel change in interest rates should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event. The estimate excludes the traditional and interest-sensitive life insurance products that are not considered financial instruments and the $9.91 billion of assets supporting them and the associated liabilities. The $9.91 billion of assets excluded from the calculation decreased from $13.13 billion as of December 31, 2013, primarily due to the LBL sale. Based on assumptions described above, in the event of a 100 basis point immediate increase in interest rates, the assets supporting life insurance products would decrease in value by $583 million, compared to a decrease of $753 million as of December 31, 2013.

To the extent that conditions differ from the assumptions we used in these calculations, duration and rate shock measures could be significantly impacted. Additionally, our calculations assume that the current relationship between short-term and long-term interest rates (the term structure of interest rates) will remain constant over time. As a result, these calculations may not fully capture the effect of non-parallel changes in the term structure of interest rates and/or large changes in interest rates.

Credit spread risk is the risk that we will incur a loss due to adverse changes in credit spreads (''spreads''). Credit spread is the additional yield on fixed income securities and loans above the risk-free rate (typically referenced as the yield on U.S. Treasury securities) that market participants require to compensate them for assuming credit, liquidity and/or prepayment risks. The magnitude of the spread will depend on the likelihood that a particular issuer will default (''credit risk''). This risk arises from many of our primary activities, as we invest substantial funds in spread-sensitive fixed income assets.

We manage the spread risk in our assets. One of the measures used to quantify this exposure is spread duration. Spread duration measures the price sensitivity of the assets to changes in spreads. For example, if spreads increase 100 basis points, the fair value of an asset exhibiting a spread duration of 5 is expected to decrease in value by 5%.

Spread duration is calculated similarly to interest rate duration. As of December 31, 2014, the spread duration of Property-Liability assets was 3.24, compared to 3.28 as of December 31, 2013, and the spread duration of Allstate Financial assets was 5.81, compared to 5.35 as of December 31, 2013. Based upon the information and assumptions we use in this spread duration calculation, and spreads in effect as of December 31, 2014, we estimate that a 100 basis point immediate, parallel increase in spreads across all asset classes, industry sectors and credit ratings (''spread shock'') would decrease the net fair value of the assets by $2.91 billion compared to $3.46 billion as of December 31, 2013. Reflected in the duration calculation are the effects of our tactical actions that use credit default swaps to manage spread risk. The selection of a 100 basis point immediate parallel change in spreads should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

Equity price risk is the risk that we will incur losses due to adverse changes in the general levels of the equity markets. As of December 31, 2014, we held $3.99 billion in common stocks and exchange traded and mutual funds and $4.64 billion in other securities with equity risk (including primarily limited partnership interests and non-redeemable preferred securities), compared to $5.04 billion and $5.02 billion, respectively, as of December 31, 2013. 74.8% of the common stocks and exchange traded and mutual funds and 55.8% of the other securities with equity risk related to Property-Liability as of December 31, 2014, compared to 86.1% and 58.8%, respectively, as of December 31, 2013.

As of December 31, 2014, our portfolio of common stocks and other securities with equity risk had a cash market portfolio beta of 1.21, compared to a beta of 1.10 as of December 31, 2013. Beta represents a widely used methodology to describe, quantitatively, an investment's market risk characteristics relative to an index such as the Standard & Poor's 500 Composite Price Index (''S&P 500''). Based on the beta analysis, we estimate that if the S&P 500 increases or decreases by 10%, the fair value of our equity investments will increase or decrease by 12.1%, respectively. Based upon the information and assumptions we used to calculate beta as of December 31, 2014, we estimate that an immediate decrease in the S&P 500 of 10% would decrease the net fair value of our equity investments by $1.05 billion, compared to $1.10 billion as of December 31, 2013, and an immediate increase in the S&P 500 of 10% would increase the net fair value by $1.05 billion compared to $1.10 billion as of December 31, 2013. The selection of a 10% immediate decrease or increase in the S&P 500 should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

The beta of our common stocks and other securities with equity risk was determined by calculating the change in the fair value of the portfolio resulting from stressing the equity market up and down 10%. The illustrations noted above may not reflect our actual experience if the future composition of the portfolio (hence its beta) and correlation relationships differ from the historical relationships.

As of December 31, 2014 and 2013, we had separate account assets related to variable annuity and variable life contracts with account values totaling $4.40 billion and $6.74 billion, respectively. The December 31, 2013 balance included amounts classified as held for sale. Equity risk exists for contract charges based on separate account balances and guarantees for death and/or income benefits provided by our variable products. In 2006, we disposed of substantially all of the variable annuity business through reinsurance agreements with The Prudential Insurance Company of America, a subsidiary of Prudential Financial Inc. and therefore mitigated this aspect of our risk. Equity risk for our variable life business relates to contract charges and policyholder benefits. Total variable life contract charges for 2014 and 2013 were $47 million and $67 million, respectively. Separate account liabilities related to variable life contracts were $77 million and $900 million as of December 31, 2014 and 2013, respectively. The decline in separate accounts was the result of the LBL sale.

As of December 31, 2014 and 2013 we had $1.49 billion and $3.71 billion, respectively, in equity-indexed annuity liabilities that provide customers with interest crediting rates based on the performance of the S&P 500. We hedge the majority of the risk associated with these liabilities using equity-indexed options and futures and eurodollar futures, maintaining risk within specified value-at-risk limits. $2.26 billion of the December 31, 2013 balance was a component of the LBL sale during 2014.

Foreign currency exchange rate risk is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates. This risk primarily arises from our foreign equity investments, including common stocks, real estate funds and private equity funds, and our Canadian, Northern Ireland and Indian operations. We also have investments in certain fixed income securities and emerging market fixed income funds that are denominated in foreign currencies; however, derivatives are used to hedge approximately 12% of this foreign currency risk.

As of December 31, 2014, we had $1.35 billion in foreign currency denominated equity investments, $843 million net investment in our foreign subsidiaries, primarily related to our Canadian operations, and $283 million in unhedged non-dollar pay fixed income securities. These amounts were $1.10 billion, $878 million, and $330 million, respectively, as of December 31, 2013. 68.0% of the foreign currency exposure is in the Property-Liability business.

Based upon the information and assumptions used as of December 31, 2014, we estimate that a 10% immediate unfavorable change in each of the foreign currency exchange rates to which we are exposed would decrease the value of our foreign currency denominated instruments by $235 million, compared with an estimated $254 million decrease as of December 31, 2013. The selection of a 10% immediate decrease in all currency exchange rates should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

The modeling technique we use to report our currency exposure does not take into account correlation among foreign currency exchange rates. Even though we believe it is very unlikely that all of the foreign currency exchange rates that we are exposed to would simultaneously decrease by 10%, we nonetheless stress test our portfolio under this and other hypothetical extreme adverse market scenarios. Our actual experience may differ from these results because of assumptions we have used or because significant liquidity and market events could occur that we did not foresee.

PENSION PLANS

We have defined benefit pension plans, which cover most full-time, certain part-time employees and employee-agents. Benefits are based primarily on a cash balance formula, however certain participants have a significant portion of their benefits attributable to a former final average pay formula. 91% of the projected benefit obligation of our primary qualified employee plan is related to the former final average pay formula. See Note 17 of the consolidated financial statements for a complete discussion of these plans and their effect on the consolidated financial statements. The pension and other postretirement plans may be amended or terminated at any time. Any revisions could result in significant changes to our obligations and our obligation to fund the plans.

We report unrecognized pension and other postretirement benefit cost in the Consolidated Statements of Financial Position as a component of accumulated other comprehensive income in shareholders' equity. It represents the after-tax differences between the fair value of plan assets and the projected benefit obligation (''PBO'') for pension plans and the accumulated postretirement benefit obligation for other postretirement plans that have not yet been recognized as a component of net periodic cost. As of December 31, 2014, unrecognized pension and other postretirement benefit cost totaled $1.36 billion comprising $1.49 billion related to pension benefits and $(122) million related to other postretirement benefits. The unrecognized pension and other postretirement benefit cost increased by $725 million as of December 31, 2014 from $638 million as of December 31, 2013. The measurement of the unrecognized pension and other postretirement benefit cost can vary based upon the fluctuations in the fair value of plan assets and the actuarial assumptions used for the plans as discussed below. The increase in the unrecognized pension and other postretirement benefit cost primarily related to actuarial assumption and census data updates, including decreases in the discount rate assumptions, the adoption of new Society of Actuaries mortality assumptions and lump sum payments at discount rates lower than actuarial assumptions.

During 2014, we offered certain vested terminated employees the opportunity to receive lump sum payments. As a result, $75 million of benefit payments resulted in a reduction of the pension benefit obligation of approximately $90 million.

The components of net periodic pension cost for all pension plans for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Service cost	$ 96	$ 140	$ 152
Interest cost	262	265	298
Expected return on plan assets	(398)	(394)	(393)
Amortization of:			
Prior service credit	(58)	(28)	(2)
Net actuarial loss	127	235	178
Settlement loss	54	277	33
Net periodic cost	$ 83	$ 495	$ 266

The service cost component is the actuarial present value of the benefits attributed by the plans benefit formula to services rendered by the employees during the period. Interest cost is the increase in the PBO in the period due to the passage of time at the discount rate. Interest cost fluctuates as the discount rate changes and is also impacted by the related change in the size of the PBO. The decrease or increase in the PBO due to an increase or decrease in the discount rate is deferred and decreases or increases the net actuarial loss. It is recorded in accumulated other comprehensive income as unrecognized pension benefit cost and may be amortized.

The expected return on plan assets is determined as the product of the expected long-term rate of return on plan assets and the adjusted fair value of plan assets, referred to as the market-related value of plan assets. To determine the market-related value, the fair value of plan assets is adjusted annually so that differences between changes in the fair value of equity securities and hedge fund limited partnerships and the expected long-term rate of return on these securities are recognized into the market-related value of plan assets over a five year period. We believe this is consistent with the long-term nature of pension obligations.

When the actual return on plan assets exceeds the expected return on plan assets it reduces the net actuarial loss; when the expected return exceeds the actual return it increases the net actuarial loss. It is recorded in accumulated other comprehensive income as unrecognized pension benefit cost and may be amortized. The market-related value adjustment represents the current difference between actual returns and expected returns on equity securities and hedge fund limited partnerships recognized over a five year period. The market-related value adjustment is a deferred net loss of $104 million as of December 31, 2014. The expected return on plan assets fluctuates when the market-related value of plan assets changes and when the expected long-term rate of return on plan assets assumption changes.

Amortization of net actuarial loss in pension cost is recorded when the net actuarial loss including the unamortized market-related value adjustment exceeds 10% of the greater of the PBO or the market-related value of plan assets. The amount of amortization is equal to the excess divided by the average remaining service period for active employees for each plan, which approximates 9 years for Allstate's largest plan. As a result, the effect of changes in the PBO due to changes in the discount rate and changes in the fair value of plan assets may be experienced in our net periodic pension cost in periods subsequent to those in which the fluctuations actually occur.

Net actuarial loss fluctuates as the discount rate fluctuates, as the actual return on plan assets differ from the expected long-term rate of return on plans assets, and as actual plan experience differs from other actuarial assumptions. Net actuarial loss related to changes in the discount rate will change when interest rates change and from amortization of net actuarial loss when there is an excess sufficient to qualify for amortization. Net actuarial loss related to changes in the fair value of plan assets will change when plan assets change in fair value and when there is an excess sufficient to qualify for amortization. Other net actuarial loss will change over time due to changes in other valuation assumptions and the plan participants or when there is an excess sufficient to qualify for amortization.

A decrease in the discount rate increased the net actuarial loss by $576 million in 2014, an increase in the discount rate decreased the net actuarial loss by $593 million in 2013, and a decrease in the discount rate increased the net actuarial loss by $806 million in 2012. The difference between actual and expected returns on plan assets decreased the net actuarial loss by $144 million, $172 million, and $201 million in 2014, 2013, and 2012, respectively.

Settlement charges are non-cash charges that accelerate the recognition of unrecognized pension benefit cost, that would have been incurred in subsequent periods, when plan payments primarily lump sums from qualified pension plans, exceed a threshold of service and interest cost for the period. The value of lump sums paid in 2014 were lower as fewer employees retired than in 2013. The value of lump sums paid to employees electing retirement in 2013 was elevated due to historically low interest rates. Voluntary retirement activity during the fourth quarter of 2013 was almost five times the typical level.

Net periodic pension cost in 2015 is estimated to be $112 million including expected settlement charges of $25 million primarily for agent lump sum payments. Expected returns on plan assets and amortization of prior service credits offset the other components of pension cost. The increase is due to higher amortization of net actuarial loss offset by a higher expected return on assets. Pension expense is reported consistent with other types of employee compensation and as a result is included in claims expense, operating costs and expenses and investment expense. Net periodic pension cost decreased in 2014 to $83 million compared to $495 million in 2013 due to a decrease in service cost from the new benefit formula, a decrease in the amortization expense for the prior year's net actuarial losses which decreased due to a higher discount rate used to value the pension plan and lower settlements from fewer lump sum payments. Net periodic pension cost increased in 2013 compared to $266 million in 2012 due to an increase in the amortization expense for prior year's net actuarial losses (gain) which increased due to a lower discount rate used to value the pension plans. In 2014, 2013 and 2012, net pension cost included non-cash settlement charges resulting from lump sum distributions. Settlement charges are likely to continue for some period in the future as we settle our remaining agent pension obligations by making lump sum distributions to agents. The settlement charge threshold for our primary employee plan is lower beginning in 2014 due to the new benefit formula and low interest rates and as a result a lower amount of lump sum benefits may trigger settlement charges in the future. If interest rates increase in 2015, there may be an increase in employees electing retirement, which could trigger settlement charges in 2015.

We anticipate that the net actuarial loss for our pension plans will exceed 10% of the greater of the PBO or the market-related value of assets in 2015 and into the foreseeable future, resulting in additional amortization and net periodic pension cost. The net actuarial loss will be amortized over the remaining service life of active employees (approximately 9 years) or will reverse with increases in the discount rate or better than expected returns on plan assets.

Amounts recorded for net periodic pension cost and accumulated other comprehensive income are significantly affected by changes in the assumptions used to determine the discount rate and the expected long-term rate of return on plan assets. The discount rate is based on rates at which expected pension benefits attributable to past employee service could effectively be settled on a present value basis at the measurement date. We develop the assumed discount rate by utilizing the weighted average yield of a theoretical dedicated portfolio derived from non-callable bonds and bonds with a make-whole provision available in the Bloomberg corporate bond universe having ratings of at least ''AA'' by S&P or at least ''Aa'' by Moody's on the measurement date with cash flows that match expected plan benefit requirements. Significant changes in discount rates, such as those caused by changes in the credit spreads, yield curve, the mix of bonds available in the market, the duration of selected bonds and expected benefit payments, may result in volatility in pension cost and accumulated other comprehensive income.

Holding other assumptions constant, a hypothetical decrease of 100 basis points in the discount rate would result in an increase of $31 million, pre-tax, in net periodic pension cost and a $444 million, after-tax, increase in the unrecognized pension cost liability recorded as accumulated other comprehensive income as of December 31, 2014, compared to an increase of $39 million, pre-tax, in net periodic pension cost and a $379 million, after-tax, increase in the unrecognized pension cost liability as of December 31, 2013. A hypothetical increase of 100 basis points in the discount rate would decrease net periodic pension cost by $29 million, pre-tax, and would decrease the unrecognized pension cost liability recorded as accumulated other comprehensive income by $377 million, after-tax, as of December 31, 2014, compared to a decrease in net periodic pension cost of $35 million, pre-tax, and a $322 million, after-tax, decrease in the unrecognized pension cost liability recorded as accumulated other comprehensive income as of December 31, 2013. This non-symmetrical range results from the non-linear relationship between discount rates and pension obligations, and changes in the amortization of unrealized net actuarial gains and losses.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on plan assets. While this rate reflects long-term assumptions and is consistent with long-term historical returns, sustained changes in the market or changes in the mix of plan assets may lead to revisions in the assumed long-term rate of return on plan assets that may result in variability of pension cost. Differences between the actual return on plan assets and the expected long-term rate of return on plan assets are a component of net actuarial loss and are recorded in accumulated other comprehensive income.

Holding other assumptions constant, a hypothetical decrease of 100 basis points in the expected long-term rate of return on plan assets would result in an increase of $57 million in pension cost as of December 31, 2014, compared to $55 million as of December 31, 2013. A hypothetical increase of 100 basis points in the expected long-term rate of return on plan assets would result in a decrease in net periodic pension cost of $57 million as of December 31, 2014, compared to $55 million as of December 31, 2013.

The primary qualified plans have unrealized gains as of December 31, 2014 of $510 million, an increase of $80 million from the prior year. 81% of unrealized gains are related to equity securities as of December 31, 2014 compared to 100% as of December 31, 2013. During 2014, the two primary qualified plans realized capital gains of $315 million. Given the Plan's exposure to an increase in interest rates, the plans shortened the duration of the plan assets in the fixed income portfolio.

We target funding levels in accordance with regulations under the Internal Revenue Code (''IRC'') and generally accepted actuarial principles. Our funding levels were within our targeted range as of December 31, 2014. In 2014, we contributed $49 million to our pension plans. We expect to contribute $127 million for the 2015 fiscal year to maintain the plans' funded status. This estimate could change significantly following either an improvement or decline in investment markets.

Participating subsidiaries fund the Plans' contributions under our master services cost sharing agreement. In addition, as a result of joint and several pension liability rules under the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, as amended, many liabilities that arise in connection with pension plans are joint and several across all members of a controlled group of entities.

GOODWILL

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. The goodwill balances were $823 million and $396 million as of December 31, 2014 for the Allstate Protection segment and the Allstate Financial segment, respectively. Our reporting units are equivalent to our reporting segments, Allstate Protection and Allstate Financial. Goodwill is allocated to reporting units based on which unit is expected to benefit from the synergies of the business combination.

Goodwill is not amortized but is tested for impairment at least annually. We perform our annual goodwill impairment testing during the fourth quarter of each year based upon data as of the close of the third quarter. We also review goodwill for impairment whenever events or changes in circumstances, such as deteriorating or adverse market conditions, indicate that it is more likely than not that the carrying amount of goodwill may exceed its implied fair value.

Impairment testing requires the use of estimates and judgments. For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the second step of the goodwill test is required. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition. The excess of the carrying value of goodwill over the implied fair value of goodwill would be recognized as an impairment and recorded as a charge against net income.

To estimate the fair value of our reporting units for our annual impairment test, we initially utilize a stock price and market capitalization analysis and apportion the value between our reporting units using peer company price to book multiples. If the stock price and market capitalization analysis does not result in the fair value of the reporting unit exceeding its carrying value, we may also utilize a peer company price to earnings multiples analysis and/or a discounted cash flow analysis to supplement the stock price and market capitalization analysis. If a combination of valuation techniques are utilized, the analyses would be weighted based on management's judgment of their relevance given current facts and circumstances.

The stock price and market capitalization analysis takes into consideration the quoted market price of our outstanding common stock and includes a control premium, derived from historical insurance industry acquisition activity, in determining the estimated fair value of the consolidated entity before allocating that fair value to individual reporting units. The total market capitalization of the consolidated entity is allocated to the individual reporting units using book value multiples derived from peer company data for the respective reporting units. The peer company price to earnings multiples analysis takes into consideration the price earnings multiples of peer companies for each reporting unit and estimated income from our strategic plan. The discounted cash flow analysis utilizes long term assumptions for revenue growth, capital growth, earnings projections including those used in our strategic plan, and an appropriate discount rate. We apply significant judgment when determining the fair value of our reporting units and when assessing the relationship of market capitalization to the estimated fair value of our reporting units. The valuation analyses described above are subject to critical judgments and assumptions and may be potentially sensitive to variability. Estimates of fair value are inherently uncertain and represent management's reasonable expectation regarding future developments. These estimates and the judgments and assumptions utilized may differ from future actual results. Declines in the estimated fair value of our reporting units could result in goodwill impairments in future periods which may be material to our results of operations but not our financial position.

During fourth quarter 2014, we completed our annual goodwill impairment test using information as of September 30, 2014. The stock price and market capitalization analysis resulted in the fair value of our reporting units exceeding their respective carrying values. The results of this analysis are supported by the operating performance of the individual reporting units as well as their respective industry sector's performance. Goodwill impairment evaluations indicated no impairment as of December 31, 2014 and no reporting unit was at risk of having its carrying value including goodwill exceed its fair value.

CAPITAL RESOURCES AND LIQUIDITY 2014 HIGHLIGHTS

- Shareholders' equity as of December 31, 2014 was $22.30 billion, an increase of 3.8% from $21.48 billion as of December 31, 2013.
- On January 2, 2014, April 1, 2014, July 1, 2014 and October 1, 2014, we paid common shareholder dividends of $0.25, $0.28, $0.28 and $0.28, respectively. On November 18, 2014, we declared a common shareholder dividend of $0.28 to be payable on January 2, 2015. On February 4, 2015, we declared a common shareholder dividend of $0.30 to be payable on April 1, 2015.
- During 2014, we repurchased 39.0 million common shares for $2.31 billion. As of December 31, 2014, there was $336 million remaining on our $2.5 billion common share repurchase program. On February 4, 2015, a new $3 billion common share repurchase program was authorized and is expected to be completed by July 2016.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources consist of shareholders' equity and debt, representing funds deployed or available to be deployed to support business operations or for general corporate purposes. The following table summarizes our capital resources as of December 31.

($ in millions)	2014	2013	2012
Preferred stock, common stock, retained income and other shareholders' equity items	$ 21,743	$ 20,434	$ 19,405
Accumulated other comprehensive income	561	1,046	1,175
Total shareholders' equity	22,304	21,480	20,580
Debt	5,194	6,201	6,057
Total capital resources	$ 27,498	$ 27,681	$ 26,637
Ratio of debt to shareholders' equity	23.3%	28.9%	29.4%
Ratio of debt to capital resources	18.9%	22.4%	22.7%

Shareholders' equity increased in 2014, primarily due to net income, the issuance of preferred stock and increased unrealized net capital gains on investments, partially offset by common share repurchases, an increase in the unrecognized pension and other postretirement benefit cost and dividends paid to shareholders. In 2014, we paid dividends of $477 million and $87 million related to our common and preferred shares, respectively. Shareholders' equity increased in 2013, primarily due to net income, decreased unrecognized pension and other postretirement benefit cost, and the issuance of preferred stock, partially offset by common share repurchases, decreased unrealized net capital gains on investments and dividends paid to shareholders.

Preferred stock In March 2014, we issued 29,900 shares of 6.625% Noncumulative Perpetual Preferred Stock for gross proceeds of $747.5 million. In June 2014, we issued 10,000 shares of 6.25% Noncumulative Perpetual Preferred Stock for gross proceeds of $250 million. The proceeds of both issuances were used for general corporate purposes.

Debt $300 million of 6.20% Senior Notes were paid at maturity in May 2014 and $650 million of 5.00% Senior Notes were paid at maturity in August 2014. These Notes were paid from available funds. We have no debt maturities until 2018. As of December 31, 2014 and 2013, there were no outstanding commercial paper borrowings. For further information on outstanding debt, see Note 12 of the consolidated financial statements.

Capital resources comprise an increased mix of preferred stock and subordinated debt due to issuances in 2013 and 2014 and the completion of a tender offer to repurchase debt in 2013. As of December 31, 2014, capital resources includes $1.75 billion or 6.3% of preferred stock and $2.05 billion or 7.5% of subordinated debt, a total of 13.8% compared to 10.2% as of December 31, 2013 and 3.8% as of December 31, 2012. This increases our strategic flexibility by decreasing our debt to shareholders' equity ratio, which is one determinant of borrowing capacity.

Common share repurchases As of December 31, 2014, our $2.5 billion common share repurchase program that commenced in February 2014 had $336 million remaining and is expected to be completed in first quarter 2015. On February 4, 2015, a new $3 billion common share repurchase program was authorized and is expected to be completed by July 2016.

During 2014, we repurchased 39.0 million common shares for $2.31 billion. In addition to open market transactions, we entered into two accelerated share repurchase agreements each for the purchase of $750 million of our outstanding common stock. The first settled on July 29, 2014 and the second settled on December 18, 2014.

Since 1995, we have acquired 601 million shares of our common stock at a cost of $25.38 billion, primarily as part of various stock repurchase programs. We have reissued 121 million common shares since 1995, primarily associated with our equity incentive plans, the 1999 acquisition of American Heritage Life Investment Corporation and the 2001 redemption of certain mandatorily redeemable preferred securities. Since 1995, total common shares outstanding has decreased by 480 million shares or 53.4%, primarily due to our repurchase programs.

Financial ratings and strength The following table summarizes our senior long-term debt, commercial paper and insurance financial strength ratings as of December 31, 2014.

	Moody's	Standard & Poor's	A.M. Best
The Allstate Corporation (senior long-term debt)	A3	A-	a-
The Allstate Corporation (commercial paper)	P-2	A-2	AMB-1
Allstate Insurance Company (insurance financial strength)	Aa3	AA-	A+
Allstate Life Insurance Company (insurance financial strength)	A1	A+	A+

Our ratings are influenced by many factors including our operating and financial performance, asset quality, liquidity, asset/liability management, overall portfolio mix, financial leverage (i.e., debt), exposure to risks such as catastrophes and the current level of operating leverage. Rating agencies continue to give favorable treatment in capitalization to preferred stock and subordinated debt, of which Allstate had $3.80 billion as of December 31, 2014 compared to $2.83 billion as of December 31, 2013 and $1.00 billion as of December 31, 2012.

In February 2015, A.M. Best affirmed The Allstate Corporation's debt and commercial paper ratings of a- and AMB-1, respectively, and our insurance financial strength ratings of A+ for AIC and ALIC. The outlook for the ratings remained stable. In June 2014, S&P affirmed The Allstate Corporation's debt and commercial paper ratings of A- and A-2, respectively, and our insurance financial strength ratings of AA- for AIC and A+ for ALIC. The outlook for the ratings remained stable. In December 2014, Moody's affirmed ALIC's insurance financial strength rating of A1. The outlook for the rating remained stable. There have been no changes to our debt, commercial paper and insurance financial strength rating for AIC from Moody's since December 31, 2013.

We have distinct and separately capitalized groups of subsidiaries licensed to sell property and casualty insurance in New Jersey and Florida that maintain separate group ratings. The ratings of these groups are influenced by the risks that relate specifically to each group. Many mortgage companies require property owners to have insurance from an insurance carrier with a secure financial strength rating from an accredited rating agency. In February 2014, A.M. Best affirmed the Allstate New Jersey Insurance Company, which writes auto and homeowners insurance, rating of A-. The outlook for this rating is stable. Allstate New Jersey Insurance Company also has a Financial Stability Rating® of A'' from Demotech, which was affirmed in November 2014. In August 2014, A.M. Best affirmed the Castle Key Insurance Company, which underwrites personal lines property insurance in Florida, rating of B-. The outlook for the rating is negative. Castle Key Insurance Company also has a Financial Stability Rating® of A' from Demotech, which was affirmed in November 2014.

Beginning in 2015, Allstate Financial will use a separately capitalized subsidiary, Allstate Assurance Company, to write life insurance business sold by Allstate exclusive agencies and exclusive financial specialists that is currently written by LBL. As Allstate Assurance Company launches its products throughout the nation, LBL will cease writing that type of new business for Allstate Financial. LBL life business sold through the Allstate agency channel and all LBL payout annuity business will continue to be reinsured and serviced by ALIC. Allstate Assurance Company has a financial strength rating of A from A.M. Best and A1 by Moody's.

ALIC, AIC and The Allstate Corporation are party to an Amended and Restated Intercompany Liquidity Agreement (''Liquidity Agreement'') which allows for short-term advances of funds to be made between parties for liquidity and other general corporate purposes. The Liquidity Agreement does not establish a commitment to advance funds on the part of any party. ALIC and AIC each serve as a lender and borrower and the Corporation serves only as a lender. AIC also has a capital support agreement with ALIC. Under the capital support agreement, AIC is committed to provide capital to ALIC to maintain an adequate capital level. The maximum amount of potential funding under each of these agreements is $1.00 billion.

In addition to the Liquidity Agreement, the Corporation also has an intercompany loan agreement with certain of its subsidiaries, which include, but are not limited to, AIC and ALIC. The amount of intercompany loans available to the Corporation's subsidiaries is at the discretion of the Corporation. The maximum amount of loans the Corporation will have outstanding to all its eligible subsidiaries at any given point in time is limited to $1.00 billion. The Corporation may use commercial paper borrowings, bank lines of credit and securities lending to fund intercompany borrowings.

Allstate's domestic property-liability and life insurance subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the insurance department of the applicable state of domicile. Statutory surplus is a measure that is often used as a basis for determining dividend paying capacity, operating leverage and premium growth capacity, and it is also reviewed by rating agencies in determining their ratings. As of December 31, 2014, total statutory surplus is $17.32 billion compared to $18.28 billion as of December 31, 2013. Property-Liability surplus was $14.41 billion as of December 31, 2014, compared to $15.26 billion as of December 31, 2013. Allstate Financial surplus was $2.91 billion as of December 31, 2014, compared to $3.02 billion as of December 31, 2013. Additionally, Allstate Financial has short-term investments and cash of $98 million at Allstate Financial Insurance Holdings Corporation intended to capitalize Allstate Assurance Company in early 2015.

The ratio of net premiums written to statutory surplus is a common measure of operating leverage used in the property-casualty insurance industry and serves as an indicator of a company's premium growth capacity. Ratios in excess of 3 to 1 are typically considered outside the usual range by insurance regulators and rating agencies, and for homeowners and related coverages that have significant net exposure to natural catastrophes a ratio of 1 to 1 is considered appropriate by the Company. AIC's combined premium to surplus ratio was 1.7x as of December 31, 2014 compared to 1.5x as of December 31, 2013.

The National Association of Insurance Commissioners (''NAIC'') has also developed a set of financial relationships or tests known as the Insurance Regulatory Information System to assist state insurance regulators in monitoring the financial condition of insurance companies and identifying companies that require special attention or actions by state insurance regulators. The NAIC analyzes financial data provided by insurance companies using prescribed ratios, each with defined ''usual ranges''. Additional regulatory scrutiny may occur if a company's ratios fall outside the usual ranges for four or more of the ratios. Our domestic insurance companies have no significant departure from these ranges.

Liquidity sources and uses Our potential sources of funds principally include activities shown in the following table.

	Property-Liability	Allstate Financial	Corporate and Other
Receipt of insurance premiums	X	X	
Contractholder fund deposits		X	
Reinsurance recoveries	X	X	
Receipts of principal, interest and dividends on investments	X	X	X
Sales of investments	X	X	X
Funds from securities lending, commercial paper and line of credit agreements	X	X	X
Intercompany loans	X	X	X
Capital contributions from parent	X	X	
Dividends or return of capital from subsidiaries	X		X
Tax refunds/settlements	X	X	X
Funds from periodic issuance of additional securities			X
Receipt of intercompany settlements related to employee benefit plans			X

Our potential uses of funds principally include activities shown in the following table.

	Property-Liability	Allstate Financial	Corporate and Other
Payment of claims and related expenses	X		
Payment of contract benefits, maturities, surrenders and withdrawals		X	
Reinsurance cessions and payments	X	X	
Operating costs and expenses	X	X	X
Purchase of investments	X	X	X
Repayment of securities lending, commercial paper and line of credit agreements	X	X	X
Payment or repayment of intercompany loans	X	X	X
Capital contributions to subsidiaries	X		X
Dividends or return of capital to shareholders/parent company	X	X	X
Tax payments/settlements	X	X	
Common share repurchases			X
Debt service expenses and repayment	X	X	X
Payments related to employee and agent benefit plans	X	X	X

We actively manage our financial position and liquidity levels in light of changing market, economic, and business conditions. Liquidity is managed at both the entity and enterprise level across the Company, and is assessed on both base and stressed level liquidity needs. We believe we have sufficient liquidity to meet these needs. Additionally, we have existing intercompany agreements in place that facilitate liquidity management across the Company to enhance flexibility.

Parent company capital capacity At the parent holding company level, we have deployable assets totaling $3.42 billion as of December 31, 2014 comprising cash and investments that are generally saleable within one quarter. The substantial earnings capacity of the operating subsidiaries is the primary source of capital generation for the Corporation. In 2015, AIC will have the capacity to pay dividends currently estimated at $2.31 billion without prior regulatory approval. This provides funds for the parent company's fixed charges and other corporate purposes. In addition, we have access to $1.00 billion of funds from either commercial paper issuance or an unsecured revolving credit facility.

In 2014, AIC paid dividends totaling $2.47 billion to its parent, Allstate Insurance Holdings, LLC (''AIH''), who then paid $2.46 billion of dividends to the Corporation. In December 2014, AIC repurchased 2,967 common shares held by its parent, AIH, for an aggregate cash price of $1.20 billion, pursuant to the Stock Repurchase Agreement between AIC and AIH entered into as of December 9, 2014. A subsequent dividend totaling $1.20 billion was paid by AIH to the Corporation in December 2014. In 2013, AIC paid dividends totaling $1.95 billion to its parent, AIH who then paid the same amount of dividends to the Corporation. In 2012, AIC paid dividends totaling $1.51 billion. These dividends comprised $1.06 billion in cash paid to AIH, of which $1.04 billion were paid by AIH to the Corporation, and the transfer of ownership (valued at $450 million) to AIH of three insurance companies that were formerly subsidiaries of AIC (Allstate Indemnity Company, Allstate Fire and Casualty Insurance Company and Allstate Property and Casualty Insurance Company). In 2014, 2013 and 2012, Allstate Financial paid $742 million, $774 million and $357 million, respectively, of returns of capital, repayments of surplus notes and dividends to AIC or the Corporation. There were no capital contributions paid by the Corporation to AIC in 2014, 2013 or 2012. There were no capital contributions by AIC to ALIC in 2014, 2013 or 2012.

Dividends may not be paid or declared on our common stock and shares of common stock may not be repurchased unless the full dividends for the latest completed dividend period on our preferred stock have been declared and paid or provided for. We are prohibited from declaring or paying dividends on our preferred stock if we fail to meet specified capital adequacy, net income or shareholders' equity levels, except out of the net proceeds of common stock issued during the 90 days prior to the date of declaration. As of December 31, 2014, we satisfied all of the tests with no current restrictions on the payment of preferred stock dividends.

The terms of our outstanding subordinated debentures also prohibit us from declaring or paying any dividends or distributions on our common or preferred stock or redeeming, purchasing, acquiring, or making liquidation payments on our common stock or preferred stock if we have elected to defer interest payments on the subordinated debentures, subject to certain limited exceptions. In 2014, we did not defer interest payments on the subordinated debentures.

The Corporation has access to additional borrowing to support liquidity as follows:

- A commercial paper facility with a borrowing limit of $1.00 billion to cover short-term cash needs. As of December 31, 2014, there were no balances outstanding and therefore the remaining borrowing capacity was $1.00 billion; however, the outstanding balance can fluctuate daily.
- Our $1.00 billion unsecured revolving credit facility is available for short-term liquidity requirements and backs our commercial paper facility. In April 2014, we amended the maturity date of this facility to April 2019 and also amended our option to extend the expiration by one year at the first and second anniversary of the amendment, upon approval of existing or replacement lenders. The facility is fully subscribed among 12 lenders with the largest commitment being $115 million. The commitments of the lenders are several and no lender is responsible for any other lender's commitment if such lender fails to make a loan under the facility. This facility contains an increase provision that would allow up to an additional $500 million of borrowing. This facility has a financial covenant requiring that we not exceed a 37.5% debt to capitalization ratio as defined in the agreement. This ratio was 11.6% as of December 31, 2014. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of our senior unsecured, unguaranteed long-term debt. There were no borrowings under the credit facility during 2014. The total amount outstanding at any point in time under the combination of the commercial paper program and the credit facility cannot exceed the amount that can be borrowed under the credit facility.
- A universal shelf registration statement was filed with the Securities and Exchange Commission on April 30, 2012. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 482 million shares of treasury stock as of December 31, 2014), preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries. The specific terms of any securities we issue under this registration statement will be provided in the applicable prospectus supplements.

Liquidity exposure Contractholder funds were $22.53 billion as of December 31, 2014. The following table summarizes contractholder funds by their contractual withdrawal provisions as of December 31, 2014.

($ in millions)		Percent to total
Not subject to discretionary withdrawal	$ 3,653	16.2%
Subject to discretionary withdrawal with adjustments:		
Specified surrender charges [1]	6,244	27.7
Market value adjustments [2]	2,348	10.4
Subject to discretionary withdrawal without adjustments [3]	10,284	45.7
Total contractholder funds [4]	$ 22,529	100.0%

[1] Includes $2.53 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.
[2] $1.67 billion of the contracts with market value adjusted surrenders have a 30-45 day period at the end of their initial and subsequent interest rate guarantee periods (which are typically 5, 7 or 10 years) during which there is no surrender charge or market value adjustment.
[3] 86% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.
[4] Includes $844 million of contractholder funds on variable annuities reinsured to The Prudential Insurance Company of America, a subsidiary of Prudential Financial Inc., in 2006.

Retail life and annuity products may be surrendered by customers for a variety of reasons. Reasons unique to individual customers include a current or unexpected need for cash or a change in life insurance coverage needs. Other key factors that may impact the likelihood of customer surrender include the level of the contract surrender charge, the length of time the contract has been in force, distribution channel, market interest rates, equity market conditions and potential tax implications. In addition, the propensity for retail life insurance policies to lapse is lower than it is for fixed annuities because of the need for the insured to be re-underwritten upon policy replacement. The surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 9.9% and 10.2% in 2014 and 2013, respectively. Allstate Financial strives to promptly pay customers who request cash surrenders; however, statutory regulations generally provide up to six months in most states to fulfill surrender requests.

Our asset-liability management practices enable us to manage the differences between the cash flows generated by our investment portfolio and the expected cash flow requirements of our life insurance and annuity product obligations.

Certain remote events and circumstances could constrain our liquidity. Those events and circumstances include, for example, a catastrophe resulting in extraordinary losses, a downgrade in our senior long-term debt rating of A3, A- and a- (from Moody's, S&P and A.M. Best, respectively) to non-investment grade status of below Baa3/BBB-/bb, a downgrade in AIC's financial strength rating from Aa3, AA- and A+ (from Moody's, S&P and A.M. Best, respectively) to below Baa2/BBB/A-, or a downgrade in ALIC's financial strength ratings from A1, A+ and A+ (from Moody's, S&P and A.M. Best, respectively) to below A3/A-/A-. The rating agencies also consider the interdependence of our individually rated entities; therefore, a rating change in one entity could potentially affect the ratings of other related entities.

The following table summarizes consolidated cash flow activities by segment.

($ in millions)	Property-Liability [1]			Allstate Financial [1]			Corporate and Other [1]			Consolidated		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Net cash provided by (used in):												
Operating activities	$ 2,765	$ 3,058	$ 2,023	$ 720	$ 1,068	$ 1,165	$ (249)	$ 116	$ (134)	$ 3,236	$ 4,242	$ 3,054
Investing activities	99	(1,858)	(1,081)	2,315	3,833	2,497	(793)	(395)	165	1,621	1,580	1,581
Financing activities	(3)	38	(18)	(2,274)	(4,393)	(3,363)	(2,598)	(1,598)	(1,224)	(4,875)	(5,953)	(4,605)
Net (decrease) increase in consolidated cash										$ (18)	$ (131)	$ 30

[1] Business unit cash flows reflect the elimination of intersegment dividends, contributions and borrowings.

Property-Liability Lower cash provided by operating activities in 2014 compared to 2013 was primarily due to higher claim payments, the proceeds received in 2013 from the surrender of company owned life insurance and higher income tax payments, partially offset by increased premiums and lower contributions to benefit plans. Higher cash provided by operating activities in 2013 compared to 2012 was primarily due to lower claim payments, increased premiums and the surrender of company owned life insurance, partially offset by higher expenses and tax payments.

Cash provided by investing activities in 2014 compared to cash used in investing activities in 2013 was primarily the result of increased sales of securities and short-term investments, partially offset by increased purchases of securities. Increased sales and purchases of securities resulted from more active portfolio management. Higher cash used in investing activities in 2013 compared to 2012 was primarily related to 2013 operating cash flows being invested.

Allstate Financial Lower cash provided by operating activities in 2014 compared to 2013 was primarily due to lower net investment income and higher income tax payments, partially offset by higher premiums on accident and health and traditional life insurance products. Lower cash provided by operating cash flows in 2013 compared to 2012 was primarily due to lower net investment income, partially offset by lower contract benefits paid and higher premiums.

Lower cash was provided by investing activities in 2014 compared to 2013 as proceeds from the sale of LBL and higher sales of investments were more than offset by lower collections and higher purchases of investments. Lower collections resulted from funding a large institutional product maturity in 2013 from the portfolio. Higher cash provided by investing activities in 2013 compared to 2012 was due to higher investment collections and higher financing needs to fund institutional product maturities.

Lower cash used in financing activities in 2014 compared to 2013 was primarily due to a $1.75 billion institutional product maturity in 2013 and lower contractholder benefits and withdrawals on fixed annuities and interest-sensitive life insurance, partially offset by lower deposits. Higher cash used in financing activities in 2013 compared to 2012 was primarily due to a $1.75 billion institutional product maturity. For quantification of the changes in contractholder funds, see the Allstate Financial Segment section of the MD&A.

Corporate and Other Fluctuations in the Corporate and Other operating cash flows were primarily due to the timing of intercompany settlements. Investing activities primarily relate to investments in the parent company portfolio. Financing cash flows of the Corporate and Other segment reflect actions such as fluctuations in short-term debt, repayment of debt, proceeds from the issuance of debt and preferred stock, dividends to shareholders of The Allstate Corporation and common share repurchases; therefore, financing cash flows are affected when we increase or decrease the level of these activities.

Contractual obligations and commitments Our contractual obligations as of December 31, 2014 and the payments due by period are shown in the following table.

($ in millions)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Over 5 years**
Liabilities for collateral (1)	$ 782	$ 782	$ —	$ —	$ —
Contractholder funds (2)	37,270	2,983	5,159	4,376	24,752
Reserve for life-contingent contract benefits (2)	35,976	1,272	2,421	2,299	29,984
Long-term debt (3)	12,585	288	577	1,048	10,672
Capital lease obligations (4)	11	6	5	—	—
Operating leases (4)	606	131	192	114	169
Unconditional purchase obligations (4)	818	286	331	135	66
Defined benefit pension plans and other postretirement benefit plans (4)(5)	1,394	51	125	132	1,086
Reserve for property-liability insurance claims and claims expense (6)	22,923	9,653	7,457	2,727	3,086
Other liabilities and accrued expenses (7)(8)	4,176	4,090	49	17	20
Total contractual cash obligations	$ 116,541	$ 19,542	$ 16,316	$ 10,848	$ 69,835

(1) Liabilities for collateral are typically fully secured with cash or short-term investments. We manage our short-term liquidity position to ensure the availability of a sufficient amount of liquid assets to extinguish short-term liabilities as they come due in the normal course of business, including utilizing potential sources of liquidity as disclosed previously.

(2) Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life, fixed annuities, including immediate annuities without life contingencies and institutional products. The reserve for life-contingent contract benefits relates primarily to traditional life insurance, immediate annuities with life contingencies and voluntary accident and health insurance. These amounts reflect the present value of estimated cash payments to be made to contractholders and policyholders. Certain of these contracts, such as immediate

annuities without life contingencies and institutional products, involve payment obligations where the amount and timing of the payment is essentially fixed and determinable. These amounts relate to (i) policies or contracts where we are currently making payments and will continue to do so and (ii) contracts where the timing of a portion or all of the payments has been determined by the contract. Other contracts, such as interest-sensitive life, fixed deferred annuities, traditional life insurance, immediate annuities with life contingencies and voluntary accident and health insurance, involve payment obligations where a portion or all of the amount and timing of future payments is uncertain. For these contracts, we are not currently making payments and will not make payments until (i) the occurrence of an insurable event such as death or illness or (ii) the occurrence of a payment triggering event such as the surrender or partial withdrawal on a policy or deposit contract, which is outside of our control. We have estimated the timing of payments related to these contracts based on historical experience and our expectation of future payment patterns. Uncertainties relating to these liabilities include mortality, morbidity, expenses, customer lapse and withdrawal activity, estimated additional deposits for interest-sensitive life contracts, and renewal premium for life policies, which may significantly impact both the timing and amount of future payments. Such cash outflows reflect adjustments for the estimated timing of mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table exceeds the corresponding liabilities of $22.53 billion for contractholder funds and $12.38 billion for reserve for life-contingent contract benefits as included in the Consolidated Statements of Financial Position as of December 31, 2014. The liability amount in the Consolidated Statements of Financial Position reflects the discounting for interest as well as adjustments for the timing of other factors as described above.

(3) Amount differs from the balance presented on the Consolidated Statements of Financial Position as of December 31, 2014 because the long-term debt amount above includes interest.

(4) Our payment obligations relating to capital lease obligations, operating leases, unconditional purchase obligations and pension and other postretirement benefits (''OPEB'') contributions are managed within the structure of our intermediate to long-term liquidity management program.

(5) The pension plans' obligations in the next 12 months represent our planned contributions where the benefit obligation exceeds the assets, and the remaining years' contributions are projected based on the average remaining service period using the current underfunded status of the plans. The OPEB plans' obligations are estimated based on the expected benefits to be paid. These liabilities are discounted with respect to interest, and as a result the sum of the cash outflows shown for all years in the table exceeds the corresponding liability amount of $722 million included in other liabilities and accrued expenses on the Consolidated Statements of Financial Position.

(6) Reserve for property-liability insurance claims and claims expense is an estimate of amounts necessary to settle all outstanding claims, including claims that have been IBNR as of the balance sheet date. We have estimated the timing of these payments based on our historical experience and our expectation of future payment patterns. However, the timing of these payments may vary significantly from the amounts shown above, especially for IBNR claims. The ultimate cost of losses may vary materially from recorded amounts which are our best estimates. The reserve for property-liability insurance claims and claims expense includes loss reserves related to asbestos and environmental claims as of December 31, 2014, of $1.49 billion and $267 million, respectively.

(7) Other liabilities primarily include accrued expenses and certain benefit obligations and claim payments and other checks outstanding. Certain of these long-term liabilities are discounted with respect to interest, as a result the sum of the cash outflows shown for all years in the table exceeds the corresponding liability amount of $4.17 billion.

(8) Balance sheet liabilities not included in the table above include unearned and advance premiums of $12.45 billion and gross deferred tax liabilities of $2.49 billion. These items were excluded as they do not meet the definition of a contractual liability as we are not contractually obligated to pay these amounts to third parties. Rather, they represent an accounting mechanism that allows us to present our financial statements on an accrual basis. In addition, other liabilities of $271 million were not included in the table above because they did not represent a contractual obligation or the amount and timing of their eventual payment was sufficiently uncertain.

Our contractual commitments as of December 31, 2014 and the periods in which the commitments expire are shown in the following table.

($ in millions)	Total	Less than 1 year	1-3 years	4-5 years	Over 5 years
Other commitments – conditional	$ 193	$ 98	$ —	$ 48	$ 47
Other commitments – unconditional	2,429	80	142	164	2,043
Total commitments	$ 2,622	$ 178	$ 142	$ 212	$ 2,090

Contractual commitments represent investment commitments such as private placements, limited partnership interests and other loans. Limited partnership interests are typically funded over the commitment period which is shorter than the contractual expiration date of the partnership and as a result, the actual timing of the funding may vary.

We have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. All material intercompany transactions have appropriately been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate departments of insurance as required.

For a more detailed discussion of our off-balance sheet arrangements, see Note 7 of the consolidated financial statements.

ENTERPRISE RISK AND RETURN MANAGEMENT

In addition to the normal risks of business, Allstate is subject to significant risks as an insurer and a provider of other products and financial services. These risks are discussed in more detail in the Risk Factors section of this document. Allstate manages enterprise risk under an integrated Enterprise Risk and Return Management (''ERRM'') framework with risk-return principles, governance, modeling and analytics, and importantly, transparent management dialogue. This framework provides a comprehensive view of risks and opportunities and is used by senior leaders and business managers to provide risk and return insight and drive strategic and business decisions. Allstate's risk management strategies adapt to changes in business and market environments and seek to optimize returns. Allstate continually validates and improves its ERRM practices by benchmarking and securing external perspectives for our processes.

Our qualitative risk-return principles define how we operate and guide decision-making around risk and return. These principles state that, first and foremost, our priority is to protect solvency, comply with laws and act with integrity. Building upon this foundation, we strive to build strategic value and optimize risks and returns.

ERRM governance includes an executive management committee structure, Board oversight and chief risk officers (''CROs''). The Enterprise Risk & Return Council (''ERRC'') is Allstate's senior risk management committee that directs ERRM by establishing risk-return targets, determining economic capital levels and directing integrated strategies and actions from an enterprise perspective. The ERRC consists of Allstate's chief executive officer, president, business unit presidents, enterprise and business unit chief risk officers and chief financial officers, general counsel and treasurer. Allstate's Board of Directors, Risk and Return Committee and Audit Committee provide ERRM oversight by reviewing enterprise principles, guidelines and limits for Allstate's significant risks and by monitoring strategies and actions management has taken to control these risks. Allstate's Board of Directors has overall responsibility for oversight of management's design and implementation of ERRM. Risk and Return Committee oversight focuses on the risk and return position of the company and Audit Committee oversight focuses on risk assessment and risk management policies, including the effectiveness of management's control environment.

CROs are appointed for the enterprise and for Allstate Protection, Allstate Financial, Allstate Investments, and Allstate's technology organization. Collectively, the CROs create an integrated approach to risk and return management to ensure risk management practices and strategies are aligned with Allstate's overall enterprise objectives. The shared ERRM framework establishes a basis for transparency and dialogue across the organization and for continuous learning by embedding the risk and return management culture of identifying, measuring, managing, monitoring and reporting risks.

Our ERRM governance is supported with an analytic framework to manage significant insurance, investment, financial, strategic, and operational risk exposures and optimize returns on risk-adjusted capital. Management and the ERRC use enterprise stochastic modeling, risk expertise and judgment to determine an appropriate level of targeted enterprise economic capital to hold considering a broad range of risk objectives and external constraints. These include limiting risks of financial stress, insolvency, likelihood of capital stress and volatility, maintaining stakeholder value and financial strength ratings and satisfying regulatory and rating agency risk-based capital requirements. We generally assess solvency on a statutory accounting basis, but also consider GAAP volatility. Enterprise economic capital approximates a combination of statutory surplus and deployable invested assets at the parent holding company level.

Using our governance and analytic framework, Allstate designs business and enterprise strategies that seek to optimize returns on risk-adjusted capital. Examples include reducing exposure to rising interest rates and spread-based products through the divestiture of LBL; executing customer-focused growth strategies; improving profitability; increasing investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic operating or market performance, including limited partnerships, equities and real estate; and growing homeowners insurance in areas previously restricted where we believe we can earn an appropriate return for the risk.

REGULATION AND LEGAL PROCEEDINGS

We are subject to extensive regulation and we are involved in various legal and regulatory actions, all of which have an effect on specific aspects of our business. For a detailed discussion of the legal and regulatory actions in which we are involved, see Note 14 of the consolidated financial statements.

PENDING ACCOUNTING STANDARDS

There are several pending accounting standards that we have not implemented because the implementation date has not yet occurred. For a discussion of these pending standards, see Note 2 of the consolidated financial statements.

The effect of implementing certain accounting standards on our financial results and financial condition is often based in part on market conditions at the time of implementation of the standard and other factors we are unable to determine prior to implementation. For this reason, we are sometimes unable to estimate the effect of certain pending accounting standards until the relevant authoritative body finalizes these standards or until we implement them.

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

($ in millions, except per share data)	Year Ended December 31, 2014	2013	2012
Revenues			
Property-liability insurance premiums (net of reinsurance ceded of $1,030, $1,069 and $1,090)	$ 28,929	$ 27,618	$ 26,737
Life and annuity premiums and contract charges (net of reinsurance ceded of $416, $639 and $674)	2,157	2,352	2,241
Net investment income	3,459	3,943	4,010
Realized capital gains and losses:			
Total other-than-temporary impairment (''OTTI'') losses	(242)	(207)	(239)
OTTI losses reclassified to (from) other comprehensive income	(3)	(8)	6
Net OTTI losses recognized in earnings	(245)	(215)	(233)
Sales and other realized capital gains and losses	939	809	560
Total realized capital gains and losses	694	594	327
	35,239	34,507	33,315
Costs and expenses			
Property-liability insurance claims and claims expense (net of reinsurance ceded of $1,393, $1,717 and $2,051)	19,428	17,911	18,484
Life and annuity contract benefits (net of reinsurance ceded of $356, $355 and $665)	1,765	1,917	1,818
Interest credited to contractholder funds (net of reinsurance ceded of $26, $27 and $28)	919	1,278	1,316
Amortization of deferred policy acquisition costs	4,135	4,002	3,884
Operating costs and expenses	4,341	4,387	4,118
Restructuring and related charges	18	70	34
Loss on extinguishment of debt	1	491	—
Interest expense	322	367	373
	30,929	30,423	30,027
(Loss) gain on disposition of operations	(74)	(688)	18
Income from operations before income tax expense	4,236	3,396	3,306
Income tax expense	1,386	1,116	1,000
Net income	2,850	2,280	2,306
Preferred stock dividends	104	17	—
Net income available to common shareholders	$ 2,746	$ 2,263	$ 2,306
Earnings per common share:			
Net income available to common shareholders per common share – Basic	$ 6.37	$ 4.87	$ 4.71
Weighted average common shares – Basic	431.4	464.4	489.4
Net income available to common shareholders per common share – Diluted	$ 6.27	$ 4.81	$ 4.68
Weighted average common shares – Diluted	438.2	470.3	493.0
Cash dividends declared per common share	$ 1.12	$ 1.00	$ 0.88

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ in millions)	Year Ended December 31,		
	2014	2013	2012
Net income	$ 2,850	$ 2,280	$ 2,306
Other comprehensive (loss) income, after-tax			
Changes in:			
Unrealized net capital gains and losses	280	(1,188)	1,434
Unrealized foreign currency translation adjustments	(40)	(32)	14
Unrecognized pension and other postretirement benefit cost	(725)	1,091	(302)
Other comprehensive (loss) income, after-tax	(485)	(129)	1,146
Comprehensive income	$ 2,365	$ 2,151	$ 3,452

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ in millions, except par value data)	December 31, 2014	December 31, 2013
Assets		
Investments		
Fixed income securities, at fair value (amortized cost $59,672 and $59,008)	$ 62,440	$ 60,910
Equity securities, at fair value (cost $3,692 and $4,473)	4,104	5,097
Mortgage loans	4,188	4,721
Limited partnership interests	4,527	4,967
Short-term, at fair value (amortized cost $2,540 and $2,393)	2,540	2,393
Other	3,314	3,067
Total investments	81,113	81,155
Cash	657	675
Premium installment receivables, net	5,465	5,237
Deferred policy acquisition costs	3,525	3,372
Reinsurance recoverables, net	8,490	7,621
Accrued investment income	591	624
Property and equipment, net	1,031	1,024
Goodwill	1,219	1,243
Other assets	2,046	1,937
Separate Accounts	4,396	5,039
Assets held for sale	—	15,593
Total assets	$ 108,533	$ 123,520
Liabilities		
Reserve for property-liability insurance claims and claims expense	$ 22,923	$ 21,857
Reserve for life-contingent contract benefits	12,380	12,386
Contractholder funds	22,529	24,304
Unearned premiums	11,655	10,932
Claim payments outstanding	784	631
Deferred income taxes	715	635
Other liabilities and accrued expenses	5,653	5,156
Long-term debt	5,194	6,201
Separate Accounts	4,396	5,039
Liabilities held for sale	—	14,899
Total liabilities	86,229	102,040
Commitments and Contingent Liabilities (Note 7, 8 and 14)		
Equity		
Preferred stock and additional capital paid-in, $1 par value, 25 million shares authorized, 72.2 thousand and 32.3 thousand shares issued and outstanding, $1,805 and $807.5 aggregate liquidation preference	1,746	780
Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 418 million and 449 million shares outstanding	9	9
Additional capital paid-in	3,199	3,143
Retained income	37,842	35,580
Deferred ESOP expense	(23)	(31)
Treasury stock, at cost (482 million and 451 million shares)	(21,030)	(19,047)
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital gains and losses on fixed income securities with OTTI	72	50
Other unrealized net capital gains and losses	1,988	1,698
Unrealized adjustment to DAC, DSI and insurance reserves	(134)	(102)
Total unrealized net capital gains and losses	1,926	1,646
Unrealized foreign currency translation adjustments	(2)	38
Unrecognized pension and other postretirement benefit cost	(1,363)	(638)
Total accumulated other comprehensive income	561	1,046
Total shareholders' equity	22,304	21,480
Total liabilities and shareholders' equity	$ 108,533	$ 123,520

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

($ in millions)	Year Ended December 31, 2014	2013	2012
Preferred stock par value			
Balance, beginning of year	$ —	$ —	$ —
Preferred stock issuance	—	—	—
Balance, end of year	—	—	—
Preferred stock additional capital paid-in			
Balance, beginning of year	780	—	—
Preferred stock issuance	966	780	—
Balance, end of year	1,746	780	—
Common stock	9	9	9
Additional capital paid-in			
Balance, beginning of year	3,143	3,162	3,189
Equity incentive plans activity	56	(19)	(27)
Balance, end of year	3,199	3,143	3,162
Retained income			
Balance, beginning of year	35,580	33,783	31,909
Net income	2,850	2,280	2,306
Dividends on common stock	(484)	(466)	(432)
Dividends on preferred stock	(104)	(17)	—
Balance, end of year	37,842	35,580	33,783
Deferred ESOP expense			
Balance, beginning of year	(31)	(41)	(43)
Payments	8	10	2
Balance, end of year	(23)	(31)	(41)
Treasury stock			
Balance, beginning of year	(19,047)	(17,508)	(16,795)
Shares acquired	(2,306)	(1,845)	(910)
Shares reissued under equity incentive plans, net	323	306	197
Balance, end of year	(21,030)	(19,047)	(17,508)
Accumulated other comprehensive income			
Balance, beginning of year	1,046	1,175	29
Change in unrealized net capital gains and losses	280	(1,188)	1,434
Change in unrealized foreign currency translation adjustments	(40)	(32)	14
Change in unrecognized pension and other postretirement benefit cost	(725)	1,091	(302)
Balance, end of year	561	1,046	1,175
Total shareholders' equity	22,304	21,480	20,580
Noncontrolling interest			
Balance, beginning of year	—	—	28
Change in noncontrolling interest ownership	—	—	(28)
Balance, end of year	—	—	—
Total equity	$ 22,304	$ 21,480	$ 20,580

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net income	$ 2,850	$ 2,280	$ 2,306
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash items	366	368	388
Realized capital gains and losses	(694)	(594)	(327)
Loss on extinguishment of debt	1	491	—
Loss (gain) on disposition of operations	74	688	(18)
Interest credited to contractholder funds	919	1,278	1,316
Changes in:			
Policy benefits and other insurance reserves	541	(55)	214
Unearned premiums	766	602	306
Deferred policy acquisition costs	(220)	(268)	(18)
Premium installment receivables, net	(257)	(205)	(125)
Reinsurance recoverables, net	(1,068)	(729)	(1,560)
Income taxes	205	573	698
Other operating assets and liabilities	(247)	(187)	(126)
Net cash provided by operating activities	3,236	4,242	3,054
Cash flows from investing activities			
Proceeds from sales			
Fixed income securities	34,609	21,243	18,872
Equity securities	6,755	3,173	1,495
Limited partnership interests	1,473	1,045	1,398
Mortgage loans	10	24	14
Other investments	406	151	148
Investment collections			
Fixed income securities	3,736	5,908	5,417
Mortgage loans	1,106	1,020	1,064
Other investments	191	275	128
Investment purchases			
Fixed income securities	(38,759)	(24,087)	(22,658)
Equity securities	(5,443)	(3,677)	(671)
Limited partnership interests	(1,398)	(1,312)	(1,524)
Mortgage loans	(501)	(538)	(525)
Other investments	(972)	(1,084)	(665)
Change in short-term investments, net	272	(427)	(698)
Change in other investments, net	46	97	58
Purchases of property and equipment, net	(288)	(207)	(285)
Disposition (acquisition) of operations	378	(24)	13
Net cash provided by investing activities	1,621	1,580	1,581
Cash flows from financing activities			
Proceeds from issuance of long-term debt	—	2,271	493
Repayment of long-term debt	(1,006)	(2,627)	(352)
Proceeds from issuance of preferred stock	965	781	—
Contractholder fund deposits	1,184	2,174	2,158
Contractholder fund withdrawals	(3,446)	(6,556)	(5,519)
Dividends paid on common stock	(477)	(352)	(534)
Dividends paid on preferred stock	(87)	(6)	—
Treasury stock purchases	(2,301)	(1,834)	(913)
Shares reissued under equity incentive plans, net	266	170	85
Excess tax benefits on share-based payment arrangements	41	38	10
Other	(14)	(12)	(33)
Net cash used in financing activities	(4,875)	(5,953)	(4,605)
Net (decrease) increase in cash	(18)	(131)	30
Cash at beginning of year	675	806	776
Cash at end of year	$ 657	$ 675	$ 806

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Basis of presentation

The accompanying consolidated financial statements include the accounts of The Allstate Corporation (the ''Corporation'') and its wholly owned subsidiaries, primarily Allstate Insurance Company (''AIC''), a property-liability insurance company with various property-liability and life and investment subsidiaries, including Allstate Life Insurance Company (''ALIC'') (collectively referred to as the ''Company'' or ''Allstate''). These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (''GAAP''). All significant intercompany accounts and transactions have been eliminated.

To conform to the current year presentation, certain amounts in the prior year notes to consolidated financial statements have been reclassified.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Nature of operations

Allstate is engaged, principally in the United States, in the property-liability insurance and life insurance business. Allstate's primary business is the sale of private passenger auto and homeowners insurance. The Company also sells several other personal property and casualty insurance products, select commercial property and casualty coverages, life insurance and voluntary accident and health insurance. Allstate primarily distributes its products through exclusive agencies, financial specialists, independent agencies, contact centers and the internet.

The Allstate Protection segment principally sells private passenger auto and homeowners insurance, with earned premiums accounting for 82% of Allstate's 2014 consolidated revenues. Allstate was the country's second largest personal property and casualty insurer as of December 31, 2013. Allstate Protection, through several companies, is authorized to sell certain property-liability products in all 50 states, the District of Columbia and Puerto Rico. The Company is also authorized to sell certain insurance products in Canada. For 2014, the top geographic locations for premiums earned by the Allstate Protection segment were Texas, California, New York, Florida and Pennsylvania. No other jurisdiction accounted for more than 5% of premiums earned for Allstate Protection.

Allstate has exposure to catastrophes, an inherent risk of the property-liability insurance business, which have contributed, and will continue to contribute, to material year-to-year fluctuations in the Company's results of operations and financial position (see Note 8). The nature and level of catastrophic loss caused by natural events (high winds, winter storms, tornadoes, hailstorms, wildfires, tropical storms, hurricanes, earthquakes and volcanoes) and man-made events (terrorism and industrial accidents) experienced in any period cannot be predicted and could be material to results of operations and financial position. The Company considers the greatest areas of potential catastrophe losses due to hurricanes to generally be major metropolitan centers in counties along the eastern and gulf coasts of the United States. The Company considers the greatest areas of potential catastrophe losses due to earthquakes and fires following earthquakes to be major metropolitan areas near fault lines in the states of California, Oregon, Washington, South Carolina, Missouri, Kentucky and Tennessee. The Company also has exposure to asbestos, environmental and other discontinued lines claims (see Note 14).

The Allstate Financial segment sells traditional, interest-sensitive and variable life insurance and voluntary accident and health insurance products. The Company previously offered and continues to have in force fixed annuities such as deferred and immediate annuities, and institutional products consisting of funding agreements sold to unaffiliated trusts that use them to back medium-term notes.

Allstate Financial, through several companies, is authorized to sell life insurance and retirement products in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. Beginning in 2015, voluntary accident and health insurance products are planned to be sold in Canada. For 2014, the top geographic locations for statutory premiums and annuity considerations for the Allstate Financial segment were California, Texas, Florida and New York. No other jurisdiction accounted for more than 5% of statutory premiums and annuity considerations for Allstate Financial. Allstate Financial distributes its products through Allstate exclusive agencies and exclusive financial specialists, and workplace enrolling independent agents.

Allstate has exposure to market risk as a result of its investment portfolio. Market risk is the risk that the Company will incur realized and unrealized net capital losses due to adverse changes in interest rates, credit spreads, equity prices or currency exchange rates. The Company's primary market risk exposures are to changes in interest rates, credit spreads and equity prices. Interest rate risk is the risk that the Company will incur a loss due to adverse changes in interest rates relative to the interest rate characteristics of its interest bearing assets and liabilities. This risk arises from many of the Company's primary activities, as it invests substantial funds in interest-sensitive assets and issues interest-sensitive liabilities. Interest rate risk includes risks related to changes in U.S. Treasury yields and other key risk-free reference yields. Credit spread risk is the risk that the Company will incur a loss due to adverse changes in credit spreads. This risk arises from many of the Company's primary activities, as the Company invests substantial funds in spread-sensitive fixed income assets. Equity price risk is the risk that the Company will incur losses due to adverse changes in the general levels of the equity markets.

The Company monitors economic and regulatory developments that have the potential to impact its business. Federal and state laws and regulations affect the taxation of insurance companies and life insurance products. Congress and various state legislatures from time to time consider legislation that would reduce or eliminate the favorable policyholder tax treatment currently applicable to life insurance. Congress and various state legislatures also consider proposals to reduce the taxation of certain products or investments that may compete with life insurance. Legislation that increases the taxation on insurance products or reduces the taxation on competing products could lessen the advantage or create a disadvantage for certain of the Company's products making them less competitive. Such proposals, if adopted, could have an adverse effect on the Company's financial position or Allstate Financial's ability to sell such products and could result in the surrender of some existing contracts and policies. In addition, changes in the federal estate tax laws could negatively affect the demand for the types of life insurance used in estate planning.

2. Summary of Significant Accounting Policies

Investments

Fixed income securities include bonds, asset-backed securities (''ABS''), residential mortgage-backed securities (''RMBS''), commercial mortgage-backed securities (''CMBS'') and redeemable preferred stocks. Fixed income securities, which may be sold prior to their contractual maturity, are designated as available for sale and are carried at fair value. The difference between amortized cost and fair value, net of deferred income taxes and related life and annuity deferred policy acquisition costs (''DAC''), deferred sales inducement costs (''DSI'') and reserves for life-contingent contract benefits, is reflected as a component of accumulated other comprehensive income. Cash received from calls and make-whole payments is reflected as a component of proceeds from sales and cash received from maturities and pay-downs is reflected as a component of investment collections within the Consolidated Statements of Cash Flows.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. Equity securities are designated as available for sale and are carried at fair value. The difference between cost and fair value, net of deferred income taxes, is reflected as a component of accumulated other comprehensive income.

Mortgage loans are carried at unpaid principal balances, net of unamortized premium or discount and valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected.

Investments in limited partnership interests, including interests in private equity/debt funds, real estate funds and other funds, where the Company's interest is so minor that it exercises virtually no influence over operating and financial policies are accounted for in accordance with the cost method of accounting; all other investments in limited partnership interests are accounted for in accordance with the equity method of accounting (''EMA'').

Short-term investments, including money market funds, commercial paper and other short-term investments, are carried at fair value. Other investments primarily consist of bank loans, policy loans, agent loans and derivatives. Bank loans are primarily senior secured corporate loans and are carried at amortized cost. Policy loans are carried at unpaid principal balances and were $909 million and $919 million as of December 31, 2014 and 2013, respectively. Agent loans are loans issued to exclusive Allstate agents and are carried at unpaid principal balances, net of valuation allowances and unamortized deferred fees or costs. Derivatives are carried at fair value.

Investment income primarily consists of interest, dividends, income from certain derivative transactions, and income from limited partnership interests. Interest is recognized on an accrual basis using the effective yield method and dividends are recorded at the ex-dividend date. Interest income for ABS, RMBS and CMBS is determined considering estimated pay-downs, including prepayments, obtained from third party data sources and internal estimates. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. For ABS, RMBS and CMBS of high credit quality with fixed interest rates, the effective yield is recalculated on a retrospective basis. For all others, the effective yield is recalculated on a prospective basis. Accrual of income is suspended for other-than-temporarily impaired fixed income securities when the timing and amount of cash flows expected to be received is not reasonably estimable. Accrual of income is suspended for mortgage loans, bank loans and agent loans that are in default or when full and timely collection of principal and interest payments is not probable. Cash receipts on investments on nonaccrual status are generally recorded as a reduction of carrying value. Income from cost method limited partnership interests is recognized upon receipt of amounts distributed by the partnerships. Income from EMA limited partnership interests is recognized based on the Company's share of the partnerships' net income, including unrealized gains and losses, and is recognized on a delay due to the availability of the related financial statements. Income recognition on private equity/debt funds and real estate funds is generally on a three month delay and income recognition on other funds is generally on a one month delay.

Realized capital gains and losses include gains and losses on investment sales, write-downs in value due to other-than-temporary declines in fair value, adjustments to valuation allowances on mortgage loans and agent loans, and periodic changes in fair value and settlements of certain derivatives including hedge ineffectiveness. Realized capital gains and losses on investment sales are determined on a specific identification basis.

Derivative and embedded derivative financial instruments

Derivative financial instruments include interest rate swaps, credit default swaps, futures (interest rate and equity), options (including swaptions), interest rate caps, warrants and rights, foreign currency swaps, foreign currency forwards, certain investment risk transfer reinsurance agreements, and certain bond forward purchase commitments. Derivatives required to be separated from the host instrument and accounted for as derivative financial instruments (''subject to bifurcation'') are embedded in certain fixed income securities, equity-indexed life and annuity contracts, reinsured variable annuity contracts and certain funding agreements.

All derivatives are accounted for on a fair value basis and reported as other investments, other assets, other liabilities and accrued expenses or contractholder funds. Embedded derivative instruments subject to bifurcation are also accounted for on a fair value basis and are reported together with the host contract. The change in fair value of derivatives embedded in certain fixed income securities and subject to bifurcation is reported in realized capital gains and losses. The change in fair value of derivatives embedded in life and annuity product contracts and subject to bifurcation is reported in life and annuity contract benefits or interest credited to contractholder funds. Cash flows from embedded derivatives subject to bifurcation and derivatives receiving hedge accounting are reported consistently with the host contracts and hedged risks, respectively, within the Consolidated Statements of Cash Flows. Cash flows from other derivatives are reported in cash flows from investing activities within the Consolidated Statements of Cash Flows.

When derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, foreign currency fair value or foreign currency cash flow hedges. The hedged item may be either all or a specific portion of a recognized asset, liability or an unrecognized firm commitment attributable to a particular risk for fair value hedges. At the inception of the hedge, the Company formally documents the hedging relationship and risk management objective and strategy. The documentation identifies the hedging instrument, the hedged item, the nature of the risk being hedged and the methodology used to assess the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. For a cash flow hedge, this documentation includes the exposure to changes in the variability in cash flows attributable to the hedged risk. The Company does not exclude any component of the change in fair value of the hedging instrument from the effectiveness assessment. At each reporting date, the Company confirms that the hedging instrument continues to be highly effective in offsetting the hedged risk. Ineffectiveness in fair value hedges and cash flow hedges, if any, is reported in realized capital gains and losses.

Fair value hedges The change in fair value of hedging instruments used in fair value hedges of investment assets or a portion thereof is reported in net investment income, together with the change in fair value of the hedged items. The change in fair value of hedging instruments used in fair value hedges of contractholder funds liabilities or a portion thereof is reported in interest credited to contractholder funds, together with the change in fair value of the hedged items. Accrued periodic settlements on swaps are reported together with the changes in fair value of the swaps in net investment income or interest credited to contractholder funds. The amortized cost for fixed income securities, the carrying value for mortgage loans or the carrying value of the hedged liability is adjusted for the change in fair value of the hedged risk.

Cash flow hedges For hedging instruments used in cash flow hedges, the changes in fair value of the derivatives representing the effective portion of the hedge are reported in accumulated other comprehensive income. Amounts are reclassified to net investment income, realized capital gains and losses or interest expense as the hedged or forecasted transaction affects income. Accrued periodic settlements on derivatives used in cash flow hedges are reported in net investment income. The amount reported in accumulated other comprehensive income for a hedged transaction is limited to the lesser of the cumulative gain or loss on the derivative less the amount reclassified to income, or the cumulative gain or loss on the derivative needed to offset the cumulative change in the expected future cash flows on the hedged transaction from inception of the hedge less the derivative gain or loss previously reclassified from accumulated other comprehensive income to income. If the Company expects at any time that the loss reported in accumulated other comprehensive income would lead to a net loss on the combination of the hedging instrument and the hedged transaction which may not be recoverable, a loss is recognized immediately in realized capital gains and losses. If an impairment loss is recognized on an asset or an additional obligation is incurred on a liability involved in a hedge transaction, any offsetting gain in accumulated other comprehensive income is reclassified and reported together with the impairment loss or recognition of the obligation.

Termination of hedge accounting If, subsequent to entering into a hedge transaction, the derivative becomes ineffective (including if the hedged item is sold or otherwise extinguished, the occurrence of a hedged forecasted transaction is no longer probable or the hedged asset becomes other-than-temporarily impaired), the Company may terminate the derivative position. The Company may also terminate derivative instruments or redesignate them as non-hedge as a result of other events or circumstances. If the derivative instrument is not terminated when a fair value hedge is no longer effective, the future gains and losses recognized on the derivative are reported in realized capital gains and losses. When a fair value hedge is no longer effective, is redesignated as non-hedge or when the derivative has been terminated, the fair value gain or loss on the hedged asset, liability or portion thereof which has already been recognized in income while the hedge was in place and used to adjust the amortized cost for fixed income securities, the carrying value for mortgage loans or the carrying value of the hedged liability, is amortized over the remaining life of the hedged asset, liability or portion thereof, and reflected in net investment income or interest credited to contractholder funds beginning in the period that hedge accounting is no longer applied. If the hedged item in a fair value hedge is an asset that has become other-than-temporarily impaired, the adjustment made to the amortized cost for fixed income securities or the carrying value for mortgage loans is subject to the accounting policies applied to other-than-temporarily impaired assets.

When a derivative instrument used in a cash flow hedge of an existing asset or liability is no longer effective or is terminated, the gain or loss recognized on the derivative is reclassified from accumulated other comprehensive income to income as the hedged risk impacts income. If the derivative instrument is not terminated when a cash flow hedge is no longer effective, the future gains and losses recognized on the derivative are reported in realized capital gains and losses. When a derivative instrument used in a cash flow hedge of a forecasted transaction is terminated because it is probable the forecasted transaction will not occur, the gain or loss recognized on the derivative is immediately reclassified from accumulated other comprehensive income to realized capital gains and losses in the period that hedge accounting is no longer applied.

Non-hedge derivative financial instruments For derivatives for which hedge accounting is not applied, the income statement effects, including fair value gains and losses and accrued periodic settlements, are reported either in realized capital gains and losses or in a single line item together with the results of the associated asset or liability for which risks are being managed.

Securities loaned

The Company's business activities include securities lending transactions, which are used primarily to generate net investment income. The proceeds received in conjunction with securities lending transactions are reinvested in short-term investments. These transactions are short-term in nature, usually 30 days or less.

The Company receives cash collateral for securities loaned in an amount generally equal to 102% and 105% of the fair value of domestic and foreign securities, respectively, and records the related obligations to return the collateral in other liabilities and accrued expenses. The carrying value of these obligations approximates fair value because of their relatively short-term nature. The Company monitors the market value of securities loaned on a daily basis and obtains additional collateral as necessary under the terms of the agreements to mitigate counterparty credit risk. The Company maintains the right and ability to repossess the securities loaned on short notice.

Recognition of premium revenues and contract charges, and related benefits and interest credited

Property-liability premiums are deferred and earned on a pro-rata basis over the terms of the policies, typically periods of six or twelve months. The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums. Premium installment receivables, net, represent premiums written and not yet collected, net of an allowance for uncollectible premiums. The Company regularly evaluates premium installment receivables and adjusts its valuation allowance as appropriate. The valuation allowance for uncollectible premium installment receivables was $83 million and $77 million as of December 31, 2014 and 2013, respectively.

Traditional life insurance products consist principally of products with fixed and guaranteed premiums and benefits, primarily term and whole life insurance products. Voluntary accident and health insurance products are expected to remain in force for an extended period. Premiums from these products are recognized as revenue when due from policyholders. Benefits are reflected in life and annuity contract benefits and recognized in relation to premiums, so that profits are recognized over the life of the policy.

Immediate annuities with life contingencies, including certain structured settlement annuities, provide insurance protection over a period that extends beyond the period during which premiums are collected. Premiums from these products are recognized as revenue when received at the inception of the contract. Benefits and expenses are recognized in relation to premiums. Profits from these policies come from investment income, which is recognized over the life of the contract.

Interest-sensitive life contracts, such as universal life and single premium life, are insurance contracts whose terms are not fixed and guaranteed. The terms that may be changed include premiums paid by the contractholder, interest credited to the contractholder account balance and contract charges assessed against the contractholder account balance. Premiums from these contracts are reported as contractholder fund deposits. Contract charges consist of fees assessed against the contractholder account balance for the cost of insurance (mortality risk), contract administration and surrender of the contract prior to contractually specified dates. These contract charges are recognized as revenue when assessed against the contractholder account balance. Life and annuity contract benefits include life-contingent benefit payments in excess of the contractholder account balance.

Contracts that do not subject the Company to significant risk arising from mortality or morbidity are referred to as investment contracts. Fixed annuities, including market value adjusted annuities, equity-indexed annuities and immediate annuities without life contingencies, and funding agreements (primarily backing medium-term notes) are considered investment contracts. Consideration received for such contracts is reported as contractholder fund deposits. Contract charges for investment contracts consist of fees assessed against the contractholder account balance for maintenance, administration and surrender of the contract prior to contractually specified dates, and are recognized when assessed against the contractholder account balance.

Interest credited to contractholder funds represents interest accrued or paid on interest-sensitive life and investment contracts. Crediting rates for certain fixed annuities and interest-sensitive life contracts are adjusted periodically by the Company to reflect current market conditions subject to contractually guaranteed minimum rates. Crediting rates for indexed life and annuities and indexed funding agreements are generally based on a specified interest rate index or an equity index, such as the Standard & Poor's (''S&P'') 500 Index. Interest credited also includes amortization of DSI expenses. DSI is amortized into interest credited using the same method used to amortize DAC.

Contract charges for variable life and variable annuity products consist of fees assessed against the contractholder account balances for contract maintenance, administration, mortality, expense and surrender of the contract prior to contractually specified dates. Contract benefits incurred for variable annuity products include guaranteed minimum death, income, withdrawal and accumulation benefits. Substantially all of the Company's variable annuity business is ceded through reinsurance agreements and the contract charges and contract benefits related thereto are reported net of reinsurance ceded.

Deferred policy acquisition and sales inducement costs

Costs that are related directly to the successful acquisition of new or renewal property-liability insurance, life insurance and investment contracts are deferred and recorded as DAC. These costs are principally agents' and brokers' remuneration, premium taxes and certain underwriting expenses. DSI costs, which are deferred and recorded as other assets, relate to sales inducements offered on sales to new customers, principally on fixed annuity and interest-sensitive life contracts. These sales inducements are primarily in the form of additional credits to the customer's account balance or enhancements to interest credited for a specified period which are in excess of the rates currently being credited to similar contracts without sales inducements. All other acquisition costs are expensed as incurred and included in operating costs and expenses. DAC associated with property-liability insurance is amortized into income as premiums are earned, typically over periods of six or twelve months, and is included in amortization of deferred policy acquisition costs. DAC associated with property-liability insurance is periodically reviewed for recoverability and adjusted if necessary. Future investment income is considered in determining the recoverability of DAC. Amortization of DAC associated with life insurance and investment contracts is included in amortization of deferred policy acquisition costs and is described in more detail below. DSI is amortized into income using the same methodology and assumptions as DAC and is included in interest credited to contractholder funds.

For traditional life insurance, DAC is amortized over the premium paying period of the related policies in proportion to the estimated revenues on such business. Assumptions used in the amortization of DAC and reserve calculations are established at the time the policy is issued and are generally not revised during the life of the policy. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these policies approximates the estimated lives of the policies. The Company periodically reviews the recoverability of DAC for these policies on an aggregate basis using actual experience. The Company aggregates all traditional life insurance products and immediate annuities with life contingencies in the analysis. If actual experience is significantly adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required.

For interest-sensitive life, fixed annuities and other investment contracts, DAC and DSI are amortized in proportion to the incidence of the total present value of gross profits, which includes both actual historical gross profits (''AGP'') and estimated future gross profits (''EGP'') expected to be earned over the estimated lives of the contracts. The amortization is net of interest on the prior period DAC balance using rates established at the inception of the contracts. Actual amortization periods generally range from 15-30 years; however, incorporating estimates of the rate of customer surrenders, partial withdrawals and deaths generally results in the majority of the DAC being amortized during the surrender charge period, which is typically 10-20 years for interest-sensitive life and 5-10 years for fixed annuities. The cumulative DAC and DSI amortization is reestimated and adjusted by a cumulative charge or credit to income when there is a difference between the incidence of actual versus expected gross profits in a reporting period or when there is a change in total EGP. When DAC or DSI amortization or a component of gross profits for a quarterly period is potentially negative (which would result in an increase of the DAC or DSI balance) as a result of negative AGP, the specific facts and circumstances surrounding the potential negative amortization are considered to determine whether it is appropriate for recognition in the consolidated financial statements. Negative amortization is only recorded when the increased DAC or DSI balance is determined to be recoverable based on facts and circumstances. Recapitalization of DAC and DSI is limited to the originally deferred costs plus interest.

AGP and EGP primarily consist of the following components: contract charges for the cost of insurance less mortality costs and other benefits; investment income and realized capital gains and losses less interest credited; and surrender and other contract charges less maintenance expenses. The principal assumptions for determining the amount of EGP are persistency, mortality, expenses, investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to contractholders, and the effects of any hedges. For products whose supporting investments are exposed to capital losses in excess of the Company's expectations which may cause periodic AGP to become temporarily negative, EGP and AGP utilized in DAC and DSI amortization may be modified to exclude the excess capital losses.

The Company performs quarterly reviews of DAC and DSI recoverability for interest-sensitive life, fixed annuities and other investment contracts in the aggregate using current assumptions. If a change in the amount of EGP is significant, it could result in the unamortized DAC or DSI not being recoverable, resulting in a charge which is included as a component of amortization of deferred policy acquisition costs or interest credited to contractholder funds, respectively.

The DAC and DSI balances presented include adjustments to reflect the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized capital gains or losses in the respective product investment portfolios were actually realized. The adjustments are recorded net of tax in accumulated other comprehensive income. DAC, DSI and deferred income taxes determined on unrealized capital gains and losses and reported in accumulated other comprehensive income recognize the impact on shareholders' equity consistently with the amounts that would be recognized in the income statement on realized capital gains and losses.

Customers of the Company may exchange one insurance policy or investment contract for another offered by the Company, or make modifications to an existing investment, life or property-liability contract issued by the Company.

These transactions are identified as internal replacements for accounting purposes. Internal replacement transactions determined to result in replacement contracts that are substantially unchanged from the replaced contracts are accounted for as continuations of the replaced contracts. Unamortized DAC and DSI related to the replaced contracts continue to be deferred and amortized in connection with the replacement contracts. For interest-sensitive life and investment contracts, the EGP of the replacement contracts are treated as a revision to the EGP of the replaced contracts in the determination of amortization of DAC and DSI. For traditional life and property-liability insurance policies, any changes to unamortized DAC that result from replacement contracts are treated as prospective revisions. Any costs associated with the issuance of replacement contracts are characterized as maintenance costs and expensed as incurred. Internal replacement transactions determined to result in a substantial change to the replaced contracts are accounted for as an extinguishment of the replaced contracts, and any unamortized DAC and DSI related to the replaced contracts are eliminated with a corresponding charge to amortization of deferred policy acquisition costs or interest credited to contractholder funds, respectively.

The costs assigned to the right to receive future cash flows from certain business purchased from other insurers are also classified as DAC in the Consolidated Statements of Financial Position. The costs capitalized represent the present value of future profits expected to be earned over the lives of the contracts acquired. These costs are amortized as profits emerge over the lives of the acquired business and are periodically evaluated for recoverability. The present value of future profits was $66 million and $79 million as of December 31, 2014 and 2013, respectively. Amortization expense of the present value of future profits was $13 million, $16 million and $41 million in 2014, 2013 and 2012, respectively.

Reinsurance

In the normal course of business, the Company seeks to limit aggregate and single exposure to losses on large risks by purchasing reinsurance. The Company has also used reinsurance to effect the acquisition or disposition of certain blocks of business. The amounts reported as reinsurance recoverables include amounts billed to reinsurers on losses paid as well as estimates of amounts expected to be recovered from reinsurers on insurance liabilities and contractholder funds that have not yet been paid. Reinsurance recoverables on unpaid losses are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Insurance liabilities are reported gross of reinsurance recoverables. Reinsurance premiums are generally reflected in income in a manner consistent with the recognition of premiums on the reinsured contracts. For catastrophe coverage, the cost of reinsurance premiums is recognized ratably over the contract period to the extent coverage remains available. Reinsurance does not extinguish the Company's primary liability under the policies written. Therefore, the Company regularly evaluates the financial condition of its reinsurers, including their activities with respect to claim settlement practices and commutations, and establishes allowances for uncollectible reinsurance as appropriate.

Goodwill

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. The goodwill balances were $823 million and $396 million as of December 31, 2014 and $825 million and $418 million as of December 31, 2013 for the Allstate Protection segment and the Allstate Financial segment, respectively. The Company's reporting units are equivalent to its reporting segments, Allstate Protection and Allstate Financial. Goodwill is allocated to reporting units based on which unit is expected to benefit from the synergies of the business combination. Goodwill is not amortized but is tested for impairment at least annually. The Company performs its annual goodwill impairment testing during the fourth quarter of each year based upon data as of the close of the third quarter. The Company also reviews goodwill for impairment whenever events or changes in circumstances, such as deteriorating or adverse market conditions, indicate that it is more likely than not that the carrying amount of goodwill may exceed its implied fair value.

To estimate the fair value of its reporting units, the Company may utilize a combination of widely accepted valuation techniques including a stock price and market capitalization analysis, discounted cash flow calculations and peer company price to earnings multiples analysis. The stock price and market capitalization analysis takes into consideration the quoted market price of the Company's outstanding common stock and includes a control premium, derived from historical insurance industry acquisition activity, in determining the estimated fair value of the consolidated entity before allocating that fair value to individual reporting units. The discounted cash flow analysis utilizes long term assumptions for revenue growth, capital growth, earnings projections including those used in the Company's strategic plan, and an appropriate discount rate. The peer company price to earnings multiples analysis takes into consideration the price to earnings multiples of peer companies for each reporting unit and estimated income from the Company's strategic plan.

Goodwill impairment evaluations indicated no impairment as of December 31, 2014 or 2013.

Property and equipment

Property and equipment is carried at cost less accumulated depreciation. Included in property and equipment are capitalized costs related to computer software licenses and software developed for internal use. These costs generally consist of certain external payroll and payroll related costs. Certain facilities and equipment held under capital leases are also classified as property and equipment with the related lease obligations recorded as liabilities. Property and equipment depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 3 to 10 years for equipment and 40 years for real property. Depreciation expense is reported in operating costs and expenses. Accumulated depreciation on property and equipment was $2.12 billion and $2.19 billion as of December 31, 2014 and 2013, respectively. Depreciation expense on property and equipment was $228 million, $208 million and $214 million in 2014, 2013 and 2012, respectively. The Company reviews its property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Income taxes

The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are DAC, unrealized capital gains and losses, unearned premiums, differences in tax bases of invested assets and insurance reserves. A deferred tax asset valuation allowance is established when there is uncertainty that such assets will be realized.

Reserves for property-liability insurance claims and claims expense and life-contingent contract benefits

The reserve for property-liability insurance claims and claims expense is the estimate of amounts necessary to settle all reported and unreported claims for the ultimate cost of insured property-liability losses, based upon the facts of each case and the Company's experience with similar cases. Estimated amounts of salvage and subrogation are deducted from the reserve for claims and claims expense. The establishment of appropriate reserves, including reserves for catastrophe losses, is an inherently uncertain and complex process. Reserve estimates are regularly reviewed and updated, using the most current information available. Any resulting reestimates are reflected in current results of operations.

The reserve for life-contingent contract benefits payable under insurance policies, including traditional life insurance, life-contingent immediate annuities and voluntary accident and health insurance products, is computed on the basis of long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses. These assumptions, which for traditional life insurance are applied using the net level premium method, include provisions for adverse deviation and generally vary by characteristics such as type of coverage, year of issue and policy duration. The assumptions are established at the time the policy is issued and are generally not changed during the life of the policy. The Company periodically reviews the adequacy of reserves for these policies on an aggregate basis using actual experience. If actual experience is significantly adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required. To the extent that unrealized gains on fixed income securities would result in a premium deficiency if those gains were realized, the related increase in reserves for certain immediate annuities with life contingencies is recorded net of tax as a reduction of unrealized net capital gains included in accumulated other comprehensive income.

Contractholder funds

Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life insurance, fixed annuities and funding agreements. Contractholder funds primarily comprise cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals, maturities and contract charges for mortality or administrative expenses. Contractholder funds also include reserves for secondary guarantees on interest-sensitive life insurance and certain fixed annuity contracts and reserves for certain guarantees on reinsured variable annuity contracts.

Held for sale classification

Business is classified as held for sale when management has approved or received approval to sell the business, the sale is probable to occur during the next 12 months at a price that is reasonable in relation to its current fair value and certain other specified criteria are met. A business classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the Consolidated Statement of Position in the period in which the business is classified as held for sale.

Separate accounts

Separate accounts assets are carried at fair value. The assets of the separate accounts are legally segregated and available only to settle separate account contract obligations. Separate accounts liabilities represent the contractholders' claims to the related assets and are carried at an amount equal to the separate accounts assets. Investment income and realized capital gains and losses of the separate accounts accrue directly to the contractholders and therefore are not included in the Company's Consolidated Statements of Operations. Deposits to and surrenders and withdrawals from the separate accounts are reflected in separate accounts liabilities and are not included in consolidated cash flows.

Absent any contract provision wherein the Company provides a guarantee, variable annuity and variable life insurance contractholders bear the investment risk that the separate accounts' funds may not meet their stated investment objectives. Substantially all of the Company's variable annuity business was reinsured beginning in 2006.

Deferred Employee Stock Ownership Plan ("ESOP") expense

Deferred ESOP expense represents the remaining unrecognized cost of shares acquired by the Allstate ESOP to pre-fund a portion of the Company's contribution to the Allstate 401(k) Savings Plan.

Equity incentive plans

The Company has equity incentive plans under which the Company grants nonqualified stock options, restricted stock units and performance stock awards ("equity awards") to certain employees and directors of the Company. The Company measures the fair value of equity awards at the award date and recognizes the expense over the shorter of the period in which the requisite service is rendered or retirement eligibility is attained. The expense for performance stock awards is adjusted each period to reflect the performance factor most likely to be achieved at the end of the performance period. The Company uses a binomial lattice model to determine the fair value of employee stock options.

Off-balance sheet financial instruments

Commitments to invest, commitments to purchase private placement securities, commitments to extend loans, financial guarantees and credit guarantees have off-balance sheet risk because their contractual amounts are not recorded in the Company's Consolidated Statements of Financial Position (see Note 7 and Note 14).

Consolidation of variable interest entities ("VIEs")

The Company consolidates VIEs when it is the primary beneficiary. A primary beneficiary is the variable interest holder in a VIE with both the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE.

Foreign currency translation

The local currency of the Company's foreign subsidiaries is deemed to be the functional currency of the country in which these subsidiaries operate. The financial statements of the Company's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of a reporting period for assets and liabilities and at average exchange rates during the period for results of operations. The unrealized gains and losses from the translation of the net assets are recorded as unrealized foreign currency translation adjustments and included in accumulated other comprehensive income. Changes in unrealized foreign currency translation adjustments are included in other comprehensive income. Gains and losses from foreign currency transactions are reported in operating costs and expenses and have not been material.

Earnings per common share

Basic earnings per common share is computed using the weighted average number of common shares outstanding, including unvested participating restricted stock units. Diluted earnings per common share is computed using the weighted average number of common and dilutive potential common shares outstanding. For the Company, dilutive potential common shares consist of outstanding stock options and unvested non-participating restricted stock units and contingently issuable performance stock awards.

The computation of basic and diluted earnings per common share for the years ended December 31 is presented in the following table.

($ in millions, except per share data)	2014	2013	2012
Numerator:			
Net income	$ 2,850	$ 2,280	$ 2,306
Less: Preferred stock dividends	104	17	—
Net income available to common shareholders	2,746	2,263	2,306
Denominator:			
Weighted average common shares outstanding	431.4	464.4	489.4
Effect of dilutive potential common shares:			
Stock options	4.7	4.1	2.4
Restricted stock units (non-participating) and performance stock awards	2.1	1.8	1.2
Weighted average common and dilutive potential common shares outstanding	438.2	470.3	493.0
Earnings per common share – Basic	$ 6.37	$ 4.87	$ 4.71
Earnings per common share – Diluted	$ 6.27	$ 4.81	$ 4.68

The effect of dilutive potential common shares does not include the effect of options with an anti-dilutive effect on earnings per common share because their exercise prices exceed the average market price of Allstate common shares during the period or for which the unrecognized compensation cost would have an anti-dilutive effect. Options to purchase 3.0 million, 8.8 million and 20.4 million Allstate common shares, with exercise prices ranging from $49.96 to $67.61, $40.49 to $62.42 and $26.56 to $62.84, were outstanding in 2014, 2013 and 2012, respectively, but were not included in the computation of diluted earnings per common share in those years.

Pending accounting standards

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the Financial Accounting Standards Board (''FASB'') issued guidance which allows entities that invest in certain qualified affordable housing projects through limited liability entities the option to account for these investments using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense or benefit. The guidance is effective for reporting periods beginning after December 15, 2014 and is to be applied retrospectively. The impact of adoption is not expected to be material to the Company's results of operations and financial position.

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance which revises the criteria for revenue recognition. Insurance contracts are excluded from the scope of the new guidance. Under the guidance, the transaction price is attributed to underlying performance obligations in the contract and revenue is recognized as the entity satisfies the performance obligations and transfers control of a good or service to the customer. Incremental costs of obtaining a contract may be capitalized to the extent the entity expects to recover those costs. The guidance is effective for reporting periods beginning after December 15, 2016 and is to be applied retrospectively. The Company is in the process of evaluating the impact of adoption, which is not expected to be material to the Company's results of operations and financial position.

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued guidance which clarifies that a performance target that affects vesting and could be achieved after the requisite service period should be treated as a performance condition and should not be reflected in estimating the grant-date fair value of the award. Compensation costs should reflect the amount attributable to the periods for which the requisite service has been rendered. Total compensation expense recognized during and after the requisite service period (which may differ from the vesting period) should reflect the number of awards that are expected to vest and should be adjusted to reflect the number of awards that ultimately vest. The guidance is effective for reporting periods beginning after December 15, 2015 and may be applied either prospectively or retrospectively. The

Company's existing accounting policy for performance targets that affect the vesting of share-based payment awards is consistent with the proposed guidance and as such the impact of adoption is not expected to affect the Company's results of operations or financial position.

3. Disposition

On April 1, 2014, the Company sold Lincoln Benefit Life Company (''LBL''), LBL's life insurance business generated through independent master brokerage agencies, and all of LBL's deferred fixed annuity and long-term care insurance business to Resolution Life Holdings, Inc. The gross sale price was $797 million, representing $596 million of cash and the retention of tax benefits. The loss on disposition increased by $101 million, pre-tax, ($60 million, after-tax) in 2014. The loss on disposition in 2014 included a $22 million, pre-tax, reduction in goodwill.

In conjunction with the sale, the Company was required to establish a trust relating to the business that LBL continues to cede to ALIC. This trust is required to have assets greater than or equal to the statutory reserves ceded by LBL to ALIC, measured on a monthly basis. As of December 31, 2014, the trust holds $5.28 billion of investments, which are reported in the Consolidated Statement of Financial Position.

The following table summarizes the assets and liabilities classified as held for sale as of December 31, 2013.

($ in millions)	
Assets	
Investments	
Fixed income securities	$ 10,167
Mortgage loans	1,367
Short-term investments	160
Other investments	289
Total investments	11,983
Cash	—
Deferred policy acquisition costs	743
Reinsurance recoverables, net	1,660
Accrued investment income	109
Other assets	79
Separate Accounts	1,701
Assets held for sale	16,275
Less: Loss accrual	(682)
Total assets held for sale	$ 15,593
Liabilities	
Reserve for life-contingent contract benefits	$ 1,894
Contractholder funds	10,945
Unearned premiums	12
Deferred income taxes	151
Other liabilities and accrued expenses	196
Separate Accounts	1,701
Total liabilities held for sale	$ 14,899

Included in shareholders' equity is $85 million of accumulated other comprehensive income related to assets held for sale as of December 31, 2013.

4. Supplemental Cash Flow Information

Non-cash modifications of certain mortgage loans, fixed income securities, limited partnership interests and other investments, as well as mergers completed with equity securities, totaled $120 million, $322 million and $323 million in 2014, 2013 and 2012, respectively. Non-cash financing activities include $47 million, $94 million and $39 million related to the issuance of Allstate common shares for vested restricted stock units in 2014, 2013 and 2012, respectively.

Liabilities for collateral received in conjunction with the Company's securities lending program were $780 million, $609 million and $784 million as of December 31, 2014, 2013 and 2012, respectively, and are reported in other liabilities and accrued expenses. Obligations to return cash collateral for over-the-counter (''OTC'') and cleared derivatives were $2 million, $15 million and $24 million as of December 31, 2014, 2013 and 2012, respectively, and are reported in other liabilities and accrued expenses or other investments. The accompanying cash flows are included in cash flows from operating activities in the Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds, which for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Net change in proceeds managed			
Net change in short-term investments	$ (167)	$ 190	$ (341)
Operating cash flow (used) provided	(167)	190	(341)
Net change in cash	9	(6)	(5)
Net change in proceeds managed	$ (158)	$ 184	$ (346)
Net change in liabilities			
Liabilities for collateral, beginning of year	$ (624)	$ (808)	$ (462)
Liabilities for collateral, end of year	(782)	(624)	(808)
Operating cash flow provided (used)	$ 158	$ (184)	$ 346

5. Investments

Fair values

The amortized cost, gross unrealized gains and losses and fair value for fixed income securities are as follows:

($ in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
December 31, 2014				
U.S. government and agencies	$ 4,192	$ 139	$ (3)	$ 4,328
Municipal	7,877	645	(25)	8,497
Corporate	40,386	1,998	(240)	42,144
Foreign government	1,543	102	—	1,645
ABS	3,971	38	(31)	3,978
RMBS	1,108	112	(13)	1,207
CMBS	573	44	(2)	615
Redeemable preferred stock	22	4	—	26
Total fixed income securities	$ 59,672	$ 3,082	$ (314)	$ 62,440
December 31, 2013				
U.S. government and agencies	$ 2,791	$ 129	$ (7)	$ 2,913
Municipal	8,446	364	(87)	8,723
Corporate	39,331	1,659	(387)	40,603
Foreign government	1,736	99	(11)	1,824
ABS	4,491	71	(44)	4,518
RMBS	1,403	101	(30)	1,474
CMBS	788	48	(7)	829
Redeemable preferred stock	22	4	—	26
Total fixed income securities	$ 59,008	$ 2,475	$ (573)	$ 60,910

Scheduled maturities

The scheduled maturities for fixed income securities are as follows as of December 31, 2014:

($ in millions)	Amortized cost	Fair value
Due in one year or less	$ 3,553	$ 3,593
Due after one year through five years	26,200	26,865
Due after five years through ten years	15,885	16,527
Due after ten years	8,382	9,655
	54,020	56,640
ABS, RMBS and CMBS	5,652	5,800
Total	$ 59,672	$ 62,440

Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers. ABS, RMBS and CMBS are shown separately because of the potential for prepayment of principal prior to contractual maturity dates.

Net investment income

Net investment income for the years ended December 31 is as follows:

($ in millions)	2014	2013	2012
Fixed income securities	$ 2,447	$ 2,921	$ 3,234
Equity securities	117	149	127
Mortgage loans	265	372	374
Limited partnership interests	614	541	348
Short-term investments	7	5	6
Other	170	161	132
Investment income, before expense	3,620	4,149	4,221
Investment expense	(161)	(206)	(211)
Net investment income	$ 3,459	$ 3,943	$ 4,010

Realized capital gains and losses

Realized capital gains and losses by asset type for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Fixed income securities	$ 130	$ 262	$ 107
Equity securities	582	327	183
Mortgage loans	2	20	8
Limited partnership interests	13	(5)	13
Derivatives	(38)	(10)	23
Other	5	—	(7)
Realized capital gains and losses	$ 694	$ 594	$ 327

Realized capital gains and losses by transaction type for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Impairment write-downs	$ (32)	$ (72)	$ (185)
Change in intent write-downs	(213)	(143)	(48)
Net other-than-temporary impairment losses recognized in earnings	(245)	(215)	(233)
Sales	975	819	536
Valuation and settlements of derivative instruments	(36)	(10)	24
Realized capital gains and losses	$ 694	$ 594	$ 327

Gross gains of $1.10 billion, $968 million and $865 million and gross losses of $169 million, $175 million and $356 million were realized on sales of fixed income and equity securities during 2014, 2013 and 2012, respectively.

Other-than-temporary impairment losses by asset type for the years ended December 31 are as follows:

($ in millions)	2014			2013			2012		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:									
Municipal	$ (10)	$ —	$ (10)	$ (24)	$ (5)	$ (29)	$ (42)	$ 9	$ (33)
Corporate	(7)	—	(7)	—	—	—	(21)	(2)	(23)
ABS	(12)	1	(11)	—	(2)	(2)	—	—	—
RMBS	6	(4)	2	(3)	2	(1)	(65)	(4)	(69)
CMBS	(1)	—	(1)	(32)	(3)	(35)	(22)	3	(19)
Total fixed income securities	(24)	(3)	(27)	(59)	(8)	(67)	(150)	6	(144)
Equity securities	(196)	—	(196)	(137)	—	(137)	(75)	—	(75)
Mortgage loans	5	—	5	11	—	11	5	—	5
Limited partnership interests	(27)	—	(27)	(18)	—	(18)	(8)	—	(8)
Other	—	—	—	(4)	—	(4)	(11)	—	(11)
Other-than-temporary impairment losses	$ (242)	$ (3)	$ (245)	$ (207)	$ (8)	$ (215)	$ (239)	$ 6	$ (233)

The total amount of other-than-temporary impairment losses included in accumulated other comprehensive income at the time of impairment for fixed income securities, which were not included in earnings, are presented in the following table. The amount excludes $233 million and $260 million as of December 31, 2014 and 2013, respectively, of net unrealized gains related to changes in valuation of the fixed income securities subsequent to the impairment measurement date.

($ in millions)	December 31, 2014	December 31, 2013
Municipal	$ (8)	$ (9)
ABS	(2)	(10)
RMBS	(108)	(152)
CMBS	(5)	(12)
Total	$ (123)	$ (183)

Rollforwards of the cumulative credit losses recognized in earnings for fixed income securities held as of December 31 are as follows:

($ in millions)	2014	2013	2012
Beginning balance	$ (513)	$ (617)	$ (944)
Additional credit loss for securities previously other-than-temporarily impaired	(6)	(30)	(58)
Additional credit loss for securities not previously other-than-temporarily impaired	(18)	(19)	(50)
Reduction in credit loss for securities disposed or collected	95	150	427
Reduction in credit loss for securities the Company has made the decision to sell or more likely than not will be required to sell	—	2	7
Change in credit loss due to accretion of increase in cash flows	3	1	1
Reduction in credit loss for securities sold in LBL disposition	59	—	—
Ending balance [1]	$ (380)	$ (513)	$ (617)

[1] The December 31, 2013 ending balance includes $60 million of cumulative credit losses recognized in earnings for fixed income securities that are classified as held for sale.

The Company uses its best estimate of future cash flows expected to be collected from the fixed income security, discounted at the security's original or current effective rate, as appropriate, to calculate a recovery value and determine whether a credit loss exists. The determination of cash flow estimates is inherently subjective and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable assumptions and forecasts, are considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, foreign exchange rates, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, vintage, geographic concentration, available reserves or escrows, current subordination levels, third party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of collateral for ultimate settlement. If the estimated recovery value is less than the amortized cost of the security, a credit loss exists and an other-than-temporary impairment for the difference between the estimated recovery value and amortized cost is recorded in earnings. The portion of the unrealized loss related to factors other than credit remains classified in accumulated other comprehensive income. If the Company determines that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, the Company may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

Unrealized net capital gains and losses

Unrealized net capital gains and losses included in accumulated other comprehensive income are as follows:

($ in millions) December 31, 2014	Fair value	Gross unrealized Gains	Gross unrealized Losses	Unrealized net gains (losses)
Fixed income securities	$ 62,440	$ 3,082	$ (314)	$ 2,768
Equity securities	4,104	467	(55)	412
Short-term investments	2,540	—	—	—
Derivative instruments [(1)]	2	3	(5)	(2)
Equity method ("EMA") limited partnerships [(2)]				(5)
Unrealized net capital gains and losses, pre-tax				3,173
Amounts recognized for:				
Insurance reserves [(3)]				(28)
DAC and DSI [(4)]				(179)
Amounts recognized				(207)
Deferred income taxes				(1,040)
Unrealized net capital gains and losses, after-tax				$ 1,926

(1) Included in the fair value of derivative instruments are $3 million classified as assets and $1 million classified as liabilities.

(2) Unrealized net capital gains and losses for limited partnership interests represent the Company's share of EMA limited partnerships' other comprehensive income. Fair value and gross unrealized gains and losses are not applicable.

(3) The insurance reserves adjustment represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product portfolios were realized and reinvested at current lower interest rates, resulting in a premium deficiency. Although the Company evaluates premium deficiencies on the combined performance of life insurance and immediate annuities with life contingencies, the adjustment primarily relates to structured settlement annuities with life contingencies, in addition to annuity buy-outs and certain payout annuities with life contingencies.

(4) The DAC and DSI adjustment balance represents the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized gains or losses in the respective product portfolios were realized.

($ in millions) December 31, 2013	Fair value	Gross unrealized Gains	Gross unrealized Losses	Unrealized net gains (losses)
Fixed income securities	$ 60,910	$ 2,475	$ (573)	$ 1,902
Equity securities	5,097	658	(34)	624
Short-term investments	2,393	—	—	—
Derivative instruments [(1)]	(13)	1	(19)	(18)
EMA limited partnerships				(3)
Investments classified as held for sale				190
Unrealized net capital gains and losses, pre-tax				2,695
Amounts recognized for:				
Insurance reserves				—
DAC and DSI				(158)
Amounts recognized				(158)
Deferred income taxes				(891)
Unrealized net capital gains and losses, after-tax				$ 1,646

(1) Included in the fair value of derivative instruments are $1 million classified as assets and $14 million classified as liabilities.

Change in unrealized net capital gains and losses

The change in unrealized net capital gains and losses for the years ended December 31 is as follows:

($ in millions)	2014	2013	2012
Fixed income securities	$ 866	$ (3,200)	$ 2,368
Equity securities	(212)	164	300
Derivative instruments	16	4	(5)
EMA limited partnerships	(2)	(10)	5
Investments classified as held for sale	(190)	190	—
Total	478	(2,852)	2,668
Amounts recognized for:			
Insurance reserves	(28)	771	(177)
DAC and DSI	(21)	254	(288)
Amounts recognized	(49)	1,025	(465)
Deferred income taxes	(149)	639	(769)
Increase (decrease) in unrealized net capital gains and losses, after-tax	$ 280	$ (1,188)	$ 1,434

Portfolio monitoring

The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

For each fixed income security in an unrealized loss position, the Company assesses whether management with the appropriate authority has made the decision to sell or whether it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, the security's decline in fair value is considered other than temporary and is recorded in earnings.

If the Company has not made the decision to sell the fixed income security and it is not more likely than not the Company will be required to sell the fixed income security before recovery of its amortized cost basis, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. The Company calculates the estimated recovery value by discounting the best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compares this to the amortized cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors recognized in other comprehensive income.

For equity securities, the Company considers various factors, including whether it has the intent and ability to hold the equity security for a period of time sufficient to recover its cost basis. Where the Company lacks the intent and ability to hold to recovery, or believes the recovery period is extended, the equity security's decline in fair value is considered other than temporary and is recorded in earnings.

For fixed income and equity securities managed by third parties, either the Company has contractually retained its decision making authority as it pertains to selling securities that are in an unrealized loss position or it recognizes any unrealized loss at the end of the period through a charge to earnings.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of other-than-temporary impairment for these fixed income and equity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value is other than temporary are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 3) the length of time and extent to which the fair value has been less than amortized cost or cost.

The following table summarizes the gross unrealized losses and fair value of fixed income and equity securities by the length of time that individual securities have been in a continuous unrealized loss position.

($ in millions)	Less than 12 months			12 months or more			Total
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	Total unrealized losses
December 31, 2014							
Fixed income securities							
U.S. government and agencies	21	$ 1,501	$ (3)	—	$ —	$ —	$ (3)
Municipal	252	1,008	(9)	19	116	(16)	(25)
Corporate	576	7,545	(147)	119	1,214	(93)	(240)
Foreign government	2	13	—	1	19	—	—
ABS	81	1,738	(11)	26	315	(20)	(31)
RMBS	75	70	(1)	188	156	(12)	(13)
CMBS	8	33	—	3	32	(2)	(2)
Total fixed income securities	1,015	11,908	(171)	356	1,852	(143)	(314)
Equity securities	258	866	(53)	1	11	(2)	(55)
Total fixed income and equity securities	1,273	$ 12,774	$ (224)	357	$ 1,863	$ (145)	$ (369)
Investment grade fixed income securities	754	$ 9,951	$ (71)	281	$ 1,444	$ (87)	$ (158)
Below investment grade fixed income securities	261	1,957	(100)	75	408	(56)	(156)
Total fixed income securities	1,015	$ 11,908	$ (171)	356	$ 1,852	$ (143)	$ (314)
December 31, 2013							
Fixed income securities							
U.S. government and agencies	22	$ 700	$ (7)	—	$ —	$ —	$ (7)
Municipal	315	2,065	(41)	38	208	(46)	(87)
Corporate	796	10,375	(308)	54	550	(79)	(387)
Foreign government	36	262	(9)	1	18	(2)	(11)
ABS	85	1,715	(10)	43	429	(34)	(44)
RMBS	134	149	(4)	175	247	(26)	(30)
CMBS	8	22	—	7	52	(7)	(7)
Total fixed income securities	1,396	15,288	(379)	318	1,504	(194)	(573)
Equity securities	158	982	(34)	1	—	—	(34)
Total fixed income and equity securities	1,554	$ 16,270	$ (413)	319	$ 1,504	$ (194)	$ (607)
Investment grade fixed income securities	1,217	$ 14,019	$ (340)	221	$ 975	$ (116)	$ (456)
Below investment grade fixed income securities	179	1,269	(39)	97	529	(78)	(117)
Total fixed income securities	1,396	$ 15,288	$ (379)	318	$ 1,504	$ (194)	$ (573)

As of December 31, 2014, $284 million of unrealized losses are related to securities with an unrealized loss position less than 20% of amortized cost or cost, the degree of which suggests that these securities do not pose a high risk of being other-than-temporarily impaired. Of the $284 million, $130 million are related to unrealized losses on investment grade fixed income securities. Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P, Fitch, Dominion, Kroll or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. Unrealized losses on investment grade securities are principally related to increasing risk-free interest rates or widening credit spreads since the time of initial purchase.

As of December 31, 2014, the remaining $85 million of unrealized losses are related to securities in unrealized loss positions greater than or equal to 20% of amortized cost or cost. Investment grade fixed income securities comprising $28 million of these unrealized losses were evaluated based on factors such as discounted cash flows and the financial condition and near-term and long-term prospects of the issue or issuer and were determined to have adequate resources to fulfill contractual obligations. Of the $85 million, $49 million are related to below investment grade fixed income securities and $8 million are related to equity securities. Of these amounts, $6 million are related to below investment grade fixed income securities that had been in an unrealized loss position greater than or equal to 20% of amortized cost for a period of twelve or more consecutive months as of December 31, 2014.

ABS, RMBS and CMBS in an unrealized loss position were evaluated based on actual and projected collateral losses relative to the securities' positions in the respective securitization trusts, security specific expectations of cash flows, and credit ratings. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread, and (iii) for ABS and RMBS in an unrealized loss position, credit enhancements from reliable bond insurers, where applicable. Municipal bonds in an unrealized loss position were evaluated based on the underlying credit quality of the primary obligor, obligation type and quality of the underlying assets. Unrealized losses on equity securities are primarily related to temporary equity market fluctuations of securities that are expected to recover.

As of December 31, 2014, the Company has not made the decision to sell and it is not more likely than not the Company will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis. As of December 31, 2014, the Company had the intent and ability to hold equity securities with unrealized losses for a period of time sufficient for them to recover.

Limited partnerships

As of December 31, 2014 and 2013, the carrying value of equity method limited partnerships totaled $3.41 billion and $3.52 billion, respectively. The Company recognizes an impairment loss for equity method limited partnerships when evidence demonstrates that the loss is other than temporary. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.

As of December 31, 2014 and 2013, the carrying value for cost method limited partnerships was $1.12 billion and $1.44 billion, respectively. To determine if an other-than-temporary impairment has occurred, the Company evaluates whether an impairment indicator has occurred in the period that may have a significant adverse effect on the carrying value of the investment. Impairment indicators may include: significantly reduced valuations of the investments held by the limited partnerships; actual recent cash flows received being significantly less than expected cash flows; reduced valuations based on financing completed at a lower value; completed sale of a material underlying investment at a price significantly lower than expected; or any other adverse events since the last financial statements received that might affect the fair value of the investee's capital. Additionally, the Company's portfolio monitoring process includes a quarterly review of all cost method limited partnerships to identify instances where the net asset value is below established thresholds for certain periods of time, as well as investments that are performing below expectations, for further impairment consideration. If a cost method limited partnership is other-than-temporarily impaired, the carrying value is written down to fair value, generally estimated to be equivalent to the reported net asset value of the underlying funds.

Tax credit funds were reclassified from limited partnership interests to other assets during 2014 since the return on these funds is in the form of tax credits rather than investment income. These tax credit funds totaled $560 million as of December 31, 2014.

Mortgage loans

The Company's mortgage loans are commercial mortgage loans collateralized by a variety of commercial real estate property types located across the United States and totaled, net of valuation allowance, $4.19 billion and $4.72 billion as of December 31, 2014 and 2013, respectively. Substantially all of the commercial mortgage loans are non-recourse to the borrower. The following table shows the principal geographic distribution of commercial real estate represented in the Company's mortgage loan portfolio. No other state represented more than 5% of the portfolio as of December 31.

(% of mortgage loan portfolio carrying value)	2014	2013
California	23.9%	23.0%
Illinois	9.4	10.0
New Jersey	8.0	6.8
Texas	8.0	6.3
New York	5.9	6.0
Florida	5.0	5.7
District of Columbia	2.4	5.3

The types of properties collateralizing the mortgage loans as of December 31 are as follows:

(% of mortgage loan portfolio carrying value)	2014	2013
Office buildings	24.3%	26.5%
Apartment complex	23.3	23.2
Retail	22.2	21.0
Warehouse	17.8	18.0
Other	12.4	11.3
Total	100.0%	100.0%

The contractual maturities of the mortgage loan portfolio as of December 31, 2014 are as follows:

($ in millions)	Number of loans	Carrying value	Percent
2015	21	$ 249	5.9%
2016	37	398	9.5
2017	37	419	10.0
2018	36	459	11.0
Thereafter	190	2,663	63.6
Total	321	$ 4,188	100.0%

Mortgage loans are evaluated for impairment on a specific loan basis through a quarterly credit monitoring process and review of key credit quality indicators. Mortgage loans are considered impaired when it is probable that the Company will not collect the contractual principal and interest. Valuation allowances are established for impaired loans to reduce the carrying value to the fair value of the collateral less costs to sell or the present value of the loan's expected future repayment cash flows discounted at the loan's original effective interest rate. Impaired mortgage loans may not have a valuation allowance when the fair value of the collateral less costs to sell is higher than the carrying value. Valuation allowances are adjusted for subsequent changes in the fair value of the collateral less costs to sell. Mortgage loans are charged off against their corresponding valuation allowances when there is no reasonable expectation of recovery. The impairment evaluation is non-statistical in respect to the aggregate portfolio but considers facts and circumstances attributable to each loan. It is not considered probable that additional impairment losses, beyond those identified on a specific loan basis, have been incurred as of December 31, 2014.

Accrual of income is suspended for mortgage loans that are in default or when full and timely collection of principal and interest payments is not probable. Cash receipts on mortgage loans on nonaccrual status are generally recorded as a reduction of carrying value.

Debt service coverage ratio is considered a key credit quality indicator when mortgage loans are evaluated for impairment. Debt service coverage ratio represents the amount of estimated cash flows from the property available to the borrower to meet principal and interest payment obligations. Debt service coverage ratio estimates are updated annually or more frequently if conditions are warranted based on the Company's credit monitoring process.

The following table reflects the carrying value of non-impaired fixed rate and variable rate mortgage loans summarized by debt service coverage ratio distribution as of December 31:

($ in millions)	2014			2013		
Debt service coverage ratio distribution	Fixed rate mortgage loans	Variable rate mortgage loans	Total	Fixed rate mortgage loans	Variable rate mortgage loans	Total
Below 1.0	$ 110	$ —	$ 110	$ 153	$ —	$ 153
1.0 - 1.25	424	—	424	613	—	613
1.26 - 1.50	1,167	1	1,168	1,233	2	1,235
Above 1.50	2,450	20	2,470	2,562	77	2,639
Total non-impaired mortgage loans	$ 4,151	$ 21	$ 4,172	$ 4,561	$ 79	$ 4,640

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to instances where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable term, the decrease in cash flows from the properties is considered temporary, or there are other risk mitigating circumstances such as additional collateral, escrow balances or borrower guarantees.

The net carrying value of impaired mortgage loans as of December 31 is as follows:

($ in millions)	2014	2013
Impaired mortgage loans with a valuation allowance	$ 16	$ 81
Impaired mortgage loans without a valuation allowance	—	—
Total impaired mortgage loans	$ 16	$ 81
Valuation allowance on impaired mortgage loans	$ 8	$ 21

The average balance of impaired loans was $27 million, $88 million and $202 million during 2014, 2013 and 2012, respectively.

The rollforward of the valuation allowance on impaired mortgage loans for the years ended December 31 is as follows:

($ in millions)	2014	2013	2012
Beginning balance	$ 21	$ 42	$ 63
Net decrease in valuation allowance	(5)	(11)	(5)
Charge offs	(8)	(8)	(16)
Mortgage loans classified as held for sale	—	(2)	—
Ending balance	$ 8	$ 21	$ 42

Payments on all mortgage loans were current as of December 31, 2014 and 2013.

Municipal bonds

The Company maintains a diversified portfolio of municipal bonds. The following table shows the principal geographic distribution of municipal bond issuers represented in the Company's portfolio as of December 31. No other state represents more than 5% of the portfolio.

(% of municipal bond portfolio carrying value)	2014	2013
Texas	9.1%	8.7%
California	9.1	8.0
New York	6.7	6.3
Florida	5.9	6.3

Concentration of credit risk

As of December 31, 2014, the Company is not exposed to any credit concentration risk of a single issuer and its affiliates greater than 10% of the Company's shareholders' equity.

Securities loaned

The Company's business activities include securities lending programs with third parties, mostly large banks. As of December 31, 2014 and 2013, fixed income and equity securities with a carrying value of $755 million and $590 million, respectively, were on loan under these agreements. Interest income on collateral, net of fees, was $2 million in each of 2014, 2013 and 2012.

Other investment information

Included in fixed income securities are below investment grade assets totaling $6.69 billion and $6.44 billion as of December 31, 2014 and 2013, respectively.

As of December 31, 2014, fixed income securities and short-term investments with a carrying value of $240 million were on deposit with regulatory authorities as required by law.

As of December 31, 2014, the carrying value of fixed income securities that were non-income producing was $31 million.

6. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Consolidated Statements of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets;

(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or

(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance that assets and liabilities are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, the Company's processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities. The Company performs ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy. The first is where specific inputs significant to the fair value estimation models are not market observable. This primarily occurs in the Company's use of broker quotes to value certain securities where the inputs have not been corroborated to be market observable, and the use of valuation models that use significant non-market observable inputs.

The second situation where the Company classifies securities in Level 3 is where quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

Certain assets are not carried at fair value on a recurring basis, including investments such as mortgage loans, limited partnership interests, bank loans and policy loans. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to remeasurement at fair value after initial recognition and the resulting remeasurement is reflected in the consolidated financial statements. In addition, derivatives embedded in fixed income securities are not disclosed in the hierarchy as free-standing derivatives since they are presented with the host contracts in fixed income securities.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

Summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis

<u>Level 1 measurements</u>

- <u>Fixed income securities:</u> Comprise certain U.S. Treasury fixed income securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- <u>Equity securities:</u> Comprise actively traded, exchange-listed equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- <u>Short-term:</u> Comprise actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access.
- <u>Separate account assets:</u> Comprise actively traded mutual funds that have daily quoted net asset values for identical assets that the Company can access. Net asset values for the actively traded mutual funds in which the separate account assets are invested are obtained daily from the fund managers.
- <u>Assets held for sale:</u> Comprise U.S. Treasury fixed income securities, short-term investments and separate account assets. The valuation is based on the respective asset type as described above.

<u>Level 2 measurements</u>

- <u>Fixed income securities:</u>

  U.S. government and agencies: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  Municipal: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  Corporate, including privately placed: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

  Foreign government: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  ABS and RMBS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, prepayment speeds, collateral performance and credit spreads. Certain ABS are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable.

  CMBS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, collateral performance and credit spreads.

  Redeemable preferred stock: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, underlying stock prices and credit spreads.

- Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are not active.
- Short-term: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. For certain short-term investments, amortized cost is used as the best estimate of fair value.
- Other investments: Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical instruments in markets that are not active.

  OTC derivatives, including interest rate swaps, foreign currency swaps, foreign exchange forward contracts, certain options and certain credit default swaps, are valued using models that rely on inputs such as interest rate yield curves, currency rates, and counterparty credit spreads that are observable for substantially the full term of the contract. The valuation techniques underlying the models are widely accepted in the financial services industry and do not involve significant judgment.
- Assets held for sale: Comprise U.S. government and agencies, municipal, corporate, foreign government, ABS, RMBS and CMBS fixed income securities, and short-term investments. The valuation is based on the respective asset type as described above.

Level 3 measurements

- Fixed income securities:

  Municipal: Comprise municipal bonds that are not rated by third party credit rating agencies but are rated by the National Association of Insurance Commissioners (''NAIC''). The primary inputs to the valuation of these municipal bonds include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads. Also included are municipal bonds valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Also includes auction rate securities (''ARS'') primarily backed by student loans that have become illiquid due to failures in the auction market and are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, including the anticipated date liquidity will return to the market.

  Corporate, including privately placed: Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Also included are equity-indexed notes which are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, such as volatility. Other inputs include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

  ABS, RMBS and CMBS: Valued based on non-binding broker quotes received from brokers who are familiar with the investments and where the inputs have not been corroborated to be market observable.
- Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.
- Other investments: Certain OTC derivatives, such as interest rate caps, certain credit default swaps and certain options (including swaptions), are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility. Other primary inputs include interest rate yield curves and credit spreads.
- Assets held for sale: Comprise municipal, corporate, ABS and CMBS fixed income securities that were classified as held for sale as of December 31, 2013. The valuation is based on the respective asset type as described above.
- Contractholder funds: Derivatives embedded in certain life and annuity contracts are valued internally using models widely accepted in the financial services industry that determine a single best estimate of fair value for the embedded derivatives within a block of contractholder liabilities. The models primarily use stochastically determined cash flows based on the contractual elements of embedded derivatives, projected option cost and applicable market data, such as interest rate yield curves and equity index volatility assumptions. These are categorized as Level 3 as a result of the significance of non-market observable inputs.
- Liabilities held for sale: Comprise derivatives embedded in life and annuity contracts that were classified as held for sale as of December 31, 2013. The valuation is the same as described above for contractholder funds.

Assets and liabilities measured at fair value on a non-recurring basis

Mortgage loans written-down to fair value in connection with recognizing impairments are valued based on the fair value of the underlying collateral less costs to sell. Limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments are valued using net asset values. The carrying value of the LBL business was written-down to fair value in connection with being classified as held for sale.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2014.

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Balance as of December 31, 2014
Assets					
Fixed income securities:					
U.S. government and agencies	$ 3,240	$ 1,082	$ 6		$ 4,328
Municipal	—	8,227	270		8,497
Corporate	—	41,253	891		42,144
Foreign government	—	1,645	—		1,645
ABS	—	3,782	196		3,978
RMBS	—	1,206	1		1,207
CMBS	—	592	23		615
Redeemable preferred stock	—	26	—		26
Total fixed income securities	3,240	57,813	1,387		62,440
Equity securities	3,787	234	83		4,104
Short-term investments	692	1,843	5		2,540
Other investments: Free-standing derivatives	—	95	2	$ (5)	92
Separate account assets	4,396	—	—		4,396
Other assets	2	—	1		3
Total recurring basis assets	12,117	59,985	1,478	(5)	73,575
Non-recurring basis [1]	—	—	9		9
Total assets at fair value	$ 12,117	$ 59,985	$ 1,487	$ (5)	$ 73,584
% of total assets at fair value	16.5%	81.5%	2.0%	—%	100.0%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (323)		$ (323)
Other liabilities: Free-standing derivatives	(1)	(50)	(9)	$ 22	(38)
Total liabilities at fair value	$ (1)	$ (50)	$ (332)	$ 22	$ (361)
% of total liabilities at fair value	0.3%	13.8%	92.0%	(6.1)%	100.0%

[1] Includes $6 million of mortgage loans and $3 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2013:

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Balance as of December 31, 2013
Assets					
Fixed income securities:					
U.S. government and agencies	$ 1,801	$ 1,105	$ 7		$ 2,913
Municipal	—	8,380	343		8,723
Corporate	—	39,494	1,109		40,603
Foreign government	—	1,824	—		1,824
ABS	—	4,326	192		4,518
RMBS	—	1,472	2		1,474
CMBS	—	786	43		829
Redeemable preferred stock	—	25	1		26
Total fixed income securities	1,801	57,412	1,697		60,910
Equity securities	4,268	697	132		5,097
Short-term investments	752	1,626	15		2,393
Other investments: Free-standing derivatives	—	284	9	$ (24)	269
Separate account assets	5,039	—	—		5,039
Other assets	1	—	—		1
Assets held for sale	1,854	9,812	362		12,028
Total recurring basis assets	13,715	69,831	2,215	(24)	85,737
Non-recurring basis [(1)]	—	—	24		24
Total assets at fair value	$ 13,715	$ 69,831	$ 2,239	$ (24)	$ 85,761
% of total assets at fair value	16.0%	81.4%	2.6%	—%	100.0%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (307)		$ (307)
Other liabilities: Free-standing derivatives	—	(194)	(14)	$ 11	(197)
Liabilities held for sale	—	—	(246)		(246)
Total recurring basis liabilities	—	(194)	(567)	11	(750)
Non-recurring basis [(2)]	—	—	(11,088)		(11,088)
Total liabilities at fair value	$ —	$ (194)	$ (11,655)	$ 11	$ (11,838)
% of total liabilities at fair value	—%	1.6%	98.5%	(0.1)%	100.0%

[(1)] Includes $8 million of mortgage loans and $16 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

[(2)] Relates to LBL business held for sale (see Note 3). The total fair value measurement includes $15,593 million of assets held for sale and $(14,899) million of liabilities held for sale, less $12,028 million of assets and $(246) million of liabilities measured at fair value on a recurring basis.

The following table summarizes quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

($ in millions)	Fair value	Valuation technique	Unobservable input	Range	Weighted average
December 31, 2014					
Derivatives embedded in life and annuity contracts — Equity-indexed and forward starting options	$ (278)	Stochastic cash flow model	Projected option cost	1.0 - 2.0%	1.76%
December 31, 2013					
Derivatives embedded in life and annuity contracts — Equity-indexed and forward starting options	$ (247)	Stochastic cash flow model	Projected option cost	1.0 - 2.0%	1.75%
Liabilities held for sale — Equity-indexed and forward starting options	$ (246)	Stochastic cash flow model	Projected option cost	1.0 - 2.0%	1.91%

If the projected option cost increased (decreased), it would result in a higher (lower) liability fair value.

As of December 31, 2014 and 2013, Level 3 fair value measurements include $1.03 billion and $1.27 billion, respectively, of fixed income securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and $169 million and $208 million, respectively, of municipal fixed income securities that are not rated by third party credit rating agencies. As of December 31, 2013, Level 3 fair value measurements for assets held for sale include $319 million of fixed income securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. The Company does not develop the unobservable inputs used in measuring fair value; therefore, these are not included in the table above. However, an increase (decrease) in credit spreads for fixed income securities valued based on non-binding broker quotes would result in a lower (higher) fair value, and an increase (decrease) in the credit rating of municipal bonds that are not rated by third party credit rating agencies would result in a higher (lower) fair value.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the year ended December 31, 2014.

($ in millions)	Balance as of December 31, 2013	Total gains (losses) included in: Net income [1]	Total gains (losses) included in: OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
U.S. government and agencies	$ 7	$ —	$ —	$ —	$ —
Municipal	343	(2)	18	—	(17)
Corporate	1,109	24	(14)	89	(125)
ABS	192	1	2	49	(144)
RMBS	2	—	—	—	—
CMBS	43	(1)	—	5	(4)
Redeemable preferred stock	1	—	—	—	—
Total fixed income securities	1,697	22	6	143	(290)
Equity securities	132	22	(16)	—	(2)
Short-term investments	—	—	—	—	—
Free-standing derivatives, net	(5)	—	—	—	—
Other assets	—	1	—	—	—
Assets held for sale	362	(1)	2	4	(2)
Total recurring Level 3 assets	$ 2,186	$ 44	$ (8)	$ 147	$ (294)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (307)	$ (8)	$ —	$ —	$ —
Liabilities held for sale	(246)	17	—	—	—
Total recurring Level 3 liabilities	$ (553)	$ 9	$ —	$ —	$ —

	Sold in LBL disposition [3]	Purchases/ Issues [4]	Sales	Settlements	Balance as of December 31, 2014
Assets					
Fixed income securities:					
U.S. government and agencies	$ —	$ —	$ —	$ (1)	$ 6
Municipal	—	6	(74)	(4)	270
Corporate	—	64	(140)	(116)	891
ABS	—	119	—	(23)	196
RMBS	—	—	—	(1)	1
CMBS	4	8	(1)	(31)	23
Redeemable preferred stock	—	—	(1)	—	—
Total fixed income securities	4	197	(216)	(176)	1,387
Equity securities	—	83	(136)	—	83
Short-term investments	—	45	(40)	—	5
Free-standing derivatives, net	—	2	—	(4)	(7) [2]
Other assets	—	—	—	—	1
Assets held for sale	(351)	—	(8)	(6)	—
Total recurring Level 3 assets	$ (347)	$ 327	$ (400)	$ (186)	$ 1,469
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ (14)	$ —	$ 6	$ (323)
Liabilities held for sale	230	(4)	—	3	—
Total recurring Level 3 liabilities	$ 230	$ (18)	$ —	$ 9	$ (323)

[1] The effect to net income totals $53 million and is reported in the Consolidated Statements of Operations as follows: $34 million in realized capital gains and losses, $13 million in net investment income, $(5) million in interest credited to contractholder funds, $15 million in life and annuity contract benefits and $(4) million in loss on disposition of operations.
[2] Comprises $2 million of assets and $9 million of liabilities.
[3] Includes transfers from held for sale that took place in first quarter 2014 of $4 million for CMBS and $(4) million for Assets held for sale.
[4] Represents purchases for assets and issues for liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the year ended December 31, 2013.

($ in millions)	Balance as of December 31, 2012	Total gains (losses) included in: Net income [(1)]	Total gains (losses) included in: OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
U.S. government and agencies	$ 8	$ —	$ —	$ —	$ —
Municipal	965	(33)	47	6	(63)
Corporate	1,617	35	(32)	84	(323)
ABS	251	—	29	29	(86)
RMBS	3	—	—	—	—
CMBS	52	(1)	2	4	—
Redeemable preferred stock	1	—	—	—	—
Total fixed income securities	2,897	1	46	123	(472)
Equity securities	171	3	7	—	—
Free-standing derivatives, net	(27)	19	—	—	—
Other assets	1	(1)	—	—	—
Assets held for sale	—	(2)	(6)	13	(13)
Total recurring Level 3 assets	$ 3,042	$ 20	$ 47	$ 136	$ (485)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (553)	$ 89	$ —	$ —	$ —
Liabilities held for sale	—	20	—	—	—
Total recurring Level 3 liabilities	$ (553)	$ 109	$ —	$ —	$ —

	Transfer to held for sale	Purchases/ Issues [(2)]	Sales	Settlements	Balance as of December 31, 2013
Assets					
Fixed income securities:					
U.S. government and agencies	$ —	$ —	$ —	$ (1)	$ 7
Municipal	(51)	55	(558)	(25)	343
Corporate	(244)	504	(389)	(143)	1,109
ABS	(85)	174	(82)	(38)	192
RMBS	—	—	—	(1)	2
CMBS	(5)	11	(19)	(1)	43
Redeemable preferred stock	—	—	—	—	1
Total fixed income securities	(385)	744	(1,048)	(209)	1,697
Equity securities	—	1	(50)	—	132
Free-standing derivatives, net	—	9	—	(6)	(5) [(3)]
Other assets	—	—	—	—	—
Assets held for sale	385	—	(10)	(5)	362
Total recurring Level 3 assets	$ —	$ 754	$ (1,108)	$ (220)	$ 2,186
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ 265	$ (111)	$ —	$ 3	$ (307)
Liabilities held for sale	(265)	(6)	—	5	(246)
Total recurring Level 3 liabilities	$ —	$ (117)	$ —	$ 8	$ (553)

(1) The effect to net income totals $129 million and is reported in the Consolidated Statements of Operations as follows: $3 million in realized capital gains and losses, $18 million in net investment income, $40 million in interest credited to contractholder funds, $74 million in life and annuity contract benefits and $(6) million in loss on disposition of operations.
(2) Represents purchases for assets and issues for liabilities.
(3) Comprises $9 million of assets and $14 million of liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the year ended December 31, 2012.

($ in millions)	Balance as of December 31, 2011	Total gains (losses) included in: Net income [(1)]	Total gains (losses) included in: OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
U.S. government and agencies	$ —	$ —	$ —	$ 8	$ —
Municipal	1,332	(35)	76	53	(28)
Corporate	1,405	20	68	387	(92)
ABS	297	26	61	43	(81)
RMBS	51	—	—	—	(47)
CMBS	60	(4)	9	—	(5)
Redeemable preferred stock	1	—	—	—	—
Total fixed income securities	3,146	7	214	491	(253)
Equity securities	43	(7)	9	—	—
Free-standing derivatives, net	(95)	27	—	—	—
Other assets	1	—	—	—	—
Total recurring Level 3 assets	$ 3,095	$ 27	$ 223	$ 491	$ (253)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (723)	$ 168	$ —	$ —	$ —
Total recurring Level 3 liabilities	$ (723)	$ 168	$ —	$ —	$ —

	Purchases	Sales	Issues	Settlements	Balance as of December 31, 2012
Assets					
Fixed income securities:					
U.S. government and agencies	$ —	$ —	$ —	$ —	$ 8
Municipal	46	(463)	—	(16)	965
Corporate	276	(310)	—	(137)	1,617
ABS	155	(217)	—	(33)	251
RMBS	—	—	—	(1)	3
CMBS	34	(27)	—	(15)	52
Redeemable preferred stock	1	(1)	—	—	1
Total fixed income securities	512	(1,018)	—	(202)	2,897
Equity securities	164	(38)	—	—	171
Free-standing derivatives, net	27	—	—	14	(27) [(2)]
Other assets	—	—	—	—	1
Total recurring Level 3 assets	$ 703	$ (1,056)	$ —	$ (188)	$ 3,042
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (79)	$ 81	$ (553)
Total recurring Level 3 liabilities	$ —	$ —	$ (79)	$ 81	$ (553)

[(1)] The effect to net income totals $195 million and is reported in the Consolidated Statements of Operations as follows: $27 million in net investment income, $132 million in interest credited to contractholder funds and $36 million in life and annuity contract benefits.

[(2)] Comprises $3 million of assets and $30 million of liabilities.

Transfers between level categorizations may occur due to changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads. Transfers between level categorizations may also occur due to changes in the valuation source. For example, in situations where a fair value quote is not provided by the Company's independent third-party valuation service provider and as a result the price is stale or has been replaced with a broker quote whose inputs have not been corroborated to be market observable, the security is transferred into Level 3. Transfers in and out of level categorizations are reported as having occurred at the beginning of the quarter in which the transfer occurred. Therefore, for all transfers into Level 3, all realized and changes in unrealized gains and losses in the quarter of transfer are reflected in the Level 3 rollforward table.

There were no transfers between Level 1 and Level 2 during 2014 or 2013. During 2012, certain U.S. government securities were transferred into Level 1 from Level 2 as a result of increased liquidity in the market and a sustained increase in the market activity for these assets.

Transfers into Level 3 during 2014, 2013 and 2012 included situations where a fair value quote was not provided by the Company's independent third-party valuation service provider and as a result the price was stale or had been replaced with a broker quote where the inputs had not been corroborated to be market observable resulting in the security being classified as Level 3. Transfers out of Level 3 during 2014, 2013 and 2012 included situations where a broker quote was used in the prior period and a fair value quote became available from the Company's independent third-party valuation service provider in the current period. A quote utilizing the new pricing source was not available as of the prior period, and any gains or losses related to the change in valuation source for individual securities were not significant.

The following table provides the change in unrealized gains and losses included in net income for Level 3 assets and liabilities held as of December 31.

($ in millions)	2014	2013	2012
Assets			
Fixed income securities:			
Municipal	$ (7)	$ (19)	$ (28)
Corporate	11	13	15
ABS	1	(1)	—
RMBS	(1)	(1)	(1)
CMBS	—	(2)	(3)
Total fixed income securities	4	(10)	(17)
Equity securities	—	—	(6)
Free-standing derivatives, net	5	10	6
Other assets	1	(1)	—
Assets held for sale	—	(2)	—
Total recurring Level 3 assets	$ 10	$ (3)	$ (17)
Liabilities			
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (8)	$ 89	$ 168
Liabilities held for sale	17	20	—
Total recurring Level 3 liabilities	$ 9	$ 109	$ 168

The amounts in the table above represent the change in unrealized gains and losses included in net income for the period of time that the asset or liability was determined to be in Level 3. These gains and losses total $19 million in 2014 and are reported as follows: $(3) million in realized capital gains and losses, $12 million in net investment income, $(5) million in interest credited to contractholder funds and $15 million in life and annuity contract benefits. These gains and losses total $106 million in 2013 and are reported as follows: $(9) million in realized capital gains and losses, $12 million in net investment income, $35 million in interest credited to contractholder funds, $74 million in life and annuity contract benefits and $(6) million in loss on disposition of operations. These gains and losses total $151 million in 2012 and are reported as follows: $(37) million in realized capital gains and losses, $21 million in net investment income, $131 million in interest credited to contractholder funds and $36 million in life and annuity contract benefits.

Presented below are the carrying values and fair value estimates of financial instruments not carried at fair value.

Financial assets

($ in millions)	December 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage loans	$ 4,188	$ 4,446	$ 4,721	$ 4,871
Cost method limited partnerships	1,122	1,488	1,443	1,835
Bank loans	1,663	1,638	1,242	1,244
Agent loans	368	361	341	325
Assets held for sale	—	—	1,458	1,532

The fair value of mortgage loans, including those classified as assets held for sale, is based on discounted contractual cash flows or, if the loans are impaired due to credit reasons, the fair value of collateral less costs to sell. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics, using similar types of properties as collateral. The fair value of cost method limited partnerships is determined using reported net asset values of the underlying funds. The fair value of bank loans, which are reported in other investments or assets held for sale, is based on broker quotes from brokers familiar with the loans and current market conditions. The fair value of agent loans, which are reported in other investments, is based on discounted cash flow calculations that use discount rates with a spread over U.S. Treasury rates. Assumptions used in developing estimated cash flows and discount rates consider the loan's credit and liquidity risks. The fair value measurements for mortgage loans, cost method limited partnerships, bank loans, agent loans and assets held for sale are categorized as Level 3.

Financial liabilities

($ in millions)	December 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Contractholder funds on investment contracts	$ 13,734	$ 14,390	$ 15,569	$ 16,225
Long-term debt	5,194	5,835	6,201	6,509
Liability for collateral	782	782	624	624
Liabilities held for sale	—	—	7,417	7,298

The fair value of contractholder funds on investment contracts, including those classified as liabilities held for sale, is based on the terms of the underlying contracts utilizing prevailing market rates for similar contracts adjusted for the Company's own credit risk. Deferred annuities included in contractholder funds are valued using discounted cash flow models which incorporate market value margins, which are based on the cost of holding economic capital, and the Company's own credit risk. Immediate annuities without life contingencies and fixed rate funding agreements are valued at the present value of future benefits using market implied interest rates which include the Company's own credit risk. The fair value measurements for contractholder funds on investment contracts and liabilities held for sale are categorized as Level 3.

The fair value of long-term debt is based on market observable data (such as the fair value of the debt when traded as an asset) or, in certain cases, is determined using discounted cash flow calculations based on current interest rates for instruments with comparable terms and considers the Company's own credit risk. The liability for collateral is valued at carrying value due to its short-term nature. The fair value measurements for long-term debt and liability for collateral are categorized as Level 2.

7. Derivative Financial Instruments and Off-balance sheet Financial Instruments

The Company uses derivatives to manage risks with certain assets and liabilities arising from the potential adverse impacts from changes in risk-free interest rates, changes in equity market valuations, increases in credit spreads and foreign currency fluctuations, and for asset replication.

Property-Liability uses interest rate swaps, swaptions, futures and options to manage the interest rate risks of existing investments. Portfolio duration management is a risk management strategy that is principally employed by Property-Liability wherein financial futures and interest rate swaps are utilized to change the duration of the portfolio in order to offset the economic effect that interest rates would otherwise have on the fair value of its fixed income securities. Equity index futures and options are used by Property-Liability to offset valuation losses in the equity portfolio during periods of declining equity market values. Credit default swaps are typically used to mitigate the credit risk within the Property-Liability fixed income portfolio. Property-Liability uses equity futures to hedge the market risk related to deferred compensation liability contracts and forward contracts to hedge foreign currency risk associated with holding foreign currency denominated investments and foreign operations.

Asset-liability management is a risk management strategy that is principally employed by Allstate Financial to balance the respective interest-rate sensitivities of its assets and liabilities. Depending upon the attributes of the assets acquired and liabilities issued, derivative instruments such as interest rate swaps, caps, swaptions and futures are utilized to change the interest rate characteristics of existing assets and liabilities to ensure the relationship is maintained within specified ranges and to reduce exposure to rising or falling interest rates. Allstate Financial uses financial futures and interest rate swaps to hedge anticipated asset purchases and liability issuances and futures and options for hedging the equity exposure contained in its equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, Allstate Financial uses interest rate swaps to hedge interest rate risk inherent in funding agreements. Allstate Financial uses foreign currency swaps and forwards primarily to reduce the foreign currency risk associated with holding foreign currency denominated investments. Credit default swaps are typically used to mitigate the credit risk within the Allstate Financial fixed income portfolio.

The Company may also use derivatives to manage the risk associated with corporate actions, including the sale of a business. During 2014 and December 2013, swaptions were utilized to hedge the expected proceeds from the disposition of LBL.

Asset replication refers to the ''synthetic'' creation of assets through the use of derivatives and primarily investment grade host bonds to replicate securities that are either unavailable in the cash markets or more economical to acquire in synthetic form. The Company replicates fixed income securities using a combination of a credit default swap and one or more highly rated fixed income securities to synthetically replicate the economic characteristics of one or more cash market securities.

The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of embedded derivatives reported in net income. The Company's primary embedded derivatives are equity options in life and annuity product contracts, which provide equity returns to contractholders; conversion options in fixed income securities, which provide the Company with the right to convert the instrument into a predetermined number of shares of common stock; credit default swaps in synthetic collateralized debt obligations, which provide enhanced coupon rates as a result of selling credit protection; and equity-indexed notes containing equity call options, which provide a coupon payout that is determined using one or more equity-based indices.

When derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, foreign currency fair value or foreign currency cash flow hedges. Allstate Financial designates certain of its interest rate and foreign currency swap contracts and certain investment risk transfer reinsurance agreements as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of the hedged item. Allstate Financial designates certain of its foreign currency swap contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of variations in cash flows for the hedged risk that could affect net income. Amounts are reclassified to net investment income or realized capital gains and losses as the hedged item affects net income.

The notional amounts specified in the contracts are used to calculate the exchange of contractual payments under the agreements and are generally not representative of the potential for gain or loss on these agreements. However, the notional amounts specified in credit default swaps where the Company has sold credit protection represent the maximum amount of potential loss, assuming no recoveries.

Fair value, which is equal to the carrying value, is the estimated amount that the Company would receive or pay to terminate the derivative contracts at the reporting date. The carrying value amounts for OTC derivatives are further adjusted for the effects, if any, of enforceable master netting agreements and are presented on a net basis, by counterparty agreement, in the Consolidated Statements of Financial Position. For certain exchange traded and cleared derivatives, margin deposits are required as well as daily cash settlements of margin accounts. As of December 31, 2014, the Company pledged $41 million of cash and securities in the form of margin deposits.

For those derivatives which qualify for fair value hedge accounting, net income includes the changes in the fair value of both the derivative instrument and the hedged risk, and therefore reflects any hedging ineffectiveness. For cash flow hedges, gains and losses are amortized from accumulated other comprehensive income and are reported in net income in the same period the forecasted transactions being hedged impact net income.

Non-hedge accounting is generally used for ''portfolio'' level hedging strategies where the terms of the individual hedged items do not meet the strict homogeneity requirements to permit the application of hedge accounting. For non-hedge derivatives, net income includes changes in fair value and accrued periodic settlements, when applicable. With the exception of non-hedge derivatives used for asset replication and non-hedge embedded derivatives, all of the Company's derivatives are evaluated for their ongoing effectiveness as either accounting hedge or non-hedge derivative financial instruments on at least a quarterly basis.

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Consolidated Statement of Financial Position as of December 31, 2014.

($ in millions, except number of contracts)	Balance sheet location	Volume [1] Notional amount	Volume [1] Number of contracts	Fair value, net	Gross asset	Gross liability
Asset derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other investments	$ 85	n/a	$ 3	$ 3	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	163	n/a	2	2	—
Equity and index contracts						
Options and warrants [2]	Other investments	—	3,225	83	83	—
Financial futures contracts	Other assets	—	2,204	2	2	—
Foreign currency contracts						
Foreign currency forwards	Other investments	471	n/a	(15)	1	(16)
Embedded derivative financial instruments						
Other embedded derivative financial instruments	Other investments	1,000	n/a	—	—	—
Credit default contracts						
Credit default swaps — buying protection	Other investments	29	n/a	—	—	—
Credit default swaps — selling protection	Other investments	100	n/a	2	2	—
Other contracts						
Other contracts	Other assets	3	n/a	1	1	—
Subtotal		1,766	5,429	75	91	(16)
Total asset derivatives		$ 1,851	5,429	$ 78	$ 94	$ (16)
Liability derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other liabilities & accrued expenses	$ 50	n/a	$ (1)	$ —	$ (1)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	85	n/a	1	1	—
Interest rate cap agreements	Other liabilities & accrued expenses	11	n/a	—	—	—
Financial futures contracts	Other liabilities & accrued expenses	—	700	—	—	—
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	—	3,960	(23)	—	(23)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	228	n/a	(1)	2	(3)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	615	n/a	(32)	—	(32)
Guaranteed withdrawal benefits	Contractholder funds	425	n/a	(13)	—	(13)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,786	n/a	(278)	—	(278)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	—	—	—
Credit default contracts						
Credit default swaps — buying protection	Other liabilities & accrued expenses	420	n/a	(6)	1	(7)
Credit default swaps — selling protection	Other liabilities & accrued expenses	205	n/a	(8)	2	(10)
Subtotal		3,860	4,660	(360)	6	(366)
Total liability derivatives		3,910	4,660	(361)	$ 6	$ (367)
Total derivatives		$ 5,761	10,089	$ (283)		

[1] Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

[2] In addition to the number of contracts presented in the table, the Company held 220 stock rights and warrants. Stock rights and warrants can be converted to cash upon sale of those instruments or exercised for shares of common stock.

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Consolidated Statement of Financial Position as of December 31, 2013.

($ in millions, except number of contracts)

		Volume [1]				
	Balance sheet location	**Notional amount**	**Number of contracts**	**Fair value, net**	**Gross asset**	**Gross liability**
Asset derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other investments	$ 16	n/a	$ 1	$ 1	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swaption agreements	Other investments	1,420	n/a	—	—	—
Interest rate cap agreements	Other investments	61	n/a	2	2	—
Financial futures contracts	Other assets	—	550	—	—	—
Equity and index contracts						
Options and warrants [2]	Other investments	3	10,035	263	263	—
Financial futures contracts	Other assets	—	1,432	1	1	—
Foreign currency contracts						
Foreign currency forwards	Other investments	161	n/a	10	10	—
Embedded derivative financial instruments						
Credit default swaps	Fixed income securities	12	n/a	(12)	—	(12)
Other embedded derivative financial instruments	Other investments	1,000	n/a	—	—	—
Credit default contracts						
Credit default swaps — buying protection	Other investments	2	n/a	—	—	—
Credit default swaps — selling protection	Other investments	105	n/a	2	2	—
Other contracts						
Other contracts	Other assets	4	n/a	—	—	—
Subtotal		2,768	12,017	266	278	(12)
Total asset derivatives		$ 2,784	12,017	$ 267	$ 279	$ (12)
Liability derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other liabilities & accrued expenses	$ 132	n/a	$ (15)	$ —	$ (15)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	85	n/a	4	4	—
Interest rate swaption agreements	Other liabilities & accrued expenses	4,570	n/a	1	1	—
Interest rate cap agreements	Other liabilities & accrued expenses	262	n/a	4	4	—
Equity and index contracts						
Options	Other liabilities & accrued expenses	55	10,035	(165)	2	(167)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	148	n/a	(3)	2	(5)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	738	n/a	(43)	—	(43)
Guaranteed withdrawal benefits	Contractholder funds	506	n/a	(13)	—	(13)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,693	n/a	(247)	—	(247)
	Liabilities held for sale	2,363	n/a	(246)	—	(246)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	(4)	—	(4)
Credit default contracts						
Credit default swaps — buying protection	Other liabilities & accrued expenses	397	n/a	(6)	—	(6)
Credit default swaps — selling protection	Other liabilities & accrued expenses	185	n/a	(13)	2	(15)
Subtotal		11,087	10,035	(731)	15	(746)
Total liability derivatives		11,219	10,035	(746)	$ 15	$ (761)
Total derivatives		$ 14,003	22,052	$ (479)		

[1] Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

[2] In addition to the number of contracts presented in the table, the Company held 1,238,580 stock rights and warrants. Stock rights and warrants can be converted to cash upon sale of those instruments or exercised for shares of common stock.

The following table provides gross and net amounts for the Company's OTC derivatives, all of which are subject to enforceable master netting agreements.

($ in millions)		Offsets				
	Gross amount	Counter-party netting	Cash collateral (received) pledged	Net amount on balance sheet	Securities collateral (received) pledged	Net amount
December 31, 2014						
Asset derivatives	$ 12	$ (22)	$ 17	$ 7	$ (4)	$ 3
Liability derivatives	(35)	22	—	(13)	8	(5)
December 31, 2013						
Asset derivatives	$ 28	$ (15)	$ (9)	$ 4	$ (4)	$ —
Liability derivatives	(41)	15	(4)	(30)	23	(7)

The following table provides a summary of the impacts of the Company's foreign currency contracts in cash flow hedging relationships for the years ended December 31. Amortization of net losses from accumulated other comprehensive income related to cash flow hedges is expected to be $2 million during the next twelve months. There was no hedge ineffectiveness reported in realized gains and losses in 2014, 2013 or 2012.

($ in millions)	2014	2013	2012
Gain (loss) recognized in OCI on derivatives during the period	$ 12	$ 3	$ (6)
Loss recognized in OCI on derivatives during the term of the hedging relationship	(2)	(18)	(22)
Loss reclassified from AOCI into income (net investment income)	(2)	(1)	—
Loss reclassified from AOCI into income (realized capital gains and losses)	(2)	—	(1)

The following tables present gains and losses from valuation, settlements and hedge ineffectiveness reported on derivatives used in fair value hedging relationships and derivatives not designated as accounting hedging instruments in the Consolidated Statements of Operations for the years ended December 31. In 2014 and 2013, the Company had no derivatives used in fair value hedging relationships.

($ in millions)

	Net investment income	Realized capital gains and losses	Life and annuity contract benefits	Interest credited to contractholder funds	Operating costs and expenses	Loss on disposition of operations	Total gain (loss) recognized in net income on derivatives
2014							
Interest rate contracts	$ —	$ (10)	$ —	$ —	$ —	$ (4)	$ (14)
Equity and index contracts	—	(18)	—	38	9	—	29
Embedded derivative financial instruments	—	—	15	(14)	—	—	1
Foreign currency contracts	—	(9)	—	—	(8)	—	(17)
Credit default contracts	—	1	—	—	—	—	1
Other contracts	—	—	—	(2)	—	—	(2)
Total	$ —	$ (36)	$ 15	$ 22	$ 1	$ (4)	$ (2)
2013							
Interest rate contracts	$ —	$ 4	$ —	$ —	$ —	$ (6)	$ (2)
Equity and index contracts	—	(12)	—	94	34	—	116
Embedded derivative financial instruments	—	(1)	74	(75)	—	—	(2)
Foreign currency contracts	—	(9)	—	—	7	—	(2)
Credit default contracts	—	8	—	—	—	—	8
Other contracts	—	—	—	(3)	—	—	(3)
Total	$ —	$ (10)	$ 74	$ 16	$ 41	$ (6)	$ 115
2012							
Derivatives in fair value accounting hedging relationships							
Interest rate contracts	$ (1)	$ —	$ —	$ —	$ —	$ —	$ (1)
Derivatives not designated as accounting hedging instruments							
Interest rate contracts	—	(1)	—	—	—	—	(1)
Equity and index contracts	—	(4)	—	56	17	—	69
Embedded derivative financial instruments	—	21	36	134	—	—	191
Foreign currency contracts	—	(1)	—	—	7	—	6
Credit default contracts	—	9	—	—	—	—	9
Other contracts	—	—	—	3	—	—	3
Subtotal	—	24	36	193	24	—	277
Total	$ (1)	$ 24	$ 36	$ 193	$ 24	$ —	$ 276

Changes in fair value of the Company's fair value hedging relationships for 2012 resulted in a $3 million gain on interest rate contract derivatives and a $3 million loss on the hedged risk of investments, both of which were reported in net investment income.

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements (''MNAs'') and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions that permit either party to net payments due for transactions and collateral is either pledged or obtained when certain predetermined exposure limits are exceeded. As of December 31, 2014, counterparties pledged $4 million in cash and securities to the Company, and the Company pledged $25 million in cash and securities to counterparties which includes $7 million of collateral posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability position and $18 million of collateral posted under MNAs for contracts without credit-risk-contingent liabilities. The Company has not incurred any losses on derivative financial instruments due to counterparty nonperformance. Other derivatives, including futures and certain option contracts, are traded on organized exchanges which require margin deposits and guarantee the execution of trades, thereby mitigating any potential credit risk.

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contracts and all collateral, if any, becomes worthless. This exposure is measured by the fair value of OTC derivative contracts with a positive fair value at the reporting date reduced by the effect, if any, of legally enforceable master netting agreements.

The following table summarizes the counterparty credit exposure as of December 31 by counterparty credit rating as it relates to the Company's OTC derivatives.

($ in millions)	2014				2013			
Rating [1]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]
A+	1	$ 164	$ 2	$ 1	1	$ 22	$ 1	$ 1
A	3	118	3	2	5	1,628	9	2
A−	1	8	—	—	1	24	1	—
BBB+	1	11	—	—	1	33	3	—
BBB	1	52	—	—	1	76	1	—
Total	7	$ 353	$ 5	$ 3	9	$ 1,783	$ 15	$ 3

(1) Rating is the lower of S&P or Moody's ratings.
(2) Only OTC derivatives with a net positive fair value are included for each counterparty.

Market risk is the risk that the Company will incur losses due to adverse changes in market rates and prices. Market risk exists for all of the derivative financial instruments the Company currently holds, as these instruments may become less valuable due to adverse changes in market conditions. To limit this risk, the Company's senior management has established risk control limits. In addition, changes in fair value of the derivative financial instruments that the Company uses for risk management purposes are generally offset by the change in the fair value or cash flows of the hedged risk component of the related assets, liabilities or forecasted transactions.

Certain of the Company's derivative instruments contain credit-risk-contingent termination events, cross-default provisions and credit support annex agreements. Credit-risk-contingent termination events allow the counterparties to terminate the derivative on certain dates if AIC's, ALIC's or Allstate Life Insurance Company of New York's (''ALNY'') financial strength credit ratings by Moody's or S&P fall below a certain level or in the event AIC, ALIC or ALNY are no longer rated by either Moody's or S&P. Credit-risk-contingent cross-default provisions allow the counterparties to terminate the derivative instruments if the Company defaults by pre-determined threshold amounts on certain debt instruments. Credit-risk-contingent credit support annex agreements specify the amount of collateral the Company must post to counterparties based on AIC's, ALIC's or ALNY's financial strength credit ratings by Moody's or S&P, or in the event AIC, ALIC or ALNY are no longer rated by either Moody's or S&P.

The following summarizes the fair value of derivative instruments with termination, cross-default or collateral credit-risk-contingent features that are in a liability position as of December 31, as well as the fair value of assets and collateral that are netted against the liability in accordance with provisions within legally enforceable MNAs.

($ in millions)	2014	2013
Gross liability fair value of contracts containing credit-risk-contingent features	$ 16	$ 28
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(4)	(11)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(7)	(14)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	$ 5	$ 3

Credit derivatives – selling protection

Free-standing credit default swaps (''CDS'') are utilized for selling credit protection against a specified credit event. A credit default swap is a derivative instrument, representing an agreement between two parties to exchange the credit risk of a specified entity (or a group of entities), or an index based on the credit risk of a group of entities (all commonly referred to as the ''reference entity'' or a portfolio of ''reference entities''), in return for a periodic premium. In selling protection, CDS are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. CDS typically have a five-year term.

The following table shows the CDS notional amounts by credit rating and fair value of protection sold.

($ in millions)	Notional amount					
	AA	A	BBB	BB and lower	Total	Fair value
December 31, 2014						
Single name						
Corporate debt	$ 20	$ 15	$ 90	$ —	$ 125	$ 1
First-to-default Basket						
Municipal	—	100	—	—	100	(9)
Index						
Corporate debt	—	22	52	6	80	2
Total	$ 20	$ 137	$ 142	$ 6	$ 305	$ (6)
December 31, 2013						
Single name						
Corporate debt	$ 20	$ 25	$ 65	$ —	$ 110	$ 2
First-to-default Basket						
Municipal	—	100	—	—	100	(15)
Index						
Corporate debt	1	20	55	4	80	2
Total	$ 21	$ 145	$ 120	$ 4	$ 290	$ (11)

In selling protection with CDS, the Company sells credit protection on an identified single name, a basket of names in a first-to-default (''FTD'') structure or credit derivative index (''CDX'') that is generally investment grade, and in return receives periodic premiums through expiration or termination of the agreement. With single name CDS, this premium or credit spread generally corresponds to the difference between the yield on the reference entity's public fixed maturity cash instruments and swap rates at the time the agreement is executed. With a FTD basket, because of the additional credit risk inherent in a basket of named reference entities, the premium generally corresponds to a high proportion of the sum of the credit spreads of the names in the basket and the correlation between the names. CDX is utilized to take a position on multiple (generally 125) reference entities. Credit events are typically defined as bankruptcy, failure to pay, or restructuring, depending on the nature of the reference entities. If a credit event occurs, the Company settles with the counterparty, either through physical settlement or cash settlement. In a physical settlement, a reference asset is delivered by the buyer of protection to the Company, in exchange for cash payment at par, whereas in a cash settlement, the Company pays the difference between par and the prescribed value of the reference asset. When a credit event occurs in a single name or FTD basket (for FTD, the first credit event occurring for any one name in the basket), the contract terminates at the time of settlement. For CDX, the reference entity's name incurring the credit event is removed from the index while the contract continues until expiration. The maximum payout on a CDS is the contract notional amount. A physical settlement may afford the Company with recovery rights as the new owner of the asset.

The Company monitors risk associated with credit derivatives through individual name credit limits at both a credit derivative and a combined cash instrument/credit derivative level. The ratings of individual names for which protection has been sold are also monitored.

Off-balance sheet financial instruments

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

($ in millions)	2014	2013
Commitments to invest in limited partnership interests	$ 2,429	$ 2,846
Commitments to extend mortgage loans	49	1
Private placement commitments	98	43
Other loan commitments	46	26

In the preceding table, the contractual amounts represent the amount at risk if the contract is fully drawn upon, the counterparty defaults and the value of any underlying security becomes worthless. Unless noted otherwise, the Company does not require collateral or other security to support off-balance sheet financial instruments with credit risk.

Commitments to invest in limited partnership interests represent agreements to acquire new or additional participation in certain limited partnership investments. The Company enters into these agreements in the normal course of business. Because the investments in limited partnerships are not actively traded, it is not practical to estimate the fair value of these commitments.

Commitments to extend mortgage loans are agreements to lend to a borrower provided there is no violation of any condition established in the contract. The Company enters into these agreements to commit to future loan fundings at a predetermined interest rate. Commitments generally have fixed expiration dates or other termination clauses. The fair value of commitments to extend mortgage loans, which are secured by the underlying properties, is $1 million as of December 31, 2014, and is valued based on estimates of fees charged by other institutions to make similar commitments to similar borrowers.

Private placement commitments represent conditional commitments to purchase private placement debt and equity securities at a specified future date. The Company enters into these agreements in the normal course of business. The fair value of these commitments generally cannot be estimated on the date the commitment is made as the terms and conditions of the underlying private placement securities are not yet final.

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

8. Reserve for Property-Liability Insurance Claims and Claims Expense

The Company establishes reserves for claims and claims expense on reported and unreported claims of insured losses. The Company's reserving process takes into account known facts and interpretations of circumstances and factors including the Company's experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. In the normal course of business, the Company may also supplement its claims processes by utilizing third party adjusters, appraisers, engineers, inspectors, and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. The effects of inflation are implicitly considered in the reserving process.

Because reserves are estimates of unpaid portions of losses that have occurred, including incurred but not reported (''IBNR'') losses, the establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates. The highest degree of uncertainty is associated with reserves for losses incurred in the current reporting period as it contains the greatest proportion of losses that have not been reported or settled. The Company regularly updates its reserve estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes in prior year reserve estimates, which may be material, are reported in property-liability insurance claims and claims expense in the Consolidated Statements of Operations in the period such changes are determined.

Activity in the reserve for property-liability insurance claims and claims expense is summarized as follows:

($ in millions)	2014	2013	2012
Balance as of January 1	$ 21,857	$ 21,288	$ 20,375
Less reinsurance recoverables	4,664	4,010	2,588
Net balance as of January 1	17,193	17,278	17,787
Esurance acquisition	—	—	(13) (1)
Incurred claims and claims expense related to:			
Current year	19,512	18,032	19,149
Prior years	(84)	(121)	(665)
Total incurred	19,428	17,911	18,484
Claims and claims expense paid related to:			
Current year	12,924	11,658	12,545
Prior years	6,468	6,338	6,435
Total paid	19,392	17,996	18,980
Net balance as of December 31	17,229	17,193	17,278
Plus reinsurance recoverables	5,694	4,664	4,010
Balance as of December 31	$ 22,923	$ 21,857	$ 21,288

(1) The Esurance opening balance sheet reserves were reestimated in 2012 resulting in a reduction in reserves due to lower severity. The adjustment was recorded as a reduction in goodwill and an increase in payables to the seller under the terms of the purchase agreement and therefore had no impact on claims expense.

Incurred claims and claims expense represents the sum of paid losses and reserve changes in the calendar year. This expense includes losses from catastrophes of $1.99 billion, $1.25 billion and $2.35 billion in 2014, 2013 and 2012, respectively, net of reinsurance and other recoveries (see Note 10). Catastrophes are an inherent risk of the property-liability insurance business that have contributed to, and will continue to contribute to, material year-to-year fluctuations in the Company's results of operations and financial position.

The Company calculates and records a single best reserve estimate for losses from catastrophes, in conformance with generally accepted actuarial standards. As a result, management believes that no other estimate is better than the recorded amount. Due to the uncertainties involved, including the factors described above, the ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimates. Accordingly, management believes that it is not practical to develop a meaningful range for any such changes in losses incurred.

During 2014, incurred claims and claims expense related to prior years was primarily composed of net decreases in auto reserves of $238 million primarily due to claim severity development that was better than expected, net increases in homeowners reserves of $29 million due to unfavorable catastrophe reserve reestimates, net increases in other reserves of $13 million, and net increases in Discontinued Lines and Coverages reserves of $112 million. Incurred claims and claims expense includes unfavorable catastrophe loss reestimates of $43 million, net of reinsurance and other recoveries.

During 2013, incurred claims and claims expense related to prior years was primarily composed of net decreases in auto reserves of $237 million primarily due to claim severity development that was better than expected, net decreases in homeowners reserves of $5 million due to favorable non-catastrophe reserve reestimates, net decreases in other reserves of $21 million, and net increases in Discontinued Lines and Coverages reserves of $142 million. Incurred claims and claims expense includes favorable catastrophe loss reestimates of $88 million, net of reinsurance and other recoveries.

During 2012, incurred claims and claims expense related to prior years was primarily composed of net decreases in auto reserves of $365 million primarily due to claim severity development that was better than expected, net decreases in homeowners reserves of $321 million due to favorable catastrophe reserve reestimates, net decreases in other reserves of $30 million, and net increases in Discontinued Lines and Coverages reserves of $51 million. Incurred claims and claims expense includes favorable catastrophe loss reestimates of $410 million, net of reinsurance and other recoveries.

Management believes that the reserve for property-liability insurance claims and claims expense, net of reinsurance recoverables, is appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by the date of the Consolidated Statements of Financial Position based on available facts, technology, laws and regulations.

For further discussion of asbestos and environmental reserves, see Note 14.

9. Reserve for Life-Contingent Contract Benefits and Contractholder Funds

As of December 31, the reserve for life-contingent contract benefits consists of the following:

($ in millions)	**2014**	**2013**
Immediate fixed annuities:		
Structured settlement annuities	$ 6,682	$ 6,645
Other immediate fixed annuities	2,250	2,283
Traditional life insurance	2,521	2,542
Accident and health insurance	830	816
Other	97	100
Total reserve for life-contingent contract benefits	$ 12,380	$ 12,386

The following table highlights the key assumptions generally used in calculating the reserve for life-contingent contract benefits:

Product	Mortality	Interest rate	Estimation method
Structured settlement annuities	U.S. population with projected calendar year improvements; mortality rates adjusted for each impaired life based on reduction in life expectancy	Interest rate assumptions range from 2.7% to 9.0%	Present value of contractually specified future benefits
Other immediate fixed annuities	1983 group annuity mortality table with internal modifications; 1983 individual annuity mortality table; Annuity 2000 mortality table with internal modifications; Annuity 2000 mortality table; 1983 individual annuity mortality table with internal modifications	Interest rate assumptions range from 0% to 11.5%	Present value of expected future benefits based on historical experience
Traditional life insurance	Actual company experience plus loading	Interest rate assumptions range from 2.5% to 11.3%	Net level premium reserve method using the Company's withdrawal experience rates; includes reserves for unpaid claims
Accident and health insurance	Actual company experience plus loading	Interest rate assumptions range from 3.0% to 7.0%	Unearned premium; additional contract reserves for mortality risk and unpaid claims
Other:			
Variable annuity guaranteed minimum death benefits [1]	Annuity 2012 mortality table with internal modifications	Interest rate assumptions range from 2.6% to 5.8%	Projected benefit ratio applied to cumulative assessments

[1] In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with The Prudential Insurance Company of America, a subsidiary of Prudential Financial, Inc. (collectively "Prudential").

To the extent that unrealized gains on fixed income securities would result in a premium deficiency had those gains actually been realized, a premium deficiency reserve is recorded for certain immediate annuities with life contingencies. A liability of $28 million is included in the reserve for life-contingent contract benefits with respect to this deficiency as of December 31, 2014. The offset to this liability is recorded as a reduction of the unrealized net capital gains included in accumulated other comprehensive income. The liability was zero as of December 31, 2013.

As of December 31, contractholder funds consist of the following:

($ in millions)	2014	2013
Interest-sensitive life insurance	$ 7,880	$ 7,777
Investment contracts:		
Fixed annuities	14,310	16,199
Funding agreements backing medium-term notes	85	89
Other investment contracts	254	239
Total contractholder funds	$ 22,529	$ 24,304

The following table highlights the key contract provisions relating to contractholder funds:

Product	Interest rate	Withdrawal/surrender charges
Interest-sensitive life insurance	Interest rates credited range from 0% to 9.0% for equity-indexed life (whose returns are indexed to the S&P 500) and 1.0% to 6.0% for all other products	Either a percentage of account balance or dollar amount grading off generally over 20 years
Fixed annuities	Interest rates credited range from 0% to 9.8% for immediate annuities; (8.0)% to 13.5% for equity-indexed annuities (whose returns are indexed to the S&P 500); and 0.1% to 6.0% for all other products	Either a declining or a level percentage charge generally over ten years or less. Additionally, approximately 21.5% of fixed annuities are subject to market value adjustment for discretionary withdrawals
Funding agreements backing medium-term notes	Interest rate credited is 2.49%	Not applicable
Other investment contracts:		
Guaranteed minimum income, accumulation and withdrawal benefits on variable [(1)] and fixed annuities and secondary guarantees on interest-sensitive life insurance and fixed annuities	Interest rates used in establishing reserves range from 1.7% to 10.3%	Withdrawal and surrender charges are based on the terms of the related interest-sensitive life insurance or fixed annuity contract

(1) In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with Prudential.

Contractholder funds include funding agreements held by VIEs issuing medium-term notes. The VIEs are Allstate Life Funding, LLC and Allstate Life Global Funding, and their primary assets are funding agreements used exclusively to back medium-term note programs.

Contractholder funds activity for the years ended December 31 is as follows:

($ in millions)	2014	2013	2012
Balance, beginning of year	$ 24,304	$ 39,319	$ 42,332
Classified as held for sale, beginning balance	10,945	—	—
Total, including those classified as held for sale	35,249	39,319	42,332
Deposits	1,333	2,440	2,275
Interest credited	919	1,295	1,323
Benefits	(1,197)	(1,535)	(1,463)
Surrenders and partial withdrawals	(2,273)	(3,299)	(3,990)
Maturities of and interest payments on institutional products	(2)	(1,799)	(138)
Contract charges	(881)	(1,112)	(1,066)
Net transfers from separate accounts	7	12	11
Other adjustments	36	(72)	35
Sold in LBL disposition	(10,662)	—	—
Classified as held for sale, ending balance	—	(10,945)	—
Balance, end of year	$ 22,529	$ 24,304	$ 39,319

The Company offered various guarantees to variable annuity contractholders. Liabilities for variable contract guarantees related to death benefits are included in the reserve for life-contingent contract benefits and the liabilities related to the income, withdrawal and accumulation benefits are included in contractholder funds. All liabilities for variable contract guarantees are reported on a gross basis on the balance sheet with a corresponding reinsurance recoverable asset for those contracts subject to reinsurance. In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with Prudential.

Absent any contract provision wherein the Company guarantees either a minimum return or account value upon death, a specified contract anniversary date, partial withdrawal or annuitization, variable annuity and variable life insurance contractholders bear the investment risk that the separate accounts' funds may not meet their stated investment objectives. The account balances of variable annuities contracts' separate accounts with guarantees included $3.82 billion and $5.20 billion of equity, fixed income and balanced mutual funds and $467 million and $748 million of money market mutual funds as of December 31, 2014 and 2013, respectively.

The table below presents information regarding the Company's variable annuity contracts with guarantees. The Company's variable annuity contracts may offer more than one type of guarantee in each contract; therefore, the sum of amounts listed exceeds the total account balances of variable annuity contracts' separate accounts with guarantees.

($ in millions)	December 31,	
	2014	2013
In the event of death		
Separate account value	$ 4,288	$ 5,951
Net amount at risk [(1)]	$ 581	$ 636
Average attained age of contractholders	69 years	68 years
At annuitization (includes income benefit guarantees)		
Separate account value	$ 1,142	$ 1,463
Net amount at risk [(2)]	$ 238	$ 252
Weighted average waiting period until annuitization options available	None	None
For cumulative periodic withdrawals		
Separate account value	$ 382	$ 488
Net amount at risk [(3)]	$ 8	$ 9
Accumulation at specified dates		
Separate account value	$ 480	$ 732
Net amount at risk [(4)]	$ 24	$ 27
Weighted average waiting period until guarantee date	4 years	5 years

(1) Defined as the estimated current guaranteed minimum death benefit in excess of the current account balance as of the balance sheet date.
(2) Defined as the estimated present value of the guaranteed minimum annuity payments in excess of the current account balance.

(3) Defined as the estimated current guaranteed minimum withdrawal balance (initial deposit) in excess of the current account balance as of the balance sheet date.
(4) Defined as the estimated present value of the guaranteed minimum accumulation balance in excess of the current account balance.

The liability for death and income benefit guarantees is equal to a benefit ratio multiplied by the cumulative contract charges earned, plus accrued interest less contract excess guarantee benefit payments. The benefit ratio is calculated as the estimated present value of all expected contract excess guarantee benefits divided by the present value of all expected contract charges. The establishment of reserves for these guarantees requires the projection of future fund values, mortality, persistency and customer benefit utilization rates. These assumptions are periodically reviewed and updated. For guarantees related to death benefits, benefits represent the projected excess guaranteed minimum death benefit payments. For guarantees related to income benefits, benefits represent the present value of the minimum guaranteed annuitization benefits in excess of the projected account balance at the time of annuitization.

Projected benefits and contract charges used in determining the liability for certain guarantees are developed using models and stochastic scenarios that are also used in the development of estimated expected gross profits. Underlying assumptions for the liability related to income benefits include assumed future annuitization elections based on factors such as the extent of benefit to the potential annuitant, eligibility conditions and the annuitant's attained age. The liability for guarantees is re-evaluated periodically, and adjustments are made to the liability balance through a charge or credit to life and annuity contract benefits.

Guarantees related to the majority of withdrawal and accumulation benefits are considered to be derivative financial instruments; therefore, the liability for these benefits is established based on its fair value.

The following table summarizes the liabilities for guarantees:

($ in millions)	**Liability for guarantees related to death benefits and interest-sensitive life products**	**Liability for guarantees related to income benefits**	**Liability for guarantees related to accumulation and withdrawal benefits**	**Total**
Balance, December 31, 2013 (1)	$ 377	$ 113	$ 65	$ 555
Less reinsurance recoverables	100	99	56	255
Net balance as of December 31, 2013	277	14	9	300
Incurred guarantee benefits	34	—	9	43
Paid guarantee benefits	—	—	—	—
Sold in LBL disposition	(214)	(10)	(3)	(227)
Net change	(180)	(10)	6	(184)
Net balance as of December 31, 2014	97	4	15	116
Plus reinsurance recoverables	98	91	45	234
Balance, December 31, 2014 (2)	$ 195	$ 95	$ 60	$ 350
Balance, December 31, 2012 (3)	$ 309	$ 235	$ 129	$ 673
Less reinsurance recoverables	113	220	125	458
Net balance as of December 31, 2012	196	15	4	215
Incurred guarantee benefits	83	(1)	5	87
Paid guarantee benefits	(2)	—	—	(2)
Net change	81	(1)	5	85
Net balance as of December 31, 2013	277	14	9	300
Plus reinsurance recoverables	100	99	56	255
Balance, December 31, 2013 (1)	$ 377	$ 113	$ 65	$ 555

(1) Included in the total liability balance as of December 31, 2013 are reserves for variable annuity death benefits of $98 million, variable annuity income benefits of $99 million, variable annuity accumulation benefits of $43 million, variable annuity withdrawal benefits of $13 million and other guarantees of $302 million.
(2) Included in the total liability balance as of December 31, 2014 are reserves for variable annuity death benefits of $96 million, variable annuity income benefits of $92 million, variable annuity accumulation benefits of $32 million, variable annuity withdrawal benefits of $13 million and other guarantees of $117 million.
(3) Included in the total liability balance as of December 31, 2012 are reserves for variable annuity death benefits of $112 million, variable annuity income benefits of $221 million, variable annuity accumulation benefits of $86 million, variable annuity withdrawal benefits of $39 million and other guarantees of $215 million.

10. Reinsurance

The effects of reinsurance on property-liability insurance premiums written and earned and life and annuity premiums and contract charges for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Property-liability insurance premiums written			
Direct	$ 30,686	$ 29,241	$ 28,103
Assumed	48	52	35
Ceded	(1,120)	(1,129)	(1,111)
Property-liability insurance premiums written, net of reinsurance	$ 29,614	$ 28,164	$ 27,027
Property-liability insurance premiums earned			
Direct	$ 29,914	$ 28,638	$ 27,794
Assumed	45	49	33
Ceded	(1,030)	(1,069)	(1,090)
Property-liability insurance premiums earned, net of reinsurance	$ 28,929	$ 27,618	$ 26,737
Life and annuity premiums and contract charges			
Direct	$ 1,944	$ 2,909	$ 2,860
Assumed	629	82	55
Ceded	(416)	(639)	(674)
Life and annuity premiums and contract charges, net of reinsurance	$ 2,157	$ 2,352	$ 2,241

Property-Liability

The Company purchases reinsurance after evaluating the financial condition of the reinsurer, as well as the terms and price of coverage. Developments in the insurance and reinsurance industries have fostered a movement to segregate asbestos, environmental and other discontinued lines exposures into separate legal entities with dedicated capital. Regulatory bodies in certain cases have supported these actions. The Company is unable to determine the impact, if any, that these developments will have on the collectability of reinsurance recoverables in the future.

Property-Liability reinsurance recoverable

Total amounts recoverable from reinsurers as of December 31, 2014 and 2013 were $5.78 billion and $4.75 billion, respectively, including $89 million and $85 million, respectively, related to property-liability losses paid by the Company and billed to reinsurers, and $5.69 billion and $4.66 billion, respectively, estimated by the Company with respect to ceded unpaid losses (including IBNR), which are not billable until the losses are paid.

With the exception of the recoverable balances from the Michigan Catastrophic Claim Association (''MCCA''), Lloyd's of London, New Jersey Unsatisfied Claim and Judgment Fund (''NJUCJF'') and other industry pools and facilities, the largest reinsurance recoverable balance the Company had outstanding was $65 million and $85 million from Westport Insurance Corporation (formerly Employers' Reinsurance Company) as of December 31, 2014 and 2013, respectively. No other amount due or estimated to be due from any single property-liability reinsurer was in excess of $34 million as of both December 31, 2014 and 2013.

The allowance for uncollectible reinsurance was $95 million and $92 million as of December 31, 2014 and 2013, respectively, and is primarily related to the Company's Discontinued Lines and Coverages segment.

Industry pools and facilities

Reinsurance recoverable on paid and unpaid claims including IBNR as of December 31, 2014 and 2013 includes $4.42 billion and $3.46 billion, respectively, from the MCCA. The MCCA is a mandatory insurance coverage and reinsurance indemnification mechanism for personal injury protection losses that provides indemnification for losses over a retention level that increases every other MCCA fiscal year. The retention level is $530 thousand per claim for the fiscal years ending June 30, 2015 and 2014. The MCCA operates similar to a reinsurance program and is funded by participating companies through a per vehicle annual assessment. This assessment is included in the premiums charged to the Company's customers and when collected, the Company remits the assessment to the MCCA. These assessments provide funds for the indemnification for losses described above. The MCCA is required to assess an amount each year sufficient to cover lifetime claims of all persons catastrophically injured in that year, its operating expenses, and adjustments for the amount for excesses or deficiencies in prior assessments. The MCCA prepares statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan Department of Insurance and Financial Services (''MI DOI''). The MI DOI has granted the MCCA a statutory permitted practice that expires in 2016 to discount its liabilities for loss and loss adjustment expense. As of June 30, 2014, the date of its most recent annual financial report, the permitted practice reduced the MCCA's accumulated deficit by $51.24 billion to $411 million.

Allstate sells and administers policies as a participant in the National Flood Insurance Program (''NFIP''). The amounts recoverable as of December 31, 2014 and 2013 were $7 million and $32 million, respectively. Ceded premiums earned include $312 million, $316 million and $311 million in 2014, 2013 and 2012, respectively. Ceded losses incurred include $38 million, $289 million and $758 million in 2014, 2013 and 2012, respectively. Under the arrangement, the Federal Government pays all covered claims.

The NJUCJF provides compensation to qualified claimants for bodily injury or death caused by private passenger automobiles operated by uninsured or ''hit and run'' drivers. The fund also provides reimbursement to insurers for the medical benefits portion of personal injury protection coverage paid in excess of $75,000 with no limits for policies issued or renewed prior to January 1, 1991 and in excess of $75,000 and capped at $250,000 for policies issued or renewed from January 1, 1991 to December 31, 2004. The amounts recoverable as of December 31, 2014 and 2013 were $508 million and $378 million, respectively.

Ceded premiums earned under the Florida Hurricane Catastrophe Fund (''FHCF'') agreement were $11 million, $16 million and $18 million in 2014, 2013 and 2012, respectively. There were no ceded losses incurred in 2014, 2013 or 2012. The Company has access to reimbursement provided by the FHCF for 90% of qualifying personal property losses that exceed its current retention of $69 million for the 2 largest hurricanes and $23 million for other hurricanes, up to a maximum total of $184 million effective from June 1, 2014 to May 31, 2015. There were no amounts recoverable from the FHCF as of December 31, 2014 or 2013.

Catastrophe reinsurance

The Company has the following catastrophe reinsurance agreements in effect as of December 31, 2014:

The Nationwide Per Occurrence Excess Catastrophe Reinsurance program (the ''Nationwide program'') comprising four agreements: The Per Occurrence Excess Catastrophe Reinsurance agreement, the 2013-1 Property Claim Services (''PCS'') Excess Catastrophe Reinsurance agreement, the 2014-1 PCS Excess Catastrophe Reinsurance agreement, and the Buffer Layer Excess Catastrophe Reinsurance agreement.

- The Per Occurrence Excess Catastrophe Reinsurance agreement comprises seventeen contracts placed in six layers and incepting as of June 1, 2014. Coverage for each of the first through fifth layers comprises three contracts with one, two and three year terms expiring May 31, 2015, May 31, 2016 and May 31, 2017. Coverage for the sixth layer comprises two contracts with two and three year terms expiring May 31, 2016 and May 31, 2017. This agreement reinsures Allstate Protection for personal lines property and automobile excess catastrophe losses countrywide, in all states except Florida and New Jersey, caused by multiple perils. Each of the layers is 95% placed and subject to reinstatement. The agreement covers $2.95 billion in per occurrence losses subject to a $500 million retention.
- The 2013-1 PCS Excess Catastrophe Reinsurance agreement comprises two contracts: a Class B Excess Catastrophe Reinsurance contract that constitutes a portion of the seventh layer and provides $150 million in limits excess of a $2.95 billion retention, and a Class A Excess Catastrophe Reinsurance contract which constitutes a portion of the ninth layer of the Nationwide program and provides $200 million in limits excess of a $3.5 billion retention. The agreement reinsures Allstate Protection for personal lines property and automobile excess catastrophe losses caused by hurricanes in 28 states and the District of Columbia, and earthquakes, including fires following earthquakes, in California, New York and Washington. The contracts' risk period began May 4, 2013 and expires on May 3, 2017. The contracts do not include a reinstatement of limits.
- The 2014-1 PCS Excess Catastrophe Reinsurance agreement comprises three contracts: a Class D Excess Catastrophe Reinsurance contract that constitutes a portion of the seventh layer of the Nationwide program and provides $305 million in limits excess of a $2.95 billion attachment level, a Class C Excess Catastrophe Reinsurance contract which constitutes a portion of the ninth layer of the Nationwide program and provides $115 million in limits excess of a $3.50 billion attachment level, and a Class B Excess Catastrophe Reinsurance contract which constitutes the tenth layer of the Nationwide program and provides $330 million in limits excess of a $3.83 billion attachment level. The agreement reinsures Allstate Protection for personal lines property and automobile excess catastrophe losses caused by hurricanes in 29 states and the District of Columbia, and

earthquakes, including fires following earthquakes, in California, New York, and Washington. The contracts were effective on May 22, 2014 with the risk period for the Class D Excess Catastrophe Reinsurance contract expiring on May 22, 2019, and the risk periods for the Class C Excess Catastrophe Reinsurance contract and the Class B Excess Catastrophe Reinsurance contract expiring on May 22, 2018. The contracts do not include a reinstatement of limits.

- The Buffer Layer Excess Catastrophe Reinsurance agreement comprises the eighth layer of the Nationwide program and includes one three-year term contract that provides an annual limit of $63 million of reinsurance limits excess of a $3.44 billion retention and is 95% placed. The contract reinsures Allstate Protection for personal lines property and automobile excess catastrophe losses caused by multiple perils in all states except Florida and New Jersey. Annually, the retention and limit of the agreement may be adjusted, within limits, to more closely align with the reset attachment and exhaustion levels of the 2013-1 PCS Excess Catastrophe Reinsurance agreement. The contract does not include a reinstatement of limits.

Losses recoverable under the Company's New Jersey, Kentucky and Pennsylvania reinsurance agreements, described below, are disregarded when determining coverage under the contracts included in the Nationwide program.

- The New Jersey Excess Catastrophe Reinsurance agreement comprises three contracts. One contract expires May 31, 2015 and provides coverage for Allstate Protection personal lines property excess catastrophe losses for multiple perils in New Jersey. The contract provides 32% of a $400 million limit excess of a $144 million retention. Two contracts, expiring May 31, 2016 and May 31, 2017, provide 32% of a $400 million limit excess of a $156 million retention and 32% of a $400 million limit excess of a $150 million retention, respectively. The contracts reinsure personal lines property and automobile excess catastrophe losses in New Jersey. All contracts contain one reinstatement of limits each year. The reinsurance premium and retention applicable to the agreement are subject to redetermination for exposure changes annually.
- The Kentucky Earthquake Excess Catastrophe Reinsurance agreement provides coverage for Allstate Protection personal lines property excess catastrophe losses in the state for earthquakes and fires following earthquakes effective June 1, 2014 to May 31, 2017. The agreement provides three limits of $25 million excess of a $5 million retention subject to two limits being available in any one contract year and is 95% placed.
- The Pennsylvania Excess Catastrophe Reinsurance agreement provides coverage for Allstate Protection personal lines property excess catastrophe losses in the state for multi-perils effective June 1, 2012 through May 31, 2015. The agreement provides three limits of $100 million excess of a $100 million retention subject to two limits being available in any one contract year and is 95% placed.
- The Florida Excess Catastrophe Reinsurance agreement comprises six contracts and includes our subsidiaries Castle Key Insurance Company (''CKIC'') and Castle Key Indemnity Company's (''CKI'', and together with CKIC, ''Castle Key'') participation in the mandatory Florida Hurricane Catastrophe Fund (''FHCF''). The agreement reinsures Castle Key for personal lines property excess catastrophe losses in Florida. All contracts constituting the agreement, except one, the Sanders Re 2014-2 contract, provide a one year term effective June 1, 2014 through May 31, 2015 with reinsurance premium subject to redetermination for exposure changes. The Sanders Re 2014-2 contract is a three-year term contract with a risk period effective June 1, 2014 through May 31, 2017. With the exception of the mandatory FHCF contracts and the Sanders Re 2014-2 contract, all contracts provide reinsurance for qualifying losses to personal lines property arising out of multiple perils in addition to hurricanes. The mandatory FHCF contracts reinsure qualifying personal lines property losses caused by storms the National Hurricane Center declares to be hurricanes, and the Sanders Re 2014-2 contract reinsures qualifying losses to personal lines property caused by a named storm event, a severe thunderstorm event, or an earthquake event. These events are defined in the Sanders Re 2014-2 contract as events declared by various reporting agencies, including PCS, and in the case of a severe thunderstorm event, should PCS cease to report on severe thunderstorms, then such event will be deemed a severe thunderstorm if Castle Key has assigned a catastrophe code to such severe thunderstorm. All contracts composing the Florida Excess Catastrophe Reinsurance agreement, including the mandatory FHCF contracts, provide an estimated provisional limit of $732 million excess of a provisional $15 million retention.

The Company ceded premiums earned of $437 million, $471 million and $531 million under catastrophe reinsurance agreements in 2014, 2013 and 2012, respectively.

Asbestos, environmental and other

Reinsurance recoverables include $202 million and $191 million from Lloyd's of London as of December 31, 2014 and 2013, respectively. Lloyd's of London, through the creation of Equitas Limited, implemented a restructuring to solidify its capital base and to segregate claims for years prior to 1993. In 2007, Berkshire Hathaway's subsidiary, National Indemnity Company, assumed responsibility for the Equitas claim liabilities through a loss portfolio transfer reinsurance agreement and continues to runoff the Equitas claims.

Allstate Financial

The Company's Allstate Financial segment reinsures certain of its risks to other insurers primarily under yearly renewable term, coinsurance, modified coinsurance and coinsurance with funds withheld agreements. These agreements result in a passing of the agreed-upon percentage of risk to the reinsurer in exchange for negotiated reinsurance premium payments. Modified coinsurance and coinsurance with funds withheld are similar to coinsurance, except that the cash and investments that support the liability for contract benefits are not transferred to the assuming company and settlements are made on a net basis between the companies.

For certain term life insurance policies issued prior to October 2009, Allstate Financial ceded up to 90% of the mortality risk depending on the year of policy issuance under coinsurance agreements to a pool of fourteen unaffiliated reinsurers. Effective October 2009, mortality risk on term business is ceded under yearly renewable term agreements under which Allstate Financial cedes mortality in excess of its retention, which is consistent with how Allstate Financial generally reinsures its permanent life insurance business. The following table summarizes those retention limits by period of policy issuance.

Period	Retention limits
April 2011 through current	Single life: $5 million per life, $3 million age 70 and over, and $10 million for contracts that meet specific criteria Joint life: $8 million per life, and $10 million for contracts that meet specific criteria
July 2007 through March 2011	$5 million per life, $3 million age 70 and over, and $10 million for contracts that meet specific criteria
September 1998 through June 2007	$2 million per life, in 2006 the limit was increased to $5 million for instances when specific criteria were met
August 1998 and prior	Up to $1 million per life

In addition, Allstate Financial has used reinsurance to effect the disposition of certain blocks of business. Allstate Financial had reinsurance recoverables of $1.46 billion and $1.51 billion as of December 31, 2014 and 2013, respectively, due from Prudential related to the disposal of substantially all of its variable annuity business that was effected through reinsurance agreements. In 2014, life and annuity premiums and contract charges of $109 million, contract benefits of $36 million, interest credited to contractholder funds of $21 million, and operating costs and expenses of $20 million were ceded to Prudential. In 2013, life and annuity premiums and contract charges of $120 million, contract benefits of $139 million, interest credited to contractholder funds of $22 million, and operating costs and expenses of $23 million were ceded to Prudential. In 2012, life and annuity premiums and contract charges of $128 million, contract benefits of $91 million, interest credited to contractholder funds of $23 million, and operating costs and expenses of $25 million were ceded to Prudential. In addition, as of December 31, 2014 and 2013 Allstate Financial had reinsurance recoverables of $118 million and $156 million, respectively, due from subsidiaries of Citigroup (Triton Insurance and American Health and Life Insurance) and Scottish Re (U.S.) Inc. in connection with the disposition of substantially all of the direct response distribution business in 2003.

As of December 31, 2014, the gross life insurance in force was $426.19 billion of which $98.16 billion was ceded to the unaffiliated reinsurers.

Allstate Financial's reinsurance recoverables on paid and unpaid benefits as of December 31 are summarized in the following table.

($ in millions)	2014	2013
Annuities	$ 1,594	$ 1,648
Life insurance	916	1,029
Long-term care insurance	80	78
Other	117	117
Total Allstate Financial	$ 2,707	$ 2,872

As of December 31, 2014 and 2013, approximately 94% and 92%, respectively, of Allstate Financial's reinsurance recoverables are due from companies rated A- or better by S&P.

11. Deferred Policy Acquisition and Sales Inducement Costs

Deferred policy acquisition costs for the years ended December 31 are as follows:

($ in millions)	2014		
	Allstate Financial	Property-Liability	Total
Balance, beginning of year	$ 1,747	$ 1,625	$ 3,372
Classified as held for sale, beginning balance	743	—	743
Total, including those classified as held for sale	2,490	1,625	4,115
Acquisition costs deferred	280	4,070	4,350
Amortization charged to income	(260)	(3,875)	(4,135)
Effect of unrealized gains and losses	(98)	—	(98)
Sold in LBL disposition	(707)	—	(707)
Balance, end of year	$ 1,705	$ 1,820	$ 3,525

	2013		
	Allstate Financial	Property-Liability	Total
Balance, beginning of year	$ 2,225	$ 1,396	$ 3,621
Acquisition costs deferred	364	3,903	4,267
Amortization charged to income	(328)	(3,674)	(4,002)
Effect of unrealized gains and losses	229	—	229
Classified as held for sale	(743)	—	(743)
Balance, end of year	$ 1,747	$ 1,625	$ 3,372

	2012		
	Allstate Financial	Property-Liability	Total
Balance, beginning of year	$ 2,523	$ 1,348	$ 3,871
Acquisition costs deferred	371	3,531	3,902
Amortization charged to income	(401)	(3,483)	(3,884)
Effect of unrealized gains and losses	(268)	—	(268)
Balance, end of year	$ 2,225	$ 1,396	$ 3,621

DSI activity for Allstate Financial, which primarily relates to fixed annuities and interest-sensitive life contracts, for the years ended December 31 was as follows:

($ in millions)	2014	2013	2012
Balance, beginning of year	$ 42	$ 41	$ 41
Classified as held for sale, beginning balance	28	—	—
Total, including those classified as held for sale	70	41	41
Sales inducements deferred	4	24	22
Amortization charged to income	(4)	(7)	(14)
Effect of unrealized gains and losses	(3)	12	(8)
Sold in LBL disposition	(23)	—	—
Classified as held for sale, ending balance	—	(28)	—
Balance, end of year	$ 44	$ 42	$ 41

12. Capital Structure

Debt

Total debt outstanding as of December 31 consisted of the following:

($ in millions)	2014	2013
5.00% Senior Notes, due 2014 (1)	$ —	$ 650
6.20% Senior Notes, due 2014 (1)	—	300
6.75% Senior Debentures, due 2018	176	177
7.45% Senior Notes, due 2019 (1)	317	317
3.15% Senior Notes, due 2023 (1)	500	500
6.125% Senior Notes, due 2032 (1)	159	159
5.35% Senior Notes due 2033 (1)	323	323
5.55% Senior Notes due 2035 (1)	546	546
5.95% Senior Notes, due 2036 (1)	386	386
6.90% Senior Debentures, due 2038	165	165
5.20% Senior Notes, due 2042 (1)	62	72
4.50% Senior Notes, due 2043 (1)	500	500
5.10% Subordinated Debentures, due 2053	500	500
5.75% Subordinated Debentures, due 2053	800	800
6.125% Junior Subordinated Debentures, due 2067	252	252
6.50% Junior Subordinated Debentures, due 2067	500	500
Synthetic lease VIE obligations, floating rates, due 2014	—	44
Federal Home Loan Bank (''FHLB'') advances, due 2018	8	10
Total long-term debt	5,194	6,201
Short-term debt (2)	—	—
Total debt	$ 5,194	$ 6,201

(1) Senior Notes are subject to redemption at the Company's option in whole or in part at any time at the greater of either 100% of the principal amount plus accrued and unpaid interest to the redemption date or the discounted sum of the present values of the remaining scheduled payments of principal and interest and accrued and unpaid interest to the redemption date.

(2) The Company classifies any borrowings which have a maturity of twelve months or less at inception as short-term debt.

Debt maturities for each of the next five years and thereafter as of December 31, 2014 are as follows:

($ in millions)	
2015	$ —
2016	—
2017	—
2018	184
2019	317
Thereafter	4,693
Total debt	$ 5,194

During 2014 and 2013, the Company repurchased principal amounts of $10 million and $1.90 billion, respectively, of debt. The Company recognized a loss on extinguishment of $1 million, pre-tax, and $491 million, pre-tax, in 2014 and 2013, respectively, representing the excess of the repurchase price over the principal repaid, the write-off of the unamortized debt issuance costs and other costs related to the repurchase transactions.

The Subordinated Debentures may be redeemed (i) in whole at any time or in part from time to time on or after January 15, 2023 for the 5.10% Subordinated Debentures and August 15, 2023 for the 5.75% Subordinated Debentures at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption; provided that if the Subordinated Debentures are not redeemed in whole, at least $25 million aggregate principal amount must remain outstanding, or (ii) in whole, but not in part, prior to January 15, 2023 for the 5.10% Subordinated Debentures and August 15, 2023 for the 5.75% Subordinated Debentures, within 90 days after the occurrence of certain tax and rating agency events, at their principal amount or, if greater, a make-whole redemption price, plus accrued and unpaid interest to, but excluding, the date of redemption. The 5.75% Subordinated Debentures have this make-whole redemption price provision only when a reduction of equity credit assigned by a rating agency has occurred.

Interest on the 5.10% Subordinated Debentures is payable quarterly at the stated fixed annual rate to January 14, 2023, or any earlier redemption date, and then at an annual rate equal to the three-month LIBOR plus 3.165%. Interest on the 5.75% Subordinated Debentures is payable semi-annually at the stated fixed annual rate to August 14, 2023, or any earlier redemption date, and then quarterly at an annual rate equal to the three-month LIBOR plus 2.938%. The Company may elect to defer payment of interest on the Subordinated Debentures for one or more consecutive interest periods that do not exceed five years. During a deferral period, interest will continue to accrue on the Subordinated Debentures at the then-applicable rate and deferred interest will compound on each interest payment date. If all deferred interest on the Subordinated Debentures is paid, the Company can again defer interest payments.

The Company has outstanding $500 million of Series A 6.50% and $252 million of Series B 6.125% Fixed-to-Floating Rate Junior Subordinated Debentures (together the "Debentures"). The scheduled maturity dates for the Debentures are May 15, 2057 and May 15, 2037 for Series A and Series B, respectively, with a final maturity date of May 15, 2067. The Debentures may be redeemed (i) in whole or in part, at any time on or after May 15, 2037 or May 15, 2017 for Series A and Series B, respectively, at their principal amount plus accrued and unpaid interest to the date of redemption, or (ii) in certain circumstances, in whole or in part, prior to May 15, 2037 and May 15, 2017 for Series A and Series B, respectively, at their principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a make-whole price.

Interest on the Debentures is payable semi-annually at the stated fixed annual rate to May 15, 2037 and May 15, 2017 for Series A and Series B, respectively, and then payable quarterly at an annual rate equal to the three-month LIBOR plus 2.12% and 1.935% for Series A and Series B, respectively. The Company may elect at one or more times to defer payment of interest on the Debentures for one or more consecutive interest periods that do not exceed 10 years. Interest compounds during such deferral periods at the rate in effect for each period. The interest deferral feature obligates the Company in certain circumstances to issue common stock or certain other types of securities if it cannot otherwise raise sufficient funds to make the required interest payments. The Company has reserved 75 million shares of its authorized and unissued common stock to satisfy this obligation.

The terms of the Company's outstanding subordinated debentures prohibit the Company from declaring or paying any dividends or distributions on common or preferred stock or redeeming, purchasing, acquiring, or making liquidation payments on common stock or preferred stock if the Company has elected to defer interest payments on the subordinated debentures, subject to certain limited exceptions.

In connection with the issuance of the Debentures, the Company entered into replacement capital covenants ("RCCs"). These covenants were not intended for the benefit of the holders of the Debentures and could not be enforced by them. Rather, they were for the benefit of holders of one or more other designated series of the Company's indebtedness (''covered debt''), currently the 6.75% Senior Debentures due 2018. Pursuant to the RCCs, the Company has agreed that it will not repay, redeem, or purchase the Debentures on or before May 15, 2067 and May 15, 2047 for Series A and Series B, respectively, (or such earlier date on which the RCCs terminate by their terms) unless, subject to certain limitations, the Company has received net cash proceeds in specified amounts from the sale of common stock or certain other qualifying securities. The promises and covenants contained in the RCC will not apply if (i) S&P upgrades the Company's issuer credit rating to A or above, (ii) the Company redeems the Debentures due to a tax event, (iii) after notice of redemption has been given by the Company and a market disruption event occurs preventing the Company from raising proceeds in accordance with the RCCs, or (iv) if the Company repurchases or redeems up to 10% of the outstanding principal of the Debentures in any one-year period, provided that no more than 25% will be so repurchased, redeemed or purchased in any ten-year period.

The RCCs terminate in 2067 and 2047 for Series A and Series B, respectively. The RCCs will terminate prior to their scheduled termination date if (i) the applicable series of Debentures is no longer outstanding and the Company has fulfilled its obligations under the RCCs or they are no longer applicable, (ii) the holders of a majority of the then-outstanding principal amount of the then-effective series of covered debt consent to agree to the termination of the RCCs, (iii) the Company does not have any series of outstanding debt that is eligible to be treated as covered debt under the RCCs, (iv) the applicable series of Debentures is accelerated as a result of an event of default, (v) certain rating agency or change in control events occur, (vi) S&P, or any successor thereto, no longer assigns a solicited rating on senior debt issued or guaranteed by the Company, or (vii) the termination of the RCCs would have no effect on the equity credit provided by S&P with respect to the Debentures. An event of default, as defined by the supplemental indenture, includes default in the payment of interest or principal and bankruptcy proceedings.

The Company previously was the primary beneficiary of a consolidated VIE used to acquire automotive collision repair stores (''synthetic lease'') by its Sterling Collision Centers, Inc. subsidiary. The Company's Consolidated Statement of Financial Position included $29 million of property and equipment, net and $44 million of long-term debt as of December 31, 2013 related to the synthetic lease. In 2014, the Company repaid the synthetic lease long-term debt in conjunction with the sale of Sterling Collision Centers, Inc.

To manage short-term liquidity, the Company maintains a commercial paper program and a credit facility as a potential source of funds. These include a $1.00 billion unsecured revolving credit facility and a commercial paper program with a borrowing limit of $1.00 billion. In April 2014, the Company amended the maturity date of the facility to April 2019 and also amended the option to extend the expiration by one year at the first and second anniversary of the amendment, upon approval of existing or replacement lenders. This facility contains an increase provision that would allow up to an additional $500 million of borrowing. This facility has a financial covenant requiring the Company not to exceed a 37.5% debt to capitalization ratio as defined in the agreement. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of the Company's senior unsecured, unguaranteed long-term debt. The total amount outstanding at any point in time under the combination of the commercial paper program and the credit facility cannot exceed the amount that can be borrowed under the credit facility. No amounts were outstanding under the credit facility as of December 31, 2014 or 2013. The Company had no commercial paper outstanding as of December 31, 2014 or 2013.

The Company paid $332 million, $361 million and $366 million of interest on debt in 2014, 2013 and 2012, respectively.

During 2012, the Company filed a universal shelf registration statement with the Securities and Exchange Commission (''SEC'') that expires in 2015. The registration statement covers an unspecified amount of securities and can be used to issue debt securities, common stock, preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries.

Common stock

The Company had 900 million shares of issued common stock of which 418 million shares were outstanding and 482 million shares were held in treasury as of December 31, 2014. In 2014, the Company reacquired 39 million shares at an average cost of $59.21 and reissued 8 million net shares under equity incentive plans.

Preferred stock

The following table summarizes the Company's outstanding preferred stock as of December 31, 2014. All represent noncumulative perpetual preferred stock with a $1.00 par value per share and a liquidation preference of $25,000 per share.

($ in millions, except per share data)	Dividend rate	Shares	Aggregate liquidation preference
Series A	5.625%	11,500	$ 287.5
Series C	6.750%	15,400	385.0
Series D	6.625%	5,400	135.0
Series E	6.625%	29,900	747.5
Series F	6.250%	10,000	250.0
Total		72,200	$ 1,805

In March 2014, the Company issued 29,900 shares of 6.625% Noncumulative Perpetual Preferred Stock, Series E, for gross proceeds of $747.5 million. In June 2014, the Company issued 10,000 shares of 6.25% Noncumulative Perpetual Preferred Stock, Series F, for gross proceeds of $250 million. The proceeds of both issuances were used for general corporate purposes.

The preferred stock ranks senior to the Company's common stock with respect to the payment of dividends and liquidation rights. The Company will pay dividends on the preferred stock on a noncumulative basis only when, as and if declared by the Company's board of directors (or a duly authorized committee of the board) and to the extent that the Company has legally available funds to pay dividends. If dividends are declared on the preferred stock, they will be payable quarterly in arrears at an annual fixed rate. Dividends on the preferred stock are not cumulative. Accordingly, in the event dividends are not declared on the preferred stock for payment on any dividend payment date, then those dividends will cease to be payable. If the Company has not declared a dividend before the dividend payment date for any dividend period, the Company has no obligation to pay dividends for that dividend period, whether or not dividends are declared for any future dividend period. No dividends may be paid or declared on the Company's common stock and no shares of the Company's common stock may be repurchased unless the full dividends for the latest completed dividend period on the preferred stock have been declared and paid or provided for.

The Company is prohibited from declaring or paying dividends on preferred stock in excess of the amount of net proceeds from an issuance of common stock taking place within 90 days before a dividend declaration date if, on that dividend declaration date, either: (1) the risk-based capital ratios of the largest U.S. property-casualty insurance subsidiaries that collectively account for 80% or more of the net written premiums of U.S. property-casualty insurance business on a weighted average basis were less than 175% of their company action level risk-based capital as of the end of the most recent year; or (2) consolidated net income for the four-quarter period ending on the preliminary quarter end test date (the quarter that is two quarters prior to the most recently completed quarter) is zero or negative and consolidated shareholders' equity (excluding accumulated other comprehensive income, and subject to certain other adjustments relating to changes in U.S. GAAP) as of each of the preliminary quarter test date and the most recently completed quarter has declined by 20% or more from its level as measured at the end of the benchmark quarter (the date that is ten quarters prior to the most recently completed quarter). If the Company fails to satisfy either of these tests on any dividend declaration date, the restrictions on dividends will continue until the Company is able again to satisfy the test on a dividend declaration date. In addition, in the case of a restriction arising under (2) above, the restrictions on dividends will continue until consolidated shareholders' equity (excluding accumulated other comprehensive income, and subject to certain other adjustments relating to changes in U.S. GAAP) has increased, or has declined by less than 20%, in either case as compared to its level at the end of the benchmark quarter for each dividend payment date as to which dividend restrictions were imposed.

The preferred stock does not have voting rights except with respect to certain changes in the terms of the preferred stock, in the case of certain dividend nonpayments, certain other fundamental corporate events, mergers or consolidations and as otherwise provided by law. If and when dividends have not been declared and paid in full for at least six quarterly dividend periods or their equivalent (whether or not consecutive), the authorized number of directors then constituting our board of directors will be increased by two. The holders of the preferred stock, together with the holders of all other affected classes and series of voting parity stock, voting as a single class, will be entitled to elect the two additional members of the board of directors of the Company, subject to certain conditions. The board of directors shall at no time have more than two preferred stock directors.

The preferred stock is perpetual and has no maturity date. The preferred stock is redeemable at the Company's option in whole or in part, on or after June 15, 2018 for Series A, October 15, 2018 for Series C, April 15, 2019 for Series D and E, and October 15, 2019 for Series F, at a redemption price of $25,000 per share of preferred stock, plus declared and unpaid dividends. Prior to June 15, 2018 for Series A, October 15, 2018 for Series C, April 15, 2019 for Series D and E, and October 15, 2019 for Series F, the preferred stock is redeemable at the Company's option, in whole but not in part, within 90 days of the occurrence of certain rating agency events at a redemption price equal to $25,000 per share or, if greater, a make-whole redemption price, plus declared and unpaid dividends.

13. Company Restructuring

The Company undertakes various programs to reduce expenses. These programs generally involve a reduction in staffing levels, and in certain cases, office closures. Restructuring and related charges include employee termination and relocation benefits, and post-exit rent expenses in connection with these programs, and non-cash charges resulting from pension benefit payments made to agents in connection with the 1999 reorganization of Allstate's multiple agency programs to a single exclusive agency program. The expenses related to these activities are included in the Consolidated Statements of Operations as restructuring and related charges, and totaled $18 million, $70 million and $34 million in 2014, 2013 and 2012, respectively.

The following table presents changes in the restructuring liability in 2014.

($ in millions)	Employee costs	Exit costs	Total liability
Balance as of December 31, 2013	$ 21	$ 3	$ 24
Expense incurred	3	1	4
Adjustments to liability	(6)	1	(5)
Payments applied against liability	(15)	(4)	(19)
Balance as of December 31, 2014	$ 3	$ 1	$ 4

The payments applied against the liability for employee costs primarily reflect severance costs, and the payments for exit costs generally consist of post-exit rent expenses and contract termination penalties. As of December 31, 2014, the cumulative amount incurred to date for active programs totaled $92 million for employee costs and $56 million for exit costs.

14. Commitments, Guarantees and Contingent Liabilities

Leases

The Company leases certain office facilities and computer equipment. Total rent expense for all leases was $187 million, $192 million and $243 million in 2014, 2013 and 2012, respectively.

Minimum rental commitments under noncancelable capital and operating leases with an initial or remaining term of more than one year as of December 31, 2014 are as follows:

($ in millions)	Capital leases	Operating leases
2015	$ 6	$ 131
2016	5	111
2017	—	81
2018	—	62
2019	—	52
Thereafter	—	169
Total	$ 11	$ 606
Present value of minimum capital lease payments	$ 11	

Shared markets and state facility assessments

The Company is required to participate in assigned risk plans, reinsurance facilities and joint underwriting associations in various states that provide insurance coverage to individuals or entities that otherwise are unable to purchase such coverage from private insurers. Underwriting results related to these arrangements, which tend to be adverse, have been immaterial to the Company's results of operations. Because of the Company's participation, it may be exposed to losses that surpass the capitalization of these facilities and/or assessments from these facilities.

Florida Citizens

Castle Key is subject to assessments from Citizens Property Insurance Corporation in the state of Florida (''FL Citizens''), which was initially created by the state of Florida to provide insurance to property owners unable to obtain coverage in the private insurance market. FL Citizens, at the discretion and direction of its Board of Governors (''FL Citizens Board''), can levy a regular assessment on assessable insurers and assessable insureds for a deficit in any calendar year up to a maximum of the greater of: 2% of the projected deficit or 2% of the aggregate statewide direct written premium for the prior calendar year. The base of assessable insurers includes all property and casualty premiums in the state, except workers' compensation, medical malpractice, accident and health insurance and policies written under the NFIP. An insurer may recoup a regular assessment through a surcharge to policyholders. In order to recoup this assessment, an insurer must file for a policy surcharge with the Florida Office of Insurance Regulation (''FL OIR'') at least fifteen days prior to imposing the surcharge on policies. If a deficit remains after the regular assessment, FL Citizens can also levy emergency assessments in the current and subsequent years. Companies are required to collect the emergency assessments directly from residential property policyholders and remit to FL Citizens as collected.

Louisiana Citizens

The Company is also subject to assessments from Louisiana Citizens Property Insurance Corporation (''LA Citizens''). LA Citizens can levy a regular assessment on participating companies for a deficit in any calendar year up to a maximum of the greater of 10% of the calendar year deficit or 10% of Louisiana direct property premiums industry-wide for the prior calendar year.

Florida Hurricane Catastrophe Fund

Castle Key participates in the mandatory coverage provided by the FHCF and therefore has access to reimbursements on certain qualifying Florida hurricane losses from the FHCF (see Note 10), has exposure to assessments and pays annual premiums to the FHCF for this reimbursement protection. The FHCF has the authority to issue bonds to pay its obligations to insurers participating in the mandatory coverage in excess of its capital balances. Payment of these bonds is funded by emergency assessments on all property and casualty premiums in the state, except workers' compensation, medical malpractice, accident and health insurance and policies written under the NFIP. The FHCF emergency assessments are limited to 6% of premiums per year beginning the first year in which reimbursements require bonding, and up to a total of 10% of premiums per year for assessments in the second and subsequent years, if required to fund additional bonding. The FHCF issued $625 million in bonds in 2008, and the FL OIR ordered an emergency assessment of 1% of premiums collected for all policies renewed January 1, 2007 through December 31, 2010. The FHCF issued $676 million in bonds in 2010 and the FL OIR ordered an emergency assessment of 1.3% of premiums collected for all policies written or renewed January 1, 2011 through December 31, 2014. The FHCF issued $2 billion in pre-event bonds in 2013 to build their capacity to reimburse member companies' claims. The FHCF plans to fund these pre-event bonds through current FHCF cash flows.

Facilities such as FL Citizens, LA Citizens and the FHCF are generally designed so that the ultimate cost is borne by policyholders; however, the exposure to assessments from these facilities and the availability of recoupments or premium rate increases may not offset each other in the Company's financial statements. Moreover, even if they do offset each other, they may not offset each other in financial statements for the same fiscal period due to the ultimate timing of the assessments and recoupments or premium rate increases, as well as the possibility of policies not being renewed in subsequent years.

California Earthquake Authority

Exposure to certain potential losses from earthquakes in California is limited by the Company's participation in the California Earthquake Authority (''CEA''), which provides insurance for California earthquake losses. The CEA is a privately-financed, publicly-managed state agency created to provide insurance coverage for earthquake damage. Insurers selling homeowners insurance in California are required to offer earthquake insurance to their customers either through their company or by participation in the CEA. The Company's homeowners policies continue to include coverages for losses caused by explosions, theft, glass breakage and fires following an earthquake, which are not underwritten by the CEA.

As of September 30, 2014, the CEA's capital balance was approximately $4.68 billion. Should losses arising from an earthquake cause a deficit in the CEA, additional funding would be obtained from the proceeds of revenue bonds the

CEA may issue, an existing $3.56 billion reinsurance layer, and finally, if needed, assessments on participating insurance companies. Participating insurers are required to pay an assessment, currently estimated not to exceed $1.66 billion, if the capital of the CEA falls below $350 million. Participating insurers are required to pay a second additional assessment, currently estimated not to exceed $312 million, if aggregate CEA earthquake losses exceed $10.52 billion and the capital of the CEA falls below $350 million. Within the limits previously described, the assessment could be intended to restore the CEA's capital to a level of $350 million. There is no provision that allows insurers to recover assessments through a premium surcharge or other mechanism. The CEA's projected aggregate claim paying capacity is $10.52 billion as of September 30, 2014 and if an event were to result in claims greater than its capacity, affected policyholders may be paid a prorated portion of their covered losses, paid on an installment basis, or no payments may be made if the claim paying capacity of the CEA is insufficient.

All future assessments on participating CEA insurers are based on their CEA insurance market share as of December 31 of the preceding year. As of December 31, 2013, the Company's market share of the CEA was 13.9%. The Company does not expect its CEA market share to materially change. At this level, the Company's maximum possible CEA assessment would be $273 million during 2015. These amounts are re-evaluated by the board of directors of the CEA on an annual basis. Accordingly, assessments from the CEA for a particular quarter or annual period may be material to the results of operations and cash flows, but not the financial position of the Company. Management believes the Company's exposure to earthquake losses in California has been significantly reduced as a result of its participation in the CEA.

Texas Windstorm Insurance Association

The Company participates as a member of the Texas Windstorm Insurance Association (''TWIA'') which provides wind and hail coverage to coastal risks unable to procure coverage in the voluntary market. Wind and hail coverage is written on a TWIA-issued policy. Under current law, as amended in 2009, to the extent losses exceed premiums and reinsurance, TWIA follows a funding structure first utilizing funds set aside from periods (including prior years) in which premiums exceeded losses. Once those funds and available reinsurance are utilized, TWIA will issue up to $1 billion of securities, 30% of which will be repaid by participating insurers assessments and 70% of which will be repaid by surcharges on coastal property policies. After those funds are depleted, TWIA can issue $500 million of securities which will be repaid by participating insurer assessments. Participating companies' maximum assessment is capped at $800 million annually. The Company's current participation ratio is approximately 13% based upon its proportion of the premiums written. The TWIA board has not indicated the likelihood of any possible future assessments to insurers at this time. However, assessments from TWIA for a particular quarter or annual period may be material to the results of operations and cash flows, but not the financial position of the Company.

New Jersey Unsatisfied Claim and Judgment Fund

The NJUCJF provides compensation to qualified claimants for bodily injury or death caused by private passenger automobiles operated by uninsured or ''hit and run'' drivers. The fund also provides reimbursement to insurers for the medical benefits portion of personal injury protection coverage paid in excess of $75,000 with no limits for policies issued or renewed prior to January 1, 1991 and in excess of $75,000 and capped at $250,000 for policies issued or renewed from January 1, 1991 to December 31, 2004. NJUCJF expenses are assessed on companies writing motor vehicle liability insurance in New Jersey annually based on their private passenger and commercial automobile written premiums. The NJUCJF was merged into the New Jersey Property Liability Guaranty Association who collects the assessments. Assessments to the Company totaled $9 million in 2014.

North Carolina Reinsurance Facility

The North Carolina Reinsurance Facility (''NCRF'') provides automobile liability insurance to drivers that insurers are not otherwise willing to insure. All insurers licensed to write automobile insurance in North Carolina are members of the NCRF. The Company also collects NCRF surcharges on all automobile policies written in the state. Premium, losses and expenses ceded to the NCRF and surcharges are remitted to the state. The NCRF results are shared by the member companies in proportion to their respective North Carolina automobile liability writings. Member companies are assessed or collect based on their participation ratios which are determined annually. As of September 30, 2014, the NCRF reported a surplus of $15 million in members' equity to cover future losses.

North Carolina Joint Underwriters Association

The North Carolina Joint Underwriters Association (''NCJUA'') was created to provide property insurance for properties that insurers are not otherwise willing to insure. All insurers licensed to write property insurance in North Carolina are members of the NCJUA. Premiums, losses and expenses of the NCJUA are shared by the member companies in proportion to their respective North Carolina property insurance writings. Member companies are assessed when plan deficits occur, or collect based on their participation ratios, which are determined annually. As of December 31, 2014, the Company has a $3 million receivable from the NCJUA reflecting a plan surplus from all open years.

North Carolina Insurance Underwriting Association

The North Carolina Insurance Underwriting Association (''NCIUA'') provides windstorm and hail coverage as well as homeowners policies for properties located in the state's beach and coastal areas that insurers are not otherwise willing to insure. All insurers licensed to write residential and commercial property insurance in North Carolina are members of the NCIUA. Members are assessed in proportion to their North Carolina residential and commercial property insurance writings, which is determined annually and varies by coverage, for plan deficits. The plan currently has a surplus. No member company shall be entitled to the distribution of any portion of the Association's surplus. Legislation in 2009 capped insurers' assessments for losses incurred in any year at $1 billion. Subsequent to an industry assessment of $1 billion, if the plan continues to require funding, it may authorize insurers to assess a 10% surcharge on each property insurance policy statewide to be remitted to the plan.

Guaranty funds

Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. As of December 31, 2014 and 2013, the liability balance included in other liabilities and accrued expenses was $16 million and $36 million, respectively. The related premium tax offsets included in other assets were $15 million and $31 million as of December 31, 2014 and 2013, respectively.

PMI runoff support agreement

The Company has certain limited rights and obligations under a capital support agreement (''Runoff Support Agreement'') with PMI Mortgage Insurance Company (''PMI''), the primary operating subsidiary of PMI Group, related to the Company's disposition of PMI in prior years. Under the Runoff Support Agreement, the Company would be required to pay claims on PMI policies written prior to October 28, 1994 if PMI fails certain financial covenants and fails to pay such claims. The agreement only covers these policies and not any policies issued on or after that date. In the event any amounts are so paid, the Company would receive a commensurate amount of preferred stock or subordinated debt of PMI Group or PMI. The Runoff Support Agreement also restricts PMI's ability to write new business and pay dividends under certain circumstances. On October 20, 2011, the Director of the Arizona Department of Insurance took control of the PMI insurance companies; effective October 24, 2011, the Director instituted a partial claim payment plan: claim payments will be made at 50%, with the remaining amount deferred as a policyholder claim. In 2014, the Director increased the partial payments to 67%. The effect of these developments to the Company is uncertain. The Company has not received any notices or requests for payments under this agreement. Management does not believe these developments will have a material effect on results of operations, cash flows or financial position of the Company.

Guarantees

The Company provides residual value guarantees on Company leased automobiles. If all outstanding leases were terminated effective December 31, 2014, the Company's maximum obligation pursuant to these guarantees, assuming the automobiles have no residual value, would be $32 million as of December 31, 2014. The remaining term of each residual value guarantee is equal to the term of the underlying lease that ranges from less than one year to three years. Historically, the Company has not made any material payments pursuant to these guarantees.

The Company owns certain investments that obligate the Company to exchange credit risk or to forfeit principal due, depending on the nature or occurrence of specified credit events for the reference entities. In the event all such specified credit events were to occur, the Company's maximum amount at risk on these investments, as measured by the amount of the aggregate initial investment, was $4 million as of December 31, 2014. The obligations associated with these investments expire at various dates on or before March 11, 2018.

Related to the sale of LBL on April 1, 2014, ALIC has agreed to indemnify Resolution Life Holdings, Inc. related to representations, warranties and covenants of ALIC, as well as for certain liabilities specifically excluded from the transaction, subject to certain contractual limitations as to ALIC's maximum obligation. Indemnifications related to representations and warranties made by ALIC will expire by March 31, 2015, except for those pertaining to certain tax items. Management does not believe these indemnification provisions will have a material effect on results of operations, cash flows or financial position of the Company.

Related to the disposal through reinsurance of substantially all of Allstate Financial's variable annuity business to Prudential in 2006, the Company and its consolidated subsidiaries, ALIC and ALNY, have agreed to indemnify Prudential for certain pre-closing contingent liabilities (including extra-contractual liabilities of ALIC and ALNY and liabilities specifically excluded from the transaction) that ALIC and ALNY have agreed to retain. In addition, the Company, ALIC and ALNY will each indemnify Prudential for certain post-closing liabilities that may arise from the acts of ALIC, ALNY and their agents, including certain liabilities arising from ALIC's and ALNY's provision of transition services. The reinsurance agreements contain no limitations or indemnifications with regard to insurance risk transfer, and transferred all of the future risks and responsibilities for performance on the underlying variable annuity contracts to Prudential, including those related to benefit guarantees. Management does not believe this agreement will have a material effect on results of operations, cash flows or financial position of the Company.

In the normal course of business, the Company provides standard indemnifications to contractual counterparties in connection with numerous transactions, including acquisitions and divestitures. The types of indemnifications typically provided include indemnifications for breaches of representations and warranties, taxes and certain other liabilities, such as third party lawsuits. The indemnification clauses are often standard contractual terms and are entered into in the normal course of business based on an assessment that the risk of loss would be remote. The terms of the indemnifications vary in duration and nature. In many cases, the maximum obligation is not explicitly stated and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur. Consequently, the maximum amount of the obligation under such indemnifications is not determinable. Historically, the Company has not made any material payments pursuant to these obligations.

The aggregate liability balance related to all guarantees was not material as of December 31, 2014.

Regulation and Compliance

The Company is subject to extensive laws, regulations, administrative directives, and regulatory actions. From time to time, regulatory authorities or legislative bodies seek to influence and restrict premium rates, require premium refunds to policyholders, require reinstatement of terminated policies, restrict the ability of insurers to cancel or non-renew policies, require insurers to continue to write new policies or limit their ability to write new policies, limit insurers' ability to change coverage terms or to impose underwriting standards, impose additional regulations regarding agent and broker compensation, regulate the nature of and amount of investments, impose fines and penalties for unintended errors or mistakes, and otherwise expand overall regulation of insurance products and the insurance industry. In addition, the Company is subject to laws and regulations administered and enforced by federal agencies and other organizations, including but not limited to the SEC, the FINRA, the EEOC, and the U.S. Department of Justice. The Company has established procedures and policies to facilitate compliance with laws and regulations, to foster prudent business operations, and to support financial reporting. The Company routinely reviews its practices to validate compliance with laws and regulations and with internal procedures and policies. As a result of these reviews, from time to time the Company may decide to modify some of its procedures and policies. Such modifications, and the reviews that led to them, may be accompanied by payments being made and costs being incurred. The ultimate changes and eventual effects of these actions on the Company's business, if any, are uncertain.

Legal and regulatory proceedings and inquiries

The Company and certain subsidiaries are involved in a number of lawsuits, regulatory inquiries, and other legal proceedings arising out of various aspects of its business.

Background

These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including the underlying facts of each matter; novel legal issues; variations between jurisdictions in which matters are being litigated, heard, or investigated; differences in applicable laws and judicial interpretations; the length of time before many of these matters might be resolved by settlement, through litigation, or otherwise; the fact that some of the lawsuits are putative class actions in which a class has not been certified and in which the purported class may not be clearly defined; the fact that some of the lawsuits involve multi-state class actions in which the applicable law(s) for the claims at issue is in dispute and therefore unclear; and the current challenging legal environment faced by large corporations and insurance companies.

The outcome of these matters may be affected by decisions, verdicts, and settlements, and the timing of such decisions, verdicts, and settlements, in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers, or other entities. The outcome may also be affected by future state or federal legislation, the timing or substance of which cannot be predicted.

In the lawsuits, plaintiffs seek a variety of remedies which may include equitable relief in the form of injunctive and other remedies and monetary relief in the form of contractual and extra-contractual damages. In some cases, the monetary damages sought may include punitive or treble damages. Often specific information about the relief sought, such as the amount of damages, is not available because plaintiffs have not requested specific relief in their pleadings. When specific monetary demands are made, they are often set just below a state court jurisdictional limit in order to seek the maximum amount available in state court, regardless of the specifics of the case, while still avoiding the risk of removal to federal court. In Allstate's experience, monetary demands in pleadings bear little relation to the ultimate loss, if any, to the Company.

In connection with regulatory examinations and proceedings, government authorities may seek various forms of relief, including penalties, restitution, and changes in business practices. The Company may not be advised of the nature and extent of relief sought until the final stages of the examination or proceeding.

Accrual and disclosure policy

The Company reviews its lawsuits, regulatory inquiries, and other legal proceedings on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for such matters at management's best estimate when the Company assesses that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company does not establish accruals for such matters when the Company does not believe both that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company's assessment of whether a loss is reasonably possible or probable is based on its assessment of the ultimate outcome of the matter following all appeals. The Company does not include potential recoveries in its estimates of reasonably possible or probable losses. Legal fees are expensed as incurred.

The Company continues to monitor its lawsuits, regulatory inquiries, and other legal proceedings for further developments that would make the loss contingency both probable and estimable, and accordingly accruable, or that could affect the amount of accruals that have been previously established. There may continue to be exposure to loss in excess of any amount accrued. Disclosure of the nature and amount of an accrual is made when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the amount of accrual.

When the Company assesses it is reasonably possible or probable that a loss has been incurred, it discloses the matter. When it is possible to estimate the reasonably possible loss or range of loss above the amount accrued, if any, for the matters disclosed, that estimate is aggregated and disclosed. Disclosure is not required when an estimate of the reasonably possible loss or range of loss cannot be made.

For certain of the matters described below in the ''Claims related proceedings'' and ''Other proceedings'' subsections, the Company is able to estimate the reasonably possible loss or range of loss above the amount accrued, if any. In determining whether it is possible to estimate the reasonably possible loss or range of loss, the Company reviews and evaluates the disclosed matters, in conjunction with counsel, in light of potentially relevant factual and legal developments.

These developments may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, information obtained from other sources, experience from managing these and other matters, and other rulings by courts, arbitrators or others. When the Company possesses sufficient appropriate information to develop an estimate of the reasonably possible loss or range of loss above the amount accrued, if any, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate is not possible. Disclosure of the estimate of the reasonably possible loss or range of loss above the amount accrued, if any, for any individual matter would only be considered when there have been sufficient legal and factual developments such that the Company's ability to resolve the matter would not be impaired by the disclosure of the individual estimate.

The Company currently estimates that the aggregate range of reasonably possible loss in excess of the amount accrued, if any, for the disclosed matters where such an estimate is possible is zero to $690 million, pre-tax. This disclosure is not an indication of expected loss, if any. Under accounting guidance, an event is ''reasonably possible'' if ''the chance of the future event or events occurring is more than remote but less than likely'' and an event is ''remote'' if ''the chance of the future event or events occurring is slight.'' This estimate is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimate will change from time to time, and actual results may vary significantly from the current estimate. The estimate does not include matters or losses for which an estimate is not possible. Therefore, this estimate represents an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum possible loss exposure. Information is provided below regarding the nature of all of the disclosed matters and, where specified, the amount, if any, of plaintiff claims associated with these loss contingencies.

Due to the complexity and scope of the matters disclosed in the ''Claims related proceedings'' and ''Other proceedings'' subsections below and the many uncertainties that exist, the ultimate outcome of these matters cannot be predicted. In the event of an unfavorable outcome in one or more of these matters, the ultimate liability may be in excess of amounts currently accrued, if any, and may be material to the Company's operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters described below, as they are resolved over time, is not likely to have a material effect on the financial position of the Company.

Claims related proceedings

Allstate is vigorously defending a class action lawsuit in Montana state court challenging aspects of its claim handling practices in Montana. The plaintiff alleges that the Company adjusts claims made by individuals who do not have attorneys in a manner that unfairly resulted in lower payments compared to claimants who were represented by attorneys. In January 2012, the court certified a class of Montana claimants who were not represented by attorneys with respect to the resolution of auto accident claims. The court certified the class to cover an indefinite period that commences in the mid-1990's. The certified claims include claims for declaratory judgment, injunctive relief and punitive damages in an unspecified amount. Injunctive relief may include a claim process by which unrepresented claimants could request that their claims be readjusted. No compensatory damages are sought on behalf of the class. The Company appealed the order certifying the class. In August 2013, the Montana Supreme Court affirmed in part, and reversed in part, the lower court's order granting plaintiff's motion for class certification and remanded the case for trial. The Company petitioned for rehearing of the Montana Supreme Court's decision, which the Court denied. In January 2014, the Company timely filed a petition for a writ of certiorari with the U.S. Supreme Court seeking review of the Montana Supreme Court's decision. On May 5, 2014, the U.S. Supreme Court denied the petition for a writ of certiorari. The case will continue in Montana state court. To date no discovery has occurred related to the potential value of the class members' claims. The Company has asserted various defenses with respect to the plaintiff's claims, which have not been finally resolved. In the Company's judgment a loss is not probable.

The Company is vigorously litigating two class action cases in California in which the plaintiffs allege off-the-clock wage and hour claims. One case, involving two classes, is pending in Los Angeles Superior Court and was filed in December 2007. In this case, one class includes auto physical damage adjusters employed in the state of California from January 1, 2005 to the date of final judgment, to the extent the Company failed to pay for off-the-clock work to those adjusters who performed certain duties prior to their first assignments. The other class includes all non-exempt employees in California from December 19, 2006 until January 2010 who received pay statements from Allstate which allegedly did not comply with California law. The other case was filed in the U.S. District Court for the Central District of California in September 2010. In April 2012, the trial court certified the class, and Allstate appealed to the Ninth Circuit Court of Appeals. On September 3, 2014, the Ninth Circuit affirmed the trial court's decision to certify the class, and Allstate filed a motion for rehearing en banc. Allstate's motion for rehearing en banc was denied and on January 27, 2015, Allstate filed a petition for a Writ of Certiorari with the U.S. Supreme Court. In addition to off-the-clock claims, the plaintiffs in this case allege other California Labor Code violations resulting from purported unpaid overtime. The class in this case includes all adjusters in the state of California from September 29, 2006 to final judgment. Plaintiffs in both cases seek recovery of unpaid compensation, liquidated damages, penalties, and attorneys' fees and costs. In addition to the California class actions, a case was filed in the U.S. District Court for the Eastern District of New York alleging that no-fault claim adjusters have been improperly classified as exempt employees under New York Labor Law and the Fair Labor Standards Act. The case was filed in April 2011, and the plaintiffs are seeking unpaid wages, liquidated damages, injunctive relief, compensatory and punitive damages, and attorneys' fees. On September 16, 2014, the court certified a class of no-fault adjusters under New York Labor Law and refused to decertify a Fair Labor Standards Act class of no-fault adjusters. In the Company's judgment a loss is not probable.

Other proceedings

The Company is vigorously defending certain matters in the U.S. District Court for the Eastern District of Pennsylvania relating to the Company's agency program reorganization announced in 1999. The current focus in these matters relates to a release of claims signed by the vast majority of agents who were participants in the reorganization program. These matters include the following:

Romero I: In 2001, approximately 32 former employee agents, on behalf of a putative class of approximately 6,300 former employee agents, filed a putative class action alleging claims for age discrimination under the Age Discrimination in Employment Act (''ADEA''), interference with benefits under ERISA, breach of contract, and breach of fiduciary duty. Plaintiffs also assert a claim for a declaratory judgment that the release of claims constitutes unlawful retaliation and should be set aside. Plaintiffs seek broad but unspecified ''make whole relief,'' including back pay, compensatory and punitive damages, liquidated damages, lost investment capital, attorneys' fees and costs, and equitable relief, including reinstatement to employee agent status with all attendant benefits.

Romero II: A putative nationwide class action was also filed in 2001 by former employee agents alleging various violations of ERISA (''*Romero II*''). This action has been consolidated with *Romero I.* The *Romero II* plaintiffs, most of whom are also plaintiffs in *Romero I,* are challenging certain amendments to the Agents Pension Plan and seek to have service as exclusive agent independent contractors count toward eligibility for benefits under the Agents Pension Plan. Plaintiffs seek broad but unspecified ''make whole'' or other equitable relief, including loss of benefits as a result of their conversion to exclusive agent independent contractor status or retirement from the Company between November 1, 1999 and December 31, 2000. They also seek repeal of the challenged amendments to the Agents Pension Plan with all attendant benefits revised and recalculated for thousands of former employee agents, and attorneys' fees and costs. The court granted the Company's initial motion to dismiss the complaint. The Third Circuit Court of Appeals reversed that dismissal and remanded for further proceedings.

Romero I and II consolidated proceedings: In 2004, the court ruled that the release was voidable and certified classes of agents, including a mandatory class of agents who had signed the release, for purposes of effecting the court's declaratory judgment that the release was voidable. In 2007, the court vacated its ruling and granted the Company's motion for summary judgment on all claims. Plaintiffs appealed and in July 2009, the U.S. Court of Appeals for the Third Circuit vacated the trial court's entry of summary judgment in the Company's favor, remanded the case to the trial court for additional discovery, and instructed the trial court to first address the validity of the release after additional discovery. Following the completion of discovery limited to the validity of the release, the parties filed cross motions for summary judgment with respect to the validity of the release. On February 28, 2014, the trial court denied plaintiffs' and the Company's motions for summary judgment, concluding that the question of whether the releases were knowingly and voluntarily signed under a totality of circumstances test raised disputed issues of fact to be resolved at trial. Among other things, the court also held that the release, if valid, would bar all claims in *Romero I and II.* On May 23, 2014, plaintiffs moved to certify a class as to certain issues relating to the validity of the release. The court denied plaintiffs' class certification motion on October 6, 2014, stating, among other things, that individual factors and circumstances must be considered to determine whether each release signer entered into the release knowingly and voluntarily. The court entered an order on December 11, 2014, (a) stating that the court's October 6, 2014 denial of class certification as to release-related issues did not resolve whether issues relating to the merits of plaintiffs' claims may be subject to class certification at a later time, and (b) holding that the court's October 6, 2014 order restarted the running of the statute of limitation for any former employee agent who wished to challenge the validity of the release. In an order entered January 7, 2015, the court denied reconsideration of its December 11, 2014 order and clarified that all statutes of limitations to challenge the release would resume running on March 2, 2015. Trial proceedings are scheduled to commence in the second quarter of 2015 for individual plaintiffs to determine the question of whether their releases were knowingly and voluntarily signed.

EEOC I: In 2001, the U.S. Equal Employment Opportunity Commission (''EEOC'') filed suit alleging that Allstate's use of a release in the reorganization constituted retaliation under federal civil rights laws. The EEOC's suit was consolidated with *Romero I* and *Romero II*. On March 13, 2014, the trial court denied EEOC's motion for summary judgment and granted Allstate's motion for summary judgment and entered final judgment in favor of Allstate. The EEOC appealed this decision to the Third Circuit Court of Appeals, which affirmed the trial court's final judgment in Allstate's favor on February 13, 2015.

Based on the trial court's February 28, 2014 order in *Romero I* and *II,* if the validity of the release is decided in favor of the Company, that would preclude any damages or other relief being awarded in *Romero I* and *Romero II*. The final resolution of these matters is subject to various uncertainties and complexities including how individual trials and possible appeals with respect to the validity of the release will be resolved and how the appeal from summary judgment in the Company's favor in *EEOC I* will be resolved. Depending upon how these issues are resolved, the Company may or may not have to address the merits of plaintiffs' claims relating to the reorganization and amendments to the Agents Pension Plan described herein. In the Company's judgment, a loss is not probable.

Asbestos and environmental

Allstate's reserves for asbestos claims were $1.01 billion and $1.02 billion, net of reinsurance recoverables of $478 million and $478 million, as of December 31, 2014 and 2013, respectively. Reserves for environmental claims were $203 million and $208 million, net of reinsurance recoverables of $64 million and $60 million, as of December 31, 2014 and 2013, respectively. Approximately 57% and 55% of the total net asbestos and environmental reserves as of December 31, 2014 and 2013, respectively, were for incurred but not reported estimated losses.

Management believes its net loss reserves for asbestos, environmental and other discontinued lines exposures are appropriately established based on available facts, technology, laws and regulations. However, establishing net loss reserves for asbestos, environmental and other discontinued lines claims is subject to uncertainties that are much greater than those presented by other types of claims. The ultimate cost of losses may vary materially from recorded amounts, which are based on management's best estimate. Among the complications are lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure and unresolved legal issues regarding policy coverage; unresolved legal issues regarding the determination, availability and timing of exhaustion of policy limits; plaintiffs' evolving and expanding theories of liability; availability and collectability of recoveries from reinsurance; retrospectively determined premiums and other contractual agreements; estimates of the extent and timing of any contractual liability; the impact of bankruptcy protection sought by various asbestos producers and other asbestos defendants; and other uncertainties. There are also complex legal issues concerning the interpretation of various insurance policy provisions and whether those losses are covered, or were ever intended to be covered, and could be recoverable through retrospectively determined premium, reinsurance or other contractual agreements. Courts have reached different and sometimes inconsistent conclusions as to when losses are deemed to have occurred and which policies provide coverage; what types of losses are covered; whether there is an insurer obligation to defend; how policy limits are determined; how policy exclusions and conditions are applied and interpreted; and whether clean-up costs represent insured property damage. Management believes these issues are not likely to be resolved in the near future, and the ultimate costs may vary materially from the amounts currently recorded resulting in material changes in loss reserves. In addition, while the Company believes that improved actuarial techniques and databases have assisted in its ability to estimate asbestos, environmental, and other discontinued lines net loss reserves, these refinements may subsequently prove to be inadequate indicators of the extent of probable losses. Due to the uncertainties and factors described above, management believes it is not practicable to develop a meaningful range for any such additional net loss reserves that may be required.

15. Income Taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. Tax liabilities and benefits realized by the consolidated group are allocated as generated by the respective entities.

The Internal Revenue Service (''IRS'') is currently examining the Company's 2011 and 2012 federal income tax returns. The IRS has completed its examination of the Company's 2009 and 2010 federal income tax returns and a final settlement related to the examination was approved by the IRS Appeals Division on September 19, 2014. The Company's tax years prior to 2009 have been examined by the IRS and the statute of limitations has expired on those years. Any adjustments that may result from IRS examinations of the Company's tax returns are not expected to have a material effect on the results of operations, cash flows or financial position of the Company.

The reconciliation of the change in the amount of unrecognized tax benefits for the years ended December 31 is as follows:

($ in millions)	2014	2013	2012
Balance – beginning of year	$ —	$ 25	$ 25
Increase for tax positions taken in a prior year	—	1	—
Decrease for tax positions taken in a prior year	—	—	—
Increase for tax positions taken in the current year	—	—	—
Decrease for tax positions taken in the current year	—	—	—
Decrease for settlements	—	(26)	—
Reductions due to lapse of statute of limitations	—	—	—
Balance – end of year	$ —	$ —	$ 25

The Company believes it is reasonably possible that the liability balance will not significantly increase within the next twelve months. Because of the impact of deferred tax accounting, recognition of previously unrecognized tax benefits is not expected to impact the Company's effective tax rate.

The Company recognizes interest accrued related to unrecognized tax benefits in income tax expense. The Company did not record interest income or expense relating to unrecognized tax benefits in income tax expense in 2014, 2013 or 2012. As of December 31, 2014 and 2013, there was no interest accrued with respect to unrecognized tax benefits. No amounts have been accrued for penalties.

The components of the deferred income tax assets and liabilities as of December 31 are as follows:

($ in millions)	2014	2013
Deferred assets		
Unearned premium reserves	$ 763	$ 722
Pension	254	—
Discount on loss reserves	210	238
Accrued compensation	206	226
Other postretirement benefits	138	105
Difference in tax bases of invested assets	64	223
Sale of subsidiary	20	196
Other assets	118	96
Total deferred assets	1,773	1,806
Deferred liabilities		
DAC	(1,076)	(1,077)
Unrealized net capital gains	(994)	(849)
Life and annuity reserves	(192)	(206)
Pension	—	(136)
Other liabilities	(226)	(324)
Total deferred liabilities	(2,488)	(2,592)
Net deferred liability before classification as held for sale	(715)	(786)
Deferred taxes classified as held for sale	—	(151)
Net deferred liability	$ (715)	$ (635)

Although realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized based on the Company's assessment that the deductions ultimately recognized for tax purposes will be fully utilized.

As of December 31, 2014, the Company has net operating loss carryforwards of $94 million which will expire at the end of 2024 through 2029.

The components of income tax expense for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Current	$ 1,123	$ 869	$ 295
Deferred	263	247	705
Total income tax expense	$ 1,386	$ 1,116	$ 1,000

The Company paid income taxes of $1.07 billion, $500 million and $280 million in 2014, 2013 and 2012, respectively. The Company had current income tax payable of $158 million and $203 million as of December 31, 2014 and 2013, respectively.

A reconciliation of the statutory federal income tax rate to the effective income tax rate on income from operations for the years ended December 31 is as follows:

	2014	2013	2012
Statutory federal income tax rate	35.0%	35.0%	35.0%
Tax-exempt income	(0.9)	(1.8)	(3.0)
Tax credits	(0.7)	(2.2)	(1.4)
Sale of subsidiary	(0.9)	2.0	—
Other	0.2	(0.1)	(0.3)
Effective income tax rate	32.7%	32.9%	30.3%

16. Statutory Financial Information and Dividend Limitations

Allstate's domestic property-liability and life insurance subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the insurance department of the applicable state of domicile. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

All states require domiciled insurance companies to prepare statutory-basis financial statements in conformity with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the applicable insurance commissioner and/or director. Statutory accounting practices differ from GAAP primarily since they require charging policy acquisition and certain sales inducement costs to expense as incurred, establishing life insurance reserves based on different actuarial assumptions, and valuing certain investments and establishing deferred taxes on a different basis.

Statutory net income and capital and surplus of Allstate's domestic insurance subsidiaries, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities are as follows:

($ in millions)	Net income			Capital and surplus	
	2014	2013	2012	2014	2013
Amounts by major business type:					
Property-Liability [1]	$ 2,501	$ 2,707	$ 2,014	$ 14,412	$ 15,256
Allstate Financial	1,130	504	456	2,907	3,020
Amount per statutory accounting practices	$ 3,631	$ 3,211	$ 2,470	$ 17,319	$ 18,276

[1] The Property-Liability statutory capital and surplus balances exclude wholly-owned subsidiaries included in the Allstate Financial segment.

Dividend Limitations

There are no regulatory restrictions that limit the payment of dividends by the Corporation, except those generally applicable to corporations incorporated in Delaware. Dividends are payable only out of certain components of shareholders' equity as permitted by Delaware law. However, the ability of the Corporation to pay dividends is dependent on business conditions, income, cash requirements of the Company, receipt of dividends from AIC and other relevant factors.

The payment of shareholder dividends by AIC without the prior approval of the Illinois Department of Insurance (''IL DOI'') is limited to formula amounts based on net income and capital and surplus, determined in conformity with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. AIC paid dividends of $2.47 billion in 2014. The maximum amount of dividends AIC will be able to pay without prior IL DOI approval at a given point in time during 2015 is $2.31 billion, less dividends paid during the preceding twelve months measured at that point in time. The payment of a dividend in excess of this amount requires 30 days advance written notice to the IL DOI. The dividend is deemed approved, unless the IL DOI disapproves it within the 30 day notice period. Additionally, any dividend must be paid out of unassigned surplus excluding unrealized appreciation from investments, which for AIC totaled $11.76 billion as of December 31, 2014, and cannot result in capital and surplus being less than the minimum amount required by law.

Under state insurance laws, insurance companies are required to maintain paid up capital of not less than the minimum capital requirement applicable to the types of insurance they are authorized to write. Insurance companies are also subject to risk-based capital (''RBC'') requirements adopted by state insurance regulators. A company's ''authorized control level RBC'' is calculated using various factors applied to certain financial balances and activity. Companies that do not maintain statutory capital and surplus at a level in excess of the company action level RBC, which is two times authorized control level RBC, are required to take specified actions. Company action level RBC is significantly in excess of the minimum capital requirements. Total statutory capital and surplus and authorized control level RBC of AIC were $16.97 billion and $2.55 billion, respectively, as of December 31, 2014. Substantially all of the Corporation's insurance subsidiaries are subsidiaries of and/or reinsure all of their business to AIC, including ALIC. The subsidiaries are included as a component of AIC's total statutory capital and surplus.

The amount of restricted net assets, as represented by the Corporation's investment in its insurance subsidiaries, was $24 billion as of December 31, 2014.

Intercompany transactions

Notification and approval of intercompany lending activities is also required by the IL DOI for transactions that exceed a level that is based on a formula using statutory admitted assets and statutory surplus.

17. Benefit Plans

Pension and other postretirement plans

Defined benefit pension plans cover most full-time employees, certain part-time employees and employee-agents. Benefits under the pension plans are based upon the employee's length of service, eligible annual compensation and, prior to January 1, 2014, either a cash balance or final average pay formula. A cash balance formula applies to all eligible employees hired after August 1, 2002. Eligible employees hired before August 1, 2002 chose between the cash balance formula and the final average pay formula. In July 2013, the Company amended its primary plans effective January 1, 2014 to introduce a new cash balance formula to replace the previous formulas (including the final average pay formula and the previous cash balance formula) under which eligible employees accrue benefits.

The Company also provides a medical coverage subsidy for eligible employees hired before January 1, 2003, including their eligible dependents, when they retire and certain life insurance benefits for eligible retirees (''postretirement benefits''). In July 2013, the Company amended the plan to eliminate the life insurance benefits effective January 1, 2014 for current eligible employees and effective January 1, 2016 for eligible retirees who retired after 1989. Qualified employees may become eligible for a medical subsidy if they retire in accordance with the terms of the applicable plans and are continuously insured under the Company's group plans or other approved plans in accordance with the plan's participation requirements. The Company shares the cost of retiree medical benefits with non Medicare-eligible retirees based on years of service, with the Company's share being subject to a 5% limit on future annual medical cost inflation after retirement. For Medicare-eligible retirees, the Company provides a fixed Company contribution based on years of service and other factors, which is not subject to adjustments for inflation.

The Company has reserved the right to modify or terminate its benefit plans at any time and for any reason.

Obligations and funded status

The Company calculates benefit obligations based upon generally accepted actuarial methodologies using the projected benefit obligation (''PBO'') for pension plans and the accumulated postretirement benefit obligation (''APBO'') for other postretirement plans. The determination of pension costs and other postretirement obligations are determined using a December 31 measurement date. The benefit obligations represent the actuarial present value of all benefits attributed to employee service rendered as of the measurement date. The PBO is measured using the pension benefit formulas and assumptions as to future compensation levels. A plan's funded status is calculated as the difference between the benefit obligation and the fair value of plan assets. The Company's funding policy for the pension plans is to make annual contributions at a level that is in accordance with regulations under the Internal Revenue Code (''IRC'') and generally accepted actuarial principles. The Company's postretirement benefit plans are not funded.

The components of the plans' funded status that are reflected in the Consolidated Statements of Financial Position as of December 31 are as follows:

($ in millions)	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Fair value of plan assets	$ 5,783	$ 5,602	$ —	$ —
Less: Benefit obligation	6,493	5,297	575	482
Funded status	$ (710)	$ 305	$ (575)	$ (482)
Items not yet recognized as a component of net periodic cost:				
Net actuarial loss (gain)	$ 2,707	$ 1,794	$ (111)	$ (236)
Prior service credit	(422)	(480)	(83)	(106)
Unrecognized pension and other postretirement benefit cost, pre-tax	2,285	1,314	(194)	(342)
Deferred income tax	(800)	(460)	72	126
Unrecognized pension and other postretirement benefit cost	$ 1,485	$ 854	$ (122)	$ (216)

The $913 million increase in the pension net actuarial loss during 2014 is primarily related to a decrease in the discount rate and the adoption of new Society of Actuaries mortality assumptions. The majority of the $2.71 billion net actuarial pension benefit losses not yet recognized in 2014 reflects decreases in the discount rate and the effect of unfavorable equity market conditions on the value of the pension plan assets in prior years. The $125 million decrease in the OPEB net actuarial gain during 2014 primarily reflects a decrease in the discount rate.

The underfunding of the primary qualified employee plan represents 79% of the pension benefits' underfunded status as of December 31, 2014.

The change in 2014 in items not yet recognized as a component of net periodic cost, which is recorded in unrecognized pension and other postretirement benefit cost, is shown in the table below.

($ in millions)	Pension benefits	Postretirement benefits
Items not yet recognized as a component of net periodic cost – December 31, 2013	$ 1,314	$ (342)
Net actuarial loss arising during the period	1,101	103
Net actuarial (loss) gain amortized to net periodic benefit cost	(181)	22
Prior service credit arising during the period	—	—
Prior service credit amortized to net periodic benefit cost	58	23
Translation adjustment and other	(7)	—
Items not yet recognized as a component of net periodic cost – December 31, 2014	$ 2,285	$ (194)

The net actuarial loss (gain) is recognized as a component of net periodic cost amortized over the average remaining service period of active employees expected to receive benefits. Estimates of the net actuarial loss (gain) and prior service credit expected to be recognized as a component of net periodic benefit cost during 2015 are shown in the table below.

($ in millions)	Pension benefits	Postretirement benefits
Net actuarial loss (gain)	$ 190	$ (9)
Prior service credit	(56)	(22)

The accumulated benefit obligation ("ABO") for all defined benefit pension plans was $6.42 billion and $5.23 billion as of December 31, 2014 and 2013, respectively. The ABO is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered at the measurement date. However, it differs from the PBO due to the exclusion of an assumption as to future compensation levels.

The PBO, ABO and fair value of plan assets for the Company's pension plans with an ABO in excess of plan assets were $6.12 billion, $6.06 billion and $5.38 billion, respectively, as of December 31, 2014 and $146 million, $145 million and zero, respectively, as of December 31, 2013. Included in the accrued benefit cost of the pension benefits are certain unfunded non-qualified plans with accrued benefit costs of $147 million and $146 million for 2014 and 2013, respectively.

The changes in benefit obligations for all plans for the years ended December 31 are as follows:

($ in millions)	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Benefit obligation, beginning of year	$ 5,297	$ 6,727	$ 482	$ 803
Service cost	96	140	10	12
Interest cost	262	265	23	28
Participant contributions	1	1	19	18
Actuarial loss (gain)	1,243	(406)	103	(32)
Benefits paid [(1)]	(368)	(892)	(57)	(57)
Plan amendments	—	(506)	—	—
Translation adjustment and other	(38)	(31)	(5)	(5)
Curtailment gain	—	(1)	—	(285)
Benefit obligation, end of year	$ 6,493	$ 5,297	$ 575	$ 482

(1) Benefits paid include lump sum distributions, a portion of which may trigger settlement accounting treatment.

Components of net periodic cost

The components of net periodic cost for all plans for the years ended December 31 are as follows:

($ in millions)	Pension benefits			Postretirement benefits		
	2014	2013	2012	2014	2013	2012
Service cost	$ 96	$ 140	$ 152	$ 10	$ 12	$ 13
Interest cost	262	265	298	23	28	36
Expected return on plan assets	(398)	(394)	(393)	—	—	—
Amortization of:						
Prior service credit	(58)	(28)	(2)	(23)	(23)	(23)
Net actuarial loss (gain)	127	235	178	(22)	(16)	(20)
Settlement loss	54	277	33	—	—	—
Curtailment gain	—	—	—	—	(181)	—
Net periodic cost (credit)	$ 83	$ 495	$ 266	$ (12)	$ (180)	$ 6

Assumptions

Weighted average assumptions used to determine net pension cost and net postretirement benefit cost for the years ended December 31 are:

($ in millions)	Pension benefits			Postretirement benefits		
	2014	2013	2012	2014	2013	2012
Discount rate	5.00%	4.60%	5.25%	5.11%	3.75%	5.25%
Rate of increase in compensation levels	3.5	3.5	4.5	n/a	n/a	n/a
Expected long-term rate of return on plan assets	7.36	7.75	8.5	n/a	n/a	n/a

Weighted average assumptions used to determine benefit obligations as of December 31 are listed in the following table.

	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Discount rate	4.10%	5.00%	4.15%	4.85%
Rate of increase in compensation levels	3.5	3.5	n/a	n/a

The weighted average health care cost trend rate used in measuring the accumulated postretirement benefit cost is 6.8% for 2015, gradually declining to 4.5% in 2024 and remaining at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement health care plans. A one percentage-point increase in assumed health care cost trend rates would increase the total of the service and interest cost components of net periodic benefit cost of other postretirement benefits and the APBO by $2 million and $25 million, respectively. A one percentage-point decrease in assumed health care cost trend rates would decrease the total of the service and interest cost components of net periodic benefit cost of other postretirement benefits and the APBO by $2 million and $24 million, respectively.

Pension plan assets

The change in pension plan assets for the years ended December 31 is as follows:

($ in millions)	2014	2013
Fair value of plan assets, beginning of year	$ 5,602	$ 5,398
Actual return on plan assets	540	566
Employer contribution	49	561
Benefits paid	(368)	(892)
Translation adjustment and other	(40)	(31)
Fair value of plan assets, end of year	$ 5,783	$ 5,602

In general, the Company's pension plan assets are managed in accordance with investment policies approved by pension investment committees. The purpose of the policies is to ensure the plans' long-term ability to meet benefit obligations by prudently investing plan assets and Company contributions, while taking into consideration regulatory and legal requirements and current market conditions. The investment policies are reviewed periodically and specify target plan asset allocation by asset category. In addition, the policies specify various asset allocation and other risk limits. The target asset allocation takes the plans' funding status into consideration, among other factors, including anticipated demographic changes or liquidity requirements that may affect the funding status such as the potential impact of lump sum settlements as well as existing or expected market conditions. In general, the allocation has a lower overall investment risk when a plan is in a stronger funded status position since there is less economic incentive to take risk to increase the expected returns on the plan assets. As a result, the primary employee plan has a greater allocation to equity securities than the employee-agent plan. The primary qualified employee plan comprises 79% of total plan assets and 81% of equity securities. The pension plans' asset exposure within each asset category is tracked against widely accepted established benchmarks for each asset class with limits on variation from the benchmark established in the investment policy. Pension plan assets are regularly monitored for compliance with these limits and other risk limits specified in the investment policies.

The pension plans' weighted average target asset allocation and the actual percentage of plan assets, by asset category as of December 31, 2014 are as follows:

	Target asset allocation [1]	Actual percentage of plan assets	
Asset category	**2014**	**2014**	**2013**
Equity securities	40 - 50%	41%	49%
Fixed income securities	43 - 52	50	41
Limited partnership interests	0 - 18	7	7
Short-term investments and other	—	2	3
Total [2]		100%	100%

[1] The target asset allocation considers risk based exposure while the actual percentage of plan assets utilizes a financial reporting view excluding exposure provided through derivatives.
[2] Securities lending collateral reinvestment is excluded from the table above.

The target asset allocation for an asset category may be achieved either through direct investment holdings, through replication using derivative instruments (e.g., futures or swaps) or net of hedges using derivative instruments to reduce exposure to an asset category. The net notional amount of derivatives used for replication and hedges is limited to 105% or 115% of total plan assets depending on the plan. Market performance of the different asset categories may, from time to time, cause deviation from the target asset allocation. The asset allocation mix is reviewed on a periodic basis and rebalanced to bring the allocation within the target ranges.

Outside the target asset allocation, the pension plans participate in a securities lending program to enhance returns. As of December 31, 2014, U.S. government fixed income securities and U.S. equity securities are lent out and cash collateral is invested 6% in fixed income securities and 94% in short-term investments.

The following table presents the fair values of pension plan assets as of December 31, 2014.

($ in millions)

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2014
Equity securities	$ 161	$ 2,109	$ 75	$ 2,345
Fixed income securities:				
U.S. government and agencies	870	44	—	914
Foreign government	—	28	—	28
Municipal	—	—	14	14
Corporate	—	1,822	12	1,834
RMBS	—	115	—	115
Short-term investments	55	254	—	309
Limited partnership interests:				
Real estate funds [1]	—	—	154	154
Private equity funds [2]	—	—	218	218
Hedge funds	—	—	32	32
Cash and cash equivalents	34	—	—	34
Free-standing derivatives:				
Assets	(1)	—	—	(1)
Liabilities	(3)	—	—	(3)
Total plan assets at fair value	$ 1,116	$ 4,372	$ 505	5,993
% of total plan assets at fair value	18.6%	73.0%	8.4%	100.0%
Securities lending obligation [3]				(234)
Other net plan assets [4]				24
Total reported plan assets				$ 5,783

[1] Real estate funds held by the pension plans are primarily invested in U.S. commercial real estate.

(2) Private equity funds held by the pension plans are primarily comprised of North American buyout funds.
(3) The securities lending obligation represents the plan's obligation to return securities lending collateral received under a securities lending program. The terms of the program allow both the plan and the counterparty the right and ability to redeem/return the securities loaned on short notice. Due to its relatively short-term nature, the outstanding balance of the obligation approximates fair value.
(4) Other net plan assets represent interest and dividends receivable and net receivables related to settlements of investment transactions, such as purchases and sales.

The following table presents the fair values of pension plan assets as of December 31, 2013.

($ in millions)

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2013
Equity securities	$ 160	$ 2,306	$ 237	$ 2,703
Fixed income securities:				
U.S. government and agencies	608	52	—	660
Foreign government	—	44	—	44
Municipal	—	—	18	18
Corporate	—	1,433	18	1,451
RMBS	—	83	—	83
Short-term investments	54	344	—	398
Limited partnership interests:				
Real estate funds	—	—	197	197
Private equity funds	—	—	211	211
Hedge funds	—	—	9	9
Cash and cash equivalents	25	—	—	25
Free-standing derivatives:				
Assets	1	3	—	4
Liabilities	(1)	—	—	(1)
Total plan assets at fair value	$ 847	$ 4,265	$ 690	5,802
% of total plan assets at fair value	14.6%	73.5%	11.9%	100.0%
Securities lending obligation				(290)
Other net plan assets				90
Total reported plan assets				$ 5,602

The fair values of pension plan assets are estimated using the same methodologies and inputs as those used to determine the fair values for the respective asset category of the Company. These methodologies and inputs are disclosed in Note 6.

The following table presents the rollforward of Level 3 plan assets for the year ended December 31, 2014.

($ in millions)

	Balance as of December 31, 2013	Actual return on plan assets: Relating to assets sold during the period	Actual return on plan assets: Relating to assets still held at the reporting date	Purchases, sales and settlements, net	Net transfers in and/or (out) of Level 3	Balance as of December 31, 2014
Equity securities	$ 237	$ 2	$ 2	$ (166)	$ —	$ 75
Fixed income securities:						
Municipal	18	—	—	(4)	—	14
Corporate	18	—	—	(6)	—	12
Limited partnership interests:						
Real estate funds	197	(3)	6	(46)	—	154
Private equity funds	211	(4)	4	7	—	218
Hedge funds	9	—	—	23	—	32
Total Level 3 plan assets	$ 690	$ (5)	$ 12	$ (192)	$ —	$ 505

The following table presents the rollforward of Level 3 plan assets for the year ended December 31, 2013.

($ in millions)	Balance as of December 31, 2012	Actual return on plan assets: Relating to assets sold during the period	Actual return on plan assets: Relating to assets still held at the reporting date	Purchases, sales and settlements, net	Net transfers in and/or (out) of Level 3	Balance as of December 31, 2013
Equity securities	$ 314	$ 3	$ 18	$ (98)	$ —	$ 237
Fixed income securities:						
Municipal	129	7	1	(119)	—	18
Corporate	10	5	—	3	—	18
Limited partnership interests:						
Real estate funds	214	—	11	(28)	—	197
Private equity funds	199	—	(2)	14	—	211
Hedge funds	80	—	—	(71)	—	9
Total Level 3 plan assets	$ 946	$ 15	$ 28	$ (299)	$ —	$ 690

The following table presents the rollforward of Level 3 plan assets for the year ended December 31, 2012.

($ in millions)	Balance as of December 31, 2011	Actual return on plan assets: Relating to assets sold during the period	Actual return on plan assets: Relating to assets still held at the reporting date	Purchases, sales and settlements, net	Net transfers in and/or (out) of Level 3	Balance as of December 31, 2012
Equity securities	$ 309	$ —	$ 8	$ (3)	$ —	$ 314
Fixed income securities:						
Municipal	163	5	(2)	(37)	—	129
Corporate	9	1	—	—	—	10
Limited partnership interests:						
Real estate funds	192	16	2	4	—	214
Private equity funds	186	8	(6)	11	—	199
Hedge funds	79	—	1	—	—	80
Total Level 3 plan assets	$ 938	$ 30	$ 3	$ (25)	$ —	$ 946

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on plan assets. The Company's assumption for the expected long-term rate of return on plan assets is reviewed annually giving consideration to appropriate financial data including, but not limited to, the plan asset allocation, forward-looking expected returns for the period over which benefits will be paid, historical returns on plan assets and other relevant market data. Given the long-term forward looking nature of this assumption, the actual returns in any one year do not immediately result in a change. In giving consideration to the targeted plan asset allocation, the Company evaluated returns using the same sources it has used historically which include: historical average asset class returns from an independent nationally recognized vendor of this type of data blended together using the asset allocation policy weights for the Company's pension plans; asset class return forecasts from a large global independent asset management firm that specializes in providing multi-asset class investment fund products which were blended together using the asset allocation policy weights; and expected portfolio returns from a proprietary simulation methodology of a widely recognized external investment consulting firm that performs asset allocation and actuarial services for corporate pension plan sponsors. This same methodology has been applied on a consistent basis each year. All of these were consistent with the Company's weighted average long-term rate of return on plan assets assumption of 7.36% used for 2014 and 7.33% that will be used for 2015. The assumption for the primary qualified employee plan is 7.75% and the employee-agent plan is 5.75% for both years. The employee-agent plan assumption is lower than the primary qualified employee plan assumption due to a lower investment allocation to equity securities and a higher allocation to fixed income securities. As of the 2014 measurement date, the arithmetic average of the annual actual return on plan assets for the most recent 10 and 5 years was 8.0% and 10.3%, respectively.

Pension plan assets did not include any of the Company's common stock as of December 31, 2014 or 2013.

Cash flows

There was no required cash contribution necessary to satisfy the minimum funding requirement under the IRC for the tax qualified pension plans as of December 31, 2014. The Company currently plans to contribute $127 million to its pension plans in 2015.

The Company contributed $38 million and $39 million to the postretirement benefit plans in 2014 and 2013, respectively. Contributions by participants were $19 million and $18 million in 2014 and 2013, respectively.

Estimated future benefit payments

Estimated future benefit payments expected to be paid in the next 10 years, based on the assumptions used to measure the Company's benefit obligation as of December 31, 2014, are presented in the table below.

($ in millions)	Pension benefits	Postretirement benefits
2015	$ 368	$ 39
2016	392	31
2017	434	33
2018	449	34
2019	495	37
2020-2024	2,608	204
Total benefit payments	$ 4,746	$ 378

Allstate 401(k) Savings Plan

Employees of the Company, with the exception of those employed by the Company's international, Esurance and Answer Financial subsidiaries, are eligible to become members of the Allstate 401(k) Savings Plan (''Allstate Plan''). The Company's contributions are based on the Company's matching obligation and certain performance measures. The Company is responsible for funding its anticipated contribution to the Allstate Plan, and may, at the discretion of management, use the ESOP to pre-fund certain portions. In connection with the Allstate Plan, the Company has a note from the ESOP with a principal balance of $15 million as of December 31, 2014. The ESOP note has a fixed interest rate of 7.9% and matures in 2019. The Company records dividends on the ESOP shares in retained income and all the shares held by the ESOP are included in basic and diluted weighted average common shares outstanding.

The Company's contribution to the Allstate Plan was $75 million, $54 million and $52 million in 2014, 2013 and 2012, respectively. These amounts were reduced by the ESOP benefit computed for the years ended December 31 as follows:

($ in millions)	2014	2013	2012
Interest expense recognized by ESOP	$ 1	$ 2	$ 2
Less: dividends accrued on ESOP shares	(4)	(3)	(2)
Cost of shares allocated	8	7	2
Compensation expense	5	6	2
Reduction of defined contribution due to ESOP	71	46	10
ESOP benefit	$ (66)	$ (40)	$ (8)

The Company made $3 million and $2 million in contributions to the ESOP in 2014 and 2013. The Company made no contributions to the ESOP in 2012. As of December 31, 2014, total committed to be released, allocated and unallocated ESOP shares were 1 million, 35 million and 3 million, respectively.

Allstate's Canadian, Esurance and Answer Financial subsidiaries sponsor defined contribution plans for their eligible employees. Expense for these plans was $11 million, $11 million and $7 million in 2014, 2013 and 2012, respectively.

18. Equity Incentive Plans

The Company currently has equity incentive plans under which the Company grants nonqualified stock options, restricted stock units and performance stock awards to certain employees and directors of the Company. The total compensation expense related to equity awards was $88 million, $93 million and $86 million and the total income tax benefits were $30 million, $32 million and $30 million for 2014, 2013 and 2012, respectively. Total cash received from the exercise of options was $314 million, $212 million and $99 million for 2014, 2013 and 2012, respectively. Total tax benefit realized on options exercised and stock unrestricted was $73 million, $65 million and $28 million for 2014, 2013 and 2012, respectively.

The Company records compensation expense related to awards under these plans over the shorter of the period in which the requisite service is rendered or retirement eligibility is attained. Compensation expense for performance share awards is based on the probable number of awards expected to vest using the performance level most likely to be achieved at the end of the performance period. As of December 31, 2014, total unrecognized compensation cost related to all nonvested awards was $74 million, of which $29 million related to nonqualified stock options which are expected to be recognized over the weighted average vesting period of 1.78 years, $34 million related to restricted stock units which are expected to be recognized over the weighted average vesting period of 1.81 years and $11 million related to performance stock awards which are expected to be recognized over the weighted average vesting period of 1.38 years.

Options are granted to employees with exercise prices equal to the closing share price of the Company's common stock on the applicable grant date. Options granted to employees on or after February 18, 2014 vest ratably over a three-year period. Options granted from February 22, 2010 through February 17, 2014 vest 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances. Options may be exercised once vested and will expire no later than ten years after the date of grant.

Restricted stock units granted on or after February 18, 2014 vest and unrestrict in full on the third anniversary of the grant date, except for directors whose awards vest immediately and unrestrict after leaving the board. Restricted stock units granted to employees from February 22, 2010 through February 17, 2014 vest and unrestrict 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances.

Performance stock awards vest and are converted into shares of stock on the third anniversary of the grant date. Vesting of the number of performance stock awards earned based on the attainment of performance goals for each of the performance periods is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances, and achievement of performance goals.

A total of 97.6 million shares of common stock were authorized to be used for awards under the plans, subject to adjustment in accordance with the plans' terms. As of December 31, 2014, 29.7 million shares were reserved and remained available for future issuance under these plans. The Company uses its treasury shares for these issuances.

The fair value of each option grant is estimated on the date of grant using a binomial lattice model. The Company uses historical data to estimate option exercise and employee termination within the valuation model. In addition, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the binominal lattice model and represents the period of time that options granted are expected to be outstanding. The expected volatility of the price of the underlying shares is implied based on traded options and historical volatility of the Company's common stock. The expected dividends were based on the current dividend yield of the Company's stock as of the date of the grant. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions used are shown in the following table.

	2014	**2013**	**2012**
Weighted average expected term	6.5 years	8.2 years	9.0 years
Expected volatility	16.8 - 42.2%	19.1 - 48.1%	20.2 - 53.9%
Weighted average volatility	28.3%	31.0%	34.6%
Expected dividends	1.7 - 2.2%	1.9 - 2.2%	2.2 - 3.0%
Weighted average expected dividends	2.1%	2.2%	2.8%
Risk-free rate	0.0 - 3.0%	0.0 - 2.9%	0.0 - 2.2%

A summary of option activity for the year ended December 31, 2014 is shown in the following table.

	Number (in 000s)	Weighted average exercise price	Aggregate intrinsic value (in 000s)	Weighted average remaining contractual term (years)
Outstanding as of January 1, 2014	23,982	$ 40.60		
Granted	2,499	52.43		
Exercised	(7,750)	40.55		
Forfeited	(535)	41.67		
Expired	(207)	56.44		
Outstanding as of December 31, 2014	17,989	42.05	$ 507,227	5.4
Outstanding, net of expected forfeitures	17,856	42.02	504,113	5.4
Outstanding, exercisable (''vested'')	10,872	41.19	315,929	3.8

The weighted average grant date fair value of options granted was $12.50, $11.99 and $8.69 during 2014, 2013 and 2012, respectively. The intrinsic value, which is the difference between the fair value and the exercise price, of options exercised was $151 million, $92 million and $52 million during 2014, 2013 and 2012, respectively.

The changes in restricted stock units are shown in the following table for the year ended December 31, 2014.

	Number (in 000s)	Weighted average grant date fair value
Nonvested as of January 1, 2014	2,840	$ 35.89
Granted	755	52.70
Vested	(1,098)	32.07
Forfeited	(217)	42.46
Nonvested as of December 31, 2014	2,280	42.71

The fair value of restricted stock units is based on the market value of the Company's stock as of the date of the grant. The market value in part reflects the payment of future dividends expected. The weighted average grant date fair value of restricted stock units granted was $52.70, $45.78 and $31.89 during 2014, 2013 and 2012, respectively. The total fair value of restricted stock units vested was $60 million, $104 million and $30 million during 2014, 2013 and 2012, respectively.

The changes in performance stock awards are shown in the following table for the year ended December 31, 2014.

	Number (in 000s)	Weighted average grant date fair value
Nonvested as of January 1, 2014	843	$ 36.38
Granted	259	52.18
Adjustment for performance achievement	240	37.35
Vested	—	—
Forfeited	(38)	36.41
Nonvested as of December 31, 2014	1,304	39.70

The increase in PSA's comprises the granted which is at the targeted payout and the adjustment to the granted for performance achievement. The fair value of performance stock awards is based on the market value of the Company's stock as of the date of the grant. The market value in part reflects the payment of future dividends expected. The weighted average grant date fair value of performance stock awards granted was $52.18, $45.61 and $31.41 during 2014, 2013 and 2012, respectively. None of the performance stock awards vested during 2014, 2013 or 2012.

The tax benefit realized in 2014, 2013 and 2012 related to tax deductions from stock option exercises and included in shareholders' equity was $23 million, $12 million and $8 million, respectively. The tax benefit realized in 2014, 2013 and 2012 related to all stock-based compensation and recorded directly to shareholders' equity was $32 million, $30 million and $6 million, respectively.

19. Reporting Segments

Allstate management is organized around products and services, and this structure is considered in the identification of its four reportable segments. These segments and their respective operations are as follows:

Allstate Protection principally sells private passenger auto and homeowners insurance in the United States and Canada. Revenues from external customers generated outside the United States were $1.08 billion, $1.06 billion and $992 million in 2014, 2013 and 2012, respectively. The Company evaluates the results of this segment based upon underwriting results.

Discontinued Lines and Coverages consists of property-liability business no longer written by Allstate, including results from asbestos, environmental and other discontinued lines claims, and certain commercial and other businesses in run-off. This segment also includes the historical results of the commercial and reinsurance businesses sold in 1996. The Company evaluates the results of this segment based upon underwriting results.

Allstate Financial sells traditional, interest-sensitive and variable life insurance and voluntary accident and health insurance products. Allstate Financial previously offered and continues to have in force fixed annuities such as deferred and immediate annuities, and institutional products consisting of funding agreements sold to unaffiliated trusts that use them to back medium-term notes. Allstate Financial had no revenues from external customers generated outside the United States in 2014, 2013 or 2012. The Company evaluates the results of this segment based upon operating income.

Corporate and Other comprises holding company activities and certain non-insurance operations.

Allstate Protection and Discontinued Lines and Coverages comprise Property-Liability. The Company does not allocate Property-Liability investment income, realized capital gains and losses, or assets to the Allstate Protection and Discontinued Lines and Coverages segments. Management reviews assets at the Property-Liability, Allstate Financial, and Corporate and Other levels for decision-making purposes. Allstate Protection and Allstate Financial performance and resources are managed by committees of senior officers of the respective segments.

The accounting policies of the reportable segments are the same as those described in Note 2. The effects of certain inter-segment transactions are excluded from segment performance evaluation and therefore are eliminated in the segment results.

Measuring segment profit or loss

The measure of segment profit or loss used by Allstate's management in evaluating performance is underwriting income for the Allstate Protection and Discontinued Lines and Coverages segments and operating income for the Allstate Financial and Corporate and Other segments. A reconciliation of these measures to net income is provided below.

Underwriting income is calculated as premiums earned, less claims and claims expenses (''losses''), amortization of DAC, operating costs and expenses, and restructuring and related charges as determined using GAAP.

Operating income is net income available to common shareholders, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income,
- valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of DAC and DSI, to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives that are not hedged, after-tax,
- amortization of purchased intangible assets, after-tax,
- gain (loss) on disposition of operations, after-tax, and

- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

Summarized revenue data for each of the Company's reportable segments for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Revenues			
Property-Liability			
Property-liability insurance premiums			
Auto	$ 19,344	$ 18,449	$ 17,928
Homeowners	6,904	6,613	6,359
Other personal lines	1,662	1,629	1,594
Commercial lines	476	456	462
Other business lines	542	471	394
Allstate Protection	28,928	27,618	26,737
Discontinued Lines and Coverages	1	—	—
Total property-liability insurance premiums	28,929	27,618	26,737
Net investment income	1,301	1,375	1,326
Realized capital gains and losses	549	519	335
Total Property-Liability	30,779	29,512	28,398
Allstate Financial			
Life and annuity premiums and contract charges			
Traditional life insurance	511	491	470
Immediate annuities with life contingencies	4	37	45
Accident and health insurance	744	720	653
Total life and annuity premiums	1,259	1,248	1,168
Interest-sensitive life insurance	879	1,086	1,055
Fixed annuities	19	18	18
Total contract charges	898	1,104	1,073
Total life and annuity premiums and contract charges	2,157	2,352	2,241
Net investment income	2,131	2,538	2,647
Realized capital gains and losses	144	74	(13)
Total Allstate Financial	4,432	4,964	4,875
Corporate and Other			
Service fees	5	9	4
Net investment income	27	30	37
Realized capital gains and losses	1	1	5
Total Corporate and Other before reclassification of service fees	33	40	46
Reclassification of service fees (1)	(5)	(9)	(4)
Total Corporate and Other	28	31	42
Consolidated revenues	$ 35,239	$ 34,507	$ 33,315

(1) For presentation in the Consolidated Statements of Operations, service fees of the Corporate and Other segment are reclassified to operating costs and expenses.

Summarized financial performance data for each of the Company's reportable segments for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Net income			
Property-Liability			
Underwriting income			
Allstate Protection	$ 1,887	$ 2,361	$ 1,253
Discontinued Lines and Coverages	(115)	(143)	(53)
Total underwriting income	1,772	2,218	1,200
Net investment income	1,301	1,375	1,326
Income tax expense on operations	(1,040)	(1,177)	(779)
Realized capital gains and losses, after-tax	357	339	221
Gain (loss) on disposition of operations, after-tax	37	(1)	—
Property-Liability net income available to common shareholders	2,427	2,754	1,968
Allstate Financial			
Life and annuity premiums and contract charges	2,157	2,352	2,241
Net investment income	2,131	2,538	2,647
Periodic settlements and accruals on non-hedge derivative instruments	(1)	17	55
Contract benefits and interest credited to contractholder funds	(2,663)	(3,171)	(3,252)
Operating costs and expenses and amortization of deferred policy acquisition costs	(721)	(895)	(926)
Restructuring and related charges	(2)	(7)	—
Income tax expense on operations	(294)	(246)	(236)
Operating income	607	588	529
Realized capital gains and losses, after-tax	94	46	(8)
Valuation changes on embedded derivatives that are not hedged, after-tax	(15)	(16)	82
DAC and DSI amortization related to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(3)	(5)	(42)
DAC and DSI unlocking related to realized capital gains and losses, after-tax	—	7	4
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	1	(11)	(36)
Loss on disposition of operations, after-tax	(53)	(514)	12
Allstate Financial net income available to common shareholders	631	95	541
Corporate and Other			
Service fees [1]	5	9	4
Net investment income	27	30	37
Operating costs and expenses [1]	(364)	(627)	(383)
Income tax benefit on operations	124	220	136
Preferred stock dividends	(104)	(17)	—
Operating loss	(312)	(385)	(206)
Realized capital gains and losses, after-tax	—	—	3
Loss on extinguishment of debt, after-tax	—	(319)	—
Postretirement benefits curtailment gain, after-tax	—	118	—
Corporate and Other net loss available to common shareholders	(312)	(586)	(203)
Consolidated net income available to common shareholders	$ 2,746	$ 2,263	$ 2,306

[1] For presentation in the Consolidated Statements of Operations, service fees of the Corporate and Other segment are reclassified to operating costs and expenses.

Additional significant financial performance data for each of the Company's reportable segments for the years ended December 31 are as follows:

($ in millions)	2014	2013	2012
Amortization of DAC			
Property-Liability	$ 3,875	$ 3,674	$ 3,483
Allstate Financial	260	328	401
Consolidated	$ 4,135	$ 4,002	$ 3,884
Income tax expense			
Property-Liability	$ 1,211	$ 1,357	$ 893
Allstate Financial	299	87	241
Corporate and Other	(124)	(328)	(134)
Consolidated	$ 1,386	$ 1,116	$ 1,000

Interest expense is primarily incurred in the Corporate and Other segment. Capital expenditures for long-lived assets are generally made in the Property-Liability segment. A portion of these long-lived assets are used by entities included in the Allstate Financial and Corporate and Other segments and, accordingly, are charged expenses in proportion to their use.

Summarized data for total assets and investments for each of the Company's reportable segments as of December 31 are as follows:

($ in millions)	2014	2013	2012
Assets			
Property-Liability	$ 55,767	$ 54,726	$ 52,201
Allstate Financial	49,248	65,707	72,368
Corporate and Other	3,518	3,087	2,378
Consolidated	$ 108,533	$ 123,520	$ 126,947
Investments			
Property-Liability	$ 39,083	$ 39,638	$ 38,215
Allstate Financial	38,809	39,105	56,999
Corporate and Other	3,221	2,412	2,064
Consolidated	$ 81,113	$ 81,155	$ 97,278

The balances above reflect the elimination of related party investments between segments.

20. Other Comprehensive Income

The components of other comprehensive income (loss) on a pre-tax and after-tax basis for the years ended December 31 are as follows:

($ in millions)	2014			2013			2012		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 1,026	$ (358)	$ 668	$ (1,278)	$ 447	$ (831)	$ 2,428	$ (848)	$ 1,580
Less: reclassification adjustment of realized capital gains and losses	597	(209)	388	549	(192)	357	225	(79)	146
Unrealized net capital gains and losses	429	(149)	280	(1,827)	639	(1,188)	2,203	(769)	1,434
Unrealized foreign currency translation adjustments	(62)	22	(40)	(49)	17	(32)	22	(8)	14
Unrecognized pension and other postretirement benefit cost arising during the period	(1,197)	421	(776)	1,231	(429)	802	(634)	224	(410)
Less: reclassification adjustment of net periodic cost recognized in operating costs and expenses	(78)	27	(51)	(445)	156	(289)	(166)	58	(108)
Unrecognized pension and other postretirement benefit cost	(1,119)	394	(725)	1,676	(585)	1,091	(468)	166	(302)
Other comprehensive income (loss)	$ (752)	$ 267	$ (485)	$ (200)	$ 71	$ (129)	$ 1,757	$ (611)	$ 1,146

21. Quarterly Results (unaudited)

($ in millions, except per share data)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues	$ 8,684	$ 8,463	$ 8,860	$ 8,787	$ 8,936	$ 8,465	$ 8,759	$ 8,792
Net income available to common shareholders	587	709	614	434	750	310	795	810
Net income available to common shareholders earnings per common share — Basic	1.31	1.49	1.41	0.93	1.77	0.67	1.89	1.79
Net income available to common shareholders earnings per common share — Diluted	1.30	1.47	1.39	0.92	1.74	0.66	1.86	1.76

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Allstate Corporation
Northbrook, Illinois 60062

We have audited the accompanying Consolidated Statements of Financial Position of The Allstate Corporation and subsidiaries (the ''Company'') as of December 31, 2014 and 2013, and the related Consolidated Statements of Operations, Comprehensive Income, Shareholders' Equity, and Cash Flows for each of the three years in the period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Item 9A. Controls and Procedures*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Allstate Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Chicago, Illinois
February 19, 2015

Investor Information

Corporate Headquarters/ Home Office
The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062-6127
(800) 574-3553
www.allstate.com

Annual Meeting
Shareholders of record are invited to attend the annual meeting of The Allstate Corporation on Tuesday, May 19, 2015, 11:00 a.m. (doors open at 10:00 a.m.) at Allstate West Plaza
3100 Sanders Road
Northbrook, Illinois 60062-7154

Holders of common stock of record at the close of business on March 20, 2015 are entitled to vote at the meeting. A notice of meeting, proxy statement and proxy card and/or voting instructions were provided to shareholders with this annual report.

Shareholder Services/Transfer Agent
For information or assistance regarding individual stock records, dividend reinvestment, dividend checks, 1099DIV and 1099B tax forms, direct deposit of dividend payments, or stock certificates, contact Wells Fargo Shareowner Services, in any of the following ways:

BY TELEPHONE:
(800) 355-5191 within the U.S. or
(651) 450-4064 outside the U.S.

BY MAIL:
Wells Fargo Bank, N.A.
Shareowner Services
P.O. Box 64854
St. Paul, MN 55164-0854

BY CERTIFIED/OVERNIGHT MAIL:
Wells Fargo Bank, N.A.
Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

ON THE INTERNET–
account information:
shareowneronline.com

Allstate 401(k) Savings Plan
For information about the Allstate 401(k) Savings Plan, call the Allstate Benefits Center at (888) 255-7772.

Investor Relations
Security analysts, portfolio managers and representatives of financial institutions seeking information about the company should contact:

Investor Relations
The Allstate Corporation
2775 Sanders Road, Suite F3SE
Northbrook, IL 60062-6127
(800) 416-8803
invrel@allstate.com

Communications to the Board of Directors
Shareholders or other interested parties who wish to communicate to the Board of Directors may do so by mail or email as follows. Please let us know if you are a shareholder.

BY EMAIL:
directors@allstate.com

BY MAIL:

The Allstate Corporation
Nominating & Governance
Committee
c/o General Counsel
Allstate Insurance Company
2775 Sanders Road, Suite F7
Northbrook, IL 60062-6127

Code of Ethics
Allstate's Code of Ethics is available on the Corporate Governance portion of the company's website, *www.allstate.com.*

Corporate Social Responsibility
Information on Allstate's social responsibility programs is available at *www.allstate.com/social-responsibility.*

Common Stock and Dividend Information
(in dollars)

	HIGH	LOW	CLOSE	DIVIDENDS DECLARED
2014				
First Quarter	56.65	49.18	56.58	0.28
Second Quarter	59.68	54.81	58.72	0.28
Third Quarter	62.59	56.63	61.37	0.28
Fourth Quarter	71.53	59.28	70.25	0.28
2013				
First Quarter	49.13	40.65	49.07	0.25
Second Quarter	50.69	45.60	48.12	0.25
Third Quarter	52.98	47.32	50.55	0.25
Fourth Quarter	54.84	50.21	54.54	0.25

Stock price ranges are from the New York Stock Exchange Composite listing. As of 4:00 p.m. (EST) on January 30, 2015, the closing price of Allstate common stock as reported on the New York Stock Exchange was $69.79 and there were 88,524 shareholders of record.

Media Inquiries
Allstate Media Relations
2775 Sanders Road
Northbrook, IL 60062-6127
(847) 402-5600

Form 10-K, Other Reports
Shareholders may receive without charge a copy of The Allstate Corporation Form 10-K annual report (filed with the U.S. Securities and Exchange Commission) and other public financial information for the year ended December 31, 2014, by contacting:

Investor Relations
The Allstate Corporation
2775 Sanders Road, Suite F3SE
Northbrook, IL 60062-6127
(800) 416-8803
invrel@allstate.com

The Allstate Corporation's Annual Report is available online at:
www.allstate.com/annualreport

Stock Exchange Listing
The Allstate Corporation common stock is listed on the New York Stock Exchange under the trading symbol "ALL." Common stock is also listed on the Chicago Stock Exchange.

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
111 South Wacker Drive
Chicago, IL 60606-4301

Online Information
You can access financial and other information about Allstate on our website, *www.allstateinvestors.com*, including executive speeches, investor conference calls and quarterly investor information.

SOY

Printed on recycled paper

Allstate Cares

We care about our customers and about the way we do business. We care about the communities we serve and our place in society. We're 75,000+ unique individuals who joined Allstate to make a difference, bound by a deep desire to have purpose in our lives and our work.

In 2014, The Allstate Foundation, Allstate, its employees and agency owners gave $34 million to support local communities. Allstate employees and agency owners donated 200,000 hours of service across the country. Over a longer period of time, we've helped our customers and communities prepare for disasters and other perils. We helped more than 580,000 domestic violence survivors take steps toward financial independence and a life free of violence. And we're helping to inspire the next generation of leaders.

HELPING DOMESTIC VIOLENCE SURVIVORS
In 2014, actress Kerry Washington joined with The Allstate Foundation to raise awareness about domestic violence and the role financial abuse plays in abusive relationships. Washington was the national ambassador for Allstate Foundation Purple Purse. Through online donations, the Purple Purse Challenge raised nearly $2.5 million for domestic violence services. Since 2005, The Allstate Foundation has invested more than $43 million in programs and services to end domestic violence and helped more than 580,000 domestic violence survivors to take steps toward financial independence and a life free from abuse.

EMPOWERING YOUNG CITIZENS
In the United States, Allstate is sponsoring 12 "We Day" stadium-size rallies and "We Act" year-long community service programs for 1.4 million youth between 2014 and 2016. You can't buy a ticket to We Day. Students earn their way to an event by taking action on one local and one global cause of their choice through the We Act program. Our goal: empower future generations with the strength, confidence and skills to do the right thing, stand up for themselves and others, and realize their full potential.

Allstate
You're in good hands.

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062-6127

www.allstate.com/annualreport